

EuroRating affirmed 'BBB' credit rating with a stable outlook assigned to the bank BNP Paribas Bank Polska S.A.

Public / Private rating	public
Continued / One off rating	continued (monitored rating)
Category	rating for the issuer
Name of the rated entity	BNP Paribas Bank Polska S.A
Type of the rated entity	bank
Type of the credit rating	long-term, international scale
Date of rating affirmation	21.03.2024
Rating level	BBB
Rating outlook	stable

Warsaw, 21 March 2024 – EuroRating credit rating agency has revised the credit rating for the bank BNP Paribas Bank Polska S.A. The rating has been affirmed at 'BBB' with a stable outlook.

KEY RATING DRIVERS

Moderate level of equity financing: In the years 2021-2022 the share of equity in the balance sheet total decreased from approximately 10% to 7.4% by the end of 2022. This was due to a simultaneous increase in total assets and a slight decrease in the value of equity. In 2023 the ratio slightly increased to 8%. However, it still remains significantly lower than in previous years.

Satisfactory regulatory capital ratios: Over the past three years the loan portfolio value has increased only slightly and its share in the bank's total assets has been systematically decreasing for almost a decade. As a result, risk-weighted assets are relatively low, leading to regulatory capital ratios being maintained at relatively high levels. At the end of 2023 the TCR ratio amounted to 16.7% and the Tier 1 ratio to 12.5%. Both ratios significantly exceeded the requirements of the Polish Financial Supervision Authority (KNF) by 5.2 percentage points and 3.1 percentage points, respectively.

Good quality of loan portfolio: The share of non-performing loans (NPLs) in the total loan portfolio remained at an elevated level until 2017. However, in the following years it has consistently declined and since 2021 the ratio has remained low. At the end of 2023 it amounted to only 3%, reflecting the current overall good quality of the loan portfolio.

Satisfactory liquidity: In previous years, the loan-to-deposit ratio remained at a moderate level of around 1.1-1.2. However, over the past two years the ratio has increased to 1.47 as of the end of 2023. Its current level should be assessed as good and safe.

Portfolio of foreign currency mortgage loans in CHF: BNP Paribas Bank Polska holds a portfolio of foreign currency mortgage loans denominated in Swiss francs (CHF). This exposes the bank to economic and legal risks associated with this part of the loan portfolio. At the end of 2023 the

value of these loans amounted to PLN 3.1 billion, representing 3.6% of the total loan portfolio and 1.9% of the bank's total assets. However, it is worth noting that the coverage of the foreign currency mortgage loan portfolio with reserves is already very high, reaching 111% at the end of 2023. EuroRating considers that fact as a positive factor.

Moderate return on assets: BNP Paribas Bank Polska has been generating consistently positive net profits in recent years, although these have been comparatively modest relative to the bank's assets. Over the past ten years the Return on Assets (ROA) ratio has not exceeded 0.8%. At the end of 2023 it amounted to 0.6%.

Planned high dividend payout: In 2024 the bank intends to distribute a dividend sourced from its 2023 profit. Considering the ongoing relatively low equity to the balance sheet total ratio, EuroRating considers this as a negative factor in the assessment of the bank's credit risk.

High probability of support: BNP Paribas Bank Polska S.A. is predominantly owned by the French banking conglomerate BNP Paribas, one of the largest financial groups in Europe. EuroRating assesses the likelihood of the bank receiving support from its principal shareholder during a crisis scenario as substantial.

STABLE RATING OUTLOOK

The stable rating outlook means that, according to the current EuroRating's estimates, the rating assigned to the company should most likely remain unchanged in the horizon of the next 12 months.

MAIN FACTORS THAT COULD LEAD TO A RATING CHANGE

The most significant potential factors that could (individually or collectively) lead to a positive rating action (change of the rating outlook to positive and/or rating upgrade), EuroRating includes: an increase in the share of equity in the balance sheet total; remaining high levels of regulatory capital ratios; sustained very low share of non-performing loans in the overall loan portfolio; improvement in financial performance and ROA ratio; as well as the elimination of risk associated with foreign currency mortgage loans.

The most significant potential factors that could (individually or collectively) lead to a downgrade of current credit rating (and/or to a change of the rating outlook to negative): a potential significant decline in the share of equity in the balance sheet total and/or a decrease in the value of regulatory capital ratios; a potential substantial increase in the share of non-performing loans; significant deterioration in financial performance (including potential loss generation); as well as excessive dividend payouts in future periods.

BEST/WORST RATING SCENARIO

The full range of best- and worst-case scenarios for all rating categories spans from 'AAA' to 'D'. Historical long-term statistics on rating migrations (changes between individual rating classes) for entities rated by EuroRating are published in the report on rating statistics, available at: <https://www.eurorating.com/en/ratings/statistics> (annexes No. 6-9).

REGULATORY DISCLOSURES

Information on the EuroRating credit rating agency

EuroRating is a fully independent international credit rating agency operating since 2007, specializing in assessing the credit risk of enterprises and financial institutions. EuroRating Sp. z o.o. is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue public credit ratings throughout the European Union (in accordance with the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under direct supervision of ESMA.

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Methodology

The presented credit rating for the bank BNP Paribas Bank Polska S.A is an issuer credit rating – it is a general assessment of the creditworthiness of the assessed entity and concerns the credit risk of its senior, unsecured and unsubordinated financial obligations.

The presented credit rating has been assigned in accordance with the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council on credit rating agencies.

The methodology used in this rating was "Credit rating methodology for banks" published in June 2023 and available at: <https://www.eurorating.com/en/ratings/methodology/credit-risk-assessment-methodology>

The rating scale of the EuroRating credit rating agency as well as detailed rating definitions are published at: <https://www.eurorating.com/en/ratings/rating-scale>

Historical default statistics for entities assessed by EuroRating are published in the report on rating statistics, available at: <https://www.eurorating.com/en/ratings/statistics>

EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: <https://www.eurorating.com/en/ratings/methodology/definition-of-default>

Credit ratings assigned by the EuroRating credit rating agency are not solely estimates of the probability of default of a rated entity, but represent a total estimated assessment of a risk of loss (i.e. the ultimate loss of part or all of the receivables along with any interest) by the creditors of the rated entity in the event of its default. Ratings assigned by EuroRating therefore express a combination of the estimated probability of default of the rated entity and the estimated level of loss of receivables by its creditors in the event of an actual default (Loss Given Default).

Public status of the credit rating / terms of use

The presented credit rating for the bank BNP Paribas Bank Polska S.A is a public rating. The date of the first publication of the rating, the current rating level and the full rating history are published on the EuroRating's website in the section "Credit ratings", in the relevant tab on the rated entity/security.

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Solicitation status and main sources of information

The rating assigned to the bank BNP Paribas Bank Polska S.A. was not solicited by the rated entity or any related third parties. The rated entity did not participate in the rating process and the EuroRating had no access to internal documents or the management of the rated entity. The analytical process relied solely on publicly available information. Key sources of information included: interim financial statements, presentations and reports from the rated entity, along with media coverage of the economy and relevant industries, as well as public information about the rated entity itself. The assigned credit rating was presented to the rated entity in advance and issued without any changes resulting from this disclosure.

Lead rating analyst:

Marcin Zawadzki

Rating Analyst

email: marcin.zawadzki@eurorating.com

phone: +48 22 349 24 89

Chairman of the Rating Committee:

Adam Dobosz

Senior Rating Analyst

email: adam.dobosz@eurorating.com

phone: +48 22 349 24 33

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