INTERIM CONSOLIDATED REPORT

FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2021

BNP Paribas Bank Polska S.A. Capital Group

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SELECTED FINANCIAL DATA

Selected consolidated financial data	in PLN '000		in EUR '000	
Statement of profit or loss	31.03.2021 (YTD)	31.03.2020 (YTD)	31.03.2021 (YTD)	31.03.2020 (YTD)
Net interest income	**733,130**	810,492	**160,349**	184,359
Net fee and commission income	**247,286**	206,760	**54,086**	47,031
Gross profit	**275,832**	189,853	**60,329**	43,185
Net profit	**163,986**	115,081	**35,867**	26,177
Total comprehensive income	**71,636**	123,035	**15,668**	27,986
Total net cash flows	**1,229,446**	(1,048,846)	**268,902**	(238,577)
Ratios	**31.03.2021**	31.03.2020	**31.03.2021**	31.03.2020
Number of shares (items)	**147,418,918**	147,418,918	**147,418,918**	147,418,918
Earnings per share	**1.11**	0.78	**0.24**	0.18
Statement of financial position	**31.03.2021**	31.12.2020	**31.03.2021**	31.12.2020
Total assets	**122,095,011**	119,577,288	**26,198,960**	25,911,695
Loans and advances to customers measured at amortised cost	**75,407,355**	74,097,269	**16,180,794**	16,056,442
Loans and advances to customers measured at fair value through profit or loss	**1,449,151**	1,539,848	**310,957**	333,676
Total liabilities	**109,990,479**	107,546,761	**23,601,588**	23,304,750
Liabilities due to customers	**94,687,974**	90,051,004	**20,318,000**	19,513,523
Share capital	**147,419**	147,419	**31,633**	31,945
Total equity	**12,104,532**	12,030,527	**2,597,372**	2,606,944
Capital adequacy	**31.03.2021**	31.12.2020	**31.03.2021**	31.12.2020
Total own funds	**16,012,501**	15,748,450	**3,435,938**	3,412,596
Total risk exposure	**85,123,839**	84,447,701	**18,265,742**	18,299,320
Total capital ratio	**18.81%**	18.65%	**18.81%**	18.65%
Tier 1 capital ratio	**13.79%**	13.55%	**13.79%**	13.55%

Selected separate financial data	in PLN '000		in EUR '000	
Statement of profit or loss	**31.03.2021 (YTD)**	31.03.2020 (YTD)	**31.03.2021 (YTD)**	31.03.2020 (YTD)
Net interest income	**716,772**	796,106	**156,771**	181,087
Net fee and commission income	**237,746**	196,739	**51,999**	44,751
Gross profit	**267,877**	192,916	**58,589**	43,882
Net profit	**157,471**	118,121	**34,442**	26,868
Total comprehensive income	**65,121**	126,074	**14,243**	28,678
Total net cash flows	**1,374,292**	(1,190,269)	**300,582**	(270,745)
Ratios	**31.03.2021**	31.03.2020	**31.03.2021**	31.03.2020
Number of shares (items)	**147,418,918**	147,418,918	**147,418,918**	147,418,918
Earnings per share	**1.07**	0.80	**0.23**	0.18
Statement of financial position	**31.03.2021**	31.12.2020	**31.03.2021**	31.12.2020
Total assets	**118,157,073**	115,668,150	**25,353,963**	25,064,607
Loans and advances to customers measured at amortised cost	**71,600,990**	70,446,975	**15,364,030**	15,265,445
Loans and advances to customers measured at fair value through profit or loss	**1,449,151**	1,539,848	**310,957**	333,676
Total liabilities	**106,036,045**	103,614,612	**22,753,051**	22,452,677
Liabilities due to customers	**95,955,035**	91,466,551	**20,589,884**	19,820,263
Share capital	**147,419**	147,419	**31,633**	31,945
Total equity	**12,121,028**	12,053,538	**2,600,912**	2,611,931
CAPITAL ADEQUACY	**31.03.2021**	31.12.2020	**31.03.2021**	31.12.2020
Total own funds	**16,047,390**	15,788,897	**3,443,424**	3,421,361
Total risk exposure	**81,686,557**	81,145,805	**17,528,176**	17,583,818
Total capital ratio	**19.65%**	19.46%	**19.65%**	19.46%
Tier 1 capital ratio	**14.41%**	14.16%	**14.41%**	14.16%

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 at 31.03.2021 – EUR 1 = PLN 4.6603
- as at 31.12.2020 – EUR 1 = PLN 4.6148

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 1.01.2021 to 31.03.2021 – EUR 1 = PLN 4.5721
- for the period from 1.01.2020 to 31.03.2020 – EUR 1 = PLN 4.3963

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020 (restated data)
Interest income	8	808,563	1,027,700
Interest income calculated with the use of effective interest rate method		762,611	971,855
Interest income on financial instruments measured at amortised cost		717,675	922,293
Interest income on financial instruments measured at fair value through other comprehensive income		44,936	49,562
Income of a similar nature to interest on instruments measured at fair value through profit or loss		45,952	55,845
Interest expense	8	(75,433)	(217,208)
Net interest income		**733,130**	**810,492**
Fee and commission income	9	304,436	266,538
Fee and commission expenses	9	(57,150)	(59,778)
Net fee and commission income		**247,286**	**206,760**
Dividend income		359	1,979
Net trading income	10	158,065	187,186
Result on investment activities	11	32,605	(23,569)
Result on fair value hedge accounting	22	(965)	(8,828)
Net impairment losses on financial assets and contingent liabilities	12	(60,068)	(198,321)
Result on provisions for legal risk related to foreign currency loans	52	(71,858)	(11,329)
General administrative expenses	13	(567,069)	(649,546)
Depreciation and amortisation	14	(98,104)	(89,592)
Other operating income	15	51,684	146,095
Other operating expenses	16	(70,836)	(110,833)
Operating result		**354,229**	**260,494**
Tax on financial institutions		(78,397)	(70,641)
Profit before tax		**275,832**	**189,853**
Income tax expenses	17	(111,846)	(74,772)
Net profit		**163,986**	**115,081**
attributable to equity holders of the Group		163,986	115,081
Earnings (loss) per share (in PLN per one share)			
Basic	18	1.11	0.78
Diluted	18	1.11	0.78

BNP Paribas Bank Polska S.A. Capital Group in the first quarter of 2021 generated a net profit of PLN 163,986 thousand, which was by PLN 48,905 thousand (42.5%) more than achieved in the corresponding period of 2020. The result on the Group's banking operations in the first quarter of 2021 amounted to PLN 1,151,328 thousand and was lower YoY by PLN 57,954 thousand, i.e. by 4.8%.

The most important event affecting the level of result on banking activities generated in the first quarter of 2021 compared to the result generated in the corresponding period of 2020, was the coronavirus pandemic, which started in the second half of March 2020 in Poland and significantly affected the macroeconomic situation and the conditions related to the Group’s activities and its clients. The factors that had the most significant impact on the Group's financial results include:

- lowering the level of NBP interest rates made by the Monetary Policy Council with decisions of 17 March, 8 April and 28 May 2020 (the reference rate has been lowered from 1.5% to 0.1%). These changes resulted in a decrease in market rates and consequently a decrease in the Group's interest income, mitigated to some extent by the adjustment measures taken in the area of pricing policy. Net interest income in the first quarter of 2021 was by PLN 77,362 thousand (i.e. 9.5%) lower compared to the corresponding period of 2020;
- disturbances in economic activity caused by sanitary restrictions introduced in Poland in the second and fourth quarter of 2020, which had an impact on reducing activity and changing the existing habits and behaviour of the Group's customers. This situation has primarily affected the reduction in corporate demand for credit and, to a lesser extent, demand for certain other banking services.

An additional burden on the Group's financial results in the first quarter of 2021 compared to the result generated in the corresponding period of 2020 was an increase of PLN 60,529 thousand (i.e. by 534.3%) in the result on provisions for legal risk related to foreign currency loans.

The elements that allowed to partially neutralise the negative impact of the coronavirus pandemic on the results of the first quarter of 2021 compared to the corresponding period of 2020 included:

- lower costs incurred by the Group in the first quarter of 2021 in favour of the Bank Guarantee Fund ("BFG") as a result of lower level of contributions for the BFG Council compared to 2020. In the first quarter of 2021, the total costs of the BFG incurred by the Group amounted to PLN 103,716 thousand and were by PLN 43,910 thousand (i.e. by 29.7%) lower than in the first quarter of 2020;
- the positive effects of the actions taken to optimise the level of operating costs and the realisation of cost synergies made, which were possible by the completion of the integration process with the Raiffeisen Bank Polska S.A. Core Business acquired in 2018 ("RBPL", "Core RBPL"), visible, inter alia, in the area of employee costs. Total general administrative expenses and depreciation, net of BFG costs, incurred in the first quarter of 2021 were by PLN 30,056 thousand (i.e. 5.1%) lower compared to the first quarter of 2020;
- the positive effects of changes in pricing policy and actions aimed at changing the structure of core income, which were reflected in an increase in net fee and commission income by PLN 40,526 thousand (i.e. by 19.6%) compared to the first quarter of 2020.

In addition, the realisation of a higher net profit in the first quarter of 2021 compared to the corresponding period of the previous year was influenced by incurring costs of impairment losses on financial assets and provisions for contingent liabilities, which were lower by PLN 138,253 thousand (i.e. 69.7%).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Net profit for the period	**163,986**	**115,081**
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**(93,029)**	**7,704**
Measurement of financial assets measured through other comprehensive income	(113,657)	9,511
Deferred income tax	21,595	(1,807)
Measurement of derivatives hedging gross cash flows	(1,193)	-
Deferred income tax	226	-
Items that will not be reclassified to profit or loss	**679**	**250**
Actuary valuation of employee benefits	838	308
Deferred income tax	(159)	(58)
Other comprehensive income (net)	**(92,350)**	**7,954**
Total comprehensive income for the period	**71,636**	**123,035**
attributable to equity holders of the Group	71,636	123,035

Total income of the BNP Paribas Bank Polska Capital Group for the first quarter of 2021 was lower by PLN 51,399 thousand (i.e. 41.8%) compared to the corresponding period of the previous year. The factor adversely affecting their level was the deterioration in the valuation of financial assets measured through other comprehensive income (by PLN 123,168 thousand) partly offset by an increase in the net profit generated (by PLN 48,905 thousand).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31.03.2021	31.12.2020
Cash and balances at Central Bank	19	4,421,561	3,421,877
Amounts due from banks	20	1,103,773	774,722
Derivative financial instruments	21	1,670,578	1,531,617
Adjustment of fair value of hedging item	22	311,980	531,793
Loans and advances to customers measured at amortised cost	23	75,407,355	74,097,269
Loans and advances to customers measured at fair value through profit or loss	24	1,449,151	1,539,848
Securities measured at amortised cost	25	23,456,816	23,361,022
Financial instruments measured at fair value through profit or loss	26	379,637	371,900
Securities measured at fair value through other comprehensive income	27	10,311,427	10,228,560
Intangible assets	28	634,350	651,608
Property, plant and equipment	29	1,446,340	1,479,540
Deferred tax assets		699,561	745,606
Current tax assets		62,938	55,087
Other assets	31	739,544	786,839
Total assets		**122,095,011**	**119,577,288**

The total balance sheet of BNP Paribas Bank Polska Capital Group as of 31 March 2021 amounted to PLN 122,095,011 thousand and was higher by PLN 2,517,723 thousand, i.e. by 2.1%, compared to the end of 2020.

The asset structure did not change significantly compared to the end of 2020. The structure is dominated by loans and advances to customers (total portfolios measured at amortised cost and fair value), which represented 62.9% of all assets at the end of March 2021 compared to 63.3% at the end of 2020. The increase in net loans and advances amounted to PLN 1,219,389 thousand (+1.6%) and concerned both the portfolio of individual clients (+2.9%) and the portfolio of institutional clients (+0.7%). Mortgage loans represented the highest dynamics (+3.4%).

The second largest asset item were securities, which accounted for 28.0% of the balance sheet total at 31 March 2021 (at the end of 2020: 28.4%). As at the end of March 2021, their value increased by PLN 186,398 thousand, i.e. by 0.5%, mainly as a result of an increase in the portfolio of bonds issued by other financial institutions (including PFR as part of the anti-crisis programs) and money bills of NBP.

At the same time, the share of cash and funds in the Central Bank increase from 2.9% to 3.6% (by PLN 999,684 thousand, i.e. by 29.2%) and increase in the share of amounts due from banks from 0.6% to 0.9% (by PLN 329,051 thousand, i.e. by 42.5%).

LIABILITIES	Note	31.03.2021	31.12.2020
Amounts due to the Central Bank	32	-	84,675
Amounts due to banks	33	4,910,453	6,824,894
Derivative financial instruments	21	1,404,643	1,521,148
Adjustment of fair value of hedging and hedged item	22	319,557	542,719
Amounts due to customers	34	94,687,974	90,051,004
Debt securities issued	35	1,148,518	1,318,380
Subordinated liabilities	36	4,308,602	4,306,539
Lease liabilities	30	978,393	968,749
Other liabilities	37	1,527,922	1,269,243
Provisions	38	704,417	659,410
Total liabilities		**109,990,479**	**107,546,761**
EQUITY			
Share capital	49	147,419	147,419
Supplementary capital		9,110,976	9,110,976
Other reserve capital		2,942,411	2,208,982
Revaluation reserve		163,483	255,833
Retained earnings		(259,757)	307,317
retained profit		(423,743)	(425,778)
net profit for the period		163,986	733,095
Total equity		**12,104,532**	**12,030,527**
Total liabilities and equity		**122,095,011**	**119,577,288**

As of 31 March 2021, the total value of the BNP Paribas Bank Polska S.A. Capital Group's liabilities amounted to PLN 109,990,479 thousand and has increased by PLN 2,443,718 thousand, i.e. 2.3% compared to the end of 2020. The share of liabilities in the Group's total liabilities and equity in the analysed period amounted 90.1% (+0.1 p.p. as compared to the end of 2020.)

The biggest changes in the structure of liabilities at the end of the first quarter of 2021 were an increase in the share of liabilities to customers, accompanied by a decrease in the share of liabilities to banks.

The main changes in the structure of liabilities as at the end of the first quarter of 2021 was the increase of amount due to customers, which amounted to 86.1% and increased in comparison to the end of 2020 by 2.4 p.p. The volume of those liabilities increased by PLN 4,636,970 thousand (5.1%) compared to December 2020 and amounted to PLN 94,687,974 thousand.

Equity of the Group as of 31 March 2021 amounted to PLN 12,104,532 thousand and increased in comparison to 31 December 2020 by 0.6%, i.e. by PLN 74,005 thousand. The share of total equity in the Group's total liabilities and equity at the end of March 2021 amounted to 9.9% (compared to 10.1% at the end of the previous year).

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	
Balance as at 1 January 2021	**147,419**	**9,110,976**	**2,208,982**	**255,833**	**(425,778)**	**733,095**	**12,030,527**
Total comprehensive income for the period	**-**	**-**	**-**	**(92,350)**	**-**	**163,986**	**71,636**
Net profit for the period	-	-	-	-	-	163,986	163,986
Other comprehensive income for the period	-	-	-	(92,350)	-	-	(92,350)
Distribution of retained earnings	**-**	**-**	**731,060**	**-**	**2,035**	**(733,095)**	**-**
Distribution of retained earnings intended for capital	-	-	731,060	-	2,035	(733,095)	**-**
Management stock options *	**-**	**-**	**2,369**	**-**	**-**	**-**	**2,369**
Balance as at 31 March 2021	**147,419**	**9,110,976**	**2,942,411**	**163,483**	**(423,743)**	**163,986**	**12,104,532**

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

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2020	**147,419**	**9,110,976**	**1,572,757**	**125,251**	**(411,714)**	**614,694**	**11,159,383**
Total comprehensive income for the period	**-**	**-**	**-**	**130,582**	**-**	**733,095**	**863,677**
Net profit for the period	-	-	-	-	-	733,095	733,095
Other comprehensive income for the period	-	-	-	130,582	-	-	130,582
Distribution of retained earnings	-	-	**628,696**	-	**(14,002)**	**(614,694)**	**-**
Distribution of retained earnings intended for capital	-	-	628,696	-	(14,002)	(614,694)	**-**
Management stock options *	**-**	**-**	**7,529**	**-**	**-**	**-**	**7,529**
Other adjustments	**-**	**-**	**-**	**-**	**(62)**	**-**	**(62)**
Balance as at 31 December 2020	**147,419**	**9,110,976**	**2,208,982**	**255,833**	**(425,778)**	**733,095**	**12,030,527**

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

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2020	**147,419**	**9,110,976**	**1,572,757**	**125,251**	**(411,714)**	**614,694**	**11,159,383**
Total comprehensive income for the period	**-**	**-**	**-**	**7,954**	**614,694**	**(499,613)**	**123,035**
Net profit for the period	-	-	-	-	-	115,081	115,081
Other comprehensive income for the period	-	-	-	7,954	614,694	(614,694)	7,954
Other adjustments	**-**	**-**	**-**	**-**	**(61)**	**-**	**(61)**
Balance as at 31 March 2020	**147,419**	**9,110,976**	**1,572,757**	**133,205**	**202,919**	**115,081**	**11,282,356**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Net profit (loss)		**163,986**	**115,081**
Adjustments for:		**1,475,222**	**(2,052,259)**
Income tax expenses		111,846	74,772
Depreciation and amortisation		98,104	89,592
Dividend income		(359)	(1,979)
Interest income		(808,563)	(1,027,700)
Interest expense		75,433	217,208
Change in provisions		45,623	(23,410)
Change in amounts due from banks		(100,219)	(72,007)
Change in assets due to derivative financial instruments		80,852	(1,053,630)
Change in loans and advances to customers measured at amortised cost		(1,422,245)	(3,041,178)
Change in loans and advances to customers measured at fair value through profit or loss		90,697	166,716
Change in amounts due to banks		(2,038,815)	166,134
Change in liabilities due to derivative financial instruments		(340,860)	1,044,494
Change in amounts due to customers		4,635,015	792,229
Change in other assets		79,464	140,034
Change in other liabilities		220,494	(130,360)
Other adjustments	41	36,530	62,995
Interest received		795,345	736,901
Interest paid		(82,800)	(191,913)
Lease payments for short-term leases not included in the lease liability measurement		(320)	(1,158)
Net cash flows from operating activities		**1,639,208**	**(1,937,178)**

CASH FLOWS FROM INVESTING ACTIVITIES:	Note	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Investing activities inflows		**8,217,525**	**6,035,337**
Sale of debt securities		8,213,435	5,918,621
Sale of intangible assets and property, plant and equipment		3,731	114,737
Dividends received and other investment inflows		359	1,979
Investing activities outflows		**(8,468,943)**	**(5,231,476)**
Purchase of debt securities		(8,397,000)	(5,172,934)
Purchase of intangible assets and property, plant and equipment		(71,943)	(58,542)
Net cash flows from investing activities		**(251,418)**	**803,861**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Financing activities inflows		**375,414**	**391,940**
Long-term loans received		375,414	391,940
Financing activities outflows		**(533,758)**	**(307,469)**
Repayment of long-term loans		(333,189)	(275,200)
Repayment of lease liability		(30,794)	(32,269)
Repurchase of debt securities		(169,775)	-
Net cash flows from financing activities		**(158,344)**	**84,471**
TOTAL NET CASH AND CASH EQUIVALENTS		**1,229,446**	**(1,048,846)**
Cash and cash equivalents at the beginning of the period		**3,705,320**	**4,833,209**
Cash and cash equivalents at the end of the period, including:	39	**4,934,766**	**3,784,363**
effect of exchange rate fluctuations on cash and cash equivalents		22,203	30,372

EXPLANATORY NOTES TO THE INTERIM CONDESTED CONSOLIDATED FINANCIAL STATEMENTS

1. IDENTIFICATION DATA

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

The registered office of the Bank is located at Kasprzaka 10/16 in Warsaw. The Bank is registered in Poland, by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000011571. The duration of the parent and the Group companies is unlimited.

2. DESCRIPTION OF THE CAPITAL GROUP

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

As at 31 March 2021, the BNP Paribas Bank Polska S.A. Capital Group comprised BNP Paribas Bank Polska S.A. as the parent and its subsidiaries:

The Bank's share in the equity of subsidiaries is presented in brackets:

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

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

In accordance with the principles of International Financial Reporting Standards, the interim condensed consolidated financial statements cover all subsidiaries as at 31 March 2021.

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

The interim condensed consolidated financial statements for the first quarter ended 31 March 2021 were prepared in accordance with the requirements of International Financial Reporting Standards, as adopted by the European Union ("EU IFRS"). The accounting principles applied in the first quarter of 2021 do not differ from the principles applicable in 2020, which are described in detail in the Consolidated financial statements of Bank BNP Paribas S.A. Capital Group for the year ended 31 December 2020.

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 2020.

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

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

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

- **IFRS 17 "Insurance Contracts", amendments to IFRS 17,** was published by the International Accounting Standards Board on 18 May 2017, amendments were published on 25 June 2020, and is effective for annual reporting periods beginning on or after 1 January 2023. IFRS 17 'Insurance Contracts' will replace the IFRS 4 'Insurance Contracts' standard, which allows insurance contracts to continue to be accounted under the accounting rules applicable in national standards and which consequently implies a number of different solutions. IFRS 17 requires consistent recognition of all insurance contracts. Liabilities arising from contracts will be recognised at present values instead of historical cost. The standard is to be applied based on a full retrospective approach (if inapplicable, an entity should use the modified retrospective approach or the fair value approach).
  The amendments are intended to:
  - reducing costs by simplifying certain requirements of the standard;
  - less complicated explanation of financial results; and
  - facilitating the transition to the new standard by deferring the effective date of the standard to 2023 and introducing additional relief to facilitate the first-time implementation of IFRS 17.
- **Amendments to IAS 1, Classification of liabilities as short-term and long-term** - were issued by the IASB on 23 January 2020. On 15 July 2020, the effective date was postponed to 1 January 2023. Amendments to IAS 1 affect the requirements for presenting liabilities in the statement of financial position. In particular, they explain the difference between classification of liabilities as short-term or long-term ones – the classification shall be based on the rights existing at the end of the reporting period. The prospective approach will be applicable while introducing these amendments.
- **Amendments to IFRS 3, Reference to the Conceptual Framework** - were issued by the IASB on 14 May 2020 and are effective for annual periods beginning on or after 1 January 2022. The amendments update the reference to the Conceptual Framework for Financial Reporting, which is mentioned in IFRS 3, without changing the accounting requirements for business combinations.
- **Amendments to IAS 16 Property, plant and equipment**, published on 14 May 2020, are effective for annual periods beginning on or after 1 January 2022. The amendments prohibit a company from deducting amounts received from the sale of items produced in preparation for the asset's intended use from the acquisition price or cost of property, plant and equipment. Instead, the company should recognise the sales proceeds and the corresponding costs in the statement of profit or loss.
- A**mendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**, published on 14 May 2020, are effective for annual periods beginning on or after 1 January 2022. They specify which costs an entity takes into account when assessing whether a contract will result in a loss.
- **Amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021**, issued on 31 March 2021, should be effective for reporting periods after 1 April 2021. In the amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021, (2021 amendment) the IASB extended the availability of a practical expedient exception that allows lessees not to assess whether rental facilities that occur as a direct consequence of COVID-19 pandemic and that meet certain conditions constitute a lease modification by one year. The 2021 amendment resulted in a practical exception for rental facilities for which any reduction in lease payments only affects payments originally due on or before 30 June 2022 provided that the other conditions for the application of the practical exception are met.
- **Amendment to IAS 8, Definition of Accounting Estimates**, published on 12 February 2021, is to be effective for reporting periods beginning after 1 January 2023. In the amendment to IAS 8, Definition of Accounting Estimates, the definition of a change in accounting estimates has been replaced by the definition of accounting estimates. According to the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The IASB also clarified the new definition through additional guidance and examples of how accounting policies and accounting estimates are related and how a change in valuation technique constitutes a change in accounting estimate. The introduction of the definition of accounting estimates and other amendments to IAS 8 were intended to help entities distinguish between changes in accounting policies and changes in accounting estimates.
- **Amendments to IAS 1 and IFRS 2 Practice Statement Disclosure of Accounting Policies**, published on 12 February 2021, is to be effective for reporting periods beginning on 1 January 2023. The amendments to IAS 1 and IFRS 2 Practice Statement Disclosure of Accounting Policies are intended to assist preparers in deciding which accounting policies to disclose in their financial statements. The amendments require disclosure of the significant information on accounting policies instead of significant accounting policies. Clarifications and examples of how an entity can identify significant accounting policy information have been added. The amendments clarify that accounting policy information may be material by its nature even if the amounts are immaterial and if users of financial statements would need it to understand other material information in the financial statements.

- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 6 May 2021),** published on 7 May 2021**,** that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

3.2. New standards, interpretations and amendments to the existing standards, that have been issued by the International Accounting Standards Board (IASB), approved by the European Union and are effective and have been implemented by the Group

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 15 - IBOR reform - Phase II**, published on 27 August 2020 and effective for annual periods beginning on 1 January 2021. The provisions published under Phase II of the IBOR reform relate to:
  - contractual cash flow modifications - the addition of a solution to IFRS 9 that will enable the recognition of contractual cash flow modifications due to the IBOR reform by updating the effective interest rate of the contract to reflect the transition to an alternative reference rate (there will be no obligation to cease recognising or adjusting the balance sheet amount of financial instruments); a similar solution applies to IFRS 16 for lessees' recognition of lease modifications;
  - hedge accounting - there will be no need to discontinue hedge accounting simply because of the changes required by the reform if the hedge meets the other criteria for hedge accounting; and
  - disclosures - companies will be required to disclose information about new risks arising from the reform and information on how it manages the transition to alternative reference rates.
- **Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9,** published on 25 June 2020, effective for annual periods beginning on 1 January 2021. The amendments provide two optional arrangements to reduce the impact of different effective dates of IFRS 9 and IFRS 17;
- **Amendments to IFRS 16 Leases - Covid-19-Related Rent Concessions beyond 30 June 2021**, published 28 May 2020, effective for annual periods beginning on 1 June 2020. The amendments provide an option for lessees not to treat rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

In the Group's opinion, the above-mentioned standards and amendments to the existing standards, will not have a material impact on its Interim condensed financial statements for the first quarter of 2021.

3.3. Changes in presentation of financial data

Compared to the Interim consolidated financial statements prepared for the first quarter of 2021 ended 31.03.2021, the Group changed the presentation of:

- the provision for legal risk related to foreign currency loans by transferring the costs of creating a provision from the item Other operating expenses to the item Result on provisions for legal risk related to foreign currency loans.

	1Q 2020 from 01.01.2020 to 31.03.2020 before change	Change	1Q 2020 from 01.01.2020 to 31.03.2020 after change
Other operating expenses	(122,162)	11,329	(110,833)
Result on provisions for legal risk related to foreign currency loans	-	(11,329)	(11,329)

- the provision for unpaid commissions by transferring the particular items of commission income "from lending and leasing activities", "from account servicing", "from intermediation in the sale of insurance products" and "other commissions" to the item commission expense "other commissions"

	1Q 2020 from 01.01.2020 to 31.03.2020 before change	Change	1Q 2020 from 01.01.2020 to 31.03.2020 after change
Fee and commission income	260,372	6,166	266,538
Fee and commission expenses	(53,612)	(6,166)	(59,778)
Net fee and commission income	**206,760**	**-**	**206,760**

The Group considers the presentation changes presented above to better reflect the economic nature of the above items and therefore provide more useful information to the recipients of the financial statements.

4. GOING CONCERN

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

5. APPROVAL OF THE FINANCIAL STATEMENTS

The Interim condensed consolidated report of the BNP Paribas Bank Polska S.A. Capital Group for the first quarter ended 31 March 2021 was approved for publication by the Management Board on 12 May 2021.

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 which affect the value of its assets and liabilities in the subsequent period. The estimates and assumptions, which are reviewed on an ongoing basis, are made based on prior experience and considering other factors, including expectations as to future events, which appear reasonable in specific 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 of the Bank measured at amortised cost and financial assets measured at fair value through other comprehensive income. 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.

The Bank applies a three-step approach to the measurement of expected credit losses from debt instruments measured at amortised cost or at fair value through other comprehensive income, for which no impairment loss was recognised as at the moment of initial recognition. As a result of changes in the credit quality since the initial recognition, financial assets are transferred between the following three stages:

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

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 Bank recognises 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. One of the triggers of significant increase in the credit risk is 30 or more days past due.

If in the subsequent periods the credit quality of the financial instrument improves and the previous conclusions regarding a significant credit risk increase from the moment of initial recognition are reversed, the exposure is reclassified from Stage 2 to Stage 1, and impairment allowances for expected impairment losses of these financial instruments are calculated in the 12-month horizon.

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

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

In order to assess whether there has been a significant increase in credit risk since the initial recognition of the financial instrument, the Bank compares the risk of default during the expected period of financing granted as at the balance sheet date and the date of initial recognition. For this purpose, the Bank applies an internal credit risk rating system, information on delay in repayments and information from internal credit risk monitoring systems, such as warning letters and information about restructuring.

The value of the allowance due to expected impairment losses is calculated using the probability of default, the value of the exposure expected at the moment of default and the estimation of loss in case of default. When calculating the probability of default, the Bank takes into account factors regarding the forecast of the future economic situation. The Bank uses three scenarios when forecasting the future economic situation: optimistic, pessimistic and the most probable. The considered macroeconomic factors include: GDP growth, the level of exchange rates and interest rates, and the unemployment rate. The final selection of the factor affecting the estimates and the form of quantification of the impact of the forecast of macroeconomic conditions on portfolio performance depends on the exposure to the particular sub-portfolio and the results of a number of statistical analyses.

In the first quarter of 2021 the impairment provision included a release of the allowance for unrealised credit losses related to the changes in macroeconomic scenarios and creation of an allowance for a future possible deterioration of the economic and financial situation of the entities from the branches affected by COVID-19 in the total amount of PLN 54,879 thousand on a consolidated basis.

In January 2021, the Bank implemented rules and IT solutions in line with the EBA guidelines on the application of the definition of default as set out in Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms. As a result of the introduction of the amended rules, the change in classification and adequate recalculation of risk parameters resulted in the released allowances in the amount of PLN 20,983 thousand on a consolidated basis.

As regards business entities which apply full accounting system, the Bank has compiled a list of events of default, such as considerable financial difficulties of the customer, substantial deterioration of the customer's rating or more than 90 days past due (or 30 days for forbearance exposures).

As regards retail customers and micro enterprises with simplified accounting system, more than 90 days past due (or more than 30 days for exposures with forbearance granted to debtors) is the key event of default. Other triggers include debt restructuring or a suspicion of fraud.

In determining the materiality level of the past due credit commitment, the Bank applies the principles included in the 'Regulation of the Minister of Finance, Investment and Development of 3 October 2019 on the materiality level of past due credit commitment'.

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

For exposures for which events of default occurred, individual or collective (group) tests are performed by the Bank. Individual assessment is performed for assets considered by the Bank to be individually significant and in all the cases in which the Bank has decided to perform an individual test of impairment for a given exposure.

Impairment assessment for individually significant assets

The individual test is performed by the Bank for individually significant financial assets, for which the event of default was identified. It consists in case-by-case verification of financial assets in terms of impairment. During the individual assessment, the Bank determines expected future cash flows and impairment is calculated as the difference between the present value (carrying 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.

Collective (group) assessment

The following assets are tested collectively:

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

The value of the allowance for the expected credit losses depends on the type of credit exposure, delinquency period and collateral type and value (for selected portfolios), on the probability of default (PD) parameters, loss given default (LGD) parameters and credit conversion factor (CCF).

The amount of collective impairment allowances is determined with the application of statistical methods for defined exposure portfolios which are homogenous from the perspective of credit risk. Homogeneous exposure portfolios are defined based on customer segment, type of credit products and exposure delinquency classes and, for institutional customers with a rating assigned by the Bank internally, the credit rating assigned to the customer. The criteria applied by the Bank 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 PD parameters are updated periodically during the year, in line with the value estimation principles adopted by the Bank. The aforesaid parameters are determined based on statistical analyses of historical data as well as observable migration of credit exposures. LGD and CCF parameters are updated periodically during the year. As regards CCF, the Bank's analysis focuses on the percentage of off-balance sheet liabilities converted into on-balance sheet exposures. In selected portfolios, LGD is determined for each exposure individually, based on its type and collateral value. For the remaining exposures, it is determined at the level of a given homogenous portfolio.

While classifying the exposure to Stage 3, the Bank takes into account a quarantine period, in which a credit exposure with an objective impairment trigger identified may be reclassified to Stage 2 or 1 only if the Bank's receivables from the customer have been paid on time (no amounts overdue over 30 days) for a specific number of months. The required quarantine period differs depending on the customer type. Its length is determined by the Bank on the basis of historical observations which allow for determining the period after which the probability of default drops to the level comparable to that of other exposures classified to the portfolio with no indications of impairment.

Allowances for the expected credit losses on financial assets estimated in a collective impairment test 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 Bank, 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.

b. Classification of financial instruments

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

c. Fair value of derivative instruments

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

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

d. Securities

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

e. Impairment of fixed assets

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

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

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

- the expected severance base, in accordance with the provisions of the Collective Bargaining Agreement,
- the expected increase in the severance base from the moment of valuation until the payment of severance,
- the recommended proportional dependence on seniority (in accordance with the provisions of the Collective Labour Agreement),
- gradual rights to services, unique for each team and proportional to their seniority at the Group.

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

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

The possibility of dismissal from work is estimated 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.

g. Restructuring provision

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

h. 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 realisation of the related assets due to deferred income tax or settlement of liabilities due to deferred income tax.

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

The balance sheet amount of the deferred tax asset is reviewed at the end of each reporting period and is reduced accordingly, and so far as it is no longer probable that taxable income sufficient for partial or total realisation of the deferred tax asset will be realised. 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 2021 and 2020, current income tax and deferred tax provision were calculated using the 19% rate.

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

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

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

As a result of the analysis concerning the impact of the judgment on the Group's revenues, in particular on relations expired before the judgment was issued, in 2019 the Group decided to create a provision for a proportional refund of commission in the event of early repayment of the loan in the amount of PLN 48,750 thousand. As at 31 March 2021 the provision amounted to PLN 23,980 thousand (as at 31 December 2020 the provision amounted to PLN 26,116 thousand).

The provision was estimated based on the estimation of the total amount of the provision for the early repaid loans and the expected percentage of customers who will claim for a refund of the due part of the commission. Assuming that the percentage of customers would be 5 p.p. higher than the assumed level, the amount of the provision would be higher by PLN 12.5 million.

Additionally, the Group created in 2019 a provision of PLN 20.800 thousand to cover the partial reimbursements of loan commissions in the event of their early repayment, for loans repaid after 31 December 2019. The estimate of the provision is based on the difference between the value of commissions to be reimbursed and the balance of unsettled commissions as at the expected date of early loan repayment, as at 31 March 2021 the provision amounted to PLN 2,494 thousand (as at 31 December 2020 the provision amounted to 6,161 thousand).

As a result of the CJEU judgment, the Bank has implemented a process whereby a provision for estimated refunds of fees charged is made on an ongoing basis for newly originated loans. This provision is calculated as a percentage of commissions charged to the customer, which reflects the expected average difference between the amounts of commissions to be refunded to customers and the balance of outstanding commissions at the expected time of early repayment of the loan. This percentage is calculated based on the estimated level of early repayments and the expected timing of repayment. In the event of early loan repayment, this provision will be released and for newly sold loans a provision will be created on an ongoing basis. As at 31 March 2021, the provision amounted to PLN 13,124 thousand (PLN 1,500 thousand as at 31 December 2020). 5 p.p. increase in the level of early repayments would result in a higher provision within a range from 8% to 13%, depending on the product.

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

Simultaneously, the Group recognises its liability due to the proportional reimbursement of commissions in the event of their early repayment in the period from the date of the judgment of the CJEU on 11 September 2019 to 31 December 2019. As at 31 March 2021, this liability amounted to PLN 2,418 thousand (PLN 2,434 thousand as at 31 December 2020).

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

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

8. NET INTEREST INCOME

Interest income	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Amounts due from banks	1,383	4,926
Loans and advances to customers measured at amortised cost, including:	568,539	793,470
non-banking financial institutions	2,377	3,057
retail customers	289,006	365,915
economic operators	247,548	386,408
including retail farmers	68,502	106,948
public sector institutions	494	1,288
leasing receivables	29,114	36,802
Loans and advances to customers measured at amortised cost through profit or loss	1,455	13,388
Debt instruments measured at amortised cost	147,753	123,897
Debt instruments measured at fair value through profit or loss	1,152	500
Debt instruments measured at fair value through other comprehensive income	44,936	49,562
Derivative instruments as part of fair value hedge accounting	43,292	41,957
Derivatives as part of cash flow hedge accounting	7	-
Securities purchased under repurchase agreements	46	-
Total interest income	**808,563**	**1,027,700**

Interest expense	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Amounts due to banks	(28,389)	(28,165)
Debt securities issued	(8,984)	(18,312)
Amounts due to customers, including:	(21,942)	(130,689)
non-banking financial institutions	(1,404)	(6,263)
retail customers	(11,270)	(74,511)
economic operators	(9,216)	(46,581)
including retail farmers	(33)	(799)
public sector institutions	(52)	(3,334)
Lease liabilities	(1,196)	(2,064)
Derivative instruments as part of fair value hedge accounting	(13,386)	(32,802)
Derivatives as part of cash flow hedge accounting	(1)	-
Securities sold under repurchase agreements	(11)	(5,176)
Other related to financial assets	(1,524)	-
Total interest expense	**(75,433)**	**(217,208)**
Net interest income	**733,130**	**810,492**

Net interest income is the main source of the Group's income and in the first quarter of 2021 amounted to PLN 733,130 thousand and was lower by PLN 77,362 thousand YoY, i.e. by 9.5%. The interest income was lower by PLN 219,137 thousand or 21.3%, while the interest expenses decreased by PLN 141,775 thousand or 65.3%.

An external factor that determined the decrease in the level of income, costs and interest income in the first quarter of 2021, compared to the first quarter of 2020, was the decisions made by the Monetary Policy Council regarding the reduction of NBP interest rates. The decisions were made on 17 March, 8 April and 28 May 2020. This resulted in a decrease of the reference rate from 1.5% to 0.1%).

The changes made did not significantly affect the results of the first quarter of 2020 (the first of which came into force as of 18 March), but fully affected the interest result in the first quarter of 2021. The decline in market interest rates translated directly into a reduction in the profitability of credit products which was particularly evident in the second and third quarter of 2020. As a result of the Group's pricing policy changes implemented, this trend was halted and partially reversed in the last quarter of 2020 and in the first quarter of 2021, which was mainly visible in the retail segment.

An additional factor affecting the reduction of interest income in the first quarter of 2021 as compared to the corresponding period of the previous year was also the method of recognition in the profit and loss account of the fair value adjustment for the credit portfolio acquired under the Basic Activity of RBPL. In the first quarter of 2021, the positive impact of this settlement amounted to PLN 6,323 thousand, as compared to PLN 13,431 thousand in the first quarter of 2020 (PLN 11,666 thousand in the second quarter, PLN 9,439 thousand in the third quarter and PLN 5,764 thousand in the fourth quarter).

The level of interest income was positively affected by the optimisation of funding costs performed primarily in the second and third quarter of 2020. The adjustment of the price of deposits to the changed market environment allowed for the partial neutralisation of the decrease in interest income from credit products (the decrease in the cost of deposits was twice as low as the decrease in the profitability of loans).

Among the factors that positively influenced the level of interest income in the first quarter of 2021, the increase in the scale of operations and, consequently, the increase in the average value of the securities portfolio (interest income from debt instruments measured at amortised cost and at fair value increased in the analysed period by a total of PLN 19,882 thousand, i.e. by 11.4%) should also be mentioned.

At the end of first quarter of 2021 the Group applied fair value hedge accounting. The change in fair value measurement of hedging transactions is recognised in the result on hedge accounting. Interest on IRS transactions and hedged items is recognised in the interest result.

The net interest income on hedging (total interest income and interest expense on derivatives under fair value hedge accounting and cash flows) amounted in the first quarter of 2021 to PLN 29,912 thousand compared to PLN 9,155 thousand in the first quarter of 2020 (increase by PLN 20,757 thousand or 226.7%).

9. NET FEE AND COMMISSION INCOME

Fee and commission income	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020 (data restated)
loans, advances and leases	74,334	71,338
account maintenance	65,801	44,354
cash service	6,987	8,150
cash transfers and e-banking	19,005	19,116
guarantees and documentary operations	12,188	13,664
asset management and brokerage operations	36,507	28,812
payment and credit cards	60,753	48,265
insurance mediation activity	20,688	18,622
product sale mediation and customer acquisition	3,218	3,780
other commissions	4,955	10,437
Total fee and commission income	**304,436**	**266,538**

Fee and commission expense	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020 (data restated)
loans, advances and leases	(20)	(152)
account maintenance	(2,317)	(2,808)
cash service	(3,567)	(1,325)
cash transfers and e-banking	(705)	(581)
asset management and brokerage operations	(1,731)	(1,085)
payment and credit cards	(25,495)	(30,477)
insurance mediation activity	(4,942)	(5,268)
product sale mediation and customer acquisition	(7,183)	(6,599)
other commissions	(11,190)	(11,483)
Total fee and commission expense	**(57,150)**	**(59,778)**
Net fee and commission income	**247,286**	**206,760**

The Group's net fee and commission income in the first quarter of 2021 amounted to PLN 247,286 thousand and was higher by PLN 40,526 thousand (i.e.19.6%) than in the corresponding period of the previous year.

Fee and commission income amounted to PLN 304,436 thousand and were higher by PLN 37,898 thousand (i.e. 14.2%) as compared to the first quarter of 2020, while fee and commission expenses amounted to PLN 57,150 thousand and were lower by PLN 2,628 thousand (i.e. 4.4%) YoY.

The largest increases in fee and commission income concerned the following categories:

- account services by PLN 21,447 thousand, i.e. by 48.4% (inter alia, due to the introduction of fees for high balances on corporate accounts and high balances on foreign currency accounts and as a result of higher commissions for Internet banking and cash management)
- payment and credit card processing by PLN 12,488 thousand, i.e. by 25.9% (inter alia, as a result of higher revenues from Mastercard, Visa and Allegro)
- asset management and brokerage operations by PLN 7,695 thousand, i.e. by 26.7% (inter alia, due to higher sales of investment funds and certificates of deposit)
- lending and leasing activities by PLN 2,996 thousand i.e. by 4.2% (inter alia, due to higher commissions from enterprises on used and unused liabilities).

The decrease in fee and commission expenses was mainly caused by lower expenses concerning payment and credit cards service by PLN 4,982 thousand, i.e. by 16.3% (inter alia, due to the decrease of costs for external operators in relation to the ATM transactions).

10. NET TRADING INCOME

Net trading income	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Equity instruments measured at fair value through profit or loss	5,478	4,869
Debt instruments measured at fair value through profit or loss	(956)	2,656
Derivative instruments and result on foreign exchange transactions	153,543	179,661
Total result on financial instruments at fair value through profit or loss and foreign exchange differences	**158,065**	**187,186**

The result on trading activity in the first quarter of 2021 amounted to PLN 158,065 thousand and was lower by PLN 29,121 thousand, i.e. by 15.6% YoY. The level and variability of the result is depended mainly on the valuation of capital instruments, derivatives and the result on FX.

The decrease in the level of the result on trading activities in the first quarter of 2021, compared to the corresponding period of the previous year, was mainly related to the lower result on derivatives and the result on exchange operations by PLN 26,118 thousand (i.e. by 14.5%). This decrease was influenced, inter alia, by the negative valuation of hedging transactions for the valuation of the portfolio of loans measured at fair value (PLN -13.3 million).

11. RESULT ON INVESTMENT ACTIVITIES

During the first quarter of 2021, the Group has not reclassified any financial assets measured at amortised cost to financial assets measured at fair value through other comprehensive income.

Result on investment activities	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Equity instruments measured at fair value through other comprehensive income	-	(28)
Debt instruments measured at fair value through other comprehensive income	14,688	26,620
Loans and advances to customers measured at fair value through profit or loss	17,917	(50,161)
Total result on investing activities	**32,605**	**(23,569)**

The result on investment activities in the first quarter of 2021 amounted to PLN 32,605 thousand and was higher by PLN 56,154 thousand than the loss of PLN 23,569 thousand incurred in the first quarter of 2020.

The item determining the level of the result in the first quarter of 2021 was the result of the valuation of the portfolio of loans and advances to customers measured at fair value through profit or loss, which was positive and amounted to PLN 17,917 thousand (compared to a negative impact of PLN -50,161 thousand in the first quarter of 2020).

The factor significantly affecting the valuation of the portfolio are changes in the yield curve (in the first quarter of 2021 - its growth, and in the first quarter of 2020 - decrease, being an effect of the March decrease of NBP interest rates).

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

Net impairment allowances on financial assets and contingent liabilities

1Q 2021 from 01.01.2021 to 31.03.2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**including POCI**
Amounts due from banks	(58)	-	-	(58)	-
Loans and advances to customers measured at amortised cost	(54,309)	23,540	(46,333)	(77,102)	8,328
Contingent commitments granted	12,260	(1,119)	3,904	15,045	570
Securities measured at amortised cost	85	31	1,931	2,047	1,931
Total net impairment allowances on financial assets and contingent liabilities	**(42,022)**	**22,452**	**(40,498)**	**(60,068)**	**10,829**

Impairment losses on financial assets and provisions for contingent liabilities

1Q 2020 from 01.01.2020 to 31.03.2020	Stage 1	Stage 2	Stage 3	Total	including POCI
Amounts due from banks	(1,659)	-		(1,659)	-
Loans and advances to customers measured at amortised cost	(46,017)	(35,783)	(127,388)	(209,188)	7,821
Contingent commitments granted	(2,312)	12,805	432	10,925	
Securities measured at amortised cost	193	1,408	-	1,601	-
Total net impairment allowances on financial assets and contingent liabilities	**(49,795)**	**(21,570)**	**(126,956)**	**(198,321)**	**7,821**

Net impairment losses on financial assets and provisions for contingent liabilities in the first quarter of 2021 was negative and amounted to PLN 60,068 thousand. Its impact on the Group's results was lower by PLN 138,253 thousand, i.e. by 69.7% as compared to the first quarter of 2020.

Considering the main operating segments[1]:

- The Retail and Business Banking segment recorded a decrease (improvement) of the negative result by PLN 133,672 thousand,
- SME Banking segment - recorded decrease (improvement) of the negative result by PLN 11,837 thousand,
- Corporate Banking segment (including CIB) - increase of the negative result by PLN 13,095 thousand.

The level of the result on impairment of financial assets and provisions for contingent liabilities in the analysed periods was significantly affected by the coronavirus pandemic and the assessment made at a certain point in time of its potential impact on the financial condition of the Group's customers and the economy as a whole.

In the first quarter of 2020, taking into account the estimated, based on the knowledge available at that time, effects of the coronavirus pandemic including, inter alia, the weakening of the Polish zloty and expectations as to the impact of the pandemic on the financial condition of credit customers, increased the negative result of impairment losses on financial assets and provisions for contingent liabilities by approximately PLN 70 million.

In the first quarter of 2021, the provision for unrealised credit losses related to the change in macroeconomic scenarios was released, at the same time the Bank created additional provisions for future potential deterioration in the economic and financial situation of entities in industries affected by the coronavirus pandemic. The combined impact of the above factors on the increase in the negative result on impairment of financial assets and provisions for contingent liabilities amounted to PLN 55 million.

The low level of the result from impairment allowances in the first quarter of 2021 was positively influenced by:

- implementation of rules and IT solutions compliant with the EBA guidelines on the application of the definition of default, set out in Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms. As a result of the introduction of the revised rules, the reclassification and adequate recalculation of risk parameters, the Group reversed allowances in the amount of PLN 21.0 million,
- generally good behaviour of the credit portfolio, in particular in terms of timeliness of repayments,
- significant recoveries from individually assessed impaired exposures (significant repayments and sale of non-performing exposures), no new significant impaired loans.

The result of the first quarter of 2020 was burdened by additional provisions resulting from the introduction of the multi-scenario method in individual valuation (PLN 40 million) and the negative impact of risk parameters (PLN 17.8 million), which did not occur in the first quarter of 2021.

In the first quarter of 2021, the Bank entered into agreements for the sale of the corporate and SME loan portfolio. The gross balance sheet amount of the portfolio sold was PLN 117,511 thousand. The contractual price for the sale of these portfolios was set at PLN 5,400 thousand. The net impact on the Bank's result due to the sale of the portfolios amounted to PLN 5,400 thousand and is presented in the line *Net impairment allowances on financial assets and provisions for contingent liabilities*.

In the first quarter of 2020, the Bank did not enter into any agreements regarding the sale of credit receivables.

The cost of credit risk, expressed as the ratio of net charge-offs to the average gross loans and advances to customers measured at amortised cost (calculated on a quarter-end basis), was 0.31% in the first quarter of 2021, and decreased by 73 bps compared to the first quarter of 2020 (1.04%). Excluding the sale of receivables, it is estimated that the cost of risk would have been 0.34% in the first quarter of 2021 and 1.04% in the first quarter of 2020.

[1] data based on Note 48. INFORMATION ON THE OPERATING SEGMENTS of this Report

13. GENERAL ADMINISTRATIVE COSTS

General administrative costs

General administrative expenses	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020 (restated data)
Personnel expenses	(292,794)	(315,770)
Marketing expenses	(20,797)	(29,378)
IT and telecom expenses	(56,861)	(44,211)
Short-term lease and operating costs	(16,138)	(21,605)
Other non-personnel expenses	(65,554)	(78,268)
Business travels	(1,324)	(3,554)
ATM and cash handling expenses	(5,776)	(5,564)
Costs of outsourcing services related to leasing operations	(757)	(948)
Bank Guarantee Fund fee	(103,716)	(147,626)
Polish Financial Supervision Authority fee	(3,352)	(2,622)
Total general administrative expenses	**(567,069)**	**(649,546)**

General administrative expenses (including depreciation) of the BNP Paribas Bank Polska Capital Group from 1 January to 31 March 2021 amounted to PLN 665,172 thousand and were lower by PLN 73,966 thousand or 10.0% than in the corresponding period of the previous year.

The largest YoY decrease in costs by type by PLN 43.9 million occurred in the item of Bank Guarantee Fund fee. In 2021, the total amount of contributions to the BFG for the banking sector defined by the Board of the Bank Guarantee Fund is: PLN 1.23 billion contribution to the banks' forced restructuring fund against PLN 1.6 billion for 2020 and PLN 1.0 billion against PLN 1.575 billion contribution to the banks' guarantee fund. The published total BFG contributions for 2021 are 30% lower compared to the previous year and are due to measures to support the economy in the wake of the COVID-19 pandemic.

The reduced contributions translated into a lower restructuring charge in the first quarter of 2021 compared to the corresponding period of 2020. Total premiums charged to the Bank for the first quarter of 2021 amounted to PLN 103.7 million, and decreased by PLN 43.9 million compared to the corresponding period of the previous year:

- the annual contribution to the banks' forced restructuring fund for the first quarter of 2021 was PLN 90.1 million (in the first quarter of 2020 it was PLN 126.0 million),
- the contribution to the bank guarantee fund amounted to PLN 13.6 million in the first quarter of 2021 (in the first quarter of 2020 it amounted to PLN 21.7 million).

The visible decrease in costs (by PLN 23.0 million, or 7.3%) in the personnel expenses item is due to the ongoing employment optimisation programmes (YoY decrease by 1,110 FTEs), lower allowances in the Bank for bonuses, lower overtime costs and training costs - in connection with the ongoing COVID-19 pandemic.

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

- other material costs down by PLN 12.7 million - a decrease in costs of company cars, office supplies and body leases was partly offset by an increase in consulting costs, mainly in legal advice; this item also includes the release of the provision for the Borrowers Support Fund,
- marketing costs by PLN 8.6 million - due to the pandemic, the organisation of events and meetings was limited, which also translated into lower costs of gifts and gadgets for clients and lower sponsorship costs,
- short-term lease and operation costs by PLN 5.5 million - following the process of optimising the branch network and renegotiating rents;
- business travel by PLN 2.2 million - due to the COVID-19 pandemic, travel was curtailed as a result of e.g. hotel closures, remote work and organisation of meetings via electronic communication tools.

On the other hand, IT and telecommunication costs increased by PLN 12.7 million as compared to the corresponding period of the previous year and related to higher: license and maintenance fees, costs of contact centre intermediary companies resulting from the recertification of customers in the KYC process, costs of maintenance of BNP group systems and non-capitalised expenses resulting from development work on BNP Paribas Group systems under SLA.

14. DEPRECIATION AND AMORTISATION

Depreciation and amortisation	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Property, plant and equipment	(59,978)	(57,859)
Intangible assets	(38,126)	(31,733)
Total depreciation and amortisation	**(98,104)**	**(89,592)**

Depreciation and amortisation expenses of the BNP Paribas Bank Polska Capital Group in the first quarter of 2021 amounted to PLN 98.1 million and were higher compared to the first quarter of 2020 by PLN 8.5 million. This increase was mainly due to the Bank's continued transformation and digitalisation. Depreciation and amortisation expenses in Group companies remained at a comparable level YoY.

The Bank's capital expenditure from 1 January to 31 March 2021 amounted to PLN 27,540 thousand and was lower by PLN 11,514 thousand, i.e. by 29.5% compared to the corresponding period of the previous year.

In the structure of outlays, projects connected with the development of IT systems, infrastructure and equipment had a dominant share. The amount of capital expenditures is adjusted to the current needs and capabilities of the Bank and the Group. All projects are analysed from the point of view of their rationality and impact on the financial and business situation of the Bank and the Group.

15. OTHER OPERATING INCOME

Other operating income	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Sale or liquidation of property, plant and equipment and intangible assets	5,748	117,193
On account of reversed revaluation allowances for other receivables	1,079	1,224
Sale of goods and services	2,829	3,238
Release of provisions for litigation and claims and other liabilities	9,794	6
Recovery of debt collection costs	5,983	5,324
Recovered indemnities	101	689
Income from leasing operations	10,108	10,275
Other operating income	16,042	8,146
Total other operating income	**51,684**	**146,095**

Other operating income for the first quarter of 2021 amounted to PLN 51,684 thousand and was lower by PLN 94,410 thousand or 64.6% as compared to the corresponding period of the previous year.

The comparison of income realised in the analysed periods was primarily affected by the settlement and accounting treatment regarding the sale of the real estate, i.e. the Bank's Headquarters at Kasprzaka in Warsaw in the first quarter of 2020. The total result on this operation amounted to PLN 43,564 thousand (gross value) and was presented under other operating income (under Sale or liquidation of property, plant and equipment and intangible assets, in the amount of PLN 110,848 thousand) and under other operating expenses (items: Loss on sale or liquidation of property, plant and equipment and intangible assets, in the amount of PLN 64,371 thousand and Other operating expenses, in the amount of PLN 2,914 thousand).

In addition, the level of other operating income in the first quarter of 2021 was affected by:

- an increase in revenue from the release of provisions for litigation and other liabilities by PLN 9,788 thousand
- an increase in other operating income by PLN 7,896 thousand.

16. OTHER OPERATING EXPENSES

Other operating expenses	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020 (restated data)
Loss on sale or liquidation of property, plant and equipment and intangible assets	(7,550)	(69,568)
Impairment allowances on other receivables	(3,301)	(6,098)
Provisions for restructuring of assets, litigation and claim and other liabilities	(12,396)	(5,697)
Debt collection	(11,648)	(10,848)
Donations made	(1,107)	(836)
Costs of leasing operations	(6,702)	(6,861)
Costs of compensations, penalties and fines	(270)	(1,563)
Other operating expenses	(27,862)	(9,362)
Total other operating expenses	**(70,836)**	**(110,833)**

Other operating expenses in the first quarter of 2021 amounted to PLN 70,836 thousand and were lower by PLN 39,998 thousand (i.e. by 36.1%) compared to the first quarter of 2020.

The comparison of costs realised in the analysed periods was primarily influenced by the settlement and accounting treatment of the sale of the Bank's Head Office property at Kasprzaka Street in Warsaw in the first quarter of 2020. The costs related to this transaction were presented under other operating expenses (in item: Loss on sale or liquidation of property, plant and equipment and intangible assets, in the amount of PLN 64,371 thousand and Other operating expenses, in the amount of PLN 2,914 thousand).

Additionally, the level of other operating expenses in the first quarter of 2021 was influenced by:

- other operating expenses higher by PLN 18,500 thousand, i.e. by 197.6%,
- higher costs due to provisions for litigation and other liabilities by PLN 6,699 thousand, i.e. by 117.6%.

Compared to the interim condensed consolidated financial statements prepared as at 31.03.2020, the Group changed the presentation of the provision for legal risk related to foreign currency loans by transferring the cost of creating the provisions from Other operating expenses to a separate line item in the income statement: Result on provisions for legal risk related to foreign currency loans.

17. INCOME TAX EXPENSE

	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Current income tax	(44,126)	(44,762)
Deferred income tax	(67,720)	(30,010)
Total income tax expense	**(111,846)**	**(74,772)**
Profit before income tax	275,832	189,853
Statutory tax rate	19%	19%
Income taxes on gross profit	**(52,450)**	**(38,135)**
Receivables written-off	(8,777)	(716)
Representation costs	607	352
PFRON	(360)	(424)
Fees payable to the Bank Guarantee Fund	(19,706)	(28,049)
Tax on financial institutions	(14,895)	(13,422)
Tax allowance for research and development	-	1,816
Provisions for claims on CHF loans	(13,653)	-
Provision for legal risk	(107)	(2,484)
Other differences	(2,505)	6,290
Total income / tax expense of the Group	**(111,846)**	**(74,772)**

18. EARNINGS PER SHARE

	3 months ended 31.03.2021	3 months ended 31.03.2020
Basic		
Net profit	163,986	115,081
Weighted average number of ordinary shares (in units)	147,418,918	147,418,918
Basic earnings per share (in PLN per share)	1.11	0.78
Diluted		
Net income used in determining diluted earnings per share	163,986	115,081
Weighted average number of ordinary shares (in units)	147,418,918	147,418,918
Adjustments on:		
- stock options	68,845	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in units)	147,487,763	147,418,918
Diluted earnings per share (expressed in PLN per share)	1.11	0.78

In accordance with IAS 33 the Bank prepares the calculation of diluted net profit per share, taking into account the shares issued conditionally under incentive schemes described in Note 40. The calculation does not take into account those elements of the incentive schemes which had antidilutive effect in the presented reporting periods, and which may potentially affect the dilution of profit per share in the future.

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

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

19. CASH AND CASH BALANCES AT CENTRAL BANK

Cash and cash equivalents	31.03.2021	31.12.2020
Cash and other balances	2,998,139	3,403,704
Account in the National Bank of Poland	1,423,677	18,176
Gross cash and cash equivalents	**4,421,816**	**3,421,880**
Impairment allowances	(255)	(3)
Total cash and cash equivalents	**4,421,561**	**3,421,877**

Change of impairment allowances	3 months ended 31.03.2021	3 months ended 31.03.2020
Opening balance	**(3)**	**(374)**
Increases due to acquisition or origination	(254)	(14)
Decreases due to derecognition	-	38
Changes due to changes in credit risk (net)	2	-
Other changes (including foreign exchange differences)	-	334
Closing balance	**(255)**	**(16)**

20. AMOUNTS DUE FROM BANKS

Amounts due from banks	31.03.2021			31.12.2020		
	Gross balance sheet value	Impairment allowance	Net balance sheet value	Gross balance sheet value	Impairment allowance	Net balance sheet value
Current accounts	140,512	(130)	140,382	153,690	(224)	153,466
Interbank deposits	372,819	-	372,819	123,000	-	123,000
Loans and advances	101,560	(18)	101,542	1,511	(2)	1,509
Other receivables	490,383	(1,353)	489,030	498,189	(1,442)	496,747
Total amounts due from banks	**1,105,274**	**(1,501)**	**1,103,773**	**776,390**	**(1,668)**	**774,722**

Change of impairment allowances on amount due from banks	3 months ended 31.03.2021	3 months ended 31.03.2020
Opening balance	**(1,668)**	**(920)**
Increases due to acquisition or origination	(1,986)	(3,530)
Decreases due to derecognition	1,828	1,816
Changes due to the change in credit risk (net)	353	(135)
Other changes (including foreign exchange differences)	(28)	(160)
Closing balance	**(1,501)**	**(2,929)**

As at 31 March 2021 and 31 December 2020, amounts due from other banks were classified as Stage 1.

21. DERIVATIVE FINANCIAL INSTRUMENTS

Trading derivatives (held for trading)	Nominal value	Fair value	
31.03.2021		Assets	Liabilities
Currency derivatives:			
Foreign Exchange Forward (FX Forward + NDF)	15,365,599	314,219	123,633
Currency Swap (FX Swap)	24,559,956	348,313	274,814
Currency Interest Rate Swaps (CIRS)	12,832,452	301,960	359,812
OTC currency options	4,118,913	142,806	130,948
Total currency derivatives:	**56,876,920**	**1,107,298**	**889,207**
Interest rate derivatives:			
Interest Rate Swap	42,107,780	541,972	494,739
Forward Rate Agreements (FRA)	1,250,000	-	4,387
OTC interest rate options	6,721,056	13,608	8,751
Total interest rate derivatives:	**50,078,836**	**555,580**	**507,877**
Other derivatives			
OTC commodity swaps	321,240	7,700	7,559
Currency Spot (FX Spot)	1,222,694	-	-
Total other derivatives:	**1,543,934**	**7,700**	**7,559**
Total trading derivatives:	**108,499,690**	**1,670,578**	**1,404,643**
including measured using models	108,499,690	1,670,578	1,404,643

Trading derivatives (held for trading)	Nominal value	Fair value	
31.12.2020		Assets	Liabilities
Currency derivatives:			
Foreign Exchange Forward (FX Forward + NDF)	14,782,276	184,587	113,239
Currency Swap (FX Swap)	18,367,382	178,217	213,453
Currency Interest Rate Swaps (CIRS)	13,428,351	167,205	268,192
OTC currency options	3,968,876	180,644	168,075
Total currency derivatives:	**50,546,885**	**710,653**	**762,959**
Interest rate derivatives:			
Interest Rate Swap	45,872,723	810,474	743,456
Forward Rate Agreements (FRA)	3,300,000	-	7,451
OTC interest rate options	4,435,634	4,646	1,556
Total interest rate derivatives:	**53,608,357**	**815,120**	**752,463**
Other derivatives			
OTC commodity swaps	306,311	5,844	5,726
Currency Spot (FX Spot)	3,967,651	-	-
Total other derivatives:	**4,273,962**	**5,844**	**5,726**
Total trading derivatives:	**108,429,204**	**1,531,617**	**1,521,148**
including measured using models	108,429,204	1,531,617	1,521,148

22. HEDGE ACCOUNTING

As at 31 March 2021, the Group used fair value hedge (**macro fair value hedge**).

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

IRS	Nominal value	Fair value	
		Assets	Liabilities
31.03.2021	20,627,986	311,980	113,788
31.12.2020	17,260,690	531,793	-

Presentation of result on the hedged and hedging transactions	The change in fair value of hedging instruments 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:

31.03.2021 PLN 173,327 thousand

31.12.2020 PLN 482,691 thousand

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as at 31 March 2021 and 31 December 2020:

31.03.2021								
Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	311,980	113,788	-	59,514	1,796,603	13,654,419	5,117,451	20,627,986
Hedging derivatives - total	**311,980**	**113,788**	**-**	**59,514**	**1,796,603**	**13,654,419**	**5,117,451**	**20,627,986**

31.12.2020								
Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	531,793	-	13,844	-	806,376	14,347,698	2,092,772	17,260,690
Hedging derivatives - total	**531,793**	**-**	**13,844**	**-**	**806,376**	**14,347,698**	**2,092,772**	**17,260,690**

Additionally, as at 31 March 2021, the Group applies fair value hedge accounting **(micro 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	The hedged items are: Fixed rate bond PS0422.
Hedging instruments	Hedging instruments are the standard IRS transactions, i.e. plain vanilla IRS, denominated in PLN, in which the Bank receives a fixed interest rate and pays a floating rate based on WIBOR 6M.

IRS	Nominal value	Fair value	
		Assets	Liabilities
31.03.2021	750,000	-	31,256
31.12.2020	1,750,000	-	60,027

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 at 31 March 2021 and 31 December 2020:

31.03.2021								
Hedging derivatives	Fair value		Nominal					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	31,256	-	-	-	750,000	-	750,000
Hedging derivatives - total	**-**	**31,256**	**-**	**-**	**-**	**750,000**	**-**	**750,000**

	31.12.2020							
Hedging derivatives	Fair value		Nominal					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	60,027	-	-	-	950,000	800,000	1,750,000
Hedging derivatives - total	**-**	**60,027**	**-**	**-**	**-**	**950,000**	**800,000**	**1,750,000**

Fair value hedging	31.03.2021	31.03.2020
Interest income on hedging derivatives	43,292	41,957
Interest expense on hedging derivatives	(13,386)	(32,802)
Change in fair value measurement of hedging transactions presented in Result on hedge accounting, including:	(965)	(8,828)
change in fair value of hedging instruments	(287,612)	235,451
change in fair value of hedged instruments	286,647	(244,279)

Additionally, the Group applies **cash flow hedge accounting** as at 31 March 2021. The cash flow hedge relationship was established in March 2021, and therefore there were no balances relating to this type of hedge at 31 December 2020.

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: Fixed 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
31.03.2021	50,000	-	1,185
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 at 31 March 2021:

	31.03.2021							
Hedging derivatives	Fair value		Nominal					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	1,185	-	-	-	-	50,000	50,000
Hedging derivatives - total	**-**	**1,185**	**-**	**-**	**-**	**-**	**50,000**	**50,000**

Cash flow hedges	31.03.2021
Interest income on hedging derivatives	7
Interest expense on hedging derivatives	(1)

Changes in revaluation reserve due to valuation of hedging derivatives in cash flow hedge accounting

Interest rate risk	31.03.2021
Balance at the beginning of the period	**-**
Hedging gains or losses recognised in other comprehensive income during the reporting period	(1,193)
Balance at the end of the period	**(1,193)**

23. LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST

	31.03.2021		
Loans and advances to customers measured at amortised cost	Gross balance sheet amount	Allowance	Net balance sheet amount
Loans and advances for:			
NON-BANKING FINANCIAL ENTITIES	**666,224**	**(2,486)**	**663,738**
current account loans	531,014	(1,800)	529,214
investment loans	91,713	(374)	91,339
other loans	43,497	(312)	43,185
RETAIL CUSTOMERS	**34,657,171**	**(1,091,508)**	**33,565,663**
mortgage loans	23,301,939	(354,478)	22,947,461
other loans	11,355,232	(737,030)	10,618,202
CORPORATE CUSTOMERS	**38,993,510**	**(1,964,279)**	**37,029,231**
current account loans	18,263,418	(1,253,787)	17,009,631
investment loans	13,917,627	(506,944)	13,410,683
other loans	6,812,465	(203,548)	6,608,917
INCLUDING RETAIL FARMERS	**8,082,103**	**(413,032)**	**7,669,071**
current account loans	3,978,369	(209,864)	3,768,505
investment loans	4,090,109	(201,627)	3,888,482
other loans	13,625	(1,541)	12,084
PUBLIC SECTOR INSTITUTIONS	**96,129**	**(2,035)**	**94,094**
current account loans	66,267	(1,416)	64,851
investment loans	29,247	(608)	28,639
other loans	615	(11)	604
LEASE RECEIVABLES	**4,208,598**	**(153,969)**	**4,054,629**
Total loans and advances to customers measured at amortised cost	**78,621,632**	**(3,214,277)**	**75,407,355**

	31.12.2020		
Loans and advances to customers measured at amortised cost	Gross balance sheet amount	Allowance	Net balance sheet amount
Loans and advances for:			
NON-BANKING FINANCIAL ENTITIES	**595,102**	**(1,934)**	**593,168**
current account loans	492,335	(1,577)	490,758
investment loans	96,141	(259)	95,882
other loans	6,626	(98)	6,528
RETAIL CUSTOMERS	**33,802,097**	**(1,172,830)**	**32,629,267**
mortgage loans	22,559,727	(363,664)	22,196,063
other loans	11,242,370	(809,166)	10,433,204
CORPORATE CUSTOMERS	**38,673,033**	**(1,863,349)**	**36,809,684**
current account loans	17,823,636	(1,135,775)	16,687,861
investment loans	13,921,875	(512,585)	13,409,290
other loans	6,927,522	(214,989)	6,712,533
INCLUDING RETAIL FARMERS	**8,118,713**	**(453,098)**	**7,665,615**
current account loans	3,979,679	(229,272)	3,750,407
investment loans	4,125,187	(222,105)	3,903,082
other loans	13,847	(1,721)	12,126
PUBLIC SECTOR INSTITUTIONS	**101,382**	**(2,268)**	**99,114**
current account loans	70,300	(1,649)	68,651
investment loans	30,448	(611)	29,837
other loans	634	(8)	626
LEASE RECEIVABLES	**4,112,460**	**(146,424)**	**3,966,036**
Total loans and advances to customers measured at amortised cost	**77,284,074**	**(3,186,805)**	**74,097,269**

As at the end of March 2021, gross value of loans and advances to customers (total amount of portfolios measured at amortised cost and measured at fair value) amounted to PLN 80,225,385 thousand and increased by PLN 1,225,631 thousand or 1.6% compared to the end of 2020.

The portfolio of loans and advances measured at amortised cost (gross value) in the analysed period amounted to PLN 78,621,632 thousand, and increased by PLN 1,337,558 thousand or 1.7% compared to the end of 2020.

The structure of loans and advances to customers measured at amortised cost

Gross value of loans and advances to retail customers amounted to PLN 34,657,171 thousand at the end of the first quarter of 2021 (an increase of PLN 855,074 thousand or 2.5% compared to the end of 2020). Their share in the loan portfolio measured at amortised cost in the period under review amounted to 44.1% (+0.3 p.p. as compared to the end of 2020). More than two thirds (67.2%) of the credit exposure of retail customers was belonged to real estate loans, which amounted to PLN 23,301,939 thousand at the end of March 2021. In the structure of housing loans, 79.8% of the loans belonged to loans granted in PLN, while 20.0% are loans granted in CHF (the share of loans in CHF decreased by 1.4 p.p. as compared to the end of the previous year).

The gross portfolio of loans and advances to enterprises (excluding farmers) amounted to PLN 30,911,407 thousand (increase by PLN 357,087 thousand or 1.2% compared to the end of 2020). Their share in the analysed loan portfolio at the end of March 2021 amounted to 39.3% compared to 39.5% share at the end of December 2020. Almost half of this portfolio (46.2%) are current account loans.

The volume of the portfolio of loans granted to individual farmers at the end of March 2021 amounted to PLN 8,082,103 thousand, showing a decrease of 0.5% compared to December 2020.

The value of lease receivables amounted to PLN 4,208,598 thousand (increase by 2.3% compared to the end of 2020). Their share in the credit portfolio measured at amortised cost in the analysed period amounted to 5.4% (compared to 5.3% at the end of 2020).

The volume of loans granted to non-banking financial institutions and public sector institutions amounted in total to PLN 762,353 thousand, and increased by 9.5% compared to the previous quarter.

The ratio of the share of impaired exposures in gross loans and advances to customers measured at amortised cost amounted to 5.3% at the end of the first quarter of 2021 and decreased slightly (-0.1 p.p.) compared the end of 2020.

Net loans and advances to customers by stage are as follows:

31.03.2021	Stage 1	Stage 2	Stage 3	Total	including POCI
Loans and advances for:	**67,570,085**	**6,890,707**	**160,840**	**78,621,632**	**311,642**
Non-banking financial entities	664,587	-	1,637	666,224	82
Retail customers	31,336,752	1,879,481	1,440,938	34,657,171	69,648
Corporate customers	32,000,691	4,495,746	2,497,073	38,993,510	241,891
including retail farmers	6,119,831	1,159,210	803,062	8,082,103	2
Public sector entities:	94,587	1,521	21	96,129	21
Lease receivables	3,473,468	513,959	221,171	208,598	-
Impairment allowance on loans and receivables for:	**(560,056)**	**(572,038)**	**(2,082,183)**	**(3,214,277)**	**(45,752)**
Non-banking financial entities	(1,763)	-	(723)	(2,486)	(23)
Retail customers	(191,276)	(181,614)	(718,618)	(1,091,508)	(6,732)
Corporate customers	(337 331)	(366,965)	(1,259,983)	(1,964,279)	(38,988)
including retail farmers	(39,415)	(86,754)	(286,863)	(413,032)	-
Public sector entities:	(1,857)	(169)	(9)	(2,035)	(9)
Lease receivables	(27,829)	(23,290)	(102,850)	(153,969)	-
Net loans and advances to customers measured at amortised cost	**67,010,029**	**6,318,669**	**2,078,657**	**75,407,355**	**265,890**

31.12.2020	Stage 1	Stage 2	Stage 3	Total	including POCI
Loans and advances for:	**65,969,373**	**7,165,450**	**4,149,251**	**77,284,074**	**324,756**
Non-banking financial entities	593,444	33	1,625	595,102	80
Retail customers	30,416,993	1,940,388	1,444,716	33,802,097	71,872
Corporate customers	31,474,785	4,699,506	2,498,742	38,673,033	252,760
including retail farmers	6,069,509	1,259,809	789,395	8,118,713	2
Public sector entities:	98,992	2,346	44	101,382	44
Lease receivables	3,385,159	523,177	204,124	4,112,460	-
Impairment allowance on loans and receivables for:	**(505,527)**	**(594,339)**	**(2,086,939)**	**(3,186,805)**	**(47,810)**
Non-banking financial entities	(1,213)	(3)	(718)	(1,934)	(23)
Retail customers	(197,518)	(226,981)	(748,331)	(1,172,830)	(10,127)
Corporate customers	(274,643)	(346,822)	(1,241,884)	(1,863,349)	(37,648)
including retail farmers	(48,403)	(116,224)	(288,471)	(453,098)	(1)
Public sector entities:	(1,990)	(266)	(12)	(2,268)	(12)
Lease receivables	(30,163)	(20,267)	(95,994)	(146,424)	-
Net loans and advances to customers measured at amortised cost	**65,463,846**	**6,571,111**	**2,062,312**	**74,097,269**	**276,946**

Impairment allowance for loans and advances measured at amortised cost:

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	**(505,527)**	**(594,339)**	**(2,086,939)**	**(3,186,805)**
Increase due to acquisition or origination	(83,402)	(18,088)	(23,000)	(124,490)
Decrease due to derecognition	15,114	3,247	32,081	50,442
Changes resulting from the change in credit risk (net)	101,779	61,122	(59,691)	103,210
Changes arising from updates to the method of estimation used (net)	(30,538)	28,873	24,902	23,237
Use of allowances	-	3	66,934	66,937
Other changes (including foreign exchange differences)	(57,482)	(52,856)	(36,470)	(146,808)
Balance at 31 March 2021	**(560,056)**	**(572,038)**	**(2,082,183)**	**(3,214,277)**

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	**(462,118)**	**(481,781)**	**(2,284,310)**	**(3,228,209)**
Increase due to acquisition or origination	(76,011)	(22,115)	(22,033)	(120,159)
Decrease due to derecognition	11,855	7,266	9,818	28,939
Net changes arising from changes in credit risk	51,353	12,904	(140,098)	(75,841)
Use of allowances	-	-	5,375	5,375
Other changes (including foreign exchange differences)	(36,870)	(37,092)	(26,196)	(100,158)
Balance at 31 March 2020	**(511,791)**	**(520,818)**	**(2,457,444)**	**(3,490,053)**

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

Loans by currency	31.03.2021	31.12.2020
CHF	4,652,611	4,822,478
EUR	46,420	47,606
PLN	18,600,718	17,687,284
USD	2,190	2,359
Total	**23,301,939**	**22,559,727**

Value of CHF loan portfolio

	31.03.2021			
Value of CHF loan portfolio	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
Loans and advances for:				
NON-BANKING FINANCIAL ENTITIES	**666,224**	**-**	**(2,486)**	**-**
current account loans	531,014	-	(1,800)	-
investment loans	91,713	-	(374)	-
other loans	43,497	-	(312)	-
RETAIL CUSTOMERS	**34,657,171**	**4,699,428**	**(1,091,508)**	**(225,250)**
mortgage loans	23,301,939	4,652,611	(354,478)	(217,468)
other loans	11,355,232	46,817	(737,030)	(7,782)
CORPORATE CUSTOMERS	**38,993,510**	**143,945**	**(1,964,279)**	**(11,616)**
current account loans	18,263,418	133,340	(1,253,787)	(7,091)
investment loans	13,917,627	9,581	(506,944)	(4,523)
other loans	6,812,465	1,024	(203,548)	(2)
INCLUDING RETAIL FARMERS	**8,082,103**	**2,770**	**(413,032)**	**(436)**
current account loans	3,978,369	2,685	(209,864)	(436)
investment loans	4,090,109	85	(201,627)	-
other loans	13,625	-	(1,541)	-
PUBLIC SECTOR INSTITUTIONS	**96,129**	**-**	**(2,035)**	**-**
current account loans	66,267	-	(1,416)	-
investment loans	29,247	-	(608)	-
other loans	615	-	(11)	-
LEASE RECEIVABLES	**4,208,598**	**38,362**	**(153,969)**	**(7,444)**
Total loans and advances	**78,621,632**	**4,881,735**	**(3,214,277)**	**(244,310)**

	31.12.2020			
Value of CHF loan portfolio	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
Loans and advances for:				
NON-BANKING FINANCIAL ENTITIES	**595,102**	**-**	**(1,934)**	**-**
current account loans	492,335	-	(1,577)	-
investment loans	96,141	-	(259)	-
other loans	6,626	-	(98)	-
RETAIL CUSTOMERS	**33,802,097**	**4,876,681**	**(1,172,830)**	**(235,754)**
mortgage loans	22,559,727	4,822,478	(363,664)	(223,878)
other loans	11,242,370	54,203	(809,166)	(11,876)
CORPORATE CUSTOMERS	**38,673,033**	**148,909**	**(1,863,349)**	**(12,064)**
current account loans	17,823,636	137,511	(1,135,775)	(7,502)
investment loans	13,921,875	10,068	(512,585)	(4,560)
other loans	6,927,522	1,330	(214,989)	(2)
INCLUDING RETAIL FARMERS	**8,118,713**	**3,094**	**(453,098)**	**(493)**
current account loans	3,979,679	2,998	(229,272)	(493)
investment loans	4,125,187	96	(222,105)	-
other loans	13,847	-	(1,721)	-
PUBLIC SECTOR INSTITUTIONS	**101,382**	**-**	**(2,268)**	**-**
current account loans	70,300	-	(1,649)	-
investment loans	30,448	-	(611)	-
other loans	634	-	(8)	-
LEASE RECEIVABLES	**4,112,460**	**38,940**	**(146,424)**	**(7,448)**
Total loans and advances	**77,284,074**	**5,064,530**	**(3,186,805)**	**(255,266)**

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

	31.03.2021	31.12.2020
Subsidised loans	1,449,151	1,539,848
Total loans and advances to customers measured at fair value through profit or loss	**1,449,151**	**1,539,848**

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

	Gross balance sheet value	Fair value
31.03.2021	1,603,753	1,449,151
31.12.2020	1,715,680	1,539,848

Subsidised loans at fair value	Stage 1	Stage 2	Stage 3	Total
31.03.2021	1,052,937	280,068	116,146	1,449,151
31.12.2020	1,106,270	311,307	122,271	1,539,848

25. SECURITIES MEASURED AT AMORTISED COST

	31.03.2021		
Debt securities	Gross balance sheet amount	Allowance	Net balance sheet amount
issued by domestic banks – covered bonds	5,586	(170)	5,416
issued by domestic banks	3,856,389	-	3,856,389
issued by other financial institutions	590,611	-	590,611
issued by central governments – Treasury bonds	18,722,488	(96)	18,722,392
issued by non-financial entities – bonds	204,564	(10,217)	194,347
issued by local governments – municipal bonds	88,038	(377)	87,661
Total debt instruments measured at amortised cost	**23,467,676**	**(10,860)**	**23,456,816**

	31.12.2020		
Debt securities	Gross balance sheet amount	Allowance	Net balance sheet amount
issued by domestic banks – covered bonds	5,581	(89)	5,492
issued by domestic banks	3,836,125	-	3,836,125
issued by other financial institutions	588,445	-	588,445
issued by central governments – Treasury bonds	18,640,800	(96)	18,640,704
issued by non-financial entities – bonds	213,573	(11,818)	201,755
issued by local governments – municipal bonds	88,890	(389)	88,501
Total debt instruments measured at amortised cost	**23,373,414**	**(12,392)**	**23,361,022**

31.03.2021	Stage 1	Stage 2	Stage 3	Total	including POCI
Debt instruments	**23,280,390**	**4,020**	**183,266**	**23,467,676**	**179,111**
issued by domestic banks – covered bonds	5,586	-	-	5,586	-
issued by domestic banks	3,856,389	-	-	3,856,389	-
issued by other financial institutions	590,611	-	-	590,611	-
issued by central governments – Treasury bonds	18,722,488	-	-	18,722,488	-
issued by non-financial entities – bonds	17,278	4,020	183,266	204,564	179,111
issued by local governments – municipal bonds	88,038	-	-	88,038	-
Impairment allowances on securities	**(738)**	**(415)**	**(9,707)**	**(10,860)**	**(5,551)**
issued by domestic banks – covered bonds	(170)	-	-	(170)	-
issued by central governments – Treasury bonds	(96)	-	-	(96)	-
issued by non-financial entities – bonds	(95)	(415)	(9,707)	(10,217)	(5,551)
issued by local governments – municipal bonds	(377)	-	-	(377)	-
Total net debt instruments measured at amortised cost	**23,279,652**	**3,605**	**173,559**	**23,456,816**	**173,560**

31.12.2020	Stage 1	Stage 2	Stage 3	Total	including POCI
Debt instruments	**23,180,310**	**4,021**	**189,083**	**23,373,414**	**184,928**
issued by domestic banks – covered bonds	5,581	-	-	5,581	-
issued by domestic banks	3,836,125	-	-	3,836,125	-
issued by other financial institutions	588,445	-	-	588,445	-
issued by central governments – Treasury bonds	18,640,800	-	-	18,640,800	-
issued by non-financial entities – bonds	20,469	4,021	189,083	213,573	184,928
issued by local governments – municipal bonds	88,890	-	-	88,890	-
Impairment allowances on securities	**(823)**	**(446)**	**(11,123)**	**(12,392)**	**(6,968)**
issued by domestic banks – covered bonds	(89)	-	-	(89)	-
issued by central governments – Treasury bonds	(96)	-	-	(96)	-
issued by non-financial entities – bonds	(249)	(446)	(11,123)	(11,818)	(6,968)
issued by local governments – municipal bonds	(389)	-	-	(389)	-
Total net debt instruments measured at amortised cost	**23,179,487**	**3,575**	**177,960**	**23,361,022**	**177,960**

26. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments measured at fair value through profit or loss	31.03.2021	31.12.2020
	Balance sheet	
Bonds issued by non-financial entities	51,131	54,228
Bonds convertible to non-financial institutions’ shares	56,983	57,292
Equity instruments	270,646	259,512
Units	45	44
Certificates issued by non-financial entities	832	824
Total securities at fair value through profit or loss	**379,637**	**371,900**

27. SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt securities	31.03.2021	31.12.2020
National Bank of Poland money bills	300,001	-
Bonds issued by banks	3,338,771	4,319,718
Treasury bonds issued by central governments	4,417,257	4,685,483
Bonds issued by other financial institutions	2,255,398	1,223,359
Securities measured at fair value through other comprehensive income	**10,311,427**	**10,228,560**

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	31.03.2021	31.12.2020
Licenses	440,667	420,429
Other intangible assets	6,996	7,951
Expenditure on intangible assets	186,687	223,228
Total intangible assets	**634,350**	**651,608**

In the first quarter of 2021, the net balance sheet amount of Intangible assets acquired by the Group was PLN 51,639 thousand (in the first quarter of 2020 it amounted to PLN 39,138 thousand). Both in the first quarter of 2021 and the first quarter of 2020, none of the items of Intangible assets were sold or liquidated.

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

As at 31.03.2021, the Group had significant contractual obligations incurred in connection with the acquisition of intangible assets in the amount of PLN 1,834 thousand (PLN 1,394 thousand as at 31.12.2020).

29. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	31.03.2021	31.12.2020
Fixed assets, including:	509,114	507,441
land and buildings	125,700	129,709
IT equipment	153,481	162,182
office equipment	58,995	51,526
other, including leasehold improvements	170,938	164,024
Fixed assets under construction	22,528	47,450
Right of use, including:	914,698	924,649
land and buildings	893,579	907,828
cars	21,049	16,728
other, including leasehold improvements	70	93
Total property, plant and equipment	**1,446,340**	**1,479,540**

In the first quarter of 2021, the net balance sheet amount of the components included in property, plant and equipment acquired by the Group was PLN 20,200 thousand (in the first quarter of 2020 it amounted to PLN 19,177 thousand), while the net balance sheet value of sold and liquidated components amounted to PLN 5,533 thousand (in the first quarter of 2020 it amounted to PLN 68,516 thousand).
As at 31.03.2021, the Group had significant contractual liabilities incurred in connection with the acquisition of property, plant and equipment in the amount of PLN 2,945 thousand (PLN 1,165 thousand as at 31.12.2020).

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.

	31.03.2021	31.03.2020
Lease expenses recognised in the statement of profit or loss	**(35,010)**	**(34,915)**
- interest on lease liabilities	(1,196)	(2,064)
- depreciation of right of use assets	(33,779)	(30,912)
- expenses related to short-term lease (recognised in general administrative expenses)	(35)	(1,939)

Undiscounted lease payments by maturity	31.03.2021	31.12.2020
Up to one year	139,052	126,132
Over 1 year to 5 years	498,577	493,225
Over 5 years	408,524	397,542
Total	**1,046,153**	**1,016,899**

	31.03.2021	31.12.2020
Book value of liabilities due to discounted lease payments	**978,393**	**968,749**

31. OTHER ASSETS

Other assets:	31.03.2021	31.12.2020
Receivables from contracts with customers:		
sundry debtors	162,888	192,405
accrued income	88,775	97,405
payment card settlements	30,990	31,254
social insurance settlements	9,607	5,562
Other:		
interbank and intersystem settlements	241,166	293,842
deferred expenses	63,366	32,842
tax and other regulatory receivables	56,273	50,653
other lease receivables	18,127	9,506
other	105,185	109,861
Total other assets (gross)	**776,377**	**823,330**
Impairment allowances on other receivables from sundry debtors	(36,833)	(36,491)
Total other assets (net)	**739,544**	**786,839**

32. AMOUNTS DUE TO CENTRAL BANK

Liabilities to the Central Bank	31.03.2021	31.12.2020
Overdraft on the current account at the Central Bank	-	84,675

33. AMOUNTS DUE TO BANKS

Amounts due to banks	31.03.2021	31.12.2020
Current accounts	702,350	806,438
Interbank deposits	31,741	1,615,771
Loans and advances received	3,970,278	4,081,845
Other liabilities	206,084	320,840
Total amounts due to banks	**4,910,453**	**6,824,894**

There were no breaches of contractual provisions and covenants related to the financial situation of the Bank and disclosure obligations in the first quarter of 2021 and 2020.

34. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers	31.03.2021	31.12.2020
NON-BANKING FINANCIAL INSTITUTIONS	**1,524,766**	**1,528,698**
Current accounts	1,293,131	1,335,032
Term deposits	79,789	184,356
Loans and advances received	145,995	-
Other liabilities	5,851	9,310
RETAIL CUSTOMERS	**43,877,250**	**43,578,829**
Current accounts	37,135,783	35,826,600
Term deposits	6,294,785	7,327,267
Other liabilities	446,682	424,962
CORPORATE CUSTOMERS	**48,053,629**	**43,677,506**
Current accounts	44,790,058	40,222,097
Term deposits	2,551,675	2,723,760
Other liabilities	711,896	731,649
INCLUDING FARMERS	**2,474,125**	**2,464,474**
Current accounts	2,399,581	2,388,764
Term deposits	55,800	60,296
Other liabilities	18,744	15,414
PUBLIC SECTOR CUSTOMERS	**1,232,329**	**1,265,971**
Current accounts	1,191,094	1,111,576
Term deposits	40,034	148,718
Other liabilities	1,201	5,677
Total amounts due to customers	**94,687,974**	**90,051,004**

As at the end of March 2021, amounts due to customers amounted to PLN 94,687,974 thousand and were higher by PLN 4,636,970 thousand, i.e. by 5.1% as compared to the end of 2020.

In terms of entities, the increase mainly concerned amounts due to business entities (which as at the end of the first quarter of 2021 amounted to PLN 48,053,629 thousand), the volume of which increased by PLN 4,376,123 thousand, i.e. by 10.0% as compared to the end of 2020 (mainly due to the increase in current deposits by PLN 4,567,961 thousand. The share of this segment in the total amounts due to customers increased to 50.7% compared to 48.5% at the end of December 2020.

The increase in the volume of retail deposits was noticed also in the retail segment, and amounted to PLN 43,877,250 thousand and was higher by PLN 298,421 thousand, i.e. by 0.7% compared to the end of 2020. At the same time, the share of deposits of retail customers in the total structure of amounts due to customers decreased to 46.3%, compared with 48.4% as at the end of 2020.

Deposits from non-bank financial institutions and public sector institutions as at the end of March 2021 decreased in total by PLN 37,574 thousand, i.e. 1.3% in the analysed period..

The share of current accounts in the structure of total amounts due to customers amounted to 89.1% at the end of March 2021, recording a 2.0 p.p. increase compared to the end of 2020. Funds deposited in current accounts amounted to PLN 84,410,066 thousand and increased by PLN 5,914,961 thousand or 7.5%. The increase affected business entities (+PLN 4,567,961 thousand, i.e. by 11.4%), retail customers (+PLN 1,309,183 thousand, i.e. by 3.7%), and public sector institutions (+PLN 79,518 thousand, i.e. by 7.2%). The current accounts of non-banking financial entities decreased by PLN 41,901 thousand, i.e. by 3.1% compared to December 2020.

The share of term deposits in the structure of amounts due to customers in the analysed period amounted to 9.5%, and decreased by 2.1 p.p. compared to the end of 2020. In value respect, term deposits decreased by PLN 1,417,818 thousand to the level of PLN 8,966,283 thousand, i.e. by 13.7% compared to December 2020. The decrease concerned all groups of customers, and the most significant change concerned retail customers (by: PLN 1,032,482 thousand, i.e. 14.1%).

The share of other liabilities and loans and advances received in the structure of amounts due to customers amounted to 1.4% (a decrease of 1.0 p.p. as compared to December 2020). Their total volume amounted to PLN 1,311,625 thousand.

35. DEBT SECURITIES ISSUED

	31.03.2021	31.12.2020
Debt securities issued	**1,148,518**	**1,318,380**

Debt securities issued	3 months ended 31.03.2021	3 months ended 31.03.2020
Balance at the beginning of the period	**1,318,380**	**2,179,052**
Purchase of deposit certificates	(169,775)	(259,954)
Change due to discount, interest, commissions and fees on deposit certificates settled according to ESP, exchange rate differences	(87)	447
Balance of debt securities issued at end of period	**1,148,518**	**1,919,545**

In December 2017, SPV issued bonds for the total amount of PLN 2,180,850 thousand with the maximum original maturity by 27.04.2032. Collateral for the repayment of bonds are receivables from loans and borrowings subject to securitization. The transaction of securitization of the cash and car loan portfolio is described in Note 45.

36. SUBORDINATED LIABILITIES

Subordinated liabilities	31.03.2021	31.12.2020
	4,308,602	**4,306,539**

Change in the balance of subordinated liabilities	3 months ended 31.03.2021	3 months ended 31.03.2020
Opening balance	**4,306,539**	**1,882,064**
Change on interest, commissions and fees settled by ESP	780	927
Foreign exchange differences	1,283	115,580
Closing balance	**4,308,602**	**1,998,570**

37. OTHER LIABILITIES

Other liabilities	31.03.2021	31.12.2020
Liabilities due to contracts with customers		
Sundry creditors	218,149	221,943
Payment card settlements	107,121	128,516
Deferred income	89,499	91,687
Escrow account liabilities	3,583	3,431
Social insurance settlements	43,706	30,625
Other liabilities		
Interbank and intersystem settlements	293,283	30,265
Provisions for non-personnel expenses	373,816	342,771
Provisions for other employees-related liabilities	126,486	215,090
Provision for unused annual holidays	42,401	42,481
Other regulatory liabilities	98,329	49,345
Other lease liabilities	29,859	18,100
Other	101,690	94,989
Total other liabilities	**1,527,922**	**1,269,243**

38. PROVISIONS

	31.03.2021	31.12.2020
Provision for restructuring	64,620	82,918
Provision for retirement benefits and similar obligations	17,465	18,188
Provision for contingent financial liabilities and guarantees granted	200,182	214,443
Provisions for litigation and claims	413,941	335,629
Other provisions	8,209	8,232
Total provisions	**704,417**	**659,410**

Provisions for restructuring	3 months ended 31.03.2021	3 months ended 31.03.2020
Opening balance	**82,918**	**113,076**
Provisions recognition	2,637	-
Provisions utilisation	(20,557)	(35,958)
Provisions release	(378)	-
Other changes	-	(27)
Closing balance	**64,620**	**77,091**

Provision for retirement benefits and similar obligations	3 months ended 31.03.2021	3 months ended 31.03.2020
Opening balance	**18,188**	**16,209**
Provisions recognition	523	472
Provisions usage	(408)	(355)
Provisions release	(838)	(308)
Closing balance	**17,465**	**16,018**

Provisions for contingent financial liabilities and guarantees granted	3 months ended 31.03.2021	3 months ended 31.03.2020
Opening balance	**214,443**	**233,179**
Provisions recognition	39,339	239,105
Provisions release	(15,323)	(250,031)
Changes due to changes in credit risk	(41,914)	-
Other changes	3,637	2,978
Closing balance	**200,182**	**225,231**

Provisions for litigation and claims	3 months ended 31.03.2021	3 months ended 31.03.2020
Opening balance	**335,629**	**166,073**
Provisions recognition	85,055	22,519
Provisions usage	(8,184)	(7,692)
Provisions release	(1,144)	(704)
Other changes	2,585	-
Closing balance	**413,941**	**180,196**

Other provisions	3 months ended 31.03.2021	3 months ended 31.03.2020
Opening balance	**8,232**	**2,524**
Provisions recognition	4	4
Provisions usage	(13)	-
Provisions release	(14)	(25)
Other changes	-	6,372
Closing balance	**8,209**	**8,875**

39. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents	31.03.2021	31.12.2020
Cash and balances at Central Bank (Note 19)	4,421,561	3,421,880
Current accounts of banks and other receivables	140,382	153,691
Interbank loans	372,819	123,000
Loans and advances	4	6,749
Total cash and cash equivalents	**4,934,766**	**3,705,320**

40. SHARE-BASED PAYMENTS

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

The principles and assumptions contained in the Policy guarantee the existence of a rational, balanced and controllable remuneration policy, consistent with the accepted risk level, standards and values of BNP Paribas S.A. and relevant laws and regulations, in particular the Minister of Development and Finance Regulation dated 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital in banks and recommendations included in the CRD4 Directive.

Pursuant to the Remuneration policy for Individuals with a significant impact on the Bank's risk profile as amended on 31 December 2019 and regulations adopted on its basis, i.e. the Rules of assigning and paying variable remuneration components to members of the Board of BNP Paribas Bank Polska S.A. and the Rules of assigning and paying variable remuneration components to individuals with a significant impact on the risk profile other than the members of the Board of BNP Paribas Bank Polska S.A., the form of a financial instrument in which a part of the variable remuneration is paid has been changed from phantom shares to ordinary shares (the change does not apply to persons who have terminated their cooperation with the Bank).

On 31 January 2020, the Extraordinary General Meeting of the Bank adopted a resolution on the introduction of *the Incentive Scheme for persons significantly Impacting the Bank's risk profile (MRT)*.

The 2020 variable remuneration convertible into a financial instrument was granted in actual shares of the Bank.

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 for the first quarter of 2021 and 2020.

	31.03.2021		**31.12.2020**	
	Financial instrument		**Financial instrument**	
	number	value (PLN ‘000)	number	value (PLN ‘000)
Opening balance	**220,298**	**11,455**	**294,738**	**15,628**
granted during the period in question	-	-	13,586	928
executed during the period	(44,756)	(2,163)	(88,026)	(5,101)
expired	(3,780)	(258)	-	-
Closing balance	**171,762**	**9,034**	**220,298**	**11,455**

In the first quarter of 2021, payments were made for the exercise of rights to phantom shares deferred (under the program for 2016, 2017 and 2018) in the amount of PLN 2,163 thousand.

The table below presents the conditions of the phantom share purchase plan for 2021.

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	8 March 2021
End date of phantom share granting	9 March 2021

Programme based on the Bank's shares

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

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

The Bank will grant the participants of the Incentive Scheme subscription warrants, which will result in the right to acquire a new Series M shares issued by the Bank under the conditional share capital increase. The number of Series M shares shall not exceed 576,000. The rights to acquire Series M shares shall be granted taking into account the principles of dividing the variable remuneration into the non-deferred and deferred portions, as defined in the Remuneration Policy and the regulations adopted on its basis. Series M shares will constitute a component of variable remuneration for persons having a significant impact on the Bank's risk profile within the meaning of the Regulation of the Minister of Finance dated 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital in banks (Journal of Laws 2017, item 637, as amended).

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

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

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

1. the part constituting at least 50% is assigned in the form of the Bank's shares (which will be acquired by exercising rights from subscription warrants);
2. the part of variable remuneration not less than 40% of that remuneration is deferred. The deferral period is at least 3 years. In the case of assignment of variable remuneration in an amount higher than the amount considered as particularly high, the deferral period is a maximum of 5 years. The deferred portion of the variable remuneration shall be divided into equal portions according to the number of years of the deferral period.

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

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

1. The Bank shall be prohibited from paying assigned variable remuneration in excess of the maximum amount to be paid (the so-called MDA) in a situation where the Bank does not meet the combined buffer requirement within the meaning and under the rules set out in Articles 55 and 56 of the Act on macro-prudential supervision.
2. In the event when the Bank does not meet the combined buffer requirement, then before the MDA is calculated, the Bank:
   - does not undertake commitments to pay variable remuneration or discretionary pension benefits;
   - does not make variable remuneration payments if the obligation to pay them arose during the period in which the Bank did not meet the combined buffer requirement.

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

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

The number of warrants granted for 2019 under the non-deferred portion of variable remuneration to be issued in 2021 is maximum 99,864 pieces.

In the period up to 31 March 2021, in connection with the variable remuneration granted for 2019 and 2020, as well as the estimated value of variable remuneration for 2021 which is to be granted in 2022, the Bank recognised the amount of PLN 2,369 thousand in costs and equity.

Financial instruments (shares - deferred portion) as at 31.03.2021, established as part of the deferred part of the variable remuneration for 2019 and 2020.

	31.03.2021		31.12.2020	
	Financial instrument		Financial instrument	
	number	value (PLN '000)	number	value (PLN '000)
Opening balance	**68,910**	**4,638**	**-**	**-**
granted during the period in question	39,941	2,765	68,910	4,638
Closing balance	**108,851**	**7,403**	**68,910**	**4,638**

The table below presents the terms and conditions of the Share/Warrants Purchase Plan for 2021

Type of transaction under IFRS 2	Transactions in shares
Date of publication of the programme	31 January 2020 - entry into force of the Resolution of the Supervisory Board approving the Remuneration Policy.
Date of commencement of shares granting	8 March 2021
End date of the share granting	9 March 2021

41. ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOW

Cash flows from operating activities – other adjustments	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2021 from 01.01.2020 to 31.03.2020
FX differences from subordinated loans	1,283	115,580
Valuation of securities included in the profit and loss account	18,413	3,556
Allowance for securities	(1,532)	(1,778)
Other adjustments	18,365	(54,364)
Cash flows from operating activities – total other adjustments	**36,530**	**62,995**

42. CONTINGENT LIABILITIES

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

Contingent liabilities	31.03.2021	31.12.2020
Contingent commitments granted	**39,525,657**	**38,053,674**
financial commitments	31,166,076	30,220,021
guarantees	8,359,581	7,833,653
Contingent commitments received	**22,520,248**	**21,911,007**
financial commitments	13,049,101	13,037,589
guarantees	9,471,147	8,873,418

43. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1

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

Level 2

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

Level 3

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

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

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

In the first quarter of 2021, the Group did not make any changes in the method of fair value measurement that would result in the transfer of financial assets and liabilities between levels.

As at 31.03.2021, 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: interest rate options in EUR, USD and GBP, FX options, base interest rate and FX swaps maturing within 10 years, FRA maturing within 1 year, FX Forward, NDF and FX swaps maturing within 1 year, commodity swaps maturing within 1 year, interest rate swaps maturing within 10 years, structured instruments (fair value 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 1 year, FX Forward, NDF and FX swaps maturing over 1 year, base interest rate and FX swaps maturing over 10 years, commodity swaps maturing over 1 year, interest rate swaps with residual maturity exceeding 10 years, structured instruments (fair value 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:

31.03.2021	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**10,311,472**	**1,613,987**	**2,197,312**	**14,122,772**
Derivative financial instruments	-	1,347,659	322,918	1,670,578
Hedging instruments	-	266,328	45,652	311,980
Financial instruments measured at fair value through other comprehensive income	10,311,427	-	-	10,311,427
Financial instruments measured at fair value through profit or loss	45	-	379,592	379,637
Loans and advances to customers measured at fair value through profit or loss	-	-	1,449,151	1,449,151
Liabilities measured at fair value:	**-**	**1,209,832**	**341,040**	**1,550,872**
Derivative financial instruments	-	1,071,500	333,143	1,404,643
Hedging instruments	-	138,332	7,897	146,229

31.12.2020	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**10,228,604**	**1,681,443**	**2,293,671**	**14,203,718**
Derivative financial instruments	-	1,244,523	287,094	1,531,617
Hedging instruments	-	436,920	94,873	531,793
Financial instruments measured at fair value through other comprehensive income	10,228,560	-	-	10,228,560
Financial instruments measured at fair value through profit or loss	44	-	371,856	371,900
Loans and advances to customers measured at fair value through profit or loss	-	-	1,539,848	1,539,848
Liabilities measured at fair value:	**-**	**1,233,070**	**348,105**	**1,581,175**
Derivative financial instruments	-	1,173,043	348,105	1,521,148
Hedging instruments	-	60,027	-	60,027

In the case of some derivatives there was a change of valuation level from 3 to 2 due to reduction of time to maturity. Three of the transactions migrated from valuation level 2 to level 3 due to applied fair value adjustment for credit risk.

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

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

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

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

31.03.2021	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Derivative financial instruments – liabilities	Hedging instruments - liabilities
Opening balance	**287,094**	**94,873**	**1,911,704**	**(348,105)**	**-**
Total gains/losses recognised in:	35,824	(49,221)	26,641	14,962	7,897
statement of profit or loss	35,824	(49,221)	26,641	14,962	7,897
Purchase	-	-	(786)	-	-
Settlement / Expiry	-	-	(108,816)	-	-
Closing balance	**322,918**	**45,652**	**1,828,743**	**(333,143)**	**7,897**
Unrealised gains/losses recognised in profit or loss related to assets and liabilities at the end of the period					
	35,824	**(49,221)**	**26,641**	**14,962**	**7,897**

31.03.2020	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Investment properties	Derivative financial instruments – liabilities	Hedging instruments - liabilities
Opening balance	**300,814**	**90,992**	**2,215,823**	**56,577**	**(306,055)**	**(1,626)**
Total gains/losses recognised in:	396,118	167,937	(49,979)	-	(236,524)	(15,295)
statement of profit or loss	396,118	167,937	(49,979)	-	(236,524)	(15,295)
Settlement / Expiry	-	-	(84,056)	-	-	-
Transfer	-	-	4,995	-	-	-
Closing balance	**696,932**	**258,929**	**2,086,783**	**56,577**	**(542,579)**	**(16,921)**
Unrealised gains/losses recognised in profit or loss related to assets and liabilities at the end of the period						
	396,118	**167,937**	**(49,979)**	**-**	**(236,579)**	**(15,295)**

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) comprises:

- the credit risk free yield curve;
- the cost of obtaining financing above the credit risk free yield curve;
- the market margin that reflects credit risk for receivables.

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

When using the first approach for foreign currency mortgage loans, the margin for the entire portfolio of a specific type of mortgage loans serves as the basis for determination of a margin reflecting credit risk as no new transactions are concluded. In the case of insufficient amount of loans, which makes it impossible to reliably determine the amount of margin, the average market margin for products of a given type is used.

The following table presents the book and fair values of those financial assets and liabilities which have not been presented in the Interim condensed statement of financial position at fair value, along with the measurement classification level. The current credit risk margin and the current liquidity margin, the values of which are not quoted on an active market, are the non-observable parameters for all the categories.

31.03.2021	Book value	Fair value	Level
Financial assets			
Cash and balances at Central Bank	4,421,561	4,421,561	3
Amounts due from banks	1,103,773	1,062,345	3
Loans and advances to customers measured at amortised cost	75,407,355	74,036,212	3
Debt instruments measured at amortised cost	23,456,816	25,027,597	1,3
Other financial assets	425,945	425,945	3
Financial liabilities			
Amounts due to banks	4,910,453	4,906,986	3
Amounts due to customers	94,687,974	94,691,756	3
Subordinated liabilities	4,308,602	4,796,709	3
Lease liabilities	978,393	978,393	3
Other financial liabilities	695,701	695,701	3
Debt securities issued	1,148,518	1,148,518	3

31.12.2020	Book value	Fair value	Level
Financial assets			
Cash and balances at Central Bank	3,421,877	3,421,877	3
Amounts due from banks	774,722	744,238	3
Loans and advances to customers measured at amortised cost	74,097,269	72,806,516	3
Debt instruments measured at amortised cost	23,361,022	25,276,195	1.3
Other financial assets	496,079	496,079	3
Financial liabilities			
Amounts due to the Central Bank	84,675	84,675	3
Amounts due to banks	6,824,894	6,821,688	3
Amounts due to customers	90,051,004	90,063,849	3
Subordinated liabilities	4,306,539	4,847,359	3
Lease liabilities	968,749	968,749	3
Other financial liabilities	432,881	432,881	3
Debt securities issued	1,318,380	1,318,380	3

a) Amounts due from banks and amounts due to banks

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

b) Loans and advances to customers

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

c) Securities measured at amortised cost

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

d) Liabilities due to subordinated loan

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

e) Liabilities due to customers

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

f) Lease liabilities

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

g) Debt securities issued

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

44. LOAN PORTFOLIO SALE

Loan portfolio sale

In the first quarter of 2021, the Bank concluded agreements regarding the sale of SME and corporate loan portfolio.

The gross book value of the portfolio amounted to PLN 117,511 thousand. The contractual price for the sale of these portfolios has been set at PLN 5,400 thousand. The net effect on the Bank's results from the sale of portfolios which amounted to PLN 5,400 thousand is presented in Net impairment allowances on financial assets and provisions on contingent liabilities.

45. SECURITIZATION

Securitization

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

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

SPV issued bonds with a total value of PLN 2,180,850 thousand on the basis of securitized assets and received a loan of PLN 119,621 thousand, which was secured by a registered pledge on the rights to cash flows from securitized assets. At the end of March 2021, the value of bonds and loan amounted to PLN 1,211,230 thousand.

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

In the light of the provisions of IFRS 9, the contractual terms of the securitization do not fulfil the conditions for derecognition of securitized assets. In connection with the above, the Group recognises securitized assets in “Loans and advances to customers” as at 31 March 2021 at net value of PLN 1,207,118 thousand.

The Group acts as a servicing entity in the transaction.

Balance sheet values and fair values of financial assets covered by securitization and related liabilities:

Balance sheet values and fair values of financial assets covered by securitization and related liabilities	Balance sheet amount		Fair value	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Assets	1,207,118	1,393,049	1,123,629	1,293,509
Liabilities	1,211,230	1,390,318	1,211,230	1,390,318

46. RELATED PARTY TRANSACTIONS

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

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

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

As at 31 March 2021, the Capital Group of BNP Paribas Bank Polska S.A. comprised BNP Paribas Bank Polska S.A. as the parent company, and its subsidiaries:

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

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

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

31.03.2021	BNP Paribas S.A. Paris	BNP Paribas Fortis S.A.	Other entities from the BNP Paribas S.A. Capital Group	Key personnel	Total
Assets	**1,599,108**	**1,697**	**91,842**	**14**	**1,692,661**
Receivables on current accounts, loans and deposits	602,685	1,636	80,813	-	**685,134**
Derivative financial instruments	683,223	61	-	-	**683,284**
Hedging instruments	311,980	-	-	-	**311,980**
Other assets	1,220	-	11,029	14	**12,263**
Liabilities	**8,818,882**	**5,902**	**1,568,900**	**4,613**	**10,398,297**
Loans and advances received	3,554,654	-	415,624	-	**3,970,278**
Current accounts and deposits	274,057	5,891	870,585	4,613	**1,155,146**
Subordinated liabilities	4,028,445	-	280,157	-	**4,308,602**
Derivative financial instruments	815,479	11	-	-	**815,490**
Hedged instruments	146,229	-	-	-	**146,229**
Lease liabilities	-	-	2,230	-	**2,230**
Other liabilities	18	-	304	-	**322**
Contingent liabilities					
Financial commitments granted	-	-	353,707	114	**353,821**
Guarantee commitments	107,375	180,860	890,280	-	**1,178,515**
Commitments received	1,008,695	123,889	1,097,353	-	**2,229,937**
Derivative instruments (nominal value)	58,622,606	187,694	-	-	**58,810,300**
Hedging derivative instruments (nominal value)	21,427,986	-	-	-	**21,427,986**
Statement of profit or loss	**(199,111)**	**117**	**(13,225)**	**-**	**(212,219)**
1Q 2021 from 01.01.2021 to 31.03.2021					
Interest income	-	4	1,147	-	**1,151**
Interest expense	(26,005)	-	(2,709)	-	**(28,714)**
Fee and commission income	242	51	2,224	-	**2,517**
Fee and commission expense	(288)	-	(1,834)	-	**(2,122)**
Net trading income	(160,471)	62	-	-	**(160,409)**
Other operating income	76	-	2,014	-	**2,090**
General administrative expenses	(12,665)	-	(14,067)	-	**(26,732)**

31.12.2020	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the BNP Paribas S.A. Capital Group	Key personnel	Total
Assets	**1,368,942**	**3,326**	**38,681**	**4**	**1,410,953**
Receivables on current accounts, loans and deposits	201,866	2,859	31,592	-	**236,317**
Derivative financial instruments	635,475	-	-	-	**635,475**
Hedging instruments	531,326	467	-	-	**531,793**
Other assets	275	-	7,089	4	**7,368**
Liabilities	**10,511,639**	**32,066**	**1,364,764**	**6,409**	**11,914,878**
Loans and advances received	3,506,745	-	414,294	-	**3,921,039**
Current accounts and deposits	1,964,027	32,066	670,210	6,409	**2,672,712**
Subordinated liabilities	4,029,098	-	277,441	-	**4,306,539**
Derivative financial instruments	951,742	-	-	-	**951,742**
Hedged instruments	60,027	-	-	-	**60,027**
Lease liabilities	-	-	2,552	-	**2,552**
Other liabilities	-	-	267	-	**267**
Contingent liabilities					
Financial commitments granted	-	-	765,987	105	**766,092**
Guarantee commitments	114,658	198,268	778,875	-	**1,091,801**
Commitments received	990,111	130,455	938,840	-	**2,059,406**
Derivative instruments (nominal value)	63,199,300	-	-	-	**63,199,300**
Hedging derivative instruments (nominal value)	18,996,846	13,844	-	-	**19,010,690**
Statement of profit or loss	**115,610**	**(10)**	**(16,567)**	**(6)**	**99,027**
1Q 2020 from 01.01.2020 to 31.03.2020					
Interest income	25	114	235	-	**374**
Interest expense	(22,712)	(59)	(4,941)	(6)	**(27,718)**
Fee and commission income	-	36	2,220	-	**2,256**
Fee and commission expense	(141)	-	(16)	-	**(157)**
Net trading income	143,515	(101)	(11)	-	**143,403**
Other operating income	-	-	2,834	-	**2,834**
General administrative expenses	(5,077)	-	(16,888)	-	**(21,965)**

Remuneration of the Management Board and Supervisory Board

Management Board Remuneration	31.03.2021	31.03.2020
Short-term employee benefits	5,722	7,489
Long-term benefits	2,208	6,489
Termination benefits	855	-
Share-based payments*	3,877	1,624
Total	**12,662**	**15,602**

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

Supervisory Board Remuneration	31.03.2021	31.03.2020
Short-term employee benefits	383	345
Total	**383**	**345**

47. CONSOLIDATED CAPITAL ADEQUACY RATIO

	31.03.2021	31.12.2020
Total equity	16,012,501	15,748,450
Total risk exposure	85,123,839	84,447,701
Total capital ratio	18.81%	18.65%
Tier 1 capital ratio	13.79%	13.55%

48. OPERATING SEGMENTS

Segment reporting

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

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

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

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

Description of operating segments

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

- entrepreneurs whose annual net income for the preceding financial year is below PLN 4 million, conducting full financial reporting,
- entrepreneurs conducting simplified financial reporting,
- housing communities and property managers,
- non-profit organisations,
- individual farmers whose credit exposure is within PLN 4 million to PLN 40 million or is in the range between PLN 3 million and PLN 4 million, if the collateral on arable lands covers at least 50% of credit exposure;

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

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

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

SME Banking provides services to:

- Agro-SME clients preparing full financial reporting in relation to net sales revenues for the previous financial year from PLN 4 million to PLN 60 million and credit exposure below PLN 18 million, agro-producer groups with credit exposure below PLN 40 million and Agro clients from the Group of affiliated entities with net sales revenues between PLN 4 million and up to PLN 80 million and credit exposure below PLN 40 million, as well as, regardless of the amount of revenues and the level of the Group's exposure, agricultural producer groups and organisational units of the National Forest Holding "The State Forests".

• Non-Agro-SME clients including: (i) companies preparing full financial reporting, with net sales revenues for the previous financial year from PLN 4 million to PLN 60 million and loan exposures lower than PLN 18 million; (ii) public finance sector entities with a budget of up to PLN 100 million and the credit exposure below PLN 18 million;

• Agro entrepreneurs (i.e. companies conducting production activities in agriculture) preparing full financial reporting, whose loan exposures were lower than PLN 40 million, as well as individual farmers if their loan exposure is in the range of PLN 4 million to PLN 40 million or in the range of 3 PLN million to 4 PLN million if the collateral on arable lands covers less than 50% of credit exposure;

The SME sales network is based on Business Centres dedicated solely to provision of services to Small and Medium-Sized Enterprises.

Corporate Banking offers a wide variety of financial services to large and medium-sized enterprises as well as local government entities with annual turnover exceeding PLN 40 million or with the credit exposure above PLN 12 million, in addition to entities operating in multinational capital groups.

Clients of Corporate Banking are divided into:

• international clients (companies belonging to international capital groups through capital or personal connections);

• Polish corporations (or group of Polish related entities) with annual sales revenue exceeding EUR 150 million and large Polish enterprisers (with annual turnover below EUR 150 million if they are quoted with potential in investment banking services or with dynamic sales growth in the last 3 years

• other entities, i.e. Polish entities (or groups of Polish related entities) with net sales revenues exceeding or equal to PLN 60 million or with credit exposure exceeding PLN 18 million (in the case of Agro entrepreneurs with credit exposure exceeding PLN 40 million), other domestic customers that are active in 2 or 3 of the Group's business areas or with net sales revenues exceeding PLN 100 million,

• public sector entities as well as financial and insurance institutions and international non-profit organisations.

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

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

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

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

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

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

	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss for the 3-month period ended 31.03.2021*								
Net interest income	412,529	57,825	126,177	13,488	123,110	**733,130**	93,586	150,554
external interest income	400,540	42,529	104,976	20,773	239,745	**808,563**	96,951	206,271
external interest expenses	(25,156)	(1,208)	(2,735)	(23)	(46,311)	**(75,433)**	(1,612)	(13,084)
internal interest income	153,260	29,848	55,489	(73)	(238,524)	**-**	23,279	-
internal interest expenses	(116,116)	(13,344)	(31,553)	(7,188)	168,200	**-**	(25,032)	(42,634)
Net fee and commission income	129,234	32,583	80,638	8,443	(3,612)	**247,286**	36,386	24,840
Dividend income	-	-	313	-	46	**359**	-	-
Net trading income	25,537	18,647	58,446	38,689	16,746	**158,065**	12,031	29
Result on investment activities	-	-	-	-	32,605	**32,605**	-	-
Result on hedge accounting	-	-	-	-	(965)	**(965)**	-	-
Other operating income and expenses	(8,470)	(1,261)	(3,304)	135	(6,252)	**(19,152)**	(271)	(5,563)
Net impairment losses on financial assets and contingent liabilities	(6,330)	(9,038)	(44,908)	(3,424)	3,632	**(60,068)**	1,829	(17,673)
Result on provisions for legal risk related to foreign currency loans	(71,858)	-	-	-	-	**(71,858)**	-	-
Total administrative expenses	(280,353)	(41,159)	(87,223)	(24,782)	(133,551)	**(567,069)**	(3,635)	(77,166)
Depreciation and amortisation	(25,810)	(781)	(6,384)	(1,992)	(63,136)	**(98,104)**	(124)	(4,578)
Expense allocation (internal)	(118,330)	(43,741)	(29,125)	6,426	184,770	**-**	-	(21,352)
Operating result	**56,149**	**13,075**	**94,630**	**36,983**	**153,393**	**354,229**	**139,802**	**49,091**
Tax on financial institutions	(39,520)	(6,176)	(19,154)	(3,802)	(9,745)	**(78,397)**	-	(9,737)
Profit before income tax	**16,629**	**6,899**	**75,476**	**33,181**	**143,648**	**275,832**	**139,802**	**39,354**
Income tax expense						**(111,846)**		
Net profit for the period						**163,986**		
Statement of financial position as at 31.03.2021*								
Segment assets	45,278,844	7,182,645	22,474,838	2,646,920	44,511,764	**122,095,011**	13,777,828	10,650,699
Segment liabilities	58,411,954	12,505,938	27,540,377	-	11,532,209	**109,990,479**	9,101,955	-

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

	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss for the 3-month period ended 31.03.2020*								
Net interest income	462,447	72,025	149,706	8,439	117,875	**810,492**	110,398	163,480
external interest income	525,063	83,930	173,571	17,820	227,316	**1,027,700**	170,745	238,914
external interest expenses	(97,003)	(13,854)	(34,811)	(34)	(71,506)	**(217,208)**	(12,955)	(12,064)
internal interest income	255,204	45,283	99,471	(75)	(399,884)	**-**	35,368	-
internal interest expenses	(220,817)	(43,334)	(88,525)	(9,272)	361,949	**-**	(82,760)	(63,370)
Net fee and commission income	106,406	23,166	65,661	15,261	(3,733)	**206,760**	37,282	25,344
Dividend income	-	-	1,979	-	-	**1,979**	-	(316)
Net trading income	24,871	20,847	66,376	49,299	25,793	**187,186**	12,670	922
Result on investment activities	(1)	-	-	-	(23,568)	**(23,569)**	-	-
Result on hedge accounting	-	-	-	-	(8,828)	**(8,828)**	-	-
Other operating income and expenses	4,119	(957)	(1,265)	-	33,364	**35,262**	(1,348)	1,932
Net impairment losses on financial assets and contingent liabilities	(140,002)	(20,875)	(37,939)	2,702	(2,206)	**(198,321)**	(8,300)	(57,509)
Result on provisions for legal risk related to foreign currency loans	(11,329)	-	-	-	-	**(11,329)**	-	-
Total administrative expenses	(335,092)	(48,058)	(101,058)	(18,643)	(146,695)	**(649,546)**	(4,224)	(89,373)
Depreciation and amortisation	(24,105)	(962)	(4,706)	(1,142)	(58,678)	**(89,592)**	(107)	(3,468)
Expense allocation (internal)	(120,504)	(38,333)	(31,521)	(2,319)	192,678	**-**	-	(24,178)
Operating result	**(33,190)**	**6,853**	**107,233**	**53,597**	**126,002**	**260,494**	**146,371**	**16,834**
Tax on financial institutions	(36,437)	(8,045)	(21,391)	(1,589)	(3,179)	**(70,641)**	-	(9,953)
Profit before income tax	**(69,627)**	**(1,192)**	**85,842**	**52,008**	**122,823**	**189,853**	**146,371**	**6,881**
Income tax expense						**(74,772)**		
Net profit for the period						**115,081**		
Statement of financial position as at 31.12.2020*								
Segment assets	46,089,094	6,673,999	20,824,777	2,614,541	43,374,878	**119,577,288**	13,824,047	10,445,193
Segment liabilities	58,368,129	12,278,212	23,255,675	-	13,644,746	**107,546,761**	7,881,453	-

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

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

As at 31 March 2021 the structure of the shareholders of BNP Paribas Bank Polska S.A., including those holding at least 5% of the total number of votes at the General Shareholders' Meeting was as follows:

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:	130,850,464	88.76%	130,850,464	88.76%
BNP Paribas directly	95,360,238	64.69%	95,360,238	64, 69%
BNP Paribas Fortis SA/NV directly	35,490,226	24.07%	35,490,226	24.07%
Other shareholders	16,568,454	11.24%	16,568,454	11.24%
Total	**147,418,918**	**100.00%**	**147,418,918**	**100.00%**

In the first quarter of 2021, there were no changes in the shareholding structure of the Bank.
As at 31 March 2021, the Bank's share capital amounted to PLN 147,419 thousand.
The share capital is divided into 147,418,918 shares with the par value of PLN 1.00, 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 and 49,880,600 L series shares.

The Bank's shares are ordinary bearer and registered shares (as at 31 March 2021, there were 67,005,515 registered shares, including 4 shares from B series).

No special control rights are attached to the ordinary bearer shares.

Four B series registered shares in the Bank 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 Bank's Statute does not impose any limitations as to exercising the voting rights or set forth any provisions whereby the equity rights attached to securities would be separated from the holding itself. One right to vote at the General Shareholders' Meeting of the Bank is attached to each share. The Bank's Statute does not impose any limitations as to transferring the title to the securities issued by the Bank.

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

The shareholding structure of BNP Paribas Bank Polska S.A. and rights to shares owned by the members of the Bank's Management Board and Supervisory Board as at the date of publishing the report for 2020 (26.02.2021) and the present report for the first quarter of 2021 (13.05.2021) are presented below.

MEMBER OF THE MANAGEMENT BOARD	SHARES				SUBSCRIPTION WARRANTS**
	26.02.2021	ACQUIRING SHARES*	SALE	13.05.2021	13.05.2021
Przemysław Gdański	500	7,489	-	7,989	9,148
Jean-Charles Aranda	-	3,711	1,500	2,211	2,338
Andre Boulanger	-	3,812	3,812	-	3,129
Przemysław Furlepa	-	4,458	-	4,458	2,722
Wojciech Kembłowski	-	5,127	-	5,127	3,195
Kazimierz Łabno	-	2,542	-	2,542	1,862
Volodymyr Radin	-	614	-	614	895

** subscription for series M shares by exercising rights resulting from series A1 warrants - 6.04.2021 (registered subscription warrants of A1 series were subscribed on 8.03.2021; one warrant entitled to subscribe for one series M ordinary bearer share of BNP Paribas Bank Polska S.A., at the issue price of PLN 1.00 per share)*

*** subscription warrants of A2 series – 25.03.2021 - one A2 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*

Ms Magdalena Nowicka - Vice-President of the Bank's Management Board - did not declare holding any shares/privileges of shares of BNP Paribas Bank Polska S.A. as at 31 March 2021 and as at the publication date of the present quarterly report, i.e. 13 May 2021.
Members of the Bank's Supervisory Board did not declare holding any shares/privileges of BNP Paribas Bank Polska S.A. as at 31 March 2021 and as at the publication date of the present quarterly report, i.e. 13 May 2021, and there was no change in this respect from the date of presenting report of the Bank for 2020, i.e. 26 February 2021.

Investor obligation of BNP Paribas concerning the liquidity of the Bank's shares

On 14 September 2018, PFSA BNP Paribas SA adopted the obligations regarding prudent and stable management of the Bank. As part of the obligation, BNP Paribas SA committed to increase the liquidity of the Bank's shares on the Warsaw Stock Exchange up to at least 25% plus 1 share by the end of 2023 at the latest.

The changes in the shareholder's structure after the balance sheet date are described in Note 58 Subsequent events.

50. DIVIDEND PAID

The Group did not pay any dividends for 2020.

51. DISTRIBUTION OF RETAINED EARNINGS

In accordance with the Resolution No. 6 of the Ordinary General Meeting of the Bank of 24.03.2021, the profit of the Bank after tax (net profit) for 2020 in the amount of PLN 731,060 thousand, was fully allocated to the reserve capital.

52. LITIGATION AND CLAIMS

Legal risk

As at 31 March 2021, there were no proceedings in the court, arbitration tribunal or state administration authorities regarding liabilities or receivables of the Bank, the value of which would exceed 10% of the Bank's equity.

Court decision regarding calculation of the interchange fee

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

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

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

Corporate claims against the Bank (interchange fee)

As at 31 December 2020 the Bank received:

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

Proceedings regarding recognizing a standard contract as prohibited

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

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

The Bank appealed against the decision within the statutory deadline. The Bank has established a provision for the above penalty in full amount. As of the date of the present report, a court date has not yet been set for this case.

Litigation concerning CHF credit agreements in the banking sector

More than a year after the judgment of the Court of Justice of the European Union in the CHF-indexed mortgage case (C-260/18), the number of lawsuits related to CHF mortgages against banks is gradually increasing. According to the Association of Polish Banks (ZBP), the number of pending lawsuits related to CHF loan agreements at the end of March 2021 reached almost 48 thousand compared to 39 thousand at the end of 2020. This resulted in a significant increase in provisions for these proceedings created in 2020 by banks having CHF mortgage loan portfolios. The amount of these provisions created by listed banks in 2020 amounted to approximately PLN 4.0 billion, contributing to the total value of provisions created for this purpose in the amount of PLN 5.7 billion.

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

The balance sheet value of mortgage and housing loans granted to individual customers in CHF as at 31 March 2021 amounted to PLN 4.65 billion, compared to PLN 4.82 billion at the end of 2020.

As at 31 March 2021 the Bank was the defendant in 943 (300 new cases in the first quarter of 2021) pending court proceedings (including validly closed cases, clients brought a total of 968 actions against the Bank), in which the Bank's customers demanded the annulment of mortgage loan agreements regarding foreign currency loans denominated in CHF, by determining that the Bank granted a loan in PLN without denomination to foreign currency, or settlement of the loan due to the invalidity of the loan agreement or revocation of enforceability, as well as the repayment of the spread. The Bank is not a party to any collective claim regarding these loans. The total value of claims pursued in the currently pending cases as at 31 March 2021 was PLN 323.59 million (as at 31 December 2020 was PLN 217.82 million), and in legally binding cases PLN 35.06 million (34.96 million as at 31 December 2020).

The following judgments have been issued in 25 proceedings that have been legally concluded: in 14 cases the claims against the Bank were dismissed, in 2 cases the proceedings were discontinued; in 1 case the court rejected the claim; in 7 cases, the court justified the invalidity of the contract, in 1 case only the claim for an insured low contribution was awarded, in the remaining scope the court dismissed the claim.

The Bank creates provisions on an ongoing basis for pending litigation involving denominated or foreign currency loans, taking into account the current status of judgments in cases against the Bank and the developing line of case law.

In the first quarter of 2021, the Bank created the reserve in the amount of PLN 71.8 million for the risk related to the CHF loan portfolio (PLN 101.7 million in the fourth quarter of 2020 and PLN 168.2 million in the whole 2020). The increase in the provision in the first quarter of 2021 resulted mainly from the growing number of new claims, update of the assumptions and parameters of the model applied in the Bank and the observed unfavourable development of the case-law line for the Banks. As at 31 March 2021, the total value of provisions created for proceedings relating to loans in CHF was PLN 272.1 million (PLN 200.3 million as at 31 December 2020).

The provision is created in accordance with IAS 37 ‘Provisions, contingent liabilities and contingent assets’. Provision for pending cases is calculated on an individual basis, for future cases using the portfolio method. While calculating the provision, the Bank takes into account, inter alia, the number of certificates downloaded by clients for trial purposes, the estimated probability of clients filing cases, the estimated number of future claims, the number of claims filed, the probability of losing the case, and the Bank's expected loss in the event of an unfavourable judgment. In estimating the number of future cases, the Bank adopted a 4-year forecast period assuming approximately 10% of borrowers with active CHF loans have filed or will file a lawsuit against the Bank.

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 the CJEU judgment of 3 October 2019.

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

Should the assumed average loss change by +/- 5%, with all other significant assumptions unchanged, the amount of the provision would change by +/- PLN 13.5 million.

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

Parameter	Scenario	Impact on Bank's loss due to legal risk
Percentage of lawsuits lost	+5 p.p.	+PLN 17.5 million
	-5 p.p.	-PLN 17.5 million

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

Parameter	Scenario	Impact on Bank's loss due to legal risk
Number of lawsuits	+20%	+ PLN 17.8 million
	-20%	- PLN 17.8 million

Additionally, if 1% of customers with CHF loans filed a lawsuit against the Bank, the loss due to legal risk would increase by approx. PLN 25 million.

When calculating the expected loss on legal risk related to CHF loans, the Bank used simplifications resulting from the short horizon of available historical data and a relatively small number of cases ended with courts' rulings. The Bank will monitor the number of collected certificates and the changing number of lawsuits, and will update the provision estimate accordingly.

At the same time, the Bank points to the fact that there is a significant discrepancy in both facts (in particular different contractual provisions and scope of information provided to the clients) as well as rulings passed in Poland regarding indexed, denominated and currency loans, which significantly impedes a precise estimation of risk. The Bank monitors the courts' rulings on an ongoing basis and will adjust the level of reserves to the emerging case-law.

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

On 29 April 2021, the Court of Justice of the European Union handed down its judgment in case C-19/20, in which it confirmed, inter alia, that the aim of Directive 93/13 is not to invalidate all contracts containing provisions which are not permitted, and that preference should be given to legal solutions upholding contracts. At the same time the Bank pointed out that key issues such as whether a given clause is prohibited, the remedies available in the event that a clause is found to be abusive and the manner in which limitation periods are calculated are a matter of national law, and thus the need to analyse the above issues should arise in each individual case. The Bank will analyse the impact of the CJEU ruling on judgments of domestic courts on an ongoing basis and will take into account the changes in the case law in the calculation of provisions.

On 7 May 2021, the Civil Chamber of the Supreme Court in a composition of 7 judges issued a resolution having the force of law in the case ref. III CZP 6/21. In the ruling responding to a legal issue presented by the Financial Ombudsman, the Supreme Court indicated, inter alia, that:

(1) the borrower may agree to continue to apply the terms that may be unfair then they become effective from the date of the contract

(2) in the event of the collapse of the contract, due to the prohibited provisions contained therein, each party is entitled to a claim for the return of the performance fulfilled by that party (the so-called two –law theory)

(3) the limitation period for the Bank's claims for the reimbursement of the capital begins to run only from the moment when the contract has become definitively ineffective (the basis for the provision has been lost).

The impact of this resolution on the Bank's estimation of provisions will be analysed after the publication of the written justification.

The meeting of the full bench of the Civil Chamber of the Supreme Court, at which a resolution was to be adopted on the legal issues presented on 29 January 2021 by the First President of the Supreme Court, scheduled for 11 May 2021 was postponed without a time limit due to the need to seek additional opinions, including in. The President of the National Bank of Poland and the Chairman of the Polish Financial Suprvision Authority.

On 29 January 2021, the First President of the Supreme Court requested a resolution of the Civil Chamber on the following issues:

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

If the answer to the above question is negative:
2. If it is not possible to establish a foreign currency exchange rate binding on the parties in a loan agreement indexed to such a currency, can the agreement be binding on the parties in its remaining scope?
3. If it is not possible to establish a foreign currency exchange rate in a loan agreement denominated in a foreign currency, can the parties remain bound by the agreement?
Irrespective of the answers to questions 1 to 3:
4. If a loan agreement is invalid or ineffective, and as a result of such agreement the bank has disbursed to the borrower the whole or part of the amount of the loan and the borrower has made repayments on the loan, do separate claims for wrongful performance arise in favour of each of the parties, or does only one claim arise, equal to the difference in performance, in favour of the party whose total performance was higher?
5. If a loan agreement is invalid or ineffective as a result of the unlawful nature of certain of its terms, does the limitation period for the bank's claim for repayment of the amount paid under the loan start to run from the moment at which those sums were paid?
6. If, in the case of the invalidity or ineffectiveness of a loan agreement, either party has a claim for repayment of the performance made under such agreement, may that party also claim remuneration for the use of its funds by the other party?
The Bank will analyse the content of the resolution after its publication, in particular its anticipated impact on further case law and the value of the parameters used to determine the value of legal risk provisions. At this moment it is not possible to predict the impact of the resolution on the estimation of provisions. In determining the value of the provision, the Bank considers the whole information available at the date of signing the Report.

Proposal by the Chairman of the PFSA

As a consequence of the growing number of lawsuits and the value of provisions created by banks, in December 2020, the Chairman of the Polish Financial Supervision Authority - Jacek Jastrzębski - presented a proposal for a sectoral solution to the CHF loans problem. In simple terms, the Bank would treat a loan in CHF as if it had been granted in PLN and bears interest at the appropriate WIBOR rate plus a margin, which would be historically applied to this type of a loan. Considering the above assumptions, the bank shall perform an appropriate recalculation. Adopting such an approach would impose a very heavy burden on the sector, although its scale is difficult to estimate precisely at the moment. The costs would depend on a number of variables, such as the date the loan is granted, the exchange rate table of the specific bank, or the fee and commission policy, as well as the detailed assumptions of the proposal, including legal and tax issues or the types of loans to be converted, which are undefined at the time of publication of the present Report.

The Management Board of the National Bank of Poland stated in its communication of 9 February 2021 that it may consider its possible involvement in the process of conversion of residential foreign-currency loans into PLN, on market terms and at market rates, provided that banks meet certain boundary conditions.

At the beginning of 2021, the Bank has joined a working group that is analysing the solution proposed by the Chairman of the PFSA. The preliminary cost estimate of a potential conversion in line with the assumptions of the PFSA Chairman's proposal, about which the Bank informed in the Financial Statements for 2020, is PLN 0.7 billion, assuming that the currency conversion proposal is addressed only to borrowers with denominated loans, or PLN 1.3 billion assuming that the proposal covers the whole CHF loan portfolio (denominated and foreign currency loans). The potential cost was estimated as the difference between the current balance sheet value of foreign currency or CHF-denominated loans and the balance sheet value of hypothetical PLN loans. The Bank conducted a survey among its customers and a test with several of them, which showed initial customer interest in the settlements. At the moment of publication of the present Report, the Bank has not decided to launch a settlement programme for Banks' customers and is at stage of analysis of proposed solution. Neither the criteria for the programme nor the plans for its implementation are defined and therefore the Bank does not recognise a provision for the effects of offering settlements.

53. RISK MANAGEMENT

The most important changes in the approach to credit risk management, basic measures of market risk, liquidity risk, country and counterparty risk as well as changes in the approach to operational risk management introduced as at the end of March 2021 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 76% share in the total economic capital estimated by the Group for purposes of covering major risks involved in the Bank's operations, in addition to its 88% share in the total value of regulatory capital.

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

Credit risk management principles adopted by the Group include:

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

Forbearance practices

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

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

- a change to the repayment schedule, especially extending the loan maturity date,
- cancellation of overdue amounts (e.g. capitalisation 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,

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

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

A material economic loss is defined as the drop of present value of expected cash flows, resulting from forbearance granted, equal or higher than 1%[2]. The mentioned decrease of the present value is calculated in accordance with the below formula:

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

[2] Change from 5% to 1% since 11.01.2021

where:

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

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

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

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

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

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

In connection with the outbreak of the COVID-19 pandemic, the Group undertook a number of actions in 2020 regarding, among others:

- the possibility for clients to request temporary postponement of principal and interest instalments on loans,
- review of the loan portfolio with focus on industries, particularly affected by and sensitive to the consequences of the COVID 19 pandemic;

The Group also actively participates in the works of the banking sector, regulators and organizers of government assistance addressed to entrepreneurs, has launched a number of solutions allowing customers to submit application to the Bank electronically and online as well as to use assistance programs related to the effects of a pandemic and has been conducting ongoing monitoring of the number of clients and credit exposures affected by the pandemic, including ongoing decisions on individual clients regarding the type and structure of client financing adequate to his current situation and government support programs.

The Group started cooperation with BGK in relation to PLG-FGP liquidity guarantees offered to the Bank's clients, other liquidity guarantees and loan interest rate subsidy programs.

An electronic and simplified process of applying for postponement of principal and interest instalments on investment loans was introduced.

As a partner of the PFR program, the Bank provided its clients with technical possibilities to apply for funding from these programs using electronic banking.

In the period up to 30 September 2020,the Group was focusing on the use of available assistance programs for clients including by granting temporary deferrals of repayments on loans, on an ongoing basis examining clients' applications in this respect.

After 30 September 2020 until the end of 2020, customer requests for deferred instalment payments could be submitted and processed, in a manner analogous to the situation prior to the Covid-19 pandemic announcement.

Pursuant to the ZBP Moratorium resumed on 18 January 2021 and the extension of the scope of eligible entities from 22 February 2021, the following were eligible for credit holidays:

a. micro, small, medium and large enterprises operating within the list of industries (PKD codes) eligible for the Financial Shield 2.0,
b. entrepreneurs running a business of renting space in commercial or service facilities, including retail parks, with a sales or service area exceeding 2000 m2,
c. entities conducting agricultural or agro-tourism activity, however, but only within the scope of products related to the performance of such activity, where an entity is conducting the gainful agricultural activity in its own name, referred to in Article 2 paragraph of the Act of 26 July 1991 on Personal Income Tax, in an organised and continuous manner, regardless of the organisational and legal form of its performance.

The credit holiday rules, in accordance with the aforementioned Moratorium, were in force until 31 March 2021 (a credit decision must be made by this date at the latest).

The following tables are based on balance sheet data and show the values recognised in the Group's statement of financial position as at 31.03.2021 and 31.12.2020.

31.03.2021

Loans and advances to customers subject to a moratorium	Number of clients to whom moratoriums were granted	Loans covered by moratoriums in force and expired	including statutory moratoriums	including ongoing moratoriums	
				without impairment	with impairment
Gross value	**42,036**	**6,977,933**	**199,919**	**239,732**	**106,362**
Retail customers	32,202	3,253,649	199,839	11,023	64,003
Economic operators	7,315	2,981,798	79	228,709	42,359
including retail farmers	1,488	522,950	79	35,941	8,307
Public sector institutions	2	1,112	-	-	-
Leasing receivables	2,517	741,374	-	-	-
Allowance	x	**(365,989)**	**(46,237)**	**(6,286)**	**(24,712)**
Retail customers	x	(197,406)	(46,236)	(553)	(17,188)
Economic operators	x	(126,780)	(1)	(5,733)	(7,524)
including retail farmers	x	(33,930)	(1)	(441)	(2,074)
Public sector institutions	x	(32)	-	-	-
Leasing receivables	x	(41,771)	-	-	-
Total net loans and advances to customers subject to moratorium	**42,036**	**6,611,944**	**153,681**	**233,446**	**81,650**

31.03.2021	Residual term for ongoing moratoriums		
Gross value	Total	up to 3 months	from 3 months to 6 months
Retail customers	75,026	72,367	2,659
Economic operators	271,068	258,261	12,807
including retail farmers	44,248	34,939	9,309
Total gross loans and advances to customers subject to moratorium	**346,094**	**330,628**	**15,466**

31.12.2020

Loans and advances to customers subject to a moratorium	Number of clients to whom moratoriums were granted	Loans covered by moratoriums in force and expired	including statutory moratoriums	including ongoing moratoriums	
				without impairment	with impairment
Gross value	**43,309**	**7,251,102**	**135,935**	**171,565**	**129,760**
Non-banking financial entities	1	33	-	-	-
Retail customers	33,257	3,374,952	135,848	45,132	94,051
Economic operators	7,460	3,095,593	87	120,067	35,625
including retail farmers	1,492	523,060	87	40,981	4,465
Public sector institutions	2	1,121	-	886	-
Leasing receivables	2,589	779,403	-	5,480	84
Allowance	x	**(375,835)**	**(32,988)**	**(5,206)**	**(32,835)**
Non-banking financial entities	x	(3)	-	-	-
Retail customers	x	(201,320)	(32,987)	(2,136)	(26,281)
Economic operators	x	(137,439)	(1)	(2,780)	(6,532)
including retail farmers	x	(39,932)	(1)	(696)	(1,011)
Public sector institutions	x	(238)	-	(233)	-
Leasing receivables	x	(36,835)	-	(57)	(22)
Total net loans and advances to customers subject to moratorium	**43,309**	**6,875,267**	**102,947**	**166,359**	**96,925**

31.12.2020	Residual term for ongoing moratoriums		
Gross value	Total	up to 3 months	from 3 to 6 months
Retail customers	139,183	136,262	2,921
Economic operators	155,692	139,303	16,389
including retail farmers	45,446	39,401	6,045
Public sector institutions	886	886	-
Leasing receivables	5,564	419	5,145
Total gross loans and advances to customers subject to moratorium	**301,325**	**276,870**	**24,455**

31.03.2021

New loans and advances under public guarantee schemes	Number of customers who received a public guarantee	Value	Including: residual maturity of the public guarantee				
			up to 6 months	from 6 months to 12 months	from 1 year to 2 years	from 2 years to 5 years	over 5 years
Gross value	**3,583**	**1,723,493**	**115,514**	**480,939**	**917,070**	**146,081**	**63,889**
Economic operators	3,583	1,723,493	115,514	480,939	917,070	146,081	63,889
including retail farmers	139	33,604	-	5,261	3,298	25,045	-
Allowance	**x**	**(13,232)**	**(289)**	**(1,838)**	**(7,736)**	**(2,416)**	**(953)**
Economic operators	x	(13,232)	(289)	(1,838)	(7,736)	(2,416)	(953)
including retail farmers	x	(88)	-	(1)	(3)	(84)	-
Net new loans and advances under public guarantee schemes	**3,583**	**1,710,261**	**115,225**	**479,101**	**909,334**	**143,665**	**62,936**

31.12.2020

New loans and advances under public guarantee schemes	Number of customers who received a public guarantee	Value	Including: residual maturity of the public guarantee				
			up to 6 months	from 6 months to 12 months	from 1 year to 2 years	from 2 years to 5 years	over 5 years
Gross value	**3,034**	**1,298,960**	**20,314**	**334,725**	**693,771**	**234,531**	**15,619**
Economic operators	3,034	1,298,960	20,314	334,725	693,771	234,531	15,619
including retail farmers	103	23,631	-	600	6,437	16,594	-
Allowance	**x**	**(9,931)**	**(147)**	**(1,825)**	**(3,644)**	**(3,933)**	**(382)**
Economic operators	x	(9,931)	(147)	(1,825)	(3,644)	(3,933)	(382)
including retail farmers	x	(75)	-	-	(3)	(72)	-
Net new loans and advances under public guarantee schemes	**3,034**	**1,289,029**	**20,167**	**332,900**	**690,127**	**230,598**	**15,237**

The value of loans and advances covered by expired moratoria in the statement of financial position of the Group amounted to PLN 6,631,839 thousand (PLN 6,949,777 thousand as at 31.12.2020).

As part of its response to COVID-19, the Group has made changes to the recognition of material increases in risk. The Group monitors the behaviour of exposures supported by moratoria. In 2021, the Bank continued to offer statutory moratoria (from 19.06.2020) to the present time and non-statutory moratoria from 18.01.2021 to 31.03.2021. Exposures covered by statutory credit holidays are transferred to Stage 3. For exposures covered by non-statutory credit holidays, the Group applies criteria for classification to Phase

2 of a stricter character. For this portfolio of exposures, overdue more than 30 days within a horizon of 3 months after the end of the moratorium is an indication of a significant increase in credit risk (Stage 2), which results in the calculation of allowances over the life horizon of the exposure.

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

The Management Board assesses the adopted concentration risk management policy in terms of the way it is applied, in particular as regards its effectiveness and adequacy of rules implementation in the context of current and planned activities and taking into account the risk management strategy. In the event of significant changes in the Group's operating environment or risk management strategy, the review of the adequacy of the concentration risk management process is carried out immediately after the occurrence of such circumstances. Proper assessment of the concentration risk incurred by the Group significantly depends on correct and complete identification of key risk factors that affect the concentration risk level. In justified cases, the Group identifies the concentration risk in the process of planning a new business, including the introduction and development of new products, services and presence on the markets, and significant changes to the existing products, services and changes on the markets.

Diversification of the credit portfolio is one of the most important tools for credit risk management. Excessive credit concentration is undesirable for the Group, as it increases risk. Potential losses related to a significant threat – thus, the degree of concentration should be monitored, controlled and reported to the Bank's management. The basic tools of concentration risk mitigation are mechanisms of identification and measurement of concentration risk and limits of exposures in particular segments of the Group's portfolio and in subsidiaries. These tools enable diversification of the credit portfolio and reduction of negative effects related to unfavourable changes in particular areas of the economy.

The Group considers a situation in which the share of a given concentration area (dimension) in the Group's total assets is equal to or exceeds 10% or 5% of the Group's planned net financial result for a given financial year. In such a situation, a given area (dimension) of concentration is subject to analysis, reporting and management within the concentration risk management process.

One of the potential sources of credit risk is a high concentration of the Group's credit exposures in particular entities or groups of entities related by capital and organisation. In order to limit it, Regulation (EU) No. 575/2013 defines the maximum exposure limit for the Group. Pursuant to Article 395 of Regulation (EU) No. 575/2013: An institution shall not incur an exposure, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to a client or group of connected clients the value of which exceeds 25% of its eligible capital. Where that client is an institution or where a group of connected clients includes one or more institutions, that value shall not exceed 25% of the institution's eligible capital or EUR 150 million, whichever the higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to all connected clients that are not institutions does not exceed 25% of the institution's eligible capital.

The Group monitors concentration limits in accordance with Article 387 of the EU Regulation No. 575/2013. As at 31.03.2021, the limits specified in Article 395 of the EU Regulation No. 575/2013 were not exceeded. As at 31.03.2021, the Group's exposure to financing customers / groups of customers with capital or organisational links does not exceed the exposure concentration limit. The total of exposures equal to or exceeding 10% of the Group's own funds represented 16.8%.

The concentration risk tolerance is defined in the Group through a system of internal limits, which take into account both the directions and dynamics of business development assumed by the Group, the acceptable level of credit risk and liquidity, as well as external macroeconomic and sectoral conditions and prospects. Internal limits for credit concentration risk are set for, i.a.:

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

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

- limiting the scope of lending to specific types of customers by modifying the credit policy,
- reducing the concentration risk limits,
- diversification of asset types at the level of the Group's statement of financial position,
- changing the business strategy in such a way that it prevents excessive concentration,

- diversification in the types of collateral received.

Case-by-case actions (related to a single / specific decision or transaction) limiting the concentration risk include:

- limiting new transactions with a given customer or group of connected customers,
- sale of selected assets / loan portfolios,
- securitisation of assets,
- establishment of new collateral (e.g. credit derivatives, guarantees, subparticipation, insurance contracts) for existing or new credit exposures.

The Group's industry concentration analysis covers all the Group's credit exposures to institutional customers. The Group defines industries based on the Polish Classification of Activities (PKD 2007 code). The structure of the Group's exposure to industries analysed at the end of March 2021 (presented based on the classification of industries in NACE/PKD), similarly as at the end of December 2020, is characterised by concentration towards such industries as: Agriculture, Forestry, Hunting and Fishing. As at the end of March 2021, they accounted for 25% of the Group's exposure towards institutional clients, while as at the end of December 2020 they constituted 26% of the Group's exposure.

The table below presents a comparison of the share of impaired loans in industries (gross balance sheet value) as at 31 March 2021 and 31 December 2020.

	Commitment*		Percentage of non-performing loans	
Sector	31.03.2021	31.12.2020	31.03.2021	31.12.2020
AGRICULTURE, FORESTRY, HUNTING AND FISHING	10,946,363	10,756,142	9.3%	9.2%
MINING AND QUARRYING	48,156	36,341	8.2%	9.5%
INDUSTRIAL PROCESSING	9,954,175	8,772,763	4.8%	5.5%
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	671,521	648,737	0.8%	0.8%
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	265,160	166,344	4.2%	6.6%
CONSTRUCTION	2,514,598	2,540,629	8.3%	8.5%
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORBIKES	6,363,796	5,725,092	6.8%	7.5%
TRANSPORT AND STORAGE	1,626,137	1,216,516	5.7%	6.9%
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	277,929	273,257	20.3%	20.5%
INFORMATION AND COMMUNICATION	967,206	1,439,082	7.0%	3.4%
FINANCIAL AND INSURANCE ACTIVITIES	937,118	891,461	11.1%	11.5%
REAL ESTATE ACTIVITIES	4,743,085	4,657,921	3.1%	3.0%
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	2,862,687	2,368,361	2.2%	2.4%
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	897,052	767,882	7.4%	9.7%
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	92,570	96,875	0.0%	0.0%
EDUCATION	92,733	87,763	11.7%	12.0%
HEALTH CARE AND SOCIAL ASSISTANCE	689,130	652,849	3.6%	3.5%
ARTS, ENTERTAINMENT AND RECREATION	16,784	16,257	21.7%	21.0%
OTHER ACTIVITIES	103,310	88,598	7.2%	7.6%
Total	**44,069,513**	**41,202,870**	**6.3%**	**6.7%**
including:				
Industry (BCDE sections)	10,939,013	9,624,185	4.56%	5.20%

*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 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 the first quarter of 2021, as well as at the end of 2020, the limits were not exceeded.

Structure of overdue receivables

The purpose of the analysis of arrears is to indicate the level of potential credit loss (with respect to receivables without impairment). The higher the overdue status, the greater the probability of identifying an objective indication of impairment in the future. An increase in the delay in repayment above zero days increases the likelihood of identifying an indication of impairment, but does not in itself provide a basis for the indication of impairment. However, in the case of exposures past due less than 91 days, the evidence may be identified on the basis of additional information on the economic and financial standing of the client.

The structure of the credit portfolio (measured at amortised cost and measured at fair value through profit or loss) divided into exposures with and without impairment, including the level of arrears, is presented in the tables below.

	31.03.2021					
Structure of overdue receivables (net balance sheet value)*	without impairment				with impairment	Total
	0 days	1-30 days	31-60 days	61-90 days		
Mortgage loans and advances	22,672,819	86,456	3,549	2,050	412,318	23,177,192
Cash loans	7,550,506	61,393	7,166	3,921	263,456	7,886,442
Car loans	1,613,947	7,027	842	513	16,693	1,639,022
Credit cards	1,074,324	13,430	1,690	1,003	35,411	1,125,858
Investment loans	15,720,406	4,048,283	10,424	5,780	534,181	20,319,074
Limits in current account	7,867,578	798,250	7,033	6,087	251,183	8,930,131
Corporate working capital loans	7,074,662	997,181	5,489	2,053	459,519	8,538,904
Leasing	3,873,269	30,726	5,491	26,801	118,321	4,054,608
Other	1,021,554	59,514	239	246	103,721	1,185,274
Total	**68,469,066**	**6,102,260**	**41,923**	**48,454**	**2,194,803**	**76,856,506**

	31.12.2020					
Structure of overdue receivables (net balance sheet value)*	without impairment				with impairment	Total
	0 days	1-30 days	31-60 days	61-90 days		
Mortgage loans and advances	21,967,159	7,477	3,829	4,382	448,995	22,431,842
Cash loans	7,413,543	49,281	16,476	5,322	206,064	7,690,686
Car loans	1,569,276	4,343	1,598	511	14,699	1,590,427
Credit cards	1,124,625	7,942	1,737	1,007	30,137	1,165,448
Investment loans	19,864,473	40,268	17,491	1,191	684,423	20,607,846
Limits in current account	7,941,707	31,014	6,878	1,642	259,558	8,240,799
Corporate working capital loans	8,087,622	51,799	6,654	2,017	398,504	8,546,596
Leasing	3,822,553	15,958	3,799	1,439	108,131	3,951,880
Other	1,375,712	1,345	338	126	34,072	1,411,593
Total	**73,166,670**	**209,427**	**58,800**	**17,637**	**2,184,583**	**75,637,117**

COUNTRY RISK

Within credit risk, the Group 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 Group'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 Group.

As at the end of the first quarter of 2021, 54% of the Group's exposure to countries other than Poland were transactions related to the Group's foreign lending activities, treasury transactions (including placement and derivative transactions) accounted for 20% while the remaining part, i.e. 26% was related to foreign trade transactions (letters of credit and guarantees). France accounted for 32%, Luxembourg for 14%, the Netherlands for 9% each, the Czech Republic for 8% and Belgium for 7% of the exposure. The remaining exposure was concentrated in Turkey, Germany and Switzerland.

COUNTERPARTY RISK

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

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

In connection with the COVID-19 pandemic, the Group is observing increased volatility in market risk parameters, which results in a fluctuation of counterparty risk exposure. The Group assesses the counterparty risk on an on-going basis by reviewing the credit portfolio of customers with such risk.

The Group 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 business conditions in the context of the COVID-19 situation. In risk assessment, the Group also takes into account the higher volatility of the abovementioned parameters concluding new transactions.

So far, the Group has not observed any significant changes in the counterparty risk materialisation.

INTEREST RATE RISK IN BANKING PORTFOLIO

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

The utilisation of interest rate limits remained stable in the first quarter of 2021. The update of the interest rate risk profiles for non-interest bearing current accounts resulting from model recalibrations and the determination of new structural amounts insensitive to interest rate changes resulted in a necessity for new transactions to hedge the interest rate risk profile in the banking book. The sensitivity of the Bank's interest income in the event of further potential reductions in PLN interest rates was significantly reduced by the introduction of charges on corporate customer balances in situations of negative interest rates.

The COVID-19 outbreak has had essentially no impact on the way interest rate risk is managed in the banking book.

MARKET RISK

The market risk exposure in the trading book measured by sensitivity to the movement of interest rate curves by 1 basis point and to currency risk in the first quarter of 2021 was maintained at a relatively low level as a result of the continuing post-crisis situation caused by COVID-19 and increased uncertainty about future market behaviour. On the other hand, the exposure measured with VaR slightly decreased compared to the previous quarter and amounted to 19% of the VaR limit on average (compared to 25% in the previous quarter). The market risk mainly resulted from open interest rate position, with the average utilisation of the VaR IR limit at 25%.

The currency risk was maintained at a low level, i.e. approx. 19% of the use of available limits, and, similarly to the previous quarter, did not contribute significantly to the general level of risk. The Bank maintained a small open position in currency options in order to ensure the servicing of customer transactions.

LIQUIDITY RISK

In the period between January and March 2021, the Bank maintained the supervisory liquidity measures for the short and long term above regulatory limits and internal limits. The average level of LCR during the first quarter of 2021 amounted to 178%. The maximum LCR level was 184.9%.

The main sources of financing are liabilities to customers and equity. The medium and long-term credit lines received, including subordinated loans were less significant source of financing and come mainly from the BNP Paribas Group.

During the whole reporting period, liquidity ratios of the Bank remained at a secure level. During the quarter, the Bank observed an increase in deposits (both retail and corporate ones), at a time when the volume of used loans decreased. This is also due to the continued funding from aid schemes granted in connection with COVID-19. The main source of financing remains funds obtained from non-banking customers and the balance of these funds is systematically increasing during the quarter, in largely on the accounts of small and medium-sized enterprises that benefit from government assistance under the anti-crisis shield.

Due to the COVID-19 pandemic, the clients' interest in loan facilities waned, especially in the corporate segment, in which the volume of portfolio is much lower than at the end of the previous year - reluctance to incur liabilities in such a situation caused practically no lending in the corporate segment and growth in the retail segment mainly in mortgage loans. Additionally, subsidies received by corporate entities allowed for partial or total repayment of some companies' liabilities.

OPERATIONAL RISK

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

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

Procedures

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

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

- tools used for purposes of recording operational events, together with the principles of their recording, allocation and reporting;
- operational risk analysis, its monitoring and daily control;
- counteracting an elevated level of operational risk, to include risk transfer;
- calculation of the capital requirement related to the operational risk.

Compliance with the operational risk policy is verified by the Bank's Management Board periodically and, if necessary, the required adjustments are made in order to improve the system. 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 management methods.

Internal environment

The Bank precisely defines the roles and responsibilities in the operational risk management process, considering its organisational structure. The Operational Risk Department is responsible for daily operational risk analysis in addition to development of appropriate risk control and mitigation techniques and their improvement. Development and implementation of the Bank's strategy with respect to insurance as a risk mitigation technique is the responsibility of the Real Estate and Administration Department, while the Security and Business Continuity Management Department is in charge of business continuity management.

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

Considering the elevated level of external and internal risks related to fraud and offense against the assets of the Bank and its customers, the Bank has extended the scope of and improved its processes aimed at counteracting, detecting and examining such cases, which is entrusted with the Fraud Prevention Department.

Risk management

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

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

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

Keeping a track record of operational events enables efficient operational risk analysis and monitoring. The process of operational event recording is overseen by the Operational Risk Department, which assumes responsibility for verification of the quality and completeness of data concerning operational events recorded in dedicated tool available to all organisational units of the Bank.

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, organisational 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 Development and Finance of 6 March 2017 on the risk management system and the internal control system, the remuneration policy and the detailed method of estimating internal capital 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 organisational units of the Bank, in accordance with the scope of the tasks assigned to them, are responsible for developing detailed regulations relating to the area of internal control.

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

- 1st defence line, which consists of organisational units from particular areas of banking and support areas,
- 2nd defence line, which consists of organisational units responsible for risk management, regardless of the risk management related to the first line defence, and the compliance unit,
- 3rd defence line, 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 organisation of the operational risk management system is reviewed as part of periodic control exercised by the Internal Audit Division, which is not directly involved in the operational risk management process but provides professional and 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 Group supervises operational risk related to the operations of its subsidiaries. Operational risk management in subsidiaries is performed in dedicated units / persons appointed for this purpose. The method of operational risk management in subsidiaries is organised adequately to the scope of the particular entity's activity and the profile of its operations, in accordance with the rules applied in the Group.

As part of operational risk management, the Bank conducts activities in the area of ongoing risk analysis related to the pandemic of the COVID-19 virus, and undertakes appropriate measures to ensure the safety of employees and clients of the Bank and to ensure uninterrupted implementation of processes related to the conducted business activities.

CAPITAL ADEQUACY

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

Since 1 January 2014, banks have been subject to new principles applicable to calculation of capital ratios, following the implementation of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on macro-prudential requirements for credit institutions and investment firms and amending Regulation No. 648/2012.

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

On 8 August 2018, the Bank received a letter from the Polish Financial Supervision Authority with the information that the Commission conducted a review of the adequacy of the buffer ratio for another systemically important institution. 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.

On 9 July 2019, the Bank received a letter from the Polish Financial Supervision Authority stating the expiry of the PFSA's decision of 15 October 2018, on the basis of which PFSA recommended that the Group should maintain its own funds to cover the additional capital requirement in order to hedge the risk arising from mortgage-secured foreign currency loans and loans to households at the level of 0.36 p.p. over the value of the total capital ratio, 0.27 p.p. over the value of Tier 1 capital ratio and 0.20 p.p. over the value of Common Equity Tier 1 capital ratio referred to in article 92 paragraph 1 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("Regulation No 575/2013").

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

On 27 June 2020, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020, amending Regulations (EU) No 272/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic entered into force.

On 23 December 2020, Delegated Regulation (EU) 2020/2176 of the European Commission of 12 November 2020, amending Delegated Regulations (EU) 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items.

On 28 December 2020, the Bank received a decision of the Polish Financial Supervision Authority ("PFSA") regarding the consent to recognise the funds under the subordinated loan in the amount of PLN 2,300,000,000 (two billion three hundred million) as an instrument in the Bank's Tier II supplementary funds.

The level of Tier I capital ratio (Tier I), both on separate and consolidated levels, and the total capital ratio (TCR) on a consolidated level, were above the requirements for the Bank in 9 months of 2020.

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.

31.03.2021	The minimum supervisory consolidated solvency ratios of the Group	Consolidated capital adequacy ratios of the Group
CET I	7.25%	13.79%
Tier I	8.75%	13.79%
Total Capital Ratio	10.75%	18.81%

31.12.2020	The minimum supervisory consolidated solvency ratios of the Group	Consolidated capital adequacy ratios of the Group
CET I	7.25%	13.55%
Tier I	8.75%	13.55%
Total Capital Ratio	10.75%	18.65%

As at 31 March 2021 the levels of Tier I on a consolidated level exceeded the regulatory requirements.

On 16 March 2020 the Bank received an announcement from the Bank Guarantee Fund ("BFG") regarding the joint decision of the resolution authorities, i.e. the Single Resolution Board (“SRB”), Central Bank of Hungary, Finanstilsynet, Bank of England and BFG, on the minimum level of own funds and eligible liabilities ("MREL"). The decision is based on the Single Point of Entry (SPE) strategy applied to the BNP Paribas Group.

The MREL requirement for the Bank was set at the sub-consolidated level at 16.001% of the total liabilities and own funds (TLOF), which corresponds to 20.866% of total risk exposure amount (TRE). This requirement should be met by 31 December 2022. Additionally, the BFG set mid-term MREL goals at the sub-consolidated level, which: - in relation to TLOF are: 12.363% at the end of 2020 and 14.182% at the end of 2021, and - in relation to TRE are: 16.122% at the end of 2020 and 18.494% at the end of 2021.

The MREL requirement was determined based on consolidated balance sheet data as at 31 December 2018 and the value of required buffers as at 1 January 2019 and additional capital requirement of the PFSA as at 9 July 2019 (on 9 July 2019, the Bank was released from the obligation to maintain this requirement).

According to the BFG statement of 26 March 2020, as a consequence of the abolition of the systemic risk buffer, the MREL requirements will be significantly reduced and the target deadline will be extended to 1 January 2024 (instead of 1 January 2023), as well as the deadline of the first binding mid-term goal until 1 January 2022 (instead of 1 January 2021). The Bank informs that the binding decisions regarding MREL requirements for the Bank are issued at the SRB level in consultation with BFG and as at the date of publication of the present report, they have not changed.

The Group meets the defined MREL requirements at 31 March 2021.

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

Composition of the Bank's Supervisory Board as at 31 March 2021:

FULL NAME	OFFICE HELD IN THE SUPERVISORY BOARD OF THE BANK
Józef Wancer	Chairman of the Supervisory Board
Lucyna Stańczak-Wuczyńska	Vice-Chairman of the Supervisory Board Independent Member of the Supervisory Board
Jean-Paul Sabet	Vice-Chairman of the Supervisory Board
Jarosław Bauc	Independent Member of the Supervisory Board
Francois Benaroya	Member of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Magdalena Dziewguć	Independent Member of the Supervisory Board
Vincent Metz	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Stéphane Vermeire	Member of the Supervisory Board
Mariusz Warych	Independent Member of the Supervisory Board

Changes in the composition of the Supervisory Board in the period from 1 January to 31 March 2021::

- On 24 March 2021, the Ordinary General Meeting of the Bank appointed the above mentioned people as Members of the Supervisory Board until the end of the current five-year joint term of office. Mrs. Sofia Merlo did not stand for election to the Supervisory Board of the new term of office.

Composition of the Bank's Management Board as at 31 March 2021:

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

Changes in the composition of the Supervisory Board in the period from 1 January to 31 March 2021:

- On 8 March 2021, the Supervisory Board of the Bank appointed the above mentioned people as Members of the Management Board until the end of the current three-year joint term of office, beginning after the Ordinary General Meeting of the Bank. Mr. Jerzy Śledziewski did not stand for election to the Management Board, as the Vice-President of the Management Board, of the new term of office.

55. MAJOR EVENTS IN THE BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP IN THE FIRST QUARTER OF 2021

19.01.2021	**Recommendation of the Polish Financial Supervision Authority regarding the suspension by BNP Paribas Bank Polska S.A. of dividend payments in the first half of 2021.**
8.03.2021	**Appointment of the Management Board of BNP Paribas Bank Polska S.A. for a new term of office**
24.03.2021	**Annual General Meeting of BNP Paribas Bank Polska SA** • Consideration and approval, inter alia, of: - The financial statements for 2020 and the Management Report on activities in 2020. - CSR and Sustainability Report presenting non-financial information of the Bank and the Group in 2020. - Report on the activities of the Bank's Supervisory Board and its committees in 2020. - Adoption of a resolution on the distribution of the Bank's profit for the financial year 2020 - Adoption of resolutions on granting discharge to the members of the Bank's Management Board and Supervisory Board for the performance of their duties in 2020 • Passing resolutions on appointing members of the Bank's Supervisory Board for a new term of office
31.03.2021	**Declaration of the Central Securities Depository of Poland on the conditional registration of series M shares of BNP Paribas Bank Polska S.A.**
31.03.2021	**Warsaw Stock Exchange Information on the admission and introduction to trading of series M shares of BNP Paribas Bank Polska S.A.**

Changes in the composition of the Bank's Board of Executives and Supervisory Board that took place in the first quarter of 2021 are described in Note 54 Authorities of BNP Paribas Bank Polska S.A. of this Report.

56. IMPACT OF THE PANDEMIC ON THE BANK'S ACTIVITIES IN THE FIRST QUARTER OF 2021

Since mid-March 2020, BNP Paribas Bank Polska has been actively involved in activities supporting the fight against the pandemic, taking steps to ensure continuity of service provision, while caring for the health of employees and customers, as well as the safety of funds entrusted to it. Simultaneously, the Bank actively supports customers and initiatives aimed at restoring economic recovery.

In the first quarter of 2021, the Bank's activities, initiated with the outbreak of the pandemic, continued:

1. WORK ORGANISATION - PROTECTION OF EMPLOYEES AND CUSTOMERS

- remote working - the basic organisation form of work in the Bank during pandemic; in organisational units where such a form of work is not possible for entire teams, the organisation of work is based on a split-team system, based on dividing the team in order to separate people performing the same duties; at the end of March 2021, about 91% of the Head Office employees worked remotely;
- the model of customer service adapted to pandemic conditions is still in force, i.e. only current customer service may take place in a branch - one advisor serves one customer at a safe distance (also at the cash desk), while the rest of the customers wait for service outside the branch; branches are equipped with protective plexiglass windows, masks, gloves, disinfectants for employees and customers;
- the possibility to perform tests on COVID-19 in ALAB diagnostic laboratories, at the Bank's expense, for Bank's employees if there is a reasonable suspicion of virus infection during their business activities; the Bank also refunds the tests to employees (before their return to work in the team) who were in isolation (they had a positive result of the first test) and are not directed to another test by a doctor/sanepid after the isolation;
- all educational and pro-employment initiatives continued through online platforms, and a special section on the internal Echonet network dedicated to information on coronavirus is kept up to date.

In addition, in the first half of April this year, the Bank joined the Government's initiative to involve employers in the SARS-COV-2 vaccination programme. The Bank joined the government's initiative to engage employers in a vaccination programme against SARS-COV-2. Discussions are currently underway, both with the government and the company providing medical services to the Bank's employees, to implement this programme. We estimate that it will be possible to implement the vaccination of interested employees and their family members at the Bank's premises in late May and early June.

2. CUSTOMER SUPPORT ACTIVITIES AND DIGITISATION

- Support measures under the resumption of non-statutory moratorium - the Bank, in the period from 18 January 2021 to 31 March 2021, made available support instruments for entrepreneurs, including the possibility of deferring loan repayments. As at the end of March 2021, the number of customers who were granted loans and advances subject to moratoria amounted to 42.0 thousand, with a total gross balance sheet exposure of the Group of PLN 6,977,933 thousand, of which: PLN 3,253,649 thousand related to individual customers, PLN 2,981,798 thousand to business entities and PLN 742,486 million to leasing and other receivables.

  Moreover, the total gross value of loans and advances covered by statutory moratoria at the end of first quarter of 2021 amounted to PLN 199,919 thousand. The balance of expired moratoria was PLN 6,631,839 thousand and the balance of active moratoria was PLN 346,095 thousand.

  Detailed information on loans and advances to customers subject to moratoria is presented in Note 53 Risk Management of this Report.
- BNP Paribas Bank Polska remains a partner of the government program concerning financial support of the Polish Development Fund ("PFR"). Under the program the Bank purchased in January 2021 the PFR0827 bonds for PLN 540 million. At the end of March 2021 the Bank's total exposure to the PFR bonds amounted to PLN 2.5 billion. In addition, in the first quarter of 2021 the Bank acquired PLN 387 million of bonds issued by Bank Gospodarstwa Krajowego ("BGK") for the COVID-19 Counteraction Fund.
- The Bank's clients conducting business between 15 January 2021 and the end of February 2021 could apply for support under the PFR 2.0 Financial Shield for micro, small and medium-sized companies. The amount of support in the form of financial subsidies for the Bank's clients amounted to almost PLN 400 million. The total amount disbursed by PFR under the Shield 2.0 through the banks was, as of 26.02.2021 - PLN 6,983 million.
- Promoting digital solutions that allow customers to make even greater use of mobile devices and electronic banking in their dealings with the Bank, through their further development and modification. For example, the submission of applications under anti-crisis shield as well as the PFR financial shield has been made available to businesses in online banking systems GOonline and BiznesPl@net.

3. MEASURES TO MONITOR THE IMPACT OF THE PANDEMIC ON THE BANK

The Bank is continuously monitoring and assessing the impact of the coronavirus outbreak on the Bank's financial, liquidity and capital position, which remains good.

In the first quarter of 2021 the Bank released provisions for unrealised credit losses related to the change in macroeconomic scenarios and at the same time made additional provisions for future potential deterioration in the economic and financial situation of entities in industries affected by the coronavirus pandemic. The combined impact of the above factors on the increase in the negative result on impairment of financial assets and provisions for contingent liabilities amounted to PLN 55 million.

Detailed information on the impact of the pandemic on the Bank's credit risk and capital adequacy is described in Note 53 Risk Management of the present Report.

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

The most important external factors which, in the Bank's opinion, may affect the Group's results in subsequent periods are as follows:

- **Coronavirus pandemic and recovery from recession.** At the beginning of 2021, the outlook for global economic recovery remains highly uncertain. The breakthrough development of vaccines in the autumn and the launch of mass vaccination campaigns have improved the outlook for the near future. However, with the emergence of new, more infectious mutations of the coronavirus, infections are on the rise again. This has forced many Member States to reintroduce or tighten containment measures. The recovery has therefore varied from country to country and sector to sector. The International Monetary Fund (IMF) forecasts global economic growth of 6.0% in 2021, falling to 4.4% in 2022. The IMF has increased its forecasts for 2021 and 2022 compared to October 2020. The upward revision reflects additional fiscal support in several major economies, an anticipated vaccine-driven recovery in the second half of 2021, and continued adjustment of economic activity to limited mobility. By contrast, the European Commission (EC) in its winter edition of forecasts expects economic activity to pick up at a moderate pace in the second quarter and to grow markedly more robustly in the third quarter. According to the EC, GDP in the euro area will increase by 3.8% in 2021 compared to last year. In 2022, the economic rebound is expected to remain at a similar level of 3.8%. In the case of Poland, the EC lowered the GDP dynamics in the current year to 3.1% from 3.3% in the autumn edition. On the other hand, GDP forecast for 2022 was revised upwards, to 5.1% from 3.5% previously. Both institutions also agree on the high degree of forecast uncertainty, which will remain elevated as long as the pandemic continues to affect the economy. The forecasts also assume that parts of the economy will adjust to the restrictions and gradually ease in 2021 and 2022 due to the COVID-19 vaccination process.
- **Actions taken by central banks and governments in developed countries.** Major central banks continue their loose monetary policy. At its December meeting, the European Central Bank (ECB) adjusted its monetary policy by increasing the size of its post-pandemic asset purchase programme (PEPP) by EUR 500 billion from EUR 1,350 billion to EUR 1,850 billion. The ECB's Executive Board also stated that its aim was to "maintain favourable financing conditions during the pandemic period, thereby promoting the flow of credit to all sectors of the economy, supporting economic activity and safeguarding medium-term price stability". No change in monetary policy until at least the end of 2021 was also emphasised by the US central bank. In early March, US President Joe Biden signed a stimulation package worth USD 1.9 trillion, equivalent to almost 9% of US GDP. The package aims to stimulate the economy after a period of pandemic lockdown.
- **Actions of Polish central institutions in the fight against the coronavirus pandemic.** The coronavirus pandemic has significantly affected the monetary policy pursued by the National Bank of Poland (NBP). From March to May 2020 the Monetary Policy Council (RPP) decided on three interest rate cuts, by a total of 140 bps. At the beginning of 2021, the reference interest rate stood at 0.1%. In addition, the NBP continued its first-ever quantitative easing (QE) programme, consisting of the purchase of securities (treasury bonds and bonds with a state guarantee issued by Bank Gospodarstwa Krajowego and the Polish Development Fund). The aim of these measures was to stabilise the secondary market for government bonds and also to strengthen the monetary policy transmission mechanism. As can be seen from the RPP members' statements, further interest rate cuts cannot be completely ruled out, but it seems that unless there is a clear deterioration in the economic outlook, the monetary easing cycle is over.
- **Behaviour of Polish zloty exchange rate against key currencies.** The first quarter was quite turbulent for the zloty due to external factors such as: the increase in risk aversion on world stock exchanges, the increase in profitability on the debt market and the strengthening of the dollar. In addition to external factors the zloty was negatively affected by the epidemiological situation in the country, which contributed to a renewed reduction in the activities of most sectors of the economy. With the beginning of the second quarter, the zloty clearly gained, which was accompanied by an increase in risk

appetite in global markets. Moreover, the main short-term risk factor for the Polish currency, i.e. the session of the Supreme Court on franking credits, was postponed to 11 May.

- **Economic developments in Poland**. Polish GDP fell by 0.7% q/q in Q4,2020. Compared to last year, the economy shrank by 2.8% in the final quarter. As a result, the GDP for the whole of 2020 fell by 2.7% against 2019. The main factors behind last year's recession were an 8.4% decline in investment and a 3.0% drop in private consumption. In the fourth quarter, the recovery was undermined by the third wave of the pandemic, which caused the temporary closure of some sectors. Preliminary GDP data for the first quarter of this year will not be published until May. According to the first quarter inflation report published by the National Bank of Poland in March this year, the GDP decline will be milder and will amount to 1.5% YoY. In the opinion of the NBP, the information available on the planned rate of vaccination and the effectiveness of the preparations used, allow us to expect that in the coming months there will be a strong decline in the number of hospitalizations due to COVID-19. The improvement in the pandemic situation will be followed by a gradual lifting of the restrictions in force, which by the end of the year will no longer interfere so much with the functioning of European economies. Implementation of this scenario will allow the Polish economy to return to a growth path from the second quarter of 2021. This will be supported by the realisation by households of the demand deferred during the pandemic. Accordingly, the NBP forecasts GDP growth of 9.6% YoY in the second quarter. Such dynamic GDP growth will also be influenced by the low base effect from last year. In the following quarters the rate of growth of economic activity will remain in the area of 3.3% YoY in the third quarter and 5.4% YoY in the fourth quarter.
- **Situation on the domestic labour market.** The domestic labour market has proved largely resilient to the negative effects of successive waves of infections and related tightening. This has been facilitated by the fiscal packages introduced by the government, i.e. the Anti-Crisis Shield and the Financial Shield. As a result of the emergence of the third wave of infections in early 2021, the labour market has seen a slight increase in the number of unemployed, with the unemployment rate rising to 6.5% in February (latest data available). At the same time, employment in the corporate sector decreased by around 2% YoY. Simultaneously, the dynamics of wages in the corporate sector is gradually increasing and is currently hovering around 5% YoY. The main driver of wage growth remains the industrial sector, which is the least affected by restrictions. The acceleration of wage dynamics is also related to the restoration of full employment in the private sector. This year, according to preliminary forecasts by the Ministry of Development, Labour and Technology, the registered unemployment rate will oscillate between 6.5 and 6.7%.
- **Inflation changes.** According to the Central Statistical Office, CPI inflation rose by 3.2% YoY in March (preliminary data). The increase was probably caused by core inflation (estimated at 3.9% YoY in March) and fuel prices. The dynamics of food prices in Poland has so far remained low, despite the rising costs of foodstuffs on global markets. In the coming months, CPI inflation may accelerate, primarily on the back of an increase in fuel prices due to strong base effects in oil prices. An additional factor fuelling inflation is the increase in operating costs for businesses in pandemic conditions. In the opinion of the NBP, however, this factor is temporary and its impact on inflation will diminish with the progress of vaccination and a gradual reduction in the scale of the pandemic. Nevertheless, according to macroeconomic forecasts published by the National Bank of Poland in March, CPI inflation in 2021 will remain closer to the upper limit of the inflation target range (2.5% +/- 1p.p.).
- **Increasing imbalances in public finances.** In 2020, the public finance sector deficit increased as a result of fiscal stimulation. Nevertheless, taking into account the data provided by the Ministry of Finance for the entire last year, the sector deficit was at a lower level than estimated in the autumn's fiscal notification prepared by the government. According to preliminary estimates, the public finance sector deficit amounted to 6.9% of GDP last year and was clearly below the 8% target adopted in the Convergence Programme update.
- **Risk aversion in financial markets.** Currently, global growth prospects are strongly affected by the coronavirus outbreak. One of the main topics in the markets is the pace of the economy's return to normality. Hopes for an accelerated recovery have been greatly boosted by the coronavirus vaccination. On the other hand, optimism in the markets is dampened by the still worrying statistics of coronavirus cases and the prolonged partial closures of some sectors of the economy.
- **Credit portfolio quality.** The outbreak of the pandemic raised concerns about the future financial health of banks' customers. A deterioration in the quality of the loan portfolio was expected in all areas, with its scale being difficult to predict. So far, the negative scenarios have not materialised. The imposed restrictions have been compensated by the government's anti-crisis tools and the possibility to use credit moratoria. According to NBP data after February 2021, impaired loan ratios presented symbolic increases on an annual basis. In the non-financial sector it was an increase of +0.2 p.p. to 6.8%, in the corporate sector by +0.5 p.p., and the biggest increase occurred in the area of consumer loans to individuals (+1.1 p.p.). Consumer credit is also the only category where no trend towards improvement, or at least stabilisation, of the quality of the portfolio can be seen from mid-2020. February's level of 11.7% is the worst since May 2018. Nevertheless, the condition of the loan portfolio can be described as good. Due to the prolonged tightening accompanied by further aid programmes, portfolio quality will remain one of the key parameters to watch in the coming months.
- **Foreign currency mortgages.** A year and a half after the ruling of the Court of Justice of the European Union on mortgage loans indexed to CHF, the number of lawsuits related to mortgage loans in CHF against banks is gradually increasing.

According to data from the Polish Bank Association (ZBP), the number of pending lawsuits related to CHF loan agreements at the end of March 2021 reached almost 48,000 compared to 39,000 at the end of 2020 and 16,000 at the end of 2019. This resulted, among others, in a significant increase in provisions for these proceedings set up in 2020 by banks with CHF mortgage loan portfolios. The amount of provisions created by listed banks in 2020 amounted to approximately PLN 4.0 billion translating into total provisions for this purpose of PLN 5.7 billion.

Further impact of litigation issues related to CHF mortgage loans on the performance of the banking sector and the Bank will depend, inter alia, on the decisions of the CJEU (judgment of 29 April 2021 in case C-19/20 concerning 5 preliminary questions of the District Court in Gdańsk), the Supreme Court (sessions of the Supreme Court on 7 and 11 May 2021) and decisions on settlements and conversion of CHF loans into PLN loans. Details of the above events and information on the number of lawsuits and the value of provisions for legal proceedings concerning CHF loans against the Bank are described in Note 52 of this Report.

- **Structure of the banking sector balance sheet.** According to PFSA data regarding February 2021, the loan-to-deposit ratio continued its decline after a temporary stabilisation in the second half of 2020, reaching a record low of less than 78%. This is, among other things, the result of the ongoing stagnation in the credit market due to economic uncertainty. Looking across product categories (NBP data), household real estate loans are the only one product group that recorded significant growth compared to February 2020 is (+5%, PLN 24 billion). Aa regards companies, a clear decline is still observed in the category of current loans (-13%, PLN 20 billion), whose portfolio shrank at least in part due to funds received under government aid programmes. No rebound can be seen in investment loans, which recorded a statistically negligible growth of 0.6% YoY (PLN 1 billion). The deposit base continues to grow dynamically, primarily in the household category (+10%, PLN 95 billion). Only in the last 3 months occurred (since November 2020) an increase of as much as PLN 36 billion. As a side note, it is worth mentioning the expected decline in term deposits, whose share in total household deposits decreased to 19% (-13 p.p. YoY). In the corporate deposit category, the base has remained stable over the last 6 months. On the other hand, in annual terms it still means an increase of 21% (PLN 65 billion). Such a large and persistent excess of liquidity poses a challenge for banks as to how to allocate funds effectively at almost zero interest rates. This may have a negative impact on banks' net interest margins, which in turn may reduce the profitability of the banking sector.
- **The ability of the sector to finance the economy.** Falling profitability in the banking sector as measured by return on capital has been continuing for several years. Almost a decade ago, the profitability of the sector was two-digit. Between 2018 and 2019 it was already below 7%. For the following years, forecasts indicate that the best banks will reach 5%. The pressure on profitability has many sources. Interest rates are close to zero, and the banks are under increasing regulatory pressure (e.g. directly in the form of a tax on certain financial institutions, indirectly through higher risk weights or the need to hold increased capital). With the additional increase in provisions related to the economic downturn and CHF loans, this translates into pressure on performance. In the short term, this may continue to fuel the consolidation of the sector in search of economies of scale. In the longer term, limited profitability may slow down the growth of the capital base and thus limit lending possibilities.

The Bank underlines that the dynamically changing situation and uncertainty as to the real impact of the coronavirus pandemic on the economy and environment may result in the occurrence of other significant factors not mentioned in this report which may affect the Bank's and the Group's performance and operations in subsequent periods.

58. SUBSEQUENT EVENTS

6.04.2021	**Issue of series M shares as part of the conditional share capital increase and change in the value of share capital of BNP Paribas Bank Polska S.A.** The share capital of the Bank was increased from PLN 147,418,918 to PLN 147,518,782.
19.04.2021	**Information on the amount of the annual contribution determined by the Bank Guarantee Fund (BFG) for BNP Paribas Bank Polska S.A. to the banks' forced restructuring fund for the year 2021 in the amount of PLN 90,147 thousand.** The total contributions to the BGF booked by the Bank as expenses in the first quarter of 2021 amount to PLN 103,716 thousand (i.e. the above contribution plus the contribution to the banks' guarantee fund due for the first quarter of 2021 in the amount of PLN 13,569 thousand).
	Significant case law of the CJEU and the Supreme Court concerning loans in CHF are described in Note 52

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020 (restated data)
Interest income	775,761	988,819
Interest income calculated with the use of effective interest rate method	729,809	932,974
interest income on financial instruments measured at amortised cost	684,873	883,412
interest income on financial instruments measured at fair value through other comprehensive income	44,936	49,562
Income of a similar nature to interest on instruments measured at fair value through profit or loss	45,952	55,845
Interest expense	(58,989)	(192,713)
Net interest income	**716,772**	**796,106**
Fee and commission income	294,792	257,451
Fee and commission expense	(57,046)	(60,712)
Net fee and commission income	**237,746**	**196,739**
Dividend income	359	15,009
Net trading income	158,183	186,825
Result on investment activities	32,605	(27,618)
Result on fair value hedge accounting	(965)	(8,828)
Net impairment losses on financial assets and contingent liabilities	(56,301)	(196,797)
Wynik z tytułu rezerw na ryzyko prawne związane z kredytami walutowymi	(71,858)	(11,329)
General administrative expenses	(551,329)	(628,489)
Depreciation and amortisation	(97,691)	(89,119)
Other operating income	44,139	141,931
Other operating expenses	(65,386)	(110,873)
Operating result	**346,274**	**263,557**
Tax on financial institutions	(78,397)	(70,641)
Profit before tax	**267,877**	**192,916**
Income tax expenses	(110,406)	(74,795)
Net profit	**157,471**	**118,121**
attributable to equity holders of the Group	157,471	118,121
Earnings (loss) per share (in PLN per one share)		
Basic	1.07	0.80
Diluted	1.07	0.80

Interim condensed separate statement on comprehensive income

	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Net profit for the period	**157,471**	**118,121**
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**(93,029)**	**7,704**
Measurement of financial assets measured at fair value through other comprehensive income	(113,657)	9,511
Deferred income tax	21,595	(1,807)
Valuation of cash flow hedging derivatives	(1,193)	-
Deferred income tax	226	-
Items that will not be reclassified to profit or loss	**679**	**250**
Actuary valuation of employee benefits	838	308
Deferred income tax	(159)	(58)
Other comprehensive income (net)	**(92,350)**	**7,954**
Total comprehensive income	**65,121**	**126,075**
attributable to equity holders of the group	65,121	126,075

Interim condensed separate statement on financial position

ASSETS	31 March 2021	31 December 2020
Cash and balances at Central Bank	4,421,550	3,421,866
Amounts due from banks	1,029,185	555,289
Derivative financial instruments	1,670,578	1,531,617
Adjustment of hedging item fair value	311,980	531,793
Loans and advances to customers measured at amortised cost	71,600,990	70,446,975
Loans and advances to customers measured at fair value through profit or loss	1,449,151	1,539,848
Securities measured at amortised cost	23,456,816	23,361,022
Financial instruments measured at fair value through profit or loss	379,592	371,856
Securities measured at fair value through other comprehensive income	10,311,427	10,228,560
Investments in subsidiaries	140,765	140,765
Intangible assets	633,969	651,202
Property, plant and equipment	1,435,672	1,468,673
Deferred tax assets	568,088	613,553
Current income tax receivables	17,239	12,271
Other assets	730,071	792,860
Total assets	**118,157,073**	**115,668,150**
LIABILITIES	31 March 2021	31 December 2020
Amounts due to the Central Bank	-	84,675
Amounts due to banks	877,158	2,831,538
Derivative financial instruments	1,404,643	1,521,148
Adjustment of hedging and hedged item fair value	319,557	542,719
Amounts due to customers	95,955,035	91,466,551
Subordinated liabilities	4,308,602	4,306,539
Lease liabilities	978,237	968,592
Other liabilities	1,489,072	1,234,157
Provisions	703,741	658,693
Total liabilities	**106,036,045**	**103,614,612**
EQUITY		
Share capital	147,419	147,419
Supplementary capital	9,110,976	9,110,976
Other reserve capital	2,942,411	2,208,982
Revaluation reserve	163,537	255,887
Retained earnings	(243,315)	330,274
retained profit	(400,786)	(400,786)
net profit for the period	157,471	731,060
Total equity	**12,121,028**	**12,053,538**
Total liabilities and equity	**118,157,073**	**115,668,150**

Interim condensed separate statement of changes in equity

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2021	**147,419**	**9,110,976**	**2,208,982**	**255,887**	**(400,786)**	**731,060**	**12,053,538**
Total comprehensive income for the period	**-**	**-**	**-**	**(92,350)**	**-**	**157,471**	**65,121**
Net profit for the period	-	-	-	-	-	157,471	157,471
Other comprehensive income for the period	-	-	-	(92,350)	-	-	(92,350)
Distribution of retained earnings	**-**	**-**	**731,060**	**-**	**-**	**(731,060)**	**-**
Distribution of retained earnings intended for capital	-	-	731,060	-	-	(731,060)	-
Management stock options*	**-**	**-**	**2,369**	**-**	-	-	**2,369**
Balance as at 31 March 2021	**147,419**	**9,110,976**	**2,942,411**	**163,537**	**(400,786)**	**157,471**	**12,121,028**

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

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2020	**147,419**	**9,110,976**	**1,572,757**	**125,240**	**(400,786)**	**628,696**	**11,184,302**
Total comprehensive income for the period	**-**	**-**	**-**	**130,647**	**-**	**731,060**	**861,707**
Net profit for the period	-	-	-	-	-	731,060	731,060
Other comprehensive income for the period	-	-	-	130,647	-	-	130,647
Distribution of retained earnings	**-**	**-**	**628,696**	**-**	**-**	**(628,696)**	**-**
Distribution of retained earnings intended for capital	-	-	628,696	-		(628,696)	-
Management stock options*	**-**	**-**	**7,529**	**-**	**-**	**-**	**7,529**
Balance as at 31 December 2020	**147,419**	**9,110,976**	**2,208,982**	**255,887**	**(400,786)**	**731,060**	**12,053,538**

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

					Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained profit	Net profit for the period	Share capital
Balance as at 1 January 2020	**147,419**	**9,110,976**	**1,572,757**	**125,240**	**(400,786)**	**628,696**	**11,184,302**
Total comprehensive income for the period	**-**	**-**	**-**	**7,954**	**628,696**	**(510,575)**	**126,075**
Net profit for the period	-	-	-	-	-	118,121	118,121
Other comprehensive income for the period				7,954	628,696	(628,696)	7,954
Balance as at 31 March 2020	**147,419**	**9,110,976**	**1,572,757**	**133,194**	**227,910**	**118,121**	**11,310,377**

Interim condensed separate statement on cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Net profit (loss)	**157,471**	**118,121**
Adjustments for:	**1,498,823**	**(2,093,237)**
Income tax expenses	110,406	74,795
Depreciation and amortisation	97,691	89,119
Dividend income	(359)	(15,009)
Interest income	(775,761)	(988,819)
Interest expense	58,989	192,713
Change in provisions	45,886	(23,292)
Change in amounts due from banks	(100,219)	(71,315)
Change in assets due to derivative financial instruments	80,852	(1,053,630)
Change in loans and advances to customers measured at amortised cost	(1,273,218)	(2,893,359)
Change in loans and advances to customers measured at fair value through profit or loss	90,697	166,716
Change in amounts due to banks	(2,038,824)	232,715
Change in liabilities related to derivative financial instruments	(340,860)	1,044,495
Change in amounts due to customers	4,496,373	522,096
Change in other assets	99,465	157,408
Change in other liabilities	214,005	(121,196)
Other adjustments	37,824	49,595
Interest received	762,526	736,817
Interest paid	(66,330)	(191,912)
Lease payments with reference to short-term leases not included in the lease liability measurement	(320)	(1,174)
Net cash flows from operating activities	**1,656,294**	**(1,975,117)**

CASH FLOWS FROM INVESTING ACTIVITIES:	1Q 2021 from 01.01.2021 to 31.03.2021	1Q 2020 from 01.01.2020 to 31.03.2020
Investing activities inflows	**8,217,522**	**6,048,367**
Sale of financial assets available for sale	8,213,435	5,918,621
Sale of intangible assets and property, plant and equipment	3,728	114,737
Dividends received and other investment inflows	359	15,009
Investing activities outflows	**(8,468,839)**	**(5,231,250)**
Purchase of debt securities	(8,397,000)	(5,172,934)
Purchase of intangible assets and property, plant and equipment	(71,839)	(58,316)
Net cash flows from investing activities	**(251,317)**	**817,117**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing activities inflows	**-**	**-**
Financing activities outflows	**(30,685)**	**(32,269)**
Repayment of lease liability	(30,685)	(32,269)
Net cash flows from financing activities	**(30,685)**	**(32,269)**
TOTAL NET CASH AND CASH EQUIVALENTS	**1,374,292**	**(1,190,269)**
Cash and cash equivalents at the beginning of the period	**3,485,875**	**4,800,477**
Cash and cash equivalents at the end of the period, including:	**4,860,167**	**3,610,209**
change in cash due to differences in exchange rates	22,203	30,372

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 first quarter ended 31 March 2021 were prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), as adopted by the European Union as well as in accordance with other applicable regulations

The interim condensed separate financial statements do not include all information and disclosures required for the annual financial statements, and therefore should be read in conjunction with the Interim condensed consolidated financial statements for the first quarter of 2021 and with the Separate financial statements of the BNP Paribas Polska S.A. for the year ended 31 December 2020, which was approved by the Management Board of the Bank on 26 February 2021.

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

The following significant events regarding the interim condensed separate financial statements for the first quarter of 2021 were described in the interim condensed consolidated financial statements for the first quarter of 2021:

- The most important events in BNP Paribas Bank Polska S.A. Capital Group in the first quarter of 2021 in Note 55.
- Subsequent events in Note 58.

2. RELATED PARTY TRANSACTIONS

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

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

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

As at 31 March 2021 the Capital Group of BNP Paribas Bank Polska S.A. comprised BNP Paribas Bank Polska S.A. as the parent company and its subsidiaries:

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

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

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

31.03.2021	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the BNP Paribas S.A. Capital Group	Key personnel	Subsidiaries	Total
Assets	**1,599,108**	**1,697**	**89,030**	**14**	**7,106**	**1,696,955**
Receivables on current accounts, loans and deposits	602,685	1,636	80,813	-	7,106	**692,240**
Derivative financial instruments	683,223	61	-	-	-	**683,284**
Hedging instruments	311,980	-	-	-	-	**311,980**
Other assets	1,220	-	8,217	14	-	**9,451**
Liabilities	**5,264,228**	**5,902**	**1,152,977**	**4,613**	**123,181**	**6,550,901**
Current accounts, deposits	274,057	5,891	870,585	4,613	122,403	**1,277,549**
Subordinated liabilities	4,028,445	-	280,157	-	-	**4,308,602**
Derivative financial instruments	815,479	11	-	-	-	**815,490**
Hedged instruments	146,229	-	-	-	-	**146,229**
Leasing liabilities	-	-	2,230	-	-	**2,230**
Other liabilities	18	-	5	-	778	**801**
Contingent liabilities						
Financial commitments granted	-	-	353,707	114	48,562	**402,383**
Guarantees granted	107,375	180,860	890,280	-	-	**1,178,515**
Commitments received	1,008,695	123,889	1,097,353	-	-	**2,229,937**
Derivatives (nominal value)	58,622,606	187,694	-	-	-	**58,810,300**
Derivative hedging instruments (nominal value)	21,427,986	-	-	-	-	**21,427,986**
Statement of profit or loss	**(192,066)**	**117**	**(2,661)**	**-**	**4,166**	**(190,444)**
3 months ended 31.03.2021						
Interest income	-	4	89	-	17	**110**
Interest expense	(18,960)	-	(1,273)	-	1	**(20,232)**
Fee and commission income	242	51	2,224	-	374	**2,891**
Fee and commission expense	(288)	-	(1,834)	-	(14)	**(2,136)**
Net trading income	(160,471)	62	-	-	-	**(160,409)**
Other operating income	76	-	1,225	-	5,491	**6,792**
Other operating expenses	(12,665)	-	(3,092)	-	(1,703)	**(17,460)**

31.12.2020	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the BNP Paribas S.A. Capital Group	Key personnel	Subsidiaries	Total
Assets	**1,368,942**	**3,326**	**35,437**	**4**	**15,814**	**1,423,523**
Receivables on current accounts, loans and deposits	201,866	2,859	31,592	-	14,154	**250,471**
Derivative financial instruments	635,475	-	-	-	-	**635,475**
Hedging instruments	531,326	467	-	-	-	**531,793**
Other assets	275	-	3,845	4	1,660	**5,784**
Liabilities	**7,004,895**	**32,066**	**950,208**	**6,409**	**95,221**	**8,088,799**
Current accounts, deposits	1,964,027	32,066	670,210	6,409	94,733	**2,767,445**
Subordinated liabilities	4,029,098	-	277,441	-	-	**4,306,539**
Derivative financial instruments	951,742	-	-	-	-	**951,742**
Hedged instruments	60,027	-	-	-	-	**60,027**
Leasing liabilities	-	-	2,552	-	-	**2,552**
Other liabilities	-	-	5	-	488	**493**
Contingent liabilities						
Financial commitments granted	-	-	765,987	105	38,169	**804,261**
Guarantees granted	114,658	198,268	778,875	-	-	**1,091,801**
Commitments received	990,111	130,455	938,840	-	-	**2,059,406**
Derivatives (nominal value)	63,199,300	-	-	-	-	**63,199,300**
Derivative hedging instruments (nominal value)	18,996,846	13,844	-	-	-	**19,010,690**
Statement of profit or loss	**129,133**	**(10)**	**(4,829)**	**(6)**	**1,343**	**125,631**
3 months ended 31.03.2020						
Interest income	25	114	235	-	12	**386**
Interest expense	(9,189)	(59)	(1,588)	(6)	(125)	**(10,967)**
Fee and commission income	-	36	2,220	-	18	**2,274**
Fee and commission expense	(141)	-	(16)	-	(1,145)	**(1,302)**
Net trading income	143,515	(101)	(11)	-	-	**143,403**
Other operating income	-	-	-	-	4,834	**4,834**
Other operating expenses	(5,077)	-	(5,669)	-	(2,251)	**(12,997)**

Remuneration of the Management Board and Supervisory Board

Management Board	31.03.2021	31.03.2020
Short-term employee benefits	5,271	7,273
Long-term benefits	2,208	6,489
Employment termination benefits	855	-
Share-based payments*	3,877	1,624
Total	**12,211**	**15,386**

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

Supervisory Board	31.03.2021	31.03.2020
Short-term employee benefits	383	345
Total	**383**	**345**

3. SEPARATE CAPITAL ADEQUACY RATIO

	31.03.2021	31.12.2020
Total own funds	16,047,390	15,788,897
Total risk exposure amount	81,686,557	81,145,805
Total capital ratio	19.65%	19.46%
Tier 1 capital ratio	14.41%	14.16%

4. SEASONAL OR CYCLICAL NATURE OF BUSINESS

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

5. DIVIDEND PAID

In 2020, no dividend was paid out in the Bank.

6. DISTRIBUTION OF RETAINED EARNINGS

In accordance with the Resolution of the Ordinary Shareholder's Meeting dated 24.03.2021, the net profit of the Bank for 2020 in the amount of PLN 731,060 thousand has been fully allocated to supplementary capital.

7. CONTINGENT LIABILITIES

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

Contingent liabilities	31.03.2021	31.12.2020
Contingent commitments granted	**39,242,572**	**37,794,803**
financial commitments	30,882,991	29,961,150
guarantees	8,359,581	7,833,653
Contingent commitments received	**22,520,242**	**21,879,108**
financial commitments	13,049,095	13,005,690
guarantees	9,471,147	8,873,418

8. SUBSEQUENT EVENTS

Subsequent events are described in Note 58 of the interim consolidated financial statements for the first quarter of 2021.

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

12.05.2021	**Przemysław Gdański** *President of the Management Board*	*qualified electronic signature*
12.05.2021	**Jean-Charles Aranda** *Vice-President of the Management Board*	*qualified electronic signature*
12.05.2021	**Andre Boulanger** *Vice-President of the Management Board*	*qualified electronic signature*
12.05.2021	**Przemysław Furlepa** *Vice-President of the Management Board*	*qualified electronic signature*
12.05.2021	**Wojciech Kembłowski** *Vice-President of the Management Board*	*qualified electronic signature*
12.05.2021	**Kazimierz Łabno** *Vice-President of the Management Board*	*qualified electronic signature*
12.05.2021	**Magdalena Nowicka** *Vice-President of the Management Board*	*qualified electronic signature*
12.05.2021	**Volodymyr Radin** *Vice-President of the Management Board*	*qualified electronic signature*

Warsaw, 12 May 2021