CAPITAL ADEQUACY INFORMATION OF BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP

AS OF 31 DECEMBER 2021

BNP PARIBAS

The Bank
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TABEL OF CONTENTS

1. INTRODUCTION

In accordance with the Regulation of the European Parliament and of the Council (EU) No 575/2013 as of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (Office Journal EU. L No. 176, p. 1, as amended) BNP Paribas Bank Polska S.A. is obliged to publish in a publicly accessible manner information about the qualitative and quantitative information on the capital adequacy excluding irrelevant information, proprietary or confidential.

The document is the implementation of the Information policy of BNP Paribas Bank Polska S.A regarding capital adequacy. The presented scope of information was developed in accordance with applicable regulations regarding disclosure of information and guidelines of the European Banking Authority in this regard:

- Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295 (hereinafter “Regulation (EU) No 2021/637”)
- Guidelines of the European Banking Authority on materiality, proprietary and confidentiality and disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013 (EBA/GL/2014/14)
- Guidelines of the European Banking Authority of 2 June 2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07)
- Guidelines of the European Banking Authority of 11 August 2020 amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR ‘quick fix’ in response to the COVID-19 pandemic (EBA/GL/2020/12).

The presented information also addresses the requirements for disclosure of information in terms of operational risk and liquidity, set out in the Recommendations of the Polish Financial Supervision Authority.

Unless otherwise specified, all figures in the document are presented as at December 31, 2021, in thousands PLN, based on the data of the BNP Paribas Bank Polska S.A. Capital Group.

List of abbreviations used:

- Bank - BNP Paribas Bank Polska S.A.
- Group - BNP Paribas Bank Polska S.A. Capital Group.
- Supervisory Board - Supervisory Board of BNP Paribas Bank Polska S.A.
- Regulation (EU) No 575/2013 - 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, amending Regulation (EU) No 648/2012
- Management Board - Management Board of BNP Paribas Bank Polska S.A.

2. 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 and is a part of an international financial group headed by BNP Paribas S.A. based in Paris. BNP Paribas S.A. is a direct parent entity of the Bank and holds 87.44% of the Bank's shares, where 24.06% is held indirectly by BNP Paribas Fortis SA/NV. The remaining 12.56% of shares is held by minority shareholders (having less than 5% of the total number of votes at the General Meeting).

Table 1 Shareholders' structure of BNP Paribas Bank Polska S.A. as of 31 December 2021

SHAREHOLDERS	NUMBER OF SHARES HELD	% OF THE SHARE CAPITAL	NUMBER OF VOTES AT THE AGM	% NUMBER OF THE TOTAL NUMBER OF VOTES
BNP Paribas S.A., *total*:	128 991 553	87.44%	128 991 553	87.44%
BNP Paribas S.A. 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%
Others	18 527 229	12.56%	18 527 229	12.56%
Total	**147 518 782**	**100.00%**	**147 518 782**	**100.00%**

As at 31 December 2021, the Group comprised the Bank, as the parent, and its subsidiaries:

- BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.
- BNP Paribas Leasing Services Sp. z o.o.
- BNP Paribas Solutions Sp. z o.o.
- BNP Paribas Group Service Center S.A.
- Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o
- Campus Leszno sp. z o.o.
- BGŻ Poland ABS1 DAC.

According to the Article 436 of Regulation (EU) No 575/2013 the Bank informs about the differences in the scope of consolidation for accounting and prudential purposes. For the purposes of prudential consolidation, the following shall not be included:

- BNP Paribas Solutions Sp. z o.o.
- Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.
- Campus Leszno sp. z o.o.
- BGŻ Poland ABS1 DAC.

Exclusion from prudential consolidation of companies, with the exception of BGŻ Poland ABS1 DAC, results from taking into account the conditions set out in Art. 19(1) of Regulation (EU) No 575/2013.BGŻ Poland ABS1 DAC is controlled by the Bank due to the meeting the conditions contained in IFRS10.

The table below presents information on the consolidation method used for each entity within the scope of accounting and prudential consolidation.

Table 2 EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity) as of 31 December 2021

a	b	c	d	e	f	g	h
		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the entity
BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.	Full consolidation	x	-	-	-	-	Investment funds and portfolios of financial instruments portfolios management
BNP Paribas Leasing Services Sp. z o.o.	Full consolidation	x	-	-	-	-	Leasing activities
BNP Paribas Solutions sp. z o.o.	Full consolidation	-	-	-	x	-	Services related to software development and IT consulting
BNP Paribas Group Service Center S.A.	Full consolidation	x	-	-	-	-	Financial intermediation
Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.	Full consolidation	-	-	-	x	-	Real estate services
Campus Leszno sp. z o.o.	Full consolidation	-	-	-	x	-	Training and conference center management services

BGŻ Poland ABS1 DAC	Full consolidation	-	-	-	x	-	Special purpose company - entity established to conduct securitization transactions

Table 3 EU LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories as of 31 December 2021

	a	b	c	d	e	f	g
			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Assets							
Cash and balances at the Central Bank	4 631 477	5 507 764	5 507 764	-	-	-	-
Receivables from banks	2 615 150	2 615 150	2 615 150	-	-	-	-
Derivative financial instruments	1 901 919	1 901 919	-	1 901 919	-	1 812 150	-
Adjustment of the fair value of the hedged item	65 465	65 465	-	65 465	-	-	-
Loans and advances to customers valued at amortized cost	85 080 454	84 208 107	83 402 271	-	805 836	-	-
Loans and advances to customers are valued at fair value through profit and loss	1 219 027	1 219 027	1 219 027	-	-	-	-
Securities valued at amortized cost	23 268 041	23 268 041	23 268 041	-	-	-	-
Securities measured at fair value through profit and loss	347 309	347 309	347 309	-	-	-	-
Securities valued at fair value through other comprehensive income	9 143 353	9 143 353	9 143 353	-	-	-	-
Investments in subsidiaries	-	23 884	23 884	-	-	-	-
Investment estates	-	-	-	-	-	-	-
Intangible assets	728 475	745 568	367 295	-	-	-	-
Tangible assets	1 243 523	1 233 486	1 233 486	-	-	-	378 273
Assets due to deferred income tax	876 599	876 422	876 422	-	-	-	-
Assets due to current income tax	94	94	94	-	-	-	-
Other assets	656 595	645 112	645 112	-	-	-	-
Total assets	**131 777 481**	**131 800 701**	**128 649 208**	**1 967 384**	**805 836**	**1 812 150**	**378 273**
Liabilities							
Liabilities due to Central Bank	-	-	-	-	-	-	-
Liabilities due to banks	8 012 244	8 012 244	-	-	-	-	-
Derivative financial instruments	1 918 032	1 918 032	-	1 918 032	-	1 658 758	-
Adjustment of the fair value of the hedged item	44 107	44 107	-	1 127 973	-	-	-
Liabilities to customers	101 092 941	101 970 155	-	-	-	-	-
Liabilities arising from the issue of debt securities	722 628	722 628	-	-	-	-	-
Subordinated liabilities	4 334 572	4 334 572	-	-	-	-	-
Lease liabilities	860 004	-	-	-	-	-	-
Other liabilities	1 556 289	1 555 079	-	-	-	-	-
Current income tax liabilities	-	-	-	-	-	-	-
Deferred income tax	175 681	175 681	-	-	-	-	-
Provisions	1 699 352	1 698 602	-	-	-	-	-
Total liabilities	**120 415 850**	**120 431 100**	**-**	**3 046 005**	**-**	**1 658 758**	**-**

The differences between columns a) and b) in template EU LI1 are due to a different scope of consolidation of subsidiaries. All subsidiaries are consolidated in the financial statements, and companies that met the prudential consolidation requirements as at December 31, 2021 are consolidated in FINREP, COREP.The market risk framework covers balance sheet items valued at fair value that are supervisedly classified in the trading book.

Table 4 EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements as of 31 December 2021

		a	b	c	d	e
			Items subject to			
		Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	131 800 701	128 649 208	805 836	1 967 384	1 812 150
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	120 431 100	-	-	3 046 005	1 658 758
3	Total net amount under the regulatory scope of consolidation	11 369 601	128 649 208	805 836	-1 078 621	153 392
4	Off-balance-sheet amounts	41 591 435	36 032 607	-	-	-
5	Differences in valuations	3 545 599	-	-	3 546 599	-
6	Differences resulting from the consideration of regulations	-	-	-	-	-
7	Differences due to the specific credit risk adjustment value adjustment	307 555	307 555	-	-	-
8	Differences due to Securitisation with risk transfer	-805 836	-	-805 836	-	-
9	Other differences	-598 430	-599 430	-	-	-
10	Exposure amounts considered for regulatory purposes	166 822 936	164 390 939	-	2 467 979	-

Pursuant to Art. 436 (f) and (g) of Regulation (EU) No 575/2013, the Bank informs that it does not identify the present and does not anticipate any significant practical or legal obstacles to the quick transfer of own funds or to repay liabilities between the parent company and its subsidiaries, and there is no shortage between the actual own funds and the minimum required in all subsidiaries not included in the consolidation.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank is a financial institution that offers a wide range of banking services and products and as a financial services provider, creates value by initiating, maintaining and transforming risks and by properly managing them both at the level of individual transactions and managed portfolios. The risk management system, internal control system, internal capital estimation, risk appetite and stress tests constitute a coherent system, adequate in terms of the risk profile and strategy of the Bank and the entire Group.

Risk management system

The risk management system is an integrated set of rules, mechanisms and tools (including policies and procedures) relating to risk processes. Risk management is part of the Bank's overall management system. In addition to the regulatory requirements, the Bank takes into account the specific nature, scale and complexity of business activities and the associated risks. The main objectives of the risk management system:

- ensuring the early recognition and appropriate management of all significant types of risk related to the performed activities,
- supporting the implementation of the business strategy through effective control of the risk level and its maintenance within the adopted risk appetite,
- reflecting the Bank's attitude towards risk and risk culture,
- risk measurement or estimation and monitoring, including securing possible losses through appropriate control mechanisms,
- risk mitigation by defining a system of limits and rules of conduct in the event of their exceeding,
- determination of the organizational structure adjusted to the size and profile of the risk incurred.

The Bank's risk management system and the internal control system are organized on the basis of a framework of three independent lines of defense, used to define roles and responsibilities in order to achieve effective supervision and organization of risk management:

- **the first line of defense** are business units responsible for risk management in the Bank's operating activities, including compliance with control mechanisms,
- **the second line of defense** consists of the organizational units of the Risk Area, Security & Business Continuity Management Line the Compliance Line, which are responsible for managing particular risks, including risk measurement, monitoring, control and reporting, regardless of the first line,
- **the third line of defense** is the activity of the Internal Audit Line, which performs independent assessments of risk management activities carried out by both the first and second lines of defense.

Information on governance arrangements

The key role in the risk management system is fulfilled by the Management Board, which defines the risk management strategy, risk appetite, and adopts the risk management policies as well as defines limits for material risks and risk control procedures. The risk management principles are derived from the document *Risk management strategy at BNP Paribas Bank Polska S.A.* defined by the Management Board and approved by the Supervisory Board.

The risk management system comprises mainly the Supervisory Board, the Management Board, dedicated committees (Audit Committee and Risk Committee at the level of the Supervisory Board, ALCO, Risk Management Committee, Retail Banking Risk Committee, Personal Finance Risk Committee, Credit Committee, Problematic Loan Committee, Products Approval, Services, Transaction and Businesses Committee, as well as Internal Control Coordination Committee), Risk Area, Compliance Line as well as Security & Business Continuity Management Line.

Members of the Management Board:

- Przemysław Gdański – President of the Management Board
- Jean-Charles Aranda - Vice-President of the Management Board
- Volodymyr Radin- 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
- Agnieszka Wolska - Vice-President of the Management Board

Members of the Management Board do not hold director positions in other companies.

Members of the Supervisory Board:

- Lucyna Stańczak-Wuczyńska – Chairman of the Supervisory Board, Independent Member of the Supervisory Board
- Francois Benaroya – Vice-Chairman of the Supervisory Board
- Magdalena Dziewguć – Independent Member of the Supervisory Board
- Jarosław Bauc – Independent Member of the Supervisory Board
- Jean Paul Sabet – Vice-Chairman of the Supervisory Board
- Mariusz Warych – Independent Member of the Supervisory Board
- Vincent Metz – Member of the Supervisory Board
- Stefaan Decraene – Member of the Supervisory Board
- Piotr Mietkowski – Member of the Supervisory Board
- Małgorzata Chruściak – Independent Member of the Supervisory Board
- Geraldine Conti – Member of the Supervisory Board
- Khatleen Pauwels – Member of the Supervisory Board.

The Bank has a *Policy for the appointment and dismissal of Members of the Management Board of BNP Paribas Bank Polska S.A.*, which is one of the elements ensuring transparency, effectiveness and compliance with the law of the functioning of the corporate governance at the Bank. The aim of the Policy is to ensure that the composition of the Bank's Management Board is appropriate to the scale, complexity and risk profile of the Bank and contributes to the effective management of the Bank. Pursuant to the Policy, the appointment of a member of the Management Board is possible provided that the candidate meets the statutory and statutory requirements and has obtained a positive suitability assessment. In the process of recruiting a candidate for the position of a member of the Management Board, the Supervisory Board is supported by the Appointment Committee and the Executive Director of the Human Resource Management Area. The purpose of conducting an adequacy assessment is to ensure that the members of the Management Board are appropriate and that the Management Board as a whole has at all times an appropriate combined level of knowledge, skills and experience to enable effective management of the Bank.

The Bank has a diversity policy which is formally part of the adequacy assessment policy at BNP Paribas Bank Polska SA. The purpose of the diversity policy is to promote diversity to the Management Board in order to reach the wide range of properties and competences of the members of the Management Board, to gain different points of view and experience, and to enable the issuing of independent opinions and sound decisions. The following quantitative target and time frame have been set at the Bank in which the target of gender differentiation should be achieved, ie the Bank will strive to achieve in 2025 the share of the underrepresented gender in the Management Board at the level of at least 30% of the composition. At the end of 2021, the share of women in the Management Board was 22.2%.

The Bank has the Risk Committee which is a consultation and advisory body of the Supervisory Board. Its task is to support the Supervisory Board in fulfilling its supervisory duties in the area of risk management. The Committee's scope of competence shall include in particular the following:

- providing opinions on the Bank's overall present and future readiness to assume risk,
- providing opinions on the risk management strategy developed by the Management Board with regard to the Bank's operations and on strategy implementation reports submitted by the Management Board,
- supporting the Supervisory Board in its supervision over the implementation of the Bank's risk management strategy carried out by the senior management staff,
- verifying whether the prices of liabilities and assets offered to Clients take account of the Bank's business model and its risk strategy in their entirety, and - if the prices do not adequately reflect the types of risk under this model and this strategy - presenting proposals to the Management Board, aimed at ensuring prices of liabilities and assets adequate to these risk types.

In 2021, in the performance of the duties stipulated in the Regulations, the Risk Committee held 4 meetings. The number of the Members of the Risk Committee who attended the respective Committee meetings in 2021 allowed for the correct conduct of all meetings of the Risk Committee in 2021.

The Bank's management reporting system supports decision-making processes in the area of risk management, ensuring an appropriate flow of risk information. Regularly, in accordance with the agreed reporting schedule, reports are submitted to the Supervisory Board, the Management Board and committees. Reported data include: analyzes of the main risks arising from the Bank's operations, including strategic aspects of credit risk, cross-cutting aspects of market and liquidity risk, information on counterparty risk, operational risk and interest rate risk in the banking book, risk appetite measures, information on capital adequacy, including the reaisation of the capital plan, reports on the current economic situation, as well as the results of stress tests. Reporting contains reliable, comprehensive, accurate and up-to-date data, provides information on the types, size and profile of risk, and also serves to assess the effects of risk management decisions in the Bank, monitor compliance with limits, and support management decisions.

Internal control system

The organization of the internal control system is aimed at effective risk control, including risk prevention or early detection. The role of the internal control system is to achieve the general and specific objectives of the internal control system, which should be taken into account at the stage of designing control mechanisms. The principles of the internal control system are set out in *the Internal control policy of BNP Paribas Bank Polska S.A*., approved by the Management Board. This document defines the main principles, organizational framework and standards for the functioning of the control environment at the Bank, while complying with the requirements of the Polish Financial Supervision Authority set out in Recommendation H. Detailed internal regulations concerning individual areas of the Bank's operations are adjusted to the specific nature of the Bank's operations. The appropriate organizational units of the Bank, in accordance with the scope of their assigned tasks, are responsible for the development of detailed regulations relating to the area of internal control. The Internal Control Coordination Committee supports the Management Board on supervision the consistency, completeness and effectiveness of the internal control system and the Bank's operational risk management processes, as well as managing the main risks related to the internal control system of the Bank and its subsidiaries, including the risk management process supporting operational, compliance and anti-fraud risk.

The Bank exercises internal control by independent monitoring of compliance with control mechanisms, including ongoing verification and testing. In 2021, the Bank strengthened the control environment, including by expanding the tool for recording and managing the testing of the internal control environment.

Internal capital adequacy assessment

The purpose of the internal capital adequacy assessment process is to monitor and control the level of the Bank's and the Group's internal capital. The implementation of the ICAAP process is dictated by the striving to maintain a stable financial situation that guarantees the Groups's operation despite incurring unexpected losses. The Bank ensures that the risk management process is in line with the Group's risk profile and limits excessive risk in its operations. The details of the process are defined in the *Policy on internal capital estimation at BNP Paribas Bank Polska S.A.*

The Bank has developed comprehensive rules of risk identification and assessment in response to the requirements of the review and supervisory assessment process. The rules are aimed at identification and assessment of all risks to which the Group is or may be exposed to, taking into account regulatory requirements, best practices and use of existing risk management processes tested by the Bank. The Bank takes into account the specific nature, scale and degree of complexity of business activity and related risk, ensuring that all significant risks in the Group's activity are measured and mitigated. The Bank strives to identify and assess risks resulting from the internal and external environment that could have a significant impact on the Group's financial stability.

Identification of potentially material risks consists in identifying threats and potential risks that may arise in the future with an appropriate dose of probability. The risk management process is designed to protect the Bank against risk materialization and through an adequate assessment of the capital needs necessary for the identified risks. The risk identification process is carried out annually.

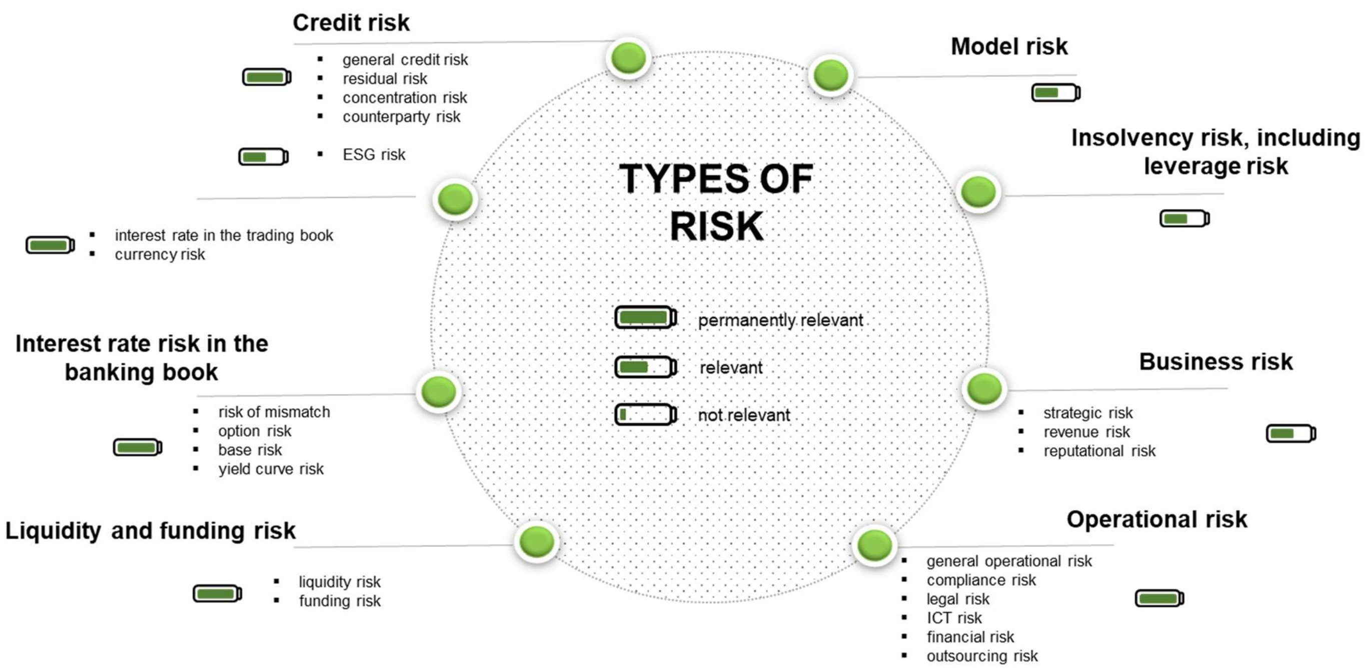
The process of determining the significance level of risks covers the risks identified in the risk identification process. In order to assess the significance of risks, the Bank:

- defines the concept of materiality of risks,
- defines the factors determining the significance of risks,
- assesses the significance of risks,
- prepares a report on the risk significance assessment performed.

The Bank identifies the following types of risks:

- permanently relevant - inherently related to the profile of the business (they do not require periodic materiality assessment),
- relevant - risks for which the Bank has incurred costs related to their realisation or exposure to risk in the past, the severity of losses and the lack of appropriate risk mitigation processes and procedures expose the Bank to incurring unexpected financial losses (risks for which the significance assessment is at the level of at least medium),
- not relevant - risks for which the assessment of significance is at a low level.

As a result of the risk identification and significance assessment process carried out in 2021 the structure of the identified risks is as follows:



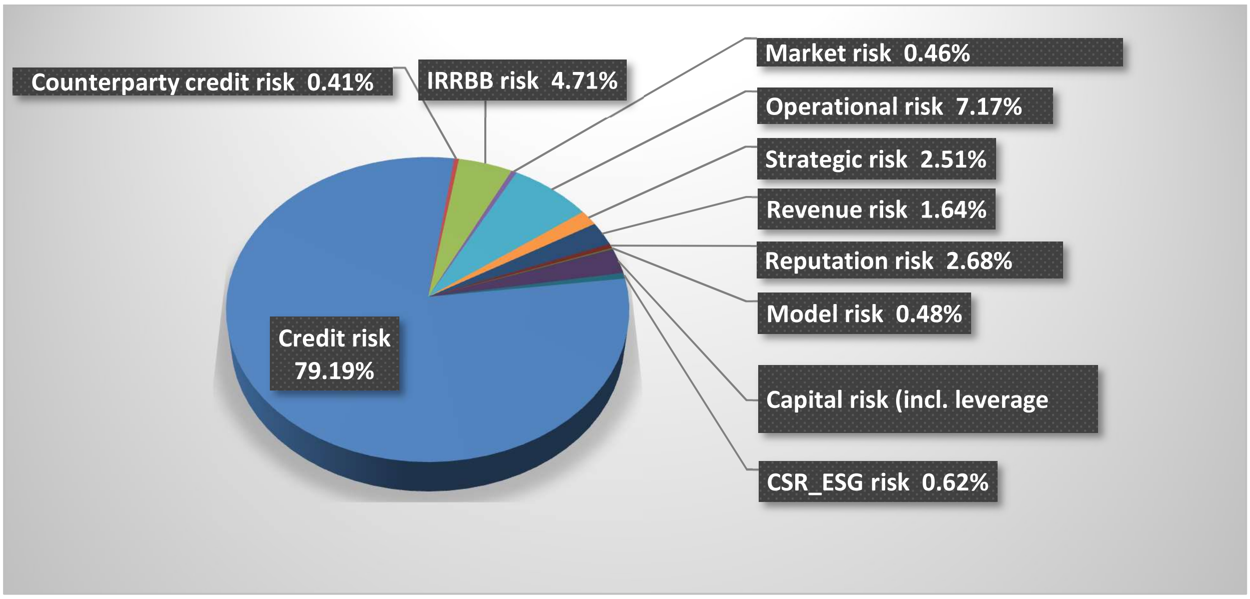
In 2021, none of the identified risks was assessed as immaterial. Internal capital reporting is focused on the presentation of the results of internal capital level monitoring and the main factors determining its level. The reports are presented at the Risk Management Committee meetings on a monthly basis and on a quarterly basis for the Management Board and the Supervisory Board.

Once a year, a review of the capital adequacy process is carried out, and the report on the review is submitted to the Management Board and the Supervisory Board. In addition, internal audit regularly carries out an independent review of the ICAAP process.

In order to measure risk, the Bank uses two approaches: quantitative and qualitative. The use of a specific approach is related to the risk characterization. Where the Bank has information on risk execution and is able to measure a quantitative feature, the risk is qualified for measurement using quantitative methods. If the Bank does not have information on the historical realization of the risk or the volatility effect of the risk measure is determined by many risk factors, among which the Bank is not able to isolate the effect related to the source of the assessed risk, the Bank considers the risk to be difficult to measure and performs the assessment using the qualitative method, presenting the qualitative features of risk realization.

The credit, counterparty, market and interest rate of the banking book risks are measured by quantitative models. Measurement of difficult to measure risks, which include the following risks: business risk (including strategic risk, revenue risk and reputational risk), model risk, insolvency risk (including the risk of excessive financial leverage) and ESG risk, is a combination of the qualitative and quantitative methods. Internal capital is estimated as the sum of capital to cover risks measured qualitatively and quantitatively.

The internal capital structure in the Group is as follows as at December 31, 2021:



Risk appetite

For risks identified as material the Bank defines the risk appetite. When determining the risk appetite, the Bank defines its risk profile and the adopted risk attitude. The risk appetite determines the maximum level of risk that the Bank is ready to accept striving for implementation of the assumptions of the business strategy and financial plan.

The risk appetite, within the limits set by the risk tolerance, determines how the Bank uses its risk-taking capacity by determining, for each type of risk, the degree of risk exposure that a given area can take. The Bank determines the level of risk appetite in the form of risk measures that reflect the Bank's current and future risk appetite. All methods and procedures are periodically reviewed in terms of their adequacy and reliability. The level of risk appetite is determined by the Management Board and requires approval by the Supervisory Board.

In addition, the Bank monitors individual types of risks using a formal system of limits, which is set in a way ensuring:

- the Bank complies with supervisory standards,
- the desired risk profile defined in the Bank's business strategy and risk management strategy is maintained,
- the limits do not exceed the risk level acceptable to the BNP Paribas Group.

If the limits are exceeded, remedial actions are taken to reduce the value of a given risk in accordance with the procedures in place at the Bank. The information system used in risk management ensures the collection of data on operations and transactions and their impact on the Bank's risk profile. The Bank has rules of risk control and risk management covering the procedure in the ocuring of crisis events.

Stress tests

According to the *Methodology of the stress test program at BNP Paribas Bank Polska S.A.* the Bank conducts, inter alia, the following types of bottom-up testing:

- stress tests based on recommendations of the Polish Financial Supervision Authority,
- business model stress tests,
- internal capital stress tests,
- stress testing within the recovery plan.

Stress tests are an important tool in the risk management process as they allow the risk measurement to be extended to include sensitivity to non-standard changes in market parameters, significantly different from changes observed in periods of normal financial market functioning. The purpose of the stress testing program is to estimate the potential risks to which the Bank and the Group is exposed under hypothetical market conditions developed by the Chief Economist. The stress testing program complies with the requirements of the EBA/GL/2018/04 Guidelines of 19 July 2018 on institutions' stress testing. The scope of the stress testing program covers:

- sensitivity analysis,
- scenario analysis,
- reverse stress test.

The Bank performs tests in relation to the level of risk appetite expressed in the form of risk appetite measures and capital goals set out in the *Capital Management Policy at BNP Paribas Bank Polska S.A.* The Bank uses stress tests to assess the credibility of its financial plan and capital plan under stress conditions to ensure that the Group meets the binding capital requirements. The Management Board approves the stress testing program and supervises its implementation and results.

3.1. CREDIT RISK

Credit risk is a possibility that a loss will be incurred due to a debtor's failure to timely repay a loan or other obligation, including interest and other charges. The effect of credit risk is an impairment of credit assets and contingent liabilities based on the concept of expected losses due to deterioration of the assessment of the debtor's credit quality. Credit risk is identified as the risk with the highest potential impact on the current and future earnings and capital of the Group.

As part of its credit risk management system, the Group has an operational architecture that is fully harmonised in terms of IT and operations. It consistently develops and adjusts the credit risk management system to the changing requirements by developing and implementing internal regulations, processes, tools and systems.

The Bank continually works on increasing the efficiency and tooling of processes and applications used in the area of credit risk.

The credit risk management system includes:

- the organisational structure with responsibilities and tasks assigned to the bodies, committees and organisational units of the Bank's Head Office/business units,
- policies, procedures and processes defining specific rules of risk identification, measurement, acceptance, control, monitoring and reporting,
- tools: the IT system, data warehouses, databases and IT applications supporting the risk management process.

Risk management strategies and processes

The primary objective of credit risk management is to implement the Group's strategy through harmonious growth of the loan portfolio within an acceptable credit risk appetite. The credit risk management in the Group is guided by the following principles:

- each lending transaction requires a comprehensive credit risk assessment, reflected in an internal rating or scoring;
- credit risk is measured for lending transactions at the stage of processing a credit application and periodically, as part of monitoring, in consideration of changing external conditions and the borrowers' financial standing;
- a thorough and careful financial analysis is the basis for recognising the Customer's financial data and collateral value information as reliable; the Group's prudent analyses always take into consideration the necessary safety margin;
- the basis for Customer financing is, in principle, the Customer's ability to generate cash flows sufficient to repay their liabilities to the Group;
- the credit risk assessment is subject to additional verification by the credit risk assessment units independent of the business units;
- pricing terms of a lending transaction must cover the risk of such a transaction;
- credit risk is diversified in terms of geography, sectors of economy, products and Customers;
- credit decisions may only be made by authorised persons;
- the Group enters into lending transactions only with Customers whom it knows (such Customers' analysis has been conducted) and with whom it has long-term relationships,
- the Customer and transactions with such a Customer are monitored transparently and to strengthen the relationship with the Customer;
- depending on the credit risk level, the Bank accepts relevant collateral to minimise potential future losses.

The credit risk management process consists of the following stages:

- credit risk identification, which consists in recognition of sources of risk, its materiality and connections between particular risks,
- credit risk measurement, which includes specification of risk quantification methods, measurable risk-related parameters and risk cost measurement,
- risk monitoring, which includes mainly monitoring of the risk assumed and assessment of correctness and effectiveness of risk management and measurement tools used,
- credit risk reporting, which consists of information on the assumed risk type and level,
- taking actions to reduce the credit risk.

The Bank manages its credit risk on the basis of the Bank's policies and other internal regulations regarding risk identification, measurement, acceptance, control, monitoring and reporting, as approved by relevant decision-makers within their authorities. Credit policies refer to individual business segments, loan portfolios and banking product categories, and contain guidelines on defining areas where specific risks occur, risk measurement and also methods of risk mitigation to the level acceptable to the Bank. The Bank regularly reviews and updates credit policies, rules, principles and other internal regulations while adapting them to the BNP Paribas Group's strategy, the current situation in the macroeconomic environment and changes in the law and regulatory guidelines.

The Bank dynamically develops its credit risk assessment tools while adjusting them to the recommendations of the Polish Financial Supervision Authority (KNF), the European Banking Authority (EBA), the requirements of the International Accounting Standards/International Financial Reporting Standards and best industry practices. The Bank assesses the borrower's risk using the rating and scoring systems and risk classification according to IFRS. The implemented credit risk assessment models are applicable to the most significant loan portfolios, including corporate and specialised finance Customers, SMEs, Micro (including farmers), housing loans, cash loans, credit cards and others.

The Bank takes continuous measures to deliver superior lending services while adapting them to borrowers' expectations and ensuring the safe loan portfolio. To this end, the established authority system ensures that transaction risk approval functions are separated from sales and control functions.

Credit decisions are made according to the decision-making model approved by the Bank's Management Board and adjusted to the standards of the BNP Paribas Group. The decision-making model takes into consideration the employees' knowledge and experience and the business lines' structure, defines the number of decision-making levels and their authorities, as well as the rules, criteria and conditions of making credit decisions. Quantitative limits of decision-making authorisations depend on such criteria as the Customer segment, Customer risk profile and lending period. On all authority levels, credit decisions are made by two people (under the "four-eyes" principle) by a representative of the business line and a representative of the business unit responsible for a Customer and transaction risk assessment, independent of the business line. With respect to Customers for whom the credit risk is assessed using risk assessment models, including scoring models approved by the Risk Management Committee, Retail Banking Risk Committee or Personal Finance Risk Committee, as the case may be, credit decisions can be made by one person - a business line representative.

In order to ensure the effective credit risk management system, the Bank uses IT applications in particular to support the following processes: credit application analysis, risk assessment and acceptance, Customer risk profile monitoring, collateral establishment and renewal, collateral appraisal, monitoring of delays in debt repayment, debt restructuring and collection service, write-offs calculation and reporting. Advanced credit risk assessment tools used by the Bank allow for taking remedial actions in the case of first signs of changes in the quality or an undesirable structure of the loan portfolio.

The Bank continuously monitors Micro Customers and performs the so-called dynamic monitoring of SME and Corporate credit exposures described in internal regulations dedicated to particular business lines. The monitoring provides immediate information on higher risks identified so that a number of actions can be taken, such as, among others, updating the internal risk classification, defining the Customer strategy and detailed steps for its implementation, and setting the date of the next full review of the Customer's exposure.

Internal risk classification is verified and a new rating is assigned always when subsequent credit decisions are made, in particular decisions regarding granting or renewing of financing or performing a full Customer review.

The Bank regularly reviews credit exposures in order to establish the actual quality of the loan portfolio, collateral appraisal, correct classification and adequacy of impairment allowances, compliance with credit procedures and credit decisions made, as well as to ensure the objective assessment of professionalism in loan management.

As part of the credit risk management process, the Bank exercises oversight over the risk of its subsidiaries. The oversight is exercised by the Bank's organisation units responsible for managing individual risks and includes the following activities:

- issue of opinions and approval of methodologies and policies applied by the companies and modifications of the same, as well as presenting its recommendations in this respect,
- assessment of credit risk of new products,
- inclusion of the subsidiary's portfolio of credit risk-bearing exposures into the Bank's management information system allowing to reliably assess its risk and carry out stress-tests for such a portfolio,
- periodic inspection of the company (pursuant to the Code of Commercial Companies) by the Bank's employees holding powers of attorney to carry out inspections, granted to them by authorised representatives of the Bank.

The oversight over the subsidiary's risk is entrusted by way of resolution of the subsidiary's general meeting and resolution of the Bank's Supervisory Board on the division of authorities for the management of particular areas of the Bank's operations.

Structure and organization of the process

The organisational structure of the credit risk management system covers the Supervisory Board, the Management Board, committees as well as organisational and business units under the business lines and the Risk Area.

A key function in the credit risk management system is performed by the Risk Area, which is organisationally separate and headed by the Vice President of the Management Board responsible for the Risk Area. The Risk Area exercises oversight over the credit risk management at the Bank, while the credit risk management process itself is organisationally adapted to the business line structure of the Bank. The Risk Area is responsible for the consolidated credit risk management process, including the management and oversight of the credit process, definition of the risk management strategy and credit policy, determination of risk appetite, provision of decision-making tools and credit risk measurement tools, control of the credit portfolio quality, and provision of reliable management information on the loan portfolio.

The Supervisory Board supervises that the Bank's credit risk policy is in line with the strategy and financial plan. The Management Board provides the Supervisory Board with periodic information on the level of risk of the Bank's lending activities.

The credit risk management is supported by the Risk Management Committee, Retail Banking Risk Committee, Personal Finance Risk Committee, Problem Loans Committee and the Credit Committee. The composition, tasks, authorities and rules of procedure of individual committees are laid down in the regulations of such committees. The main responsibilities of the Risk Management Committee are to monitor and supervision the main risks arising from the Bank's operations, including strategic aspects of credit risk. The Retail Banking Risk Committee and Personal Finance Risk Committee make an overall loan portfolio risk assessment in selected segments and approves proposed changes in policies. The Problem Loans Committee makes credit decisions and performs quarterly reviews of the Bank's portfolio of high-risk Customers, assesses the evolution of Customer risk, determines the Bank's actions with respect to individual Customers aimed to mitigate the risk or reduce the Bank's losses resulting from the loss of Customers' creditworthiness, and monitors the implementation of recommendations given and credit decisions made. The Credit Committee, besides the Management Board, is the Bank's top decision-making body authorised to make credit decisions.

The internal control system is a constituent of credit risk management. Credit process controls refer in particular to the examination of the correct process, making credit decisions at an appropriate level and by authorised persons, correct establishment of collateral, compliance with regulations, correct and complete Customer documentation, and compliance with external requirements. The controls also cover after-sales processes.

The first line of defence controls includes ongoing verification (carried out as part of daily routines of each employee, the so-called self-control or "four-eye" control) and horizontal testing, performed on the basis of annual control plans. The planning and implementation of controls under horizontal testing is the responsibility of the unit head who, on the basis of risk analysis of their area of responsibility, prepares subjects for control included in the control plan of the unit involved in the credit process.

As part of the second line of defence, internal control mechanisms have been implemented in the Risk Area. They include the identification and monitoring of potential threats resulting in the emergence of credit risk by carrying out checks on the correctness of the implementation of individual stages of the credit process by all its participants at the Bank. The implemented mechanisms are applicable both at the stage of starting the financing of the so-called a priori controls as well as as part of the after-sales process, in the form of the so-called a posteriori checks, Fundamental Control Points and thematic checks. The results of these controls are reported quarterly at the meetings of the Risk Management Committee.

The results of both first- and second-line controls are communicated on an ongoing basis to the participants of the process, among others via a dedicated application, where the controls are recorded and documented.

The third, independent line of defence consists of the activities performed by the Internal Audit Division.

The adequacy and effectiveness of the internal control system, including adequacy and effectiveness of the control function, the compliance unit and the internal audit unit, are assessed by the Supervisory Board on an annual basis.

The Bank implements all recommendations of the internal audit, the auditor and the regulator without delay.

Scope and characteristic of credit risk reporting

Bank performs valuation of credit portfolio in line with IFRS9 and detailed information about valuation proces can be found in part 8.1. In terms of capital adequacy, the measurement of credit risk is based on the estimation of the size of risk weighted assets, with the applied risk weights resulting from the classification and category of credit exposure and taking into account both the probability of default and the amount of the loss that could be incurred in the event of a borrower's default.

Credit risk reporting for the Bank's internal and external needs is prepared in accordance with the Bank's internal procedures specifying the credit risk management information system, in particular the scope, mode, frequency and method of reporting.

Reporting of the credit risk level is prepared with such frequency as to enable registration of changes in the Bank's risk profile:

- the Management Board and the Supervisory Board - quarterly;
- the Risk Management Committee - monthly;
- for other units and persons involved in the process of managing the Bank's credit portfolio - daily, monthly, quarterly depending on the scope of information and the needs of report recipients.

The Bank also periodically carries out stress tests that check the sensitivity of the Bank's loan portfolio to changes in market parameters (e.g. an increase in interest rates, an increase in PLN exchange rates, etc.).

Policies and processes for estimating and managing recognised collateral

The main techniques of limiting credit risk in the Bank are adequate assessment of the Client's and transaction risk, the system of internal limits and securing the credit transaction. The internal regulations in force at the Bank and relating to the collateral area define the rules for establishing, monitoring and assessing collateral, including updating its value, in order to hedge against risk.

The basis for assessing the value of real estate, tangible collateral and rights is mainly its market value. The market value of the collateral is determined on the basis of an estimate made at the Bank or a valuation prepared by an independent appraiser verified in accordance with separate regulations on the assessment of collateral, including property assessment.

The collateral assessment takes into account in particular:

- the property, economic and financial situation of entities providing personal collateral,
- the condition and market value of the objects of tangible collateral and their susceptibility to impairment in the period of maintaining the collateral,
- the condition and market value of real estate as well as other data enabling effective estimation of the level of risk related to the real estate,
- potential economic benefits resulting from a specific method of securing receivables, including, in particular, the possibility of reducing impairment losses,
- the method of establishing the collateral (its duration and the complexity of formal activities), as well as the necessary costs of establishing, maintaining and enforcing the collateral,
- complexity, time-consuming as well as economic and legal conditions for the effective implementation of collateral.

Accepting specific types of collateral depends on the product and Customer segment. When granting loans for the financing of residential and commercial real estate, collateral is obligatorily established in the form of a mortgage on the real estate. Until the collateral is effectively established (depending on the type of loan and its amount), a different form of temporary collateral may be accepted.

When granting car loans, the following collaterals are used: transfer of ownership of the credited vehicle, registered pledge on the credited vehicle, assignment of rights under the AC insurance policy of the credited vehicle.

The collateral for loans intended for the financing of companies and enterprises is established, inter alia, on business debts, bank accounts, movables, real estate or securities or in the form of guarantees.

3.2. COUNTERPARTY CREDIT RISK

Risk management strategies and processes

Counterparty risk is the credit risk related to the risk of default by a counterparty (Client or other financial institution) with which the Bank enters into transactions for which the liability amount may assume different values over time, depending on market parameters. Therefore, the counterparty risk is related to transactions on financial instruments whose value may change over time depending on such factors as interest rates or foreign exchange rates. The varying exposure may affect the Customer's solvency and is of crucial importance to the Customer's ability to discharge its liabilities when the transaction is settled.

Counterparty credit risk, for transactions which generate counterparty risk, is assessed using the same methodology as the one applied to credit products. This denotes that in the credit process, Bank estimates and applies limits, of which the value results directly from assessment of Customer creditworthiness, as well as considers transactions specific character in particular, their value fluctuating over time or their direct dependence on market parameters.

Structure and organization of the process

The principles applicable to foreign exchange transactions, derivative transactions as well as credit limit granting, use and monitoring for transactions subject to counterparty risk limits have been laid down in dedicated procedures. In line with the adopted policy, the Bank is guided by the knowledge of the Customer and concludes all transactions on the basis of transaction limits individually assigned by the Bank. The Bank differentiate availability of products, which are offered to Customers depending on their knowledge and experience.

Scope and nature of reporting and measurement systems

The Bank has advanced systems with which it measures and controls the counterparty risk. The measurement is based on estimating the probability of the maximum possible exposures arising from the transactions concluded. The Bank models the maximum exposures based on historical observations of the price volatility of the underlying assets.

The Bank has a separate organizational unit responsible for monitoring and reporting the counterparty risk, including whether the transaction limits have not been exceeded due to the concluded transactions.

Hedging and risk mitigation strategies, effectiveness of hedging instruments and risk mitigation measures

The Bank has transparent rules for securing credit risk. By limiting the counterparty's credit risk, the Bank has the option of calling counterparties (the so-called Margin Call) to provide a variable collateral (the so-called Variation Margin), which has been agreed with the counterparty in the collateral agreement (the so-called CSA). Moreover, the risk of a counterparty with financial institutions may be limited by exchanging appropriately separated Initial Margin Deposits, and for other Clients by applying Entry Collateral (promissory note, declaration of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure), Fixed Collaterals (Cash collateral or asset collateral established in exceptional cases where, in the Bank's assessment, the Customer's financial condition deteriorates or there is a risk that the transactions will not be settled) or other Initial Collateral (Cash collateral established before each transaction is concluded).

Credit Valuation Adjustment / Debit Value Adjustment (CVA / DVA) is estimated for all derivatives outstanding on a given day. The adjustment is estimated based on the forecasted future exposure to a given instrument, the counterparty's rating reflecting its probability of default and the estimated recovery rate.

In the process of estimating the maximum exposure, the Bank offsets financial assets and liabilities resulting from transactions concluded for Customers with whom enforceable master agreements have been concluded. In the absence of master agreements, the effect of contractual netting of liabilities is not taken into account.

The Bank does not conclude credit derivatives to hedge and mitigate the counterparty risk.

The Bank estimates that if the assessment of its creditworthiness was lowered, the value of the collateral it would have to provide would be 857 mn PLN.

3.3. MARKET RISK

Risk management strategies and processes

Bank manages the market risk by identification, measurement, control, reporting and monitoring and decision making. Risk identification is inseparably connected with introduction of new products and broadening of commercial activity. Before undertaking such activity Bank identifies all arising risks. Identification process is also performed for already started activities in normal periodic activity. On risk identification, materiality assessment is performed, followed by analysis and measurement, using appropriate methods and tools, which are under constant process of verification in order to ensure best standards and practices are in place. In this area Bank is also supported by BNP Paribas Group. Within risk measurement Bank performs stress test scenario analyses in order to enhance its ability to continue its business activities in severe circumstances.

Structure and organization of the process

Market risk management is an integral part of the whole Bank management system. Apart from legal and regulatory requirements, business scale and complicity is the main driver behind risk management system. The main role in market risk management system in the Bank is fulfilled by Management Board, which decides on policy and approves rules of risk management. Direct supervision of realization of the policy is in hands of dedicated committees responsible for decisions according to mandate delegated by Management Board. Dedicated units responsible for risk management and control ensure that all material risks are measured and limited and business activity is evaluated on risk-return perspective.

The Supervisory Board constantly monitors the risk management system. It approves risk strategy, key risk management policies and risk appetite levels. Supervisory Board evaluates Management Board activities related to control over Bank activities and their compliance with the policy.

The Risk Committee supports the Supervisory Board with its supervisory responsibilities in the risk area, especially by giving its opinion o Bank’s current and future ability to undertake the risk, evaluation of risk management strategy set by the Management Board and its realization.

The Management Board ensures an appropriate level of the market risk incurred by the Bank and the effectiveness of the risk management methods. It allocates and delegates responsibilities to units involved in market risk management process, including dedicated committees. The Management Board approves market risk limits.

Risk Management Committee is responsible for allocation of market risk limits for trading book within the risk granted risk appetite. It also approves market risk limits for trading book, analyses limit breaches and recommends contingency actions.

Internal Audit Line performs periodic controls over risk management process, including verification of Bank’s processes and policies versus legal requirements. It also analyses and evaluates the efficiency of risk management systems and control mechanisms and recommends relevant actions if necessary.

Product, Service, Transaction and Business Acceptance Committee (NPAO) gives opinions and approves of new products, services, transactions and types of the Bank's activities, affecting, inter alia, the level of the market risk position and its management process.

Integrated Risk Management Line is responsible for direct supervision over interest rate and FX risk management process. It formulates independent opinions and recommendations for Risk Management Committee, Asset and Liabilities Committee or the Management Board on market risk policy, risk measurement methodology, structure and levels of limits.

Global Markets Line is responsible for operational and transactional risk management of trading book interest rate risk and FX risk at the Bank’s level.

Scope and nature of reporting and measurement systems

In order to avoid excessive risk Bank implemented a set of market risk limits and warning levels adequate to its scale and complexity. The system of limits results from the accepted risk level (risk appetite) adopted by the Bank. The acceptable level of risk has been formulated on the basis of assumptions reflecting the Bank's risk objectives and is consistent with the strategy and business plans. The Bank also defined the procedure to be followed in the event of exceeding the limits, the methods of eliminating these exceedings and the measures to prevent similar situations in the future.

Market risk is reported with frequency enabling Management Board, Supervisory Board and relevant committees to be properly informed on Bank’s risk profile.

Strategies for the hedging and liquidity risk mitigation, the effectiveness of the hedging instruments and risk mitigation measures

Trading activity that generates market risk in the Bank is treated as supplementary, aiming at supporting sales of financial instruments to corporate, non-banking financial (directly) and retail Customers (by means of structured products, formally allocated to banking book). Opening market risk positions, Bank generates additional income due to short term changes in market parameters (such as FX or interest rates), while maintaining exposure within pre-approved level of limits. Bank offers commodity products, but does not open position in these instruments.

Within general exposure towards interest rate risk, which is the main exposure in trading portfolio, Bank used IRS, OIS, CIRS, FRA, basis swaps and purchase and sale of interest rate options. Interest rate risk profile was also impacted by FX swaps and FX forwards. Bank maintains open interest rate risk position, within granted limits, in order to optimize its P&L by generating additional income by lack of necessity of instant closing of Customer driven position on the interbank market. Bank's priority is to hedge interest rate and FX risk by maintaining relatively low open positions enabling optimization of offer its Customers.

3.4. LIQUIDITY RISK

Liquidity risk strategies and processes

Bank Strategy regarding liquidity risk management focus on:

- sustainable, organic growth of the Bank's balance sheet (Assets growth in line with funding sources growth throughout stable liabilities) and off balance sheet transactions and liabilities;
- limitation of Bank's dependence on external conditions and ensure, that in the crisis situation – local, global or related directly to the Bank- Bank will be able, in the short time horizon fulfill its obligations with no limitations of the Bank's offer spectrum and no need to initiate changes in the Bank's basic activity. In case of long term crisis situation, Bank's policy assumes maintenance of the liquidity, and considers some modifications of the development directions and implementation of the costly processes of the Banks profile activity adjustments.
- active limitation of the probability of the adverse events, that may influence of the Bank's liquidity. In particular, that refers to the reputational risk. Bank will take appropriate steps in order to restore the trust of Clients, Clients and financial institutions as quickly as possible
- ensuring high quality standards of the liquidity managements processes. Activities leading to quality processes improvement regarding liquidity management have highest priority in the Bank.

The main source of funding are liabilities due to Customers, supplemented with mid and long term loans and capital type liabilities. Mid and long term credit lines (including subordinated loans) and funding obtained throughout securitization of the loan book come mainly from the BNP Paribas Group as well as European Bank for Reconstruction and Development, European Investment Bank, Council of the Europe Development Bank and others financial institutions. Bank's policy allows as well other funding sources, like own debt issuance or structural transactions.

Liquidity risk, that is a risk of inability to fulfill own payments obligations by the Bank. Management of that risk in the Bank contains several processes: immediate liquidity management (intraday) as well as future (current, short term, as well as structural mid and long term liquidity), including funding sources concentration as well as liquidity monitoring of the market and ability to obtain funds. That process is adequate to the character and scale of the Bank's activity, as well as regulatory requirements that Bank has to fulfill.

The primary goals of the liquidity management process are:

- ensuring appropriate liquidity level of the Bank, throughout ensuring ability to fulfill current and future obligations
- crisis situations prevention
- building up solutions and action plans to survive during crisis situations, in case they occur.

Structure and organization of the process

Liquidity management in the Bank is performed thought-out balance sheet shaping and funding structure (reflected in the financial statement of the Bank) that consist balance sheet as well as off-balance sheet items. The process is centralized. The Supervisory Board leads supervising role and approves risk appetite levels, that determinate remaining limits parameters in the liquidity management process. Board of Management determines risk appetite levels and is responsible for adequate liquidity management system, throughout building up appropriate organizational structure, ensuring internal regulations and procedures and approval of the liquidity limits, which enable to limit risk exposure of the Bank. The committee set aside from the Bank – Assets and Liabilities Committee (ALCO) on monthly meetings analyzes the liquidity situation of the Bank and verifies effectiveness of the liquidity management process in the Bank.

Bank ensures separation and independence of the operational functions, risk management functions, control and reporting ones. In particular, for the concluding transactions with counterparties and Customers the business areas are responsible, confirmations and settlements of the transactions are performed in the Operations Line area, for immediate and future liquidity management Assets and Liabilities Management area is responsible, for the current supervision of the risk level and fulfillment of the limits the Risk Area is responsible, while the independent reporting of the regulatory measures the Financial Area.

Funding for the other Group's unit are provided by the parent unit - BNP Paribas SA.

Scope and reporting and risk measurement systems characteristic

In the liquidity risk measurement scope Bank uses list of measures and indicators monitoring liquidity situation both those required by the regulator as well as internally defined in the Bank, including the internaly set up limits levels. Liquidity parameters are calculated accordingly with the required frequency – daily or quarterly. Internal measures are calculated based on the daily reporting.

Based on the daily reports liquidity gap reports are generated – contractual and realistic one, that takes into account modeling of the no maturity profile products, as well as behavioral aspects for the balance and off-balance sheet items i.e. early repayments of loans by the Bank's Customers. Those reports are generated for the overall balance and off balance sheet of the Bank in all currencies together, as well as separate for the main Bank's currencies: PLN, EUR, USD CHF and remaining currencies together. Early Warning Indicators defined and set up in the Liquidity Contingency Plan are monitored on the daily basis, which monitor Bank situation, interbank market as well as Customers of the Bank. In the monthly cycle Bank analyzes as well specific liquidity measures, that are monitored in the Recovery Plan. Complementary to those reporting and monitoring processes are reports and measures prepared for the monthly ALCO meetings, that widen up among others the funding concentration level, cost of funding from the non-bank Customers.

In the liquidity management measures scope there is as well surplus of liquidity measure for 7 and 30 days' horizon. That measure is reported on the daily basis. As of 31st December 2021 that surplus reached respectively PLN 29 714 bn and PLN 29,811 bn. The liquidity surplus measure consists of following items:

- central bank account balance, nostro accounts balances and deposits placed in other banks up to 7 days (5.3% of the surplus)
- high iquidity assets (93.1% of the surplus)
- other securities (1.2% of the surplus)
- assets available for sale in the tenor 8-30 days (0.3% of the 30 days' surplus)

Apart of above mentioned reporting scope, Bank periodicaly, at least once a month Bank carries out stress tests, to verify Bank's resistance in that moment for occurance of the crisis situations for liquidity risk. The measurement is performed in 3 scenarios: crisis related to internal situation in the Bank, market crisis or the combination of those two situations together. In the scope of the scenarios Bank considers among others: increased level of the outflow of the deposits, depending on the business line, type of Client and product, increased level of utilization of the off-balace sheet obligations to the Customers, decreased level of the inflows from loans repayments and applies adequate to the particular scenario parameters, that are established based on the observed historical events or expert judgement. The results of stress tests are used as one of the early warning indicatiors in the Liquidity Contingency Plan launch, as well as calibration of the internal liquidity risk limits, to ensure that even in the stress situation Bank can continue commercial activity without mayor disorders. The liquidity stress tests results are regulary reported to ALCO Committee and Supervisory Board, that enables those bodies estimate the liquidity security of the Bank. Liquidity risk level reporting is performed with the frequency that enable to register the change in the liquidity risk profile of the Bank:

- Board of Management and Supervisory Board – quarterly
- ALCO Committee – monthly
- other units and people involved in the liquidity management process and monitoring – daily.

Strategies for the hedging and liquidity risk mitigation, the effectiveness of the hedging instruments and risk mitigation measures

Bank has as a base of diversified funding sources, that ensure stable liquidity situation. Bank has as well high quality liquid assets, that in case of need can be source of funding for the Bank and enables to obtain liquidity with in one day. That ensures secure liquidity management both in the normal situation as well as in the crisis or extraordinary one. That portfolio allows as well to fulfill regulatory and internal liquidity requirements. Excess of the liquidity in the Bank is placed into high quality liquid assets.

The biggest share in the funding pool has non bank Customers deposits base, that consists of all Customers' segments, however retail Customer share is dominant. Stability of the deposit base is assured by attractive and complex offer for the Customers from one side, and from the other by monitoring and verifying its stability in the models for all business lines. Bank cooperates as well with the supranational financial institutions that provide funding to the Bank dedicated to specific projects or products for the Customers.

Due to currency structure of the Bank's balance sheet, there is need to manage currency volumes both on the liabilities or assets side. Bank ensures funding appropriate to the assets in the currencies via directly funding in that currency or derivatives transactions like CIRS or FX swap. Closing of the currency mismatch via derivatives allows to close Bank's needs in various currencies and in the term structure adequate to the risk profile in specific currencies, and that has positive impact of the liquidity profile in that currency.

3.5. INTEREST RATE RISK IN THE BANK BOOK

Strategy and processes of the risk management

The base business activity of the Bank – granting loans and taking deposits from the Customers leads to open interest rate positions, that are transferred from the business lines into the portfolios managed by the Assets and Liabilities Management area, using internal transfer pricing system.

The structural elements (stable, non sensitive to interest rates movements part of the current accounts and capital) are hedged with the longer term transactions. On the remaining part of the portfolio the intention of the Bank is to close the interest rate risk.

Bank, defining the interest rate risk profile takes into account not only contractual parameters, but also real characteristic of the product as the result of behavior aspects and embedded options, by using modeling for example for current accounts, saving accounts, fixed rate loans, credit cards. Modeling of the products behavior depending on the business line enables to distinguish stable and unstable parts, that react differently for the interest rate changes. Maturity profiles for the undefined maturity deposits are assigned according to existing models. Those profiles may change depending on the pace of changes in the balances, number of Customers or the macro economic situation. As of December 31st 2021 the average maturity tenor of the deposits for all business lines and currencies was 2.08 years. The maximum tenor for the maturity profile was 15 years.

The Bank's policy for the interest rate risk defines interest income sensitivity as well as fair value sensitivity of the portfolio. Analysis are performed for all currencies together as well as for the main currencies separately.

The regulatory measure in the interest rate risk area is sensitivity of the economic value of the capital (EVE). That is a measure of the current net value of the interest rate sensitive instruments in the remaining tenor of the instrument coming from the interest rate changes, taking into account all banking book items excluding capital.

The changes in the economic value of the capital adjusted, calculated according to the internal prices in the contracts, according to six regulatory scenarios for the interest rate changes are presented in the table:

Table 5 Economic value changes in the scenarios

	31 December 2021		30 June 2021	
Scenario	% change for Tier I	Change to the base scenario (in mln PLN)	% change for Tier I	Change to the base scenario (in mln PLN)
Constant parallel shift up	-622	-5.49%	-969	-8.30%
Constant paralel shift down	153	1.35%	394	3.37%
Increase short term rates	-469	-4.14%	-539	-4.62%
Decrease short term rates	145	1.28%	205	1.76%
Decrease short term and increase long term rates	114	1.00%	-4	-0.03%
Increase short term rates and decrease long term rates	-358	-3.15%	-305	-2.61%

Bank set up internal critical value for this measure as of 13% of the Tier I capital of the Bank. During the observation period of 2021 there were no excesses observed. The analysis of the economic sensitivity of capital is performed on a monthly basis.

Changes in the net interest income, calculated according to two stress scenarios used for regulatory purpose:

Table 6 Changes in the nett interest income in the scenarios

	31 December 2021		30 June 2021	
Scenario	Change in the interest income (mn PLN)	% of change of the interest incme	Change in the interest income (mn PLN)	% of change of the interest income
Parallel +200 bps	409	11.80%	422	14.89%
Parallel -200 bps	-266	-7.66%	-547	-19.31%

Due to hedging of the structural elements with mid and long term transactions the fluctuations of the Bank result on interest rate changes is limited. The interest income sensitivity on the rising interest rates is positive and negative on falling interest rates. Lack of symmetry in the interest income changes in the hike and decrease of the interest rates comes from the options embedded in the Customers' contracts (i.e. floor on 0% on deposits).

The Bank takes into account changes of the balance sheet structure (remunerated and non-remunerated deposits) as well as reflection of the interest rate changes in the deposits pricing in the analysis of the interest income sensitivity. Interest income sensitivity analysis is performed on monthly basis.

3.6. OPERATIONAL RISK

Strategies and processes in operational risk management

The Bank manages the operational risk based on the approved strategy and policy.

Operational risk is defined as the possibility to incur losses or an unjustified cost resulting from inadequate or failed internal processes, people, systems or influence of external events. Legal risk is included into the operational risk, whereas reputational and strategic risks related with business risk are excluded.

The objective of the operational risk management is to ensure the top quality standards of services rendered by the Bank, to ensure their security and compliance with the binding regulations and the best standards and lowering the losses and costs caused by the operational risk at the same time. Organizational culture in operational risk management plays an important role for the Bank. The key element is employees' awareness about the risk and their share in the responsibility for its reduction. Operational risk is commonly present in the banking activity, what means that each of the employees and each of the organizational units is responsible for operational risk identification within their scope of responsibilities and taking actions aimed at risk reduction.

Operational risk management process includes the following stages:

1) risk identification,
2) defining risk causes (sources),
3) assessment of the risk amount and setting its acceptable level,
4) analysis of possible solutions to reduce the identified risk,
5) taking a decision to reduce risk,
6) taking necessary actions,
7) control and assessment of applied risk reduction tools.

Organization of the operational risk management process

The operational risk management process is carried out under three lines of defence. The first line of defence consists of risk management in the operational activity of the Bank. The second line of defence consists of risk management performed by employees at specifically appointed positions or in organizational units (i.e. Operational Risk Department, Fraud Prevention Department, Compliance Area, Legal Area, Finance Area), regardless of the risk management at the first line of defence. The third line of defence consists of the activity of the internal audit unit.

Operational risk management system is integrated. It means that all actions and functions concerning operational risk management are combined in one, consistent, transparent, complete and efficient system. In order to avoid a potential conflict of interests and in order to ensure objectivity, operational risk assessment function in the Bank is separated from the function responsible for making business decisions. Operational risk control function is autonomous and placed in Risk Area.

Operational risk management is closely connected with the management of other kinds of risk due to the fact that a substantial part of the operational risk losses occurs at the intersection of operational risk and credit risk or financial risk or other banking risks.

Actions directly aimed at operational risk mitigation are taken by units responsible for individual areas exposed to operational risk (first line of defence).

Scope and types of risk reporting and measuring systems

One of the operational risk management stages is taking actions aimed at risk reduction. Those actions consist in preventing the threat or reducing the consequences of the event as well as carrying out system actions aimed at elimination of causes of the events. Systemic actions consist in e.g. eliminating the gaps in internal regulations and procedures, preparing new or changing the existing tools, introducing changes to work organization, improving control mechanisms and introducing changes to IT systems. Before taking such actions, their costs are analysed as well as potential losses that can be borne without implementing the suggested solution.

For the operational risk monitoring and assessment, the Bank applies among others: self-assessment method, Key Risk Indicators (KRI) as well as the data about identified operational risk events and threats, incl. operational risk losses – using the internal and external data. The Bank decides on its risk tolerance (operational risk appetite) and takes appropriate actions when the accepted risk level is exceeded.

The Management Board and appointed Committees are regularly informed about the level of operational risk as well as about actions taken due to identified operational risk events and threats.

Risk control mechanisms are documented in the matrix of the control function and they are tested in accordance with the rules adopted at the Bank.

The Bank applies insurance cover within the framework of risk transfer.

The gross losses resulting from the operational risk events recognized in 2021 have been presented in the table below by event types and categories. The amount of gross loss means a sum of losses resulting from the operational risk incidents registered in the Bank's internal database, without taking into account reductions resulting from amounts recovered from the insurance and recovered from other sources. Data include the operational risk losses connected to the credit risk and financial risk.

Table 7 Gross losses resulting from operational risk events recognized in 2021

Internal frauds		**6 121**
	Unauthorised activity	- 274
	Theft and internal fraud	6 395
External frauds		**15 498**
	Theft and external fraud	11 724
	Systems security	3 774
Employment practices and workplace safety		**681**
	Employee relations	643
	Safe Environment	1
	Diversity & Discrimination	37
Clients, products and business practices		**54 528**
	Suitability, disclosure & fiduciary	36 800
	Improper business or market practices	17 258
	Product defects	443
	Bank advisory activity deficiency	27
Damages to physical assets		**277**
	Disasters and other events	277
Business disruption and system failures		**200**
	Systems	200
Execution, Delivery and Process Management		**7 078**
	Transaction capture, execution & maintenance	3 999
	Monitoring and reporting	414
	Customer intake and documentation	120
	Customer account management	11
	Trade counterparties	2 439
	Vendors & Suppliers	95
Total		**84 383**

In order to mitigate risk, the Bank strengthens processes and mechanisms aimed at limiting level of risk, this includes amongst others prevention of frauds resulting from internal as well as external causes and includes control of correctness of execution of processes in which the irregularities are identified, especially by developing IT system functionalities and processes reorganization. Moreover, the Bank regularly verifies and assesses the internal control environment as well as determines actions improving the control mechanisms efficiency.

Strategy in scope of hedging and risk mitigation, effectiveness of hedging instruments and risk mitigation measures

One of the priorities of the operational risk management strategy is to ensure that the Bank achieves its business goals in a safe way, accepting the level of risk only within the approved risk appetite, eliminating unacceptable events, limiting the possibility of unexpected events with severe consequences for the Bank and actively reacting and responding to identified events that may cause such consequences. This leads to the reduction of losses and costs caused by operational risk, as well as the achievement of high quality and safety standards in the Bank's operations. In the case of significant events that could not be avoided, the required standard is the analysis of the causes of the event and taking actions to reduce the risk of a similar event occurring in the future. The effectiveness of the Bank's security and risk mitigation solutions is monitored by comparing the level of registered operational losses with the operational risk appetite approved by the Bank and by monitoring key risk indicators. Moreover, the risk control mechanisms are tested in accordance with the requirements of Recommendation H of the Polish Financial Supervision Authority.

4. KEY METRICS

Implementing the requirement specified in art. 447 and art. 438(d) of the Regulation (EU) No 575/2013, the Group publishes aggregate data on own funds, own funds requirements, risk-weighted exposures, combined buffer requirement, leverage ratio and liquidity ratios - liquidity coverage ratio and stable net funding. Detailed information on particular positions is presented in the following chapters of the report.

Table 8 EU KM1 – Key metrics template as of 31 December 2021

		a	b	c	d	e
		31 December 2021	30 September 2021	30 June 2021	31 March 2021	31 December 2020
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	11 303 787	11 487 203	11 634 275	11 737 129	11 445 875
2	Tier 1 capital	11 303 787	11 487 203	11 634 275	11 737 129	11 445 875
3	Total capital	15 502 699	15 703 566	15 837 456	16 012 501	15 748 450
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	91 651 096	89 374 691	87 584 796	85 123 839	84 447 701
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	12.33%	12.85%	13.28%	13.79%	13.55%
6	Tier 1 ratio (%)	12.33%	12.85%	13.28%	13.79%	13.55%
7	Total capital ratio (%)	16.91%	17.57%	18.08%	18.81%	18.65%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU-7a	Additional CET1 SREP requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU-7b	Additional AT1 SREP requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU-7c	Additional T2 SREP requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU-7d	Total SREP own funds requirements (%)	8.00%	8.00%	8.00%	8.00%	8.00%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU-9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU-10a	Other Systemically Important Institution buffer	0.25%	0.25%	0.25%	0.25%	0.25%
11	Combined buffer requirement (%)	2.75%	2.75%	2.75%	2.75%	2.75%
EU-11a	Overall capital requirements (%)	10.75%	10.75%	10.75%	10.75%	10.75%
12	CET1 available after meeting the total SREP own funds requirements (%)	5 804 722	6 124 722	5 284 378	5 565 651	5 323 417
	Leverage ratio					
13	Leverage ratio total exposure measure	145 088 356	141 450 480	137 687 380	134 408 249	131 683 522
14	Leverage ratio	7.79%	8.12%	8.45%	8.73%	8.69%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
EU-14a	Additional CET1 leverage ratio requirements (%)	-	-	-	-	-
EU-14b	Additional AT1 leverage ratio requirements (%)	-	-	-	-	-
EU-14c	Total SREP leverage ratio requirements (%)	-	-	-	-	-

	Total SREP leverage ratio requirements (%)					
EU-14d	Applicable leverage buffer	3.00%	3.00%	3.00%	0.00%	0.00%
EU-14e	Overall leverage ratio requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	33 099 674	36 335 210	37 026 734	38 502 951	38 187 147
EU-16a	Cash outflows - Total weighted value	35 596 084	30 770 446	28 976 361	30 507 564	31 480 720
EU-16b	Cash inflows - Total weighted value	12 871 563	11 551 881	10 732 988	10 409 878	10 524 249
16	Total net cash outflows (adjusted value)	22 724 521	19 218 565	18 243 374	20 097 686	20 956 470
17	Liquidity coverage ratio (%)	145.66%	189.06%	202.96%	191.58%	182.22%
	Net Stable Funding Ratio					
18	Total available stable funding	99 097 193	97 485 346	94 951 440		
19	Total required stable funding	75 553 961	70 381 744	66 270 458		
20	NSFR ratio (%)	131.16%	138.51%	143.28%		

5. OWN FUNDS

5.1. OWN FUNDS STRUCTURE

Pursuant to the provisions of Banking law, the act of August 29, 1997 (Journal of Laws of 2021 item 2439 (hereinafter referred to as "Banking law") and Regulation (EU) No 575/2013, own funds of the Bank for the purposes of the capital adequacy calculation include:

- Tier I capital
- Tier II capital

Tier I capital includes:

- Common Equity Tier I capital – the sum of the Common Equity Tier I items after application of the required adjustments as well as deductions and exemptions
- Additional Tier I capital – the Bank does not have instruments in this category.

Common Equity Tier I capital includes the following items:

1) capital instruments,
2) share premium accounts related to instruments referred to in point 1),
3) retained earnings, reviewed by the statutory auditor and after the permission is granted by the competent authority or after the Bank has taken a formal decision confirming the final financial result of an institution for a given year,
4) accumulated other comprehensive income (pursuant to Article 4(1)(100) and Article 26(1)(d) of the Regulation (EU) No 575/2013),
5) reserve capital,
6) general risk fund for unidentified risk related to banking operations,
7) adjustments and deductions that constitute:
    a. losses for a current financial year,
    b. intangible assets,
    c. deferred tax assets that rely on future profitability,
    d. defined benefit pension fund assets,
    e. direct, indirect and synthetic holdings by the Bank of own Common Equity Tier I instruments, including own Common Equity Tier I instruments that an institution is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation,
    f. additional value adjustments based on requirements for prudent valuation (AVA),
    g. other items pursuant to Article 36 of the Regulation (EU) No 575/2013,
    h. additional value adjustments based on requirements for prudent valuation – pursuant to Article 34 and Article 105 of Regulation (EU) No 575/2013,
    i. adjustments arising under IAS 9 in a transition period – as stipulated in Article 473a of Regulation (EU) No 575/2013
    j. deduction for non-performing exposures defined in Article 47c of Regulation (EU) No 575/2013.

For the purpose of preparing the statement of Core Tier I and Tier II capital on a consolidated basis, shares in subsidiaries are excluded from the calculation.

Additional capital is established from net profit deductions in a fiscal year and a surplus obtained at issuing shares above their nominal value, remaining after covering the costs of issuance, from additional capital payments made by shareholders in exchange for assigning special rights to their existing shares without increasing the share capital. Additional capital may be earmarked for the coverage of balance sheet losses.

Reserve capital is established regardless of the additional capital from net profit deductions in a fiscal year, earmarked to cover the balance sheet loss.

The general risk fund for unidentified risk related to banking operations is established from net profit deductions in the amount resolved by the General Meeting. The general risk fund is earmarked for unidentified risk related to banking operations.

Unrealized gains and losses on financial instruments measured at fair value through other comprehensive income are recognized in own funds, in line with the instructions included in the Regulation (EU) No 575/2013 and the Banking Law Act.

Capital Tier II items, calculated based on the Regulation (EU) No 575/2013, (Articles 62 – 91), constitute subordinated loans – included in supplementary own funds in the amount and in accordance with the principles laid down in the decision of the Polish Financial Supervision Authority.

Capital instruments and subordinated loans qualify as instruments under Tier II, provided that the conditions specified in Article 63 of the Regulation (EU) No 575/2013 are met.

Information on adjustments and deductions for Common Equity Tier I used in the calculation as of December 31, 2021:

- deduction in accordance with Art. 34 of Regulation (EU) No 575/2013 of the additional value adjustments for prudent valuation are created for all assets measured at fair value with a value of PLN -14 663 ths was applied;
- derogation to Art. 35 of Regulation (EU) No 575/2013, a deduction in accordance with Art. 468 paragraph. 1 of Regulation (EU) No 575/2013 of the European Parliament and of the Council for the value of unrealized gains and losses measured at fair value through other comprehensive income worth PLN 367 167 ths was applied; the amount was calculated taking into account the changes introduced by Regulation (EU) No 873/2020 of June 24, 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 with regard to certain adjustments in response to the COVID-19 pandemic;
- deduction for core Tier I capital in accordance with Article 36(1)(b) of Regulation (EU) No 575/2013 for intangible assets in amount of PLN -378 273 ths was applied. The amount was calculated taking into account the changes introduced by Regulation (EU) No 2176/2020 of November 12, 2020 amending Delegated Regulation (EU) No 241/2014 with regard to the deduction of software assets from Common Equity Tier I items
- deduction for non-performing exposures of PLN -1 934 ths was applied
- after analysing the requirements set forth in Regulation (EU) No 2017/2395, the Bank decided to apply transition provisions provided for in the said Regulation, which means that for the purpose of the capital adequacy assessment, the full impact of the IFRS 9 implementation is not taken into account; based on the said decision and according to Regulation (EU) No 2017/2395 the adjustment to the Common Equity Tier I in the amount of PLN 400 786 ths was applied.
- not adjustments of the capital pursuant to Articles 32, 33, 47, 48, 56, 66 and 79 of Regulation (EU) No 575/2013 were applied in the Common Equity Tier I and Additional Tier I capital.

Information on adjustments and deductions for Tier 2 capital used in the calculation as at December 31, 2021:

- Tier II capital include subordinated loans received with a value of PLN 4 198 911 ths. This amount includes the amortized, non-Tier 2 subordinated loan in the amount PLN 128 229 ths.
- no deductions provided for in Regulation (EU) No 575/2013 were applied for Tier II funds and Tier II supplementary funds.

Information on own funds structure is presented in accordance with the template EU CC1 set out in Regulation (EU) No 2021/637, while the table presents only the rows relating to items included in the own funds structure.

Table 9 EU CC1 – Composition of regulatory own funds as of 31 December 2021

		(a)	(b)
		Amounts	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	7 406 835	EU CC2 no. 1 / EU CC2 no 2
2	Retained earnings	- 427 891	EU CC2 no 4
3	Accumulated other comprehensive income (and other reserves)	3 524 999	EU CC2 no 2 / EU CC2 no 3
EU-3a	Funds for general banking risk	627 154	EU CC2 no 2
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**11 131 091**	EU CC2
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	- 14 663	
8	Intangible assets (net of related tax liability) (negative amount)	- 378 273	EU CC2 no 1
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments to CET1 capital *(including IFRS 9 transitional adjustments when relevant)*	565 626	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	172 690	
29	Common Equity Tier 1 (CET1) capital	11 303 787	
	Additional Tier 1 (AT1) capital: instruments		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		
	Additional Tier 1 (AT1) capital: regulatory adjustments		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	
44	**Additional Tier 1 (AT1) capital**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**11 303 787**	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	4 198 911	EU CC2 no 1
51	**Tier 2 (T2) capital before regulatory adjustments**	**4 198 911**	
	Tier 2 (T2) capital: regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**4 198 911**	
59	**Total capital (TC = T1 + T2)**	**15 502 699**	
60	**Total Risk exposure amount**	**91 651 096**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	12.33%	
62	Tier 1 (as a percentage of total risk exposure amount)	12.33%	
63	Total capital (as a percentage of total risk exposure amount)	16.91%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	7.25%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.00%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.25%	
EU-67b	of which: additional own funds requirements to cover risks other than the risk of excessive leverage	0.00%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**6.33%**	
	Amounts below the thresholds for deduction (before risk weighting)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	829 419	

The table below presents a description of the main regulatory features of own funds instruments and eligible liability instruments according to the EU CCA template.

Table 10 EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments as of 31 December 2021

1	Issuer	BNP Paribas Bank Polska S.A.	BNP Paribas S.A. Francja	BNP Paribas S.A. Francja	BNP Paribas S.A. Francja	BNP Paribas S.A. Francja	BNP Paribas S.A. Francja	BNP Paribas S.A. Francja	Lion International Investments S.A. Luxembourg	BNP Paribas S.A. Francja
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: PLBGZ0000010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2a	Public or private placement	public	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	Governing law(s) of the instrument	polish	polish	polish	polish	polish	polish	polish	polish	polish
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Regulatory treatment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	*Current treatment taking into account, where applicable, transitional CRR rules*	Common Equity Tier I	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II
5	*Post-transitional CRR rules*	Common Equity Tier I	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II
6	*Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated*	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated
7	*Instrument type (types to be specified by each jurisdiction)*	Instrument type: ordinary shares Classification - Common Equity Tier I instrument in accordance with Article 28 of Regulation (EU) No. 575/2013.	Subordinated debt in accordance wit article 63 Regulation (EU) No 575/2013	Subordinated debt in accordance wit article 63 Regulation (EU) No 575/2013	Subordinated debt in accordance wit article 63 Regulation (EU) No 575/2013	Subordinated debt in accordance wit article 63 Regulation (EU) No 575/2013	Subordinated debt in accordance wit article 63 Regulation (EU) No 575/2013	Subordinated debt in accordance wit article 63 Regulation (EU) No 575/2013	Subordinated debt in accordance wit article 63 Regulation (EU) No 575/2013	Subordinated debt in accordance wit article 63 Regulation (EU) No 575/2013
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	PLN 15.09 mn (series A) PLN 7.81 mn (series B) PLN 0.25 mn (series C) PLN 3.22 mn (series D) PLN 10.64 mn (series E) PLN 6.13 mn (series F) PLN 8.00 mn (series G) PLN 5.00 mn (series H) PLN 28.10 mn (series I) PLN 2.50	PLN 353.735 mn	PLN 147.906 mn	PLN 183.976 mn	PLN 266.904 mn	PLN 400.356 mn	PLN 275.964 mn	PLN 270.070 mn	PLN 2300 mn

		mn (series J) PLN 10.80 mn (series K) PLN 49.88 mn (series L) PLN 0.09 mn (series M) Registered shares of series B are preference shares. The privilege concerning the shares of series B, includes the right to receive payment of the full nominal amount per share in the event of liquidation of the Bank after satisfying creditors, first before payments attributable to ordinary shares, which are payments in face of execution of the privilege may not cover the nominal amount of those shares. The amount recognized in regulatory capital does not differ from the amount of the issued instrument.								
9	Nominal amount of instrument	PLN 147 518 782	PLN 440 000 000	EUR 40 000 000	EUR 40 000 000	CHF 60 000 000	CHF 90 000 000	60 000 000 EUR	60 000 000 EUR	PLN 2 300 000 000
EU-9a	Issue price	1 PLN	100% nominal value	100% nominal value	100% nominal value	100% nominal value	100% nominal value	100% nominal value	100% nominal value	100% nominal value
EU-9b	Redemption price	N/A	100% nominal value	100% nominal value	100% nominal value	100% nominal value	100% nominal value	100% nominal value	100% nominal value	100% nominal value
10	Accounting classification	Shareholders' equity	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost
11	Original date of issuance	09.09.1994.	07.01.2016.	07.01.2016.	11.12.2018.	20.12.2012.	19.11.2019.	20.12.2012.	22.11.2016.	23.12.2020.
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	07.01.2026.	07.01.2026.	11.12.2023.	15.12.2022.	19.11.2024.	15.12.2022.	22.11.2021.	23.12.2025.
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	07.01.2021.	07.01.2021.	11.12.2028.	15.12.2027.	19.11.2029.	15.12.2027.	22.11.2026.	23.12.2030.
16	Subsequent call dates, if applicable	N/A	each interest period, every 3 months	each interest period, every 3 months	each interest period, every 3 months	each interest period, every 3 months	each interest period, every 3 months	each interest period, every 3 months	each interest period, every 3 months	each interest period, every 3 months
	Coupons / dividends									

17	Fixed or floating dividend/coupon	floating	floating	floating	floating	floating	floating	floating	floating	floating
18	Coupon rate and any related index	N/A	WIBOR 3M + magin	EURIBOR 3M + magin	EURIBOR 3M + magin	LIBOR 3M CHF + magin	LIBOR 6M CHF + magin	EURIBOR 3M + magin	EURIBOR 3M + magin	WIBOR 3M + magin
19	Existence of a dividend stopper	Yes								
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary								
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary								
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	No	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	1 priority rank	3 priority rank	3 priority rank	3 priority rank	3 priority rank	3 priority rank	3 priority rank	3 priority rank	3 priority rank
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A								
36	Non-compliant transitioned features	No	No	No	No	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the intrument (signposting)									

5.2. RECONCYLIATION OF OWN FUNDS

Reconciliation of balance sheet items included in the audited consolidated report of the BNP Paribas Bank Polska S.A. Capital Group used to calculate the value of own funds according to the methodology described in Annex VIII to Regulation (EU) No 2021/637 is presented in the table below.

Table 11 EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements as of 31 December 2021

		a	b	c
		Balance sheet as in published financial statements	**Under regulatory scope of consolidation**	**Reference**
		As at period end	**As at period end**	
	Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
1	Intangible assets	728 475	378 273	Consolidated financial statements of BNP Paribas Bank Polska S.A. Group for the year ended 31 December 2021 (Assets)
2	Assets due to deferred net income tax			
	- of which net assets not exceeding the threshold defined in Art. 48(1)(a)	876 599	876 423	
	Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
1	Subordinated liabilities	4 334 572		Consolidated financial statements of BNP Paribas Bank Polska S.A. Group for the year ended 31 December 2021 (Explanatory Note no 35)
	- of which loans qualified as Tier II		4 198 911	
	Shareholders' Equity			
1	Share capital	147 519	147 519	Consolidated financial statements of BNP Paribas Bank Polska S.A. Group for the year ended 31 December 2021 (Equity)
2	Supplementary capital	12 057 091	12 007 091	
	- share premium	7 259 316	7 259 316	
	- general own funds	627 154	627 154	
	- other reserve capital	4 170 621	4 120 621	
3	Revaluation reserve	-595 622	-595 622	
4	Retained earnings	-423 655	-427 891	
5	Net profit for the period	176 298		
	Total shareholders' equity	11 361 631	11 131 097	

6. OVERVIEW OF RISK-WEIGHTED AMOUNTS

Pursuant to art. 438(d) of Regulation (EU) no 575/2013, the Bank publishes information on risk exposure amounts.

Table 12 EU OV1 - Overview of risk weighted exposure amounts as of 31 December 2021

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		31 December 2021	30 September 2021	31 December 2021
1	**Credit risk (excluding CCR)**	**79 809 773**	**77 519 655**	**6 384 782**
2	Of which the standardised approach	79 809 773	77 519 655	6 384 782
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**2 107 852**	**1 956 553**	**168 628**
7	Of which the standardised approach	2 074 608	1 885 108	165 969
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	3 380	38 316	270
EU 8b	Of which credit valuation adjustment - CVA	29 865	33 150	2 389
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**-**	**-**	**-**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250%/ deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**1 345 487**	**1 510 499**	**107 639**
21	Of which the standardised approach	1 345 487	1 510 499	107 639
22	Of which IMA	-	-	-

EU 22a	Large exposures	-	-	-
23	Operational risk	8 387 983	8 387 983	671 039
EU 23a	Of which basic indicator approach	185 874	185 874	14 870
EU 23b	Of which standardised approach	8 202 110	8 202 110	656 169
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	2 073 546	1 791 551	165 884
29	Total	91 651 096	89 374 691	7 332 088

The table below presents elements of own funds requirements for market risk under the standardized method.

Table 13 EU MR1 - Market risk under the standardised approach as of 31 December 2021

		a
		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	1 342 349
2	Equity risk (general and specific)	-
3	Foreign exchange risk	-
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	3 139
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	Total	1 345 487

For the purpose of calculating the minimum own funds requirements for operational risk, the Bank uses the standardized approach (STA), but on a consolidated basis, the Bank calculates the capital requirement as the sum of the capital requirement for the Bank determined using the standard method and the capital requirement for the consolidated capital (as defined in accounting regulations) of the Bank's subsidiaries determined using the base ratio method.

Table 14 EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

		a	b	c	d	e
				Relevant indicator	Own funds	Risk weighted
	Banking activities	Year-3	Year-2	Last year	requirements	exposure amount
1	Banking activities subject to basic indicator approach (BIA)	69 774	90 417	137 208	14 870	185 874
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	4 339 993	4 624 677	4 696 844	656 169	8 202 110
3	*Subject to TSA:*	4 339 993	4 624 677	4 696 844	-	-
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Internal capital adequacy assessment

Pursuant to Art. 438 of Regulation (EU) No 575/2013, the Bank publishes a brief description of the adequacy of its internal capital in order to support its current and future activities. Internal capital adequacy assessment is performed as part of the annual review process of the principles and assumptions of the internal capital adequacy assessment. By risk identification, significance assessment of identified risks, measuring significant risks, capital aggregation, capital allocation and capital planning, the Bank ensures the level of own funds adequate to the level of risk incurred. The capital plan includes the assessment of internal capital, ensuring the level of own funds adequate to the level of risk incurred and the set capital goals. The Group conducts internal capital stress tests by stressing those types of risks for which internal capital is maintained. Stress tests take into account the cumulative impact of all risks on the total value of internal capital, and their purpose is to test the capital target level specified in the capital plan.

The Bank monitors and reports monthly capital consumption in terms of internal capital in the context of capital goals and cross-sections defined in the capital plan, capital limits and ratios triggering the capital contingency plan.

7. CAPITAL BUFFERS

The minimum levels of capital ratios applicable to the Bank and the Bank's Capital Group result from Article 92 of Regulation (EU) No 575/2013 and the Act of August 5, 2015 on macroprudential supervision over the financial system and crisis management in the financial system (Journal of Laws of 2017, item 1934), hereinafter referred to as the "Macroprudential Act" introducing the obligation to maintain the requirement of combined buffer.

The combined buffer consists of:

- conservative buffer of 2.5% - based on Article 19(1) of the Macroprudential Act, an additional amount of Common Equity Tier I capital to be maintained, additional to the Common Equity Tier I capital for the purposes of meeting the own funds requirement, referred to in Article 92 paragraph 1 of Regulation (EU) No 575/2013, in the amount of 2.5% of the total risk exposure amount calculated in accordance with Article 92 paragraph 3 of this Regulation on an individual and consolidated level;
- buffer of other systemically important institution in the amount of 0.25% - The Polish Financial Supervision Authority in the announcement of November 8, 2021, informed that, pursuant to the provisions of the Act of August 5, 2015 on macroprudential supervision over the financial system and crisis management in the financial system and taking into account the opinion of the Financial Stability Committee, confirmed the identification of ten banks as other systemically important institutions (O-SII). As a result of the review, the Commission concluded that there were no grounds justifying the repeal or amendment of the Commission's decision of October 4, 2016, in the wording established by the Commission decision of December 19, 2017 on imposing on the Bank (on a consolidated and individual basis) a buffer of another institution with systemically important in the amount equivalent to 0.25% of the total risk exposure amount calculated in accordance with Art. 92 sec. 3 of Regulation (EU) No 575/2013;
- systemic risk buffer of 0% - on March 19, 2020, the Regulation of the Minister of Finance (Journal of Laws of 2020, item 473) of March 18, 2020, repealing the regulation on the systemic risk buffer, entered into force;
- institution-specific countercyclical buffer of 0% - according to Article 21(1) of the Macroprudential Act, the Bank maintains the amount of Common Equity Tier I capital referred to in Article 92 paragraph 1 of Regulation (EU) No 575/2013, at the level of the total risk exposure amount calculated in accordance with Article 92 paragraph 3 of this Regulation, multiplied by the weighted average of countercyclical buffer rates calculated in accordance with Art. 83 of the Macroprudential Act.

Based on Article 83 of the Macroprudential Act starting from January 1, 2016, the countercyclical buffer ratio is 0% for credit exposures in the territory of the Republic of Poland. As a consequence, the countercyclical buffer rate as at December 31, 2021 was 0 p.p.

Pursuant to Art. 440 of Regulation (EU) No 575/2013, the Bank discloses the geographic distribution of exposure amounts and riskweighted exposure amounts for credit exposures, which is the basis for calculating countercyclical buffer. Details of the distribution of credit exposures for the purposes of calculating the countercyclical buffer in tables below have been prepared in accordance with Annex XI of Regulation (EU) No 2021/637.

Table 15 EU CCyB2 – Amount of institution-specific countercyclical capital buffer as of 31 December 2021

		a
1	Total risk exposure amount	91 651 096
2	Institution specific countercyclical capital buffer rate	0,0000%
3	Institution specific countercyclical capital buffer requirement	-

Table 16 EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer as of 31 December 2021

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	Breakdown by country:													
0101	PL	101 697 709	-	99 860 217	-	-	201 557 927	6 087 686	107 388	-	6 195 074	77 438 421	98.2359%	0.00%
0102	LU	807 236	-	-	-	-	807 236	57 451	-	-	57 451	718 132	0.9110%	0.50%
0103	NL	294 088	-	-	-	-	294 088	23 506	-	-	23 506	293 831	0.3727%	0.00%
0104	AT	91 132	-	-	-	-	91 132	7 325	-	-	7 325	91 562	0.1162%	0.00%
0105	DE	83 926	-	-	-	-	83 926	6 814	-	-	6 814	85 179	0.1081%	0.00%
0106	GB	83 339	-	-	-	-	83 339	9 020	-	-	9 020	112 755	0.1430%	1.00%
0107	CZ	39 552	-	-	-	-	39 552	3 164	-	-	3 164	39 553	0.0502%	1.50%
0108	NO	20 642	-	-	-	-	20 642	1 651	-	-	1 651	20 642	0.0262%	1.50%
0109	DK	11 520	-	-	-	-	11 520	922	-	-	922	11 520	0.0146%	2.00%
0110	FR	10 538	-	-	-	-	10 538	422	-	-	422	5 269	0.0067%	0.00%
0111	RU	5 375	-	-	-	-	5 375	430	-	-	430	5 375	0.0068%	0.50%
0112	SK	2 383	-	-	-	-	2 383	191	-	-	191	2 383	0.0030%	1.00%
0113	SE	2 307	-	-	-	-	2 307	184	-	-	184	2 301	0.0029%	1.00%
0114	FI	876	-	-	-	-	876	70	-	-	70	876	0.0011%	0.00%
0115	BE	640	-	-	-	-	640	65	-	-	65	808	0.0010%	0.00%
0116	CH	207	-	-	-	-	207	16	-	-	16	206	0.0003%	0.00%
0117	BG	157	-	-	-	-	157	11	-	-	11	134	0.0002%	1.00%
0118	LT	68	-	-	-	-	68	4	-	-	4	51	0.0001%	0.00%
0119	CY	18	-	-	-	-	18	1	-	-	1	18	0.0000%	0.00%
0120	HU	16	-	-	-	-	16	1	-	-	1	13	0.0000%	0.00%
0121	SC	2	-	-	-	-	2	0	-	-	0	2	0.0000%	0.00%
0122	US	2	-	-	-	-	2	0	-	-	0	2	0.0000%	0.00%
0123	IE	1	-	-	-	-	1	0	-	-	0	1	0.0000%	0.00%
020	Ogółem	103 151 737	-	99 860 217	-	-	203 011 955	6 198 935	107 388	-	6 306 323	78 829 035	100.0000%	

8. CREDIT RISK

8.1. EXPOSURE TO CREDIT RISK

Definition of past due and impaired assets

The financial instruments measured at amortized cost are classified to one of three Stages based on assessment of changes in the credit quality observed since the initial recognition:

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

  If credit risk did not increase significantly from the date of the initial recognition, and a default event was not identified from the moment of initial recognition, the Group recognises an allowance for the expected credit loss related to the probability of default within the next 12 months.

- Stage 2: An allowance due to expected credit losses for the entire lifetime – significant increase in the credit risk since the moment of initial recognition and no default was identified.

  In the case of an exposure for which credit risk has increased significantly since the moment of its initial recognition, but no default event was identified, an impairment allowance is created for the expected credit loss for the entire financing period, taking into account the probability of default.

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

  In case of defaulted financial assets, an allowance is created for the expected credit loss for the entire financing period.

At each balance sheet date, the Group assesses whether there has been a significant increase in credit risk for financial assets since the moment of their initial recognition, by comparing the risk of loan default during the expected financing period as at the balance sheet date and the initial recognition date, using, among others, the internal credit risk assessment system, information on delay in repayments and information from internal credit risk monitoring systems, such as early warning signals and information about restructuring.

For exposures classified to Stage 2, if in the following reporting dates, the credit quality of the financial instrument improves and assumptions regarding increase in credit risk since initial recognition are reverted, the exposure is reclassified from Stage 2 to Stage 1 and the allowance is calculated for a 12-month horizon.

In case of full accountancy corporate Clients, the Group defined a list of evidences of impairment, which include financial difficulties, deterioration of rating, 90 days past due criterion (or 30 days for exposures subject to concessions) understood as a delay in repayment of a material part of the financial obligation.

In case of individual Clients and microenterprises with no full accountancy the key evidence of impairment is 90 days past due criterion (or 30 days for exposures subject to concessions) understood as a delay in repayment of a material part of the financial obligation. Additional evidences are applied including: restructuring and fraud.

The Group applies a uniform definition of defaulted assets and impaired loans (Stage 3).

Exposures are considered as past due (over 90 days), and in consequence considered as impaired when a delay in repayment of a material amount of interest or capital is recognized.

The assessment of materiality of past due is based on relative and absolute thresholds resulting from the Regulation of the Minister of Finance, Investment and Development of 3 October 2019 on the materiality level of a past due credit obligation for the purposes of identifying material past due.

A past due credit obligation is considered material when both materiality thresholds are exceeded in aggregate:

- the amount of past due liabilities exceeds PLN 400 for retail exposures or PLN 2000 for non-retail exposures, and
- the share of past due liabilities in the total exposure of the obligor 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.

Reclassification from Stage 3 to Stage 2 or 1 is performed taking into consideration appropriate quarantine periods, meaning an impaired credit exposure may by reclassified to Stage 2 or 1, when the Client meets financial obligations for a defined number of months. The minimum quarantine period is differentiated depending on type of Client. The length of the quarantine period is defined based on historical observations, in particular an assessment when the probability of redefault, decreases to a level similar to other the level for other categories of non impaired assets.

Allowance for expected credit losses

Individual assessment

The individual assessment is performed for individually significant assets, for which a default event was recognized (Stage 3) and is based on an individual valuation of expected credit losses. Individually significant assets are assets where the total engagement of the Client exceeds 4 mln PLN. The value of expected credit loss is measured as the current value of all cash flow shortages in the expected life of a financial asset weighted with probability and discounted using the effective interest rate. The shortfall in cash flows is the difference between all contractual cash flows due to the Group and all cash flows that the Group expects to collect (including recoveries from collateral).

Collective (portfolio) approach

The collective valuation is applied to assets classified as:

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

The value of the allowance for the expected credit losses depends amongst others on type of credit exposure, Customer rating and collateral type and value (for selected portfolios) which are reflected in the value of risk parameters: probability of default (PD), loss given default (LGD) 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 taking into account Customer segments and types of credit products. The criteria applied 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 applied definition regarding restructured exposures is in line with the definition set in Resolution (EU) No 2021/451.

Quantitative information on credit risk adjustments

The tables below present detailed quantitative information on credit risk adjustments as required by Article 442 of Regulation (EU) No 575/2013, based on the formulas set out in Regulation (EU) No 2021/637.

The Group does not present the table EU CQ4 - Quality of NPEs broken down geographically due to the fact that exposures in foreign countries do not exceed 10% of total exposures.

Table 17 EU CR2 - Changes in the stock of non-performing loans and advances as of 31 December 2021

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**4 271 523**
020	Inflows to non-performing portfolios	2 150 850
030	Outflows from non-performing portfolios	-3 133 173
040	Outflows due to write-offs	-146 200
050	Outflow due to other situations	-2 986 972
060	**Final stock of non-performing loans and advances**	**3 289 200**

Table 18 EU CR2a – Changes in the stock of non-performing loans and advances and related net accumulated recoveries as of 31 December 2021

		a	b
		Gross carrying amount	Related net accumulated recoveries
010	**Initial stock of non-performing loans and advances**	**4 271 523**	
020	Inflows to non-performing portfolios	2 150 850	
030	Outflows from non-performing portfolios	-3 133 173	
040	Outflow to performing portfolio	-732 293	
050	Outflow due to loan repayment, partial or total	-1 286 114	
060	Outflow due to collateral liquidations	-	-
070	Outflow due to taking possession of collateral	-	-
080	Outflow due to sale of instruments	-570 172	225 877

090	Outflow due to risk transfers	-	-
100	Outflows due to write-offs	-146 200	
110	Outflow due to other situations	-398 393	
120	Outflow due to reclassification as held for sale	-	
130	**Final stock of non-performing loans and advances**	**3 289 200**	

Table 19 EU CR1-A - Maturity of exposures as of 31 December 2021

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	-	22 162 511	34 171 147	48 812 625	18 644 693	123 790 976
2	Debt securities	-	9 134 546	12 705 452	18 885 715	-	40 725 713
3	**Total**	**-**	**31 297 057**	**46 876 599**	**67 709 341**	**18 644 693**	**164 527 689**

Table 20 EU CR1 - Performing and non-performing exposures and related provisions as of 31 December 2021

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	2 458 561	2 458 561	-	-	-	-	-336	-336	-	-	-	-		-	-
010	Loans and advances	87 720 984	79 558 031	6 967 647	3 289 200	5 113	3 037 187	-1 127 943	-621 143	-506 566	-1 839 957	-589	-1 768 653	-	27 912 559	754 450
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	84 487	83 411	1 076	0	-	-	-1 541	-1 341	-200	- 0,01	-	-	-	533	-
040	*Credit institutions*	1 744 185	1 744 185	-	-	-	-	-5 389	-5 389	-	-	-	-	-	-	-
050	*Other financial corporations*	794 907	794 902	5	1 616	-	1 527	-753	-752	-1	-1 322	0	-1 250	-	41 859	-
060	*Non-financial corporations*	46 981 804	41 197 723	4 626 221	2 155 271	4 265	1 923 509	-699 030	-442 331	-256 574	-1 194 390	-464	-1 127 662	-	17 655 769	575 422
070	*Of which SMEs*	34 215 195	29 402 475	3 674 443	1 893 077	4 265	1 686 601	-513 951	-290 442	-223 384	-1 028 535	-464	-967 242	-	15 395 604	552 176
080	*Households*	38 115 600	35 737 809	2 340 345	1 132 314	847	1 112 151	-421 230	-171 331	-249 791	-644 244	-125	-639 742	-	10 214 397	179 029
090	Debt securities	32 375 451	32 292 462	4 001	201 868	-	4 155	-849	-531	-318	-44 803	-	-4 155	-	-	-
100	*Central banks*	27 046	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	22 822 301	22 822 301	-	-	-	-	-414	-414	-	-	-	-	-	-	-
120	*Credit institutions*	6 449 123	6 449 123	-	-	-	-	-82	-82	-	-	-	-	-	-	-
130	*Other financial corporations*	3 017 809	3 017 809	-	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	59 172	3 229	4 001	201 868	-	4 155	-353	-35	-318	-44 803	-	-4 155	-	-	-
150	Off-balance-sheet exposures	43 603 228	40 859 271	1 984 618	97 660	15	90 964	123 083	81 999	40 574	32 554	2	30 423		1 333 701	2 616
160	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	*General governments*	91 147	91 147	-	-	-	-	274	274	-	-	-	-		-	-
180	*Credit institutions*	2 038 586	2 038 586	-	-	-	-	2 378	2 378	-	-	-	-		-	-
190	*Other financial corporations*	2 250 902	2 250 897	5	0	-	0	319	318	0	-	-	-		43 395	-
200	*Non-financial corporations*	35 089 392	32 441 245	1 897 148	77 872	15	71 518	109 115	70 787	37 870	32 554	2	30 422		1 269 304	2 616
210	*Households*	4 133 201	4 037 396	87 464	19 788	0	19 446	10 997	8 242	2 704	1	0	1		21 002	-
220	**Total**	**166 158 223**	**155 168 325**	**8 956 266**	**3 588 728**	**5 128**	**3 132 306**	**-1 006 045**	**-540 011**	**-466 310**	**-1 852 205**	**-587**	**-1 742 385**	**-**	**29 246 259**	**757 067**

Table 21 EU CQ1 - Credit quality of forborne exposures as of 31 December 2021

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	453 570	1 014 177	1 013 897	878 224	-24 574	-413 865	526 693	289 819
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	333 468	565 160	564 880	439 202	-18 493	-231 107	385 377	191 374
070	*Households*	120 102	449 017	449 017	439 022	-6 082	-182 757	141 317	98 444
080	Debt Securities	-	197 713	197 713	-	-	-40 648	-	-
090	Loan commitments given	40 109	4 307	4 307	2 821	1 246	123	-	-
100	**Total**	**493 679**	**1 216 197**	**1 215 917**	**881 045**	**-23 329**	**-454 390**	**526 693**	**289 819**

Table 22 EU CQ2 - Quality of forbearance as of 31 December 2021

		a
		Gross carrying amount of forborne exposures
010	Loans and advances that have been forborne more than twice	1 778
020	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	305 280

Table 23 EU CQ3 - Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Z Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	2 458 561	2 458 561	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	87 720 984	87 628 180	92 804	3 289 200	1 210 487	140 962	300 520	371 850	876 341	209 928	179 112	3 283 437
020	*Central banks*	-	0	-	-	-	-	-	-	-	-	-	-
030	*General governments*	84 487	84 487	-	0	0	-	-	-	-	-	-	0
040	*Credit institutions*	1 744 185	1 744 185	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	794 907	794 907	-	1 616	0	-	-	1 427	114	65	9	1 616
060	*Non-financial corporations*	46 981 804	46 921 250	60 555	2 155 271	732 485	81 966	172 511	219 694	696 870	121 558	130 187	2 150 355
070	*Of which SMEs*	34 215 195	34 155 007	60 188	1 893 077	682 446	79 590	142 822	202 464	543 335	120 786	121 636	1 888 161
080	*Households*	38 115 600	38 083 351	32 249	1 132 314	478 001	58 996	128 010	150 729	179 357	88 305	48 917	1 131 466
090	Debt securities	32 375 451	32 374 630	821	201 868	197 713	-	-	4 155	-	-	-	201 868
100	*Central banks*	27 046	27 046	-	-	-	-	-	-	-	-	-	-
110	*General governments*	22 822 301	22 822 301	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	6 449 123	6 449 123	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	3 017 809	3 017 809	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	59 172	58 351	821	201 868	197 713	-	-	4 155	-	-	-	201 868
150	Off-balance-sheet exposures	43 603 228			97 660								97 644
160	*Central banks*	-			-								-
170	*General governments*	91 147			-								-
180	*Credit institutions*	2 038 586			-								-
190	*Other financial corporations*	2 250 902			0								0
200	*Non-financial corporations*	35 089 392			77 872								77 856
210	*Households*	4 133 201			19 788								19 788
220	**Total**	**166 158 223**	**122 461 370**	**93 625**	**3 588 728**	**1 408 200**	**140 962**	**300 520**	**376 005**	**876 341**	**209 928**	**179 112**	**3 582 948**

Table 24 EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry as of 31 December 2021

		a	b	c	d	e	f
		Gross carrying amount					Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment	Accumulated impairment	
				Of which defaulted			
010	Agriculture, forestry and fishing	10 395 933	779 708	771 007	9 196 630	-447 671	-
020	Mining and quarrying	41 994	3 556	2 780	41 922	-1 594	-
030	Manufacturing	12 117 997	357 941	332 159	12 113 267	-279 927	-
040	Electricity, gas, steam and air conditioning supply	1 626 336	4 683	4 683	1 626 336	-9 325	-
050	Water supply	192 342	3 414	3 265	192 342	-2 678	-
060	Construction	2 727 470	182 265	171 142	2 727 313	-162 699	-
070	Wholesale and retail trade	7 488 263	357 033	341 128	7 478 612	-322 172	-
080	Transport and storage	2 239 108	74 027	52 119	2 239 042	-70 932	-
090	Accommodation and food service activities	296 866	50 759	49 054	296 856	-35 122	-
100	Information and communication	1 223 493	15 392	12 599	1 223 493	-20 956	-
110	Financial and insurance actvities	818 184	72 195	71 448	818 161	-40 179	-
120	Real estate activities	4 747 857	114 391	113 341	4 747 857	-94 130	-
130	Professional, scientific and technical activities	3 366 364	54 528	47 762	3 365 718	-89 725	-
140	Administrative and support service activities	607 097	49 621	45 706	606 904	-38 433	-
150	Public administration and defense, compulsory social security	372	-	-	372	-8	-
160	Education	121 724	5 492	4 381	121 697	-5 551	-
170	Human health services and social work activities	955 993	19 467	18 015	955 993	-33 210	-
180	Arts, entertainment and recreation	27 581	3 271	3 100	27 545	-3 205	-
190	Other services	142 101	7 530	5 382	142 087	-235 904	-
200	**Total**	**49 137 075**	**2 155 271**	**2 049 072**	**47 922 147**	**-1 893 420**	**-**

Table 25 EU CQ6 - Collateral valuation - loans and advances as of 31 December 2021

		a	b	c	d	e	f	g	h	i	j	k	l
		Loans and advances											
			Performing		Non-performing								
							Past due > 90 days						
				Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days		Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
010	Gross carrying amount	91 010 184	87 720 984	92 804	3 289 200	1 210 487	2 078 713	140 962	300 520	371 850	876 341	209 928	179 112
020	*Of which secured*	68 445 271	66 083 749	65 134	2 361 522	904 742	1 456 780	90 418	199 970	226 374	644 842	169 322	125 855
030	*Of which secured with immovable property*	45 441 263	43 542 687	23 718	1 898 576	736 425	1 162 152	47 251	143 998	161 923	532 076	157 756	119 148
040	*Of which instruments with LTV higher than 60% and lower or equal to 80%*	12 992 030	12 728 481		263 549	99 160	164 389						
050	*Of which instruments with LTV higher than 80% and lower or equal to 100%*	3 123 555	2 960 289		163 266	98 641	64 626						
060	*Of which instruments with LTV higher than 100%*	6 656 136	6 281 817		374 319	123 468	250 851						
070	Accumulated impairment for secured assets	-2 016 048	-788 301	-11 209	-1 227 747	-324 358	-903 389	-35 519	-101 160	-132 541	-390 735	-127 411	-116 022
080	Collateral												
090	*Of which value capped at the value of exposure*	27 020 468	26 280 883	39 536	739 585	364 152	375 433	32 477	69 991	71 056	155 231	38 674	8 004
100	*Of which immovable property*	20 587 236	19 905 254	14 235	681 981	327 520	354 461	26 096	64 365	69 710	147 803	38 483	8 004
110	*Of which value above the cap*	198 108 188	189 158 995	114 970	8 949 193	2 805 456	6 143 737						
120	*Of which immovable property*	130 657 744	122 818 514	99 946	7 839 230	2 392 994	5 446 236						
130	Financial guarantees received	1 646 541	1 631 675	2 376	14 865	9 276	5 590	1 437	3 705	448	-	-	-
140	Accumulated partial write-off	-	-	-	-	-	-	-	-	-	-	-	-

Information on collateral obtained by taking possession and execution processes.

The Bank is cautious about the possibility of taking over the property after unsuccessful enforcement proceedings. The value of the acquired real estate is small in relation to the Bank's scale. As at 31 December 2021 the net value of the properties taken over by the Bank is PLN 0, which is 100% covered by the write-down. The Bank takes a similar cautious approach in the case of debt conversion into stocks or shares in companies. The Bank, usually as part of restructuring proceedings, converts part of its receivables into shares / stocks in companies. The value of shares / stocks as at the reporting date is small in terms of the Bank's operations, and also in terms of recoveries made on the portfolio of impaired loans. The value of provisions covers 84% of the initial value from the date of acquisition. Movable property that is collateral of the contracts is also taken over in collection process.

Table 26 EU CQ7 - Collateral obtained by taking possession and execution processes as of 31 December 2021

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	-	-
020	Other than PP&E	5 085	-4 155
030	*Residential immovable property*	-	0
040	*Commercial Immovable property*	-	-
050	*Movable property (auto, shipping, etc.)*	109	-
060	*Equity and debt instruments*	4 976	-4 155
070	*Other collateral*	-	-
080	**Total**	**5 085**	**-4 155**

Table 27 EU CQ8 - Collateral obtained by taking possession and execution processes – vintage breakdown

		a	b	c	d	e	f	g	h	i	j	k	l
		Debt balance reduction		Total collateral obtained by taking possession									
						Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
010	Collateral obtained by taking possession classified as PP&E	-	-	-	-								
020	Collateral obtained by taking possession other than that classified as PP&E	5 085	-4 155	5 085	-4 155	930	-	-	-	4 155	-4 155	-	-
030	*Residential immovable property*	-	-	-	-	-	-	-	-	-	-	-	-
040	*Commercial immovable property*	-	-	-	-	-	-	-	-	-	-	-	-
050	*Movable property (auto, shipping, etc.)*	109	-	109	-	109	-	-	-	-	-	-	-
060	*Equity and debt instruments*	4 976	-4 155	4 976	-4 155	821	-	-	-	4 155	-4 155	-	-
070	*Other collateral*	-	-	-	-	-	-	-	-	-	-	-	-
080	**Total**	**5 085**	**-4 155**	**5 085**	**-4 155**	**930**	**-**	**-**	**-**	**4 155**	**-4 155**	**-**	**-**

8.2. CREDIT RISK MITIGATION TECHNIQUES

On- and off-balance sheet netting

The Bank uses both on-balance sheet netting and off-balance netting techniques.

Netting is a method of calculating the credit exposure for which the actual exposure is lower than the sum of the exposures resulting from each transaction as it takes into account netting between positive and negative exposures and is an important means of mitigating the credit and credit risk of the counterparty.

The bank uses on-balance netting with its parent company - BNP Paribas S.A. and it consists in netting the credit lines used by the Bank (the Bank's liabilities) with deposits placed with BNP Paribas S.A. (Bank receivables).

Off-balance sheet netting is used by the Bank in the case of derivative transactions, concluded under signed master agreements with financial institutions and Clients from the corporate, SME and Micro segments. A master agreement is an agreement in which both parties agree that, in the event of either of them default, the negative valuations of the transaction will compensate with the positive valuations of the transaction. The sum of the valuations (negative and positive) is therefore the total amount of receivables / liabilities for two parties to the transactions. This agreement is an important factor limiting the counterparty's credit risk. In the absence of a master agreement or master agreement with non-netting provisions, the risk of all positively valued transactions is not reduced by negatively valued transactions.

The Bank periodically assesses the used master agreements in terms of the legal force and enforceability of netting and exchange of collateral.

Policies and processes for estimating and managing recognised collateral

The Bank’s collateral model assumes a division of responsibilities for correct conduct of the collateral establishment and operation processes. The owner of the procedure describing legal standards for using collateral for claims, including model collateral agreements, is the Legal Division.

The Risk Area Policy and Development Department is responsible for the Policy of valuation of real estate constituting collateral for credit exposures as well as for maintenance and development of the Instructions for securing lending transactions, which lay down specific rules of establishing, monitoring and assessing the collateral for lending transactions processed by the Bank’s business and organisational units.

In the area of real estate collateral, the Policy of valuation of lays down framework requirements, with which the Bank’s other internal regulations should be compliant, where such regulations lay down the rules for appraisal of real estate to secure the Bank’s claims, verification and approval of the same, specifying among others the following aspects:

- valuation of mortgage collateral on real estate in the process of granting a loan and during the term of the loan agreement,
- monitoring of the value of real estate during the term of the loan agreement,
- recording information/data on real estate constituting mortgage collateral for credit exposure in the Bank’s IT systems/applications,
- cooperation with entities/appraisers making real estate appraisals.

Specific rules and requirements for appraisal of real estate, as well as approval and verification of real estate constituting mortgage collateral for credit exposures are laid down in the Bank’s separate internal regulations, which are developed and updated under the responsibility of:

- the Credit Methodology and Policy Department - with respect to real estate accepted as mortgage collateral for loans granted to retail Customers (including Wealth Management) and Customers classified to the Business Customer Segment (Micro Enterprises),
- the Credit Control, Collateral and Personal Data Protection Department - with respect to real estate accepted as mortgage collateral for loans granted to SME and Corporate Customers.

In the period of loan utilisation and repayment, the Bank may require the borrower to establish additional collateral apart from the collateral specified in the loan agreement, if - in the opinion of the Bank - the value of established collateral has decreased, the economic or financial standing of the borrower or another obligor has deteriorated or there are grounds to believe that such deterioration will occur.

The actions taken with regard to collateral are aimed to properly secure the Bank's interest, including to establish collateral to ensure the highest possible recovery of claims should it be necessary to apply debt collection measures.

The choice of the relevant scope and mode of operation to satisfy the Bank's claims from collateral depends on the type of collateral. In the basic scenario, the Bank seeks amicable satisfaction from the collateral, under a negotiation process. If the collateral provider is unwilling to cooperate, the Bank's rights in this respect are exercised in accordance with applicable laws and internal regulations, by way of enforcement and bankruptcy proceedings.

The scope of data on collateral recorded in the Bank's IT systems makes it possible to generate information and reports that allow to monitor the portfolio of secured credit exposures, identify risk sources and factors, mitigate the risk and enable appropriate corrective and preventive actions.

Major types of collateral and basic requirements

The Bank grants loans to Customers that have creditworthiness and, to improve the safety of exposed funds, it establishes relevant collateral. The collateral accepted by the Bank to mitigate the effects of credit risk can be divided into personal collateral, physical collateral and other collateral, which include, among others:

Personal collateral:

- civil law guarantee
- promissory note
- promissory note guarantee
- assignment of claims
- bank guarantee.

Physical collateral:

- transfer of title as collateral
- registered pledge
- mortgage on residential/commercial real estate
- security deposit
- hold on funds in bank accounts.

Other collateral:

- assignment of claims under insurance policy
- loan insurance
- power of attorney to administer a bank account.

The Bank determines the form of collateral, taking into consideration, among others:

- the type and value of secured claims,
- the lending period,
- the borrower's financial standing,
- risks related to the transaction and loan agreement performance,
- features of the collateral arising from relevant applicable laws and agreement on establishment of the collateral,
- the possibility to satisfy the Bank's claims from the collateral in the shortest possible time,
- the legal status of the obligor,
- the value of the collateral asset,
- the existing encumbrance of the collateral asset,
- the cost of collateral.

Civil law guarantee - by way of a guarantee agreement, the guarantor commits to the Bank to repay the debt if the Customer defaults on their obligation. The Bank accepts guarantees for liabilities existing at the time of issuing a guarantee as well as those that may arise in the future under lending transactions made with the Customer. When accepting a guarantee, the Bank determines whether the guarantor meets the approval criteria in accordance with the Bank's internal regulations on Customer lending rules. The Bank accepts guarantees:

- for a specific term - i.e. with the expiration date specified in the guarantee agreement, equal to 36 months after the debt repayment deadline laid down in the loan/credit facility agreement,
- for a specific amount - i.e. up to the amount corresponding to 150% of the loan/credit facility limit secured with the guarantee.

Promissory note - the Bank accepts promissory notes issued on the Bank's forms. Together with a promissory note, the issuer is obliged to submit a promissory note declaration. When accepting this type of collateral, the Bank assesses the economic and financial standing of the promissory note issuer in order to determine their capacity to repay the lending transaction which the promissory note is to secure. As a rule, the Bank does not accept a Customer's blank promissory note as independent collateral for a lending transaction.

Promissory note guarantee - the Bank prefers promissory note guarantees for the repayment of the entire obligation under a promissory note. The Bank requires that the promissory note guarantor submit a promissory note declaration prepared in accordance with the Bank's template. The Bank determines whether the promissory note guarantor meets the approval criteria in accordance with the Bank's internal regulations on Customer lending rules.

Assignment of claims as collateral - it is an agreement between an assignor (Customer or third party) and the Bank, under which cash claims due to the assignor are assigned to the Bank, with a reservation that the assignment becomes effective if the debt is not repaid within the time limit laid down in the loan agreement or in the Bank's notice of termination of the loan agreement. The Bank accepts assignments of cash claims as collateral only if such assignments are not restricted or excluded by generally applicable laws or the agreement between the assignor and the claim debtor, with a reservation that claims assignable upon a party's approval may be assigned if such an approval has been obtained prior to making the assignment agreement.

Bank guarantee for loan repayment is a unilateral commitment of the bank - guarantor towards the Bank to repay the debt if the Customer defaults on their obligation under the loan agreement, on first written demand of the Bank. The Bank accepts as collateral the bank guarantees which are:

- unconditional, payable on first written demand,
- irrevocable,
- granted by banks for which the Bank has set a financial exposure limit.

For a bank guarantee, the assessment of the debtor's economic and financial standing under the collateral is replaced by confirmation that the Bank has set a financial exposure limit for the guarantor.

Transfer of title as collateral consists in transferring the title to a movable asset by the Customer or a third party (the transferor) to the Bank, with a reservation that if the debt is repaid within the time limit laid down in the loan agreement or in the Bank's notice of termination of the loan agreement, the title to such a movable asset is transferred automatically to the transferor. The Bank makes title transfer agreements only for unencumbered assets, the transferability of which is not restricted by generally applicable laws or the agreement, without any possibility of derogations in this respect. The Bank does not accept a transfer of title interest or a transfer of title to livestock as collateral. The Bank requires that, during the entire lending period, the transferred asset be insured against fire and other fortuitous events and that the transferor transfer the rights under the insurance policy to the Bank.

Registered pledge is a limited right in rem established to secure a specified cash claim of the Bank, under which the Bank will have the right to satisfy its claim from the pledged asset with priority over other creditors, except for those creditors who have a special priority right under the law. To establish a registered pledge, it is necessary to make a registered pledge agreement and an entry in the pledge register.

Mortgage is a limited property right that allows the Bank to satisfy its secured claims from the mortgaged asset, regardless of whose property it is and with priority over personal creditors of the mortgagor. The Bank does not accept as collateral any mortgage on:

- real estate located outside the country,
- the fractional part of real estate, however this exclusion does not apply to mortgage on participation in the access road to real estate, multi-car garage or the common part of real estate, as well as special cases, as laid down in the credit decision,
- real estate under construction, extension, reconstruction, renovation, modernization or restoration, unless such construction, extension, reconstruction, renovation, modernization or restoration is a project financed by the Bank.

The Bank prefers that a mortgage in favour of the Bank be entered as first-priority mortgage in Section IV of the Land and Mortgage Register, which is possible if:

- Section IV of the Land and Mortgage Register does not contain any mortgage or a mention of a mortgage application filed, or
- the Land and Mortgage Register shows the right of the real estate owner to dispose of the vacated first-priority mortgage entry and the Customer establishes a mortgage in favour of the Bank on such a vacated mortgage entry.

A mortgage in favour of the Bank may be entered with further priority if the real estate appraisal and the amount of first-priority mortgage encumbrances show that the Bank will be able to effectively satisfy its claim, subject to the Bank's separate internal regulations, in particular product regulations providing for the requirement to enter first-priority mortgage in favour of the Bank.

Security deposit is a transfer by the Customer or a third party (the person making the deposit) of title to a specified amount of cash in PLN or in convertible currency to the Bank, with a reservation that the Bank commits to return such an amount plus an agreed fee after the debt has been repaid in full. The assessment of collateral in the form of a security deposit is made by the Bank employees and consists in verifying the adequacy of the amount of funds paid as a security deposit in relation to the amount of the secured transaction.

Hold on funds in a bank account - to secure the repayment of debt, the holder of a bank account maintained by the Bank or another bank may put an irrevocable hold on funds in the account until the debt is repaid in full and at the same time grant an irrevocable power of attorney to the Bank to collect the funds on hold for the purpose of repaying such a debt. During the period of the hold, the account holder may not use the funds on hold without the Bank's approval. The hold on funds in a bank account may be made on any account, whether in PLN or in convertible currencies, held by the Customer or a third party, provided that a power of attorney may be granted to administer the account. The Bank requires that the funds be put on hold until the debt is repaid in full. The assessment of collateral in the form of hold of funds in a bank account is made by the competent Bank employees and consists in verifying the adequacy of the amount of cash in the bank account in relation to the amount of the loan.

Assignment of claims under insurance policy for the collateral asset is an agreement between the insured and the Bank, under which the insured (assignor) transfers claims against the insurer to the Bank as collateral for the loan obligation, with a reservation that when the debt is repaid, the assignment becomes null and void and the insured is restored to the status of beneficiary under the insurance, with no need to make a separate agreement. Claims under the insurance policy are assigned where the insured asset is the asset under collateral in the form of a registered pledge or a mortgage.

Loan insurance - the Bank accepts loan insurance as collateral only on the basis of a general agreement between the Bank and an insurer from the list of insurers approved by the Bank.

Power of attorney to administer a bank account - the Bank may accept a power of attorney to administer the bank account of a Customer or a third party who is the Bank's debtor under collateral if the debt is not repaid on time. A power of attorney to administer a bank account may not constitute independent collateral for a lending transaction. The decision on the collateral for a specific lending transaction is a component of a credit decision. When calculating a percentage coverage of the credit exposure with the collateral value, only the collateral meeting the following requirements may be considered:

- the Bank has to have a duly documented and enforceable legal title to the collateral,
- the collateral must have durable internal value and, for at least the term of the loan agreement, be regularly monitored and appraised,
- the collateral must be converted into cash in reasonable time, based on documented court decisions,
- there should not be a strong correlation between the collateral value and the borrower's financial standing.

Collateral monitoring and review

Collaterals for lending transactions are monitored by:

- a business analyst, an Account Manager - as part of monitoring the Customer and lending transactions made with them;
- the Credit Control, Collateral and Personal Data Protection Department with respect to collateral that has expired/is to expire/has not been established for lending transactions made by SME or Corporate Customers;
- the Retail Operations Department with respect to collateral for mortgage loans.

The monitoring process is supported by banking systems such as the Monitoring Card, dedicated applications and numerous reports. The collateral monitoring processes also use channels for automated Customer notification of collateral with the approaching date of collateral establishment or renewal. The monitoring also includes periodic reviews of collateral. The scope and frequency of such reviews, performed at least once a year, depend on the type of collateral asset and include:

- determination of collateral value and its changes since the last review,
- correctness, completeness and validity of documents related to the collateral established,
- correctness, completeness and validity of insurance documents related to physical collateral (review of insurance policies, ways to pay for the same, validity terms).

Monitoring of the value of real estate collateral

When monitoring the value of real estate collateral, the Bank monitors the value of such real estate at least once every three years for exposures with the current LTV ratio below 80%. In other cases, the value is monitored in annual cycles. The real estate value is monitored based on a real estate revaluation made using a statistical method and an individual method, in line with the "Rules for

Portfolio Revaluation of Real Estate Collateral for Credit Exposures of BNP Paribas Bank Polska S.A." and the "Rules for valuation of real estate mortgage collateral for loans granted to SME and Corporate Customers at BNP Paribas Bank Polska S.A.".

The revaluation of real estate during the lending period is aimed, among others, at:

- taking actions to mitigate a potential risk related to the lack of collateral with the value adequate to the transaction amount,
- identifying mortgage-secured lending transactions for which the LTV ratio levels acceptable to the Bank have been exceeded.

The Bank assesses the adequacy of collateral for a credit exposure through the LTV ratio, which is calculated before the credit decision is made, as well as during the monitoring process throughout the term of the agreement. When calculating the LTV ratio during the monitoring of the loan granted, the Bank takes into consideration the present value of real estate, including the value revaluated using the statistical method.

Methodology of real estate appraisal

Any real estate used as collateral should have its market value estimated and recorded. The market value of real estate means an estimated amount that can be obtained for the real estate on the appraisal date in an arm's length sales transaction between a buyer and a seller who have a firm intention to make an agreement, act knowledgeably and with prudence, and are not in a forced situation. The market value of real estate may be determined using the comparative or income method, and the appraisal itself should be performed in accordance with the factual and legal status of the real estate. For real estate during an investment process, the appraisal determines the market value of such real estate in its current condition and the future value of such real estate after the completion of construction works, according to the relevant architectural and construction documentation. The value of real estate should be estimated prudently and carefully, should not deviate from the average prices/rent rates of real estate in the market or a parallel market.

For non-retail Clients, every external appraisal is verified internally in accordance with rules specified in internal procedures. For important mortgage-secured loan exposures such verification is carried out by experts from the Collateral Team who hold the titles of valuation experts. The post-verification value of collaterals taken for internal purposes of the Bank may, therefore, differ from those presented in external valuations. Additionally, the Bank has a list of real estates that are unacceptable or conditionally acceptable, which means that regardless of an external valuation, in external cases, the Bank may consider a mortgage on such a real estate as a comfort factor (zero value).

In the area of individual Customers and Micro Customers, the Bank has put in place the rules for accepting and verifying the real estates accepted as collateral for loans granted to retail Customers and Micro Customers. The rules specify the boundary conditions concerning the acceptance of credited/collateralized real estates, contain a list of acceptable and unacceptable real estate types, the basic requirements with respect to the necessary documents pertaining to the real estates, the rules for verifying such documents, the ways in which the mortgage collateral value may be appraised and the rules for verifying the value of real estates collateralized by the Bank.

A real estate collateralized for a loan must have a specified market value that is subject to verification. Verification is carried out based on offered prices, transaction prices set based on a credible source by comparing real estate of similar characteristics. For this purpose, the Bank uses information from internal databases, external databases and web portals. The real estate value to be accepted for internal purposes of the Bank may be accepted at a level lower than the value indicated in the valuation.

Methodology for the valuation of collateral in the form of movable property

For collateral in the form of new movables, at the time of loan granting, the Bank determines the value of collateral on the basis of the purchase invoice, the sales agreement or an executive estimate, subject to verification of the arm's length nature for each such case. For used passenger cars and trucks, at the time of granting the financing to retail and micro-enterprise Customers, the verification of the vehicle value is based on comparison of the transaction price with the market value of the vehicle established on the basis of information in the Info-Ekspert/Eurotax database. Data obtained from other reliable databases and sources, such as industry catalogues or expert appraisals, may also be used to determine the collateral value. On the other hand, in the process of monitoring used passenger cars and trucks (for all Customer segments), the Bank relies on the revaluation of vehicles made using the statistical method. For other collateral in the form of used movables, where their value is below the estimated value threshold, the Bank uses a twofold approach to appraisal - based on the current insurance policy/sales agreement/invoice or based on the depreciation table for a specific type of collateral. For collateral with the value above the threshold determined in accordance with the proportionality principle, the movable collateral specified in the internal regulations is appraised by an appraiser at the time of granting the financing.

The tables below contain data on collaterals in accordance with Regulation (EU) No 2021/637.

Table 28 EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques as of 31 December 2021

		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	64 642 513	28 667 009	27 020 468	1 646 541	-
2	Debt securities	32 577 319	-	-	-	
3	Total	97 219 831	28 667 009	27 020 468	1 646 541	-
4	*Of which non-performing exposures*	2 736 617	754 450	739 585	14 865	-
EU-5	*Of which defaulted*	2 733 878	751 426			

The table below shows the effect of all credit risk mitigation techniques. The density of risk-weighted assets is a synthetic indicator of the risk level for individual portfolios.

Table 29 EU CR4 – Standardised approach – Credit risk exposure and CRM effects as of 31 December 2021

		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
	Exposure classes	a	b	c	d	e	f
1	Central governments or central banks	25 207 13	27	34 855 244	146	1 858 232	5.33%
2	Regional government or local authorities	159 322	90 224	159 322	31 478	38 160	20.00%
3	Public sector entities	375	623	375	130	253	50.00%
4	Multilateral development banks	663 463	-	663 463	-	-	0.00%
5	International organisations	-	-	-	-	-	0.00%
6	Institutions	776 080	2 034 332	946 583	636 621	426 442	26.94%
7	Corporates	31 038 938	23 122 732	22 025 137	7 941 148	28 066 718	93.66%
8	Retail	22 988 312	6 338 300	22 505 392	1 537 084	16 655 899	69.28%
9	Secured by mortgages on immovable property	38 996 218	4 376 794	38 712 010	1 895 671	27 549 242	67.84%
10	Exposures in default	2 275 638	68 862	2 181 949	30 850	2 850 221	128.81%
11	Exposures associated with particularly high risk	-	-	-	-	-	0.00%
12	Covered bonds	-	-	-	-	-	0.00%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
14	Collective investment undertakings	-	-	-	-	-	0.00%
15	Equity	228 453	-	228 453	-	228 453	100.00%
16	Other items	6 023 401	713	6 079 405	57 827	2 136 154	34.81%
17	**TOTAL**	**128 357 333**	**36 032 607**	**128 357 333**	**12 130 955**	**79 809 773**	**56.81%**

8.3. APPLICATION OF THE STANDARD METHOD

The risk weights used in the calculation of the capital requirement for credit risk according to the standardized approach are based on the provisions of Chapter 2, Title II, Part III of Regulation (EU) No 575/2013. Risk weight is assigned according to the category to which the exposure belongs and the level of credit quality of the exposure or entity.

- for defaulted exposures, the risk weight is based on the principles set out in Art. 127 of Regulation (EU) No 575/2013;
- for exposures secured by a mortgage on residential real estate, where the amount of the principal or interest installment does not depend on changes in the exchange rate of the currency or currencies other than the currency of the debtor's revenues, in accordance with Art. 125 sec. 2 of Regulation (EU) No 575/2013, the Bank assigns a preferential risk weight of 35% to the part of the exposure that is fully and completely secured by a mortgage on residential real estate and the value of which does not exceed 80% of the market value of the real estate;
- for exposures secured by a mortgage on a commercial real estate, pursuant to Art. 126 of Regulation (EU) No 575/2013 and the Regulation of the Minister of Finance, Funds and Regional Policy of October 8, 2020. amending the Regulation on a higher risk weight for exposures secured by mortgages on real estate, the Bank identifies exposures effectively secured

with a commercial mortgage established on real estate used by the borrower to conduct his own business and not generating income generated by rent or profits from their sale, for which preferential risk weights apply;

- for exposures secured by a mortgage on residential real estate, where the amount of the principal or interest installment depends on changes in the exchange rate or currencies other than the currency of the debtor's income pursuant to the Regulation of the Minister of Development and Finance of May 25, 2017. regarding a higher risk weight for exposures secured by mortgages on real estate, the Bank assigns a risk weight of 150%.

Bank for the purposes of determining risk weights for institutions and enterprises, central governments and banks, local government units and local authorities, multilateral development banks, public sector entities, exposures in the form of covered bonds, exposures in the form of participation units and certificates of investment funds uses External Credit Assessment Institutions ratings (ECAI ratings) by: Moody's Investors Service.

The table below aims to provide the standardise approach exposures broken down by asset class and risk weight.

Table 30 EU CR5 – Standardised approach as of 31 December 2021

		Risk weight																
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Inne	Total	Of which unrated
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	34 112 097	-	-	-	-	-	-	-	-	-	-	743 293	-	-	-	34 855 390	34 855 390
2	Regional government or local authorities	-	-	-	-	190 799	-	-	-	-	-	-	-	-	-	-	190 799	-
3	Public sector entities	-	-	-	-	-	-	505	-	-	-	-	-	-	-	-	505	-
4	Multilateral development banks	663 463	-	-	-	-	-	-	-	-	-	-	-	-	-	-	663 463	663 463
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	11 991	-	-	1 307 901	-	196 580	-	-	66 731	-	-	-	-	-	1 583 204	39 562
7	Corporates	-	-	-	-	-	-	492 381	-	-	29 217 060	256 843	-	-	-	-	29 966 285	1 879 365
8	Retail exposures	-	-	-	-	-	-	-	-	24 042 477	-	-	-	-	-	-	24 042 477	1 845 136
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	11 175 340	3 941 016	-	12 734 617	8 542 116	4 214 592	-	-	-	-	40 607 681	14 687 158
10	Exposures in default	-	-	-	-	-	-	-	-	-	937 955	1 274 844	-	-	-	-	2 212 799	2 212 799
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	228 453	-	-	-	-	-	228 453	228 453
16	Other items	3 886 822	-	-	-	141 982	-	-	-	-	2 108 429	-	-	-	-	-	6 137 232	6 118 235
17	TOTAL	38 662 382	11 991	-	-	1 640 682	11 175 340	4 630 482	-	36 777 094	41 100 744	5 746 279	743 293	-	-	-	140 488 288	62 529 561

8.4. EXPOSURES SUBJECT TO MEASURES APPLIED IN RESPONSE TO THE COVID-19 CRISIS

In response to the need to address negative economic consequences of COVID-19 pandemic, the European Union (EU) and Member States have introduced a wide range of mitigating measures to support the real economy and the financial sector. As part of such measures, some Member States have introduced legislative moratoria on loan repayments granting the borrowers various forms of payment holidays on their existing loans. Various forms of public guarantees to be applied to new lending have been also introduced. Coordinating supervisory response to these measures, the European Banking Authority (EBA) issued guidelines of 2 April 2020 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 .

Due to the outbreak of the next wave of the COVID-19 pandemic, the EBA has issued an update of the above-mentioned guidelines. Under the EBA/GL/2020/15 guidelines of December 2, 2020 amending the EBA/GL/2020/02 guidelines, it was possible to offer non-statutory moratoria to borrowers until March 31, 2021.Application of payment moratoria and the public guarantees necessitates additional collection of information from the institutions for supervisory purposes, and also calls for public disclosure for the purposes of market discipline and transparency for investors and in the wider public interest. As a coordinated approach to the collection of information regarding the application of the payment moratoria to the existing loans and public guarantees to new lending in response to COVID-19 pandemic, the EBA has introduced additional reporting and disclosure covering both aspects by issuing guidelines EBA/GL/2020/07 of 2 June 2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis.

In the tables below, the Bank presents information in accordance with the disclosure templates covering information on exposures subject to legislative and non-legislative moratoria and on newly originated exposures subject to public guarantee schemes, specified in Annex 3 of the EBA/GL/2020/07 guidelines. Since second quarter of 2021, only statutory payment moratoria are granted - introduced by the so-called Anti-Crisis shield 4.0, ("Act on interest subsidies for bank loans granted to entrepreneurs affected by COVID-19 and on simplified proceedings for approval of an arrangement in connection with the occurrence of COVID-19", of 19 June 2020) as well as public guarantees limiting the effects of COVID-19.

Table 31 Template 1 - Information on loans and advances subject to legislative and non-legislative moratoria as of 31 December 2021

		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non-performing				Performing			Non-performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	5 709 312	4 949 864	93 457	1 360 742	759 448	481 211	518 659	-396 475	-107 432	-5 369	-76 131	-289 043	-159 577	-149 021	41 034
2	of which: Households	2 961 775	2 517 689	56 388	531 993	444 086	308 170	320 511	-208 114	-44 654	-3 164	-37 089	-163 460	-92 456	-83 666	25 574
3	*of which: Collateralised by residential immovable property*	2 150 207	1 907 669	42 039	341 264	242 538	185 869	195 938	-77 520	-15 952	-1 796	-13 510	-61 568	-41 687	-38 392	11 313
4	of which: Non-financial corporations	2 746 494	2 431 132	37 069	827 924	315 362	173 041	198 148	-188 160	-62 577	-2 205	-38 844	-125 583	-67 122	-65 355	15 460
5	*of which: Small and Medium-sized Enterprises*	1 786 402	1 507 292	29 988	572 881	279 110	155 106	184 716	-148 206	-39 394	-1 486	-31 644	-108 812	-61 445	-62 626	15 460
6	*of which: Collateralised by commercial immovable property*	1 900 854	1 688 792	26 552	678 839	212 062	136 023	158 517	-104 047	-28 125	-1 109	-22 766	-75 922	-54 910	-56 854	10 394

Table 32 Template 2 - Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria as of 31 December 2021

			Gross carrying amount								
						Residual maturity of moratoria					
		Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	37	5 709 312							
2	Loans and advances subject to moratorium (granted)	37	5 709 312	255 747	5 696 483	12 829	-	-	-	-
3	of which: Households		2 961 775	255 374	2 949 164	12 611	-	-	-	-
4	*of which: Collateralised by residential immovable property*		2 150 207	157 722	2 143 392	6 814	-	-	-	-
5	of which: Non-financial corporations		2 746 494	373	2 746 276	218	-	-	-	-
6	*of which: Small and Medium-sized Enterprises*		1 786 402	373	1 786 184	218	-	-	-	-
7	*of which: Collateralised by commercial immovable property*		1 900 854	58	1 900 797	58	-	-	-	-

Table 33 Template 3 - Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis as of 31 December 2021

		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	2 519 663	948	1 899 109	6 955
2	of which: Households	-			-
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	2 519 663	948	1 899 109	6 955
5	of which: Small and Medium-sized Enterprises	*1 681 365*			6 142
6	of which: Collateralised by commercial immovable property	*917 465*			-

9. COUNTERPARTY CREDIT RISK

Counterparty risk exposure and risk-weighted assets are calculated on the basis of the standardized approach (SACCR) in line with Regulation (EU) No 575/2013. As part of counterparty credit risk mitigation, the Bank uses contractual netting in accordance with Articles 295-298 of Regulation (EU) No 575/2013.

The methodology of calculating internal capital for counterparty credit risk is closely related to the methodology of measuring this risk at the Bank and takes into account the current valuation of contracts, their potential change (the so-called "Potential Future Exposure"), as well as the value of the probability of a default event of individual contractors (so-called PD) estimated by the Bank.

The tables below present information on the Bank's counterparty credit risk in accordance with Annex XXV to Regulation (EU) No 2021/637.

Table 34 EU CCR1– Analysis of CCR exposure by approach as of 31 December 2021

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	1 108 524	1 091 996		1.4	2 807 447	3 080 727	2 466 979	2 077 967
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**2 807 447**	**3 080 727**	**2 466 979**	**2 077 967**

Table 35 EU CCR2– Transactions subject to own funds requirements for CVA risk as of 31 December 2021

		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	202 994	29 865
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**202 994**	**29 865**

Table 36 EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights as of 31 December 2021

		Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	23 448	-	-	342 864	31 605	-	-	-	-	-	397 917
7	Corporates	-	-	-	-	-	11 558	-	-	2 012 445	-	-	2 024 003
8	Retail	-	-	-	-	-	-	-	46 059	-	-	-	46 059
9	Institutions and corporates with a	-	-	-	-	-	-	-	-	-	-	-	-

	short-term credit assessment												
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**-**	**23 448**	**-**	**-**	**342 864**	**43 163**	**-**	**46 059**	**2 012 445**	**-**	**-**	**2 467 979**

Table 37 EU CCR5 – Composition of collateral for CCR exposures as of 31 December 2021

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	415	3 788	898 518	24 138	-	-	-	-
2	Cash – other currencies	3 939	96 305	281 524	352 544	-	-	-	-
3	Domestic sovereign debt	-	-	55 442	-	-	-	-	-
4	Other sovereign debt	194 367	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**198 721**	**100 093**	**1 235 483**	**376 682**	**-**	**-**	**-**	**-**

Table 38 EU CCR8 – Exposures to CCPs as of 31 December 2021

		a	b
		Wartość ekspozycji	Kwoty ekspozycji ważonej ryzykiem
1	**Ekspozycje wobec kwalifikujących się kontrahentów centralnych (ogółem)**		**3 380**
2	Ekspozycje z tytułu transakcji wobec kwalifikujących się kontrahentów centralnych (z wyłączeniem początkowego depozytu zabezpieczającego i wkładów do funduszu na wypadek niewykonania zobowiązania); w tym:	37 002	3 360
3	(i) instrumenty pochodne będące przedmiotem obrotu poza rynkiem regulowanym;	37 002	3 360
4	(ii) giełdowe instrumenty pochodne;	-	-
5	(iii) transakcje finansowe z użyciem papierów wartościowych	-	-
6	(iv) pakiety kompensowania, dla których zatwierdzono kompensowanie międzyproduktowe	-	-
7	Wyodrębnione początkowe depozyty zabezpieczające	275 850	
8	Niewyodrębnione początkowe depozyty zabezpieczające	-	-
9	Wniesione z góry wkłady do funduszu na wypadek niewykonania zobowiązania	1 000	20
10	Niewniesione wkłady do funduszu na wypadek niewykonania zobowiązania	-	-
11	**Ekspozycje wobec niekwalifikujących się kontrahentów centralnych (ogółem)**		**-**
12	Ekspozycje z tytułu transakcji wobec niekwalifikujących się kontrahentów centralnych (z wyłączeniem początkowego depozytu zabezpieczającego i wkładów do funduszu na wypadek niewykonania zobowiązania); w tym:	-	-
13	(i) instrumenty pochodne będące przedmiotem obrotu poza rynkiem regulowanym;	-	-
14	(ii) giełdowe instrumenty pochodne;	-	-
15	(iii) transakcje finansowe z użyciem papierów wartościowych	-	-
16	(iv) pakiety kompensowania, dla których zatwierdzono kompensowanie międzyproduktowe	-	-
17	Wyodrębnione początkowe depozyty zabezpieczające	-	
18	Niewyodrębnione początkowe depozyty zabezpieczające	-	-
19	Wniesione z góry wkłady do funduszu na wypadek niewykonania zobowiązania	-	-
20	Niewniesione wkłady do funduszu na wypadek niewykonania zobowiązania	-	-

10. LIQUIDITY REQUIREMENTS

The Bank discloses information on liquidity requirements pursuant to Art. 451a of the Regulation (EU) No 575/2013.

Disclosing the information required in template EU LIQ1, the Bank provides the values and numerical data required for each of the four calendar quarters (January-March, April-June, July-September, October-December) preceding the disclosure date. Values presented are calculated as aritmeetical mean from the end of month observations for 12 months preceding end of each quarter.

Table 39 EU LIQ1 - Quantitative information of LCR

Scope of consolidation: consolidated		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	31 December 2021	30 September 2021	30 June 2021	31 March 2021	31 December 2021	30 September 2021	30 June 2021	31 March 2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					33 099 674	36 335 210	37 026 734	38 502 951
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	68 122 598	66 146 842	65 492 494	65 992 785	5 519 135	5 293 683	5 186 917	5 203 708
3	*Stable deposits*	42 288 037	41 258 317	41 316 728	41 797 896	2 114 402	2 062 916	2 065 836	2 089 895
4	*Less stable deposits*	24 934 847	23 905 001	23 102 872	22 935 771	3 404 733	3 230 767	3 121 080	3 113 813
5	Unsecured wholesale funding	35 416 083	33 453 962	31 922 497	29 583 678	14 350 772	12 564 642	12 274 368	12 832 810
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	11 023 372	11 155 673	11 020 384	-	2 755 843	2 788 918	2 755 096	-
7	*Non-operational deposits (all counterparties)*	24 364 946	22 267 437	20 868 029	29 545 716	11 567 164	9 744 872	9 485 187	12 794 848
8	*Unsecured debt*	27 765	30 852	34 085	37 961	27 765	30 852	34 085	37 961
9	Secured wholesale funding					-	-	-	-
10	Additional requirements								
11	*Outflows related to derivative exposures and other collateral requirements*	42 577 808	37 919 925	37 237 605	38 593 744	15 141 480	12 484 832	11 515 077	12 471 047
12	*Outflows related to loss of funding on debt products*	11 818 225	9 331 802	8 403 006	9 226 104	11 818 225	9 331 802	8 403 006	9 226 104
13	*Credit and liquidity facilities*	-	-	-	-	-	-	-	-
14	Other contractual funding obligations	30 759 583	28 588 123	28 834 598	29 367 640	3 323 255	3 153 030	3 112 070	3 244 943
15	Other contingent funding obligations	2 987 696	2 937 544	2 770 509	2 196 440	584 697	427 289	-	-
16	TOTAL CASH OUTFLOWS					35 596 084	30 770 446	28 976 361	30 507 564
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	*Inflows from fully performing exposures*	2 470 946	3 680 309	3 812 998	2 859 908	1 688 328	2 720 286	2 830 835	1 695 214
19	*Other cash inflows*	11 183 235	8 831 594	7 902 153	8 714 664	11 183 235	8 831 594	7 902 153	8 714 664
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)								
20	TOTAL CASH INFLOWS	13 654 181	12 511 903	11 715 150	11 574 572	12 871 563	11 551 881	10 732 988	10 409 878
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	13 654 181	12 511 903	11 715 150	11 574 572	12 871 563	11 551 881	10 732 988	10 409 878
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					33 099 674	36 335 210	37 026 734	38 502 951
22	TOTAL NET CASH OUTFLOWS					22 724 521	19 218 565	18 243 374	20 097 686
23	LIQUIDITY COVERAGE RATIO					145.66%	189.06%	202.96%	191.58%

The Bank collects diversified sources of funds, that ensure stable liquidity situation. The Bank holds as well high liquid assets portfolio, that can be used as the source of liquidity in case of need and ensure access to the liquidity during one day. Above mentioned elements enable stable liquidity management both in the normal situation as well as in the crisis or emergency one. High share of liquid assets (Level 1 only) ensures compliance with the regulatory and internal liquidity requirements.

The main aspects having impact on the LCR measure is funding structure of the Bank and size of the high liquid assets portfolio, in particular its liquidity level. In the funding structure on the one side the funding sources structure is important (type of the Customer) and from the other product type of the liability. Diversification scale of the funding sources and relationship with the Customers ensure high stability of the funding.

The consolidated LCR measures for the ends of each quarter remains on the safe level. Significant increase of LCR measure at the end of June, despite of slight decrease of liquidity buffer, comes from the operational part of corporate current accounts operational estimation, for which the outflow value in the LCR measure is significantly smaller, than for non-operational ones. Implementation of the operational part of the corporate deposit model at the end of 2Q resulted in the increase of LCR measure. Gradual decline of LCR till year end 2021 comes from the increase of the loans and gradual decrease of the Customer deposits, however ouflow level is strictly monitored and coordinated between business lines and Assets and Liabilities area.

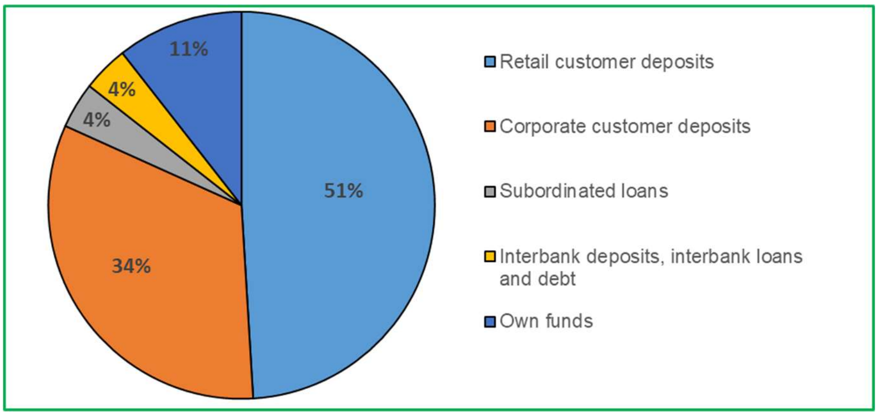
The Bank implemented additional set of the measurements for the liquidity risk management, which ensure stable and well balanced development of the balance sheet, adequate and approved by the management units' risk level and stable liquidity situation in short, mid and long term time horizon. Those measures are approved by ALCO Committee or Board of Management and support the management and financial planning of the liquidity. Additional measures implemented are:

- loans to deposits ratio for all currencies and for PLN,
- 1-year liquidity gap for all currencies and separately for main Bank's currencies PLN, EUR, CHF,
- liquidity surplus for 7 and 30 days,
- concentration limit for corporate and retail segment deposits, sector concentration,
- volume of off-balance sheet exposure.

Limit values and critical values set up for those measures reflect size and structure of the balance sheet of the Bank, as well as Customer structure and specific products exposures. Throughout control of those measures Bank ensures safe and adequate balance sheet structure and stable funding structure. In the liquidity limits and critical values review set up for particular liquidity measures the stress tests results are considered, so in the occurance of its scenarios, the liquidity measures still fulfil regulatory criteria as well as internal levels of the measures in the risk apetite scheme and the recovery plan.

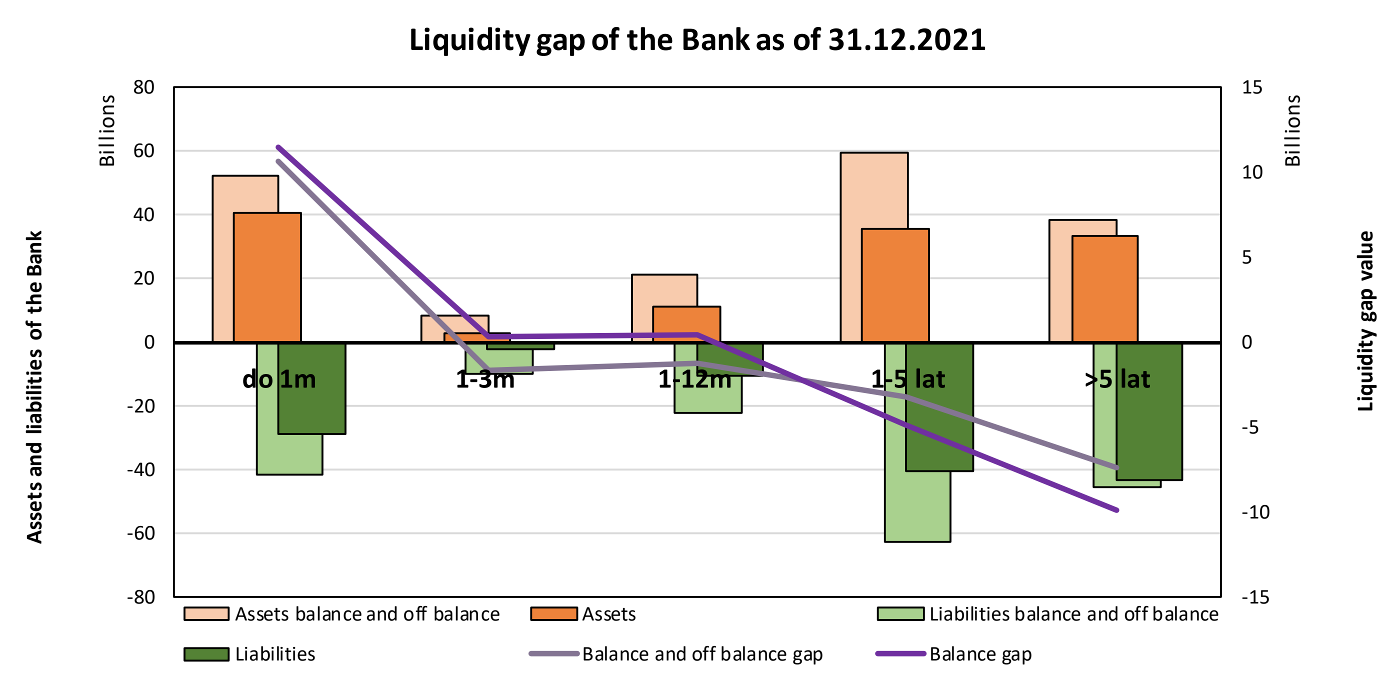
Funding and liquidity sources concentration

The biggest share in the Bank's funding is non-bank deposits base, that comes from all segments of Clients, however the retail segment has dominant share. The stability of deposit base is ensured by attractive and complex offer to the Customers on one side, and monitored and analyzed of the stability of liabilities modeling for each business lines from the other. The Bank cooperates as well with the supranational financial institutions, that provide stable funding to specific projects or specific offer to the Customers. Complete funding structure is presented on the chart below:



The Bank monitors concentration of the funding sources from non-bank Customers and presents analysis on the ALCO Committee on the monthly basis. The Bank established internal critical values for funding concentration both for corporate and retail segment. There was no excess event of the concentration critical value during last calendar year of the observation.

As of 31 December 2021 liquidity gap chart based on the daily liquidity gap report, which considers modeling of the products looks as below:



The iimitations in the funds transfer between Group units come from the need to comply liquidity norms, interest rate, capital etc, but above all from the need to comply with the internaly set up exposure limits for the counterparty and regulatory limitations for capital exposure for single counterparty.

Derivative instruments exposure and potential collateral calls

Due to currency structure of the Bank's balance sheet there is required to match appropriate level both on assets and liabilities side of the balance sheet. The Bank ensures funding that fits to the required level of assets either via funding drawn in that currency or via using derivatives transactions such as CIRS or FX swaps. Closing currency gaps throughout derivatives enables to close Bank's needs in the various currencies and term structure adequate to the liquidity risk profile of the respective currencies, and that has positive impact for the liquidity profile in respective currency. The Bank monitors liquidity in PLN and basic foreign currencies: EUR, CHF, USD and all remaining currencies as total. In case of the gap of liabilities in foreign currencies the Bank concludes off-balance sheet exchange of currencies transactions with the BNPP Group's units: FX swaps and CIRS, from the currencies Bank has excess of liabilities as first and complementary from PLN. As of 31 December the Bank acquired using above mentioned transactions funds in CHF for mortgage loans funding in that currency. Due to uncertainty of the further development of the situation regarding that product, Bank acquired funding in the relatively short term funding tenor, to be able to adopt balance sheet structure quickly to the potential changes regarding CHF mortgage loans portfolio.

Off-balance sheet transactions collaterals are mainly assets Level 1 type: cash and government securities. The change of collateral change is performed exclusively within that type of assets. In the ISDA and ZBP agreements there might be some clauses about "Credit Event upon merger", as that may result in the worsening of the rating. However, that is not implicating additional collateral requirement, but the possible closing of the transaction.

The Bank does not have any agreements with the conterparts that would require additional collateral in case of worsening the Bank's rating.

Currency mismatch in the Liquidity Coverage Ratio

The Bank calculates LCR measure in the following currencies: PLN, EUR, CHF and all currencies together in the Bank approach as well as consolidated approach. Apart of PLN the main currency is EUR. For the EUR and CHF Bank shows mismatch in the Liquidity Coverage Ratio, but in case of gap in the liabilities Bank concludes with the Group unit off-balance sheet transactions FX swaps and CIRS mainly from the currencies that Bank has liabilities surplus and as complementary in PLN.

Table 40 EU LIQ2 - Net Stable Funding Ratio

		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**11 303 787**	**-**	**-**	**4 198 911**	**15 502 699**
2	*Own funds*	11 303 787	-	-	4 198 911	15 502 699
3	*Other capital instruments*		-	-	-	-
4	**Retail deposits**		67 067 839	953 830	100 930	63 588 077
5	*Stable deposits*		44 812 177	540 730	57 843	43 143 104
6	*Less stable deposits*		22 255 662	413 100	43 087	20 444 972
7	**Wholesale funding:**		35 778 754	1 150 627	3 859 804	14 494 732
8	*Operational deposits*		11 023 372	-	-	5 511 686
9	*Other wholesale funding*		4 755 382	1 150 627	3 859 804	8 983 046
10	**Interdependent liabilities**		-	-	-	-
11	**Other liabilities:**	277 867	4 701 452	-	-	-
12	*NSFR derivative liabilities*	277 867				
13	*All other liabilities and capital instruments not included in the above categories*		4 701 452	-	-	-
14	**Total available stable funding (ASF)**					99 097 193
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**	-	-	-	-	1 972 512
EU-15a	**Assets encumbered for more than 12m in cover pool**	-	78 717	-	-	66 910
16	**Deposits held at other financial institutions for operational purposes**	-	-	-	-	-
17	**Performing loans and securities:**	-	10 223 769	9 729 179	67 747 250	65 289 151
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		1 350 097	124 685	1 829 861	2 027 213
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		8 273 265	9 002 485	40 306 152	40 891 178
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		264 674	236 542	11 176 383	7 515 257
22	*Performing residential mortgages, of which:*		598 411	582 116	25 298 852	22 094 288
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		1 996	19 893	312 385	276 472
25	**Interdependent assets**	**-**	**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**645 113**	**-**	**5 882 491**	**6 196 034**
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				-	-
29	*NSFR derivative assets*				-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*				-	-
31	*All other assets not included in the above categories*		645 113	-	5 873 478	6 196 034
32	**Off-balance sheet items**	**-**	**40 587 078**	**-**	**-**	**2 029 354**
33	**Total RSF**					75 553 961
34	**Net Stable Funding Ratio (%)**					131.16%

Funding contingency plans outline

The Bank prepared and approved contingency procedures for liquidity management. They refer to immediate liquidity – intraday liquidity management- as well as mid and long term liquidity. In the Liquidity Contingency Plan, the Bank defined the set of various indicators, which are monitored on the daily basis as measures of the situation that threatens Bank's liquidity. They refer to the internal measures and to the external ones of the financial environment. Market liquidity risk (product) is observed in the Early Warning Indicatiors set in the Liquidity Contingency Plan throughout price changes of the products versus normal market situation. Stress tests results are as well observed in the EVI set on the monthly basis and presented on the ACLO Committee meetings. There is a team managing the liquidity contingency plan actions defined in the regulation and specific tasks related to specific Bank's units. Liquidity contingency plan is being reviewed once a year and updated if needed. Additionally, once a year Bank performs the test of the liquidity contingency plan. As far as long term liquidity situation is concern the Bank monitors the situation on the monthly ALCO Committee the longer term liquidity situations, long term liquidity measures, liquidity gap profile and mid and long term funding maturity profile, including maturity profile of the off balance sheet transactions used for managing of the balance sheet currency mismatch.

11. LEVERAGE RATIO

The Bank discloses information on its leverage ratio pursuant to Art. 451 of the Regulation (EU) No 575/2013.

The calculation of the leverage ratio of the Group as at December 31, 2021 was based on the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms amending the Regulation (EU) No 648/2012 as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of May 20, 2019. The leverage ratio is the percentage of the Tier I capital ratio and the total exposure measure as at the end of the reporting period, while the total exposure measure is the sum of the exposure values determined for all assets and off-balance sheet items not deducted in determining the Tier I capital measure.

The reconciliation of the total exposure for the calculation of the leverage ratio with the value of assets in the published consolidated semi-annual report, pursuant to Article 451 of Regulation (EU) No 575/2013, is presented in accordance with the formulas defined in Regulation (EU) No 2021/637

Items included in template EU LR2 and not disclosed in Table 42 do not apply to the Bank.

Table 41 EU LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures as of 31 December 2021

		a
		Applicable amount
1	Total assets as per published financial statements	131 786 492
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	14 209
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-759 910
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-7
8	Adjustment for derivative financial instruments	1 056 804
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	12 832 822
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	157 947
13	**Total exposure measure**	**145 088 356**

Table 42 EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		31 December 2021	30 June 2021
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	129 850 853	122 314 833
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-630 405	-73 788

6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**129 220 448**	**122 241 045**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	1 128 871	820 380
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1 906 215	1 891 780
13	**Total derivatives exposures**	**3 035 086**	**2 712 161**
	Securities financing transaction (SFT) exposures		
18	**Total securities financing transaction exposures**	**-**	**-**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	36 170 960	34 416 408
20	(Adjustments for conversion to credit equivalent amounts)	-23 338 138	-21 682 233
22	**Off-balance sheet exposures**	**12 832 822**	**12 734 175**
	Excluded exposures		
EU-22k	**(Total exempted exposures)**	**-**	**-**
	Capital and total exposure measure		
23	Tier 1 capital	11 303 787	11 433 882
24	**Total exposure measure**	**145 088 356**	**137 687 380**
	Leverage ratio		
25	Leverage ratio (%)	7.79%	8.45%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	7.79%	8.45%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	7.79%	8.45%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	transitional	transitional
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	268 682	591 912
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	145 357 038	138 169 536
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	145 357 038	138 169 536
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.78%	8.28%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.78%	8.28%

Table 43 EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**129 220 448**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	129 220 448
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	25 823 544
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	159 696
EU-7	Institutions	1 686 262
EU-8	Secured by mortgages of immovable properties	38 996 212
EU-9	Retail exposures	22 993 478
EU-10	Corporates	31 033 765
EU-11	Exposures in default	2 275 638
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	6 251 853

Excessive leverage risk is defined as the risk of an insufficient leverage ratio being achieved, caused by a decrease in the own funds as a result of expected or incurred losses (decrease in the numerator) or by an unexpected and unmanageable increase in total exposure (increase in the denominator).

Excessive leverage risk management is identified as an important element of the Bank's management, having its source in the development of business activity. Hence, the excessive leverage risk management process is incorporated into the Bank's risk management concept and is included in the capital management process, in the stress testing process, in the limits system and the management information system.

Identification of the risk of excessive leverage takes place as part of the risk identification process in the Bank. The risk of excessive leverage is measured by the value of the leverage ratio, which is one of the basic indicators monitored by the Bank. This ensures Bank that has a necessary information to avoid breaching the safe level of leverage. The leverage ratio is taken into account in the capital planning, where it directly depends on the financial amounts assumed in the financial plan and in the Bank's capital plan.

The Bank provides ongoing monitoring of the financial leverage ratio, including forecasts of the ratio and includes the ratio in stress tests program. The leverage ratio is subject to a system of limits. The limits are adapted to the risk profile and take into account the risk appetite. The limits apply to current and forecasted values, both on an individual and consolidated basis.

As at December 31, 2021, the Group's leverage ratio was 7.79% and decreased compared to June 30, 2021 by 0.66 pp. The decrease in the leverage ratio results from:

- decrease in the amount of Tier I capital caused mainly by a decrease in the valuation of financial instruments measured at fair value through other comprehensive income;
- an increase in the value of the total exposure measure. This increase is due to the evolution of the Group's business

12. ENCUMBERED AND UNENCUMBERED ASSETS

An asset should be considered encumbered when it is the subject of a pledge or any contract to protect, hedge or support the credit quality of a transaction, which cannot be freely withdrawn, as withdrawal or replacement by other assets requires prior approval by the other party of transactions.

As a part of liquidity management, the Bank secures liabilities by encumbering assets due to:

- lombard and technical credit,
- REPO operations,
- the Bank Guarantee Fund,
- other operations to obtain liquidity or to guarantee settlements.

The Bank also uses assets encumbering as an important parameter that reduces the cost of obtaining financing. The level of encumbrance of the Bank's assets is low and is irrelevant to the Bank's business model.

The Bank has no collaterals established in the settlement systems, in the relation with central counterparts nor other institutions creating infrastructure as a condition for the access to the service. The only exception is collateral placed in the Central Depository Register placed in 2015 and its value of PLN 11.5 mn is not changing.

Table 44 EU AE1 – Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	1 334 471	485 783	-	-	130 466 231	31 829 999	-	-
030	Equity instruments	-	-	-	-	227 035	-	227 035	-
040	Debt securities	485 783	485 783	-	-	32 045 884	31 829 999	32 045 884	31 829 999
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	485 783	485 783	-	-	22 336 104	22 336 104	22 336 104	22 336 104
080	of which: issued by financial corporations	-	-	-	-	9 466 850	9 466 850	9 466 850	9 466 850

090	of which: issued by non-financial corporations	-	-	-	-	215 885	-	215 885	-
120	**Other assets**	848 688	-	-	-	98 193 311	-	-	-

Table 45 EU AE2 – Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the reporting institution	-	-	27 524 546	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	13 592 590	-
230	Other collateral received	-	-	13 931 956	-
240	Own debt securities issued other than own covered bonds or securitisations	-	-	-	-
241	Own covered bonds and asset-backed securities issued and not yet pledged			-	-
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	1 334 471	485 783		

Table 46 EU AE3 – Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	1 212 884	963 673

13. INFORMATION ON THE REMUNERATION POLICY

In fulfilment of the disclosure obligation arising from Regulation (EU) No 575/2013 information on the Remuneration Policy for 2021 is presented below.

The Bank implemented the "Remuneration Policy for persons having material impact on the risk profile of BNP Paribas Bank Polska S.A." (hereinafter referred to as "the Remuneration Policy"), "Regulations of awarding and payment of variable remuneration components to Members of the Management Board of BNP Paribas Bank Polska S.A." and "Regulations of awarding and payment of the variable remuneration components to persons having material impact on the Bank's risk profile other than the Members of the Management Board of BNP Paribas Bank Polska S.A." are valid at the Bank. The above regulations constitute a document superior to other documents at the Bank regarding remuneration policy and rules applicable to employees whose professional activity has a significant impact on the Bank's risk profile.

The basic assumptions of the Remuneration Policy:

1. The Remuneration Policy supports appropriate and effective risk management and ensures that persons identified as having material impact on the Bank's risk profile are not encouraged to take excessive and inadequate risk.
2. The Remuneration Policy meets the requirements in relation to the principles set out in 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 and the remuneration policy in banks, and Directive of the European Parliament and of the Council (EU) 2019/878 of 20 May 2019 amending Directive

2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

3. The main goals of the Remuneration Policy:
   - to support appropriate and effective governance of the Bank, the strategy of risk management at the Bank and to reduce conflict of interests;
   - to set forth basic principles for allocating and paying remuneration to employees identified as having material impact on the Bank's risk profile;
   - to encourage persons identified as having material impact on the Bank's risk profile to achieve targets set for them by using relevant remuneration categories, including performance-based remuneration;
   - to ensure that persons identified as having material impact on the Bank's risk profile are not encouraged to take excessive and inadequate risk;
   - to establish a legal framework for documentation defining a detailed mechanism of the allocation, acquisition of rights to remuneration and its payment under the principles specified in the Policy,
   - to ensure a sound, balanced and controllable Policy considering the principles of non-discrimination in employment, equal treatment in remuneration and gender neutrality.
4. Variable remuneration is not paid using constructs or methods designed to avoid the application of the principles of the Remuneration Policy and applicable laws and regulations.
5. Remuneration paid to persons having material impact on the Bank's risk profile shall be adequate, that is it shall reflect their contribution in achieving the Bank's goals, amount of labour and best market practice with respect to rewarding persons in similar positions adopted on the Polish market, and shall ensure proper balance between fixed remuneration and variable remuneration.
6. In order to guarantee the independence of persons holding control functions, the Policy sets out the following special conditions for remuneration paid to such persons:
   - the amount of fixed remuneration shall be sufficient to ensure the Bank's ability to attract skilled and experienced staff;
   - variable remuneration of persons holding control functions may not depend on financial results achieved in the Bank's areas controlled by them;
   - a majority of criteria and targets on which the acquisition of the right to variable remuneration depends shall be related to the position held;
   - the variable remuneration shall not be paid to persons holding control functions if the rating they received is lower than "satisfies requirements".
7. Remuneration shall be paid in a way non-discriminating any category of the Bank's employees, while retaining the right to equal remuneration for equal work.
8. The Supervisory Board is responsible for the approval of the Remuneration Policy and amendments thereto and periodically evaluates the implementation and application of the Remuneration Policy at the Bank.
9. All decisions pertaining to remuneration, including decisions on the allocation of variable remuneration, acquisition of the right to deferred variable remuneration and payment thereof, as well as the application of adjustment mechanisms with respect to this remuneration (Malus), shall be the responsibility of:
   - the Supervisory Board (after Remuneration Committee recommendation) – with respect to remuneration of Members of the Management Board;
   - the Management Board – with respect to remuneration of other Persons having material impact on the Bank's Risk Profile, after positive opinion of the Supervisory Board to annual financial statement.
10. The Remuneration Committee of the Supervisory Board supports the Supervisory Board in the process of approving the Remuneration Policy and evaluating its implementation and application at the Bank, and issues opinions and recommendations on the remuneration of members of the Management Board. The Remuneration Committee consists of at least three members. The Remuneration Committee meets at least once a year. In 2021, four meetings of the Remuneration Committee were held and six votes in circural mode on decisions taken by the Remuneration Committee.
11. The Policy shall be reviewed by the Remuneration Committee at least once a year, in particular with regard to:
    - the functioning of the Policy in accordance with its goals;
    - compliance of the Policy with the Polish law and European regulations;
    - consistence of the Bank practice with the market practice.

12. A report on the Policy review performed at least once in the year and shall be submitted to the Supervisory Board for approval. On February 25, 2021, the Supervisory Board adopted the Report on the assessment of the functioning of the remuneration policy at BNP Paribas Bank Polska S.A. in 2020. The Report was adopted by the Extraordinary General Meeting on March 24, 2021. The application of the remuneration policy at the Bank was positively assessed. The assessment of the Remuneration Policy for 2021 was approved by the Supervisory Board on March 2, 2021. The decision to approve the report will be taken by the Bank's General Meeting
13. In 2021, changes were introduced to the Remuneration Policy consisting aimed at adjustment to the Regulation of the Minister of Finance, Funds and Regional Policy of June 8, 2021 on the risk management system and internal control system as well as remuneration policy. The Bank did not use the services of an external advisor. The deferral period was extended to 5 years for senior management and 4 years for other employees who have a significant impact on the risk profile of the Bank. Additionally, the variable remuneration that does not exceed the equivalent of EUR 50,000 or 1/3 of the employee's total remuneration is not deferred.
14. The variable remuneration amount is determined on the basis of individual performance and the performance of the Bank as a whole. The main criteria included in the objectives of the Bank's Management Board:
    - net ROE
    - strategic financial goals of the Bank (net profit, NBI, C/I)
    - financial, specific goals defined for the area / business (e.g. business line NBI, area cost, impairment, business line ROE, RWA optimization, NPL)
    - strategic and non-financial goals
    - risk area specific objectives
15. In accordance with the resolution of the Extraordinary General Meeting of the Bank of 11 December 2018, the maximum level of the ratio of variable remuneration to fixed remuneration for the Members of the Management Board and the Executive Director of the Human Resources Area is 200%. For other employees covered by the Remuneration Policy, the maximum level of the ratio of variable to fixed remuneration is 100%.
16. Goals shall be set individually for each person having material impact on the Bank’s risk profile, taking into account:
    - adjustment of these goals to the Bank’s risk profile;
    - possibility of using risk adjustment mechanisms;
    - principles of transparency and openness.
17. Targets shall be set individually for each person having material impact on the Bank’s risk profile taking into account:
    - possibility of using risk adjustment mechanisms;
    - principles of transparency and openness;
    - adjustment of these targets to the Bank’s Risk Profile.
18. An evaluation of the individual performance of particular persons having material impact on the Bank’s risk profile shall be performed after the end of each year during the evaluation period. Such an evaluation shall in particular take into consideration an annual compliance and risk assessment performed in accordance with separate internal regulations.
19. In order to create conditions encouraging special care for the long-term good of the Bank, employees whose variable remuneration exceeds EUR 50,000 or 1/3 of the total remuneration, at least 50% of the variable remuneration is assigned in the form of the Bank's shares.
20. Variable Remuneration in the form of the Bank’s shares is subject to a retention period of one year.
21. In order to adopt the risk profile that will be appropriate for a long-term business strategy of the Bank and to adjust the variable remuneration to the risk profile, individual performance and the Bank’s performance, as well as to secure the compliance with the principle of not rewarding for poor performance, the Bank shall apply ex ante and ex post mechanisms of assessment and adjustment of risk and variable remuneration.
22. In line with the Bank's risk management system, the risk appetite has been defined for the identified material risks. In order to measure risk, the Bank uses two approaches: quantitative and qualitative. The credit, counterparty, market and interest rate risks of the banking book are covered by quantitative models. Measurement of difficult-to-measure risks, which include the following risks: business risk (including strategic risk, revenue risk and reputational risk), models, insolvency (including the risk of excessive leverage) and ESG risk, is a combination of a qualitative and quantitative methods.

23. Employees having a significant impact on the Bank's risk profile are subject to individual risk assessment, the short one includes an analysis of the overall assessment of the employee's behavior made by the supervisor (manager) and independent risk management functions at the Bank, taking into account the following criteria:

    - awareness of the basic risks / threats related to the performed work, taking into account the risks occurring in everyday activities in the appropriate time perspective; the criterion takes into account the rules in force at the Bank, including those resulting from the requirements of the BNP Paribas Group regarding risk limits,
    - notifying, in a transparent manner and in a timely manner, the relevant units about noticed changes in the risk profile,
    - activity in optimizing control methods.

    Where deficiencies of minor or moderate significance are identified, the premium is reduced, in the case of major deficiencies the bonus is not due.

24. Ex ante mechanisms shall be used prior to the allocation of variable remuneration to which persons having material impact on the Bank’s risk may potentially acquire the right, in order to adjust this remuneration to all current and future risks, and they have an immediate effect on the maximum variable remuneration to which such persons may acquire the right for a particular evaluation period and on his/her risk-based behavior. Ex ante mechanisms shall include in particular:

    - an assessment whether the variable remuneration reflects the Bank’s results, the organizational unit’s results and the level of accomplishment of targets by persons having material impact on the Bank’s risk profile;
    - risk measurement taking into account measures mitigating it in order to maintain the desired risk profile;
    - risk assessment taking into account both quantitative and qualitative risk adjustments;
    - compliance assessment,
    - inclusion of the cost of capital and avoidance of situations where the acquisition by persons having a material impact on the Bank’s risk profile of the right to variable remuneration and the payment of that remuneration – both in the deferred part and in the remaining part – would restrict the possibilities of strengthening the regulatory capital, the solvency ratio and the Bank’s equity.

25. Ex post mechanisms shall be used before the final determination of the amount of variable remuneration payable in order to guarantee that persons having a material impact on the Bank’s risk profile are rewarded taking into account long-term effectiveness and consequences of decisions made in the past. Ex post mechanisms shall include in particular:

    - application of the deferral and retention period and separation of the deferred part of the variable remuneration;
    - payment of a portion of variable vemuneration in the form of the Bank’s shares;
    - application of the Malus mechanism:
        - significant deterioration of the Bank's financial results, resulting in a change in the assessment of the original circumstances of determining the variable remuneration, in particular:
            - financial loss resulting from circumstances on which the person having a significant impact on the Bank's risk profile had an influence, including participation in activities which resulted in significant losses of the Bank, or was responsible for such activities (such a circumstance will not be a change in the law),
            - the situation referred to in Art. 142 sec. 1 of the Banking Law.
        - a significant negative change in the Bank's primary funds, resulting in a change in the assessment of the original circumstances of establishing the variable remuneration:
            - decrease in the capital adequacy ratio below the internal warning threshold of the Bank,
            - reduction of the solvency ratio below the supervisory standard,
            - lowering one of the liquidity measures (M1, M2, M3 and M4) below the supervisory standards.
        - significant failure of a given person having a significant impact on the Bank's risk profile regarding the principles of risk management, resulting in a change in the assessment of the original circumstances of determining the variable remuneration for the assessment period;
        - proven misconduct of a given person having a significant impact on the Bank's risk profile or committing material errors or failing to meet the applicable reputation standards, e.g. by acting in breach of the adopted code of conduct, codes of ethics, compliance guidelines or the Bank's core values;
        - a person having a significant impact on the Bank's risk profile did not meet the relevant standards regarding the guarantee of safe and prudent management of the Bank;
        - failure by a given person having a significant impact on the Bank's risk profile to meet the applicable standards in terms of competence and proper conduct;
        - determination of the variable remuneration on the basis of incorrect, misleading information or as a result of a deliberate action of a given person having a significant impact on the Bank's risk profile to the detriment of

the Bank, having a significant impact on the assessment of the achievement of its goals in a given assessment period or deferral period;

- withholding or reducing payment of variable remuneration in case of the Bank does not meet the combined buffer requirement within the meaning and on the terms set out in art. 55 and 56 of the Macroprudential Act.

26. The non-deferred part of the variable remuneration is payable after the level of achievement of the goals by individual employees identified as having an impact on the Bank's risk profile for a given assessment period has been assessed and the value of the variable remuneration has been determined. The deferred part of the variable remuneration is payable after the end of each annual accounting period falling within the given deferment period and after the verified amount of the variable remuneration has been determined. The amount of deferred variable remuneration shall be determined taking into account the circumstances, set out in the Remuneration Policy, resulting in its reduction or inability to acquire the right to deferred variable remuneration.
27. A deferred part of at least 40% of variable remuneration is determined after the end of the assessment period for which the remuneration is due. The deferral period amounts to a minimum of five years for senior executives and a minimum of four years and a maximum of five years for employees other than senior executives. The maximum deferral period of five years is applied in the case of an allocation of variable remuneration that exceeds a particularly high amount. Personal attitudes:
    - a significant failure of a particular person having material impact on the Bank’s risk profile concerning the risk management principles, resulting in a change of the original circumstances of determining the variable remuneration for the evaluation period;
    - proven misconduct of a particular person having material impact on the Bank’s risk profile or significant errors made or a failure to meet applicable standards related to reputation, e.g. through non-compliance with the code of conduct, codes of ethics, compliance guidelines or core values of the Bank;
    - a particular person having material impact on the Bank’s risk profile does not meet relevant standards for the warranty of safe and prudent management of the Bank;
    - failure to meet by a particular person having material impact on the Bank’s risk profile the applicable standards related to competence and proper conduct;
    - determination of variable remuneration on the basis of incorrect, misleading information or as a result of deliberate action of a particular person having material impact on the Bank’s risk profile to the detriment of the Bank, having a considerable effect on the assessment of the accomplishment of its targets in a particular evaluation period or deferral period.
28. Persons covered by the Remuneration Policy are obliged not to use their own hedging strategies or insurance with respect to their remuneration and responsibility, which would neutralize the measures taken with respect to these persons under the Remuneration Policy, excluding the mandatory insurance arising from specific law provisions.

Quantitative information for 2021 on the amount of remuneration of people covered by the Remuneration Policy

The information on compensation presented below includes the total of fixed and variable compensation, as well as benefits paid in 2021 to the employees covered by the Remuneration policy in 2021, whose job positions were identified in 2021 MRT. The amounts presented below represent the remuneration paid for the whole year, regardless of the time of holding a position covered by the Remuneration Policy for persons having material impact on the risk profile of BNP Paribas Bank Polska S.A. Under no circumstances, compensation with deferred payment granted in 2021 did not required revision based on results.

The table below presents collective quantitative information on the remuneration awarded for a given financial year, i.e. fixed remuneration paid in 2021 and variable remuneration granted for 2020, table (EU REM1). Quantitative data on variable remuneration components for 2021 will be published together with the information on the capital adequacy of the BNP Paribas Bank Polska S.A. Capital Group as of 31 March 2022.

Table 47 EU REM1 – Remuneration awarded for the financial year *(ths PLN, the information on the number of employees is expressed as a full number)*

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	14	10	14	105
2		Total fixed remuneration	1 457	12 281	7 970	35 907
3		Of which: cash-based	1 457	10 034	7 623	34 349
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	2 248	347	1 558
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	14	10	14	105
10		Total variable remuneration	-	4 263	2 921	11 127
11		Of which: cash-based	-	2 828	1 779	9 661
12		Of which: deferred	-	951	457	586
EU-13a		Of which: shares or equivalent ownership interests	-	2 379	1 142	1 466
EU-14a		Of which: deferred	-	757	457	586
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		1 457	16 544	10 891	47 034

Table 48 EU REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) *(ths PLN, the information on the number of employees is expressed as a full number)*

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	1	-	1
7	Severance payments awarded during the financial year - Total amount	-	855	-	139
8	Of which paid during the financial year	-	257	-	139
9	Of which deferred	-	342	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	139
11	Of which highest payment that has been awarded to a single person	-	257	-	-

Table 49 EU REM3 – Deferred remuneration (*ths PLN*)

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	70	34	36	-	-	-	26	36
2	Cash-based	34	34	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	36	-	36	-	-	-	26	36
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	6 911	973	5 938	-	-	-	297	1 055
8	Cash-based	3 384	973	2 411	-	-	-	-	-
9	Shares or equivalent ownership interests	2 843	-	2 843	-	-	-	-	638
10	Share-linked instruments or equivalent non-cash instruments	684	-	684	-	-	-	297	418
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	4 247	699	3 548	-	-	-	351	787
14	Cash-based	2 048	699	1 349	-	-	-	-	-
15	Shares or equivalent ownership interests	1 514	-	1 514	-	-	-	-	356
16	Share-linked instruments or equivalent non-cash instruments	685	-	685	-	-	-	351	430
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	5 879	950	4 929	-	-	-	697	1 145
20	Cash-based	2 786	950	1 836	-	-	-	-	-
21	Shares or equivalent ownership interests	2 033	-	2 033	-	-	-	-	487
22	Share-linked instruments or equivalent non-cash instruments	1 060	-	1 060	-	-	-	697	658
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	17 108	2 656	14 451	-	-	-	1 370	3 023

There were no employees at the Bank whose total remuneration paid in 2021 exceeded EUR 1 000 000, hence the EU REM4 template does not apply.

Table 50 EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) *(ths PLN, the information on the number of employees is expressed as a full number)*

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff	14	10	24	6	10	6	31	53	37	**143**
2	Of which: members of the MB	14	10	10	1	1	0	2	1	19	**24**
3	Of which: other senior management	0	0	0	0	0	1	5	6	2	**14**
4	Of which: other identified staff	0	0	0	5	9	5	24	46	16	**105**
5	Total remuneration of identified staff	1 517	16 745	18 261	5 506	7 640	2 973	16 287	23 705	21 991	**78 101**
6	Of which: variable remuneration	60	4 463	4 523	1 546	2 448	1 018	4 400	6 710	4 364	**20 486**
7	Of which: fixed remuneration	1 457	12 281	13 738	3 960	5 192	1 955	11 886	16 995	17 627	**57 616**

In 2021, the list of employees, who professional activity has an impact on Bank risk profile was prepared taking into account requirements of 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 and the remuneration policy in banks and Commission Delegated Regulation (EU) No 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive.

14. TRANSITIONAL PROVISIONS

This chapter presents a comparison of the Bank's own funds, capital ratio and leverage ratio with and without taking into account the application of transitional arrangements regarding IFRS 9 or similar expected credit losses and information on temporary treatment in accordance with Art. 468 of Regulation (EU) No 575/2013.

In accordance with Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of introducing IFRS 9 on own funds and for treatment as large exposures certain exposures to public sector entities denominated in the domestic currency of any Member State (hereinafter "Regulation (EU) 2017/2395") and guidelines EBA / GL / 2020/12, the Bank discloses to the public the amounts of own funds, Common Equity Tier I capital and Tier I capital, risk-weighted assets, Common Equity Tier I capital ratio, Tier I capital ratio, total capital ratio and leverage ratio that would apply if the Bank did not apply the transitional solutions resulting from the introduction of IFRS 9 and the corresponding expected credit losses, as well as the temporary treatment of unrealized gains and p at measured at fair value through other comprehensive income in connection with the COVID-19 pandemic in accordance with Art. 468 of Regulation (EU) No 575/2013.

As at the reporting date of 31 December 2021, the Bank applied a provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income in accordance with Art. 468 of the Regulation (EU) No 575/2013. Reported capital ratios, including the leverage ratio and Tier I capital, take into account the application of Art. 468 of the Regulation (EU) No 575/2013.

The Bank, as the parent company, after analyzing the requirements of Regulation (EU) 2017/2395, decided to apply the transitional provisions provided for in this regulation, which means that for the purposes of assessing the capital adequacy of the Group the full impact of IFRS 9 implementation is not taken into account. The Bank fulfilled its obligations under Regulation (EU) 2017/2395 by informing the Polish Financial Supervision Authority of its intention to apply the transitional provisions by letter No. BZO / W / 15/2018 of January 29, 2018.

Table 51 Comparison of Banks' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs , and with and without the application of the temporary treatment in accordance with Article 468 of the CRR as of 31 December 2021

	Available capital (amounts)	31 December 2021	30 September 2021	30 June 2021	31 March 2021
1	Common Equity Tier I (CET1) capital	11 303 787	11 487 203	11 634 275	11 737 129
2	Common Equity Tier I (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11 103 395	11 286 810	11 433 882	11 536 736
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	10 936 620	11 487 203	11 634 275	11 737 129
3	Tier I capital	11 303 787	11 487 203	11 634 275	11 737 129
4	Tier I capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11 103 395	11 286 810	11 433 882	11 536 736
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	10 936 620	11 487 203	11 634 275	11 737 129
5	Total capital	15 502 699	15 703 566	15 837 456	16 012 501
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15 302 306	15 503 173	15 637 063	15 812 108
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15 135 531	15 703 566	15 837 456	16 012 501
	Risk-weighted assets (amounts)				
7	Total risk-weighted assets	91 651 096	89 374 691	87 584 796	85 123 839
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	91 768 607	89 492 201	87 482 701	84 840 989
	Capital ratios				
9	Tier I (as a percentage of risk exposure amount)	12.33%	12.85%	13.28%	13.79%
10	Common Equity Tier I (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.10%	12.61%	13.07%	13.60%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	11.90%	12.85%	13.28%	13.79%
11	Tier I (as a percentage of risk exposure amount)	12.33%	12.85%	13.28%	13.79%
12	Tier I (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.10%	12.61%	13.07%	13.60%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	11.90%	12.85%	13.28%	13.79%
13	Total capital (as a percentage of risk exposure amount)	16.91%	17.57%	18.08%	18.81%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.67%	17.32%	17.87%	18.64%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	16.48%	17.57%	18.08%	18.81%
	Leverage ratio				
15	Leverage ratio total exposure measure	145 088 356	141 450 480	137 687 380	134 408 249
16	Leverage ratio	7.79%	8.12%	8.45%	8.73%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.65%	7.98%	8.30%	8.58%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	7.54%	8.12%	8.45%	8.73%

15. EVENTS REGARDING CAPITAL ADEQUACY AFTER THE BALANCE SHEET DATE

In a letter received on February 11, 2022 from the Polish Financial Supervision Authority, the Bank received a recommendation to reduce the risk inherent in the Bank's operations by maintaining the Bank's own funds at the individual and consolidated level to cover an additional capital charge ("P2G") at the level of 0.61 pp. in order to absorb potential losses resulting from the occurrence of stresses. The P2G capital charge should consist entirely of Common Equity Tier I capital. The P2G recommendation applies to the Bank from the moment it receives notification.

16. STATEMENT OF THE MANAGEMENT BOARD

Hereby, the Management Board of BNP Paribas Bank Polska S.A.

- declares that to the best of their knowledge, the information disclosed in accordance with part eight of Regulation (EU) No 575/2013 has been prepared in accordance with internal control processes;
- declares that, to the best of their knowledge, the adequacy of risk management arrangements ensures that the risk management systems used are appropriate from the point of view of the risk profile and strategy of the Bank and the Group;
- approves this *Capital adequacy information of the BNP Paribas Bank Polska S.A. Capital Group as of 31 December 2021*, which includes key indicators and figures that provide external stakeholders with a comprehensive view of risk profile determined by the Management Board and approved by the Supervisory Board.

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

2.03.2022	**Przemysław Gdański** *President of the Management Board*	*qualified electronic signature*
2.03.2022	**Agnieszka Wolska** *Vice-President of the Management Board*	*qualified electronic signature*
2.03.2022	**Magdalena Nowicka** *Vice-President of the Management Board*	*qualified electronic signature*
2.03.2022	**Jean-Charles Aranda** *Vice-President of the Management Board*	*qualified electronic signature*
2.03.2022	**Andre Boulanger** *Vice-President of the Management Board*	*qualified electronic signature*
2.03.2022	**Przemysław Furlepa** *Vice-President of the Management Board*	*qualified electronic signature*
2.03.2022	**Wojciech Kembłowski** *Vice-President of the Management Board*	*qualified electronic signature*
2.03.2022	**Kazimierz Łabno** *Vice-President of the Management Board*	*qualified electronic signature*
2.03.2022	**Volodymyr Radin** *Vice-President of the Management Board*	*qualified electronic signature*

Warsaw, 2 March, 2022