INTERIM CONSOLIDATED REPORT

FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2021

BNP Paribas Bank Polska S.A. Capital Group

BNP PARIBAS

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SELECTED FINANCIAL DATA

Selected consolidated financial data	in PLN '000		in EUR '000	
Statement of profit or loss	**30.09.2021 (YTD)**	30.09.2020 (YTD)	**30.09.2021 (YTD)**	30.09.2020 (YTD)
Net interest income	**2,276,711**	2,312,684	**499,443**	520,640
Net fee and commission income	**747,729**	658,295	**164,030**	148,198
Profit before tax	**778,336**	845,865	**170,744**	190,424
Profit after tax	**449,802**	565,629	**98,673**	127,337
Total comprehensive income	**152,275**	654,649	**33,405**	147,377
Total net cash flows	**993,682**	(1,654,661)	**217,984**	(372,504)
Ratios	**30.09.2021**	30.09.2020	**30.09.2021**	30.09.2020
Number of shares (items)	**147,518,782**	147,418,918	**147,518,782**	147,418,918
Earnings per share	**3.05**	3.84	**0.67**	0.86
Statement of financial position	**30.09.2021**	31.12.2020	**30.09.2021**	31.12.2020
Total assets	**127,616,365**	119,577,288	**27,545,677**	25,911,695
Loans and advances to customers measured at amortised cost	**82,164,097**	74,097,269	**17,734,917**	16,056,442
Loans and advances to customers measured at fair value through profit or loss	**1,303,134**	1,539,848	**281,278**	333,676
Total liabilities	**115,428,288**	107,546,761	**24,914,910**	23,304,750
Amounts due to customers	**99,035,855**	90,051,004	**21,376,644**	19,513,523
Share capital	**147,519**	147,419	**31,842**	31,945
Total equity	**12,188,077**	12,030,527	**2,630,766**	2,606,944
Capital adequacy	**30.09.2021**	31.12.2020	**30.09.2021**	31.12.2020
Total own funds	**15,703,566**	15,748,450	**3,389,576**	3,412,596
Total risk exposure	**89,374,691**	84,447,701	**19,291,306**	18,299,320
Total capital ratio	**17.57%**	18.65%	**17.57%**	18.65%
Tier 1 capital ratio	**12.85%**	13.55%	**12.85%**	13.55%

Selected separate financial data	in PLN '000		in EUR '000	
Statement of profit or loss	**30.09.2021 (YTD)**	30.09.2020 (YTD)	**30.09.2021 (YTD)**	30.09.2020 (YTD)
Net interest income	**2,224,036**	2,268,186	**487,888**	510,623
Net fee and commission income	**713,230**	629,516	**156,462**	141,719
Profit before tax	**773,441**	835,631	**169,670**	188,120
Profit after tax	**447,944**	559,134	**98,266**	125,874
Total comprehensive income	**150,417**	648,154	**32,997**	145,915
Total net cash flows	**1,128,379**	(1,733,702)	**247,533**	(390,298)
Ratios	**30.09.2021**	30.09.2020	**30.09.2021**	30.09.2020
Number of shares (items)	**147,518,782**	147,418,918	**147,518,782**	147,418,918
Earnings per share	**3.04**	3.79	**0.67**	0.85
Statement of financial position	**30.09.2021**	31.12.2020	**30.09.2021**	31.12.2020
Total assets	**122,832,468**	115,668,150	**26,513,084**	25,064,607
Loans and advances to customers measured at amortised cost	**77,600,240**	70,446,975	**16,749,820**	15,265,445
Loans and advances to customers measured at fair value through profit or loss	**1,303,134**	1,539,848	**281,278**	333,676
Total liabilities	**110,623,389**	103,614,612	**23,877,785**	22,452,677
Amounts due to customers	**99,962,408**	91,466,551	**21,576,638**	19,820,263
Share capital	**147,519**	147,419	**31,842**	31,945
Total equity	**12,209,079**	12,053,538	**2,635,299**	2,611,931
Capital adequacy	**30.09.2021**	31.12.2020	**30.09.2021**	31.12.2020
Total own funds	**15,738,641**	15,788,897	**3,397,147**	3,421,361
Total risk exposure	**85,632,618**	81,145,805	**18,483,589**	17,583,818
Total capital ratio	**18.38%**	19.46%	**18.38%**	19.46%
Tier 1 capital ratio	**13.46%**	14.16%	**13.46%**	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 of 30.09.2021 - EUR 1 = PLN 4.6329
- as of 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 30.09.2021 - EUR 1 = PLN 4.5585
- for the period from 1.01.2020 to 30.09.2020 - EUR 1 = PLN 4.4420

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020 (restated data)	3 quarters of 2020 from 01.01.2020 to 30.09.2020 (restated data)
Interest income	8	842,538	2,455,579	825,402	2,757,549
Interest income calculated with the use of effective interest rate method		784,169	2,303,824	776,398	2,604,003
interest income on financial instruments measured at amortised cost		739,241	2,168,208	727,745	2,458,390
interest income on financial instruments measured at fair value through other comprehensive income		44,928	135,616	48,653	145,613
Income of a similar nature to interest on instruments measured at fair value through profit or loss		58,369	151,755	49,004	153,546
Interest expense	8	(57,555)	(178,868)	(86,491)	(444,865)
Net interest income		**784,983**	**2,276,711**	**738,911**	**2,312,684**
Fee and commission income	9	311,808	919,801	301,050	817,279
Fee and commission expenses	9	(61,209)	(172,072)	(49,814)	(158,984)
Net fee and commission income		**250,599**	**747,729**	**251,236**	**658,295**
Dividend income		5,358	6,813	5,811	8,250
Net trading income	10	161,600	493,417	157,593	534,398
Result on investment activities	11	5,351	45,345	11,015	28,885
Result on hedge accounting	22	42,429	23,867	(2,992)	(12,689)
Net impairment losses on financial assets and contingent liabilities	12	(60,932)	(191,946)	(94,733)	(492,966)
Result on provisions for legal risk related to foreign currency loans	52	(201,952)	(460,929)	(39,914)	(66,476)
General administrative expenses	13	(501,231)	(1,542,730)	(479,852)	(1,610,279)
Depreciation and amortization	14	(97,448)	(295,646)	(90,982)	(270,534)
Other operating income	15	24,143	133,817	43,356	238,823
Other operating expenses	16	(58,836)	(210,736)	(83,255)	(248,077)
Operating result		**354,064**	**1,025,712**	**416,193**	**1,080,313**
Tax on financial institutions		(85,433)	(247,376)	(83,625)	(234,448)
Profit before tax		**268,631**	**778,336**	**332,568**	**845,865**
Income tax expenses	17	(114,772)	(328,534)	(101,066)	(280,236)
Net profit		**153,859**	**449,802**	**231,502**	**565,629**
attributable to equity holders of the Group		153,859	449,802	231,502	565,629
Earnings (loss) per share (in PLN per one share)					
Basic	18	1.04	3.05	1.57	3.84
Diluted	18	1.04	3.05	1.56	3.83

In the three quarters of 2021, BNP Paribas Bank Polska SA Capital Group generated a net profit of PLN 449,802 thousand, which was by PLN 115,827 thousand (i.e. by 20.5%) lower than the net profit generated in the three quarters of 2020. The Group's result on banking activity amounted to PLN 3,516,963 thousand and was similar to that achieved in the corresponding period of the previous year (lower by PLN 3,605 thousand, i.e. by 0.1% YoY).

The most important event affecting the comparability of the achieved results was the coronavirus pandemic that started in Poland in the second half of March 2020 and sanitary restrictions in force in Poland from the first quarter of 2020. The disruption to economic activity and the reduction in the Group's customer activity primarily affected the reduction in demand for loans and, to a lesser extent, changes in demand for certain other banking services. The decline in the average value of the corporate loan portfolio, which became apparent in 2Q and 3Q 2020, continued in 1Q 2021. Signs of recovery became apparent in 2Q 2021.

The Group's financial results were significantly affected by the reductions in the level of NBP interest rates made by the Monetary Policy Council with decisions of 17 March, 8 April and 28 May 2020 (for the reference rate – decrease from 1.5% to 0.1%). These changes caused a decrease in market rates and, consequently, a decrease in the Group's net interest income, mitigated to some extent by the adjustment measures taken in the area of pricing policy and an increase in the scale of lending activity, visible in the second and third quarters of 2021. Net interest income in the three quarters of 2021 was by PLN 35,973 thousand (i.e. 1.6%) lower as compared to the three quarters of 2020.

An additional burden on the Group's financial results in the three quarters of 2021, compared to the corresponding period of the previous year, was an increase of PLN 394,453 thousand (i.e. by 593.4%) in the result on provisions for legal risk related to foreign currency loans.

The elements that allowed to partially neutralize the negative factors described above include:

- a significant reduction in credit risk costs. The result of impairment allowances on financial assets and provisions for contingent liabilities in the three quarters of 2021 was by PLN 301,020 thousand (or 61.1%) lower compared to the three quarters of 2020. The reduction in the cost of risk was affected, among other things, by the improvement in macroeconomic scenarios and expectations regarding the negative impact of COVID-19, as well as by the positive impact of loan portfolio sales made in the first half of 2021;
- 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 89,434 thousand (i.e. by 13.6%) compared to the three quarters of 2020;
- improvement of the result on hedge accounting by PLN 36,556 thousand compared to the three quarters of 2020. At the end of September 2021, the assignment of the discount curves used for the valuation of hedged instruments derived from Macro Fair Value relationships was revised. The curves previously used (PLN3M/EUR3M/USD3M) were replaced by curves corresponding exactly to the tenor of the variable leg rate of the hedging positions. The result was a one-off positive impact on the result in the amount of PLN 33.9 million;
- lower costs in favour of the Bank Guarantee Fund ("BFG") by PLN 61,141 thousand (i.e. by 31.9%), incurred by the Group in the three quarters of 2021 as a result of a reduction in the level of contributions made by the BFG Council compared to 2020;
- positive effects of the actions taken to optimise the level of operating costs and the realisation of cost synergies made possible by the completion of the integration process with the Core Business of Raiffeisen Bank Polska S.A. ("RBPL", "Core RBPL"), acquired in 2018, visible, inter alia, in the area of personnel expenses. Total general administrative expenses and depreciation, net of BFG costs, incurred in the three quarters of 2021 were by PLN 18,704 thousand (or 1.1%) higher as compared to the three quarters of 2020.

In addition, the comparability of the results realised in the three quarters of 2021 and the three quarters of 2020 was affected by the following factors:

- recognition of the positive effects of the change in the valuation method of the infrastructure companies BIK and KIR in the total amount of PLN 45,051 thousand in the result on trading activities in the second quarter of 2020;
- recognition of the sale of real estate at Kasprzaka in Warsaw, in the gross amount of PLN 43,564 thousand in the result from other operating income/costs in 2020;

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020	3 quarters of 2020 from 01.01.2020 to 30.09.2020
Net profit for the period	**153,859**	**449,802**	**231,502**	**565,629**
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**(124,876)**	**(298,352)**	**27,283**	**90,113**
Measurement of financial assets measured through other comprehensive income	(128,978)	(347,404)	33,683	111,251
Deferred income tax	24,506	66,007	(6,400)	(21,138)
Measurement of derivatives hedging gross cash flows	(26,036)	(20,932)	-	-
Deferred income tax	5,632	3,977	-	-
Items that will not be reclassified to profit or loss	**(389)**	**825**	**(311)**	**(1,093)**
Actuary valuation of employee benefits	(481)	1,018	(383)	(1,349)
Deferred income tax	92	(193)	72	256
Other comprehensive income (net)	**(125,265)**	**(297,527)**	**26,972**	**89,020**
Total comprehensive income for the period	**28,594**	**152,275**	**258,474**	**654,649**
attributable to equity holders of the Group	28,594	152,275	258,474	654,649

Total comprehensive income of the BNP Paribas Bank Polska S.A. Capital Group for the three quarters of 2021 was lower by PLN 502,374 thousand (i.e. by 76.7%) compared to the corresponding period of the previous year. The factors negatively affecting their level were the deterioration of the valuation of financial assets measured through other comprehensive income (by PLN 458,655 thousand) and the decrease of net profit (by PLN 115,827 thousand).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30 September 2021	31 December 2020
Cash and balances at Central Bank	19	3,132,250	3,421,877
Amounts due from banks	20	2,207,890	774,722
Derivative financial instruments	21	1,394,874	1,531,617
Adjustment of fair value of hedging item	22	225,082	531,793
Loans and advances to customers measured at amortised cost	23	82,164,097	74,097,269
Loans and advances to customers measured at fair value through profit or loss	24	1,303,134	1,539,848
Securities measured at amortised cost	25	23,311,378	23,361,022
Securities measured at fair value through profit or loss	26	324,804	371,900
Securities measured at fair value through other comprehensive income	27	9,955,538	10,228,560
Intangible assets	28	654,274	651,608
Property, plant and equipment	29	1,285,292	1,479,540
Deferred tax assets		765,151	745,606
Current tax assets		32,335	55,087
Other assets	31	860,266	786,839
Total assets		**127,616,365**	**119,577,288**

LIABILITIES	Note	30 September 2021	31 December 2020
Amounts due to the Central Bank	32	105,570	84,675
Amounts due to other banks	33	5,403,854	6,824,894
Derivative financial instruments	21	1,246,824	1,521,148
Adjustment of fair value of hedging and hedged item	22	161,918	542,719
Amounts due to customers	34	99,035,855	90,051,004
Debt securities issued	35	847,060	1,318,380
Subordinated liabilities	36	4,312,595	4,306,539
Lease liabilities	30	902,843	968,749
Other liabilities	37	2,221,936	1,269,243
Current tax liabilities		99,758	-
Provisions	38	1,090,075	659,410
Total liabilities		**115,428,288**	**107,546,761**
EQUITY			
Share capital	49	147,519	147,419
Supplementary capital		9,110,976	9,110,976
Other reserve capital		2,945,066	2,208,982
Revaluation reserve		(41,694)	255,833
Retained earnings		26,210	307,317
retained profit		(423,592)	(425,778)
net profit for the period		449,802	733,095
Total equity		**12,188,077**	**12,030,527**
Total liabilities and equity		**127,616,365**	**119,577,288**

The total balance sheet of BNP Paribas Bank Polska Capital Group as of 30 September 2021 amounted to PLN 127,616,365 thousand and was higher by PLN 8,039,077 thousand, i.e. by 6.7%, 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 65.4% of all assets at the end of September 2021 compared to 63.3% at the end of 2020. The increase in net loans and advances amounted to PLN 7,830,114 thousand (+10.4%) and concerned both the portfolio of individual clients (+12.4%) and the portfolio of institutional clients (+8.8%). Mortgage loans represented high dynamics (+13.8%).

The second largest asset item were securities, which accounted for 26.3% of the balance sheet total as of 30 September 2021 (at the end of 2020: 28.4%). As at the end of 3Q 2021, their value decreased by PLN 369,762 thousand, i.e. by 1.1%,. The decrease of the portfolio of bonds issued by banks was only partially mitigated by the increase in the portfolio of bonds issued by other financial institutions (including PFR as part of the anti-crisis programs) and the volume of NBP bills.

At the same time, the increase in the share of amounts due from banks from 0.6% to 1.7% (by PLN 1,433,168 thousand, i.e. by 185.0%) occurred, mainly due to increase in the volume of current accounts and interbank deposits.

As of 30 September 2021, the total value of the BNP Paribas Bank Polska S.A. Capital Group's liabilities amounted to PLN 115,428,288 thousand and has increased by PLN 7,881,527 thousand, i.e. 7.3% compared to the end of 2020. The share of liabilities in the Group's total liabilities and equity in the analysed period amounted 90.4% (+0.5 p.p. as compared to the end of 2020.)

The biggest changes in the structure of liabilities at the end of September 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 of 30 September 2021 was the increase of amount due to customers, which amounted to 85.8% and increased in comparison to the end of 2020 by 2.1 p.p. The volume of those liabilities increased by PLN 8,984,851 thousand (10.0%) compared to December 2020 and amounted to PLN 99,035,855 thousand.

The decrease in the share of total liabilities by 1.7 p.p. to the level of 4.7% was noticed in the amounts due to banks. They amounted to PLN 5,403,854 thousand and was lower comparing to the end of 2020 by PLN 1,421,040 thousand (i.e. by 20.8%).

Equity of the Group as of 30 September 2021 amounted to PLN 12,188,077 thousand and increased in comparison to 31 December 2020 by 1.3%, i.e. by PLN 157,550 thousand. The share of total equity in the Group's total liabilities and equity at the end of September 2021 amounted to 9.6% (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: Retained profit	Retained earnings: Net profit for the period	Total
Balance as of 1 January 2021	**147,419**	**9,110,976**	**2,208,982**	**255,833**	**(425,778)**	**733,095**	**12,030,527**
Total comprehensive income for the period	**-**	**-**	**-**	**(297,527)**	**-**	**449,802**	**152,275**
Net profit for the period	-	-	-	-	-	449,802	449,802
Other comprehensive income for the period	-	-	-	(297,527)	-	-	(297,527)
Distribution of retained earnings	**-**	**-**	**731,060**	**-**	**2,035**	**(733,095)**	**-**
Distribution of earnings intended for capital	-	-	731,060	-	2,035	(733,095)	-
Issuance of shares	**100**	**-**	**-**	**-**	**-**	**-**	**100**
Issuance of shares	100	-	-	-	-	-	**100**
Management stock options*	**-**	**-**	**5,024**	**-**	**-**	**-**	**5,024**
Other adjustments	**-**	**-**	**-**	**-**	**151**	**-**	**151**
Balance as of 30 September 2021	**147,519**	**9,110,976**	**2,945,066**	**(41,694)**	**(423,592)**	**449,802**	**12,188,077**

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

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as of 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 of 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 of 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	**-**	**-**	**-**	**89,020**	**-**	**565,629**	**654,649**
Net profit for the period	-	-	-	-	-	565,629	565,629
Other comprehensive income for the period	-	-	-	89,020	-	-	89,020
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*	**-**	**-**	**6,316**	**-**	**-**	**-**	**6,316**
Other adjustments	**-**	**-**	**-**	**-**	**(62)**	**-**	**(62)**
Balance as of 30 September 2020	**147,419**	**9,110,976**	**2,207,770**	**214,271**	**(425,778)**	**565,629**	**11,820,287**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	3Q 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.01.2020 to 30.09.2020
Net profit (loss)		**449,802**	**565,629**
Adjustments for:		**751,517**	**8,890,277**
Income tax expenses		328,534	280,236
Depreciation and amortization		295,646	270,534
Dividend income		(6,813)	(8,250)
Interest income		(2,455,579)	(2,757,549)
Interest expense		178,868	444,865
Change in provisions		431,280	(177,862)
Change in amounts due from banks		(151,276)	(20,581)
Change in assets due to derivative financial instruments		443,454	(996,823)
Change in loans and advances to customers measured at amortised cost		(8,152,776)	(1,655,468)
Change in loans and advances to customers measured at fair value through profit or loss		236,714	333,815
Change in amounts due to banks		(2,009,624)	2,126,729
Change in liabilities due to derivative financial instruments		(676,207)	889,433
Change in amounts due to customers		8,949,276	8,855,512
Change in other assets and current tax assets		(17,093)	98,524
Change in other liabilities and provisions due to deferred tax		820,262	(391,004)
Other adjustments	41	104,906	(58,359)
Interest received		2,621,949	2,151,830
Interest paid		(189,040)	(499,951)
Lease payments for short-term leases not included in the lease liability measurement		(964)	4,647
Net cash flows from operating activities		**1,201,319**	**9,455,906**

CASH FLOWS FROM INVESTMENT ACTIVITIES:		3Q 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.01.2020 to 30.09.2020
Investment activities inflows		**62,036,396**	**43,500,450**
Sale and maturity of financial assets		62,007,435	43,369,698
Sale of intangible assets and property, plant and equipment		22,148	122,447
Dividends received and other inflows from investing activities		6,813	8,305
Investment activities outflows		**(62,323,797)**	**(53,995,409)**
Purchase of debt securities		(62,120,429)	(53,778,904)
Purchase of intangible assets and property, plant and equipment		(203,368)	(216,505)
Net cash flows from investment activities		**(287,401)**	**(10,494,959)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Financing activities inflows		**1,592,320**	**1,039,585**
Long-term loans received and subordinated liabilities		1,592,220	1,039,585
Net inflows from issuance of shares and return of capital contributions		100	-
Financing activities outflows		**(1,512,556)**	**(1,655,193)**
Repayment of long-term loans received		(978,652)	(886,950)
Repayment of lease liability		(62,676)	(93,370)
Redemption of debt securities		(471,228)	(674,873)
Net cash flows from financing activities		**79,764**	**(615,608)**
TOTAL NET CASH AND CASH EQUIVALENTS		**993,682**	**(1,654,661)**
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:	39	**4,699,002**	**3,178,548**
Effect of exchange rate fluctuations on cash and cash equivalents		22,763	34,623

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. IDENTIFICATION DATA

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

The registered office of the Bank is located at Kasprzaka 2 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 of 30 September 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 of 30 September 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 three quarters of 2021 ended 30 September 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 three quarters 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 2019.

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, Presentation of financial statements - 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 planned to be 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 planned to be 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**.**
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**, published on 14 May 2020, are planned to be 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 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, are planned 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 Deferred Tax related to Assets and Liabilities arising from a Single Transaction** were issued on 7 May 2021. They are planned to be effective for reporting periods beginning on 1 January 2023. and 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**, published on 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.
- **Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021,** published on 31 March 2021, effective for annual periods beginning after 1 April 2021. The amendments increase the scope of changes introduced to IFRS 16: Covid-19-Related Rent Concessions, which was issued on 28 May 2020, provides a practical exception that allows tenants not to assess whether rental concessions that occur as a direct consequence of pandemic COVID-19 and meet certain conditions are modifications to the lease agreement and, instead, to recognise those rental concessions as if they were not modifications to the agreement. The amendment to IFRS 16 extends the application period of the practical exception by 12 months from 30 June 2021 to 30 June 2022;
- **Amendments to IFRS 3 Business combinations; IAS 16 Property, plant and equipment; IAS 37 Provisions, contingent liabilities and contingent assets; annual improvements 2018-2020,** published on 14 May 2021, effective for annual periods beginning after 1 April 2021;

  - Amendments to IFRS 3 "Business combinations" update the reference to the Framework for Financial Reporting present in IFRS 3 without changing the requirements for accounting for business combinations;

  - Amendments to IAS 16 "Property, plant and equipment" prohibit a company from deducting the amounts received from the sale of items produced in the process of preparation of the asset's to its intended use from the asset's purchase price or from the production cost of property, plant and equipment. Instead, the company should recognise the sales revenue and related costs in the income statement;
  - Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" determine which costs should be considered when assessing whether the contract will result in a loss;

  - Annual improvements introduce minor changes to IFRS 1 First-time adoption of IFRS, IFRS 9 Financial instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases;

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 three quarters of 2021.

3.3. Changes in presentation of financial data

Compared to the Interim condensed consolidated financial statements prepared for the three quarters of 2021 ended 30.09.2021, 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.

	3Q 2021 from 01.01.2021 to 30.09.2021 before change	Change	3Q 2020 from 01.01.2020 to 30.09.2020 after change
Fee and commission income	806,171	11,108	817,279
Fee and commission expenses	(147,876)	(11,108)	(158,984)
Net fee and commission income	**658,295**	**-**	**658,295**

- costs of brokerage concerning the sale of products spread over time using the effective interest rate by transferring from interest expense to interest income on financial instruments measured at amortised cost

	3Q 2021 from 01.01.2021 to 30.09.2021 before change	Change	3Q 2020 from 01.01.2020 to 30.09.2020 after change
Interest income	2,779,436	(21,887)	2,757,549
Interest expense	(466,752)	21,887	(444,865)
Net interest income	**2,312,684**	**-**	**2,312,684**

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 three quarters of 2021 ended 30 September 2021 was approved for publication by the Management Board on 8 November 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

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 order to adequately reflect the impact of the COVID-19 situation in the valuation of the loan portfolio, the Group monitors the loan portfolio for risks related to the epidemiological situation. In particular, when determining impairment losses, the Group takes into account the impact of macroeconomic scenarios and the specific characteristics of the portfolio of customers particularly exposed to the impact of the pandemic, including customers receiving public support and those operating in industries exposed to the risk related to COVID-19.

In the first three quarters of 2021, as result of an improvement in macroeconomic forecasts, including in particular the growth rate of Poland's gross domestic product, the Group dissolved PLN 135 186 thousand provision for unrealized credit losses related to the change in macroeconomic scenarios. At the same time, being aware of the use by enterprises, as well as retail clients operating as micro-entrepreneurs of public support under successive crisis shields, which supports their financial and liquidity situation, it took into account the risk of deterioration of their financial condition in the future, allocating provisions in the amount of PLN 14,166 thousand The Group also reviewed the industries most exposed to the COVID-19 effect and allocated provisions of PLN 110,964 thousand for this purpose. The total amount of the change in the balance of provisions, taking into account additional provisions, and terminations in the first three quarters of 2021 related to COVID-19 amounted to PLN – 10,056 thousand (net solution)

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 three quarters 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 a 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 of 30 September 2021 the provision amounted to PLN 20,761 thousand (as of 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. Due to increased utilisation of the provision in 2021 (as compared to the estimate made in 2019), based on complex portfolio analysis regarding the rate of early repayments, the required provision has been revalued. As of 30 September 2021 the provision amounted to PLN 14,734 thousand (as of 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 is released and for newly sold loans a provision will be created on an ongoing basis. As of 30 September 2021, the provision amounted to PLN 17,664 thousand (PLN 1,500 thousand as of 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 of 30 September 2021, this liability amounted to PLN 2,400 thousand (PLN 2,434 thousand as of 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	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020 (restated data)	3 quarters of 2020 from 01.01.2020 to 30.09.2020 (restated data)
Amounts due from banks	(1,533)	1,993	91	6,542
Loans and advances to customers measured at amortised cost, including:	590,779	1,719,307	588,403	2,062,815
non-banking financial institutions	2,786	7,526	2,566	11,052
retail customers	304,064	885,656	294,770	989,029
economic operators	258,543	754,566	267,035	978,780
including retail farmers	71,336	209,492	77,068	281,219
public sector institutions	470	1,442	1,388	4,110
leasing receivables	24,916	70,117	22,644	79,844
Loans and advances to customers measured at amortised cost through profit or loss	1,264	4,011	1,528	18,952
Debt instruments measured at amortised cost	149,910	446,638	139,251	389,033
Debt instruments measured at fair value through profit or loss	1,063	3,431	1,268	3,154
Debt instruments measured at fair value through other comprehensive income	44,928	135,616	48,653	145,613
Derivative instruments as part of fair value hedge accounting	53,111	139,332	46,208	131,440
Derivative instruments as part of cash flow hedge accounting	2,931	4,981	-	-
Securities purchased under repurchase agreements	85	270	-	-
Total interest income	**842,538**	**2,455,579**	**825,402**	**2,757,549**

Interest expense	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020 (restated data)	3 quarters of 2020 from 01.01.2020 to 30.09.2020 (restated data)
Amounts due to banks	(29,459)	(85,997)	(16,369)	(64,910)
Debt securities issued	(7,255)	(21,629)	(13,412)	(47,340)
Amounts due to customers, including:	(7,732)	(35,930)	(34,548)	(238,946)
non-banking financial institutions	(1,147)	(6,749)	(2,488)	(12,204)
retail customers	(5,217)	(25,099)	(28,611)	(164,761)
economic operators	(1,317)	(3,937)	(3,245)	(57,394)
including retail farmers	(23)	(84)	(94)	(1,365)
public sector institutions	(51)	(145)	(204)	(4,587)
Lease liabilities	(1,250)	(3,396)	(1,573)	(5,178)
Derivative instruments as part of fair value hedge accounting	(12,096)	(27,738)	(20,589)	(82,250)
Derivatives under cash flow hedge accounting	(394)	(726)	-	-
Securities sold subject to repurchase agreements	(5)	(26)	-	(6,241)
Other related to financial assets	636	(3,426)	-	-
Total interest expense	**(57,555)**	**(178,868)**	**(86,491)**	**(444,865)**
Net interest income	**784,983**	**2,276,711**	**738,911**	**2,312,684**

Net interest income is the main source of the Group's income and in the 3Q 2021 amounted to PLN 2,276,711 thousand and was lower by PLN 35,973 thousand YoY, i.e. by 1.6%. In the 3Q 2021, the interest income was lower by PLN 301,970 thousand or 11.0%, while the interest expenses decreased by PLN 265,997 thousand or 59.8% when compared to the 3Q 2020.

A significant external factor that affected the decrease in the level of income, costs and interest income in the 3Q 2021, compared to the 3Q 2020, was the NBP's policy on the formation of base interest rates. the Monetary Policy Council, by its decisions made on 17 March, 8 April and 28 May 2020, decreased NBP interest rates (in case 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, due to their scale, affected the interest result in the following quarters of 2021 and in the three quarters of 2021. The decline in market interest rates translated directly into a reduction in the profitability of credit products which is evident in comparison to the average of the three quarters of 2021. As a result of the Group's pricing policy changes implemented, this trend was halted in the fourth quarter of 2020. Loan yields remained at similar levels in subsequent quarters of 2021.

An additional factor affecting the reduction of interest income in the 3Q 2021 as compared to the 3Q 2020 was also the recognition in the profit and loss account of the fair value adjustment for the credit portfolio acquired under the Core Business of RBPL. In the three quarters of 2021, the positive impact of this settlement amounted to PLN 19,370 thousand, as compared to PLN 34,535 thousand in the three quarters of 2020.

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 made it possible to partially neutralise (the decrease in the cost of deposits was twice as low) the decrease in the profitability of credit products. In the subsequent quarters of 2021, the cost of deposits remained close to zero (mainly due to the high, exceeding 90%, share of current deposits in the total funds acquired from customers).

The second significant factor that had a positive impact on the level of interest income on a year-to-date basis in 2021 was the increase in the scale of the Group's operations. It resulted in an 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 47,885 thousand, i.e. by 8.9%) and an increase in the average value of the credit portfolio, which to some extent neutralised the above-mentioned decrease in the profitability of credit products caused by the decrease in interest rates.

The increase in quarterly interest income observed in the second and third quarters of 2021 is mainly the result of rapid growth of the loan portfolio and the number of interest days in the quarters.

At the end of 3Q 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 net interest income.

Net interest income on hedging relationships (the sum of interest income and interest expense on derivatives under fair value and cash flow hedge accounting) amounted to PLN 115,849 thousand compared to PLN 49,190 thousand in the three quarters of 2020 (an increase of PLN 66,659 thousand, or 135.5%).

9. NET FEE AND COMMISSION INCOME

Fee and commission income	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020 (restated data)	3 quarters of 2020 from 01.01.2020 to 30.09.2020 (restated data)
loans, advances and leases	75,311	223,682	89,266	230,323
account maintenance	55,222	175,620	50,648	137,746
cash service	8,604	23,696	8,809	23,076
cash transfers and e-banking	21,128	60,748	18,927	55,675
guarantees and documentary operations	13,493	36,757	11,787	38,661
asset management and brokerage operations	37,499	116,002	27,466	80,769
payment and credit cards	63,308	180,697	59,099	154,257
insurance mediation activity	30,253	78,512	27,701	69,687
product sale mediation and customer acquisition	2,285	8,471	2,713	9,237
other commissions	4,705	15,616	4,634	17,848
Total fee and commission income	**311,808**	**919,801**	**301,050**	**817,279**

Fee and commission expense	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020 (restated data)	3 quarters of 2020 from 01.01.2020 to 30.09.2020 (restated data)
loans, advances and leases	(98)	(252)	(9)	(289)
account maintenance	(2,747)	(7,557)	(2,300)	(7,980)
cash service	(4,760)	(13,048)	(4,979)	(8,837)
cash transfers and e-banking	(554)	(1,930)	(560)	(1,709)
asset management and brokerage operations	(2,041)	(5,178)	(1,123)	(3,816)
payment and credit cards	(26,818)	(74,150)	(20,852)	(72,435)
insurance mediation activity	(4,592)	(14,110)	(4,385)	(15,898)
product sale mediation and customer acquisition	(7,995)	(22,854)	(6,566)	(18,878)
other commissions	(11,604)	(32,993)	(9,040)	(29,142)
Total fee and commission expense	**(61,209)**	**(172,072)**	**(49,814)**	**(158,984)**
Net fee and commission expense	**250,599**	**747,729**	**251,236**	**658,295**

The Group's net fee and commission income in the three quarters of 2021 amounted to PLN 747,729 thousand and was PLN 89,434 thousand (or 13.6%) higher than that achieved in the three quarters of 2020. This increase was possible primarily due to the adjustment measures performed by the Group in the area of pricing policy and continued high level of sales of mortgage and cash loans as well as investment products. The higher quarterly level of net fee and commission income is recurrent.

Fee and commission income amounted to PLN 919,801 thousand and was higher by PLN 102,522 thousand (i.e. by 12.5%) YoY, while commission expenses amounted to PLN 172,072 thousand and were higher by PLN 13,088 thousand (i.e. by 8.2%) YoY.

The highest increase of fee and commission income occurred in the following categories:

- account services by PLN 37,874 thousand, i.e. by 27.5% (inter alia, due to the introduction of fees on high balances in corporate accounts and as a result of higher commissions for the use of internet banking and cash management),
- asset management and brokerage operations by PLN 35,233 thousand, i.e. by 43.6% (inter alia, as a result of higher sales of investment funds, certificates of deposit and brokerage services),
- payment and credit card services by PLN 26,440 thousand, i.e. by 17.1% (inter alia, as a result of higher revenues from payment card fees and interchange fees, higher revenues from Mastercard and Allegro),
- intermediation in the sale of insurance products by PLN 8,825 thousand, i.e. by 12.7% (inter alia, as a result of higher revenues from life insurance and insurance of real estate for mortgage loans and insurance related to cash loans and leases),
- execution of credit transfers and electronic banking services by PLN 5,073 thousand, i.e. by 9.1% (mainly as a result of higher commissions on domestic and international transfers).

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

- cash services by PLN 4,211 thousand, i.e. 47.7%,
- intermediation in the sale of the Bank's products and customer acquisition by PLN 3,976 thousand, i.e. by 21.1% (inter alia, as a result of higher costs of Internet sales),

with a simultaneous decrease in the costs from the sale of insurance products by PLN 1,788 thousand, i.e. by 11.2%.

10. NET TRADING INCOME

Net trading income	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020	3 quarters of 2020 from 01.01.2020 to 30.09.2020
Equity instruments measured at fair value through profit or loss	5,290	21,514	11,827	73,611
Debt instruments measured at fair value through profit or loss	(1,028)	(1,947)	2,807	6,837
Derivative instruments and result on foreign exchange transactions	157,338	473,850	142,959	453,950
Result on financial instruments measured at fair value through profit or loss and foreign exchange differences, total	**161,600**	**493,417**	**157,593**	**534,398**

The result on trading activity in the three quarters of 2021 amounted to PLN 493,417 thousand and was lower by PLN 40,981 thousand, i.e. by 7.7% YoY. The level and variability of the result is depended mainly on the result on FX, derivative instruments and valuation of capital instruments.

The decrease in the result on trading activities in the three quarters of 2021, as compared to the corresponding period of the previous year, was primarily related to a PLN 52,097 thousand (i.e. 70.8%) decrease in the result on equity instruments measured at fair value through profit or loss (including a PLN 57,538 thousand decrease in the result on valuation of BIK, KIR, VISA, Mastercard).

The aforementioned decrease was partially offset by an improvement in the result on derivative instruments and in the result on FX (up by PLN 19,900 thousand, i.e. 4.4%) resulting mainly from an improvement in the result on customer operations.

The result on trading activities in the three quarters of 2021 was negatively affected by the negative valuation of hedging transactions for the portfolio of loans measured at fair value in the amount of PLN -21,119 thousand.

11. RESULT ON INVESTMENT ACTIVITIES

During the 3 quarters 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	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020	3 quarters of 2020 from 01.01.2020 to 30.09.2020
Debt instruments measured at fair value through other comprehensive income	-	26,564	(7)	74,428
Loans and advances to customers measured at fair value through profit or loss	5,351	18,781	11,022	(45,543)
Result on investment activities, total	**5,351**	**45,345**	**11,015**	**28,885**

The result on investment activities in the three quarters of 2021 amounted to PLN 45,345 thousand and was higher by PLN 16,460 thousand, i.e. by 57.0% than the result obtained in the three quarters of 2020.

Its level was decisively influenced by the result of the valuation of the portfolio of loans and advances to customers measured at fair value through profit or loss, which amounted to PLN 18,781 thousand (compared to a negative result of PLN -45,543 thousand in the three quarters of 2020). The factor negatively affecting the valuation of the portfolio in the first half of 2020 was, among others, the decrease in the yield curve as a result of the significant reductions in NBP interest rates made by the MPC in 2020.

In the three quarters of 2021, the Group completed significantly fewer number of securities sales transactions compared to the three quarters of 2020. This caused the result on debt instruments measured at fair value through other comprehensive income after three quarters of 2021 amounted to PLN 26,564 thousand and was by PLN 47,864 thousand (i.e. by 64.3%) lower than the result after three quarters of 2020 (PLN 74,428 thousand).

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

Impairment allowances on financial assets and provision on contingent liabilities

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

Impairment allowances on financial assets and provision on contingent liabilities

3 quarters of 2020 from 01.01.2020 to 30.09.2020	Stage 1	Stage 2	Stage 3	Total	including POCI
Amounts due from banks	(644)	-	-	(644)	-
Loans and advances to customers measured at amortised cost	(159,170)	76,390	(435,175)	(517,955)	19,332
Contingent commitments granted	(1,183)	18,761	4,573	22,151	-
Securities measured at amortised cost	340	3,142	-	3,482	(2,122)
Total net impairment allowances on financial assets and provision on contingent liabilities	**(160,657)**	**98,293**	**(430,602)**	**(492,966)**	**17,210**

The result of impairment allowances on financial assets and provisions for contingent liabilities in the three quarters of 2021 was negative and amounted to PLN 191,946 thousand. Its impact on the Group's results was lower by PLN 301,020 thousand, or 61.1%, compared with the three quarters of 2020. The low cost of risk in the first three quarters of 2021 confirmed the resilience of the entire portfolio to short-term deterioration in business conditions. At the same time, government support programmes helped to maintain customer liquidity in the short term.

Considering the main operating segments[1]:

- the Retail and Business Banking segment recorded a decrease (improvement) in the negative result by PLN 355,386 thousand,
- SME Banking segment - an increase (deterioration) of the negative result by PLN 1,478 thousand,
- Corporate Banking segment (including CIB) - an increase (deterioration) of the negative result by PLN -56,829 thousand.

The level of the result on impairment of financial assets and provisions for contingent liabilities in the periods under review was significantly affected by the coronavirus pandemic and the timely assessment of its potential impact on the financial position of the Group's customers and the economy as a whole.

In the three quarters of 2020, the impact of the pandemic on the cost of risk was primarily due to negative changes in macroeconomic scenarios following COVID-19 (forward looking PD and LGD determined based on smoothed macro forecasts) and the Bank's negative assessment of the expected future impact of the current economic situation on risk parameters for selected customer types.

In 2Q and 3Q 2021, there was a partial release of the provision for unrealised credit losses related to the consideration of current macroeconomic forecasts. At the same time, the Group reviewed the industries most exposed to the COVID-19 effect and created additional provisions for this purpose in 2Q 2021. The combined impact of factors related to the coronavirus pandemic on the result

[1] data based on information presented in Note 48 Operating segments of the Interim Consolidated Report for the period of 9 months ended 30 September 2021 of the BNP Paribas Bank Polska S.A. Capital Group.

of impairment of financial assets and provisions for contingent liabilities in the three quarters of 2021 was significantly lower than in the corresponding period of the previous year.

The low level of the result from impairment allowances in the three quarters of 2021 was also positively influenced by the implementation of rules and IT solutions compliant with the EBA guidelines on the application of the definition of default, as defined 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 in 1Q 2021, following the reclassification and adequate recalculation of risk parameters, the Group reversed impairment allowances in the amount of PLN 21.0 million.

The result of the three quarters of 2020 was burdened by the negative impact of the introduction of the multi-scenario method in individual valuation and the negative impact of risk parameters (total of PLN 42 million), which did not occur in the three quarters of 2021.

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

In the three quarters of 2020, the Bank entered into agreements regarding the sale of loans from the retail and SME portfolio. The gross balance sheet amount of the portfolio sold was PLN 121,018 thousand, the amount of impairment allowances created was PLN 105,253 thousand. The contractual price for the sale of these portfolios was set at PLN 14,959 thousand. The net impact on the Bank's result due to the sale of the portfolios amounted to PLN -806 thousand and is presented in the lines creation and release of impairment allowances for loans and advances.

The cost of credit risk, expressed as the ratio of the result on impairment allowances to the average gross loans and advances to customers measured at amortised cost (calculated on the basis of balances at the end of the quarters), was 0.32% after three quarters of 2021 and decreased by 53 bps compared to three quarters of 2020. (0.85%). Excluding the sale of receivables, it is estimated that the cost of risk would have been 0.38% in the three quarters of 2021 and 0.85% in the three quarters of 2020.

13. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020 (restated data)	3 quarters of 2020 from 01.01.2020 to 30.09.2020 (restated data)
Personnel expenses	(299,751)	(883,898)	(283,617)	(891,727)
Marketing expenses	(24,181)	(72,349)	(14,783)	(63,173)
IT and telecom expenses	(54,704)	(162,932)	(50,923)	(127,635)
Short-term lease and operating costs	(14,451)	(44,500)	(16,988)	(55,383)
Other non-personnel expenses	(83,156)	(214,575)	(76,138)	(233,968)
Business travels	(2,041)	(4,689)	(1,747)	(7,329)
ATM and cash handling expenses	(5,659)	(17,359)	(6,812)	(19,489)
Costs of outsourcing services related to leasing operations	(731)	(2,078)	(927)	(2,622)
Bank Guarantee Fund fee	(13,071)	(130,295)	(21,883)	(191,436)
Polish Financial Supervision Authority fee	(3,486)	(10,055)	(2,668)	(7,929)
Total general administrative expenses	**(501,231)**	**(1,542,730)**	**(479,852)**	**(1,610,279)**

General administrative expenses (including depreciation) of the BNP Paribas Bank Polska S.A. Capital Group for the three quarters of 2021 amounted to PLN 1,838,376 thousand and were lower by PLN 42,437 thousand or 2.3% than in the corresponding period of the previous year.

The largest YoY decrease in costs by type occurred in the item of Bank Guarantee Fund fee. In 2021, the total amount of contributions to the BFG for the banking sector determined by the BFG Council is: PLN 1,230 million contribution to the banks' forced restructuring fund against PLN 1,600 million for 2020 and, similarly, PLN 1,000 million against PLN 1,575 million contribution to the banks' guarantee fund. The published total BFG contributions for 2021 are 30% lower compared to the previous year and are driven by the COVID-19 pandemic support measures for the economy.

The total contributions to the BGF booked in the Bank's expenses for the three quarters of 2021 amounted to PLN 130,295 thousand and were by PLN 61,141 thousand lower than in the same corresponding period of the previous year:

- the annual contribution to the banks' forced restructuring fund for 2021 amounted to PLN 90,147 thousand, while in 2020 it was PLN 125,959 thousand (these contributions are paid in the first quarter of the year);
- the contribution to the guarantee fund of banks amounted to PLN 40,148 thousand for the three quarters of 2021 (in the corresponding period of 2020 it amounted to PLN 65,477 thousand).

A YoY decrease in the level of costs was also recorded in other costs by type (decrease by PLN 28,981 thousand). This change was influenced by, among others:

- costs of persons employed under contracts for post-migration projects related to integration of IT infrastructure and systems lower by PLN 16,601 thousand;
- lower costs of created provisions for the Borrowers' Support Fund (BSF) by PLN 10,654 thousand, which results from the release (in March and June 2021) of the provision created for this purpose in the second half of 2020 in the amount of PLN 6,689 thousand and the release of the provision created in the first quarter of this year in the amount of PLN 2,757 thousand in September 2021, in accordance with the decision of the BSF Board;
- higher costs of advisory and consulting services in the Bank by PLN 33,499 thousand, mainly in the area of legal advisory services by PLN 29,479 thousand (including PLN 32,028 thousand of the provision for legal costs related to court proceedings of CHF loans);
- higher other costs by type disclosed by the lease company by PLN 4,281 thousand.

The decrease of costs related to short-term leases and operation by PLN 10,883 thousand concerns mainly the costs of cleaning, utilities and repairs and renovations.

The decrease of personnel expenses by PLN 7,829 thousand, i.e. 0.9% YoY results from the implemented employment optimisation programmes. In the analysed period there was a YoY decrease in employment by 576 FTEs in the Capital Group (including 543 FTEs in the Bank, and 33 FTEs in its subsidiaries). The decrease in the Bank's personnel expenses in 2021 was also influenced by: higher capitalization of salaries for development works, lower costs of overtime, lower costs of creating provisions for holidays. On the other hand, the cost of bonus provisions increased (by PLN 10,994 thousand), due to higher realisation of sales plans in business segments. In 2020, due to the effects of the COVID-19 pandemic, the allowances for bonuses were reduced.

The level of administrative expenses in the period under review was further affected by higher costs in the following categories:

- IT costs (increase by PLN 35,297 thousand, +27.7% YoY), which was mainly due to the release of a provision (PLN 20,947 thousand) created for IT services as part of a project related to the integration of IT infrastructure and systems following the operational merger completed in November 2019, which reduced IT costs. The release took place in April 2020. The remaining increase in costs related to higher licence fees and higher costs of contact centre intermediary companies caused by the recertification of customers in the KYC process. At the same time costs of service contracts for hardware decreased as a result of consolidation of contracts and costs of maintenance of main banking systems, which is related to termination of support for the main system acquired in connection with the merger with Raiffeisen Bank Polska;
- marketing costs (increase by PLN 9,176 thousand, +14.5% YoY), influenced, on the one hand, by the reduction in marketing activities in 2020 in connection with the COVID-19 pandemic and, on the other hand, by the Bank's increased advertising activity in the media (offline and online campaigns) covering both the Bank's image and the promotion of products and services. The Bank's sponsoring activity also increased (tennis tournaments: BNP Paribas Poland Open, BNP Paribas Polish Cup and film festivals: OFF Camera, Sopot-Zakopane Film Festival, Green Film Festival, BNP Paribas Dwa Brzegi), which resulted in an increase in sponsorship activity costs (by PLN 2,990 thousand, 62.6% YoY).

14. DEPRECIATION AND AMORTISATION

Depreciation and amortization	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020	3 quarters of 2020 from 01.01.2020 to 30.09.2020
Property, plant and equipment	(56,585)	(174,245)	(54,867)	(174,161)
Intangible assets	(40,863)	(121,401)	(36,115)	(96,373)
Total depreciation and amortization	**(97,448)**	**(295,646)**	**(90,982)**	**(270,534)**

Depreciation and amortisation expenses of the BNP Paribas Bank Polska Capital Group in the three quarters of 2021 amounted to PLN 295,646 thousand and were higher compared to the corresponding period of 2020 by PLN 25,112 thousand (i.e. by 9.3%). This increase was mainly due to the Bank's continued transformation and digitalisation, as well as capital expenditures incurred for this purpose. Depreciation and amortisation expenses in Group companies remained at a comparable level YoY.

The Bank's capital expenditure from 1 January to 30 September 2021 amounted to PLN 154,351 thousand and was lower by PLN 33,882 thousand, i.e. by 18.0% compared to the corresponding period of the previous year.

In 2020 (first half) closing of the implementation of projects related to the integration of IT infrastructure and systems following the operational merger in November 2019 took place and expenses were incurred related to the construction of the new Bank headquarters "Petrus".

In the structure of outlays of current period, projects connected with digitisation and automation of processes, 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	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020	3 quarters of 2020 from 01.01.2020 to 30.09.2020
Sale or liquidation of property, plant and equipment and intangible assets	5,351	38,876	4,742	124,957
Release of write-offs on other receivables	2,926	7,233	1,785	5,884
Sale of goods and services	4,264	11,500	2,072	6,544
Release of provisions for litigation and claims and other liabilities	5,061	26,116	17,395	38,071
Recovery of debt collection costs	4,887	16,481	6,273	17,971
Recovered indemnities	86	261	58	928
Income from leasing operations	13,901	31,243	8,456	22,717
Other operating income	(12,333)	2,107	2,575	21,751
Total other operating income	**24,143**	**133,817**	**43,356**	**238,823**

Other operating income in the three quarters of 2021 amounted to PLN 133,817 thousand and were lower by PLN 105,006 thousand (or 44.0%) compared with the three quarters of 2020.

The comparison of income realised in the analysed periods was primarily affected by the settlement and accounting treatment of the sale of the Bank's Head Office property at Kasprzaka Street in Warsaw in the first half of 2020. The total result on this operation amounted to PLN 43,564 thousand (gross) and was presented within other operating income (in items: Income from sale or liquidation of tangible or intangible assets, in the amount of PLN 110,848 thousand) and within other operating costs (in items: Costs of sale or liquidation of tangible or intangible assets, in the amount of PLN 64,371 thousand and Other costs, in the amount of PLN 2,914 thousand).

The level of income from sale or liquidation of tangible and intangible assets in the three quarters of 2021 results mainly from inclusion within this item of income from sale of several branches of the Bank, which were mostly finalised in the second quarter of 2021 (costs related to these transactions is included in Costs from sale or liquidation of fixed assets, intangible assets in Other operating costs).

The level of other operating income in the three quarters of 2021 was positively affected by the increase in income from leasing activities by PLN 8,526 thousand, i.e. by 37.5%.

The factor negatively affecting the level of other operating income in the three quarters of 2021 was decrease in income recognised under Other operating income, by PLN 19,644 thousand or 90.3%. This was due, inter alia, to the absence in the three quarters of 2021 of revenues comparable to the release in the first half of 2020 of the provision (created in the PPA process in 2018) for the risk concerning the exRPBL customer, in the amount of PLN 7.97 million.

16. THER OPERATING EXPENSES

Other operating expenses	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020	3 quarters of 2020 from 01.01.2020 to 30.09.2020
Loss on sale or liquidation of property, plant and equipment and intangible assets	(11,166)	(44,193)	(4,447)	(80,978)
Impairment allowance on other receivables	(4,050)	(10,542)	(1,877)	(11,146)
On account of provisions for litigation and other liabilities	(6,605)	(38,936)	(47,448)	(78,259)
Debt collection	(9,517)	(31,794)	(12,534)	(36,147)
Donations granted	(1,060)	(3,456)	(1,968)	(5,195)
Costs of leasing operations	(6,414)	(16,105)	(5,184)	(13,692)
Indemnities, penalties and fines	(5,523)	(6,532)	(2,446)	(4,619)
Other operating income	(14,501)	(59,178)	(7,351)	(18,041)
Total other operating income	**(58,836)**	**(210,736)**	**(83,255)**	**(248,077)**

Other operating expenses in the three quarters of 2021 amounted to PLN 210,736 thousand and were lower by PLN 37,341 thousand (or 15.1%) compared with the three quarters of 2020.

The comparison of costs realised in the analysed periods was primarily affected by the settlement and accounting treatment of the sale of the Bank's Head Office property at Kasprzaka Street in Warsaw in the first half of 2020. The costs related to this transaction were presented within other operating expenses (in items: Costs of sale or liquidation of tangible or intangible assets, in the amount of PLN 64,371 thousand and Other costs, in the amount of PLN 2,914 thousand).

The level of costs of sale or liquidation of tangible and intangible assets in the three quarters of 2021 results mainly from inclusion within this item of costs related to the sale of several branches of the Bank, which were mostly finalised in the second quarter of 2021 (income related to these transactions is included in Income from sale or liquidation of fixed assets, intangible assets in Other operating income).

Costs related to creation of provisions for litigation and other liabilities incurred in the three quarters of 2021 are lower by PLN 39,323 thousand, i.e. by 50.2% compared to the three quarters of 2020 due to the absence in the current year of non-recurring costs comparable to the creation in the three quarters of 2020 of provision in the amount of PLN 26,626 thousand for the penalty imposed on the Bank by the decision of the President of UOKiK regarding the recognition of provisions on currency spreads in loan agreements as prohibited, and a provision in the amount of PLN 9,827 thousand for old option case of an exBGŻ customer.

The factor adversely affecting the level of other operating expenses in the three quarters of 2021 was an increase in expenses recognised under Other operating expenses, by PLN 41,137 thousand, i.e. by 228.0%, relating to, inter alia, the manner of accounting for costs arising from changes in the branch network and the location of the Head Office (impairment of leased buildings and contractual penalties with a simultaneous reduction of costs in other items resulting from the release of previously created provisions), the adjustment of VAT and operating losses recognised under this item relating to settlements with customers.

17. INCOME TAX EXPENSE

	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020	3 quarters of 2020 from 01.01.2020 to 30.09.2020
Current income tax	(142,005)	(278,276)	(72,424)	(195,703)
Deferred income tax	27,233	(50,258)	(28,642)	(84,533)
Total income tax expense	**(114,772)**	**(328,534)**	**(101,066)**	**(280,236)**
Profit before income tax	268,631	778,336	332,568	845,865
Statutory tax rate	19%	19%	19%	19%
Income taxes on gross profit	**(53,317)**	**(150,437)**	**(63,305)**	**(162,232)**
Receivables written-off	(3,638)	(16,836)	(1,083)	(3,466)
Representation costs	(2,316)	(1,055)	(124)	44
PFRON	(379)	(1,179)	(377)	(1,258)
Prudential fee to the Bank Guarantee Fund	(2,483)	(24,756)	(4,158)	(36,373)
Tax on financial institutions	(16,232)	(47,001)	(15,889)	(44,545)
Allowance for research and development	405	7,185	-	1,816
Provisions for claims on CHF loans	(38,020)	(87,226)	(8,136)	(18,738)
Provisions for legal risks	(401)	(2,591)	(3,979)	(7,422)
Other differences	1,609	(4,638)	(4,015)	(8,062)
Total income / tax expense of the Group	**(114,772)**	**(328,534)**	**(101,066)**	**(280,236)**

*The amount of PLN 7,185 thousand presented in 2021 includes the forecast of the R&D allowance for 2021 and the excess of the actual amount of the R&D allowance for 2020 over the forecast relating to 2020. The amount of PLN 1,816 thousand presented in 2020 includes the excess of the actual amount of the R&D allowance for 2019 over the forecast relating to 2019.

18. EARNINGS PER SHARE

	9 months ended 30.09.2021	9 months ended 30.09.2020
Basic		
Net profit	449,802	565,629
Weighted average number of ordinary shares (units)	147,484,031	147,418,918
Basic earnings (loss) per share (in PLN per one share)	3.05	3.84
Diluted		
Net profit used in determining diluted earnings per share	449,802	565,629
Weighted average number of ordinary shares (units)	147,484,031	147,418,918
Adjustments for:		
- stock options	105,196	108,738
Weighted average number of ordinary shares for the diluted earnings per share (units)	147,589,226	147,527,656
Diluted earnings (loss) per share (in PLN per one share)	3.05	3.83

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

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

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

19. CASH AND CASH BALANCES AT CENTRAL BANK

Cash and cash equivalents	30.09.2021	31.12.2020
Cash and other balances	3,118,244	3,403,704
Account in the National Bank of Poland	14,009	18,176
Gross cash and cash equivalents	**3,132,253**	**3,421,880**
Impairment allowances	(3)	(3)
Total cash and balances at Central Bank	**3,132,250**	**3,421,877**

Change of impairment allowances	9 months to 30.09.2021	9 months to 30.09.2020
Opening balance	**(3)**	**(374)**
Increases due to acquisition or origination	(2,528)	(1,029)
Decreases due to derecognition	2,604	899
Net changes in credit risk	(76)	502
Closing balance	**(3)**	**(2)**

20. AMOUNTS DUE FROM BANKS

Amounts due from banks	30.09.2021			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	805,693	(209)	805,484	153,690	(224)	153,466
Interbank deposits	761,268	-	761,268	123,000	-	123,000
Loans and advances	100,074	(10)	100,064	1,511	(2)	1,509
Other receivables	542,947	(1,873)	541,074	498,189	(1,442)	496,747
Total amounts due from banks	**2,209,982**	**(2,092)**	**2,207,890**	**776,390**	**(1,668)**	**774,722**

Change of impairment allowances on amounts due from banks	9 months to 30.09.2021	9 months to 30.09.2020
Opening balance	**(1,668)**	**(920)**
Increases due to acquisition or origination	(2,733)	(5,984)
Decreases due to derecognition	1,634	5,264
Changes resulting from the change in credit risk (net)	695	200
Other changes (including foreign exchange differences)	(20)	(16)
Closing balance	**(2,092)**	**(1,456)**

As of 30 September 2021 and 31 December 2020, amounts due from other banks were classified as Stage 1.

21. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments	Nominal value	Fair value	
30.09.2021		Assets	Liabilities
Currency derivatives			
Foreign Exchange Forward (FX Forward + NDF)	17,321,236	288,304	183,941
Currency Swap (FX Swap)	21,632,233	310,837	223,427
Currency Interest Rate Swaps (CIRS)	13,971,622	284,035	344,584
OTC currency options	3,189,724	88,664	80,693
Total currency derivatives:	**56,114,815**	**971,840**	**832,645**
Interest rate derivatives			
Interest Rate Swap	42,010,056	387,604	382,052
Forward Rate Agreements (FRA)	1,250,000	-	4,190
OTC interest rate options	6,986,366	15,703	8,435
Total interest rate derivatives:	**50,246,422**	**403,307**	**394,677**
Other derivatives			
OTC commodity swaps	322,649	19,727	19,502
Currency Spot (FX Spot)	2,772,218	-	-
Total other derivatives:	**3,094,867**	**19,727**	**19,502**
Total trading derivatives:	**109,456,104**	**1,394,874**	**1,246,824**
including: measured using models	109,456,104	1,394,874	1,246,824

Derivative financial instruments	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 of 30 September 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 6M, EURIBOR 3M, EURIBOR 1M, USD LIBOR 6M, USD LIBOR 3M.

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.09.2021	25,095,295	225,082	251,552
31.12.2020	17,260,690	531,793	-

Prezentacja wyniku na transakcjach zabezpieczanych i zabezpieczających	Zmiana wyceny według wartości godziwej transakcji zabezpieczających ujmowana jest w wyniku na rachunkowości zabezpieczeń. Odsetki od transakcji IRS i rachunków bieżących ujmowane są w wyniku odsetkowym.

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

30.09.2021 PLN -121,139 thousand

31.12.2020 PLN 482,691 thousand

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as of 30 September 2021 and 31 December 2020:

30.09.2021

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)	225,082	251,552	750,000	-	5,241,264	15,922,012	3,182,020	25,095,295
Hedging derivatives - total	**225,082**	**251,552**	**750,000**	**-**	**5,241,264**	**15,922,012**	**3,182,020**	**25,095,295**

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 of 30 September 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
30.09.2021	750 000	-	14 945
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 current accounts is recognised in Interest income.

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as of 30 September 2021 and 31 December 2020:

30.09.2021

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)	-	14,945	-	-	750,000	-	-	750,000
Hedging derivatives - total	**-**	**14,945**	**-**	**-**	**750,000**	**-**	**-**	**750,000**

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)	-	60,027	-	-	-	950,000	800,000	1,750,000
Hedging derivatives - total	**-**	**60,027**	**-**	**-**	**-**	**950,000**	**800,000**	**1,750,000**

Fair value hedging	30.09.2021	30.09.2020
Interest income on hedging derivatives	139,332	131,440
Interest expense on hedging derivatives	(27,738)	(82,250)
Change in fair value measurement of hedging transactions presented in Result on hedge accounting, including:	23,867	(12,689)
change in fair value of hedging instruments	(544,359)	263,259
change in fair value of hedged instruments	568,226	(275,948)

Additionally, the Group applies **cash flow hedge accounting** as of 30 September 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
30.09.2021	625,000	-	16,560

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

The below table presents derivative hedging instruments at their nominal value by residual maturity dates as of 30 September 2021.

Hedging derivatives	30.09.2021							
	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)	-	16,560	-	-	-	-	625,000	625,000
Hedging derivatives - total	**-**	**16,560**	**-**	**-**	**-**	**-**	**625,000**	**625,000**

Cash flow hedges	30.09.2021
Interest income on hedging derivatives	4,981
Interest expense on hedging derivatives	(726)

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

Interest rate risk	30.09.2021
Balance at the beginning of the period	**-**
Hedging gains or losses recognised in other comprehensive income during the reporting period	(20,932)
Balance at the end of the period	**(20,932)**

23. LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST

	30.09.2021		
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	**847,481**	**(1,739)**	**845,742**
current account loans	750,361	(1,135)	749,226
investment loans	53,011	(222)	52,789
other loans	44,109	(382)	43,727
Retail customers	**37,686,655**	**(1,021,603)**	**36,665,052**
mortgage loans	25,594,662	(336,010)	25,258,652
other loans	12,091,993	(685,593)	11,406,400
Corporate customers	**42,052,683**	**(2,009,696)**	**40,042,987**
current account loans	20,494,314	(1,345,250)	19,149,064
investment loans	15,328,437	(463,130)	14,865,307
other loans	6,229,932	(201,316)	6,028,616
including retail farmers	**8,171,094**	**(388,942)**	**7,782,152**
current account loans	4,054,923	(197,771)	3,857,152
investment loans	4,103,427	(189,675)	3,913,752
other loans	12,744	(1,496)	11,248
Public sector institutions	**87,315**	**(1,591)**	**85,724**
current account loans	58,822	(1,265)	57,557
investment loans	28,143	(322)	27,821
other loans	350	(4)	346
Lease receivables	**4,673,359**	**(148,767)**	**4,524,592**
Total loans and advances to customers measured at amortised cost	**85,347,493**	**(3,183,396)**	**82,164,097**

	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 September 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 86,779,357 thousand and increased by PLN 7,779,603 thousand or 9.8% 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 85,347,493 thousand, and increased by PLN 8,063,419 thousand or 10.4% 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 37,686,655 thousand at the end of the 3Q 2021 (an increase of PLN 3 884,558 thousand or 11.5% compared to the end of 2020). Their share in the loan portfolio measured at amortised cost in the period under review amounted to 44.2% (+0.4 p.p. as compared to the end of 2020). More than two thirds (67.9%) of the credit exposure of retail customers was belonged to real estate loans, which amounted to PLN 25,594,662 thousand at the end of September 2021. In the structure of mortgage loans, 82.3% of the loans belonged to loans granted in PLN, while 17.5% are loans granted in CHF (the share of loans in CHF decreased by 3.9 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 33,881,589 thousand (increase by PLN 3,327,269 thousand or 10.9% compared to the end of 2020). Their share in the analysed loan portfolio at the end of September 2021 amounted to 39.7% compared to 39.5% at the end of 2020. Almost half of this portfolio (48.5%) are current account loans.

The volume of the portfolio of loans granted to individual farmers at the end of September 2021 amounted to PLN 8,171,094 thousand, showing a slight increase of 0.6% compared to December 2020.

The value of lease receivables amounted to PLN 4,673,359 thousand (increase by 13.6% compared to the end of 2020). Their share in the credit portfolio measured at amortised cost in the analysed period amounted to 5.5% (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 934,796 thousand, and increased by 34.2% compared to the end of December 2020.

The ratio of the share of impaired exposures in gross loans and advances to customers measured at amortised cost amounted to 4.4% at the end of September 2021 and decreased by 1 p.p. as compared the end of 2020.

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

30.09.2021	Stage 1	Stage 2	Stage 3	Total	including POCI
Loans and advances for:	**75,217,229**	**6,361,001**	**3,769,263**	**85,347,493**	**278,137**
Non-banking financial entities	845,856	-	1,625	847,481	86
Retail customers	34,587,255	1,809,455	1,289,945	37,686,655	59,852
Corporate customers:	35,665,887	4,114,122	2,272,674	42,052,683	218,178
including retail farmers	6,257,393	1,179,402	734,299	8,171,094	2
Public sector entities	85,694	1,600	21	87,315	21
Lease receivables	4,032,537	435,824	204,998	4,673,359	-
Impairment allowance on loans and receivables for	**(560,297)**	**(539,395)**	**(2,083,704)**	**(3,183,396)**	**(55,062)**
Non-banking financial entities	(1,022)	-	(717)	(1,739)	(25)
Retail customers	(186,592)	(167,428)	(667,583)	(1,021,603)	(5,526)
Corporate customers:	(338,824)	(350,375)	(1,320,497)	(2,009,696)	(49,502)
including retail farmers	(34,202)	(72,929)	(281,811)	(388,942)	-
Public sector entities	(1,410)	(172)	(9)	(1,591)	(9)
Lease receivables	(32,449)	(21,420)	(94,898)	(148,767)	-
Net loans and advances to customers measured at amortised cost	**74,656,932**	**5,821,606**	**1,685,559**	**82,164,097**	**223,075**

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
Opening balance (01.01.2021)	**(505,527)**	**(594,339)**	**(2,086,939)**	**(3,186,805)**
Increase due to acquisition or origination	(266,722)	(85,087)	(57,136)	(408,945)
Decrease due to derecognition	42,591	22,253	229,981	294,825
Changes resulting from the change in credit risk (net)	195,869	89,538	(325,911)	(40,504)
Changes arising from updates to the method of estimation used (net)	(26,280)	28,131	21,386	23,237
Use of allowances	-	49	136,140	136,189
Other changes (including foreign exchange differences)	(228)	60	(1,225)	(1,393)
Closing balance (30.09.2021)	**(560,297)**	**(539,395)**	**(2,083,704)**	**(3,183,396)**

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Opening balance (01.01.2020)	**(462,118)**	**(481,781)**	**(2,284,310)**	**(3,228,209)**
Increase due to acquisition or origination	(232,521)	(61,781)	(98,300)	(392,602)
Decrease due to derecognition	38,828	18,026	92,496	149,350
Changes resulting from the change in credit risk (net)	21,236	87,029	(524,223)	(415,958)
Use of allowances	-	-	31,968	31,968
Other changes (including foreign exchange differences)	9,872	30,543	93,651	134,066
Closing balance (30.09.2020)	**(624,703)**	**(407,964)**	**(2,688,718)**	**(3,721,385)**

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

Loans by currency	30.09.2021	31.12.2020
CHF	4,485,260	4,822,478
EUR	40,226	47,606
PLN	21,067,267	17,687,284
USD	1,909	2,359
Total	**25,594,662**	**22,559,727**

Value of CHF loan portfolio

	30.09.2021			
Value of CHF loan portfolio	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
Loans and advances for:				
Non-banking financial entities	**847,481**	**-**	**(1,739)**	**-**
current account loans	750,361	-	(1,135)	-
investment loans	53,011	-	(222)	-
other loans	44,109	-	(382)	-
Retail customers	**37,686,655**	**4,528,649**	**(1,021,603)**	**(220,687)**
mortgage loans	25,594,662	4,485,260	(336,010)	(213,079)
other loans	12,091,993	43,389	(685,593)	(7,608)
Corporate customers	**42,052,683**	**67,707**	**(2,009,696)**	**(10,403)**
current account loans	20,494,314	57,950	(1,345,250)	(5,708)
investment loans	15,328,437	9,068	(463,130)	(4,694)
other loans	6,229,932	689	(201,316)	(1)
including retail farmers	**8,171,094**	**2,185**	**(388,942)**	**(443)**
current account loans	4,054,923	2,119	(197,771)	(443)
investment loans	4,103,427	66	(189,675)	-
other loans	12,744	-	(1,496)	-
Public sector institutions	**87,315**	**-**	**(1,591)**	**-**
current account loans	58,822	-	(1,265)	-
investment loans	28,143	-	(322)	-
other loans	350	-	(4)	-
Lease receivables	**4,673,359**	**28,028**	**(148,767)**	**(7,586)**
Total loans and advances	**85,347,493**	**4,624,384**	**(3,183,396)**	**(238,676)**

	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

	30.09.2021	31.12.2020
Subsidized loans	1,303,134	1,539,848
Total loans and advances to customers measured at fair value through profit or loss	**1,303,134**	**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
30.09.2021	1,431,864	1,303,134
31.12.2020	1,715,680	1,539,848

Subsidised loans at fair value	Stage 1	Stage 2	Stage 3	Total
30.09.2021	936,236	268,961	97,937	1,303,134
31.12.2020	1,106,270	311,307	122,271	1,539,848

25. SECURITIES MEASURED AT AMORTISED COST

	30.09.2021		
Securities	Gross balance sheet value	Impairment allowance	Net balance sheet value
issued by domestic banks – covered bonds	5,603	(107)	5,496
issued by domestic banks	3,814,380	-	3,814,380
issued by other financial entities	590,135	-	590,135
issued by central governments – treasury bonds	18,649,853	(96)	18,649,757
issued by non-financial entities – bonds	189,174	(25,231)	163,943
issued by local governments – municipal bonds	88,020	(353)	87,667
Total securities measured at amortised cost	**23,337,165**	**(25,787)**	**23,311,378**

	31.12.2020		
Securities	Gross balance sheet value	Impairment allowance	Net balance sheet value
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 entities	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 securities measured at amortised cost	**23,373,414**	**(12,392)**	**23,361,022**

30.09.2021	Stage 1	Stage 2	Stage 3	**Total**	including POCI
Securities	**23,155,276**	**4,001**	**177,888**	**23,337,165**	**173,733**
issued by domestic banks – covered bonds	5,603	-	-	**5,603**	-
issued by domestic banks	3,814,380	-	-	**3,814,380**	-
issued by other financial entities	590,135	-	-	**590,135**	-
issued by central governments – treasury bonds	18,649,853	-	-	**18,649,853**	-
issued by non-financial entities – bonds	7,285	4,001	177,888	**189,174**	173,733
issued by local governments – municipal bonds	88,020	-	-	**88,020**	-
Impairment allowances on securities	**(607)**	**(351)**	**(24,829)**	**(25,787)**	**(20,675)**
issued by domestic banks – covered bonds	(107)	-	-	**(107)**	-
issued by central governments – treasury bonds	(96)	-	-	**(96)**	-
issued by non-financial entities – bonds	(51)	(351)	(24,829)	**(25,231)**	(20,675)
issued by local governments – municipal bonds	(353)	-	-	**(353)**	-
Total net securities measured at amortised cost	**23,154,669**	**3,650**	**153,059**	**23,311,378**	**153,058**

31.12.2020	Stage 1	Stage 2	Stage 3	**Total**	including POCI
Securities	**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 securities 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	30.09.2021	31.12.2020
	Balance sheet value	
Bonds issued by non-financial entities	46,137	54,228
Bonds convertible for non-financial entities bonds	52,956	57,292
Equity instruments	224,836	259,512
Units	48	44
Certificates issued by non-financial entities	827	824
Total financial instruments measured at fair value through profit or loss	**324,804**	**371,900**

27. SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt securities	30.09.2021	31.12.2020
Bonds issued by banks	2,897,936	4,319,718
Treasury bonds issued by central governments	4,445,839	4,685,483
Bonds issued by other financial institutions	2,611,763	1,223,359
Securities measured at fair value through other comprehensive income	**9,955,538**	**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	30.09.2021	31.12.2020
Licenses	442,476	420,429
Other intangible assets	9,255	7,951
Expenditure on intangible assets	202,543	223,228
Total intangible assets	**654,274**	**651,608**

In the three quarters of 2021, the net balance sheet amount of Intangible assets acquired by the Group was PLN 171,622 thousand (in the three quarters of 2020 it amounted to PLN 152,915 thousand), while the net balance sheet value of sold or liquidated intangible assets amounted to PLN 6,798 thousand (PLN 3,272 thousand in the three quarters of 2020).

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

As of 30.09.2021, the Group had significant contractual obligations incurred in connection with the acquisition of intangible assets in the amount of PLN 4,618 thousand (PLN 1,394 thousand as of 31.12.2020).

29. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	30.09.2021	31.12.2020
Fixed assets, including:	471,509	507,441
land and buildings	111,996	129,709
IT equipment	146,066	162,182
office equipment	55,111	51,526
other, including leasehold improvements	158,336	164,024
Fixed assets under construction	3,115	47,450
Right of use, including:	810,668	924,649
land and buildings	788,505	907,828
cars	22,007	16,728
other, including leasehold improvements	156	93
Total property, plant and equipment	**1,285,292**	**1,479,540**

In the three quarters of 2021, the net balance sheet amount of the components included in property, plant and equipment acquired by the Group was PLN 30,934 thousand (in the three quarters of 2020 it amounted to PLN 63,010 thousand), while the net balance sheet value of sold and liquidated components amounted to PLN 20,667 thousand (in the three quarters of 2020 it amounted to PLN 75,195 thousand).

As of 30.09.2021, the Group had significant contractual liabilities incurred in connection with the acquisition of property, plant and equipment in the amount of PLN 2,263 thousand (PLN 1,165 thousand as of 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.

	30.09.2021	30.09.2020
Lease expenses recognized in the statement of profit or loss	**(101,549)**	**(101,713)**
interest on lease liabilities	(3,396)	(5,178)
depreciation of right of use assets	(96,569)	(92,197)
expenses related to short-term lease (recognized in general administrative expenses)	(1,584)	(4,338)

Undiscounted lease payments by maturity	30.09.2021	31.12.2020
< 1 year	126,880	126,132
1-5 years	477,658	493,225
> 5 years	335,607	397,542
Total	**940,145**	**1,016,899**

	30.09.2021	31.12.2020
Book value of liabilities due to discounted lease payments	**902,843**	**968,749**

31. OTHER ASSETS

Other assets:	30.09.2021	31.12.2020
Receivables from contracts with customers:		
sundry debtors	278,188	192,405
accrued income	88,589	97,405
payment card settlements	2,443	31,254
social insurance settlements	8,228	5,562
Other:		
interbank and intersystem settlements	268,022	293,842
deferred expenses	57,356	32,842
tax and other regulatory receivables	93,853	50,653
other lease receivables	27,420	9,506
other	86,346	109,861
Total other assets (gross)	**910,445**	**823,330**
Impairment allowances on other receivables from sundry debtors	(50,179)	(36,491)
Total other assets (net)	**860,266**	**786,839**

32. AMOUNTS DUE TO CENTRAL BANK

Amounts due to the Central Bank	30.09.2021	31.12.2020
Overdraft on the current account in the Central Bank	105,570	84,675

33. AMOUNTS DUE TO OTHER BANKS

Amounts due to other banks	30.09.2021	31.12.2020
Current accounts	493,066	806,438
Interbank deposits	34,000	1,615,771
Loans and advances received	4,792,519	4,081,845
Other liabilities	84,269	320,840
Total amounts due to banks	**5,403,854**	**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 three quarters of 2021 and 2020.

34. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers	30.09.2021	31.12.2020
NON-BANKING FINANCIAL INSTITUTIONS	**1,654,220**	**1,528,698**
Current accounts	1,533,957	1,335,032
Term deposits	813	184,356
Loans and advances received	116,374	-
Other liabilities	3,076	9,310
RETAIL CUSTOMERS	**43,496,382**	**43,578,829**
Current accounts	38,309,969	35,826,600
Term deposits	4,729,025	7,327,267
Other liabilities	457,388	424,962
CORPORATE CUSTOMERS	**52,508,854**	**43,677,506**
Current accounts	49,114,074	40,222,097
Term deposits	2,681,059	2,723,760
Other liabilities	713,721	731,649
Incl. RETAIL FARMERS	**2,278,571**	**2,464,474**
Current accounts	2,217,151	2,388,764
Term deposits	44,860	60,296
Other liabilities	16,560	15,414
PUBLIC SECTOR CUSTOMERS	**1,376,399**	**1,265,971**
Current accounts	1,312,752	1,111,576
Term deposits	62,921	148,718
Other liabilities	726	5,677
Total amounts due to customers	**99,035,855**	**90,051,004**

As at the end of September 2021, amounts due to customers amounted to PLN 99,035,855 thousand and were higher by PLN 8,984,851 thousand, i.e. by 10.0% as compared to the end of 2020.

In terms of entities, the increase mainly concerned amounts due to business entities (which as of 30.09.2021 amounted to PLN 52,508,854 thousand), the volume of which increased by PLN 8,831,348 thousand, i.e. by 20.2% as compared to the end of 2020 (mainly due to the increase in current deposits by PLN 8,891,977 thousand. The share of this segment in the total amounts due to customers increased to 53.0% compared to 48.5% at the end of December 2020.

The increase in the volume of deposits was noticed also in the group of non-banking entities deposits and public sector customers. The increase in total amounted to PLN 235,950 thousand, i.e. by 8.4% as compared to the end of 2020.

A slight decrease (by 0.2%) was recorded in the volume of the retail customers, and at the end of September 2021 amounted to PLN 43,496,382 thousand and was lower by PLN 82,447 thousand 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 43.9%, compared with 48.4% as at the end of 2020.

The share of current accounts in the structure of total amounts due to customers amounted to 91.1% at the end of September 2021, recording a 4.0 p.p. increase compared to the end of 2020. Funds deposited in current accounts amounted to PLN 90,270,752 thousand and increased by PLN 11,775,447 thousand or 15.0%. The increase affected all groups of business entities (+PLN 8,891,977 thousand, i.e. by 22.1%), retail customers (+PLN 2 483,369 thousand, i.e. by 6.9%), and public sector institutions (+PLN 201,176 thousand, i.e. by 18.1%) and non-banking financial institutions (+ PLN 198,925 thousand, i.e. by 14.9%).

The share of term deposits in the structure of amounts due to customers in the analysed period amounted to 7.5%, and decreased by 4.0 p.p. compared to the end of 2020. In value respect, term deposits decreased by PLN 2,910,283 thousand to the level of PLN 7,473,818 thousand, i.e. by 28.0% compared to December 2020. The decrease concerned all groups of customers, and the most significant change concerned retail customers (by: PLN 2,598,242 thousand, i.e. 35.5%).

The share of other liabilities and loans and advances received in the structure of amounts due to customers amounted to 1.3% (similarly to the level recorded at the end of December 2020). Their total volume amounted to PLN 1,291,285 thousand, with an 10.2% increase in the present period.

35. DEBT SECURITIES ISSUED

	30.09.2021	31.12.2020
Debt securities issued	**847,060**	**1,318,380**

Debt securities issued	9 months ended 30.09.2021	9 months ended 30.09.2020
Opening balance	**1,318,380**	**2,179,052**
Redemption of certificates of deposit	(471,228)	(674,873)
Changes in discount, interests, commission and fees on certificates of deposit amortized using EIR, foreign currency exchange differences	(92)	(15)
Closing balance of debt securities issued	**847,060**	**1,504,164**

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	30.09.2021	31.12.2020
	4,312,595	**4,306,539**

Change in the balance of subordinated liabilities	9 months ended 30.09.2021	9 months ended 30.09.2020
Opening balance	**4,306,539**	**1,882,064**
Change in the balance of interest, commissions and fees settled by EIR	4,690	(244)
Foreign exchange differences	1,366	93,635
Closing balance	**4,312,595**	**1,975,455**

37. OTHER LIABILITIES

Other liabilities	30.09.2021	31.12.2020
Liabilities due to contracts with customers		
Sundry creditors	196,719	221,943
Payment card settlements	145,512	128,516
Deferred income	90,335	91,687
Escrow account liabilities	3,641	3,431
Social insurance settlements	52,048	30,625
Other liabilities		
Interbank and intersystem settlements	1,000,868	30,265
Provisions for non-personnel expenses	318,483	342,771
Provisions for other employees-related liabilities	207,591	215,090
Provision for unused annual holidays	42,239	42,481
Other regulatory liabilities	51,003	49,345
Other lease liabilities	20,914	18,100
Other	92,583	94,989
Total other liabilities	**2,221,936**	**1,269,243**

38. PROVISIONS

	30.09.2021	31.12.2020
Provision for restructuring	58,523	82,918
Provision for retirement benefits and similar obligations	18,124	18,188
Provision for contingent financial liabilities and guarantees granted	160,947	214,443
Provisions for litigation and claims	844,266	335,629
Other provisions	8,215	8,232
Total provisions	**1,090,075**	**659,410**

Provisions for restructuring	9 months ended 30.09.2021	9 months ended 30.09.2020
Opening balance	**82,918**	**113,076**
Provisions recognition	4,057	7,698
Provisions utilization	(28,074)	(52,499)
Provisions released	(378)	-
Other changes	-	(27)
Closing balance	**58,523**	**68,249**

Provision for retirement benefits and similar obligations	9 months ended 30.09.2021	9 months ended 30.09.2020
Opening balance	**18,188**	**16,209**
Provisions recognition	2,083	3,126
Provisions utilization	(648)	(820)
Provisions released	(1,499)	(308)
Closing balance	**18,124**	**18,207**

Provisions for contingent financial liabilities and guarantees granted	9 months ended 30.09.2021	9 months ended 30.09.2020
Opening balance	**214,443**	**233,179**
Provisions recognition	88,933	527,366
Provisions released	(43,058)	(549,517)
Changes resulting from changes in credit risk (net)	(102,752)	-
Changes arising from updates to the method of estimation used (net)	2,853	-
Other changes	528	2,630
Closing balance	**160,947**	**213,658**

Provisions for litigation and claims	9 months ended 30.09.2021	9 months ended 30.09.2020
Opening balance	**335,629**	**166,073**
Provisions recognition	514,892	109,294
Provisions utilization	(23,129)	(30,130)
Provisions released	(2,976)	(8,760)
Other changes, including foreign exchange differences	19,850	-
Closing balance	**844,266**	**236,478**

Other provisions	9 months ended 30.09.2021	9 months ended 30.09.2020
Opening balance	**8,232**	**2,524**
Provisions recognition	11	14
Provisions utilization	(14)	(25)
Provisions released	(14)	(5)
Other changes	-	1,826
Closing balance	**8,215**	**4,334**

39. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents	30.09.2021	31.12.2020
Cash and balances at Central Bank (Note 19)	3,132,250	3,421,880
Current accounts of banks and other receivables	835,484	276,691
Interbank deposits	731,268	-
Loans and advances	-	6,749
Total cash and cash equivalents	**4,669,002**	**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 of 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 three quarters of 2021 and 2020.

	30.09.2021		31.12.2020	
	Financial instrument		Financial instrument	
	units	value (PLN '000)	units	value (PLN '000)
Opening balance	**220,298**	**11,455**	**294,738**	**15,628**
granted in a given period	-	-	13,586	928
executed during the period	(57,574)	(2 782)	(88,026)	(5,101)
expired	(3,780)	(258)	-	-
Closing balance	**158,944**	**8,415**	**220,298**	**11,455**

In the three quarters 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 2,782 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, within the programme based on the Bank's shares. 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 Statute 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 consent 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 shares granted in April 2021 under the non-deferred portion of variable remuneration was 99,864.

In the period up to 30 September 2021, in connection with the variable remuneration granted for 2019 and 2020, as well as in connection with the estimated value of variable remuneration for 2021 which is to be granted in 2022, in a part regarding the shares to be issued in the future, the Bank recognised the amount of PLN 7,809 thousand in costs and equity. Simultaneously, the amount of PLN 4,742 thousand remains the recorded actuarial value of the shares already issued.

Financial instruments (shares - deferred portion) as of 30.09.2021, established as part of the deferred part of the variable remuneration for 2019 and 2020.

	30.09.2021		**31.12.2020**	
	financial instrument		**financial instrument**	
	units	value (PLN '000)	units	value (PLN '000)
Opening balance	**68,910**	**4,638**	**-**	**-**
granted in a given period	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	Share-based payment transactions
Program announcement date	31 January 2020 – entry into force of the Supervisory Board Resolution approving the Remuneration Policy.
The commencement date for granting of phantom shares	8 March 2021
End date for granting phantom shares	9 March 2021

41. ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOW

Cash flows from operating activities – other adjustments	9 months ended 30.09.2021	9 months ended 30.09.2020
FX differences from subordinated loans	1,366	93,635
Securities measurement through profit or loss	67,275	(146,684)
Allowance for securities	13,394	9,831
Other adjustments	22,871	(15,141)
Cash flows from operating activities – total other adjustments	**104,906**	**(58,359)**

42. CONTINGENT LIABILITIES

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

Contingent liabilities	30.09.2021	31.12.2020
Contingent commitments granted	**40,149,720**	**38,053,674**
financial commitments	30,340,683	30,220,021
Guarantees	9,809,037	7,833,653
Contingent commitments received	**26,765,635**	**21,911,007**
financial commitments	13,398,109	13,037,589
guarantees	13,367,526	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 three quarters 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 of 30.09.2021, 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 (whose fair value is determined using measurement techniques which are based on available, verifiable market data);
3. the third level: interest rate options in PLN, FX options maturing over 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 (whose fair value is determined using measurement techniques (models) which are not based on available, verifiable market data), derivatives for which significant Fair Value

Correction or Credit Value Adjustment was created and corporate bonds other than CATALYST-listed ones, shares which are not listed on the WSE and other exchanges, subsidised loans (fair value determined using measurement techniques (models) which are not based on available, verifiable market data, i.e. in cases other than those described in 1 and 2.

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

30.09.2021	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**9,955,586**	**1,308,222**	**1,939,624**	**13,203,432**
Derivative financial instruments	-	1,083,178	311,696	1,394,874
Hedging instruments	-	225,044	38	225,082
Financial instruments measured at fair value through other comprehensive income	9,955 538	-	-	9,955,538
Financial instruments measured at fair value through profit or loss	48	-	324,756	324,804
Loans and advances to customers measured at fair value through profit or loss	-	-	1,303,134	1,303,134
Liabilities measured at fair value:	**-**	**1,203,975**	**325,905**	**1,529,880**
Derivative financial instruments	-	954,906	291,917	1,246,824
Hedging instruments	-	249,069	33,988	283,056

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**
Derivatives	-	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 transactions migrated from valuation level 2 to level 3 due to the increase of CVA/DVA adjustment.

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.

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

30.09.2020	Derivative financial instrument s – 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 recognized in:	114,158	129,534	35,486	-	(64,848)	1,626
statement of profit or loss	114,158	129,534	35,486	-	(64,848)	1,626
Purchase	-	-	24,484	-	-	-
Sale	-	-	(524)	-	-	-
Settlement / Expiry	-	-	(275,850)	-	-	-
Transfer	-	-	4,995	-	-	-
Closing balance	**414,972**	**220,526**	**2,004,414**	**56,577**	**(370,903)**	**-**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period						
	114,158	**129,534**	**35,486**	**-**	**(64,848)**	**1,626**

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.

30.09.2021	Book value	Fair value	Level
Financial assets			
Cash and cash balances at Central Bank	3,132,250	3,132,250	3
Amounts due from banks	2,207,890	2,154 784	3
Loans and advances to customers measured at amortised cost	82,164,097	80,723,556	3
Securities measured at amortised cost	23,311,378	24,047,885	1,3
Other financial assets	534,122	534,122	3
Financial liabilities			
Amounts due to Central Bank	105,570	105,570	3
Amounts due to banks	5,403,854	5,434,736	3
Amounts due to customers	99,035,855	98,281,639	3
Subordinated liabilities	4,312,595	4,498,184	3
Leasing liabilities	902,843	902,843	3
Other financial liabilities	1,419,702	1,419,702	3
Debt securities issued	847,060	847,060	3

31.12.2020	Book value	Fair value	Level
Financial assets			
Cash and cash 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
Securities measured at amortised cost	23,361,022	25,276,195	1.3
Other financial assets	496,078	496,078	3
Financial liabilities			
Amounts due to 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
Leasing 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

In the three quarters of 2021, the Bank concluded agreements regarding the sale of individual loans from SME, corporate and retail loan portfolio.

The gross book value of the portfolio sold amounted to PLN 338,952 thousand, while the amount of created impairment allowances was PLN 315,852 thousand.

The contractual price for the sale of these portfolios has been set at PLN 58,739 thousand. The net effect on the Bank's results from the sale of portfolios which amounted to PLN 35,639 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 of 22 November 2017 (the so-called cut-off date). The maximum term of the full redemption of bonds and loan repayment is 27 April 2032.

SPV issued bonds with a total value of PLN 2,180,850 thousand on the basis of securitized assets and received a loan of PLN 119,621 thousand, which was secured by a registered pledge on the rights to cash flows from securitized assets. At the end of September 2021, the value of bonds and loan amounted to PLN 893,242 thousand.

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

In the light of the provisions of IFRS 9, the contractual terms of the securitization do not fulfil the conditions for derecognition of securitized assets. In connection with the above, the Group recognises securitized assets in "Loans and advances to customers" as of 30 September 2021 at net value of PLN 906,097 thousand.

The Group acts as a servicing entity in the transaction.

Balance sheet values and fair values of financial assets covered by securitization and related liabilities	Balance sheet amount		Fair value	
	30.09.2021	31.12.2020	30.09.2021	31.12.2020
Assets	906,097	1,393,049	834,852	1,293,509
Liabilities	893,242	1,390,318	893,242	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 of 30 September 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:

30.09.2021	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
Assets	**2,662,366**	**1,168**	**108,554**	**838**	**2,772,926**
Receivables on current accounts, loans and deposits	1,842,537	1,168	102,712	801	**1,947,218**
Derivative financial instruments	594,537	-	-	-	**594,537**
Derivative hedging instruments	225,082	-	-	-	**225,082**
Other assets	210	-	5,842	37	**6,089**
Liabilities	**8,849,112**	**7,505**	**1,806,794**	**3,333**	**10,666,744**
Loans and advances received	3,822,737	-	741,156	-	**4,563,893**
Current accounts and deposits	14,267	7,505	764,241	3,333	**789,346**
Subordinated liabilities	4,034,072	-	278,523	-	**4,312,595**
Derivative financial instruments	694,979	-	-	-	**694,979**
Derivative hedging instruments	283,056	-	-	-	**283,056**
Leasing liabilities	-	-	22,704	-	**22,704**
Other liabilities	-	-	170	-	**170**
Contingent liabilities					
Financial commitments granted	-	-	233,662	151	**233,813**
Guarantee commitments	108,477	195,202	1,353,272	-	**1,656,951**
Commitments received	770,241	140,363	1,380,621	-	**2,291,225**
Derivative instruments (nominal value)	59,799,900	-	-	-	**59,799,900**
Hedging derivative instruments (nominal value)	26,470,295	-	-	-	**26,470,295**
Statement of profit or loss	**(506,276)**	**95**	**(46,281)**	-	**(552 462)**
3 quarters of 2021 from 01.01.2021 to 30.09.2021					
Interest income	-	6	102	-	**108**
Interest expense	(77,957)	-	(8,416)	-	**(86,373)**
Fee and commission income	591	89	7,845	-	**8,525**
Fee and commission expense	-	-	(49)	-	**(49)**
Net trading income	(368,577)	-	7	-	**(368,570)**
Other operating income	-	-	2,892	-	**2,892**
General administrative expenses	(60,333)	-	(48,662)	-	**(108,995)**

31.12.2020	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	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**
Derivative 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**
Derivative hedging instruments	60,027	-	-		**60,027**
Leasing 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**
Derivative hedging instruments (nominal value)	18,996,846	13,844	-	-	**19,010,690**
Statement of profit or loss	**144,316**	**303**	**(45,812)**	**(13)**	**98,794**
3 quarters of 2020 from 01.01.2020 to 30.09.2020					
Interest income	-	184	1,121	-	**1,305**
Interest expense	(102,305)	(64)	(11,831)	(19)	**(114,219)**
Fee and commission income	214	138	20,115	1	**20,468**
Fee and commission expense	(410)	-	(4,435)	-	**(4,845)**
Net trading income	273,421	5,119	(15)	-	**278,525**
Other operating income	-	-	3,281	-	**3,281**
Other operating expenses	-	-	(347)	-	**(347)**
General administrative expenses	(23,979)	-	(51,587)	-	**(75,566)**

Remuneration of the Management Board and Supervisory Board

Management Board	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3 quarters of 2020 from 01.01.2020 to 30.09.2020
Short-term employee benefits	12,072	14,320
Long-term benefits	3,428	4,189
Termination benefits	855	-
Share-based payments*	3,274	3,374
Issued shares**	1,514	-
Total	**21,143**	**21,883**

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

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

Supervisory Board	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3 quarters of 2020 from 01.01.2020 to 30.09.2020
Short-term employee benefits	1,107	1,035
Total	**1,107**	**1,035**

47. CONSOLIDATED CAPITAL ADEQUACY RATIO

	30.09.2021	31.12.2020
Total own funds	15,703,566	15,748,450
Total risk exposure	89,374,691	84,447,701
Total capital ratio	17.57%	18.65%
Tier 1 capital ratio	12.85%	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;

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 4 groups:

- 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 sales revenue 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,

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 as of 30.09.2021*								
Net interest income	1,265,821	176,570	398,547	37,632	398,141	**2,276,711**	291,085	461,787
external interest income	1,208,388	128,876	318,892	60,215	739,208	**2,455,579**	295,959	629,400
external interest expenses	(42,798)	(3,664)	(8,867)	(70)	(123,469)	**(178,868)**	(5,147)	(40,457)
internal interest income	457,533	91,243	181,548	(203)	(730,121)	**-**	75,827	-
internal interest expenses	(357,302)	(39,886)	(93,026)	(22,309)	512,524	**-**	(75,554)	(127,155)
Net fee and commission income	403,727	95,811	224,580	33,467	(9,856)	**747,729**	106,962	92,188
Dividend income	-	-	1,257	-	5,556	**6,813**	255	-
Net trading income	75,331	58,938	203,046	125,808	30,294	**493,417**	40,824	95
Result on investment activities	-	-	-	-	45,345	**45,345**	-	-
Result on hedge accounting	-	-	-	-	23,867	**23,867**	-	-
Other operating income and expenses	(43,098)	(2,686)	(5,429)	135	(25,842)	**(76,919)**	(103)	(10,796)
Net impairment losses on financial assets and contingent liabilities	(86,282)	(24,567)	(82,016)	(2,455)	3,373	**(191,946)**	(23,865)	(60,681)
Result on provisions for legal risk related to foreign currency loans	(460,929)	-	-	-	-	**(460,929)**	-	-
Total operating expenses	(757,903)	(97,669)	(186,923)	(67,608)	(432,628)	**(1,542,730)**	(11,945)	(209,554)
Depreciation and amortization	(76,739)	(2,245)	(20,593)	(6,330)	(189,739)	**(295,646)**	(467)	(14,066)
Expense allocation (internal)	(395,763)	(129,575)	(86,008)	6,591	604,755	**-**	-	(77,672)
Operating result	**(75,835)**	**74,577**	**446,461**	**127,240**	**453,266**	**1,025,712**	**402,746**	**181,301**
Tax on financial institutions	(125,363)	(19,621)	(61,043)	(12,378)	(28,971)	**(247,376)**	-	(30,529)
Profit before income tax	**(201,198)**	**54,956**	**385,418**	**114,862**	**424,295**	**778,336**	**402,746**	**150,772**
Income tax expense						(328,534)		
Net profit for the period						**449,802**		
Statement of financial position as of 30.09.2021*								
Segment assets	49,164,324	7,489,636	23,804,625	3,831,068	43,326,712	**127,616,365**	14,770,702	13,347,613
Segment liabilities	59,091,525	13,011,842	31,556,581	-	11,768,340	**115,428,288**	10,033,369	-

*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 as of 30.09.2020*								
Net interest income	1,296 209	202,300	426,735	27,782	359,662	**2,312,684**	321,621	465,562
external interest income	1,380,282	198,578	433,961	52,399	692,328	**2,757,549**	422,628	655,659
external interest expenses	(199,914)	(20,224)	(51,148)	(65)	(173,511)	**(444,865)**	(19,397)	(22,145)
internal interest income	652,850	113,213	235,709	(157)	(1,001,614)	**-**	86,188	-
internal interest expenses	(537,009)	(89,267)	(191,787)	(24,395)	842,459	**-**	(167,798)	(167,952)
Net fee and commission income	348,104	79,300	196,088	46,628	(11,826)	**658,295**	109,872	85,815
Dividend income	-	-	2,680	-	5,571	**8,250**	160	(316)
Net trading income	69,313	51,077	172,682	128,733	112,593	**534,398**	35,763	(317)
Result on investment activities	3,724	575	1,165	-	23,421	**28,885**	401	3,208
Result on hedge accounting	-	-	-	-	(12,689)	**(12,689)**	-	-
Other operating income and expenses	(30,581)	(2,500)	(5,080)	525	28,379	**(9,254)**	(4,332)	(8,124)
Net impairment losses on financial assets and contingent liabilities	(441,668)	(23,089)	(28,092)	450	(568)	**(492,966)**	(36,696)	(198,852)
Result on provisions for legal risk related to foreign currency loans	(66,476)	-	-	-	-	**(66,476)**	-	-
Total operating expenses	(867,092)	(107,325)	(196,125)	(48,516)	(391,221)	**(1,610,279)**	(11,091)	(218,818)
Depreciation and amortization	(73,822)	(2,443)	(13,677)	(4,493)	(176,100)	**(270,534)**	(353)	(10,627)
Expense allocation (internal)	(347,974)	(109,580)	(88,441)	(5,700)	551,695	**-**	-	(71,842)
Operating result	**(110,264)**	**88,314**	**467,935**	**145,409**	**488,917**	**1,080,313**	**415,345**	**45,689**
Tax on financial institutions	(121,614)	(26,234)	(70,636)	(5,407)	(10,558)	**(234,448)**	-	(32,837)
Profit before income tax	**(231,878)**	**62,080**	**397,299**	**140,002**	**478,359**	**845,865**	**415,345**	**12,852**
Income tax expense						**(280,236)**		
Net profit for the period						**565,629**		
Statement of financial position as of 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 of 30 September 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:	128,991,553	87.44%	128,991,553	87.44%
BNP Paribas directly	93,501,327	63.38%	93,501,327	63.38%
BNP Paribas Fortis SA/NV directly	35,490,226	24.06%	35,490,226	24.06%
Other shareholders	18,527,229	12.56%	18,527,229	12.56%
Total	**147,518,782**	**100.00%**	**147,518,782**	**100.00%**

As of 30 September 2021, the Bank's share capital amounted to PLN 147,519 thousand.

The share capital is divided into 147,518,782 shares with the par value of PLN 1.00 each, including: 15,088,100 A series shares, 7,807,300 B series shares, 247,329 C series shares, 3,220,932 D series shares, 10,640,643 E series shares, 6,132,460 F series shares, 8,000,000 G series shares, 5,002,000 H series shares, 28,099,554 I series shares, 2,500,000 J series shares, 10,800,000 K series shares, 49,880,600 L series shares and 99,864 M series shares.

The Bank's shares are ordinary bearer and registered shares (as of 30 September 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 shares are preference shares with respect to payment of the full par value per share in the event of the Bank's liquidation, once the creditors' claims have been satisfied, with priority over payments per ordinary shares, which, after the rights attached to the preference shares have been exercised, may be insufficient to cover the total par value of those shares.

The 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.

Changes in the shareholder's structure in the three quarters of 2021

On **6 April 2021**, on the basis of settlement orders referred to in §6 of the Detailed Rules of Operation of the National Depository for Securities, 99,864 ordinary bearer series M shares of the Bank with a par value of PLN 1.00 each ("Series M Shares") were registered with the National Depository for Securities and admitted to trading by the Warsaw Stock Exchange. Series M Shares were recorded in the securities accounts of the eligible persons.
Series M shares were issued under a conditional increase of the Bank's share capital pursuant to Resolution No. 5 of the Bank's Extraordinary General Meeting of 31 January 2020, as amended by Resolution No. 37 of the Bank's Annual General Meeting of 29 June 2020. Series M shares were subscribed in exercise of the rights attached to series A registered subscription warrants, each of whose gave the right to subscribe for one Series M share.

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

Consequently, pursuant to Article 451 §2 in connection with Article 452 §1 of the Code of Commercial Companies, rights attached to 99,864 Series M Shares of the total nominal value of PLN 99,864 were acquired and the Bank's share capital was increased from PLN 147,418,918 to PLN 147,518,782.

The total number of votes resulting from all shares of the Bank is 147,518,782. The number of voting rights resulting from the awarded Series M Shares is 99,864.

The amount of the conditional share capital increase following the issue of the Series M Shares is PLN 476,136.

On **2 June 2021** the Bank received a Notice from two shareholders of the Bank, BNP Paribas S.A. and Rabobank International Holding B.V. (the "Shareholders"), in which the Shareholders announced the completion of an accelerated book building process

("ABB") for the sale by the Shareholders of up to 7,472,786 ordinary bearer shares of the Bank, representing in total up to 5.07% of the Bank's share capital and up to 5.07% of the total voting rights in the Bank (the "Sale Shares").

According to the Notice, as a result of the ABB process, the total number of Sale Shares was determined at the level of 7,472,786, representing 5.07% of the shares in the Bank's share capital and in the total number of voting rights in the Bank, of which:

- BNP Paribas S.A. will sell 1,858,911 Sale Shares, which represent 1.26% of shares in the Bank's share capital and in the total number of voting rights in the Bank, and
- Rabobank International Holding B.V. will sell 5,613,875 Sale Shares, which constitute 3.81% of shares in the Bank's share capital and in the total number of voting rights in the Bank.

Upon settlement of the sale under the ABB process:

- BNP Paribas S.A. directly holds 93,501,327 shares in the Bank representing approximately 63.38% of the total number of shares and voting rights at the Bank, and together with other entities of the BNP Paribas S.A. Capital Group controls jointly 128,991,553 shares in the Bank representing approximately 87.44% of the total number of shares and voting rights at the Bank,
- Rabobank International Holding B.V. does not hold any shares of the Bank.

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

The shareholding structure of 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 the first half of 2021 (12.08.2021) and the present Interim condensed consolidated report for the three quarters of 2021 (9.11.2021) are presented below.

MEMBER OF THE BANK'S MANAGEMENT BOARD	SHARES*	SALE	SHARES	SUBSCRIPTION WARRANTS:**
	12.08.2021		9.11.2021	9.11.2021
Przemysław Gdański	7,989	-	7,989	9,148
Jean-Charles Aranda	-	-	-	2,338
André Boulanger	-	-	-	3,129
Przemysław Furlepa	4,458	4,458	-	2,722
Wojciech Kembłowski	-	-	-	3,195
Kazimierz Łabno	2,542	2,542	-	1,862
Magdalena Nowicka	-	-	-	-
Volodymyr Radin	614	614	-	895
Agnieszka Wolska	-	-	-	-

** series M shares, acquired on 6.04.2021 by exercising rights resulting from series A1 warrants (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); in case of Mr Przemysław Gdański, the number of acquired series M shares was 7.489, while the number of shares acquired on WSE share market was 500.*

*** subscription warrants of A2 series acquired on 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; the holdings of individual members of the Management Board have not changed since the publication of the previous report, i.e. 12.08.2021.*

Members of the Bank's Supervisory Board did not declare holding any shares/privileges of BNP Paribas Bank Polska S.A. as of 30 September 2021 and as at the publication date of the present Interim condensed consolidated report for the three quarters of 2021, i.e. 9 November 2021, and there was no change in this respect from the date of presenting the Interim condensed consolidated for the first half of 2021, i.e. 12 August 2021.

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 of 30 September 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 S.A. (presently BNP Paribas Bank Polska S.A.) amounted to PLN 12.54 million and included: i) a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9.65 million; and ii) a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2.89 million. The penalty was paid by the Bank on 19 October 2015. The Bank prepared a last resort appeal against the aforesaid court decision and brought it on 25 April 2016. On 25 October 2017, the Supreme Court overruled the judgment of the Court of Appeal and remitted the case. Acquisition of the core business of RBPL did not change the situation of the Bank as RBPL was not a party to this claim.

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

Corporate claims against the Bank (interchange fee)

As of 30 September 2021 the Bank received:

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

Proceedings regarding recognizing a standard contract as prohibited

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

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

The Bank appealed against the decision within the statutory deadline. The Bank has established a provision for the above penalty in full amount. 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 September 2021 reached almost 68.9 thousand compared to 39 thousand at the end of 2020. This resulted in a significant increase in provisions for these proceedings created in 2020 and in the first half of 2021 by banks having CHF mortgage loan portfolios. The amount of these provisions created by listed banks in 2020 amounted to approximately PLN 10 billion, while in the first half of 2021 it was approximately PLN 2.39

billion contributing to the total value of provisions created for this purpose in the amount of PLN 11.7 billion at the end of 2020 and over PLN 13.48 billion at the end of the first half of 2021.

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

The gross balance sheet value of mortgage and housing loans granted to individual customers in CHF as of 30 September 2021 amounted to PLN 4.49 billion, compared to PLN 4.82 billion at the end of 2020.

As of 30 September 2021 the Bank was the defendant in 1,790 (1,152 new cases in the three quarters of 2021 and 6 cases closed with final judgement) pending court proceedings (including validly closed cases, clients brought a total of 1,820 actions against the Bank), in which the Bank's customers demanded the annulment of mortgage loan agreements regarding foreign currency loans or loans denominated in CHF, or declaration that the contract is permanently ineffective on the ground that it contains abusive clauses which cause the contract cannot be remained in force, or determining that the Bank granted a loan in PLN without denomination to foreign currency. The Bank is not a party to any collective claim regarding these loans. The total value of claims pursued in the currently pending cases as of 30 September 2021 was PLN 690.18 million (as of 31 December 2020 was PLN 217.82 million), and in legally binding cases PLN 35.83 million (34.96 million as of 31 December 2020).

The following judgments have been issued in 30 proceedings that have been legally concluded: in 14 cases the claims against the Bank were dismissed, in 2 cases the proceedings were discontinued, including 1 case due to the agreed settlement between the client and the Bank; in 1 case the court rejected the claim; in 12 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 third quarter of 2021, the amount of provisions created by the Bank for the risk related to the CHF loan portfolio increased by PLN 217.9 million (PLN 168.2 million in the whole 2020). The increase in the provision in the third quarter of 2021 resulted mainly from the growing number of new claims (416 new claims in the third quarter of 2021, including 271 related to CHF denominated loans and 145 to foreign currency loans), 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 of 30 September 2021, the total value of provisions created for proceedings relating to loans in CHF was PLN 676.6 million (PLN 200.3 million as of 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 22% 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 31 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 39.5 million
	-5 p.p.	- PLN 39.5 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
Percentage of lawsuits lost	+20%	+ PLN 59.4 million
	-20%	- PLN 59.4 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 27 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 by reasoning the grounds that:

(1) the borrower may agree to the continued validity of terms which may be unfair, in which case they take effect from the date of conclusion of the contract,

(2) if the contract falls due to the unfair terms contained therein, each party has a claim for repayment of the performance made by that party (the so-called two-condition theory) ,

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

(4) the agreement becomes permanently ineffective from the moment when the borrower, having been informed of all the consequences of the failure of the agreement, including the possible specific negative consequences of such a failure, makes a declaration to not keep the agreement in force. The borrower should be informed of the consequences of the failure of the agreement by the court in the course of the proceedings.

On 10 June 2021, the Court of Justice of the European Union issued a summary judgment in Case C-198/20, which confirmed that consumer protection is available to any consumer and not only to the "*reasonably well-informed and reasonably observant and circumspect average*" recipient of the resolution.

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 2 September 2021, was postponed without a date, following the Supreme Court's formulation of preliminary questions to the CJEU. The preliminary questions are aimed to establish whether the Civil Chamber in its current composition can be regarded as an independent court and thus whether it has the capacity to pass a resolution on the legal questions posed at all..

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

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

If the answer to the above question is negative:

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

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

Irrespective of the answers to questions 1 to 3:

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

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

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

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

On 2 September 2021, the Court of Justice of the European Union handed down its judgment in Case C-932/19, in which it unequivocally indicated that national courts, when deciding on customers' claims based on a challenge to certain contract terms, may not rely solely on the potentially favourable annulment of the contract for the consumer. It is not permissible for the situation of one of the parties to be regarded by the national courts as the decisive criterion as to the future fate of the contract. The Court reiterates that the fundamental objective of Directive 93/13 is to restore the balance of the parties, including by means of the national provisions in force.

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, described 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, which showed the initial interest of customers in settlements and is also conducting a pilot campaign in the scope of offering settlements on terms individually agreed with borrowers. At the time of publication of these financial statements, the Bank is analysing the possibility of launching a settlement program for the Bank's customers and the conditons under which such potential settlements could be concluded. Due to the lack of final decisions, the Bank does not recognize the effects of settlement provisions.

53. RISK MANAGEMENT

The most important changes in the approach to credit risk management, basic measures of market risk, liquidity risk, country and counterparty risk as well as changes in the approach to operational risk management introduced as at the end of September 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 78% share in the total internal capital estimated by the Group for purposes of covering major risks involved in the Bank's operations, in addition to its 89% 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:

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

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 continued a number of actions during the third quarter of 2021 regarding, among others:

- 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 support 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 support 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.

The following tables are based on balance sheet data and show the values recognised in the Group's statement of financial position as of 30.09.2021 and 31.12.2020.

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

30.09.2021					
Loans and advances to customers subject to a moratorium	Number of clients to which the moratorium was granted	Loans subject to ongoing and expired moratoria	including statutory moratoria	including ongoing moratoria	
				without impairment	with impairment
Gross value	**39,238**	**6,086,387**	**248,580**	**76,827**	**47,284**
Retail customers	30,075	3,052,294	248,341	11,049	23,261
Corporate clients:	6,861	2,431,539	239	65,778	24,023
including retail farmers:	1,442	486,897	73	12,029	2,452
Public sector institutions:	2	1,062	-	-	-
Leasing receivables	2,300	601,492	-	-	-
Allowance	x	**(388,901)**	**(63,394)**	**(1,237)**	**(14,853)**
Retail customers	x	(214,263)	(63,393)	(339)	(8,116)
Corporate clients:	x	(135,138)	(1)	(898)	(6,737)
including retail farmers:	x	(31,609)	(1)	(65)	(603)
Public sector institutions:	x	(125)	-	-	-
Leasing receivables	x	(39,375)	-	-	-
Loans and advances to customers subject to the moratorium, total	**39,238**	**5,697,486**	**185,186**	**75,590**	**32,431**

30.09.2021	Residual term for ongoing moratoria		
Gross value	Total	up to 3 months	3-6 months
Retail customers	34,310	34,310	-
Corporate clients:	89,801	89,801	-
including retail farmers:	14,481	14,481	-
Loans and advances to customers subject to the moratorium, total	**124,111**	**124,111**	**-**

31.12.2020					
Loans and advances to customers subject to a moratorium	Number of clients to which the moratorium was granted	Loans subject to ongoing and expired moratoria	including statutory moratoria	including ongoing moratoria	
				without impairment	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
Corporate clients:	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)
Corporate clients:	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)
Loans and advances to customers subject to the moratorium, total	**43,309**	**6,875,267**	**102,947**	**166,359**	**96,925**

31.12.2020	Residual term for ongoing moratoria		
Gross value	Total	up to 3 months	3-6 months
Retail customers	139,183	136,262	2,921
Corporate clients:	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
Loans and advances to customers subject to the moratorium, total	**301,325**	**276,870**	**24,455**

30.09.2021			Including: residual maturity of the public guarantee				
Loans and advances to customers covered by public guarantee programs	Number of customers who received a public guarantee	Value	up to 6 months	6-12 months	1-2 years	2-5 years	above 5 years
Gross value	**5,097**	**2,444,667**	**235,941**	**627,630**	**1,218,591**	**206,845**	**155,660**
Corporate clients:	5,097	2,444,667	235,941	627,630	1,218,591	206,845	155,660
including retail farmers:	210	49,348	3,938	978	3,140	41,292	-
Allowance	x	**(18,686)**	**(855)**	**(1,982)**	**(9,614)**	**(3,352)**	**(2,883)**
Corporate clients:	x	(18,686)	(855)	(1,982)	(9,614)	(3,352)	(2,883)
including retail farmers:	x	(95)	-	(10)	(2)	(83)	-
Total loans and advances to customers covered by public guarantee programs (net)	**5,097**	**2,425,981**	**235,086**	**625,648**	**1,208,977**	**203,493**	**152,777**

31.12.2020			Including: residual maturity of the public guarantee				
Loans and advances to customers covered by public guarantee programs	Number of customers who received a public guarantee	Value	up to 6 months	6-12 months	1-2 years	2-5 years	above 5 years
Gross value	**3,034**	**1,298,960**	**20,314**	**334,725**	**693,771**	**234,531**	**15,619**
Corporate clients:	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)**
Corporate clients:	x	(9,931)	(147)	(1,825)	(3,644)	(3,933)	(382)
including retail farmers:	x	(75)	-	-	(3)	(72)	-
Total loans and advances to customers covered by public guarantee programs (net)	**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 5,962,276 thousand (PLN 6,949,777 thousand as of 31.12.2020).

As part of its response to COVID-19 in the third quarter of 2021, the Group continues the changes introduced to the recognition of material increases in risk. The Group still monitors the behaviour of exposures supported by moratoria. In the third quarter of 2021, the Bank did not offer non-statutory moratoria.

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 Tier 1 capital. If the client is an institution or if a group of connected clients includes one or more institutions, that value shall not exceed 25% of the institution's Tier 1 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 Tier 1 capital.

The Group monitors concentration limits in accordance with Article 387 of the EU Regulation No. 575/2013. As of 30.09.2021, the limits specified in Article 395 of the EU Regulation No. 575/2013 were not exceeded. As of 30.09.2021, the Group's exposure to financing customers / groups of customers with capital or organisational links does not exceed the exposure concentration limit. The major exposure of the Group constituted 18.93% of Tier 1 capital.

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 September 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 and Industrial Processing. As at the end of September 2021, as well as at the end of December 2020, they accounted for 47% of the Group's exposure towards institutional clients. At the end of September 2021, the share of Industrial Processing increased by 3 p.p. to the level of 24% as compared to the end of 2020, while the shares of Agriculture, Forestry, Hunting and Fishing decreased by 3 p.p. as compared to the end of 2020 and amounted to 23% of the exposure toward sectors

The table below presents a comparison of the share of impaired loans in industries (gross balance sheet value) as of 30 September 2021 and 31 December 2020.

	Exposure*		Share of non-performing loans	
Sector	30.09.2021	31.12.2020	30.09.2021	31.12.2020
AGRICULTURE, FORESTRY, HUNTING AND FISHING	10,969,492	10,756,142	8.3%	9.2%
MINING AND QUARRYING	40,812	36,341	11.7%	9.5%
INDUSTRIAL PROCESSING	11,189,232	8,772,763	4.1%	5.5%
PRODUCTION AND SUPPLY OF ELECTRICITY, GAS, STEAM, HOT WATER AND AIR TO SYSTEMS	1,118,338	648,737	0.5%	0.8%
WATER SUPPLY; SEWAGE AND WASTE MANAGEMENT AS WELL AS REMEDIATION ACTIVITIES	224,292	166,344	2.1%	6.6%
CONSTRUCTION	2,369,853	2,540,629	8.5%	8.5%
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES, INCLUDING MOTORBIKES	6,768,594	5,725,092	6.2%	7.5%
TRANSPORT AND STORAGE	1,818,629	1,216,516	4.5%	6.9%
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	257,298	273,257	19.6%	20.5%
INFORMATION AND COMMUNICATION	1,172,269	1,439,082	2.0%	3.4%
FINANCIAL AND INSURANCE ACTIVITIES	954,907	891,461	10.6%	11.5%
REAL ESTATE ACTIVITIES	4,999,025	4,657,921	2.5%	3.0%
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	3,090,020	2,368,361	1.6%	2.4%
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	1,110,583	767,882	4.8%	9.7%
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	84,435	96,875	-	-
EDUCATION	88,719	87,763	10.6%	12.0%
HEALTH CARE AND SOCIAL ASSISTANCE	761,722	652,849	3.0%	3.5%
CULTURE, ENTERTAINMENT AND RECREATION ACTIVITIES	17,095	16,257	20.3%	21.0%
OTHER ACTIVITIES	107,199	88,598	5.6%	7.6%
Total	**47,142,514**	**41,202,870**	**5.4%**	**6.7%**

*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 third 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.

	30.09.2021					
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	25,091,257	18,870	984	778	324,033	25,435,922
Cash loans	8,325,545	38,612	4,430	2,281	206,083	8,576,951
Car loans	1,743,225	2,936	995	370	13,414	1,760,940
Credit cards	1,044,402	5,943	918	202	26,679	1,078,144
Investment loans	20,366,210	254,875	4,369	2,705	486,877	21,115,036
Limits in current account	10,478,279	110,670	4,207	1,443	217,494	10,812,093
Working capital loans to companies	8,575,679	86,522	4,759	1,645	377,802	9,046,407
Leasing	4,270,235	93,292	14,045	2,400	103,552	4,483,524
Other	1,112,391	16,531	1,532	198	27,562	1,158,214
Total	**81,007,223**	**628,251**	**36,239**	**12,022**	**1,783,496**	**83,467,231**

	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
Working capital loans to companies	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**

*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.

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 third quarter of 2021, 52% 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 25% while the remaining part, i.e. 23% was related to foreign trade transactions (letters of credit and guarantees). France accounted for 45%, Luxembourg for 22%, the Netherlands for 7%, Belgium for 6%, Italy for 4% of the exposure. The remaining exposure was concentrated in Austria, Germany, Great Britain and Turkey.

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.

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

The use of interest rate limits remained stable in the three quarters of 2021.

The estimated impact of NBP interest rates hikes in October (+40bp) and November (+75bp) is in the range of PLN140-160 million assuming a constant balance sheet but taking into account changes in the structure of the deposit base.

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

Impact of IBOR Reform on BNP Paribas Bank Polska S.A.

BNP Paribas Bank Polska S.A. (the "Bank") is currently conducting a project related to the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "BMR Regulation"). The project not only aims to bring financial contracts within the meaning of the BMR Regulation into line with the requirements under Article 28(2) of the BMR Regulation, but also includes the application of an identical approach to the Bank's customer relations with respect to products and contracts other than such financial contracts.

On 5 March 2021, Financial Conduct Authority - FCA - (British financial regulator) announced the liquidation of LIBOR rates for EUR, GBP, CHF, JPY and USD (ON, SW, 2M, 1Y) at the end of 2021 and LIBOR USD (1M, 3M, 6M) on 30.06.2023. At the beginning of April 2021, the Bank informed its customers about this fact through the Bank's website as well as through electronic banking channels. The Bank identified balance sheet and off-balance sheet items based on CHF LIBOR, GBP LIBOR, USD LIBOR indices. Until the liquidation of the aforementioned indices, the resulting cash flows continue to be exchanged between counterparties under existing rules.

At present, it is not possible to identify any rationale for discontinuation of the publication of the WIBOR and EURIBOR indices. Thus, the Bank estimates that the flows resulting from these indices will continue to be exchanged between counterparties.

In the case of LIBOR CHF, LIBOR GBP and LIBOR USD, the duration of the established relationships may exceed the announced cessation dates for the indices. These indices to be replaced: LIBOR CHF by SARON (Swiss Averaged Rate Overnight) administered by SIX Swiss Exchange, LIBOR GBP by SONIA (Sterling Overnight Index Average) administered by the Bank of England and LIBOR USD by SOFR (Secured Overnight Financing Rate) administered by the Federal Reserve Bank of New York. Application of new indicators in financial contracts may involve the use of a compound rate or other method depending on the market standard or on the standard adopted by the administrator for the calculation of the indicator, hence, there occurs uncertainty with regard to the timing and amounts of cash flows for these indices.

As part of the ongoing project, the Bank is focusing, inter alia, on establishing or updating the content of the so-called fallback clauses regulating how to establish substitute (alternative) indices to those which are currently in use; confirming the method of implementation of these clauses; developing changes to the Bank's IT systems that will allow for the practical application of substitute indices in the event the development of a given reference index is discontinued. It should be pointed out that, starting from mid-2018, the Bank has introduced fallback clauses in mortgage loan agreements.

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

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

The Bank will inform its clients about the change in November, with the use of various communication channels.

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 third 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 PLN 0.93 million on average, compared to PLN 1.02 million in the second quarter of 2021. The market risk mainly resulted from open interest rate position, with the average utilisation of the VaR for the open interest rate position in the trading portfolio limit at 12%.

The currency risk was maintained at a low level, i.e. approx. 12% of the use of the limit, similarly to the case of the interest rate risk, and, also, 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 and interest rate options in order to ensure the servicing of customer transactions.

LIQUIDITY RISK

In the period between January and September 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 three quarters of 2021 amounted to 180.3%. The maximum LCR level was 194%.

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 third quarter of 2021, the Bank observed an increase both in deposits (mainly corporate ones) and in loans (mainly individual ones), and the increase of loans was higher. Due to the COVID-19 epidemic, interest of clients in corporate loans in the third quarter was rather low, however, the Bank recorded growth in each of its non-retail segment business lines, slightly lower than in the Retail segment.

Funds from non-banking customers continue to be the primary source of financing.

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, i.a.:

- 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 in the second line of defence, while the Operational Control Department in the first line of defence. Development and implementation of the Bank's strategy with respect to insurance as a risk mitigation technique is the responsibility of the Real Estate and Administration Department, while the Security and Business Continuity Management Division is in charge of business continuity management.

As part of the legal risk management process, the Legal Division monitors, identifies and performs analyses of changes to laws of general application and their effect on the Group's operations, 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 increased level of external and internal risks related to fraud and offense against the assets of the Bank and its customers, the Bank is planning to extend the scope of and improve its processes aimed at counteracting, detecting and examining such cases, which is entrusted with the first line of defence and 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. As part of the process, the Department verifies 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 Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and the internal control system, as well as the remuneration policy in banks. Detailed internal regulations concerning specific areas of the Bank's activity are adapted to the specifics of the Bank's operations. The appropriate 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 (CRR) on macro-prudential requirements for credit institutions and investment firms as amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019 (CRR2) as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

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

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 as of 30 September 2021.

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

30.09.2021	The minimum consolidated capital adequacy ratios of the Group	The consolidated capital adequacy ratios of the Group
CET I	7.25%	12.85%
Tier I	8.75%	12.85%
Total Capital Ratio	10.75%	17.57%

31.12.2020	The minimum separate capital adequacy ratios of the Bank	The separate capital adequacy ratios of the Bank
CET I	7.25%	13.55%
Tier I	8.75%	13.55%
Total Capital Ratio	10.75%	18.65%

As of 30 September 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 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 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 of 31 December 2018 and the value of required buffers as of 1 January 2019 and additional capital requirement of the PFSA as of 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 30 September 2021.

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

Composition of the Bank's Supervisory Board as of 30 September 2021:

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

Changes in the composition of the Supervisory Board in the period from 1 January to 30 September 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.
- On 21 May 2021 Mr Stéphane Vermeire resigned from the position of a Member of the Supervisory Board as of 31 May 2021.
- On 2 June 2021 Mr Józef Wancer resigned from the position of a Member of the Supervisory Board and the Chairman of the Supervisory Board as of 30 June 2021.
- On 17 June 2021, the Extraordinary General Meeting of the Bank appointed Mrs Małgorzata Chruściak as Member of the Supervisory Board (independent member) as of 1 July until the end of the current five-year joint term of office.
- On 17 June 2021, the Extraordinary General Meeting of the Bank appointed Mrs Geraldine Conti as Member of the Supervisory Board as of 1 July until the end of the current five-year joint term of office.
- On 17 June 2021, the Extraordinary General Meeting of the Bank appointed Mrs Khatleen Pauwels as Member of the Supervisory Board as of 1 July until the end of the current five-year joint term of office.

Composition of the Bank's Management Board as of 30 September 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
Agnieszka Wolska	Vice-President of the Management Board

Changes in the composition of the Management Board in the period from 1 January to 30 June 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 (he was the Vice-President of the Management Board before 8 March 2021).
- On 12 May 2021, the Supervisory Board of the Bank appointed Mrs Agnieszka Wolska as Vice-President of the Management Board as of 1 September 2021.

55. MAJOR EVENTS IN THE BNP PARIBAS BANK POLSKA S.A. CAPIITAL GROUP IN THE THREE QUARTERS OF 2021

19.01.2021	**Recommendation of the Polish Financial Supervision Authority regarding the suspension of dividend payments by BNP Paribas Bank Polska S.A. 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 S.A.** • Consideration and approval 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.**
6.04.2021	**Series M shares issue within the conditional share capital increase and change of the value of share capital of BNP Paribas Bank Polska S.A.** The Bank's share capital was increased from PLN 147,418,918 to PLN 147,518,782.
19.04.2021	**Determination by the Bank Guarantee Fund (BFG) the amount of annual contribution to the banks' forced restructuring fund for 2021 for BNP Paribas Bank Polska S.A. in the amount of PLN 90,147 thousand.**

	The total contributions to the BFG booked by the Bank as expenses in the first quarter of 2021 amount to PLN 103,716 thousand (i.e. the abovementioned contribution plus the contribution to the banks' guarantee fund due for the first quarter of 2021 in the amount of PLN 13,569 thousand).
12.05.2021	**Commencement of the share buy-back programme** addressed to the participants of the incentive programme.
20.05.2021	**Entry of amendments to the Bank's Statute into the National Court Register.** The amendments resulted from the increase of the share capital of the Bank to the amount of PLN 147,518,782 due to the acquisition of series M shares by eligible persons.
31.05.2021	Notice from two shareholders of the Bank on the **commencement of sale** regarding the part of their BNP Paribas Bank Polska S.A.'s shares within the **accelerated book building process ("ABB")*.**
2.06.2021	Notice from two shareholders of the Bank on the **completion of sale** regarding the part of their BNP Paribas Bank Polska S.A.'s shares within the **accelerated book building process ("ABB")*.**
17.06.2021	**Extraordinary General Meeting of BNP Paribas Bank Polska S.A.** - adoption of the following resolutions: • determination of remuneration for the Supervisory Board members; • the approval of the Remuneration Policy for the Supervisory Board Members of BNP Paribas Bank Polska S.A. and the Remuneration Policy for Executives who have a significant impact on the risk profile of BNP Paribas Bank Polska S.A. (including the members of the Bank's Management Board); • determination of the target number of Supervisory Board members for the new term of office; • amendments to the Bank's Statute and the Regulations of the General Meeting.
7.07.2021	**Provision for legal risk of CHF mortgage loans** On 7 July 2021 the Management Board of the Bank approved the amount of the provision estimate for claims under CHF mortgage loan agreements **in the second quarter of 2021 in the total amount of PLN 186.5 million**.
6.10.2021	**Provision for legal risk of CHF mortgage loans** On 6 October 2021, the Management Board of the Bank approved the amount of the estimate concerning the balance sheet amount of the provision for claims under mortgage loan agreements in CHF as of 30 September 2021 in the amount of PLN 677 million, which means that the negative impact on the Bank's results **in 3Q 2021 amounts to PLN 202 million**.

* details regarding the process of sale by BNP Paribas S.A. and Rabobank International Holding B.V. of part of their shares of BNP Paribas Bank Polska S.A. are described in Note 48 The shareholder's structure of BNP Paribas Bank Polska S.A. of the present Report

Changes in the composition in the Management Board and Supervisory Board of the Bank that occurred in the first half of 2021 are described in detail in Note 53 Management of BNP Paribas Bank Polska S.A. of the present Report.

56. IMPACT OF COVID-19 PANDEMIC ON THE BANK AND ITS ACTIVITIES IN THE THREE QUARTERS OF 2021

Since mid-March 2020, BNP Paribas Bank Polska S.A. has been actively involved in actions supporting the fight against the pandemic, taking steps to ensure business continuity, thus taking care of the health of both employees and customers, as well as the safety of funds entrusted to the Bank.

In 2021, as the economy recovers, the Bank noticed increasing customer interest in banking products, both credit, savings and investment ones, as reflected in rising sales volumes of investment accounts, cash loans and mortgages. In 3Q 2021, an increase in the activity of Corporate Banking and SME clients was evident, which translated into a 5.3% YoY increase in the balance of corporate loans.

Organisation activities (protection of employees and clients)

- Remote work - a form of work organisation recommended in the Bank until mid-August 2021; in organisational units where such a form of operation was not possible for entire teams, the organisation of work was based on the split-team system, consisting in dividing the team in order to separate people performing the same duties.
- New work models in the Bank's Head Office - as of 16 August 2021, by decision of the Bank's Management Board, four work models were introduced, taking into account the specific nature of tasks performed by individual areas and the need to ensure safe working conditions; employees work remotely for several to over a dozen days per month; as of the end of September 2021, around 2/3 of the Head Office's employees worked remotely.

- Remote work in the sales network - enabling remote work for the sales network employees is based on separate rules developed directly by the Retail and Business Banking Sales Division together with branch representatives so that this form of work does not affect relations with customers. Remote work in branches depends, among other things, on the business situation, staffing and the scope of tasks to be performed.
- Customer service standards - the model of service adapted to epidemic conditions is still in force, i.e. only current customer service may be provided in the branch - one advisor serves one customer at a safe distance (also at the cash desk); branches are equipped with protective Plexiglas windows, masks, gloves, disinfectants for employees and customers.
- Educational and pro-employee initiatives - are tailored to the needs of employees and conducted mostly through online platforms, a dedicated employee section on the internal Echonet network related to the epidemic is kept up-to-date. As part of the wellbeing programme "DOBRZE", employees can take care of their broadly defined health mainly in terms of mental, psychological and physical wellbeing. Through webinars, podcasts, articles, video advice and 1-on-1 tele-counselling, they have the opportunity to benefit from the knowledge and services of, among others, nutritionists, psychologists, also in relation to parenting issues, mental development coaches or physiotherapists.
- COVID-19 tests - employees can be tested in ALAB diagnostic laboratories, at the Bank's expense, if there is a justified suspicion of infection in the course of their work.
- Vaccination programme against SARS-COV-2 – in April 2021, the Bank joined the government's initiative to engage employers in the vaccination programme; in June and July, vaccinations were carried out in several cities for willing employees of the Bank and BNP Paribas Group companies in Poland and their family members.

Customer support activities and digitisation

- Customer assistance programmes - from mid-January 2021 to the end of March 2021, the Group focused on making the fullest possible use of available customer assistance programmes, including granting temporary deferment of instalment payments on loans.

  As at the end of September 2021, the number of customers who were granted loans and advances subject to moratoria amounted to 39.2 thousand, with a total gross balance sheet exposure of the Group of PLN 6,086,387 thousand, of which: PLN 3,052,294 thousand related to individual customers, PLN 2,431,539 thousand to business entities and PLN 602,554 thousand to leases and other receivables. In addition, the total gross value of loans and advances covered by statutory moratoria at the end of September 2021 amounted to PLN 248,580 thousand. The balance of expired moratoria was PLN 5,962,276 thousand and the balance of active moratoria was PLN 124,111 thousand.

  Details of loans and advances subject to moratoria and the impact of the pandemic on risk management are presented in Note 53 Risk Management.
- BNP Paribas Bank Polska S.A. is a partner in the government programme to support Polski Fundusz Rozwoju S.A. (PFR). Under the programme, in January 2021, the Bank purchased PFR0827 bonds for PLN 540 million. In total, the Bank's exposure to PFR bonds at the end of September 2021 was PLN 2.5 billion. In addition, in the first half of 2021 the Bank subscribed to PLN 387 million of bonds issued by Bank Gospodarstwa Krajowego ("BGK") for the COVID-19 Fund.
- PFR 2.0 Financial Shield - the Bank's clients conducting business from 15 January 2021 to the end of February 2021 could apply for support under the PFR 2.0 Financial Shield. The Bank's share in the distribution of funds to clients translates into 4,000 positive decisions for an amount of PLN 0.7 billion. The total amount disbursed by PFR under the Shield 2.0 through the banks for micro, small and medium-sized companies was, as of 15.08.2021, PLN 7,133 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 further development and modifications. For example, the submission of applications under the PFR financial shield was made available to businesses in the GOonline and BiznesPl@net (now: GOonline Biznes) internet banking systems. In addition, a fully digital and automated process for the redemption of PFR Shield Subsidies 1.0 was implemented. The myID service - the free creation of an Electronic Identity, allowing remote identification for official and commercial matters - was made available to individual customers.

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:

- **Recovery from recession and problems in supply chains.** The global economic recovery continues despite the relapse of the pandemic due to Delta variant of the virus. The recovery is supported by improved adaptation of firms and households to pandemic constraints and continued strong support from central banks. The ongoing recovery is significantly different from those with which we are familiar with. It remains uneven and is primarily driven by strong activity in manufacturing with weakness in services. The pace and scale of the recovery in the services sector will largely depend on the effectiveness of vaccination programmes. The possibility of the emergence of vaccine-resistant variants of the virus remains a risk to the economy.

  In the face of rapidly recovering demand for commodities, the vast majority of industrial sectors face bottlenecks in supply chains. As a result, the International Monetary Fund (IMF) slightly lowered its global growth forecast for the current year to 5.9% (previously 6.0%) and maintained its forecast for 2022 at the level of 4.9%. The downward revision of the 2021 GDP growth forecast reflects problems in supply chains affecting mainly developed economies and a worsening pandemic situation in developing countries. The Organisation for Economic Co-operation and Development (OECD) provides a similar assessment in its report, according to which global GDP growth will be 5.7% in 2021 and 4.5% in 2022. According to the OECD, the pace of growth in economic activity in some countries has recently weakened due to the impact of the Delta variant and temporary supply constraints, but it predicts that these factors will subside over time and that lower growth in the second half of 2021 will be offset by a faster recovery in 2022. In the case of Poland, the IMF has raised its GDP growth forecast for 2021-2022. This year, GDP growth is expected to reach 5.1% (previously 3.5% YoY). In the following year, the IMF expects the growth rate to remain unchanged (previously 4.5% YoY). The OECD stresses, however, that these forecasts are subject to considerable uncertainty related, among other things, to the course of the pandemic and the effectiveness of political support.

- **Monetary policy of the main central banks.** The main central banks have pursued a loose monetary policy since the pandemic occurred. Gradually, however, a shift in this policy-related attitude can be observed, in particular by the Federal Reserve System (FED) in the US. More and more members of the Federal Open Market Committee (FOMC) are advocating an interest rate hike in 2022. The plan to reduce asset purchases, which could even start in November, has also been outlined tentatively. However, the position of the European Central Bank (ECB) remains unchanged. In addition, the ECB is considering the introduction of a new asset purchase programme, which would replace the Pandemic Emergency Purchase Programme (PEPP) ending in March 2022.

  Globally, a growing number of central banks are advocating monetary policy normalisation. A factor in favour of faster monetary tightening than previously thought is accelerating inflation. This is mainly influenced by rising commodity and material prices, which, in addition to having a direct impact on the dynamics of consumer prices, are increasing concerns about inflation becoming entrenched at high levels through the inflation expectations channel.

- **Actions taken by the National Bank of Poland.** As a result of growing inflationary pressure and the good condition of the Polish economy, the Monetary Policy Council (MPC) decided to raise the NBP reference rate by 40 bps to 0.50%. After starting to normalize monetary policy in October, in November, the MPC decided to raise the reference rate by additional 75 bp, to 1.25%, and the NBP governor did not rule out further interest rate hikes. The market is pricing-in further significant monetary tightening in the coming months.The market expects further rate hikes in the coming months. These expectations are supported by a good economic situation and inflation level that is above the target.

- **Behaviour of Polish zloty exchange rate against key currencies.** In the third quarter of 2021 the Polish zloty fluctuated relatively strongly in the range of 4.50-4.64. The Polish currency did much better in the first half of the quarter, when it was supported by growing expectations of a normalisation of monetary policy in connection with increasing inflationary pressure. However, the second part of the quarter was marked by a strong depreciation of the Polish zloty. This was mainly due to risk aversion on global stock exchanges and the strong position of US dollar. In September the EUR/PLN exchange rate increased to 4.64, the highest level since the beginning of the pandemic. The Polish zloty was also negatively affected by local factors: weak data on the current account and trade balance, as well as concerns about the over-easy stance of the Monetary Policy Council. Following the unexpected increase in interest rates at the beginning of October, the Polish zloty appreciated and the EUR/PLN exchange rate fell to 4.55. The lack of clear communication from the NBP negatively affected the Polish zloty, which was compounded by Poland's growing conflict with the European Union. As a result, the EUR/PLN exchange rate rose again to 4.64. This leaves markets in a state of uncertainty and may lead to greater volatility on the currency market in the coming months.

- **Economic developments in Poland.** Since the beginning of 2021, economic activity in Poland has been gradually recovering. Final data on Poland's Gross Domestic Product in 2Q turned out to be stronger than suggested by initial estimates. GDP grew by 2.1% Q/Q and 11.1% YoY. As expected, the main driver of GDP growth was private consumption, which rose by 13.3% YoY. Investment, on the other hand, was disappointing, growing by 5% YoY and thus adding only 0.8 p.p. to total growth. As corporate capital expenditure data was relatively good in the April-June period, the weaker-than-expected investment data was likely due to lower government capital expenditure. In the July Inflation Report of the National Bank of Poland, it is expected that the GDP growth will amount to 5.0% YoY in 2021, to 5.4% YoY in 2022, and to 5.3% YoY in 2023.
- **Situation on the domestic labour market.** Available data for the second quarter of 2021 indicate a certain stabilisation of the situation on the labour market in this period. While in the first quarter the annual dynamics of employment remained negative, in the second quarter it was already positive and amounted to 0.5% YoY. Salaries in the enterprise sector are also growing dynamically. In 2Q they increased by 5.1% YoY. According to the Inflation Report, the labour market will gradually recover, with wage growth remaining high due to staff shortages (especially in the services sector). According to the NBP, the minimum wage increase planned by the government in 2022 will have a neutral impact on the wage growth rate in the whole economy. In the aforementioned Report, the NBP assumed a YoY increase in wages by 8.1% this year, by 7.8% in 2022 and by 7.9% in 2023.
- **Inflation remaining above the NBP target.** In Poland, CPI inflation is accelerating dynamically, remaining clearly above the NBP inflation target (2.5% YoY +/-1 p.p.). In October 2021, inflation accelerated to 6.8% YoY. In the entire third quarter, inflation remained on average at the level of 5.4% YoY. The higher dynamics of consumer goods prices was largely due to the dynamic increase in fuel and energy prices. In the coming years, according to the NBP, CPI inflation is likely to remain at an elevated level, around the upper limit of deviations from the inflation target, i.e. 3.5%. The high inflation rate will continue to be affected by the increased dynamics of energy prices due to the growing prices of energy raw materials on global markets and CO_2 emission allowances. As a result, CPI inflation is likely to remain well above the NBP target of 2.5% in the projected future.
- **Potential increase of imbalances in public finances.** During the previous year, the general government deficit increased significantly as a result of fiscal stimulus. According to Eurostat and ESA 2010 methodology, it amounted to 7.0% of GDP in 2020 (against 0.7% of GDP in 2019). The main reason for the aforementioned increase in the deficit was the fiscal support programmes introduced (Crisis Shield, Financial Shield) to help entrepreneurs and preserve jobs. In response to the second wave of the pandemic, anti-crisis measures were extended at the end of 2020 in the most vulnerable industries. The cost of financing counteracting the negative effects of the pandemic is likely to be significantly lower in 2021 than in 2020. In addition, the improvement in the general government balance will be influenced by the expected rapid pace of economic growth. The final shape of the so-called "Polski Ład" and its impact on public finances is also unknown.
- **Potential increase of risk aversion in financial markets.** Despite improvement of the situation related to the global coronavirus outbreak, global growth projections remain subject to the risk of another pandemic wave. The rapid spread of the Delta variant (or subsequent mutations) among countries with a low level of vaccination among the population may have an impact on increasing risk aversion in financial markets. Valuations of financial instruments may also be negatively influenced by a potential quicker than initially expected monetary policy tightening by major global central banks, in particular the Federal Reserve Bank. In addition, sentiment in the coming months may be affected by bottlenecks in supply networks and the resulting supply problems.
- **Credit portfolio quality.** One of the expected consequences of the pandemic and the accompanying restrictions was a deterioration in the quality of banks' loan portfolios, for which the sector prepared by increasing the level of allowances. With the benefit of hindsight, it can be said that government support programmes and the possibility of taking advantage of credit moratoria made it possible to avoid the shock scenario. According to NBP data for August 2021, the share of impaired loans stood at 6.4%, being -0.6 p.p. lower on a YoY basis and -0.2 p.p. lower than before the pandemic. Currently, after a period of mildly elevated ratios in the second half of 2020, we are seeing a systematic improvement in portfolio quality across all product categories. The only exception are mortgage loans, which remained at the same low level of ~2.4% throughout the period analysed and showed no reaction to the pandemic situation.
- **Foreign currency mortgages.** Information on the impact and current situation of CHF loans is described in Chapter 52 of the present Report.
- **Structure of the banking sector balance sheet.** According to PFSA data for August 2021, the loan-to-deposit ratio continues to decline, still setting new records, currently at the level of 74%. This is, among other things, the effect of prolonged stagnation in the lending market, accompanied by a moderate increase in the deposit base. Looking at product categories (September data from the National Bank of Poland), the area recording dynamic growth compared to September 2020 is household real estate loans (+7%, PLN 32 billion). Consumer loans do not show significant growth in annual terms

(+1%, PLN 2.8 billion), but it is worth noting the rebound that has been underway since the end of 1Q 2021 (+3%, PLN 6.6 billion). Among corporate loans, it is worth noting the quarterly growth of current loans by 7% (PLN 8.5 billion). On an annual basis, the increase is smaller (3% YoY) and fully absorbed by a decline in the category of investment loans. These, after falling by 3% YoY, reached a volume of PLN 195 billion, the lowest level since December 2019. The annualised growth rate of the deposit base stabilised. In the household category, dynamics have remained at 6% for five months (PLN 61 billion YoY). Term deposits continue their gradual decline and already account for only 16% of the base (-7 pps YoY). Corporate deposits are growing slightly faster at an annual rate of 7% (+PLN 26 billion), exceeding the PLN 400 billion level for the first time.

Stronger economic growth and the absence of the need for further state support for businesses have boosted credit demand and reduced the pace of private sector de-leveraging in recent months. In 2022, credit growth may outpace deposit growth.

58. SUBSEQUENT EVENTS

The Group did not identify any subsequent events.

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020 (restated data)	3 quarters 2020 from 01.01.2020 to 30.09.2020 (restated data)
Interest income	814,208	2,376,528	801,623	2,675,243
Interest income calculated with the use of effective interest rate method	755,839	2,224,773	752,619	2,521,697
interest income on financial instruments measured at amortised cost	710,911	2 089,157	703,966	2,376,084
interest income on financial instruments measured at fair value through other comprehensive income	44,928	135,616	48,653	145,613
Income of a similar nature to interest on instruments measured at fair value through profit or loss	58,369	151,755	49,004	153,546
Interest expense	(48,400)	(152,492)	(77,517)	(407,057)
Net interest income	**765,808**	**2,224,036**	**724,106**	**2,268,186**
Fee and commission income	302,233	890,813	292,977	792,321
Fee and commission expense	(62,918)	(177,583)	(51,529)	(162,805)
Net fee and commission income	**239,315**	**713,230**	**241,448**	**629,516**
Dividend income	5,358	7,791	5,811	21,280
Net trading income	161,185	493,159	157,417	533,969
Result on investment activities	5,351	45,345	11,014	19,353
Result on fair value hedge accounting	42,429	23,867	(2,992)	(12,689)
Net impairment losses on financial assets and contingent liabilities	(56,074)	(173,664)	(90,214)	(484,147)
Result on provisions for legal risk related to foreign currency loans	(201,952)	(460,929)	(39,914)	(66,476)
General administrative expenses	(491,564)	(1,508,679)	(459,129)	(1,547,537)
Depreciation and amortization	(97,069)	(294,501)	(90,524)	(269,192)
Other operating income	31,616	136,052	39,075	225,311
Other operating expenses	(48,649)	(184,890)	(83,758)	(247,495)
Operating result	**355,754**	**1,020,817**	**412,340**	**1,070,079**
Tax on financial institutions	(85,433)	(247,376)	(83,625)	(234,448)
Profit before tax	**270,321**	**773,441**	**328,715**	**835,631**
Income tax expenses	(113,041)	(325,497)	(99,380)	(276,497)
Net profit	**157,280**	**447,944**	**229,335**	**559,134**
attributable to equity holders of the Bank	157,280	447,944	229,335	559,134
Earnings (loss) per share (in PLN per one share)				
Basic	1.07	3.04	1.56	3.79
Diluted	1.07	3.04	1.55	3.78

Interim condensed separate statement on comprehensive income

	3Q 2021 from 01.07.2021 to 30.09.2021	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.07.2020 to 30.09.2020	3 quarters 2020 from 01.01.2020 to 30.09.2020
Net profit for the period	**157,280**	**447,944**	**229,335**	**559,134**
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**(124,876)**	**(298,352)**	**27,283**	**90,113**
Measurement of financial assets through other comprehensive income	(128,978)	(347,404)	33,683	111,251
Deferred income tax	24,506	66,007	(6,400)	(21,138)
Valuation of derivatives hedging cash flows	(26,036)	(20,932)	-	-
Deferred income tax	5,632	3,977	-	-
Items that will not be reclassified to profit or loss	**(389)**	**825**	**(311)**	**(1,093)**
Actuary valuation of employee benefits	(481)	1,018	(383)	(1,349)
Deferred income tax	92	(193)	72	256
Other comprehensive income (net)	**(125,265)**	**(297,527)**	**26,972**	**89,020**
Total comprehensive income	**32,015**	**150,417**	**256,307**	**648,154**
attributable to equity holders of the Group	32,015	150,417	256,307	648,154

Interim condensed separate statement on financial position

ASSETS	30 September 2021	31 December 2020
Cash and balances at Central Bank	3,132,208	3,421,866
Amounts due from banks	2,123,184	555,289
Derivative financial instruments	1,394,874	1,531,617
Adjustment of hedging item fair value	225,082	531,793
Loans and advances to customers measured at amortised cost	77,600,240	70,446,975
Loans and advances to customers measured at fair value through profit or loss	1,303,134	1,539,848
Securities measured at amortised cost	23,311,378	23,361,022
Financial instruments measured at fair value through profit or loss	324,756	371,856
Securities measured at fair value through other comprehensive income	9,955,538	10,228,560
Investments in subsidiaries	124,641	140,765
Intangible assets	665,260	651,202
Property, plant and equipment	1,274,689	1,468,673
Deferred tax assets	612,947	613,553
Current income tax receivables	-	12,271
Other assets	784,537	792,860
Total assets	**122,832,468**	**115,668,150**
LIABILITIES	30 September 2021	31 December 2020
Amounts due to the Central Bank	105,570	84,675
Amounts due to other banks	564,705	2,831,538
Derivative financial instruments	1,246,824	1,521,148
Adjustment of hedging and hedged item fair value	161,918	542,719
Amounts due to customers	99,962,408	91,466,551
Subordinated liabilities	4,312,595	4,306,539
Lease liabilities	902,486	968,592
Other liabilities	2,178,096	1,234,157
Current tax liabilities	99,493	-
Provisions	1,089,294	658,693
Total liabilities	**110,623,389**	**103,614,612**
EQUITY		
Share capital	147,519	147,419
Supplementary capital	9,110,976	9,110,976
Other reserve capital	2,945,066	2,208,982
Revaluation reserve	(41,640)	255,887
Retained earnings	47,158	330,274
retained profit	(400,786)	(400,786)
net profit for the period	447,944	731,060
Total equity	**12,209,079**	**12,053,538**
Total liabilities and equity	**122,832,468**	**115,668,150**

Interim condensed separate statement of changes in equity

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

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

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
Balance as of 1 January 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 earnings intended for capital	-	-	628,696	-	-	(628,696)	-
Management stock options*	**-**	**-**	**7,529**	**-**	**-**	**-**	**7,529**
Balance as of 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	Total
Balance as of 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	**-**	**-**	**-**	**89,020**	**-**	**559,134**	**648,154**
Net profit for the period	-	-	-	-	-	559,134	559,134
Other comprehensive income for the period	-	-	-	89,020	-	-	89,020
Distribution of retained earnings	**-**	**-**	**628,696**	**-**	**-**	**(628,696)**	**-**
Distribution of earnings intended for capital	-	-	628,696	-	-	(628,696)	-
Management stock options*	**-**	**-**	**6,316**	**-**	**-**	**-**	**6,316**
Balance as of 30 September 2020	**147,419**	**9,110,976**	**2,207,770**	**214,260**	**(400,786)**	**559,134**	**11,838,773**

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

Interim condensed separate statement on cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	3Q 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.01.2020 to 30.09.2020
Net profit (loss)	**447,944**	**559,134**
Adjustments for:	**1,012,168**	**8,283,055**
Income tax expenses	325,497	276,497
Depreciation and amortization	294,501	269,192
Dividend income	(7,791)	(21,280)
Interest income	(2,376,528)	(2,675,243)
Interest expense	152,492	407,057
Change in provisions	431,619	(178,165)
Change in amounts due from banks	(151,276)	(20,581)
Change in assets due to derivative financial instruments	443,454	(996,823)
Change in loans and advances to customers measured at amortised cost	(7,263,490)	(1,348,795)
Change in loans and advances to customers measured at fair value through profit or loss	236,714	333,815
Change in amounts due to banks	(2,241,850)	1,968,383
Change in liabilities related to derivative financial instruments	(676,057)	889,433
Change in amounts due to customers	8,506,545	8,109,636
Change in other assets and receivables due to current income tax	61,267	98,972
Change in other liabilities and provisions due to deferred tax	793,356	(382,280)
Other adjustments	104,400	(58,863)
Interest received	2,542,857	2,047,447
Interest paid	(162,578)	(439,994)
Lease payments with reference to short-term leases not included in the lease liability measurement	(964)	4,647
Net cash flows from operating activities	**1,460,112**	**8,842,189**

CASH FLOWS FROM INVESTING ACTIVITIES:	3Q 2021 from 01.01.2021 to 30.09.2021	3Q 2020 from 01.01.2020 to 30.09.2020
Investing activities inflows	**62,037,370**	**43,513,137**
Sale and repurchase of securities	62,007,435	43,369,410
Sale of intangible assets and property, plant and equipment	22,144	122,447
Dividends received and other inflows from investing activities	7,791	21,280
Investing activities outflows	**(62,322,985)**	**(53,996,330)**
Purchase of shares in subsidiaries	-	(1,500)
Purchase of securities	(62,120,429)	(53,778,904)
Purchase of intangible assets and property, plant and equipment	(202,556)	(215,926)
Net cash flows from investing activities	**(285,615)**	**(10,483,193)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing activities inflows	**16,224**	**-**
Net inflows from issuance of shares and return of capital contributions	16,224	-
Financing activities outflows	**(62,342)**	**(92,698)**
Repayment of the leasing liability	(62,342)	(92,698)
Net cash flows from financing activities	**(46,118)**	**(92,698)**
TOTAL NET CASH AND CASH EQUIVALENTS	**1,128,379**	**(1,733,702)**
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	**4,614,254**	**3,066,775**
Effect of exchange rate fluctuations on cash and cash equivalents	22,763	34,623

EXPLANATORY NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

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

The interim condensed separate financial statements for the three quarters of 2021 ended 30 September 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 three quarters of 2021 and with the Separate financial statements of the BNP Paribas Bank 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 three quarters of 2021 were described in the Interim condensed consolidated financial statements for the three quarters of 2021:

- The most important events in BNP Paribas Bank Polska S.A. Capital Group in the three quarters 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 of 30 September 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

30.09.2021	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
Assets	**2,662,366**	**1,168**	**74,932**	**838**	**10,115**	**2,749,419**
Receivables on current accounts, loans and deposits	1,842,537	1,168	72,712	801	-	**1,917,218**
Derivative financial instruments	594,537	-	-	-	-	**594,537**
Hedging derivative instruments	225,082	-	-	-	-	**225,082**
Other assets	210	-	2,220	37	10,115	**12,582**
Liabilities	**5,026,375**	**7,505**	**1,065,471**	**3,333**	**114,549**	**6,217,233**
Current accounts and deposits	14,267	7,505	764,241	3,333	113,796	**903,142**
Subordinated liabilities	4,034,072	-	278,523	-	-	**4,312,595**
Derivative financial instruments	694,979	-	-	-	-	**694,979**
Hedging derivative instruments	283,056	-	-	-	-	**283,056**
Lease liabilities	-	-	22,704	-	-	**22,704**
Other liabilities	-	-	3	-	753	**756**
Contingent liabilities						
Financial commitments granted	-	-	233,662	151	1,025,942	**1,259,755**
Guarantees granted	108,477	195,202	1,353,272	-	-	**1,656,951**
Commitments received	770,241	140,363	1,380,621	-	-	**2,291,225**
Derivative financial instruments (nominal value)	59,799,900	-	-	-	-	**59,799,900**
Derivative hedging financial instruments (nominal value)	26,470,295	-	-	-	-	**26,470,295**
Statement of profit or loss	**(484,641)**	**95**	**(13,190)**	-	**33,176**	**(464 560)**
3 quarters of 2021 from 01.01.2021 to 30.09.2021						
Interest income	-	6	102	-	41	**149**
Interest expense	(56,322)	-	(3,747)	-	(1)	**(60,070)**
Fee and commission income	591	89	4,817	-	4,403	**9,900**
Fee and commission expense	-	-	(49)	-	(6,212)	**(6,261)**
Net trading income	(368,577)	-	-	-	-	**(368,577)**
Other operating income	-	-	-	-	34,458	**34,458**
Other operating expenses	-	-	-	-	(170)	**(170)**
General administrative expenses	(60,333)	-	(14,313)	-	657	**(73,989)**

31.12.2020	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	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 derivative 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 and 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**
Hedging derivative instruments	60,027	-	-	-	-	**60,027**
Lease 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**
Derivative financial instruments (nominal value)	63,199,300	-	-	-	-	**63,199,300**
Derivative hedging financial instruments (nominal value)	18,996,846	13,844	-	-	-	**19,010,690**
Statement of profit or loss	**177,422**	**5,377**	**(12,324)**	**(18)**	**1,968**	**172,425**
3 quarters of 2020 from 01.01.2020 to 30.09.2020						
Interest income	-	184	1,121	-	32	**1,337**
Interest expense	(71,824)	(64)	(4,385)	(19)	(146)	**(76,438)**
Fee and commission income	214	138	15,887	1	370	**16,610**
Fee and commission expense	(410)	-	(4,435)	-	(4,279)	**(9,124)**
Net trading income	273,421	5,119	(11)	-	-	**278,529**
Other operating income	-	-	-	-	12,719	**12,719**
General administrative expenses	(23,979)	-	(20,501)	-	(6,728)	**(51,208)**

Remuneration of the Management Board and Supervisory Board

Management Board	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3 quarters of 2020 from 01.01.2020 to 30.09.2020
Short-term employee benefits	11,183	13,469
Long-term benefits	3,428	4,189
Termination benefits	855	-
Share-based payments*	3,274	3,374
Issued shares**	1,514	-
Total	**20,254**	**21,032**

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

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

Supervisory Board	3 quarters of 2021 from 01.01.2021 to 30.09.2021	3 quarters of 2020 from 01.01.2020 to 30.09.2020
Short-term employee benefits	1,107	1,035
Total	**1,107**	**1,035**

3. SEPARATE CAPITAL ADEQUACY RATIO

	30.09.2021	31.12.2020
Total own funds	15,738,641	15,788,897
Total risk exposure	85,632,618	81,145,805
Total capital ratio	18.38%	19.46%
Tier 1 capital ratio	13.46%	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 No. 6 of the Ordinary General Meeting of the Bank of 24 March 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.

7. CONTINGENT LIABILITIES

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

Contingent liabilities	30.09.2021	31.12.2020
Contingent commitments granted	**39,595,207**	**37,794,803**
financial commitments	29,786,170	29,961,150
guarantees	9,809,037	7,833,653
Contingent commitments received	**25,739,676**	**21,879,108**
financial commitments	13,345,059	13,005,690
guarantees	12,394,617	8,873,418

8. SUBSEQUENT EVENTS

Subsequent events are described in Note 58 of the Interim consolidated report for the three quarters of 2021.

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

08.11.2021	**Przemysław Gdański** *President of the Management Board*	*qualified electronic signature*
08.11.2021	**Jean-Charles Aranda** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2021	**André Boulanger** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2021	**Przemysław Furlepa** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2021	**Wojciech Kembłowski** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2021	**Kazimierz Łabno** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2021	**Magdalena Nowicka** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2021	**Volodymyr Radin** *Vice-President of the Management Board*	*qualified electronic signature*
08.11.2021	**Agnieszka Wolska** *Vice-President of the Management Board*	*qualified electronic signature*

Warsaw, 8 November 2021