

# INTERIM CONSOLIDATED REPORT

FOR THE PERIOD OF 9 MONTHS  
ENDED 30 SEPTEMBER 2024

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 PLN '000	in EUR '000	in EUR '000
	Note	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Statement of profit or loss</b>					
Net interest income	8	4,200,905	3,804,037	976,455	831,066
Net fee and commission income	9	933,805	919,861	217,053	200,961
Profit before tax		2,246,050	1,959,881	522,070	428,174
Profit after tax		1,849,110	1,393,111	429,806	304,352
Total net cash flows		1,945,842	1,866,833	452,290	407,846
<b>Statement of cash flows</b>					
Total net cash flows		572,286	(836,521)	133,022	(182,754)
<b>Ratios</b>					
Number of shares (items)	48	147,799,870	147,676,946	147,799,870	147,676,946
Earnings per share	18	12.52	9.44	2.91	2.06
<b>Statement of financial position</b>					
Total assets		158,954,969	161,025,747	37,146,823	37,034,440
Loans and advances to customers measured at amortised cost	23	86,397,264	85,594,516	20,190,522	19,685,951
Loans and advances to customers measured at fair value through profit or loss	24	497,128	653,582	116,176	150,318
Total liabilities		144,647,887	148,164,472	33,803,343	34,076,466
Amounts due to customers	33	122,547,902	127,174,831	28,638,710	29,249,041
Share capital	48	147,800	147,677	34,540	33,964
Total equity		14,307,082	12,861,275	3,343,479	2,957,975
<b>Capital adequacy</b>					
Total own funds		15,142,717	14,937,528	3,538,762	3,435,494
Total risk exposure		91,302,678	89,615,117	21,336,888	20,610,652
Total capital ratio		16.59%	16.67%	16.59%	16.67%
Tier 1 capital ratio		12.97%	12.51%	12.97%	12.51%

Selected separate financial data	in PLN '000	in PLN '000	in EUR '000	in EUR '000
	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Statement of profit or loss</b>				
Net interest income	4,120,031	3,729,804	957,657	814,848
Net fee and commission income	887,941	881,469	206,392	192,574
Profit before tax	2,206,353	1,933,362	512,843	422,380
Profit after tax	1,817,720	1,369,772	422,509	299,253
Total comprehensive income	1,914,452	1,843,494	444,994	402,747
	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Statement of cash flows</b>				
Total net cash flows	571,440	(811,008)	132,825	(177,180)
<b>Ratios</b>	30.09.2024	31.12.2023	30.09.2024	31.12.2023
Number of shares (items)	147,799,870	147,676,946	147,799,870	147,676,946
Earnings per share	12.30	9.28	2.86	2.03
<b>Statement of financial position</b>	30.09.2024	31.12.2023	30.09.2024	31.12.2023
Total assets	154,686,437	156,388,399	36,149,292	35,967,893
Loans and advances to customers measured at amortised cost	82,325,772	81,137,225	19,239,039	18,660,815
Loans and advances to customers measured at fair value through profit or loss	497,128	653,582	116,176	150,318
Total liabilities	140,457,972	143,575,690	32,824,185	33,021,088
Amounts due to customers	122,484,709	127,134,065	28,623,942	29,239,665
Share capital	147,800	147,677	34,540	33,964
Total equity	14,228,465	12,812,709	3,325,107	2,946,805
<b>Capital adequacy</b>	30.09.2024	31.12.2023	30.09.2024	31.12.2023
Total own funds	15,097,000	14,928,863	3,528,127	3,433,501
Total risk exposure	89,121,203	86,385,831	20,827,091	19,867,946
Total capital ratio	16.94%	17.28%	16.94%	17.28%
Tier 1 capital ratio	13.24%	12.97%	13.24%	12.97%

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 30.09.2024 - EUR 1 = PLN 4.2791

- as of 31.12.2023 - EUR 1 = PLN 4.3480

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 1.01.2024 to 30.09.2024 - EUR 1 = PLN 4.3022

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

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Interest income	8	2,738,737	7,592,142	2,482,114	7,270,070
Interest income calculated with the use of effective interest rate method		2,453,038	6,915,121	2,400,595	6,950,715
interest income on financial instruments measured at amortised cost		2,238,946	6,330,117	2,228,163	6,474,090
interest income on financial instruments measured at fair value through other comprehensive income		214,092	585,004	172,432	476,625
Income of a similar nature to interest on instruments measured at fair value through profit or loss		285,699	677,021	81,519	319,355
Interest expense	8	(1,159,351)	(3,391,237)	(1,117,390)	(3,466,033)
<b>Net interest income</b>		<b>1,579,386</b>	<b>4,200,905</b>	<b>1,364,724</b>	<b>3,804,037</b>
Fee and commission income	9	382,069	1,149,702	353,198	1,113,683
Fee and commission expenses	9	(70,834)	(215,897)	(66,356)	(193,822)
<b>Net fee and commission income</b>		<b>311,235</b>	<b>933,805</b>	<b>286,842</b>	<b>919,861</b>
Dividend income		5,476	10,828	6,372	10,570
Net trading income	10	225,518	639,818	272,632	756,663
Result on investment activities	11	(1,767)	7,022	6,211	(152)
Result on hedge accounting	22	(6,389)	(828)	(536)	(16,866)
Result on derecognition of financial assets measured at amortized cost due to significant modification		180	(2,625)	(7,890)	3,722
Net allowances on expected credit losses of financial assets and provisions for contingent liabilities	12	(98,823)	(186,908)	(11,370)	39,980
Net impairment losses on financial assets and contingent liabilities	51	(277,246)	(488,018)	(370,848)	(961,260)
Result on legal risk related to foreign currency loans	13	(659,348)	(2,130,010)	(645,538)	(1,932,285)
General administrative expenses	14	(127,781)	(381,599)	(115,918)	(339,457)
Amortization	15	44,179	151,010	52,829	172,501
Other operating income	16	(59,356)	(203,325)	(76,393)	(193,256)
<b>Operating result</b>		<b>935,264</b>	<b>2,550,075</b>	<b>761,117</b>	<b>2,264,058</b>
Tax on financial institutions		(99,414)	(304,025)	(101,642)	(304,177)
<b>Profit before tax</b>		<b>835,850</b>	<b>2,246,050</b>	<b>659,475</b>	<b>1,959,881</b>
Income tax expenses	17	(200,306)	(396,940)	(213,996)	(566,770)
<b>Net profit</b>		<b>635,544</b>	<b>1,849,110</b>	<b>445,479</b>	<b>1,393,111</b>
attributable to equity holders of the Group		635,544	1,849,110	445,479	1,393,111
<b>Earnings (loss) per share (in PLN per one share)</b>					
Basic	18	4.30	12.52	3.02	9.44
Diluted	18	4.30	12.50	3.02	9.43

The BNP Paribas Bank Polska Group generated a net profit of PLN 1,849,110 thousand in the three quarters of 2024, by PLN 455,999 thousand (i.e. by 32.7%) higher than that achieved in the three quarters of 2023. The net profit excluding impact of credit holidays in the analysed period amounted to PLN 1,932,905 thousand and was higher by 41.5% YoY.

Significant factors affecting the level of the result from banking activities in the three quarters of 2024 and in the corresponding period of the previous year were the consequences of changes in the macroeconomic situation, including primarily the level of inflation and the central banks' interest rate policy, which affected, among other things, economic activity and the situation in the financial markets. The most significant for the Group's results were:

- the persistently high level of interest rates as a consequence of the monetary policy tightening by the Monetary Policy Council (MPC) in 2022. The first interest rate cuts took place in September and October 2023, when the MPC reduced rates by 100 bps in total, from 6.75% to 5.75% for the reference rate. Since October 2023, NBP interest rates have remained unchanged. The high level of interest rates had a positive impact on the margins realised by banks in 2023 and 2024;
- the excess liquidity of the banking sector in Poland resulting from the good liquidity situation of customers and the persistently moderate demand for credit, both in the case of businesses and private individuals. The comfortable situation on the funding side of the Group's business (faster growth in the value of deposits compared to the value of the loan portfolio) enabled the optimisation of deposit margins and the generation of income from the placement of funds in financial market instruments, which had a positive impact on the Group's interest earnings in the three quarters of 2024;
- a lower, compared to the three quarters of 2023, negative result on derivatives under hedge accounting related to the scale and structure of hedging transactions and the expected pace and direction of interest rate movements. The interest result on IRS transactions (total on derivatives under fair value hedge accounting and under cash flow hedge accounting) is recognised in net interest income and it improved in the three quarters of 2024 by PLN 294,128 thousand YoY. The change in fair value measurement of hedging transactions recognised separately in the result on hedge accounting improved by PLN 16,038 thousand YoY in the three quarters of 2024;
- the factor that negatively impacted the level of interest income in the three quarters of 2024 compared to the three quarters of 2023 was the fact that the law regulating the so-called statutory credit holidays was amended in mid-May, allowing its continuation in 2024. The Bank recognised a negative impact of PLN 103,450 thousand on results in the three quarters of 2024 compared to a positive impact of PLN 33,000 thousand recognised in the three quarters of 2023.

The Group's result from banking activities in the three quarters of 2024 amounted to PLN 5,736,610 thousand and was higher by PLN 279,530 thousand YoY, i.e. by 5.1% (excluding the impact of credit holidays, it would have amounted to PLN 5,840,060 thousand and would have been higher by 7.7% YoY).

A factor significantly affecting the level and comparability of the Group's net result remains the impact of legal risk related to litigation related to foreign currency housing loans. In the three quarters of 2024, the charge on this account was PLN 473,242 thousand lower than in the corresponding period of the previous year (i.e. by 49.2%) and amounted to PLN 488,018 thousand.

In addition, after three quarters of 2024, the change in the estimate of deferred tax created based on provisions for future disbursements related to the process of cancellation of CHF loans had a positive impact on the Group's financial result from income tax in the amount of PLN 135,535 thousand. In the three quarters of 2023, deferred tax created additional based on provisions for settlement agreements concluded with customers to CHF loan agreements had a positive impact on the Group's income tax charge of PLN 24,224 thousand.

In the three quarters of 2024, an increase in the cost base became apparent compared to the same period last year, due to the impact of inflationary processes and ongoing investments. Total administrative expenses and depreciation and amortisation incurred in the period were PLN 239,867 thousand, or 10.6%, higher compared with the three quarters of 2023. Elements of the regulatory environment that negatively affected the level of costs in the three quarters of 2024 compared with the same period of 2023 included an increase in the value of the contribution to the Bank Guarantee Fund (BFG) by PLN 20,083 thousand, i.e. by 16.2%.

In the three quarters of 2023, a good quality of the loan portfolio, non-recurring events and changes in forecasts of the macroeconomic situation had a positive impact on the result of allowances for expected credit losses of financial assets and provisions for contingent liabilities (positive result of PLN 39,980 thousand). In the three quarters of 2024, this result was negative and amounted to PLN -186,908 thousand, which means the low level of credit risk cost (-28 bps).

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Net profit for the period</b>		<b>635,544</b>	<b>1,849,110</b>	<b>445,479</b>	<b>1,393,111</b>
<b>Other comprehensive income</b>					
<b>Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions</b>		<b>62,052</b>	<b>98,462</b>	<b>71,402</b>	<b>475,571</b>
Measurement of financial assets measured through other comprehensive income	27	51,513	112,190	78,776	535,071
Deferred income tax		(9,786)	(21,315)	(14,968)	(101,664)
Measurement of derivatives hedging gross cash flows	22	25,093	9,367	9,375	52,054
Deferred income tax		(4,768)	(1,780)	(1,781)	(9,890)
<b>Items that will not be reclassified to profit or loss</b>		<b>(1,145)</b>	<b>(1,730)</b>	<b>(1,553)</b>	<b>(1,849)</b>
Actuary valuation of employee benefits	7e	(1,414)	(2,136)	(1,917)	(2,282)
Deferred income tax		269	406	364	433
<b>Other comprehensive income (net)</b>		<b>60,907</b>	<b>96,732</b>	<b>69,849</b>	<b>473,722</b>
<b>Total comprehensive income for the period</b>		<b>696,451</b>	<b>1,945,842</b>	<b>515,328</b>	<b>1,866,833</b>
attributable to equity holders of the Group		696,451	1,945,842	515,328	1,866,833

The Group's total income in the three quarters of 2024 amounted to PLN 1,945,842 thousand, an increase of PLN 79,009 thousand, or 4.2%, compared with the three quarters of 2023 (PLN 1,866,833 thousand).

This was a result of the Group's higher net profit, which stood at PLN 1,849,110 thousand at the end of the three quarters of 2024, an improvement of PLN 455,999 thousand, or 32.7%, compared to the three quarters of 2023.

The level of comprehensive income after the three quarters of 2024 was negatively affected by a lower valuation of financial assets measured through comprehensive income by PLN 422,881 thousand, i.e. 79.0% (PLN 112,190 thousand in the three quarters of 2024 vs. PLN 535,071 thousand in the three quarters of 2023). The change in valuation is mainly the result of changes in expectations, interest rate level and the composition of the securities portfolio.

The second element that negatively impacted the Group's comprehensive income was the lower valuation of cash flow hedging derivatives (PLN 9,367 thousand in the three quarters 2024 vs. PLN 52,054 thousand in the three quarters 2023).

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<b>ASSETS</b>	Note	30 September 2024	31 December 2023
Cash and balances at Central Bank	19	9,803,988	6,883,586
Amounts due from banks	20	7,456,430	17,963,948
Derivative financial instruments	21	2,748,414	3,146,745
Adjustment of fair value of hedging item	22	145,256	94,496
Loans and advances to customers measured at amortised cost	23	86,397,264	85,594,516
Loans and advances to customers measured at fair value through profit or loss	24	497,128	653,582
Securities measured at amortised cost	25	29,899,026	26,246,278
Securities measured at fair value through profit or loss	26	307,723	291,351
Securities measured at fair value through other comprehensive income	27	17,958,410	16,634,303
Intangible assets	28	932,012	936,024
Property, plant and equipment	29	915,889	959,923
Deferred tax assets		837,411	766,504
Current tax assets		3,579	4,730
Other assets	31	1,052,439	849,761
<b>Total assets</b>		<b>158,954,969</b>	<b>161,025,747</b>
<b>LIABILITIES</b>	Note	30 September 2024	31 December 2023
Amounts due to other banks	32	9,348,079	9,059,394
Derivative financial instruments	21	2,566,291	2,865,275
Adjustment of fair value of hedging and hedged item	22	244,061	(7,365)
Amounts due to customers	33	122,547,902	127,174,831
Subordinated liabilities	35	4,302,463	4,336,072
Lease liabilities	30	592,256	626,269
Other liabilities	36	2,904,221	2,191,890
Current tax liabilities		258,587	376,736
Provisions	37	1,884,027	1,541,370
<b>Total liabilities</b>		<b>144,647,887</b>	<b>148,164,472</b>
<b>EQUITY</b>	Note	30 September 2024	31 December 2023
Share capital	48	147,800	147,677
Supplementary capital		9,156,939	9,110,976
Other reserve capital		4,041,597	3,525,056
Revaluation reserve		(470,022)	(566,754)
Retained earnings		1,430,768	644,320
retained profit		(418,342)	(368,226)
net profit for the period		1,849,110	1,012,546
<b>Total equity</b>		<b>14,307,082</b>	<b>12,861,275</b>
<b>Total liabilities and equity</b>		<b>158,954,969</b>	<b>161,025,747</b>

The Group's total assets at the end of the third quarter of 2024 amounted to PLN 158,954,969 thousand, a decrease by PLN 2,070,778 thousand, i.e. 1.3%, compared with the end of 2023.

The most important change in the Group's asset structure compared to the end of 2023 was an increase in the share of the securities portfolio by 3.5 p.p., cash and funds at the Central Bank by 1.9 p.p. and loan portfolio (sum of portfolios measured at amortised cost and at fair value) by 1.1 p.p.

The Group's asset structure was dominated by loans granted to Customers (the sum of portfolios measured at amortised cost and at fair value), which accounted for 54.7% of all assets at the end of September 2024, compared to 53.6% at the end of 2023. Net loans and advances volume increased slightly compared to the end of 2023 and amounted to PLN 86,894,392 thousand (+646,294 thousand, or +0.7%). The Retail customers' portfolio decreased by 3.4% compared to the end of 2023 (of which real estate loans decreased by 6.4%). The Institutional customers' loan portfolio increased by 3.4% compared to year-end 2023 (mainly as a result of an 84.8% increase in the portfolio of loans and advances to non-banking financial institutions).

The second largest asset item was securities, which accounted for 30.3% of the balance sheet total at the end of third quarter of 2024 (at the end of 2023: 26.8%). As at 30 September 2024, their value decreased by PLN 4,993,227 thousand (i.e. by 11.6%) compared to the end of 2023. The largest increase (by PLN 3,652,748 thousand, i.e. 13.9%) concerned the portfolio of securities measured at amortised cost (mainly bonds issued by other financial institutions and government bonds). The portfolio of securities measured at fair value through other comprehensive income increased in the period under review by PLN 1,324,107 thousand (i.e. by 8.0%), primarily in the position bonds issued by other financial institutions, with a decrease in the portfolio of NBP bills).

The share of cash and balances at the Central Bank (the third largest asset item) was 6.2% (at the end of 2023: 4.3%). Its value increased compared to the end of 2023 by PLN 2,920,402 thousand (i.e. by 42.4%) and amounted to PLN 9,803,988 thousand.

The share of amounts from banks was 4.7% (at the end of 2023: 11.2%). Its value at the end of September 2024 amounted to PLN 7,456,430 thousand and decreased compared with the end of 2023 by PLN 10,507,518 thousand (i.e. by 58.5%) primarily due to the absence of receivables from securities purchased with repurchase promise received, which amounted to PLN 7,968,341 thousand at the end of 2023.

As at 30 September 2024, the Group's total liabilities amounted to PLN 144,647,887 thousand, which was PLN 3,516,585 thousand or 2.4% lower than at the end of 2023. The share of liabilities in the Group's total liabilities and equity was 91.0% in the analysed period (compared to 92.0% at the end of 2023).

The structure of liabilities is dominated by liabilities to customers. Their share as at 30 September 2024 was 84.7% and decreased by 1.1 p.p. compared to the end of 2023. In value terms, the volume of these liabilities decreased by PLN 4,626,929 thousand, i.e. by 3.6% compared to December 2023, and amounted to PLN 122,547,902 thousand.

The Group's equity as at 30 September 2024 amounted to PLN 14,307,082 thousand and increased by PLN 1,445,807 thousand, or 11.2%, compared with 31 December 2023. The share of total equity in the Group's total liabilities and equity was 9.0% at 30 September 2024 (compared with 8.0% at the end of 2023).

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
<b>Balance as of 1 January 2024</b>	<b>147,677</b>	<b>9,110,976</b>	<b>3,525,056</b>	<b>(566,754)</b>	<b>(368,226)</b>	<b>1,012,546</b>	<b>12,861,275</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>96,732</b>	-	<b>1,849,110</b>	<b>1,945,842</b>
Net profit for the period	-	-	-	-	-	1,849,110	1,849,110
Other comprehensive income for the period	-	-	-	96,732	-	-	96,732
<b>Distribution of retained earnings</b>	-	<b>45,963</b>	<b>511,363</b>	-	<b>(48,778)</b>	<b>(1,012,546)</b>	<b>(503,998)</b>
Distribution of earnings intended for capital	-	45,963	511,363	-	(48,778)	(508,548)	-
Dividends paid	-	-	-	-	-	(503,998)	(503,998)
<b>Issuance of shares</b>	<b>123</b>	-	-	-	-	-	<b>123</b>
<b>Management stock options*</b>	-	-	<b>5,178</b>	-	-	-	<b>5,178</b>
<b>Other adjustments</b>	-	-	-	-	<b>(1,338)</b>	-	<b>(1,338)</b>
<b>Balance as of 30 September 2024</b>	<b>147,800</b>	<b>9,156,939</b>	<b>4,041,597</b>	<b>(470,022)</b>	<b>(418,342)</b>	<b>1,849,110</b>	<b>14,307,082</b>

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

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
<b>Balance as of 1 January 2023</b>	<b>147,593</b>	<b>9,110,976</b>	<b>3,142,098</b>	<b>(1,149,786)</b>	<b>(430,157)</b>	<b>441,497</b>	<b>11,262,221</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>583,032</b>	-	<b>1,012,546</b>	<b>1,595,578</b>
Net profit for the period	-	-	-	-	-	1,012,546	1,012,546
Other comprehensive income for the period	-	-	-	583,032	-	-	583,032
<b>Distribution of retained earnings</b>	-	-	<b>376,471</b>	-	<b>65,026</b>	<b>(441,497)</b>	-
Distribution of earnings intended for capital	-	-	376,471	-	65,026	(441,497)	-
<b>Issuance of shares</b>	<b>84</b>	-	-	-	-	-	<b>84</b>
<b>Management stock options*</b>	-	-	<b>6,487</b>	-	-	-	<b>6,487</b>
<b>Other adjustments</b>	-	-	-	-	<b>(3,095)</b>	-	<b>(3,095)</b>
<b>Balance as of 31 December 2023</b>	<b>147,677</b>	<b>9,110,976</b>	<b>3,525,056</b>	<b>(566,754)</b>	<b>(368,226)</b>	<b>1,012,546</b>	<b>12,861,275</b>

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

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

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	Note	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023 restated*
<b>Net profit (loss)</b>		<b>1,849,110</b>	<b>1,393,111</b>
<b>Adjustments for:</b>		<b>2,932,994</b>	<b>(2,911,252)</b>
Income tax expenses		396,940	566,770
Depreciation and amortization	14	381,599	339,457
Dividend income		(10,828)	(10,570)
Interest income	8	(7,592,142)	(7,270,070)
Interest expense	8	3,391,237	3,466,033
Change in provisions		340,521	173,188
Change in amounts due from banks		8,154,005	(9,212,495)
Change in assets due to derivative financial instruments		347,571	334,231
Change in loans and advances to customers measured at amortised cost		(803,724)	1,736,078
Change in loans and advances to customers measured at fair value through profit or loss		156,454	219,852
Change in amounts due to banks		(1,532,502)	(939,890)
Change in liabilities due to derivative financial instruments		(38,191)	(17,816)
Change in amounts due to customers		(4,519,964)	4,136,047
Change in other assets and current tax assets		(169,514)	(31,545)
Change in other liabilities and provisions due to deferred tax		730,498	(91,871)
Other adjustments	40	(213,298)	(29,597)
Interest received		7,824,353	7,348,063
Interest paid		(3,297,609)	(3,178,052)
Tax paid		(611,588)	(448,230)
Lease payments for short-term leases not included in the lease liability measurement		(824)	(835)
<b>Net cash flows from operating activities</b>		<b>4,782,104</b>	<b>(1,518,141)</b>

\* for the information on restatement please refer to Note 3.3

<b>CASH FLOWS FROM INVESTMENT ACTIVITIES:</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Investment activities inflows</b>	<b>139,599,191</b>	<b>122,185,778</b>
Sale and maturity of financial assets	139,584,543	122,156,193
Sale of financial assets	-	5,000
Sale of intangible assets and property, plant and equipment	2,479	12,796
Dividends received and other inflows from investing activities	12,169	11,789
<b>Investment activities outflows</b>	<b>(144,822,048)</b>	<b>(121,015,131)</b>
Purchase of debt securities	(144,508,586)	(120,719,708)
Purchase of intangible assets and property, plant and equipment	(313,462)	(295,423)
<b>Net cash flows from investment activities</b>	<b>(5,222,857)</b>	<b>1,170,647</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Financing activities inflows</b>	<b>3,216,514</b>	<b>1,570,296</b>
Long-term loans received and subordinated liabilities	3,216,391	1,570,212
Net inflows from issuance of shares	123	84
<b>Financing activities outflows</b>	<b>(2,203,475)</b>	<b>(2,059,323)</b>
Repayment of long-term loans received	(1,592,243)	(1,584,514)
Repayment of lease liability	(107,149)	(110,260)
Redemption of debt securities	-	(364,427)
Other financial expenses	(85)	(122)
Dividends paid	(503,998)	-
<b>Net cash flows from financing activities</b>	<b>1,013,039</b>	<b>(489,027)</b>
<b>TOTAL NET CASH AND CASH EQUIVALENTS</b>	<b>572,286</b>	<b>(836,521)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>15,874,526</b>	<b>13,217,271</b>
<b>Cash and cash equivalents at the end of the period:</b>	<b>38</b>	<b>12,380,750</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(20,955)	(63,583)

# 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 Marcina 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 2024, 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. in liquidation (100%).

On 2 January 2024, the process of liquidation of Campus Leszno Sp. z o.o. in liquidation began.

In accordance with the principles of International Financial Reporting Standards, the interim condensed consolidated financial statements covered all Subsidiaries as of 30 September 2024.

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

The Interim condensed consolidated financial statements for the three quarters of 2024 ended 30 September 2024 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 three quarters of 2024 do not differ from the principles applicable in 2023, which are described in detail in the Consolidated financial statements of Bank BNP Paribas S.A. Capital Group for the year ended 31 December 2023, including new standards, interpretations and amendments to published standards that have been issued by the International Accounting Standards Board (IASB), have been endorsed by the European Union, have come into effect from 1 January 2024 and have been applied by the Group.

Compared to the Interim condensed consolidated financial statements prepared for the 3 quarters ended 30 September 2023 the Bank has changed its accounting policies related to the recognition of the impact of legal risk arising from litigation relating to CHF mortgage loans. These changes are described in Note 3.3.

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 2023.

The interim condensed consolidated financial statements have been prepared in Polish zloty and all values, unless otherwise indicated, are given in thousands of zlotys (PLN thousand).

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 published standards that have been issued by the International Accounting Standards Board (IASB), have been endorsed by the European Union, are effective and have been applied by the Group

Standards / Interpretations	Date of issue/ publication	Date of entry into force in EU	Approved by the EU	Description of changes
Amendments to IFRS 16: Lease liability in transactions such as Sale and Leaseback	22.09.2022	01.01.2024	20.11.2023	<p>In September 2022, the IASB issued amendments to IFRS 16 to clarify the requirements that a seller-lessee applies when measuring a lease liability arising from a sale and leaseback transaction. The amendments specify that a gain or loss associated with a right-of-use that is retained by the seller-lessee is not recognised.</p> <p>The amendments do not have a material impact on the Group's financial statements.</p>
Amendments to IAS 1: Classification of liabilities as short-term and long-term	23.01.2020/ 31.10.2022	01.01.2024	19.12.2023	<p>In January 2020 and in October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify:</p> <ul style="list-style-type: none"> <li>• what is meant by a right to defer maturity;</li> <li>• that the right to defer maturity must exist at the end of the reporting period;</li> <li>• that classification is not affected by the likelihood of an entity exercising its right to defer;</li> <li>• that only when an option to settle a liability by issuing its own equity instruments is classified as an equity instrument, is the settlement of such an option disregarded for the purposes of classifying the liability itself as either short- or long-term.</li> </ul> <p>In addition, an entity has been required to disclose when a liability under a loan agreement is classified as a non-current liability and the entity's right to defer repayment of the liability is conditional on meeting future covenants within twelve months.</p> <p>The amendments do not have a material impact on the Group's financial statements.</p>
Amendments to IAS 7 and IFRS 7: Supplier finance arrangements.	25.05.2023	01.01.2024	15.05.2024	<p>In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, to clarify the features of and disclosure requirements for supplier liability financing arrangements.</p> <p>The disclosure requirements are intended to help users of financial statements understand the impact of supplier financing arrangements on an entity's liabilities, cash flows and liquidity risk exposures.</p> <p>Transitional provisions clarify that an entity is not required to make disclosures in any interim period in the year in which the amendments are first applied.</p> <p>The amendments do not have a material impact on the Group's financial statements.</p>

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

Standards / Interpretations	Date of issue/ publication	Date of entry into force in EU	Approved by the EU	Description of changes
IFRS 18 Presentation and Disclosure of Information in Financial Statements	09.04.2024	01.01.2027	No	IFRS 18 introduces new presentation and disclosure requirements in the financial statements for all entities applying IFRS standards. The Group will analyze the impact of the standard on the financial statements.
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Non-exchangeability of currencies	15.08.2023	01.01.2025	No	The amendments set out how an entity should assess whether a currency is convertible into another currency and how it should set a spot exchange rate when it is not. The amendments will not have a material impact on the Group's statements.
IFRS 19: Subsidiaries without Public Accountability: Disclosures	09.05.2024	01.01.2027	No	IFRS 19 allows eligible entities to apply limited disclosure requirements while applying the recognition, measurement and presentation requirements of other IFRS accounting standards. The amendments will not have a material impact on the Group's statements.
Amendments to IFRS 9 and IFRS 7: Changes to the classification and measurement of financial instruments	30.05.2024	01.01.2026	No	The amendments clarify, among others, that the financial liability is derecognised on the settlement date and introduce an accounting policy choice to derecognise financial liabilities settled by means of an electronic payment system before the settlement date. The Group will analyze the impact of the standard on the financial statements.

### 3.3. Changes in accounting policies and changes in presentation of financial data

In comparison to the Interim condensed consolidated financial statements prepared for the three quarters ended 30 September 2024, the Group has changed its accounting policies related to the recognition of the impact of legal risk arising from litigation related to CHF mortgages. The figures as at 31 December 2023 presented in these Interim Condensed Consolidated Financial Statements reflect the effect of the change in accounting policy introduced in 2023, as described below, and are consistent with the figures presented in the Consolidated Financial Statements of the BNP Paribas Bank Polska S.A. Group for the year that ended 31 December 2023.

In order to present the impact of this legal risk, the Group has applied the provisions of IFRS 9 paragraph B.5.4.6 and recognized it as an adjustment to the gross carrying value of the CHF loan portfolio. According to the standard, when the entity revises estimates of payments or receipts (excluding immaterial modifications and changes in estimates of expected credit losses), it shall adjust the gross carrying amount of the financial asset or amortised cost of a financial liability (or group of financial instruments) to reflect actual and revised estimated contractual cash flows. Allocation of the impact of legal risk arising from CHF mortgage litigation between active and repaid loans is made based on observed lawsuits received. For active loans, the approach results in the recognition of the estimated impact of legal risk as an adjustment to the gross carrying value of loans (previously, provisions for the above legal risks were presented in accordance with IAS 37 Provisions, contingent liabilities and contingent assets in Provisions for litigation and other liabilities). For loans repaid as well as when the estimated impact exceeds the gross carrying value of the loan, the provision is presented in accordance with IAS 37.

The Group considers that the IFRS 9 approach to the presentation of the impact of the legal risk of this portfolio will lead to more adequate information in the financial statements about this impact on the financial position, financial result of the Capital Group than the information presented according to the approach used so far.

The impact of the adjustments on comparative data is presented below.

Consolidated statement of cash flows	3 quarters of 2023 from 01.01.2023 to 30.09.2023		3 quarters of 2023 from 01.01.2023 to 30.09.2023
	before adjustment	adjustment	after adjustment
<b>Net profit (loss)</b>	<b>1,393,111</b>	-	<b>1,393,111</b>
<b>Total adjustments</b>	<b>(3,131,499)</b>	-	<b>(3,131,499)</b>
Change in provisions	537,403	(364,215)	173,188
Change in loans and advances to customers measured at amortised cost	1,371,863	364,215	1,736,078
<b>Cash flows from operating activities</b>	<b>(1,738,388)</b>	-	<b>(1,738,388)</b>

The impact of the adjustments made to the opening balance of the statement of financial position for the comparatives is presented below:

Consolidated statement of financial position	31 December 2022		31 December 2022
	before adjustment	adjustment	after adjustment
Loans and advances to customers measured at amortised cost	89,090,317	(1,408,467)	87,681,850
<b>Total assets</b>	<b>151,517,069</b>	<b>(1,408,467)</b>	<b>150,108,602</b>
Provisions	2,223,738	(1,408,467)	815,271
<b>Total liabilities</b>	<b>140,254,848</b>	<b>(1,408,467)</b>	<b>138,846,381</b>
<b>Total liabilities and equity</b>	<b>151,517,069</b>	<b>(1,408,467)</b>	<b>150,108,602</b>

These adjustments had an impact on the opening balance presented in these financial statements for the comparative figures in the tables of movement of provisions and allowance for expected credit losses of financial assets.

## 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 three quarters of 2024 ended 30 September 2024 was approved for publication by the Management Board on 7 November 2024.

## 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 contingent liabilities. 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.

An essential element of the impairment estimation process, influencing both Stages assignment and the parameters used in the impairment estimation process, is the internal credit risk rating system. The rating reflects the assessment of asset quality and key risk associated with it, including the evaluation of refinancing risk.

Refinancing risk is periodically assessed by the bank, both during the financing process and as part of the ongoing monitoring conducted throughout the financing period.

In the commercial real estate segment, various factors are assessed, including the attractiveness of location, the age of the property, occupancy rates, lease terms and conditions, property value, as well as the LTV and DSCR parameters.

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 266,629 thousand of exposure as of 30 September 2024, (as of 31 December 2023, the exposures to these clients amounted to PLN 651,157 thousand) and were classified in Stage 2, as customers for whom there was a significant increase in credit risk. The total allowance for these customers was PLN 8,358 thousand (as at 31 December 2023, the balance of write-offs to reclassified customers on this account was PLN 38,007 thousand). Total write-off for these clients amounted PLN 8,358 thousand (as of December 2023 the write offs balance for clients reclassified for this reason was PLN 38,007 thousand). A significant impact on the decrease in balances on this customer group was due to the reclassification to Stage 3 of a single group with significant exposure.

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, the results of surveys conducted among customers using credit holidays,
- 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 or, for a selected group of customers, borrowing to an extent that threatens the proper servicing of the loan/borrowing.

These customers accounted for PLN 888,657 thousand of exposure as at 30 September 2024. In addition to showing the positions in Stage 3, for the portfolio of loans secured by real estate in PLN, the Group applies an additional parameter adjustment for vulnerable customers using credit vacations (for details, see the table Post Model Adjustments).

### **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 weight of the base scenario is 50%, the weights of the negative and severe scenarios are estimated based on the ratio of the current projected claims to the long-term average for the segment, the weight of the positive scenario is determined by the weight of the severe and pessimistic scenarios. As of 30 September 2024, the weight of the severe scenario ranged from 0% to 6.27%, depending on the portfolio, and the pessimistic scenario from 0% to 25.06%.

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. 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 three quarters of 2024, the Group made no changes to the process of calculating allowances.

In three quarters of 2024, the level of allowances was influenced by the update of Post Model Adjustments retained in connection with the risk of customers who are particularly vulnerable to changes in the economic environment, as well as parameter adjustments for vulnerable customers using credit vacations – The Group released net PLN 5,298 thousand in provisions created for this purpose (including a derecognition of PLN 2,243 thousand for exposures of clients particularly vulnerable to changes in the economic environment and a reversal of PLN 3,055 thousand in the form of parameter adjustments for vulnerable clients utilizing payment holidays).

In addition, the Group recognized PLN 29,600 thousand in relation to the portfolio risk of farmers whose crops were affected by unfavourable weather events (including hailstorms and summer droughts).

Taking into account the changes indicated above, the balance of additional provisions in the form of Post Model Adjustments as of 30 September 2024 amounted to PLN 94,165 thousand, while the balance as of 31 December 2023 was PLN 69,863 thousand.

Type of Post Model Adjustment	31.12.2023	Change	30.09.2024
Clients particularly sensitive to changes in the economic environment	18,760	(2,243)	16,517
Farmers whose crops have been affected by adverse weather events	-	29,600	29,600
Adjustment of parameters for sensitive customers using credit holidays	51,103	(3,055)	48,048
<b>Total</b>	<b>69,863</b>	<b>24,302</b>	<b>94,165</b>

In 2024, as part of adjusting the level of provisions to reflect expectations for future macroeconomic conditions, the level of provisions increased by 6,335 thousand PLN, which resulted from updating the forecasts of macroeconomic variables included in the IFRS 9 model used. In the quarterly cycle, the IFRS 9 model takes into account the revised projection of macroeconomic variables prepared by the Department of Economic and Sectoral Analysis.

### 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 estimated by the collective method related to the realisation of macroeconomic scenarios, the Bank used the method of changing the weights of the severe, 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 30.09.2024	The percentage change in the amount of allowance 30.09.2024	Change in the amount of allowance 31.12.2023	The percentage change in the amount of allowance 31.12.2023
Pessimistic scenario – considering pessimistic and baseline scenarios only (optimistic scenario 0%, baseline scenario 50%, pessimistic scenario 40%, severe scenario 10%)	181,560	9%	227,078	10%
Optimistic scenario – considering optimistic and baseline scenarios only (optimistic scenario 50%, baseline scenario 50%, pessimistic scenario 0%, severe scenario 0%)	(74,398)	-4%	(89,277)	-4%
Baseline scenario – uniform distribution of optimistic and pessimistic scenarios (optimistic scenario 25%, baseline scenario 50%, pessimistic scenario 15%, severe scenario 10%)	62,024	3%	78,642	4%

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 30.09.2024	The percentage change in the amount of allowance 30.09.2024	Change in the amount of allowance 31.12.2023	The percentage change in the amount of allowance 31.12.2023
PD decrease by 10%	(96,424)	-5%	(104,956)	-5%
PD increase by 10%	96,424	5%	104,955	5%
LGD decrease by 10%	(210,514)	-10%	(223,355)	-10%
LGD increase by 10%	184,551	9%	200,218	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 30.09.2024	The percentage change in the amount of allowance for individually measured 30.09.2024	Change in the amount of allowance 31.12.2023	The percentage change in the amount of allowance for individually measured 31.12.2023
Decrease in present value of estimated future cash flows for individually assessable exposures by 10%	104,216	15%	38,668	7%
Increase in present value of estimated future cash flows for individually assessable exposures by 10%	(102,136)	-15%	(37,490)	-6%

## 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 Group 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

At the end of each reporting period, the Group assesses the existence of an indication of whether fixed assets are impaired (including investments in subsidiaries). 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.

## 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 anticipated acquisition of an individual right to benefit for each worker

The projected value is discounted actuarially at the end of the reporting period. 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 terminating the employment relationship estimated through 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

Continuing the Bank's adaptation to the changing business environment, on 13 December 2023, another agreement was signed with the trade unions on the principles of conducting collective redundancies for 2024-2026. Accordingly, in 2023, a provision for liabilities to employees due to restructuring was created in the amount of PLN 48,446 thousand, the value of the provision as at 30 September 2024 amounted to PLN 38,874 thousand.

## g. Assets 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. However deferred tax assets are recognized 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 of 2023 the Bank decided to create an additional asset in relation to provisions set up in connection with the settlement process regarding CHF-denominated loan agreements 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).

In the second quarter of 2024, the Bank decided to create an additional asset in relation to the provisions set up in the process of cancelling CHF-denominated loan agreements.

Details can be found in note 51 Litigation, claims and administrative proceedings.

In three quarters of 2024 and 2023, 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 2024 the provision amounted to PLN 10,552 thousand (as at 31 December 2023 the provision amounted to 12,048 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 12,500 thousand.

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 2024, this liability amounted to PLN 2,247 thousand (PLN 2,258 thousand as of 31 December 2023).

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 2024, the provision amounted to PLN 36,706 thousand (PLN 44,756 thousand as of 31 December 2023).

The total amount of provisions related to the CJEU judgment as of 30 September 2024 was PLN 49,505 thousand (as of 31 December 2023, the provision was PLN 59,063 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 Bank presents the liability under Other liabilities: Sundry creditors.

### **i. Impact of suspension of performance of mortgage loan agreements granted in PLN**

In connection with the signing by the President of Poland of the Act of 12 April 2024 amending the Act on support for borrowers who have taken out a home loan and are in financial difficulty and the Act on community financing for economic ventures and assistance to borrowers (the 'Act'), allowing customers to suspend the performance of mortgage loan agreements granted in PLN in the period from 1 June 2024 to 31 December 2024 for a total of 4 months ('suspension'), the Bank's Management Board approved on 8 May 2024 an estimate of the impact of the Act on the Bank's results and operations.

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

The law imposes an additional income criterion compared to 2022 (ratio of instalment size to household income, average over the previous 3 months) to allow for the benefit of the suspension.

The Bank's Management Board approved the recognition of PLN 203 million negative impact of the Act in the second quarter of 2024 results.

In the third quarter of 2024, the Bank revised its estimate of the impact of the Act on its financial results. The Bank reduced the estimated participation among eligible customers compared to the original assumptions. As a result, an update of the impact of the Act from the amount of PLN 203 million recognised in the second quarter 2024 results to approximately PLN 103 million was recognised in the third quarter 2024 results, representing a positive impact of approximately PLN 100 million on the Bank's interest income in the third quarter 2024.

The suspension of the contracts did not change the classification of exposures into different credit risk stages and the reassignment of the forbearance flag at the end of the second quarter of 2024.

The assumptions used reflect the Bank's subjective assessment and are subject to uncertainty, particularly in the case of the income criterion estimates.

Accordingly, these assumptions may be subject to revision.

### **j. Impact of legal risks arising from litigation related to mortgage loans in CHF**

The impact of legal risks arising from proceedings related to CHF loan agreements and the model used by the Group were described in Note 51 Litigation, claims and administrative proceedings.



Net interest income, which is the Group's main source of revenue, amounted in the three quarters of 2024 to PLN 4,200,905 thousand and was higher yearo-year by PLN 396,868 thousand, i.e. by 10.4%. Interest income realised in the three quarters of 2024 was higher than in the three quarters of 2023 by PLN 322,072 thousand, i.e. by 4.4%, while interest expense decreased by PLN 74,796 thousand, i.e. by 2.2%.

A significant external factor influencing the level of net interest income is the NBP's interest rate policy. From October 2021 to September 2022, the Monetary Policy Council (MPC) made eleven interest rate increases totalling 665 bps, up to 6.75% for the reference rate, and then in September and October 2023 cut the reference rate by 75 bps and 25 bps respectively (to a level of 5.75%). An estimate of the sensitivity of the Group's interest income to changes in interest rates is presented in Note 52 of the Consolidated Interim Report.

As a result of the above-described changes in interest rates and expectations of their level in the future, the profitability of loan products in the three quarters of 2024 was lower compared with the corresponding period of 2023. 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 5,057,489 thousand in the three quarters of 2024 and was lower by PLN 426,580 thousand, or 7.8%, than the income realised in the corresponding period of 2023.

A factor that reduced the value of interest income on loans and advances was the extension of the so-called statutory credit holidays until the end of 2024. Due to the Act of 12 April 2024 passed by the Sejm and signed by the President, on amending the Act on support for borrowers who have taken out a housing loan and are in financial difficulty and the Act on community financing for economic undertakings and assistance to borrowers (the 'Act'), allowing customers to suspend the performance of mortgage loan agreements granted in PLN from 1 June 2024 to 31 December 2024 for a total of 4 months ('the suspension'), the Bank's Management Board decided to recognise the negative impact of the Act of PLN 203 million in the results of Q2 2024. The Bank revised the estimate to approximately PLN 103 million, resulting in a positive impact of PLN 99,550 thousand on the Bank's interest income in Q3 2024. More detailed information is provided in Note 7 Estimates of the Consolidated Interim Report. Excluding the impact of the credit holiday, the interest result in the three quarters of 2024 would be by PLN 533,318 thousand, i.e. 14.1% higher compared with the three quarters of 2023.

Among the factors that positively influenced the level of interest income in the three quarters of 2024 compared with the corresponding period of 2023 were the very good liquidity situation and the increase in the scale of the Group's operations reflected, inter alia, in the increase in the average value of the securities portfolio. As a result, the Group recorded an increase in interest income on debt instruments measured at amortised cost and at fair value by a total of PLN 267,282 thousand, i.e. by 26.2%.

Active management of excess liquidity was reflected in an increase in interest income from reverse repo transactions by PLN 193,991 thousand (repo transaction costs were higher by PLN 855 thousand YoY). At the same time, interest income on receivables from banks decreased by PLN 96,370 thousand and costs on payables to banks increased by PLN 69,913 thousand (inter alia, due to the increase in funding for MREL from December 2023).

The differences in the level of market interest rates between 2024 and 2023 contributed to a decrease in the cost of deposits. In addition, the moderate demand for credit from corporate and retail customers and the Group's comfortable liquidity position (the net loans/deposits ratio at the end of the third quarter of 2024 was 71.17%) favoured the optimisation of deposit margins. As a result, interest expense on liabilities to customers amounted in the three quarters of 2024 to PLN 1,822,344 thousand and were lower by PLN 227,798 thousand, i.e. by 11.1%, than the costs incurred in the corresponding period of 2023.

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. The 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 2024 was negative at PLN 358,863 thousand, compared with a negative impact of PLN 652,991 thousand in the three quarters of 2023 (a decrease in the negative impact of PLN 294,128 thousand YoY).

## 9. NET FEE AND COMMISSION INCOME

Fee and commission income	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
loans, advances and leases	69,945	212,288	83,549	254,849
account maintenance	60,237	175,132	57,688	171,759
cash service	8,286	23,457	8,789	25,835
cash transfers and e-banking	26,935	80,698	24,906	76,707
guarantees and documentary operations	18,769	58,482	18,902	53,734
asset management and brokerage operations	33,230	105,110	26,324	77,036
payment and credit cards	102,225	317,028	90,637	289,770
insurance mediation activity	41,237	129,907	35,417	129,980
product sale mediation and customer acquisition	2,348	9,722	3,262	10,177
other commissions	18,857	37,878	3,724	23,836
<b>Total fee and commission income</b>	<b>382,069</b>	<b>1,149,702</b>	<b>353,198</b>	<b>1,113,683</b>
Fee and commission expense	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
loans, advances and leases	106	(820)	(331)	(583)
account maintenance	(2,374)	(7,416)	(2,712)	(7,495)
cash service	(7,571)	(21,146)	(7,069)	(19,200)
cash transfers and e-banking	(620)	(2,130)	(830)	(2,153)
guarantee commitments and documentary operations	(4,121)	(7,341)	-	-
asset management and brokerage operations	(1,527)	(4,986)	(1,536)	(4,462)
payment and credit cards	(30,416)	(95,329)	(30,538)	(86,956)
insurance mediation activity	(4,103)	(17,301)	(3,312)	(15,713)
product sale mediation and customer acquisition	(4,896)	(17,886)	(5,781)	(16,516)
other commissions	(15,312)	(41,542)	(14,247)	(40,744)
<b>Total fee and commission expense</b>	<b>(70,834)</b>	<b>(215,897)</b>	<b>(66,356)</b>	<b>(193,822)</b>
<b>Net fee and commission expense</b>	<b>311,235</b>	<b>933,805</b>	<b>286,842</b>	<b>919,861</b>

The Group's net fee and commission income in the three quarters of 2024 amounted to PLN 933,805 thousand and was by PLN 13,944 thousand (i.e. by 1.5%) higher than that obtained in the corresponding period of 2023. This was mainly the result of better commission income from asset management and brokerage operations and in the area of bank cards despite weaker results from lending activities.

Fee and commission income amounted to PLN 1,149,702 thousand and was higher by PLN 36,019 thousand (i.e. by 3.2%) compared with the three quarters of 2023, while commission expenses amounted to PLN 215,897 thousand and increased by PLN 22,075 thousand (i.e. by 11.4%).

The increase in fee and commission income mainly concerned:

- asset management and brokerage operations by PLN 28,074 thousand, i.e. by 36.4% (primarily due to higher revenues from the sale and management of investment funds, custody and brokerage services),

- payment and credit card services by PLN 27,258 thousand, i.e. by 9.4% (primarily due to settlements relating to cooperation with Mastercard and Euronet and higher revenues generated from the introduction of a new service in Q2 2024 - card transactions in the form of cash transfers. In addition, as a result of the growing number of debit cards and card transactions, revenues from interchange fees, related to the maintenance and use of debit cards, and from currency conversions increased),
- other commissions by PLN 14,042 thousand, i.e. by 58.9% (inter alia, due to higher commissions related to M&A transactions);
- guarantees and documentary operations by PLN 4,748 thousand, i.e. by 8.8% (as a result of higher commission income from corporate clients),
- cash transfers and e-banking services by PLN 3,991 thousand, i.e. by 5.2% (as a result of higher commission income from domestic and international transfers),
- account maintenance by PLN 3,373 thousand, i.e. 2.0% (including Retail customer accounts).

The decrease in fee and commission income related primarily to:

- lending and leasing activities by PLN 42,561 thousand, i.e. 16.7% (inter alia, due to lower revenues from transactions with large corporate customers, high base 2023 and lower revenues from Retail Banking loans);
- cash service by PLN 2,378 thousand, i.e. by 9.2% (inter alia, due to lower revenues from banknote transactions and cash handling in cooperation with the Polish Post Office (Poczta Polska)).

The increase in commission and fee expenses was mainly due to the higher costs of payment and credit card services by PLN 8,373 thousand, i.e. 9.6% (related to higher costs of commissions paid to organisations and entities servicing card transactions) and the costs of guarantee commitments and documentary operations in the amount of PLN 7,341 thousand (due to a financial guarantee related to the transfer of risk of the securitised portfolio).

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

Net trading income	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Equity instruments measured at fair value through profit or loss	6,270	12,565	(3,598)	15,684
Debt instruments measured at fair value through profit or loss	(200)	2,365	2,055	3,300
Derivative instruments and result on foreign exchange transactions	219,448	624,888	274,175	737,679
<b>Result on financial instruments measured at fair value through profit or loss and foreign exchange differences, total</b>	<b>225,518</b>	<b>639,818</b>	<b>272,632</b>	<b>756,663</b>
<b>including margin on foreign exchange and derivative transactions with customers</b>	<b>172,956</b>	<b>528,112</b>	<b>246,437</b>	<b>632,513</b>

The result on trading activities in the three quarters of 2024 amounted to PLN 639,818 thousand and was lower by PLN 116,845 thousand, i.e. by 15.4% 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 CIB and the Asset and Liability Management Division and the valuation of equity instruments.

The decrease in trading income in the three quarters of 2024 compared with the same period of the previous year was mainly related to the achievement of a lower margin on foreign exchange and derivative transactions with customers (a decrease of PLN 104,401 thousand, i.e. 16.5% YoY related mainly to the absence of non-recurring transactions comparable to the third quarter of 2023) and a lower result on financial instruments transactions in the CIB area.

In addition, the decrease in the result on trading activities was contributed by a lower valuation of hedging transactions of the loan portfolio valued at fair value by PLN 12,942 thousand and a deterioration in the result on equity instruments measured at fair value through profit or loss, which in the three quarters of 2024 amounted to PLN 12,565 thousand and was lower by PLN 3,119 thousand, i.e. by 19.9% compared with the same period of the previous year (PLN 15,684 thousand).

## 11. RESULTS ON INVESTMENT ACTIVITIES

Result on investment activities	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Equity instruments measured at fair value through other comprehensive income	-	-	-	2,008
Debt instruments measured at fair value through other comprehensive income	2,831	4,474	5,164	6,452
Loans and advances to customers measured at fair value through profit or loss	(4,598)	2,548	1,047	(8,612)
<b>Result on investment activities, total</b>	<b>(1,767)</b>	<b>7,022</b>	<b>6,211</b>	<b>(152)</b>

During three quarters of 2024, 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 three quarters of 2024 was positive at PLN 7,022 thousand, compared with a negative result of PLN 152 thousand in the corresponding period of the previous year (an improvement of PLN 7,174 thousand).

The increase in the result on investment activities was mainly related to the positive result on valuation of the portfolio of loans and advances to customers measured at fair value through profit or loss, which was higher by PLN 11,160 thousand compared to the same period of the previous year.

## 12. RESULT OF ALLOWANCE FOR EXPECTED CREDIT LOSSES OF FINANCIAL ASSETS AND PROVISION FOR CONTINGENT LIABILITIES

### Impairment allowances on financial assets and provision on contingent liabilities

3 quarters of 2024 from 01.01.2024 to 30.09.2024	Stage 1	Stage 2	Stage 3	Total	including POCI
Amounts due from banks	(178)	-	-	(178)	-
Loans and advances to customers measured at amortised cost	(27,848)	76,752	(185,015)	(136,111)	(36,342)
Contingent commitments granted	4,469	2,824	(57,906)	(50,613)	450
Securities measured at amortised cost	(6)	-	-	(6)	-
<b>Total net impairment allowances on financial assets and provision on contingent liabilities</b>	<b>(23,563)</b>	<b>79,576</b>	<b>(242,921)</b>	<b>(186,908)</b>	<b>(35,892)</b>

### 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
<b>Total net impairment allowances on financial assets and provision on contingent liabilities</b>	<b>44,101</b>	<b>101,391</b>	<b>(105,512)</b>	<b>39,980</b>	<b>16,150</b>

The result of the impairment allowances on financial assets and provisions on contingent liabilities after the three quarters of 2024 was negative in the amount of PLN 186,908 thousand compared to a positive impact of PLN 39,980 thousand after the three quarters of 2023 (a deterioration of PLN -226,888 thousand).

Considering the main operating segments:

- the Retail and Business Banking segment reported a negative result deterioration of PLN 15,245 thousand (a negative result of PLN 58,669 thousand),
- the SME Banking reported a negative result and a deterioration in result by PLN 23,073 thousand (a negative result of PLN 2,404 thousand),
- the Corporate Banking segment (including CIB) reported a negative result and deterioration of the result by PLN 188,336 thousand (a negative result of PLN 125,008 thousand),
- the other operations segment reported a negative result and a deterioration of the result by PLN 233 thousand (a negative result of PLN 826 thousand).

In the three quarters of 2024, the quality of the loan portfolio remained good, in line with long-term expectations taking into account the specificity of the Bank's portfolio. At the same time, the following one-off events had an impact on the cost of risk:

- link PLN 29,600 thousand PLN of reserves in the form of PMA in connection with the risk of the portfolio of farmers whose crops suffered as a result of unfavorable weather phenomena (including hailstorms and summer droughts),
- solution PLN 26,460 thousand PLN in reserves as a result of updating risk parameters,
- positive result related to the sale of receivables PLN 25,186 thousand. PLN (including PLN 21,431 thousand related to institutional clients),
- updating the impact of legal risk for the portfolio secured by real estate in CHF, which resulted in the release of write-offs (ECL) for this portfolio in the amount of PLN 19,988 thousand. zloty,
- adjusting the level of write-offs to expectations regarding the future macroeconomic situation, resulting in an additional PLN 6,335 thousand PLN in reserves, which resulted from updating the forecasts of macroeconomic variables included in the IFRS9 model used.

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

Additionally, the development of the cost of risk in the three quarters of 2023 was influenced by, among other things:

- adjustment of the level of allowances to expectations regarding the future macroeconomic situation resulting in the release of PLN 49,851 thousand of provisions (including: release of PLN 63,581 thousand in Q1 2023, addition of PLN 27,766 thousand in Q2 2023 and release of PLN 14,036 thousand in Q3 2023), which resulted from the update of forecasts of macroeconomic variables included in the IFRS 9 model used,
- the release of Post Model Adjustment provisions relating to risk factors not included in the macroeconomic model in the amount of PLN 76,856 thousand (of which: PLN 11,730 thousand in Q2 2023 and PLN 65,126 thousand in Q3 2023).

During the three quarters of 2024, the Group entered into agreements for the sale of retail, SME and corporate portfolios. The gross carrying amount of the sold portfolio measured at amortised cost was PLN 185,333 thousand, the amount of impairment allowances recognised was PLN 123,956 thousand. The contractual price for the sale of these portfolios was set at PLN 86,582 thousand. The net impact on the Group's result from the sale of portfolios amounted to PLN 25,205 thousand and is presented in the line Net allowances on expected credit losses of financial assets and provisions for contingent liabilities.

In the three quarters of 2023. The Group entered into agreements for the sale of 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 recognised 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 from the sale of the portfolios amounted to PLN 11,038 thousand and is presented in the line Net allowances on expected credit losses of financial assets and provisions for contingent liabilities.

The cost of credit risk, expressed as the ratio of the result from allowances to the average gross loans and advances to customers measured at amortised cost (calculated on the basis of the balances at the end of the quarters), was in the three quarters of 2024 -0.28% compared with a positive value of +0.06% in the three quarters of 2023. Excluding the impact of the sale of portfolios, it is estimated that the cost of risk would have been -0.32% in the three quarters of 2024 and +0.04% in the three quarters of 2023.

## 13. GENERAL ADMINISTRATIVE COSTS

General administrative expenses	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Personnel expenses	(397,226)	(1,163,440)	(367,556)	(1,064,390)
Marketing expenses	(31,331)	(79,884)	(29,269)	(64,538)
IT and telecom expenses	(73,796)	(218,695)	(70,648)	(192,351)
Short-term lease and operating costs	(19,191)	(60,257)	(18,220)	(59,975)
Other non-personnel expenses	(54,919)	(162,934)	(53,178)	(148,591)
External services due to other contracts and consulting	(73,113)	(250,441)	(92,581)	(233,935)
Business travels	(2,328)	(7,619)	(2,106)	(9,459)
ATM and cash handling expenses	(6,871)	(22,334)	(7,583)	(20,810)
Costs of outsourcing services related to leasing operations	(368)	(1,012)	(434)	(2,161)
Bank Guarantee Fund fee	-	(143,992)	-	(123,909)
Cost of the Commercial Banks Protection Scheme	-	-	-	(275)
Polish Financial Supervision Authority fee	(205)	(19,402)	(3,963)	(11,891)
<b>Total general administrative expenses</b>	<b>(659,348)</b>	<b>(2,130,010)</b>	<b>(645,538)</b>	<b>(1,932,285)</b>

Total costs related to legal support of court cases concerning CHF loans in the 9-month period of 2024 amounted to PLN 86,062 thousand (for three quarters of 2023: PLN 65,856 thousand) and were included in the lines: External services due to other contracts and consulting and Other non-personnel expenses (notary and court fees).

Total Group general administrative costs (included amortisation) for 9 months of 2024 amounted PLN 2,511,609 thousand and increased by PLN 239,867 thousand (i.e. by 10.6%)

The increase in the level of costs YoY was recorded in almost all categories:

- personnel expenses - an increase by PLN 99,050 thousand (i.e. by 9.3%) and concerns mainly the costs of basic salaries, which have increased since March 2024, which also translates into an increase in the costs of bonuses and salary surcharges;
- IT and telecom expenses - an increase by PLN 26,344 thousand (i.e. by 13.7%), resulting from higher costs of software and hardware service contracts, license fees, Contact Center customer service costs, BNP group systems costs and CyberSecurity costs, as well as a decrease in non-capitalized capital expenditure;
- Bank Guarantee Fund 2 incurred by the leasing entity – lower by PLN 1,543 thousand;
- Polish Financial Supervision Authority fee – increase by PLN 7,511 thousand, mainly caused by a change in the moment of cost recognition. In 2024 the entire fee due was included in the costs of the first quarter, while in 2023 it was spread over 12 months.
- external services due to other contracts and consulting – an increase of PLN 16,506 thousand (i.e. by 7.1%), which was influenced by, among others:
  - services provided by the Group – an increase of PLN 14,472 thousand;
  - other consulting services – an increase of PLN 3,910 thousand;
  - costs of external services in the leasing entity – an increase of PLN 2,957 thousand;
  - lower costs of legal advisory by PLN 4,202 thousand;
- marketing expenses – an increase of PLN 15,346 thousand (i.e. by 23.8%), which results mainly from the greater number of campaigns implemented this year, which translated into an increase in the costs of promotion and advertising in the media, as well as higher costs of organizing events due to the increase in market prices of such services;
- other non-personnel expenses – an increase of PLN 14,343 thousand (i.e. by 9.7%), of which:
  - notary and court fees – an increase of PLN 17,941 thousand. PLN (mainly related to CHF loans: PLN 36,831 thousand in the 9-month period of 2024 vs. PLN 18,961 thousand in the same period of 2023);
  - non-personnel expenses incurred by the leasing entity – lower by PLN 1,543 thousand;
- Polish Financial Supervision Authority fee – increase by PLN 7,511 thousand, mainly caused by a change in the moment of cost recognition. In 2024 the entire fee due was included in the costs of the first quarter, while in 2023 it was spread over 12 months.

## 14. DEPRECIATION AND AMORTISATION

Amortization	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Property, plant and equipment	(54,072)	(162,511)	(53,285)	(157,503)
Intangible assets	(73,709)	(219,088)	(62,633)	(181,954)
<b>Total Amortization</b>	<b>(127,781)</b>	<b>(381,599)</b>	<b>(115,918)</b>	<b>(339,457)</b>

Depreciation and amortisation expenses in the 9-month period of 2024 amounted to PLN 381,599 thousand and were higher by PLN 42,142 thousand, i.e. by 12.4%, compared to the same period of 2023. This increase resulted mainly from further transformation and digitalization of the Bank, investment expenditures incurred for this purpose which increase the value of intangible assets, as well as from the acceleration of depreciation of some IT systems. Depreciation and amortisation expenses in the Capital Group companies remained at a comparable level YoY.

The Bank's capital expenditures for the 9-month period of 2024 amounted to PLN 269,839 thousand and were higher by PLN 19,332 thousand, i.e. by 7.7%, compared to the same period of the previous year. This increase mainly concerned computer hardware and software and improvements in third-party fixed assets. At the same time, expenditures related to external personnel costs decreased. The size of capital expenditures is adjusted to the Bank's current needs and capabilities. All projects are analyzed 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 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Sale or liquidation of property, plant and equipment and intangible assets	1,398	8,415	15,011	18,323
Release of write-offs on other receivables	1,251	4,688	567	2,314
Sale of goods and services	3,062	8,389	3,096	7,278
Release of provisions for litigation and claims and other liabilities	2,588	13,389	6,087	49,640
Recovery of debt collection costs	5,167	16,490	4,497	14,232
Recovered indemnities	93	157	28	287
Income from leasing operations	13,603	42,519	11,146	40,280
Other operating income	17,017	56,963	12,397	40,147
<b>Total other operating income</b>	<b>44,179</b>	<b>151,010</b>	<b>52,829</b>	<b>172,501</b>

Other operating income in the three quarters of 2024 amounted to PLN 151,010 thousand and was lower by PLN 21,491 thousand, or 12.5%, compared with the three quarters of 2023.

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

- lower by PLN 36,251 thousand (i.e. by 73.0%) income from the release of provisions for litigation and claims and other liabilities (inter alia, due to the release in the second quarter of 2023 of the amount of PLN 26,626 thousand of the provision created in 2020 for the penalty imposed by the Office of Competition and Consumer Protection (UOKiK) in connection with declaring as unlawful certain provisions of the contractual standard concerning the determination of exchange rates (the so-called anti-spread annex) as a result of the judgment of the Court of Appeal of 12 May 2023),
- lower by PLN 9,908 thousand (i.e. by 54.1%) income from the sale or liquidation of property, plant and equipment and intangible assets,
- higher by PLN 16,816 thousand (i.e. by 41.9%) other operating income,
- higher by PLN 2,374 thousand (i.e. by 102.6%) income from the release of write-offs on other receivables,
- higher by PLN 2,258 thousand (i.e. by 15.9%) income from the recovery of debt collection costs,
- higher by PLN 2,239 thousand (i.e. by 5.6%) income from leasing operations.

## 16. OTHER OPERATING EXPENSES

Other operating expenses	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Loss on sale or liquidation of property, plant and equipment and intangible assets	(2,562)	(9,766)	(10,162)	(13,432)
Impairment allowance on other receivables	(3,556)	(9,098)	(1,863)	(4,119)
On account of provisions for litigation and other liabilities	(9,481)	(34,443)	(14,355)	(35,147)
Debt collection	(9,929)	(28,382)	(8,253)	(27,835)
Donations granted	(759)	(6,667)	(1,929)	(6,393)
Costs of leasing operations	(20,780)	(36,776)	(5,719)	(25,109)
Indemnities, penalties and fines	(997)	(1,914)	(6,932)	(8,336)
Other operating expenses	(11,292)	(76,279)	(27,180)	(72,885)
<b>Total other operating income</b>	<b>(59,356)</b>	<b>(203,325)</b>	<b>(76,393)</b>	<b>(193,256)</b>

Other operating expenses in the three quarters of 2024 amounted to PLN 203,325 thousand and were higher by PLN 10,069 thousand (i.e. by 5.2%) compared with the corresponding period of 2023.

The level of other operating expenses was mainly influenced by:

- higher by PLN 11,667 thousand (i.e. by 46.5%) costs of leasing operations,
- higher by PLN 4,979 thousand (i.e. 120.9%) costs due to impairment allowance on other receivables,
- higher by PLN 3,394 thousand (i.e. by 4.7%) other operating expenses,
- lower by PLN 6,422 thousand (i.e. by 77.0%) costs related to indemnities, penalties and fines,
- lower by PLN 3,666 thousand (i.e. by 27.3%) costs of sale or liquidation of property, plant and equipment and intangible assets.

## 17. INCOME TAX EXPENSE

	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Current income tax	(207,063)	(491,295)	(159,743)	(490,355)
Deferred income tax	6,757	94,355	(54,253)	(76,415)
<b>Total income tax</b>	<b>(200,306)</b>	<b>(396,940)</b>	<b>(213,996)</b>	<b>(566,770)</b>
Profit before income tax	835,850	2,246,050	659,475	1,959,881
Statutory tax rate	19%	19%	19%	19%
<b>Income taxes on gross profit</b>	<b>(158,812)</b>	<b>(426,750)</b>	<b>(125,300)</b>	<b>(372,377)</b>
<b>Taxable permanent differences, including:</b>	<b>(41,494)</b>	<b>(105,725)</b>	<b>(81,369)</b>	<b>(218,616)</b>
Receivables written-off	(8,559)	(20,867)	(11,755)	(17,719)
Representation costs	(199)	(541)	375	(101)
PFRON	(524)	(1,497)	(491)	(1,411)
Prudential fee to the Bank Guarantee Fund	-	(27,359)	-	(23,543)
Tax on financial institutions	(18,889)	(57,765)	(19,312)	(57,794)
Allowance for research and development	-	12,502	-	15,524
Provisions for claims on CHF loans	(3,941)	(9,717)	(62,641)	(161,894)
Provisions for legal risks	(358)	(595)	(315)	6,135
Other differences	(9,024)	114	12,770	22,187
<b>Other amounts affecting the effective tax rate</b>	<b>-</b>	<b>135,535</b>	<b>(7,327)</b>	<b>24,224</b>
Change in estimate of deferred tax based on provisions for future disbursements related to the CHF loan cancellation process*	-	135,535	-	-
Additional deferred tax created in 2023 based on provisions for settlement agreements with customers to CHF loan agreements	-	-	(7,327)	24,224
<b>Total income / tax expense of the Group</b>	<b>(200,306)</b>	<b>(396,940)</b>	<b>(213,996)</b>	<b>(566,770)</b>

\* For details, please refer to Note 51 Litigation, claims and administrative proceedings.

## 18. EARNINGS PER SHARE

	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Basic</b>		
Net profit	1,849,110	1,393,111
Weighted average number of ordinary shares (units)	147,735,706	147,648,093
Basic earnings (loss) per share (in PLN per one share)	12.52	9.44
<b>Diluted</b>		
Net profit used in determining diluted earnings per share	1,849,110	1,393,111
Weighted average number of ordinary shares (units)	147,735,706	147,648,093
Adjustments for:		
- stock options	140,197	117,390
Weighted average number of ordinary shares for the diluted earnings per share (units)	147,875,903	147,765,483
Diluted earnings (loss) per share (in PLN per one share)	12.50	9.43

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

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

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

## 19. CASH AND CASH BALANCES AT CENTRAL BANK

	30.09.2024	31.12.2023
<b>Cash and cash equivalents</b>		
Cash and other balances	2,488,263	2,426,918
Account in the National Bank of Poland	7,317,029	4,457,458
<b>Gross cash and cash equivalents</b>	<b>9,805,292</b>	<b>6,884,376</b>
Impairment allowances	(1,304)	(790)
<b>Total cash and balances at Central Bank</b>	<b>9,803,988</b>	<b>6,883,586</b>

	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Change of allowances on expected credit losses of amounts due from Central Bank</b>		
<b>Opening balance</b>	<b>(790)</b>	<b>(9)</b>
Increases due to acquisition or origination	-	(8)
Decreases due to derecognition	-	774
Net changes in credit risk	(514)	(1,545)
<b>Closing balance</b>	<b>(1,304)</b>	<b>(788)</b>

## 20. AMOUNTS DUE FROM BANKS

Amounts due from banks	30.09.2024			31.12.2023		
	Gross balance sheet value	Impairment allowance	Net balance sheet value	Gross balance sheet value	Impairment allowance	Net balance sheet value
Current accounts	4,582,969	(345)	4,582,624	8,918,244	(539)	8,917,705
Interbank deposits	2,060,118	(6)	2,060,112	136,864	(32)	136,832
Loans and advances	-	-	-	201,190	(100)	201,090
Other receivables	813,737	(43)	813,694	8,708,379	(58)	8,708,321
<b>Total amounts due from banks</b>	<b>7,456,824</b>	<b>(394)</b>	<b>7,456,430</b>	<b>17,964,677</b>	<b>(729)</b>	<b>17,963,948</b>

Also presented under 'Other receivables' as at 30.09.2024 are receivables from cash collateral in the amount of PLN 808,876 thousand (PLN 736,283 thousand as at 31.12.2023) and receivables from securities purchased with a repurchase promise received in the amount of PLN 0 (PLN 7,968,341 thousand as at 31.12.2023).

Change of impairment allowances on amounts due from banks	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Opening balance</b>	<b>(729)</b>	<b>(1,505)</b>
Increases due to acquisition or origination	(4,361)	(2,105)
Decreases due to derecognition	5,365	2,516
Changes resulting from the change in credit risk (net)	(669)	(544)
Other changes (including foreign exchange differences)	-	22
<b>Closing balance</b>	<b>(394)</b>	<b>(1,616)</b>

As of 30 September 2024 and 31 December 2023, amounts due from other banks were classified as Stage 1.

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative trading instruments	Nominal value	Fair value	Fair value
30.09.2024		Assets	Liabilities
<b>Currency derivatives</b>			
Foreign Exchange Forward (FX Forward + NDF)	14,515,515	78,548	962,677
Currency Swap (FX Swap)	27,631,721	1,421,256	348,988
Currency Interest Rate Swaps (CIRS)	4,754,930	29,657	26,440
OTC currency options	7,569,253	76,943	142,581
<b>Total currency derivatives:</b>	<b>54,471,419</b>	<b>1,606,404</b>	<b>1,480,686</b>
<b>Interest rate derivatives</b>			
Interest Rate Swap	77,306,490	1,049,907	996,093
FRA contracts	4,000,000	-	540
OTC interest rate options	10,605,495	52,181	52,590
<b>Total interest rate derivatives:</b>	<b>91,911,985</b>	<b>1,102,088</b>	<b>1,049,223</b>
<b>Other derivatives</b>			
OTC commodity swaps	1,117,095	39,922	36,382
Currency Spot (FX Spot)	1,600,451	-	-
Total other derivatives	2,717,546	39,922	36,382
<b>Total trading derivatives:</b>	<b>149,100,950</b>	<b>2,748,414</b>	<b>2,566,291</b>
including: measured using models	149,100,950	2,748,414	2,566,291
<b>Derivative trading instruments</b>			
31.12.2023	Nominal value	Fair value	Fair value
		Assets	Liabilities
<b>Currency derivatives</b>			
Foreign Exchange Forward (FX Forward + NDF)	12,729,040	67,984	990,823
Currency Swap (FX Swap)	25,655,076	1,444,643	294,517
Currency Interest Rate Swaps (CIRS)	5,604,525	65,635	31,665
OTC currency options	11,746,884	227,734	340,613
<b>Total currency derivatives:</b>	<b>55,735,525</b>	<b>1,805,996</b>	<b>1,657,618</b>
<b>Interest rate derivatives</b>			
Interest Rate Swap	67,172,213	1,218,645	1,088,117
FRA contracts	1,500,000	85	22
OTC interest rate options	10,657,404	91,520	91,452
<b>Total interest rate derivatives:</b>	<b>79,329,617</b>	<b>1,310,250</b>	<b>1,179,591</b>
<b>Other derivatives</b>			
OTC commodity swaps	870,970	30,499	28,066
Currency Spot (FX Spot)	2,194,110	-	-
<b>Total other derivatives:</b>	<b>3,065,080</b>	<b>30,499</b>	<b>28,066</b>
<b>Total trading derivatives:</b>	<b>138,130,222</b>	<b>3,146,745</b>	<b>2,865,275</b>
including: measured using models	138,130,222	3,146,745	2,865,275

## 22. HEDGE ACCOUNTING

As of 30 September 2024, 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.														
Hedged items	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 ESTR, USD SOFR.														
IRS	<table border="1"> <thead> <tr> <th rowspan="2"></th> <th rowspan="2">Nominal value</th> <th colspan="2">Fair value</th> </tr> <tr> <th>Assets</th> <th>Liabilities</th> </tr> </thead> <tbody> <tr> <td>30.09.2024</td> <td>16,873,632</td> <td>137,998</td> <td>476,093</td> </tr> <tr> <td>31.12.2023</td> <td>11,315,595</td> <td>67,980</td> <td>630,468</td> </tr> </tbody> </table>		Nominal value	Fair value		Assets	Liabilities	30.09.2024	16,873,632	137,998	476,093	31.12.2023	11,315,595	67,980	630,468
	Nominal value			Fair value											
		Assets	Liabilities												
30.09.2024	16,873,632	137,998	476,093												
31.12.2023	11,315,595	67,980	630,468												
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:

30.09.2024 -PLN 424,576 thousand

31.12.2023 -PLN 547,696 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:

30.09.2024 -PLN 137,781 thousand

31.12.2023 -PLN 338,202 thousand

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as of 30 September 2024 and 31 December 2023:

30.09.2024	Fair value		Nominal value					Total
	positive	negative	< 1 month	from 1 to 3 months	from 3 months to 1 year	1 – 5 years	> 5 years	
<b>Hedging derivatives</b>								
<b>Interest rate agreements</b>								
Swap (IRS)	137,998	476,093	106,978	1,608,185	6,866,377	5,757,206	2,534,886	16,873,632
<b>Hedging derivatives - total</b>	<b>137,998</b>	<b>476,093</b>	<b>106,978</b>	<b>1,608,185</b>	<b>6,866,377</b>	<b>5,757,206</b>	<b>2,534,886</b>	<b>16,873,632</b>

31.12.2023

	Fair value				Nominal value				Total
	positive	negative	< 1 month	from 1 to 3 months	from 3 months to 1 year	1 – 5 years	> 5 years		
<b>Hedging derivatives</b>									
<b>Interest rate agreements</b>									
Swap (IRS)	67,980	630,468	-	359,255	2,698,055	5,447,695	2,810,590	11,315,595	
<b>Hedging derivatives - total</b>	<b>67,980</b>	<b>630,468</b>	<b>-</b>	<b>359,255</b>	<b>2,698,055</b>	<b>5,447,695</b>	<b>2,810,590</b>	<b>11,315,595</b>	

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 rate based on WIBOR 6M, WIBOR 3M and pays a fixed interest rate.

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.09.2024	1,275,000	-	42,974
31.12.2023	1,275,000	-	59,467

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 hedged items is recognised in Interest income.

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

30.09.2024      PLN    537 thousand

31.12.2023      PLN 12,153 thousand

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as of 30 September 2024 and 31 December 2023:

30.09.2024

Hedging derivatives	Fair value				Nominal value			Total
	positive	negative	< 1 month	from 1 to 3 months	from 3 months to 1 year	1 – 5 years	> 5 years	
<b>Interest rate agreements</b>								
Swap (IRS)	-	42,974	-	250,000	1,025,000	-	-	1,275,000
<b>Hedging derivatives - total</b>	<b>-</b>	<b>42,974</b>	<b>-</b>	<b>250,000</b>	<b>1,025,000</b>	<b>-</b>	<b>-</b>	<b>1,275,000</b>

31.12.2023

Hedging derivatives	Fair value				Nominal value			Total
	positive	negative	< 1 month	from 1 to 3 months	from 3 months to 1 year	1 – 5 years	> 5 years	
<b>Interest rate agreements</b>								
Swap (IRS)	-	59,467	-	-	250,000	1,025,000	-	1,275,000
<b>Hedging derivatives - total</b>	<b>-</b>	<b>59,467</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>1,025,000</b>	<b>-</b>	<b>1,275,000</b>

In the three quarters of 2024, the hedging relationships presented proved to be effective.

Additionally, the Group applies **micro fair value hedge** accounting as of 30 September 2024.

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 coupon bonds in EUR and USD.											
Hedging instruments	Hedging instruments are the standard IRS transactions, i.e. plain vanilla IRS, denominated in EUR and USD, in which the Bank pays a fixed interest rate and receives a floating rate based on EUR ESTR and USD SOFR.											
IRS	<table border="1"> <thead> <tr> <th rowspan="2">Nominal value</th> <th colspan="2">Fair value</th> </tr> <tr> <th>Assets</th> <th>Liabilities</th> </tr> </thead> <tbody> <tr> <td>30.09.2024</td> <td>8,843,494</td> <td>6,721</td> </tr> <tr> <td>31.12.2023</td> <td>3,726,887</td> <td>14,364</td> </tr> </tbody> </table>	Nominal value	Fair value		Assets	Liabilities	30.09.2024	8,843,494	6,721	31.12.2023	3,726,887	14,364
Nominal value	Fair value											
	Assets	Liabilities										
30.09.2024	8,843,494	6,721										
31.12.2023	3,726,887	14,364										
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 hedged items is recognised in Interest income.											

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as of 30 September 2024 and 31 December 2023:

30.09.2024

	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
<b>Hedging derivatives</b>								
<b>Interest rate agreements</b>								
Swap (IRS)	6,721	191,967	-	-	381,930	2,396,374	6,065,190	8,843,494
<b>Hedging derivatives - total</b>	<b>6,721</b>	<b>191,967</b>	<b>-</b>	<b>-</b>	<b>381,930</b>	<b>2,396,374</b>	<b>6,065,190</b>	<b>8,843,494</b>

31.12.2023

	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
<b>Hedging derivatives</b>								
<b>Interest rate agreements</b>								
Swap (IRS)	14,364	84,418	-	-	-	1,037,380	2,689,508	3,726,887
<b>Hedging derivatives - total</b>	<b>14,364</b>	<b>84,418</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,037,380</b>	<b>2,689,508</b>	<b>3,726,887</b>

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

<b>Fair value hedging</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Interest income on hedging derivatives	624,640	240,899
Interest expense on hedging derivatives	(964,840)	(868,754)
Change in fair value measurement of hedging transactions presented in Result on hedge accounting, including:	(828)	(16,866)
change in fair value of hedging instruments	(37,784)	391,358
change in fair value of hedged instruments	36,956	(408,224)

In the three quarters of 2024, the hedging relationships presented proved to be effective.

Additionally, the Group applies **cash flow hedge** accounting as of 30 September 2024.

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
30.09.2024	625,000	-	95,384
31.12.2023	625,000	-	104,179
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 2024 and 31 December 2023:

30.09.2024								
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
<b>Interest rate agreements</b>								
Swap (IRS)	-	95,384	-	-	-	-	625,000	625,000
<b>Hedging derivatives - total</b>	<b>-</b>	<b>95,384</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>625,000</b>	<b>625,000</b>
31.12.2023								
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
<b>Interest rate agreements</b>								
Swap (IRS)	-	104,179	-	-	-	-	625,000	625,000
<b>Hedging derivatives - total</b>	<b>-</b>	<b>104,179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>625,000</b>	<b>625,000</b>

Hedging cash flows	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Interest income on hedging derivatives	8,705	8,697
Interest expense on hedging derivatives	(27,368)	(33,833)

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

Interest rate risk	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Balance at the beginning of the period</b>	<b>(101,987)</b>	<b>(169,290)</b>
Hedging gains or losses recognised in other comprehensive income during the reporting period	9,367	52,054
<b>Balance at the end of the period</b>	<b>(92,620)</b>	<b>(117,236)</b>

In the three quarters of 2024, the hedging relationships presented proved to be effective.

## 23. LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST

30.09.2024			
Loans and advances to customers measured at amortised cost	Gross balance sheet amount	Allowance	Net balance sheet amount
<b>Loans and advances for:</b>			
<b>Non-banking financial entities</b>	<b>3,540,424</b>	<b>(18,354)</b>	<b>3,522,070</b>
current account loans	2,764,582	(13,708)	2,750,874
investment loans	382,199	(4,111)	378,088
other loans	393,643	(535)	393,108
<b>Retail customers</b>	<b>33,229,417</b>	<b>(834,139)</b>	<b>32,395,278</b>
mortgage loans	20,576,719	(298,116)	20,278,603
other loans	12,652,698	(536,023)	12,116,675
<b>Corporate customers</b>	<b>45,630,508</b>	<b>(1,526,391)</b>	<b>44,104,117</b>
current account loans	20,818,279	(857,982)	19,960,297
investment loans	17,433,440	(504,603)	16,928,837
other loans	7,378,789	(163,806)	7,214,983
<b>including retail farmers</b>	<b>7,993,165</b>	<b>(395,592)</b>	<b>7,597,573</b>
current account loans	5,151,964	(215,376)	4,936,588
investment loans	2,834,026	(179,066)	2,654,960
other loans	7,175	(1,150)	6,025
<b>Public sector institutions</b>	<b>65,196</b>	<b>(628)</b>	<b>64,568</b>
current account loans	42,775	(558)	42,217
investment loans	22,189	(68)	22,121
other loans	232	(2)	230
<b>Lease receivables</b>	<b>6,444,017</b>	<b>(132,786)</b>	<b>6,311,231</b>
<b>Total loans and advances to customers measured at amortised cost</b>	<b>88,909,562</b>	<b>(2,512,298)</b>	<b>86,397,264</b>

At the end of September 2024, gross loans and advances to customers (the sum of portfolios measured at amortised cost and measured at fair value) amounted to PLN 89,493,316 thousand and increased by PLN 636,270 thousand (i.e. +0.7%) compared with the end of 2023.

The gross portfolio of loans and advances measured at amortised cost in the analysed period amounted to PLN 88,909,562 thousand (up by PLN 797,729 thousand, i.e. +0.9%).

The gross portfolio of loans and advances to corporate customers (excluding farmers) amounted to PLN 37,637,343 thousand (down by PLN 297,225 thousand, or 0.8%, compared with the end of 2023). Their share in the analysed loan portfolio at the end of September 2024 was 42.3% (-0.7 p.p. compared with the end of 2023). Current account loans represent 41.6% of this portfolio (-0.4 p.p. vs. 2023).

Gross loans and advances to retail customers at the end of September 2024 amounted to PLN 33,229,417 thousand (down by PLN 1,181,270 thousand, or 3.4%, compared with the end of 2023). Their share in the loan portfolio measured at amortised cost in the period under review was 37.4% (down 1.7 p.p. compared to the end of 2023). Mortgage loans, which amounted to PLN 20,576,719 thousand at the end of September 2024, accounted for 61.9% of the credit exposure of retail customers. In the structure of housing loans, 97.0% were loans granted in PLN, while 2.9% were loans granted in CHF (compared with the end of last year, the share of CHF fell by 0.8 p.p.).

The volume of loans granted to retail farmers at the end of September 2024 amounted to PLN 7,993,165 thousand, recording an increase of 2.9% compared to 31 December 2023.

Lease receivables amounted to PLN 6,444,017 thousand (up 7.0% compared to the end of 2023). Their share in the loan portfolio measured at amortised cost in the analysed period was 7.2% (compared with 6.8% at the end of 2023).

The volume of loans granted to non-banking financial entities and public sector institutions totalled PLN 3,605,620 thousand (up 82.3% compared with 31 December 2023).

31.12.2023			
Loans and advances to customers measured at amortised cost	Gross balance sheet amount	Allowance	Net balance sheet amount
<b>Loans and advances for:</b>			
<b>Non-banking financial entities</b>	<b>1,919,471</b>	<b>(13,610)</b>	<b>1,905,861</b>
current account loans	1,677,098	(10,994)	1,666,104
investment loans	192,911	(1,889)	191,022
other loans	49,462	(727)	48,735
<b>Retail customers</b>	<b>34,410,687</b>	<b>(866,551)</b>	<b>33,544,136</b>
mortgage loans	21,986,449	(317,536)	21,668,913
other loans	12,424,238	(549,015)	11,875,223
<b>Corporate customers</b>	<b>45,700,281</b>	<b>(1,513,608)</b>	<b>44,186,673</b>
current account loans	20,584,657	(870,432)	19,714,225
investment loans	17,671,641	(498,413)	17,173,228
other loans	7,443,983	(144,763)	7,299,220
<b>including retail farmers</b>	<b>7,765,713</b>	<b>(396,126)</b>	<b>7,369,587</b>
current account loans	4,626,815	(212,116)	4,414,699
investment loans	3,129,127	(182,775)	2,946,352
other loans	9,771	(1,235)	8,536
<b>Public sector institutions</b>	<b>58,375</b>	<b>(734)</b>	<b>57,641</b>
current account loans	33,984	(300)	33,684
investment loans	24,134	(431)	23,703
other loans	257	(3)	254
<b>Lease receivables</b>	<b>6,023,019</b>	<b>(122,814)</b>	<b>5,900,205</b>
<b>Total loans and advances to customers measured at amortised cost</b>	<b>88,111,833</b>	<b>(2,517,317)</b>	<b>85,594,516</b>

The share ratio of impaired loans and advances classified into Stage 3 in gross loans and advances to customers measured at amortised cost was 3.4% at the end of September 2024, up 0.4 p.p. compared to the end of 2023. The coverage ratio of Stage 3 exposures at the end of September 2024 was 54.5%, down 5.4 p.p. compared to the end of 2023.

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

30.09.2024	Stage 1	Stage 2	Stage 3	Total	including POCI
<b>Loans and advances for</b>	<b>76,550,289</b>	<b>9,366,828</b>	<b>2,992,445</b>	<b>88,909,562</b>	<b>140,040</b>
Non-banking financial entities	3,527,384	3,002	10,038	3,540,424	1,152
Retail customers	29,782,420	2,673,614	773,383	33,229,417	35,670
Corporate customers:	38,133,929	5,475,073	2,021,506	45,630,508	103,218
including retail farmers	6,561,133	983,921	448,111	7,993,165	12,199
Public sector entities	59,290	5,906	-	65,196	-
Lease receivables	5,047,266	1,209,233	187,518	6,444,017	-
<b>Impairment allowance on loans and receivables for</b>	<b>(358,693)</b>	<b>(522,722)</b>	<b>(1,630,883)</b>	<b>(2,512,298)</b>	<b>(39,903)</b>
Non-banking financial entities	(10,850)	(310)	(7,194)	(18,354)	(62)
Retail customers	(92,673)	(232,359)	(509,107)	(834,139)	(2,297)
Corporate customers:	(239,540)	(242,715)	(1,044,136)	(1,526,391)	(37,544)
including retail farmers	(60,254)	(61,795)	(273,543)	(395,592)	(1,384)
Public sector entities	(254)	(374)	-	(628)	-
Lease receivables	(15,376)	(46,964)	(70,446)	(132,786)	-
<b>Net loans and advances to customers measured at amortised cost</b>	<b>76,191,596</b>	<b>8,844,106</b>	<b>1,361,562</b>	<b>86,397,264</b>	<b>100,137</b>
31.12.2023	Stage 1	Stage 2	Stage 3	Total	including POCI
<b>Loans and advances for</b>	<b>75,733,315</b>	<b>9,737,719</b>	<b>2,640,799</b>	<b>88,111,833</b>	<b>147,067</b>
Non-banking financial entities	1,895,069	10,805	13,597	1,919,471	2,501
Retail customers	30,734,283	2,895,458	780,946	34,410,687	37,107
Corporate customers:	38,575,961	5,435,558	1,688,762	45,700,281	107,459
including retail farmers	6,215,099	1,071,956	478,658	7,765,713	5,428
Public sector entities	47,816	10,528	31	58,375	-
Lease receivables	4,480,186	1,385,370	157,463	6,023,019	-
<b>Impairment allowance on loans and receivables for</b>	<b>(331,889)</b>	<b>(603,862)</b>	<b>(1,581,566)</b>	<b>(2,517,317)</b>	<b>(38,862)</b>
Non-banking financial entities	(4,463)	(481)	(8,666)	(13,610)	(84)
Retail customers	(97,225)	(265,046)	(504,280)	(866,551)	(2,244)
Corporate customers:	(219,319)	(290,252)	(1,004,037)	(1,513,608)	(36,534)
including retail farmers	(48,946)	(59,690)	(287,490)	(396,126)	(509)
Public sector entities	(339)	(371)	(24)	(734)	-
Lease receivables	(10,543)	(47,712)	(64,559)	(122,814)	-
<b>Net loans and advances to customers measured at amortised cost</b>	<b>75,401,426</b>	<b>9,133,857</b>	<b>1,059,233</b>	<b>85,594,516</b>	<b>108,205</b>

Impairment allowance for loans and advances measured at amortised cost

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance (01.01.2024)</b>	<b>(331,889)</b>	<b>(603,862)</b>	<b>(1,581,566)</b>	<b>(2,517,317)</b>
Increase due to acquisition or origination	(112,129)	(89,797)	(70,764)	(272,690)
Decrease due to derecognition	21,566	29,772	98,571	149,909
Changes resulting from the change in credit risk (net)	62,714	136,579	(343,387)	(144,094)
Use of allowances	-	380	260,458	260,838
Other changes (including foreign exchange differences)	1,045	4,206	5,805	11,056
<b>Closing balance (30.09.2024)</b>	<b>(358,693)</b>	<b>(522,722)</b>	<b>(1,630,883)</b>	<b>(2,512,298)</b>

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance (01.01.2023) restated</b>	<b>(371,002)</b>	<b>(817,091)</b>	<b>(1,789,679)</b>	<b>(2,977,772)</b>
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
Net changes in allowance for expected credit losses related to the recalculation of movements on allowances during the period	6,815	21,694	74,073	102,582
Other changes (including foreign exchange differences)	283	(712)	(1,481)	(1,910)
<b>Closing balance (30.09.2023) restated</b>	<b>(313,898)</b>	<b>(677,352)</b>	<b>(1,775,855)</b>	<b>(2,767,105)</b>

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

Loans by currency	30.09.2024	31.12.2023
CHF	596,144	815,687
EUR	21,691	24,003
PLN	19,958,662	21,146,369
USD	222	390
<b>Total</b>	<b>20,576,719</b>	<b>21,986,449</b>

30.09.2024

<b>Value of CHF loan portfolio</b>	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
<b>Loans and advances for:</b>				
<b>Non-banking financial entities</b>	<b>3,540,424</b>	<b>-</b>	<b>(18,354)</b>	<b>-</b>
current account loans	2,764,582	-	(13,708)	-
investment loans	382,199	-	(4,111)	-
other loans	393,643	-	(535)	-
<b>Retail customers</b>	<b>33,229,417</b>	<b>603,564</b>	<b>(834,139)</b>	<b>(135,989)</b>
mortgage loans	20,576,719	596,144	(298,116)	(132,479)
other loans	12,652,698	7,420	(536,023)	(3,510)
<b>Corporate customers</b>	<b>45,630,508</b>	<b>38,155</b>	<b>(1,526,391)</b>	<b>(10,066)</b>
current account loans	20,818,279	30,049	(857,982)	(2,938)
investment loans	17,433,440	8,106	(504,603)	(7,128)
other loans	7,378,789	-	(163,806)	-
<b>including retail farmers</b>	<b>7,993,165</b>	<b>243</b>	<b>(395,592)</b>	<b>(17)</b>
current account loans	5,151,964	243	(215,376)	(17)
investment loans	2,834,026	-	(179,066)	-
other loans	7,175	-	(1,150)	-
<b>Public sector institutions</b>	<b>65,196</b>	<b>-</b>	<b>(628)</b>	<b>-</b>
current account loans	42,775	-	(558)	-
investment loans	22,189	-	(68)	-
other loans	232	-	(2)	-
<b>Lease receivables</b>	<b>6,444,017</b>	<b>23,760</b>	<b>(132,786)</b>	<b>(14,971)</b>
<b>Total loans and advances</b>	<b>88,909,562</b>	<b>665,479</b>	<b>(2,512,298)</b>	<b>(161,026)</b>

31.12.2023

Value of CHF loan portfolio	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
<b>Loans and advances for:</b>				
<b>Non-banking financial entities</b>	<b>1,919,471</b>	<b>795</b>	<b>(13,610)</b>	<b>-</b>
current account loans	1,677,098	795	(10,994)	-
investment loans	192,911	-	(1,889)	-
other loans	49,462	-	(727)	-
<b>Retail customers</b>	<b>34,410,687</b>	<b>825,675</b>	<b>(866,551)</b>	<b>(153,953)</b>
mortgage loans	21,986,449	815,687	(317,536)	(149,431)
other loans	12,424,238	9,988	(549,015)	(4,522)
<b>Corporate customers</b>	<b>45,700,281</b>	<b>36,345</b>	<b>(1,513,608)</b>	<b>(8,296)</b>
current account loans	20,584,657	29,775	(870,432)	(2,087)
investment loans	17,671,641	6,570	(498,413)	(6,209)
other loans	7,443,983	-	(144,763)	-
<b>including retail farmers</b>	<b>7,765,713</b>	<b>131</b>	<b>(396,126)</b>	<b>-</b>
current account loans	4,626,815	131	(212,116)	-
investment loans	3,129,127	-	(182,775)	-
other loans	9,771	-	(1,235)	-
<b>Public sector institutions</b>	<b>58,375</b>	<b>-</b>	<b>(734)</b>	<b>-</b>
current account loans	33,984	-	(300)	-
investment loans	24,134	-	(431)	-
other loans	257	-	(3)	-
<b>Lease receivables</b>	<b>6,023,019</b>	<b>23,887</b>	<b>(122,814)</b>	<b>(10,955)</b>
<b>Total loans and advances</b>	<b>88,111,833</b>	<b>886,702</b>	<b>(2,517,317)</b>	<b>(173,204)</b>

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

	30.09.2024	31.12.2023
Subsidized loans	497,128	653,582
<b>Total loans and advances to customers measured at fair value through profit or loss</b>	<b>497,128</b>	<b>653,582</b>

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 measure these portfolios at fair value through profit or loss.

	Gross balance sheet value			Fair value
30.09.2024	583,754			497,128
31.12.2023	745,213			653,582
<b>Subsidised loans at fair value</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
30.09.2024	382,793	92,681	21,654	497,128
31.12.2023	515,534	110,059	27,989	653,582

## 25. SECURITIES MEASURED AT AMORTISED COST

30.09.2024

Securities	Gross balance sheet value	Impairment allowance	Net balance sheet value
issued by domestic banks	4,284,449	(54)	4,284,395
issued by other financial entities	5,148,195	(15)	5,148,180
issued by central governments – treasury bonds	20,423,662	(78)	20,423,584
issued by non-financial entities – bonds	4,155	(4,155)	-
issued by local governments – municipal bonds	42,939	(72)	42,867
<b>Total securities measured at amortised cost</b>	<b>29,903,400</b>	<b>(4,374)</b>	<b>29,899,026</b>

31.12.2023

Securities	Gross balance sheet value	Impairment allowance	Net balance sheet value
issued by domestic banks – covered bonds	4,293,857	-	4,293,857
issued by other financial entities	3,207,638	-	3,207,638
issued by central governments – treasury bonds	18,696,431	(102)	18,696,329
issued by non-financial entities – bonds	4,155	(4,155)	-
issued by local governments – municipal bonds	48,565	(111)	48,454
<b>Total securities measured at amortised cost</b>	<b>26,250,646</b>	<b>(4,368)</b>	<b>26,246,278</b>

30.09.2024

	Stage 1	Stage 2	Stage 3	Total
<b>Securities</b>	<b>29,899,245</b>	<b>-</b>	<b>4,155</b>	<b>29,903,400</b>
issued by domestic banks	4,284,449	-	-	4,284,449
issued by other financial entities	5,148,195	-	-	5,148,195
issued by central governments – treasury bonds	20,423,662	-	-	20,423,662
issued by non-financial entities – bonds	-	-	4,155	4,155
issued by local governments – municipal bonds	42,939	-	-	42,939
<b>Impairment allowances on securities</b>	<b>(219)</b>	<b>-</b>	<b>(4,155)</b>	<b>(4,374)</b>
issued by domestic banks	(54)	-	-	(54)
issued by other financial entities	(15)	-	-	(15)
issued by central governments – treasury bonds	(78)	-	-	(78)
issued by non-financial entities – bonds	-	-	(4,155)	(4,155)
issued by local governments – municipal bonds	(72)	-	-	(72)
<b>Total net securities measured at amortised cost</b>	<b>29,899,026</b>	<b>-</b>	<b>-</b>	<b>29,899,026</b>

31.12.2023	Stage 1	Stage 2	Stage 3	Total
<b>Securities</b>	<b>26,246,491</b>	<b>-</b>	<b>4,155</b>	<b>26,250,646</b>
issued by domestic banks	4,293,857	-	-	<b>4,293,857</b>
issued by other financial entities	3,207,638	-	-	<b>3,207,638</b>
issued by central governments – treasury bonds	18,696,431	-	-	<b>18,696,431</b>
issued by non-financial entities – bonds	-	-	4,155	<b>4,155</b>
issued by local governments – municipal bonds	48,565	-	-	<b>48,565</b>
<b>Impairment allowances on securities</b>	<b>(213)</b>	<b>-</b>	<b>(4,155)</b>	<b>(4,368)</b>
issued by central governments – treasury bonds	(102)	-	-	<b>(102)</b>
issued by non-financial entities – bonds	-	-	(4,155)	<b>(4,155)</b>
issued by local governments – municipal bonds	(111)	-	-	<b>(111)</b>
<b>Total net securities measured at amortised cost</b>	<b>26,246,278</b>	<b>-</b>	<b>-</b>	<b>26,246,278</b>

## 26. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Securities measured at fair value through profit or loss	30.09.2024	31.12.2023
	Balance sheet value	Balance sheet value
Bonds convertible for non-financial entities bonds	81,262	77,078
Equity instruments	225,136	212,974
Units	504	464
Certificates issued by non-financial entities	821	835
<b>Total securities measured at fair value through profit or loss</b>	<b>307,723</b>	<b>291,351</b>

## 27. SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt securities	30.09.2024	31.12.2023
NBP bills	-	3,347,144
Bonds issued by banks	2,629,069	2,587,815
Treasury bonds issued by central governments	4,841,971	4,988,298
Bonds issued by other financial institutions	10,487,370	5,711,046
<b>Securities measured at fair value through other comprehensive income</b>	<b>17,958,410</b>	<b>16,634,303</b>

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	30.09.2024	31.12.2023
Licenses	653,102	661,922
Other intangible assets	85,386	70,177
Expenditure on intangible assets	193,524	203,925
<b>Total intangible assets</b>	<b>932,012</b>	<b>936,024</b>

In the three quarters of 2024, the net carrying amount of "Intangible assets" acquired by the Group amounted to PLN 241,598 thousand (in the three quarters of 2023: PLN 234,129 thousand), while the net balance sheet amount of the disposed of and liquidated components amounted to PLN 519 thousand (in the three quarters of 2023, it amounted to PLN 3,730 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 September 2024, the Group had significant contractual obligations incurred in connection with the acquisition of intangible assets in the amount of PLN 32,631 thousand (PLN 14,541 thousand as of 31 December 2023).

## 29. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	30.09.2024	31.12.2023
Fixed assets, including:	381,430	384,190
land and buildings	74,287	77,992
IT equipment	143,478	130,851
office equipment	36,875	40,197
other, including leasehold improvements	126,790	135,150
Fixed assets under construction	4,302	19,004
Right of use, including:	530,157	556,729
land and buildings	498,893	524,363
cars	29,925	30,473
IT equipment	1,209	1,579
other, including leasehold improvements	130	314
<b>Total property, plant and equipment</b>	<b>915,889</b>	<b>959,923</b>

In the three quarters of 2024, the net balance sheet amount of the components included in property, plant and equipment acquired by the Group was PLN 71,359 thousand (in the three quarters of 2023 it amounted to PLN 60,409 thousand), while the net balance sheet value of sold and liquidated components amounted to PLN 3,193 thousand (in the three quarters of 2023 it amounted to PLN 7,877 thousand).

As of 30 September 2024, the Group had significant contractual liabilities incurred in connection with the acquisition of property, plant and equipment in the amount of PLN 13,190 thousand (PLN 7,209 thousand as of 31 December 2023).

## 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 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Lease expenses recognized in the statement of profit or loss</b>	<b>(101,492)</b>	<b>(104,617)</b>
- interest on lease liabilities	(17,588)	(21,821)
- depreciation of right of use assets	(83,637)	(81,871)
- expenses related to short-term lease (recognized in general administrative expenses)	(267)	(925)
<b>Undiscounted lease payments by maturity</b>	<b>30.09.2024</b>	<b>31.12.2023</b>
< 1 year	134,646	138,150
1-5 years	386,229	411,464
> 5 years	159,659	183,158
<b>Total</b>	<b>680,534</b>	<b>732,772</b>
	30.09.2024	31.12.2023
Book value of liabilities due to discounted lease payments	<b>592,256</b>	<b>626,269</b>

## 31. OTHER ASSETS

Other assets:	30.09.2024	31.12.2023
<b>Receivables from contracts with customers:</b>		
sundry debtors	590,739	351,989
accrued income	141,634	103,570
payment card settlements	60,095	18,449
social insurance settlements	1,513	4,281
<b>Other:</b>		
interbank and intersystem settlements	85,327	236,944
deferred expenses	102,457	67,513
tax and other regulatory receivables	36,138	26,500
other lease receivables	40,140	23,637
other	72,050	91,290
<b>Total other assets (gross)</b>	<b>1,130,093</b>	<b>924,173</b>
Impairment allowances on other receivables from sundry debtors	(77,654)	(74,412)
<b>Total other assets (net)</b>	<b>1,052,439</b>	<b>849,761</b>
<b>including financial assets*</b>	<b>700,160</b>	<b>560,888</b>

\* Financial assets include all items of Other Assets except: Accrued income, Deferred expenses, Tax and other regulatory receivables, Other

## 32. AMOUNTS DUE TO OTHER BANKS

Amounts due to other banks	30.09.2024	31.12.2023
Current accounts	718,533	436,509
Interbank deposits	-	78,280
Loans and advances received	7,440,796	7,301,816
Other liabilities	1,188,750	1,242,789
<b>Total amounts due other to banks</b>	<b>9,348,079</b>	<b>9,059,394</b>

Other liabilities include amounts due to banks on cash collateral in the amount of PLN 1,173,217 thousand (PLN 1,235,899 thousand as of 31 December 2023).

In three quarters of 2024 and throughout 2023, there were no breaches of contractual provisions and covenants related to the Group's financial position and disclosure obligations. High inflation and changes in interest rates did not constitute a risk of breach of contractual provisions in the long-term contracts signed by the Group.

## 33. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers	30.09.2024	31.12.2023
<b>NON-BANKING FINANCIAL INSTITUTIONS</b>	<b>4,790,024</b>	<b>5,529,372</b>
Current accounts	2,055,422	2,753,139
Term deposits	2,274,194	2,313,749
Loans and advances received	449,717	460,893
Other liabilities	10,691	1,591
<b>RETAIL CUSTOMERS</b>	<b>51,284,755</b>	<b>50,355,270</b>
Current accounts	27,409,705	25,698,063
Term deposits	23,354,781	24,136,350
Other liabilities	520,269	520,857
<b>CORPORATE CUSTOMERS</b>	<b>62,706,897</b>	<b>68,902,480</b>
Current accounts	46,766,389	54,023,525
Term deposits	15,408,221	14,340,423
Other liabilities	532,287	538,532
<b>Incl. RETAIL FARMERS</b>	<b>3,780,905</b>	<b>4,455,559</b>
Current accounts	3,579,436	4,161,313
Term deposits	186,702	278,769
Other liabilities	14,767	15,477
<b>PUBLIC SECTOR CUSTOMERS</b>	<b>3,766,226</b>	<b>2,387,709</b>
Current accounts	1,972,456	2,123,185
Term deposits	1,791,936	263,477
Other liabilities	1,834	1,047
<b>Total amounts due to customers</b>	<b>122,547,902</b>	<b>127,174,831</b>

Amounts due to customers at the end of September 2024 amounted to PLN 122,547,902 thousand, down by PLN 4,626,929 thousand or 3.6% compared to the end of December 2023.

In terms of entities, the decrease mainly concerned amounts due to corporate customers (balance as at 30 September 2024 amounted to PLN 62,706,897 thousand), the volume of which decreased by PLN 6,195,583 thousand, i.e. by 9.0%, compared with the balance as at the end of 2023, mainly as a result of a decrease in the volume of funds held in current accounts (by PLN 7,257,136 thousand), which was partly offset by an increase in term deposits (by PLN 1,067,798 thousand). The share of this segment in the structure of total liabilities to customers was 51.2% compared to 54.2% at the end of December 2023.

A decrease in deposit volumes was also recorded in the group of non-banking financial institutions, whose balance at the end of September 2024 amounted to PLN 4,790,024 thousand, down by PLN 739,348 thousand, or 13.4%, compared with the end of the previous year.

At the same time, the volumes of amounts due to public sector customers increased (by PLN 1,378,517 thousand, i.e. by 57.7%) and of Retail Customers (by PLN 929,485 thousand, i.e. by 1.8%) in relation to the end of December 2023. The share of deposits from retail customers in the structure of liabilities to total customers was 41.8% compared with 39.6% at the end of December 2023.

The share of current accounts in the structure of total amounts due to customers amounted to 63.8% at the end of September 2024, registering a decrease of 2.7 p.p. compared to the end of December 2023. Funds deposited in current accounts amounted to PLN 78,203,972 thousand and decreased by PLN 6,393,940 thousand, or 7.6%. The decrease was mainly due to a decrease in the volume of corporate customers (by PLN 7,257,136 thousand, i.e. by 13.4%), partially offset by an increase in the volume of retail customers (by PLN 1,711,642 thousand, i.e. by 6.7%).

The share of term deposits in the structure of amounts due to customers in the analysed period amounted to 34.9% and increased by 2.7 p.p. compared to the end of December 2023. In value terms, term deposits increased by PLN 1,775,133 thousand to PLN 42,829,132 thousand, up 4.3% compared with the end of December 2023.

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 remained unchanged compared with the end of December 2023. Their total volume amounted to PLN 1,514,798 thousand.

## 34. DEBT SECURITIES ISSUED

	30.09.2024	31.12.2023
Debt securities issued	-	-
<b>Change of debt securities issued</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Opening balance</b>	-	<b>364,633</b>
Redemption of certificates of deposit	-	(364,427)
Changes in discount, interests, commission and fees on certificates of deposit amortized using EIR, foreign currency exchange differences	-	(206)
<b>Closing balance of debt securities issued</b>	-	-

In December 2017, the entity BGZ Poland ABS1 DAC (SPV) issued bonds in the total amount of PLN 2,180,850 thousand with the maximum original maturity by 27 April 2032. Collateral for the repayment of bonds are receivables from loans and borrowings subject to securitization. The transaction of securitization of the cash and car loan portfolio was completed in March 2023.

## 35. SUBORDINATED LIABILITIES

	30.09.2024	31.12.2023
<b>Subordinated liabilities</b>	<b>4,302,463</b>	<b>4,336,072</b>
<b>Change in the balance of subordinated liabilities</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Opening balance</b>	<b>4,336,072</b>	<b>4,416,887</b>
Change in the balance of interest, commissions and fees settled by EIR	3,406	169
Foreign exchange differences	(37,015)	(79,675)
<b>Closing balance</b>	<b>4,302,463</b>	<b>4,337,381</b>

## 36. OTHER LIABILITIES

Other liabilities	30.09.2024	31.12.2023
<b>Liabilities due to contracts with customers</b>		
Sundry creditors	338,633	207,482
Payment card settlements	381,596	170,210
Deferred income	72,708	76,655
Escrow account liabilities	529	484
Social insurance settlements	22,030	22,979
<b>Other liabilities</b>		
Interbank and intersystem settlements	1,041,355	658,732
Provisions for non-personnel expenses	647,216	613,574
Provisions for other employees-related liabilities	209,055	242,295
Provision for unused annual holidays	44,381	43,959
Other regulatory liabilities	69,397	65,192
Other lease liabilities	29,639	28,064
Other	47,682	62,264
<b>Total other liabilities</b>	<b>2,904,221</b>	<b>2,191,890</b>
<b>including financial liabilities*</b>	<b>1,813,782</b>	<b>1,087,951</b>

\*Financial liabilities include all items of Other liabilities except: Deferred income, Provisions for non-personnel expenses, Provisions for other employees-related liabilities, Provision for unused annual holidays, Other regulatory liabilities, Other.

## 37. PROVISIONS

	30.09.2024	31.12.2023
Provision for restructuring	45,643	64,050
Provision for retirement benefits and similar obligations	24,621	20,783
Expected credit losses on contingent liabilities	191,814	141,931
Provisions for litigation and claims	1,590,429	1,282,655
Other provisions	31,520	31,951
<b>Total provisions</b>	<b>1,884,027</b>	<b>1,541,370</b>
<b>Change of provisions for restructuring</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Opening balance</b>	<b>64,050</b>	<b>45,843</b>
Provisions recognition	-	1,874
Provisions utilization	(18,407)	(11,747)
<b>Closing balance</b>	<b>45,643</b>	<b>35,970</b>

<b>Change of provisions for retirement benefits and similar obligations</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Opening balance</b>	<b>20,783</b>	<b>18,994</b>
Provisions recognition	4,921	5,642
Provisions utilization	(571)	(375)
Provisions released	(512)	(1,055)
<b>Closing balance</b>	<b>24,621</b>	<b>23,206</b>

<b>Change of expected credit losses of contingent liabilities</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Opening balance</b>	<b>141,931</b>	<b>99,657</b>
Provisions recognition	42,529	45,426
Provisions released	(15,825)	(10,704)
Changes resulting from changes in credit risk (net)	23,986	(16,274)
Other changes	(807)	(525)
<b>Closing balance</b>	<b>191,814</b>	<b>117,580</b>

<b>Change of provisions for litigation and claims</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023 restated*
<b>Opening balance</b>	<b>1,282,655</b>	<b>642,487</b>
Provisions recognition	465,008	981,216
Provisions utilization	(124,574)	(447,216)
Provisions released	(6,858)	(34,240)
Net changes in provisions related to the restatement of movements on provisions during the period	-	(364,215)
Other changes, including foreign exchange differences	(25,802)	23,071
<b>Closing balance</b>	<b>1,590,429</b>	<b>801,103</b>

As at 30 September 2024, the balance of provisions for litigation and claims consisted of the following: provisions for litigation relating to CHF mortgage loans: PLN 1,463,611 thousand, provisions for reimbursement of commissions for early repayment of loans: PLN 47,257 thousand and provisions for other litigation and similar liabilities: PLN 79,560 thousand.

<b>Change of other provisions</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023 restated*
<b>Opening balance</b>	<b>31,951</b>	<b>8,290</b>
Provisions recognition	21	4,685
Provisions utilization	(45)	(21)
Provisions released	(407)	-
<b>Closing balance</b>	<b>31,520</b>	<b>12,954</b>

## 38. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents	30.09.2024	31.12.2023
Cash and balances at Central Bank (Note 19)	9,803,988	6,883,586
Current accounts of banks and other receivables	4,617,206	8,918,103
Interbank deposits	2,025,618	72,837
<b>Total cash and cash equivalents</b>	<b>16,446,812</b>	<b>15,874,526</b>

## 39. SHARE-BASED PAYMENTS

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

The principles and assumptions contained in the Policy guarantee the existence of a rational, balanced and controllable remuneration policy, consistent with the accepted risk level, standards and values of the 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 a significant impact on the risk profile of BNP Paribas Bank S.A., from 2020 (excluding persons who have terminated their cooperation with the Bank) the applicable financial instrument in which part of the variable remuneration is paid is ordinary shares (change from phantom shares).

The 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 three quarters of 2024.

	30.09.2024		31.12.2023	
	Financial instrument		Financial instrument	
	units	value (PLN '000)	units	value (PLN '000)
<b>Opening balance</b>	<b>3,262</b>	<b>203</b>	<b>38,166</b>	<b>2,897</b>
executed during the period	(3,262)	(203)	(34,904)	(1,953)
current valuation *	-	-	-	(741)
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>3,262</b>	<b>203</b>

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

In the first quarter of 2024, the phantom share-based programme was settled in full.

The table below presents the terms of the phantom share-based programme in 2024.

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	29 February 2024
End date of phantom share granting	6 March 2024

### 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 Series 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 Series 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 shares and Series N shares, depriving the existing shareholders of the subscription right to warrants and to Series M and Series N shares, amending the Bank's Articles of Association and dematerialising and applying for the admission of Series M and Series 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:
  - o does not undertake commitments to pay variable remuneration or discretionary pension benefits;
  - o does not make variable remuneration payments if the obligation to pay them arose during the period in which the Bank did not meet the combined buffer requirement.

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

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

In 2024, for the variable remuneration granted for 2019, 2020, 2021, 2022 and 2023 and in connection with the forecast of the variable remuneration for 2024, which will be granted in 2025, in the part concerning shares to be issued in the future, the Bank has recognized in the capitals an amount of PLN 5,178 thousand. At the same time, an amount of PLN 26,046 thousand (recognised in the previous years) is presented in capital.

Financial instruments (shares - deferred portion) changes in the three quarters of 2024 and in 2023 set as part of the deferred portion of variable remuneration for 2019, 2020, 2021, 2022 and 2023 are presented in the table below.

	30.09.2024		31.12.2023	
	financial instrument		financial instrument	
	units	value (PLN '000)	units	value (PLN '000)
<b>Opening balance</b>	<b>142,158</b>	<b>8,750</b>	<b>121,760</b>	<b>8,487</b>
granted in a given period	34,426	3,412	57,711	2,802
executed in a given period	(44,608)	(3,075)	(37,151)	(2,528)
expired in a given period	-	-	(162)	(11)
<b>Closing balance</b>	<b>131,976</b>	<b>9,087</b>	<b>142,158</b>	<b>8,750</b>

The table below presents the terms and conditions of the Share/Warrants Purchase Plan for 2024.

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	29 February 2024
End date for granting phantom shares	2 April 2024

## 40. ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOW

	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Cash flows from operating activities – other adjustments</b>		
FX differences from subordinated loans	(37,015)	(5,595)
Securities measurement through profit or loss	(184,139)	(6,535)
Allowance for securities	6	(40,588)
Other adjustments	7,850	23,121
<b>Cash flows from operating activities – total other adjustments</b>	<b>(213,298)</b>	<b>(29,597)</b>

## 41. CONTINGENT LIABILITIES

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

Contingent liabilities	30.09.2024	31.12.2023
<b>Contingent commitments granted</b>	<b>50,289,823</b>	<b>50,888,418</b>
financial commitments	35,047,085	34,470,777
guarantees	15,242,738	16,417,641
<b>Contingent commitments received</b>	<b>55,741,758</b>	<b>57,137,307</b>
financial commitments	8,049,838	8,176,478
guarantees	47,691,920	48,960,829

## 42. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

### Level 1

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

### Level 2

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

### Level 3

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

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

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

In the three quarters of 2024, the Group did not make any changes in the rules of classification into valuation levels.

As of 30 September 2024, 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:

30.09.2024	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value:</b>	<b>17,959,481</b>	<b>2,547,221</b>	<b>1,149,692</b>	<b>21,656,394</b>
Derivative financial instruments	-	2,337,965	410,449	2,748,414
Hedging instruments	-	144,719	-	144,719
Financial instruments measured at fair value through other comprehensive income	17,958,410	-	-	17,958,410
Financial instruments measured at fair value through profit or loss	1,071	64,537	242,115	307,723
Loans and advances to customers measured at fair value through profit or loss	-	-	497,128	497,128
<b>Liabilities measured at fair value:</b>	<b>-</b>	<b>3,142,876</b>	<b>229,833</b>	<b>3,372,709</b>
Derivative financial instruments	-	2,336,458	229,833	2,566,291
Hedging instruments	-	806,418	-	806,418
31.12.2023	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value:</b>	<b>16,635,185</b>	<b>2,786,082</b>	<b>1,387,057</b>	<b>20,808,324</b>
Derivative financial instruments	-	2,644,854	501,891	3,146,745
Hedging instruments	-	82,343	-	82,343
Financial instruments measured at fair value through other comprehensive income	16,634,303	-	-	16,634,303
Financial instruments measured at fair value through profit or loss	882	58,885	231,584	291,351
Loans and advances to customers measured at fair value through profit or loss	-	-	653,582	653,582
<b>Liabilities measured at fair value:</b>	<b>-</b>	<b>3,304,198</b>	<b>439,609</b>	<b>3,743,807</b>
Derivative financial instruments	-	2,499,387	365,888	2,865,275
Hedging instruments	-	804,811	73,721	878,532

There were no instances of valuation levels changing from 1 to 2, 1 to 3, 2 to 1, 2 to 3 and 3 to 1.

In the three quarters of 2024 there were 140 cases of derivatives for which the valuation level changed from 3 to 2 (reduction of time to maturity).

The table below shows the valuation of these transactions at the beginning and end of the reporting period:

30.09.2024	Derivative financial instruments -assets	Derivative financial instruments -liabilities
Opening balance	189,288	295,563
Closing balance	225,387	329,943

The fair value of level 2 and 3 financial instruments is determined using the measurement techniques consistent with market practice, parameterised on the basis of reliable data sources. Valuation techniques used include valuation models (e.g. Black-Scholes), cash flow discounting, estimation of volatility surfaces.

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 estimates including market quotations which are not observable and cannot be corroborated by observable data in commonly quoted ranges, margins for credit and liquidity risk, probabilities of default, recovery rates and premiums and discounts covering other risks specific to the instrument being valued.

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

3 quarters of 2024 from 01.01.2024 to 30.09.2024	Derivative financial instruments – assets	Financial assets measured at fair value	Derivative financial instruments – liabilities	Hedging instruments – liabilities
<b>Opening balance</b>	<b>501,891</b>	<b>885,166</b>	<b>365,888</b>	<b>73,721</b>
Total gains/losses recognized in:	(91,442)	11,474	(136,055)	(73,721)
statement of profit or loss	(91,442)	11,474	(136,055)	(73,721)
Purchase	-	2,258	-	-
Settlement / Expiry	-	(159,655)	-	-
<b>Closing balance</b>	<b>410,449</b>	<b>739,243</b>	<b>229,833</b>	<b>-</b>
<b>Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period</b>				
	<b>(91,442)</b>	<b>11,474</b>	<b>(136,055)</b>	<b>(73,721)</b>

3 quarters of 2023 from 01.01.2023 to 30.09.2023	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Derivative financial instruments – liabilities
<b>Opening balance</b>	<b>266,207</b>	<b>1,185,674</b>	<b>262,516</b>	<b>115,074</b>
Total gains/losses recognized in:	(21,464)	6,306	48,528	(32,525)
statement of profit or loss	(21,464)	6,306	48,528	(32,525)
Purchase	-	30,103	-	-
Settlement / Expiry	-	(261,571)	-	-
<b>Closing balance</b>	<b>244,743</b>	<b>960,512</b>	<b>311,044</b>	<b>82,549</b>
<b>Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period</b>				
	<b>(21,464)</b>	<b>6,306</b>	<b>48,528</b>	<b>(32,525)</b>

The impact of unobservable factors on the value of financial instruments classified to level 3 is set out below.

Instrument type	30.09.2024		30.12.2023	
	fair value		fair value	
	positive scenario	negative scenario	positive scenario	negative scenario
Derivatives <sup>1</sup>	183,293	178,336	66,431	62,830
Commercial bonds <sup>2</sup>	72,305	71,574	68,707	67,866
Stocks and shares <sup>3</sup>	168,897	152,811	162,231	146,780
Loans <sup>4</sup>	501,630	492,694	660,339	646,936

<sup>1</sup>scenario: rating change of +3/-3 notches

<sup>2</sup>scenario: credit spread change by -50bp/+50bp

<sup>3</sup>scenario: valuation change by +5%/-5%

<sup>4</sup>scenario: change in discount rate by -50bp/+50bp

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.

30.09.2024	Book value	Fair value	Level
<b>Financial assets</b>			
Cash and cash balances at Central Bank	9,803,988	9,803,988	3
Amounts due from banks	7,456,430	7,135,761	2.3
Loans and advances to customers measured at amortised cost	86,397,264	85,766,749	3
Securities measured at amortised cost	29,899,026	28,397,756	1.3
Other financial assets	700,160	700,160	3
<b>Financial liabilities</b>			
Amounts due to banks	9,348,079	9,849,355	3
Amounts due to customers	122,547,902	121,922,504	3
Subordinated liabilities	4,302,463	4,924,736	3
Leasing liabilities	592,256	592,256	3
Other financial liabilities	1,813,782	1,813,782	3

31.12.2023	Book value	Fair value	Level
<b>Financial assets</b>			
Cash and cash balances at Central Bank	6,883,586	6,883,586	3
Amounts due from banks	17,963,948	17,199,576	2.3
Loans and advances to customers measured at amortised cost	85,594,516	85,087,371	3
Securities measured at amortised cost	26,246,278	24,303,218	1.3
Other financial assets	560,888	560,888	3
<b>Financial liabilities</b>			
Amounts due to banks	9,059,394	9,760,010	2.3
Amounts due to customers	127,174,831	126,262,678	3
Subordinated liabilities	4,336,072	5,038,080	3
Leasing liabilities	626,269	626,269	3
Other financial liabilities	1,087,951	1,087,951	3

1) 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.

2) 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.

3) 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).

4) 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.

5) 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.

6) Lease liabilities

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

## 43. LOAN PORTFOLIO SALE

In the three quarters of 2024, the Group concluded agreements for the sale of the retail, SME and corporate loan portfolio.

The gross carrying amount of the sold portfolio measured at amortised cost was PLN 185,333 thousand, the amount of impairment allowances created was PLN 123,956 thousand.

The contractual price for the sale of these portfolios was set at PLN 86,582 thousand. The net impact on the Group's result due to the sale of portfolios amounted to PLN 25,205 thousand and is presented in the line Net allowances on expected credit losses of financial assets and provisions for contingent liabilities.

## 44. SECURITISATION

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

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

As at 30 September 2024, the value of the transaction portfolio included in the balance sheet and off-balance sheet amounted to PLN 1,105,798 thousand.

The closing date of the transaction according to the agreement is 31 December 2031.

The risk transfer of the securitised portfolio is implemented through a credit protection instrument in the form of a financial guarantee issued by the Investor up to PLN 109,495 thousand as at 30 September 2024. Costs on account of this guarantee are presented in Commission expenses - Guarantee commitments and documentary operations.

As at 30 September 2024, the conclusion of the Transaction has the effect of increasing the consolidated Common Equity Tier 1 (CET1) capital ratio by 0.10 p.p. and the consolidated total capital adequacy ratio (TCR) by 0.13 p.p. in relation to the BNP Paribas Bank Polska S.A. Group's reported data.

The Transaction meets the material risk transfer requirements of the CRR Regulation and has been structured as meeting the STS criteria (simple, transparent and standard securitisation) under Regulation 2021/557.

The Bank acted as facilitator of the Transaction.

## 45. 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 30.09.2024 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. in liquidation.

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:

30.09.2024	BNP Paribas S.A. Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
<b>Assets</b>	<b>6,553,585</b>	<b>275</b>	<b>1,964,232</b>	<b>4,881</b>	<b>8,522,973</b>
Receivables on current accounts, loans and deposits	4,479,631	275	1,936,504	1,858	6,418,268
Derivative financial instruments	1,929,022	-	-	2,973	1,931,995
Derivative hedging instruments	144,719	-	-	-	144,719
Other assets	213	-	27,728	50	27,991
<b>Liabilities</b>	<b>13,658,096</b>	<b>76,280</b>	<b>1,208,431</b>	<b>9,105</b>	<b>14,951,912</b>
Loans received	3,392,161	-	311,891	-	3,704,052
Current accounts and deposits	4,588,999	76,280	615,985	3,393	5,284,657
Subordinated liabilities	4,044,030	-	258,433	-	4,302,463
Derivative financial instruments	826,488	-	-	5,712	832,200
Derivative hedging instruments	806,418	-	-	-	806,418
Other liabilities	-	-	22,122	-	22,122
<b>Contingent liabilities</b>					
Financial commitments granted	5,564,189	-	66,317	1,956	5,632,462
Guarantee commitments	443,809	88,662	107,559	-	640,030
Commitments received	9,406,984	123,303	777,778	-	10,308,065
Derivative instruments (nominal value)	77,119,213	-	-	102,626	77,221,839
Hedging derivative instruments (nominal value)	27,617,126	-	-	-	27,617,126
<b>Statement of profit or loss</b>	<b>(153,223)</b>	<b>(1,032)</b>	<b>(99,629)</b>	<b>31</b>	<b>(253,853)</b>
3 quarters 2024 from 01.01.2024 to 30.09.2024					
Interest income	339,706	19	3,007	110	342,842
Interest expense	(502,802)	(1,051)	(35,476)	(79)	(539,408)
Fee and commission income	-	-	328	-	328
Net trading income	92,372	-	5,179	-	97,551
Other operating income	-	-	43,162	-	43,162
Other operating expenses	-	-	(51,621)	-	(51,621)
General administrative expenses	(82,499)	-	(64,208)	-	(146,707)

31.12.2023	BNP Paribas S.A. Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
<b>Assets</b>	<b>15,507,274</b>	<b>46,382</b>	<b>4,436,610</b>	<b>1,746</b>	<b>19,992,012</b>
Receivables on current accounts, loans and deposits	13,202,692	46,281	4,404,351	1,724	17,655,048
Derivative financial instruments	2,222,035	101	-	-	2,222,136
Derivative hedging instruments	82,343	-	-	-	82,343
Other assets	204	-	32,259	22	32,485
<b>Liabilities</b>	<b>13,511,883</b>	<b>7,595</b>	<b>1,361,730</b>	<b>3,369</b>	<b>14,884,577</b>
Loans and advances received	3,651,360	-	386,565	-	4,037,925
Current accounts and deposits	4,001,897	7,595	679,851	3,369	4,692,712
Subordinated liabilities	4,075,428	-	260,644	-	4,336,072
Derivative financial instruments	903,960	-	10,109	-	914,069
Derivative hedging instruments	878,532	-	-	-	878,532
Other liabilities	706	-	24,561	-	25,267
<b>Contingent liabilities</b>					
Financial commitments granted	-	-	265,487	1,262	266,749
Guarantee commitments	322,568	120,284	1,265,596	-	1,708,448
Commitments received	8,312,740	155,406	1,625,763	-	10,093,909
Derivative instruments (nominal value)	81,242,618	51,095	239,256	-	81,532,969
Hedging derivative instruments (nominal value)	9,067,254	-	-	-	9,067,254
<b>Statement of profit or loss</b>	<b>351,599</b>	<b>(1,005)</b>	<b>(32,389)</b>	<b>(72)</b>	<b>318,133</b>
3 quarters 2023 from 01.01.2023 to 30.09.2023					
Interest income	140,703	533	21,672	13	162,921
Interest expense	(276,914)	(1,538)	(36,751)	(85)	(315,288)
Fee and commission income	-	-	1,454	-	1,454
Net trading income	533,329	-	-	-	533,329
Other operating income	-	-	26,614	-	26,614
Other operating expenses	-	-	(5,082)	-	(5,082)
General administrative expenses	(45,519)	-	(40,296)	-	(85,815)

## Remuneration of the Management Board and Supervisory Board

<b>Management Board</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Short-term employee benefits	13,395	16,503
Long-term benefits	4,091	3,445
Post-employment benefits	-	562
Share-based payments*	4,792	4,156
Issued shares**	1,855	2,279
<b>Total</b>	<b>24,133</b>	<b>28,615</b>

\*includes an amount recognized in the Bank's capital linked to the Bank's shares taken up in the future (in accordance with the variable remuneration policy)

\*\*the value of shares issued based on actuarial valuation

<b>Supervisory Board</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Short-term employee benefits	1,354	1,243
<b>Total</b>	<b>1,354</b>	<b>1,243</b>

## 46. CONSOLIDATED CAPITAL ADEQUACY RATIO

	30.09.2024	31.12.2023
Total own funds	15,142,717	14,937,528
Total risk exposure	91,302,678	89,615,117
Total capital ratio	16.59%	16.67%
Tier 1 capital ratio	12.97%	12.51%

## 47. OPERATING SEGMENTS

### Segment reporting

The Group has identified the following operating segments for reporting purposes and allocated income and expenses as well as assets and liabilities thereto:

- Retail and Business Banking,
- Small and Medium-Sized Enterprises (SME),
- Corporate Banking,
- Corporate and Institutional Banking (CIB),
- Other Operations, including ALM Treasury and the Corporate Centre.

In addition, it has been presented performance related to:

- Agro customers, i.e. retail 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).

30.09.2024	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
<b>Statement of profit or loss for 3 quarters 2024 from 01.01.2024 to 30.09.2024*</b>								
Net interest income	2,307,458	464,542	1,182,816	78,908	167,182	<b>4,200,905</b>	559,802	559,321
external interest income	2,955,658	417,696	1,386,756	296,770	2,535,264	<b>7,592,142</b>	930,656	1,122,567
external interest expenses	(1,253,330)	(267,789)	(504,311)	(10,695)	(1,355,113)	<b>(3,391,237)</b>	(136,851)	(143,441)
internal interest income	2,496,444	599,300	1,406,431	12,127	(4,514,302)	-	408,417	-
internal interest expenses	(1,891,314)	(284,665)	(1,106,060)	(219,294)	3,501,333	-	(642,421)	(419,806)
Net fee and commission income	509,562	100,320	280,025	49,670	(5,771)	<b>933,805</b>	105,557	112,025
Dividend income	-	-	3,109	-	7,718	<b>10,828</b>	948	-
Net trading income (including foreign exchange result)	86,896	61,210	265,924	166,249	59,539	<b>639,818</b>	52,113	(41)
Result on investment activities	-	-	-	-	7,022	<b>7,022</b>	-	-
Result on hedge accounting	-	-	-	-	(828)	<b>(828)</b>	-	-
Other operating income and expenses	(38,533)	(1,308)	(936)	(13)	(11,528)	<b>(52,315)</b>	(1,032)	(9,755)
Result on derecognition of financial assets measured at amortized cost due to material modification	(2,625)	-	-	-	-	<b>(2,625)</b>	-	-
Result of allowance for expected credit losses on financial assets and provisions for contingent liabilities	(58,669)	(2,404)	(83,096)	(41,912)	(826)	<b>(186,908)</b>	8,357	(56,034)
Result on provisions for legal risk related to foreign currency loans	(488,018)	-	-	-	-	<b>(488,018)</b>	-	-
General administrative expenses	(844,597)	(100,522)	(302,743)	(77,736)	(804,412)	<b>(2,130,010)</b>	(13,671)	(231,915)
Depreciation and amortization	(93,041)	(1,651)	(53,036)	(15,025)	(218,845)	<b>(381,599)</b>	(205)	(12,866)
Expense allocation (internal)	(666,908)	(167,633)	(162,966)	(1,757)	999,264	-	-	(92,774)
<b>Operating result</b>	<b>711,525</b>	<b>352,554</b>	<b>1,129,097</b>	<b>158,384</b>	<b>198,515</b>	<b>2,550,075</b>	<b>711,869</b>	<b>267,961</b>
Tax on financial institutions	(138,657)	(19,434)	(93,359)	(19,940)	(32,635)	<b>(304,025)</b>	-	(39,941)
<b>Profit before income tax</b>	<b>572,868</b>	<b>333,120</b>	<b>1,035,738</b>	<b>138,444</b>	<b>165,880</b>	<b>2,246,050</b>	<b>711,869</b>	<b>228,020</b>
Income tax expense	-	-	-	-	-	<b>(396,940)</b>	-	-
<b>Net profit for the period</b>						<b>1,849,110</b>		
<b>Statement of financial position for the as of 30.09.2024*</b>								
Segment assets	44,713,083	7,082,230	31,651,526	4,780,185	70,727,946	<b>158,954,969</b>	15,092,812	15,042,317
Segment liabilities	70,711,989	17,032,978	43,008,598	-	13,894,323	<b>144,647,887</b>	12,662,987	-

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

30.09.2023	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
<b>Statement of profit or loss for 3 quarters 2023 from 01.01.2023 to 30.09.2023*</b>								
Net interest income	2,156,608	361,838	1,013,432	85,577	186,582	<b>3,804,037</b>	487,367	547,943
external interest income	3,154,071	460,584	1,424,014	376,638	1,854,763	<b>7,270,070</b>	950,159	1,042,625
external interest expenses	(1,185,038)	(319,420)	(621,175)	(6,954)	(1,333,446)	<b>(3,466,033)</b>	(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)	<b>919,861</b>	115,161	104,897
Dividend income	-	-	4,241	-	6,328	<b>10,570</b>	354	-
Net trading income (including foreign exchange result)	95,206	66,986	299,582	240,407	54,481	<b>756,663</b>	68,646	30
Result on investment activities	-	-	-	-	(152)	<b>(152)</b>	-	-
Result on hedge accounting	-	-	-	-	(16,866)	<b>(16,866)</b>	-	-
Other operating income and expenses	(3,821)	(2,794)	(3,635)	-	(10,506)	<b>(20,755)</b>	(655)	(11,159)
Result on derecognition of financial assets measured at amortized cost due to material modification	3,722	-	-	-	-	<b>3,722</b>	-	-
Result of allowance for expected credit losses on financial assets and provisions for contingent liabilities	(43,424)	20,669	57,539	5,789	(593)	<b>39,980</b>	63,734	14,679
Result on provisions for legal risk related to foreign currency loans	(961,260)	-	-	-	-	<b>(961,260)</b>	-	-
General administrative expenses	(806,724)	(95,800)	(246,241)	(78,543)	(704,979)	<b>(1,932,285)</b>	(13,999)	(219,679)
Depreciation and amortization	(85,864)	(1,676)	(43,066)	(11,430)	(197,421)	<b>(339,457)</b>	(212)	(11,550)
Expense allocation (internal)	(590,169)	(153,191)	(139,019)	7,411	874,968	-	-	(101,433)
<b>Operating result</b>	<b>245,670</b>	<b>303,184</b>	<b>1,219,182</b>	<b>306,713</b>	<b>189,305</b>	<b>2,264,058</b>	<b>720,396</b>	<b>323,728</b>
Tax on financial institutions	(127,821)	(18,971)	(83,225)	(12,390)	(61,771)	<b>(304,177)</b>	-	(31,411)
<b>Profit before income tax</b>	<b>117,849</b>	<b>284,213</b>	<b>1,135,957</b>	<b>294,323</b>	<b>127,534</b>	<b>1,959,881</b>	<b>720,396</b>	<b>292,317</b>
Income tax expense	-	-	-	-	-	<b>(566,770)</b>	-	-
<b>Net profit for the period</b>						<b>1,393,111</b>		
<b>Statement of financial position as of 31.12.2023 *</b>								
Segment assets	44,403,787	7,009,167	27,894,340	4,915,595	76,802,856	<b>161,025,747</b>	15,018,059	13,946,959
Segment liabilities	68,192,973	17,944,045	44,666,126	-	17,361,327	<b>148,164,472</b>	18,977,677	-

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

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

The table below presents the Bank's shareholding structure as at 30 September 2024, 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:	120,124,392	81.28%	120,124,392	81.28%
BNP Paribas directly	84,634,166	57.26%	84,634,166	57.26%
BNP Paribas Fortis SA/NV directly	35,490,226	24.01%	35,490,226	24.01%
Other shareholders	27,675,478	18.72%	27,675,478	18.72%
<b>Total</b>	<b>147,799,870</b>	<b>100.00%</b>	<b>147,799,870</b>	<b>100.00%</b>

As of 30 September 2024, the Bank's share capital amounts to PLN 147,800 thousand.

The share capital consists of 147,799,870 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, 302,636 M series shares and 78,316 N 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 147,799,870 votes. The number of votes resulting from the M series shares granted is 44,608 votes and from the N series shares granted is 78,316 votes.

The amount of the conditional share capital increase after the issue of M and N series shares is PLN 1,395,048.

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

In accordance with the information received from BNP Paribas S.A. - the Bank's main shareholder - BNP Paribas S.A. declared its intention to increase the number of the Bank's free float shares to at least 25% in the future.

### Changes in shareholder structure in the three quarters of 2024

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

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

On **5 April 2024**, the Bank's share capital was increased from PLN 147,676,946 to PLN 147,799,870 as a result of the subscription of 44,608 series M shares and 78,316 series N shares (a total of 122,924 Bank shares with a total nominal value of PLN 122,924) in execution of rights from previously subscribed registered subscription warrants of series A4 and B1 respectively.

Detailed information on the subscription of series M and N shares is presented in Note 54 Major events in the BNP PARIBAS Bank Polska S.A. Capital Group in the three quarters of 2024.

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

The shareholding structure of the Bank and rights to shares owned by the members of the Bank's Management Board and Supervisory Board as at the date of presenting the Financial Report for the first half of 2024 (13 August 2024) and the Financial Statements for the third quarter of 2024 (8 November 2024) are presented below.

The shareholdings of the individual members of the Management Board in the Bank and their share entitlements have not changed since the publication of the previous report, i.e. 13 August 2024.

MEMBER OF THE BANK'S MANAGEMENT BOARD	SHARES		PURCHASE/ SALE OF SHARES	SHARES	
	13.08.2024	SUBSCRIPTION WARRANTS <sup>1</sup> 13.08.2024		8.11.2024	SUBSCRIPTION WARRANTS <sup>1</sup> 8.11.2024
Przemysław Gdański	39,366	8,280	-	39,366	8,280
André Boulanger	-	5,953	-	-	5,953
Małgorzata Dąbrowska	-	-	-	-	-
Wojciech Kembłowski	-	3,671	-	-	3,671
Piotr Konieczny	-	455	-	-	455
Magdalena Nowicka	-	2,392	-	-	2,392
Volodymyr Radin	-	1,364	-	-	1,364
Agnieszka Wolska	4,095	2,443	-	4,095	2,443

  

MEMBER OF THE BANK'S SUPERVISORY BOARD	SHARES		PURCHASE/ SALE OF SHARES	SHARES	
	13.08.2024	SUBSCRIPTION WARRANTS <sup>1</sup> 13.08.2024		8.11.2024	SUBSCRIPTION WARRANTS <sup>1</sup> 8.11.2024
Jean-Charles Aranda	-	1,828	-	-	1,828

1) A5 series subscription warrants taken up on 21.03.2024. - one A5 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 B2 series - one B2 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.

The remaining members of the Bank's Supervisory Board did not declare holding any shares/entitlements for the Bank's shares as of 8 November 2024 and there was no change in this respect from the date of presenting the Financial Report for first half of 2024, i.e. 13 August 2024.

## 49. DIVIDENDS

The Annual General Meeting of the Bank on 16 April 2024 adopted a resolution on the payment of a dividend from the net profit made in 2023. Based on that, the Bank will pay a dividend in the amount of PLN 503,997,556.70, i.e. PLN 3.41 per share, on 10 May 2024. The dividend covers all shares issued by the Bank, i.e. 147,799,870 shares.

## 50. DISTRIBUTION OF RETAINED EARNINGS

In accordance with the Resolution No. 7 of the Annual General Meeting of BNP Paribas Bank Polska S.A. dated 16 April 2024 on distribution of the profit of BNP Paribas Bank Polska Spółka Akcyjna and payment of a dividend for the financial year 2023 from the net profit generated in 2023 in the amount of PLN 1,007,827,538.15 (one billion seven million eight hundred twenty seven thousand five hundred and thirty-eight zlotys and fifteen groszy) the Bank paid a dividend of PLN 503,997,556.70 and the remaining part in the amount of PLN 503,829,981.45 was transferred to the reserve capital.

# 51. LITIGATION, CLAIMS AND ADMINISTRATIVE PROCEEDINGS

## Legal risk

As of 30 September 2024, there were no proceedings in the court, arbitration tribunal or state administration authorities regarding liabilities or receivables of the Bank, the value of which would exceed 10% of the Bank's equity.

### Court decision regarding calculation of the interchange fee

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

The total fine levied on Bank BGŻ BNP Paribas S.A. (presently BNP Paribas Bank Polska S.A.) amounted to PLN 12,554 thousand and included:

- a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9,650 thousand; and
- a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2,895 thousand.

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, on 10 June 2024 the Bank was provided with an expert opinion in relation to which the Bank's position is being prepared.

### Corporate claims against the Bank (interchange fee)

As of 30 September 2024 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 thousand, including PLN 1,018.05 thousand 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 40,290 thousand, of which PLN 37,790 thousand relates to joint liability with other banks.
- Most of the settlement requests after the Bank's refusal to enter into negotiations did not end up in court. In the LPP claim case, in which the Bank is only a side intervener, the Court of Appeal dismissed the opposing party's appeal; LPP filed a cassation appeal. In the Orlen case, in which the Bank is also only a side-intervener, the Court ordered that English translations of the statement of claim and pleadings be prepared and served on VISA (acting without an attorney) at its registered address (London).

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

As of 30 September 2024, the Bank had received a total of 162 individual lawsuits and six collective lawsuits by investment fund participants, related to the performance of the function of investment fund depositary (including the performance of this function by Raiffeisen Bank Polska S.A.). The total amount of claims under the above-mentioned lawsuits is PLN 204,904 thousand. Majority of the lawsuits were filed by participants of the Retail Parks Fund Closed Investment Fund of Non-Public Assets in Liquidation (hereinafter RPF Fund) and participants of the EPEF Closed Investment Fund of Non-Public Assets and EPEF2 Closed Investment Fund of Non-Public Assets. The first collective lawsuit was filed on behalf of 397 participants of the RPF Fund, and concerns claims in the total amount of PLN 96,221 thousand.

The second collective action was filed on behalf of 181 participants in the RPF Fund and concerns claims totalling PLN 25,302 thousand.

Other group lawsuits concern the determination of the Bank's liability for the Bank's operations as depositary of the following funds: 3) PSF 2 Closed Investment Fund of Non-Public Assets (lawsuit filed on behalf of 17 fund participants; no indication of the amount of claims), 4) PSF Closed Investment Fund of Non-Public Assets (lawsuit filed on behalf of 81 fund participants; no indication of the amount of claims), 5) EPEF Closed Investment Fund of Non-Public Assets (lawsuit filed on behalf of 42 fund participants; the amount of claims – PLN 128 thousand) and 6) PSF Lease Closed Investment Fund of Non-Public Assets (lawsuit filed on behalf of 38 fund participants; the amount of claims: PLN 8,988 thousand).

The allegations raised by the plaintiffs in the lawsuits focus, in particular, on the improper performance by Raiffeisen Bank Polska S.A., and then the Bank, of its obligations to ensure that the value of an investment fund's net assets and the value of net assets per investment certificate are calculated in accordance with the law and the investment fund's statute, and the obligation to verify the compliance of an investment fund's operations with the law governing investment funds or with the statute. The Bank's position is that the claims of fund participants against the Bank are unfounded.

All legal proceedings are pending before courts of first instance.

On 20 March 2024, the first judgment concerning the Bank's liability in connection with the performance of its function as depositary of investment funds was issued. The District Court for Warsaw-Wola, in a case brought by a participant in the InMedica Closed Investment Fund, awarded the Bank the sum of PLN 64 thousand plus interest in favour of the fund participant. On 1 October 2024, the Bank filed an appeal against the judgment. The judgment is not final.

On 18 September 2024, the District Court for Warsaw-Wola, in a case brought by another participant, InMedica Closed Investment Fund, in a closed session, dismissed the claim in its entirety, awarding the plaintiff's legal costs to the Bank. The judgment is not final.

#### **Administrative proceedings of the Polish Financial Supervision Authority for the imposition of a penalty in connection with the performance of the function of depositary of investment funds**

On 28 September 2022 the Polish Financial Supervision Authority initiated administrative proceedings for the imposition of an administrative penalty against the Bank pursuant to Article 232(1a) of the Act on Investment Funds and Management of Alternative Investment Funds, in connection with the Bank's suspected breach of the provisions of the aforementioned Act during the period 31 January 2017 to 31 August 2019, by failing to exercise due diligence on the factual and legal acts carried out by two investment funds to ensure that the net asset value of these funds and the net asset value per investment certificate were calculated in accordance with the law and the statutes of these funds.

By decision of 14 June 2024, the Polish Financial Supervision Authority imposed a fine of PLN 1,000 thousand on the Bank for breach of obligations related to ensuring that the net asset value of the funds and the net asset value per investment certificate are calculated in accordance with the law, for valuation dates falling between 31 October 2018 and 31 July 2019. In its rationale for the decision, the PFSA indicated that the breach of the aforementioned depositary duties consisted mainly of: i.) not obtaining full information on the financial situation of the issuers of the bonds that the funds were purchasing, which resulted in the Depositary not being able to fully assess the bond issuers' ability to redeem the bonds, ii.) not performing an analysis of the impact of circumstances regarding the financial situation of bond issuers on the rationale for impairment losses on bonds and the final fair value measurement of bonds, iii.) fail to investigate the reasons for negative capital on the part of bond issuers and the possible impact of these circumstances on the bond issuers' ability to repay their bond redemption obligations. The PFSA dismissed the proceedings in part to ensure that the net asset value of these funds and the net asset value per investment certificate are calculated in accordance with the statutes of these funds for the asset valuation days falling between 31 October 2018 and 31 July 2019, and in part to ensure that the net asset value of these funds and the net asset value per investment certificate are calculated in accordance with the law and the statutes of these funds for the asset valuation days falling between 31 January 2017 and 30 October 2018 (acting as depositary by Raiffeisen Bank Polska S.A.) and from 1 August 2019 to 31 August 2019.

On 4 July 2024 the Bank applied for reconsideration of the case by the Polish Financial Supervision Authority.

On 7 December 2022, the Polish Financial Supervision Authority initiated administrative proceedings for the imposition of a penalty under Article 232(1a) of the Act on Investment Funds and Management of Alternative Investment Funds, in connection with the Bank's suspected breach of the provisions of the aforementioned Act in the years 2017 - 2019, by failing to exercise continuous control over the factual and legal actions carried out by the investment fund, in connection with the valuation of the fund's assets, aimed at ensuring that the net asset value of the fund and the net asset value per investment certificate are calculated in accordance with the law.

By decision of 14 June 2024, the Polish Financial Supervision Authority imposed a fine of PLN 500,000 on the Bank for breach of duties related to ensuring that the fund's net asset value and the net asset value per investment certificate were calculated in accordance with the law, for the valuation days falling on 30 November 2018 and 28 February 2019. In the justification for the decision, the PFSA indicated that the breach of the above-mentioned duties of the Depositary consisted primarily in the failure to conduct a thorough analysis of the circumstances affecting the determination of the situation of the issuers of the bonds purchased by the fund and to obtain sufficient information on the circumstances affecting this situation. As a result the Depositary did not recognise the legitimacy of making impairment allowances for the bonds in an appropriate amount and the valuation of the bonds was inadequate to their actual value. The PFSA dismissed the proceedings in the part concerning the suspected breach in the period from 1 January 2017 to 30 October 2018.

On 4 July 2024 the Bank has applied for reconsideration of the case by the Polish Financial Supervision Authority.

#### **Proceedings on practices violating collective consumer interests - unauthorised transactions**

On 8 July 2022, the Office of Competition and Consumer Protection (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.

UOKiK extended the conduct of the proceedings until 11 December 2024.

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

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

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

On 17 January 2023, the Bank received the Decision of the UOKiK, in which:

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

On 17 February 2023, the Bank has appealed the decision to the Competition and Consumer Protection Court. On 8 December 2023, the court delivered to the Bank the UOKiK's response to the Bank's appeal, filed with the UOKiK on 28 August 2023.

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

On 9 September 2024, the first court trial was held, with the next trial set for 25 November 2024.

### **Court proceedings concerning the agreements of the institution of free credit sanctions referred to in Article 45 of the Consumer Credit Act of 12 May 2011**

The institution of the sanction of free credit is regulated in Article 45 of the Consumer Credit Act, according to which, in the event of a breach by the creditor of the provisions of the Act listed therein, the consumer, after submitting a written statement to the creditor, shall repay the credit without interest and other credit costs due to the creditor within the time limit and in the manner agreed in the credit agreement, and if no such manner has been agreed, shall repay the credit in equal instalments, payable monthly, from the date of the conclusion of the credit agreement. Pursuant to Article 45(5) of the Consumer Credit Act., the entitlement to the sanction of free credit expires one year after the execution of the credit agreement.

The first lawsuits related to customers' use of the free credit sanction institution started to be received by the Bank in 2021. At the end of the third quarter of 2024, the Bank had received 592 lawsuits with a total litigation value of PLN 11,193 thousand.

The Bank disputes the validity of the claims raised in these cases. The jurisprudence to date is overwhelmingly in favour of the Bank.

The majority of court proceedings are pending before courts of first instance. As of 30 September 2024, 90% of the final judgments are favourable in cases that have been finalised.

Out of all the cases pending against the Bank: 426 are at first instance, 68 are at the second instance stage, while 98 have been finalised.

The use of the sanction of free credit is also alleged in the Bank's recovery proceedings. As at 30 September 2024, the plea in question has been raised in 26 such cases.

Legal issues concerning the institution of the sanction of free credit are the subject of numerous preliminary questions addressed by Polish courts to the CJEU, concerning, inter alia: the admissibility of interest on the financed costs of credit and information obligations against this background (cases: C-71/24, C-180/24, C-566/24, C-472/23), the interpretation of the one-year time limit for the submission of a declaration on the use of the sanction of free credit (C-566/24), the admissibility of the assignment of claims arising from a consumer credit agreement and the obligation of the court to examine the assignment agreement ex officio from the point of view of the abusive nature of the provisions contained therein (C-80/24), as well as the admissibility of the application of the sanction of free credit as a result of failure to comply with the obligation to assess the consumer's creditworthiness (C-339/23).

Furthermore, the interpretation of the provisions on the institution of the sanction of free credit, concerning, inter alia, the interpretation of the one-year time limit for the submission of the declaration on the use of the sanction of free credit and the admissibility of interest on non-interest costs, is also the subject of legal issues referred to the Supreme Court (case ref. II Ca 825/24).

### **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 addition, the way in which consumer instructions and information about the volatility of the index were communicated is undermined.

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 2024, the Bank had received a total of 59 lawsuits (one lawsuit was withdrawn). The lawsuits were mostly filed on behalf of consumers and relate to mortgage loan agreements in PLN and also, in their great majority, contain a request for security of action, while 1 lawsuit was filed by a entrepreneur and concerns a revolving credit agreement.

In the case of the Bank's products offered to consumers, only mortgage loans and certain products for Wealth customers are based on the WIBOR reference index, mortgage loans represent 69,602 agreements with a carrying value of PLN 14,657,830 thousand. The total value of the subject of litigation in ongoing court proceedings is PLN 15,932 thousand, of which PLN 3,807 thousand is covered by a demand for payment. Most of the court proceedings are pending before the courts of first instance, only in one case there was a non-final judgment favourable to the Bank.

In addition, in 21 debt collection cases brought by the Bank, customers have raised arguments challenging WIBOR as a reference index.

The vast majority of lawsuits are submitted along with applications for injunctive relief by withholding the interest portion of the instalment based on the WIBOR interest rate for the duration of the lawsuit. The majority of applications are dismissed by the courts (51 out of 59 applications for security were dismissed). As of 30 September 2024, only two decisions upholding the security are binding, of which one decision is final after the dismissal of the Bank's complaint, for the other decision a complaint is planned to be filed by the Bank.

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 Polish Financial Supervision Authority, and the process of its determination, carried out by the administrator (an independent entity not affiliated with the Bank), is in accordance with the law and is also subject to supervisory assessment by the Polish Financial Supervision Authority. The 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 Polish Financial Supervision Authority, the Ministry of Finance and the Bank Guarantee Fund.

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

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

According to data from the Polish Bank Association (as at the end of August 2024), there are currently 1,291 court proceedings underway in which customers are appealing against contractual provisions providing for interest rates based on the WIBOR reference rate. In 86 judgments out of 90 passed, the courts of first instance have issued rulings in favour of the banks. 42 proceedings have been finally concluded, all with a ruling in favour of the banks.

In an order of 31 May 2024 in a case brought by borrowers against PKO BP SA, the Regional Court of Częstochowa addressed legal questions to the CJEU concerning the possibility of examining contractual provisions concerning variable interest rates based on the WIBOR index, the bank's information obligations regarding variable interest rate risk and the possibility of continuing a loan agreement based on a fixed margin if contractual provisions concerning variable interest rates based on the WIBOR are considered unfair.

#### **Administrative proceedings of the Polish Financial Supervision Authority regarding the imposition of a penalty**

On 22 November 2023 the Polish Financial Supervision Authority initiated administrative proceeding against BNP Paribas Bank Polska S.A. in respect of the imposition of a penalty under Article.176i(1)(4) of the Act on Trading in Financial Instruments. At the current stage of the proceedings, it is not possible to reliably estimate the size of the potential penalty.

#### **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 2024 was over 172 thousand compared to over 153 thousand at the end of 2023.

The amount of provisions created by the largest listed banks in 2023 was around PLN 18,236,639 thousand, and in the first half of 2024 around PLN 7,744,362 thousand, translating into total provisions of PLN 39,874,308 thousand at the end of 2023 and around PLN 41,205,485 thousand at the end of the first half of 2024.

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

The gross balance sheet value of residential mortgage loans granted to retail customers in CHF as at 30 September 2024 amounted to PLN 596,144 thousand, compared with PLN 815,687 thousand at the end of 2023.

As at 30 September 2024, the Bank was a defendant in 6,546 (2,185 new cases in 2024) pending court proceedings (including legally finalised cases, customers brought a total of 9,060 claims against the Bank), in which they demand either that a foreign currency or CHF-denominated mortgage loan agreement be declared invalid or that the agreement be declared permanently ineffective and the amounts paid to date be repaid. The claims are based on the presence of abusive provisions in the agreement which do not allow the agreement to be sustained (Article 3851 of the Civil Code); the Bank is not a party to any collective claim involving such loan agreements. The total value of the claims asserted in the currently pending cases as at 30 September 2024 amounted to PLN 3,438,345 thousand (PLN 2,835,204 thousand as at 31 December 2023), and in the legally concluded cases to PLN 944,206 thousand (PLN 434,544 thousand as at 31 December 2023).

By 30 September 2024, in 2,514 finalised proceedings, there were 603 judgments in favour of the Bank, including 432 in connection with court settlements, and in 1,911 cases the courts ruled against the Bank, declaring the loan agreement invalid or permanently ineffective.

The Bank continuously assesses the impact of legal risks related to pending court proceedings involving denominated or foreign currency loans, taking into account the current status of judgments in cases against the Bank and the line of jurisprudence.

The Polish courts, despite the different indications resulting from the CJEU rulings (C-19/20 and C-932/19), in the vast majority rule on the invalidity or ineffectiveness of credit agreements.

The total impact of legal risk related to litigation recognised in the Bank's statements as at 30 September 2024 was PLN 3,124,424 thousand (PLN 3,404,016 thousand as at 31 December 2023), with an impact of PLN 488,018 thousand on the Bank's income statement in the three quarters of 2024 (PLN 1,978,086 thousand in 2023).

At the same time, the Bank has taken into account the right to recognise a deferred tax asset in connection with the entitlement to apply a tax preference in respect of settlements falling within the scope of the Ordinance of the Minister of Finance of 11 March 2022, as amended by the Ordinance of 20 December 2022, in force until the end of 2024, on the abandonment of the collection of income tax on certain income (revenue) related to a residential mortgage loan. As at 31 December 2023, the Bank held assets of PLN 25,422 thousand, of which PLN 25,422 thousand was realised in the first half of 2024 and an additional PLN 24,267 thousand on the basis of a created reserve. Based on a new estimate of the impact of the legal risk associated with foreign currency loans at the end of the third quarter of 2024, the Bank leaves PLN 41,578 thousand in assets with an expected realisation by the end of 2025.

In addition, the Bank - based on the NSA ruling on the tax treatment of returned interest related to cancelled foreign currency loan agreements and the exchange rate differences arising in relation to these loans, recognised in previous years, as well as the individual interpretation, according to which statutory interest for late payment ordered by the court consists of a tax-deductible cost for the Bank on the date of payment - analysed their impact on the deferred tax estimate and, as a result, decided to create, as at 30 September 2024, an additional deferred tax asset of PLN 135,535 thousand in respect of the percentage of the estimated impact of the legal risk associated with CHF-denominated loan agreements of PLN 713,343 thousand.

Also based on the aforementioned ruling of the Supreme Administrative Court and the interpretation, the Bank adjusted its CIT return for 2023 in May this year for an amount of PLN 19,023 thousand in connection with the settlement of the cancellation of CHF loans for that year.

The total impact of legal risk related to litigation is presented in the table below (in PLN thousand):

	30.09.2024	31.12.2023
Impact of legal risk recognised as a decrease in the gross balance sheet value of loans	1,660,813	2,254,585
Impact of legal risks recognised as provisions for litigation	1,463,611	1,149,431
Total impact of legal risk	3,124,424	3,404,016

Gross value of real estate loans to retail customers in CHF (in PLN thousand):

	30.09.2024	31.12.2023
Gross value of real estate loans (before adjustment for legal risk)	2,256,957	3,070,272
Impact of legal risk recognised as a decrease in the gross balance sheet value of loans	1,660,813	2,254,585
Gross value of real estate loans	596,144	815,687

In estimating the impact of legal risk, the Bank takes into account, among others, the number of certificates taken by customers for litigation purposes, the estimated probability of customers filing a lawsuit, the estimated number of future lawsuits, the number of lawsuits filed, the probability of losing a case, and the estimated loss to the Bank in the event of an unfavourable judgment. In addition, the Bank has included in the model the estimated number of settlements that will be made with customers. The amount of the estimated impact of the legal risk associated with the settlements amounted to PLN 243,142 thousand of the total impact estimated.

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 and that the Bank writes off the credit exposure. The loss estimate takes into account the time value of money.

The accounting effect of signing a settlement agreement with a customer is the derecognition of a CHF loan, recognition of a new loan in PLN and the recognition of a result from the derecognition. In the three quarters of 2024, the Bank used PLN 301,003 thousand of the estimated impact of legal risk of CHF loans in connection with the concluded settlements (in 2023 Bank used PLN 376,100 thousand of the provision).

The accounting effect of the final judgment declaring the loan agreement invalid is the derecognition of CHF loan exposure. In the three quarters of 2024, the Bank used PLN 361,725 thousand of the estimated impact of legal risk related to the CHF loans in connection with the receipt of final judgments declaring loan agreements invalid (in 2023 Bank used PLN 243,350 thousand for the same provision).

Should the assumed average loss change by +/- 5%, with all other significant assumptions unchanged, the amount of the estimated impact would change by +/- PLN 117,596 thousand.

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

Parameter	Scenario	Impact on Bank's loss due to legal risk
Percentage of lawsuits lost	+5 p.p.	+ PLN 71,424 thousand
	-5 p.p.	- PLN 118,490 thousand

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

Parameter	Scenario	Impact on Bank's loss due to legal risk
Number of future lawsuits	+20%	+ PLN 60,609 thousand
	-20%	- PLN 60,609 thousand

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 38,242 thousand.

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 estimated impact of legal risk of foreign currency loans accordingly.

The current line of jurisprudence in cases involving actions by CHF borrowers is unfavourable to banks, but nevertheless some legal issues are still not clarified, in particular the qualification of loans as foreign currency loans. The above issues are relevant to the assessment of the risks associated with proceedings involving part of the Bank's portfolio.

The Bank monitors the courts' rulings on an ongoing basis and will adjust the level of estimated impact of legal risk 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 estimated impact of legal risk, the Bank relies on all information available at the date of signing the financial statements.

#### CJEU case law (judgments made in 2023 and 2024)

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

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

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

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

- the concept of 'consumer' within the meaning of Article 2(b) of Directive 93/13 is objective in nature and independent of the particular knowledge which a person may have or of the information which he actually possesses;
- a person who has concluded a contract for purposes falling partly within the scope of his commercial or professional activity is to be regarded as a consumer if the purpose of the commercial or professional activity is so limited as not to be predominant in the overall context of that contract;

- in the context of a credit agreement concluded with an entrepreneur, an individual person in the position of co-debtor is covered by the concept of 'consumer' within the meaning of Article 2(b) of Directive 93/13 when he is acting for purposes which are outside his commercial or professional activities and should, when he is in a situation analogous to that of the debtor vis-à-vis that entrepreneur, benefit, together with the latter, from the protection provided by that directive;
- the national court must examine, taking into account all the evidence and, in particular, the wording of that contract, whether the person who is party to it can be classified as a 'consumer', as well as taking into account all the circumstances of the case, in particular the nature of the good or service which is the subject of the contract in question.

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

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

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

The concept of 'compensation' is not defined in the cited judgment, nor is it defined in Polish law. As the CJEU points out, however, in 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 model. In contrast, the Bank's previous models did not take into account the remuneration to the customer for the Bank's use of the instalments of a loan repaid by the customer that has been declared invalid.

The correctness of the Bank's assumptions is proven by the resolution of the entire Civil Chamber of the Supreme Court in case III CZP 25/22, which ruled out the right of banks and consumer-borrowers to claim so-called remuneration for the use of capital.

On 21 September 2023, the CJEU has issued judgment in **Case 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).

On 7 December 2023, the CJEU ruled in **Case C-140/22**, concerning the statute of limitations, maturity and scope of the parties' restitutionary claims for an invalid credit agreement. The CJEU ruled that the provisions of Directive 93/13 preclude:

- exercise of the rights that the consumer derives from this directive was determined by the consumer's submission to the court of a statement in which he claims: first, that he does not consent to the maintenance of an abusive contractual condition, second, that he is aware, on the one hand, of the fact that the invalidity of the indicated condition entails the invalidity of the credit agreement, and, on the other, of the consequences of this recognition of invalidity, and third, that he agrees to declare the agreement invalid;
- the compensation claimed by the consumer concerning the return of the amounts he paid in the execution of the invalid credit agreement was reduced by the equivalent of the interest that the banking institution would have received if the agreement had remained in force.

In the justification of the judgment, the CJEU referred to the role of the customer's statement concerning his awareness of the effects of the loan agreement invalidity and pointed out that it does not have to be submitted to the national court, nor does it have to be formalized, and that the consumer's rights arising from the abusiveness of the contractual terms cannot depend on the submission of such a statement by the consumer.

The CJEU did not directly answer the preliminary question concerning the beginning of the limitation period for the bank's restitutionary claims against the consumer..

However, the CJEU's position has important implications for the calculation of interest due to the consumer in disputes with the bank. This is because it follows from the judgment that interest for delayed performance in favor of the consumer should not be calculated only from the date of the consumer's formalized statement.

Regarding the second thesis of the judgment, the CJEU reiterated its earlier position expressed in the judgment in Case **C-520/21**, indicating that since the CJEU's jurisprudence has determined that if a credit agreement is declared invalid, the bank is not entitled to demand from the consumer the so-called remuneration for the use of the capital, there are no grounds for reducing the consumer's restitution claim by the equivalent of the interest rate due to the bank if the credit agreement had remained in force. Due to the wording of the preliminary questions, which did not refer to the bank's demand for the valorization of the loan principal paid, the CJEU did not rule on the admissibility of such a demand.

On 11 December 2023, the CJEU ruled in Case **C-756/22**, indicating that the provisions of Directive 93/13 preclude a judicial interpretation of a member state's national law, according to which a bank is entitled to demand from a consumer the reimbursement of amounts other than the capital paid out in the execution of an invalid agreement and statutory interest for delay from the date of the demand for payment.

On 14 December 2023, the CJEU issued a judgment in Case **C-28/22**, concerning the statute of limitations for restitution claims of the parties to an invalid credit agreement and the permissibility of the bank's use of the right of retention in a dispute with a customer.

The CJEU ruled that the provisions of Directive 93/13, in connection with the principle of effectiveness, preclude the limitation period for a trader's claims arising from the invalidity of an agreement from running only from the date on which the contract becomes permanently ineffective, while the limitation period for a consumer's claims arising from the invalidity of that contract begins to run at the time when the consumer learned or should have learned of the abusive nature of the condition causing the invalidity.

The CJEU did not directly rule from when the statute of limitations for a trader's claims against a consumer should be counted, however, it indicated that the statute of limitations for such claims cannot start only from the date of "permanent ineffectiveness of the agreement," which the CJEU judgment equated with the date when the judgment declaring the loan agreement invalid became final. It follows from the above that the beginning of the running of the limitation period for the entrepreneur's claims should not be linked to the date of the final judgment.

At the same time, the CJEU stressed the symmetrical nature of the limitation periods for the restitution claims of the entrepreneur and the consumer. However, the CJEU did not resolve what event starts the running of the limitation period for the bank's and consumer's restitution claims. In addition, the CJEU indicated that the entrepreneur is not obliged to verify the consumer's awareness of the consequences of removing abusive terms from the contract.

Regarding the second thesis of the judgment, the CJEU did not question the bank's entitlement in principle to exercise its right of retention in a dispute with a consumer. The CJEU only noted that the bank's raising of a retention plea cannot have the effect of limiting the consumer's interest claim.

On 12 January 2024, the CJEU issued its decision in **Case C-488/23**, concerning the admissibility of the judicial valorisation of a bank's consideration in the form of the paid-out capital of a loan. Referring to Case C-520/21, the CJEU pointed out that, where a credit agreement is declared invalid in its entirety as a result of the elimination of abusive clauses from it, the provisions of Directive 93/13 preclude a judicial interpretation of the law of a Member State according to which a credit institution is entitled to demand from the consumer, in addition to reimbursement of the capital disbursed pursuant to the credit agreement and statutory default interest from the date of the demand for payment, compensation consisting in a judicial adjustment of the benefit of the capital disbursed in the event of a material change in the purchasing power of money after that capital has been paid to the consumer.

On 18 January 2024, the CJEU issued its judgment in **Case C-531/22**, concerning the examination by national courts of their own motion of the review of the unfairness of contractual terms and the universality of the entry of an unfair contractual term in the register of prohibited clauses.

On the first issue, the CJEU ruled that procedural rules which do not provide for any examination by the court of its own motion of the potentially unfair nature of contractual terms are contrary to the principle of effectiveness expressed in Directive 93/13. If such an examination was not carried out in the preliminary examination proceedings (especially where the court hearing the case did not have the legal and technical possibility to carry out such an examination), then this obligation falls on the court supervising the enforcement proceedings.

On the second issue, the CJEU ruled that the entry of a contractual term in the national register of abusive clauses has the effect that such term must be considered unfair in any proceedings involving the consumer, including against an entrepreneur other than the one against whom the proceedings for entry of the abusive term in the register were pending, and where the term in question does not have the same wording as the term entered in the register, but has the same meaning and produces the same effect in relation to the consumer concerned. At the same time, the CJEU stipulated that the national court is obliged to assess the equivalence of the disputed contractual term with the term of the contractual model contract which has been declared unfair and entered in the register. The entrepreneur concerned is able to challenge that equivalence before the national court in order to determine whether, in the context of all the relevant circumstances of the case, that term is identical, in particular in view of the effects it creates, to the term entered in the register.

On 25 April 2024, the CJEU issued its judgments in Cases **C-484/21** and **C-561/21**, concerning the running of limitation periods for actions raised on the basis of claims of prohibited terms.

In the first judgment, the CJEU stated that the provisions of Directive 93/13 preclude:

- the limitation period for a claim for reimbursement of expenses incurred by the consumer when concluding a contract with the trader in respect of a term which has been found unfair by a final court ruling subsequent to the payment of those expenses started to run from the date of that payment, irrespective of whether the consumer was or could have been aware of the unfair nature of the term at the time of that payment or before that term was declared invalid by the judgment,
- the limitation period for a claim for reimbursement of costs incurred by a consumer on the basis of a term in a contract with a trader which has been found unfair by a final judgment of a court shall start to run on the day on which the national supreme court delivered an earlier judgment, in a separate case, declaring a standard term corresponding to that term in that contract unfair.

In the second judgment, the CJEU ruled that the provisions of Directive 93/13:

- do not preclude the limitation period for a claim for the reimbursement of costs incurred by a consumer in respect of a contractual term declared unfair by a final judgment of a court following payment of those costs from running from the date on which the judgment becomes final, subject to the trader being able to prove that the consumer knew or could have known of the unfair nature of the term in question prior to that judgment,
- preclude the running of the limitation period for a claim for reimbursement of the costs incurred by a consumer in respect of a term in a contract concluded with a trader, the unfair nature of which has been established by a final court judgment subsequent to the payment of those costs, from starting on an earlier date on which the national supreme court has, in separate cases, delivered judgments declaring unfair the terms corresponding to the relevant term of that contract,
- preclude the limitation period for a claim for reimbursement of costs incurred by a consumer on the basis of a term of a contract concluded with a trader which has been declared unfair by a final court judgment from running from the date of certain judgments of the CJEU which confirmed in principle the compatibility with European Union law of the limitation periods for claims for reimbursement.

The CJEU confirmed that a consumer's claim to establish the unfairness of contractual terms is not time-barred, whereas a consumer's restitutionary claims (for reimbursement of benefits provided on the basis of unfair contractual terms) may be time-barred, provided that the time limits set in national law do not make it impossible or excessively difficult for the consumer to pursue claims under Directive 93/13. The CJEU confirmed that the limitation period for a consumer's restitutionary claim cannot start to run before the consumer has become aware of the unfair nature of the contractual term in question. In particular, the time limit cannot start to run already on the date of the consumer's undue performance or on the date of a judgment of the CJEU (e.g. in Case **C-260/18**) or the Supreme Court in another similar case (without the involvement of that consumer), if at that time the consumer had no knowledge of the unfair nature of the condition. According to the CJEU, the starting date of the limitation period of a consumer's claim may be, in particular, the date on which the court issues a final judgment in a case involving the consumer, if it was only on that date that the consumer became aware of the unfair nature of the term in question. Due to the scope of the preliminary questions, the CJEU did not rule on the limitation period of the Bank's claims.

On 3 May 2024, the CJEU issued an order in Case **C-348/23**, concerning BNP Paribas Bank Polska S.A. The CJEU ruled that the provisions of Directive 93/13 precluded a judicial interpretation of national law according to which the legal effects attaching to the declaration of invalidity of a credit agreement in its entirety (following the elimination of abusive clauses therein) were conditional on the consumer's compliance with a condition precedent, consisting in the consumer making a declaration before a national court in which he indicates, first, that he does not consent to the condition remaining in force, second, that he is aware, on the one hand, that the unfairness of the condition entails a declaration that the credit agreement is invalid and, on the other, of the consequences of the declaration of invalidity and, third, that he consents to the annulment of the agreement. The CJEU's position is in line with the CJEU's current line of judgments, according to which the legal consequences resulting from the invalidity of a credit agreement containing abusive conversion clauses follow by operation of law and cannot be made subject to additional conditions, in particular the submission of a formalised declaration by the consumer before the national court.

On 8 May 2024, the CJEU issued an order in Case **C-424/22** on a retention claim. The CJEU held that the provisions of Directive 93/13 preclude a judicial interpretation of national law according to which, in the context of the invalidity of a mortgage loan contract concluded by a banking institution with a consumer on account of the unfair nature of certain terms of that contract, reliance by that institution on a right of retention has the effect of making the consumer's ability to obtain payment of the amounts which that institution was ordered to pay, because of the restitutionary effect of the finding that those terms were unfair, subject to the consumer at the same time offering to repay or to secure repayment of the entire consideration received from that institution by the consumer under the mortgage credit agreement, irrespective of any repayments already made under that agreement. Therefore, in the CJEU's judgment, the provisions of Directive 93/13 preclude the application of the right of retention in such a way that, in the calculation of the amount to be paid or secured by the consumer to the bank (following the bank's reliance on the right of retention), no account is taken of the amount of the credit instalments paid by the consumer to the bank.

On 30 May 2024, the CJEU ruled in Case **C-325/23** that:

- a condition of a credit agreement denominated in a foreign currency, in which the bank determines unilaterally, prior to the conclusion of the agreement, the conversion rate to determine the amount of the credit is not individually negotiated,
- if the credit agreement transfers the exchange rate risk to the consumer and the bank benefits from an exchange rate difference occurring between the rate chosen by the bank to determine the final amount of the credit and other rates, the lack of information about this difference means that the condition is not expressed in plain and clear language,
- a term in a credit agreement that transfers the exchange rate risk to the consumer and gives the bank the benefit of the exchange rate difference may create a significant imbalance to the disadvantage of the consumer,
- the provisions of Directive 93/13 do not preclude a contract for credit denominated in foreign currency from being declared invalid if a term relating to the fixing of the amount of credit is unfair, even if other terms relating to currency conversion are not unfair, provided that the court finds that the contract cannot be valid without that term.

The CJEU ruled that a contract may be declared invalid as a result of the elimination of the terms concerning the determination of the amount and currency of the loan. At the same time, the CJEU recalled that the abusiveness of these terms does not automatically mean that the entire agreement is invalid. According to well-established case law of the CJEU, the elimination of the indicated terms should, in principle, have the effect that those terms should be non-binding on the consumer and the contract should continue to be binding on the parties for the remainder, if such maintenance of the contract is objectively possible under national law. Indeed, the purpose of Directive 93/13 is not to invalidate all contracts containing unfair terms, but to replace the balance between the rights and obligations of the parties to a contract that is established by the agreement with an actual balance that allows equality between them to be restored.

## Supreme Court case law on CHF denominated and foreign currency loans

**The key rulings that were made by the Supreme Court included the following theses:**

- as to the application of consumer protection under Directive 93/13:
  - in disputes with consumers, the provisions 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).
  - 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);
  - 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);
- as to the effects of abusiveness:
  - 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);
  - 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);

- as to consumer status:
  - it is not justifiable to extend the Code concept of a consumer by distinguishing direct and indirect links with the conduct of a business or professional activity. If such a relationship exists (also on the part of e.g. a spouse), there are no grounds for extending protection to such a person (Judgment of the Supreme Court of 18 May 2022 (II CSKP 362/22 [mBank]) / noting that on 8 June 2023, in Case C-570/21, the CJEU opted for a broad interpretation of the definition of consumer;
- as to currency risks:
  - 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).

On 25 April 2024, the entire Civil Chamber of the Supreme Court adopted the so-called 'large franc resolution', resolving the key legal issues, file III CZP 25/22 according to which:

- 1) If a provision of an index-linked or denominated credit agreement relating to the method of determining the foreign currency exchange rate consists of an unauthorised contractual term and is not binding, that provision cannot, in the current state of the law, be regarded as being replaced by another method of determining the foreign currency exchange rate which results from legal or customary provisions.
- 2) If it is not possible to establish a foreign currency exchange rate that is binding on the parties in an indexed or denominated credit agreement, the agreement shall also not be otherwise binding.
- 3) Where, in the execution of a loan agreement which is not binding due to the illegal nature of its terms, the bank has provided the borrower with all or part of the amount of the loan and the borrower has made repayments of the loan, independent claims for the repayment of the wrongful performance arise in favour of each party.
- 4) If a credit agreement is not binding because of the illegal nature of its terms, the limitation period for the bank's claim for repayment of sums paid out in respect of the credit begins, as a general rule, from the day following the day on which the borrower questioned the bank about its bindingness to the terms of the agreement.
- 5) If a credit agreement is not binding because of the illegal nature of its terms, there is no legal basis for either party to claim interest or other remuneration for the use of its funds during the period between the time when the wrongful service was provided and the time when repayment of that service is delayed.

The resolution was passed by a majority. There were separate dissenting opinions from 6 of the 17 judges, primarily as to whether the agreement should be upheld after the elimination of the conversion clauses. In its wording, the resolution refers only to the effects of declaring conversion clauses in indexed or denominated loan agreements abusive (without prejudging the abusiveness of such clauses). The resolution does not apply to foreign currency loans, where the conversion clauses are of an optional nature and as such are not necessary for the execution of the loan agreement.

In the explanatory memorandum of the resolution, published in September 2024, the Supreme Court:

- 1) distinguished between indexed, denominated and foreign currency loans, indicating that a foreign currency loan should refer to a loan whose amount is denominated in a foreign currency, with disbursement by the bank and repayment by the borrower in the same currency. This type of loans is not the subject of the resolution,
- 2) noted that in the case of foreign currency loans in which there is no problem of abusiveness in determining the exchange rate at the time of disbursement of the loan by the bank, or in which, as a result of the removal of this abusiveness, the agreement is still in force in a form in which, in principle, repayment of the loan in foreign currency is possible, it may be assumed that Article 358 § 2 of the Civil Code, as the relevant dispositive provision, applies to the conversion of the exchange rate (i.e. the agreement may be continued using the average exchange rate of the National Bank of Poland),
- 3) confirmed that the limitation period of the bank's claims does not start to run on the date of disbursement of the loan, but only from the date on which the consumer challenged the validity of the agreement with the bank,
- 4) stated that the consumer's will not to be bound by an illicit provision may be expressed in any way, including by implication,
- 5) pointed out that exercising the right of set-off makes it possible, partially, to prevent the negative consequences of the statute of limitations of claims, since, according to Article 502 of the Civil Code, the statute of limitations of a claim does not exclude its set-off if, at the time when the set-off became possible, the statute of limitations had not yet expired,

- 6) pointed out that if the defendant has not yet taken action to actualise the claim, raising a plea of set-off may take place not only in the first phase of the trial: the legislator takes into account the necessity of addressing an appropriate request for payment, and then only after the expiry of two weeks from the receivable becoming due, the subject loses the right to raise a plea of set-off. Finally, the defendant may defend himself or herself by filing a counterclaim or by making use of the institution of an anti-enforcement action.

It should be emphasised that the position of the Supreme Court expressed in the justification does not unequivocally resolve previous divergences in case law regarding the definition of a foreign currency credit.

On the one hand, the understanding of the concept of a foreign currency loan agreement presented in this resolution is in line with the position of the Supreme Court in its judgment of 20 May 2022, which is the first ruling on a foreign currency credit granted by the Bank (II CSKP 713/22). According to it, 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.

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

The Supreme Court expressed a similar position in its judgment of 26 January 2023 (II CSKP 408/22) and 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.

The Supreme Court ruled similarly in a judgment dated 15 September 2023 (II CSKP 1356/22), in which - following the borrower's complaint - the judgment of the Court of Appeals in Wrocław, favorable to the bank, was overturned, and it was pointed out that a foreign currency loan may be identified when the contract unambiguously establishes the amount of the loan granted and actually disbursed to the borrower exclusively in foreign currency and provides for repayment of installments exclusively in the currency of the loan granted, and therefore the purpose and intention of the parties, expressed in the contract, is to carry out all mutual settlements only in foreign currency.

In its judgment of 25 July 2024, II CSKP 1424/22, the Supreme Court indicated that in a foreign currency loan the amount of the loan is expressed in a foreign currency, the disbursement of the loan and its repayment is also made in that currency. Only in the latter case the borrower's claim against the lender is expressed in foreign currency, i.e. the borrower can demand from the lender the payment of the loan amount in foreign currency. In the other two cases, the borrower's claim against the lender in terms of performance concerns only the domestic currency. The Supreme Court also pointed out that if the loan could be repaid directly in CHF, the lack of specification of the rules for converting PLN into CHF would not be material, as the borrowers could always purchase CHF for the repayment of the loan at a currency exchange office.

On 9 May 2024, the Supreme Court issued a judgment (II CSKP 2416/22) in which it dismissed the cassation appeal of the borrowers against a second-instance judgment favourable to the bank, awarding claims under a loan agreement to the bank (a case from the bank's lawsuit), assuming the currency nature of the loan agreement (a strictly currency loan and not a loan denominated in foreign currency). The Supreme Court accepted that the essential condition for assuming that a loan is of a foreign currency nature is the possibility of disbursement and repayment in currency and stated that the so-called 'large franc resolution' (III CZP 25/22) was not applicable to the case, as this resolution did not include in its material scope loan agreements that can be repaid directly in foreign currency.

In summary, it appears that the views of the Supreme Court on the definition of foreign currency credit are evolving. However, both the case law of the Supreme Court to date and the views of this court as expressed in the reasoning of the resolution of 25 April 2024, still indicate that a uniform definition of foreign currency credit has not been adopted.

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.

On 19 June 2024, a seven-member panel of the Civil Chamber of the Supreme Court issued a resolution in Case III CZP 31/23, in which it indicated that the right of retention (Article 496 of the Civil Code) does not apply to a party that can set off its claim against the claim of the other party. The rationale of the resolution is not yet published.

On 2 July 2024, a three-judge panel of the Supreme Court in Case III CZP 2/24 resolved that a power of attorney is sufficient for the effectiveness of raising a charge of set-off under Article 203<sup>1</sup> of the Code of Civil Procedure and receiving such a declaration. The rationale of the resolution is not yet published.

Issues concerning the reciprocity of the credit agreement and the application of the right of retention will also be decided by the Supreme Court in Cases III CZP 89/22 and III CZP 152/22. In Case III CZP 89/22 a legal issue was submitted to a panel of seven judges of the Supreme Court for decision by order of 4 July 2024. In Case III CZP 152/22, the proceedings have been suspended pending the decision of the CJEU in Case C-28/22, in which the Supreme Court was supposed to answer, inter alia, a preliminary question concerning the right of retention. Following the CJEU's judgment in Case C-28/22 of 14 December 2023, which confirmed the permissibility of the bank to use the right of retention in a dispute with a consumer, the resumption of proceedings before the Supreme Court in the aforementioned case is expected.

As of the end of September 2024, 230 cassation appeals have been filed with the Supreme Court in cases of CHF loans granted by the Bank, 49 appeals have been accepted by the Supreme Court for examination and are awaiting substantive decision, as to 115 cassation appeals, the Supreme Court has issued a decision on refusal to accept for examination. Five cases have been sent back for examination, while in 5 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 total impact of legal risk.

Following the CJEU judgment of 15 June 2023 in case C-520/21, the Bank has observed slight changes in customer behaviour (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 2024, the Bank has made individual settlement proposals to 13,756 customers (12,807 customers as of 31 December 2023) and 5,781 customers accepted the terms of the proposals presented (4,237 in 2023) out of which 5,120 settlements were signed (3,567 in 2023).

## 52. RISK MANAGEMENT

The most important changes in the approach to credit risk management, basic measures of market risk, liquidity risk, country and counterparty risk as well as changes in the approach to operational risk management introduced as at the end of September 2024 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 67% 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 87% 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 2024. The Group's exposure represented 11.7% 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 13.4% 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.

The industry concentration analysis conducted by the Group includes all of the Group's credit exposures to institutional customers. The Group defines industries based on Polish statistical classification of economic activities. Group's engagement with industries as analysed at the end of September 2024 is characterized by a concentration in sectors such as: Agriculture, Forestry, Hunting and Fishing and Industrial Processing. As of the end of September 2024, the share of Industrial Processing decreased by 0.3 p.p. to 21.5% compared to the end of 2023, while the share of the Agriculture, Forestry, Hunting and Fishing sector decreased by 0.9 p.p. compared to the end of 2023, accounting for 17.2% of industry engagement.

The table below presents a comparison of the share of loans in industries, loans measured at amortised cost and loans measured at fair value through profit or loss (gross balance sheet value) as of 31 September 2024 and 31 December 2023.

Sector	Exposure*	Exposure*	Share of non-performing loans	Share of non-performing loans
	30.09.2024	31.12.2023	30.09.2024	31.12.2023
INDIVIDUAL CLIENTS	33,229,738	34,411,210	2.3%	2.3%
AGRICULTURE, FORESTRY, HUNTING AND FISHING	9,661,344	9,818,765	5.1%	5.9%
MINING AND QUARRYING	46,180	54,691	0.5%	0.6%
MANUFACTURING	12,074,499	11,823,706	5.5%	2.9%
PRODUCTION AND SUPPLY OF ELECTRICITY, GAS, STEAM, HOT WATER AND AIR CONDITIONING SUPPLY	996,192	992,908	0.2%	0.3%
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	170,011	178,053	1.4%	1.6%
CONSTRUCTION	2,793,151	2,977,251	6.5%	6.3%
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	8,323,465	8,076,424	3.6%	3.7%
TRANSPORTATION AND STORAGE	2,756,119	2,953,351	3.4%	2.3%
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	407,574	446,469	12.2%	10.5%
INFORMATION AND COMMUNICATION	2,963,702	2,908,983	0.4%	1.3%
FINANCIAL AND INSURANCE ACTIVITIES	3,162,777	2,068,878	0.4%	0.8%
REAL ESTATE ACTIVITIES	6,071,589	5,586,628	3.8%	2.1%
PROFESSIONAL, SCIENTIFIC, AND TECHNICAL ACTIVITIES	3,448,255	3,241,917	2.5%	2.1%
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	1,767,533	1,374,941	1.5%	3.4%
PUBLIC ADMINISTRATION AND DEFENSE; COMPULSORY SOCIAL SECURITY	58,292	54,066	0.0%	0.0%
EDUCATION	147,777	147,760	3.1%	3.5%
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	1,113,538	1,110,520	5.7%	6.5%
ARTS, ENTERTAINMENT, AND RECREATION	33,966	36,932	4.2%	3.4%
OTHER ACTIVITIES	180,990	501,961	4.9%	1.9%
<b>Total</b>	<b>89,406,692</b>	<b>88,765,414</b>	<b>3.4%</b>	<b>3.0%</b>

\* 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 2024 the limits were not exceeded and at the end of 2023, no exceedances of these limits were observed.

## 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.

30.09.2024

Structure of overdue receivables (net balance sheet value)*	without impairment				with impairment	Total
	0 days	1-30 days	31-60 days	61-90 days		
Current account loans	30,571,113	1,188,452	21,140	13,171	561,890	32,355,766
Investment loans	17,115,481	285,300	5,325	552	417,088	17,823,746
Real estate loans for individuals	20,086,060	70,568	7,224	2,884	111,869	20,278,605
Other loans	9,882,975	53,951	10,619	2,202	175,297	10,125,044
Lease receivables	5,949,755	215,657	20,628	8,119	117,072	6,311,231
<b>Total</b>	<b>83,605,384</b>	<b>1,813,928</b>	<b>64,936</b>	<b>26,928</b>	<b>1,383,216</b>	<b>86,894,392</b>

\* 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.

31.12.2023

Structure of overdue receivables (net balance sheet value)*	without impairment				with impairment	Total
	0 days	1-30 days	31-60 days	61-90 days		
Current account loans	28,997,154	1,272,879	43,877	13,430	583,870	30,911,210
Investment loans	17,451,776	383,008	5,153	234	197,192	18,037,363
Real estate loans for individuals	21,485,258	48,501	10,090	3,159	121,905	21,668,913
Other loans	9,496,838	132,424	6,276	3,518	91,351	9,730,407
Lease receivables	5,554,049	212,117	27,585	13,550	92,904	5,900,205
<b>Total</b>	<b>82,985,075</b>	<b>2,048,929</b>	<b>92,981</b>	<b>33,891</b>	<b>1,087,222</b>	<b>86,248,098</b>

\* 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 2024, 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.

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:

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

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

- exports/imports to/from countries at risk;
- capital or organizational relations with citizens of Russia or Belarus;
- transportation services provided in countries at risk or logistic channels passing through countries at risk;

- production carried out in countries at risk;
- investments in fixed assets and capital investments in risk countries;
- existence of commercial contracts in risk countries (especially construction contracts);
- employment of workers from Russia, Ukraine or Belarus;
- 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.

### Forbearance practices

The Group treats its exposures as forbore 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.

The above events are treated as a convenience granted for economic reasons only in situations where the client currently has financial difficulties, or due to changes in the market environment, such difficulties may arise in the future.

In case of retail clients, individual farmers who do not engage in reporting and entrepreneurs using simplified accounting, financial difficulties are recognized in situations where:

- 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 customer has been assigned default status, or
- has a specified rating and meets defined financial criteria.

The Bank also has dedicated financial difficulty criteria for customers in 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 forbore status is no longer assigned if the following conditions have been satisfied:

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

The forbore status is revoked in accordance with the above-mentioned conditions, while the extension of the exit period from forbore status requires a credit decision by the relevant credit decision-makers, in other cases the status is revoked automatically.

## 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 2024, 60% 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 34% while the remaining part (6%) was related to foreign trade transactions (letters of credit and guarantees). France accounted for 44%, Italy for 13%, Germany for 12%, Luxembourg for 9%, the Netherlands for 8%, Austria for 6%. The remaining exposure was concentrated in Spain, Belgium, Mexico 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. Therefore, the counterparty risk is related to transactions on instruments whose value may change over time depending on such factors as interest rates or foreign exchange rates.

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 2024, the Bank's exposure to counterparty risk from derivative transactions was PLN 3.1 billion. Corporate clients concentrated 79% of the exposure, while the remaining 21% 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 Group distinguishes structural elements consisting of interest-free current accounts and the Groups's capital as well as other commercial items. In terms of structural elements, the Group secures a significant portion of long-term positions (bonds, interest rate exchange transactions). Regarding other commercial items, the Group plans to reduce interest rate risk.

Thanks to medium- and long-term investments in structural elements, the Bank's supervisory sensitivity outlier test of interest income (SOT NII) remains below the level of 5% of Tier 1 capital. At the end of September 2024, SOT NII was 4.46%. At the same time, the supervisory outlier test for the economic value of capital (SOT EVE) remains significantly below the regulatory limit of 15% of Tier 1 capital. At the end of September 2024, the maximum SOT value of EVE was 8.67%

The use of interest rate limits remained stable in the three quarters of 2024.

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

Immediate shift of interest rates for all currencies by 100 bps:	30.09.2024	31.12.2023
Up	285,671	253,151
Down	(287,681)	(228,881)

  

Immediate shift of interest rates for PLN by 100 bps:	30.09.2024	31.12.2023
Up	211,947	167,459
Down	(213,960)	(143,189)

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 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 Polish Financial Supervision Authority 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. In September 2022 the NGR 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 (conversion of) the WIBOR and WIBID reference indices with the benchmark indices which are risk free rate. This document sets out the basic assumptions for the work of the NGR, including those regarding the discontinuation of the calculation and publication of the WIBOR and WIBID reference indices.

According to the information from the NGR Steering Committee of 25 October 2023, there has been a change in the Roadmap's original deadline for conversion (1 January 2025) by indicating that conversion will be carried out at the end of 2027.

On 29 March 2024, the NGR Steering Committee decided to initiate a review and analysis of alternative indices to WIBOR, taking into account both WIRON and other possible indices or Risk Free Rate indices. The aim of the review is to verify the decision of the NGR Steering Committee, taken in September 2022, based on a wider range of market information in the dynamically changing macroeconomic environment of the Polish economy. In May 2024, NGR launched a public consultation on the review and assessment of alternative interest rate indices. On 1 July 2024, the collection of views as part of the public consultation process ended.

On 4 October 2024, the NGR Steering Committee provided a summary of the completed public consultation and announced the launch of an additional round of the consultation, in which it wishes to seek views and opinions on a modified list of alternative interest rate indices, developed taking into account the positions and opinions of market participants provided in the public consultation completed on 1 July 2024. In the additional round of public consultation, the NGR Control Committee decided to include four WIRF index proposals. In contrast, WIRON, WIRON+ and WRR are not included.

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 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. Nevertheless, following the decision of the NGR Steering Committee on benchmark reform of 29 March 2024 to start the process of reviewing and analysing alternative benchmarks to WIBOR, the Bank decided to postpone indefinitely the broad introduction of the WIRON / WIRON compound rate into the Bank's product offering.

As at 30 September 2024 the Bank has identified:

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

ON	1W	1M	3M	6M	1Y	Total
446	2	11,171	32,614	8,535	17	52,785

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

ON	1W	1M	3M	6M	1Y	Total
3,412	91	4,438	4,996	5	6	12,948

The Bank also had on its banking book interest rate swaps (CIRS/IRS/FRA) based on WIBOR 3M with a total nominal amount of PLN 6,530 million, of which PLN 2,530 million under fair value hedge accounting, and based on WIBOR 6M with a total nominal amount of PLN 5,688 million, of which PLN 4,338 million under hedge accounting.

The Bank also held financial assets based on the WIRON rate in the amount of PLN 14 million and financial liabilities based on the WIRON rate in the amount of PLN 0.63 million.

The Bank assumes that the replacement of WIBOR interest rate reference index with the new 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 2024 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 69 thousand and EUR 62 thousand in the reported period. The VaR measure for interest rate risk decreased by approximately 20% compared to first three quarters to PLN 2.8 million. The average utilisation of the VaR limit for the open interest rate position in the trading book was below 38% of the allocated limit.

Foreign exchange risk was kept at a low level, i.e. an average of 13% utilisation of the allocated VaR limit, and, as with interest rate risk, did not make a significant contribution to the overall risk level, which demonstrates that the Bank maintains a relatively low market risk profile. The Bank maintained a small open position in foreign exchange and interest rate options to ensure the serviceability of customer transactions.

## LIQUIDITY RISK

During the three quarters of 2024, the Group maintained supervisory measures of short- and long-term liquidity significantly above regulatory and internal limits. The LCR averaged 219,9% during the three quarters of the year. The maximum LCR was 242,7% and the minimum was 187.4%.

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 Group's liquidity ratios were at a very safe level. At the end of the third quarter of 2024, the Group recorded a decrease in corporate deposits of PLN 5.6 billion (from a very significant level at the end of 2023) and increase of retail deposits of PLN 1.4 billion. Loans rose in the case of companies (PLN 1.9 billion), while there was a decrease of PLN 1 billion in the case of retail customers. This decrease is mainly due to reduction in the new production of mortgage loans.

The Group's objective was to optimise its portfolio of non-bank customer deposits, which are still its primary source of funding.

The impact of the war in Ukraine has not affected 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<sup>1</sup>. Operational risk as such is inherent in any banking operations. The Bank identifies the operational risk as permanently significant.

### 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 Polish Financial Supervision Authority 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 three quarters of 2024 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 ongoing military conflicts, 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.

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<sup>1</sup> Compliance risk refers to the risk of the consequences of non-compliance with laws, internal regulations and market standards in the processes operating at the Bank.

## 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, among other things, issues relating to operational risk management, combating fraud against the Bank and the supervision of internal control, including the control of personal data protection processes.

The definition and implementation of the Bank's insurance strategy, as a method of risk mitigation, is the responsibility of the Property and Administration Department. Business continuity management, on the other hand, is the responsibility of the Security and Business Continuity Management Division.

As part of legal risk management, the Legal Division monitors, identifies and analyses changes in common law and their impact on the Group's operations, and is involved in judicial and administrative proceedings that affect the Group. The ongoing examination of compliance risks and the development and improvement of adequate techniques to control them are handled by the Compliance Monitoring Department.

## Risk management

The Bank pays particular attention to the processes for identifying and assessing the causes of current operational risk exposure within banking products. The Bank seeks to reduce the level of operational risk by improving internal processes, as well as to reduce operational risks accompanying the introduction of new products and services and the outsourcing of activities.

Pursuant to the "Operational Risk Policy of BNP Paribas Bank Polska S.A.", the operational risk analysis aims to understand the relationships between the factors generating this risk and the types of operational events, and its most important result is the determination of the operational risk profile.

The operational risk profile is an assessment of the level of materiality of this risk, understood as the scale and structure of the exposure to operational risk, determining the degree of exposure to this risk (i.e. to operational losses), expressed in structural and scale dimensions selected by the Bank. The periodic assessment and review of the Bank's operational risk profile is carried out based on an analysis of the Bank's current risk parameters, changes and risks in the Bank's environment, the implementation of the business strategy, as well as an assessment of the adequacy of the organisational structure and the effectiveness of the Bank's risk management and internal control system. The analysis of the operational risk profile also takes into account 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 ongoing military conflicts

In terms of operational risk management, the Bank analyses the risks related to the consequences of the war activities in Ukraine and in the Middle East (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 continues to take 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, i.a. by introducing additional security measures and increased monitoring of the teleinformation infrastructure

## CAPITAL ADEQUACY

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 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 2024 the adjustment in Common Equity Tier 1 capital related to other intangible assets amounted to PLN 432,474 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 Polish Financial Supervision Authority, in a release dated 20 November 2023, 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 Polish Financial Supervision Authority, 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.

In the course of reviewing the adequacy of the Other Systemically Important Institution buffer ratio, the PFSA considered an increase of the ratio to the level being an equivalent of 0.50% of total risk exposure to be appropriate. In the decision dated 20 September 2024, the Financial Stability Committee expressed a positive opinion on the application of the Other Systemically Important Institution buffer on the Bank on a consolidated and stand-alone basis in the amount being an equivalent of 0.50% of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013. The Bank is currently expecting a final decision from the Polish Financial Supervision Authority.

The Polish Financial Supervision Authority, by letter dated 13 December 2023, 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 0.70 p.p. at the individual level and 0.67 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 2024, 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 2024. The value of the ratio was mainly affected by exposures in the Netherlands, where the countercyclical buffer rate was 2%.

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 2024. Pursuant to the Resolution of the Bank's Annual General Meeting of 16 April 2024, the entire profit of the Bank for 2023, amounting to PLN 1,007,828 thousand, was allocated for the purpose of dividend payment in the amount of PLN 503,998 thousand and reserve capital in the amount of PLN 503,830 thousand.

In the third quarter of 2024, on 16 September 2024, the Bank notified BNP Paribas S.A (the lender) that it had exercised its right to exercise its option for early repayment of loans included in Tier II capital in the amounts of PLN 440 million and EUR 40 million concluded under separate agreements on 29 December 2015. As at 30 September 2024, the prudential amortisation of the two loans would amount to PLN 456 million (i.e. 75% of nominal value).

These loans have ceased to be recognised within Tier II capital since the early repayment information was provided and were repaid on 7 October this year. The Bank had previously obtained approvals from the Polish Financial Supervision Authority for the execution of the repayments of the indicated loans. As at 30 September this year, the execution of the repayments of the indicated loans resulted in a decrease in the TCR ratio on a consolidated basis by 17 bps. (reduction of Tier II capital by PLN 155 million).

On 24 October 2024, the Bank's Supervisory Board adopted a resolution approving the issue of capital bonds referred to in Article 27a of the Bond Act of 15 January 2015 ('Capital Bonds'). The Capital Bonds will be instruments without a fixed maturity date, entitling to interest for an indefinite period of time, subject to the Bank being able to redeem them early under the terms and conditions of the issue. The total nominal value of the Capital Bonds planned for issue in the fourth quarter of 2024 will be no more than EUR 150,000,000 and the nominal value of one Capital Bond will be EUR 100,000. The interest rate will be set at market conditions.

The Capital Bonds will be purchased exclusively by BNP Paribas S.A., based in Paris. They will be classified in the Bank's own funds as additional instruments in Tier I capital after the Bank has obtained the relevant approval from the Polish Financial Supervision Authority.

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.

	The minimum supervisory consolidated solvency ratios of the Group	Consolidated capital adequacy ratios of the Group
<b>30.09.2024</b>		
CET I	7.93%	12.97%
Tier I	9.43%	12.97%
Total Capital Ratio	11.43%	16.59%
<b>31.12.2023</b>		
CET I	7.93%	12.51%
Tier I	9.43%	12.51%
Total Capital Ratio	11.43%	16.67%

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

On 20 June 2023, the Bank received a letter 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 16.02% of the total risk exposure ("TREA") and 5.91% of the total exposure measure ("TEM"). This requirement is binding from 31 May 2024.

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. The Bank meets the mentioned requirement.

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.

On 12 September 2024, the Bank entered into an agreement with BNP Paribas S.A. to raise a Senior Non Preferred loan in the amount of EUR 142 million. The funds were transferred to the Bank's account on 16 September 2024. The loan was recognised for the purpose of fulfilling the MREL ratios in relation to TREA and TEM. As of 30 September this year, the operations described above (Capital Adequacy section), the early repayment of the subordinated loans in the amounts of PLN 440 million and EUR 40 million and the raising of the loan in the amount of EUR 142 million did not result in any significant changes to the MREL ratios in relation to TREA and TEM.

As of 30 September 2024, the Bank meets the defined requirements of MREL-TREA and MREL-TEM.

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

### Composition of the Bank's Supervisory Board as of 30 September 2024:

FULL NAME	OFFICE HELD IN THE SUPERVISORY 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
Małgorzata Chruściak	Independent Member of the Supervisory Board
Magdalena Dziewguć	Independent Member of the Supervisory Board
Sophie Heller	Member of the Supervisory Board
Monika Kaczorek	Independent Member of the Supervisory Board
Vincent Metz	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Khatleen Pauwels	Member of the Supervisory Board
Jacques Rinino	Independent 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 2024:

- On 25 June 2024, the Bank received the resignation of Mr Jarosław Bauc from his position as a member of the Bank's Supervisory Board, effective 2 July 2024.
- On 2 July 2024, the Extraordinary General Meeting of the Bank appointed Ms Monika Kaczorek as an independent member of the Bank's Supervisory Board, effective 3 July 2024 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 2024:

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
Małgorzata Dąbrowska	Vice-President of the Management Board
Wojciech Kemblowski	Vice-President of the Management Board
Piotr Konieczny	Vice-President of the Management Board
Magdalena Nowicka	Vice-President of the Management Board
Volodymyr Radin	Vice-President of the Management Board
Agnieszka Wolska	Vice-President of the Management Board

There were no changes to the composition of the Bank's Management Board in the period of 1 January - 30 September 2024.

On 29 February 2024, the Supervisory Board adopted a resolution to set the number of members of the Bank's Management Board for the new term of office at eight and appointed the Management Board for a new three-year term of office with its current composition.

## 54. MAJOR EVENTS IN THE BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN THE THREE QUARTERS OF 2024

<b>2.01.2024</b>	<b>Extraordinary General Meeting of Shareholders of Campus Leszno Sp. z o.o.</b> - adoption of a resolutions to dissolve the company and open its liquidation
<b>29.02.2024</b>	<b>Appointment of the Management Board of BNP Paribas Bank Polska S.A. for a new term of office</b>
<b>13.03.2024</b>	<b>Accelerated book building process (ABB)</b>  Notifications from the shareholder of BNP Paribas Bank Polska S.A. (the Bank) - BNP Paribas SA (the Shareholder) - of: (i) the commencement of the process of selling a portion of the Bank's shares held by it under the accelerated bookbuilding process, (ii) the completion of the ABB process.  20 March 2024. - Information from the Shareholder on the change in its share in the total number of votes in the Bank. As a result of the settlement of block transactions concluded on 14 March 2024 in connection with the completion of the ABB process concerning 8,860,616 Bank shares and the settlement of other transactions made on the regulated market concerning 6,545 Bank's shares, the share of BNP Paribas SA in the total number of votes at the Bank's General Meeting decreased by approximately 6%.  As a result of the settlement of the transactions, as at the date of the notification, BNP Paribas SA directly holds 84,634,166 shares in the Bank representing approximately 57.31% of the shares in the Bank's share capital and in the total number of votes at the Bank's general meeting, and together with its subsidiary BNP Paribas Fortis SA/NV holds a total of 120,124,392 shares in the Bank representing approximately 81.34% of the shares in the Bank's share capital and in the total number of votes at the Bank's General Meeting.
<b>28.03.2024</b>	<b>Conclusion of a synthetic securitisation transaction</b> on a portfolio of corporate loans/advances with a total value of PLN 2,180 million (as at 31 December 2023) (the Transaction) with International Finance Corporation (IFC)  The main objective of the Transaction is to release capital that the Bank will use to finance climate change mitigation projects. As part of the Transaction, the Bank transferred to IFC a significant portion of the credit risk from the selected securitised portfolio. The selected securitised loan portfolio remains on the Bank's balance sheet. The termination date of the Transaction according to the agreement is 31 December 2031. The transfer of risk of the securitised portfolio is implemented through a credit protection instrument in the form of a financial guarantee of up to PLN 218 million, issued by the IFC. The Transaction meets the requirements for the transfer of a material portion of risk set out in the CRR Regulation and has been structured as meeting the STS criteria (simple, transparent and standard securitisation) in accordance with Regulation 2021/557.  BNP Paribas SA acted as the arranger of the Transaction.
<b>3.04.2024</b>	<b>Statement of the National Securities Depository S.A. (KDPW)</b> on conditional registration in the securities depository maintained by the KDPW of up to 1,200,000 Series N ordinary bearer shares of BNP Paribas Bank Polska S.A. with a par value of PLN 1 each.  <b>Resolution of the Warsaw Stock Exchange S.A. (WSE)</b> on the admission and introduction to exchange trading on the WSE Main Market of up to 1,200,000 series N ordinary bearer shares of BNP Paribas Bank Polska S.A. with a par value of PLN 1 each.

**5.04.2024 Issue of series M shares and series N shares under the conditional share capital increase and change in the value of the share capital of BNP Paribas Bank Polska S.A.**

In accordance with the relevant statements of the National Securities Depository (KDPW) and resolutions of the Board of Directors of the Warsaw Stock Exchange (WSE) - the Bank's current report No. 16/2024 - registration with the KDPW and admission to trading by the WSE took place:

- 44,608 series M ordinary bearer shares of the Bank (Series M Shares) with a nominal value of PLN 1 each, and the recording of these shares in the securities accounts of authorized persons,
- 78,316 ordinary bearer shares of the Bank, series N (Series N Shares) with a nominal value of PLN 1 each and the recording of these shares in the securities accounts of 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 January 31, 2020, as amended by Resolution No. 37 of the Bank's Annual General Meeting of 29 June 2020. Series M shares were subscribed for in exercise of the rights under Series A4 registered subscription warrants previously subscribed for, each of which entitled the holder to subscribe for one Series M share.

The Series N Shares were issued as part of a conditional increase in the Bank's share capital pursuant to Resolution No. 39 of the Bank's Annual General Meeting of 27 June 2022. The Series N Shares were subscribed for in exercise of rights under Series B1 registered subscription warrants previously subscribed for, each of which entitled the holder to subscribe for one Series N Share.

Pursuant to Article 451 § 2, second sentence, of the Commercial Companies Code, the grant of Series M Shares and Series N Shares became effective upon their recording in the securities accounts of the eligible persons.

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

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

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

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**16.04.2024 Annual General Meeting of Shareholders of BNP Paribas Bank Polska S.A.**

Adoption of a resolution on, among others, the payment of dividend for 2023 in the amount of PLN 503,997.556.70, i.e. PLN 3.41 per share. The dividend covers all shares issued by the Bank, i.e. 147,799,870 shares. Dividend date: 23 April 2024, dividend payment date: 10 May 2024.

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**14.05.2024 Entry into the National Court Register of the amendments to the Articles of Association of BNP Paribas Bank Polska S.A.** i.e. increase of the Bank's share capital up to PLN 147,799,870 as a result of subscription of Series M shares and Series N shares by eligible persons under the conditions specified in § 29a Section 2 item d) and § 29b Section 2 item a) of the Articles of Association of BNP Paribas Bank Polska S.A.

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**3.06.2024 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 16.02% of the total risk exposure (TREA) and 5.91% of the total exposure measure (TEM). The Bank was required to meet the requirement immediately upon receipt of the information. As of the date of receipt of the BGF's letter, the Bank was in compliance with the MREL requirements set forth in the body of the letter.

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**18.06.2024 Entry into the National Court Register of the amendments to the Articles of Association of BNP Paribas Bank Polska S.A.** adopted by the Annual General Meeting of the Bank on 16 April 2024.

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<b>2.07.2024</b>	<b>Extraordinary General Meeting of Shareholders</b> – adoption of a resolutions on: <ul style="list-style-type: none"><li>– the assessment of the individual adequacy of the candidate for the Supervisory Board and appointment of a new member, Ms Monika Kaczorek, to the Supervisory Board of BNP Paribas Bank Polska S.A., effective 3 July 2024,</li><li>– assessment of the collective adequacy of the Supervisory Board of BNP Paribas Bank Polska S.A. in relation to the change in the composition of the Supervisory Board,</li><li>– amendment to Resolution No. 8 of the Extraordinary General Meeting of BNP Paribas Bank Polska S.A. dated 17 June 2021 regarding the determination of the remuneration of the members of the Supervisory Board of BNP Paribas Bank Polska S.A. ('Resolution No. 8'), Resolution No. 37 of the Annual General Meeting of 27 June 2022 on amending Resolution No. 8 and Resolution of the Annual General Meeting of BNP Paribas Bank Polska S.A. of 30 June 2023 on amending Resolution No. 8,</li><li>– amendments to the Bank's Articles of Association and the unified text of the Articles of Association; the amendments resulted from the necessity to adjust the Bank's scope of business to the Banking Law amended by the Act - Act on amending certain acts in connection with ensuring the development of the financial market and the protection of investors on this market of 16 August 2023 (Journal of Laws of 2023, item 1723) with respect to brokerage activity.</li></ul>
<b>26.08.2024</b>	<b>Entry into the National Court Register of the amendments to the Articles of Association of BNP Paribas Bank Polska S.A.</b> adopted by the Annual General Meeting of the Bank on 2 July 2024.
<b>17.09.2024</b>	<b>Request from the Polish Financial Supervision Authority (PFSA) for the Financial Stability Committee to provide an opinion on the determination of the amount of the Other Systemically Important Institution (O-SII) buffer for the Bank</b> , the adequate amount of which, according to the principles resulting from the methodology established by the PFSA, should be set at the equivalent of 0.5% of the total risk exposure amount. The current O-SII buffer set for the Bank is the equivalent of 0.25% of the total risk exposure amount.

All changes to the composition of the Bank's Supervisory Board in the three quarters of 2024 are described in Note 53 Management of BNP Paribas Bank Polska S.A.

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

Key external factors that the Bank believes may affect the Group's performance in the following periods include:

- **Uncertain geopolitical situation:** From the point of view of the Polish economy, the ongoing war in Ukraine since February 2022 is of significant importance. Although its direct impact, e.g. on energy prices, has largely faded over time, military action across the country's eastern border may limit investment spending by domestic and non-resident companies. The perception of Poland's security is largely dependent on the actions taken by the North Atlantic Treaty Organization (NATO), which is significantly influenced by US policy. A possible change of administration after the November presidential election would increase uncertainty over US involvement in the war in Ukraine and the presence of US troops on NATO's eastern flank. The election of Donald Trump as US President could also mean an escalation of trade wars, which would adversely affect global economic prosperity. The election of Kamala Harris as US President in the November election would more likely mean a policy of continuity of Joe Biden's administration policies. However, also in this scenario there is uncertainty about the scale of further US involvement in the war in Ukraine. The situation in the Middle East has also escalated over the past few months. Following last year's Hamas attack, Israel is conducting military operations in Gaza and Lebanon. This has led to increased tension in relations with Iran, which has launched rocket attacks on Israel. The situation in the region is affecting the prices of energy commodities, particularly oil.

- **Weakness of European industry:** The growth of the euro area economy this year has been driven primarily by the service sector, rather than industry, which has had a much greater impact on the economic situation in Poland. Regional differences are also clearly evident. While the economy is booming in Spain, Germany is stagnating. Recovering real household incomes have not allowed the European economy to fully enter a higher gear. EU industry has recently struggled not only with the lack of a cyclical rebound in consumption in the region, but also with weak sales of goods outside the EU. Although partly the low exports can be explained by the general stagnation in manufacturing industries globally (global industrial production grew by only 2.1% YoY in the first half of the year) it seems that more structural factors are also playing a role. Among the largest EU countries, non-EU export of goods (volume) reached its peak in 2018-2019, and since then foreign sales have been on a downward drift.
- **Monetary policy by major central banks:** In June, the European Central Bank began a cycle of interest rate cuts, and in September the Federal Reserve decided on a similar step in the United States. The decline in fears of inflationary pressures becoming entrenched has reinforced expectations that monetary easing will continue on both sides of the Atlantic. Market pricing assumes that the ECB deposit rate in the euro area will fall to around 2% by the end of next year. In the US, on the other hand, the Fed funds rate is forecast to fall to around 3.5%.  
Sentiment in the main financial markets. The global geopolitical situation, the outcome of the US presidential election, the state of the European economy and the monetary policy pursued by the major central banks will influence financial market sentiment towards the end of this year and early next year. An increase in risk aversion in the global market by any of the aforementioned (or other) factors may adversely affect valuations of domestic assets, including, inter alia, exchange rate of the Polish Zloty on foreign exchange market.
- **National Bank of Poland activities:** After a combined decrease of 100 bps in September and October 2023, NBP interest rates have remained unchanged since November last year. Recent statements by the NBP Governor Adam Glapiński suggest that interest rate cuts in Poland will be possible when CPI inflation stabilises and the projections prepared by the central bank will indicate a systematic decline in price dynamics towards the NBP's inflation target in subsequent quarters. In our view, these conditions will be met in the first quarter of next year and the MPC will begin the monetary easing cycle in March. This moment for the first interest rate cut have been also indicated by some MPC members in recent statements. The main risk factors for inflation and a later interest rate cut than in March, include a stronger than expected economic recovery and an increase in inflation expectations due to rising energy prices and still double-digit wage growth. In the base scenario, we assume that the NBP reference rate will fall to 4.00% at the end of next year from 5.75% currently.
- **Polish Zloty's exchange rate performance against key currencies:** Since the autumn of last year, the Polish Zloty has strengthened significantly, with the EUR/PLN exchange rate oscillating between 4.25 and 4.40 in the first half of 2024. The strength of the Polish currency was significantly influenced by the unblocking of EU funds under the National Recovery Plan (KPO), as well as by the decline in inflation in Poland, which, with unchanged monetary policy parameters, resulted in a significant increase in real interest rates in our country. The prospect of no changes in NBP policy in the coming months and monetary easing in the euro area and in the US should continue to support the attractiveness of Polish currency, especially in the absence of significant foreign trade imbalances.
- **Evolution of the economic situation in Poland:** Polish economy gained momentum in the first half of the year, but the scale of the recovery remained moderate. After a 2% YoY increase in Gross Domestic Product in the first quarter, the volume of domestically produced goods and services increased by 3.2% YoY in spring. The main driver of economic growth in January-June period was household consumption expenditure, which increased by nearly 5% YoY. The high consumption was due to rapidly rising nominal wages and decreasing inflation. On the other hand, investments performed not that well in the first six months of the year, although after falling by 1.8% YoY in the first quarter, fixed asset expenditure rose by 2.7% in spring. The weak global economic performance remains, in our view, the main factor counteracting faster economic growth in Poland. Companies are also continuing to reduce their inventory levels. Monthly economic activity data (industrial and construction production, retail sales) and business climate surveys suggest that economic growth in the third quarter may have slowed to around 2% YoY. We forecast that GDP in this year will increase by around 3% in Poland. Although GDP growth will accelerate to 3.5-4% next year, this will not be a 'boom' that would threaten to overheat the economy.
- **Situation on the domestic labour market:** Last year's economic slowdown and the so far moderate recovery in activity is translating into the situation on the domestic labour market. For the time being, the impact remains quite limited. In the second quarter of 2024, employment in the national economy was 0.7% YoY lower than in the same period last year. The magnitude of the reduction in employment is tempered by a structural shortage of labour, which prompts employers to keep employees on as long as possible, even in periods of underperformance. Larger job losses have been recorded in recent quarters in industries where demand for products has deteriorated more firmly (e.g. industry, construction). Despite some decline in employment, the unemployment rate virtually unchanged. According to the Labour Force Survey (BAEL), in the second quarter the percentage of unemployed was only 2.7%. The cooling of the labour market and the lower demand for employees reported by companies will translate into lower wage dynamics. After an increase of 13.5% this year, average wages in the national economy will increase by 8% next year. The lower rate of wage growth next year will also be influenced by the significantly smaller scale of the minimum wage increase than in previous years.

- **Uncertain changes of inflation:** From a peak of 18.4% YoY in February 2023, annual consumer price dynamics fell to around 2% in the first half of this year. Following a 15-20% hike in electricity and gas prices in July, annual CPI inflation is back above 4%. CPI inflation will oscillate in the range of 4-5% YoY by the end of the year. Next year, the dynamics of consumer prices will depend to a significant extent on administrative and tax factors including, among others, electricity, water supply and sewerage charges. Assuming a complete unfreezing of electricity prices from January, energy bills could rise by around 20%, adding around 0.9 p.p. to inflation. More significant tobacco excise duty increases, than in previous years, have also been announced for next year (March 2025). CPI inflation will average 3.8% next year. However, in the second half of 2025 the annual rate of price growth should fall to around 3%. The GDP dynamics, which does not significantly deviate from the potential of the Polish economy, will allow for a systematic, albeit relatively calm, reduction of core inflation. This will also be supported by wage growth slowing down.
- **Imbalances in public finances:** In 2023, the general government deficit was 5.1% of GDP. In response to the budget deficit exceeding 3% of GDP last year, on 26 July 2024, the European Council, based on a recommendation from the European Commission, decided to activate the Excessive Deficit Procedure (EDP) against Poland. In the medium-term budget and structural plan for 2025-2028, adopted by the Council of Ministers, the Ministry of Finance assumes that after an increase to 5.7% of GDP in 2024, the public sector deficit will be reduced in subsequent years and is expected to reach 2.9% of GDP in 2028. The public debt-to-GDP ratio is projected to be 54.6% in 2024 and 58.4% in 2025, rising to 61.3% in 2027 before falling to 61.2% in 2028.
- **Loans based on the WIBOR:** The dispute over WIBOR-based loans gained media exposure in late 2022. The most important interest rate benchmark for variable-rate PLN loans was legally removed from the loan agreement for the first time ever for the duration of the lawsuit by a court in Poznań on 22 June 2023. In July 2023 the Polish Financial Supervision Authority published a position paper in which it emphasised that, in the PFSA's view, there are no grounds for questioning the credibility and legality of WIBOR, in particular in the context of the use of this index in mortgage contracts in Polish currency. According to data from the Polish Bank Association (as at the end of August 2024), there are currently 1,291 court proceedings in which customers are challenging contractual provisions providing for interest rates based on the WIBOR reference index. In 86 judgments out of the 90 that have been made, the courts of first instance have ruled in favour of the banks. 42 proceedings have been finally concluded, all with a ruling in favour of the banks.
- **New interest rate benchmark:** Work on the introduction of an alternative interest rate benchmark to WIBOR has returned to square one. After the National Working Group (NGR) designated WIRON, an overnight-based index, as the successor to WIBOR in the early autumn of 2022, emerging concerns about its calculation methodology put the plan on hold. In the meantime, some institutions have started to offer products based on WIRON (mainly mortgages for retail customers). A review and analysis phase and a second round of public consultation are currently underway, which should allow the NGR to re-set the new indicator for loan contracts. In the additional round of public consultation, the NGR Steering Committee has decided to include the four WIRF index proposals (while WIRON, WIRON+ and WRR are not included). According to the timetable, the reform should be completed in 2027, when the publication of the WIBOR index is planned to cease.
- **Credit holidays:** The residual data coming from the banks suggest that the credit holiday is not attracting the level of interest that was forecasted before the scheme came into force. The main reason for this is considered to be the criteria that borrowers have to meet in order to participate in the scheme, which may have excluded more people from the programme than initially anticipated. Borrowers with housing loans for their own needs worth no more than PLN 1.2 million and taken out before July 2022 are eligible for the holiday. However, most relevant is the new income criterion. To suspend a loan repayments, the expenditure on repaying the instalments of that loan must exceed 30% of monthly income. Only families with a minimum of three children are excluded from this criterion. The Government Office for Parliamentary Analyses estimated that 562,000 mortgage agreements worth a total of PLN 158 billion could be affected by the new scheme. On the other hand, ZBP estimated the total value of loans covered by the holidays to be close to PLN 200 billion, compared to PLN 434 billion of the full value of the mortgage portfolio in the market (according to NBP data for August 2024).
- **Housing for start:** Although the Housing for Start programme is now completely ready, its fate seems to be highly uncertain. Its successor the '2% Safe Credit' programme was supposed to start as early as January 2025, but its draft has not gained sufficient support in the ruling coalition. Critics of the project point to its expected impact on rising housing prices and strongly refuse to vote for it. Even if agreement is reached on this issue, the scheme would not take effect until the second quarter of 2025 at the earliest.
- **Long-term funding ratio:** In 2023 the PFSA has announced that, in order to change the structure of mortgage funding, it plans to introduce a new long-term funding ratio (WFD) for banks. The proposed changes aim to reduce the risks associated with the current mortgage funding structure by increasing the funding of long-term mortgages primarily with long-term debt instruments. On 17 July 2024, the PFSA announced that it had adopted the WFD Recommendation, concerning the Long-Term Funding Ratio, and expects banks to be required to maintain this ratio at a minimum of 40% from the end of 2026.

- **Banks' aid for flood victims:** The Polish Banking Association has announced moratoria on loans for those affected by the September floods. Suspension of loan repayments will be possible for a maximum of three months. It will be available to people who suffered property damage, lost their jobs or main source of income as a result of the flood. The president of the ZBP also announced that banks will launch moratoria immediately, without waiting for the European Banking Authority to approve the draft. The government has also announced a draft law providing non-refundable aid from the Borrowers' Support Fund to those affected. According to the bill, borrowers whose house or flat has been damaged by the floods in such a way that they cannot use the building will receive assistance equal to 12 monthly loan instalments. The bill stipulates that National Development Bank (Bank Gospodarstwa Krajowego) will transfer funds from the Borrowers' Support Fund to the lenders for the repayment of the borrower's obligations for a period of 12 months. It is not known at this time what the total scale of this assistance will be, and therefore what the burden will be on the Borrowers' Support Fund and whether it will require additional contributions from banks.
- **Adaptation to the requirements of the so-called CRD/CRR3 package.** The bank is carrying out a project to adapt to the requirements of the so-called CRD/CRR3 package, which specifies, among others, new rules for determining the capital adequacy of investment companies and credit institutions. The work undertaken also takes into account the requirements arising from regulatory technical standards related to CRR3, the so-called RTS, which as of September 30, 2024, remains in the form of a project.

Requirements mentioned above will concern in particular the method of determining the capital requirement for credit risk and operational risk. As part of the project, a detailed analysis of the changes that the Bank must introduce in its internal processes and rules for calculating requirements was carried out. The necessary adjustments are currently being made to achieve compliance with regulatory requirements from January 1, 2025.

Due to the fact that the capital requirement for credit risk constitutes an essential part of the bank's capital requirement as of September 30, 2024, as well as the significance of changes resulting from the CRD/CRR3 package, the largest changes in the capital requirement in terms of value will be related to this requirement. This applies in particular to commercial real estate financing items, changes in the approach to off-balance sheet items and contractual arrangements.

The above-described adjustment to the new capital requirements is carried out within the standard method for credit risk. For operational risk, the Bank will use the so-called new standard method. In the case of market risk, the Bank assumes the use of an alternative standard method from the moment of its implementation into the legal system.

## 56. SUBSEQUENT EVENTS

### 24.10.2024      **Obtaining the corporate approvals required for the issuance of Additional Tier 1 (AT1) instruments**

The Bank's Supervisory Board adopted a resolution on approval of the issue of capital bonds in the maximum amount of EUR 150 million. The issue is planned for the fourth quarter of 2024. The bonds will be classified in the Bank's own funds as Additional Tier 1 (AT 1) provided the Bank has received approval from the PFSA.

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## II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

### Interim condensed separate statement of profit or loss

	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Interest income	2,656,155	7,334,384	2,384,715	6,974,021
Interest income calculated with the use of effective interest rate method	2,370,456	6,657,363	2,303,196	6,654,666
interest income on financial instruments measured at amortised cost	2,156,364	6,072,359	2,130,764	6,178,041
interest income on financial instruments measured at fair value through other comprehensive income	214,092	585,004	172,432	476,625
Income of a similar nature to interest on instruments measured at fair value through profit or loss	285,699	677,021	81,519	319,355
Interest expense	(1,102,737)	(3,214,353)	(1,044,853)	(3,244,217)
<b>Net interest income</b>	<b>1,553,418</b>	<b>4,120,031</b>	<b>1,339,862</b>	<b>3,729,804</b>
Fee and commission income	366,077	1,103,524	340,756	1,079,317
Fee and commission expense	(71,066)	(215,583)	(66,419)	(197,848)
<b>Net fee and commission income</b>	<b>295,011</b>	<b>887,941</b>	<b>274,337</b>	<b>881,469</b>
Dividend income	5,476	10,828	6,372	10,570
Net trading income (including result on foreign exchange)	225,558	640,165	272,031	756,732
Result on investment activities	(1,767)	7,022	6,211	(152)
Result on fair value hedge accounting	(6,389)	(828)	(536)	(16,866)
Result from derecognition of financial assets measured at amortized cost due to material modification	180	(2,625)	(7,890)	3,722
Result of allowance for expected credit losses of financial assets and provisions for contingent liabilities	(89,799)	(172,880)	(5,771)	52,930
Result on provisions for legal risk related to foreign currency loans	(277,246)	(488,018)	(370,848)	(961,260)
General administrative expenses	(628,025)	(2,039,635)	(617,319)	(1,847,147)
Depreciation and amortization	(127,903)	(381,888)	(115,851)	(339,376)
Other operating income	20,543	79,132	32,226	114,735
Other operating expenses	(42,141)	(148,867)	(60,614)	(147,622)
<b>Operating result</b>	<b>926,916</b>	<b>2,510,378</b>	<b>752,210</b>	<b>2,237,539</b>
Tax on financial institutions	(99,414)	(304,025)	(101,642)	(304,177)
<b>Profit before tax</b>	<b>827,502</b>	<b>2,206,353</b>	<b>650,568</b>	<b>1,933,362</b>
Income tax expenses	(198,134)	(388,633)	(212,879)	(563,590)
<b>Net profit</b>	<b>629,368</b>	<b>1,817,720</b>	<b>437,689</b>	<b>1,369,772</b>
attributable to equity holders of the Bank	629,368	1,817,720	437,689	1,369,772
<b>Earnings (loss) per share (in PLN per one share)</b>				
Basic	4.26	12.30	2.96	9.28
Diluted	4.26	12.29	2.96	9.27

## Interim condensed separate statement on comprehensive income

	3Q 2024 from 01.07.2024 to 30.09.2024	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3Q 2023 from 01.07.2023 to 30.09.2023	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Net profit for the period</b>	<b>629,368</b>	<b>1,817,720</b>	<b>437,689</b>	<b>1,369,772</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss upon fulfilment of certain conditions</b>	<b>62,052</b>	<b>98,462</b>	<b>71,402</b>	<b>475,571</b>
Measurement of gross financial assets measured at fair value through other comprehensive income	51,513	112,190	78,776	535,071
Deferred income tax on the valuation of gross financial assets measured through other comprehensive income	(9,786)	(21,315)	(14,968)	(101,664)
Measurement of cash flow hedge accounting derivatives	25,093	9,367	9,375	52,054
Deferred income tax on valuation of gross derivatives hedging cash flows	(4,768)	(1,780)	(1,781)	(9,890)
<b>Items that will not be reclassified to profit or loss</b>	<b>(1,145)</b>	<b>(1,730)</b>	<b>(1,553)</b>	<b>(1,849)</b>
Actuary valuation of employee benefits	(1,414)	(2,136)	(1,917)	(2,282)
Deferred income tax on actuarial valuation of gross personnel expenses	269	406	364	433
<b>Other comprehensive income (net)</b>	<b>60,907</b>	<b>96,732</b>	<b>69,849</b>	<b>473,722</b>
<b>Total comprehensive income</b>	<b>690,275</b>	<b>1,914,452</b>	<b>507,538</b>	<b>1,843,494</b>
attributable to equity holders of the Bank	690,275	1,914,452	507,538	1,843,494

## Interim condensed separate statement on financial position

<b>ASSETS</b>	30 September 2024	31 December 2023
Cash and balances at Central Bank	9,803,988	6,883,582
Amounts due from banks	7,382,330	17,890,698
Derivative financial instruments	2,748,414	3,146,745
Adjustment of hedged and hedging item fair value	145,256	94,496
Loans and advances to customers measured at amortised cost	82,325,772	81,137,225
Loans and advances to customers measured at fair value through profit or loss	497,128	653,582
Securities measured at amortised cost	29,899,026	26,246,278
Securities at fair value through profit or loss	307,219	290,887
Securities measured at fair value through other comprehensive income	17,958,410	16,634,303
Investments in subsidiaries	118,726	118,726
Intangible assets	935,246	940,082
Property, plant and equipment	915,733	959,737
Deferred tax assets	671,283	608,064
Other assets	977,906	783,994
<b>Total assets</b>	<b>154,686,437</b>	<b>156,388,399</b>
<b>LIABILITIES</b>	30 September 2024	31 December 2023
Amounts due to other banks	5,282,885	4,571,172
Derivative financial instruments	2,566,291	2,865,275
Adjustment of hedging and hedged item fair value	244,061	(7,365)
Amounts due to customers	122,484,709	127,134,065
Subordinated liabilities	4,302,463	4,336,072
Lease liabilities	592,184	626,174
Other liabilities	2,843,633	2,133,200
Current tax liabilities	258,371	376,736
Provisions	1,883,375	1,540,361
<b>Total liabilities</b>	<b>140,457,972</b>	<b>143,575,690</b>
<b>EQUITY</b>	30 September 2024	31 December 2023
Share capital	147,800	147,677
Supplementary capital	9,110,976	9,110,976
Other reserve capital	4,022,987	3,513,978
Revaluation reserve	(470,232)	(566,964)
Retained earnings	1,416,934	607,042
retained profit	(400,786)	(400,786)
net profit for the period	1,817,720	1,007,828
<b>Total equity</b>	<b>14,228,465</b>	<b>12,812,709</b>
<b>Total liabilities and equity</b>	<b>154,686,437</b>	<b>156,388,399</b>

## Interim condensed separate statement of changes in equity

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Share capital
					Retained profit	Net profit for the period	
<b>Balance as of 1 January 2024</b>	<b>147,677</b>	<b>9,110,976</b>	<b>3,513,978</b>	<b>(566,964)</b>	<b>(400,786)</b>	<b>1,007,828</b>	<b>12,812,709</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>96,732</b>	-	<b>1,817,720</b>	<b>1,914,452</b>
Net profit for the period	-	-	-	-	-	1,817,720	1,817,720
Other comprehensive income for the period	-	-	-	96,732	-	-	96,732
<b>Distribution of retained earnings</b>	-	-	<b>503,830</b>	-	-	<b>(1,007,828)</b>	<b>(503,998)</b>
Distribution of earnings intended for capital	-	-	503,830	-	-	(503,830)	-
Dividends paid	-	-	-	-	-	(503,998)	(503,998)
<b>Share issue</b>	<b>123</b>	-	-	-	-	-	<b>123</b>
<b>Management stock options*</b>	-	-	<b>5,179</b>	-	-	-	<b>5,179</b>
<b>Balance as of 30 September 2024</b>	<b>147,800</b>	<b>9,110,976</b>	<b>4,022,987</b>	<b>(470,232)</b>	<b>(400,786)</b>	<b>1,817,720</b>	<b>14,228,465</b>

\* the management stock option programme is described in Note 39 in the Interim Condensed Consolidated Financial Statements for the three quarters of 2024

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Share capital
					Retained profit	Net profit for the period	
<b>Balance as of 1 January 2023</b>	<b>147,593</b>	<b>9,110,976</b>	<b>3,136,599</b>	<b>(1,150,000)</b>	<b>(400,786)</b>	<b>370,892</b>	<b>11,215,274</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>583,036</b>	-	<b>1,007,828</b>	<b>1,590,864</b>
Net profit for the period	-	-	-	-	-	1,007,828	1,007,828
Other comprehensive income for the period	-	-	-	583,036	-	-	583,036
<b>Distribution of retained earnings</b>	-	-	<b>370,892</b>	-	-	<b>(370,892)</b>	-
Distribution of earnings intended for capital	-	-	370,892	-	-	(370,892)	-
<b>Share issue</b>	<b>84</b>	-	-	-	-	-	<b>84</b>
<b>Management stock options*</b>	-	-	<b>6,487</b>	-	-	-	<b>6,487</b>
<b>Balance as of 31 December 2023</b>	<b>147,677</b>	<b>9,110,976</b>	<b>3,513,978</b>	<b>(566,964)</b>	<b>(400,786)</b>	<b>1,007,828</b>	<b>12,812,709</b>

\* the management stock option programme is described in Note 39

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

\* the management stock option programme is described in Note 39

## Interim condensed separate statement on cash flows

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023 restated*
<b>Net profit (loss)</b>	<b>1,817,720</b>	<b>1,369,772</b>
<b>Adjustments for:</b>	<b>4,182,604</b>	<b>(3,016,139)</b>
Income tax expenses	388,633	563,590
Depreciation and amortization	381,888	339,376
Dividend income	(10,828)	(10,570)
Interest income	(7,334,384)	(6,974,021)
Interest expense	3,214,353	3,244,217
Change in provisions	340,878	173,188
Change in amounts due from banks	8,154,005	(9,212,495)
Change in assets due to derivative financial instruments	347,571	334,231
Change in loans and advances to customers measured at amortised cost	(1,189,522)	1,229,930
Change in loans and advances to customers measured at fair value through profit or loss	156,454	219,852
Change in amounts due to banks	109,279	(100,896)
Change in liabilities related to derivative financial instruments	(38,191)	(17,816)
Change in amounts due to customers	(4,542,391)	3,651,924
Change in other assets and deferred tax assets	(153,745)	(1,884)
Change in other liabilities and current tax liabilities	714,426	(94,368)
Other adjustments	(210,340)	(31,472)
Interest received	7,567,935	7,053,232
Interest paid	(3,120,874)	(2,952,392)
Tax paid	(591,719)	(428,930)
Lease payments with reference to short-term leases not included in the lease liability measurement	(824)	(835)
<b>Net cash flows from operating activities</b>	<b>6,000,324</b>	<b>(1,646,367)</b>

\*information on the restatement is described in Note 1

<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Investing activities inflows</b>	<b>139,597,850</b>	<b>122,179,557</b>
Sale and repurchase of securities	139,584,543	122,156,193
Sale of intangible assets and property, plant and equipment	2,479	12,794
Dividends received and other inflows from investing activities	10,828	10,570
<b>Investing activities outflows</b>	<b>(144,821,543)</b>	<b>(121,014,246)</b>
Purchase of securities	(144,508,586)	(120,719,708)
Purchase of intangible assets and property, plant and equipment	(312,957)	(294,538)
<b>Net cash flows from investing activities</b>	<b>(5,223,693)</b>	<b>1,165,311</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
<b>Financing activities inflows</b>	<b>607,755</b>	<b>84</b>
Long-term loans received and subordinated liabilities	607,632	-
Net proceeds from the issue of shares and return of capital contributions	123	84
<b>Financing activities outflows</b>	<b>(812,946)</b>	<b>(330,036)</b>
Repayment of long-term loans	(202,236)	(220,247)
Repayment of the leasing liability	(106,712)	(109,789)
Dividends paid	(503,998)	-
<b>Net cash flows from financing activities</b>	<b>(205,191)</b>	<b>(329,952)</b>
<b>TOTAL NET CASH AND CASH EQUIVALENTS</b>	<b>571,440</b>	<b>(811,008)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>15,801,272</b>	<b>13,126,607</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>16,372,712</b>	<b>12,315,599</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(20,955)	(63,583)

# 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 2024 ended 30 September 2024 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 accounting policies applied in the three quarters of 2024 do not differ from those in 2023, which are described in detail in the Separate financial statements of BNP Paribas Bank Polska S.A. for the year ended 31 December 2023, taking into account new standards, interpretations and amendments to published standards that have been issued by the International Accounting Standards Board (IASB), have been endorsed by the European Union, became effective from 1 January 2024 and have been applied by the Bank.

Compared to the Interim condensed separate financial statements prepared for the period of three quarters ended 30.09.2023 the Bank has changed its accounting policies related to the recognition of the impact of legal risk arising from litigations relating to CHF mortgage loans. These changes are described in Note 3.3 in the Interim Condensed Consolidated Financial Statements for the period of 9 months ended 30 September 2024.

The impact of the adjustments on the comparative figures is presented below:

Separate statement of cash flows	3 quarters of 2023 from 01.01.2023 to 30.09.2023		3 quarters of 2023 from 01.01.2023 to 30.09.2023
	before adjustment	adjustment	after adjustment
<b>Net profit (loss)</b>	<b>1,369,772</b>	-	<b>1,369,772</b>
<b>Total adjustments</b>	<b>(3,240,353)</b>	-	<b>(3,240,353)</b>
Change in provisions	537,403	(364,215)	173,188
Change in loans and advances to customers measured at amortised cost	865,715	364,215	1,229,930
<b>Net cash flows from operating activities</b>	<b>(1,870,581)</b>	-	<b>(1,870,581)</b>

The Interim condensed separate financial statements have been prepared in Polish zloty and all values, unless otherwise indicated, are given in thousands of zlotys (PLN thousand).

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 2024 and with the Separate financial statements of the BNP Paribas Bank Polska S.A. for the year ended 31 December 2023, which was approved by the Management Board of the Bank on 29 February 2024.

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 in the Interim Condensed Consolidated Financial Statements for the period of 9 months ended 30 September 2024.

## 2. GOING CONCERN

The present Interim condensed separate financial statements have been prepared assuming that the Bank 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.

### 3. RESULT OF ALLOWANCE FOR EXPECTED CREDIT LOSSES OF FINANCIAL ASSETS AND PROVISION FOR CONTINGENT LIABILITIES

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

3 quarters of 2024 from 01.01.2024 to 30.09.2024	Stage 1	Stage 2	Stage 3	Total	including POCI
Amounts due from banks	(178)	-	-	(178)	-
Loans and advances to customers measured at amortised cost	(23,972)	74,278	(172,389)	(122,083)	(36,342)
Contingent commitments granted	4,469	2,824	(57,906)	(50,613)	450
Securities measured at amortised cost	(6)	-	-	(6)	-
<b>Total net allowances on expected credit losses of financial assets and provisions on contingent liabilities</b>	<b>(19,687)</b>	<b>77,102</b>	<b>(230,295)</b>	<b>(172,880)</b>	<b>(35,892)</b>

#### Net allowances on expected credit losses of financial assets and provisions 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	51,418	127,129	(155,059)	23,488	(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
<b>Total net allowances on expected credit losses of financial assets and provisions on contingent liabilities</b>	<b>45,523</b>	<b>108,845</b>	<b>(101,438)</b>	<b>52,930</b>	<b>16,150</b>

### 4. LITIGATION, CLAIMS AND ADMINISTRATIVE PROCEEDINGS

#### Legal risk

As of 30 September 2024, there were no proceedings in the court, arbitration tribunal or state administration authorities regarding liabilities or receivables of the Bank, the value of which would exceed 10% of the Bank's equity.

The following litigation and administrative proceedings in which the Bank is a party are pending:

- interchange fees,
- claims by participants in investment funds in connection with the performance of investment fund depositary functions,
- administrative proceedings of the Polish Financial Supervision Authority for the imposition of a penalty in connection with the performance of the function of investment fund depositary,
- proceedings on practices violating the collective interests of consumers - unauthorised transactions,
- proceedings on practices violating the collective interests of consumers - credit holidays,
- court proceedings concerning mortgage loan agreements with interest based on WIBOR,
- administrative proceedings of the Polish Financial Supervision Authority concerning the imposition of a penalty,
- court proceedings concerning CHF credit agreements in the banking sector.

Detailed information on court cases and administrative proceedings is presented in Note 51 in the Interim Condensed Consolidated Financial Statements for the three quarters of 2024 ended 30 September 2024.

## 5. OTHER RELEVANT DISCLOSURES

The following material disclosures relating to the Interim condensed separate financial statements for the three quarters of 2024 are described in the Interim condensed consolidated financial statements for the three quarters of 2024:

- 1) Disclosure on the restructuring provision made by the Bank in Notes 7 f and 37,
- 2) Disclosures on fair value in Note 42,
- 3) Disclosures on significant estimates and events affecting the Bank's statement of financial position and results, in particular the impact of legal risks arising from litigation relating to CHF mortgage loans and the securitisation transaction in Notes 44 and 51,
- 4) Disclosures on debt securities liabilities in Note 34,
- 5) Major events in the BNP Paribas Bank Polska S.A. Group in the three quarters of 2024 in Note 54,
- 6) Significant subsequent events in Note 56.

## 6. 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 2024 the Capital Group of BNP Paribas Bank Polska S.A. comprised BNP Paribas Bank Polska S.A. as the parent company and its subsidiaries:

- BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. („TFI”),
- BNP PARIBAS LEASING SERVICES SP. Z O.O. („LEASING”),
- BNP PARIBAS GROUP SERVICE CENTER S.A. („GSC”),
- CAMPUS LESZNO SP. Z O.O. in liquidation.

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.

30.09.2024	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
<b>Assets</b>	<b>6,553,585</b>	<b>275</b>	<b>1,914,841</b>	<b>4,881</b>	<b>2,758,661</b>	<b>11,232,243</b>
Receivables on current accounts, loans and deposits	4,479,631	275	1,896,910	1,858	2,753,343	9,132,017
Derivative financial instruments	1,929,022	-	-	2,973	-	1,931,995
Hedging derivative instruments	144,719	-	-	-	-	144,719
Other assets	213	-	17,931	50	5,318	23,512
<b>Liabilities</b>	<b>10,265,935</b>	<b>76,280</b>	<b>896,259</b>	<b>9,105</b>	<b>33,850</b>	<b>11,281,429</b>
Current accounts and deposits	4,588,999	76,280	615,985	3,393	33,227	5,317,884
Subordinated liabilities	4,044,030	-	258,433	-	-	4,302,463
Derivative financial instruments	826,488	-	-	5,712	-	832,200
Hedging derivative instruments	806,418	-	-	-	-	806,418
Lease liabilities	-	-	-	-	136	136
Other liabilities	-	-	21,841	-	487	22,328
<b>Contingent liabilities</b>						
Financial commitments granted	5,564,189	-	66,317	1,956	-	5,632,462
Guarantees granted	443,809	88,662	107,559	-	898,611	1,538,641
Commitments received	9,406,984	123,303	777,778	-	818,642	11,126,707
Derivative financial instruments (nominal value)	77,119,213	-	-	102,626	-	77,221,839
Derivative hedging financial instruments (nominal value)	27,617,126	-	-	-	-	27,617,126
<b>Statement of profit or loss</b>	<b>(11,741)</b>	<b>(1,032)</b>	<b>(43,485)</b>	<b>31</b>	<b>158,995</b>	<b>102,768</b>
3 quarters of 2024 from 01.01.2024 to 30.09.2024						
Interest income	339,706	19	1,407	110	119,308	460,550
Interest expense	(361,320)	(1,051)	(17,938)	(79)	-	(380,388)
Fee and commission income	-	-	-	-	(2,889)	(2,889)
Fee and commission expense	-	-	-	-	(1,883)	(1,883)
Net trading income	92,372	-	5,179	-	-	97,551
Other operating income	-	-	31,989	-	44,750	76,739
Other operating expenses	-	-	(51,621)	-	(124)	(51,745)
General administrative expenses	(82,499)	-	(12,501)	-	(167)	(95,167)

31.12.2023	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
<b>Assets</b>	<b>15,507,274</b>	<b>46,382</b>	<b>4,386,481</b>	<b>1,746</b>	<b>1,941,446</b>	<b>21,883,329</b>
Receivables on current accounts, loans and deposits	13,202,692	46,281	4,361,616	1,724	1,939,276	19,551,589
Derivative financial instruments	2,222,035	101	-	-	-	2,222,136
Hedging derivative instruments	82,343	-	-	-	-	82,343
Other assets	204	-	24,865	22	2,170	27,261
<b>Liabilities</b>	<b>9,860,523</b>	<b>7,595</b>	<b>974,917</b>	<b>3,369</b>	<b>73,344</b>	<b>10,919,748</b>
Current accounts and deposits	4,001,897	7,595	679,851	3,369	72,813	4,765,525
Subordinated liabilities	4,075,428	-	260,644	-	-	4,336,072
Derivative financial instruments	903,960	-	10,109	-	-	914,069
Hedging derivative instruments	878,532	-	-	-	-	878,532
Lease liabilities	-	-	-	-	160	160
Other liabilities	706	-	24,313	-	371	25,390
<b>Contingent liabilities</b>						
Financial commitments granted	-	-	265,487	1,262	-	266,749
Guarantees granted	322,568	120,284	1,265,596	-	913,080	2,621,528
Commitments received	8,312,740	155,406	1,625,763	-	617,783	10,711,692
Derivative financial instruments (nominal value)	81,242,618	51,095	239,256	-	-	81,532,969
Derivative hedging financial instruments (nominal value)	9,067,254	-	-	-	-	9,067,254
<b>Statement of profit or loss</b>	<b>(671,695)</b>	<b>163</b>	<b>(18,072)</b>	<b>(6)</b>	<b>25,405</b>	<b>(664,205)</b>
3 quarters of 2023 from 01.01.2023 to 30.09.2023						
Interest income	50,670	526	11,368	30	268	62,862
Interest expense	(153,787)	(363)	(11,264)	(36)	83	(165,367)
Fee and commission income	-	-	-	-	3,890	3,890
Fee and commission expense	-	-	-	-	(5,221)	(5,221)
Net trading income	(490,505)	-	-	-	-	(490,505)
Other operating income	-	-	9,921	-	26,214	36,135
Other operating expense	-	-	(8,983)	-	(120)	(9,103)
General administrative expenses	(78,073)	-	(19,114)	-	291	(96,896)

## Remuneration of the Management Board and Supervisory Board

<b>Management Board</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Short-term employee benefits	12,372	14,947
Long-term benefits	3,741	3,445
Share-based payments*	4,792	4,156
Issued shares**	1,855	2,279
<b>Total</b>	<b>22,760</b>	<b>27,016</b>

\* includes an amount in the Bank's capital linked to the Bank's shares taken up in the future (in accordance with the variable remuneration policy)

\*\* value of shares issued based on actuarial valuation

<b>Supervisory Board</b>	3 quarters of 2024 from 01.01.2024 to 30.09.2024	3 quarters of 2023 from 01.01.2023 to 30.09.2023
Short-term employee benefits	1,354	1,243
<b>Total</b>	<b>1,354</b>	<b>1,243</b>

## 7. SEPARATE CAPITAL ADEQUACY RATIO

	30.09.2024	31.12.2023
Total own funds	15,097,000	14,928,863
Total risk exposure	89,121,203	86,385,831
Total capital ratio	16.94%	17.28%
Tier 1 capital ratio	13.24%	12.97%

## 8. SEASONAL OR CYCLICAL NATURE OF BUSINESS

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

## 9. DIVIDENDS

The Annual General Meeting of the Bank on 16 April 2024 adopted a resolution on the payment of a dividend from the net profit made in 2023. Based on that, the Bank paid a dividend in the amount of PLN 503,997,556.70, i.e. PLN 3.41 per share on 10 May 2024. The dividend covers all shares issued by the Bank, i.e. 147,799,870 shares.

## 10. DISTRIBUTION OF RETAINED EARNINGS

In accordance with the Resolution No. 7 of the Annual General Meeting of the Bank dated 16 April 2024 on distribution of the profit of BNP Paribas Bank Polska Spółka Akcyjna and payment of a dividend for the financial year 2023 from the net profit generated in 2023 in the amount of PLN 1,007,827,538.15 (one billion seven million eight hundred twenty seven thousand five hundred and thirty-eight zlotys and fifteen groszy) the Bank paid dividend in the amount of PLN 503,997,556.70 and remaining part in the amount of PLN 503,829,981.45 was allocated to the reserve capital.

## 11. CONTINGENT LIABILITIES

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

<b>Contingent liabilities</b>	30.09.2024	31.12.2023
<b>Contingent commitments granted</b>	<b>48,172,118</b>	<b>48,859,712</b>
financial commitments	33,827,991	33,355,151
guarantees	14,344,127	15,504,561
<b>Contingent commitments received</b>	<b>55,741,758</b>	<b>57,137,307</b>
financial commitments	8,049,838	8,176,478
guarantees	47,691,920	48,960,829

## 12. SUBSEQUENT EVENTS

Subsequent events are described in Note 56 of the Interim consolidated report for the three quarters of 2024.

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

07.11.2024	<b>Przemysław Gdański</b> President of the Management Board	qualified electronic signature
07.11.2024	<b>André Boulanger</b> Vice-President of the Management Board	qualified electronic signature
07.11.2024	<b>Małgorzata Dąbrowska</b> Vice-President of the Management Board	qualified electronic signature
07.11.2024	<b>Wojciech Kemblowski</b> Vice-President of the Management Board	qualified electronic signature
07.11.2024	<b>Piotr Konieczny</b> Vice-President of the Management Board	qualified electronic signature
07.11.2024	<b>Magdalena Nowicka</b> Vice-President of the Management Board	qualified electronic signature
07.11.2024	<b>Volodymyr Radin</b> Vice-President of the Management Board	qualified electronic signature
07.11.2024	<b>Agnieszka Wolska</b> Vice-President of the Management Board	qualified electronic signature

Warsaw, 7 November 2024