BNP PARIBAS

# SEPARATE FINANCIAL STATEMENT OF

**BNP Paribas Bank Polska S.A.**
**for the year ended**
**31 December 2023**

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# SELECTED SEPARATE FINANCIAL DATA

| Selected separate financial data | | in PLN'000 | | in EUR'000 | |
|---|---|---|---|---|---|
| **Statement of profit or loss** | **Note** | **For the period from 1.01.2023 to 31.12.2023** | For the period from 1.01.2022 to 31.12.2022 | **For the period from 1.01.2023 to 31.12.2023** | For the period from 1.01.2022 to 31.12.2022 |
| Net interest income | 4 | **5,126,329** | 3,397,742 | **1,132,040** | 724,728 |
| Net fee and commission income | 5 | **1,161,271** | 1,079,235 | **256,442** | 230,198 |
| Profit before tax | | **1,753,175** | 788,176 | **387,151** | 168,116 |
| Profit after tax | | **1,007,828** | 370,892 | **222,557** | 79,110 |
| Total comprehensive income | | **1,590,864** | (183,401) | **351,308** | (39,119) |
| **Statement of cash flows** | | **For the period from 1.01.2023 to 31.12.2023** | For the period from 1.01.2022 to 31.12.2022 | **For the period from 1.01.2023 to 31.12.2023** | For the period from 1.01.2022 to 31.12.2022 |
| Total net cash flows | | **2,674,665** | **7,974,387** | **590,642** | 1,700,912 |
| **Ratios** | | **31.12.2023** | 31.12.2022 | **31.12.2023** | 31.12.2022 |
| Number of shares (items) | 46 | **147,676,946** | 147,593,150 | **147,676,946** | 147,593,150 |
| Earnings per share | 16 | **6.83** | 2.51 | **1.51** | 0.54 |
| **Statement of financial position** | | **31.12.2023** | 31.12.2022 restated | **31.12.2023** | 31.12.2022 restated |
| Total assets | | **156,388,399** | 144,700,031 | **35,967,893** | 30,853,543 |
| Loans and advances to customers measured at amortised cost | 21 | **81,137,225** | 82,484,803 | **18,660,815** | 17,587,753 |
| Loans and advances to customers measured at fair value through profit or loss | 22 | **653,582** | 949,298 | **150,318** | 202,413 |
| Total liabilities | | **143,575,690** | 133,484,757 | **33,021,088** | 28,462,176 |
| Amounts due to customers | 33 | **127,134,065** | 120,429,051 | **29,239,665** | 25,678,384 |
| Share capital | 46 | **147,677** | 147,593 | **33,964** | 31,470 |
| Total equity | | **12,812,709** | 11,215,274 | **2,946,805** | 2,391,367 |
| **Capital adequacy** | | **31.12.2023** | 31.12.2022 | **31.12.2023** | 31.12.2022 |
| Total own funds | | **14,928,863** | 14,874,946 | **3,433,501** | 3,171,698 |
| Total risk exposure | | **86,385,831** | 91,512,357 | **19,867,946** | 19,512,646 |
| Total capital ratio | | **17.28%** | 16.25% | **17.28%** | 16.25% |
| Tier 1 capital ratio | | **12.97%** | 11.80% | **12.97%** | 11.80% |

For purposes of data conversion into EUR, the following exchange rates are used by the Bank:

For items of the statement of financial position, rates of the National Bank of Poland are applied:

- as at 31.12.2023 r. - 1 EUR = 4.3480 PLN
- as at 31.12.2022 r. - 1 EUR = 4.6899 PLN

For items of the statement of profit or loss and the statement of cash flows, the EUR exchange rate is calculated as the arithmetic mean of the rates published by the National Bank of Poland as at the last day of each month in the period:

- for the period from 1.01.2023 r. to 31.12.2023 r. - 1 EUR = 4.5284 PLN
- for the period from 1.01.2022 r. to 31.12.2022 r. - 1 EUR = 4.6883 PLN

Calculation of earnings (loss) per share was described in Note 16.

# SEPARATE STATEMENT OF PROFIT OR LOSS

| | Note | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|---|
| Interest income | 4 | 9,441,085 | 6,147,662 |
| Interest income calculated with the use of effective interest rate method | | 8,938,972 | 5,851,275 |
| interest income on financial instruments measured at amortised cost | | 8,280,945 | 5,527,158 |
| interest income on financial instruments measured at fair value through other comprehensive income | | 658,027 | 324,117 |
| Income of a similar nature to interest on instruments measured at fair value through profit or loss | | 502,113 | 296,387 |
| Interest expense | 4 | (4,314,756) | (2,749,920) |
| **Net interest income** | | **5,126,329** | **3,397,742** |
| Fee and commission income | 5 | 1,426,873 | 1,353,291 |
| Fee and commission expenses | 5 | (265,602) | (274,056) |
| **Net fee and commission income** | | **1,161,271** | **1,079,235** |
| Dividend income | 6 | 10,881 | 10,817 |
| Net trading income (of which exchange result) | 7 | 951,591 | 754,384 |
| Result on investment activities | 8 | 11,863 | 9,612 |
| Result on hedge accounting | 20 | (30,939) | 13,267 |
| Result on derecognition of financial assets measured at amortized cost due to significant modification | | 4,190 | (2,159) |
| Net allowances on expected credit losses of financial assets and provisions for contingent liabilities | 9 | (22,570) | (282,717) |
| Result on legal risk related to foreign currency loans | 54 | (1,978,086) | (740,000) |
| General administrative expenses | 10 | (2,522,978) | (2,524,065) |
| Depreciation and amortization | 12 | (456,655) | (411,923) |
| Other operating income | 13 | 142,828 | 160,392 |
| Other operating expenses | 14 | (232,897) | (249,856) |
| **Operating result** | | **2,164,828** | **1,214,729** |
| Tax on financial institutions | | (411,653) | (426,553) |
| **Profit before tax** | | **1,753,175** | **788,176** |
| Income tax expenses | 15 | (745,347) | (417,284) |
| **Net profit** | | **1,007,828** | **370,892** |
| attributable to equity holders of the Bank | | 1,007,828 | 370,892 |
| **Earnings (loss) per share (in PLN per one share)** | | | |
| Basic | 16 | 6.83 | 2.51 |
| Diluted | 16 | 6.82 | 2.51 |

# SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

| | Note | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|---|
| **Net profit for the period** | | **1,007,828** | **370,892** |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss upon fulfilment of certain conditions** | | **584,151** | **(553,251)** |
| Measurement of financial assets measured at fair value through other comprehensive income, gross | 25 | 653,872 | (599,039) |
| Deferred income tax on the valuation of gross financial assets measured through other comprehensive income | 37 | (124,236) | 113,817 |
| Measurement of cash flow hedge accounting derivatives | 20 | 67,303 | (83,987) |
| Deferred income tax on valuation of gross derivatives hedging cash flows | 37 | (12,788) | 15,958 |
| **Items that will not be reclassified to profit or loss** | | **(1,115)** | **(1,042)** |
| Actuary valuation of employee benefits | 3e | (1,377) | (1,287) |
| Deferred income tax on actuarial valuation of gross personnel expenses | 37 | 262 | 245 |
| **Other comprehensive income (net)** | | **583,036** | **(554,293)** |
| **Total comprehensive income** | | **1,590,864** | **(183,401)** |
| attributable to equity holders of the Bank | | 1,590,864 | (183,401) |

# SEPARATE STATEMENT OF FINANCIAL POSITION

| ASSETS | Note | 31.12.2023 | 31.12.2022 restated | 1.01.2022 restated |
|---|---|---|---|---|
| Cash and balances at Central Bank | 17 | 6,883,582 | 2,718,242 | 4,631,410 |
| Amounts due from banks | 18 | 17,890,698 | 11,709,582 | 2,254,621 |
| Derivative financial instruments | 19 | 3,146,745 | 3,224,272 | 1,901,919 |
| Differences from hedge accounting | 20 | 94,496 | 33,025 | 65,465 |
| Loans and advances to customers measured at amortised cost | 21 | 81,137,225 | 82,484,803 | 79,060,860 |
| Loans and advances to customers measured at fair value through profit or loss | 22 | 653,582 | 949,298 | 1,219,027 |
| Securities measured at amortised cost | 23 | 26,246,278 | 22,167,261 | 23,268,041 |
| Securities measured at fair value through profit or loss | 24 | 290,887 | 311,236 | 320,216 |
| Securities measured at fair value through other comprehensive income | 25 | 16,634,303 | 17,384,793 | 9,143,353 |
| Investments in subsidiaries | 26 | 118,726 | 93,119 | 122,033 |
| Intangible assets | 27 | 940,082 | 825,196 | 744,169 |
| Property, plant and equipment | 28 | 959,737 | 1,059,703 | 1,233,221 |
| Deferred tax assets | | 608,064 | 822,122 | 719,650 |
| Other assets | 30 | 783,994 | 917,379 | 613,384 |
| **Total assets** | | **156,388,399** | **144,700,031** | **125,297,369** |
| **LIABILITIES** | Note | 31.12.2023 | 31.12.2022 restated | 1.01.2022 restated |
| Amounts due to the Central Bank | 31 | - | 8,713 | - |
| Amounts due to other banks | 32 | 4,571,172 | 1,805,219 | 2,621,155 |
| Derivative financial instruments | 19 | 2,865,275 | 3,147,855 | 1,918,032 |
| Differences from hedge accounting | 20 | (7,365) | (451,646) | 44,107 |
| Amounts due to customers | 33 | 127,134,065 | 120,429,051 | 101,823,600 |
| Subordinated liabilities | 34 | 4,336,072 | 4,416,887 | 4,334,572 |
| Leasing liabilities | 29 | 626,174 | 718,724 | 860,009 |
| Other liabilities | 35 | 2,133,200 | 2,371,804 | 1,504,486 |
| Current tax liabilities | | 376,736 | 223,326 | 164,660 |
| Provisions | 36 | 1,540,361 | 814,824 | 634,105 |
| **Total liabilities** | | **143,575,690** | **133,484,757** | **113,904,726** |
| **EQUITY** | Note | 31.12.2023 | 31.12.2022 | 1.01.2022 |
| Share capital | 46 | 147,677 | 147,593 | 147,519 |
| Supplementary capital | 47 | 9,110,976 | 9,110,976 | 9,110,976 |
| Other reserve capital | 47 | 3,513,978 | 3,136,599 | 2,946,115 |
| Revaluation reserve | 47 | (566,964) | (1,150,000) | (595,707) |
| Retained earnings | | 607,042 | (29,894) | (216,260) |
| retained profit | | (400,786) | (400,786) | (400,786) |
| net profit for the period | | 1,007,828 | 370,892 | 184,526 |
| **Total equity** | | **12,812,709** | **11,215,274** | **11,392,643** |
| **Total liabilities and equity** | | **156,388,399** | **144,700,031** | **125,297,369** |

# SEPARATE STATEMENT OF CHANGES IN EQUITY

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

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

| | Share capital | Supplementary capital | Other reserve capital | Revaluation reserve | Retained earnings: Retained profit | Retained earnings: Net profit for the period | Share capital |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2022** | **147,519** | **9,110,976** | **2,946,115** | **(595,707)** | **(400,786)** | **184,526** | **11,392,643** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **(554,293)** | **-** | **370,892** | **(183,401)** |
| Net profit for the period | - | - | - | - | - | 370,892 | 370,892 |
| Other comprehensive income for the period | - | - | - | (554,293) | - | - | (554,293) |
| **Distribution of retained earnings** | **-** | **-** | **184,526** | **-** | **-** | **(184,526)** | **-** |
| Distribution of retained earnings intended for capital | - | - | 184,526 | - | - | (184,526) | - |
| **Share issue** | **74** | **-** | **-** | **-** | **-** | **-** | **74** |
| **Management stock options*** | **-** | **-** | **5,958** | **-** | **-** | **-** | **5,958** |
| **Balance as at 31 December 2022** | **147,593** | **9,110,976** | **3,136,599** | **(1,150,000)** | **(400,786)** | **370,892** | **11,215,274** |

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

# SEPARATE STATEMENT OF CASH FLOWS

| CASH FLOWS FROM OPERATING ACTIVITIES: | Note | 12 months to 31.12.2023 | 12 months to 31.12.2022 restated |
|---|---|---|---|
| **Net profit (loss)** | | **1,007,828** | **370,892** |
| **Adjustments for:** | | **4,949,423** | **15,830,720** |
| Income tax expenses | | 745,347 | 417,284 |
| Depreciation and amortization | 12 | 456,655 | 411,923 |
| Dividend income | 6 | (10,881) | (10,817) |
| Interest income | | (9,441,085) | (6,147,662) |
| Interest expense | | 4,314,756 | 2,749,920 |
| Change in provisions | | (684,307) | (179,432) |
| Change in amounts due from banks | 51 | (7,670,167) | 437,452 |
| Change in assets due to derivative financial instruments | | 16,056 | (1,289,913) |
| Change in loans and advances to customers measured at amortised cost | 51 | 2,756,163 | (3,105,659) |
| Change in loans and advances to customers measured at fair value through profit or loss | | 295,716 | 269,729 |
| Change in amounts due to banks | 51 | 2,749,344 | (794,439) |
| Change in liabilities due to derivative financial instruments | | 229,004 | 650,083 |
| Change in amounts due to customers | 51 | 6,602,512 | 18,316,478 |
| Change in other assets and deferred tax assets | | 133,198 | (332,749) |
| Change in other liabilities and current income tax liabilities | | (232,760) | 872,269 |
| Other adjustments | 51 | (303,873) | 110,742 |
| Interest received | | 9,712,055 | 5,869,563 |
| Interest paid | | (4,203,658) | (2,441,755) |
| Tax paid | | (513,539) | (330,064) |
| Leasing fees for short-term leases not included in the valuation of the liability | | (1,113) | (1,097) |
| **Net cash flows from operating activities** | | **5,957,251** | **16,201,612** |

| CASH FLOWS FROM INVESTING ACTIVITIES: | | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|---|
| **Inflows** | | **182,009,211** | **73,377,035** |
| Sale of debt securities | | 181,983,702 | 73,350,640 |
| Sale of intangible assets and property, plant and equipment | | 14,628 | 15,578 |
| Dividends received | | 10,881 | 10,817 |
| **Outflows** | | **(185,152,254)** | **(81,472,262)** |
| Purchase of shares in subsidiaries | | - | (6,000) |
| Purchase of debt securities | | (184,707,582) | (81,119,825) |
| Purchase of intangible assets and property, plant and equipment | | (444,672) | (346,437) |
| **Net cash flows from investing activities** | | **(3,143,043)** | **(8,095,227)** |

| CASH FLOWS FROM FINANCING ACTIVITIES: | | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|---|
| **Inflows** | | **1,784** | **15,374** |
| Net inflows from issuance of shares and return of capital contributions | | 1,784 | 15,374 |
| **Outflows** | | **(141,327)** | **(147,372)** |
| Repayment of long-term loans received | | (369) | (15,686) |
| Repayment of leasing liabilities | | (140,958) | (131,686) |
| **Net cash flows from financing activities** | | **(139,543)** | **(131,998)** |
| **TOTAL NET CASH AND CASH EQUIVALENTS** | | **2,674,665** | **7,974,387** |
| **Cash and cash equivalents at the beginning of the period** | | **13,126,607** | **5,152,220** |
| **Cash and cash equivalents at the end of the period** | 50 | **15,801,272** | **13,126,607** |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 106,132 | 32,650 |

# EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

# 1. GENERAL INFORMATION ABOUT THE BANK

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

The registered office of BNP Paribas Bank Polska S.A. is located at Kasprzaka 2, 01-211 Warsaw, Poland. The Bank is registered in Poland, by the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000011571. The duration of the parent entity and the entities from the Capital Group is unlimited.

Since 27 May 2011, pursuant to the decision of the Management Board of Warsaw Stock Exchange (WSE), the Bank's shares have been listed on WSE and classified as finance - banking sector.

As at 31 December 2023, the headcount of the Bank amounted to 8,037.04 FTEs, as compared to 8,361.60 FTEs as at 31 December 2022.

BNP Paribas is a universal commercial bank offering a wide range of banking services provided to individual and institutional clients in accordance with the scope of services specified in the Bank's Statute. The Bank operates both in Polish zlotys and in foreign currencies and actively participates in trading on domestic and foreign financial markets. In addition, through its subsidiaries, the Bank conducts brokerage and leasing activities and provides other financial services.

The Bank operates mainly in Poland.

**Composition of the Bank’s Management Board as of 31 December 2023:**

| FULL NAME | FUNCTION HELD IN THE MANAGEMENT BOARD OF THE BANK |
|---|---|
| Przemysław Gdański | President of the Management Board |
| André Boulanger | Vice-President of the Management Board |
| Przemysław Furlepa | Vice-President of the Management Board |
| Wojciech Kembłowski | Vice-President of the Management Board |
| Piotr Konieczny | Vice-President of the Management Board |
| Kazimierz Łabno | Vice-President of the Management Board |
| Magdalena Nowicka | Vice-President of the Management Board |
| Volodymyr Radin | Vice-President of the Management Board |
| Agnieszka Wolska | Vice-President of the Management Board |

Changes in the composition of the Management Board in the period from 1 January to 31 December 2023:

- On 24 March 2023 Mr. **Jean-Charles Aranda** resigned from the position of a Vice-President of the Management Board as of 31 July 2023,
- 9 May 2023 the Supervisory Board appointed Mr. **Gregory Raison** as Vice-President of the Management Board in charge of the Finance Area as of 1 August 2023,
- 23 June 2023 Mr. **Grégory Raison** resigned as a member of the Bank's Management Board. The reason for Mr. Grégory Raison's resignation was the end of his cooperation with the BNP Paribas Group and the assumption of new professional responsibilities,
- 24 July 2023 the Supervisory Board appointed Mr. **Piotr Konieczny** as Vice-President of the Management Board in charge of the Finance Area as of 1 September 2023,
- On 29 September 2023 Mr. **Kazimierz Łabno** resigned from the position of a Vice-President of the Management Board as of 31 December 2023,
- 21 November 2023 Mr. **Przemysław Furlepa** resigned from the position of a Vice-President of the Management Board as of 31 December 2023,
- 7 December 2023 the Supervisory Board appointed Ms **Małgorzata Dąbrowska** as Vice-President of the Management Board in charge of the Operations and Business Support Area as of 1 January 2024.

## Composition of the Bank's Supervisory Board as of 31 December 2023:

| FULL NAME | OFFICE HELD IN THE SUPERVISORY BOARD OF THE BANK |
|---|---|
| Lucyna Stańczak-Wuczyńska | Chairman of the Supervisory Board, Independent member |
| Francois Benaroya | Vice-Chairman of the Supervisory Board |
| Jean – Charles Aranda | Member of the Supervisory Board |
| Jarosław Bauc | Independent Member of the Supervisory Board |
| Małgorzata Chruściak | Independent Member of the Supervisory Board |
| Géraldine Conti | Member of the Supervisory Board |
| Magdalena Dziewguć | Independent Member of the Supervisory Board |
| Sophie Heller | Member of the Supervisory Board |
| Vincent Metz | Member of the Supervisory Board |
| Piotr Mietkowski | Member of the Supervisory Board |
| Khatleen Pauwels | Member of the Supervisory Board |
| Mariusz Warych | Independent Member of the Supervisory Board |

Changes in the composition of the Supervisory Board in the period from 1 January to 31 December 2023:

- 17 January 2023 the Bank's Extraordinary General Meeting appointed Mr. **Grégory Raison** as a Member of the Supervisory Board as of 17 January 2023 until the end of the current five-year joint term of office of Supervisory Board members,
- 24 March 2023 Mr. **Grégory Raison** resigned from the positon of a Member of the Bank's Supervisory Board. The reason for Mr. Grégory Raison's resignation was his candidacy for the position of Vice-President of the Management Board,
- 28 February 2023 Mr. **Jean-Paul Sabet** resigned from the position of a Member of the Supervisory Board as of the date of the Annual General Meeting approving the financial statements for 2022 (30 June 2023),
- 30 June 2023 the Bank's Annual General Meeting appointed Ms **Sophie Heller** as a member of the Supervisory Board until the end of the current five-year joint term of office of the Supervisory Board members,
- 30 June 2023 the Bank's Annual General Meeting appointed Mr. **Jean – Charles Aranda** as a member of the Supervisory Board as of 1 August 2023 until the end of the current five-year joint term of office of the members of the Supervisory Board,
- 7 November 2023 Ms **Géraldine Conti** resigned from the position of a Member of the Supervisory Board as of 31 December 2023,
- 12 December 2023 the Bank's Extraordinary General Meeting appointed Mr. **Jacques Roger Jean-Marie Rinino** as an independent member of the Supervisory Board as of 1 January 2024, until the end of the current five-year joint term of office of the Supervisory Board members.

## Approval of the financial statements for publication

The present separate financial statements have been prepared as at 31 December 2023 and approved for publication by 2the Management Board of the Bank on 29 February 2024.

Consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group have been prepared as at 31 December 2023 and approved for publication by the Management Board of the Bank on 29 February 2024.

Data included in the above mentioned financial statements are presented for the financial year ended 31 December 2023 with comparative data for the financial year ended 31 December 2022, which have been restated as described in Note 2.6 Changes in accounting policies and changes in the presentation of financial data.

# 2. ACCOUNTING PRINCIPLES APPLIED FOR THE PURPOSE OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

## 2.1. Basis for preparation of the separate financial statements

The present separate financial statements have been prepared on the historical cost basis, with the exception of derivative contracts and financial instruments held for trading, financial assets not meeting the SPPI test, financial assets assigned to the business model, which does not entail holding them to obtain contractual cash flows, equity instruments measured at fair value through profit or loss, and except for financial instruments measured at fair value through other comprehensive income and equity instruments for which the fair value option has been applied for other comprehensive income.

## 2.2. Going concern

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

## 2.3. Statement of compliance with IFRS

The present separate financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS EU").

The present separate financial statements have been prepared in accordance with the requirements specified in International Accounting Standards ("IAS") and International Financial Reporting Standards endorsed by the European Union ("IFRS EU"), as well as the related interpretations, except for the standards and interpretations listed below, which are awaiting endorsement by the European Union or have already been endorsed by the European Union but entered or will enter into force after the end of the reporting period.

In the period included in these separate financial statements, the Bank did not early apply standards and interpretations endorsed by the EU, which will enter into force after the balance sheet date.

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

| Standards / Interpretations | Date of issue/ publication | Date of entry into force in EU | Approved by the EU | Description of changes |
|---|---|---|---|---|
| Amendments to IAS 21, "Effects of Changes in Foreign Exchange Rates": Lack of currency exchange | 15.08.2023 | 01.01.2025 | No | Identification of when a currency is exchangeable and when it is not, along with the required disclosures in case of lack of currency exchangeability.<br>The changes will not have a significant impact on the Bank's financial statements. |
| Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. Supplier Financing Agreements. | 25.05.2023 | 01.01.2024 | No | The amendments include additional disclosures regarding supplier financing arrangements.<br>The amendments will not have a material impact on the Bank's statements. |

## New standards, interpretations and amendments to the existing standards, that have been issued by the International Accounting Standards Board (IASB), approved by the European Union but not yet effective and have not been implemented by the Bank yet

| Standards / Interpretations | Date of issue/ publication | Date of entry into force in EU | Date of approval by EU | Description of changes |
|---|---|---|---|---|
| Amendments to IAS 1, Presentation of financial statements - classification of liabilities | 23.01.2020/ 15.07.2020 | 01.01.2024 | 19.12.2023 | The amendments relate to the classification of liabilities in the statement of financial position as current or non-current. They clarify that the classification of liabilities as current or non-current should take into account, as of the date of classification, the existence of a rollover of the liability regardless of the entity's intention to use it for a period longer than 12 months, and should take into account the fulfilment, as of the date of assessment, of the conditions of such rollover, if it is conditional.<br>The changes will not significantly affect the Bank's financial statements. |
| Changes to IAS 1 Presentation of financial statements – Long-term liabilities with covenants | 31.10.2022 | 01.01.2024 | 19.12.2023 | The changes are aimed at improving the information provided by companies on long-term liabilities with covenants.<br>The changes will not significantly affect the Bank's financial statements. |
| Amendments to IFRS 16: Leases - Lease liability in transactions such as Sale and Leaseback | 22.09.2022 | 01.01.2024 | 20.11.2023 | Change in calculation of lease liability in sale and leaseback transactions.<br>The changes will not significantly affect the Bank's financial statements. |

## New standards, interpretations and amendments to the existing standards, that have been issued by the International Accounting Standards Board (IASB), approved by the European Union, have entered into force and have been applied by the Bank

| Standards / Interpretations | Date of issue/ publication | Date of entry into force in EU | Date of approval by EU | Description of changes |
|---|---|---|---|---|
| Amendments to IFRS 17 „First application of IFRS 17 and IFRS 9 – comparative data" | 09.12.2021 | 01.01.2023 | 08.09.2022 | The amendments relate to comparative data when applying IFRS 17 and IFRS 9 for the first time.<br>The changes will not significantly affect the Bank's financial statements. |
| Amendments to IAS 1 „Presentation of financial statements" | 12.02.2021 | 01.01.2023 | 02.03.2022 | The amendments to IAS 1 clarify the scope of disclosure of significant accounting policies. According to the amendments, only accounting policies that have a material effect on the information contained in the financial statements should be disclosed.<br>The changes will not significantly affect the Bank's financial statements. |
| Amendments to IAS 8 „Accounting principles (policies), changes in estimates and correction of errors" | 12.02.2021 | 01.01.2023 | 02.03.2022 | The amendment to IAS 8 clarified the definition of accounting estimates as monetary amounts recognized in the financial statements that are subject to measurement uncertainty.<br>The changes will not significantly affect the Bank's financial statements. |

| | | | | |
|---|---|---|---|---|
| Amendments to IAS 12 "Income Tax" | 07.05.2021 | 01.01.2023 | 12.08.2022 | The amendments to IAS 12 clarify the accounting for deferred taxes on transactions in which companies recognize both an asset and a liability, possibly resulting in positive and negative temporary differences simultaneously. This includes transactions such as leases or liabilities for the liquidation of an asset. Entities are required to recognize deferred tax on such transactions (it is not possible to apply deferred tax recognition exclusion).<br>The changes will not significantly affect the Bank's financial statements. |
| Amendments to IAS 12 "Income Tax" | 23.05.2023 | 01.01.2023 | 08.11.2023 | Disclosures related to the application of the OECD 2nd pillar model rules and disclosure of the application of an exception to the standard when an entity does not recognize deferred tax assets and liabilities related to the 2nd pillar income taxes or disclose information about those assets and liabilities.<br>The changes will not significantly affect the Bank's financial statements. |

## 2.4. Recognition of transactions under common control

Business combinations under common control do not fall within the scope of IFRS regulations. In the absence of detailed IFRS regulations in this regard, in line with the guidelines specified in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, BNP Paribas Bank Polska S.A. adopted an accounting policy generally applied to any business combinations under common control within the Bank's Group, whereby such transactions are recognised at their book value.

In accordance with the adopted accounting principles, the acquirer recognizes the assets, liabilities and equity of the acquiree at their present book value adjusted only for purposes of harmonizing the accounting principles of the acquiree with those of the acquirer. Goodwill and negative goodwill are not recognised.

The difference between the book value of the acquired net assets and the fair value of the payment is recognised in the Bank's equity. A method based on book values is used, and therefore the comparative data are not restated.

If the business combination under common control involves acquisition of minority interests, the Bank recognizes them separately.

## 2.5. Business combinations

For the need of settling business combinations in which the Bank acts as the acquirer, the acquisition method is applied, in accordance with the requirements of IFRS 3 "Business combinations".

For each business combination, the acquiring entity and the acquisition date are determined, and the acquisition date is the date on which the entity acquired control over the acquired entity. In addition, the application of the acquisition method requires the recognition and measurement of identifiable assets and liabilities acquired, and any non-controlling interest in the acquired entity, as well as the recognition and measurement of goodwill or bargain purchase gain. The acquiring entity measures the identifiable assets and liabilities acquired at their fair values as at the acquisition date.

If the net amount of the fair values of identifiable acquired assets and liabilities exceeds the fair value of the consideration transferred, the Bank, as the acquiring entity, recognizes the gain from the bargain purchase in the profit or loss. Before recognizing the gain from a bargain purchase, the Bank reassess whether all acquired assets and liabilities have been correctly identified and all additional assets and liabilities have been included.

If the value of the consideration transferred, measured at fair value as at the acquisition date, exceeds the net value of fair values of identifiable acquired assets and liabilities as at the acquisition date, the goodwill is recognised. The established goodwill is not subject to amortization, but at the end of each financial year and, whenever there are indications that impairment may have occurred, it is tested in terms of their impairment.

In accordance with the requirements of IFRS 3, the Bank performs a final settlement of the acquisition within a maximum of one year from the date of taking control.

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

Beginning 1 January 2023, the Bank changed its accounting policy related to the recognition of the impact of legal risk arising from litigation related to CHF mortgage loans.

The update of the accounting policy towards CHF loan agreements is due to the changing legal situation. The growing number of court proceedings and a significant share of unfavourable judgments affect the Bank's inability to recover all contractual cash flows under CHF loan agreements.

In the 2022 financial statements, provisions for the above legal risks were presented in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets under Provisions for Litigation and Similar Liabilities. This item presented both provisions established for active loans and for repaid loans.

Effective 1 January 2023, for the presentation of this legal risk, the Bank applied the provisions of IFRS 9 paragraph B.5.4.6 and recognized it as an adjustment to the gross carrying amount of the CHF loan portfolio. According to the standard, when an entity changes its estimates of payments or receipts (excluding immaterial modifications and changes in estimates of expected credit losses), it adjusts the gross carrying amount of the financial asset or the amortized cost of the financial liability (or group of financial instruments) so that the value reflects the actual and revised estimated contractual cash flows. Allocation of the impact of legal risk arising from CHF mortgage litigation between active and repaid loans is made based on observed lawsuits received. For active loans, the approach results in recognition of the estimated impact of legal risk as an adjustment to the gross carrying amount of the loans. For repaid loans as well as when the estimated impact exceeds the gross carrying amount of the loan, the provision is presented in accordance with IAS 37.

The Bank believes that the IFRS 9 consistent approach to the presentation of the impact of the legal risk will lead to more adequate information in the financial statements about this impact on the entity's financial position, financial result, than the information presented under the previous approach.

Comparative data as of 1 January 2022 and 31 December 2022 and for the period from 1 January to 31 December 2022 have been restated accordingly and are included in these separate financial statements in all notes affected by these changes. The impact of the adjustments on the comparative figures is presented below.

| **Separate statement of financial position** | 31 December 2022 before adjustment | adjustment | 31 December 2022 after adjustment |
|---|---|---|---|
| Loans and advances to customers measured at amortised cost | 83,893,270 | (1,408,467) | 82,484,803 |
| **Total assets** | **146,108,498** | **(1,408,467)** | **144,700,031** |
| Provisions | 2,223,291 | (1,408,467) | 814,824 |
| **Total liabilities** | **134,893,224** | **(1,408,467)** | **133,484,757** |
| **Total liabilities and equity** | **146,108,498** | **(1,408,467)** | **144,700,031** |

| **Separate statement of financial position** | 1 January 2022 before adjustment | adjustment | 1 January 2022 after adjustment |
|---|---|---|---|
| Loans and advances to customers measured at amortised cost | 80,124,751 | (1,063,891) | 79,060,860 |
| **Total assets** | **126,361,260** | **(1,063,891)** | **125,297,369** |
| Provisions | 1,697,996 | (1,063,891) | 634,105 |
| **Total liabilities** | **114,968,617** | **(1,063,891)** | **113,904,726** |
| **Total liabilities and equity** | **126,361,260** | **(1,063,891)** | **125,297,369** |

| **Separate statement of cash flows** | 12 months to 31.12.2022 before adjustment | adjustment | 12 months to 31.12.2022 after adjustment |
|---|---|---|---|
| **Net profit (loss)** | **370,892** | - | **370,892** |
| **Total adjustments** | **15,830,720** | **-** | **15,830,720** |
| Change in provisions | 524,008 | (344,576) | 179,432 |
| Change in loans and advances to customers measured at amortised cost | (3,450,235) | 344,576 | (3,105,659) |
| **Net cash flows from operating activities** | **16,201,612** | **-** | **16,201,612** |

Details of the impact of the above change in accounting policy on impairment losses are presented in Note 3a. Impairment of financial assets while a description of litigation and the model for calculating the impact on legal risk for the CHF portfolio is described in Note 54 Court cases and administrative proceedings.

## 2.7. Measurement of items denominated in foreign currencies

**Functional and presentation currency**

Items included in the financial statements are measured in the currency of the primary economic environment in which the Bank operates ("functional currency"). The separate financial statements are presented in PLN thousands, which is the functional currency of the Bank and the presentation currency of the Bank's financial statements.

**Transactions and balances**

Transactions expressed in foreign currencies are translated into the functional currency at the exchange rate applicable as at the transaction date.

At the end of the reporting period, monetary assets and liabilities expressed in currencies other than Polish zloty are translated into Polish zlotys using the average exchange rate for a given currency determined by the National Bank of Poland in force at the end of the reporting period. Foreign exchange differences resulting from the translation are recognised as a net trading income. Non-monetary assets and liabilities recognised at historical cost expressed in a foreign currency are disclosed at the historical exchange rate as at the transaction date. Non-monetary assets and liabilities recognised at fair value expressed in a foreign currency are translated at the exchange rate effective at the date of fair value measurement.

Basic currency rates used in the preparation of the present financial statements as at 31 December 2023 and 31 December 2022 are presented in the below table:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| 1 EUR | 4.3480 | 4.6899 |
| 1 USD | 3.9350 | 4.4018 |
| 1 GBP | 4.9997 | 5.2957 |
| 1 CHF | 4.6828 | 4.7679 |

## 2.8. Interest income and expenses

The profit or loss statement includes all interest income on financial instruments measured at amortised cost using the effective interest rate, financial assets measured at fair value through other comprehensive income but also income with its characteristics similar to interest income on financial assets and liabilities measured at fair value through profit or loss.

The effective interest rate is the rate used to estimate future payments or incomes throughout the expected life of financial assets or financial liabilities, discounted to the gross balance sheet value of a financial asset or to the amortised cost of a financial liability. The calculation of the effective interest rate includes all commissions paid and received by the parties, transaction costs and any other premiums and discounts that are an integral part of the effective interest rate.

Interest income is calculated using the effective interest rate based on the balance sheet amount of financial assets except for financial assets that are impaired due to credit risk or purchased or originated credit impaired financial assets ('POCI'). At the moment of recognition of financial assets impairment (reclassification of a financial asset to Stage 3), interest income is accrued on the net value of the financial asset and is recognised at the effective interest rate.

In case of POCI, the Bank uses the credit risk-adjusted effective interest rate to calculate interest income. Interest income is calculated based on net exposure (gross exposure less impairment allowance).

## 2.9. Net fee and commission income

Fees and commissions, which are not accounted for using the effective interest rate method but in accordance with the straight-line method or recognised on a one-off basis, are recognised in “Net fee and commission income”.

Income settled over time with straight-line method includes commissions on overdrafts, revolving loans and commitments (guarantees and credit facilities).

Fees for the Bank's commitment to grant a loan or an advance (commissions from promises issued) are deferred and as soon as financial assets are recognised they are accounted for as an element of the effective interest rate or on a straight-line basis.

Revenues from contracts with customers include both fees and commissions, which are settled over time using the straight-line method (throughout the period of providing the service) as well as on a one-off basis. Revenues are presented as the amount of the Bank's remuneration specified in the contracts with customers and do not include amounts collected by the Bank on behalf of third parties, which are then transferred to them (i.e., insurance premiums collected which the Bank transfers to insurance companies). The Bank recognizes revenues when the performance obligation is met (or when it is being fulfilled) by transferring the promised good or service (i.e. an asset) to the customer.

*Loans and advances*

In respect of loan agreements, the Bank generates, in particular, revenues for readiness to give the funding under the granted credit limits, which are recognised in the statement of profit or loss on a straight-line basis over the period for which the limit was granted. For contracts without a specified repayment schedule, in the case of revolving loans, fees for each instalment of a loan tranche are recognised over the average expected repayment period. Under certain loan agreements, the Bank receives commissions for readiness or commitment, the amount of which is calculated on the basis of loan balances at the specified moment of the duration of the loan agreement. Despite the fact that they partially constitute remuneration for the provision of services, in case of which the customers derive benefits in a continuous manner, due to significant uncertainty about the credit balance at a specific point in the future, the Bank recognizes this type of income when the basis of its calculation is certain.

*Debit and credit cards*

Under debit card agreements with customers, the Bank recognizes revenues from various types of fees and commissions. In a majority of cases, these are activities in which the Bank executes its obligation to provide services at a given moment of time, in which the customer derives benefits from these services at once, the remuneration due is recognised by the Bank in revenues on a one-off basis. An example may be the fee for issuing a card, for checking the account balance at an ATM, for withdrawing cash at an ATM. In addition to one-off fees for banking operations, analogous to those described above for debit cards, the Bank receives annual fees for the use of credit cards sold by the Bank together with separate services, including card insurance. The Bank allocates remuneration to individual performance obligations and recognizes commissions throughout the service provision period.

*Commitments to grant loans and advances*

The Bank charges a commission for its readiness to grant a loan or advance, which constitutes a separate remuneration for commissions received from the loans at the moment of their commissioning, such as preparation commissions. Despite the provision of the service over time, the Bank recognizes the revenue on account of the commission at the moment of the decision regarding the commissioning of the loan, because at the moment of collecting the provision it is not possible to estimate the period by which the due remuneration should be spread.

*Investment brokerage and asset management*

The Bank acts as a broker in the sale of participation units of investment funds for BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A. ("TFI"), and receives a part of the commission charged for sales from customers. The Bank recognizes revenue monthly based on the sales volume for a given month. In addition, the Bank receives variable remuneration from TFI as part of the commission for the management of assets created as a result of the sale of investment fund participation units, which TFI collects from clients. The Bank's remuneration depends on the valuation of assets in the portfolio under management. The Bank recognizes revenue at the end of the month based on its own estimates in the area of valuation of assets under management, which do not imply a potential significant reversal of revenue when settling revenues from TFI.

*Insurance brokerage*

The Bank, acting as an agent in the sale of insurance for an insurance company, is entitled to receive remuneration in the form of a commission and additional remuneration, which the Bank recognizes on a quarterly basis based on the periodic results of the insurance sale volume in an amount that will not be subject to significant reversal in the future, in accordance with IFRS 15.

**Recognition of bancassurance income and expenses**

Direct relation of a bancassurance product and financial instrument occurs in particular if at least one of the following conditions is met: the offered financial instrument is always accompanied by the bancassurance product, or the bancassurance product is offered only accompanied by the financial instrument, i.e. the Bank does not offer any bancassurance products with identical legal form, terms and economic contents without the accompanying financial instrument.

**Recognition of bancassurance income for related transactions**

For related transactions including bancassurance products and financial instruments, remuneration from sales of the bancassurance products constitute an integral part of the fee for the offered financial instrument.

Fee for bancassurance products offered in related transactions with financial instruments measured at amortised cost is accounted for using the effective interest rate method and recognised in interest income for one-off premium or in commission income on a monthly basis for a monthly premium.

Fee for the brokerage services, whose value is determined based on their economic contents, is recognised in commission income upon sale or renewal (if the renewal is significant) of a bancassurance product.

**Recognition of bancassurance expenses for related transactions**

Expenses directly related to the sale of bancassurance product are settled in accordance with the matching principle as an element of amortised cost of a financial instrument if the total income related to the sale of the product is settled with the effective interest rate method or, respectively, proportionally to the classification of the income as recognised within amortised cost calculation and that recognised on a one-off basis or over time as the fee for the agency services, if such classification has been introduced.

**Recognition of bancassurance income and expenses for transactions not classified as related**

If a financial instrument and a bancassurance product are sold in two separate transactions, the Bank's fee for the sale of the bancassurance product is recognised separately from the fee for the financial instrument.

Fee for the sale of bancassurance products that do not require the Bank to provide any post-sale services is recognised as income as at the effective/renewal date of the relevant insurance policy. The related income is recognised under commission income.

Fee for the services provided by the Bank over the whole life of a bancassurance product is deferred and recognised as income based on the percentage of completion of the provided services. Application of the percentage of completion method as at the balance sheet date is limited to cases when a result of a service transaction can be reliably estimated. If the Bank is unable to precisely determine the number of activities performed within a given time range or a returns level, income from services or activities performed in relation to a bancassurance product offered by the Bank is recognised on a straight-line basis over the lifetime of the product, unless there is evidence that another method would be more representative of the stage of completion.

## 2.10. Dividend income

Dividend income is recognised in the statement of profit or loss once the Bank's right to dividends has been determined.

## 2.11. Net trading income

Net trading income includes all income and expenses resulting from the change in the fair value of financial assets and liabilities classified as measured at fair value through profit or loss, and interest income and interest expenses on derivatives, except derivative instruments in hedge accounting.

The item includes also gains and losses on translation of assets and liabilities denominated in foreign currencies (revaluation).

## 2.12. Result on investment activities

The result on investment activities includes income and expenses from impairment of investments in subsidiaries, income and expenses on financial assets classified as measured at fair value through other comprehensive income and income and expenses on loans and advances to customers measured at fair value through profit or loss, except for the interest.

## 2.13. Result from derecognition of financial assets measured at amortized cost due to material modification

Derecognition of financial instruments measured at amortized cost applies to cases of material modification (for a description of the identification and recognition of material modifications, see Section 2.17 Classification and Measurement of Financial Assets and Liabilities, paragraph entitled "Modifications to Financial Assets").

## 2.14. Result from legal risk related to foreign currency loans

This item includes the result of legal risks related to foreign currency loans. For a description of the accounting policy and methodology for calculating the impact of this risk, see Note 54 Court cases and administrative proceedings.

## 2.15. Other operating income and expenses

In item Other operating income and expenses the Bank presents items that are not directly related to the core operating activities of the entity.

The Bank includes in abovementioned item mainly: result on sale and liquidation of fixed assets, compensations received and paid, revenue and expenses arising from other services not related to the core business of the Bank, income and expenses related to provisions for litigation, excluding litigation related to mortgage loans in convertible currencies.

Other operating income also includes income from contracts with customers for intermediation in the sale of products and services offered by other entities or the reinvoicing of costs incurred by the Bank to other entities (in this case, due to acting as an agent, the Bank presents net income).

## 2.16. Income tax expense

Charge on gross financial profit/loss includes current tax payable and debit/credit arising from a value of change of the deferred tax asset/liability.

Current tax liabilities and receivables for the current and prior periods are measured at projected amounts payable to tax authorities (reimbursable) using tax rates and regulations valid in law or in fact as at the end of the reporting period.

## 2.17. Classification and measurement of financial assets and liabilities

**Classification and measurement of financial assets**

In accordance with IFRS 9, financial assets are qualified to the following categories of measurement at the moment of their initial recognition:

- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income,
- financial assets measured at fair value through profit or loss.

The classification of financial assets in accordance with IFRS 9 depends on:

- business model relating to financial asset management, and
- the characteristics of contractual cash flows, i.e., whether contractual cash flows represent solely payments of principal and interest ("SPPI").

Irrespective of the above, there is an irrevocable option at the moment of initial recognition of the financial asset to classify it as measured at fair value through profit or loss (if there was no such possibility, the asset would be classified as measured at amortised cost or at fair value through other comprehensive income), if such approach leads to the more relevant information eliminating or significantly reducing the inconsistency in the measurement or recognition of assets or liabilities or related gains and losses. The Bank did not designate any financial assets to be measured at fair value through profit or loss at the moment of their initial recognition.

Investments in equity instruments are measured at fair value through profit or loss. At initial recognition, an irrevocable option to recognize them in other comprehensive income may be made regarding the recognition of subsequent changes in the fair value of an investment in an equity instrument that is not held for trading or a contingent consideration recognised by the Bank as a business combination in accordance with IFRS 3. If the option to measure the instrument at fair value through other comprehensive income is exercised, only dividends resulting from this investment are recognised in the statement of profit or loss. Profit or loss resulting from the measurement in other comprehensive income are not reclassified to the statement of profit or loss.

In the case of equity investments, the Bank did not use the option of fair value measurement through other comprehensive income.

*Business models*

The Bank classifies its financial assets to three business models, taking into account the purpose of maintaining a financial instrument:

**Model 1:** Receiving contractual cash flows.

Under Model 1, the main business goal is to collect contractual cash flows from the acquired or originated financial assets.

**Model 2**: Receiving contractual cash flows and sale of financial assets.

Under Model 2, both receiving contractual cash flows and sale of the acquired or originated financial assets are integral elements of the portfolio's business objective.

**Model 3:** Other financial assets not classified to Model 1 nor Model 2

In a situation when specific groups of financial assets were not acquired or originated under Model 1 and Model 2, they should be classified as Model 3. Most often, Model 3 refers to a strategy that assumes the realization of cash flows from the sale of financial assets or portfolios that are managed based on their fair value.

*Assets acquired or originated with impairment identified (POCI assets)*

In addition, the Bank distinguishes categories of assets acquired or granted with credit impairment. POCI assets are financial assets measured at amortised cost, which are impaired at the moment of initial recognition. At the moment of initial recognition, POCI assets are recognised at their fair value. After initial recognition, POCI assets are measured at amortised cost using the effective interest rate adjusted for credit risk to determine the amortised cost of the financial asset component and interest income generated by these assets - the CEIR rate. In the case of POCI exposures, the change in expected credit losses - over the entire lifetime - compared to those estimated at the date of their initial recognition is recognised in statement of profit or loss. Financial assets that were classified as POCI at the moment of initial recognition should be treated as POCI in every subsequent period until they are derecognised from the Bank's statement of financial position.

*SPPI test*

For the purpose of classification and subsequent measurement of financial assets, the Bank verifies whether the cash flows from a given instrument constitute solely the payment of principal and interest calculated on the principal.

For the needs of the assessment of cash flow characteristics, the principal is defined as the fair value of the financial asset at the moment of initial recognition. Interests are defined as the reflection of the time value of money and credit risk related to the unpaid part of the principal and other risks and costs associated with the standard loan agreement (e.g. liquidity risk or administrative costs) and margin.

When assessing whether contractual cash flows constitute solely repayments of the principal and interest, the Bank analyses the cash flows of the instrument resulting from the contract, i.e. whether the contract contains any provisions that could change the date of contractual payments or their amount in such a way that, in economic terms, they will not constitute solely repayments of the principal and interest on the unpaid principal part.

A financial asset is measured at amortised cost if both of the following conditions are met:

- an asset is held by the Bank in accordance with the business model whose purpose is to maintain assets to collect contractual cash flows,
- contractual terms of the financial asset represent contractual cash flows that are solely payment of principal and interest.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- an asset is held by the Bank in accordance with the business model, which aims to both receive contractual cash flows and sell assets,
- the contractual terms of the financial asset represent contractual cash flows that are solely payment of principal and interest,
- other financial assets are measured at fair value through profit or loss.

*Modification of financial assets*

If the terms of a financial asset agreement change, the Bank assesses whether the cash flows generated by the modified asset differ significantly from those generated by this asset before the terms of its agreement are modified. If a significant difference is identified, the original financial asset is derecognised from the statement of financial position, and the modified financial asset is recognised as a "new" financial asset, which is recognised in its fair value and the new effective interest rate applied to the new asset is calculated. Income or expenses arising as of the date of determination of the effects of a material modification are recognized in the income statement under Result from derecognition of financial assets measured at amortized cost due to a material modification.

If the cash flows generated by the modified asset do not differ significantly from the original cash flows, the modification does not result in derecognition of the financial asset from the statement of financial position. In such case, the Bank performs recalculation of the gross book value of the financial asset using modified contractual cashflows discounted using original effective interest rate, and the result arising from the immaterial modification is recognized in interest income.

The assessment of whether a given modification of financial assets is significant depends on the fulfilment of qualitative and quantitative criteria.

If there is evidence that the modified financial asset is initially impaired due to credit risk, it is necessary to calculate the effective interest rate adjusted for the credit risk of that financial asset.

**Impairment of financial assets**

The requirements of IFRS 9 relating to impairment are based on the model of expected credit loss.

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

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

If credit risk did not increase significantly from the date of the initial recognition, and the impairment of the loan was not identified from the moment of its granting, the Bank recognizes an allowance for the expected credit loss related to the probability of default within the next 12 months. Interest income on such assets is recognised based on the balance sheet amount (amortised cost before the adjustment for impairment allowance) using the effective interest rate.

ii) 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 impairment of a financial asset identified.

In the case of an exposure for which credit risk has increased significantly since the moment of its initial recognition, but no impairment of the financial asset was identified, an impairment allowance is created for the expected credit loss for the entire financing period. Interest income on such assets is recognised based on the gross balance sheet amount (amortised cost before the adjustment for impairment allowance) using the effective interest rate.

iii) Stage 3: An allowance due to expected credit losses for the entire lifetime – impairment of a financial asset

Financial assets are subject to impairment due to the credit risk resulting from an event or events that occurred after the initial recognition of a given asset. For financial assets, for which an impairment was identified, an allowance is created for the expected credit loss for the entire financing period, while interest income is recognised based on the net balance sheet value (including the impairment allowance) using the effective interest rate.

At each balance sheet date, the Bank 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, external credit ratings, information on delay in repayments and information from internal credit risk monitoring systems, such as warning letters and information about restructuring.

The Bank assesses whether the credit risk has increased significantly on the basis of individual and group assessment. In order to perform an impairment calculation on a group basis, financial assets are divided into homogeneous product groups based on common credit risk characteristics, taking into account the type of instrument, credit risk rating, initial recognition date, remaining maturity, industry branch, geographical location of the borrower and other relevant factors.

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 Bank and all cash flows that the Bank expects to collect. The value of the expected credit loss is recognised in the statement of profit or loss in the result on allowances related to the expected credit losses on financial assets and provisions for contingent liabilities.

The Bank takes into account historical data on credit losses and adjusts them to current observable data. In addition, the Bank uses reasonable and justified forecasts of the future economic situation, including its own judgment based on experience, with the purpose of estimating the expected credit losses. IFRS 9 introduces an application of macroeconomic factors to the calculation of expected credit losses on financial assets. These factors include: unemployment rate, interest rates, gross domestic product, inflation, commercial property prices, exchange rates, stock indices, and wage rates. IFRS 9 also requires an assessment of both the current and the forecasted direction of the economic cycles. The inclusion of forecast information in the calculation of expected credit losses on financial assets increases the level of judgement to what extent these macroeconomic factors will affect the expected credit losses. The methodology and assumptions, including all forecasts of the future economic situation, are regularly monitored.

If in the subsequent period the allowance for expected credit losses decreases, and the decrease can be objectively related to an event occurring after the impairment was recognised, then the previously recognised impairment allowance is reversed by adjusting the allowance for expected credit losses. The amount of the reversed impairment allowance is recognised in the statement of profit or loss.

For debt instruments measured at fair value through other comprehensive income, the measurement of the expected credit loss is based on a three-step approach, as in the case of financial assets measured at amortised cost. The Bank recognizes the amount of the expected credit losses in the statement of profit or loss, including the corresponding value recognised in other comprehensive income, without reducing the balance sheet amount of assets (i.e. their fair value) in the statement of financial position.

**Classification and measurement of financial liabilities**

Financial liabilities as at the date of their acquisition or establishment are classified into the following categories:

- financial liabilities measured at fair value through profit or loss,
- other financial liabilities (measured at amortised cost).

Financial instruments – other than liabilities measured at fair value through profit or loss – are measured after initial recognition at amortised cost using the effective interest rate. If a cash flow schedule cannot be determined for a given financial liability and therefore the effective interest rate cannot be reliably estimated, such liability is measured at amount due.

**Compensation**

Financial assets and liabilities are compensated and presented in the statement of financial position at net amount, if a valid and exercisable netting-off right occurs and the Bank intends to settle a financial asset and a financial liability net or simultaneously settle the amount due.

**Securitization**

In December 2017, the Bank performed a securitization transaction on the portfolio of cash and car loans of BGZ Poland ABS1 DAC (SPV) subsidiary. The transaction is a traditional and revolving securitization, involving the transfer of ownership of securitized receivables to SPV.

The company issued, based on securitized assets, bonds secured by a registered pledge on the assets of SPV.

The Bank performed a comprehensive analysis of the transaction, considering that in the light of the provisions of IFRS 9, the contractual terms of the securitization do not fulfil the conditions for derecognition of the securitized assets. As at the date of the transaction, the Bank received the initial remuneration from the SPV irrevocably, corresponding to the total nominal value of the securitized loan portfolio. The transaction uses the mechanism of deferred remuneration payable to the Bank by SPV. Deferred remuneration corresponds to the SPV result after settling the financing costs and operating costs.

Through the deferred remuneration mechanism, the Bank retained substantially all the risks and rewards associated with the transferred loans. The deferred remuneration of the Bank, as expected, was absorbing the entire volatility of cash flows from the portfolios of securitized loans. The Bank retained this volatility risk as the payment of the deferred remuneration by SPV to the Bank was entirely subordinated to the SPV's liabilities towards investors in respect of financing.

Accordingly, the Bank recognized a liability for the securitization flows, which was measured at an effective interest rate calculated based on the SPV's future payments on its obligations under the bonds issued. The securitization transaction is described in Note *44 Securitization*.

**Repo and sell buy back transactions**

Securities sold under repo and sell buy back transactions are not excluded from the statement of financial position. Liabilities to counterparties are recognised as financial liabilities under "Liabilities arising from securities sold under repo and sell buy back transactions". Securities purchased under reverse repo and buy sell back transactions are recognised under “Receivables arising from securities purchased under reverse repo and buy sell back transactions”. The difference between the sale and repurchase price is treated as interest and calculated using the effective interest method over the agreement term.

**Investments in subsidiaries and associates**

Investments in subsidiaries and associates are measured at the acquisition price in the Bank's separate financial statements, taking into account impairment losses in accordance with IAS 36. Impairment of shares and interests and losses incurred in connection therewith occur when there are objective triggers of impairment due to events that occurred after the initial recognition of the shares and when these events affect the estimable future cash flows of the shares. Impairment testing involves comparing the carrying value of the shares with the recoverable amount.

**Principles for recognition and derecognition of financial assets and liabilities from the statement of financial position**

The Bank recognizes a financial asset or liability when it becomes a party to the contract of such an instrument. Standardized purchase and sale transactions of financial assets are recognised at the date of the transaction, which is the date when the Bank is required to purchase or sell a given financial asset. Standardized transactions for the purchase or sale of financial assets are transactions whose contractual terms require the delivery of an asset in the period resulting from the applicable regulations or conventions adopted on a given market. Standardized purchase or sale transactions refer in particular to FX spot FX transactions, the spot leg in FX swap transactions and securities purchase and sale transactions, where, normally, two business days pass between the transaction date and the settlement date, except for repo transactions.

The Bank derecognizes a financial asset when :

- contractual rights to cash flows from a financial asset expire, or
- the Bank transfers contractual rights to receive cash flows from a financial asset.

Transfer takes place:

- in a transaction in which the Bank transfers substantially all risk and all benefits associated with the financial asset component, or:
- when the Bank keeps contractual rights to receive cash flows from a financial asset, but takes contractual obligation to transfer cash flows from a financial asset to the entity outside the Bank.

## 2.18. Intangible assets

Intangible assets acquired in a separate transaction are initially measured at acquisition or development cost.

The Bank determines whether the useful life of intangible assets is defined or indefinite. Intangible assets with defined useful life are amortised over their useful life and tested for impairment each time when an impairment trigger occurs, at least once a year. The period and method of amortization for intangible assets with defined useful life are verified at the end of each financial year.

Changes in the expected useful life or the manner of consuming economic benefits arising from a given asset are recognised through a change in the amortization period or method, respectively, and treated as changes in estimates. Amortization charges on intangible assets with a defined useful life are recognised in the statement of profit or loss under "Amortization".

An intangible asset created as a result of development works (or completion of the development stage of an internally conducted project) shall be recognized if and only if the Bank can prove:

1) the possibility of completing the intangible asset so that it is suitable for use or sale from a technical point of view;
2) the intention to complete the intangible asset and to use or sell it;
3) the ability to use or sell the intangible asset;
4) the method of how the intangible asset will generate probable future economic benefits; among other things, the Bank can prove the existence of the market for the given products generated by the intangible asset or for the intangible asset itself or, if the intangible asset is to be used by the Bank, the utility of the intangible asset;
5) the availability of adequate technical, financial and other resources to complete the development and use or sell the intangible asset;
6) the ability to reliably determine the expenditures incurred during the development work attributable to the intangible asset.

Intangible assets with indefinite useful life and those not used, are annually tested for impairment individually or on the level of cash generating unit. Standard intangible assets (with defined useful life and those that are used) are subject to annual impairment tests.

Purchased software licenses are capitalized in the amount of costs incurred for the purchase of a given software and its adaptation for use. Capitalized costs are amortised over an estimated useful life of the software. Expenses related to the maintenance of computer programs are charged to expense in the period to which they relate.

Amortization of intangible assets is calculated using the straight-line method in order to spread out the initial asset value or its amount revalued over the useful life, different for each intangible asset group:

- licenses 12.5 – 50.0%
- copyrights 20.0 – 50.0%

The useful lives of intangible assets are verified annually at the minimum, and adjusted if necessary.

Amortised intangible assets are tested for impairment in each case when events or circumstances indicate that their balance sheet amount may be irrecoverable. In such cases, the balance sheet amount is immediately reduced to the recoverable amount if the former exceeds the estimated level of the latter. The recoverable amount is equal to the fair value less the sell costs or the value in use, whichever is higher.

## 2.19. Property, plant and equipment

Property, plant and equipment are recognised at the acquisition price or development costs less depreciation charges and impairment allowance. The initial amount of fixed assets includes their acquisition price increased by all costs directly related to their purchase and adaptation for use. Costs incurred after the date the fixed asset is transferred for utilization, such as costs of maintenance and repair, are charged to profit or loss when incurred.

Upon acquisition, property, plant and equipment items are divided into components of material value to which separate useful life may be assigned. Costs of overhauls are also a component.

Land is not depreciated. Depreciation of other fixed assets is calculated using the straight-line method in order to spread out the initial asset value or its revalued amount less residual value over the useful life, different for each asset group:

- buildings and leasehold improvements 2.5 – 20.0%
- machines and equipment 10.0 – 20.0%
- computer sets 20.0%

The residual value and useful lives of property, plant and equipment are verified annually at the minimum, and adjusted if necessary.

Depreciated property, plant and equipment are tested for impairment at least annually, in each case when events or circumstances indicate that their balance sheet amount may be irrecoverable. In such cases, the balance sheet amount is immediately reduced to the recoverable amount if the former exceeds the estimated level of the latter. The recoverable amount is equal to the fair value less costs to sell or the value in use, whichever is higher.

If the recoverable amount is lower than the current balance sheet amount of an asset, an impairment allowance is charged to the statement of profit or loss.

Gain or loss from disposal of property, plant and equipment is determined by comparison of sales proceeds with their balance sheet amount and recognised in the statement of profit or loss in other operating income or expenses.

## 2.20. Hedge accounting

The Bank selected the accounting policy in the area of hedge accounting and decided to continue applying the hedge accounting principles in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" until the end of works of the International Reporting Standards Board on the guidelines for macro hedge accounting (Macro hedging).

Hedge accounting recognizes the compensation effects of changes in the fair value measurement of hedging and hedged items affecting the statement of profit or loss. Pursuant to the adopted hedge accounting principles, the Bank designates certain derivatives as hedges of fair value and future cash flows of certain assets, provided the criteria determined in IAS 39 are met.

Hedge accounting is used to account for hedging relationships if all of the following conditions are met:

- at the inception of the hedge there is a formal designation and documentation of the hedging relationship and the Bank’s risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Bank will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk;
- the hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- for cash flow hedges, a forecast transaction that will be hedged must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

**Fair value hedge**

Changes in the fair value measurement of financial instruments designated as hedged items are charged to the statement of profit or loss in the portion arising from the risk subject to hedge. The remaining portion of the change in the balance sheet amount is booked in accordance with general principles applicable to the particular class of financial instruments.

Change in the fair value measurement of financial instruments designated as hedged items is presented in the statement of financial position as *Differences from hedge accounting* in assets or liabilities.

Changes in the fair value measurement of derivatives designated as hedging instruments under hedge accounting are entirely recognised in the statement of profit or loss under the same item as results of changes in the value of the hedged items, i.e. in the *Result on hedge accounting*.

**Cash flow hedge**

The effective part of changes in the fair value of derivative instruments designated and qualified as cash flow hedges is recognised in other comprehensive income. The profit or loss relating to the ineffective part is presented in the statement of profit or loss for the current period.

Amounts recognised in other comprehensive income are included in revenues or costs of the same period in which the hedged item will affect the statement of profit or loss.

If the hedging instrument expired or was sold, or when the hedge no longer meets the hedge accounting criteria, any accumulated profits or losses recognized at this moment in other comprehensive income remain in other comprehensive income until the forecast transaction is recognised in the statement of profit or loss. If the forecasted transaction is no longer considered probable, total gains and losses recognised in other comprehensive income are immediately transferred to the statement of profit or loss.

## 2.21. Provisions

Provisions are created when the Bank is subject to an obligation (legal or constructive) resulting from past events and it is probable that the fulfilment of such obligation will create a liability and where a reliable estimate of the amount of that liability can be made. If the Bank expects reimbursement of the expenditure required to settle the provision (for example, through insurance contracts), the reimbursement is recognised as a separate asset, but only when it is virtually certain that reimbursement will be received. The costs relating to the provision are recognised in the statement of profit or loss less any reimbursement amount. If the impact of time value of money is material, the provision is determined by discounting projected future cash flows to the present value with a gross discount rate that reflects current market assessment of time value of money and a possible risk pertaining to a liability. An increase in provision over time is recognised as interest expense.

A provision for restructuring costs is recognised when general provision recognition criteria are met, as well as detailed ones regarding the occurrence of an obligation to recognize a provision for restructuring costs determined in IAS 37. In particular, the constructive obligation to perform a restructuring procedure occurs only when the Bank has a detailed, formal restructuring plan and has raised justified expectations of parties involved in the plan that the restructuring would be performed in the form of initiating its implementation or announcing its key elements to these parties.

A detailed restructuring plan determines at least the operations involved or their part, the key locations to be included, the place of employment, positions and approximate number of employees to be compensated in exchange for termination of their employment, the amount of outlays to be incurred and the plan implementation deadline.

A restructuring provision includes only direct outlays arising from the restructuring, which:

a) are an indispensable effect of the restructuring procedure and

b) at the same time are not related to current operations of the entity.

The restructuring provision does not cover costs such as:

a) training of remaining employees or reassignment of employees;

b) marketing; or:

c) investment in new distribution systems and networks.

Restructuring provision does not include future operating expenses.

The Bank creates provisions for legal proceedings when it acts as a defendant in in these proceedings and the plaintiff's claim is monetary in nature (e.g., claims for payment/compensation), as well as for administrative proceedings in which the Bank is a participant, which may result in the imposition of a fine on the Bank. Provisions are made for proceedings for which there is a probability (risk) of an unfavorable outcome for the Bank.

## 2.22. Leases

**Bank as a lessee**

On the commencement date of the lease, the Bank recognizes the lease liability (liability to make lease payments) and the asset that constitutes the right to use the subject of the lease for the duration of the leasing contract (right to use an asset).

In determining the lease term, the Bank considers all relevant facts and events creating economic incentives to exercise the option to renew or not to exercise an option to terminate. The Bank reassesses the length of the lease term in case of a significant event or a significant change in circumstances that affects the assessment made previous.

For contracts with indefinite duration relating to the Bank's branch offices, the Bank has adopted a lease term consistent with the period of depreciation of the unamortised investments made in these properties at the date of implementation of the standard, or in the absence of such investments, a 3-year period, taking into account the significant costs associated with changing the location of the branches during their operation.

The Bank applies the exemptions provided for in IFRS 16 and does not recognize the asset components due to the right of use in the case of short-term leases and leases covering components of low-value assets. Short-term leases are defined as leases with a period of no longer than 12 months as at the beginning date (including periods for which the lease can be extended, if it can be assumed with reasonable assurance that the lessee will exercise that right) and do not include a call option. Low-value assets are those which have a value of no more than EUR 5,000.

On the commencement date, the lessee measures the lease liability based on the current value of lease payments remaining to be paid as at that date. Lease payments are discounted using the interest rate of the lease, if such a rate can be easily determined. Otherwise, the lessee applies the marginal interest rate of the lessee.

The lessee's marginal interest rate is the interest rate that the lessee would have to pay to borrow the funds necessary to purchase a right-of-use asset of similar value for a similar term and with similar collateral in a similar economic environment. The Bank determines the marginal interest rate for all contract types on the basis of the average funding rate in the currency concerned.
The following elements are included in the measurement of leasing liabilities:

- fixed payments, less any lease incentives receivable,
- variable lease payments that depend on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable fees, which do not depend on the index or rate and do not have a certain minimum level, are not included in the value of the lease liability. These fees are recognised in the statement of profit or loss in the period when the event that causes their maturity occurred.

On the commencement date, the lessee measures an asset due to the right to use at its cost. The cost of an asset due to the right of use should include:

- the initial value of the lease liability,
- leasing payments made at the time or before the conclusion of the contract less any incentives received,
- all initial costs incurred by the lessee, and
- estimated costs of dismantling and removing the underlying asset, that must be incurred by the Bank in connection with the asset included in the agreement in order to restore the place in which the asset is located or the asset itself to the conditions required under the leasing contract.

After the initial recognition, the right of use is reduced by depreciation and total impairment losses and adjusted in connection with the revaluation of the lease liability due to changes in the lease, which do not require the recognition of a separate lease component.

Assets with to the right of use are amortised on a straight-line basis over the shorter of two periods: the leasing period or the useful life of the underlying asset, unless the Bank has sufficient certainty that it will obtain ownership before the end of the leasing period - then the right to use is depreciated from the day of commencement until the end of the asset's useful life.

**Bank as a lessor**

Lease contracts under which substantially all of the risks and rewards of ownership of the assets are transferred to the lessee are classified as financial lease agreements. In the statement of financial position the value of receivables in the amount equal to the net investment in the lease is recognised. The recognition of revenues from financial leasing contracts is performed in a manner reflecting the constant periodic rate of return on the net investment in the lease made by the Bank under finance lease.

The Bank does not offer operating lease products, i.e. such products in which all risks and rewards incidental to ownership of the assets are transferred to the lessee.

## 2.23. Financial guarantees

On initial recognition, a financial guarantee contract is measured at fair value.

Financial guarantees after initial recognition are measured at the higher value of:

- the amount of the impairment loss determined in accordance with the principles applicable to expected credit losses for assets measured at amortised cost in accordance with IFRS 9,
- the amount initially recognised less the cumulative income recognised in accordance with the principles of IFRS 15.

For loan commitments and financial guarantee contracts, the date on which the Bank becomes a party to the irrevocable commitment is considered as the date of initial recognition for the purpose of applying the impairment requirements.

## 2.24. Employee benefits

The Bank creates a provision for future liabilities due to retirement, disability and post-mortem benefits, unused annual holiday, restructuring of employment and for incentive and retention programs. Provisions for retirement, disability and post-mortem benefits are created using the actuarial method, as described in Note 3f and 11 hereof.

Employees of the Bank are entitled to the following benefits:

**Retirement, disability and post-mortem benefits**

Retirement benefits classified as post-employment defined benefit plans are available upon retirement for pensioners or disability pensioners. The term of employment includes all previously completed periods of employment based on an employment contract.

**Liabilities due to unused annual holiday**

Provisions for unused holiday leave are calculated as the product of the daily basic salary and the number of outstanding leave days as at the end of the reporting period, including surcharges for Social Insurance Institution (ZUS) benefits. Provisions for the unused holiday leave are presented in the separate financial statements under “Other liabilities”.

**Benefits arising from the variable remuneration program**

On 9 December 2021, the Supervisory Board of BNP Paribas Bank Polska S.A. approved an amended Remuneration Policy for persons with a material impact on the risk profile of BNP Paribas Bank Polska S.A. (hereinafter: the Policy). The changes were related, among others, to the need to adjust the Policy to the provisions of the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system and remuneration policy in banks.

Performance evaluation of individuals included in the program underlies the calculation of the variable remuneration Policy.

Under the current remuneration scheme, the variable remuneration is divided into:

- a non-deferred and deferred part and a part granted in the form of a financial instrument, which is the Bank's shares (settled in accordance with IFRS 2),
- a remaining deferred part granted in cash (settled in accordance with IAS 19 "Employee benefits").

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

The retention period is at least 5 years for Senior Management and a minimum of 4 years and a maximum of 5 years for staff other than Senior Management. A maximum deferral period of 5 years is applied when Variable Remuneration is assigned in the amount exceeding an amount considered as a particularly high amount. The deferred part of the variable remuneration is divided into equal parts according to the number of years of the deferral period.

The cash payments under the programme are recognised in line with the projected unit credit method and settled over the vesting period (i.e. both in the evaluation period understood as the year in service to which the benefit pertains and in the period of deferring relevant portions of the benefit). The benefit value is recognised as a liability to employees in correspondence with the statement of profit or loss.

**Liabilities due to restructuring of employment**

In connection with the implemented process of group layoffs at BNP Paribas Bank Polska S.A., the Bank paid a severance pay for employees made redundant at the initiative of the employer and for employees covered by voluntary departure schemes. A new agreement on the 2024-2026 collective redundancies was also signed.

**Liabilities due to incentive – retention programs**

The programmes have been completed by the reporting date, except for the deferred parts concerning individuals with significant influence on the Bank's risk profile, in accordance with the Bank's policy in this respect.

## 2.25. Capital

**Share capital**

Registered share capital is disclosed at its nominal value, in accordance with the statute and the entry in the court register.

**Own shares**

If the Bank purchases its own shares, the amount paid reduces equity as treasury shares until their cancellation. Should these shares be sold or re-allocated, the payment received is recognised in equity.

**Supplementary capital from the sale of shares above their par value**

The supplementary capital is created from the issue premium obtained from the issue of shares, reduced by the direct costs incurred with the issue.
The costs directly related to the issue of new shares, after deduction of income tax, reduce the proceeds from the issue included in the equity.

**Other capital**

Other capital: spare capital, reserve capital and general risk funds are created from profit allocations and are designated for purposes specified in the statute or other legal regulations.

**Other capital items**

Other equity items are created as a result of:
- valuation of financial assets at fair value through other comprehensive income,
- actuarial profits and losses related to post-employment benefits,
- valuation of derivatives as part of cash flow hedge accounting with reference to the effective part of the hedge.

## 2.26. Custody operations

BNP Paribas Bank Polska S.A. performs custody operations including maintaining securities accounts of its customers.

Assets managed under the custody services are not included in the present financial statements as they do not meet the definition of Bank's assets.

## 2.27. Cash and cash equivalent

For the purpose of the statement of cash flows, cash and cash equivalents include items that mature within three months from their acquisition date, including cash in hand and non-restricted cash at the Central Bank (current account), statutory reserve account and receivables from other banks (including nostro accounts).

# 3. ESTIMATES

The Bank makes estimates and assumptions which affect the value of its assets and liabilities in the subsequent period. The estimates and assumptions, which are reviewed on an ongoing basis, are made based on prior experience and considering other factors, including expectations as to future events, which appear reasonable in specific circumstances.

## a. Impairment of financial assets

The assessment of impairment of financial assets in accordance with IFRS 9 requires estimates and assumptions, especially in the areas of estimates of the value and timing of future cash flows, the value of collaterals established, or the assessment of a significant increase in credit risk.

The assessment of impairment in accordance with IFRS 9 covers financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as well as loan commitments. The recognition of expected credit losses depends on the change in the level of credit risk recorded since the moment of initial recognition of the financial asset. Financial assets are subject to the assessment as to whether there are any events of default.

The requirements of IFRS 9 relating to impairment are based on the model of expected credit loss.

Financial instruments subject to the assessment in terms of impairment are classified into one of three stages based on the assessment of changes in credit quality observed since initial recognition:

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

If the credit risk did not increase significantly from the date of the initial recognition, and the event of default did not occur from the moment of granting the financial instrument, the Bank recognizes an allowance for the expected credit loss within the next 12-month horizon.

ii. Stage 2: An allowance due to expected credit losses for the entire lifetime – no event of default identified

In the case of financial instruments, whose credit risk has increased significantly since the moment of their initial recognition, but no event of default occurred, an impairment allowance is created for the entire remaining financing period, considering the probability of the occurrence of the event of default.

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

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

### Criteria for stage classification

In order to assess whether there has been a significant increase in credit risk since the initial recognition of the financial instrument (Stage 2), the Group compares the risk of default during the expected period of financing granted as at the balance sheet date and the date of initial recognition.

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

The threshold amount is set at the level of homogeneous portfolios based on an analysis of loss levels for historical data. The analysis is designed to ensure high discriminatory power of the introduced allocation and its results are subject to verification for intuitiveness. The thresholds adopted at the Bank range from 1.8 to 2.2 times PD lifetime growth relative to initial recognition, depending on the segment.

An important element of the allowance estimation process, affecting both the Stage classification and the parameters used in the allowance estimation process, is the internal credit risk rating system. The rating reflects an assessment of asset quality and key related risks, including an assessment of refinancing risk.

Refinancing risk is assessed periodically by the Bank, both in the process of granting the financing and as part of cyclical monitoring performed throughout the financing period.

In the commercial real estate segment, among other things, the quality of the asset is examined, including: attractiveness of the location, age of the facility, occupancy level, terms and duration of leases, value of the property, LTV and DSCR parameters.

In addition, in order to assess a significant increase in credit risk, the Bank uses e.g.: information on delay in repayments (over 30 days of delay) and information from internal credit risk monitoring systems, such as warning letters and information about restructuring.

For exposures classified as Stage 2, if in subsequent periods the credit quality of the financial instrument improves and previous conclusions regarding a significant increase in credit risk since initial recognition are reversed, the exposure is reclassified from Stage 2 to Stage 1 and the allowance for expected credit losses for these financial instruments is calculated over a 12-month horizon.

For the purpose of identifying exposures eligible for Stage 3, the Bank uses a single definition of defaulted exposures and a definition of impaired exposures, and classification is based on the principles of the default triggers.

The principal event of default is a delay in repayment of more than 90 days (or more than 30 days for exposures with granted facilities) of a material amount of a past due credit obligation. In addition, other indications are taken into account, including in particular:

- restructuring,
- granting of a facility where the exposure is granted a facility or restructured,
- granting of a facility without significant economic loss where at least one of the following conditions is met
  - a large lump sum payment towards the end of the repayment schedule;
  - irregular repayment schedule, with significantly lower payments at the beginning of the repayment schedule;
  - significant grace period at the beginning of the repayment schedule;
  - exposures to an obligor that are subject to distress restructuring on more than one occasion.
- suspicion of fraud (including economic crime or any other criminal offence related to the credit exposure),
- information has been received about the submission of an application for restructuring proceedings within the meaning of the Act on Restructuring Law,
- filing of an application for commencing enforcement proceedings by the Banks or becoming aware of the fact that enforcement proceedings against the debtor are being conducted in the amount which, in the opinion of the Bank, may result in the loss of creditworthiness,
- becoming aware of the fact of filing of an application for declaring the debtor bankrupt (liquidation, consumer), putting the debtor into liquidation, dissolution or cancellation of the company, appointment of a curator, appointment of a receiver over the debtor's activity,

- filing of an application for bankruptcy proceedings, a declaration of bankruptcy or becoming aware of the dismissal of the bankruptcy application due to the fact that the debtor's assets are insufficient or sufficient only to meet the costs of the bankruptcy proceedings,
- termination of the credit agreement,
- submission by the Bank of an application to initiate enforcement proceedings against the customer,
- granting of a public moratorium under article 31fa of the Act of 2 March 2020, on special solutions related to the prevention, prevention and control of Covid-19, other infectious diseases and emergencies caused by them,
- financial difficulties identified during the customer monitoring/review process or on the basis of information obtained from the customer in the course of other activities,
- significant deterioration in customer rating.

In determining the materiality level of a past due credit obligation, the Bank takes into account the thresholds contained in the "Regulation of the Minister of Finance, Investment and Development dated 3 October 2019 on the materiality level of a past due credit obligation".

A past due credit commitment is considered material when both materiality thresholds are exceeded together:

1) the amount of past due liabilities exceeds PLN 400 for retail exposures or PLN 2.000 for non-retail exposures, and
2) the share of past due liabilities in the exposure is greater than 1%.

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

While reclassifying the exposure from Stage 3 to Stage 2 or Stage 1, the Bank considers quarantine period, according to which a credit exposure with recognised objective trigger of impairment may only be reclassified into Stage 2 or Stage 1 if the customer has been servicing the receivable on time for a specified number of months. The required quarantine period differs depending on the customer type. Its length is determined by the Bank on the basis of historical observations which allow for determining the period after which the probability of default decreases to the level comparable to that of other exposures classified to the portfolio with no indications of impairment.

With regard to the criteria for assignment to Stages, the Bank implemented an indication based on the assessment of the relative change in the PD lifetime parameter.

Due to the ongoing war in Ukraine and the economic sanctions issued against Russia and Belarus, the Bank analysed credit exposures directly related to these countries and, based on this, did not identify any significant exposures both in the portfolio of business and retail clients. At the same time, the Bank monitors the situation of customers on an ongoing basis with a view to securing the credit portfolio by adequately reflecting the level of risk on these customers in the amount of allowances. The Bank has identified institutional customers who are vulnerable to the effects of the situation in Ukraine, including, in particular, customers whose business is linked to the economies of the above countries (and thus may be exposed to the effects of war and imposed sanctions) and whose business is vulnerable to the embargo on Russian gas. These customers accounted for 651,157 thousand of exposure as of 31 December 2023, and were classified in Stage 2, as customers for whom there was a significant increase in credit risk. The total allowance related to these clients amounted PLN 38,007 thousand. Due to the recognition of an allowance for expected credit losses for these customers over the entire remaining expected life, the level of the allowance for these customers is higher by PLN 1,270 thousand compared to the allowance over a 12-month horizon. The limited level of the write-down increase is due to the fact that a significant portion of customers identified as sensitive have other Stage 2 indications. Consequently, the designation of these customers as sensitive does not result in an additional increase in write-downs.

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

- for the portfolio of loans secured by real estate in PLN, results of surveys conducted among customers using credit holidays,
- for the segment of other retail customers, available indicators that are indicative of the level of debt burden and the timeliness of servicing obligations with other institutions,
- for the portfolio of micro-entrepreneurs, the level of the customer's rating or, for a selected group of customers, borrowing to a degree that threatened the proper servicing of the credit/loan.

The cumulative effect of these actions on other segments resulted in the inclusion in Stage 2 of exposures in the amount of PLN 1,276,708 thousand and the recognition of PLN 23,266 thousand in allowances on this account (including the transfer to Stage 2 of exposures in the amount of PLN 281,856 thousand and the recognition of an additional allowance in the amount of PLN 2,652 thousand in connection with the portfolio of loans secured by real estate in PLN). For the portfolio of loans secured by real estate in PLN, the Bank applies an additional parameter adjustment for sensitive customers using credit vacations (see the table on Post Model Adjustments for details).

### Description of the methods used to determine the allowance for expected credit losses

The individual valuation is performed by the Bank for individually significant financial assets, for which the event of default was identified. It consists in the individual determination of the allowance for expected credit losses. During the individual valuation, the Bank determines expected future cash flows and impairment allowance is calculated as the difference between the present value (balance sheet amount) of a financial asset which is individually significant and the value of future cash flows generated by that asset, discounted using the effective interest method. Cash flows from collateral are taken into account for purposes of estimating future cash flows.

The following assets are measured collectively:

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

The amount of collective impairment allowances is determined with the application of statistical methods for defined exposure portfolios which are homogenous from the perspective of credit risk. Homogeneous exposure portfolios are defined based on, among others, customer segment and type of credit products.

The criteria applied by the Bank to define homogeneous portfolios are aimed at grouping exposures so that the credit risk profile is reflected as accurately as practicable and, consequently, so as to estimate the level of allowances for the expected credit losses on financial assets as objectively and adequately as possible. The amount of the allowance for expected credit losses in the collective method is determined under four macroeconomic scenarios. The final value of the allowance is determined as the average of these four calculations weighted by the probability of occurrence of a given scenario. The weight of the base scenario is 50%, the weights of the negative and the severe scenarios are estimated based on the ratio of the current projected loss to the long-term average for the segment, and the weight of the positive scenario is derived from the weights of the negative and the severe scenarios. As of 31 December 2023, the weight of the severe scenario ranged from 0.00% to 4.93%, depending on the portfolio, and the pessimistic from 0.00% to 19.72%.

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

1) probability of default

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

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

2) loss given default (LGD) ratio

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

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

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

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

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

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

4) prepayment factor (PPF)

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

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

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

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

The following tables provide quantitative information on credit risk parameters as required by Recommendation R (Recommendation 36.2).

31.12.2023

| BUSINESS ENTITIES | | a) | b) | c) | d) | e) | f) | g) | h) |
|---|---|---|---|---|---|---|---|---|---|
| | PD scale | Original gross balance sheet exposures | Off-balance sheet exposures | EAD after credit risk mitigation and application of credit conversion factor | Average PD expressed in % - acceptable range (from 0% to 100%) | Number of exposures | Average LGD expressed in % | Average maturity (years) | Expected credit loss (ECL) |
| Stage 1 | from 0.00 to <0.15% | 4,994,963 | 1,672,530 | 5,710,456 | 0.2% | 3,289 | 61.6% | 5 | 4,570 |
| | from 0.15 to <0.25% | 2,933,831 | 391,375 | 3,030,242 | 0.4% | 1,274 | 56.9% | 4 | 6,013 |
| | from 0.25 to <0.50% | 5,843,138 | 1,562,939 | 6,586,713 | 0.6% | 5,232 | 52.2% | 4 | 18,507 |
| | from 0.50 to <0.75% | 3,761,326 | 242,162 | 3,860,852 | 1.0% | 2,852 | 47.3% | 4 | 16,727 |
| | from 0.75 to <2.50% | 12,706,062 | 2,127,331 | 13,660,380 | 1.3% | 27,442 | 50.4% | 3 | 84,947 |
| | from 2.50 to <10.00% | 7,179,493 | 727,183 | 7,517,586 | 2.5% | 40,658 | 45.9% | 5 | 86,396 |
| | from 10.00 to <45.00% | 650,837 | 104,833 | 692,221 | 3.7% | 4,159 | 46.9% | 5 | 11,515 |
| | from 45.00 to <100.00% | 1,050 | - | 1,050 | 3.0% | 9 | 44.0% | 6 | 14 |
| Stage 2 | from 0.00 to <0.15% | 463,693 | 181,240 | 513,193 | 1.8% | 840 | 52.3% | 3 | 8,582 |
| | from 0.15 to <0.25% | 446,049 | 101,639 | 500,017 | 5.4% | 293 | 58.2% | 5 | 54,000 |
| | from 0.25 to <0.50% | 877,907 | 107,857 | 925,870 | 3.4% | 1,162 | 48.1% | 4 | 30,827 |
| | from 0.50 to <0.75% | 369,966 | 27,544 | 384,405 | 7.2% | 583 | 41.4% | 5 | 23,396 |
| | from 0.75 to <2.50% | 1,635,214 | 181,308 | 1,719,074 | 5.8% | 4,626 | 44.7% | 2 | 67,025 |
| | from 2.50 to <10.00% | 1,079,270 | 183,839 | 1,171,115 | 10.0% | 8,032 | 42.6% | 4 | 80,338 |
| | from 10.00 to <45.00% | 370,943 | 27,069 | 382,811 | 14.9% | 10,726 | 43.3% | 4 | 40,529 |
| | from 45.00 to <100.00% | 2,137 | 28 | 2,151 | 22.3% | 1,584 | 43.2% | 5 | 300 |

31.12.2022 restated

| BUSINESS ENTITIES | | a) | b) | c) | d) | e) | f) | g) | h) |
|---|---|---|---|---|---|---|---|---|---|
| | PD scale | Original gross balance sheet exposures | Off-balance sheet exposures | EAD after credit risk mitigation and application of credit conversion factor | Average PD expressed in % - acceptable range (from 0% to 100%) | Number of exposures | Average LGD expressed in % | Average maturity (years) | Expected credit loss (ECL) |
| Stage 1 | from 0.00 to <0.15% | 6,128,419 | 2,411,782 | 7,012,060 | 0.1% | 3,492 | 60.2% | 4 | 7,281 |
| | from 0.15 to <0.25% | 3,167,712 | 409,782 | 3,276,292 | 0.2% | 1,509 | 58.9% | 3 | 5,189 |
| | from 0.25 to <0.50% | 6,229,046 | 1,431,619 | 6,813,935 | 0.4% | 6,415 | 50.2% | 4 | 17,459 |
| | from 0.50 to <0.75% | 3,683,411 | 343,064 | 3,836,026 | 0.9% | 3,538 | 48.3% | 4 | 17,392 |
| | from 0.75 to <2.50% | 12,672,235 | 2,294,595 | 13,600,857 | 1.1% | 27,403 | 46.9% | 3 | 76,849 |
| | from 2.50 to <10.00% | 6,450,964 | 978,324 | 6,899,719 | 2.6% | 33,412 | 41.5% | 5 | 84,012 |
| | from 10.00 to <45.00% | 667,083 | 136,526 | 720,792 | 3.6% | 4,785 | 39.0% | 6 | 11,104 |
| | from 45.00 to <100.00% | 751 | 45 | 776 | 6.8% | 11 | 37.7% | 6 | 23 |
| Stage 2 | from 0.00 to <0.15% | 374,818 | 75,620 | 412,155 | 2.9% | 1,096 | 42.8% | 4 | 16,105 |
| | from 0.15 to <0.25% | 429,918 | 247,199 | 554,970 | 1.4% | 341 | 46.1% | 7 | 25,923 |
| | from 0.25 to <0.50% | 725,362 | 93,673 | 757,203 | 3.9% | 1,181 | 48.8% | 3 | 36,013 |
| | from 0.50 to <0.75% | 440,888 | 75,365 | 476,573 | 6.2% | 565 | 40.9% | 3 | 23,050 |
| | from 0.75 to <2.50% | 1,554,633 | 179,262 | 1,633,740 | 7.3% | 4,657 | 41.4% | 4 | 112,340 |
| | from 2.50 to <10.00% | 1,251,430 | 113,678 | 1,288,863 | 11.9% | 6,852 | 40.3% | 4 | 118,507 |
| | from 10.00 to <45.00% | 455,195 | 52,867 | 474,597 | 18.0% | 9,280 | 40.1% | 4 | 63,023 |
| | from 45.00 to <100.00% | 3,101 | - | 3,102 | 22.1% | 43 | 41.2% | 6 | 513 |

31.12.2023

| RETAIL CUSTOMERS | | a) | b) | c) | d) | e) | f) | g) | h) |
|---|---|---|---|---|---|---|---|---|---|
| | PD scale | Original gross balance sheet exposures | Off-balance sheet exposures | EAD after credit risk mitigation and application of credit conversion factor | Average PD expressed in % - acceptable range (from 0% to 100%) | Number of exposures | Average LGD expressed in % | Average maturity (years) | Expected credit loss (ECL) |
| Stage 1 | from 0.00 to <0.15% | 2,214,350 | 24,829 | 2,232,540 | 0.2% | 83,612 | 30.1% | 19 | 1,599 |
| | from 0.15 to <0.25% | 2,126,885 | 33,123 | 2,153,220 | 0.2% | 46,399 | 28.3% | 19 | 1,548 |
| | from 0.25 to <0.50% | 4,827,473 | 67,211 | 4,869,202 | 0.3% | 110,004 | 28.3% | 19 | 3,853 |
| | from 0.50 to <0.75% | 5,131,027 | 93,528 | 5,169,565 | 0.3% | 68,168 | 28.7% | 21 | 4,977 |
| | from 0.75 to <2.50% | 10,987,814 | 422,145 | 11,101,796 | 0.7% | 348,391 | 37.4% | 14 | 33,949 |
| | from 2.50 to <10.00% | 5,164,859 | 360,824 | 5,273,133 | 1.9% | 350,346 | 44.4% | 10 | 49,268 |
| | from 10.00 to <45.00% | 281,874 | 7,937 | 284,330 | 2.4% | 17,661 | 44.1% | 11 | 3,315 |
| | from 45.00 to <100.00% | - | - | - | - | - | - | - | - |
| Stage 2 | from 0.00 to <0.15% | 350,977 | 9,372 | 355,556 | 3.3% | 46,411 | 33.0% | 15 | 7,497 |
| | from 0.15 to <0.25% | 154,964 | 3,022 | 156,322 | 9.9% | 13,139 | 30.0% | 17 | 7,067 |
| | from 0.25 to <0.50% | 325,685 | 3,432 | 327,387 | 15.0% | 9,625 | 32.8% | 17 | 21,963 |
| | from 0.50 to <0.75% | 300,543 | 2,791 | 301,938 | 19.8% | 7,143 | 37.5% | 16 | 27,519 |
| | from 0.75 to <2.50% | 976,948 | 7,720 | 980,003 | 14.7% | 31,829 | 42.9% | 12 | 102,868 |
| | from 2.50 to <10.00% | 645,433 | 17,786 | 654,000 | 16.3% | 76,622 | 46.0% | 9 | 83,293 |
| | from 10.00 to <45.00% | 113,545 | 1,641 | 114,272 | 18.3% | 11,689 | 50.5% | 6 | 16,691 |
| | from 45.00 to <100.00% | 1,218 | - | 1,218 | 46.7% | 2 | 51.1% | 15 | 415 |

31.12.2022 restated

| RETAIL CUSTOMERS | | a) | b) | c) | d) | e) | f) | g) | h) |
|---|---|---|---|---|---|---|---|---|---|
| | PD scale | Original gross balance sheet exposures | Off-balance sheet exposures | EAD after credit risk mitigation and application of credit conversion factor | Average PD expressed in % - acceptable range (from 0% to 100%) | Number of exposures | Average LGD expressed in % | Average maturity (years) | Expected credit loss (ECL) |
| Stage 1 | from 0.00 to <0.15% | 2,120,088 | 120,901 | 2,225,840 | 0.2% | 89,651 | 27.9% | 20 | 2,591 |
| | from 0.15 to <0.25% | 2,024,316 | 111,427 | 2,121,200 | 0.3% | 54,390 | 27.1% | 21 | 2,772 |
| | from 0.25 to <0.50% | 5,192,432 | 193,799 | 5,342,261 | 0.3% | 169,286 | 27.4% | 20 | 8,058 |
| | from 0.50 to <0.75% | 5,431,677 | 177,936 | 5,527,888 | 0.4% | 68,576 | 28.3% | 22 | 9,773 |
| | from 0.75 to <2.50% | 12,803,640 | 517,134 | 12,876,571 | 0.9% | 387,286 | 33.7% | 15 | 55,854 |
| | from 2.50 to <10.00% | 4,931,390 | 423,731 | 5,011,663 | 2.5% | 380,553 | 39.9% | 11 | 61,391 |
| | from 10.00 to <45.00% | 314,583 | 10,905 | 318,231 | 4.9% | 23,197 | 41.5% | 11 | 7,180 |
| | from 45.00 to <100.00% | - | - | - | - | - | - | - | - |
| Stage 2 | from 0.00 to <0.15% | 298,510 | 9,444 | 302,723 | 4.1% | 6,626 | 26.3% | 20 | 10,748 |
| | from 0.15 to <0.25% | 159,364 | 4,076 | 161,726 | 10.2% | 3,255 | 25.7% | 19 | 9,137 |
| | from 0.25 to <0.50% | 356,041 | 4,724 | 357,669 | 15.7% | 11,151 | 32.7% | 15 | 27,862 |
| | from 0.50 to <0.75% | 394,333 | 3,851 | 395,716 | 22.5% | 11,044 | 38.7% | 15 | 43,923 |
| | from 0.75 to <2.50% | 1,502,863 | 12,431 | 1,505,528 | 16.1% | 44,449 | 38.8% | 12 | 175,832 |
| | from 2.50 to <10.00% | 745,179 | 20,042 | 752,215 | 18.1% | 86,345 | 42.8% | 9 | 99,689 |
| | from 10.00 to <45.00% | 182,841 | 7,332 | 188,458 | 19.8% | 13,801 | 45.0% | 9 | 27,840 |
| | from 45.00 to <100.00% | 34 | 1 | 34 | 83.6% | 8 | 40.4% | 7 | 11 |

31.12.2023

| BUSINESS ENTITIES | | a) | b) | c) | d) |
|---|---|---|---|---|---|
| | Time in default | EAD after credit risk mitigation and application of credit conversion factor | Number of exposures | Average PD expressed in % | Expected credit loss (ECL) |
| Stage 3 | to 12 months | 548,984 | 2,945 | 54.0% | 218,168 |
| | from 13 to 24 months | 291,081 | 1,760 | 63.0% | 158,755 |
| | from 25 to 36 months | 114,244 | 851 | 61.1% | 71,034 |
| | from 37 to 48 months | 130,794 | 621 | 66.0% | 101,119 |
| | from 49 to 60 months | 217,531 | 541 | 73.1% | 179,072 |
| | from 61 to 84 months | 152,853 | 462 | 75.8% | 123,181 |
| | over 84 months | 108,611 | 418 | 88.2% | 98,205 |
| POCI | to 12 months | 48,378 | 109 | 29.5% | 3,543 |
| | from 13 to 24 months | 72,975 | 24 | 34.9% | 94 |
| | from 25 to 36 months | 6,352 | 31 | 42.9% | 818 |
| | from 37 to 48 months | 483 | 119 | 30.0% | 18 |
| | from 49 to 60 months | 7,463 | 268 | 85.1% | 4,541 |
| | from 61 to 84 months | 117,183 | 654 | 86.6% | 27,233 |
| | over 84 months | 606 | 4 | 82.2% | 13 |
| POCI performing | | 23,297 | 3,124 | 42.3% | 306 |

31.12.2022 restated

| BUSINESS ENTITIES | | a) | b) | c) | d) |
|---|---|---|---|---|---|
| | Time in default | EAD after credit risk mitigation and application of credit conversion factor | Number of exposures | Average PD expressed in % | Expected credit loss (ECL) |
| Stage 3 | to 12 months | 536,366 | 3,023 | 49.2% | 235,207 |
| | from 13 to 24 months | 209,198 | 1,636 | 56.5% | 117,080 |
| | from 25 to 36 months | 295,400 | 1,217 | 57.7% | 172,007 |
| | from 37 to 48 months | 325,012 | 823 | 62.9% | 224,617 |
| | from 49 to 60 months | 121,398 | 456 | 64.6% | 86,274 |
| | from 61 to 84 months | 136,783 | 457 | 81.3% | 109,408 |
| | over 84 months | 111,549 | 336 | 88.3% | 103,455 |
| POCI | to 12 months | 78,558 | 41 | 39.5% | 139 |
| | from 13 to 24 months | 6,343 | 48 | 48.4% | 1,068 |
| | from 25 to 36 months | 263 | 139 | 64.0% | 22 |
| | from 37 to 48 months | 9,447 | 322 | 86.2% | 4,976 |
| | from 49 to 60 months | 174,817 | 852 | 84.1% | 29,683 |
| | from 61 to 84 months | 1,373 | 7 | 90.0% | 433 |
| | over 84 months | 368 | 2 | 90.0% | 31 |
| POCI performing | | 29,586 | 3,307 | 39.7% | 401 |

31.12.2023

| RETAIL CUSTOMERS | | a) | b) | c) | d) |
|---|---|---|---|---|---|
| | Time in default | EAD after credit risk mitigation and application of credit conversion factor | Number of exposures | Average PD expressed in % | Expected credit loss (ECL) |
| Stage 3 | to 12 months | 311,117 | 20,279 | 55.1% | 171,389 |
| | from 13 to 24 months | 148,396 | 8,247 | 56.3% | 84,021 |
| | from 25 to 36 months | 77,512 | 4,337 | 69.1% | 53,559 |
| | from 37 to 48 months | 64,522 | 2,853 | 71.1% | 45,877 |
| | from 49 to 60 months | 40,288 | 1,291 | 78.4% | 31,570 |
| | from 61 to 84 months | 42,597 | 1,240 | 82.4% | 35,113 |
| | over 84 months | 85,235 | 1,447 | 92.5% | 80,619 |
| POCI | to 12 months | 5,926 | 165 | 28.3% | 374 |
| | from 13 to 24 months | 1,722 | 90 | 37.7% | 111 |
| | from 25 to 36 months | 188 | 53 | 69.8% | 50 |
| | from 37 to 48 months | 655 | 410 | 69.9% | 217 |
| | from 49 to 60 months | 1,004 | 677 | 77.7% | 205 |
| | from 61 to 84 months | 12,789 | 1,352 | 75.2% | 1,174 |
| | over 84 months | - | - | - | - |
| POCI performing | | 28,080 | 42,726 | 35.0% | 165 |

31.12.2022 restated

| RETAIL CUSTOMERS | | a) | b) | c) | d) |
|---|---|---|---|---|---|
| | Time in default | EAD after credit risk mitigation and application of credit conversion factor | Number of exposures | Average PD expressed in % | Expected credit loss (ECL) |
| Stage 3 | to 12 months | 361,666 | 22,071 | 47.5% | 184,374 |
| | from 13 to 24 months | 164,886 | 10,204 | 60.5% | 107,712 |
| | from 25 to 36 months | 111,237 | 5,739 | 61.7% | 75,097 |
| | from 37 to 48 months | 62,425 | 2,240 | 66.6% | 44,557 |
| | from 49 to 60 months | 40,808 | 1,524 | 71.9% | 31,671 |
| | from 61 to 84 months | 96,546 | 1,281 | 81.5% | 91,043 |
| | over 84 months | 75,735 | 1,537 | 85.3% | 75,138 |
| POCI | to 12 months | 3,462 | 201 | 38.2% | 319 |
| | from 13 to 24 months | 577 | 95 | 61.7% | 109 |
| | from 25 to 36 months | 1,352 | 491 | 44.6% | 248 |
| | from 37 to 48 months | 1,755 | 753 | 70.9% | 290 |
| | from 49 to 60 months | 17,667 | 1,559 | 71.5% | 1,551 |
| | from 61 to 84 months | - | - | - | - |
| | over 84 months | - | - | - | - |
| POCI performing | | 30,942 | 43,574 | 33.5% | 191 |

In 2023, the Bank made the following changes to the process of calculating allowances:

- With regard to all customer segments, the Bank performed a review of the macroeconomic model to take into account all relevant macroeconomic variables affecting the level of parameters. As a result of the review performed, the Bank adjusted PLN 16,886 thousand in allowances. At the same time, the execution of changes to the macroeconomic model resulted in the release of the Post Model Adjustment allowances for risk factors not included in the macroeconomic model in the amount of PLN 151,470 thousand.
- With regard to NPL portfolios secured by real estate, the Bank took into account all relevant macroeconomic variables affecting the level of LGD: along with the adjustment of expected selling prices of NPL portfolios based on current forward-looking information, the change resulted in the release of an allowance of PLN 11,745 thousand (a tie-up of PLN 26,755 thousand with a simultaneous release of Post Model Adjustment allowances of PLN 38,500 thousand).
- In addition, in the second half of 2023, the Bank introduced changes to the LGD model aimed at bringing the parameters used closer to the values observed in their backward verification. With regard to unsecured portfolios of loans to individuals and the microenterprise segment, the Bank introduced a mechanism for adjusting the LGD parameters based on the results of backward verification. With regard to secured portfolios, it updated recovery level expectations depending on the assumed recovery path. These changes resulted in a total allowance adjustment of PLN 72,517 thousand.
- For all customer segments in the fourth quarter, the Bank uniformly implemented differentiation of PD levels based on ratings, which resulted in an allowance tie-up of PLN 20,110 thousand.

In addition, in 2023, the level of allowances was impacted by updating the level of allowance in the form of Post Model Adjustments held in connection with the risk of customers who are particularly sensitive to changes in the economic environment and parameter adjustments for sensitive customers using credit holidays - the Bank released a net PLN 32,038 thousand in allowances created for this purpose (including a release of PLN 6,240 thousand on exposures of customers who are particularly sensitive to changes in the economic environment and a PLN 25,798 thousand released in the form of parameter adjustments for sensitive customers using credit holidays).

Taking into account the elements described above, in 2023 the Bank released PLN 222,008 thousand in additional allowances (in the form of Post Model Adjustments). The balance of these additional allowances as of 31 December 2023 amounted to PLN 69,863 thousand, while the balance as of 31 December 2022 amounted to PLN 291,871 thousand.

| **Type of Post Model Adjustment** | 31.12.2022 | Change | 31.12.2023 |
|---|---|---|---|
| Risk factors not included in the macroeconomic model | 151,470 | (151,470) | - |
| Clients particularly sensitive to changes in the economic environment | 25,000 | (6,240) | 18,760 |
| Planned changes to the LGD model | 38,500 | (38,500) | - |
| Adjustment of parameters for sensitive customers using credit holidays | 76,901 | (25,798) | 51,103 |
| **Total** | **291,871** | **(222,008)** | **69,863** |

In 2023, as part of the adjustment of the level of allowances to expectations of the future macroeconomic situation, their level of decreased by PLN 38,704 thousand, which was due to the update of forecasts of macroeconomic variables included in the IFRS9 model used.

In addition, in 2023, due to a change in accounting principles regarding the recognition of the impact of legal risk arising from litigation for CHF loans secured by real estate, as described in Note 2.6 Changes in accounting policies and changes in the presentation of financial data, the Bank reversed allowances for credit risk in the amount of PLN 183,766 thousand. The reversal is a result of a decrease in the gross carrying amount on which allowances are calculated (as a result of a change in accounting principles, the above legal risk has been recognized as an adjustment to the gross carrying amount of the CHF loan portfolio, and only if there is no gross exposure or its level is insufficient to cover the loss, the provision is presented in liabilities). At the same time, PLN 169,913 thousand related to the increase in the allowances on legal risk due to this change was included in the result of the allowance for expected credit losses. Before the change in accounting principles, the allowance created for exposures covered by the provision for legal risk of the CHF loan portfolio was a reduction in the provision for legal risk related to this portfolio. After the change in accounting principles, this allowance is not a reduction in the provision for legal risk of this portfolio. Both changes resulted in a total allowance for expected credit losses of PLN 13,853 thousand due to the above change in accounting principles.

### Sensitivity of allowances

Allowances for the expected credit losses on financial assets are back-tested on a regular basis. The models of risk parameters used for purposes of estimating impairment allowances are covered by the model management process, which specifies the principles of their development, approval and monitoring (including model back-testing). Additionally, there is a validation unit in the Bank, which is independent of the owners and users of the models. The tasks of the unit include: annual validation of risk parameters considered to be significant. The process of validation covers both qualitative and quantitative approach. The process of estimating impairment allowances is subject to periodic functional control and verified independently by the Bank's internal audit.

In order to calculate the sensitivity of the level of allowances related to the realisation of macroeconomic scenarios, the Bank used the method of changing the weights of the severe, pessimistic, baseline and optimistic scenarios in accordance with their application consistent with IFRS 9.

The impact of particular scenarios is presented in the table below

| Analysis/scenario | Change in the amount of allowance (2023) | The percentage change in the amount of allowance (2023) | Change in the amount of allowance (2022) | The percentage change in the amount of allowance (2022) |
|---|---|---|---|---|
| Pessimistic scenario – considering pessimistic and baseline scenarios only (optimistic scenario 0%, baseline scenario 50%, pessimistic scenario 40%, severe scenario 10%) | 210,564 | 10% | 222,832 | 10% |
| Optimistic scenario – considering optimistic and baseline scenarios only (optimistic scenario 50%, baseline scenario 50%, pessimistic scenario 0%, severe scenario 0%) | (84,984) | -4% | (66,559) | -3% |
| Baseline scenario – uniform distribution of optimistic and pessimistic scenarios (optimistic scenario 25%, baseline scenario 50%, pessimistic scenario 15%, severe scenario 10%) | 71,623 | 3% | 78,136 | 3% |

A "severe" scenario has been added compared to the previous year (in 2022, only the pessimistic, baseline and optimistic scenarios were considered). The severe scenario is an extremely pessimistic scenario. For the purposes of the sensitivity analysis presented above, the sum of the weights of the severe and pessimistic scenarios is equal to the weight of the 2022 pessimistic scenario. The values of the weights of the other scenarios in each analysis have not changed from the previous year.

The sensitivity of the level of allowances results directly from the counter-cyclical nature of the calculation of weights assigned to individual macroeconomic scenarios. Countercyclicality is expressed in reducing the weight for the pessimistic scenario as the recession deepens, and in reducing the impact of the optimistic scenario in the event of an "overheating" of the economy.

In addition, the impact of the estimated change in the level of allowances due to scenarios of changes in risk parameters is presented below.

| Analysis/scenario | Change in the amount of allowance (2023) | The percentage change in the amount of allowance (2023) | Change in the amount of allowance (2022) | The percentage change in the amount of allowance (2022) |
|---|---|---|---|---|
| PD decrease by 10% | (98,663) | -5% | (104,254) | -5% |
| PD increase by 10% | 98,662 | 5% | 103,950 | 5% |
| LGD decrease by 10% | (211,991) | -10% | (230,410) | -10% |
| LGD increase by10% | 191,347 | 9% | 218,149 | 9% |

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

31.12.2023

| Analysis/scenario | Change in the amount of allowances | The percentage change in the amount of allowance for exposures subject to individual valuation |
|---|---|---|
| Decrease in present value of estimated future cash flows for individually assessable exposures by 10% | 38,531 | 7% |
| Increase in present value of estimated future cash flows for individually assessable exposures by 10% | (37,353) | -6% |

31.12.2022

| Analysis/scenario | Change in the amount of allowances | The percentage change in the amount of allowance for exposures subject to individual valuation |
|---|---|---|
| Decrease in present value of estimated future cash flows for individually assessable exposures by 10% | 46,574 | 6% |
| Increase in present value of estimated future cash flows for individually assessable exposures by 10% | (46,146) | -6% |

### Climate issues

When considering the need to disclose climate-related risks, the Bank takes into account the requirements for determining materiality of financial information in paragraph 7 of IAS 1. According to these requirements, the Bank should consider both quantitative factors and qualitative factors, as well as the interactions between the factors, when assessing whether or not the information is material.

In 2021, in response to the requirements of the EBA/GL/2020/06 Guideline of 29 May 2020 on lending and monitoring, the Bank developed ESG assessment questionnaires, which were implemented in the lending process. According to the timetable for the implementation of the Guidelines, in Phase I the assessment is carried out for Customers for whom new financing or an increase in financing is being processed. The purpose of the assessment is to identify any risks related to ESG factors affecting the financial position of the customers, as well as the impact of the customers' business activities on ESG factors (double materiality principle). Environmental risks are subject to special analysis by the Bank. They may materialise through:

1) physical risks related to environmental degradation, as well as climate change, including the occurrence of:
   a) long-term climate change,
   b) extreme weather events,
2) transition (transformation) risks resulting from the need to adapt the economy to gradual climate change, in particular to the use of low-carbon and more environmentally sustainable solutions, including the occurrence of:
   a) regulatory risk (changes in climate and environmental policies),
   b) technological risks (a technology with a less damaging effect on the climate or the environment replaces a more damaging technology, making it outdated),
   c) changes in market sentiment and social norms,
3) liability risk arising from the Bank's exposure to counterparties that could potentially be held liable for the negative impact of their activities on environmental, social and corporate governance factors.

The assessment of the impact of long-term climate change and extreme weather events on the activities carried out by customers, is taken into account by the Bank, in the process of granting and monitoring loans, in accordance with the following systematics:

| Long-term climate changes: | Extreme weather events: |
|---|---|
| impact of higher temperatures | impact of heat waves |
| impact of temperature shocks | impact of cold waves |
| impact of changing wind patterns | impact of fires |
| impact of changing rain/snow-fall patterns and types | impacts of storms, tornadoes, etc. |
| impact of sea level rise | impact of droughts |
| impact of water stress (reduced access to water) | impact of heavy rain/snow-falls |
| impact of soil and coastal erosion | impact of floods |
| impact of soil degradation | impact of landslides |

In the Bank's view, the impact of climate and environmental risks does not materially affect the level of credit risk, so the Bank does not isolate these risks in the calculation of expected credit losses.

However, the Bank recognises that climate and environmental risks may represent a material risk to businesses and a systemic risk to the economy, so it is taking steps to collect relevant data on these risks.

## b. Classification of financial instruments

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

## c. Fair value of financial instruments

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

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

The fair value measurement of debt instruments not listed in an active market and loans and advances is determined using a method based on the present value of projected future cash flows or a method based on the expected recovery of a given exposure, which take into account estimates of unobservable risk factors, i.e. the size of the credit spread, the probability of the debtor's insolvency, the recovery rate.

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

Valuations to fair value are regularly verified by a separate organizational unit, which is independent of the entities concluding transactions. As part of the verification, an assessment is made of the convergence of valuations with market transaction prices and the adequacy of the valuation methods used in the context of changes in financial markets.

## d. Impairment of fixed assets and investments in subsidiaries

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

If such an indication exists with respect to investments in subsidiaries, the Bank estimates the value in use and, if the carrying amount of the asset exceeds its recoverable amount, the Bank recognizes an impairment loss in the income statement. Estimating value in use requires assumptions regarding, among other things, future cash flows and the discount rate.

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

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

The anticipated severance pay is calculated as the resultant of:

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

The projected value is discounted actuarially at the end of each reporting period. In accordance with the requirements of IAS 19, the financial discount rate for calculating the current value of liabilities related to employee benefits is determined on the basis of market yields on treasury bonds whose currency and maturity date are consistent with the currency and the estimated date of the benefit obligations.

The actuarial discount is the product of the financial discount, the probability of a person's continued employment at the Group until the severance is required, and the probability of the need for a particular benefit (e.g. the probability of acquiring a disability). The value of annual write-offs and the probability are projected with the use of models which take the following three risks into account:

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

The possibility of dismissal from work is estimated trough a probability distribution, based on the Bank’s statistical data. The likelihood of dismissal depends on the age of the employee and is constant throughout each year of work. The risks of death and disability were estimated based on analyses of the latest statistical data on life expectancy in Poland (for men and women) as well as historical data published by the Central Statistical Office and the Social Security Office.

Provisions resulting from actuarial valuation are updated quarterly.

## Sensitivity analysis

The table below presents the impact of a 1 p.p. change in the relevant actuarial assumptions on liabilities due to retirement, disability and post-mortem severance as at 31 December 2023 and 31 December 2022.

| | increase by 1 p.p. | decrease by 1 p.p. |
|---|---|---|
| 31.12.2023 | | |
| discount rate | (1,782) | 2,079 |
| wage growth rate | 2,073 | (1,809) |
| 31.12.2022 | | |
| discount rate | (1,683) | 1,961 |
| wage growth rate | 1,949 | (1,702) |

### Reconciliation of present value of retirement, disability and post-mortem benefit obligations

The table below presents the reconciliation from the beginning balances to the ending balances for present value liabilities due to retirement, disability and post-mortem benefit obligations:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Opening balance** | **18,547** | **15,351** |
| current employment costs | 1,928 | 1,527 |
| net interest on net liability | 1,128 | 837 |
| actuarial gain or loss | 1,377 | 1,287 |
| past employment costs | (2,260) | - |
| benefits paid | (539) | (455) |
| **Closing balance** | **20,181** | **18,547** |

## f. Restructuring provision

On 18 December 2020, the Bank finalized negotiations with trade union organizations operating in the Bank and concluded an agreement on defining the rules with reference to the matters concerning employees in connection with the collective redundancies process, for 2021-2023, resulting from the adaptation of the Bank's business model to the change of business environment. In connection with the agreement concluded in December 2020, the Bank created restructuring provision to cover the costs of employment reduction. As of 31 December 2023, the balance sheet amount of the provision created for liabilities to employees due to restructuring in 2021-2023 is PLN 6,150 thousand (compared to the balance as of 31 December 2022 - PLN 31,062 thousand).

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

## g. Asset and provision for deferred income tax

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

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

However, deferred tax assets are recognized for deductible temporary differences on investments in subsidiaries or associates and interests in joint ventures, only to the extent that it is probable that the aforementioned temporary differences will reverse in the foreseeable future and taxable income will be generated to offset the deductible temporary differences.

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

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

In Q1, the Bank decided to create an additional asset with respect to the provisions set up in connection with the settlement process and the possibility of taking advantage of tax preferences (waiver of CIT collection on forgiven loans under the Regulation of the Minister of Finance dated 11 March 2022, as amended).

For details, see Note 54 Court cases and administrative proceedings.

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

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

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

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

As a result of the analysis concerning the impact of the judgment on the Bank’s revenues, in particular on relations expired before the judgment was issued, in 2019 the Bank decided to create a provision for a proportional refund of commission in the event of early repayment of the loan in the amount of PLN 48,750 thousand. As at 31 December 2023 the provision amounted to PLN 12,045 thousand (as at 31 December 2022 the provision amounted to PLN 14,583 thousand). The provision was estimated based on the estimation of the total amount of the provision for the early repaid loans and the expected percentage of customers who will claim for a refund of the due part of the commission. Assuming that the percentage of customers would be 5 p.p. higher than the assumed level, the amount of the provision would be higher by PLN 12.5 million.

Simultaneously, the Bank recognises its liability due to the proportional reimbursement of commissions in the event of their early repayment in the period from the date of the judgment of the CJEU on 11 September 2019 to 31 December 2019. As of 31 December 2023, this liability amounted to PLN 2,258 thousand (PLN 2,300 thousand as of 31 December 2022).

Additionally, the Bank creates a provision to cover the partial reimbursements of loan commissions in the event of their early repayment. The estimate of the provision is based on the difference between the value of commissions to be reimbursed and the balance of unsettled commissions as at the expected date of early loan repayment. This provision is calculated as a percentage of commissions charged to the customer, which reflects the expected average difference between the amounts of commissions to be refunded to customers and the balance of outstanding commissions at the expected time of early repayment of the loan. This percentage is calculated based on the estimated level of early repayments and the expected timing of repayment. In the event of early loan repayment, this provision is released and for newly sold loans a provision will be created on an ongoing basis. As of 31 December 2023, the provision amounted to PLN 44,756 thousand (PLN 36,327 thousand as of 31 December 2022).

The total amount of provisions and liabilities related to the CJEU judgment as of 31 December 2023 was PLN 59,063 thousand (as of 31 December 2022, the provision was PLN 53,211 thousand).

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

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

## i. Impact of suspension of performance of mortgage loan agreements granted in PLN in the period from 1 August 2022 to 31 December 2023

Following the enactment of the Community Financing for Business Ventures and Borrower Assistance Act ("the Act"), allowing customers to suspend the performance of their PLN mortgage contracts from 1 August 2022 to 31 December 2023 ("the suspension"), the Bank's Management Board approved an estimate of the impact of the Act on the Bank's results and operations on 15 July 2022.

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

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

Based on data on customers' use of the option to suspend performance of contracts, from January to December 2023 the Bank revised its estimates and adjusted the impact of the suspension recognized in 2022 by PLN 56 million. This adjustment had a positive impact on net interest income in 2023.

During the program period, that is from the third quarter of 2022 to the end of 2023, customers accounting for about 71% of the volume of the PLN mortgage portfolio in the Bank requested suspension of contracts.

The final cost of the program over its duration was PLN 839 million.

The suspension of contracts did not change the classification of exposures into different credit risk stages or the assignment of the forbearance flag at the end of 2023, except when the Bank had information indicating a material increase in risk or impairment.

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

Impact of legal risk resulting from proceedings related to CHF mortgage loans and model used by the Group were presented in Note 54 Court cases and administrative proceedings.

# 4. NET INTEREST INCOME

| Interest income | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Amounts due from banks | 482,253 | 336,939 |
| Loans and advances to customers measured at amortised cost, including: | 6,799,742 | 4,590,739 |
| non-banking financial institutions | 205,123 | 55,902 |
| retail customers | 3,098,157 | 1,707,383 |
| corporates | 3,473,647 | 2,802,540 |
| including retail farmers | 663,622 | 605,276 |
| public sector institutions | 4,739 | 4,597 |
| leasing receivables | 18,076 | 20,317 |
| Loans and advances to customers measured at amortised cost through profit or loss | 80,349 | 88,692 |
| Debt instruments measured at amortised cost | 743,329 | 599,413 |
| Debt instruments measured at fair value through profit or loss | 6,928 | 7,569 |
| Debt instruments measured at fair value through other comprehensive income | 658,027 | 324,117 |
| Derivative instruments as part of fair value hedge accounting | 403,209 | 188,498 |
| Derivative instruments as part of cash flow hedge accounting | 11,627 | 11,628 |
| Securities purchased under repurchase agreements | 255,621 | 67 |
| **Total interest income** | **9,441,085** | **6,147,662** |

| Interest expense | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Amounts due to banks | (361,204) | (264,708) |
| Amounts due to customers, including: | (2,713,932) | (1,609,451) |
| non-banking financial institutions | (124,417) | (74,098) |
| retail customers | (1,261,315) | (721,227) |
| corporates | (1,203,100) | (696,067) |
| including retail farmers | (16,494) | (6,351) |
| public sector institutions | (125,100) | (118,059) |
| Lease liabilities | (28,765) | (15,276) |
| Derivative instruments as part of fair value hedge accounting | (1,161,945) | (790,845) |
| Derivatives under cash flow hedge accounting | (44,099) | (30,960) |
| Securities sold subject to repurchase agreements | (4,811) | (38,592) |
| Other related to financial assets | - | (88) |
| **Total interest expense** | **(4,314,756)** | **(2,749,920)** |
| **Net interest income** | **5,126,329** | **3,397,742** |

The value of interest expenses calculated using the effective interest rate in relation to financial liabilities, which are measured at amortised cost, amounted to PLN 3,108,712 thousand (PLN 1,928,027 thousand for the period of 12 months ended 31 December 2022).

Interest income includes interest on financial assets assessed individually and collectively, for which impairment was identified. The amount of the above mentioned interest, which was recognised in the interest income for 2023, amounted to PLN 115,590 thousand, as compared to PLN 116,520 thousand for 2022.

# 5. NET FEE AND COMMISSION INCOME

| Fee and commission income | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| loans, advances and leases | 312,122 | 302,464 |
| account maintenance | 228,950 | 247,920 |
| cash service | 34,305 | 42,312 |
| cash transfers and e-banking | 102,812 | 98,151 |
| guarantees and documentary operations | 74,589 | 54,530 |
| asset management and brokerage operations | 83,314 | 107,667 |
| payment and credit cards | 377,644 | 325,966 |
| insurance mediation activity | 150,402 | 134,278 |
| product sale mediation and customer acquisition | 23,364 | 17,374 |
| other commissions | 39,371 | 22,629 |
| **Total fee and commission income** | **1,426,873** | **1,353,291** |

| Fee and commission expense | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| loans, advances and leases | (656) | (517) |
| account maintenance | (10,789) | (10,293) |
| cash service | (26,198) | (24,676) |
| cash transfers and e-banking | (3,137) | (7,873) |
| asset management and brokerage operations | (4,940) | (4,700) |
| payment and credit cards | (123,463) | (123,995) |
| insurance mediation activity | (20,272) | (22,582) |
| product sale mediation and customer acquisition | (21,389) | (24,719) |
| other commissions | (54,758) | (54,701) |
| **Total fee and commission expense** | **(265,602)** | **(274,056)** |
| **Net fee and commission income** | **1,161,271** | **1,079,235** |

Net commission income for 2023 includes revenues from custody activities in the amount of PLN 83,314 thousand (PLN 107,667 thousand in 2022) and the amount of costs from custody activities in the amount of PLN 4,940 thousand (PLN 4,700 thousand in 2022).

Net commission income includes commission income that relate to assets and liabilities that are not measured at fair value with the result of measurement recognised in the statement of profit or loss for 2023 in the amount of PLN 851,955 thousand, while for 2022 in the amount of PLN 842,499 thousand, and commission costs for 2023 in the amount of PLN 82,441 thousand, as compared to PLN 90,660 thousand for 2022.

# 6. DIVIDEND INCOME

| Dividend income | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Due to equity instruments measured at fair value through profit or loss | 10,881 | 10,817 |
| **Total dividend income** | **10,881** | **10,817** |

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

| **Net trading income** | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Due to equity instruments measured at fair value through profit or loss | 20,768 | 11,573 |
| Due to debt instruments measured at fair value through profit or loss | 4,261 | (1,459) |
| Due to derivative instruments and result on foreign exchange transactions | 926,562 | 744,270 |
| **Result on financial instruments measured at fair value through profit or loss and foreign exchange differences, total** | **951,591** | **754,384** |
| **including margin on foreign exchange and derivative transactions with customers** | **802,802** | **758,119** |

# 8. RESULT ON INVESTMENT ACTIVITIES

| **Result on investment activities** | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Impairment of investments in subsidiaries | 36,899 | (17,768) |
| Debt instruments measured at fair value through other comprehensive income | (1,754) | 3,286 |
| Loans and advances to customers measured at fair value through profit or loss | (23,282) | 24,094 |
| **Total result on investment activities** | **11,863** | **9,612** |

There has been no change in the business models operating in the Bank during 2023 and 2022 and, consequently, there has been no change in the classification of financial assets.

# 9. NET IMPAIRMENT ALLOWENCES ON FINANCIAL ASSETS AND PROVISON ON CONTINGENT LIABILITIES

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

| **12 months to 31.12.2023** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **POCI** |
|---|---|---|---|---|---|
| Amounts due from other banks | 26 | (63) | - | (37) | - |
| Loans and advances to customers measured at amortised cost | 34,795 | 192,801 | (252,673) | (25,077) | (23,470) |
| Contingent commitments granted | (13,874) | (31,340) | (46) | (45,260) | 1,928 |
| Securities measured at amortised cost | 77 | - | 47,727 | 47,804 | 47,727 |
| **Total net allowances on expected credit losses of financial assets and provisions on contingent liabilities** | **21,024** | **161,398** | **(204,992)** | **(22,570)** | **26,185** |

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

| **12 months to 31.12.2022** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **POCI** |
|---|---|---|---|---|---|
| Amounts due from other banks | 4,411 | - | - | 4,411 | - |
| Loans and advances to customers measured at amortised cost | 186,188 | (275,418) | (255,031) | (344,261) | (11,454) |
| Contingent commitments granted | 48,846 | (7,537) | 15,152 | 56,461 | 186 |
| Securities measured at amortised cost | 241 | 318 | 113 | 672 | 113 |
| **Total net allowances on expected credit losses of financial assets and provisions on contingent liabilities** | **239,686** | **(282,637)** | **(239,766)** | **(282,717)** | **(11,155)** |

| Change of allowances on expected credit losses of financial assets and provisions on contingent liabilities | 12 months to 31.12.2023 | 12 months to 31.12.2022 restated |
|---|---|---|
| **Opening balance** | **(3,016,799)** | **(3,006,911)** |
| Increases due to acquisition or origination | (261,248) | (267,774) |
| Decreases due to derecognition | 380,964 | 204,448 |
| Net changes in credit risk | (102,793) | (335,875) |
| Change in accounting policy on impact of legal risk of CHF exposures | - | (15,572) |
| Change due to significant modifications | (7,330) | (1,486) |
| Use of allowances | 430,399 | 426,465 |
| Other changes (including foreign exchange differences) | 24,651 | (20,094) |
| **Closing balance** | **(2,552,156)** | **(3,016,799)** |

| Net allowances on expected credit losses of financial assets and provisions on contingent liabilities | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Change in impairment allowances on financial assets and provisions on contingent liabilities | 46,563 | (353,592) |
| Change in initial impairment on financial assets classified as POCI | (7,964) | (27,420) |
| Change in accounting policy on impact of legal risk of CHF exposures | (169,913) | - |
| Revenue from the sale and write-off of receivables and costs related to the write-off of receivables | 108,744 | 98,295 |
| **Closing balance** | **(22,570)** | **(282,717)** |

# 10. GENERAL ADMINISTRATIVE COSTS

| General administrative costs | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Personnel expenses | (1,421,472) | (1,241,494) |
| Marketing | (81,492) | (83,884) |
| IT and telecom expenses | (271,375) | (264,575) |
| Short-term leasing and operation | (84,555) | (68,117) |
| Other non-personnel expenses | (479,583) | (450,410) |
| Business travels | (13,578) | (14,173) |
| ATM and cash handling expenses | (28,407) | (26,045) |
| Costs of outsourcing services related to leasing operations | (2,775) | (2,623) |
| Bank Guarantee Fund fee | (123,909) | (152,340) |
| Commercial Banks Protection Scheme fees | (275) | (206,531) |
| Cost of PFSA supervision | (15,557) | (13,873) |
| **Total general administrative costs** | **(2,522,978)** | **(2,524,065)** |

The Other non-personnel expenses line presents costs related to legal services for CHF loan litigation in the amount of PLN 91,046 thousand in 2023 (2022: PLN 74,519 thousand).

**Commercial Bank Protection Scheme**

A group of 8 commercial banks ("Participating Banks"): BNP Paribas Bank Polska S.A. (the "Bank"), ING Bank Śląski S.A., Alior Bank S.A., Bank Millennium S.A., Bank Polska Kasa Opieki S.A., mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Santander Bank Polska S.A. decided to establish the Commercial Bank Protection Scheme ("CBPS"). On 14 June 2022, the Participating Banks established a joint stock company as the management entity of the Protection System (the "Management Unit"). The establishment of the Management Unit received approval from the Polish Financial Supervision Authority and approval for concentration from the President of the Competition and Consumer Protection Office. On 1 August 2022, the company was registered with the National Court Register.

The share capital of the Management Unit is PLN 1,000,000. The Bank subscribed for 9,441 shares in the Management Unit, with a total nominal value of PLN 94,410, representing 9.4% of its share capital. Investments in the CBPS are measured by the Bank at fair value through profit and loss and recognises under securities at fair value through profit and loss.

The purpose of the protection scheme is:

a) to ensure the liquidity and solvency of Participating Banks under the terms and conditions and to the extent set out in the protection scheme agreement;

and

b) to promote:

(i) the mandatory restructuring by the Bank Guarantee Fund of a bank that is a joint stock company; and

(ii) the acquisition of a bank that is a joint stock company pursuant to Article 146b(1) of the Banking Law.

Other national banks may join the CBPS, provided that they meet the conditions set out in the applicable legislation and in the protection scheme agreement.

An Assistance Fund was established in the Management Unit to provide resources to finance the tasks of the Protection Scheme. The Assistance Fund is created from the contributions of the Participating Banks in the amount of 0.4% of the guaranteed funds of the respective bank covered by the mandatory deposit guarantee scheme referred to in Article 2(34) of the Bank Guarantee Fund, Deposit Guarantee Scheme and Forced Restructuring Act of 10 June 2016 (the "BFG Act").

Based on the level of the Bank's guaranteed funds at the end of the first quarter of 2022, which amounted to PLN 47,004,279 thousand, the Bank has paid into the Assistance Fund the amount of PLN 188,017 thousand on 5 August 2022, which has been charged to the Bank's results (general administrative costs) in the second quarter of 2022.

On the basis of an unanimously adopted resolution of the General Meeting of the Management Unit, the Bank paid the amount of PLN 18,513 thousand into the Assistance Fund on 15 September 2022, which was charged to the Bank's results (general administrative expenses) in the third quarter of 2022.

Pursuant to the provision of Article 287(2) et seq. of the BFG Act, the BFG Council may decide to reduce the level of funds of the deposit guarantee scheme in banks, taking into account, inter alia, the amount of funds collected by the protection scheme. In addition, in accordance with the provision of Article 15(1h)(5) of the Corporate Income Tax Act of 15 February 1992, the contributions of the participants of the protection system to the Assistance Fund are tax deductible.

The liability of each Participating Bank, including BNP Paribas Bank Polska S.A., for obligations related to its participation in the protection scheme is limited to the amount of contributions that the respective Participating Bank is obliged to make in order to acquire shares in the Management Unit and contributions that the respective Participating Bank is obliged to make to the Assistance Fund.

Each Participant Bank will be able to terminate the protection scheme agreement by giving 24 months' notice. Upon termination, the agreement will continue to apply to the remaining Participating Banks.

# 11. PERSONNEL EXPENSES

| Personnel expenses | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Payroll expenses | (1,118,452) | (993,235) |
| Payroll charges | (198,955) | (178,334) |
| Employee benefits | (52,608) | (44,966) |
| Costs of restructuring provision | (31,305) | (775) |
| Costs of provision for future liabilities arising from unused annual leave and retirement benefits | (5,871) | (9,095) |
| Appropriations to Social Benefits Fund | (15,041) | (14,025) |
| Other | 760 | (1,064) |
| **Total personnel expenses** | **(1,421,472)** | **(1,241,494)** |

# 12. DEPRECIATION AND AMORTISATION

| Depreciation and amortization | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Property, plant and equipment | (210,411) | (206,283) |
| Intangible assets | (246,244) | (205,640) |
| **Total depreciation and amortization** | **(456,655)** | **(411,923)** |

# 13. OTHER OPERATING INCOME

| Other operating income | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Sale or liquidation of property, plant and equipment and intangible assets | 20,977 | 17,942 |
| Release of allowances on other receivables | 6,602 | 9,507 |
| Release of provisions for litigation and claims and other liabilities | 56,090 | 56,718 |
| Recovery of debt collection costs | 16,973 | 18,666 |
| Recovered indemnities | 477 | 650 |
| Income from leasing operations | 17,991 | 26,570 |
| Other operating income | 23,718 | 30,339 |
| **Total other operating income** | **142,828** | **160,392** |

# 14. OTHER OPERATING EXPENSES

| Other operating expenses | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Loss on sale or liquidation of property, plant and equipment and intangible assets | (16,589) | (21,826) |
| Impairment allowances on other receivables | (8,258) | (13,120) |
| Provisions for litigation and claims and other liabilities | (70,050) | (58,520) |
| Debt collection | (34,633) | (37,701) |
| Donations made | (11,216) | (6,447) |
| Costs of leasing operations | (17,425) | (24,889) |
| Costs of compensations, penalties and fines | (9,219) | (5,322) |
| Other operating expenses | (65,507) | (82,031) |
| **Total other operating expenses** | **(232,897)** | **(249,856)** |

# 15. INCOME TAX EXPENSE

| | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Current income tax | (668,051) | (389,736) |
| Deferred income tax | (77,296) | (27,548) |
| **Total income tax expense** | **(745,347)** | **(417,284)** |
| Profit before income tax | 1,753,175 | 788,176 |
| Statutory tax rate | 19% | 19% |
| **Income taxes on gross profit** | **(333,103)** | **(149,753)** |
| **Taxable permanent differences, including:** | **(412,244)** | **(267,530)** |
| Receivables written-off | (22,664) | (27,706) |
| Representation expenses | (743) | (670) |
| PFRON | (1,871) | (1,815) |
| Prudential fee to the Bank Guarantee Fund | (23,543) | (28,945) |
| Tax on financial institutions | (78,214) | (81,045) |
| Research and development relief | 26,670 | 16,431 |
| Provision for claims related to CHF loans | (311,382) | (112,494) |
| Legal risk provisions | 5,528 | 3,633 |
| Borrowers' Support Fund | - | (14,317) |
| Other differences | (6,025) | (20,602) |
| **Total income tax expense** | **(745,347)** | **(417,284)** |

# 16. EARNING PER SHARE

| | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Basic** | | |
| Net profit | 1,007,828 | 370,892 |
| Weighted average number of ordinary shares (units) | 147,655,366 | 147,574,201 |
| Basic earnings (loss) per share (in PLN per one share) | 6.83 | 2.51 |
| **Diluted** | | |
| Net profit used in determining diluted earnings per share | 1,007,828 | 370,892 |
| Weighted average number of ordinary shares (units) | 147,655,366 | 147,574,201 |
| Adjustments for: | | |
| - stock options | 144,166 | 122,459 |
| Weighted average number of ordinary shares for the diluted earnings per share (units) | 147,799,532 | 147,696,660 |
| Diluted earnings (loss) per share (in PLN per one share) | 6.82 | 2.51 |

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

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

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

# 17. CASH AND CASH BALANCES AT CENTRAL BANK

| Cash and cash equivalents | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Cash and other balances | 2,426,914 | 2,669,552 |
| Account in the National Bank of Poland | 4,457,458 | 48,699 |
| **Gross cash and cash equivalents** | **6,884,372** | **2,718,251** |
| Impairment allowances | (790) | (9) |
| **Total cash and cash equivalents** | **6,883,582** | **2,718,242** |

| Change of impairment allowances | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **(9)** | **(283)** |
| Increases due to acquisition or origination | (9) | (3,241) |
| Decreases due to derecognition | 1,558 | 3,525 |
| Other changes (including foreign exchange differences) | (2,330) | (10) |
| **Closing balance** | **(790)** | **(9)** |

During the day, the Bank may use cash on statutory reserve accounts for current cash settlements based on an order placed at the National Bank of Poland. The Bank has to ensure that the average monthly balance matches the declared statutory reserve amount.

The funds on the statutory reserve account bear interest. As at 31 December 2023 interest on statutory reserve accounts was 5.75% (6.75% as at 31 December 2022).

The balance of cash in hand and at Central Bank includes the statutory reserve maintained with the National Bank of Poland. The basic reserve requirement at 31 December 2023 was 3.5%. The declared reserve level to be maintained since 31 December 2023 was PLN 4,374,198 thousand.

# 18. AMOUNT DUE FROM OTHER BANKS

| Amounts due from other banks | 31.12.2023 | | | 31.12.2022 | | |
|---|---|---|---|---|---|---|
| | Gross balance sheet value | Allowance | Net balance sheet value | Gross balance sheet value | Allowance | Net balance sheet value |
| Current accounts | 8,918,229 | (539) | 8,917,690 | 9,026,197 | (1,075) | 9,025,122 |
| Interbank deposits | 64,027 | (32) | 63,995 | 1,568,423 | (220) | 1,568,203 |
| Loans and advances | 201,190 | (100) | 201,090 | 201,160 | (133) | 201,027 |
| Other receivables | 8,707,981 | (58) | 8,707,923 | 915,307 | (77) | 915,230 |
| **Total amounts due from other banks** | **17,891,427** | **(729)** | **17,890,698** | **11,711,087** | **(1,505)** | **11,709,582** |

Other receivables as of 31 December 2023 also include receivables from cash collateral in the amount of PLN 736,283 thousand (PLN 911,221 thousand as of 31 December 2022) and receivables from securities purchased with repurchase obligation received in the amount of PLN 7,968,341 thousand (PLN 0 as of 31 December 2022).

The total balance of long-term amounts due from banks as at 31 December 2023 amounted to PLN 736,283 thousand (PLN 911,221 thousand as at 31 December 2022).

| Change in allowance due to expected credit losses on receivables from Banks | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Balance at the beginning of the period** | **(1,505)** | **(5,443)** |
| Increases due to acquisition or origination | (3,782) | (2,023) |
| Decreases due to derecognition | 5,490 | 1,903 |
| Changes resulting from the change in credit risk (net) | (963) | 4,257 |
| Other changes (including foreign exchange differences) | 31 | (199) |
| **Balance at the end of the period** | **(729)** | **(1,505)** |

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

# 19. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivatives held by the Bank is presented in the below table:

| **Trading derivatives** | Nominal value | Fair value | |
|---|---|---|---|
| 31.12.2023 | | Assets | Liabilities |
| **Currency derivatives** | | | |
| Foreign Exchange Forward (FX Forward + NDF) | 12,729,040 | 67,984 | 990,823 |
| Currency Swap (FX Swap) | 25,655,076 | 1,444,643 | 294,517 |
| Currency Interest Rate Swaps (CIRS) | 5,604,525 | 65,635 | 31,665 |
| OTC currency options | 11,746,884 | 227,734 | 340,613 |
| **Total currency derivatives** | **55,735,525** | **1,805,996** | **1,657,618** |
| **Interest rate derivatives:** | | | |
| Interest Rate Swap | 67,172,213 | 1,218,645 | 1,088,117 |
| FRA contracts | 1,500,000 | 85 | 22 |
| OTC interest rate options | 10,657,404 | 91,520 | 91,452 |
| **Total interest rate derivatives** | **79,329,617** | **1,310,250** | **1,179,591** |
| **Other derivatives** | | | |
| OTC options | 870,970 | 30,499 | 28,066 |
| Currency Spot (FX Spot) | 2,194,110 | - | - |
| **Total other derivatives** | **3,065,080** | **30,499** | **28,066** |
| **Total trading derivatives** | **138,130,222** | **3,146,745** | **2,865,275** |
| Including: measured using models | 138,130,222 | 3,146,745 | 2,865,275 |

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

Fair value of derivatives by their maturity

| | Fair value of assets | | | | | | Fair value of liabilities | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 31 December 2023 | Total | <= 1 month | > 1 month <= 3 months | > 3 months <= 12 months | > 1 year <= 5 years | > 5 years | Total | <= 1 month | > 1 month <= 3 months | > 3 months <= 12 months | > 1 year <= 5 years | > 5 years |
| **Trading derivatives** | | | | | | | | | | | | |
| **Currency derivatives:** | | | | | | | | | | | | |
| Foreign Exchange Forward (FX Forward + NDF) | **67,984** | 12,091 | 15,245 | 31,794 | 8,854 | - | **990,823** | 32,688 | 69,578 | 231,792 | 656,765 | - |
| Currency Swap (FX Swap) | **1,444,643** | 123,412 | 84,565 | 408,359 | 828,307 | - | **294,517** | 22,400 | 34,980 | 57,462 | 179,675 | - |
| Currency Interest Rate Swaps (CIRS) | **65,635** | - | 592 | 21,490 | 40,258 | 3,295 | **31,665** | - | - | 1,230 | 27,277 | 3,158 |
| OTC currency options | **227,734** | 20,113 | 39,637 | 162,008 | 5,976 | - | **340,613** | 33,667 | 66,091 | 219,657 | 21,198 | - |
| **Total currency derivatives:** | **1,805,996** | **155,616** | **140,039** | **623,651** | **883,395** | **3,295** | **1,657,618** | **88,755** | **170,649** | **510,141** | **884,915** | **3,158** |
| **Interest rate derivatives:** | | | | | | | | | | | | |
| Interest Rate Swap | **1,218,645** | 2,287 | 4,039 | 114,219 | 771,322 | 326,778 | **1,088,117** | 1,783 | 2,218 | 97,125 | 686,584 | 300,407 |
| FRA contracts | **85** | - | - | 85 | - | - | **22** | - | - | 22 | - | - |
| OTC interest rate options | **91,520** | 2,039 | 1,514 | 4,672 | 79,647 | 3,648 | **91,452** | 2,039 | 1,512 | 5,377 | 78,884 | 3,640 |
| **Total interest rate derivatives** | **1,310,250** | **4,326** | **5,553** | **118,976** | **850,969** | **330,426** | **1,179,591** | **3,822** | **3,730** | **102,524** | **765,468** | **304,047** |
| **Other derivatives** | | | | | | | | | | | | |
| OTC commodity swaps | **30,499** | 6,065 | 5,820 | 8,546 | 10,068 | - | **28,066** | 5,839 | 5,664 | 8,092 | 8,471 | - |
| **Total other derivatives:** | **30,499** | **6,065** | **5,820** | **8,546** | **10,068** | **-** | **28,066** | **5,839** | **5,664** | **8,092** | **8,471** | **-** |
| **Total trading derivatives** | **3,146,745** | **166,007** | **151,412** | **751,173** | **1,744,432** | **333,721** | **2,865,275** | **98,416** | **180,043** | **620,757** | **1,658,854** | **307,205** |

***** Financial data have been rounded and presented in PLN ‘000, and therefore, in some cases, the totals may not correspond exactly to the total sum

| | Fair value of assets | | | | | | Fair value of liabilities | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 31 December 2022 | Total | <= 1 month | > 1 month <= 3 months | > 3 months <= 12 months | > 1 year <= 5 years | > 5 years | Total | <= 1 month | > 1 month <= 3 months | > 3 months <= 12 months | > 1 year <= 5 years | > 5 years |
| **Trading derivatives** | | | | | | | | | | | | |
| **Currency derivatives:** | | | | | | | | | | | | |
| Foreign Exchange Forward (FX Forward + NDF) | **411,685** | 33,973 | 33,354 | 74,478 | 269,880 | - | **502,865** | 23,889 | 35,032 | 112,889 | 331,055 | - |
| Currency Swap (FX Swap) | **645,483** | 85,915 | 70,599 | 170,179 | 318,790 | - | **363,810** | 44,920 | 55,138 | 76,624 | 187,128 | - |
| Currency Interest Rate Swaps (CIRS) | **266,087** | - | 1,604 | 62,673 | 131,289 | 70,521 | **302,954** | - | 621 | 36,111 | 155,786 | 110,436 |
| OTC currency options | **130,680** | 4,878 | 12,883 | 56,314 | 56,605 | - | **141,744** | 9,569 | 18,705 | 60,567 | 52,903 | - |
| **Total currency derivatives:** | **1,453,935** | **124,766** | **118,440** | **363,644** | **776,564** | **70,521** | **1,311,373** | **78,378** | **109,496** | **286,191** | **726,872** | **110,436** |
| **Interest rate derivatives:** | | | | | | | | | | | | |
| Interest Rate Swap | **1,581,137** | 1,518 | 3,730 | 54,135 | 1,177,093 | 344,661 | **1,647,210** | 2,360 | 10,309 | 119,039 | 1,148,180 | 367,322 |
| OTC interest rate options | **164,484** | 1 | - | 3,523 | 154,376 | 6,584 | **164,851** | 12 | - | 2,911 | 155,365 | 6,563 |
| **Total interest rate derivatives** | **1,745,621** | **1,519** | **3,730** | **57,658** | **1,331,469** | **351,245** | **1,812,061** | **2,372** | **10,309** | **121,950** | **1,303,545** | **373,885** |
| **Other derivatives** | | | | | | | | | | | | |
| OTC commodity swaps | **24,716** | 7,446 | 5,614 | 11,656 | - | - | **24,421** | 7,435 | 5,434 | 11,552 | - | - |
| **Total other derivatives:** | **24,716** | **7,446** | **5,614** | **11,656** | **-** | **-** | **24,421** | **7,435** | **5,434** | **11,552** | **-** | **-** |
| **Total trading derivatives** | **3,224,272** | **133,731** | **127,784** | **432,958** | **2,108,033** | **421,766** | **3,147,855** | **88,185** | **125,239** | **419,693** | **2,030,417** | **484,321** |

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

Maturity dates:
- for NDF, FX forward, FX swap, currency options and indexes, IRS, CIRS calculated as a difference in days between the transaction maturity date and the balance sheet date
- for FX spot, FRA, securities to be issued/received calculated as a difference in days between the transaction currency date and the balance sheet date.

# 20. HEDGE ACCOUNTING

As at 31 December 2023, the Bank used fair value hedge (macro fair value hedge).

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

| IRS | Nominal value | Fair value | |
|---|---|---|---|
| | | Assets | Liabilities |
| 31.12.2023 | 11,315,595 | 67,980 | 630,468 |
| 31.12.2022 | 14,833,485 | 29,101 | 1,298,074 |

| | |
|---|---|
| Presentation of result on the hedged and hedging transactions | The change in fair value of hedging instruments is recognised in the Result on hedge accounting. Interest on IRS transactions and current accounts is recognised in Interest income. |

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

31.12.2023 -PLN 547,696 thousand
31.12.2022 -PLN 1,233,598 thousand

and the difference in valuation to fair value of hedged items for which the hedging relationship was terminated during its term, amounting to:

31.12.2023 -PLN 338,202 thousand
31.12.2022 -PLN 692,574 thousand

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

31.12.2023

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

31.12.2022

| Hedging derivatives | Fair value | | Nominal value | | | | | |
|---|---|---|---|---|---|---|---|---|
| | positive | negative | < 1 month | 1-3 months | 3 months-1 year | 1-5 years | > 5 years | Total |
| **Interest rate agreements** | | | | | | | | |
| Swap (IRS) | 29,101 | 1,298,074 | - | 1,196,899 | 5,606,850 | 4,867,771 | 3,161,966 | 14,833,485 |
| **Hedging derivatives - total** | **29,101** | **1,298,074** | **-** | **1,196,899** | **5,606,850** | **4,867,771** | **3,161,966** | **14,833,485** |

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

| IRS | Nominal value | Fair value | |
|---|---|---|---|
| | | Assets | Liabilities |
| 31.12.2023 | 1,275,000 | - | 59,467 |
| 31.12.2022 | 250,000 | - | 3,773 |

| | |
|---|---|
| Presentation of result on the hedged and hedging transactions | The change in fair value of hedging transactions is recognised in the Result on hedge accounting. Interest on IRS transactions and hedged items is recognised in Interest income. |

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

31.12.2023 PLN 12,153 thousand

31.12.2022 PLN 3,923 thousand

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

31.12.2023

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

31.12.2022

| **Hedging derivatives** | Fair value | | Nominal value | | | | | |
|---|---|---|---|---|---|---|---|---|
| | positive | negative | < 1 month | 1-3 months | 3 months-1 year | 1-5 years | > 5 years | Total |
| **Interest rate agreements** | | | | | | | | |
| Swap (IRS) | - | 3,773 | - | - | - | 250,000 | - | 250,000 |
| **Hedging derivatives - total** | **-** | **3,773** | **-** | **-** | **-** | **250,000** | **-** | **250,000** |

In 2023, the hedging relationships presented proved effective, there was one termination due to ongoing interest rate risk management.

Additionally, the Bank applies **micro fair value hedge** accounting as of 31 December 2023.

| | |
|---|---|
| Hedging relationship description | The hedges are used against interest rate risk, specifically changes in the fair value of fixed-rate assets and liabilities resulting from changes in a specific reference rate. |
| Hedged items | The hedged items are: fixed coupon bonds in EUR and USD. |
| Hedging instruments | Hedging instruments are the standard IRS transactions, i.e. plain vanilla IRS, denominated in EUR and USD, in which the Bank pays a fixed interest rate and receives a floating rate based on EUR ESTRS, USD-SFROIS. |

| IRS | Nominal value | Fair value | |
|---|---|---|---|
| | | Assets | Liabilities |
| 31.12.2023 | 3,726,887 | 14,364 | 84,418 |

| | |
|---|---|
| Presentation of result on the hedged and hedging transactions | The change in fair value of hedging transactions is recognised in the Result on hedge accounting. Interest on IRS transactions and hedged items is recognised in Interest income. |

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

| | 31.12.2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Hedging derivatives** | Fair value | | Nominal value | | | | | |
| | positive | negative | < 1 month | 1-3 months | 3 months-1 year | 1-5 years | > 5 years | Total |
| **Interest rate agreements** | | | | | | | | |
| Swap (IRS) | 14,364 | 84,418 | - | - | - | 1,037,380 | 2,689,508 | 3,726,887 |
| **Hedging derivatives - total** | **14,364** | **84,418** | **-** | **-** | **-** | **1,037,380** | **2,689,508** | **3,726,887** |

Amounts recognised in the profit or loss account under fair value hedge accounting:

| **Fair value** | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Net interest income on hedging derivative instruments | 403,209 | 188,498 |
| Net interest expense on derivative hedging instruments | (1,161,945) | (790,845) |
| Change in fair value of hedging transactions recognised in the Result on hedge accounting, including: | (30,939) | 13,267 |
| change in fair value of hedging instruments | 527,031 | (988,077) |
| change in fair value of hedged instruments | (557,970) | 1,001,344 |

In 2023, the hedging relationships presented proved effective.

Additionally, the Bank applies **cash flow hedge accounting** as of 31 December 2023.

| | |
|---|---|
| Hedging relationship description | The hedges are used against interest rate risk, specifically no changes in the interest cash flows on the hedged item, resulting from the changes in a specific reference rate. |
| Hedged items | The hedged items are: Floating rate bond WZ1131. |
| Hedging instruments | Hedging instruments include standard IRS transactions, i.e. plain vanilla IRS in which the Bank receives a fixed rate and pays a floating rate based on WIBOR 6M. |

| IRS | Nominal value | Fair value | |
|---|---|---|---|
| | | Assets | Liabilities |
| 31.12.2023 | 625,000 | - | 104,179 |
| 31.12.2022 | 625,000 | - | 172,679 |

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

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

31.12.2023

| Hedging derivatives | Fair value | | Nominal value | | | | | |
|---|---|---|---|---|---|---|---|---|
| | positive | negative | < 1 month | 1-3 months | 3 months-1 year | 1-5 years | > 5 years | Total |
| **Interest rate agreements** | | | | | | | | |
| Swap (IRS) | - | 104,179 | - | - | - | - | 625,000 | 625,000 |
| **Hedging derivatives – total** | **-** | **104,179** | **-** | **-** | **-** | **-** | **625,000** | **625,000** |

31.12.2022

| Hedging derivatives | Fair value | | Nominal value | | | | | |
|---|---|---|---|---|---|---|---|---|
| | positive | negative | < 1 month | 1-3 months | 3 months-1 year | 1-5 years | > 5 years | Total |
| **Interest rate agreements** | | | | | | | | |
| Swap (IRS) | - | 172,679 | - | - | - | - | 625,000 | 625,000 |
| **Hedging derivatives – total** | **-** | **172,679** | **-** | **-** | **-** | **-** | **625,000** | **625,000** |

| Cash flow hedges | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Interest income on hedging derivatives | 11,627 | 11,628 |
| Interest expense on hedging derivatives | (44,099) | (30,960) |

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

| Interest rate risk | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Balance at the beginning of the period** | **(169,290)** | **(85,303)** |
| Hedging gains or losses recognised in other comprehensive income during the reporting period | 67,303 | (83,987) |
| **Balance at the end of the period** | **(101,987)** | **(169,290)** |

In 2023, the hedging relationships presented proved effective.

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

| 31.12.2023 | | | |
|---|---|---|---|
| **Loans and advances to customers measured at amortised cost** | Gross balance sheet value | Allowance | Net balance sheet value |
| **Loans and advances for:** | | | |
| **Non-banking financial entities** | **3,858,748** | **(13,610)** | **3,845,138** |
| current account loans | 3,616,375 | (10,994) | 3,605,381 |
| investment loans | 192,911 | (1,889) | 191,022 |
| other loans | 49,462 | (727) | 48,735 |
| **Retail customers:** | **34,410,687** | **(866,551)** | **33,544,136** |
| mortgage loans | 21,986,449 | (317,536) | 21,668,913 |
| other loans | 12,424,238 | (549,015) | 11,875,223 |
| **Corporate customers:** | **44,987,421** | **(1,488,530)** | **43,498,891** |
| current account loans | 20,584,657 | (870,432) | 19,714,225 |
| investment loans | 17,671,641 | (498,413) | 17,173,228 |
| other loans | 6,731,123 | (119,685) | 6,611,438 |
| **including retail farmers:** | **7,765,713** | **(396,126)** | **7,369,587** |
| current account loans | 4,626,815 | (212,116) | 4,414,699 |
| investment loans | 3,129,127 | (182,775) | 2,946,352 |
| other loans | 9,771 | (1,235) | 8,536 |
| **Public sector institutions:** | **58,375** | **(734)** | **57,641** |
| current account loans | 33,984 | (300) | 33,684 |
| investment loans | 24,134 | (431) | 23,703 |
| other loans | 257 | (3) | 254 |
| **Lease receivables** | **226,332** | **(34,913)** | **191,419** |
| **Total loans and advances to customers measured at amortised cost** | **83,541,563** | **(2,404,338)** | **81,137,225** |

| 31.12.2022 restated | | | |
|---|---|---|---|
| **Loans and advances to customers measured at amortised cost** | Gross balance sheet value | Allowance | Net balance sheet value |
| **Loans and advances for:** | | | |
| **Non-banking financial entities** | **1,390,575** | **(3,333)** | **1,387,242** |
| current account loans | 1,153,300 | (2,832) | 1,150,468 |
| investment loans | 217,912 | (313) | 217,599 |
| other loans | 19,363 | (188) | 19,175 |
| **Retail customers:** | **37,408,543** | **(1,150,739)** | **36,257,804** |
| mortgage loans | 25,225,602 | (486,369) | 24,739,233 |
| other loans | 12,182,941 | (664,370) | 11,518,571 |
| **Corporate customers:** | **46,096,962** | **(1,681,690)** | **44,415,272** |
| current account loans | 21,603,226 | (1,006,259) | 20,596,967 |
| investment loans | 17,620,240 | (531,304) | 17,088,936 |
| other loans | 6,873,496 | (144,127) | 6,729,369 |
| **including retail farmers:** | **6,835,131** | **(483,836)** | **6,351,295** |
| current account loans | 3,195,612 | (252,641) | 2,942,971 |
| investment loans | 3,626,312 | (228,995) | 3,397,317 |
| other loans | 13,207 | (2,200) | 11,007 |
| **Public sector institutions:** | **58,956** | **(922)** | **58,034** |
| current account loans | 37,820 | (787) | 37,033 |
| investment loans | 20,825 | (127) | 20,698 |
| other loans | 311 | (8) | 303 |
| **Lease receivables** | **400,416** | **(33,965)** | **366,451** |
| **Total loans and advances to customers measured at amortised cost** | **85,355,452** | **(2,870,649)** | **82,484,803** |

Net loans and advances to customers by Stages

| 31.12.2023 | Stage 1 | Stage 2 | Stage 3 | Total | POCI |
|---|---|---|---|---|---|
| **Loans and advances for:** | **72,744,166** | **8,300,975** | **2,496,422** | **83,541,563** | **147,067** |
| Non-banking financial entities | 3,834,346 | 10,805 | 13,597 | 3,858,748 | 2,501 |
| Retail customers | 30,734,283 | 2,895,458 | 780,946 | 34,410,687 | 37,107 |
| Corporate customers: | 38,070,700 | 5,266,804 | 1,649,917 | 44,987,421 | 107,459 |
| including retail farmers | 6,215,099 | 1,071,956 | 478,658 | 7,765,713 | 5,428 |
| Public sector entities: | 47,816 | 10,528 | 31 | 58,375 | - |
| Lease receivables | 57,021 | 117,380 | 51,931 | 226,332 | - |
| **Impairment allowance on loans and advances for:** | **(320,337)** | **(554,506)** | **(1,529,495)** | **(2,404,338)** | **(38,862)** |
| Non-banking financial entities | (4,463) | (481) | (8,666) | (13,610) | (84) |
| Retail customers | (97,225) | (265,046) | (504,280) | (866,551) | (2,244) |
| Corporate customers: | (218,183) | (285,326) | (985,021) | (1,488,530) | (36,534) |
| including retail farmers | (48,946) | (59,690) | (287,490) | (396,126) | (509) |
| Public sector entities | (339) | (371) | (24) | (734) | - |
| Lease receivables | (127) | (3,282) | (31,504) | (34,913) | - |
| **Net loans and advances to customers measured at amortised cost** | **72,423,829** | **7,746,469** | **966,927** | **81,137,225** | **108,205** |

| 31.12.2022 restated | Stage 1 | Stage 2 | Stage 3 | Total | POCI |
|---|---|---|---|---|---|
| **Loans and advances for:** | **73,543,933** | **8,984,512** | **2,827,007** | **85,355,452** | **165,799** |
| Non-banking financial entities | 1,388,192 | 456 | 1,927 | 1,390,575 | 97 |
| Retail customers | 32,816,357 | 3,667,493 | 924,693 | 37,408,543 | 39,402 |
| Corporate customers: | 38,999,621 | 5,263,003 | 1,834,338 | 46,096,962 | 126,300 |
| including retail farmers | 5,156,901 | 1,099,973 | 578,257 | 6,835,131 | 120 |
| Public sector entities: | 58,160 | - | 796 | 58,956 | - |
| Lease receivables | 281,603 | 53,560 | 65,253 | 400,416 | - |
| **Impairment allowance on loans and advances for** | **(359,264)** | **(775,141)** | **(1,736,244)** | **(2,870,649)** | **(39,482)** |
| Non-banking financial entities | (1,602) | (33) | (1,698) | (3,333) | (84) |
| Retail customers | (146,254) | (392,376) | (612,109) | (1,150,739) | (2,671) |
| Corporate customers: | (209,943) | (379,362) | (1,092,385) | (1,681,690) | (36,727) |
| including retail farmers | (45,330) | (117,604) | (320,902) | (483,836) | - |
| Public sector entities | (503) | - | (419) | (922) | - |
| Lease receivables | (962) | (3,370) | (29,633) | (33,965) | - |
| **Net loans and advances to customers measured at amortised cost** | **73,184,669** | **8,209,371** | **1,090,763** | **82,484,803** | **126,317** |

Impairment allowance for loans and advances measured at amortised cost

| **Change in impairment allowances** | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Opening balance as at 1 January 2023** | **(359,264)** | **(775,141)** | **(1,736,244)** | **(2,870,649)** |
| Increase due to acquisition or origination | (164,967) | (24,918) | (14,002) | (203,887) |
| Decrease due to derecognition | 43,214 | 76,717 | 235,486 | 355,417 |
| Changes resulting from the change in credit risk (net) | 156,843 | 162,257 | (476,081) | (156,981) |
| Use of allowances | 9 | 55 | 450,064 | 450,128 |
| Other changes (including foreign exchange differences) | 3,828 | 6,524 | 11,282 | 21,634 |
| **Closing balance as of 31 December 2023** | **(320,337)** | **(554,506)** | **(1,529,495)** | **(2,404,338)** |

| Change in impairment allowances | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Opening balance as at 1 January 2022 restated** | **(566,901)** | **(484,181)** | **(1,748,813)** | **(2,799,895)** |
| Increase due to acquisition or origination | (159,341) | (32,465) | (21,447) | (213,253) |
| Decrease due to derecognition | 33,739 | 36,678 | 107,912 | 178,329 |
| Changes resulting from the change in credit risk (net) | 342,250 | (309,081) | (459,001) | (425,832) |
| Net changes due to modification (no derecognition) | (1,040) | (436) | - | (1,476) |
| Use of allowances | 417 | 1,279 | 424,770 | 426,466 |
| Change in accounting policy on impact of legal risk of CHF exposures | (6,079) | 11,433 | (20,926) | (15,572) |
| Other changes (including foreign exchange differences) | (2,309) | 1,632 | (18,739) | (19,416) |
| **Closing balance as at 31 December 2022 restated** | **(359,264)** | **(775,141)** | **(1,736,244)** | **(2,870,649)** |

The total balance of long-term loans and advances due to customers as at 31 December 2023 amounted to PLN 70,167,985 thousand (PLN 71,695,088 thousand as at 31 December 2022).

| Change in gross loans and advances to customers measured at amortised cost | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Opening balance as at 1 January 2023** | **73,543,933** | **8,984,512** | **2,827,007** | **85,355,452** |
| Increase due to acquisition or origination | 21,473,534 | 753,523 | 73,095 | 22,300,152 |
| Decrease due to derecognition | (27,781,946) | (4,211,499) | (1,515,925) | (33,509,370) |
| Changes resulting from transfers between stages | (2,814,494) | 2,100,910 | 713,584 | - |
| Other changes | 8,323,139 | 673,529 | 398,661 | 9,395,329 |
| **Closing balance as of 31 December 2023** | **72,744,166** | **8,300,975** | **2,496,422** | **83,541,563** |

| Change in gross loans and advances to customers measured at amortised cost | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Opening balance as at 1 January 2022 restated** | **72,146,388** | **6,689,631** | **3,024,736** | **81,860,755** |
| Increase due to acquisition or origination | 20,211,887 | 900,393 | 114,571 | 21,226,851 |
| Decrease due to derecognition | (38,019,812) | (4,951,413) | (1,398,634) | (44,369,859) |
| Changes resulting from transfers between stages | (5,440,813) | 4,786,706 | 654,107 | - |
| Change in accounting policy on impact of legal risk of CHF exposures | (171,574) | (164,098) | 6,668 | (329,004) |
| Other changes | 24,817,858 | 1,723,293 | 425,559 | 26,966,709 |
| **Closing balance as at 31 December 2022 restated** | **73,543,933** | **8,984,512** | **2,827,007** | **85,355,452** |

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

| Loans by currency | 31.12.2023 | 31.12.2022 restated |
|---|---|---|
| CHF | 815,687 | 2,666,429 |
| EUR | 24,003 | 31,874 |
| PLN | 21,146,369 | 22,526,701 |
| USD | 390 | 598 |
| **Total** | **21,986,449** | **25,225,602** |

| | 31.12.2023 | | | |
|---|---|---|---|---|
| **Value of CHF loan portfolio** | Gross balance sheet value | including CHF exposures | Allowance | including CHF exposures |
| **Loans and advances for:** | | | | |
| **Non-banking financial entities** | **3,858,748** | **795** | **(13,610)** | **-** |
| current account loans | 3,616,375 | 795 | (10,994) | - |
| investment loans | 192,911 | - | (1,889) | - |
| other loans | 49,462 | - | (727) | - |
| **Retail customers:** | **34,410,687** | **825,675** | **(866,551)** | **(153,953)** |
| mortgage loans | 21,986,449 | 815,687 | (317,536) | (149,431) |
| other loans | 12,424,238 | 9,988 | (549,015) | (4,522) |
| **Corporate customers:** | **44,987,421** | **36,345** | **(1,488,530)** | **(8,296)** |
| current account loans | 20,584,657 | 29,775 | (870,432) | (2,087) |
| investment loans | 17,671,641 | 6,570 | (498,413) | (6,209) |
| other loans | 6,731,123 | - | (119,685) | - |
| **including retail farmers:** | **7,765,713** | **131** | **(396,126)** | **-** |
| current account loans | 4,626,815 | 131 | (212,116) | - |
| investment loans | 3,129,127 | - | (182,775) | - |
| other loans | 9,771 | - | (1,235) | - |
| **Public sector institutions:** | **58,375** | **-** | **(734)** | **-** |
| current account loans | 33,984 | - | (300) | - |
| investment loans | 24,134 | - | (431) | - |
| other loans | 257 | - | (3) | - |
| **Lease receivables** | **226,332** | **23,887** | **(34,913)** | **(10,955)** |
| **Total loans and advances** | **83,541,563** | **886,702** | **(2,404,338)** | **(173,204)** |

| | 31.12.2022 restated | | | |
|---|---|---|---|---|
| **Value of CHF loan portfolio** | Gross balance sheet value | including CHF exposures | Allowance | including CHF exposures |
| **Loans and advances for:** | | | | |
| **Non-banking financial entities** | **1,390,575** | **-** | **(3,333)** | **-** |
| current account loans | 1,153,300 | - | (2,832) | - |
| investment loans | 217,912 | - | (313) | - |
| other loans | 19,363 | - | (188) | - |
| **Retail customers:** | **37,408,543** | **2,696,715** | **(1,150,739)** | **(274,797)** |
| mortgage loans | 25,225,602 | 2,666,429 | (486,369) | (263,297) |
| other loans | 12,182,941 | 30,286 | (664,370) | (11,500) |
| **Corporate customers:** | **46,096,962** | **55,837** | **(1,681,690)** | **(13,227)** |
| current account loans | 21,603,226 | 46,563 | (1,006,259) | (5,722) |
| investment loans | 17,620,240 | 9,167 | (531,304) | (7,505) |
| other loans | 6,873,496 | 107 | (144,127) | - |
| **including retail farmers:** | **6,835,131** | **821** | **(483,836)** | **(61)** |
| current account loans | 3,195,612 | 802 | (252,641) | (61) |
| investment loans | 3,626,312 | 19 | (228,995) | - |
| other loans | 13,207 | | (2,200) | |
| **Public sector institutions:** | **58,956** | **-** | **(922)** | **-** |
| current account loans | 37,820 | - | (787) | - |
| investment loans | 20,825 | - | (127) | - |
| other loans | 311 | - | (8) | - |
| **Lease receivables** | **400,416** | **27,626** | **(33,965)** | **(6,886)** |
| **Total loans and advances** | **85,355,452** | **2,780,178** | **(2,870,649)** | **(294,910)** |

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

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Subsidised loans | 653,582 | 949,298 |
| **Total loans and advances to customers measured at fair value through profit a loss** | **653,582** | **949,298** |

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

| | Gross balance sheet value | Fair value |
|---|---|---|
| 31.12.2023 | 745,213 | 653,582 |
| 31.12.2022 | 1,023,731 | 949,298 |

| **Subsidised loans measured through fair value** | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| 31.12.2023 | 515,534 | 110,059 | 27,989 | 653,582 |
| 31.12.2022 | 681,103 | 207,147 | 61,048 | 949,298 |

# 23. SECURITIES MEASURED AT AMORTISED COST

| 31.12.2023 | | | |
|---|---|---|---|
| **Securities** | Gross balance sheet value | Allowance | Net balance sheet value |
| issued by local banks | 4,293,857 | - | 4,293,857 |
| issued by other financial institutions | 3,207,638 | - | 3,207,638 |
| issued by governments – Treasury bonds | 18,696,431 | (102) | 18,696,329 |
| issued by non-financial entities – bonds | 4,155 | (4,155) | - |
| issued by local governments – municipal bonds | 48,565 | (111) | 48,454 |
| **Total securities measured at amortised cost** | **26,250,646** | **(4,368)** | **26,246,278** |

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

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

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

In accordance with the Banking Guarantee Fund (“BFG”) Act of 14 December 1994, as at 31 December 2023, BNP Paribas held Treasury bonds recognised in the statement of financial position in the amount of PLN 362,241 thousand (with the nominal value of PLN 370,000 thousand), securing the guaranteed funds under BFG (in 2022 in the amount of PLN 436,880 thousand with the nominal value of PLN 460,000 thousand).

| **Change of securities measured at amortised cost based on the balance sheet value:** | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **22,167,261** | **23,268,041** |
| Purchase of securities | 6,973,174 | 636,437 |
| Sale/repurchase of securities | (2,806,216) | (1,704,560) |
| Change in impairment allowances | 40,611 | 672 |
| Change on the initial value adjustment | 46,555 | (2,792) |
| Change in interest due, foreign exchange differences, discounts and bonuses | (175,107) | (30,537) |
| **Closing balance** | **26,246,278** | **22,167,261** |

| Change in impairment allowances of securities measured at amortised cost | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **(44,979)** | **(45,652)** |
| Decreases due to derecognition | 260 | 440 |
| Changes due to changes in credit risk (net) | 40,351 | 233 |
| **Closing balance** | **(4,368)** | **(44,979)** |

The gross amount of long-term securities measured at amortised cost as at 31 December 2022 was PLN 23,656,705 thousand (PLN 21,054,754 thousand as at 31.12.2022).

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

| Securities measured at fair value through profit or loss | 31.12.2023 | 31.12.2022 |
|---|---|---|
| | Balance sheet value | |
| Bonds issued by non-financial entities | - | 26,005 |
| Bonds convertible for non-financial entities bonds | 77,078 | 56,160 |
| Equity instruments | 212,974 | 228,234 |
| Certificates issued by non-financial entities | 835 | 837 |
| **Total securities measured at fair value through profit or loss** | **290 887** | **311,236** |

| Change in securities measured at fair value through profit or loss | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **311,236** | **320,216** |
| Purchase of securities | 29,581 | 8,168 |
| Sale of securities | (58,896) | (33,360) |
| Change in measurement at fair value through profit or loss | 9,269 | 10,800 |
| Change in interest due, foreign exchange differences, discounts and bonuses | (303) | 5,412 |
| **Closing balance** | **290 887** | **311,236** |

The gross amount of long-term securities measured at fair value through profit or loss as at 31 December 2023 was PLN 50,320 thousand (PLN 51,131 thousand as at 31 December 2022).

The table below presents the amount of securities measured at fair value through profit or loss, divided into designated at fair value through profit or loss and obligatorily measured at fair value through profit and loss.

| | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Classified as obligatory measured at fair value through profit or loss as at the moment of initial recognition | 77,913 | 83,002 |
| Classified as measured at fair value through profit or loss as at the moment of initial recognition | 212,974 | 228,234 |
| **Total securities measured at fair value through profit or loss** | **290,887** | **311,236** |

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

| **Debt securities** | 31.12.2023 | 31.12.2022 |
|---|---|---|
| NBP bills | 3,347,144 | 8,495,585 |
| Bonds issued by banks | 2,587,815 | 2,251,139 |
| Treasury bonds issued by central governments | 4,988,298 | 4,141,351 |
| Bonds issued by other financial institutions | 5,711,046 | 2,496,718 |
| **Securities measured at fair value through other comprehensive income** | **16,634,303** | **17,384,793** |

| **Change of securities measured at fair value through other comprehensive income** | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **17,384,793** | **9,143,353** |
| Purchase of securities | 177,704,827 | 80,475,220 |
| Sale of securities | (179,118,590) | (71,612,720) |
| Change in measurement at fair value through other comprehensive income | 653,872 | (599,039) |
| Change in measurement at fair value through profit or loss | 97,570 | (2,104) |
| Change in interest due, foreign exchange differences, discounts and bonuses | (88,169) | (19,917) |
| **Closing balance** | **16,634,303** | **17,384,793** |

The gross amount of securities measured at fair value through other comprehensive income as at 31 December 2023 was PLN 12,787,244 thousand (PLN 8,889,208 thousand as at 31 December 2022).

The table below presents gains and losses related to securities measured at fair value through other comprehensive income, which in the given period were recognised directly in equity, and then were derecognised and recognised in profit or loss for a given period of 12 months until 31 December 2023 and 31 December 2022.

| **Profit/ loss on securities measured at fair value through other comprehensive income** | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| Profits included directly in equity and then transferred from equity to the statement of profit or loss | 7,388 | 13,598 |
| Losses included directly in equity and then transferred from equity to the statement of profit or loss | (9,142) | (10,312) |
| **Total profit/ loss on securities measured at fair value through other comprehensive income** | **(1,754)** | **3,286** |

# 26. INVESTMENTS IN SUBSIDIARIES

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Financial sector entities | 76,728 | 52,837 |
| Non-financial sector entities | 41,998 | 40,282 |
| **Total investments in subsidiaries** | **118,726** | **93,119** |

Shares in subsidiaries as at 31 December 2023 and 31 December 2022

| 31.12.2023 | Acquisition cost of shares | Balance sheet value | Interest held by the Bank in the entity's equity |
|---|---|---|---|
| Entity's name | | | |
| BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. | 36,732 | 36,731 | 100% |
| BNP PARIBAS LEASING SERVICES SP. Z O.O. | 39,996 | 39,996 | 100% |
| BNP PARIBAS GROUP SERVICE CENTER S.A. | 31,698 | 31,698 | 100% |
| CAMPUS LESZNO SP. Z O.O. | 12,514 | 10,300 | 100% |
| **Total** | **120,940** | **118,726** | |

In 2023 the Bank released the recognized impairment of shares in: BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A in the amount of PLN 23,891 thousand and in Campus Leszno Sp. z o.o. in the amount of PLN 11,000 thousand.

Campus Leszno Sp. z o.o. reduced its share capital in the amount of PLN 1,700 thousand and returned the funds to the Bank in the form of a refund of the capital surcharge.

On 18 April 2023, the removal of the Bank Real Estate Fund Actus Sp. z o.o. from the National Court Register became effective, and this completed the process of its liquidation.

| 31.12.2022 | Acquisition cost of shares | Balance sheet value | Interest held by the Bank in the entity's equity |
|---|---|---|---|
| Entity's name | | | |
| BANKOWY FUNDUSZ NIERUCHOMOŚCIOWY ACTUS SP. Z O.O. w likwidacji | 41,310 | 7,584 | 100% |
| BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. | 36,732 | 12,840 | 100% |
| BNP PARIBAS LEASING SERVICES SP. Z O.O. | 39,996 | 39,997 | 100% |
| BNP PARIBAS GROUP SERVICE CENTER S.A. | 31,698 | 31,698 | 100% |
| CAMPUS LESZNO SP. Z O.O. | 14,214 | 1,000 | 100% |
| **Total** | **163,950** | **93,119** | |

# 27. INTANGIBLE ASSETS

| **Intangible assets** | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Licenses | 661,807 | 604,083 |
| Other intangible assets | 68,334 | 39,153 |
| Expenditure on intangible assets | 209,941 | 181,960 |
| **Total intangible assets** | **940,082** | **825,196** |

**Intangible assets**

| 12 months to 31.12.2023 | Licenses | Other intangible assets | Expenditure on intangible assets | Total |
|---|---|---|---|---|
| **Gross book value** | | | | |
| **As at 1 January** | **1,617,455** | **60,744** | **182,056** | **1,860,255** |
| Increases: | 289,270 | 45,092 | 383,599 | 717,961 |
| reclassification from expenditure | 283,442 | 45,087 | - | 328,529 |
| purchase | 4,376 | 5 | 357,024 | 361,405 |
| other | 1,452 | - | 26,575 | 28,027 |
| Decreases: | (20,727) | (1,701) | (350,422) | (372,850) |
| reclassification from expenditure | - | - | (328,529) | (328,529) |
| sale, liquidation, donation, shortage | (17,575) | (1,458) | - | (19,033) |
| other | (3,152) | (243) | (21,893) | (25,288) |
| **As at 31 December** | **1,885,998** | **104,135** | **215,233** | **2,205,366** |
| **Accumulated amortisation (-)** | | | | |
| **As at 1 January** | **1,013,372** | **21,591** | **-** | **1,034,963** |
| Changes: | 210,819 | 14,210 | - | 225,029 |
| amortisation for the financial year | 230,229 | 16,015 | - | 246,244 |
| sale, liquidation, donation, shortage | (17,214) | (1,445) | - | (18,659) |
| other | (2,196) | (360) | - | (2,556) |
| **As at 31 December** | **1,224,191** | **35,801** | **-** | **1,259,992** |
| **Impairment allowances (-)** | | | | |
| **As at 1 January** | **-** | **-** | **96** | **96** |
| Balance changes: | - | - | 5,196 | 5,196 |
| impairment allowance recalculation | - | - | 5,196 | 5,196 |
| **As at 31 December** | **-** | **-** | **5,292** | **5,292** |
| **Net book value** | | | | |
| **As at 1 January** | **604,083** | **39,153** | **181,960** | **825,196** |
| **As at 31 December** | **661,807** | **68,334** | **209,941** | **940,082** |

**Intangible assets**

| 12 months to 31.12.2022 | Licenses | Other intangible assets | Expenditure on intangible assets | Total |
|---|---|---|---|---|
| **Gross book value** | | | | |
| **As at 1 January** | **1,361,829** | **29,238** | **194,103** | **1,585,170** |
| Increases: | 274,246 | 31,542 | 267,268 | 573,056 |
| reclassification from expenditure | 233,561 | 30,870 | - | 264,431 |
| purchase | 40,685 | 672 | 250,320 | 291,677 |
| other | - | - | 16,948 | 16,948 |
| Decreases: | (18,620) | (36) | (279,315) | (297,971) |
| reclassification from expenditure | - | - | (264,431) | (264,431) |
| sale, liquidation, donation, shortage | (18,448) | (36) | - | (18,484) |
| other | (172) | - | (14,884) | (15,056) |
| **As at 31 December** | **1,617,455** | **60,744** | **182,056** | **1,860,255** |
| **Accumulated amortisation (-)** | | | | |
| **As at 1 January** | **828,504** | **12,017** | **-** | **840,521** |
| Changes: | 184,868 | 9,574 | - | 194,442 |
| amortisation for the financial year | 195,960 | 9,680 | - | 205,640 |
| sale, liquidation, donation, shortage | (11,092) | (36) | - | (11,128) |
| other | - | (70) | - | (70) |
| **As at 31 December** | **1,013,372** | **21,591** | **-** | **1,034,963** |
| **Impairment allowances (-)** | | | | |
| **As at 1 January** | **-** | **-** | **480** | **480** |
| Balance changes: | - | - | (384) | (384) |
| impairment allowance recalculation | - | - | (384) | (384) |
| **As at 31 December** | **-** | **-** | **96** | **96** |
| **Net book value** | | | | |
| **As at 1 January** | **533,325** | **17,221** | **193,623** | **744,169** |
| **As at 31 December** | **604,083** | **39,153** | **181,960** | **825,196** |

The Bank identifies impairment triggers for intangible assets which are not transferred to utilisation yet, i.e. those under development, on an ongoing basis.

As at 31 December 2023, the Bank had significant contractual obligations incurred in connection with the acquisition of intangible assets in the amount of PLN 14,541 thousand (PLN 14,615 as of 31 December 2022).

# 28. PROPERTY, PLANT AND EQUIPMENT

| **Property, plant and equipment** | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Fixed assets, including: | 384,099 | 393,400 |
| land and buildings | 77,992 | 85,797 |
| IT equipment | 130,819 | 118,867 |
| office equipment | 40,138 | 45,426 |
| other, including leasehold improvements | 135,150 | 143,310 |
| Fixed assets under construction | 19,004 | 44,500 |
| Right of use, including: | 556,634 | 621,803 |
| land and buildings | 524,334 | 596,137 |
| motor vehicles | 30,407 | 25,196 |
| IT equipment | 1,579 | - |
| other, including leasehold improvements | 314 | 470 |
| **Total property, plant and equipment** | **959,737** | **1,059,703** |

Changes in property, plant and equipment in 2023 and 2022 were presented below:

| Property, plant and equipment and fixed assets under construction | | | | |
|---|---|---|---|---|
| 12 months to 31.12.2023 | Land and buildings | Property, plant and equipment | Fixed assets under construction | Total |
| **Gross book value** | | | | |
| **As at 1 January** | **196,624** | **1,011,706** | **44,669** | **1,252,999** |
| Increases: | 3,280 | 140,528 | 35,137 | 178,945 |
| reclassification from fixed assets underconstruction | 1,771 | 33,582 | - | 35,353 |
| purchase | 7 | 60,016 | 23,244 | 83,267 |
| other | 1,502 | 46,930 | 11,893 | 60,325 |
| Decreases: | (18,628) | (129,911) | (60,657) | (209,196) |
| reclassification from fixed assets under construction | - | - | (35,353) | (35,353) |
| sale, liquidation, donation, shortage, theft | (18,628) | (89,386) | - | (108,014) |
| other | - | (40,525) | (25,304) | (65,829) |
| **As at 31 December** | **181,276** | **1,022,323** | **19,149** | **1,222,748** |
| **Accumulated depreciation (-)** | | | | |
| **As at 1 January** | **101,640** | **702,487** | **-** | **804,127** |
| Balance changes: | (5,700) | 11,518 | - | 5,818 |
| depreciation for the financial year | 4,569 | 97,206 | - | 101,775 |
| sale, liquidation, donation, shortage | (10,727) | (87,421) | - | (98,148) |
| other | 458 | 1,733 | - | 2,191 |
| **As at 31 December** | **95,940** | **714,005** | **-** | **809,945** |
| **Impairment allowances (-)** | | | | |
| **As at 1 January** | **9,187** | **1,616** | **169** | **10,972** |
| Balance changes: | (1,843) | 595 | (24) | (1,272) |
| impairment allowance recalculation | (1,843) | 595 | (24) | (1,272) |
| **As at 31 December** | **7,344** | **2,211** | **145** | **9,700** |
| **Net book value** | | | | |
| **As at 1 January** | **85,797** | **307,603** | **44,500** | **437,900** |
| **As at 31 December** | **77,992** | **306,107** | **19,004** | **403,103** |

| Property, plant and equipment and fixed assets under construction | | | | |
|---|---|---|---|---|
| 12 months to 31.12.2022 | Land and buildings | Property, plant and equipment | Fixed assets under construction | Total |
| **Gross book value** | | | | |
| **As at 1 January** | **210,443** | **1,040,932** | **22,949** | **1,274,324** |
| Increases: | 1,989 | 70,347 | 58,898 | 131,234 |
| reclassification from fixed assets underconstruction | 1,532 | 32,120 | - | 33,652 |
| purchase | 15 | 21,123 | 33,622 | 54,760 |
| other | 442 | 17,104 | 25,276 | 42,822 |
| Decreases: | (15,808) | (99,573) | (37,178) | (152,559) |
| reclassification from fixed assets under construction | - | - | (33,652) | (33,652) |
| sale, liquidation, donation, shortage | (15,808) | (82,051) | - | (97,859) |
| other | - | (17,522) | (3,526) | (21,048) |
| **As at 31 December** | **196,624** | **1,011,706** | **44,669** | **1,252,999** |
| **Accumulated depreciation (-)** | | | | |
| **As at 1 January** | **104,583** | **688,657** | **-** | **793,240** |
| Balance changes: | (2,943) | 13,830 | - | 10,887 |
| depreciation for the financial year | 4,882 | 91,783 | - | 96,665 |
| sale, liquidation, donation, shortage | (8,131) | (77,622) | - | (85,753) |
| Balance changes: | 306 | (331) | - | (25) |
| **As at 31 December** | **101,640** | **702,487** | **-** | **804,127** |
| **Impairment allowances (-)** | | | | |
| **As at 1 January** | **10,873** | **2,207** | **4** | **13,084** |
| Balance changes: | (1,686) | (591) | 165 | (2,112) |
| impairment allowance recalculation | (1,686) | (591) | 165 | (2,112) |
| **As at 31 December** | **9,187** | **1,616** | **169** | **10,972** |
| **Net book value** | | | | |
| **As at 1 January** | **94,987** | **350,068** | **22,945** | **468,000** |
| **As at 31 December** | **85,797** | **307,603** | **44,500** | **437,900** |

| | Right of use | | | | |
|---|---|---|---|---|---|
| 12 months to 31.12.2023 | Land and buildings | Motor vehicles | IT equipment | Other, including leasehold improvements | Total |
| **Gross book value** | | | | | |
| **As at 1 January** | **933,996** | **45,784** | **-** | **841** | **980,621** |
| Increases | 463,232 | 20,017 | 1,974 | 6 | 485,229 |
| Decreases | (461,800) | (11,997) | - | (50) | (473,847) |
| **As at 31 December** | **935,428** | **53,804** | **1,974** | **797** | **992,003** |
| **Accumulated depreciation (-)** | | | | | |
| **As at 1 January** | **336,653** | **20,588** | **-** | **371** | **357,612** |
| Balance changes: | 73,273 | 2,809 | 395 | 112 | 76,589 |
| depreciation for the financial year | 97,372 | 10,757 | 395 | 112 | 108,636 |
| other | (24,099) | (7,948) | - | - | (32,047) |
| **As at 31 December** | **409,926** | **23,397** | **395** | **483** | **434,201** |
| **Impairment allowances (-)** | | | | | |
| **As at 1 January** | **1,206** | **-** | **-** | **-** | **1,206** |
| Balance changes: | (38) | - | - | - | (38) |
| recognition of impairment allowance | 646 | - | - | - | 646 |
| reversal of impairment allowance | (684) | - | - | - | (684) |
| **As at 31 December** | **1,168** | **-** | **-** | **-** | **1,168** |
| **Net book value** | | | | | |
| **As at 1 January** | **596,137** | **25,196** | **-** | **470** | **621,803** |
| **As at 31 December** | **524,334** | **30,407** | **1,579** | **314** | **556,634** |

| | Right of use | | | |
|---|---|---|---|---|
| 12 months to 31.12.2022 | Land and buildings | Motor vehicles | Other, including leasehold improvements | Total |
| **Gross book value** | | | | |
| **As at 1 January** | **1,055,941** | **36,314** | **145** | **1,092,400** |
| Increases | 88,201 | 17,819 | 1,333 | 107,353 |
| Decreases | (210,146) | (8,349) | (637) | (219,132) |
| **As at 31 December** | **933,996** | **45,784** | **841** | **980,621** |
| **Accumulated depreciation (-)** | | | | |
| **As at 1 January** | **296,157** | **14,785** | **17** | **310,959** |
| Balance changes: | 40,496 | 5,803 | 354 | 46,653 |
| depreciation for the financial year | 99,974 | 9,527 | 117 | 109,618 |
| other | (59,478) | (3,724) | 237 | (62,965) |
| **As at 31 December** | **336,653** | **20,588** | **371** | **357,612** |
| **Impairment allowances (-)** | | | | |
| **As at 1 January** | **16,220** | **-** | **-** | **16,220** |
| Balance changes: | (15,014) | - | - | (15,014) |
| recognition of impairment allowance | 696 | - | - | 696 |
| reversal of impairment allowance | (15,710) | - | - | (15,710) |
| **As at 31 December** | **1,206** | **-** | **-** | **1,206** |
| **Net book value** | | | | |
| **As at 1 January** | **743,564** | **21,529** | **128** | **765,221** |
| **As at 31 December** | **596,137** | **25,196** | **470** | **621,803** |

As at 31 December 2023, the Bank had significant contractual obligations incurred in connection with the acquisition of property, plant and equipment in the amount of PLN 7,209 thousand (PLN 569 thousand as of 31 December 2022).

# 29. LEASES

**Bank as a lessee**

Bank is a contractual party of leasing agreements related to such base assets as:

- property,
- vehicles,
- land, including perpetual usufruct right to land,
- cash deposit machines,
- equipment,
- IT equipment.

The leasing period of vehicles equals 1 to 5 years. Leasing agreements contain extension options. In respect of vehicles, the Bank also concludes leaseback agreements.

The Bank is also a party to real estate leasing agreements. The contracts are concluded for both a definite period of 1 to 30 years and indefinite period. In the case of contracts concluded for an indefinite period, the Bank determines the leasing period based on the notice period. The agreements provide for variable leasing fees depending on the index (e.g. CSO, HICP).

The Bank has also land lease agreements concluded for an indefinite period, and perpetual usufruct rights for land received for the period of 40 to 100 years. Lease payments are indexed in accordance with the land management act.

| | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Costs of leasing recognised in profit and loss account** | **(138,386)** | **(125,328)** |
| cost of interest from leasing liabilities | (28,765) | (15,276) |
| cost of amortization of assets due to the right of use | (108,636) | (109,618) |
| costs related to short-term leases (recognised as administrative costs) | (985) | (133) |

| **Undiscounted lease payments by maturity** | 31.12.2023 | 31.12.2022 |
|---|---|---|
| up to 1 year | 137,540 | 132,857 |
| from 1 year to 5 years | 410,854 | 425,247 |
| over 5 years | 183,158 | 240,323 |
| **Total** | **731,552** | **798,427** |

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Book value of liabilities due to discounted lease | **626,174** | **718,724** |

**Bank as a lessor**

Lease contracts under which substantially all the risk and rewards of ownership are transferred to the lessee are classified as finance leases. The statement of financial position includes the value of receivables equal to the net leasing investment. The revenue recognition from finance lease agreements reflects the constant periodic rate of return on the net leasing investment made by the Bank under finance leases.

The Bank does not offer operational leasing products, i.e. those in which substantially all the risks and rewards of ownership are not transferred to the lessee.

| **Finance lease receivables** | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Gross receivables due to finance lease | 237,787 | 409,838 |
| Unrealized financial income | (11,455) | (9,422) |
| **Present value of minimum lease payments** | **226,332** | **400,416** |
| Impairment allowance | (34,913) | (33,965) |
| **Total finance lease receivables** | **191,419** | **366,451** |

| Gross finance lease receivables by maturity | 31.12.2023 | 31.12.2022 |
|---|---|---|
| up to 1 year | 169,885 | 205,760 |
| from 1 year to 5 years | 53,471 | 178,782 |
| over 5 years | 14,431 | 25,296 |
| **Total gross finance lease receivables** | **237,787** | **409,838** |

# 30. OTHER ASSETS

| Other assets: | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Receivables from contracts with customers:** | | |
| sundry debtors | 344,983 | 318,786 |
| accrued income | 99,120 | 80,787 |
| payment card settlements | 18,449 | 17,195 |
| social insurance settlements | 4,281 | 3,012 |
| **Other:** | | |
| settlements with securitization company | - | 26,126 |
| interbank and intersystem settlements | 236,944 | 367,050 |
| deferred expenses | 63,535 | 76,916 |
| tax and other regulatory receivables | 10,224 | 8,048 |
| other lease receivables | 109 | 299 |
| other | 80,496 | 76,378 |
| **Total other assets (gross)** | **858,141** | **974,597** |
| Impairment allowances on other receivables from other debtors | (74,147) | (57,218) |
| **Total other assets (net)** | **783,994** | **917,379** |
| **including financial assets*** | **530,619** | **675,250** |

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

# 31. AMOUNTS DUE TO CENTRAL BANK

| Amounts due to Central Bank | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Current account overdraft | - | 8,713 |

# 32. AMOUNTS DUE TO OTHER BANKS

| Amounts due to other banks | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Current accounts | 436,509 | 583,991 |
| Interbank deposits | 78,280 | 646,658 |
| Loans and advances received | 2,813,594 | - |
| Other liabilities | 1,242,789 | 574,570 |
| **Total amounts due to other banks** | **4,571,172** | **1,805,219** |

Also presented under Other liabilities are liabilities to customers from cash collateral in the amount of PLN 1,235,899 thousand (PLN 565,853 thousand as at 31 December 2022 ).

In 2023, there were no breaches of contractual provisions and covenants related to the Bank's financial position and disclosure obligations in 2023 and 2022. High inflation and changes in interest rates did not create a risk of breach of contractual provisions in the long-term contracts the Bank has signed.

The amount of long-term liabilities due to other banks as at 31 December 2023 equals PLN 4,049,340 thousand (PLN 565,853 thousand as at 31 December 2022).

# 33. AMOUNTS DUE TO CUSTOMERS

| Amounts due to customers | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **OTHER FINANCIAL INSTITUTIONS** | **5,586,718** | **2,904,308** |
| Current accounts | 2,810,485 | 1,185,252 |
| Term deposits | 2,313,749 | 841,098 |
| Loans and advances received | 460,893 | 491,823 |
| Settlements of securitization transaction | - | 384,659 |
| Other liabilities | 1,591 | 1,476 |
| **RETAIL CUSTOMERS** | **50,355,270** | **49,020,456** |
| Current accounts | 25,698,063 | 29,182,509 |
| Term deposits | 24,136,350 | 19,342,539 |
| Other liabilities | 520,857 | 495,408 |
| **CORPORATE CUSTOMERS** | **68,804,368** | **65,922,368** |
| Current accounts | 54,038,992 | 49,145,280 |
| Term deposits | 14,340,423 | 16,128,824 |
| Other liabilities | 424,953 | 648,264 |
| **including RETAIL FARMERS** | **4,455,559** | **3,021,185** |
| Current accounts | 4,161,313 | 2,777,133 |
| Term deposits | 278,769 | 226,637 |
| Other liabilities | 15,477 | 17,415 |
| **PUBLIC SECTOR INSTITUTIONS** | **2,387,709** | **2,581,919** |
| Current accounts | 2,123,185 | 1,683,350 |
| Term deposits | 263,477 | 895,643 |
| Other liabilities | 1,047 | 2,926 |
| **Total amounts due to customers** | **127,134,065** | **120,429,051** |

The amount of long-term amounts due to customers as at 31 December 2023 equals PLN 801,466 thousand (PLN 1,341,514 thousand as at 31 December 2022).

# 34. SUBORDINATED LIABILITIES

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Subordinated liabilities** | **4,336,072** | **4,416,887** |

| Change in the balance of subordinated liabilities | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **4,416,887** | **4,334,572** |
| Change in the balance of interest | 330 | 16,290 |
| Exchange differences | (81,145) | 66,025 |
| **Closing balance** | **4,336,072** | **4,416,887** |

# 35. OTHER LIABILITIES

| Other liabilities | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Liabilities due to contracts with customers** | | |
| Sundry creditors | 206,391 | 183,638 |
| Payment card settlements | 170,210 | 172,479 |
| Deferred income | 72,150 | 81,875 |
| Escrow account liabilities | 484 | 488 |
| Social insurance settlements | 19,357 | 21,867 |
| **Other liabilities** | | |
| Interbank and intersystem settlements | 658,732 | 997,337 |
| Provisions for non-personnel expenses | 603,164 | 476,494 |
| Provisions for other employees-related liabilities | 240,361 | 239,824 |
| Provision for unused annual holidays | 42,571 | 42,692 |
| Other regulatory liabilities | 62,638 | 72,584 |
| Other lease liabilities | 3,267 | 4,241 |
| Other | 53,875 | 78,285 |
| **Total other liabilities** | **2,133,200** | **2,371,804** |
| **including financial liabilities*** | **1,058,441** | **1,380,050** |

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

# 36. PROVISIONS

| | 31.12.2023 | 31.12.2022 restated |
|---|---|---|
| Provision for restructuring | 64,050 | 45,843 |
| Provision for retirement benefits and similar obligations | 20,181 | 18,547 |
| Expected credit losses of contingent liabilities | 141,931 | 99,657 |
| Provisions for litigation and claims | 1,282,655 | 642,487 |
| Other provisions | 31,544 | 8,290 |
| **Total provisions** | **1,540,361** | **814,824** |

| Provisions for restructuring | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **45,843** | **55,530** |
| Provisions recognition | 51,012 | 10,946 |
| Provisions utilization | (14,387) | (20,633) |
| Provisions release | (18,418) | - |
| **Closing balance** | **64,050** | **45,843** |

| Provision for retirement benefits and similar obligations | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **18,547** | **15,351** |
| Provisions recognition | 6,393 | 5,438 |
| Provisions utilization | (539) | (455) |
| Provisions release | (4,220) | (1,787) |
| **Closing balance** | **20,181** | **18,547** |

| Expected credit losses of contingent liabilities | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **99,657** | **155,638** |
| Provisions recognition | 60,899 | 49,259 |
| Provisions release | (15,220) | (20,692) |
| Changes resulting from changes in credit risk (net) | (419) | (85,040) |
| Net changes due to modification (no derecognition) | - | 11 |
| Other changes | (2,986) | 481 |
| **Closing balance** | **141,931** | **99,657** |

| Provisions for litigation and similar liabilities | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **642,487** | **399,300** |
| Provisions recognition | 624,480 | 788,534 |
| Provisions utilization | (108,579) | (289,668) |
| Provisions release | (34,580) | (8,557) |
| Change in accounting policy on impact of legal risk of CHF exposures | - | (344,519) |
| Other changes, including foreign exchange differences | 158,847 | 97,397 |
| **Closing balance** | **1,282,655** | **642,487** |

| Other provisions | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **8,290** | **8,229** |
| Provisions recognition | 29,694 | 63 |
| Provisions utilization | (21) | (1) |
| Provisions release | (6,419) | (1) |
| **Closing balance** | **31,544** | **8,290** |

# 37. DEFERRED INCOME TAX

Changes in deferred income tax in the financial year:

| **Deferred tax assets** | Deferred tax basis as at 31 December 2023 | Deferred tax basis as at 31 December 2022 | Charge arising from changes in asset in 2023 |
|---|---|---|---|
| Outstanding interest accrued on liabilities, including CD interest and discount | 953,003 | 716,934 | 44,853 |
| Fair value measurement of derivative instruments and securities | 2,621,989 | 3,474,948 | (162,062) |
| Unrealized liabilities due to hedged items and hedging instruments | 26,536 | 1,082 | 4,836 |
| Allowances on expected credit losses of financial assets and provisions for contingent liabilities (non-deductible), which are probable to occur/documented | 2,556,924 | 2,898,230 | (64,848) |
| Revenue collected in advance and measured at amortised cost including the effective interest rate | (38,345) | 388,935 | (81,183) |
| Provision for retirement benefits and provision for restructuring | 81,130 | 57,905 | 4,413 |
| Other provisions for personnel costs | 279,304 | 272,289 | 1,333 |
| Provisions for non-personnel expenses | 569,756 | 462,766 | 20,328 |
| Impairment allowance on fixed and intangible assets | 15,243 | 11,068 | 793 |
| Impairment of subsidiaries and associates | 19,780 | 73,097 | (10,130) |
| Compensations paid | 8,795 | 8,799 | (1) |
| Impairment allowance on lease receivables | 3,409 | 4,332 | (175) |
| Impairment allowance on available for sale assets related to leasing operations | 31,324 | 29,633 | 321 |
| Surplus of the tax value of leased fixed assets over the book value of receivables | 66,879 | 93,006 | (4,964) |
| Deferred income from leasing operations | 11,539 | 9,542 | 379 |
| Lease liabilities | 628,063 | 704,954 | (14,609) |
| Impairment allowances on other assets | 54,036 | 190,351 | (25,900) |
| Valuation of securities measured through other comprehensive income | 763,988 | 1,444,358 | (129,270) |
| Other negative deductible temporary differences | 11,447 | 12,186 | (141) |
| **Total:** | **8,664,800** | **10,854,415** | **(416,027)** |

| | | | |
|---|---|---|---|
| Basis for assets recognised in profit or loss (in the current and preceding years) and charge arising from changes in asset* | 7,900,812 | 9,410,057 | (286,757) |
| Basis for assets recognised in correspondence with revaluation reserve and charge arising from changes in asset | 763,988 | 1,444,358 | (129,270) |

*Unrecognised deferred tax asset is related to impairment allowances on loans and advances whose non-recoverability will not become probable in the future. The related unrecognised temporary differences amounted to PLN 22,067 thousand as at 31 December 2023 as compared to PLN 26,400 thousand as at 31 December 2022.

| **Deferred tax liability** | Deferred tax basis as at 31 December 2023 | Deferred tax basis as at 31 December 2022 | Charge arising from changes in asset in 2023 |
|---|---|---|---|
| Accrued revenue from interest on amounts due | (1,456,894) | (1,416,318) | (7,709) |
| Fair value measurement of derivative instruments and securities | (2,224,562) | (2,700,398) | 90,409 |
| Valuation of securities measured through other comprehensive income | (59,027) | (18,222) | (7,753) |
| Difference between accounting and tax depreciation of the Bank's own fixed assets | (453,709) | (429,950) | (4,514) |
| Net value of right of use (RoU) | (557,802) | (623,009) | 12,389 |
| R&D expenses | (93,840) | (54,550) | (7,465) |
| Subleasing agreements | (27,036) | (32,574) | 1,052 |
| Unrealized liabilities related to hedged items and hedging instruments | (574,232) | (1,234,680) | 125,485 |
| Deferred costs of leasing operations | (12,355) | (11,375) | (186) |
| Other positive taxable temporary differences | (5,004) | (6,381) | 262 |
| **Total:** | **(5,464,461)** | **(6,527,457)** | **201,970** |
| | | | |
| Basis for the provision recognised in profit or loss (in the current and preceding years) and chargé arising from changes in the provision | (5,400,430) | (6,502,854) | 209,461 |
| Basis for the provision charged to revaluation reserve and chargé arising from changes in the provision | (64,031) | (24,603) | (7,491) |

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Deferred tax assets** | **1,646,312** | **2,062,339** |
| **Deferred tax liability** | **(1,038,248)** | **(1,240,217)** |
| **Net deferred tax asset** | **608,064** | **822,122** |

# 38. DISCONTINUED OPERATIONS

The Bank did not discontinue any operations in 2023 or 2022.

# 39. SHARE BASED PAYMENTS

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

The principles and assumptions contained in the Policy guarantee the existence of a rational, balanced and controllable remuneration policy, consistent with the accepted risk level, standards and values of the Bank and relevant laws and regulations, in particular the Minister of Finance, Funds and Regional Policy Regulation dated 8 June 2021 on the risk management system, internal control system and remuneration policy in banks and recommendations included in the CRD5 Directive.

Pursuant to the Remuneration policy for Individuals with a significant impact on the BNP Paribas S.A. Bank's risk profile applied in the Bank, from 2020 (excluding persons who have terminated their cooperation with the Bank) the applicable financial instrument in which part of the variable remuneration is paid is ordinary shares (change from phantom shares).

The 2022 variable remuneration convertible into a financial instrument was granted in actual shares of the Bank.

On 9 December 2021, the Supervisory Board approved a modified Remuneration Policy for persons with material impact on the risk profile of the Bank. The changes consisted mainly in adjusting the provisions of the Policy to the Ordinance of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system and remuneration policy in banks and the guidelines contained in the CRD5 Directive and consisted, among others, in extending the deferral period.

**Phantom share-based programme**

As at 31 December 2019, there was a variable remuneration scheme in force, granted in the form of a financial instrument - phantom shares, which will be settled in subsequent periods.

The variable remuneration granted in form of phantom shares is paid as cash equivalent with a value corresponding to the number of shares granted. The payment shall be made after the expiry of the retention period.

Financial instruments (phantom shares) - programme amendments in 2023.

| | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| | Financial instrument | | Financial instrument | |
| | units | value (PLN '000) | units | value (PLN '000) |
| **Opening balance** | **38,166** | **2,897** | **117,770** | **5,616** |
| granted in the period | (34,904) | (1,953) | (79,604) | (5,109) |
| current valuation* | - | (741) | - | 2,390 |
| **Closing balance** | **3,262** | **203** | **38,166** | **2,897** |

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

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

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

| Transaction type in line with IFRS 2 | Share-based payments settled in cash |
|---|---|
| Plan issued on | 21 June 2012 - the Resolution of the Supervisory Board approving the Remuneration Policy. |
| The commencement date for granting phantom shares | 28 February 2023 |
| The end date for granting phantom shares | 3 March 2023 |

**Programme based on the Bank's shares**

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

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

The Bank will grant the participants of the Incentive Scheme subscription warrants, which will result in the right to acquire a new Series M and Series N shares issued by the Bank under the conditional share capital increase. The rights to acquire Series M and Series N shares shall be granted taking into account the principles of dividing the variable remuneration into the non-deferred and deferred portions, as defined in the Remuneration Policy and the regulations adopted on its basis. Series M and Series N shares will constitute a component of variable remuneration for persons having a significant impact on the Bank's risk profile within the meaning of the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021.

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

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

1. the part constituting at least 50% is assigned in the form of the Bank's shares (which will be acquired by exercising rights from subscription warrants);
2. the part of variable remuneration not less than 40% of that remuneration is deferred. The deferral period is at least 5 years for Senior Management and a minimum of 4 years and a maximum of 5 years for employees other than Senior Management. The maximum deferral period of 5 years is applied in the case of an assignment of Variable Remuneration that exceeds a particularly high amount.

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

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

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

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

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

The number of shares granted in 2023, as part of the non-deferred portion of the variable remuneration for 2022, was 78,316.

In 2023, for the variable remuneration granted for 2019, 2020 and 2021 and in connection with the forecast of the variable remuneration for 2023, which will be granted in 2024, in the part concerning shares to be issued in the future, the Bank has recognized in the capitals an amount of PLN 6,487 thousand. At the same time, an amount of PLN 19,559 thousand (recognised in the previous years) is presented in capital. The actuarial value of the shares issued in 2023 in the amount of PLN 5,384 thousand is included in the mentioned amounts.

Financial instruments (shares - deferred portion) changes in 2023 determined in relation to the deferred part of the variable remuneration for 2019, 2020, 2021 and 2022 are presented in the table below.

| | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| | Financial instrument | | Financial instrument | |
| | units | value (PLN '000) | units | value (PLN '000) |
| **Opening balance** | **121,760** | **8,487** | **108,851** | **7,403** |
| granted in the period | 57,711 | 2,802 | 37,191 | 2,718 |
| executed during the period | (37,151) | (2,528) | (24,282) | (1,634) |
| expired in the period | (162) | (11) | - | - |
| **Closing balance** | **142,158** | **8,750** | **121,760** | **8,487** |

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

| Type of transaction under IFRS 2 | Share-based payments |
|---|---|
| Program announcement date | 31 January 2020 – the Resolution of the Supervisory Board approving the Remuneration Policy. |
| The commencement date for granting of shares | 28 February 2023 |
| The end date for granting shares | 23 March 2023 |

# 40. CONTINGENT LIABILITIES

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

| Contingent liabilities | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Contingent commitments granted** | **48,859,712** | **40,980,850** |
| Financial commitments | 33,355,151 | 29,475,246 |
| Guarantees | 15,504,561 | 11,505,604 |
| **Contingent commitments received** | **57,137,307** | **55,068,490** |
| Financial commitments | 8,176,478 | 13,482,568 |
| Guarantees | 48,960,829 | 41,585,922 |

The amount of contingent liabilities granted as at 31 December 2023 equals PLN 20,996,915 thousand (PLN 18,279,953 thousand as at 31 December 2022), while the amount of contingent liabilities received by the Bank as at 31 December 2023 equals PLN 50,724,039 thousand (PLN 49,935,837 thousand as at 31 December 2022).

# 41. COLLATERALS

The Bank had the following assets pledged as collaterals for payment of its own and third-party liabilities.

**Assets of the Bank pledged as collaterals**

The table below presents the balance sheet value of financial assets that have been established as collateral for contracted liabilities or contingent liabilities.

| Assets pledged as collaterals | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Guaranteed amount protection fund – Bank Guarantee Fund (BFG)** | | |
| type of collateral | Treasury bonds | |
| nominal value of collateral | 270,000 | 300,000 |
| balance sheet value of collateral | 265,254 | 284,894 |
| maturity | 22.09.2025 | 22.09.2025 |
| type of collateral | Treasury bonds | |
| nominal value of collateral | 100,000 | 160,000 |
| balance sheet value of collateral | 96,987 | 151,986 |
| maturity | 21.07.2033 | 21.07.2033 |
| **Collateral for derivative transaction settlement** | | |
| type of collateral | call deposits (amounts due from other banks) | |
| nominal value of collateral | 741,002 | 919,316 |
| **Collateral of SPV settlements for securitization** | | |
| type of collateral | receivables that are the subject to a securitization transaction | |
| nominal value of collateral | - | 364,427 |

**Assets of the customer pledged as collaterals**

The Bank has not established collateral on customer assets that may be sold or pledged.

# 42. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

**Level 1**

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

**Level 2**

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

**Level 3**

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

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

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

In 2023, no changes were made to the rules for classification into valuation levels.

As of 31.12.2023, particular instruments were included in the following valuation levels:

1. the first level: Treasury bonds and bonds issued by European Investment Bank (fair value is determined directly by reference to published active market quotations), quoted shares;
2. the second level: bonds issued by PFR, interest rate options in EUR, USD and GBP, FX options maturing within 2 years, base interest rate and FX swaps denominated in G7 currencies maturing within 15 years, and base interest rate and FX swaps denominated in other currencies maturing within 10 years, FRA maturing within 2 years, FX Forward, NDF and FX swaps denominated in G7 currencies maturing within 10 years, FX Forward transactions, NDF and FX swaps denominated in other currencies maturing within 3 years, commodity swaps maturing within 1 year, interest rate swaps denominated in G7 currencies, interest rate swaps denominated in other currencies maturing within 10 years, structured instruments (whose fair value is determined using measurement techniques which are based on available, verifiable market data);
3. the third level: interest rate options in PLN, FX options maturing over 2 years, base interest rate and FX swaps denominated in G7 currencies maturing over 15 years, base interest rate and FX swaps denominated in other currencies maturing over 10 years, FRA contracts maturing over 2 years, FX Forward transactions, NDF and FX swaps denominated in G7 currencies maturing over 10 years, FX Forward transactions, NDF and FX swaps denominated in other currencies maturing over 3 years, commodity swaps maturing over 1 year, interest rate swaps denominated in currencies other than G7 currencies maturing over 10 years, structured instruments (whose fair value is determined using measurement techniques (models) which are not based on available, verifiable market data), derivatives for which significant Fair Value Correction or Credit Value Adjustment was created and corporate bonds other than CATALYST-listed ones, shares which are not listed on the WSE and other exchanges, subsidised loans (fair value determined using measurement techniques which are not based on available, verifiable market data, i.e. in cases other than those described in 1 and 2).

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

| 31.12.2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets measured at fair value** | **16,635,223** | **2,727,112** | **1,445,525** | **20,807,860** |
| Derivative financial instruments | 85 | 2,644,769 | 501,891 | 3,146,745 |
| Hedging instruments | - | 82,343 | - | 82,343 |
| Securities measured at fair value through other comprehensive income | 16,634,303 | - | - | 16,634,303 |
| Securities measured at fair value through profit or loss | 835 | - | 290,052 | 290,887 |
| Loans and advances to customers measured at fair value through profit or loss | - | - | 653,582 | 653,582 |
| **Liabilities measured at fair value** | **22** | **3,304,176** | **439,609** | **3,743,807** |
| Derivative financial instruments | 22 | 2,499,365 | 365,888 | 2,865,275 |
| Hedging instruments | - | 804,811 | 73,721 | 878,532 |

| 31.12.2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets measured at fair value** | **17,384,793** | **2,987,166** | **1,526,741** | **21,898,700** |
| Derivative financial instruments | - | 2,958,065 | 266,207 | 3,224,272 |
| Hedging instruments | - | 29,101 | - | 29,101 |
| Securities measured at fair value through other comprehensive income | 17,384,793 | - | - | 17,384,793 |
| Securities measured at fair value through profit or loss | - | - | 311,236 | 311,236 |
| Loans and advances to customers measured at fair value through profit or loss | - | - | 949,298 | 949,298 |
| **Liabilities measured at fair value** | **-** | **4,244,791** | **377,590** | **4,622,381** |
| Derivative financial instruments | - | 2,885,339 | 262,516 | 3,147,855 |
| Hedging instruments | - | 1,359,452 | 115,074 | 1,474,526 |

The fair value of level 2 and 3 financial instruments is determined using the measurement techniques (e.g. models) consistent with market practice, the parameterisation of which is carried out on the basis of reliable data sources.

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

For financial instruments classified as level 3, unobservable parameters are estimates including market quotes that are not observable and cannot be corroborated by observable data in commonly quoted ranges, margins for credit risk and liquidity risk, probabilities of default, recovery rates, and premiums and discounts covering other risks specific to the instrument being valued.

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

| 31.12.2023 | Derivative financial instruments – assets | Financial assets measured at fair value | Derivative financial instruments – liabilities | Hedging instruments - liabilities |
|---|---|---|---|---|
| **Opening balance** | **266,207** | **1,260,534** | **262,516** | **115,074** |
| Total gains/losses recognised in: | 235,684 | (7,987) | 103,372 | (41,353) |
| statement of profit or loss | 235,684 | (7,987) | 103,372 | (41,353) |
| Statement of comprehensive income | - | - | - | - |
| Purchase | - | 30,526 | - | - |
| Sale | - | (7,699) | - | - |
| Settlement/expiry | - | (331,740) | - | - |
| **Closing balance** | **501,891** | **943,634** | **365,888** | **73,721** |
| **Unrealized gains/losses recognised in profit or loss related to assets and liabilities at the end of the period** | | | | |
| | **235,684** | **(7,987)** | **103,372** | **(41,353)** |

| 31.12.2022 | Derivative financial instruments – assets | Financial assets measured at fair value | Derivative financial instruments – liabilities | Hedging instruments - liabilities |
|---|---|---|---|---|
| **Opening balance** | **554,509** | **1,539,243** | **(459,745)** | **(60,399)** |
| Total gains/losses recognised in: | (288,302) | 60,741 | 722,261 | 175,473 |
| statement of profit or loss | (288,302) | 60,741 | 722,261 | 175,473 |
| Statement of comprehensive income | - | - | - | - |
| Purchase | - | 5,134 | - | - |
| Sale | - | - | - | - |
| Settlement/expiry | - | (344,583) | - | - |
| **Closing balance** | **266,207** | **1,260,534** | **262,516** | **115,074** |
| **Unrealized gains/losses recognised in profit or loss related to assets and liabilities at the end of the period** | | | | |
| | **(288,302)** | **60,741** | **722,261** | **175,473** |

The Bank measures the fair value by discounting all contractual cash flows related to transactions, with the use of yield curves characteristic of each transaction group. Where no repayment schedule is agreed for a product, it is assumed that the fair value is equal to the carrying amount of the transaction, or, in case of revolving products, the curves derived from the liquidity profile of these products and the expected behavioural duration of these exposures are used.

The yield curve used for fair value measurement of liabilities (such as customer and interbank deposits) and receivables (such as loans to customers and interbank deposits) of the Bank comprises:

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

The yield curve for fair value measurement of loans is constructed through classification of loans into sub-portfolios depending on the product type and currency as well as customer segmentation. A margin is determined for each sub-portfolio taking into account credit risk. The margin is determined with the use of credit risk parameters of a given customer determined in the process of calculating the impairment of financial instruments.

The current credit risk margin and the current liquidity margin, the values of which are not quoted on an active market, are the non-observable parameters for all the categories.

The following table presents the book value and fair value of those financial assets and liabilities that are not reported in the Bank's statement of financial position at their fair value, as well as the level of valuation classification.

| 31.12.2023 | Book value | Fair value | Level |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and balances at Central Bank | 6,883,582 | 6,883,582 | 3 |
| Amounts due from other banks | 17,890,698 | 17,126,326 | 2.3 |
| Loans and advances to customers measured at amortised cost | 81,137,225 | 80,630,080 | 3 |
| Securities measured at amortised cost | 26,246,278 | 24,303,218 | 1.3 |
| Other financial assets | 530,619 | 530,619 | 3 |
| Investments in subsidiaries | 118,726 | 118,726 | 3 |
| **Financial liabilities** | | | |
| Amounts due to other banks | 4,571,172 | 5,271,788 | 2.3 |
| Amounts due to customers | 127,134,065 | 126,221,912 | 3 |
| Subordinated liabilities | 4,336,072 | 5,038,080 | 3 |
| Lease liabilities | 626,174 | 626,174 | 3 |
| Other financial liabilities | 1,058,441 | 1,058,441 | 3 |

| 31.12.2022 restated | Book value | Fair value | Level |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and balances at Central Bank | 2,718,242 | 2,718,242 | 3 |
| Amounts due from other banks | 11,709,582 | 10,994,074 | 3 |
| Loans and advances to customers measured at amortised cost | 82,484,803 | 81,023,810 | 3 |
| Securities measured at amortised cost | 22,167,261 | 18,100,104 | 1.3 |
| Other financial assets | 675,250 | 675,250 | 3 |
| Investments in subsidiaries | 93,119 | 93,119 | 3 |
| **Financial liabilities** | | | |
| Amounts due to Central Bank | 8,713 | 8,713 | 3 |
| Amounts due to other banks | 1,805,219 | 1,875,753 | 2.3 |
| Amounts due to customers | 120,429,051 | 119,349,674 | 3 |
| Subordinated liabilities | 4,416,887 | 4,393,165 | 3 |
| Lease liabilities | 718,724 | 718,724 | 3 |
| Other financial liabilities | 1,380,050 | 1,380,050 | 3 |

a) Amounts due from banks and amounts due to banks

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

b) Loans and advances to customers

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

The fair value of loans and advances covered by the Law on Community Financing for Business Ventures and Borrower Assistance takes into account the impact of changes in repayment schedules resulting from the introduction of loan vacations.

c) Securities measured at amortised cost

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

d) Investments in subsidiaries and associates

The fair value of investments in subsidiaries and associates was taken at their balance sheet value.

e) Liabilities due to subordinated loan

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

f) Liabilities due to customers

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

g) Lease liabilities

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

**Compensation of financial assets and liabilities**

| 31.12.2023 | Gross value presented in financial assets/liabilities | Net value presented in financial assets/liabilities | Offsetting value under concluded contracts | Cash collateral value | Net value |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trading and hedging derivatives | 3,229,088 | 3,229,088 | (1,584,123) | (1,258,473) | 386,492 |
| **Total** | **3,229,088** | **3,229,088** | **(1,584,123)** | **(1,258,473)** | **386,492** |
| **Financial liabilities** | | | | | |
| Trading and hedging derivatives | 3,743,807 | 3,743,807 | (1,584,123) | (736,133) | 1,423,551 |
| **Total** | **3,743,807** | **3,743,807** | **(1,584,123)** | **(736,133)** | **1,423,551** |

| 31.12.2022 | Gross value presented in financial assets/liabilities | Net value presented in financial assets/liabilities | Offsetting value under concluded contracts | Cash collateral value | Net value |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trading and hedging derivatives | 3,253,373 | 3,253,373 | (2,477,594) | (588,655) | 187,125 |
| **Total** | **3,253,373** | **3,253,373** | **(2,477,594)** | **(588,655)** | **187,125** |
| **Financial liabilities** | | | | | |
| Trading and hedging derivatives | 4,622,381 | 4,622,381 | (2,477,594) | (919,316) | 1,225,471 |
| **Total** | **4,622,381** | **4,622,381** | **(2,477,594)** | **(919,316)** | **1,225,471** |

The possibility to compensate receivables and liabilities which are not due as well as settlement in the net amount in case of early settlement of the contract, result from the provisions of framework agreements / ISDA concluded with the customers.

# 43. LOAN PORTFOLIO SALE

In 2023 the Bank concluded agreements regarding the sale of individual loans from SME, corporate and retail loan portfolio.

The gross book value of the portfolio measured at amortised cost sold amounted to PLN 390,429 thousand, while the amount of created impairment allowances was PLN 330,357 thousand.

The contractual price for the sale of these portfolios has been set at PLN 86,588 thousand. The net effect on the Bank's results from the sale of portfolios which amounted to PLN 26,516 thousand is presented in Net allowances on expected credit losses of financial assets and provisions on contingent liabilities.

# 44. SECURITIZATION

In December 2017, the Bank completed a securitization transaction of its cash and auto loan portfolio using BGZ Poland's subsidiary ABS1 DAC (SPV), based in Ireland. The transaction was a traditional securitization involving transfer of ownership of the securitized receivables to the SPV. The revolving period was 24 months and ended in December 2019. As of January 2020, the transaction was subject to amortization.

As a result of the securitization, the Bank obtained financing for its operations in exchange for surrendering the rights to future flows arising from the securitized loan portfolio with a total value of PLN 4.5 billion. The maximum date for full redemption of the bonds and repayment of the loan was set for 27 April 2032.

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

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

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

# 45. CUSTODY OPERATIONS

The Bank conducts custody operations consisting in maintaining assets or client transactions settlement. These assets have not been disclosed in the financial statements as they do not belong to the Bank.

As at 31 December 2023, the Custody Services Office conducted 166 securities accounts for the clients. The fair value of the financial instruments of the customers of the Custody Services Office for this date was PLN 22,944,520 thousand.

In the reporting period, securities in public trading and securities in material form as well as financial instruments traded in foreign markets were stored by the Bank. In providing custody services to clients, the Bank cooperated with several brokerage houses. The Bank acts as a depository for domestic investment funds.

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

As at 31 December 2023, the structure of the shareholders of BNP Paribas Bank Polska S.A., including those holding at least 5% of the total number of votes at the General Shareholders' Meeting was as follows:

| Shareholders | Number of shares | Percentage interest in share capital | Number of votes at the General Shareholders' Meeting | Percentage share in the total number of votes at the General Shareholders' Meeting |
|---|---|---|---|---|
| BNP Paribas, in total: | 128,989,183 | 87.35% | 128,989,183 | 87.35% |
| BNP Paribas directly | 93,498,957 | 63.31% | 93,498,957 | 63.31% |
| BNP Paribas Fortis SA/NV directly | 35,490,226 | 24.03% | 35,490,226 | 24.03% |
| Other shareholders | 18,687,763 | 12.65% | 18,687,763 | 12.65% |
| **Total** | **147,676,946** | **100.00%** | **147,676,946** | **100.00%** |

From 5 April 2023, the Bank's share capital amounted to PLN 147,677 thousand.

The share capital is divided into 147,676,946 shares with the par value of PLN 1.00, including: 15,088,100 A series shares, 7,807,300 B series shares, 247,329 C series shares, 3,220,932 D series shares, 10,640,643 E series shares, 6,132,460 F series shares, 8,000,000 G series shares, 5,002,000 H series shares, 28,099,554 I series shares, 2,500,000 J series shares, 10,800,000 K series shares, 49,880,600 L series shares and 258,028 M series shares.

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

The total number of votes resulting from all the shares of the Bank is 147,676,946. The number of votes resulting from the allocated in 2023 Series M Shares is 83,796 votes, while the total number of votes resulting from the allocated Series M shares is 258,028.

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

### Changes in the shareholder structure in 2023

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

### BNP Paribas Bank Polska shares held by the members of the Supervisory Board and Management Board

Summary of the holdings of Bank shares and share entitlements by members of the Bank's Management Board and Supervisory Board as at the date of submission of the report for the 3 quarters of 2023 (9 November 2023) and the report for 2023 (1 March 2024) is presented below.

| MEMBER OF THE BANK'S MANAGEMENT BOARD | SHARES [1] | SUBSCRIPTION WARRANTS [2] | SALE OF SHARES | SHARES [1] | SUBSCRIPTION WARRANTS [2] |
|---|---|---|---|---|---|
| | 9.11.2023 | 9.11.2023 | | 1.03.2024 | 1.03.2024 |
| Przemysław Gdański | 26,473 | 12,893 | - | 26,473 | 12,893 |
| André Boulanger | - | 7,987 | - | - | 7,987 |
| Małgorzata Dąbrowska[3] | - | - | - | - | - |
| Przemysław Furlepa | 3,000 | 5,811 | -3,000 | - | 5,811 |
| Wojciech Kembłowski | - | 5,628 | - | - | 5,628 |
| Piotr Konieczny | - | - | - | - | - |
| Kazimierz Łabno | - | 3,205 | - | - | 3,205 |
| Magdalena Nowicka | 2,046 | 3,210 | - | 2,046 | 3,210 |
| Volodymyr Radin | - | 1,972 | - | - | 1,972 |
| Agnieszka Wolska | 614 | 3,481 | - | 614 | 3,481 |

| MEMBER OF THE BANK'S MANAGEMENT BOARD | SHARES [1] | SUBSCRIPTION WARRANTS [2] | SALE/PURCHASE OF SHARES | SHARES [1] | SUBSCRIPTION WARRANTS [2] |
|---|---|---|---|---|---|
| | 9.11.2023 | 9.11.2023 | | 1.03.2024 | 1.03.2024 |
| Jean-Charles Aranda[4] | 1,840 | 4,495 | -1,840 | - | 4,495 |

1) M series shares taken up on 5 April 2023 in exercise of rights arising from series A3 warrants (series A3 registered subscription warrants were taken up on 25 March 2022) and M series shares subscribed on 4 April 2022 in exercise of the rights attached to A2 series subscription warrants (A2 series registered subscription warrants were subscribed on 25 March 2021; one warrant entitled to subscribe for one M series ordinary bearer share of BNP Paribas Bank Polska S.A., with the issue price of PLN 1.00 per share); in the case of Mr. Przemysław Gdański, the number of M series shares in the exercise of rights arising from A3 series warrants subscribed was 9,366, the number of M series shares in the exercise of rights arising from A2 series warrants subscribed was 9,148, the number of subscribed series M shares in exercise of the rights arising from series A1 warrants was 7,489, the number of shares purchased on the WSE share market was 500.

2) A4 series subscription warrants taken up on 27 March 2023 - one A4 series warrant entitles to acquire one M series ordinary bearer share of BNP Paribas Bank Polska S.A., at the issue price of PLN 1.00 per share and B1 series subscription warrants taken up on 27 March 2023. - one B1 series warrant entitles to take up one series N ordinary bearer share of BNP Paribas Bank Polska S.A., at the issue price of PLN 1.00 per share.

3) Ms Małgorzata Dąbrowska has served as a member of the Bank's Management Board since 01 January 2024.

4) Mr. Jean-Charles Aranda served as a member of the Bank's Management Board until 31 July 2023, and has been a member of the Bank's Supervisory Board since 1 August 2023.

The other members of the Supervisory Board did not declare their ownership of the Bank's shares/entitlements as of 1 March 2024, which has not changed since the date of submission of the Q3 2023 Financial Report, i.e. 9 November 2023.

**Intention of BNP Paribas regarding the liquidity of the Bank's shares**

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

# 47. SUPLEMENTARY CAPITAL AND OTHER CAPITALS

The following tables present changes in supplementary capital and other reserve capitals:

| **Supplementary capital** | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **9,110,976** | **9,110,976** |
| Changes | - | - |
| **Closing balance** | **9,110,976** | **9,110,976** |

| **Other reserve and revaluation capital** | 31.12.2023 | 31.12.2022 |
|---|---|---|
| General banking risk fund | 627,154 | 627,154 |
| Revaluation reserve | (566,964) | (1,150,000) |
| Other reserve capital | 2,886,824 | 2,509,445 |
| **Total** | **2,947,014** | **1,986,599** |

| **General banking risk fund created from net profit** | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **627,154** | **627,154** |
| Distribution of retained earnings | - | - |
| **Closing balance** | **627,154** | **627,154** |

| Revaluation reserve | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **(1,150,000)** | **(595,707)** |
| Gain/loss on changes in fair value of financial assets measured through other comprehensive income | 653,872 | (599,039) |
| Net gain/loss on change in fair value of gross cash flow hedging derivatives | 67,303 | (83,987) |
| Actuarial valuation of employee benefits | (1,377) | (1,287) |
| Deferred income tax | (136,762) | 130,020 |
| **Closing balance** | **(566,964)** | **(1,150,000)** |

| Other reserve capital | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **2,509,445** | **2,318,961** |
| Distribution of retained earnings | 370,892 | 184,526 |
| Management stock options | 6,487 | 5,958 |
| **Closing balance** | **2,886,824** | **2,509,445** |

| Retained earnings | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| **Opening balance** | **(400,786)** | **(400,786)** |
| Distribution of the current period profit | - | - |
| **Closing balance** | **(400,786)** | **(400,786)** |

| Change in revaluation reserve on financial assets measured through other comprehensive income | 2023 | | 2022 | |
|---|---|---|---|---|
| | Gross value | Deferred tax | Gross value | Deferred tax |
| **Opening balance** | **(1,426,134)** | **270,966** | **(743,108)** | **141,191** |
| gains/losses on financial assets measured at fair value through other comprehensive income recognised in equity | 722,929 | (137,357) | (686,312) | 130,399 |
| reclassification to financial result due to sale of financial assets measured at fair value through other comprehensive income | (1,754) | 333 | 3,286 | (624) |
| **Closing balance** | **(704,959)** | **133,942** | **(1,426,134)** | **270,966** |

# 48. DIVIDENDS PAID

The Bank's intention, in accordance with the dividend policy adopted by Supervisory Board on December 9, 2021 is to make stable dividend payments to shareholders in the long term while maintaining the principle of prudent management of the Bank and the Bank's Capital Group in accordance with the requirements of legal provisions and the positions of the Polish Financial Supervision Authority regarding the assumptions of the dividend policy of commercial banks.

The Bank's intention is to pay dividend in 2024 from the net profit achieved in 2023. Pursuant to Art. 395 § 2 point 2 of the Commercial Companies Code, the decision on the distribution of profit remains within the competence of the Ordinary General Meeting of the Bank.

# 49. DISTRIBUTION OF RETAINED EARNINGS

Pursuant to the Resolution No. 2 of the General Shareholders' Meeting of BNP Paribas Bank Polska S.A. of 30 June 2023, the net profit for 2022, in the amount of PLN 370,892 thousand, was allocated to the reserve capital.

# 50. CASH AND CASH EQUIVALENTS

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

| Cash and cash equivalents | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Cash and balances at Central Bank (Note 17) | 6,883,582 | 2,718,242 |
| Current accounts of banks and other receivables | 8,917,690 | 9,025,122 |
| Interbank deposits | - | 1,383,243 |
| **Total cash and cash equivalents** | **15,801,272** | **13,126,607** |

# 51. ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOWS

Differences between balance sheet changes of the value of items and changes in the balance of these items presented in operating activities.

| Changes in amounts due from banks (including amounts due from Central Bank and cash) | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Change arising from the balance sheet | (10,346,456) | (7,541,793) |
| Elimination of a change in cash and cash equivalents | 2,674,665 | 7,974,387 |
| Change in balance arising from interest | 1,624 | 4,857 |
| **Total change in amounts due from banks** | **(7,670,167)** | **437,452** |

| Change in amounts due from customers measured at amortised cost | 31.12.2023 | 31.12.2022 restated |
|---|---|---|
| Change arising from the balance sheet | 1,347,578 | (2,360,052) |
| Change in balance arising from interest | 1,408,585 | (745,607) |
| **Total change in amounts due from customers measured at amortised cost** | **2,756,163** | **(3,105,659)** |

| Change in amounts due to banks (including the Central Bank) | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Change arising from the balance sheet | 2,749,713 | (784,564) |
| Repayment of long-term loans received | (369) | (15,686) |
| Change in balance arising from interest | - | 5,811 |
| **Total change in amounts due to other banks** | **2,749,344** | **(794,439)** |

| Change in amounts due to customers | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Change arising from the balance sheet | 6,705,014 | 18,605,451 |
| Change in balance arising from interest | (102,502) | (288,973) |
| **Total change in amounts due to customers** | **6,602,512** | **18,316,478** |

| Cash flows from operating activities – other adjustments | 12 months to 31.12.2023 | 12 months to 31.12.2022 |
|---|---|---|
| FX differences from subordinated loans | (81,145) | 66,025 |
| Valuation of securities recognized in the statement of profit or loss | (153,394) | (5,904) |
| Allowance for securities | (40,611) | (672) |
| Other adjustments | (28,723) | 51,293 |
| **Cash flows from operating activities – total other adjustments** | **(303,873)** | **110,742** |

# 52. RELATED PARTY TRANSACTIONS

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

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

The ultimate parent company is BNP Paribas S.A., based in Paris. As of 31 December 2023, the Capital Group of BNP Paribas Bank Polska S.A. comprised BNP Paribas Bank Polska S.A. as the parent company, and its subsidiaries:

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

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

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

| 31.12.2023 | BNP Paribas S.A. located in Paris | BNP Paribas Fortis S.A. | Other entities from the Capital Group of BNP Paribas S.A. | Key personnel | Subsidiaries | Total |
|---|---|---|---|---|---|---|
| **Assets** | **15,507,274** | **46,382** | **4,386,481** | **1,746** | **1,941,446** | **21,883,329** |
| Receivables on current accounts, loans and deposits | 13,202,692 | 46,281 | 4,361,616 | 1,724 | 1,939,276 | **19,551,589** |
| Derivative financial instruments | 2,222,035 | 101 | - | - | - | **2,222,136** |
| Derivative hedging instruments | 82,343 | - | - | - | - | **82,343** |
| Other assets | 204 | - | 24,865 | 22 | 2,170 | **27,261** |
| **Liabilities** | **9,860,523** | **7,595** | **974,917** | **3,369** | **73,344** | **10,919,748** |
| Current accounts and deposits | 4,001,897 | 7,595 | 679,851 | 3,369 | 72,813 | **4,765,525** |
| Subordinated liabilities | 4,075,428 | - | 260,644 | - | - | **4,336,072** |
| Derivative financial instruments | 903,960 | - | 10,109 | - | - | **914,069** |
| Derivative hedging instruments | 878,532 | - | - | - | - | **878,532** |
| Lease liabilities | - | - | - | - | 160 | **160** |
| Other liabilities | 706 | - | 24,313 | - | 371 | **25,390** |
| **Contingent liabilities** | | | | | | |
| Financial commitments granted | - | - | 265,487 | 1,262 | - | **266,749** |
| Guarantees granted | 322,568 | 120,284 | 1,265,596 | - | 913,080 | **2,621,528** |
| Commitments received | 8,312,740 | 155,406 | 1,625,763 | - | 617,783 | **10,711,692** |
| Derivative financial instruments (nominal value) | 81,242,618 | 51,095 | 239,256 | - | - | **81,532,969** |
| Derivative hedging instruments (nominal value) | 9,067,254 | - | - | - | - | **9,067,254** |
| **Statement of profit or loss** | **452,154** | **(1,903)** | **(65,941)** | **(155)** | **140,821** | **524,976** |
| 12 months to 31.12.2023 | | | | | | |
| Interest income | 403,222 | 737 | 24,943 | 37 | 85,375 | **514,314** |
| Interest expense | (338,681) | (2,640) | (32,935) | (192) | - | **(374,448)** |
| Fee and commission income | - | - | - | - | 8,667 | **8,667** |
| Fee and commission expense | - | - | - | - | (5,774) | **(5,774)** |
| Net trading income | 494,336 | - | - | - | - | **494,336** |
| Other operating income | - | - | - | - | 52,900 | **52,900** |
| Other operating expense | - | - | (41,136) | - | - | **(41,136)** |
| General administrative costs | (106,723) | - | (16,813) | - | (347) | **(123,883)** |

| 31.12.2022 | BNP Paribas S.A. located in Paris | BNP Paribas Fortis S.A. | Other entities from the Capital Group of BNP Paribas S.A. | Key personnel | Subsidiaries | Total |
|---|---|---|---|---|---|---|
| **Assets** | **13,360,399** | **4,733** | **251,774** | **770** | **538,411** | **14,156,087** |
| Receivables on current accounts, loans and deposits | 10,973,541 | 291 | 231,077 | 770 | 537,638 | **11,743,317** |
| Derivative financial instruments | 2,357,757 | 4,442 | - | - | - | **2,362,199** |
| Derivative hedging instruments | 29,101 | - | - | - | - | **29,101** |
| Other assets | - | - | 20,697 | - | 773 | **21,470** |
| **Liabilities** | **7,517,793** | **48,670** | **1,349,432** | **2,478** | **147,968** | **9,066,341** |
| Current accounts and deposits | 765,040 | 48,670 | 1,068,439 | 2,478 | 147,051 | **2,031,678** |
| Subordinated liabilities | 4,136,961 | - | 279,926 | - | - | **4,416,887** |
| Derivative financial instruments | 1,141,266 | - | - | - | - | **1,141,266** |
| Derivative hedging instruments | 1,474,526 | - | - | - | - | **1,474,526** |
| Lease liabilities | - | - | 1,067 | - | 231 | **1,298** |
| Other liabilities | - | - | - | - | 686 | **686** |
| **Contingent liabilities** | | | | | | |
| Financial commitments granted | - | - | 325,018 | 651 | - | **325,669** |
| Guarantees granted | 118,801 | 127,380 | 1,580,487 | - | 985,565 | **2,812,233** |
| Commitments received | 300,334 | 184,046 | 1,943,450 | - | 514,662 | **2,942,492** |
| Derivative financial instruments (nominal value) | 58,170,836 | 2,195,441 | - | - | - | **60,366,276** |
| Derivative hedging instruments (nominal value) | 15,708,485 | - | - | - | - | **15,708,485** |
| **Statement of profit or loss** | **(278,690)** | **(647)** | **7,641** | **(27)** | **39,160** | **(232,563)** |
| 12 months to 31.12.2022 | | | | | | |
| Interest income | 85,480 | 780 | 25,096 | 43 | 5,927 | **117,326** |
| Interest expense | (226,859) | (1,427) | (21,068) | (70) | (91) | **(249,515)** |
| Fee and commission income | - | - | 38,276 | - | 2,908 | **41,184** |
| Fee and commission expense | - | - | - | - | (6,711) | **(6,711)** |
| Net trading income | (1,531) | - | - | - | - | **(1,531)** |
| Other operating income | - | - | 18,643 | - | 36,746 | **55,389** |
| Other operating expense | - | - | (24,171) | - | (120) | **(24,291)** |
| General administrative costs | (135,780) | - | (29,135) | - | 501 | **(164,414)** |

**Remuneration of the Management Board and Supervisory Board**

| Remuneration of the Management Board | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Short-term employee benefits | 18,398 | 17,003 |
| Long-term benefits | 4,587 | 4,288 |
| Benefits due to termination of employment | 1,801 | - |
| Post-employment benefits | 519 | - |
| Share-based payments* | 4,795 | 4,462 |
| Shares issued** | 2,279 | 1,405 |
| **Total** | **32,379** | **27,158** |

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

** value of shares issued based on actuarial valuation

| Remuneration of the Supervisory Board | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Short-term employee benefits | 1,627 | 1,629 |
| **Total** | **1,627** | **1,629** |

# 53. OPERATING SEGMENTS

## Segment reporting

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

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

In addition, it has been presented performance related to:

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

Although the aforesaid segment performance overlaps with that of the basic operating segments, it is additionally monitored separately for purposes of the Bank's management reporting.

The abovementioned segmentation reflects the principles of customer classification to each segment in line with the business model adopted by the Bank, which are based on entity and financial criterias (in particular the amount of turnover, level of credit exposure and assets collected) and the type of business. The detailed rules for assigning customers to specific segments are governed by the Bank's internal regulations.

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

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

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

## Characteristics of operating segments

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

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

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

**SME Banking Segment** and **Corporate Banking Segment** provide services to business customers and offer a wide range of services to companies, as well as corporate clients, financial institutions and public sector entities. Distribution network for Corporate Banking is based on Regional Corporate Banking Centres located in Warsaw, Łódź, Gdańsk, Poznań, Wrocław, Katowice, Kraków and Lublin. As part of the Regional Corporate Banking Centers, there are Corporate Banking Centers located in the largest business centres in Poland, ensuring a wide geographical and sector coverage. After-sales service for the clients of the Corporate Banking segment is also carried out by the Telephone Business Service Center and in the online banking system.

The main products provided to Business Customers include cash management and global trade finance services – comprehensive services related to import and export LCs, bank guarantees and documentary collection, supply chain and exports financing, acceptance of deposits (from overnight to term deposits), financing in the form of, inter alia, overdrafts, revolving and investment loans, loans from the group of agribusiness financing products, financial market products, including the conclusion of customer foreign exchange and derivative transactions, leasing and factoring products, as well as specialised services such as real estate financing, structured financing for mid-caps, investment banking and related services for public sector entities: organisation of municipal bond issues, forfaiting, dedicated cash management solutions.

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

**Other Banking Operations** are performed mainly through the Asset and Liability Management Division (ALM Treasury). The main objective of the Division is ensuring an appropriate and stable level of funding to guarantee the security of the Bank's operations and compliance with the standards defined in the applicable laws. The ALM Treasury assumes responsibility for liquidity management at the Bank, setting internal and external reference prices, management of the interest rate risk inherent in the Group's statement of financial position as well as the operational and structural currency risk. The ALM Treasury focuses on both prudential (compliance with external and internal regulations) and optimisation aspects (financing cost management and generating profit on management of the Bank's items from the statement of financial position).

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

| | Retail and Business Banking | SME Banking | Corporate Banking | CIB | Other Operations | Total | including Agro customers | including Personal Finance |
|---|---|---|---|---|---|---|---|---|
| **Statement of profit or loss for the period of 12 months to 31.12.2023*** | | | | | | | | |
| Net interest income | 2,905,820 | 498,890 | 1,358,514 | 113,153 | 249,952 | **5,126,329** | 667,664 | 689,001 |
| external interest income | 3,893,830 | 551,877 | 1,809,687 | 490,257 | 2,695,434 | **9,441,085** | 1,198,420 | 1,183,862 |
| external interest expenses | (1,345,787) | (372,637) | (784,831) | (9,653) | (1,801,848) | **(4,314,756)** | (505,907) | - |
| internal interest income | 3,136,850 | 754,913 | 1,813,787 | 11,053 | (5,716,603) | **-** | 875,032 | - |
| internal interest expenses | (2,779,073) | (435,263) | (1,480,130) | (378,504) | 5,072,969 | **-** | (899,882) | (494,861) |
| Net fee and commission income | 568,036 | 140,218 | 377,967 | 79,159 | (4,110) | **1,161,271** | 155,151 | 102,598 |
| Dividend income | - | - | 4,419 | - | 6,462 | **10,881** | 425 | - |
| Net trading income | 122,298 | 88,878 | 381,210 | 281,862 | 77,344 | **951,591** | 88,269 | - |
| Result on investment activities | - | - | - | - | 11,863 | **11,863** | - | - |
| Result on hedge accounting | - | - | - | - | (30,939) | **(30,939)** | - | - |
| Other operating income and expenses | (33,995) | (2,970) | (5,477) | - | (47,625) | **(90,069)** | (1,394) | (26,002) |
| Result from derecognition of financial assets measured at amortized cost due to material modification | 4,190 | - | - | - | - | **4,190** | - | - |
| Result of allowance for expected credit losses of financial assets and provisions for contingent liabilities | (55,165) | 12,048 | 51,833 | (31,156) | (130) | **(22,570)** | 40,457 | (553) |
| Result from legal risk related to foreign currency loans | (1,978,086) | - | - | - | - | **(1,978,086)** | - | - |
| General administrative expenses | (998,381) | (110,071) | (296,078) | (103,548) | (1,014,900) | **(2,522,978)** | (19,711) | (247,876) |
| Depreciation and amortization | (117,955) | (2,239) | (55,842) | (15,663) | (264,956) | **(456,655)** | (285) | (16,185) |
| Expense allocation (internal) | (833,499) | (217,125) | (201,766) | 6,890 | 1,245,500 | **-** | - | (141,502) |
| **Operating result** | **(416,737)** | **407,629** | **1,614,780** | **330,697** | **228,461** | **2,164,828** | **930,576** | **359,481** |
| Tax on financial institutions | (171,940) | (25,860) | (113,629) | (16,936) | (83,288) | **(411,653)** | - | (42,277) |
| **Gross profit** | **(588,677)** | **381,769** | **1,501,151** | **313,761** | **145,173** | **1,753,175** | **930,576** | **317,204** |
| Income tax expenses | - | - | - | - | - | **(745,347)** | - | - |
| **Net profit** | **-** | **-** | **-** | **-** | **-** | **1,007,828** | **-** | **-** |
| **Statement of financial position as at 31.12.2023*** | | | | | | | | |
| Segment assets | 42,315,259 | 6,375,683 | 25,985,843 | 4,915,595 | 76,796,018 | **156,388,399** | 14,301,789 | 12,071,929 |
| Segment liabilities | 66,129,425 | 17,315,233 | 42,771,705 | - | 17,359,326 | **143,575,690** | 18,483,435 | - |

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

| | Retail and Business Banking | SME Banking | Corporate Banking | CIB | Other Operations | Total | including Agro customers | including Personal Finance |
|---|---|---|---|---|---|---|---|---|
| **Statement of profit or loss for the period of 12 months to 31.12.2022*** | | | | | | | | |
| Net interest income | 1,456,086 | 329,221 | 883,352 | 75,260 | 653,824 | **3,397,742** | 497,600 | 672,601 |
| external interest income | 3,436,488 | 487,741 | 1,286,333 | 381,664 | 555,436 | **6,147,662** | 1,055,657 | 1,007,939 |
| external interest expenses | (1,697,247) | (222,653) | (539,043) | (1,739) | (289,238) | **(2,749,920)** | (253,946) | - |
| internal interest income | 1,998,872 | 433,302 | 1,108,902 | 2,520 | (3,543,595) | **-** | 449,287 | - |
| internal interest expenses | (2,282,027) | (369,169) | (972,840) | (307,185) | 3,931,221 | **-** | (753,399) | (335,338) |
| Net fee and commission income | 540,038 | 136,445 | 356,498 | 50,554 | (4,301) | **1,079,235** | 150,424 | 84,187 |
| Dividend income | - | - | 5,151 | - | 5,666 | **10,817** | 255 | - |
| Net trading income | 131,181 | 101,687 | 374,812 | 270,560 | (123,856) | **754,384** | 87,082 | 36 |
| Result on investment activities | - | - | - | - | 9,612 | **9,612** | - | - |
| Result on hedge accounting | - | - | - | - | 13,267 | **13,267** | - | - |
| Other operating income and expenses | (45,442) | (5,075) | (5,009) | (656) | (33,285) | **(89,464)** | (2,707) | (26,118) |
| Result from derecognition of financial assets measured at amortized cost due to material modification | (2,159) | - | - | - | - | **(2,159)** | - | - |
| Result of allowance for expected credit losses of financial assets and provisions for contingent liabilities | (361,675) | 48,059 | 47,920 | (19,178) | 2,157 | **(282,717)** | (73,528) | (71,025) |
| Result from legal risk related to foreign currency loans | (740,000) | - | - | - | - | **(740,000)** | - | - |
| General administrative expenses | (1,172,113) | (130,593) | (329,668) | (102,583) | (789,108) | **(2,524,065)** | (19,030) | (246,824) |
| Depreciation and amortization | (103,380) | (2,205) | (44,070) | (13,596) | (248,672) | **(411,923)** | (276) | (14,730) |
| Expense allocation (internal) | (672,880) | (188,654) | (176,004) | 17,085 | 1,020,453 | **-** | - | (117,006) |
| **Operating result** | **(970,344)** | **288,885** | **1,112,982** | **277,446** | **505,757** | **1,214,729** | **639,820** | **281,121** |
| Tax on financial institutions | (218,647) | (31,487) | (103,864) | (18,834) | (53,721) | **(426,553)** | - | (49,785) |
| **Gross profit** | **(1,188,991)** | **257,398** | **1,009,118** | **258,612** | **452,036** | **788,176** | **639,820** | **231,336** |
| Income tax expenses | - | - | - | - | - | (417,284) | - | - |
| **Net profit** | **-** | **-** | **-** | **-** | **-** | **370,892** | **-** | **-** |
| **Statement of financial position as at 31.12.2022 restated*** | | | | | | | | |
| Segment assets | 44,304,663 | 6,588,219 | 26,614,813 | 5,236,106 | 61,956,231 | **144,700,031** | 13,501,108 | 11,663,097 |
| Segment liabilities | 59,972,362 | 15,786,581 | 42,768,174 | - | 14,957,641 | **133,484,757** | 15,553,122 | - |

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

# 54. COURT CASES AND ADMINISTRATIVE PROCEEDINGS.

**Legal risk**

As of 31 December 2023, there were no proceedings in the court, arbitration tribunal or state administration authorities regarding liabilities or receivables of the Bank, the value of which would exceed 10% of the Bank's equity.

**Court decision regarding calculation of the interchange fee**

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

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

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

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

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

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

As of 31 December 2023 the Bank received:

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

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

As of 31 December 2023, the Bank had received a total of 144 individual lawsuits and four collective lawsuits by investment fund participants, related to the performance of the function of investment fund depositary (including the performance of this function by Raiffeisen Bank Polska S.A.). The total amount of claims under the above-mentioned lawsuits is PLN 191.6 million. The vast majority of the lawsuits were filed by participants of the Retail Parks Fund Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in Liquidation (hereinafter RPF Fund) and participants of the EPEF Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and EPEF2 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych. The first collective lawsuit was filed on behalf of 397 participants of the RPF Fund, and concerns claims in the total amount of PLN 96.2 million. The second collective action was filed on behalf of 181 participants in the RPF Fund and concerns claims totalling PLN 25.3 million. Other group lawsuits concern the activities of PSF 2 Closed Asset Investment Fund (lawsuit filed on behalf of 17 fund participants) and PSF Closed Asset Investment Fund (lawsuit filed on behalf of 81 fund participants). The latter two lawsuits relate to establishing the Bank's liability for the Bank's actions as depositary of the funds, and do not indicate the amount of the fund participants' claims against the Bank.

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

All legal proceedings are pending before courts of first instance.

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

**Proceedings regarding recognizing a standard contract as prohibited**

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

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

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

The Bank replied to both appeals.

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

On 25 October 2023, the Supreme Court refused to hear the cassation appeal filed by the Bank.

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

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

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

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

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

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

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

The investigation is ongoing and, according to a letter dated 6 December 2023, UOKiK plans to continue until 11 April 2024.

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

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

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

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

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

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

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

**Lawsuits concerning mortgage loan agreements with interest rates based on WIBOR**

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

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

By 31 December 2023, the Bank had received a total of 28 lawsuits. All lawsuits were filed on behalf of consumers and relate to mortgage loan agreements in PLN and also, in their great majority, contain a request for security of action.

It should be emphasised that in the case of the Bank's products offered to consumers, only mortgage loans and certain products for Wealth customers are based on the WIBOR reference index, mortgage loans account for approximately 51% of the Bank's retail PLN loan exposure. The total amount of claims covered by the lawsuits received amount to approximately PLN 6.8 million. All court proceedings are pending before courts of first instance.

In addition, in 14 debt collection cases brought by the Bank, customers have raised arguments challenging WIBOR as a reference index.

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

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

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

According to data from the of Polish Bank Association (as at the end of November 2023), 529 court proceedings have been initiated against banks. In 18 out of the 19 closed cases the courts of first instance ruled in favour of the banks. Six proceedings were legally concluded, all of them with a ruling in favour of the banks.

**Administrative penalty proceedings by the Polish Financial Supervision Authority**

On 22 November 2023, the Polish Financial Supervision Authority (KNF) started administrative proceedings against BNP Paribas Bank Polska S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.

**Litigation concerning CHF credit agreements in the banking sector**

According to data from the Polish Bank Association (ZBP), the number of pending lawsuits relating to CHF-indexed/denominated loan agreements at the end of December 2023 was over 153 thousand compared to over 110 thousand at the end of 2022. In the first eleven months of 2023, there were more than 43 thousand new foreign currency loan cases in banks.

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

The amount of provisions created by the largest listed banks in 2022 was around PLN 11.6 billion and in the first three quarters of 2023 around PLN 11.9 billion, translating into total provisions for this purpose of PLN 29.1 billion at the end of 2022 and approximately PLN 36.3 billion at the end of the first three quarters of 2023.

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

The gross balance sheet value of mortgage and housing loans granted to individual customers in CHF as of 31 December 2023 amounted to PLN 0.82 billion, compared to PLN 2.67 billion at the end of 2022 (data restated).

As of 31 December 2023 the Bank was the defendant in 5,701 (3,056 new cases in 2023) pending court proceedings (including validly closed cases, clients brought a total of 6,875 claims against the Bank), in which the Bank's customers demanded the annulment of mortgage loan agreements regarding foreign currency loans or loans denominated in CHF, or declare the contract permanently ineffective and pay the amounts hitherto paid. The claims are based in particular on a contravention of Article 69 of the Banking Act or on the occurrence of abusive clauses which cause the contract cannot be remained in force (article 385[1] of the Civil Code). The Bank is not a party to any collective claim regarding these loans. The total value of claims pursued in the currently pending cases as of 31 December 2023 was PLN 2,835.20 million (as of 31 December 2022 was PLN 1,549.46 million), and in legally binding cases PLN 434.54 million (PLN 150.36 million as of 31 December 2022).

As of 31 December 2023, the following judgments have been issued in 1,174 proceedings that have been legally concluded: 264 judgments in favour of the Bank, including 190 proceedings in case of which a court settlement agreement was concluded, and in 910 cases the courts ruled against the Bank by declaring the loan agreement invalid or permanently ineffective.

The Bank estimates the impact of legal risk related to the ongoing litigation and claims concerning denominated or foreign currency loans, taking into account the current status of judgments in cases against the Bank and the developing line of case law.

It should be stressed that the Polish courts, despite contrary indications arising from CJEU rulings (C-19/20 and C-932/19), in the vast majority rule that credit agreements are invalid or ineffective. A number of Supreme Court judgments have been handed down in recent years (according to data at the end of December, there were approx. 170 judgements), most of them already have written justifications.

The total impact of legal risk related to litigation included in Bank's financial statements as at 31 December 2023 amounted to PLN 3,404.0 million (as at 31 December 2022 it amounted to PLN 1,921.0 million), with an impact on the Bank's income statement of PLN 1,978.1 million in the three quarters of 2023 (in 2022 it amounted to PLN 740 million).

An increase in the estimate of the impact in 2023 was primarily due to an inflow of new lawsuits and an update of the estimate of projected number of lawsuits.

At the same time, the Bank considered the right to recognize a deferred tax asset due to the entitlement valid until the end of 2024 to apply a tax preference to settlements covered by the scope of the Regulation of the Minister of Finance of 11 March 2022, amended by the Regulation of 20 December 2022, on the abandonment of the collection of income tax on certain income (revenue) related to a residential mortgage loan. The Bank recognised PLN 59.04 million deferred tax assets in the first half, of which PLN 56.26 million were realised as at 31.12.2023. Based on the year-end estimate of the impact of legal risk related to the foreign currency loans, the Bank maintains assets of PLN 25.42 million with an expected realization date by the end of 2024. Beginning from 1 January 2023, the Bank changed its accounting policies related to the recognition of the impact of legal risks arising from litigation related to CHF mortgage loans, which are described in Note 2.6 Changes in accounting policies and changes in presentation of financial data.

The total impact of legal risks associated with litigation is shown in the table below (in million PLN):

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Impact of legal risk recognized as a reduction in the gross balance sheet value of loans | 2,255 | 1,437 |
| Impact of legal risk recognized as provisions for litigation | 1,149 | 484 |
| Total impact of legal risk | 3,404 | 1,921 |

Gross value of real estate loans to individuals in CHF (in million PLN):

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Gross value of real estate loans (before adjustment for legal risk) | 3,071 | 4,103 |
| Impact of legal risk recognized as a reduction in the gross balance sheet value of loans | 2,255 | 1,437 |
| Gross value of real estate loans | 816 | 2,666 |

While calculating the impact of the legal risk, the Bank takes into account, inter alia, the number of certificates downloaded by clients for trial purposes, the estimated probability of clients filing cases, the estimated number of future claims, the number of claims filed, the probability of losing the case, and the Bank's estimated loss in the event of an unfavourable judgment. In addition, the Bank included in the model the estimated number of settlements to be signed with customers. The amount of the estimated impact of legal risk related to settlements was PLN 150.3 million from the total balance of estimated impact.

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

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

The accounting effect of signing a settlement agreement with a customer is the derecognition of a CHF loan, recognition of a new loan in PLN and the recognition of a result from the derecognition. In 2023, the Bank used PLN 376.1 million of the estimated impact of legal risk of CHF loans in connection with the concluded settlements (in 2022 Bank used PLN 150 million due to the above fact).

The accounting effect of the final judgment declaring the loan agreement invalid is the derecognition of CHF loan exposure. In 2023, the Bank used PLN 243.4 million of the estimated impact of legal risk related to the CHF loans in connection with the receipt of final judgments declaring loan agreements invalid (in 2022 Bank used PLN 85 million for the same provision).

Should the assumed average loss change by +/- 5%, with all other significant assumptions unchanged, the estimated impact would change by +/- PLN 137 million.

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

| Parameter | Scenario | Impact on Bank's loss due to legal risk |
|---|---|---|
| Percentage of lawsuits lost | +5 p.p. | +118 mln PLN |
| | -5 p.p. | -147 mln PLN |

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

| Parameter | Scenario | Impact on Bank's loss due to legal risk |
|---|---|---|
| Number of future lawsuits | +20% | +190 mln PLN |
| | -20% | -190 mln PLN |

Additionally, according to the Bank's assessment if 1% of customers with CHF loans filed a lawsuit against the Bank, the loss due to legal risk would increase by approx. PLN 47 million.

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

The current line of jurisprudence in cases involving actions by CHF borrowers is unfavourable to banks, but nevertheless some legal issues are still not clarified, in particular the qualification of loans as foreign currency loans or the scope of the parties' restitution claims under an invalid loan agreement. Despite the CJEU's judgment of 15 June 2023 in Case C-520/21, as well as the CJEU's order of 11 December 2023, in Case C-756/22, which state, that a bank cannot claim from a consumer any amounts other than the capital paid as an execution of the invalid agreement and statutory interest for delay from the date of the demand for payment, the possibility for banks to claim the valorisation of the capital paid out is still unsettled, as is whether and what claims a consumer can make under national law. The above issues are important for assessing the risks involved in the proceedings in question.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Referring to Case C-520/21, the CJEU still did not explicitly rule on the permissibility of a bank's demand for the valorization of the loan principal paid out. However, in the CJEU's order it used a different nomenclature than in the C-520/21 judgment - instead of using the terms "compensation" / "remuneration for the use of capital" used in the judgment, the CJEU's order used the term "paid-up capital."
Two more cases are currently pending before the CJEU, both of them concerning the issue of a bank's restitutionary claims under an invalid credit agreement, beyond the return of the nominal amount of the loan principal disbursed (C- 113/23 and C-488/23).

In C-488/23, the national court asked the CJEU explicitly about the admissibility - in light of Directive 93/13 - of a bank's demand from a consumer (in addition to the reimbursement of the principal disbursed for the execution of an invalid credit agreement and in addition to the payment of statutory default interest from the date of the demand for payment), compensation consisting in the judicial valorization of the benefit of the disbursed credit principal in the event of a significant change in the purchasing power of money after the principal was disbursed.

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

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

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

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

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

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

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

- it is not justifiable to extend the Code concept of a consumer by distinguishing direct and indirect links with the conduct of a business or professional activity. If such a relationship exists (also on the part of e.g. a spouse), there are no grounds for extending protection to such a person (Judgment of the Supreme Court of 18 May 2022 (II CSKP 362/22 [mBank]) / noting that on 8 June 2023, in Case C-570/21, the CJEU opted for a broad interpretation of the definition of consumer;
- the consumer's previous experience with credit products (including those linked to a foreign currency) is not legally relevant (Supreme Court judgment of 13 May 2022 (II CSKP 464/22);
- the possibility to convert the loan does not constitute a means of reducing the risk for the consumer (Judgment of the Supreme Court (SSN) of 13 May 2022 (II CSKP 464/22);
- currency risk clauses, understood as clauses introducing an economic risk for the consumer, are subject to abusiveness testing, and there can be no question of clarity/transparency of such clauses unless the entrepreneur can show that the consumer was fully aware that a strong depreciation of the domestic currency may have consequences that are difficult to bear. General risk instructions, even fulfilling Recommendation S, are insufficient to assume compliance with the instruction standard (e.g. II CSKP 382/22; II CSKP 464/22; I CSK 1867/22);
- spread clauses (both concerning loan drawdown and loan repayment) referring to bank tables as abusive require confirmation by the consumer, otherwise they are ineffective (e.g. I CSK 1867/22; II CSKP 163/22; II CSKP 382/22);
- it is not possible to "supplement" a credit agreement by introducing an alternative means of determining the exchange rate, e.g. on the basis of Article 358 § 2 of the Civil Code. - this would be contrary to the preventive objectives of the directive (e.g. I CSK 1867/22, II CSKP 163/22, II CSKP 382/22);
- the inability to complete the contract, in the absence of the consumer's will to the contrary, leads to the demise of the contract, both in the case of indexed and denominated loans. The only exception that emerges from the case law is the credit agreement of Bank BPH, where the collapse of the margin clause, while the reference to the NBP average exchange rate is left in the agreement, makes it possible (within the scope of this element) to continue the agreement (e.g. II CSKP 364/22, I CSK 55/22);
- the assessment of the advantage/disadvantage of the collapse of the contract is made by the consumer (Order of the Supreme Court of 19 May 2022 (I CSK 55/22);

- the Supreme Court opted for a two-condition theory in the event that a credit agreement is declared invalid. At the same time, the Supreme Court pointed out in a written justification that the risks associated with the insolvency of one of the mutually enriched parties are largely prevented by the right to retain the consideration received until the other party either offers to return the consideration received or secures a claim for repayment (Resolution of 16 February 2021, III CZP 11/20);
- in disputes with consumers, the provision of Article 385(1) of the Civil Code constitutes lex specialis in relation to Article 353(1) of the Civil Code. Consequently, when the prerequisites for the application of both of the above-mentioned legal norms exist, the court should apply the sanction of ineffectiveness of the contractual provision, without ruling on its invalidity on general principles (Resolution of 28 April 2022, III CZP 40/22).

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

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

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

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

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

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

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

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

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

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

Issues concerning the reciprocity of the credit agreement and the application of the right of retention will also be decided by the Supreme Court in Cases III CZP 89/22, III CZP 152/22 and III CZP 31/23. In Cases III CZP 89/22 and III CZP 152/2/22, the proceedings have been suspended pending the decision of the CJEU in Case C-28/22, in which the Supreme Court was supposed to answer, inter alia, a preliminary question concerning the right of retention. Following the CJEU's judgment in Case C-28/22 of 14 December 2023, which confirmed the permissibility of the bank to use the right of retention in a dispute with a consumer, the resumption of proceedings before the Supreme Court in the aforementioned cases is expected.

In addition, it should be pointed out that on 19 September 2023, the Supreme Court issued three judgments (Case Nos. II CSKP 1110/22, II CSKP 1495/22 and II CSKP 1627/22) in which it expressed a view that differed from the prevailing jurisprudence of domestic courts on the consequences of the abusiveness of contractual terms related to the exchange rate conversions found in foreign currency-linked loan agreements. The Supreme Court held that the invalidity (Article 353(1) of the Civil Code) or non-binding of the borrower (Article 385(1) of the Civil Code) with the exchange rate conversion clause, established in a credit agreement denominated or indexed to a foreign currency, does not cause either the invalidity of the credit agreement in its entirety or the elimination of the principle of indexation to foreign currency itself. According to the Supreme Court, in the absence of a conversion factor in the contract, regardless of whether there was none from the beginning or whether it turned out to be invalid, under Article 56 of the Civil Code, the conversion factor resulting from custom and principles of social intercourse shall be applied. Analogy from other provisions, in particular Article 358 § 2 of the Civil Code, is also possible. This means that it is permissible in such a situation to use the average exchange rate of the National Bank of Poland. Referring to the rulings excluding the application of Article 56 of the Civil Code based on the CJEU judgment of 3 October 2019, No. C-260/18, the Supreme Court noted that only a law or a judgment of the Constitutional Court can abrogate or limit the scope of application of Article 56 of the Civil Code.

It should also be pointed out that the legal questions posed to the full panel of the Civil Chamber by the First President of the Supreme Court on key legal issues relating to the problem of CHF loans have still not been resolved, which leads to a divergence in the jurisprudence of the Supreme Court as well (in particular the aforementioned three judgments of the Supreme Court of 19 September 2023, issued in cases ref. II CSKP 1110/22, II CSKP 1495/22 and II CSKP 1627/22, concerning the effects of eliminating the abusive terms from a loan agreement and the possibility of using the average exchange rate of the National Bank of Poland in place of the abusive exchange rate).

As of the end of December 2023, 201 cassation appeals have been filed with the Supreme Court in cases of CHF loans granted by the Bank, 26 appeals have been accepted by the Supreme Court for examination and are awaiting substantive decision, as to 73 cassation appeals, the Supreme Court has issued a decision on refusal to accept for examination. Three cases have been sent back for examination, while in two it dismissed the cassation appeal.

I**ndividual settlements offered by the Bank**

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

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

As of 31 December 2023, the Bank has made individual settlement proposals to 12,807 customers (6,541 customers as of 31 December 2022) and 4,237 customers accepted the terms of the proposals presented (1,514 in 2022) out of which 3,567 settlements were signed (1,142 in 2022).

# 55. FINANCIAL RISK MANAGEMENT

## 55.1. Financial instrument strategy

The Bank's core business focuses on financial products offered to customers: retail customers, entrepreneurs and enterprises, public sector and budget institutions as well as non-banking financial institutions. Short-term fixed rate deposits as well as current and savings accounts are the key items of the Bank's liabilities. On the other hand, the Bank's assets comprise such credit products as mortgage loans, cash loans, credit cards, overdrafts, investment and revolving loans, subsidized loans, factoring facilities, leasing, guarantees, international trade finance transactions (e.g. letters of credit), the majority of which are medium- and long-term instruments bearing interest based on short-term market rates.

The Bank uses financial market instruments in the first place to manage the liquidity, interest rate and currency risk inherent in its core business, considering the internal risk appetite as well as market trends in the medium and long term.

Additionally, the Bank offers access to financial market instruments to its customers for purposes of hedging market (currency, interest rate or commodity) risk inherent with their core business.

## 55.2. Credit risk

Credit risk is inherent in the core financial operations of the Bank, the scope of which includes both lending and providing funding with the use of capital market products. Consequently, credit risk is identified as the risk with the highest potential to affect the present and future profits and equity of BNP Paribas. Proof of the key nature of credit risk is its 72% share in the total economic capital estimated by the Bank for purposes of covering major risks involved in the Bank's operations, in addition to its 88% share in the total value of regulatory capital.

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

Credit risk management principles adopted by the Bank include:

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

**Concentration risk** is the Bank's risk inherent to its statutory operations, which is appropriately defined and managed.

The Management Board assesses the concentration risk policy in terms of its application. In particular, it analyses the efficiency and adequacy of the principles applied in the context of the current and planned operations and risk management strategy. The adequacy of the concentration risk management is reviewed if any material changes are observed in the Bank's environment or if the risk management strategy is modified.

The appropriate assessment of the concentration risk of the Bank is highly dependent on correct identification of all key concentration risks. In justified cases, the Bank identifies concentration risk when planning its new activities involving the development and launch of new products, services, expansion to new markets, considerable alterations of products and services or market changes.

Credit portfolio diversification is one of the key credit risk management tools. The Banks avoids excessive credit concentration, as it increases the risk. Possible losses pose a considerable threat, and therefore the concentration level should be monitored, controlled and reported to the Bank's management. Key concentration risk mitigation tools include risk identification and measurement mechanisms and exposure limits in individual Bank portfolio segments and in subsidiaries. These tools enable internal differentiation of the loan portfolio and mitigation of negative effects of adverse changes in the economy.

A significant concentration area (aspect) is the one whose share in the Bank's balance sheet total is equal or higher than 10% or 5% of the net profit planned for a given year. In such cases, a given concentration area (aspect) is subject to analyses, reporting and management under the concentration risk management process.

High concentration of the Bank's credit exposures to each entity or group of entities with equity or organizational relationships is one of the potential sources of credit risk. For purposes of its reduction, the Regulation No. 575/2013 specifies the Bank's maximum exposure limit. Under Article 395 of the Regulation No. 575/2013: the institution does not assume any exposure to the client or related clients, the value of which, taking into account the effect of limiting credit risk in accordance with Articles 399-403, exceeds 25% of the value of its Tier 1 capital. If a client is an institution or if a group of related clients include at least one institution, the value does not exceed 25% of its Tier 1 capital or of the amount of EUR 150 million, depending on which one of these two amounts is higher, provided that the sum of the exposure to all related non-institutional customers, after taking into account the effect of credit risk mitigation under Articles 399-403, does not exceed 25% of the value of the institution's Tier 1 capital.

The limits, defined in Article 395 of the Regulation No. 575/2013, had not been exceeded as at the end of December 2023 in relation to the entities within the BNP Paribas S.A. Capital Group, and the Bank's exposure represented 19.86% of Tier 1 capital on a separate basis.

As regards the exposure limits towards the entities not included in the BNP Paribas S.A. Capital Group, they have not been exceeded, and the most significant exposure constituted 21.22% of the Tier 1 capital on a consolidated basis.

Concentration risk tolerance in the Bank is determined by a system of internal limits, including both assumed development directions and speed of the Bank's business, an acceptable level of credit risk and liquidity, as well as external conditions, macroeconomic and sectoral perspective. Among others, internal limits for credit concentration risk are determined for:

- selected sectors / industries;
- exposures denominated in foreign currencies;
- customer segments (intra-bank customer segmentation);
- loans secured with a given type of collateral;
- geographical regions;
- average probability of default;
- exposures with a specified rating (the Bank's internal rating scale);
- exposures with a specified debt-to-income ratio;
- exposures with a specified loan-to-value ratio.

Activities that limit Bank's exposure to concentration risk may include systemic measures and one-off / specific decision and transactions. Systemic measures that limit concentration risk include:

- reduction of the scope of crediting of determined customer types through credit policy adjustment;
- reduction of limits charged with concentration risk;
- diversification of asset types on the level of the Bank's statement of financial position;
- change of business strategy to ensure prevention of excessive concentration;
- diversification of accepted collateral types.

Systemic measures that limit concentration risk include:

- reduction of further transactions with a given customer or a group of related customers;
- sale of selected assets/loan portfolios;
- securitization of assets;
- establishing of new collateral types (e.g. credit derivatives, guarantees, sub-participation, and insurance contracts) for existing or new credit exposures.

A concentration analysis by industry focuses on all credit exposures of the Bank to institutional customers. The Bank defines industries based on Polish statistical classification of economic activities. The Bank's exposure to industries analysed at the end of 2023, similarly as at the end of December 2022, is concentrated in the following industries: Agriculture, Forestry, Hunting and Fishing, manufacturing. As at the end of December 2023, the share of manufacturing decreased by 2 p.p. to the level of 21% as compared to the end of 2022, while the share of agriculture, forestry and fishing increased by 1 p.p. as compared to the end of 2022 to the level of 19% of industrial exposure.

The table below presents a comparison of the share of impaired loans in industries (gross balance sheet value) as at 31 December 2023 and 2022.

| | Exposure* | | Share of impaired loans | |
|---|---|---|---|---|
| Industry | 31.12.2023 | 31.12.2022 restated | 31.12.2023 | 31.12.2022 restated |
| AGRICULTURE, FORESTRY AND FISHING | 9,364,574 | 8,761,345 | 5.9% | 8.0% |
| MINING AND QUARRYING | 28,662 | 64,181 | 0.1% | 2.1% |
| MANUFACTURING | 10,329,295 | 11,122,711 | 2.9% | 2.6% |
| ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY | 986,367 | 1,088,671 | 0.3% | 0.3% |
| WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES | 94,874 | 105,938 | 2.6% | 3.2% |
| CONSTRUCTION | 2,519,690 | 3,152,036 | 6.7% | 5.6% |
| WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES | 6,897,479 | 7,465,622 | 4.0% | 4.3% |
| TRANSPORTATION AND STORAGE | 2,256,232 | 2,001,564 | 2.1% | 2.1% |
| ACCOMMODATION AND FOOD SERVICE ACTIVITIES | 354,794 | 263,138 | 12.5% | 21.7% |
| INFORMATION AND COMMUNICATION ACTIVITIES | 2,543,273 | 2,528,694 | 1.4% | 1.9% |
| FINANCIAL AND INSURANCE ACTIVITIES | 3,891,102 | 1,674,688 | 0.4% | 3.7% |
| REAL ESTATE ACTIVITIES | 5,304,483 | 5,606,907 | 2.2% | 2.3% |
| PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES | 2,823,936 | 3,027,291 | 1.8% | 1.5% |
| ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES | 1,008,158 | 908,587 | 3.8% | 4.3% |
| PUBLIC ADMINISTRATION AND DEFENCE, COMPULSORY SOCIAL SECURITY | 53,162 | 54,854 | 0.0% | 0.0% |
| EDUCATION | 78,338 | 67,836 | 5.1% | 9.0% |
| HUMAN HEALTH AND SOCIAL WORK ACTIVITIES | 766,844 | 778,285 | 9.0% | 3.0% |
| ARTS, ENTERTAINMENT AND RECREATION ACTIVITIES | 13,371 | 12,106 | 4.7% | 13.5% |
| OTHER ACTIVITIES | 93,369 | 100,758 | 6.0% | 4.1% |
| **Total** | **49,408,004** | **48,785,214** | **3.5%** | **4.0%** |

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

The Bank manages the risk of collateral concentration. For this purpose, the Bank introduced limits for the involvement of particular types of collateral, ensuring their appropriate diversification. As at the end of December 2023, as well as at the end of 2022, the limits were not exceeded.

Similarly to the loan portfolio, the concentration of deposits from customers is monitored and reported to the Bank's management. Monitoring and reporting is performed on a daily basis, in addition to critical values for branches, whose consumption is determined monthly.

The Bank has established three levels of critical values for deposit concentration:

- for depositors: separate for micro and small businesses (customers of the Retail and Business Banking, Small and Medium-sized Enterprises Segment) at 0.5% of the total deposit balance of non-banking customers, and large businesses (customers of the CIB, Corporate Banking Segment) at 4% of the total deposit balance of non-banking customers,
- for industries: 25% of the total deposit base regardless of industry,
- share of top 10 depositors: 10% of total deposits excluding deposits collected from banks.

As of the end of December 2023, the level of the critical value in the micro and small business sector was exceeded for one customer, while the exceedance was passive in nature, i.e. the customer maintained a balance in the account greater than the critical value, but this was not due to any incentive measures on the part of the bank. The overrun was approved by the bank's relevant authorities.

**Maximum exposure on credit risk**

The table below presents the Bank's maximum exposure to credit risk for financial instruments both recognised and not recognised in the financial statements. The maximum exposure was presented in its gross value, before considering the impact of collateral and other credit quality improvement instruments.

| | 31.12.2023 | |
|---|---|---|
| **Assets** | Maximum exposure on credit risk – no collaterals included | Maximum exposure on credit risk – collaterals included |
| Cash and balances at Central Bank | 6,884,372 | 6,883,582 |
| Amounts due from other banks | 17,891,427 | 17,890,698 |
| Derivative financial instruments | 3,146,745 | 3,146,745 |
| Fair value adjustment of hedged and hedging items | 94,496 | 94,496 |
| Loans and advances to customers measured at amortised cost | 83,541,563 | 81,137,225 |
| Loans and advances to customers measured at fair value through profit or loss | 653,582 | 653,582 |
| Securities measured at amortised cost | 26,250,646 | 26,246,278 |
| Securities measured at fair value through profit or loss | 290,887 | 290,887 |
| Securities measured at fair value through other comprehensive income | 16,634,303 | 16,634,303 |
| Deferred tax assets | 608,064 | 608,064 |
| Other financial assets | 604,766 | 530,619 |
| **Total assets** | **156,600,851** | **154,116,479** |
| **Total contingent liabilities** | **17,095,145** | **17,095,145** |
| **Total exposure on credit risk** | **173,695,996** | **171,211,624** |

| | 31.12.2022 restated | |
|---|---|---|
| **Assets** | Maximum exposure on credit risk – no collaterals included | Maximum exposure on credit risk – collaterals included |
| Cash and balances at Central Bank | 2,718,251 | 2,718,242 |
| Amounts due from other banks | 11,711,087 | 11,709,582 |
| Derivative financial instruments | 3,224,272 | 3,224,272 |
| Fair value adjustment of hedged and hedging items | 33,025 | 33,025 |
| Loans and advances to customers measured at amortised cost | 85,355,452 | 82,484,803 |
| Loans and advances to customers measured at fair value through profit or loss | 949,298 | 949,298 |
| Securities measured at amortised cost | 22,212,240 | 22,167,261 |
| Securities measured at fair value through profit or loss | 311,236 | 311,236 |
| Securities measured at fair value through other comprehensive income | 17,384,793 | 17,384,793 |
| Deferred tax assets | 822,122 | 822,122 |
| Other financial assets | 732,468 | 675,250 |
| **Total assets** | **145,454,244** | **142,479,884** |
| **Total contingent liabilities** | **11,234,325** | **11,234,325** |
| **Total exposure on credit risk** | **156,688,569** | **153,714,209** |

**Exposure to credit risk by credit quality ratings**

The table below presents significant credit risk exposures to which the expected credit loss model was applied. The breakdown was based on the rating scale presented below:

31.12.2023

**Gross loans and advances measured at amortised cost, for which impairment allowance is estimated as *:**

| Rating | 12-month expected credit loss - exposures without impairment | Expected credit loss during the exposure period - exposures without impairment | Expected credit loss during the exposure period - exposures with impairment | Expected credit loss during the exposure period - POCI exposures | Gross portfolio value for a given rating category | Net portfolio value for a given rating category |
|---|---|---|---|---|---|---|
| 1 | 32 | - | - | - | 32 | 32 |
| 2 | 18 | - | - | - | 18 | 18 |
| 3 | 3,524,111 | 164 | - | - | 3,524,275 | 3,523,615 |
| 4 | 3,509,288 | 137,380 | - | - | 3,646,665 | 3,639,780 |
| 5 | 8,018,751 | 244,371 | - | - | 8,263,119 | 8,238,259 |
| 6 | 15,154,001 | 643,209 | 11,640 | 1,219 | 15,810,048 | 15,724,243 |
| 7 | 10,527,676 | 1,649,138 | 6,270 | 15,571 | 12,198,637 | 12,043,070 |
| 8 | 692,396 | 1,812,436 | 5,094 | 875 | 2,510,799 | 2,382,659 |
| 9 | 11,810 | 540,475 | 7,657 | 3,466 | 563,396 | 500,579 |
| 10 | 3,899 | 324,891 | 364,070 | 8,698 | 701,559 | 378,181 |
| 11 do 12 | - | 2,561 | 1,158,093 | 80,075 | 1,240,728 | 538,767 |
| **Total** | **41,441,982** | **5,354,625** | **1,552,824** | **109,904** | **48,459,276** | **46,969,203** |

*Financial data have been rounded and presented in PLN ‘000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

31.12.2022 restated

**Gross loans and advances measured at amortised cost, for which impairment allowance is estimated as *:**

| Rating | 12-month expected credit loss - exposures without impairment | Expected credit loss during the exposure period - exposures without impairment | Expected credit loss during the exposure period - exposures with impairment | Expected credit loss during the exposure period - POCI exposures | Gross portfolio value for a given rating category | Net portfolio value for a given rating category |
|---|---|---|---|---|---|---|
| 1 | - | - | - | - | - | - |
| 2 | 1,432 | 1 | - | - | 1,433 | 1,432 |
| 3 | 1,724,592 | 3 | - | - | 1,724,594 | 1,723,490 |
| 4 | 2,468,896 | 7,701 | - | - | 2,476,597 | 2,471,780 |
| 5 | 10,085,709 | 114,926 | 297 | 9 | 10,200,935 | 10,176,927 |
| 6 | 15,706,897 | 905,968 | 14,382 | 1,667 | 16,628,921 | 16,510,608 |
| 7 | 9,905,531 | 1,451,450 | 9,450 | 19,514 | 11,385,920 | 11,218,233 |
| 8 | 703,193 | 1,459,438 | 5,673 | 3,946 | 2,172,117 | 2,069,194 |
| 9 | 11,144 | 772,328 | 6,664 | 868 | 791,001 | 690,659 |
| 10 | 3,581 | 449,564 | 387,317 | 8,674 | 849,127 | 499,262 |
| 11 do 12 | - | 2,773 | 1,225,099 | 91,632 | 1,319,457 | 547,147 |
| **Total** | **40,610,975** | **5,164,152** | **1,648,882** | **126,310** | **47,550,102** | **45,908,732** |

*Financial data have been rounded and presented in PLN ‘000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

For large enterprises and clients from the SME segment that prepare full financial reporting, the Bank determines internal rating classes in accordance with the adopted credit policy. The rating classes are based on the risk model dedicated to this part of the loan portfolio and are the basis for estimating the amount of the provision in accordance with IFRS 9. The Bank's customers are assigned ratings from 1 (clients for whom the Bank identifies the lowest credit risk) to 12 (clients for whom the Bank identifies the highest credit risk). In order to assign ratings, the annual financial data provided by the client and the general quality assessment of its market situation are used.

**The structure of overdue receivables**

The structure of the loan portfolio (measured at amortised cost and measured at fair value through profit or loss) divided into impaired exposures and not impaired exposures along with the level of arrears in repayment are presented in the tables below.

| | 31.12.2023 | | | | | |
|---|---|---|---|---|---|---|
| **Structure of overdue loan portfolio (net balance sheet value)*** | not impaired | | | | impaired | Total |
| | 0 days | 1-30 days | 31-60 days | 61-90 days | | |
| Current loans | 21,842,248 | 1,175,387 | 27,722 | 7,101 | 455,291 | 23,507,749 |
| Investment loans | 17,451,776 | 383,008 | 5,153 | 234 | 197,192 | 18,037,363 |
| Mortgage loans for retail customers | 21,485,258 | 48,501 | 10,090 | 3,159 | 121,905 | 21,668,913 |
| Other loans | 17,911,372 | 241,890 | 22,432 | 9,568 | 200,101 | 18,385,363 |
| Lease receivables | 158,848 | 12,144 | - | - | 20,427 | 191,419 |
| Total | **78,849,502** | **1,860,930** | **65,397** | **20,062** | **994,916** | **81,790,807** |

| | 31.12.2022 restated | | | | | |
|---|---|---|---|---|---|---|
| **Structure of overdue loan portfolio (net balance sheet value)*** | not impaired | | | | impaired | Total |
| | 0 days | 1-30 days | 31-60 days | 61-90 days | | |
| Current loans | 20,538,309 | 900,095 | 45,443 | 9,054 | 461,061 | 21,953,961 |
| Investment loans | 16,868,782 | 1,101,553 | 10,337 | 1,092 | 289,893 | 18,271,657 |
| Mortgage loans for retail customers | 24,510,798 | 82,842 | 9,038 | 3,724 | 132,830 | 24,739,233 |
| Other loans | 17,451,251 | 396,516 | 16,146 | 6,480 | 232,406 | 18,102,798 |
| Lease receivables | 326,277 | 4,554 | - | - | 35,620 | 366,451 |
| Total | **79,695,416** | **2,485,561** | **80,964** | **20,349** | **1,151,811** | **83,434,101** |

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

With regard to the mortgage loan portfolio, the Bank defines the DTI (debt to income) ratio as the ratio of monthly credit charges, financial charges, which are permanent and irrevocable in nature, and the instalment of the requested Loan (taking into account the interest rate risk buffer) to the amount of average monthly net income. In accordance with the credit policy for mortgage loans, the Bank sets the maximum DTI levels at 0.65 or 0.50, depending on the customer's income and follows the requirements of Recommendation S. The Bank monitors the level of DTI/DSTI ratios during annual credit policy reviews, as well as in dedicated ad hoc analyses.

At the end of December 2023, the Bank does not observe increased credit risk for new loan production as well as the existing mortgage loan portfolio. Both Vintage ratios and NPL (non-performing loan) levels in the mortgage segment are stable, at the levels no higher than those observed in the Polish banking market.

## Impairment allowances

Impairment allowances reflect the expected credit loss calculated using the three-step approach required by IFRS 9, as described in Note 3.

## Collaterals

**Description of collateral held or other mechanisms that improve the credit quality**

The Bank assesses the creditworthiness of each client on an individual basis. The value of collateral obtained, if it is deemed necessary by the Bank due to the granting of a loan, is subject to valuation by the Bank.

The Bank accepts various forms of collateral for loans, while the main categories include:

- real estate mortgage;
- insurance of real estate being the subject of a mortgage;
- life insurance of the borrower;
- registered pledge.

Impact of collaterals on the valuation of exposure with impairment identified (loans measured at amortised cost and at fair value through profit or loss)*:

| 31.12.2023 | Gross value with impairment | Collateral value | Net value with impairment |
|---|---|---|---|
| **Loans and advances to:** | | | |
| Other financial institutions | 13,597 | 7,030 | 4,931 |
| Retail customers | 780,953 | 355,452 | 276,673 |
| Corporates: | 1,677,899 | 1,278,440 | 692,878 |
| including retail farmers | 503,045 | 447,001 | 215,555 |
| Public sector entities | 31 | - | 7 |
| Lease receivables | 51,931 | - | 20,427 |
| **Total gross loans and advances** | **2,524,411** | **1,640,922** | **994,916** |
| Allowances (negative value) | (1,529,495) | | |
| **Total net loans and advances** | **994,916** | | |

| 31.12.2022 restated | Gross value with impairment | Collateral value | Net value with impairment |
|---|---|---|---|
| **Loans and advances to:** | | | |
| Other financial institutions | 1,927 | 36 | 229 |
| Retail customers | 924,704 | 511,432 | 312,595 |
| Corporates: | 1,895,375 | 1,441,764 | 802,990 |
| including retail farmers | 630,609 | 567,607 | 309,707 |
| Public sector entities | 796 | 766 | 377 |
| Lease receivables | 65,253 | - | 35,620 |
| **Total gross loans and advances** | **2,888,055** | **1,953,998** | **1,151,811** |
| Allowances (negative value) | (1,736,244) | | |
| **Total net loans and advances** | **1,151,811** | | |

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

In the period covered by the present financial statements, there were no significant changes in the quality of collateral as a result of deterioration or changes in the Bank's collateral policy.

**Mortgage loans in foreign currencies and denominated in foreign currencies**

The total gross balance sheet value of mortgage loans in foreign currencies and denominated in foreign currencies is PLN 840,080 thousand, which accounts for ca. 3% of the loan portfolio of non-financial sector of the Bank (gross carrying amount), a major part of which (99%) are foreign currency loans and loans denominated in CHF (the Swiss franc).

The Bank performs revaluation of the residential property pledged as collateral for loans on an annual basis, on the following assumptions:

- where the debt is below PLN 12 million at the revaluation date – the property is revalued using a statistical method;
- where the debt is more than PLN 12 million at the revaluation date – the property is revalued on a case-by-case basis.

The revalued amount is the basis for calculation of the current LTV for a single exposure and the average LTV for the entire portfolio as the average weighted by the gross carrying amount of individual LTVs.

The total on-balance sheet exposure and the average LTVs for mortgage loans in foreign currencies considering impairment and delinquency in days is presented below.

| days past due | gross balance sheet value | average LTV weighted with gross balance sheet value |
|---|---|---|
| 0-30 days | 710,841 | 71.91% |
| 31-60 days | 1,698 | 74.92% |
| 61-90 days | 1,202 | 61.37% |
| over 90 days | 126,339 | 110.16% |
| **Total** | **840,080** | **77.65%** |

| impairment identified | gross balance sheet value | average LTV weighted with gross balance sheet value |
|---|---|---|
| NO | 697,736 | 71.40% |
| YES | 142,344 | 108.47% |
| **Total** | **840,080** | **77.65%** |

The average current LTV for the entire foreign currency mortgage loan portfolio was at the level of 77%, while the average current LTV for mortgage loans in the Polish currency was 65%.

Exposure structure and average current LTV by loan granting year (mortgage loans in foreign currencies) are presented in the table below:

| date of agreement | number of loans granted | gross balance sheet value | average LTV weighted with gross book value | gross balance sheet value* |
|---|---|---|---|---|
| 2005 and before | 1,719 | 64,137 | 43.94% | 57,824 |
| 2006 | 3,380 | 193,360 | 55.98% | 173,381 |
| 2007 | 2,908 | 228,495 | 81.23% | 193,313 |
| 2008 | 3,498 | 293,723 | 96.71% | 228,854 |
| 2009 | 412 | 24,625 | 68.31% | 20,657 |
| 2010 and beyond | 148 | 35,740 | 76.07% | 23,707 |
| **Total** | **12,065** | **840,080** | **77.65%** | **697,736** |

* non-impaired loans

**Forbearance practices**

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

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

- a change to the repayment schedule, especially extending the loan maturity date;
- cancellation of overdue amounts (e.g. capitalization of an overdue amount, which can be repaid at a later date);
- redemption of principal, interest or fees;
- consolidation of loans into one new product, if the amounts of payments of the consolidated loan are lower than the sum of payments of these loans separately before the consolidation occurred;
- decrease of the base interest rate or margin;

- originating a new loan to repay the existing debt;
- conversion of an existing credit;
- amendment or waiver of significant provisions of the agreement (e.g. a condition of the agreement that was breached as a result of financial difficulties);
- additional collateral presented by the Borrower (if present together with another event meeting the definition of a facility) or sale of the collateral agreed with the Bank, with the proceeds from the repayment of the collateral being used to repay the Bank's loan obligation.

The above events are treated as facilities granted for economic reasons only in the situation of customer's current financial difficulties or, in the event of changes on the market environment, or such difficulties may occur in the future.

For retail customers, non-reporting individual farmers and companies with simplified accounting, the event of financial difficulties is identified in a situation when:

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

For other customers:

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

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

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

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

where:

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

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

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

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

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

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

| | 31.12.2023 | | | |
|---|---|---|---|---|
| **Forborne exposures** | Total portfolio | including forbearance exposures | including change of terms | including refinancing |
| **Loans and advances for:** | **84,195,145** | **1,318,483** | **1,263,535** | **54,948** |
| Non-banking financial institutions | 3,858,748 | 876 | 713 | 163 |
| Retail customers | 34,411,211 | 389,952 | 381,471 | 8,481 |
| Corporate customers | 45,640,479 | 904,329 | 858,025 | 46,304 |
| including retail farmers | 8,347,615 | 277,106 | 275,473 | 1,633 |
| Public sector institutions | 58,375 | - | - | - |
| Lease receivables | 226,332 | 23,326 | 23,326 | - |
| **Impairment allowances on loans and advances** | **(2,404,338)** | **(446,132)** | **(427,332)** | **(18,800)** |
| Non-banking financial institutions | (13,610) | (488) | (479) | (9) |
| Retail customers | (866,551) | (135,480) | (132,227) | (3,253) |
| Corporate customers | (1,488,530) | (304,121) | (288,583) | (15,538) |
| including retail farmers | (396,126) | (100,472) | (100,366) | (106) |
| Public sector institutions | (734) | - | - | - |
| Lease receivables | (34,913) | (6,043) | (6,043) | - |
| **Total loans and advances (net)** | **81,790,807** | **872,351** | **836,203** | **36,148** |

| | 31.12.2022 restated | | | |
|---|---|---|---|---|
| **Forborne exposures** | Total portfolio | including forbearance exposures | including change of terms | including refinancing |
| **Loans and advances for:** | **86,304,750** | **1,342,141** | **1,279,892** | **62,249** |
| Non-banking financial institutions | 1,390,575 | 17 | 17 | - |
| Retail customers | 37,409,791 | 523,267 | 510,771 | 12,496 |
| Corporate customers | 47,045,012 | 793,427 | 743,674 | 49,753 |
| including retail farmers | 7,671,915 | 332,111 | 329,900 | 2,211 |
| Public sector institutions | 58,956 | - | - | - |
| Lease receivables | 400,416 | 25,430 | 25,430 | - |
| **Impairment allowances on loans and advances:** | **(2,870,649)** | **(494,321)** | **(475,605)** | **(18,716)** |
| Non-banking financial institutions | (3,333) | (14) | (14) | - |
| Retail customers | (1,150,739) | (191,768) | (187,914) | (3,854) |
| Corporate customers | (1,681,690) | (292,701) | (277,839) | (14,862) |
| including retail farmers | (483,836) | (105,382) | (105,194) | (188) |
| Public sector institutions | (922) | - | - | - |
| Lease receivables | (33,965) | (9,838) | (9,838) | - |
| **Total loans and advances (net)** | **83,434,101** | **847,820** | **804,287** | **43,533** |

Due to the ongoing war in Ukraine and the economic sanctions issued against Russia and Belarus, the Bank has analysed exposures directly linked to these countries and on this basis has not identified material exposures in both the corporate and retail client portfolios.

At the same time, the Bank monitors the situation of clients on an ongoing basis with a view to safeguarding the credit portfolio and maintaining its high quality. Preventive measures taken in the first quarter of 2022 are being continued. As part of these activities, institutional clients whose business activities are:

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

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

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

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

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

### Country risk

Within credit risk, the Bank additionally distinguishes country risk, which covers all risks related to conclusion of financial agreements with foreign parties, assuming that it is possible that economic, social or political events will have an adverse effect on creditworthiness of the Bank's obligors in that country or where intervention of a foreign government could prevent the obligor (which could also be the government itself) from discharging his liabilities.

The Bank's policy concerning country risk has been conservative. Country limits have been reviewed periodically and the limit level modified to precisely match the anticipated business needs and risk appetite of the Bank.

As at the end of 2023, 79% of the Bank's exposure to countries other than Poland were transactions related to the Bank's foreign lending activities, treasury transactions (including placement and derivative transactions) accounted for 10% while the remaining part (11%) was related to foreign trade transactions (letters of credit and guarantees). France accounted for 51%, Italy for 19%, Luxembourg for 12%, the Netherlands for 9%, Germany, Austria and Belgium 2%. The remaining exposure was concentrated in Mexico, Czech Republic and Chile.

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

## 55.3. Counterparty risk

Counterparty risk is the credit risk concerning the counterparty transactions in case of which the amount of liability may change in time depending on market parameters. Therefore, the counterparty risk is related to transactions on instruments whose value may change over time depending on such factors as interest rates or foreign exchange rates. The 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. The Bank's customers may enter into financial market transactions. The exposure is determined by the Bank on the basis of the current measurement of contracts as well as the potential future changes in the exposure, depending on the transaction type, customer type and the settlement dates.

At the end of December 2023, the counterparty risk was calculated for the following types of transactions: foreign exchange transactions, interest rate swap transactions, FX options, interest rate options and commodity derivatives.

Counterparty credit risk, for transactions which generate counterparty risk, is assessed using the same methodology as the one applied to loans. This denotes that in the credit process, these transactions are subject to limits, the value of which results directly from assessment of customer creditworthiness. However, the assessment also takes into account the specific nature of transactions, in particular their changing value in time or direct dependence on market parameters.

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. According to the policy in place at the Bank, all transactions are entered into considering individual limits and knowledge of the customer. The Bank diversifies availability of products, which are offered to customers depending on their knowledge and experience. The Bank has transparent rules applicable to hedging the counterparty credit risk exposure in place.

At the end of December 2023, the Bank's exposure to the counterparty risk due to concluded derivative transactions was PLN 2.9 billion. Corporate and financial clients constituted 76% of the exposure, while the remaining 24% were banks.

In connection with the ongoing war in Ukraine and the economic sanctions issued against Russia and Belarus, the Bank observes increased volatility in market risk parameters, which translates into fluctuations in counterparty risk exposure. The Bank assesses counterparty risk on an ongoing basis by conducting reviews of the portfolio of clients in case of whom this risk exists.

The Bank maintains the application of its basic principle of "Know Your Customer". Due to the non-standard situation, some clients were asked for additional information related to the change in business. The Bank also takes into account the higher volatility of the above parameters in risk assessment when entering into new transactions.

The Bank have not observed significant changes in the materialisation of counterparty risk.

## 55.4. Market risk (interest rate risk in the trading book and currency risk)

**Market risk management organization**

The operations of BNP Paribas Bank Polska S.A. are recorded in the trading and in the banking book. In relation to market risk, covering interest risk in the trading book and the currency risk, the Bank is sensitive for changes in market interest rates, foreign exchange rates, security prices and implied volatility of option instruments leading to changes in the result on measurement of the financial instruments present value. The risk of adverse changes in the value, driven by the aforesaid factors, is recognised by the Bank as market risk. The risk is monitored and managed with the use of the defined and specially designed tools and measures.

In order to reflect the characteristics of financial market transactions appropriately, i.e. the intentions of the parties entering into the transactions, the major risks and the accounting treatment, the Bank allocates all on- and off-balance sheet items to the banking or trading book. Detailed allocation criteria are established in the documents ("policies" and "methodologies") adopted by resolutions of the Management Board of the Bank and defining the purpose of keeping each book, the profile and types of risks assumed by the Bank, the measurement and mitigation methods as well as the authorizations and place of each organizational unit of the Bank in the risk generation, measurement, mitigation and reporting process.

The process of concluding transactions and their recording, as well as risk level supervision and adoption of risk limits is performed by independent units. In line with the long-term strategy adopted by the Bank, as well as with its financial plan, the Supervisory Board determines the Bank's risk tolerance, i.e. an acceptable risk level and profile, which is subsequently allocated by the Risk Management Committee. The Financial Markets Division takes responsibility for daily operational management of the risk inherent in trading book in line with the defined market risk limits, including limits related to interest rate in the trading book and the currency risk, which is managed at a centralized level for the entire Bank. The Integrated Risk Management Department are in charge of measuring and reporting risk and limit overrides. Additionally, the Integrated Risk Management Department ensures that financial instruments are measured properly. The management result is calculated by the Financial Market Transactions Monitoring Unit, while transactions are recorded and settled by the Financial Market Transactions Processing Department. The system of limit override acceptance is hierarchical. It depends on the period of such override and its scale, and is managed by the Division head or Members of the Bank's Management Board exercising supervision of the Risk Function and the function responsible for the risk override. Irrespective of the process, all limit overrides are reported immediately after they occur and discussed at monthly Risk Management Committee meetings.

**Interest rate risk in the trading book**

The Bank's trading activities are supplementary, as they support sales of financial products to corporate customers, non-banking financial customers (directly) and retail customers (through structured products, which are officially classified into the banking book). The Bank opens its own positions, thus generating income on short-term changes in price parameters (foreign currency rates or interest rates), while maintaining the exposure within the adopted risk limits. The Bank offers commodity instruments but does not maintain open position in commodity market.

As part of the interest rate risk exposure, which is the key exposure in the trading portfolio, the Bank could enter into IRS, OIS, CIRS, FRA and basis swap transactions and purchase and sale of foreign currency options on interest options. The interest rate risk was also determined by positions resulting from FX swap and FX Forward transactions. In 2023, as part of internal risk limits, the Bank maintained an open option position in order to optimize the result, i.e. generate additional benefits due to the lack of immediate closing of customer positions by reverse transactions on the interbank market. The priority of the Bank is to hedge the interest rate risk and currency risk.

Sensitivity of items to shifts in the yield curve and the value at risk (VaR – which is a measure that estimates the potential loss arising from a change in the market value of a portfolio under specified assumptions about market parameters, over a specified period of time and with specified probability) are the key measures of the interest rate risk in the trading portfolio. Additionally, the Bank conducts sensitivity analyses, where the changes in interest rates are more considerable than those typically observed (stress tests).

In 2023, the interest rate risk for PLN items, measured by sensitivity to shifts in the yield curve in the trading portfolio, was higher (PLN 30 thousand on average) than in 2022 (PLN 4 thousand).

The following table presents the interest rate risk in the trading book based on BPV (Basis Point Value, in PLN '000):

| | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| **BPV*** | **PLN** | **EUR** | **PLN** | **EUR** |
| 31.12. | (5) | (27) | (2) | (18) |
| average | (30) | (16) | (4) | (37) |
| max | 25 | 21 | 80 | 35 |
| min | (82) | (95) | (139) | (87) |

* a measure of the sensitivity of instrument measurement to a shift in interest rate curves by 1 basis point

Interest rate risk exposure in the trading book measured by sensitivity to a 1 basis point movement in interest rate curves and currency risk in 2023 was maintained at a relatively low level as a result of the war in Ukraine, crisis situation triggered by COVID-19 pandemic and increasing uncertainty about future market behaviour. In contrast, the exposure measured with the use of the external VaR limit increased as compared to the previous year and averaged 35% of the granted limit (compared to 19% a year earlier). The risk was mainly due to the open interest rate position, with an average utilization of the VaR for this risk was at the level of 50% of the granted limit.

**Currency risk**

The Bank, while measuring the currency risk, limits the maximum allowable open currency position at the individual currency level and for all currencies combined, and applies the value at risk method (VaR). For purposes of currency risk monitoring, it is assumed that VaR is determined with a 99% confidence level and that a position is maintained for one day. The VaR methodology is validated on an annual basis by means of an analysis which involves a comparison of the forecast figures and those determined on the basis of actual changes in foreign exchange rates, assuming that the currency position is maintained (back-testing). The comparative period covers the last 250 business days. The VaR model was back-tested in 2023 and the verification results indicate that there is no necessity to make any adjustments.

Foreign currency transactions used for management of the Bank's currency position were characterized by a stable exposure and a low risk. The risk resulting from foreign currency transactions with customers was offset on the inter-bank market. The level of risk exposure was maintained at a low level, i.e. around 12% of the utilisation of the available VaR limit and, as in the previous year, this risk did not make a significant contribution to the overall risk level. The Bank maintained a small open position in foreign exchange options to ensure the serviceability of customer transactions, for which the exposure was limited through a set of additional dedicated limits for the Greek gamma and vega ratios.

The following table presents currency risk of the Bank expressed as FX VaR (in PLN '000)

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **FX VaR*** | | |
| average | 289 | 596 |
| max | 1,838 | 2,739 |
| min | 43 | 58 |

* The Bank uses a historical exponential method which assumes the confidence level 99% and that positions are held for 1 day

The table below presents the currency structure of assets and liabilities in their balance sheet value expressed in PLN ‘000:

| | 31.12.2023 | | 31.12.2022 restated | |
|---|---|---|---|---|
| **Currency position items** | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| USD | 7,275,172 | 6,370,474 | 1,454,668 | 5,520,888 |
| GBP | 532,017 | 504,233 | 153,577 | 544,393 |
| CHF | 755,200 | 2,539,229 | 3,242,473 | 1,664,799 |
| EUR | 31,677,299 | 24,703,852 | 24,321,080 | 20,690,592 |
| Other convertible currencies | 94,358 | 207,189 | 102,862 | 264,585 |
| PLN | 116,054,353 | 122,063,422 | 115,425,371 | 116,014,774 |
| **Total** | **156,388,399** | **156,388,399** | **144,700,031** | **144,700,031** |

## 55.5. Interest rate risk in the banking portfolio (ALM Treasury)

The banking book of BNP Paribas Bank Polska S.A. is composed of two parts: the first one is the ALM portfolio as part of which structural interest rate, currency and liquidity risks resulting from the structure of the statement of financial position determined by the core lending, deposit and investing operations of the Bank, are managed. On the other hand, the Treasury portfolio is subject to daily and short-term liquidity management. It is also used by the Bank for purposes of performing its investing activities as well as concluding hedging transactions on the financial market.

The ALM portfolio comprises accounts, deposits and loans, strategic items (long-term investments, own debt issues and long-term loans), financial market transactions hedging the portfolio (derivative instruments) and zero-interest items (to include equity, tangible assets, intangible assets, taxes and provisions and profit for the period), transferred under management of ALM Treasury through the Fund Transfer Pricing (FTP) system.

The Treasury portfolio includes liquid securities (liquidity buffer), interbank deposits and placements, nostro and loro accounts as well as financial market transactions hedging the market risk of the portfolio (derivative instruments).

The Bank’s policy in respect of the banking book – ALM and Treasury portfolios managed collectively – is to earn additional, stable revenue in excess of the product margin, without any threat to the stability of funds deposited by customers, equity and profit. The above mentioned objective is accomplished by the Bank by maintaining or matching its natural exposure generated by the core lending and deposit operations, in line with the adopted risk limits which guarantee limited sensitivity of the Bank’s profit to changes in market factors, in addition to bringing the exposure into line with financial market trends forecast in the medium and long term.

Competitive conditions of the local financial market and customer expectations are the main factors shaping the Bank's product policy, in particular the application of variable interest rates for medium- and long-term credit products, and financing of these assets with short deposits and interest-free accounts.

The real interest rate gap, net interest income sensitivity and economic capital sensitivity are the key measures of the market risk in the banking book, which comprises the ALM portfolio and the Treasury portfolio.

The major assumptions adopted for measurement of interest rate risk in banking book are as follows:

a) individual assets, liabilities and off-balance sheet transactions are analysed at their nominal value which is used as the basis for calculation of interest;

b) items and transactions based on floating reference rates, such as WIBOR, NBP rediscount rate etc. are taken into account for purposes of determining the gap at the nearest repricing date for a given contract;

c) items based on floating reference rates scaled with a multiplier are taken into account for purposes of determining the gap at the nearest repricing date for a given contract at nominal value scaled with a multiplier and the nominal amount scaled with a value (1 – multiplier) is considered at the maturity date or proportionally at the principal payment dates;

d) fixed rate items and transactions are taken into account for purposes of determining the gap at the principal payment dates, at the amounts of the principal paid at a given date or at the full amount at the maturity date for items in case of which the principal is not repaid (e.g. term deposits). Items and transactions with unspecified maturity, repricing date or non-interest bearing are taken into account in line with the profile determined as a result of modelling, which is aimed to ensure the best possible reflection of the changes in interest and principal cash flows resulting from customer behaviours and in response to external factors, in particular the market interest rates;

e) for the portfolio of impaired loans - for net values (decreased by the created reserves) - the average contractual maturity for unimpaired exposures (IFRS stage 1 and 2) increased by two years is applied;

f) economic capital is calculated based on positions at internal prices.

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

For interest rate risk models, the Bank uses the provisions of the 'W' Recommendation regarding verification of the model's operation, qualitative criteria, minimum model acceptance criteria and ongoing control of the model's accuracy.

Replication portfolio models for accounts with no specific maturity dates are behavioural models built on the basis of the historical variability of deposit account balances and the analysis of the closing ratios for the modelled position. As part of modelling, the portfolio is divided into the stable parts and a variable part, which is assigned the symbol ON in interest rate analyses. The stable part is divided into a part that is insensitive to interest rate changes (the structural part) and a part sensitive to interest rate changes (the unstructured part). A long-term interest rate repricing profile is determined for the structural part, while for the non-structural part it depends on the current macroeconomic situation and forecasts of the behaviour of interest rates for individual currencies. The hedging of these positions is consistent with the designated interest rate risk profile.

As regards loans with a fixed interest rate, prepayment ratios determined in accordance with the applicable models at the Bank are used. Prepayments are analysed separately for individual types of loans (cash, car, fixed-rate mortgages, variable-rate mortgages), due to the different characteristics of these products. Factors included in the prepayment analysis: loan age, seasonality, financial incentive for the customer to prepay the loan.

The impact of the granted and undrawn credit lines on the interest rate risk profile is determined by the estimated profiles of loan disbursements.

The Bank maintains an interest rate risk management approach for its banking portfolio. Medium and long-term interest rate positions are hedged by using IRS transactions and fixed rate bonds. Short-term positions are hedged using FRA/IRS transactions.

The following tables present the Bank's real interest rate gap as at 31 December 2023 and 31 December 2022 (PLN '000)* on a separate basis:

| | | | 31.12.2023 | | | |
|---|---|---|---|---|---|---|
| **Interest rate gap** | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Cash and balances at Central Bank | 6,883,582 | - | - | - | - | 6,883,582 |
| Amounts due from other banks | 17,827,198 | 20,000 | 43,500 | - | - | 17,890,698 |
| Loans and advances to customers | 24,539,808 | 30,631,923 | 14,020,343 | 10,302,641 | 1,521,903 | 81,016,619 |
| Investment securities | 4,151,690 | 1,250,205 | 5,256,706 | 16,968,907 | 15,667,451 | 43,294,960 |
| Other assets | 633,179 | 64,955 | 292,300 | 1,558,932 | 779,466 | 3,328,832 |
| **Total assets** | **54,035,457** | **31,967,083** | **19,612,850** | **28,830,480** | **17,968,820** | **152,414,690** |
| Amounts due to banks | (1,895,336) | (6,575,456) | (436,452) | - | - | (8,907,244) |
| Amounts due to customers | (44,050,895) | (20,881,213) | (26,159,655) | (22,400,351) | (12,905,000) | (126,397,113) |
| Other amounts due | - | - | - | - | - | - |
| Capital | (1,033,638) | (283,833) | (1,277,249) | (6,811,993) | (3,405,996) | (12,812,709) |
| Other liabilities | (4,676,471) | - | - | - | - | (4,676,471) |
| **Total liabilities:** | **(51,656,340)** | **(27,740,502)** | **(27,873,356)** | **(29,212,343)** | **(16,310,996)** | **(152,793,537)** |
| Net off-balance sheet liabilities | (2,602,125) | (5,014,081) | 1,298,372 | 6,081,210 | 753,622 | 516,997 |
| **Interest rate gap** | **(223,008)** | **(787,499)** | **(6,962,134)** | **5,699,346** | **2,411,445** | **138,150** |

| | 31.12.2022 | | | | | |
|---|---|---|---|---|---|---|
| **Interest rate gap** | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Cash and balances at Central Bank | 2,718,242 | - | - | - | - | 2,718,242 |
| Amounts due from other banks | 11,572,083 | 60,000 | 77,500 | - | - | 11,709,583 |
| Loans and advances to customers | 26,577,537 | 29,216,808 | 17,903,066 | 9,563,459 | 1,306,402 | 84,567,271 |
| Investment securities | 10,046,000 | 190,700 | 3,105,909 | 13,322,460 | 13,722,315 | 40,387,384 |
| Other assets | 1,702,759 | 48,747 | 219,359 | 1,169,917 | 584,958 | 3,725,740 |
| **Total assets** | **52,616,620** | **29,516,255** | **21,305,835** | **24,055,836** | **15,613,674** | **143,108,220** |
| Amounts due to banks | (1,989,484) | (3,802,272) | (439,111) | - | - | (6,230,867) |
| Amounts due to customers | (47,767,879) | (13,265,387) | (23,941,192) | (22,274,193) | (11,854,695) | (119,103,346) |
| Other amounts due | (307,534) | (76,883) | - | - | - | (384,417) |
| Capital | 748,669 | (288,288) | (1,297,295) | (6,918,907) | (3,459,453) | (11,215,274) |
| Other liabilities | (5,932,892) | - | - | - | - | (5,932,892) |
| **Total liabilities:** | **(55,249,120)** | **(17,432,831)** | **(25,677,598)** | **(29,193,100)** | **(15,314,148)** | **(142,866,796)** |
| Net off-balance sheet liabilities | (3,294,687) | (6,851,631) | 1,197,001 | 5,138,881 | 3,807,269 | (3,167) |
| **Interest rate gap** | **(5,927,186)** | **5,231,793** | **(3,174,762)** | **1,616** | **4,106,796** | **238,257** |

* Financial data have been rounded and presented in PLN ‘000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

Estimated decreases or increases in the net interest income for the banking portfolio between 1 and 3 years, resulting from changes in market interest rates, are the measure of its sensitivity. For management and risk control purposes, the Bank calculates sensitivity to a number of different market parameter change scenarios: immediate shifts and shifts in time, parallel and non-parallel shifts, in normal and stress conditions, varying depending on the currency, market and instrument.

Annual net interest income sensitivity to an immediate shift of market rates by 100 bps (in PLN ’000) assuming the most probable change in the product structure, especially in the corporate segment, is presented in the below tables:

| Immediate shift in market rates by 100 bps: | 31.12.2023 | 31.12.2022 |
|---|---|---|
| increase | 254,110 | 261,201 |
| decrease | (229,840) | (194,348) |

Sensitivity of interest result by currency:

| Immediate shift in market rates by 100 bps: | PLN | EUR | USD | CHF |
|---|---|---|---|---|
| increase | 167,637 | 76,374 | 17,772 | (7,960) |
| decrease | (143,367) | (76,374) | (17,772) | 7,960 |

The economic sensitivity of capital to a sudden parallel shift of market rates by +/- 200 basis points in PLN ‘000 and as percentage of own funds:

| Immediate shift in market rates by 200 bps: | In PLN thousand | % |
|---|---|---|
| increase | (10,545) | -0.07% |
| decrease | (383,701) | -2.57% |

In terms of base risk, the Bank analyses positions based on different types of rates with the same interest rate repricing date. The largest potential change in the Bank's net interest income may result from a change in the spread between Wibor 1M rates and the NBP reference rate. If the market rate changes by 50 bps compared to the reference rate, the change in the result will be PLN 2,666 thousand.

The war in Ukraine did not affect the method of managing the interest rate risk in the banking portfolio.

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

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

The NGR Steering Committee has approved a Roadmap for the process of replacing (conversion of) the WIBOR and WIBID reference indices with the benchmark indices which are risk free rate. This document sets out the basic assumptions for the work of the NGR, including those of the widespread use of WIRON and the readiness to stop calculating and publishing the WIBOR and WIBID reference indices. According to the information from the NGR Steering Committee of 25 October 2023, there has been a change in the Roadmap's original deadline for conversion (1 January 2025) by indicating that conversion will be carried out at the end of 2027.

So far, NGR has published recommendations on standards for the use of WIRON in new in banking, leasing and factoring products as well as the recommendation on the principles and methods of conversion of the existing WIBOR-based debt securities issues. The next step for NGR will be to develop solutions and recommendations for the conversion of the remaining existing portfolio of financial products based on the WIBOR benchmark.

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

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

In the second half of September 2023. The Bank communicated to corporate customers about the introduction of new reference indices from the WIRON index family in the credit regulations. The provisions of the amended credit regulations allow applications for an overdraft facility that uses the WIRON reference index to determine the variable interest rate. In addition, as of the end of December 2023, the Bank became operationally ready to offer other types of loans in the corporate banking area, including revolving and investment financing using the WIRON compound rate.

As at 31.12.2023 the Bank has identified:

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

| ON | 1W | 1M | 3M | 6M | 1Y | Total |
|---|---|---|---|---|---|---|
| 743 | 5 | 10,700 | 32,417 | 9,176 | 19 | 53,059 |

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

| ON | 1W | 1M | 3M | 6M | 1Y | Total |
|---|---|---|---|---|---|---|
| 3,080 | 109 | 7,238 | 4,737 | 5 | 6 | 15,174 |

The Bank also had on its banking book interest rate swaps (CIRS/IRS) based on WIBOR 3M with a total nominal amount of PLN 2,525 million, of which PLN 1,025 million under fair value hedge accounting, and based on WIBOR 6M with a total nominal amount of PLN 4,588 million, of which PLN 3,238 million under hedge accounting.

Until 31 December 2023, the Bank had no WIRON-based loan products on its balance sheet.

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

- high uncertainty regarding the valuation of on-balance sheet and off-balance sheet items,
- early closure of IRS contracts by central clearing houses in the case of absence of valuation options,
- abrupt and difficult to manage changes in financial institutions' interest rate risk exposures,

- questioning of flows arising from the application of spread adjustments that do not ensure economic equivalence in settlements between parties.

The Bank assesses that the potential risks that may materialise during the implementation of the reform related to the replacement of the WIBOR interest rate with the new reference rate may consequently lead to significant systemic disruptions in the functioning of the entire national economy.

At present, it is not possible to identify any rationale for ending the publication of the EURIBOR index. Thus, the flows resulting from this index are exchanged between the counterparties under the current rules.

## 55.6. Liquidity risk

**Risk management process organisation**

The Bank's comprehensive liquidity management system covers both immediate (intraday) and future (current, short-term as well as structural medium- and long-term) liquidity. Risk is managed by the Bank by building the statement of financial position and the financing structure reflected in the financial statements including both balance and off-balance sheet items to ensure liquidity at any time, taking into consideration the profile of the Bank's business, customer characteristics and behaviours as well as needs that may arise as a result of changes in the financial market. Additionally, the risk identification and measurement methods used by the Bank enable it to forecast future liquidity levels, also in stress conditions.

The Bank ensures separation and independence of its operations, risk management, control and reporting functions. In particular, transactions with contracting parties and customers are entered into by the business, confirmed and processed by Operations, immediate (intraday) and future liquidity is managed by ALM Treasury, daily supervision of the risk level and compliance with risk limits is the responsibility of the Risk Function, while supervisory liquidity measures are reported independently by the Finance Division.

The liquidity risk limits adopted by the Bank reduce its exposure to this type of risk. Risk is monitored and controlled based on documents adopted by resolutions of the Bank's Management Board (risk measurement and monitoring policy and methodologies), developed in compliance with the guidelines formulated in Recommendation "P" of the Polish Financial Supervision Authority and European Commission Delegated Regulation 2018/60 of 13 July 2018 amending Commission Delegated Regulation (EU) 2015/61 of 10 October 2014. The Bank has an internal transfer pricing system in place, which reflects accurately the real financing cost for each asset and liability type, and the transfer pricing structure stimulates optimization of the statement of financial position, including diversification of the sources of funding, from the perspective of liquidity risk. LTD limits for each business line are an important additional component of that system, as they facilitate maintenance of a secure level of assets relative to liabilities, which is appropriate considering the characteristics of each line.

The level of liquidity risk appetite is determined by the Supervisory Board of the Bank and the risk management policy based on that appetite, including definition of general liquidity risk measures, is approved by the Management Board, whereas specific risk limits and their monitoring are the responsibility of ALCO. The Bank's Management Board and Supervisory Board supervise the effectiveness of the liquidity risk management process based on periodic information and current reports.

In compliance with the requirements of the Recommendation "P", the Bank conducts numerous analyses verifying its ability to maintain liquidity in crisis situations. Stress tests cover comprehensive scenarios considering internal and system factors and combining different variants with possible interactions. Stress test results are taken into account in determining liquidity limits. The Bank has a comprehensive emergency plan in place. It comprises various scenarios along with action plans for liquidity crisis situations in the Bank and in the banking system as a whole. Stress test results are correlated with the emergency plan and reaching defined warning levels triggers the emergency plan.

**Risk measures**

The Bank uses external and internal risk measures. The internal measures include, among others: an analysis of trends and volatility of each source of funding relative to the loan portfolio (LTD), the contractual liquidity gap and the liquidity gap realigned based on behavioural factors along with mismatch structure limits defined on its basis, an analysis of surplus liquidity and the available sources of funding, an analysis of stability and concentration of the deposit base as well as a review of the structure of funds placed with the Bank by the major depositors by volume and maturity. Additionally, sales plans (covering loans and deposits) are monitored, by each business line, and simulation analyses are performed. Furthermore, the Bank analyses the costs of the deposit base with a view to optimizing the liquidity buffer and the use of such tools as the liquidity margin or pricing policy.

The external measures include supervisory long- and short-term liquidity ratios: the liquidity coverage ratio (LCR), as defined in European Commission Delegated Regulation 2018/60 of 13 July 2018 amending Commission Delegated Regulation (EU) 2015/61 of 10 October 2014, and the net stable funding ratio (NSFR) determined in the Regulation No. 2019/876 of 20 May 2019 amending the Regulation (EU) No. 575/2013 of the European Parliament and of the Council and developed in line with the Commission Implementing Regulation (EU) No. 680/2014 and the Basel document on the NSFR.

The on-going supervision includes early warning tools, such as monthly reviews of additional liquidity requirements defined in the Commission Implementing Regulation (EU) No. 2016/313. In addition, the Bank conducts daily analyses of various liquidity indicators with warning levels defined in the Emergency Liquidity Plan. Theses allow, when warning levels are reached, to introduce remedial actions and restore the Bank's safety in terms of liquidity.

**Liquidity risk profile**

In 2023 the Bank's financial liquidity was maintained at a safe level. The Bank's funds were sufficient for payment of all its liabilities upon maturity. The portfolio of the most liquid securities was maintained at a level, which was sufficient to offset a potential outflow of funds placed with the Bank by the major depositors in whole.

2023 was a year of the war in Ukraine, but in 2023 the situation required specific activities to be conducted by the Bank.

The Bank maintained on its portfolio the government bond purchased and bonds issued by Bank Gospodarstwa Krajowego to support pandemic relief efforts. Internal models and internal transfer prices were adjusted on an ongoing basis. The ALMT division coordinated with the business lines through regularly held meetings and consultations discussing the liquidity situation and the behaviour of customers.

As at the end of 2023 the Bank's surplus liquidity was at the level of PLN 67.9 billion:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Cash at Central Bank (above/below the mandatory reserve requirement) | 65,758 | (4,016,670) |
| Cash at other banks | 17,618,841 | 11,373,064 |
| Highly-liquid securities | 50,227,484 | 27,753,342 |
| **Surplus liquidity up to 30 days** | **67,912,083** | **35,109,736** |

Surplus liquidity has increased compared to the end of 2022 mainly due to an increase in highly-liquid securities and funds in other banks placed within 30 days.

| | 31.12.2023 | 31.12.2022 | limit |
|---|---|---|---|
| Liquidity Coverage Ratio (LCR) | 236% | 169% | **100%** |

In 2023 the Bank continued to optimise its funding sources with the aim of reducing unnecessary, yet costly and unstable excess funding. In 2023 the Bank maintained the level of medium and long-term borrowings from the BNPP Group and its subsidiaries, including a subordinated loan from the BNP Group to meet the MREL requirement. The Bank raised new financing of EUR 646 million from the BNP Paribas Group as financing under the MREL requirement.

The Bank's sources of funding remained highly stable throughout 2023 at a similar level as in the previous year.

| | 31.12.2023 | | 31.12.2022 | |
|---|---|---|---|---|
| | balance | stable (%) | balance | stable (%) |
| long-term loans from the Group | 7,120,828 | 100% | 4,413,155 | 100% |
| other long-term loans | 461,336 | 100% | 492,266 | 100% |
| securitization liabilities | - | 100% | 384,417 | 100% |
| retail | 50,355,270 | 92% | 61,004,974 | 93% |
| corporates | 71,192,077 | 78% | 58,098,372 | 78% |
| banks and other unstable sources | 7,530,607 | 0% | 1,741,184 | 0% |
| **Total** | **136,660,118** | **80.1%** | **126,134,368** | **85.1%** |

Inflows and outflows – expected under the agreements concluded by the Bank is presented as contractual liquidity gap*

| | 31.12.2023 | | | | | |
|---|---|---|---|---|---|---|
| **Contractual liquidity gap** | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| **Assets** | | | | | | |
| Loans and advances to customers | 12,466,545 | 2,312,942 | 8,865,520 | 32,371,878 | 25,000,970 | 81,017,855 |
| Debt securities | 3,940,690 | 1,063,205 | 1,438,921 | 20,547,193 | 16,303,889 | 43,293,899 |
| Interbank deposits | 17,618,841 | 20,000 | 43,500 | - | - | 17,682,341 |
| Cash and balances at Central Bank | 2,492,672 | - | - | - | 4,374,198 | 6,866,870 |
| Fixed assets | - | - | - | - | 959,737 | 959,737 |
| Other assets | 706,296 | - | - | - | 1,632,575 | 2,338,871 |
| Off-balance sheet liabilities, including: derivatives | 8,819,109 | 3,710,000 | 11,824,836 | 23,007,522 | 1,074,608 | 48,436,076 |
| Interest receivable | 1,230,113 | - | - | - | - | 1,230,113 |
| **Liabilities** | | | | | | |
| Retail deposits | 47,196,153 | 10,893,918 | 7,608,365 | 206,523 | - | 65,904,960 |
| Corporate deposits | 55,965,438 | 2,896,382 | 1,060,286 | 219,032 | 10,293 | 60,151,431 |
| Interbank deposits | 1,610,802 | 40,000 | 15,000 | 450,000 | 2,808,808 | 4,924,610 |
| Loans from financial institutions | 3,779 | - | 7,558 | - | - | 11,336 |
| Equity and subordinated liabilities | 1,440,681 | - | - | 1,590,568 | 13,029,458 | 16,060,708 |
| Other equity and liabilities | 4,238,982 | - | - | - | - | 4,238,982 |
| Off-balance sheet liabilities, including: derivatives | 8,728,769 | 3,725,749 | 11,595,676 | 23,000,882 | 1,073,666 | 48,124,743 |
| Interest payable | 435,030 | - | - | - | - | 435,030 |
| **Total receivables** | **47,274,266** | **7,106,146** | **22,172,778** | **75,926,593** | **49,345,977** | **201,825,760** |
| **Total liabilities** | **119,619,634** | **17,556,049** | **20,286,884** | **25,467,006** | **16,922,226** | **199,851,800** |
| **Liquidity gap** | **(72,345,368)** | **(10,449,903)** | **1,885,893** | **50,459,587** | **32,423,752** | **1,973,960** |

* Financial data have been rounded and presented in PLN ‘000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

| | 31.12.2022 | | | | | |
|---|---|---|---|---|---|---|
| **Contractual liquidity gap** | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| **Assets** | | | | | | |
| Loans and advances to customers | 13,580,048 | 2,274,055 | 9,631,631 | 31,230,956 | 26,204,999 | 82,921,690 |
| Debt securities | 8,500,000 | 1,700 | 1,105,914 | 16,432,455 | 14,347,315 | 40,387,384 |
| Interbank deposits | 11,373,064 | 60,000 | 77,500 | - | - | 11,510,564 |
| Cash and balances at Central Bank | 2,783,709 | - | - | - | - | 2,783,709 |
| Fixed assets | - | - | - | - | 1,059,703 | 1,059,703 |
| Other assets | 738,008 | - | - | - | 1,517,533 | 2,255,541 |
| Off-balance sheet liabilities, including: derivatives | 16,634,202 | 6,514,981 | 10,845,664 | 21,712,927 | 1,316,691 | 57,024,465 |
| Interest receivable | 1,148,119 | - | - | - | - | 1,148,119 |
| **Liabilities** | | | | | | |
| Retail deposits | 47,606,507 | 6,942,979 | 6,136,082 | 319,405 | - | 61,004,974 |
| Corporate deposits | 53,919,998 | 2,687,623 | 1,331,949 | 146,055 | 12,747 | 58,098,372 |
| Interbank deposits | 1,731,184 | - | - | - | - | 1,731,184 |
| Loans from financial institutions | 68,935 | 44,704 | 164,017 | 599,023 | 3 | 876,683 |
| Equity and subordinated liabilities | 313,712 | - | - | 1,476,458 | 13,711,571 | 15,501,741 |
| Other equity and liabilities | 4,073,364 | - | - | - | - | 4,073,364 |
| Off-balance sheet liabilities, including: derivatives | 16,615,317 | 6,491,816 | 10,758,931 | 21,799,715 | 1,351,877 | 57,017,656 |
| Interest payable | 324,301 | - | - | - | - | 324,301 |
| **Total receivables** | **54,757,150** | **8,850,737** | **21,660,709** | **69,376,338** | **44,446,241** | **199,091,175** |
| **Total liabilities** | **124,653,318** | **16,167,123** | **18,390,979** | **24,340,656** | **15,076,199** | **198,628,274** |
| **Liquidity gap** | **(69,896,168)** | **(7,316,386)** | **3,269,731** | **45,035,682** | **29,370,042** | **462,901** |

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

Compared to 2022, the value of the contractual gap up to 1 month has slightly increased, due to changes in customers' derivative off-balance sheet products. As regards deposits, the levels did not change significantly. The stability of customer funds is still very high (84% of the total balance, slightly lower than in the previous year) with an average maturity of the stable parts of more than five years. At the end of 2023, off-balance-sheet liabilities outside derivatives amounted to PLN 49 billion.

The Bank's liquidity position continued to improve throughout the year. The ongoing war in Ukraine had no impact on the Bank's overall liquidity situation. In 2023, there were no significant changes in the interest rates. However, inflationary concerns, wage pressures as well as significant increases in energy prices are also holding back the demand regarding loans in the retail segment as well as in the corporate segment.

The primary source of financing continues to be funds raised from non-bank customers.

## 55.7. Operational risk

The Bank's operational risk is defined in accordance with the requirements of the Polish Financial Supervision Authority included in Recommendation M as the risk of incurring a loss through the fault of inappropriate or unreliable internal processes, people, technical systems or as a result of external factors. It comprises legal but not strategic risk. The Bank also recognizes as operational risk events and losses which may result from the materialization of compliance risk[1]. Operational risk as such is inherent in any banking operations. The Bank identifies the operational risk as permanently significant.

[1] Compliance risk means the risk of negative consequences, including legal and regulatory sanctions, financial penalties and loss of reputation, due to the Bank's failure to comply with laws, standards and recommendations of regulatory authorities, ethical and market standards and internal regulations applicable to the Bank.

**Operational risk management strategy and policy**

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

According to the Policy, operational risk management instruments include, among others:

- the identification and assessment of operational risk, including through the collection of information on operational events, the assessment of risks in processes and products, the self-assessment of operational risk and control, the assessment of operational risk for contracts with external suppliers (outsourcing) and the determination of key risk indicators;
- setting operational risk appetite and limits on a Bank-wide and individual business area level; operational risk analysis, including operational risk scenario analysis and its monitoring and ongoing control;
- reporting on operational risk.

The Bank's Management Board periodically assesses the implementation of the operational risk strategy and, if necessary, orders necessary adjustments to improve the operational risk management processes. To this end, the Bank's Management Board is regularly informed of the scale and types of operational risk to which the Bank is exposed, its effects and operational risk management methods. In particular, both the Bank's Management Board and the Supervisory Board are regularly informed of the development of the operational risk appetite measures set out in the Operational Risk Management Strategy.

As part of the implementation of the Operational risk management and internal control strategy, in 2023 the Bank undertook and continued to undertake a number of measures to mitigate operational risk. The Bank took appropriate measures in order to optimize and improve the quality of processes, as well as to optimize and improve the efficiency of the internal control environment, including strengthening the control mechanisms and processes over this type of risk. In particular, processes and tools to prevent and combat fraud against the Bank were strengthened, including, inter alia, the fight against credit fraud and unauthorized transactions. The Bank also continues a fraud risk mitigation programme. The Bank monitored its exposure to legal risk on an ongoing basis, including the risk arising from pending litigation concerning CHF-denominated loans, in order to respond adequately to changes in the level of risk.

Following the ongoing armed conflicts, the Bank monitored potential risks to the Bank on an ongoing basis, including those relating to security and ensuring business continuity.

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

**Internal environment**

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

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

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

**Risk management**

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

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

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

**Internal control system**

The purpose of internal control is effective risk control, including risk prevention or early detection. The role of the internal control system is to achieve general and specific objectives of the internal control system, which should be considered at the design stage of control mechanisms. The principles of the internal control system are described in the "Policy on internal control at BNP Paribas Bank Polska S.A." document, approved by the Bank's Management Board. This document describes the main principles, organizational framework and standards for the functioning of the control environment at the Bank, complying with the PFSA requirements provided in Recommendation H and the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and the internal control system, the remuneration policy in banks. Detailed internal regulations concerning specific areas of the Bank's activity are adapted to the specifics of the Bank's operations. The appropriate organizational units of the Bank, in accordance with the scope of the tasks assigned to them, are responsible for developing detailed regulations relating to the area of internal control.
The internal control system at the Bank is based on the 3 defence lines model, which consists of:

- 1st defence line, which consists of organizational units from particular areas of banking and support areas,
- 2nd defence line, which consists of organizational units responsible for risk management, regardless of the risk management related to the first line of defence, and the compliance unit,
- 3rd defence line, which is independent and objective internal audit unit.

The Bank ensures internal control through independent monitoring of compliance with control mechanisms, including on-going verification and testing.

**Monitoring and reporting**

The Bank periodically monitors the efficiency of the operational risk management system and its appropriateness for its current risk profile. The organization of the operational risk management system is reviewed as part of periodic control exercised by the Internal Audit Division, which is not directly involved in the operational risk management process but provides professional and unbiased opinions supporting achievement of the Bank's objectives. The operational risk management system is overseen, and its appropriateness and efficiency are assessed by the Supervisory Board.

**Capital requirements due to operational risk**

The Bank estimates its regulatory capital necessary to cover operational risk in accordance with the applicable regulations. The said calculation is performed using the standard approach (STA). Requirements regarding Bank's subsidiaries, to be disclosed in the consolidated financial statements, are determined in accordance with the base indicator method (BIA).

**Risks arising from the ongoing armed conflicts**

In terms of operational risk management, the Bank analyses the risks related to the consequences of the war activities in Ukraine and in the Middle East (including, in particular, cyber or physical attacks targeting the payment or banking infrastructure that may result in business continuity disruptions) on an ongoing basis, and continues appropriate measures to ensure the security of both the Bank's employees and customers and to ensure the uninterrupted execution of processes related to its operations, including by introducing additional security measures and increasing monitoring of the ICT infrastructure.

# 56. CAPITAL ADEQUACY MANAGEMENT

**Own funds and capital ratios**

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

Since 1 January 2014, banks have been subject to new principles applicable to calculation of capital ratios, following the implementation of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on macro-prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (CRR2) in relation to leverage ratio, net stable funding ratio, own funds and eligible liabilities requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

On 27 June 2020, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020, amending Regulations (EU) No 272/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, entered into force, allowing, inter alia, a reduction in risk weights for some SME loans, a temporary partial exclusion from the calculation of Common Equity Tier 1 items of the amount of unrealised profits or losses measured at fair value through other comprehensive income in relation to the COVID-19 pandemic. As of 1 January 2023, the option to exclude the portion of unrealised gains and losses measured at fair value from Common Equity Tier 1 capital items expired. The impact of the change on the Common Equity Tier 1 capital ratio was 42 bps.

On 23 December 2020, Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020, amending Delegated Regulations (EU) No 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items, entered into force.

As at 31 December 2023 the adjustment in common equity Tier 1 capital related to other intangible assets amounted to PLN 437,980 thousand.

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

Pursuant to the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial sector (Journal of Laws 2015, item 1513, as amended), an additional buffer of 2.5% was introduced starting from 1 January 2019.

The Financial Supervision Authority, in a release dated 20 November 2023, announced that, based on the provisions of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system and after taking into account the opinion of the Financial Stability Committee, it confirmed the identification of ten banks as other systemically important institutions (O-SII).

As a result of the review, the Commission concluded that there are no reasons justifying the repeal or amendment of its previous decision of 4 October 2016, as amended by the Commission decision of 19 December 2017, concerning imposition of a buffer for another systemically important institution on the Bank (on a consolidated and separate basis) in the amount of 0.25% of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013.

The Polish Financial Supervision Authority, by letter dated 13 December 2023, recommended that the risks inherent in the Bank's activities be mitigated by the Bank through maintenance of own funds to cover the additional capital charge to absorb potential losses arising from the occurrence of stressed conditions, at 0.70 p.p. at the individual level and 0.67 p.p. at the consolidated level over the total capital ratio referred to in Article 92(1)(c) of Regulation (EU) No 575/2013, plus the additional own funds requirement referred to in Article 138(2)(2) of the Banking Act and the combined buffer requirement referred to in Article 55(4) of the Macroprudential Supervision Act. The additional surcharge should consist entirely of Common Equity Tier 1 capital.

The countercyclical buffer ratio for credit exposures in the territory of the Republic of Poland, which applied at 31 December 2023, was 0%. The Bank-specific countercyclical buffer ratio, determined in accordance with the provisions of the Act of 5 August 2015 on macro-prudential supervision of the financial system and crisis management in the financial system, as a weighted average of the countercyclical buffer ratios applicable in the jurisdictions in which the Bank's relevant credit exposures are located, was 1 bps, as at 31 December 2023. The value of the ratio was mainly affected by exposures in Luxembourg, where the countercyclical buffer rate was 0.5%.

The level of Tier 1 capital ratio and total capital ratio (TCR) on a separate basis were above the requirements applicable to the Bank as at 31 December 2023. Pursuant to the Resolution of the Bank's Annual General Meeting of 30 June 2023, the entire profit of the Bank for 2022, amounting to PLN 370,892 thousand, was allocated to reserve capital.

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

| 31.12.2023 | The minimum supervisory separate solvency ratios of the Bank | Separate capital adequacy ratios of the Bank |
|---|---|---|
| CET I | 7.96% | 12.97% |
| Tier I | 9.46% | 12.97% |
| Total Capital Ratio | 11.46% | 17.28% |
| **31.12.2022** | | |
| CET I | 8.05% | 11.80% |
| Tier I | 9.55% | 11.80% |
| Total Capital Ratio | 11.55% | 16.25% |

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

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

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

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

In addition, the BGF has set a mid-term MREL target which: - in relation to TREA is: 12.05% from the receipt of the BGF's letter until 30 December 2023, - in relation to TEM is: 4.46% from the receipt of the BGF letter until 30 December 2023.

MREL requirement applies at individual level.

The entire MREL requirement should be met in the form of own funds and liabilities meeting the criteria set out in Article 98 of the BGF Act, which transposes Article 45f(2) BRRD. According to the BGF's expectations, the part of MREL corresponding to the recapitalisation amount ("RCA") will be met in the form of AT1, T2 instruments and other subordinated eligible liabilities acquired directly or indirectly by the parent company. The Bank meets the mentioned requirement.

At the same time, the BGF indicated that Common Equity Tier 1 ("CET1") instruments held by the Bank for the purposes of the combined buffer requirement cannot be counted towards the MREL requirement expressed as a percentage of TREA. This rule does not apply to the MREL requirement expressed as a TEM percentage.

As of 31 December 2023, the Bank meets the defined requirements of MREL-TREA and MREL-TEM.

| 31.12.2023 | Minimum separate supervisory MREL requirements for the Bank | Minimum separate supervisory MREL requirements for the Bank plus the combined buffer requirement | Bank's separate MREL requirements |
|---|---|---|---|
| MREL-TREA | 16.11% | 18.87% | 21.74% |
| MREL-TEM | 5.91% | 5.91% | 11.02% |
| **31.12.2022** | | | |
| MREL-TREA | 11.99% | 14.74% | 17.09% |
| MREL-TEM | 3.00% | 3.00% | 9.82% |

# 57. MAJOR EVENTS IN BNP PARIBAS BANK POLSKA S.A. IN 2023

| | |
|---|---|
| **11.01.2023** | **Extraordinary General Meeting of Shareholders** - adoption of resolutions on, inter alia:<br>• assessment of the collective adequacy of the Bank's Supervisory Board following the change in the composition of the Supervisory Board<br>• approval of the Policy for the Assessment of the Suitability of the Members of the Bank's Supervisory Board<br>• amendments to the Bank's Statutes |
| **1.03.2023** | **Proposal of the Bank's Management Board regarding the distribution of net profit for 2022**<br>Recommendation of the Bank's Management Board to allocate the entire net profit of the Bank for the financial year 2022 for reserve capital.<br>The Bank's Supervisory Board gave a positive opinion on the Management Board's proposal, which was submitted to the Bank's Annual General Meeting on 30 June 2023. The General Meeting passed a resolution to allocate the Bank's entire profit for 2022, amounting to PLN 370,892 thousand, to reserve capital.<br>On 31 March 2023, the Bank received the decisions of the Financial Supervision Authority to approve the inclusion of the verified net profit for 2022, at stand-alone (PLN 370,892 thousand) and consolidated (PLN 436,254 thousand) levels, in Tier 1 capital. |
| **31.03.2023** | **Entry into the National Court Register of the amendments to the Articles of Association of BNP Paribas Bank Polska S.A.** adopted by the Extraordinary General Meeting of the Bank on 17 January 2023 (Resolutions Nos. 6 and 7). |
| **5.04.2023** | **Issue of series M shares under the conditional share capital increase and change in the value of the share capital of BNP Paribas Bank Polska S.A.**<br>In accordance with the statement of National Securities Depository S.A. ("NDS") No. 513/2021 of 31 March 2021 (Bank current report No. 15/2021) as amended by NDS statement No. 311/2022 of 31 March 2022 on amendment of the agreement between the NDS and the Bank on registration of the Series M Shares in the securities depository maintained by the NDS (Bank current report No. 11/2022) and by resolution of the Management Board of Warsaw Stock Exchange S.A. ("WSE") No. 348/2021 dated 31 March 2021 (Bank's current report No. 16/2021), on 5 April 2023, on the basis of settlement orders referred to in § 6 of the Detailed Rules of Operation of the NDS, 83.796 Series M ordinary bearer shares of the Bank with a nominal value of PLN 1 each ("Series M Shares") were registered with the NDS and admitted to trading by the WSE and Series M Shares were recorded on the securities accounts of the eligible persons.<br>Series M Shares were issued as part of the Bank's conditional share capital increase pursuant to Resolution No. 5 of the Bank's Extraordinary General Meeting of 31 January 2020, as amended by Resolution No. 37 of the Bank's Annual General Meeting of 29 June 2020.<br>The Series M Shares were subscribed for in exercise of the rights under the Series A3 registered subscription warrants subscribed for earlier, each of which entitled to subscribe for one Series M Share. Pursuant to Article 451 § 2, second sentence, of the Code of Commercial Companies, the grant of Series M Shares became effective upon their recording in the securities accounts of the eligible persons.<br>Therefore, pursuant to Article 451 § 2 in conjunction with Article 452 § 1 of the Code of Commercial Partnerships and Companies, rights from a total of 83,796 Series M Shares with a total nominal value of PLN 83,796 were acquired and the Bank's **share capital was increased** from PLN 147,593,150 **to PLN 147,676,946**, which is divided into 147,676,946 shares with a nominal value of PLN 1. |
| **18.04.2023** | **Mandatory deletions from the KRS register of the company Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. ending the liquidation process**<br>On 11 April 2023, the company was deleted from the KRS register. |
| **27.04.2023** | **Information on the amount of PLN 123,909 thousand of annual contribution to the banks' forced restructuring fund for 2023 determined by the Bank Guarantee Fund for BNP Paribas Bank Polska S.A.** |
| **17.05.2023** | **Entry in the National Court Register of amendments to the Statute of BNP Paribas Bank Polska S.A.,** i.e. an increase in the Bank's share capital up to PLN 147,676,946 as a result of the acquisition of series M shares by the eligible persons under the conditions specified in § 29a, item 2, point a) of the Bank's Statute. |

| | |
|---|---|
| 20.06.2023 | **Determination of the minimum level of own funds and eligible liabilities (MREL) by the BGF for BNP Paribas Bank Polska S.A.**<br>The MREL requirement for the Bank has been set at an individual level at 16.11% of the total risk exposure (TREA) and 5.91% of the total exposure measure (TEM). This requirement should be achieved by 31 December 2023.<br>In addition, the BGF has set a mid-term MREL target which:<br>− w in relation to TREA is: 12.05% as of the receipt of the BFG's letter,<br>− in relation to TEM is: 4.46% as of the receipt of the BFG letter. |
| 30.06.2023 | **General Meeting of Shareholders** |
| 14.07.2023 | **Registration by the National Court Register of amendments to BNP Paribas Bank Polska S.A. Articles of Association** – adopted by General Meeting of Shareholders on 30 June 2023. |
| 16.10.2023 | **An intention to conduct collective redundancies at BNP Paribas Bank Polska S.A.** - the resolution adopted by the Bank's Management Board provides for a process of collective redundancies to be carried out between 2024 and 2026 and to cover no more than 900 employees of the Bank employed in the head office and the sales network. |
| 12.12.2023 | **Extraordinary General Meeting of Shareholders** - adoption of a resolution on changes to the composition of the Bank's Supervisory Board and the appointment of Mr Jacques Rinino as a member of the Board with effect from 1 January 2024. |
| 13.12.2023 | **Agreement with trade unions on the principles of collective redundancies.**<br>The parties to the Agreement agreed that collective redundancies would be carried out in the period from 1 January 2024 to 31 December 2026. As a result of discussions with trade unions, the Bank verified the maximum number of employees whose employment contracts may be terminated as part of collective redundancies and it was agreed that collective redundancies would cover no more than 800 employees of the Bank.<br>There was a provision for the costs of employment restructuring, which was charged to 2023 costs in the amount of PLN 22,068 thousand. |
| 14.12.2023 | **Determination of Pillar II (P2G) capital charge by the PFSA** - the PFSA recommended the Bank to maintain own funds to cover the additional capital charge (P2G) - of 0.67 p.p. at the consolidated level and 0.70 p.p. at the stand-alone level - in order to absorb potential losses resulting from stress events. |
| 20.12.2023 | **Conclusion of a non-preferred senior loan agreement with BNP Paribas S.A. Paris in the amount of EUR 646 million** (~PLN 2,799 million) to meet the MREL requirement. |

All changes to the composition of the Bank's Management Board and Supervisory Board in 2023 are described in Note 1 General Information about the Bank

# 58. SUBSEQUENT EVENTS

| | |
|---|---|
| 2.01.2024 | **Extraordinary General Meeting of Shareholders of Campus Leszno Sp. z o.o.** - adoption of a resolutions to dissolve the company and open its liquidation |
| 22.02.2024 | **Individual recommendation of the Polish Financial Supervision Authority (PFSA) with regard to meeting the criteria for paying dividend from the net profit earned in 2023**<br>PFSA stated that based on data as at 31 December 2023, the Bank met the criteria to be able to pay dividend up to 50% of its net profit earned in the period from 1 January 2023 to 31 December 2023 following the general criteria of the Dividend policy published by PFSA on 14 December 2023.<br>Additionally, after taking into account the quality of the Bank's loan portfolio measured as the share of non-performing loans in the total portfolio of receivables from the non-financial sector, including debt instruments, the potential dividend payout ratio was increased to 75% due to the Bank's sound credit quality. |

| | | |
|---|---|---|
| 29.02.2024 | **Przemysław Gdański**<br>*President of the Management Board* | *qualified electronic signature* |
| 29.02.2024 | **André Boulanger**<br>*Vice-President of the Management Board* | *qualified electronic signature m* |
| 29.02.2024 | **Małgorzata Dąbrowska**<br>*Vice-President of the Management Board* | *qualified electronic signature* |
| 29.02.2024 | **Wojciech Kembłowski**<br>*Vice-President of the Management Board* | *qualified electronic signature* |
| 29.02.2024 | **Piotr Konieczny**<br>*Vice-President of the Management Board* | *qualified electronic signature* |
| 29.02.2024 | **Magdalena Nowicka**<br>*Vice-President of the Management Board* | *qualified electronic signature* |
| 29.02.2024 | **Volodymyr Radin**<br>*Vice-President of the Management Board* | *qualified electronic signature* |
| 29.02.2024 | **Agnieszka Wolska**<br>*Vice-President of the Management Board* | *qualified electronic signature* |

Warsaw, 29 February 2024