INTERIM CONSOLIDATED REPORT

FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2023

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 2023 from 01.01.2023 to 30.09.2023**	3 quarters of 2022 from 01.01.2022 to 30.09.2022	**3 quarters of 2023 from 01.01.2023 to 30.09.2023**	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Net interest income	8	**3,804,037**	2,276,074	**831,066**	485,511
Net fee and commission income	9	**919,861**	875,370	**200,961**	186,726
Profit before tax		**1,959,881**	457,314	**428,174**	97,550
Profit after tax		**1,393,111**	188,812	**304,352**	40,276
Total net cash flows		**1,866,833**	(502,409)	**407,846**	(107,169)
Statement of cash flows		**3 quarters of 2023 from 01.01.2023 to 30.09.2023**	3 quarters of 2022 from 01.01.2022 to 30.09.2022	**3 quarters of 2023 from 01.01.2023 to 30.09.2023**	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Total net cash flows		**(836,521)**	6,333,803	**(182,754)**	1,351,067
Ratios		**30.09.2023**	30.09.2022	**30.09.2023**	30.09.2022
Number of shares (items)	49	**147,676,946**	147,593,150	**147,676,946**	147,593,150
Earnings per share	18	**9.44**	**1.28**	**2.06**	**0.27**
Statement of financial position		**30.09.2023**	31.12.2022	**30.09.2023**	31.12.2022
Total assets		**156,870,541**	151,517,069	**33,840,396**	32,307,100
Loans and advances to customers measured at amortised cost	23	**87,789,947**	89,090,317	**18,938,206**	18,996,208
Loans and advances to customers measured at fair value through profit or loss	24	**729,446**	949,298	**157,357**	202,413
Total liabilities		**143,739,607**	140,254,848	**31,007,767**	29,905,723
Amounts due to customers	34	**124,223,279**	120,021,043	**26,797,670**	25,591,386
Share capital	49	**147,677**	147,593	**31,857**	31,470
Total equity		**13,130,934**	11,262,221	**2,832,629**	2,401,378
Capital adequacy		**30.09.2023**	31.12.2022	**30.09.2023**	31.12.2022
Total own funds		**14,976,582**	14,842,133	**3,230,775**	3,164,701
Total risk exposure		**91,684,676**	95,456,297	**19,778,384**	20,353,589
Total capital ratio		**16.33%**	15.55%	**16.33%**	15.55%
Tier 1 capital ratio		**12.13%**	11.28%	**12.13%**	11.28%

Selected separate financial data	in PLN '000		in EUR '000	
Statement of profit or loss	**3 quarters of 2023 from 01.01.2023 to 30.09.2023**	3 quarters of 2022 from 01.01.2022 to 30.09.2022	**3 quarters of 2023 from 01.01.2023 to 30.09.2023**	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Net interest income	**3,729,804**	2,204,131	**814,848**	470,164
Net fee and commission income	**881,469**	828,200	**192,574**	176,664
Profit before tax	**1,933,362**	412,410	**422,380**	87,971
Profit after tax	**1,369,772**	148,563	**299,253**	31,690
Total comprehensive income	**1,843,494**	(542,658)	**402,747**	(115,755)
Statement of cash flows	**3 quarters of 2023 from 01.01.2023 to 30.09.2023**	3 quarters of 2022 from 01.01.2022 to 30.09.2022	**3 quarters of 2023 from 01.01.2023 to 30.09.2023**	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Total net cash flows	**(811,008)**	6,610,921	**(177,180)**	1,410,179
Ratios	**30.09.2023**	30.09.2022	**30.09.2023**	30.09.2022
Number of shares (items)	**147,676,946**	147,593,150	**147,676,946**	147,593,150
Earnings per share	**9.28**	1.01	**2.03**	0.21
Statement of financial position	**30.09.2023**	31.12.2022	**30.09.2023**	31.12.2022
Total assets	**151,955,753**	146,108,498	**32,780,169**	31,153,862
Loans and advances to customers measured at amortised cost	**83,108,182**	83,893,270	**17,928,247**	17,888,072
Loans and advances to customers measured at fair value through profit or loss	**729,446**	949,298	**157,357**	202,413
Total liabilities	**138,892,010**	134,893,224	**29,962,035**	28,762,495
Amounts due to customers	**124,147,859**	120,429,051	**26,781,400**	25,678,384
Share capital	**147,677**	147,593	**31,857**	31,470
Total equity	**13,063,743**	11,215,274	**2,818,134**	2,391,367
Capital adequacy	**30.09.2023**	31.12.2022	**30.09.2023**	31.12.2022
Total own funds	**14,972,299**	14,874,946	**3,229,851**	3,171,698
Total risk exposure	**88,204,202**	91,512,357	**19,027,570**	19,512,646
Total capital ratio	**16.97%**	16.25%	**16.97%**	16.25%
Tier 1 capital ratio	**12.60%**	11.80%	**12.60%**	11.80%

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 30.09.2023 - EUR 1 = PLN 4.6356
- as of 31.12.2022 - EUR 1 = PLN 4.6899

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 1.01.2023 to 30.09.2023 - EUR 1 = PLN 4.5773
- for the period from 1.01.2022 to 30.09.2022 - EUR 1 = PLN 4.6880

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Interest income	8	2,482,114	7,270,070	1,103,035	4,145,239
Interest income calculated with the use of effective interest rate method		2,400,595	6,950,715	1,039,817	3,922,394
interest income on financial instruments measured at amortised cost		2,228,163	6,474,090	966,799	3,710,525
interest income on financial instruments measured at fair value through other comprehensive income		172,432	476,625	73,018	211,869
Income of a similar nature to interest on instruments measured at fair value through profit or loss		81,519	319,355	63,218	222,845
Interest expense	8	(1,117,390)	(3,466,033)	(979,331)	(1,869,165)
Net interest income		**1,364,724**	**3,804,037**	**123,704**	**2,276,074**
Fee and commission income	9	353,198	1,113,683	350,204	1,073,924
Fee and commission expenses	9	(66,356)	(193,822)	(70,457)	(198,554)
Net fee and commission income		**286,842**	**919,861**	**279,747**	**875,370**
Dividend income		6,372	10,570	2,509	10,651
Net trading income	10	272,632	756,663	211,855	481,465
Result on investment activities	11	6,211	(152)	6,321	36,822
Result on hedge accounting	22	(536)	(16,866)	(9,145)	10,379
Result on derecognition of financial assets measured at amortised cost due to significant modification		(7,890)	3,722	(273)	(2,652)
Net allowances on expected credit losses of financial assets and provisions for contingent liabilities	12	(11,370)	39,980	(54,021)	(218,748)
Net impairment losses on financial assets and contingent liabilities	52	(370,848)	(961,260)	(134,000)	(356,737)
Result on provisions for legal risk related to foreign currency loans	13	(645,538)	(1,932,285)	(556,811)	(1,976,326)
General administrative expenses	14	(115,918)	(339,457)	(101,853)	(308,328)
Amortisation	15	52,829	172,501	50,290	162,132
Other operating income	16	(76,393)	(193,256)	(67,249)	(217,954)
Operating result		**761,117**	**2,264,058**	**(248,926)**	**772,148**
Tax on financial institutions		(101,642)	(304,177)	(112,066)	(314,834)
Profit before tax		**659,475**	**1,959,881**	**(360,992)**	**457,314**
Income tax expenses	17	(213,996)	(566,770)	14,395	(268,502)
Net profit		**445,479**	**1,393,111**	**(346,597)**	**188,812**
attributable to equity holders of the Group		445,479	1,393,111	(346,597)	188,812
Earnings (loss) per share (in PLN per one share)					
Basic	18	3.02	9.44	(2.35)	1.28
Diluted	18	3.02	9.43	(2.35)	1.28

The BNP Paribas Bank Polska Group generated a net profit of PLN 1,393,111 thousand in the three quarters of 2023, by PLN 1,204,299 thousand (i.e. by 637.8%) higher than that achieved in the three quarters of 2022. The Group's result on banking activities in the analysed period amounted to PLN 5,457,080 thousand and was higher by PLN 1,824,793 thousand, i.e. by 50.2% year-on-year.

The most important event affecting the comparability of the results realised in the periods under review was the enactment on 14 July 2022. The Law on Community Financing for Economic Ventures and Borrower Assistance allowing borrowers to request a suspension of repayments of 8 instalments of a PLN mortgage loan, in the period from 1 August 2022 to 31 December 2023 (credit holiday). Based on the data on customers' utilisation of the aforementioned option, the Bank recognised an amount of PLN 965 million of negative impact within the interest result of the third quarter of 2022 (for the whole of 2022, the negative impact amounted to PLN 895 million). In 2023, the Bank revised its estimates and adjusted the impact recognised in 2022 by PLN 33 million, which improved the net interest income realised in the three quarters of 2023.

It is estimated that in comparable conditions, i.e. after eliminating the impact of loan holidays on results (applying the standard income tax rate), net profit in the three quarters of 2023 would amount to PLN 1,366,381 thousand and would be by PLN 395,919 thousand, i.e. by 40.8% higher than that realised in the three quarters of 2022 (PLN 970,462 thousand). The Group's result on banking activities in the analysed period would have amounted to PLN 5,424,080 thousand and would have been higher by PLN 826,793 thousand, i.e. by 18.0% year-on-year (after three quarters of 2022 it would have amounted to PLN 4,597,287 thousand).

The level of the result from banking activities in the three quarters of 2023 and its comparability with the same period of the previous year were also affected by the consequences of changes in the macroeconomic situation (primarily the level of inflation), economic and monetary policy and the situation in the financial markets, which have a significant impact on banking activities. The most significant impacts on the Group's results were:

- high level of interest rates as a consequence of monetary policy tightening by the Monetary Policy Council (hereinafter: MPC). Between October 2021 and September 2022, the MPC made eleven interest rate increases totalling 665 bps to 6.75% for the reference rate. The monetary easing cycle began in September 2023. By 4 October 2023, the MPC had cut rates by a total of 100 bps to 5.75% for the reference rate. The higher average level of interest rates sustained in the three quarters of 2023 compared to the same period last year had a positive impact on the level of interest margins realised by banks. The Group's net interest income in the three quarters of 2023 amounted to PLN 3,771,037 thousand on a comparable basis (i.e. excluding the impact of loan holidays) and was PLN 529,963 thousand, i.e. 16.4% higher year-on-year (after three quarters of 2022 it amounted to PLN 3,241,074 thousand);
- negative and lower compared to the three quarters of 2022, the result on hedge accounting related to the pace and direction of changes in interest rates. The change in the measurement to fair value of hedging transactions is recognised in the result on hedge accounting, which was lower by PLN 27,245 thousand year-on-year in the three quarters of 2023. Interest income from IRS transactions (total on derivatives under fair value hedge accounting and under cash flow hedge accounting) is recognised in net interest income and was lower by PLN 251,681 thousand y/y in the three quarters of 2023;
- volatility in the financial markets, which in particular affected the result on derivatives trading activities. The result on trading activities in the three quarters of 2023 was PLN 275,198 thousand (i.e. 57.2%) higher than the result realised in the same period of the previous year, largely due to an improvement in the result on FX Swap instruments and the result on the valuation of IRS hedging preferential loans.

Elements of the regulatory environment that had a positive impact on the results of the three quarters of 2023 compared to the same period last year included a reduction in the total value of the Bank Guarantee Fund (BFG) contributions - a lower annual contribution to the forced restructuring fund and no quarterly contribution to the banks' guarantee fund - and the absence of the costs of the System of Commercial Bank Protection (SOBK). The costs of the BFG and SOBK incurred in the three quarters of 2023 were by PLN 234,055 thousand (i.e. by 65.3%) lower compared to the three quarters of 2022. As a result, despite inflationary pressures translating into an increase in staff costs and other operating cost categories, total administrative expenses and depreciation incurred in the three quarters of 2023 were PLN 12,912 thousand, i.e. 0.6%, lower compared with the three quarters of 2022. Costs excluding BFG and SOBK costs would have been 11.5% higher compared to the three quarters of 2022.

The continued good quality of the loan portfolio, realised recoveries on the individually valued impaired portfolio and changes in the macroeconomic outlook had a positive impact on the results of the three quarters of 2023. The result of the allowance for expected credit losses of financial assets and provisions for contingent liabilities was positive at PLN 39,980 thousand compared to the negative result of PLN 218,748 thousand recorded in the three quarters of 2022.

The factor significantly affecting the level of the Group's net result in the three quarters of 2023 remained the cost of provisions for legal risk related to foreign currency loans. They burdened the Group's results with the amount of PLN 961,260 thousand, up by PLN 604,523 thousand (i.e. 169.5%) year-on-year. At the same time, the Group recognised a deferred tax asset related to the housing loan settlements. At the end of the third quarter of 2023, the asset amounted to PLN 24.19 million.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Net profit for the period		**445,479**	**1,393,111**	**(346,597)**	**188,812**
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions		**71,402**	**475,571**	**21,862**	**(689,393)**
Measurement of financial assets measured through other comprehensive income		78,776	535,071	24,595	(741,451)
Deferred income tax		(14,968)	(101,664)	(4,673)	140,876
Measurement of derivatives hedging gross cash flows	22	9,375	52,054	2,395	(109,652)
Deferred income tax		(1,781)	(9,890)	(455)	20,834
Items that will not be reclassified to profit or loss		**(1,553)**	**(1,849)**	**(2,339)**	**(1,828)**
Actuary valuation of employee benefits	7e	(1,917)	(2,282)	(2,888)	(2,257)
Deferred income tax		364	433	549	429
Other comprehensive income (net)		**69,849**	**473,722**	**19,523**	**(691,221)**
Total comprehensive income for the period		**515,328**	**1,866,833**	**(327,074)**	**(502,409)**
attributable to equity holders of the Group		515,328	1,866,833	(327,074)	(502,409)

The Group's total income in the three quarters of 2023 amounted to PLN 1,866,833 thousand, compared to PLN -502,409 thousand in the three quarters of 2022 (an improvement of PLN 2,369,242 thousand).

This was the result of a positive valuation of financial assets measured by other comprehensive income (PLN 535,071 thousand after three quarters of 2023 vs. PLN -741,451 thousand after three quarters of 2022. This improvement is related to a change in market expectations of interest rate levels.

The second element that improved the Group's total income was the net financial result, which at the end of the three quarters of 2023 was higher by PLN 1,204,299 thousand (i.e. by 637.8%) compared with the three quarters of 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30 September 2023	31 December 2022
Cash and balances at Central Bank	19	6,699,539	2,718,307
Amounts due from banks	20	16,195,371	11,800,189
Derivative financial instruments	21	2,797,626	3,224,272
Adjustment of fair value of hedging item	22	125,440	33,025
Loans and advances to customers measured at amortised cost	23	87,789,947	89,090,317
Loans and advances to customers measured at fair value through profit or loss	24	729,446	949,298
Securities measured at amortised cost	25	26,158,895	22,167,261
Securities measured at fair value through profit or loss	26	290,465	316,593
Securities measured at fair value through other comprehensive income	27	12,408,951	17,384,793
Intangible assets	28	851,904	821,106
Property, plant and equipment	29	987,967	1,069,429
Deferred tax assets		778,997	966,436
Current tax assets		26,316	14,107
Other assets	31	1,029,677	961,936
Total assets		**156,870,541**	**151,517,069**

LIABILITIES	Note	30 September 2023	31 December 2022
Amounts due to Central Bank	32	-	8,713
Amounts due to other banks	33	6,429,084	7,158,024
Derivative financial instruments	21	2,872,187	3,147,855
Adjustment of fair value of hedging and hedged item	22	(245,848)	(451,646)
Amounts due to customers	34	124,223,279	120,021,043
Debt securities issued	35	-	364,633
Subordinated liabilities	36	4,415,727	4,416,887
Lease liabilities	30	676,222	718,892
Other liabilities	37	2,328,802	2,423,182
Current tax liabilities		276,659	223,527
Provisions	38	2,763,495	2,223,738
Total liabilities		**143,739,607**	**140,254,848**

EQUITY	Note	30 September 2023	31 December 2022
Share capital	49	147,677	147,593
Supplementary capital		9,110,976	9,110,976
Other reserve capital		3,523,460	3,142,098
Revaluation reserve		(676,064)	(1,149,786)
Retained earnings		1,024,885	11,340
retained profit		(368,226)	(430,157)
net profit for the period		1,393,111	441,497
Total equity		**13,130,934**	**11,262,221**
Total liabilities and equity		**156,870,541**	**151,517,069**

The Group's total assets as at the end of the third quarter of 2023 amounted to PLN 156,870,541 thousand, an increase of PLN 5,353,472 thousand, i.e. 3.5%, compared with the end of 2022.

The most important change in the Group's asset structure compared to the end of 2022 was a decrease in the share of the loan portfolio (sum of portfolios measured at amortised cost and at fair value) by 3.0 p.p. and that of the securities portfolio by 1.5 p.p., while receivables from banks increased by 2.5 p.p. and cash and funds at the Central Bank also increased by 2.5 p.p.

The Group's asset structure was dominated by loans granted to Clients (the sum of portfolios measured at amortised cost and at fair value), which accounted for 56.4% of all assets at the end of September 2023, compared to 59.4% at the end of 2022. The decrease in the net volume of loans amounted to PLN 1,520,222 thousand, i.e. 1.7% and related to the portfolio of both Individual Clients, which decreased by 3.8% compared to the end of 2022 (including loans on real estate decreased by 6.7%) and Institutional Clients (-0.2%).

The second largest asset item was securities, which accounted for 24.8% of the balance sheet total at the end of the third quarter of 2023 (at the end of 2022: 26.3%). As at 30 September 2023, their value decreased by PLN 1,010,336 thousand (i.e. by 2.5%) compared to the end of 2022. The decrease in the portfolio of securities measured at fair value through other comprehensive income by PLN 4,975,842 thousand, i.e. by 28.6% (decrease in the portfolio of NBP cash bonds with an increase in bonds issued by other financial institutions) was partially offset by an increase in the portfolio of securities measured at amortisation. of the cost (by PLN 3,991,634 thousand, i.e. by 18.0%).

The share of receivables from banks (the third largest asset) amounted to 10.3% (at the end of 2022: 7.8%). Compared to the end of 2022, their value increased by PLN 4,395,182 thousand (+37.2%) and amounted to PLN 16,195,371 thousand. This change was mainly due to an increase in the value of receivables from securities purchased with a repurchase promise received.

The share of cash and funds in the Central Bank increased from 1.8% to 4.3% (by PLN 3,981,232 thousand, i.e. by 146.5%) due to the higher level of funds in the NBP current account.

Liabilities and equity

As at 30 September 2023, the total value of the Group's liabilities amounted to PLN 143,739,607 thousand and was PLN 3,484,759 thousand, i.e. 2.5% higher compared to the end of 2022. The share of liabilities in the Group's total liabilities and equity amounted to 91.6% during the period analysed (a decrease of 0.9 p. p. compared to the end of 2022).

The structure of liabilities is dominated by liabilities to Clients. Their share as at 30 September 2023 amounted to 86.4% and increased by 0.8 p.p compared to the end of 2022. In value terms, the volume of these liabilities increased by PLN 4,202,236 thousand, i.e. by 3.5% compared to December 2022 and amounted to PLN 124,223,279 thousand.

The Group's equity as at 30 September 2023 amounted to PLN 13,130,934 thousand and increased by PLN 1,868,713 thousand, i.e. by 16.6% compared to 31 December 2022. The total equity share of the Group's liabilities and equity amounted to 8.4% as at 30 September 2023 (compared to 7.4% at the end of 2022).

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 2023	**147,593**	**9,110,976**	**3,142,098**	**(1,149,786)**	**(430,157)**	**441,497**	**11,262,221**
Total comprehensive income for the period	**-**	**-**	**-**	**473,722**	**-**	**1,393,111**	**1,866,833**
Net profit for the period	-	-	-	-	-	1,393,111	1,393,111
Other comprehensive income for the period	-	-	-	473,722	-	-	473,722
Distribution of retained earnings	**-**	**-**	**376,471**	**-**	**65,026**	**(441,497)**	**-**
Distribution of earnings intended for capital	-	-	376,471	-	65,026	(441,497)	-
Issuance of shares	**84**	**-**	**-**	**-**	**-**	**-**	**84**
Management stock options*	**-**	**-**	**4,891**	**-**	**-**	**-**	**4,891**
Other adjustments	**-**	**-**	**-**	**-**	**(3,095)**	**-**	**(3,095)**
Balance as of 30 September 2023	**147,677**	**9,110,976**	**3,523,460**	**(676,064)**	**(368,226)**	**1,393,111**	**13,130,934**

* for details on the management stock options programme please refer to Note 40

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: 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	**-**	**-**	**-**	**(554,164)**	**-**	**441,497**	**(112,667)**
Net profit for the period	-	-	-	-	-	441,497	441,497
Other comprehensive income for the period	-	-	-	(554,164)	-	-	(554,164)
Distribution of retained earnings	**-**	**-**	**190,025**	**-**	**(13,727)**	**(176,298)**	**-**
Distribution of retained earnings intended for capital	-	-	190,025	-	(13,727)	(176,298)	-
Issuance of shares	**74**	**-**	**-**	**-**	**-**	**-**	**74**
Management stock options*	**-**	**-**	**5,958**	**-**	**-**	**-**	**5,958**
Other adjustments	**-**	**-**	**-**	**-**	**7,225**	**-**	**7,225**
Balance as of 31 December 2022	**147,593**	**9,110,976**	**3,142,098**	**(1,149,786)**	**(430,157)**	**441,497**	**11,262,221**

* for details on the management stock options programme please refer to Note 40

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: 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 retained 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 40

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Net profit (loss)		**1,393,111**	**188,812**
Adjustments for:		**(3,131,499)**	**5,248,538**
Income tax expenses		566,770	268,502
Depreciation and amortisation	14	339,457	308,328
Dividend income		(10,570)	(10,651)
Interest income	8	(7,270,070)	(4,145,239)
Interest expense	8	3,466,033	1,869,165
Change in provisions		537,403	312,023
Change in amounts due from banks		(9,212,495)	(341,890)
Change in assets due to derivative financial instruments		334,231	(2,359,947)
Change in loans and advances to customers measured at amortised cost		1,371,863	(6,661,474)
Change in loans and advances to customers measured at fair value through profit or loss		219,852	194,558
Change in amounts due to banks		(939,890)	(2,104,655)
Change in liabilities due to derivative financial instruments		(17,816)	2,160,942
Change in amounts due to customers		4,136,047	13,373,044
Change in other assets and current tax assets		(31,545)	(356,316)
Change in other liabilities and provisions due to deferred tax		(91,871)	567,927
Other adjustments		(29,596)	184,883
Interest received		7,348,063	3,780,694
Interest paid		(3,398,299)	(1,637,800)
Tax paid		(448,230)	(152,597)
Lease payments for short-term leases not included in the lease liability measurement		(835)	(959)
Net cash flows from operating activities		**(1,738,388)**	**5,437,350**

CASH FLOWS FROM INVESTMENT ACTIVITIES:		3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Investment activities inflows		**122,185,778**	**51,692,833**
Sale and maturity of financial assets		122,156,193	51,670,138
Sale of financial assets		5,000	-
Sale of intangible assets and property, plant and equipment		12,796	12,044
Dividends received and other inflows from investing activities		11,789	10,651
Investment activities outflows		**(121,015,131)**	**(50,909,158)**
Purchase of debt securities		(120,719,708)	(50,688,180)
Purchase of intangible assets and property, plant and equipment		(295,423)	(220,978)
Net cash flows from investment activities		**1,170,647**	**783,675**

CASH FLOWS FROM FINANCING ACTIVITIES:		3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Financing activities inflows		**1,570,296**	**1,471,681**
Long-term loans received and subordinated liabilities		1,570,212	1,471,607
Net inflows from issuance of shares and return of capital contributions		84	74
Financing activities outflows		**(1,839,076)**	**(1,358,903)**
Repayment of long-term loans received		(1,364,267)	(973,274)
Repayment of lease liability		(110,260)	(99,098)
Redemption of debt securities		(364,427)	(286,531)
Other financial expenses		(122)	-
Net cash flows from financing activities		**(268,780)**	**112,778**
TOTAL NET CASH AND CASH EQUIVALENTS		**(836,521)**	**6,333,803**
Cash and cash equivalents at the beginning of the period		**13,217,271**	**5,512,816**
Cash and cash equivalents at the end of the period:	41	**12,380,750**	**11,846,619**
Effect of exchange rate fluctuations on cash and cash equivalents		63,583	95,454

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, 13th 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 2023, 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. BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. („TFI" 100%).
2. BNP PARIBAS LEASING SERVICES SP. Z O.O. („LEASING" 100%).
3. BNP PARIBAS GROUP SERVICE CENTER S.A. („GSC" 100%).
4. CAMPUS LESZNO SP. Z O.O. (100%).

On 27.03.2023 the securitisation programme has been completed and BGZ Poland ABS1 DAC (SPV) company has been no longer controlled by the Bank.

On 18.04.2023, the deletion of the company Bankowy Fundusz Nieruchomości Actus Sp. z.o.o. from the National Court Register became legally effective and this completed the process of its liquidation.

In accordance with the principles of International Financial Reporting Standards, the interim condensed consolidated financial statements covered all Subsidiaries as of 30 September 2023.

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 2023 ended 30 September 2023 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 2023 do not differ from the principles applicable in 2022, which are described in detail in the Consolidated financial statements of Bank BNP Paribas S.A. Capital Group for the year ended 31 December 2022.

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 2022.

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 Group'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 Group's financial statements.
Changes to IAS 1 Presentation of financial statements – Long-term liabilities with covenants	31.10.2022	01.01.2024	No	The changes are aimed at improving the information provided by companies on long-term liabilities with covenants. The changes will not significantly affect the Group's financial statements.
Changes to IAS 21 The Effects of Changes in Foreign Exchange Rates. Lack of currency exchange	15.08.2023	01.01.2025	No	Identification of when a currency is exchangeable and when it is not, along with the required disclosures in case of lack of currency exchangeability. The changes will not have a significant impact on the Group's financial statements.
Changes to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. Supplier Financing Agreements.	25.05.2023	01.01.2024	No	The changes include additional disclosures related to supplier financing agreements.
Changes to IAS 12 Income Taxes	23.05.2023	01.01.2023	No	The changes cover disclosures related to the application of second pillar principles. The changes will not have a significant impact on the Group'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 2023 ended 30 September 2023 was approved for publication by the Management Board on 8 November 2023.

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.

Criteria for classification to stages

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.

The assessment consists in verifying whether the ratio of the cumulative PD as of the report date determined for the period from the report date to the maturity date and the cumulative PD as of the initial recognition date determined for the period from the report date to the maturity date exceeds the relative threshold for the change in the PD lifetime parameter. Exceeding the threshold results in classification into Stage 2. PD lifetime weighted by the probability of occurrence of individual macroeconomic scenarios is used for comparison.

The threshold amount is set at the level of homogeneous portfolios based on an analysis of loss levels for historical data. The analysis is designed to ensure high discriminatory power of the introduced allocation and its results are subject to verification for intuitiveness. The thresholds adopted at the Group range from 1.8 to 2.7 times PD lifetime growth relative to initial recognition, depending on the segment.

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 pursuant to Article 31fa of the Act of 2 March 2020, on special arrangements for the prevention, counteraction and control of covid-19, other infectious diseases and emergencies caused by them,
- 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.

With regard to the criteria for assignment to Stages, the Group implemented a premise based on the assessment of the relative change in the PD lifetime parameter.

Due to the ongoing war in Ukraine and the economic sanctions issued against Russia and Belarus, the Bank analysed credit exposures directly related to these countries and, based on this, did not identify any significant exposures both in the portfolio of business and retail clients. At the same time, the Bank monitors the situation of customers on an ongoing basis with a view to securing the credit portfolio by adequately reflecting the level of risk on these customers in the amount of allowances. The Bank has identified institutional customers who are vulnerable to the effects of the situation in Ukraine, including, in particular, customers whose business is linked to the economies of the above countries (and thus may be exposed to the effects of war and imposed sanctions) and whose business is vulnerable to the embargo on Russian gas. These customers accounted for PLN 954,839 thousand of exposure as of 30 September 2023, and were classified in Stage 2, as customers for whom there was a significant increase in credit risk. Due to the recognition of an allowance for expected credit losses for these customers over the entire remaining expected life, the level of the allowance for these customers increased by PLN 21,577 thousand relative to the allowance over a 12-month horizon.

With regard to the remaining segments, in the process of assigning Stages, the Bank took into account the increased risk associated with customers with the greatest exposure to turbulence in the economic environment by transferring these exposures to Stage 2. The basis for identifying sensitive customers was:

- for the portfolio of loans secured by real estate in PLN, simulations of debt servicing capacity, taking into account current and projected levels of interest rates;
- for the segment of other retail customers, available indicators that are indicative of the level of debt burden and the timeliness of servicing obligations with other institutions;
- for the portfolio of micro-entrepreneurs, the level of the customer's rating.

The cumulative effect of these actions on other segments resulted in the inclusion in Stage 2 of exposures in the amount of PLN 870,686 thousand and the recognition of PLN 15,538 thousand in allowances on this account (including the transfer to Stage 2 of exposures in the amount of PLN 367,769 thousand and as a result recognition of an additional allowance in the amount of PLN 3,899 thousand on the portfolio of loans secured by real estate in PLN).

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 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. The amount of the allowance for expected credit losses in the collective method is determined under four macroeconomic scenarios. The final value of the allowance is determined as the average of these four calculations weighted by the probability of occurrence of a given scenario. The base case scenario has a weight of 50%, the negative and severe scenario weights are estimated based on the ratio of the current projected claims to the long-term average for the segment, the positive scenario weight is derived from the negative scenario weight. As of 30.09.2023, the weight of the severe scenario ranged from 0% to 4.66% depending on the portfolio, the pessimistic scenario from 0% to 18.66%.

In the process of calculating the amount of allowances, the following parameters are used:

1) probability of default (PD)

The amount of the parameter for individual exposures is estimated using a model based on Markov chains. For its estimation, historical matrices of migration of exposures between risk classes are used. Risk classes are determined based on internal ratings and baskets of the number of days in default. Migrations are determined within homogeneous portfolios defined by customer segment and product type.

The parameter values resulting from the above model are through-the-cycle. In order to ensure the point-in-time nature required by the IFRS9 standard, they are subsequently adjusted based on current forecasts of the macroeconomic environment. The adjustment made is based on econometric models built for individual segments based on time series. If it is not possible to build a model for a particular segment, a simplification based on the Box-Cox transformation is applied.

2) loss given default (LGD) ratio

The amount of the parameter for individual exposures is determined based on the probability of occurrence of individual recovery paths (return to regular repayments, full repayment of the obligation, commencement of hard recovery) and the expected levels of loss if a given path occurs. The probabilities of occurrence of individual paths are determined based on a Markov chain-based model and estimation based on historical data. Loss levels are determined based on historically observed recoveries. They take into account recoveries linked to collateral allocated to a given exposure, repayments not linked to collateral, and recoveries expected from the sale of receivables.

The assignment of specific components is based on customer segment, product type, exposure characteristics, current number of days in default, contract status and number of months since the commencement of hard recovery. The parameters for recovery from the collateral are based on the type of collateral and the number of months since the commencement of hard collection.

The parameter values resulting from the above model are through-the-cycle. In order to ensure the point-in-time nature required by the IFRS9 standard, they are adjusted based on current forecasts of the macroeconomic environment. The adjustment made is based on econometric models built for individual segments, based on time series. If it is not possible to build a model for a particular segment, a simplification based on the Box-Cox transformation is applied - this does not apply to portfolios where expert values are used for parameter estimation due to the lack of sufficient historical observations.

3) the conversion factor of granted off-balance sheet liabilities to on-balance sheet receivables (CCF - credit conversion factor)

The amount of the parameter is determined based on average observed historical values. The parameter is estimated within homogeneous portfolios defined by customer segment and product type. For segments where there are not enough observations to determine the parameter, expert values are adopted.

For the CCF parameter, the Group demonstrated its lack of dependence on macroeconomic factors based on historical data.

4) prepayment expectation factor (PPF)

The amount of the parameter is determined based on the prepayment curve assigning dependence on the months of existence of the credit exposure. The prepayment curve is estimated based on historical data by customer segment and product type. When calculating the expected credit loss, prepayment factors adjust the balance sheet exposure resulting from the loan repayment schedule.

For the PPF parameter, the Group demonstrated its lack of dependence on macroeconomic factors based on historical data.

5) expected life of the loan (BRL - behavioural lifetime)

For exposures for which there is no contractual existence life-time, the behavioural lifetime of the loan is estimated. This value is assigned by customer segment and credit product type. The estimation of the behavioural life of a loan is based on building a profile of historically observed existence length in an exposure of a given type and fitting a logistic regression function to it. This function is then used to estimate the final value in a given segment.

In the three quarters of 2023, the Group made the following changes to the allowance calculation process:

- With regard to the portfolio of loans to individuals secured on real estate, the Bank took into account all the relevant macroeconomic variables affecting the following:
  - PD level: This change resulted in the tie-up of provisions in the amount of PLN 11,730 thousand. Simultaneously, an inclusion of risk factors directly in the model resulted in the release of Post Model Adjustment provisions in the amount of PLN 11,730 thousand (Post Model Adjustment provisions related to risk factors affecting default risk not directly included in the macroeconomic model).
  - LGD level: Together with the adjustment of the expected selling prices of the NPL portfolios based on current forward-looking information, this change resulted in the release of a provision of PLN 11,745 thousand (creation of additional provisions of PLN 26,755 thousand with a simultaneous release of Post Model Adjustment provisions of PLN 38,500 thousand). The remaining balance of the allowance in this respect (PLN 15,200 thousand) relates to a subsidiary of the Bank.
- With regard to the portfolios of unsecured loans to individuals and the micro-enterprise segment, the Bank took into account all relevant macroeconomic variables affecting the level of parameters. This change resulted in the release of Post Model Adjustment provisions in the amount of PLN 65,126 thousand (in the Post Model Adjustment table, the change presented under the Post Model Adjustment for risks not included in the macroeconomic model).

Additionally, in the three quarters of 2023, the level of allowances was affected by the updating of the level of provisions in the form of Post Model Adjustments maintained in connection with the risk of customers particularly sensitive to changes in the economic environment and parameter adjustments for sensitive customers taking advantage of credit holidays - the Bank released a net PLN 8,928 thousand of provisions created for this purpose (including a release of PLN 3,900 thousand on exposures of customers particularly sensitive to changes in the economic environment and PLN 5,028 thousand release in the form of parameter adjustments for vulnerable customers using credit holidays).

Taking into account the elements described above, in the three quarters of 2023 the Group released PLN 124,284 thousand of additional provisions (in the form of Post Model Adjustments). The balance of these additional provisions as at 30 September 2023 amounted to PLN 182,787 thousand, while the balance as at 31 December 2022 was PLN 307,071 thousand.

Type of Post Model Adjustment *(data in PLN thousand)*	**Balance as of 31.12.2022**	**Change**	**Balance as of 30.09.2023**
Risk factors not included in the macroeconomic model	151,470	(76,856)	74,614
Clients particularly sensitive to changes in the economic environment	25,000	(3,900)	21,100
Planned changes to the LGD mode	53,700	(38,500)	15,200
Adjustment of parameters for sensitive customers using credit holidays	76,901	(5,028)	71,873
Total	**307,071**	**(124,284)**	**182,787**

In the three quarters of 2023, as part of the adjustment of the level of allowances to expectations of the future macroeconomic situation, the level of provisions decreased by PLN 49,851 thousand, which resulted from the update of forecasts of macroeconomic variables included in the IFRS9 model used.

Sensitivity of allowances

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	Change in the amount of allowance	The percentage change in the amount of allowance
Pessimistic scenario – considering pessimistic and baseline scenarios only (optimistic scenario 0%, baseline scenario 50%, pessimistic scenario 40%, severe scenario 10%)	184,942	8%
Optimistic scenario – considering optimistic and baseline scenarios only (optimistic scenario 50%, baseline scenario 50%, pessimistic scenario 0%, severe scenario 0%)	(66,590)	-3%
Baseline scenario – uniform distribution of optimistic and pessimistic scenarios(optimistic scenario 25%, baseline scenario 50%, pessimistic scenario 15%, severe scenario 10%)	67,156	3%

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	Change in the amount of allowance	The percentage change in the amount of allowance
PD decrease by 10%	(104,755)	-4%
PD increase by 10%	104,543	4%
LGD decrease by 10%	(244,369)	-10%
LGD increase by10%	220,145	9%

The following table considers the impact of a change in the present value of estimated future cash flows for exposures subject to individual valuation.

Analysis/scenario	Change in the amount of allowance	The percentage change in the amount of allowance for individually measured
Decrease in present value of estimated future cash flows for individually assessable exposures by 10%	34,417	5%
Increase in present value of estimated future cash flows for individually assessable exposures by 10%	(32,542)	-5%

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 financial instruments

The fair value measurement of financial instruments classified as level 2 or 3 in the fair value hierarchy is estimated using valuation techniques (mark-to-model) that are in line with market practice and are parameterized on the basis of reliable sources of market data obtained, among others, from Refinitiv and Bloomberg information systems.

For linear and non-linear OTC derivatives, valuation methods are used based on replicating the payoffs of valued instruments using other instruments with similar characteristics for which market quotes from an active market are available. A Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA) are also determined for this category of instruments, which are estimated based on the projected future exposure resulting from the transaction, the Bank's and the counterparty's credit ratings and the collateral submitted/accepted. In addition, the materiality of other fair value adjustments (X-Value Adjustments, XVA) is verified.

The fair value measurement of unquoted debt instruments and loans and advances is determined using a method based on the present value of projected future cash flows or a method based on the expected recovery of the exposure, which take into account estimates of unobservable risk factors, i.e. the size of the credit margin, the probability of default of the obligor and the recovery rate.

For equity instruments not quoted in an active market, the fair value measurement is determined using a method based on market multipliers or a method based on the present value of projected future cash flows, which take into account estimates of unobservable risk factors, i.e. limited liquidity of the instrument, uncertainty related to the realization of assumed financial projections, the market risk premium associated with an investment in a particular category of financial instruments.

The fair value measurement is regularly reviewed by a separate organizational unit which is independent of the entities performing the transactions. The review includes an assessment of the alignment of valuations with market transaction prices and the appropriateness of the valuation methods with respect to the changes in the financial markets.

d. Impairment of fixed assets and investments in subsidiaries

At the end of each reporting period, the Group assesses the existence of an indication of whether fixed assets and investments in subsidiaries are impaired. If such an indication is identified, the Group estimates the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell or the value in use of the asset or cash-generating unit. Estimating the value in use of a non-current asset involves, among other things, making assumptions about estimates of the amounts, timing of future cash flows that the Group may derive from the fixed assets. In estimating fair value less costs to sell, the Group relies on available market data on the subject or valuations prepared by independent experts, which are also generally based on estimates.

Where such a premise exists for investments in subsidiaries, the Group estimates the value in use and, if the carrying amount of the asset exceeds its recoverable amount, the Group recognises an impairment loss in the income statement. Estimating value in use requires assumptions to be made regarding, among other things, future cash flows and the discount rate.

e. 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.

f. 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, for the period 2021-2023, 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. As at 30.09.2023, the balance sheet value of the provision created for liabilities to employees due to restructuring, amounted to PLN 23,971 thousand (compared with PLN 31,062 thousand as at 31.12.2022).

g. Asset and provision for deferred income tax

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

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

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

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

In the first quarter the Bank decided to create an additional asset in relation to provisions set up in connection with the settlement process and the possibility of benefiting from a tax preference (waiver of CIT collection on redeemed loans under the Decree of the Minister of Finance of 11 March 2022, as amended).

Details can be found in note 52 Litigation and Claims.

In the three quarters of 2023 and 2022, current income tax and deferred tax provision were calculated using the 19% rate.

h. 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 Bank's revenues, in particular on relations expired before the judgment was issued, in 2019 the Bank 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 2023 the provision amounted to PLN 12,580 thousand (as at 31 December 2022 the provision amounted to 14,583 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.

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 2023, this liability amounted to PLN 2,269 thousand (PLN 2,300 thousand as of 31 December 2022).

Additionally, the Group created a provision to cover the partial reimbursements of loan commissions in the event of their early repayment. 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. 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 2023, the provision amounted to PLN 35,842 thousand (PLN 36,327 thousand as of 31 December 2022).

The total amount of provisions and liabilities related to the CJEU judgment as of 30 September 2023 was PLN 50,692 thousand (as of 31 December 2022, the provision was PLN 53,211 thousand).

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

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

i. 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 was recognised in the income statement, in the interest income. The Bank applies the above approach to applications already submitted by customers as well as potential applications that will be submitted by customers in the fourth quarter of 2023.

Based on the observed and projected number of suspension requests, the Bank recognised a PLN 895 million negative impact on the Bank's result in 2022, reducing the gross carrying amount of loans by the mentioned amount.

Based on data on customers' use of the option to suspend performance of contracts, in the period from January till September 2023 the Bank revised its estimates and adjusted the impact of the suspension recognized in 2022 by PLN 33 million. This adjustment had a positive impact on net interest income in 2023.

In the period from January till September 2023, customers accounting for about 72% of the volume of the PLN mortgage portfolio in the Bank requested suspension of contracts. The Bank estimates that customers with about 81% of the volume of credit portfolio will apply for suspension in the fourth quarter of 2023. The Bank carried out a sensitivity analysis of the estimate of customer participation in the fourth quarter of 2023 on the Bank's result. A +/- 10 p.p. change in the customer participation rate would have an impact of PLN -15/+15 million on the Bank's result.

The above calculation is based on an estimate of customers' expected use of entitlements to suspend instalments. Therefore, it may change if the actual exercise of entitlements in the fourth quarter of 2023 differs from the 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 2023, except when the Bank had information indicating a material increase in risk or impairment.

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

Provision for potential claims resulting from proceedings related to CHF loan agreements and model used by the Group were presented in Note 52 Litigation and Claims.

8. NET INTEREST INCOME

Interest income	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Amounts due from banks	116,039	392,242	103,580	210,996
Loans and advances to customers measured at amortised cost, including:	1,836,262	5,419,782	710,676	3,049,271
non-banking financial institutions	35,320	90,065	16,277	32,222
retail customers	779,958	2,339,608	(237,281)	857,602
economic operators	908,056	2,668,879	841,674	1,946,460
including retail farmers	163,862	490,561	178,405	427,829
public sector institutions	1,227	3,648	1,244	3,295
leasing receivables	111,701	317,582	88,762	209,692
Loans and advances to customers measured at amortised cost through profit or loss	19,472	64,287	27,050	62,457
Debt instruments measured at amortised cost	194,811	538,704	152,543	450,191
Debt instruments measured at fair value through profit or loss	1,814	5,472	2,191	5,892
Debt instruments measured at fair value through other comprehensive income	172,432	476,625	73,018	211,869
Derivative instruments as part of fair value hedge accounting	57,302	240,899	31,015	145,799
Derivative instruments as part of cash flow hedge accounting	2,931	8,697	2,962	8,697
Securities purchased under repurchase agreements	81,051	123,362	-	67
Total interest income	**2,482,114**	**7,270,070**	**1,103,035**	**4,145,239**

Interest expense	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Amounts due to banks	(163,649)	(485,164)	(158,715)	(343,770)
Debt securities issued	-	(3,154)	(5,280)	(14,215)
Amounts due to customers, including:	(697,080)	(2,050,142)	(542,078)	(912,365)
non-banking financial institutions	(26,077)	(79,549)	(15,682)	(34,143)
retail customers	(319,458)	(952,037)	(270,902)	(402,213)
economic operators	(319,181)	(926,012)	(221,656)	(407,387)
including retail farmers	(3,960)	(12,898)	(2,643)	(3,524)
public sector institutions	(32,364)	(92,544)	(33,838)	(68,622)
Lease liabilities	(7,299)	(21,821)	(4,684)	(10,820)
Derivative instruments as part of fair value hedge accounting	(238,055)	(868,754)	(242,822)	(535,927)
Derivatives under cash flow hedge accounting	(10,863)	(33,833)	(10,555)	(19,879)
Securities sold subject to repurchase agreements	(444)	(3,165)	(10,893)	(26,714)
Other related to financial assets	-	-	(4,304)	(5,475)
Total interest expense	**(1,117,390)**	**(3,466,033)**	**(979,331)**	**(1,869,165)**
Net interest income	**1,364,724**	**3,804,037**	**123,704**	**2,276,074**

Net interest income, which is the Group's main source of revenue, amounted in the three quarters of 2023 to PLN 3,804,037 thousand and was higher year-on-year by PLN 1,527,963 thousand, i.e. by 67.1%. Interest income realised in the three quarters of 2023 was higher than in the three quarters of 2022 by PLN 3,124,831 thousand, i.e. by 75.4%, while interest expense increased by PLN 1,596,868 thousand, i.e. by 85.4%.

The comparability of results in the analysed periods was affected by the recognition of the negative impact of credit holidays, which reduced the Group's interest income and result in the three quarters of 2022 by PLN 965 million. The revision of estimates made in January-September 2023 had a positive impact and improved revenue and net interest income in the three quarters of 2023 by PLN 33 million. Detailed information on the estimated impact of the credit holidays is included in Note 7i "Estimates" of the Consolidated Interim Report.

The net interest income on a comparable basis, i.e. after eliminating the impact of credit holidays, would amount to PLN 3,771,037 thousand in the three quarters of 2023 and would be by PLN 529,963 thousand, i.e. by 16.4% higher than that realised in the three quarters of 2022 (PLN 3,241,074 thousand). Interest income realised in the three quarters of 2023 would be higher than in the three quarters of 2022 by PLN 2,126,831 thousand, i.e. by 41.6%.

A significant external factor influencing the increase in the level of interest income and interest expense in the three quarters of 2023, compared to the same period of 2022, was the policy of the National Bank of Poland (NBP) regarding the formation of basic interest rates. From October 2021 to September 2022 , the MPC made eleven increases in interest rates totalling 665 bps, up to the level of 6.75% for the reference rate (in the three quarters of 2022, the rate increased from 1.75% to 6.75%). The rates remained at this level for a year and were changed at the meetings of 6 September 2023 and 4 October 2023 when the MPC reduced them (by 0.75% and 0.25% respectively) to 5.75% for the reference rate. The higher average level of interest rates sustained during the three quarters of 2023 compared to the same period last year had a positive impact on the level of margins realised by banks. An estimate of the sensitivity of the Group's interest income to changes in interest rates is presented in Note 53 'Risk management' of the Consolidated Interim Report.

As a result of the changes in interest rates described above, the profitability of loan products in the three quarters of 2023 was higher compared to the three quarters of 2022. The sum of interest income on loans and advances to customers measured at amortised cost and at fair value through profit or loss amounted to PLN 5,484,069 thousand in the three quarters of 2023 and was higher by PLN 2,372,341 thousand, i.e. by 76.2%, than the revenue realised in the three quarters of 2022 (on a comparable basis, total interest income on loans and advances to customers would have amounted to PLN 5,451,069 thousand in the three quarters of 2023 and would have been higher by PLN 1,374,341 thousand, i.e. by 33.7%, than the revenue realised in the three quarters of 2022).

Among the factors that contributed to the increase in interest income in the periods under comparison, there was also an increase in the value of deposits with a simultaneous decrease in the loan portfolio (related to the reduced demand for credit from both corporate and private customers). The increased Group's liquidity was invested in securities and interbank market instruments, including reverse repo operations. As a result, interest income on debt instruments measured at amortised cost and at fair value increased in the analysed period by a total of PLN 352,849 thousand, i.e. by 52.8%, while interest income on securities purchased with repurchase agreements increased by PLN 123,295 thousand (compared to PLN 67 thousand in the three quarters of 2022).

The effect of the observed changes in the level of market interest rates was also an increase in the average cost of acquiring deposits in the compared periods. This process has been slower than the increase in loan yields, due, among other things, to the significant, although declining, share of current deposits in total deposits acquired from customers (at the end of the third quarter of 2023, it amounted to 61.3% compared to 66.7% at the end of the third quarter of 2022), which is particularly significant in the case of deposits held in current accounts of individual customers.

The cost of interest on amounts due to customers amounted to PLN 2,050,142 thousand in the three quarters of 2023 and was higher by PLN 1,137,777 thousand, i.e. 124.7%, than the cost incurred in the three quarters of 2022.

The level of interest income is affected by the Group's use of fair value hedge accounting and (to a much lesser extent) cash flow hedge accounting. The change in the fair value 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 three quarters of 2023 was negative at the level of PLN 652,991 thousand compared with a negative impact of PLN 401,310 thousand in the three quarters of 2022 (a negative impact increase of PLN 251,681 thousand YoY).

9. NET FEE AND COMMISSION INCOME

Fee and commission income	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
loans, advances and leases	83,549	254,849	78,126	242,909
account maintenance	57,688	171,759	58,389	192,067
cash service	8,789	25,835	9,859	31,671
cash transfers and e-banking	24,906	76,707	24,982	71,660
guarantees and documentary operations	18,902	53,734	12,666	40,223
asset management and brokerage operations	26,324	77,036	24,308	98,554
payment and credit cards	90,637	289,770	91,002	254,567
insurance mediation activity	35,417	129,980	42,061	117,542
product sale mediation and customer acquisition	3,262	10,177	5,607	13,925
other commissions	3,724	23,836	3,204	10,806
Total fee and commission income	**353,198**	**1,113,683**	**350,204**	**1,073,924**

Fee and commission expense	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
loans, advances and leases	(331)	(583)	(261)	(352)
account maintenance	(2,712)	(7,495)	(2,769)	(7,413)
cash service	(7,069)	(19,200)	(6,384)	(18,350)
cash transfers and e-banking	(830)	(2,153)	(669)	(7,132)
asset management and brokerage operations	(1,536)	(4,462)	(922)	(3,548)
payment and credit cards	(30,538)	(86,956)	(33,602)	(87,747)
insurance mediation activity	(3,312)	(15,713)	(5,486)	(16,966)
product sale mediation and customer acquisition	(5,781)	(16,516)	(6,068)	(18,052)
other commissions	(14,247)	(40,744)	(14,296)	(38,994)
Total fee and commission expense	**(66,356)**	**(193,822)**	**(70,457)**	**(198,554)**
Net fee and commission expense	**286,842**	**919,861**	**279,747**	**875,370**

The Group's net fee and commission income in the three quarters of 2023 amounted to PLN 919,861 thousand and was by PLN 44,491 thousand (i.e. by 5.1%) higher than that obtained in the corresponding period of 2022. This increase was possible mainly due to higher transaction activity of clients (including an increase in the number of card transactions and an increase in the value of payments made) and higher income from servicing large corporate customers.

Fee and commission income generated in the three quarters of 2023 amounted to PLN 1,113,683 thousand and was higher by PLN 39,759 thousand (i.e. by 3.7%) compared with the corresponding period of 2022, while fee and commission expenses amounted to PLN 193,822 thousand and were lower by PLN 4,732 thousand (i.e. by 2.4%).

The increase in fee and commission income was mainly caused by lower costs of:

- debit and credit card processing by PLN 35,203 thousand, i.e. 13.8%, primarily due to settlements relating to cooperation with Mastercard and Euronet. In addition, as a result of the growing number of debit cards and card transactions, there was an increase in revenues related to the maintenance and use of debit cards, revenues from currency conversions and interchange fees;
- guarantee liabilities and documentary transactions by PLN 13,511 thousand, i.e. by 33.6% (as a result of higher commission income from corporate clients and CIB);
- other commissions by PLN 13,030 thousand, i.e. by 120.6% (primarily an increase in income from advisory services related to M&A transactions handled by the CIB segment, lower costs of provisions for unpaid commissions, higher commissions for bond issues and acting as securities agent);
- intermediation in the sale of insurance products by PLN 12,438 thousand, i.e. by 10.6% (inter alia, due to higher revenues from cooperation with Cardif and related to life and accident insurance sold together with cash loans);
- lending and leasing activity by PLN 11,940 thousand, i.e. by 4.9% (inter alia, due to higher revenues from cooperation with corporate clients and from large transactions handled by the CIB segment, despite the realisation of lower commission income related to mortgage loans);
- transfers and e-banking services by PLN 5,047 thousand, i.e. 7.0% (as a result of higher commission income from foreign and domestic transfers resulting from payments made by clients of all business lines).

The decrease in fee and commission income was mainly caused by lower costs of:

- asset management and brokerage operations by PLN 21,518 thousand, i.e. by 21.8% (primarily due to lower revenues from the sale of IBV certificates and for the management and sale of mutual fund units);
- account management by PLN 20,308 thousand, i.e. by 10.6% (mainly due to lower revenues from fees for high balances on foreign currency accounts of business entities).

The decrease in fee and commission expenses was mainly due to a PLN 4,979 thousand decrease in the costs of electronic banking transfers and services (due to the absence in the first three quarters of 2023 of the costs of provisions for complaints related to the operation of electronic banking, compared to the same period of the previous year).

10. NET TRADING INCOME (INCLUDING RESULT ON FOREIGN EXCHANGE)

Net trading income	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Equity instruments measured at fair value through profit or loss	(3,598)	15,684	3,006	(7,447)
Debt instruments measured at fair value through profit or loss	2,055	3,300	37	(1,859)
Derivative instruments and result on foreign exchange transactions	274,175	737,679	208,812	490,771
Result on financial instruments measured at fair value through profit or loss and foreign exchange differences, total	**272,632**	**756,663**	**211,855**	**481,465**
including margin on foreign exchange and derivative transactions with customers	246,437	632,513	196,326	570,485

The result on trading activities in the first three quarters of 2023 amounted to PLN 756,663 thousand and was higher by PLN 275,198 thousand, i.e. by 57.2% YoY. The level and volatility of this result are mainly shaped by the result on foreign exchange and derivative transactions with clients, the result on transactions concluded by the CIB segment and the Asset and Liability Management Division as well as the the valuation of equity instruments.

The increase in the result from trading activities in the first three quarters of 2023, compared to the corresponding period of the previous year, was mainly related to higher result from financial instruments transactions (including FX swap) entered into by the Asset and Liability Management Division and the CIB segment, a higher result from foreign exchange and derivative transactions with clients (by PLN 62,027 thousand, i.e. by 10.9%), an improvement in the result on transactions hedging the valuation of the loan portfolio at fair value (by PLN 50,398 thousand) and the result on equity instruments measured at fair value through profit or loss (by PLN 23,131 thousand, mainly the valuation of the Bank's shares in infrastructure companies: Visa, Mastercard, KIR, BIK).

11. RESULT ON INVESTMENT ACTIVITIES

Result on investment activities	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Equity instruments measured at fair value through other comprehensive income	-	2,008	-	-
Debt instruments measured at fair value through other comprehensive income	5,164	6,452	-	3,286
Loans and advances to customers measured at fair value through profit or loss	1,047	(8,612)	6,321	33,536
Result on investment activities, total	**6,211**	**(152)**	**6,321**	**36,822**

During the three quarters of 2023, the Group has not reclassified any financial assets measured at amortised cost to financial assets measured at fair value through other comprehensive income.

The result on investment activities in the first three quarters of 2023 was a negative result of PLN 152 thousand compared to a positive result of PLN 36,822 thousand in the same period last year.

The decrease in the result on investment activities was mainly related to the negative result on the valuation of the portfolio of loans and advances to customers measured at fair value through profit or loss, which was lower by PLN 42,148 thousand compared to the same 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 2023 from 01.01.2023 to 30.09.2023	Stage 1	Stage 2	Stage 3	Total	including POCI
Amounts due from banks	109	-	-	109	-
Loans and advances to customers measured at amortised cost	49,996	119,675	(159,133)	10,538	(33,862)
Contingent commitments granted	(6,058)	(18,284)	5,894	(18,448)	2,285
Securities measured at amortised cost	54	-	47,727	47,781	47,727
Total net impairment allowances on financial assets and provision on contingent liabilities	**44,101**	**101,391**	**(105,512)**	**39,980**	**16,150**

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)**

In the three quarters of 2023, the Bank entered into agreements regarding the sale of credit receivables, described in detail in the Note 44 Loan portfolio sale.

The result on loan portfolio sale is recognised under Result of expected credit losses of financial assets and provisions on contingent liabilities.

The result of impairment allowances for expected credit losses on financial assets and provision on contingent liabilities in the three quarters of 2023 was positive and amounted to PLN 39,980 thousand compared to negative result of PLN 218,748 thousand in the three quarters of 2022 (change by PLN + 258,728 thousand). The higher cost of risk in the previous year was mainly due to the creation of provisions for potential future materialisation of risks.

Considering the main operating segments:

- the Retail and Business Banking segment recorded an increase of the negative result by PLN 244,595 thousand (PLN -43,424 thousand);
- the SME Banking segment - a positive result and its worsening by PLN 4,870 thousand (+PLN 20,669 thousand);
- the Corporate Banking segment (including the CIB segment) - a positive result and its improvement by PLN 15,098 thousand (+PLN 63,328 thousand);
- the Other Banking operations recorded a negative result and its improvement by PLN 3,905 thousand (PLN -593 thousand).

In the three quarters of 2023, the materialisation of the cost of risk remained low, which was influenced by the good quality of loan servicing and the associated low level of Stage 3 entries. At the same time, the result of impairment allowance on expected credit losses on financial assets and provision on contingent liabilities was significantly affected by realised recoveries on the individually valued impaired portfolio. In particular, significant repayments in the amount of PLN 95,593 thousand were realised on two institutional clients.

In addition, the development of the cost of risk in the three quarters of 2023 was influenced by:

- adjustment of the level of provisions to expectations regarding the future macroeconomic situation, resulting in the release of PLN 49,851 thousand of provisions (including the release of PLN 63,581 thousand in the first quarter of 2023, the additional creation of PLN 27,766 thousand in the second quarter of 2023 and the release of PLN 14,036 thousand in the third quarter of 2023), which resulted from the update of forecasts of macroeconomic variables included in the IFRS9 model used;
- release of Post Model Adjustment provisions related to the risk factors not included in the macroeconomic model in the amount of PLN 76,856 thousand (including PLN 11,730 thousand in the second quarter of 2023 and PLN 65,126 thousand in the third quarter of 2023);
- introducing changes in the approach used to estimate IFRS9 impairment allowances to include all material risk factors (total impact of PLN 15 thousand) for:
  - portfolio of loans to individual clients secured by real estate, in terms of:
    - PD level: This change resulted in additional creation of provisions in the amount of PLN 11,730 thousand. Simultanously, due to the inclusion of risk factors directly in the model, there was a release of Post Model Adjustment provisions in the amount of PLN 11,730 thousand (the impact concerning the release of the Post Model Adjustment provisions presented within the release of provisions relating to risk factors not included in the macroeconomic model amounted to PLN 76,856 thousand);

- LGD level: Together with the adjustment of the expected selling prices of NPL portfolios based on current forward-looking information, this change resulted in the release of a provision of PLN 11,745 thousand (creation of PLN 26,755 thousand provisions with the release of Post Model Adjustment provisions of PLN 38,500 thousand).

▪ portfolios of unsecured loans to individual clients and the micro-enterprise segment, the Bank took into account all significant macroeconomic variables affecting the level of parameters. This change resulted in the release of Post Model Adjustment provisions in the amount of PLN 65,126 thousand (the impact concerning the release of the Post Model Adjustment provisions presented within the release of provisions relating to risk factors not included in the macroeconomic model in the total amount of PLN 76,856 thousand).

- review of the credit portfolio particularly sensitive to disturbances in the economy. The review resulted in the release of provisions in the amount of PLN 7,662 thousand.

In the three quarters of 2023, the Group entered into agreements for the sale of a portfolio of loans from the retail and SME portfolios. The gross carrying amount of the sold portfolio measured at amortised cost was PLN 107,014 thousand, the amount of impairment losses created was PLN 83,399 thousand. The contractual price for the sale of these portfolios was set at PLN 34,653 thousand. The net impact on the Group's result due to the sale of portfolios amounted to PLN 11,038 thousand and is presented in the line Result of impairment allowances on financial assets and provisions for contingent liabilities.

During the three 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.

The cost of credit risk, expressed as the ratio of the result of 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), was positive and amounted to 0.06% in the three quarters of 2023, compared with a negative value of -0.32% in the three quarters of 2022. Excluding the impact of the sale of receivables, it is estimated that the cost of risk would have been 0.04% in the three quarters of 2023 and negative 0.34% in the three quarters of 2022.

13. GENERAL ADMINISTRATIVE COSTS

General administrative expenses	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Personnel expenses	(367,556)	(1,064,390)	(311,730)	(942,447)
Marketing expenses	(29,269)	(64,538)	(16,733)	(69,642)
IT and telecom expenses	(70,648)	(192,351)	(61,163)	(177,914)
Short-term lease and operating costs	(18,220)	(59,975)	(15,965)	(48,182)
Other non-personnel expenses	(145,759)	(382,526)	(118,085)	(338,499)
Business travels	(2,106)	(9,459)	(4,017)	(9,083)
ATM and cash handling expenses	(7,583)	(20,810)	(6,414)	(19,514)
Costs of outsourcing services related to leasing operations	(434)	(2,161)	(616)	(2,014)
Bank Guarantee Fund fee	-	(123,909)	4	(151,709)
Cost of the Commercial Banks Protection Scheme	-	(275)	(18,513)	(206,530)
Polish Financial Supervision Authority fee	(3,963)	(11,891)	(3,579)	(10,792)
Total general administrative expenses	**(645,538)**	**(1,932,285)**	**(556,811)**	**(1,976,326)**

The Other non-personnel expenses line presents costs related to legal services for CHF loan litigation in the amount of PLN 65,856 thousand in the 3 quarters of 2023 (the three quarters of 2022: PLN 53,776 thousand).

The Group's general administrative expenses (including depreciation and amortisation) for the nine months of 2023 amounted to PLN 2,271,742 thousand and were lower by PLN 12,912 thousand, i.e. 0.6%, compared with the corresponding period of the previous year.

The YoY reduction in the level of costs by type was mainly due to the absence of the fee for the Commercial Bank Protection Scheme (SOBK) in the nine months of 2023. In the corresponding period of 2022, the fee for the SOBK amounted to PLN 206,530 thousand.

Costs of fees for the BGF, booked as expenses of the Bank in the nine months of 2023 amounted to PLN 123,909 thousand and were lower by PLN 27,800 thousand compared to the corresponding period of the previous year, including:

- the annual contribution to the banks' forced restructuring fund amounted to PLN 123,909 thousand (in the nine months of 2022 it amounted to PLN 125,919 thousand);
- the contribution to the banks' guarantee fund in the first quarter of 2022 amounted to PLN 25,790 thousand. The BFG decided to suspend its collection from the second quarter of 2022, therefore the Bank did not pay this contribution also in the period of the nine months of 2023.

The Bank did not incur costs related to the Borrowers' Support Fund fee for nine months of 2023, whereas in the corresponding period of the previous year these costs amounted to PLN 17,162 thousand.

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

- employee benefits costs - an increase of PLN 121,943 thousand (i.e. 12.9%) - mainly related to the cost of basic salaries, which increased from March 2023, which also resulted in the increase of cost of bonuses and salary surcharges and Employee Equity Schemes. The increase in costs was partly offset by an increase in the capitalisation of salaries of employees involved in development works in the Bank;
- other material costs - an increase of PLN 61,189 thousand (i.e. by 19.0%), of which:
  - advisory services provided by the BNP Paribas Group increased by PLN 29,368 thousand (9 months 2023: PLN 69,168 thousand, 9 months 2022: PLN 39,800 thousand);
  - costs of legal services increased by PLN 12,991 thousand, which was mainly related to litigation related to CHF loans (9 months 2023: PLN 46,895 thousand and 9 months 2022: PLN 37,560 thousand);
  - costs incurred by the leasing company increased by PLN 6,870 thousand due to the increase in the scale of operations;
  - costs of postal and telecommunication services increased by PLN 4,889 thousand, due to the settlement of the contract with the postal operator for 2021-2023 (surcharge of PLN 3,196 thousand) and a new, higher price list for the services provided;
  - employee leasing costs increased by PLN 3,729 thousand, mainly due to the execution of development work;
  - notary and court fees increased by PLN 2,587 thousand, which is mainly related to CHF loans (9 months 2023: PLN 18,961 thousand, 9 months 2022: PLN 16,216 thousand);
- IT and telecommunication costs - an increase by PLN 14,437 thousand (i.e. by 8.1%) as a result of an increase in the costs of licence fees, non-capitalised expenditures, higher costs of BNP group systems with a simultaneous decrease in the costs of service contracts for IT software and hardware,
- short-term lease and operating expenses - an increase of PLN 11,793 thousand (i.e. by 24.5%), mainly due to higher costs of utilities.

A YoY decrease in costs by PLN 5,104 thousand (i.e. by 7.3%) was recorded in marketing costs, which is mainly due to a reduction of costs for promotion and advertising in the media and for the organisation of events and meetings.

14. DEPRECIATION AND AMORTISATION

Amortisation	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Property, plant and equipment	(53,285)	(157,503)	(50,244)	(156,031)
Intangible assets	(62,633)	(181,954)	(51,609)	(152,297)
Total Amortisation	**(115,918)**	**(339,457)**	**(101,853)**	**(308,328)**

Depreciation and amortisation expenses for the nine months of 2023 amounted to PLN 339,457 thousand and were higher by PLN 31,129 thousand (i.e. by 10.1%) than in the corresponding period of 2022. The increase was mainly due to the Bank's further transformation and digitalisation and the capital expenditure incurred for this purpose, as well as the acceleration of depreciation of certain systems. Depreciation and amortisation costs in Group companies remained at comparable YoY levels.

Capital expenditure of the Bank for nine months of 2023 amounted to PLN 250,507 thousand and were higher by PLN 47,197 thousand YoY (i.e. by 23.2%). 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 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Sale or liquidation of property, plant and equipment and intangible assets	15,011	18,323	7,734	15,004
Release of write-offs on other receivables	567	2,314	2,034	7,811
Sale of goods and services	3,096	7,278	(423)	448
Release of provisions for litigation and claims and other liabilities	6,087	49,640	12,668	49,028
Recovery of debt collection costs	4,497	14,232	5,305	14,626
Recovered indemnities	28	287	134	357
Income from leasing operations	11,146	40,280	11,172	42,819
Other operating income	12,397	40,147	11,666	32,039
Total other operating income	**52,829**	**172,501**	**50,290**	**162,132**

Other operating income in the three quarters of 2023 amounted to PLN 172,501 thousand and was higher by PLN 10,369 thousand, i.e. by 6.4% compared to the corresponding period of 2022.

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

- other operating revenues higher by PLN 8,108 thousand (i.e. by 25.3%) as a result of the increase in revenues of BNP Paribas Group Service Center S. A.;
- higher profit on the sale of goods and services by PLN 6,830 thousand (i.e. 1,524.6%), primarily as a result of the increase in revenues of BNP Paribas Group Service Center S. A.;
- higher income from the sale or liquidation of property, plant and equipment and intangible assets and intangible assets by PLN 3,319 thousand (i.e. 22.1%), mainly as a result of the increase in income from the sale of fixed assets;
- lower income from the released impairment allowances on the other receivables by PLN 5,497 thousand (i.e. 70.4%), as a result of lower provisions for old lost receivables;
- lower revenues from leasing activities by PLN 2,539 thousand (i. e. by 5.9%).

16. OTHER OPERATING EXPENSES

Other operating expenses	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Loss on sale or liquidation of property, plant and equipment and intangible assets	(10,162)	(13,432)	(5,040)	(14,464)
Impairment allowance on other receivables	(1,863)	(4,119)	(4,253)	(10,445)
On account of provisions for litigation and other liabilities	(14,355)	(35,147)	(13,978)	(43,512)
Debt collection	(8,253)	(27,835)	(11,440)	(28,154)
Donations granted	(1,929)	(6,393)	(1,285)	(4,972)
Costs of leasing operations	(5,719)	(25,109)	(6,351)	(28,840)
Indemnities, penalties and fines	(6,932)	(8,336)	(3,612)	(4,566)
Other operating income	(27,180)	(72,885)	(21,290)	(83,001)
Total other operating income	**(76,393)**	**(193,256)**	**(67,249)**	**(217,954)**

Other operating expenses in the three quarters of 2023 amounted to PLN 193,256 thousand and were lower by PLN 24,698 thousand (i.e. by 11.3%) compared to the corresponding period of 2022.

The level of other operating espenses was mainly influenced by:

- lower level of other operating costs by PLN 10,116 thousand (i.e. 12.2%). Higher costs in the same period of 2022 resulted from the termination of former cases involving 3 corporate clients in the first quarter of 2022.
- lower costs of creating provisions for litigation and other liabilities by PLN 8,365 thousand (i.e. 19.2%), e. g. due to lower costs of provisions for repayment of unpaid commission on loans for individual clients,
- lower costs related to the creation of impairment allowances on other receivables by PLN 6,326 thousand (i.e. 60.6%),
- lower costs from leasing activities by PLN 3,731 thousand (i.e. 12.9%),
- higher costs related to damages, penalties and fines by PLN 3,770 thousand (i.e. 82.6%).

17. INCOME TAX

	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Current income tax	(159,743)	(490,355)	(50,367)	(342,921)
Deferred income tax	(54,253)	(76,415)	64,762	74,419
Total income tax	**(213,996)**	**(566,770)**	**14,395**	**(268,502)**
Profit before income tax	659,475	1,959,881	(360,992)	457,314
Statutory tax rate	19%	19%	19%	19%
Income taxes on gross profit	**(125,300)**	**(372,377)**	**68,588**	**(86,890)**
Taxable permanent differences, including:	**(88,696)**	**(194,393)**	**(54,193)**	**(181,613)**
Receivables written-off	(11,755)	(17,719)	(6,245)	(27,718)
Representation costs	375	(101)	299	(77)
PFRON	(491)	(1,411)	(449)	(1,367)
Prudential fee to the Bank Guarantee Fund	-	(23,543)	-	(28,825)
Tax on financial institutions	(19,312)	(57,794)	(21,292)	(59,818)
Allowance for research and development	-	15,524	-	7,015
Provisions for claims on CHF loans	(69,968)	(137,670)	(18,885)	(49,208)
Provisions for legal risks	(315)	6,135	1,095	3,260
Other differences	12,770	22,186	(8,716)	(24,875)
Total income / tax expense of the Group	**(213,996)**	**(566,770)**	**14,395**	**(268,502)**

18. EARNINGS PER SHARE

	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Basic		
Net profit	1,393,111	188,812
Weighted average number of ordinary shares (units)	147,648,093	147,567,862
Basic earnings (loss) per share (in PLN per one share)	9.44	1.28
Diluted		
Net profit used in determining diluted earnings per share	1,393,111	188,812
Weighted average number of ordinary shares (units)	147,648,093	147,567,862
Adjustments for:		
- stock options	117,390	109,617
Weighted average number of ordinary shares for the diluted earnings per share (units)	147,765,483	147,677,479
Diluted earnings (loss) per share (in PLN per one share)	9.43	1.28

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 40. 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	30.09.2023	31.12.2022
Cash and other balances	2,573,908	2,669,617
Account in the National Bank of Poland	4,126,366	48,699
Gross cash and cash equivalents	**6,700,274**	**2,718,316**
Impairment allowances	(735)	(9)
Total cash and balances at Central Bank	**6,699,539**	**2,718,307**

Change of allowances on expected credit losses of amounts due from Central Bank	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Opening balance	**(9)**	**(283)**
Increases due to acquisition or origination	(9)	(2,875)
Decreases due to derecognition	775	3,015
Net changes in credit risk	(1,492)	(4)
Closing balance	**(735)**	**(147)**

20. AMOUNTS DUE FROM BANKS

Amounts due from banks	30.09.2023			31.12.2022		
	Gross balance sheet value	Impairment allowance	Net balance sheet value	Gross balance sheet value	Impairment allowance	Net balance sheet value
Current accounts	5,616,268	(332)	5,615,936	9,058,686	(1,075)	9,057,611
Interbank deposits	93,153	(6)	93,147	1,626,427	(220)	1,626,207
Loans and advances	200,375	(232)	200,143	201,160	(133)	201,027
Other receivables	10,286,228	(83)	10,286,145	915,421	(77)	915,344
Total amounts due from banks	**16,196,024**	**(653)**	**16,195,371**	**11,801,694**	**(1,505)**	**11,800,189**

Also presented under 'Other receivables' as at 30.09.2023 are receivables from securities purchased with a repurchase promise received in the amount of PLN 9,573,631 thousand (PLN 0 as at 31.12.2022).

Change of impairment allowances on amounts due from banks	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Opening balance	**(1,505)**	**(5,443)**
Increases due to acquisition or origination	(3,122)	(1,021)
Decreases due to derecognition	4,433	1,508
Changes resulting from the change in credit risk (net)	(476)	(1,857)
Other changes (including foreign exchange differences)	17	(243)
Closing balance	**(653)**	**(7,056)**

As of 30 September 2023 and 31 December 2022, amounts due from other banks were classified as Stage 1.

21. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments	Nominal value	Fair value	
30.09.2023		Assets	Liabilities
Currency derivatives			
Foreign Exchange Forward (FX Forward + NDF)	14,541,152	95,231	698,484
Currency Swap (FX Swap)	34,643,104	885,179	318,608
Currency Interest Rate Swaps (CIRS)	7,243,299	114,372	236,432
OTC currency options	16,087,292	171,824	221,473
Total currency derivatives:	**72,514,847**	**1,266,606**	**1,474,997**
Interest rate derivatives			
Interest Rate Swap	70,368,176	1,353,161	1,221,202
OTC interest rate options	10,921,045	143,770	143,561
Total interest rate derivatives:	**81,289,221**	**1,496,931**	**1,364,763**
Other derivatives			
OTC commodity swaps	808,254	34,089	32,427
Currency Spot (FX Spot)	2,012,140	-	-
Total other derivatives:	**2,820,394**	**34,089**	**32,427**
Total trading derivatives:	**156,624,462**	**2,797,626**	**2,872,187**
including: measured using models	156,624,462	2,797,626	2,872,187

Derivative financial instruments	Nominal value	Fair value	
31.12.2022		Assets	Liabilities
Currency derivatives			
Foreign Exchange Forward (FX Forward + NDF)	15,888,527	411,685	502,865
Currency Swap (FX Swap)	28,263,457	645,483	363,810
Currency Interest Rate Swaps (CIRS)	8,544,052	266,087	302,954
OTC currency options	3,564,359	130,680	141,744
Total currency derivatives:	**56,260,395**	**1,453,935**	**1,311,373**
Interest rate derivatives			
Interest Rate Swap	48,463,023	1,581,137	1,647,210
OTC interest rate options	10,857,435	164,484	164,851
Total interest rate derivatives:	**59,320,458**	**1,745,621**	**1,812,061**
Other derivatives			
OTC commodity swaps	674,358	24,716	24,421
Currency Spot (FX Spot)	3,292,998	-	-
Total other derivatives:	**3,967,356**	**24,716**	**24,421**
Total trading derivatives:	**119,548,209**	**3,224,272**	**3,147,855**
including: measured using models	119,548,209	3,224,272	3,147,855

22. HEDGE ACCOUNTING

As of 30 September 2023, 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, EUR ESTRS, USD LIBOR 6M, USD SFROIS.

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.09.2023	13,297,565	37,398	807,410
31.12.2022	14,833,485	29,101	1,298,074

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:

30.09.2023 -PLN 827,678 thousand

31.12.2022 -PLN 1,233,598 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:

30.09.2023 -PLN 415,974 thousand

31.12.2022 -PLN 692,574 thousand

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as of 30 September 2023 and 31 December 2022:

	30.09.2023							
	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)	37,398	807,410	-	1,789,990	2,263,291	6,312,312	2,931,972	13,297,565
Hedging derivatives - total	**37,398**	**807,410**	**-**	**1,789,990**	**2,263,291**	**6,312,312**	**2,931,972**	**13,297,565**

	31.12.2022							
	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)	29,101	1,298,074	-	1,196,899	5,606,850	4,867,771	3,161,966	14,833,485
Hedging derivatives - total	**29,101**	**1,298,074**	**-**	**1,196,899**	**5,606,850**	**4,867,771**	**3,161,966**	**14,833,485**

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:

30.09.2023 PLN 27,605 thousand

31.12.2022 PLN 3,923 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, WIBOR 3M.

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.09.2023	1,275,000	-	67,887
31.12.2022	250,000	-	3,773

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 2023 and 31 December 2022:

	30.09.2023							
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)	-	67,887	-	-	-	1,275,000	-	1,275,000
Hedging derivatives - total	**-**	**67,887**	**-**	**-**	**-**	**1,275,000**	**-**	**1,275,000**

	31.12.2022							
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)	-	3,773	-	-	-	250,000	-	250,000
Hedging derivatives - total	**-**	**3,773**	**-**	**-**	**-**	**250,000**	**-**	**250,000**

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 bond EUR0233, EIBE0730, EIB0733, EIBE0133, EIBU0825, EIBU0328.
Hedging instruments	Hedging instruments are the standard IRS transactions, i.e. plain vanilla IRS, denominated in EUR and USD, in which the Bank receives a floating rates based on EUR ESTRS and USD-SFROIS and pays a fixed interest rate.

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.09.2023	2,834,799	60,437	-

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 30 September 2023:

Hedging derivatives	30.09.2023							
	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)	60,437	-	-	-	-	873,940	1,960,859	2,834,799
Hedging derivatives - total	**60,437**	**-**	**-**	**-**	**-**	**873,940**	**1,960,859**	**2,834,799**

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

Fair value hedging	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Interest income on hedging derivatives	240,899	145,799
Interest expense on hedging derivatives	(868,754)	(535,927)
Change in fair value measurement of hedging transactions presented in Result on hedge accounting, including:	(16,866)	10,379
change in fair value of hedging instruments	391,358	(1,196,163)
change in fair value of hedged instruments	(408,224)	1,206,543

Additionally, the Group applies **cash flow hedge accounting** as of 30 September 2023.

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
30.09.2023	625,000	-	122,507
31.12.2022	625,000	-	172,679

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 2023 and 31 December 2022:

Hedging derivatives	30.09.2023							
	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)	-	122,507	-	-	-	-	625,000	625,000
Hedging derivatives - total	**-**	**122,507**	**-**	**-**	**-**	**-**	**625,000**	**625,000**

Hedging derivatives	31.12.2022							
	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)	-	172,679	-	-	-	-	625,000	625,000
Hedging derivatives - total	**-**	**172,679**	**-**	**-**	**-**	**-**	**625,000**	**625,000**

Hedging cash flows	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Interest income on hedging derivatives	8,697	8,697
Interest expense on hedging derivatives	(33,833)	(19,879)

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

Interest rate risk	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Balance at the beginning of the period	**(169,290)**	**(85,303)**
Hedging gains or losses recognised in other comprehensive income during the reporting period	52,054	(109,652)
Balance at the end of the period	**(117,236)**	**(194,955)**

23. LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST

	30.09.2023		
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	**1,911,894**	**(15,701)**	**1,896,193**
current account loans	1,637,412	(12,779)	1,624,633
investment loans	217,996	(2,061)	215,935
other loans	56,486	(861)	55,625
Retail customers	**37,373,268**	**(1,146,008)**	**36,227,260**
mortgage loans	24,918,090	(543,759)	24,374,331
other loans	12,455,178	(602,249)	11,852,929
Corporate customers	**45,447,949**	**(1,611,513)**	**43,836,436**
current account loans	19,830,196	(949,295)	18,880,901
investment loans	17,893,531	(511,426)	17,382,105
other loans	7,724,222	(150,792)	7,573,430
including retail farmers	**6,991,993**	**(420,132)**	**6,571,861**
current account loans	3,671,244	(218,909)	3,452,335
investment loans	3,309,927	(199,444)	3,110,483
other loans	10,822	(1,779)	9,043
Public sector institutions	**58,829**	**(1,027)**	**57,802**
current account loans	36,930	(896)	36,034
investment loans	21,612	(127)	21,485
other loans	287	(4)	283
Lease receivables	**5,895,845**	**(123,589)**	**5,772,256**
Total loans and advances to customers measured at amortised cost	**90,687,785**	**(2,897,838)**	**87,789,947**

At the end of September 2023, gross loans and advances to customers (sum of portfolios measured at amortised cost and measured at fair value) amounted to PLN 91,501,472 thousand and decreased by PLN 1,618,499 thousand, i.e. by 1.7% compared to the end of 2022.

The gross portfolio of loans and advances measured at amortised cost amounted to PLN 90,687,785 thousand and decreased by PLN 1,408,455 thousand, i.e. by 1.5% compared to the end of 2022.

Structure of gross loans measured at amortised cost

The gross value loans and advances to corporate customers (excluding farmers) amounted to PLN 38,455,956 thousand (a decrease of PLN 1,522,105 thousand, i.e. by 3.8% compared to the end of 2022). Their share in the analysed loan portfolio at the end of September 2023 was 42.4% (-1.0 p.p. compared to the end of 2022). Current account loans accounted for 42.0% (-4.0 p.p. compared to 2022).

The gross value of loans and advances to retail customers at the end of September 2023 amounted to PLN 37,373,268 thousand (a decrease of PLN 1,470,592 thousand, i.e. by 3.8% compared to the end of 2022). Their share in the loan portfolio measured at amortised cost amounted to 41.2% in the analysed period (which means a decrease by 1.0 p.p. compared to the end of 2022). More than two thirds (66.7%) of the credit exposure of individual clients are real estate loans, which amounted to PLN 24,918,090 thousand at the end of September 2023. In the structure of housing loans, 86.5% are loans granted in PLN, while 13.4% are loans granted in CHF (compared to the end of the previous year, the share of CHF fell by 1.9 p.p.).

The volume of loans granted to individual farmers at the end of September 2023 amounted to PLN 6,991,993 thousand, recording a 2.3% increase compared to December 2022.

The value of lease receivables amounted to PLN 5,895,845 thousand (an increase of 6.7% compared to the end of 2022). Their share in the loan portfolio measured at amortised cost in the period under review amounted to 6.5% (compared to 6.0% at the end of 2022).

The volume of loans granted to non-bank financial entities and public sector institutions totalled PLN 1,970,723 thousand (an increase of 116.1% compared to December 2022).

	31.12.2022		
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	**852,935**	**(3,333)**	**849,602**
current account loans	615,660	(2,832)	612,828
investment loans	217,912	(313)	217,599
other loans	19,363	(188)	19,175
Retail customers	**38,843,860**	**(1,178,889)**	**37,664,971**
mortgage loans	26,651,564	(514,442)	26,137,122
other loans	12,192,296	(664,447)	11,527,849
Corporate customers	**46,813,192**	**(1,709,720)**	**45,103,472**
current account loans	21,604,527	(1,006,260)	20,598,267
investment loans	17,620,240	(531,304)	17,088,936
other loans	7,588,425	(172,156)	7,416,269
including retail farmers	**6,835,131**	**(483,836)**	**6,351,295**
current account loans	3,195,612	(252,641)	2,942,971
investment loans	3,626,312	(228,995)	3,397,317
other loans	13,207	(2,200)	11,007
Public sector institutions	**58,956**	**(922)**	**58,034**
current account loans	37,820	(787)	37,033
investment loans	20,825	(127)	20,698
other loans	311	(8)	303
Lease receivables	**5,527,297**	**(113,059)**	**5,414,238**
Total loans and advances to customers measured at amortised cost	**92,096,240**	**(3,005,923)**	**89,090,317**

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

30.09.2023	Stage 1	Stage 2	Stage 3	Total	including POCI
Loans and advances for	**77,264,756**	**10,420,617**	**3,002,412**	**90,687,785**	**171,154**
Non-banking financial entities	1,889,943	7,158	14,793	1,911,894	2,980
Retail customers	32,660,818	3,663,375	1,049,075	37,373,268	38,264
Corporate customers:	38,143,559	5,510,530	1,793,860	45,447,949	129,910
including retail farmers	5,560,375	914,248	517,370	6,991,993	4,968
Public sector entities	58,015	-	814	58,829	-
Lease receivables	4,512,421	1,239,554	143,870	5,895,845	-
Impairment allowance on loans and receivables for	**(323,280)**	**(713,052)**	**(1,861,506)**	**(2,897,838)**	**(44,444)**
Non-banking financial entities	(5,782)	(619)	(9,300)	(15,701)	(101)
Retail customers	(102,647)	(352,392)	(690,969)	(1,146,008)	(2,426)
Corporate customers:	(202,209)	(312,334)	(1,096,970)	(1,611,513)	(41,917)
including retail farmers	(43,854)	(80,974)	(295,304)	(420,132)	(334)
Public sector entities	(545)	-	(482)	(1,027)	-
Lease receivables	(12,097)	(47,707)	(63,785)	(123,589)	-
Net loans and advances to customers measured at amortised cost	**76,941,476**	**9,707,565**	**1,140,906**	**87,789,947**	**126,710**

31.12.2022	Stage 1	Stage 2	Stage 3	Total	including POCI
Loans and advances for	**78,778,927**	**10,295,434**	**3,021,879**	**92,096,240**	**165,799**
Non-banking financial entities	850,552	456	1,927	852,935	97
Retail customers	33,964,611	3,881,824	997,425	38,843,860	39,402
Corporate customers:	39,504,200	5,439,644	1,869,348	46,813,192	126,300
including retail farmers	5,156,901	1,099,973	578,257	6,835,131	120
Public sector entities	58,160	-	796	58,956	-
Lease receivables	4,401,404	973,510	152,383	5,527,297	-
Impairment allowance on loans and receivables for	**(373,569)**	**(831,097)**	**(1,801,257)**	**(3,005,923)**	**(39,482)**
Non-banking financial entities	(1,602)	(33)	(1,698)	(3,333)	(84)
Retail customers	(148,821)	(406,382)	(623,686)	(1,178,889)	(2,671)
Corporate customers:	(211,404)	(385,774)	(1,112,542)	(1,709,720)	(36,727)
including retail farmers	(45,330)	(117,604)	(320,902)	(483,836)	-
Public sector entities	(503)	-	(419)	(922)	-
Lease receivables	(11,239)	(38,908)	(62,912)	(113,059)	-
Net loans and advances to customers measured at amortised cost	**78,405,358**	**9,464,337**	**1,220,622**	**89,090,317**	**126,317**

Impairment allowance for loans and advances measured at amortised cost

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Opening balance (01.01.2023)	**(373,569)**	**(831,097)**	**(1,801,257)**	**(3,005,923)**
Increase due to acquisition or origination	(121,500)	(98,952)	(36,601)	(257,053)
Decrease due to derecognition	30,373	32,075	139,963	202,411
Changes resulting from the change in credit risk (net)	141,124	185,594	(339,633)	(12,915)
Use of allowances	9	40	177,503	177,552
Other changes (including foreign exchange differences)	283	(712)	(1,481)	(1,910)
Closing balance (30.09.2023)	**(323,280)**	**(713,052)**	**(1,861,506)**	**(2,897,838)**

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Opening balance (01.01.2022)	**(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)**

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

Loans by currency	30.09.2023	31.12.2022
CHF	3,347,290	4,092,391
EUR	26,475	31,874
PLN	21,543,852	22,526,701
USD	473	598
Total	**24,918,090**	**26,651,564**

	30.09.2023			
Value of CHF loan portfolio	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
Loans and advances for:				
Non-banking financial entities	**1,911,894**	**-**	**(15,701)**	**-**
current account loans	1,637,412	-	(12,779)	-
investment loans	217,996	-	(2,061)	-
other loans	56,486	-	(861)	-
Retail customers	**37,373,268**	**3,382,528**	**(1,146,008)**	**(352,579)**
mortgage loans	24,918,090	3,347,290	(543,759)	(337,306)
other loans	12,455,178	35,238	(602,249)	(15,273)
Corporate customers	**45,447,949**	**50,630**	**(1,611,513)**	**(11,549)**
current account loans	19,830,196	41,684	(949,295)	(4,039)
investment loans	17,893,531	8,946	(511,426)	(7,510)
other loans	7,724,222	-	(150,792)	-
including retail farmers	**6,991,993**	**477**	**(420,132)**	**(29)**
current account loans	3,671,244	477	(218,909)	(29)
investment loans	3,309,927	-	(199,444)	-
other loans	10,822	-	(1,779)	-
Public sector institutions	**58,829**	**-**	**(1,027)**	**-**
current account loans	36,930	-	(896)	-
investment loans	21,612	-	(127)	-
other loans	287	-	(4)	-
Lease receivables	**5,895,845**	**24,475**	**(123,589)**	**(11,434)**
Total loans and advances	**90,687,785**	**3,457,633**	**(2,897,838)**	**(375,562)**

	31.12.2022			
Value of CHF loan portfolio	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
Loans and advances for:				
Non-banking financial entities	**852,935**	**-**	**(3,333)**	**-**
current account loans	615,660	-	(2,832)	-
investment loans	217,912	-	(313)	-
other loans	19,363	-	(188)	-
Retail customers	**38,843,860**	**4,132,032**	**(1,178,889)**	**(302,947)**
mortgage loans	26,651,564	4,092,391	(514,442)	(291,370)
other loans	12,192,296	39,641	(664,447)	(11,577)
Corporate customers	**46,813,192**	**57,138**	**(1,709,720)**	**(13,228)**
current account loans	21,604,527	47,864	(1,006,260)	(5,723)
investment loans	17,620,240	9,167	(531,304)	(7,505)
other loans	7,588,425	107	(172,156)	-
including retail farmers	**6,835,131**	**821**	**(483,836)**	**(61)**
current account loans	3,195,612	802	(252,641)	(61)
investment loans	3,626,312	19	(228,995)	-
other loans	13,207	-	(2,200)	-
Public sector institutions	**58,956**	**-**	**(922)**	**-**
current account loans	37,820	-	(787)	-
investment loans	20,825	-	(127)	-
other loans	311	-	(8)	-
Lease receivables	**5,527,297**	**27,626**	**(113,059)**	**(6,886)**
Total loans and advances	**92,096,240**	**4,216,796**	**(3,005,923)**	**(323,061)**

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

	30.09.2023	31.12.2022
Subsidized loans	729,446	949,298
Total loans and advances to customers measured at fair value through profit or loss	**729,446**	**949,298**

The table below presents a comparison of the fair value of subsidised loans with their gross balance sheet value, 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
30.09.2023	813,687	729,446
31.12.2022	1,023,731	949,298

Subsidised loans at fair value	Stage 1	Stage 2	Stage 3	Total
30.09.2023	539,753	153,630	36,063	729,446
31.12.2022	681,103	207,147	61,048	949,298

25. SECURITIES MEASURED AT AMORTISED COST

	30.09.2023		
Securities	Gross balance sheet value	Impairment allowance	Net balance sheet value
issued by domestic banks – covered bonds	1,243	(1)	1,242
issued by domestic banks	4,266,284	-	4,266,284
issued by other financial entities	2,621,415	-	2,621,415
issued by central governments – treasury bonds	19,211,304	(102)	19,211,202
issued by non-financial entities – bonds	4,155	(4,155)	-
issued by local governments – municipal bonds	58,886	(134)	58,752
Total securities measured at amortised cost	**26,163,287**	**(4,392)**	**26,158,895**

	31.12.2022		
Securities	Gross balance sheet value	Impairment allowance	Net balance sheet value
issued by domestic banks – covered bonds	1,221	(15)	1,206
issued by domestic banks	3,833,869	-	3,833,869
issued by other financial entities	1,131,309	-	1,131,309
issued by central governments – treasury bonds	17,066,487	(90)	17,066,397
issued by non-financial entities – bonds	112,472	(44,690)	67,782
issued by local governments – municipal bonds	66,882	(184)	66,698
Total securities measured at amortised cost	**22,212,240**	**(44,979)**	**22,167,261**

30.09.2023	Stage 1	Stage 2	Stage 3	Total	including POCI
Securities	**26,159,132**	**-**	**4,155**	**26,163,287**	**-**
issued by domestic banks – covered bonds	1,243	-	-	**1,243**	-
issued by domestic banks	4,266,284	-	-	**4,266,284**	-
issued by other financial entities	2,621,415	-	-	**2,621,415**	-
issued by central governments – treasury bonds	19,211,304	-	-	**19,211,304**	-
issued by non-financial entities – bonds	-	-	4,155	**4,155**	-
issued by local governments – municipal bonds	58,886	-	-	**58,886**	-
Impairment allowances on securities	**(237)**	**-**	**(4,155)**	**(4,392)**	**-**
issued by domestic banks – covered bonds	(1)	-	-	**(1)**	-
issued by central governments – treasury bonds	(102)	-	-	**(102)**	-
issued by non-financial entities – bonds	-	-	(4,155)	**(4,155)**	-
issued by local governments – municipal bonds	(134)	-	-	**(134)**	-
Total net securities measured at amortised cost	**26,158,895**	**-**	**-**	**26,158,895**	**-**

31.12.2022	Stage 1	Stage 2	Stage 3	Total	including POCI
Securities	**22,099,768**	**-**	**112,472**	**22,212,240**	**108,317**
issued by domestic banks – covered bonds	1,221	-	-	**1,221**	-
issued by domestic banks	3,833,869	-	-	**3,833,869**	-
issued by other financial entities	1,131,309	-	-	**1,131,309**	-
issued by central governments – treasury bonds	17,066,487	-	-	**17,066,487**	-
issued by non-financial entities – bonds	-	-	112,472	**112,472**	108,317
issued by local governments – municipal bonds	66,882	-	-	**66,882**	-
Impairment allowances on securities	**(289)**	**-**	**(44,690)**	**(44,979)**	**(40,535)**
issued by domestic banks – covered bonds	(15)	-	-	**(15)**	-
issued by central governments – treasury bonds	(90)	-	-	**(90)**	-
issued by non-financial entities – bonds	-	-	(44,690)	**(44,690)**	(40,535)
issued by local governments – municipal bonds	(184)	-	-	**(184)**	-
Total net securities measured at amortised cost	**22,099,479**	**-**	**67,782**	**22,167,261**	**67,782**

26. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Securities measured at fair value through profit or loss	30.09.2023	31.12.2022
	Balance sheet value	
Treasury bonds issued by central governments	-	4,907
Bonds issued by non-financial entities	-	26,005
Bonds convertible for non-financial entities bonds	75,256	56,160
Equity instruments	213,917	228,234
Units	464	450
Certificates issued by non-financial entities	828	837
Total securities measured at fair value through profit or loss	**290,465**	**316,593**

27. SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt securities	30.09.2023	31.12.2022
NBP bills	449,775	8,495,585
Bonds issued by banks	2,501,232	2,251,139
Treasury bonds issued by central governments	4,300,200	4,141,351
Bonds issued by other financial institutions	5,157,744	2,496,718
Securities measured at fair value through other comprehensive income	**12,408,951**	**17,384,793**

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	30.09.2023	31.12.2022
Licenses	595,933	604,313
Other intangible assets	53,237	39,153
Expenditure on intangible assets	202,734	177,640
Total intangible assets	**851,904**	**821,106**

In the three quarters of 2023, the net carrying amount of "Intangible assets" acquired by the Group amounted to PLN 234,129 thousand (in the three quarters of 2022: PLN 187,692 thousand, while the net balance sheet amount of the disposed of and liquidated components amounted to PLN 3,730 thousand (in the three quarters of 2022, it amounted to PLN 2,125 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 30.09.2023, the Group had significant contractual obligations incurred in connection with the acquisition of intangible assets in the amount of PLN 8,724 thousand (PLN 14,615 thousand as of 31.12.2022).

29. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	30.09.2023	31.12.2022
Fixed assets, including:	399,775	402,972
land and buildings	88,820	95,279
IT equipment	134,243	118,902
office equipment	41,403	45,481
other, including leasehold improvements	135,309	143,310
Fixed assets under construction	2,713	44,502
Right of use, including:	585,479	621,955
land and buildings	553,629	596,181
cars	29,801	25,304
IT equipment	1,704	-
other, including leasehold improvements	345	470
Total property, plant and equipment	**987,967**	**1,069,429**

In the three quarters of 2023, the net balance sheet amount of the components included in property, plant and equipment acquired by the Group was PLN 60,409 thousand (in the three quarters of 2022 it amounted to PLN 31,066 thousand), while the net balance sheet value of sold and liquidated components amounted to PLN 7,877 thousand (in the three quarters of 2022 it amounted to PLN 10,513 thousand).

As of 30.09.2023, the Group had significant contractual liabilities incurred in connection with the acquisition of property, plant and equipment in the amount of PLN 4,651 thousand (PLN 569 thousand as of 31.12.2022).

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 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Lease expenses recognized in the statement of profit or loss	**(104,617)**	**(94,066)**
- interest on lease liabilities	(21,821)	(10,820)
- depreciation of right of use assets	(81,871)	(83,135)
- expenses related to short-term lease (recognized in general administrative expenses)	(925)	(111)

Undiscounted lease payments by maturity	30.09.2023	31.12.2022
< 1 year	143,339	133,489
1-5 years	440,467	426,440
> 5 years	204,334	240,323
Total	**788,140**	**800,252**

	30.09.2023	31.12.2022
Book value of liabilities due to discounted lease payments	**676,222**	**718,892**

31. OTHER ASSETS

Other assets:	30.09.2023	31.12.2022
Receivables from contracts with customers:		
sundry debtors	328,626	321,595
accrued income	124,675	88,165
payment card settlements	19,757	17,195
social insurance settlements	4,567	3,012
Other:		
interbank and intersystem settlements	374,955	367,050
deferred expenses	92,299	78,588
tax and other regulatory receivables	39,161	30,905
other lease receivables	34,287	27,453
other	91,953	85,442
Total other assets (gross)	**1,110,280**	**1,019,405**
Impairment allowances on other receivables from sundry debtors	(80,603)	(57,469)
Total other assets (net)	**1,029,677**	**961,936**

32. AMOUNTS DUE TO CENTRAL BANK

Amounts due to Central Bank	30.09.2023	31.12.2022
Current account overdraft	-	8,713

33. AMOUNTS DUE TO OTHER BANKS

Amounts due to other banks	30.09.2023	31.12.2022
Current accounts	467,603	46,361
Interbank deposits	357,993	646,658
Loans and advances received	4,715,789	5,870,409
Other liabilities	887,699	594,596
Total amounts due to banks	**6,429,084**	**7,158,024**

"Other liabilities" as at 30.09.2023 included liabilities due to securities sold under repurchase agreements in the amount of PLN 5,979 thousand (as at 31.12.2022 the amount of such liabilities amounted to PLN 0).

There were no breaches of contractual provisions and covenants related to the financial situation of the Bank and disclosure obligations in the three quarters of 2023 and during 2022.

34. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers	30.09.2023	31.12.2022
NON-BANKING FINANCIAL INSTITUTIONS	**5,088,481**	**2,378,213**
Current accounts	1,797,005	1,043,816
Term deposits	2,805,412	841,098
Loans and advances received	468,480	491,823
Other liabilities	17,584	1,476
RETAIL CUSTOMERS	**49,450,313**	**49,020,456**
Current accounts	26,487,695	29,182,509
Term deposits	22,464,296	19,342,539
Other liabilities	498,322	495,408
CORPORATE CUSTOMERS	**66,184,411**	**66,040,455**
Current accounts	46,081,322	49,139,666
Term deposits	19,569,226	16,128,824
Other liabilities	533,863	771,965
Incl. RETAIL FARMERS	**3,718,384**	**3,021,185**
Current accounts	3,447,233	2,777,133
Term deposits	259,136	226,637
Other liabilities	12,015	17,415
PUBLIC SECTOR CUSTOMERS	**3,500,074**	**2,581,919**
Current accounts	1,548,517	1,683,350
Term deposits	1,951,083	895,643
Other liabilities	474	2,926
Total amounts due to customers	**124,223,279**	**120,021,043**

Amounts due to customers at the end of September 2023 amounted to PLN 124,223,279 thousand and were higher by PLN 4,202,236 thousand, i.e. by 3.5%, compared to the end of 2022.

In terms of entities, amounts due to customers increased in all client groups. The largest volume increase concerned non-banking financial institutions. The balance of this segment as at 30 September 2023 amounted to PLN 5,088,481 thousand and was by PLN 2,710,268 thousand, i.e. 114.0% higher than at the end of the previous year. At the same time, the share of this segment in the structure of total amounts due to cutomers increased from 2.0% to 4.1%.

The volume of amounts due to public sector institutions increased in 2023 by PLN 918,155 thousand (i.e. by 35.6%) to the level of PLN 3,500,074 thousand compared to the end of 2022.

Amounts due to retail customers amounted to PLN 49,450,313 thousand and increased by PLN 429,857 thousand (i.e. by 0.9%) compared to the end of 2022. This is the effect of an increase in term deposits (by PLN 3,121,757 thousand), which was partially offset by a decrease in the volume of funds held in current accounts (by PLN 2,694,814 thousand). The share of this segment in the structure of total amounts due to customers decreased to 39.8% compared to 40.8% at the end of December 2022.

Amounts due to corporate customers amounted to PLN 66,184,411 thousand at 30 September 2023 and were by PLN 143,956 thousand (i.e. by 0.2%) higher than at the end of the previous year. On the other hand, the share of deposits of corporate customers in the structure of total amounts due to customers decreased to 53.3% compared to 55.0% at the end of 2022.

The share of current accounts in the structure of total amounts due to customers at the end of September 2023 amounted to 61.1%, registering a decrease of 6.4 p.p. compared to the end of 2022. Funds deposited in current accounts amounted to PLN 75,914,539 thousand and decreased by PLN 5,134,802 thousand, i.e. by 6.3%. The decrease was driven by a lower balances in both corporate (by PLN 3,058,344 thousand, i.e. by 6.2%) and retail customer accounts (by PLN 2,694,814 thousand, i.e. by 9.2%).

The share of term deposits in the structure of amounts due to customers in the analysed period amounted to 37.7% and increased by 6.7 p.p. compared to the end of 2022. In value terms, term deposits increased by PLN 9,581,913 thousand to the level of PLN 46,790,017 thousand, i.e. by 25.8% compared to December 2022.

The share of other liabilities and loans and advances received in total in the structure of amounts due to customers amounted to 1.2% and decreased by 0.2 p.p. compared to the end of 2022. Their total volume amounted to PLN 1,518,723 thousand.

35. DEBT SECURITIES ISSUED

	30.09.2023	31.12.2022
Debt securities issued	-	364,633

Debt securities issued	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Opening balance	**364,633**	**722,628**
Redemption of certificates of deposit	(364,427)	(286,531)
Changes in discount, interests, commission and fees on certificates of deposit amortised using EIR, foreign currency exchange differences	(206)	(136)
Closing balance of debt securities issued	**-**	**435,961**

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 was completed on 27 March 2023. The value of the repurchased portfolio amounted to PLN 310 million.

The transaction of securitization of the cash and car loan portfolio is described in Note 45.

36. SUBORDINATED LIABILITIES

Subordinated liabilities	30.09.2023	31.12.2022
	4,415,727	**4,416,887**

Change in the balance of subordinated liabilities	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Opening balance	**4,416,887**	**4,334,572**
Change in the balance of interest, commissions and fees settled by EIR	4,435	12,347
Foreign exchange differences	(5,595)	149,928
Closing balance	**4,415,727**	**4,496,847**

37. OTHER LIABILITIES

Other liabilities	30.09.2023	31.12.2022
Liabilities due to contracts with customers		
Sundry creditors	176,274	185,355
Payment card settlements	170,237	172,479
Deferred income	78,015	83,508
Escrow account liabilities	474	488
Social insurance settlements	26,338	25,559
Other liabilities		
Interbank and intersystem settlements	930,077	997,337
Provisions for non-personnel expenses	522,684	486,249
Provisions for other employees-related liabilities	207,858	240,835
Provision for unused annual holidays	44,048	43,801
Other regulatory liabilities	71,718	75,056
Other lease liabilities	34,540	28,961
Other	66,539	83,554
Total other liabilities	**2,328,802**	**2,423,182**

38. PROVISIONS

	30.09.2023	31.12.2022
Provision for restructuring	35,970	45,843
Provision for retirement benefits and similar obligations	23,206	18,994
Provision for contingent financial liabilities and guarantees granted	117,580	99,657
Provisions for litigation and claims	2,573,785	2,050,954
Other provisions	12,954	8,290
Total provisions	**2,763,495**	**2,223,738**

Provisions for restructuring	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Opening balance	**45,843**	**56,280**
Provisions recognition	1,874	7,780
Provisions utilization	(11,747)	(18,007)
Provisions released	-	(270)
Closing balance	**35,970**	**45,783**

Provision for retirement benefits and similar obligations	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Opening balance	**18,994**	**15,858**
Provisions recognition	5,642	4,778
Provisions utilization	(375)	(405)
Provisions released	(1,055)	(817)
Closing balance	**23,206**	**19,414**

Expected credit losses of contingent liabilities	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Opening balance	**99,657**	**155,638**
Provisions recognition	45,426	41,812
Provisions released	(10,704)	(18,579)
Changes resulting from changes in credit risk (net)	(16,274)	(80,249)
Other changes	(525)	1,535
Closing balance	**117,580**	**100,157**

Provisions for litigation and claims	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Opening balance	**2,050,954**	**1,463,347**
Provisions recognition	981,216	398,227
Provisions utilization	(447,216)	(209,958)
Provisions released	(34,240)	(4,453)
Other changes, including foreign exchange differences	23,071	193,329
Closing balance	**2,573,785**	**1,840,492**

Other provisions	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Opening balance	**8,290**	**8,229**
Provisions recognition	4,685	15
Provisions utilization	(21)	(1)
Closing balance	**12,954**	**8,243**

39. 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	30.09.2023	31.12.2022
Cash and balances at Central Bank (Note 19)	6,699,539	2,718,307
Current accounts of banks and other receivables	5,616,024	9,057,717
Interbank deposits	65,187	1,441,247
Total cash and cash equivalents	**12,380,750**	**13,217,271**

40. 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 Bank 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 Significant Influence on the Risk Profile of BNP Paribas Bank S.A." as of 2020 (excluding individuals who have terminated their relationship with the Bank), the applicable financial instrument in which part of the variable remuneration is paid is ordinary shares (change from phantom shares).

The 2022 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 the Bank. 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 2023.

	30.09.2023		**31.12.2022**	
	Financial instrument		**Financial instrument**	
	units	value (PLN ‘000)	units	value (PLN ‘000)
Opening balance	**38,166**	**2,897**	**117,770**	**5,616**
executed during the period	(34,904)	(1,953)	(79,604)	(5,109)
current valuation *	-	(741)	-	2,390
Closing balance	**3,262**	**203**	**38,166**	**2,897**

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

In 2023 the Bank performed payments due to exercising rights to deferred phantom shares (under the programme for 2018 and 2019) in the amount of PLN 1,953 thousand.

The table below presents the terms of the Stock Purchase Plan in 2023

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	28 February 2023
End date of phantom share granting	3 March 2023

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 and Series N shares issued by the Bank under the conditional share capital increase. The rights to acquire Series M and N 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 and N 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 and N shares, depriving the existing shareholders of the subscription right to warrants and to Series M and N shares, amending the Bank's Articles of Association and dematerialising and applying for the admission of Series M and N shares to trading on a regulated market.

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.

The number of shares awarded in 2023, as part of the non-deferred part of variable compensation for 2022, amounted to 78.316.

In 2023, for the variable remuneration granted for 2019, 2020 and 2021 and in connection with the forecast of the variable remuneration for 2023, which will be granted in 2024, in the part concerning shares to be issued in the future, the Bank has recognized in the capitals an amount of PLN 4,891 thousand. At the same time, an amount of PLN 19,559 thousand (recognised in the previous years) is presented in capital. The actuarial value of the shares issued in 2023 of PLN 5,384 thousand is already included in the mentioned amounts.

Financial instruments (shares – deferred part) changes in the three quarters of 2023 determined in relation to the deferred part of the variable remuneration for 2019, 2020, 2021 and 2022.

	30.09.2023			31.12.2022	
	financial instrument			financial instrument	
	units	value (PLN '000))	units	value (PLN '000))	units
Opening balance	**121,760**	**8,487**		**108,851**	**7,403**
granted in a given period	57,711	2,802		37,191	2,718
realised in a given period	(37,151)	(2,528)		(24,282)	(1,634)
Closing balance	**142,320**	**8,761**		**121,760**	**8,487**

The table below presents the terms and conditions of the Share/Warrants Purchase Plan for 2023

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	28 February 2023
End date for granting phantom shares	23 March 2023

41. ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOW

Cash flows from operating activities – other adjustments	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
FX differences from subordinated loans	(5,595)	149,928
Securities measurement through profit or loss	(6,535)	(1,667)
Allowance for securities	(40,588)	(5,113)
Other adjustments	23,122	41,735
Cash flows from operating activities – total other adjustments	**(29,596)**	**184,883**

42. CONTINGENT LIABILITIES

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

Contingent liabilities	30.09.2023	31.12.2022
Contingent commitments granted	**47,769,886**	**42,977,848**
financial commitments	30,943,715	30,486,679
guarantees	16,826,171	12,491,169
Contingent commitments received	**61,015,557**	**58,068,966**
financial commitments	13,401,920	14,511,914
guarantees	47,613,637	43,557,052

43. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1
Assets and liabilities measured on the basis of market quotations available on active markets for identical instruments.

Level 2
Assets and liabilities measured using valuation techniques based on directly or indirectly observed market quotations or other information based on market quotations.

Level 3

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

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

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

In the three quarters of 2023, the Group did not make any changes in the rules of classification into valuation levels.

As of 30.09.2023, 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:

30.09.2023	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**12,410,243**	**2,650,718**	**1,263,362**	**16,324,323**
Derivative financial instruments	-	2,552,883	244,743	2,797,626
Hedging instruments	-	97,835	-	97,835
Financial instruments measured at fair value through other comprehensive income	12,408,951	-	-	12,408,951
Financial instruments measured at fair value through profit or loss	1,292	-	289,173	290,465
Loans and advances to customers measured at fair value through profit or loss	-	-	729,446	729,446
Liabilities measured at fair value:	**-**	**3,476,398**	**393,593**	**3,869,991**
Derivative financial instruments	-	2,561,143	311,044	2,872,187
Hedging instruments	-	915,255	82,549	997,804

31.12.2022	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**17,384,793**	**2,992,523**	**1,526,741**	**21,904,057**
Derivative financial instruments	-	2,958,065	266,207	3,224,272
Hedging instruments	-	29,101	-	29,101
Financial instruments measured at fair value through other comprehensive income	17,384,793	-	-	17,384,793
Financial instruments measured at fair value through profit or loss	-	5,357	311,236	316,593
Loans and advances to customers measured at fair value through profit or loss	-	-	949,298	949,298
Liabilities measured at fair value:	**-**	**4,244,791**	**377,590**	**4,622,381**
Derivative financial instruments	-	2,885,339	262,516	3,147,855
Hedging instruments	-	1,359,452	115,074	1,474,526

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.

30.09.2023	Derivative financial instruments – assets	Financial assets measured at fair value	Derivative financial instruments – liabilities	Hedging instruments – liabilities
Opening balance	**266,207**	**1,260,534**	**262,516**	**115,074**
Total gains/losses recognized in:	(21,464)	(513)	48,528	(32,525)
statement of profit or loss	(21,464)	(513)	48,528	(32,525)
Purchase	-	30,131	-	-
Sale	-	(7,699)	-	-
Settlement / Expiry	-	(263,834)	-	-
Closing balance	**244,743**	**1,018,619**	**311,044**	**82,549**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period				
	(21,464)	**(513)**	**48,528**	**(32,525)**

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**

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 is determined with the use of credit risk parameters of a given customer determined in the process of calculating the impairment of financial instruments.

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.

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.

30.09.2023	Book value	Fair value	Level
Financial assets			
Cash and cash balances at Central Bank	6,699,539	6,699,539	3
Amounts due from banks	16,195,371	15,717,403	2,3
Loans and advances to customers measured at amortised cost	87,789,947	87,486,823	3
Securities measured at amortised cost	26,158,895	23,577,352	1.3
Other financial assets	681,589	681,589	3
Financial liabilities			
Amounts due to banks	6,429,084	6,462,189	2,3
Amounts due to customers	124,223,279	123,125,555	3
Subordinated liabilities	4,415,727	4,387,570	3
Leasing liabilities	676,222	676,222	3
Other financial liabilities	1,337,940	1,337,940	3

31.12.2022	Book value	Fair value	Level
Financial assets			
Cash and cash balances at Central Bank	2,718,307	2,718,307	3
Amounts due from banks	11,800,189	11,084,681	3
Loans and advances to customers measured at amortised cost	89,090,317	87,433,750	3
Securities measured at amortised cost	22,167,261	18,100,104	1.3
Other financial assets	678,836	678,836	3
Financial liabilities			
Amounts due to Central Bank	8,713	8,713	3
Amounts due to banks	7,158,024	7,228,558	3
Amounts due to customers	120,021,043	118,941,666	3
Subordinated liabilities	4,416,887	4,393,165	3
Leasing liabilities	718,892	718,892	3
Other financial liabilities	1,410,179	1,410,179	3
Debt securities issued	364,633	364,633	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 of loans and advances to customers covered by the law on community financing for economic ventures and borrower assistance takes into account the impact of changes in repayment schedules resulting from the introduction of 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.

44. LOAN PORTFOLIO SALE

In the third quarter of 2023, the Group concluded agreements for the sale of the retail and SME loan portfolio.

The gross carrying amount of the sold portfolio measured at amortised cost was PLN 107,014 thousand, the amount of impairment allowances created was PLN 83,399 thousand.

The contractual price for the sale of these portfolios was set at PLN 34,653 thousand. The net impact on the Group's result due to the sale of portfolios amounted to PLN 11,038 thousand and is presented in the line Result of impairment allowances on financial assets and provisions for contingent liabilities.

45. SECURITIZATION

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

As a result of the securitization the Bank obtained financing for its operations in exchange for giving away rights to future flows resulting from the securitized loan portfolio in the total amount of PLN 4.5 billion. The maximum term of the full redemption of bonds and loan repayment was set for 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.

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

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

46. 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 2023, 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. BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. („TFI").
2. BNP PARIBAS LEASING SERVICES SP. Z O.O. („LEASING").
3. BNP PARIBAS GROUP SERVICE CENTER S.A. („GSC").
4. CAMPUS LESZNO SP. Z O.O.

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 are presented in the table below:

30.09.2023	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	**17,840,117**	**20**	**92,361**	**369**	**17,932,867**
Receivables on current accounts, loans and deposits	15,767,292	20	68,907	369	**15,836,588**
Derivative financial instruments	1,974,990	-	788	-	**1,975,778**
Derivative hedging instruments	97,835	-	-	-	**97,835**
Other assets	-	-	22,666	-	**22,666**
Liabilities	**6,997,186**	**36,935**	**1,159,764**	**2,907**	**8,196,792**
Current accounts and deposits	786,679	36,935	758,900	2,907	**1,585,421**
Subordinated liabilities	4,137,989	-	277,738	-	**4,415,727**
Derivative financial instruments	1,074,710	-	3,236	-	**1,077,946**
Derivative hedging instruments	997,804	-	-	-	**997,804**
Leasing liabilities	-	-	955	-	**955**
Other liabilities	4	-	118,935	-	**118,939**
Contingent liabilities					
Financial commitments granted	2,322,674	-	308,946	703	**2,632,323**
Guarantee commitments	301,283	127,061	1,403,913	-	**1,832,257**
Commitments received	13,401,559	163,322	2,370,441	-	**15,935,322**
Derivative instruments (nominal value)	84,300,322	-	32,421	-	**84,332,743**
Hedging derivative instruments (nominal value)	18,032,364	-	-	-	**18,032,364**
Statement of profit or loss	**501,656**	**(5,604)**	**(22,522)**	**(110)**	**473,420**
3Q 2023 from 01.01.2023 to 30.09.2023					
Interest income	256,398	645	22,579	19	**279,641**
Interest expense	(244,692)	(1,793)	(25,565)	(129)	**(272,179)**
Net trading income	564,491	(4,456)	(2,362)	-	**557,673**
Other operating income	-	-	32,336	-	**32,336**
Other operating expenses	-	-	(35,586)	-	**(35,586)**
General administrative expenses	(74,541)	-	(13,924)	-	**(88,465)**

31.12.2022	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	**13,360,399**	**4,733**	**292,838**	**770**	**13,658,740**
Receivables on current accounts, loans and deposits	10,973,541	291	266,687	770	**11,241,289**
Derivative financial instruments	2,357,757	4,442	-	-	**2,362,199**
Derivative hedging instruments	29,101	-	-	-	**29,101**
Other assets	-	-	26,151	-	**26,151**
Liabilities	**11,752,445**	**48,670**	**1,872,514**	**2,478**	**13,676,107**
Loans and advances received	4,234,652	-	522,921	-	**4,757,573**
Current accounts and deposits	765,040	48,670	1,068,439	2,478	**1,884,627**
Subordinated liabilities	4,136,961	-	279,926	-	**4,416,887**
Derivative financial instruments	1,141,266	-	-	-	**1,141,266**
Derivative hedging instruments	1,474,526	-	-	-	**1,474,526**
Leasing liabilities	-	-	1,067	-	**1,067**
Other liabilities	-	-	161	-	**161**
Contingent liabilities					
Financial commitments granted	-	-	325,018	651	**325,669**
Guarantee commitments	118,801	127,380	1,580,487	-	**1,826,668**
Commitments received	13,073,284	184,046	2,545,883	-	**15,803,213**
Derivative instruments (nominal value)	58,170,836	2,195,441	-	-	**60,366,277**
Hedging derivative instruments (nominal value)	15,708,485	-	-	-	**15,708,485**
Statement of profit or loss	**(791,630)**	**163**	**(76,089)**	**(6)**	**(867,562)**
Q3 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**
Other operating expenses	-	-	(9,158)	-	**(9,158)**
General administrative expenses	(78,073)	-	(65,150)	-	**(143,223)**

Remuneration of the Management Board and Supervisory Board

Management Board	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Short-term employee benefits	16,503	14,624
Long-term benefits	3,445	3,591
Termination benefits	1,670	-
Post-employment benefits	562	-
Share-based payments*	4,156	3,920
Issued shares**	2,279	1,405
Total	**28,615**	**23,540**

*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 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Short-term employee benefits	1,243	1,206
Total	**1,243**	**1,206**

47. CONSOLIDATED CAPITAL ADEQUACY RATIO

	30.09.2023	31.12.2022
Total own funds	14,976,582	14,842,133
Total risk exposure	91,684,676	95,456,297
Total capital ratio	16.33%	15.55%
Tier 1 capital ratio	12.13%	11.28%

48. 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),
- Other Operations, including ALM Treasury and the Corporate Centre.

In addition, it has been presented performance related to:

- Agro customers, i.e. individual farmers and agro-food sector enterprises,
- the Personal Finance.

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 entity and financial criterias (in particular the amount of turnover, level of credit exposure and assets collected) and the type of business. The detailed rules for assigning customers to specific segments are governed by the Group's internal regulations.

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.

Characteristics of operating segments

Retail and Business Banking Segment covers comprehensive services to retail customers, including private banking customers, as well as business clients (microenterprises). The scope of financial services offered by this area 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: performance of brokerage services and distribution and storage of investment fund units.

Retail and Business Banking customers are served through the Bank's branches and alternative channels, i.e. online banking, mobile banking and telephone banking, the Premium Banking channel and Wealth Management. In addition, sales of selected products is carried out through financial intermediaries both nationwide and locally.

Personal Finance Segment 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 Segment and **Corporate Banking Segment** provide services to business customers and offer a wide range of services to companies, as well as corporate clients, financial institutions and public sector entities. 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 main products provided to Business 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), financing in the form of, inter alia, overdrafts, revolving and investment loans, loans from the group of agribusiness financing products, financial market products, including the conclusion of customer foreign exchange and derivative transactions, leasing and factoring products, as well as specialised services such as real estate financing, structured financing for mid-caps, investment banking and related services for 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 of 2023 from 01.01.2023 to 30.09.2023*								
Net interest income	2,156,608	361,838	1,013,432	85,577	186,582	**3,804,037**	487,367	547,943
external interest income	3,154,071	460,584	1,424,014	376,638	1,854,763	**7,270,070**	950,159	1,042,625
external interest expenses	(1,185,038)	(319,420)	(621,175)	(6,954)	(1,333,446)	**(3,466,033)**	(422,802)	(134,098)
internal interest income	2,300,063	553,517	1,327,838	7,999	(4,189,417)	**-**	636,771	-
internal interest expenses	(2,112,487)	(332,842)	(1,117,246)	(292,106)	3,854,682	**-**	(676,760)	(360,584)
Net fee and commission income	481,396	107,152	276,349	57,502	(2,537)	**919,861**	115,161	104,897
Dividend income	-	-	4,241	-	6,328	**10,570**	354	-
Net trading income	95,206	66,986	299,582	240,407	54,481	**756,663**	68,646	30
Result on investment activities	-	-	-	-	(152)	**(152)**	-	-
Result on hedge accounting	-	-	-	-	(16,866)	**(16,866)**	-	-
Other operating income and expenses	(3,821)	(2,794)	(3,635)	-	(10,506)	**(20,755)**	(655)	(11,159)
Result on derecognition of financial assets measured at amortised cost due to material modification	3,722	-	-	-	-	**3,722**	-	-
Result of allowance for expected credit losses on financial assets and provisions for contingent liabilities	(43,424)	20,669	57,539	5,789	(593)	**39,980**	63,734	14,679
Result on provisions for legal risk related to foreign currency loans	(961,260)	-	-	-	-	**(961,260)**	-	-
General administrative expenses	(806,724)	(95,800)	(246,241)	(78,543)	(704,979)	**(1,932,285)**	(13,999)	(219,679)
Depreciation and amortisation	(85,864)	(1,676)	(43,066)	(11,430)	(197,421)	**(339,457)**	(212)	(11,550)
Expense allocation (internal)	(590,169)	(153,191)	(139,019)	7,411	874,968	**-**	-	(101,433)
Operating result	**245,670**	**303,184**	**1,219,182**	**306,713**	**189,305**	**2,264,058**	**720,396**	**323,728**
Tax on financial institutions	(127,821)	(18,971)	(83,225)	(12,390)	(61,771)	**(304,177)**	-	(31,411)
Profit before income tax	**117,849**	**284,213**	**1,135,957**	**294,323**	**127,534**	**1,959,881**	**720,396**	**292,317**
Income tax expense						**(566,770)**		
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**1,393,111**	**-**	**-**
Statement of financial position for the as of 30.09.2023*								
Segment assets	46,310,724	6,842,569	28,247,234	5,451,778	70,018,238	**156,870,541**	13,597,794	1,176,312
Segment liabilities	66,927,205	17,439,026	42,404,177	-	16,969,201	**143,739,607**	19,055,472	-

* 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 of 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 financial assets/liabilities	(2,652)	-	-	-	-	**(2,652)**	-	-
Result of allowance for expected credit losses on financial assets and provisions for 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)**	-	-
General administrative expenses	(928,348)	(119,159)	(279,605)	(77,240)	(571,976)	**(1,976,326)**	(13,534)	(213,712)
Depreciation and amortisation	(77,303)	(1,626)	(33,114)	(10,299)	(185,985)	**(308,328)**	(203)	(10,489)
Expense allocation (internal)	(487,757)	(135,073)	(127,527)	13,690	736,667	**-**	-	(83,496)
Operating result	**(810,782)**	**186,204**	**767,045**	**206,549**	**423,132**	**772,148**	**482,713**	**247,071**
Tax on financial institutions	(161,057)	(23,197)	(76,683)	(13,952)	(39,946)	**(314,834)**	-	(36,904)
Profit before income tax	**(971,839)**	**163,007**	**690,362**	**192,597**	**383,186**	**457,314**	**482,713**	**210,167**
Income tax expense						**(268,502)**		
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**188,812**	**-**	**-**
Statement of financial position as of 31.12.2022*								
Segment assets	48,181,105	7,391,648	28,721,144	5,236,106	61,987,067	**151,517,069**	14,402,543	13,633,804
Segment liabilities	63,818,863	16,588,586	44,870,774	-	14,976,627	**140,254,848**	16,438,498	-

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

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

The table below presents the Bank's shareholding structure as at 30 September 2023, 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	87.35%	128,991,553	87.35%
BNP Paribas directly	93,501,327	63.31%	93,501,327	63.31%
BNP Paribas Fortis SA/NV directly	35,490,226	24.03%	35,490,226	24.03%
Other shareholders	18,685,393	12.65%	18,685,393	12.65%
Total	**147,676,946**	**100.00%**	**147,676,946**	**100.00%**

As of 5 April 2023, the Bank's share capital amounts to PLN 147,676,946.

The share capital consists of 147,676,946 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 258,028 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 147,676,946 votes. The number of votes resulting from the 2023 M series shares granted is 83,796 votes and the total number of votes resulting from the M series shares granted is 258,028 votes.

The amount of the conditional share capital increase after the issue of M series shares is PLN 317,972.

Changes in shareholder structure in the three quarters of 2023

On 5 April 2023, the Bank's share capital was increased from PLN 147,593,150 to PLN 147,676,946 as a result of the subscription of 83,796 series M shares in exercise of the rights from the series A3 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 SA - 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

A summary of the Bank's shareholdings and share entitlements of the members of the Bank's Management Board and Supervisory Board as at the date of the submission of the Financial Report for the first half of 2023 (10 August 2023) and the Report for the three quarters of 2023 (9 November 2023) is presented below.

MEMBER OF THE BANK'S MANAGEMENT BOARD	SHARES [1]	SUBSCRIPTION WARRANTS[2]	SHARES SALE	SHARES[1]	SUBSCRIPTION WARRANTS[2]
	10.08.2023	10.08.2023		9.11.2023	9.11.2023
Przemysław Gdański	26,473	12,893	-	26,473	12,893
André Boulanger	-	7,987	-	-	7,987
Przemysław Furlepa	3,000	5,811	-	3,000	5,811
Wojciech Kembłowski	-	5,628	-	-	5,628
Piotr Konieczny	-	-	-	-	-
Kazimierz Łabno	-	3,205	-	-	3,205
Magdalena Nowicka	2,046	3,210	-	2,046	3,210
Volodymyr Radin	2,125	1,972	-2,125	-	1,972
Agnieszka Wolska	614	3,481	-	614	3,481

MEMBER OF THE BANK'S SUPERVISORY BOARD	SHARES [1]	SUBSCRIPTION WARRANTS[2]	SALE/ PURCHASE SHARES	SHARES[1]	SUBSCRIPTION WARRANTS[2]
	10.08.2023	10.08.2023		9.11.2023	9.11.2023
Jean-Charles Aranda[3]	1,840	4,495	-69/+69	1,840	4,495

1) Series M shares subscribed for on 5.04.2023 in exercise of the rights attached to series A3 warrants (series A3 registered subscription warrants were subscribed for on 25.03.2022) and series M shares subscribed for on 4.04.2022 in exercise of the rights attached to series A2 warrants (series A2 registered subscription warrants were subscribed for on 25.03.2021); one warrant entitled to subscribe for one series M 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 M-series shares subscribed for by exercising the rights attached to A3-series warrants was 9.336 pcs, the number of M-series shares subscribed for by exercising the rights attached to A2-series warrants was 9,148 pcs, the number of M-series shares subscribed for by exercising the rights attached to A1-series warrants was 7,489 pcs, the number of shares purchased on the WSE stock market was 500 pcs.

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

3) Mr. Jean-Charles Aranda held the position of member of the Bank's Management Board until 31.07.2023 and has been a member of the Bank's Supervisory Board since 1.08.2023.

Other Members of the Bank's Supervisory Board did not declare holding any shares/privileges of the Banks as of 9 November 2023 and there was no change in this respect from the date of presenting the Financing Report for the first half of 2023, i.e. 10 August 2023.

50. DIVIDEND PAID

The Group did not pay any dividends for 2022.

51. DISTRIBUTION OF RETAINED EARNINGS

Pursuant to Resolution No. 2 of the Bank's Annual General Meeting of 30 June 2023, the Bank's profit after tax (net profit) for the completed financial year 2022, amounting to PLN 370,892 thousand, was transferred in full to reserve capital.

52. LITIGATION AND CLAIMS

Legal risk

As of 30 September 2023, there were no proceedings in the court, arbitration tribunal or state administration authorities regarding liabilities or receivables of the Bank, the value of which would exceed 10% of the Bank's equity.

Court decision regarding calculation of the interchange fee

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

The total fine levied on Bank BGŻ BNP Paribas S.A. (presently BNP Paribas Bank Polska S.A.) amounted to PLN 12.54 million and included:

- a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9.65 million; and
- a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2.89 million.

The penalty was paid by the Bank on 19 October 2015. The Bank prepared a last resort appeal against the aforesaid court decision and brought it on 25 April 2016. On 25 October 2017, the Supreme Court overruled the judgment of the Court of Appeal and remitted the case. Acquisition of the core business of RBPL did not change the situation of the Bank as RBPL was not a party to this claim.

On 23 November 2020, the Court of Appeal quashed the judgment of the first instance court and remitted the case for re-examination. In November 2022, the first hearing was held, the case is pending.

Corporate claims against the Bank (interchange fee)

As of 30 September 2023 the Bank received:

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

Litigation and claims of investment fund participants in connection with the performance of the function of investment fund depositary

As of 30 September 2023, the Bank had received a total of 139 individual lawsuits and two collective lawsuits by investment fund participants, related to the performance of the function of investment fund depositary (including the performance of this function by Raiffeisen Bank Polska S.A.). The total amount of claims covered by the above-mentioned lawsuits is PLN 190.2 million. The vast majority of the lawsuits were filed by participants of the Retail Parks Fund Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in Liquidation (hereinafter RPF Fund) and participants of the EPEF Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and EPEF2 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych. The first collective lawsuit was filed on behalf of 397 participants of the RPF Fund, and concerns claims in the total amount of PLN 96.2 million. The second collective action was filed on behalf of 181 participants in the RPF Fund and concerns claims totalling PLN 25.3 million. The allegations raised by the plaintiffs in the lawsuits focus, in particular, on the improper performance by Raiffeisen Bank Polska S.A., and then the Bank, of its obligations to ensure that the value of an investment fund's net assets and the value of net assets per investment certificate are calculated in accordance with the law and the investment fund's statute, and the obligation to verify the compliance of an investment fund's operations with the law governing investment funds or with the statute. The Bank's position is that the claims of fund participants are unfounded.

All legal proceedings are pending before courts of first instance.

No verdict has yet been issued in any of the cases.

Proceedings regarding recognizing a standard contract as prohibited

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

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

The Bank filed an appeal against the decision within the statutory deadline. The Bank has made a provision for the above penalty in full. On 5 October 2022. The Court of Competition and Consumer Protection handed down a judgment in which it overturned the decision of the UOKiK. Both the President of the UOKiK and the Public Prosecutor filed appeals against the judgment.

The Bank replied to both appeals.

On 12 May 2023. The Court of Appeal partially upheld the appeal of the President of the UOKiK, while significantly reducing the penalty imposed on the Bank - to the amount of PLN 6,656 thousand. The Bank filed a motion to suspend the effectiveness of the ruling, which the Court dismissed on 26 May 2023. Thus, the decision, as resulting from the judgment, became final on 12 May 2023. The Bank paid the penalty, published information about the decision and its content on the Bank's website and by 12 August this year has sent the required communications to customers.

At the same time, the Bank filed a cassation appeal with the Supreme Court.

Proceedings on practices violating collective consumer interests - unauthorised transactions

On 8 July 2022, the UOKiK initiated proceedings related to the practices violating the collective interests of consumers. The UOKiK alleges that the Bank, upon receipt of a consumer complaint regarding an unauthorised transaction, did not automatically return funds to customers within the D+1 deadline, but instead conducted a preliminary investigation procedure to determine whether the incident could be classified as a security incident (fraud) or a transaction accepted/conducted by the customer. The second allegation of the UOKiK relates to the Bank providing inappropriate information to customers when rejecting complaints about the disputed transaction. When rejecting such complaints, the Bank explains that, according to its systems, the transaction is considered authorised, and thus, if the customer questions this the situation should be considered as customer negligence.

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

The Bank refunds the amounts of transactions that were unauthorised - the lack of authorisation is verified in the banking systems due to the provisions of the agreement concluded with the customer. The agreement specifies the procedure and factors required to authenticate and accept transactions in accordance with European and Polish law.

The Bank disagrees with the UOKiK's position that the questioning of any transaction by a customer automatically triggers an obligation to return it. Such a position is contrary to Article 72 of the PSD. This obligation should arise and be reviewed taking into account all provisions of the PSD, the Regulatory Technical Standards (RTS) and the Polish Payment Services Act, not only in terms of authentication, but also in terms of liability for the transaction or fraud disclosed by the customer.

According to the Bank, the UOKiK's position is the result of incorrect implementation of the PSD into Polish law. According to the PSD, the Bank should prove proper authentication, and not authorisation. Under Polish law, the Bank is obliged to demonstrate that authorisation has been carried out by the client.

When rejecting complaints, the Bank correctly informs customers of the verification of the correct authentication of the transaction, which at this stage constitutes proof that the client has performed it. Accordingly, the Bank informs the customer that if the customer still claims that such a transaction was not authorised, the transaction must be the result of fault or negligence on the part of the customer.

By the letter dated 06.04.2023 the UOKIK notified about the extension of the deadline for the completion of the proceedings until 11.08.2023, then, by letter of 09.08.2023, UOKIK notified an extension of the deadline for completion of the proceedings until 11.12.2023.

Proceedings for practices violating the collective interests of consumers - credit holidays

On 5 September 2022, the Bank received the UOKiK's decision to initiate proceedings against practices that violate the collective interests of consumers by limiting the possibility to apply for a mortgage loan withholding by limiting one application to 2 months, whereas the customer should be able to apply for all periods at the same time (up to 8 months).

In addition, the Bank disagreed with the allegations and has sent its reply to UOKiK, in which it pointed that BNP accepted and processed all individual applications applied by customers (for any number of months). Thus, there was no violation of the collective interests of consumers, as the Bank did not deprive customers of their rights, but only failed to fully automate the electronic application as of the effective date of the law. At the same time, the Bank informed UOKiK that it had changed the questioned practice by launching a new application form in Goonline e-banking on 8 September 2022, allowing customers to apply for any/all periods simultaneously (up to 8 months).

<u>On 17 January 2023, the Bank received the Decision of the UOKiK, in which:</u>

- it recognized the questioned practice as violating the collective interests of consumers;
- the practice was found to be abandoned;
- it ordered publication of the decision;
- it imposed a penalty on the Bank in the amount of PLN 2,721 thousand (reduced by 50% (30% - for cessation of the practice, 20% as a result of initiating a meeting and expressing willingness to cooperate).

On 17 February 2023, the Bank has appealed the decision to the Competition and Consumer Protection Court.

The Bank has created a provision in the amount of the penalty imposed.

Lawsuits concerning mortgage loan agreements with interest rates based on WIBOR

In the first quarter of 2022, the first media reports of lawsuits against banks challenging WIBOR in loan agreements (with allegations that clauses relating to WIBOR are abusive, or alternatively that the agreement is invalid) appeared in Poland. These lawsuits seek to challenge WIBOR as the basis for variable interest rates.

In January 2023, the Bank received the first lawsuits challenging the WIBOR and variable interest rate clauses based on the WIBOR benchmark in the mortgage loan agreements.

By 30 September 2023, the Bank had received a total of 14 lawsuits. All lawsuits were filed on behalf of consumers and relate to mortgage loan agreements in PLN and also contain a request for security of action.

It should be emphasised that in the case of the Bank's products offered to consumers, only mortgage loans and certain products for Wealth customers are based on the WIBOR reference index, mortgage loans account for approximately 51% of the Bank's retail PLN loan exposure. The total amount of claims covered by the lawsuits received amount to approximately PLN 4 million. All court proceedings are pending before courts of first instance.

In addition, in 6 debt collection cases brought by the Bank, customers have raised arguments challenging WIBOR as a reference index.

The Bank's position is that the clients' claims are unjustified, in particular in view of the fact that WIBOR is an official index whose administrator has received the relevant approvals required by law, among others from the Financial Supervision Commission, and the process of its determination, carried out by the administrator (an independent entity not affiliated with the Bank), is in accordance with the law and is also subject to supervisory assessment by the Financial Supervision Commission. The Commission confirmed WIBOR's compliance with the requirements of the law. An analogous position was also presented by the Financial Stability Committee, which comprises representatives of: the National Bank of Poland, the Financial Supervision Authority, the Ministry of Finance and the Bank Guarantee Fund.

On 29 June 2023, the Financial Supervisory Commission published an assessment of WIBOR's ability to measure the market and economic realities, concluding that WIBOR has the ability to measure the market and economic realities it was designed to measure and responds appropriately to changing liquidity conditions, changes in central bank rates and economic realities.

On 26 July 2023, the Polish Financial Supervision Authority ("PFSA") published a position paper on legal and economic concerns relating to mortgage loan agreements in Polish currency in which the WIBOR interest rate benchmark is used. The position paper contains an explicit statement that WIBOR meets all the requirements prescribed by law and that, in the PFSA's view, there are no grounds to question the reliability and legality of WIBOR, in particular in the context of the use of this index in Polish currency mortgage contracts. PFSA indicated that its position could be used by banks in court proceedings.

According to data from the of Polish Bank Association (as at the end of August 2023), 315 court proceedings have been initiated against banks. In 13 cases the courts of first instance ruled in favour of the banks, while in three proceedings the judgments of the courts of first instance were unfavourable to the banks. Three proceedings were legally concluded with a ruling in favour of the banks.

Litigation concerning CHF credit agreements in the banking sector

According to data from the Polish Bank Association (ZBP), the number of pending lawsuits relating to CHF-indexed/denominated loan agreements at the end of August 2023 was over 139,000 compared to over 110,000 at the end of 2022. In the first eight months of 2023, there were more than 29 thousand new foreign currency loan cases in banks.

This has resulted in an increase in provisions for these proceedings created by banks with CHF mortgage loan portfolios.

The amount of provisions created by the largest listed banks in 2022 was around PLN 11.6 billion and in the first half of 2023 around PLN 9.5 billion, translating into total provisions for this purpose of PLN 29.1 billion at the end of 2022 and approximately PLN 33.5 billion at the end of the first half of 2023.

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

The gross balance sheet value of mortgage and housing loans granted to individual customers in CHF as of 30 September 2023 amounted to PLN 3.35 billion, compared to PLN 4.09 billion at the end of 2022.

As of 30 September 2023 the Bank was the defendant in 5,266 (2,183 new cases in 2023) pending court proceedings (including validly closed cases, clients brought a total of 6,002 claims against the Bank), in which the Bank's customers demanded the annulment of mortgage loan agreements regarding foreign currency loans or loans denominated in CHF, or declare the contract permanently ineffective and pay the amounts hitherto paid. The claims are based 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 385^1 of the Civil Code). The Bank is not a party to any collective claim regarding these loans. The total value of claims pursued in the currently pending cases as of 30 September 2023 was PLN 2.544 million (as of 31 December 2022 was PLN 1,549.46 million), and in legally binding cases PLN 278.58 million (PLN 150.36 million as of 31 December 2022).

As of 30 September 2023, the following judgments have been issued in 736 proceedings that have been legally concluded: 200 judgments in favour of the Bank, including 138 proceedings in case of which a court settlement agreement was concluded, and in 536 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.

It should be stressed that the Polish courts, despite contrary indications arising from CJEU rulings (C-19/20 and C-932/19), in the vast majority rule that credit agreements are invalid or ineffective. A number of Supreme Court judgments have been handed down in recent years (according to data at the end of September, there were approx. 130 judgements), most of them already have written justifications.

The total value of provisions created as at 30 September 2023 amounted to PLN 2,452.1 million (as at 31 December 2022 it amounted to PLN 1,892.4 million), with an impact on the Bank's income statement of PLN 961.3 million in the three quarters of 2023 (in 2022 it amounted to PLN 740 million). An increase in the level of provisions in the three quarters of 2023 was primarily due to an inflow of new lawsuits and an update of the estimate of projected number of lawsuits.

At the same time, the Bank considered the right to recognize a deferred tax asset due to the entitlement valid until the end of 2024 to apply a tax preference to settlements covered by the scope of the Regulation of the Minister of Finance of 11 March 2022, amended by the Regulation of 20 December 2022, on the abandonment of the collection of income tax on certain income (revenue) related to a residential mortgage loan. The Bank recognised PLN 59.04 million deferred tax assets in the first half, of which PLN 44.85 million were realised as at 30.09.2023. Of this pool of assets, PLN 14.19 million remained and in the third quarter of 2023 an additional asset of 10 million has been recognised based on the subsidised reserves.

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 150.5 million from the total balance of provisions.

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

In estimating the loss in the event of a judgment declaring the loan invalid, the Bank assumes that the customer is obliged to return the capital paid out without taking into account other benefits from the consumer (remuneration for the use of the capital or valorisation), that the Bank is obliged to return the sum of the capital and interest instalments repaid together with the statutory default interest awarded in the case of pending cases and that the Bank writes off the credit exposure.

The accounting effect of signing a settlement agreement with a customer is the derecognition of a CHF loan, recognition of a new loan in PLN and the recognition of a result from the derecognition as well as the use of a provision for legal risk of CHF loans. In the three quarters of 2023, the Bank used PLN 314.9 million of the provision for legal risk of CHF loans in connection with the concluded settlements (in 2022 Bank used PLN 150 million of the provision).

The accounting effect of the final judgment declaring the loan agreement invalid is the derecognition of CHF loan exposure as well as the utilization of the provision for legal risk of CHF loans. In the three quarters of 2023, the Bank used PLN 109.7 million of the provision for legal risk of CHF loans in connection with the receipt of final judgments declaring loan agreements invalid (in 2022 Bank used PLN 85 million for the same provision).

Should the assumed average loss change by +/- 5%, with all other significant assumptions unchanged, the amount of the provision would change by +/- PLN 94 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.	+87 mln PLN
	-5 p.p.	-105 mln PLN

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

Parameter	Scenario	Impact on Bank’s loss due to legal risk
Percentage of lawsuits lost	+20%	+98 mln PLN
	-20%	-98 mln PLN

Additionally, according to the Bank’s assessment if 1% of customers with CHF loans filed a lawsuit against the Bank, the loss due to legal risk would increase by approx. PLN 30 million.

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

The current line of jurisprudence in cases involving actions by CHF borrowers is unfavourable to banks, but nevertheless some legal issues are still not clarified, in particular the qualification of loans as foreign currency loans or the possibility for banks to claim retention. Furthermore, despite the CJEU's judgment of 15 June 2023 in Case C-520/21, indicating that a bank cannot claim compensation from a consumer beyond the return of the principal, the possibility for banks to claim the valorisation of the capital paid out is still unsettled, as is whether and what claims a consumer can make under national law. The above issues are important for assessing the risks involved in the proceedings in question.

The Bank monitors the courts' rulings on an ongoing basis and will adjust the level of reserves to the current case-law. At the same time, the Bank is aware that the assumptions made are subject to a subjective assessment of the current situation, which may change in the future. In determining the value of the provision, the Bank relies on all information available at the date of signing the Financial Statements.

CJEU case law (judgments made in 2023)

On 16 March 2023, the CJEU's ruling in Case C-6/22 was issued, from which it follows that:

- the protection granted to consumers by Directive 93/13 is not limited only to the duration of the contract, but also applies after the completion of the contract (this may increase the risk of lawsuits on loans that have already been repaid);
- for the assessment of the consequences, with regard to the situation of the consumer caused by the cancellation of the entire contract, the will expressed by the consumer in this regard is decisive (if the consumer demands the cancellation of the contract, the national court cannot refuse, even if the court informs the consumer that the consequences are particularly unfavourable for him);

The CJEU confirmed that the national court cannot fill the gap created after the removal of an abusive term by a provision other than a dispositive provision, even if the cancellation of the contract has negative consequences for the consumer. However, in such a situation, the national court should take all necessary measures to protect the consumer, in particular, call on the parties to negotiate in order to establish a real balance of the rights and obligations of the contractual parties.

- in the event of cancellation of the contract it is not possible to apply national law providing for an equal division of losses between the parties.

On 8 June 2023, **in Case C-570/21**, the CJEU favoured a broad interpretation of the definition of consumer, indicating that:

- the concept of 'consumer' within the meaning of Article 2(b) of Directive 93/13 is objective in nature and independent of the particular knowledge which a person may have or of the information which he actually possesses;
- a person who has concluded a contract for purposes falling partly within the scope of his commercial or professional activity is to be regarded as a consumer if the purpose of the commercial or professional activity is so limited as not to be predominant in the overall context of that contract;
- in the context of a credit agreement concluded with an entrepreneur, an individual person in the position of co-debtor is covered by the concept of 'consumer' within the meaning of Article 2(b) of Directive 93/13 when he is acting for purposes which are outside his commercial or professional activities and should, when he is in a situation analogous to that of the debtor vis-à-vis that entrepreneur, benefit, together with the latter, from the protection provided by that directive;
- the national court must examine, taking into account all the evidence and, in particular, the wording of that contract, whether the person who is party to it can be classified as a 'consumer', as well as taking into account all the circumstances of the case, in particular the nature of the good or service which is the subject of the contract in question.

On 15 June 2023, **the CJEU has ruled on Case C-520/21** concerning whether, in the event of the cancellation of a credit agreement, the parties have any claim for the use of capital by the other party. The CJEU has reformulated the content of the questions originally asked by the Referring Court. The CJEU's answers therefore relate to the reformulated and not to the original version of the questions.

With regard to the consumer's claims against a bank, the CJEU held that the provisions of Directive 93/13 do not preclude a judicial interpretation of national law according to which the consumer is entitled to claim compensation from the credit institution over and above the reimbursement of monthly instalments and costs paid for the performance of that contract and over and above the payment of statutory default interest from the date of the demand for payment, provided that the objectives of Directive 93/13 and the principle of proportionality are respected.

With regard to the possibility for banks to pursue claims of a similar nature against consumers, the CJEU held that the provisions of Directive 93/13 preclude a judicial interpretation of national law according to which a credit institution is entitled to seek compensation from a consumer over and above the reimbursement of the capital paid in performance of that contract and over and above the payment of statutory default interest from the date of the demand for payment.

The concept of 'compensation' is not defined in the cited judgment, nor is it defined in Polish law. As the CJEU points out, however, in paragraph 78 of the judgment: "Similarly, an interpretation of national law according to which a credit institution is entitled to demand from a consumer compensation that goes beyond the return of the capital paid out for the performance of that contract, and thus to receive remuneration for the use of that capital by the consumer, would contribute to eliminating the deterrent effect on entrepreneurs by declaring that contract void." At the same time, the CJEU did not explicitly refer to the valorisation of the benefit.

The Bank points out that remuneration for the use of capital for the Bank is not included in the Bank's current provisioning model and does not have a direct impact on the Bank's risk as expressed by the level of provisions for the effects of voided loan agreements. In contrast, the Bank's previous models did not take into account the remuneration to the customer for the Bank's use of the instalments of a loan repaid by the customer that has been declared invalid. The estimation of the amount of potential costs associated with this risk requires a refinement of the assumptions on the basis of the developed future line of case law based on the CJEU judgment of 15 June 2023.

On 21 September 2023, the CJEU has issued judgment in Case C 139/22, stating that:

- for a contractual term to be deemed unfair, it is sufficient to establish that its content corresponds to the content of a term of a model contract entered in the register of prohibited clauses, which, however, does not exclude that in a given proceeding a bank may prove that, in light of all relevant circumstances of a given case, this contractual term is not abusive (in particular, it does not produce effects identical to the one entered in the register of prohibited clauses);
- an unfair contractual term does not lose its unfairness by the fact that the consumer may choose to perform his or her obligations under the contract on the basis of another contractual term that is fair;
- the entrepreneur has a duty to inform each consumer about the essential features of the contract and the risks associated with the contract, also if the specific consumer has relevant knowledge and experience in the field (even if the consumer is an employee of the bank).

There are still pending preliminary questions at the CJEU relating to a bank's ability to assert claims for the use of capital (in particular Case C-756/22 and C-113/23).

Supreme Court case law on CHF denominated and foreign currency loans - key findings:

- it is not justifiable to extend the Code concept of a consumer by distinguishing direct and indirect links with the conduct of a business or professional activity. If such a relationship exists (also on the part of e.g. a spouse), there are no grounds for extending protection to such a person (Judgment of the Supreme Court of 18 May 2022 (II CSKP 362/22 [mBank]) / noting that on 08 June 2023, in Case C-570/21, the CJEU opted for a broad interpretation of the definition of consumer;
- the consumer's previous experience with credit products (including those linked to a foreign currency) is not legally relevant (Supreme Court judgment of 13 May 2022 (II CSKP 464/22);
- the possibility to convert the loan does not constitute a means of reducing the risk for the consumer (Judgment of the Supreme Court (SSN) of 13 May 2022 (II CSKP 464/22);
- currency risk clauses, understood as clauses introducing an economic risk for the consumer, are subject to abusiveness testing, and there can be no question of clarity/transparency of such clauses unless the entrepreneur can show that the consumer was fully aware that a strong depreciation of the domestic currency may have consequences that are difficult to bear. General risk instructions, even fulfilling Recommendation S, are insufficient to assume compliance with the instruction standard (e.g. II CSKP 382/22; II CSKP 464/22; I CSK 1867/22);
- spread clauses (both concerning loan drawdown and loan repayment) referring to bank tables as abusive require confirmation by the consumer, otherwise they are ineffective (e.g. I CSK 1867/22; II CSKP 163/22; II CSKP 382/22);
- it is not possible to "supplement" a credit agreement by introducing an alternative means of determining the exchange rate, e.g. on the basis of Article 358 § 2 of the Civil Code. - this would be contrary to the preventive objectives of the directive (e.g. I CSK 1867/22, II CSKP 163/22, II CSKP 382/22);
- the inability to complete the contract, in the absence of the consumer's will to the contrary, leads to the demise of the contract, both in the case of indexed and denominated loans. The only exception that emerges from the case law is the credit agreement of Bank BPH, where the collapse of the margin clause, while the reference to the NBP average exchange rate is left in the agreement, makes it possible (within the scope of this element) to continue the agreement (e.g. II CSKP 364/22, I CSK 55/22);
- the assessment of the advantage/disadvantage of the collapse of the contract is made by the consumer (Order of the Supreme Court of 19 May 2022 (I CSK 55/22);
- the Supreme Court opted for a two-condition theory in the event that a credit agreement is declared invalid. At the same time, the Supreme Court pointed out in a written justification that the risks associated with the insolvency of one of the mutually enriched parties are largely prevented by the right to retain the consideration received until the other party either offers to return the consideration received or secures a claim for repayment (Resolution of 16 February 2021, III CZP 11/20);
- in disputes with consumers, the provision of Article 385(1) of the Civil Code constitutes lex specialis in relation to Article 353(1) of the Civil Code. Consequently, when the prerequisites for the application of both of the above-mentioned legal norms exist, the court should apply the sanction of ineffectiveness of the contractual provision, without ruling on its invalidity on general principles (Resolution of 28 April 2022, III CZP 40/22).

There is still no uniformity on the definition of foreign currency credit. On 20 May 2022, the Supreme Court issued its first ruling on a foreign currency loan granted by the Bank (II CSKP 713/22). According to the Supreme Court, a foreign currency loan exists only if the agreement unambiguously establishes the amount of the loan granted and actually disbursed to the borrower exclusively in a foreign currency and provides for repayment of instalments exclusively in the currency of the loan granted. According to the Court, the parties entered into a loan agreement denominated in CHF, and nothing in the agreement directly provided for the client's claim for payment of the amount of loan made available in CHF.

However, it should be noted that in another decision, the Supreme Court took a different stance (decision of 24 June 2022, I CSK 2822/22), stating that the features of a foreign currency loan are the expression of the amount of the loan granted in a foreign currency and the repayment of the loan instalments in that currency, while not indicating as a characteristic the making of the loan payment in a foreign currency.

In its judgment of 26 January 2023 (II CSKP 408/22), the Supreme Court emphasised that the decisive factor in assessing the currency character of a credit agreement is the indication in the agreement of the amount and currency of the credit in a foreign currency and the granting to the borrower of the possibility to disburse the credit in that currency, and not the actual manner of implementation of the agreement. The fact that the loan is disbursed in PLN as a result of the borrower's instruction cannot lead to the conclusion that the loan agreement does not specify the amount and currency of the loan.

In a judgement of 31 January 2023 (II CSKP 334/22), the Supreme Court indicated that a loan in which, on the one hand, a foreign currency is indicated in the agreement as the so-called loan amount, but the disbursement, i.e. the bank's performance, is to take place in the Polish currency pursuant to the agreement, is not a foreign currency loan. The recognition of a provision providing for disbursement of a loan in Polish currency as prohibited means that the Court meriti must assess the impact of its ineffectiveness towards the consumer on the content of the entire agreement (the remaining provisions), and in particular whether this means that the parties could remain bound by the agreement to the remaining extent. It is not possible to continue to operate an agreement which, once the unauthorised provisions (which may, after all, under certain conditions relate to the main benefits of the parties) have been excluded from it, cannot be enforced - to determine the manner and amount of the parties' performance.

On 5 April 2023, the Supreme Court, in its judgment in case II NSNc 89/23, dismissed the extraordinary appeal of the Public Prosecutor General against the judgment of the Court of Appeal in Kraków of 11 December 2019. (I ACa 100/19) concerning a denominated loan agreement. The Court of Appeal in Kraków dismissed the borrower's appeal, finding that some of the regulations contained in the agreement were abusive, but could not affect the determination of her situation. Indeed, the reason for the termination of the agreement was the borrower's cessation of payment of subsequent loan instalments. It should be noted that, according to the loan agreement, the disbursement of the loan could be made in zloty or in another currency, while the borrower could make repayments of the loan instalments in the currency of the loan or also in another foreign currency. The Supreme Court held that:

(1) in the case at hand, the key issue to be decided is not whether the agreement concluded between the plaintiff and the defendant contained abusive clauses, but whether the appellate court correctly verified their impact on the situation of the borrower. The Supreme Court held that the appellate court did not commit the failings alleged in the extraordinary complaint in this respect;

(2) the fact that there are abusive clauses in a contract does not automatically render the entire contract invalid. The court examining the case is obliged to verify whether, due to their elimination from the content of the contract, it is possible to further assert the claims raised. There is no doubt that if the elimination of the prohibited contractual provision would lead to such a deformation of the contractual regulation that on the basis of its remaining content it would not be possible to reconstruct the rights and obligations of the parties, it would become inadmissible to state that the parties remain bound by the remaining part of the contract;

(3) the extraordinary complaint concerned the legal situation of a consumer - an entity which, as the weaker party to a civil law relationship, is entitled to a special type of protection. At the same time, however, it was emphasised that this protection is not unlimited, and the mere fact that a party has the status of a consumer does not mean that there cannot be an unfavourable decision in his case. Indeed, the consumer still remains a party to the legal relationship and is not exempt from the obligation to comply with the law. When giving a ruling in which one of the parties is a consumer, the court cannot at the same time disregard the interest of the other party.

In Case III CZP 126/22, sitting on 6 October 2023, the Supreme Court held that a credit agreement is a reciprocal contract and, as regards the admissibility of a bank's use of a plea of retention in a lawsuit against a consumer, made a preliminary reference to the CJEU as to whether the provisions of Directive 93/13 allow or do not limit the use of a court's right of retention in favour of a bank.

Issues concerning the reciprocity of the credit agreement and the application of the right of retention will also be decided by the Supreme Court in Cases III CZP 89/22, III CZP 152/22 and III CZP 31/23. In Cases III CZP 89/22 and III CZP 152/2/22, the proceedings have been suspended pending the decision of the CJEU in Case C-28/22, in which the Supreme Court is to answer, inter alia, a preliminary question concerning the right of retention.

It should also be pointed out that the legal questions posed to the full panel of the Civil Chamber by the First President of the Supreme Court on key legal issues relating to the problem of CHF loans have still not been resolved, which leads to a divergence in the jurisprudence of the Supreme Court as well (in particular the judgment of 25 April 2023, II CSKP 600/22, in which the Supreme Court opted for the so-called balance theory, arguing with the earlier position of the Supreme Court expressed in the resolutions of 16 February, 2021, III CZP 11/20 and 7 May 2021, III CZP 6/21).

As of the end of September 2023, 190 cassation appeals have been filed with the Supreme Court in cases of CHF loans granted by the Bank, 22 appeals have been accepted by the Supreme Court for examination and are awaiting substantive decision, as to 55 cassation appeals, the Supreme Court has issued a decision on refusal to accept for examination. Three cases have been sent back for examination, while in two it dismissed the cassation appeal.

Individual settlements offered by the Bank

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

Following the CJEU judgment of 15 June 2023 in case C-520/21, the Bank has observed slight changes in customer behaviour (inter alia, related to the withdrawal of some customers from a settlement, despite their previous acceptance of its terms), which affect the parameters and assumptions made so far, including the propensity of customers to settle.

As of 30 September 2023, the Bank has made individual settlement proposals to 12,548 customers and 3,778 customers accepted the terms of the proposals presented out of which 3,174 settlements were signed.

53. 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 2023 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 72% 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 88% 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 limits, defined in Article 395 of the Regulation No. 575/2013, at the Group level, had not been exceeded as at the end of September 2023. The Group's exposure represented 20.7% of Tier 1 capital on a consolidated basis.

With regard to the exposure limits on entities outside the BNP Paribas S.A. Group, the limits were not exceeded, with the largest exposure representing 20.8% of Tier 1 capital on a consolidated basis.

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. The Group's exposure to industries analysed at the end of September 2023, similarly as at the end of December 2022, is concentrated in the following industries: Agriculture, Forestry, Hunting and Fishing, manufacturing. As at the end of September 2023, the share of manufacturing decreased by 2 p.p. to 21% compared to the end of 2022, while the share of agriculture, forestry and fishing decreased by 1 p.p. as compared to the end of 2022 to the level of 17% 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 2023 and 31 December 2022.

	Exposure*		Share of non-performing loans	
Sector	30.09.2023	31.12.2022	30.09.2023	31.12.2022
AGRICULTURE, FORESTRY, HUNTING AND FISHING	9,101,102	9,293,333	6.7%	7.7%
MINING AND QUARRYING	64,685	79,683	0.8%	2.3%
INDUSTRIAL PROCESSING	11,230,872	12,365,311	2.7%	2.5%
PRODUCTION AND SUPPLY OF ELECTRICITY, GAS, STEAM, HOT WATER AND AIR TO SYSTEMS	948,143	1,092,049	0.3%	0.3%
WATER SUPPLY; SEWAGE AND WASTE MANAGEMENT AS WELL AS REMEDIATION ACTIVITIES	222,734	190,385	1.6%	1.8%
CONSTRUCTION	3,093,650	3,293,737	6.2%	5.5%
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES, INCLUDING MOTORBIKES	7,915,482	8,110,750	4.1%	4.1%
TRANSPORT AND STORAGE	2,647,464	2,546,054	2.4%	2.3%
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	262,656	280,128	20.5%	20.6%
INFORMATION AND COMMUNICATION	3,029,221	2,686,342	1.2%	1.8%
FINANCIAL AND INSURANCE ACTIVITIES	3,432,780	1,689,167	0.5%	3.7%
REAL ESTATE ACTIVITIES	5,776,034	5,761,289	2.2%	2.3%
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	3,167,959	3,119,349	2.0%	1.6%
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	1,299,478	1,083,990	3.9%	3.8%
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	53,146	54,892	0.0%	0.0%
EDUCATION	82,646	76,405	5.3%	8.6%
HEALTH CARE AND SOCIAL ASSISTANCE	864,496	847,363	8.8%	2.8%
CULTURE, ENTERTAINMENT AND RECREATION ACTIVITIES	17,247	18,741	7.4%	8.7%
OTHER ACTIVITIES	100,448	114,436	6.7%	4.0%
Total	**53,310,243**	**52,703,402**	**3.6%**	**3.9%**

* 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 2023, as well as at the end of 2022, the limits were not exceeded.

The structure of overdue receivables

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.

Structure of overdue receivables (net balance sheet value)*	30.09.2023					
	without impairment				with impairment	Total
	0 days	1-30 days	31-60 days	61-90 days		
Mortgage loans and advances	24,232,293	73,242	9,736	4,672	192,404	24,512,347
Cash loans	9,011,213	85,489	11,181	6,710	136,860	9,251,453
Car loans	1,827,705	6,239	1,199	494	12,464	1,848,101
Credit cards	852,834	8,264	1,503	948	21,185	884,734
Investment loans	24,637,401	530,832	3,242	3,078	268,506	25,443,059
Limits in current account	8,872,500	75,122	9,868	4,034	155,379	9,116,903
Working capital loans to companies	9,525,199	582,918	76,461	4,576	287,581	10,476,735
Leasing	5,515,799	135,604	24,219	16,549	80,085	5,772,256
Other	1,152,940	32,548	4,016	1,796	22,505	1,213,805
Total	**85,627,884**	**1,530,258**	**141,425**	**42,857**	**1,176,969**	**88,519,393**

* 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.

Structure of overdue receivables (net balance sheet value)*	31.12.2022					
	without impairment				with impairment	Total
	0 days	1-30 days	31-60 days	61-90 days		
Mortgage loans and advances	25,983,101	96,661	9,826	4,476	198,927	26,292,991
Cash loans	8,789,784	84,258	11,491	4,433	143,937	9,033,903
Car loans	1,673,748	5,670	1,026	692	12,214	1,693,350
Credit cards	871,162	10,158	1,996	688	20,429	904,433
Investment loans	22,821,582	1,426,526	11,837	1,594	337,492	24,599,031
Limits in current account	10,555,968	134,238	15,223	1,405	156,574	10,863,408
Working capital loans to companies	9,110,133	720,450	29,638	7,487	301,573	10,169,281
Leasing	5,193,511	127,798	9,015	5,509	89,234	5,425,067
Other	1,018,381	13,832	1,932	2,716	21,290	1,058,151
Total	**86,017,370**	**2,619,591**	**91,984**	**29,000**	**1,281,670**	**90,039,615**

* 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.

At the end of September 2023, 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.:

For retail customers, non-reporting individual farmers and companies with simplified accounting:

- 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.

For other customers:

- the client with the default status, or
- the client with the indicated rating meeting the defined financial criteria.

The Bank also has dedicated criteria regarding financial difficulty for clients from the Real Estate segment.

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.

Due to the ongoing war in Ukraine and the economic sanctions issued against Russia and Belarus, the Bank 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 Bank monitors the situation of clients on an ongoing basis with a view to safeguarding the credit portfolio and maintaining its high quality. Preventive measures taken in the first quarter of 2022 are being continued. As part of these activities, institutional clients whose business activities are:

1) related to the economies of the above countries and thus may be exposed to the effects of war and imposed sanctions;
2) particularly sensitive to inflation;
3) vulnerable to the Russian gas embargo.

For the purpose of selecting the war-exposed loan portfolio, the Bank considers the following factors (among others):

1) exports/imports to/from countries at risk;
2) capital or organizational relations with citizens of Russia or Belarus;
3) transportation services provided in countries at risk or logistic channels passing through countries at risk;
4) production carried out in countries at risk;
5) investments in fixed assets and capital investments in risk countries;
6) existence of commercial contracts in risk countries (especially construction contracts);
7) employment of workers from Russia, Ukraine or Belarus;
8) distribution of Russian and Belarusian goods or services (risk of boycott of goods).

In the case of inflation, based on information provided by the Department of Economic and Sectoral Analysis, the Bank made a selection of particularly sensitive industries. The shares of energy and material prices in operating costs (as the main drivers of inflation) and gross margin were taken into account. A threshold of increased risk was defined for each of these factors. Information on the possibility of passing on price increases to customers was also included in the sensitivity assessment.

The group of customers selected on this basis was subjected to further detailed analysis to identify activities with higher risk levels. The risk assessment is updated on a semi-annual basis.

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 September 2023, 78% 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 12% while the remaining part (10%) was related to foreign trade transactions (letters of credit and guarantees). France accounted for 48%, Italy for 17%, Luxembourg for 14%, the Netherlands for 10%, Austria for 4% and Belgium 2%. The remaining exposure was concentrated in Mexico, Germany and Czech Republic.

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

At the end of September 2023, the Bank's exposure to counterparty risk from derivative transactions was PLN 2.7 billion. Corporate clients concentrated 70% of the exposure, while the remaining 30% was concentrated around banks.

In connection with the ongoing 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 three quarters of 2023.

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.

Immediate shift of interest rates by 100 bps:	30.09.2023	31.12.2022
Up	224,500	261,059
Down	(211,808)	(194,206)

Immediate shift of interest rates PLN by 100 bps:	30.09.2023	31.12.2022
Up	146,602	155,263
Down	(133,909)	(88,410)

The war in Ukraine did not generally affect the way interest rate risk is managed in the banking book.

Impact of the benchmark reform on BNP Paribas The Bank Polska S.A.

In 2022, a plan was established to replace the WIBOR interest rate benchmark with a new reference index. In pursuit of this plan, the Financial Supervision Commission established, at the request of financial market participants, a National Working Group ("NGR") to prepare measures for the smooth and safe implementation of the new reference index. The work of the NGR is supervised and coordinated by the NGR Steering Committee. The Steering Committee has selected the WIRON index as the recommended index to replace the existing WIBOR reference index. The administrator of WIRON, within the meaning of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016. (BMR Regulation), is a subsidiary of the Warsaw Stock Exchange S.A. - WSE Benchmark S.A., which is registered with the European Securities and Markets Authority.

The NGR Steering Committee has approved a Roadmap for the process of replacing the WIBOR and WIBID reference indices with the WIRON index. This document sets out the basic assumptions for the work of the NGR, according to which it assumes the widespread use of WIRON and the readiness to stop calculating and publishing the WIBOR and WIBID reference indices from the beginning of 2025.

So far, NGR has published several recommendations on standards for the use of WIRON in new in banking, leasing and factoring products. The next step for NGR will be to develop solutions and recommendations for the conversion of the existing portfolio of financial products based on the WIBOR benchmark to the WIRON benchmark.

As a result of the NGR's work, the first OIS transactions using the WIRON benchmark were concluded in the domestic financial market, and the first products with interest rates calculated on the basis of this benchmark appeared in banks' offers.

According to the information of October 25, 2023, the NGR Steering Committee decided to change the maximum deadlines for the implementation of the Road Map and indicated the final moment of conversion at the end of 2027. However, neither the directions of the reform nor the scope of activities planned so far have changed.

Structured work is underway at the Bank to adapt its operations to the changes associated with the replacement of the WIBOR interest rate benchmark. This work is supervised and coordinated by the relevant steering committee. Internal work includes activities related to the planned implementation of the new WIRON index in terms of documentation, communication and the Bank's IT systems. Persons designated by the Bank also participate directly in the work of the NGR.

In the second half of September 2023. The Bank communicated to corporate customers about the introduction of new reference indices from the WIRON index family in the credit regulations. The provisions of the amended credit regulations allow applications for an overdraft facility that uses the WIRON reference index to determine the variable interest rate.

As at 30.09.2023 the Bank has identified:

- WIBOR-based financial assets in PLN million by index tenor:

ON	1W	1M	3M	6M	1Y	Total
402	1	10,665	31,454	8,914	20	51,456

- financial liabilities based on WIBOR and WIBID in PLN million, broken down by index tenor:

ON	1W	1M	3M	6M	1Y	Total
2,036	112	4,760	4,668	5	6	11,587

The Bank also had on its banking book interest rate swaps (CIRS/IRS) based on WIBOR 3M with a total nominal amount of PLN 1,275 million, of which PLN 1,275 million under fair value hedge accounting, and based on WIBOR 6M with a total nominal amount of PLN 4,838 million, of which PLN 3,488 million under hedge accounting.

Until 30 September 2023, the Bank had no WIRON-based loan products on its balance sheet.

The Bank assumes that the replacement of the WIBOR interest rate reference index with the WIRON reference index will be carried out in an orderly manner, in accordance with the formal requirements of the BMR Regulation and the relevant Polish regulations. In the Bank's view, it is of utmost importance that an appropriate method of determining the spread adjustment is established and applied to take into account the effects of the change in the reference index. A hasty and disorderly implementation of the reform and the lack of a transition period to allow an efficient derivatives market to take shape for the new index may cause:

- 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

Market risk exposure in the trading book during the three quarters of 2023 was maintained at a relatively low level. Interest rate risk in the trading book, measured by the sensitivity to a 1 basis point movement in interest rate curves, was at a maximum of PLN 82 thousand and EUR 95 thousand in the reported period. The VaR measure for interest rate risk slightly more than doubled compared to the three quarters of 2022 to an average of PLN 3.5 mln. The increase was due to increased interest rate volatility in the financial markets during the period under review, while maintaining a similar size of the interest rate-sensitive portfolio. The average utilisation of the VaR limit for the open interest rate position in the trading book was below 50% of the allocated limit.

Foreign exchange risk was kept at a low level, i.e. an average of 11% utilisation of the allocated VaR limit, and, as with interest rate risk, 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 the serviceability of customer transactions.

Despite the dynamic global environment and high volatility in the financial markets, the Bank takes a conservative, prudent approach to market risk management, keeping its risk profile at a relatively low level, thereby protecting itself against the negative consequences of unexpected events.

LIQUIDITY RISK

In the three quarters of 2023, the Bank maintained Group's supervisory measures of short- and long-term liquidity above regulatory and internal limits. The LCR averaged 180.1% during the six months of the year. The maximum LCR was 204.9% and the minimum was 153.6%.

The Bank's 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 very safe levels. During the nine months of 2023, the Bank recorded an increase in deposits: corporate of PLN 3,772 billion and retail of PLN 0.430 billion. Net loans increased by PLN 1,300 billion over the three quarters, with an increase of PLN 1,316 billion for corporate and a decrease of PLN 2,617 billion for retail net. The decrease is mainly due to the high prepayments of the mortgage portfolio, the low new production of mortgage loans in line with the Bank's policy and the increase in provisions made for CHF loans. The Bank's objective was to optimise its portfolio of non-bank customer deposits, which continue to be the primary source of funding.

At the end of Q1.2023, the Bank made an early repayment of the securitisation liabilities and thus completed the transaction.

The impact of the war in Ukraine has no implications on the Bank's liquidity position.

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. The Bank also recognizes as operational risk events and losses the consequences of the materialization of compliance risk[1]. Operational risk as such is inherent in any banking operations. The Bank identifies the operational 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.

Operational risk management strategy and policy

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 Risk Committee 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 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.

As part of the implementation of the Operational Risk Management and Internal Control Strategy, the Bank in the three quarters 2023 undertook and continued to undertake a number of measures to mitigate operational risk, strengthening control mechanisms and processes over this type of risk. In particular, processes and tools to prevent and combat fraud against the Bank were strengthened, including, inter alia, the fight against credit fraud and phishing, also a continuation of fraud risk mitigation programme. The Bank monitored its exposure to legal risk on an ongoing basis, including risks arising from pending litigation on CHF-denominated loans, in order to respond adequately to changes in the level of risk. Due to the outbreak of war in Ukraine, the Bank monitored potential risks to the Bank on an ongoing basis, including those relating to security and ensuring business continuity.

[1] Compliance risk refers to the risk of the consequences of non-compliance with laws, internal regulations and market standards in the Bank's processes.

Due to the outbreak of war in Ukraine, the Bank monitored potential risks to the Bank on an ongoing basis, including those relating to security and ensuring business continuity.

The Bank's Management Board and the Risk Committee of the Supervisory Board are informed about the effectiveness of the solutions implemented by the Bank in this regard.

Internal environment

The Bank precisely defines the division of responsibilities for operational risk management, which is adapted to the organisational structure. As part of the second line of defence, comprehensive supervision of the organisation of operational risk management standards and methods is exercised by the Operational Risk, Internal Control and Anti-Fraud Division operating within the Risk area. The Division's responsibilities include operational risk management, anti-fraud issues against the Bank and the supervision of internal controls, including the control of personal data protection processes.

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.

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. The analysis of the operational risk profile also considers the Bank's subsidiaries.

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 oversees the operational risks associated with the activities of its subsidiaries, covering them with an Operational risk management strategy and periodically assessing the consistency of the operational risk management strategies and policies of the entities within the Group. 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.

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 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 of 1 January 2023, the option to exclude the portion of unrealised gains and losses measured at fair value from Common Equity Tier 1 capital items expired. The impact of the change on the Common Equity Tier 1 capital ratio was 42 bps.

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 2023 the adjustment in common equity Tier 1 capital related to other intangible assets amounted to PLN 369,463 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.

The Financial Supervision Authority, in a release dated 21 December 2022, announced that, based on the provisions of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system and after taking into account the opinion of the Financial Stability Committee, 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.

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

The countercyclical buffer ratio for credit exposures in the territory of the Republic of Poland, which applied at the end of 30 September 2023, was 0%. The Group-specific countercyclical buffer ratio, determined in accordance with the provisions of the Act of 5 August 2015 on macro-prudential supervision of the financial system and crisis management in the financial system, as a weighted average of the countercyclical buffer ratios applicable in the jurisdictions in which the Group's relevant credit exposures are located, was 1 bps, as at 30 September 2023. The value of the ratio was mainly affected by exposures in Luxembourg, where the countercyclical buffer rate was 0.5%.

The level of Tier 1 capital ratio and total capital ratio (TCR) on a consolidated basis were above the requirements applicable to the Group as at 30 September 2023. Pursuant to the Resolution of the Bank's Annual General Meeting of 30 June 2023, the entire profit of the Bank for 2022, amounting to PLN 370,892 thousand, was allocated to reserve capital.

At the same time, the Bank 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.

30.09.2023	The minimum supervisory consolidated solvency ratios of the Group	Consolidated capital adequacy ratios of the Group
CET I	8.03%	12.13%
Tier I	9.53%	12.13%
Total Capital Ratio	11.53%	16.33%
31.12.2022		
CET I	8.02%	11.28%
Tier I	9.52%	11.28%
Total Capital Ratio	11.52%	15.55%

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

On 20 June 2023, the Bank received an announcement from the BGF regarding the joint decision of the resolution authorities, i.e. the Single Resolution Board (“SRB”) and the BGF on the minimum level of own funds and eligible liabilities ("MREL").

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

The MREL requirement for the Bank has been set at an individual level at 16.11% of the total risk exposure ("TREA") and 5.91% of the total exposure measure ("TEM"). This requirement should be achieved by 31 December 2023.

In addition, the BGF has set a mid-term MREL target which: - in relation to TREA is: 12.05% as of the receipt of the BGF's letter, - in relation to TEM is: 4.46% as of the receipt of the BGF letter.

MREL requirement applies at individual level.

The entire MREL requirement should be met in the form of own funds and liabilities meeting the criteria set out in Article 98 of the BGF Act, which transposes Article 45f(2) BRRD. According to the BGF's expectations, 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. At the same time, the BGF indicated that Common Equity Tier 1 ("CET1") instruments held by the Bank for the purposes of the combined buffer requirement cannot be counted towards the MREL requirement expressed as a percentage of TREA. This rule does not apply to the MREL requirement expressed as a TEM percentage.

As of 30 September 2023, the Bank meets the defined requirements of MREL-TREA and MREL-TEM.

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. Investments in the CBPS are measured by the Bank at fair value through profit and loss and recognises under securities at fair value through profit and loss.

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 mandatory restructuring by the Bank Guarantee Fund 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 an 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 S.A., 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.

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

Composition of the Bank's Supervisory Board as of 30 September 2023:

FULL NAME	OFFICE HELD IN THE MANAGEMENT BOARD OF THE BANK
Lucyna Stańczak-Wuczyńska	Chairman of the Supervisory Board independent member
Francois Benaroya	Vice-Chairman of the Supervisory Board
Jean – Charles Aranda	Member 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
Magdalena Dziewguć	Independent Member of the Supervisory Board
Sophie Heller	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

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

- 17 January 2023. The Extraordinary General Meeting of the Bank appointed Mr. Grégory Raison as a member of the Supervisory Board with effect from 17 January 2023 until the end of the current five-year joint term of office of the members of the Supervisory Board,
- 24 March 2023. Mr. Grégory Raison resigned as a member of the Bank's Supervisory Board. The reason for Mr Grégory Raison's resignation was his candidacy for the position of Vice-President of the Bank's Management Board,
- 28 February 2023. Mr. Jean-Paul Sabet resigned as a member of the Bank's Supervisory Board as from the date of the Annual General Meeting approving the financial statements for 2022 (30.06.2023),
- 30 June 2023. The Annual General Meeting of the Bank appointed Ms. Sophie Heller as a member of the Supervisory Board until the end of the current five-year joint term of office of the members of the Supervisory Board,
- 30 June 2023. The Bank's Annual General Meeting appointed Mr. Jean - Charles Aranda as a member of the Supervisory Board with effect from 1 August 2023 until the end of the current five-year joint term of office of the members of the Supervisory Board.

Composition of the Bank's Management Board as of 30 September 2023:

FULL NAME	OFFICE HELD IN THE MANAGEMENT BOARD OF THE BANK
Przemysław Gdański	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
Piotr Konieczny	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

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

- 24 March 2023. Mr. Jean-Charles Aranda resigned as Vice-Chairman of the Management Board, effective 31 July 2023,
- 9 May 2023. The Supervisory Board appointed Mr. Gregory Raison as Vice-President of the Management Board in charge of the Finance Area, with effect from 1 August 2023,
- 23 June 2023. Mr. Grégory Raison resigned as a member of the Bank's Executive Board. The reason for Mr. Grégory Raison's resignation was the end of his collaboration with the BNP Paribas Group and the assumption of new professional responsibilities,
- 24 July 2023. The Bank's Supervisory Board appointed Mr. Piotr Konieczny as Vice-Chairman of the Management Board responsible for the Finance Area, with effect from 1 September 2023,
- 29 September 2023. Mr. Kazimierz Łabno submitted his resignation as Vice President of the Management Board as of 31 December 2023.

55. MAJOR EVENTS IN THE BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN THE THREE QUARTERS OF 2023

11.01.2023

Extraordinary General Meeting of Shareholders - adoption of resolutions on, inter alia**:**

- assessment of the collective adequacy of the Bank's Supervisory Board following the change in the composition of the Supervisory Board
- approval of the Policy for the Assessment of the Suitability of the Members of the Bank's Supervisory Board
- amendments to the Bank's Statutes

1.03.2023

Proposal of the Bank's Management Board regarding the distribution of net profit for 2022
Recommendation of the Bank's Management Board to allocate the entire net profit of the Bank for the financial year 2022 for reserve capital.
The Bank's Supervisory Board gave a positive opinion on the Management Board's proposal, which was submitted to the Bank's Annual General Meeting on 30 June 2023. The General Meeting passed a resolution to allocate the Bank's entire profit for 2022, amounting to PLN 370,892 thousand, to reserve capital. On 31 March 2023, the Bank received the decisions of the Financial Supervision Authority to approve the inclusion of the verified net profit for 2022, at stand-alone (PLN 370,892 thousand) and consolidated (PLN 436,254 thousand) levels, in Tier 1 capital.

31.03.2023	**Entry into the National Court Register of the amendments to the Articles of Association of BNP Paribas Bank Polska S.A.** adopted by the Extraordinary General Meeting of the Bank on 17 January 2023 (Resolutions Nos. 6 and 7).
5.04.2023	**Issue of series M shares under the conditional share capital increase and change in the value of the share capital of BNP Paribas Bank Polska S.A.** In accordance with the statement of National Securities Depository S.A. ("NDS") No. 513/2021 of 31 March 2021 (Bank current report No. 15/2021) as amended by NDS statement No. 311/2022 of 31 March 2022 on amendment of the agreement between the NDS and the Bank on registration of the Series M Shares in the securities depository maintained by the NDS (Bank current report No. 11/2022) and by resolution of the Management Board of Warsaw Stock Exchange S.A. ("WSE") No. 348/2021 dated 31 March 2021 (Bank's current report No. 16/2021), on 5 April 2023, on the basis of settlement orders referred to in § 6 of the Detailed Rules of Operation of the NDS, 83.796 Series M ordinary bearer shares of the Bank with a nominal value of PLN 1 each ("Series M Shares") were registered with the NDS and admitted to trading by the WSE and Series M Shares were recorded on the securities accounts of the eligible persons. Series M Shares were issued as part of the Bank's conditional share capital increase pursuant to Resolution No. 5 of the Bank's Extraordinary General Meeting of 31 January 2020, as amended by Resolution No. 37 of the Bank's Annual General Meeting of 29 June 2020. The Series M Shares were subscribed for in exercise of the rights under the Series A3 registered subscription warrants subscribed for earlier, each of which entitled to subscribe for one Series M Share. Pursuant to Article 451 § 2, second sentence, of the Code of Commercial Companies, the grant of Series M Shares became effective upon their recording in the securities accounts of the eligible persons. Therefore, pursuant to Article 451 § 2 in conjunction with Article 452 § 1 of the Code of Commercial Partnerships and Companies, rights from a total of 83,796 Series M Shares with a total nominal value of PLN 83,796 were acquired and the Bank's **share capital was increased** from PLN 147,593,150 **to PLN 147,676,946**, which is divided into 147,676,946 shares with a nominal value of PLN 1.
8.04.2023	**Mandatory deletions from the KRS register of the company Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. ending the liquidation process** On 11 April 2023, the company was deleted from the KRS register.
27.04.2023	**Information on the amount of PLN 123,909 thousand of annual contribution to the banks' forced restructuring fund for 2023 determined by the Bank Guarantee Fund for BNP Paribas Bank Polska S.A.**
17.05.2023	**Entry in the National Court Register of amendments to the Statute of BNP Paribas Bank Polska S.A.,** i.e. an increase in the Bank's share capital up to PLN 147,676,946 as a result of the acquisition of series M shares by the eligible persons under the conditions specified in § 29a, item 2, point a) of the Bank's Statute.
20.06.2023	**Determination of the minimum level of own funds and eligible liabilities (MREL) by the BGF for BNP Paribas Bank Polska S.A.** The MREL requirement for the Bank has been set at an individual level at 16.11% of the total risk exposure (TREA) and 5.91% of the total exposure measure (TEM). This requirement should be achieved by 31 December 2023. In addition, the BGF has set a mid-term MREL target which: - in relation to TREA is: 12.05% as of the receipt of the BFG's letter, - in relation to TEM is: 4.46% as of the receipt of the BFG letter.
30.06.2023	**Annual General Meeting of Shareholders** - adoption of a resolution, i.a. on amendments to the Bank's Articles of Association subsequently registered by the National Court Register on 14.07.2023.

All changes to the composition of the Bank's Management Board and Supervisory Board in three quarters of 2023 are described in Note 54 Management of BNP Paribas Bank Polska S.A.

56. 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 most important external factors which, in the Bank's opinion, may affect the Group's results in subsequent periods include:

- **War in Ukraine and other geopolitical risks.** The war in Ukraine remains an important factor of uncertainty that will affect the economic situation in Poland and the world. The military actions in Ukraine had the strongest impact on the prices of raw materials on world markets, which were at high levels after the start of the war. In Europe, there were legitimate concerns about the availability of energy sources, in particular natural gas. High commodity prices acted pro-inflationary and worsened Poland's trade balance. Currently, we are observing a drop in prices on the world markets, which has positive effects on the Polish economy. However, the ongoing war perpetuates the risk of a renewed rise in commodity prices. The geopolitical situation in the Middle East is also a factor of great uncertainty. A possible escalation could lead to higher commodity prices, as well as to greater risk aversion among investors globally.
- **Global economic slowdown.** According to the October's World Economic Outlook of the International Monetary Fund (IMF), the pace of global economic growth is slowing. The IMF estimates that GDP growth will fall to 3.0% in 2023, from 3.5% in 2022. The IMF estimates that global GDP will grow by 2.9% in 2024. The slowdown will mainly affect the developed economies. The IMF forecasts a slowdown in growth from 2.6% in 2022 to 1.5% in 2023. Following the contraction of economic activity, CPI inflation should also slow down. The IMF expects inflation to slow to 6.9% this year, from a record high of 8.7% in 2022. Detailed forecasts predict euro area GDP growth to slow to 0.7% in 2023 and accelerate to 1.2% the following year. In its latest forecast, the European Commission expects growth in the euro area to be 0. 8% in 2023 and 1.3% in 2024. The decline in activity in Western Europe will also have an impact on economic growth in Poland. The International Monetary Fund predicts that Polish GDP will grow by 0.6% in 2023. Similar forecasts for economic growth in Poland have been made by the European Commission. According to the latest forecast, GDP growth in Poland is expected to be 0.5% in 2023 and 2.7% in 2024.
- **Monetary policies of major central banks.** In addition to the geopolitical situation, central bank policies are the main factor influencing the pace of global recovery. Since the beginning of the year, the Federal Open Market Committee (FOMC) has raised the federal funds rate 4 times to 5.25-5.50%. At its meeting on 20 September 2023, the FED decided to leave rates unchanged. Now, according to market expectations, the cycle of tightening monetary policy in the US has come to an end, and the first interest rate cuts will be possible in the middle of next year. The European Central Bank (ECB) is also expected to have completed the cycle of interest rate hikes. Since the beginning of the year, the Governing Council of the ECB has raised interest rates six times, including by 25 bps at its last meeting on 14 September. The deposit rate was 4.00% after this decision. According to the market valuation, the ECB, in line with FED, will decide to start a cut cycle in the middle of next year. According to the September's ECB projection, average annual HICP inflation in the euro area is projected to be 5.6% in 2023, 3.2% in 2024, and in 2025 close to the inflation target (2%) and will amount to 2.1%.
- **Activities of the National Bank of Poland.** At its September meeting, the Monetary Policy Council decided to lower the reference rate by 75 bps. The decision was surprising for the market, which expected a reduction of 25 bps. At the October meeting, the MPC made a reduction of 25 bps in line with market expectations. According to the July NBP projection, the annual CPI inflation rate will return to the NBP inflation target (2.5% +/-1 p.p.) only in 2025. The market expects the monetary policy loosening cycle to continue in the coming quarters. The market consensus assumes interest rates will fall by more than 100 bps by the end of 2024, including the main reference rate to slightly above 4.50%.
- **The zloty exchange rate against key currencies.** In July and August, the zloty was strong, with EUR/PLN fluctuating around 4.45. In September, however, the exchange rate rose to around 4.65. This was in response to the decision of the Monetary Policy Council to lower the reference rate by 75 bps. In the second half of October, after the parliamentary elections in Poland, the zloty clearly strengthened. However, there is a risk of a depreciation of the Polish currency, which may be influenced by domestic factors, i. e. too deep cycle of interest rate cuts in Poland, persistence of inflation and lack of progress in negotiations with the European Commission on the disbursement of funds to Poland under the National Recovery Plan (NRP).

- **Development of the economic situation in Poland.** The Polish economy is in a phase of significant economic slowdown. In the second quarter of 2023, Poland's GDP fell by 0.6% yoy. Available data indicate that the third quarter was also weak. In 2023, after a period of very good economic conditions, Polish industry fell into recession. In the third quarter, industrial production decreased on average by 2.4% y/y. Retail sales also fell, by 2.3% y/y. The situation is better in construction and assembly production, which also recorded a rebound after the downturn (up by 5.4% y/y in the third quarter). According to the National Bank of Poland, the second half of this year is expected to be better. According to the Central Bank's July projection, Poland's GDP will increase by 0.6% in 2023. GDP is expected to grow by 2.4% in 2024 and by 3.3% in 2025. According to the NBP, in the longer horizon of the projection, domestic economic activity will be increasingly adversely affected by the expected slowdown in GDP growth in major developed economies, high interest rates maintained by major central banks and a significant decrease in the inflow of European funds after the end of the disbursement of funds from the EU perspective for 2014-2020. According to the Central Bank, the economic situation in Poland will be positively affected by the valorisation of the 500+ programme, the statutory regulation of tariffs for selected energy carriers and the favourable situation on the labour market.
- **Situation in the domestic labor market.** The situation on the Polish labor market is still good. Nominal wage growth remains at high double-digit levels. In the third quarter of 2023, wage growth in the corporate sector averaged about. 10.9% y/y vs. 13.2% y/y in the first quarter and 12.1% y/y in the second quarter. According to the National Bank of Poland's July projection, wage dynamics will decline. According to the National Bank of Poland, wages in the business sector will increase by an average of 12.7% in 2023, 9.3% in 2024, and 6.7% in 2025. Continued high nominal wage growth will be supported by inflation and a strong labor market. However, the central bank expects LFS unemployment to rise from 2.9% in the second quarter of 2023 to 4% by the end of 2024. Overall, employers in Poland, despite the economic slowdown and rising interest rates, did not significantly reduce employment. Although the labor market remains strong, the data shows the first signs of a weakening in the labor market. Since the beginning of 2023, the annual growth rate in employment has slowed markedly, and in the third quarter it averaged around 0%.
- **Increased inflation.** According to the July projection of the NBP, inflation will gradually decline in 2023 as the shocks caused by the war in Ukraine disappear and also due to relatively weak demand. According to the Central Bank's forecasts, inflation peaked in the fourth quarter of 2022 and will fall slightly below 8% by the end of this year. However, assuming the current level of interest rates remains unchanged, CPI inflation will not return to the target (2.5%, +/- 1 p. p.) until the end of 2025. Disinflation over the longer term will be facilitated by, among other things, weakening economic activity in both the euro area and Poland and stabilising energy prices. Nevertheless, domestic factors, i.e. high inflation expectations and rising wages, may significantly dampen the further deceleration of inflation. High inflation and a good situation on the labour market may translate into an increase in the Bank's operating costs.
- **Increasing imbalances in public finances**. The year 2022 ended with a general government deficit of PLN 115 billion, which accounted for 3.7% of Polish GDP. According to the spring forecast of the European Commission, the deficit of the sector will reach 5% in 2023 and fall to 3.7% in 2024. As a result of the high deficits, public debt is projected by the Commission to reach 50.5% of GDP in 2023 and 53% in 2024. The high borrowing needs of the general government sector are likely to be met partially by foreign investors, increasing the risk of instability. The high deficit will be mainly due to increased spending on defence, which in 2023 will reach about 4% of Poland's GDP, and government support in connection with the increase in energy prices. According to the Convergence Programme Update, the combined hedging measures related to high energy prices will increase the deficit by 1.9 p.p. in 2023, and by 0.3 p.p. in 2024.
- **Sentiments in major financial markets**. The main factors that will influence market sentiment in the coming months will be the shaping of the monetary policies of the major central banks. Its possible easing, i. e. lowering interest rates, could stimulate the appetite for risk, also having a positive impact on the markets of Central and Eastern Europe, including the zloty. Locally, the war in Ukraine will also remain the focus of the markets' attention. This is of particular importance in the context of the Polish currency exchange rate. With increased risk aversion, the gold, like other emerging market currencies, loses value. In turn, commodity markets may be affected by the situation in the Middle East. There is a risk that energy resources will become more expensive if the conflict escalates.
- **Banks' capital position**. The capital position of the Polish banking sector has improved significantly in recent months. Its total value reached PLN 249 billion at the end of August 2023, representing the highest value in history, while recording an increase of PLN 59 billion (i.e. by 31%) compared to September 2022 (i.e. the lowest level in recent years). The main reasons for this change during the year were the partial retention of current profits and the change in yield on government bonds. The decline in profitability on the markets (increase in valuation) from October 2022 to June 2023 translated into an update of their value in banks' portfolios. This has led to an improvement in capital ratios. The leverage ratio (equity-to-assets ratio), which stood at 6.9% in September 2022, reaching its lowest level since 2009, increased to 8.6% in August 2023. This is still below the historical levels (around 10%) that prevailed in previous years, which is crucial for the financing capacity of the economy, particularly in view of potential additional burdens on the sector. These will include the potential extension of credit holidays.

On 24 October 2023, the Council of Ministers adopted provisions extending the credit holidays to 2024. According to the draft, such right will be granted to borrowers whose loan capital amount was no higher than PLN 400 thousand. If the capital amount of the loan will be higher than PLN 400 thousand, but not higher than PLN 800 thousand, suspension of repayment of the loan will also be possible. In such a case, it will be available to a borrower whose ratio of expenses related to servicing the monthly principal and interest rate loan to the average monthly income of his household exceeds 50%. According to ZBP, the costs of extended credit holidays for banks in the formula proposed by the government may amount to PLN 4.71-6.38 billion in 2024. The eight-month credit holidays in 2022-23 resulted in a cost for the sector of PLN 14 billion.

Banks' reserves for the legal risk of CHF loans are also still growing dynamically. Their cumulative value in mid-2023 was about PLN 54 billion. According to ZBP President Tadeusz Białek, the sector's capital in relation to GDP will shrink in real terms, even in the scenario of retained profits and no dividend payments. As a result, the required equity of the banking sector to finance the economy, including the energy transition, may prove insufficient.

- **Loans based on WIBOR.** The dispute over loans based on the WIBOR index, which gained media attention at the end of 2022, may return to the discussion among the public. The most important interest rate indicator for zloty loans with variable interest rate was for the first time in history legally removed from the loan agreement for the duration of the trial by the court in Poznań on 22 June 2023. So far, the number of lawsuits challenging the WIBOR index have been small, and a significant part of them has been dismissed by the courts. In turn, according to the ZBP data, the number of complaints has increased significantly and is several times higher than the number of lawsuits, which may be due to the lack of costs in this process. The Financial Stability Committee, which is the macro-prudential oversight of the Polish financial system, maintains its opinion, in which it ruled that there is no legal or economic basis for denying the correctness of the WIBOR index, and that attempts to challenge it constitute a systemic threat. In July 2023, the Polish Financial Supervision Authority published a statement in which it stressed that the assessment of the Polish Financial Supervision Authority does not contain any grounds to call into question the reliability and legality of WIBOR, particularly in the context of the use of this indicator in mortgage agreements denominated in Polish currency.
- **Reform of benchmarks.** In 2022, a plan was drawn up to replace the WIBOR interest rate benchmark with a new benchmark. At the request of financial market participants, the Polish Financial Supervision Authority has established the National Working Group (NGR), whose objective is to prepare measures for the efficient and safe implementation of the new benchmark. The new WIRON indicator is based on overnight transactions. Originally, the WIRON indicator was to be fully implemented from 2023. However, in October 2023, the NGR Steering Committee extended the deadlines for the implementation of the Roadmap of the reform and indicated the final moment for the conversion of the portfolio of agreements and instruments with WIBOR at the end of 2027 (until now, the Roadmap has pointed to 2025 as the final year for its implementation - it was assumed that the calculation and publication of WIBID and WIBOR rates would be ready to cease, with the common use of the WIRON rate). In the Committee's view, the key challenge for the completion of the reform is an adequate and economically and legally secure conversion of the historical portfolio of contracts and financial instruments that use the WIBOR benchmark. In addition, the Committee pointed out that the key elements ensuring the success of the reform include: creating conditions for the development of a liquid market for cash and financial derivatives using the selected RFR benchmark for the zloty (PLN), operational and technical preparations for all financial market participants (issuers, investors, market infrastructure institutions) to replace the WIBOR and WIBID benchmarks with RFR-type benchmarks, and implementing the required changes in Polish and European Union legislation.
- **Credit products.** At its meetings in September and October, the Monetary Policy Council lowered the reference rate by a total of 100 bps. Further moderate cuts are expected, which will translate into the cost of credit and may influence demand growth. Available NBP data for August indicate the current stagnation of the market from the perspective of volumes. Loans to non-financial business entities decreased by 5% y/y due to the category of loans of a current nature (-10% y/y). In the household segment, the data shows a decrease of 4% y/y, mainly due to a decrease in the volumes of loans on real estate (-6% yoy). Since July 2023, the government program "Secure Loan 2%" has been in force and enjoys great popularity. According to ZBP data, in the period July-September nearly 15,000 credit agreements were concluded under the programme. The following months will show whether we are dealing with a reversal of the trend and whether it will only apply to loans on real estate.

57. SUBSEQUENT EVENTS

16.10.2023	**Intention to conduct group redundancies at BNP Paribas Bank Polska S.A.** The resolution adopted by the Bank's Management Board provides for a process of group redundancies to be carried out between 2024 and 2026 and to cover no more than 900 Bank employees working in the head office and sales network.
7.11.2023	**Resignation of a member of the Supervisory Board of BNP Paribas Bank Polska S.A.** On 7 November 2023 the Bank received the resignation of Ms Geraldine Conti from the position of a member of the Bank's Supervisory Board effective as of 31 December 2023. The reason of Ms Geraldine Conti resignation is taking up new professional duties in the BNP Paribas Group.

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Interest income	2,384,715	6,974,021	1,004,036	3,911,743
Interest income calculated with the use of effective interest rate method	2,303,196	6,654,666	941,045	3,689,333
interest income on financial instruments measured at amortised cost	2,130,764	6,178,041	868,027	3,477,464
interest income on financial instruments measured at fair value through other comprehensive income	172,432	476,625	73,018	211,869
Income of a similar nature to interest on instruments measured at fair value through profit or loss	81,519	319,355	62,991	222,410
Interest expense	(1,044,853)	(3,244,217)	(903,691)	(1,707,612)
Net interest income	**1,339,862**	**3,729,804**	**100,345**	**2,204,131**
Fee and commission income	340,756	1,079,317	339,718	1,032,013
Fee and commission expense	(66,419)	(197,848)	(71,960)	(203,813)
Net fee and commission income	**274,337**	**881,469**	**267,758**	**828,200**
Dividend income	6,372	10,570	2,509	10,651
Net trading income (including result on foreign exchange)	272,031	756,732	212,066	481,709
Result on investment activities	6,211	(152)	(10,353)	17,207
Result on fair value hedge accounting	(536)	(16,866)	(9,145)	10,379
Result from derecognition of financial assets measured at amortised cost due to material modification	(7,890)	3,722	(273)	(2,652)
Result of allowance for expected credit losses of financial assets and provisions for contingent liabilities	(5,771)	52,930	(36,943)	(195,371)
Result on provisions for legal risk related to foreign currency loans	(370,848)	(961,260)	(134,000)	(356,737)
General administrative expenses	(617,319)	(1,847,147)	(531,878)	(1,900,963)
Depreciation and amortisation	(115,851)	(339,376)	(101,928)	(308,481)
Other operating income	32,226	114,735	38,719	129,730
Other operating expenses	(60,614)	(147,622)	(57,794)	(190,559)
Operating result	**752,210**	**2,237,539**	**(260,917)**	**727,244**
Tax on financial institutions	(101,642)	(304,177)	(112,066)	(314,834)
Profit before tax	**650,568**	**1,933,362**	**(372,983)**	**412,410**
Income tax expenses	(212,879)	(563,590)	12,924	(263,847)
Net profit	**437,689**	**1,369,772**	**(360,059)**	**148,563**
attributable to equity holders of the Group	437,689	1,369,772	(360,059)	148,563
Earnings (loss) per share (in PLN per one share)				
Basic	2.96	9.28	(2.44)	1.01
Diluted	2.96	9.27	(2.44)	1.01

Interim condensed separate statement on comprehensive income

	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3Q 2022 from 01.07.2022 to 30.09.2022	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Net profit for the period	**437,689**	**1,369,772**	**(360,059)**	**148,563**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**71,402**	**475,571**	**21,862**	**(689,393)**
Measurement of gross financial assets measured at fair value through other comprehensive income	78,776	535,071	24,595	(741,451)
Deferred income tax on the valuation of gross financial assets measured through other comprehensive income	(14,968)	(101,664)	(4,673)	140,876
Measurement of cash flow hedge accounting derivatives	9,375	52,054	2,395	(109,652)
Deferred income tax on valuation of gross derivatives hedging cash flows	(1,781)	(9,890)	(455)	20,834
Items that will not be reclassified to profit or loss	**(1,553)**	**(1,849)**	**(2,339)**	**(1,828)**
Actuary valuation of employee benefits	(1,917)	(2,282)	(2,888)	(2,257)
Deferred income tax on actuarial valuation of gross personnel expenses	364	433	549	429
Other comprehensive income (net)	**69,849**	**473,722**	**19,523**	**(691,221)**
Total comprehensive income	**507,538**	**1,843,494**	**(340,536)**	**(542,658)**
attributable to equity holders of the Group	507,538	1,843,494	(340,536)	(542,658)

Interim condensed separate statement on financial position

ASSETS	30 September 2023	31 December 2022
Cash and balances at Central Bank	6,699,518	2,718,242
Amounts due from banks	16,130,241	11,709,582
Derivative financial instruments	2,797,626	3,224,272
Adjustment of hedged and hedging item fair value	125,440	33,025
Loans and advances to customers measured at amortised cost	83,108,182	83,893,270
Loans and advances to customers measured at fair value through profit or loss	729,446	949,298
Securities measured at amortised cost	26,158,895	22,167,261
Securities at fair value through profit or loss	290,001	311,236
Securities measured at fair value through other comprehensive income	12,408,951	17,384,793
Investments in subsidiaries	85,535	93,119
Intangible assets	856,196	825,196
Property, plant and equipment	978,591	1,059,703
Deferred tax assets	630,612	822,122
Other assets	956,519	917,379
Total assets	**151,955,753**	**146,108,498**
LIABILITIES	30 September 2023	31 December 2022
Amounts due to Central Bank	-	8,713
Amounts due to other banks	1,713,295	1,805,219
Derivative financial instruments	2,872,187	3,147,855
Adjustment of hedging and hedged item fair value	(245,848)	(451,646)
Amounts due to customers	124,147,859	120,429,051
Subordinated liabilities	4,415,727	4,416,887
Lease liabilities	676,132	718,724
Other liabilities	2,273,187	2,371,804
Current tax liabilities	276,495	223,326
Provisions	2,762,976	2,223,291
Total liabilities	**138,892,010**	**134,893,224**
EQUITY	30 September 2023	31 December 2022
Share capital	147,677	147,593
Supplementary capital	9,110,976	9,110,976
Other reserve capital	3,512,382	3,136,599
Revaluation reserve	(676,278)	(1,150,000)
Retained earnings	968,986	(29,894)
retained profit	(400,786)	(400,786)
net profit for the period	1,369,772	370,892
Total equity	**13,063,743**	**11,215,274**
Total liabilities and equity	**151,955,753**	**146,108,498**

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 2023	**147,593**	**9,110,976**	**3,136,599**	**(1,150,000)**	**(400,786)**	**370,892**	**11,215,274**
Total comprehensive income for the period	**-**	**-**	**-**	**473,722**	**-**	**1,369,772**	**1,843,494**
Net profit for the period	-	-	-	-	-	1,369,772	1,369,772
Other comprehensive income for the period	-	-	-	473,722	-	-	473,722
Distribution of retained earnings	**-**	**-**	**370,892**	**-**	**-**	**(370,892)**	**-**
Distribution of earnings intended for capital	**-**	**-**	370,892	**-**	-	(370,892)	**-**
Share issue	**84**	**-**	**-**	**-**	**-**	**-**	**84**
Management stock options*	**-**	**-**	**4 891**	**-**	**-**	**-**	**4,891**
Balance as of 30 September 2023	**147,677**	**9,110,976**	**3,512,382**	**(676,278)**	**(400,786)**	**1,369,772**	**13,063,743**

* for details on the management stock options programme please refer to Note 40

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
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	-	-	**-**	**(554,293)**	-	**370,892**	**(183,401)**
Net profit for the period	-	-	-	-	-	370,892	370,892
Other comprehensive income for the period	-	-	-	(554,293)	-	-	(554,293)
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*	**-**	**-**	**5,958**	**-**	**-**	**-**	**5,958**
Balance as of 31 December 2022	**147,593**	**9,110,976**	**3,136,599**	**(1,150,000)**	**(400,786)**	**370,892**	**11,215,274**

* for details on the management stock options programme please refer to Note 40

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
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 40

Interim condensed separate statement on cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Net profit (loss)	**1,369,772**	**148,563**
Adjustments for:	**(3,240,353)**	**5,792,699**
Income tax expenses	563,590	263,847
Depreciation and amortisation	339,376	308,481
Dividend income	(10,570)	(10,651)
Interest income	(6,974,021)	(3,911,743)
Interest expense	3,244,217	1,707,612
Change in provisions	537,403	312,915
Change in amounts due from banks	(9,212,495)	(341,890)
Change in assets due to derivative financial instruments	334,231	(2,359,947)
Change in loans and advances to customers measured at amortised cost	865,715	(6,127,961)
Change in loans and advances to customers measured at fair value through profit or loss	219,852	194,558
Change in amounts due to banks	(100,896)	(1,879,219)
Change in liabilities related to derivative financial instruments	(17,816)	2,160,942
Change in amounts due to customers	3,651,924	13,133,398
Change in other assets and receivables due to current income tax	(1,884)	(326,186)
Change in other liabilities and provisions due to deferred tax	(94,368)	526,888
Other adjustments	(31,472)	206,113
Interest received	7,053,232	3,547,858
Interest paid	(3,176,606)	(1,476,361)
Tax paid	(428,930)	(134,996)
Lease payments with reference to short-term leases not included in the lease liability measurement	(835)	(959)
Net cash flows from operating activities	**(1,870,581)**	**5,941,262**

CASH FLOWS FROM INVESTING ACTIVITIES:	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Investing activities inflows	**122,179,557**	**51,682,552**
Sale and repurchase of securities	122,156,193	51,659,901
Sale of intangible assets and property, plant and equipment	12,794	12,000
Dividends received and other inflows from investing activities	10,570	10,651
Investing activities outflows	**(121,014,246)**	**(50,913,359)**
Purchase of shares or investments in subsidiaries	-	(6,000)
Purchase of securities	(120,719,708)	(50,688,600)
Purchase of intangible assets and property, plant and equipment	(294,538)	(218,759)
Net cash flows from investing activities	**1,165,311**	**769,193**

CASH FLOWS FROM FINANCING ACTIVITIES:	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Investing activities inflows	**84**	**74**
Net proceeds from the issue of shares and return of capital contributions	84	74
Investing activities outflows	**(105,822)**	**(99,608)**
Repayment of long-term loans	3,967	-
Repayment of the leasing liability	(109,789)	(99,608)
Net cash flows from financing activities	**(105,738)**	**(99,534)**
TOTAL NET CASH AND CASH EQUIVALENTS	**(811,008)**	**6,610,921**
Cash and cash equivalents at the beginning of the period	**13,126,607**	**5,152,220**
Cash and cash equivalents at the end of the period	**12,315,599**	**11,763,141**
Effect of exchange rate fluctuations on cash and cash equivalents	63,583	95,454

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 2023 ended 30 September 2023 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 2023 and with the Separate financial statements of the BNP Paribas Bank Polska S.A. for the year ended 31 December 2022, which was approved by the Management Board of the Bank on 28 February 2023.

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 2023 were described in the Interim condensed consolidated financial statements for the three quarters of 2023:

- The most important events in BNP Paribas Bank Polska S.A. Capital Group in the three quarters of 2023 in Note 55,
- Subsequent events in Note 57.

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 2023 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. BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. („TFI").
2. BNP PARIBAS LEASING SERVICES SP. Z O.O. („LEASING").
3. BNP PARIBAS GROUP SERVICE CENTER S.A. („GSC").
4. CAMPUS LESZNO SP. Z O.O.

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.

30.09.2023	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
Assets	**17,840,117**	**20**	**92,361**	**369**	**1,600,586**	**19,533,453**
Receivables on current accounts, loans and deposits	15,767,292	20	68,907	369	1,598,875	**17,435,463**
Derivative financial instruments	1,974,990	-	788	-	-	**1,975,778**
Hedging derivative instruments	97,835	-	-	-	-	**97,835**
Other assets	-	-	22,666	-	1,711	**24,377**
Liabilities	**6,997,186**	**36,935**	**1,159,764**	**2,907**	**17,380**	**8,214,172**
Current accounts and deposits	786,679	36,935	758,900	2,907	16,644	**1,602,065**
Subordinated liabilities	4,137,989	-	277,738	-	-	**4,415,727**
Derivative financial instruments	1,074,710	-	3,236	-	-	**1,077,946**
Hedging derivative instruments	997,804	-	-	-	-	**997,804**
Lease liabilities	-	-	955	-	170	**1,125**
Other liabilities	4	-	118,935	-	566	**119,505**
Contingent liabilities						
Financial commitments granted	2,322,674	-	308,946	703	157,518	**2,789,841**
Guarantees granted	301,283	127,061	1,403,913	-	974,162	**2,806,419**
Commitments received	13,401,559	163,322	2,370,441	-	-	**15,935,322**
Derivative financial instruments (nominal value)	84,300,322	-	32,421	-	-	**84,332,743**
Derivative hedging financial instruments (nominal value)	18,032,364	-	-	-	-	**18,032,364**
Statement of profit or loss	**501,656**	**(5,604)**	**(22,522)**	**(110)**	**90,822**	**564,242**
3Q 2023 from 01.01.2023 to 30.09.2023						
Interest income	256,398	645	22,579	19	55,721	**335,362**
Interest expense	(244,692)	(1,793)	(25,565)	(129)	(91)	**(272,270)**
Fee and commission income	-	-	-	-	3,999	**3,999**
Fee and commission expense	-	-	-	-	(5,209)	**(5,209)**
Net trading income	564,491	(4,456)	(2,362)	-	-	**557,673**
Other operating income	-	-	32,336	-	36,635	**68,971**
Other operating expenses	-	-	(35,586)	-	-	**(35,586)**
General administrative expenses	(74,541)	-	(13,924)	-	(233)	**(88,698)**

31.12.2022	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
Assets	**13,360,399**	**4,733**	**251,774**	**770**	**538,411**	**14,156,087**
Receivables on current accounts, loans and deposits	10,973,541	291	231,077	770	537,638	**11,743,317**
Derivative financial instruments	2,357,757	4,442	-	-	-	**2,362,199**
Hedging derivative instruments	29,101	-	-	-	-	**29,101**
Other assets	-	-	20,697	-	773	**21,470**
Liabilities	**7,517,793**	**48,670**	**1,349,432**	**2,478**	**147,968**	**9,066,341**
Current accounts and deposits	765,040	48,670	1,068,439	2,478	147,051	**2,031,678**
Subordinated liabilities	4,136,961	-	279,926	-	-	**4,416,887**
Derivative financial instruments	1,141,266	-	-	-	-	**1,141,266**
Hedging derivative instruments	1,474,526	-	-	-	-	**1,474,526**
Lease liabilities	-	-	1,067	-	231	**1,298**
Other liabilities	-	-	-	-	686	**686**
Contingent liabilities						
Financial commitments granted	-	-	325,018	651	-	**325,669**
Guarantees granted	118,801	127,380	1,580,487	-	985,565	**2,812,233**
Commitments received	13,073,284	184,046	2,545,883	-	514,662	**16,317,875**
Derivative financial instruments (nominal value)	58,170,836	2,195,441	-	-	-	**60,366,277**
Derivative hedging financial instruments (nominal value)	15,708,485	-	-	-	-	**15,708,485**
Statement of profit or loss	**(671,695)**	**163**	**(18,072)**	**(6)**	**25,405**	**(664,205)**
3Q 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**
General administrative expenses	-	-	(8,983)	-	(120)	**(9,103)**
Interest income	(78,073)	-	(19,114)	-	291	**(96,896)**

Remuneration of the Management Board and Supervisory Board

Management Board	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Short-term employee benefits	14,947	13,766
Long-term benefits	3,445	3,591
Termination benefits	1,670	-
Post-employment benefits	519	-
Share-based payments*	4,156	3,920
Issued shares**	2,279	1,405
Total	**27,016**	**22,682**

*zawiera kwotę w kapitałach Banku powiązaną z obejmowanymi w przyszłości akcjami Banku (zgodnie z polityką realizacji wynagrodzeń zmiennych)

** the value of shares issued based on actuarial valuation

Supervisory Board	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2022 from 01.01.2022 to 30.09.2022
Short-term employee benefits	1,243	1,206
Total	**1,243**	**1,206**

3. SEPARATE CAPITAL ADEQUACY RATIO

	30.09.2023	31.12.2022
Total own funds	14,972,299	14,874,946
Total risk exposure	88,204,202	91,512,357
Total capital ratio	16.97%	16.25%
Tier 1 capital ratio	12.60%	11.80%

4. SEASONAL OR CYCLICAL NATURE OF BUSINES

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

5. DIVIDEND PAID

In 2022, no dividend was paid out in the Bank.

6. DISTRIBUTION OF RETAINED EARNINGS

In accordance with the Bank's General Meeting Resolution no.2 dated 30 June 2023 the profit of the Bank after tax (net profit) for 2022 in the amount of PLN 370,892 thousand, was fully allocated to the reserve capital.

7. CONTINGENT LIABILITIES

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

Contingent liabilities	30.09.2023	31.12.2022
Contingent commitments granted	**46,638,238**	**40,980,850**
financial commitments	30,786,229	29,475,246
Guarantees	15,852,009	11,505,604
Contingent commitments received	**61,015,557**	**55,068,490**
financial commitments	13,401,920	13,482,568
Guarantees	47,613,637	41,585,922

8. SUBSEQUENT EVENTS

Subsequent events are described in Note 57 of the Interim consolidated report for the first three quarters of 2023.

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

08.11.2023	**Przemysław Gdański** *President of the Management Board*	*qualified electronic signature*
08.11.2023	**André Boulanger** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2023	**Przemysław Furlepa** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2023	**Wojciech Kembłowski** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2023	**Piotr Konieczny** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2023	**Kazimierz Łabno** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2023	**Magdalena Nowicka** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2023	**Volodymyr Radin** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2023	**Agnieszka Wolska** *Vice-President of the Management Board*	*qualified electronic signature*

Warsaw, 8 November 2023