BANK BGŻ BNP PARIBAS S.A. CAPITAL GROUP

CAPITAL ADEQUACY INFORMATION AS OF 31 DECEMBER 2018

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1. INTRODUCTION

In accordance with the Regulation of the European Parliament and of the Council (EU) No 575/2013 as of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (Acts. Office. EU. L No. 176, p. 1), hereinafter referred to as "**Regulation (EU) No 575/2013**", Bank BGZ BNP Paribas SA with its registered office in Warsaw, hereinafter referred to as "**Bank**", is obliged to publish in a publicly accessible manner information about the qualitative and quantitative adequacy of the capital excluding irrelevant information, proprietary or confidential. This document provides information on the capital adequacy of the Bank BGZ BNP Paribas SA Capital Group as of 31 December 2018.

Pursuant to the obligation specified in article 13 of the Regulation (EU) No 575/2013, Bank publicly discloses as defined in art. 437, 438, 440, 442, 450, 451 and 453 the information based on data available at the highest, national level of consolidation for prudential purposes. In addition, Bank discloses information on unencumbered assets based on art. 443 of Regulation (EU) No 575/2013.

The obligations arising from art. 450 of the Regulation (EU) No 575/2013 are fulfilled through the publishing on the Bank's website of the "Information on Remuneration Policy for persons having material impact on the risk profile of BGŻ BNP Paribas S.A."

2. INFORMATION ON BANK BGŻ BNP PARIBAS S.A. CAPITAL GROUP

The Bank BGŻ BNP Paribas S.A. Capital Group, hereinafter referred to as "**Bank Capital Group**" is a part of BNP Paribas S.A., an international financial institution based in Paris hereinafter referred to as "**BNP Paribas Group**". The direct parent entity of Bank BGŻ BNP Paribas S.A. is BNP Paribas S.A. which holds 88,76% of the Bank's shares, where 24,07% are held indirectly per BNP Paribas Fortis SA/NV (former Fortis Bank SA/NV) based in Brussels. The remaining 11,24% of shares is held by minority shareholders (having less than 5% of the total number of votes at the General Meeting).

Table 1 Shareholders' structure of Bank Capital Group as of 31 December 2018

SHAREHOLDERS	NUMBER OF SHARES HELD	% OF THE SHARE CAPITAL	NUMBER OF VOTES AT THE AGM	% NUMBER OF THE TOTAL NUMBER OF VOTES
BNP Paribas S.A., *total*:	130 850 464	88,76%	130 850 464	88,76%
BNP Paribas S.A. directly	95 360 238	64,69%	95 360 238	64,69%
BNP Paribas Fortis SA/NV directly	35 490 226	24,07%	35 490 226	24,07%
Others	16 568 454	11,24%	16 568 454	11,24%
Total	**147 418 918**	**100,00%**	**147 418 918**	**100,00%**

On 10 April 2018 the Bank concluded with Raiffeisen Bank International AG and BNP Paribas S.A. an agreement on acquisition of the core business of Raiffeisen Bank Polska S.A.(RBPL) by the Bank, with exclusion of the activity entailing FX mortgage loans for residential and non-residential purposes, granted by RBPL, other loan exposures, likewise any legal relationships between RBPL and six investment funds in liquidation, managed till November 2017 by FinCrea TFI S.A., through division of RBPL by means of a demerger of the core business. The whole process was finalised in the fourth quarter of 2018. On 31 October 2018 the District Court for the capital city of Warsaw in Warsaw, XII Commercial Division of the National Court Register entered into the register of entrepreneurs, the increase of the share capital of the Bank from PLN 97,538,318.00 to PLN 147,418,918.00, in connection with the demerger of RBPL based on Article 529 para. 1 item 4 of the Code of Companies and Partnerships. Pursuant to Article 530 para. 2 of the Code of Companies and Partnerships, the registration of the share capital increase was accompanied by the demerger of the core business of RBPL in the form of the organised part of the RBPL enterprise, including all RBPL assets and liabilities linked with the core business, and exclusive of assets and liabilities that have remained after the demerger; and by the transfer of the core business of RBPL to the Bank. Therefore, the demerger took effect and the core business of RBPL formally became the part of the Bank. Due to the finalisation of the acquisition of the RBPL core business, the following companies have been included in the Bank's Capital Group: Raiffeisen Financial Services Polska sp. z o.o., Raiffeisen Solutions sp. z o.o. and Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A..

As at 31 December 2018, the Bank Capital Group comprised Bank, as the parent, and its subsidiaries:

1. Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o., with its registered office at ul. Kasprzaka 10/16 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000023062. The Bank holds 100% of the company's shares.
2. Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A. with its registered office at ul. Twarda 18, 00-105 Warsaw. The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000031121. The Bank holds 100% of the company's shares. .
3. BNP Paribas Leasing Services Sp. z o.o. (formerly: Fortis Lease Polska Sp. z o.o. in liquidation) with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000225155. The Bank holds 100% of the company's shares.
4. BNP Paribas Group Service Center S.A. (formerly: Laser Services Polska S.A.) with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000022784. The Bank holds 100% of the company's shares.
5. Campus Leszno sp. z o.o.. The Bank holds 100% of the company's shares.
6. BGŻ Poland ABS1 DAC based in Ireland, 3RD Floor Kilmore House, Park Lane, Spencer Dock, Dublin. A special purpose vehicle with which the Bank carried out a securitization transaction of a part of the loan portfolio. The Bank has no equity involvement in this unit. The entity is controlled by Bank due to fulfillment of the control conditions contained in International Financial Reporting Standard 10.

7. BNP Paribas Financial Services Polska sp. z o.o. with its registered office at ul. Grzybowska 78, 00-844 Warsaw. The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000045093. The Bank holds 100% of the company's shares.
8. Raiffeisen Solutions sp. z o.o. with its registered office at ul. Grzybowska 78, 00-844 Warsaw. The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000515965. The Bank holds 100% of the company's shares.
9. Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office at ul. Grzybowska 78, 00-844 Warsaw. The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000588749. The Bank holds 100% of the company's shares.

According to the art. 436 of Regulation (EU) No 575/2013 Bank informs about the differences in the scope of consolidation for accounting and prudential purposes. Among the companies for which the Bank is the parent company, for the purpose of prudential consolidation not included are:

1) Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.
2) BNP Paribas Group Service Center S.A.
3) Campus Leszno sp. z o.o.
4) BGŻ Poland ABS1 DAC
5) BNP Paribas Financial Services Polska sp. z o.o..

The abovementioned entities, apart from BGŻ Poland ABS1 DAC, are excluded from the scope of prudential consolidation, as they fulfill the requirements set out in paragraph 1 of Article. 19 of Regulation (EU) No 575/2013. In BGŻ Poland ABS1 DAC, the Bank has no capital shares. The company is controlled by the Bank due to the meeting the conditions contained in IFRS10.

3. OWN FUNDS

Based on the art.437 of the Regulation (EU) No 575/2013 the Bank discloses full reconciliation of own funds items in relation to the financial statements.

Table 2 Full reconciliation of own funds items in relation to the financial statements

[k. PLN]

POSITIONS OF THE CONSOLIDATED FINANCIAL STATEMENT USED FOR THE CALCULATION OF OWN FUNDS	Positions on 31 December 2018	Correction for companies not subject to prudential consolidation	Filters	Part of the unrecognized annual profit	OWN FUNDS POSITIONS
Assets					
Intangible assets	520 767	146	-	-	520 621
Deferred tax assets net of related tax liability	1 031 024	-2 056	-	-	1 033 080
Liabilities					
Subordinated liabilities	1 875 769	-	-	-	1 872 490
- including subordinated loans recognized as instruments in Tier II	1 875 769	-	-	-	1 872 490
Core capital					
Common Shares	147 419	-	-	-	147 419
Other capital instruments, including:	10 319 051	-	-	-	10 319 051
- share premium accounts	7 259 316	-	-	-	7 259 316
- general risk fund	627 154	-	-	-	627 154
- reserve capital	2 432 582	-	-	-	2 432 582
revaluation reserve, including:	174 296	-	-	-	174 296
- unrealized profits	174 325	-	-	-	174 325
Result of the current year	360 378	10 751	-	36 850	312 777

Bank discloses own funds structure together with regulatory adjustments to Tier I and Tier II capital.

Table 3 The own funds structure with regulatory adjustments as of 31 December 2018

No.*		(A) AMOUNT AT DISCLOSURE DATE (k. PLN)	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
Common Equity Tier I capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	7 406 735	26 (1), 27, 28, 29, EBA list 26 (3)
	Of which: common shares	147 419	EBA list 26 (3)
2	Retained earnings	-105 582	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2 573 761	26 (1)
3a	Funds for general banking risk	627 154	26 (1) (f)
6	**Common Equity Tier I (CET1) capital before regulatory adjustments**	**10 502 068**	
Common Equity Tier I (CET1) capital: regulatory adjustments			
7	Additional value adjustment (negative amount)	-27 894	34,105

8	Intangible assets (net of related tax liability) (negative amount)	-520 621	36 (1) (b), 37, 472 (4)
26b	Amount to be added to Common Equity Tier 1 capital with regard to IFRS 9 during the transition period	380 746	473 (a)
28	**Total regulatory adjustments to Common Equity Tier I (CET1)**	**-167 769**	
29	**Common Equity Tier I (CET1) capital**	**10 334 299**	
44	Additional Tier I (AT1) capital	0	
45	Tier I capital (T1 = CET1 + AT1)	10 334 299	
Tier II (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	1 872 490	62, 63
51	Tier II (T2) capital before regulatory adjustments	1 872 490	
58	Tier II (T2) capital	1 872 490	
59	Total capital (TC = T1 + T2)	12 206 789	
60	Total risk weighted assets	83 451 281	
Capital ratios and buffers			
61	Common Equity Tier I (as a percentage of risk exposure amount)	12,38%	92 (2) (a), 465
62	Tier I (as a percentage of risk exposure amount)	12,38%	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	14,63%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systematic important institution buffer expressed as a percentage of risk amount)	5,125%	CRD 128, 129, 130
65	of which: capital conservation buffer requirement	1,875%	
66	of which: countercyclical buffer requirement	0,000%	
67	of which: systematic risk buffer requirement	3,000%	
67a	of which: Global Systematically Important Institution (G-SII) or Other Systematically Important Institution (O-SII) buffer	0,250%	CRD 131
68	Common Equity Tier I available to meet buffers (as a percentage of risk exposure amount)	5,12%	CRD 128
Amounts below the threshold (before risk weighting)			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	1 033 080	36 (1) (c), 38, 48, 470, 472 (5)

* Numbering in accordance with Annex VI of the Implementing Regulation of the Commission (EU) No 1423/2013 as of 20th December 2013 establishing implementing technical standards in disclosure requirements on the institution's own funds in accordance with Regulation of the European Parliament and the Council (EU) No 575/2013 ((Acts. Office. EU. No. L 355, p. 60), hereinafter referred to as "**Implementing Regulation (EU) No 1423/2013**". Indicated in Annex VI of the Commission Implementing Regulation (EU) No 1423/2013 positions which are not included in the table above do not apply to the Bank.

For the purpose of preparing the statement of Core Tier I and Supplementary Tier II capital on a consolidated basis, shares in subsidiaries are switched off.

Pursuant to the provisions of Banking law, the act of August 29, 1997 (consolidated text in Journal of Laws of 2017, item 1876), hereinafter referred to as "**Banking law"** and Regulation (EU) No 575/2013, own funds of the Bank for the purposes of the capital adequacy calculation include:

1. Capital Tier I

2. Capital Tier II

Capital Tier I includes:

1. Common Equity Tier I capital – the sum of the Common Equity Tier I items after application of the required adjustments as well as deductions and exemptions,
2. Additional Tier I capital.

Capital Tier II entails the items included in Capital Tier II after deductions.

Common Equity Tier I capital includes the following items:

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

Capital Tier II items, calculated based on the Regulation (EU) No 575/2013, (Art. 62 – 91), include – subordinated loans – included in Supplementary Own Funds in the amount and in accordance with the principles laid down in the decision of the Polish Financial Supervision Authority (KNF).

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

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

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

Retained earnings are profits generated by the Bank Capital Group in the previous period after deducting the dividends paid. Retained earnings include:

- remaining additional capital,
- reserve capital,
- general risk fund,
- retained earnings of the previous years,
- net financial result attributable to shareholders of the parent entity.

Unrealized gains and losses on available-for-sale debt and capital instruments are recognized in own funds, in line with the instructions included in the Regulation (EU) no. 575/2013 and the Banking Law Act.

Capital instruments and subordinated loans qualify as instruments under Tier II, provided that the conditions specified in Article 63 of the Regulation (EU) No 575/2013 are met. Capital Tier2 II include subordinated loans received with a value of PLN 1 872 490 k.

Bank introduced deduction for core Tier I capital in accordance with art. 36 (1) point. b. of Regulation (EU) No 575/2013 for intangible assets in amount of PLN -520 621 k. For additional Tier I and supplementary Tier II capital deductions have not been applied.

The Bank has not adjusted capital pursuant to art. 47, 48, 56, 66 and 79 of Regulation (EU) No 575/2013.

After analysing the requirements set forth in Regulation no 2017/2395, the Bank decided to apply transition provisions provided for in the said Regulation, which means that for the purpose of the capital adequacy assessment of the Bank and the Group, the full impact of the IFRS 9 implementation will not be taken into account. Based on the said decision and Regulation, the Bank made the adjustment to the Common Equity Tier I in the amount of PLN 380,746 thousand.

In the Tier I, AT I and Tier II capital statement - adjustments which had been provided in Regulation (EU) 575/2013 have not been applied.

With reference to the art.437 of the Regulation (EU) No 575/2013 the Bank discloses main features to Tier I capital.

Table 4 Capital instruments' main features in Common Equity Tier I Capital

1	Issuer	BGŻ BNP Paribas S.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN code: PLBGZ0000010
3	Governing law(s) of the instrument	Polish
	Regulatory Treatment	Yes
4	Transitional Resolution (UE) no 575/2013 rules	Common Equity Tier I Partial issue reclassification to lower category of capital
5	Post-transitional Resolution (UE) no 575/2013 rules	Common Equity Tier I
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & (Sub-)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Instrument type: ordinary share. Classification - Common Equity Tier I instrument in accordance with Article 28 of Regulation (EU) No. 575/2013.
8	Amount recognised in regulatory capital (currency in million, as at the last reporting date)	PLN 15.09 mn (series A) PLN 7.81 mn (series B) PLN 0.25 mn (series C)

		PLN 3.22 mn (series D) PLN 10.64 mn (series E) PLN 6.13 mn (series F) PLN 8.00 mn (series G) PLN 5.00 mn (series H) PLN 28.10 mn (series I) PLN 2.50 mn (series J) PLN 10.80 mn (series K) PLN 49,88 mn (series L) Registered shares of series B are preference shares. The privilege concerning the shares of series B, includes the right to receive payment of the full nominal amount per share in the event of liquidation of the Bank after satisfying creditors, first before payments attributable to ordinary shares, which are payments in face of execution of the privilege may not cover the nominal amount of those shares. The amount recognized in regulatory capital does not differ from the amount of the issued instrument.
9	Nominal amount of instrument	PLN 147 418 918
9a	Issue price	PLN 1
9b	Redemption price	Not applicable
10	Accounting classification	Equity
11	Original issue date	09.09.1994.
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons/dividends	Dividends
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing) - in relation to the payment of the coupon/dividend	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount) - in relation to the payment of the coupon/dividend	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s) Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not applicable

32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitional features	No
37	If yes, specify non-compliant features	Not applicable

Bank recognizes subordinated liabilities in its Tier II capital. The full list of subordinated liabilities as of 31 December 2018, is shown in the table below.

Funds from subordinated loans are qualified as own funds on the basis of the adequate decision of the Polish Financial Supervision Authority.

Table 5 Subordinated liabilities as of 31 December 2018

Name of the creditor	Liability type	Currency	Original value	Value in PLN	Date of the loan	Maturity date	Date of recognition in Capital*	Interest rate
BNP PARIBAS S.A. Francja	subordinated loan	CHF	60 000	228 996	2012-12-20	2027-12-20	2017-12-15	LIBOR CHF 3M + margin
BNP PARIBAS S.A. Francja	subordinated loan	EUR	60 000	258 000	2012-12-20	2027-12-20	2017-12-15	EURIBOR 3M + margin
BNP PARIBAS S.A. Francja	subordinated loan	CHF	90 000	343 494	2014-09-17	2024-09-17	2014-09-23	LIBOR CHF 6M + margin
BNP PARIBAS S.A. Francja	subordinated loan	EUR	40 000	172 000	2016-01-07	2026-01-07	2016-01-28	EURIBOR 3M + margin
BNP PARIBAS S.A. Francja	subordinated loan	PLN	440 000	440 000	2016-01-07	2026-01-07	2016-01-28	WIBOR 3M + margin
Lion International Investments S.A. Luksemburg	subordinated loan	EUR	60 000	258 000	2016-11-22	2026-11-22	2016-12-23	EURIBOR 3M + margin
BNP PARIBAS S.A. Francja	subordinated loan	EUR	40 000	172 000	2018-12-11	2028-12-11	2018-12-19	EURIBOR 3M + margin

*date of the decision of the Polish Financial Supervision Authority approving the qualification of funds from the subordinated loan as an instrument in Tier II.

4. CAPITAL REQUIREMENTS

According to art. 438 of the Regulation (EU) No 575/2013, the Bank is publishing overview of risk weighted assets and amounts representing 8% of the risk-weighted exposure, separately for each exposure class, which are presented in tables below:

Table 6 Risk wieghted assets overview

		RWAs		Capital requirements
	[k. PLN]	31 December 2018	31 December 2017	31 December 2018
1	**Credit risk**	**73 436 205**	**50 362 521**	**5 874 896**
2	Of which standardised approach	73 436 205	50 362 521	5 874 896
4	Of which advanced IRB approach	-	-	-
5	Of which equity positions under the simple risk-weighted approach	-	-	-
6	**Counterparty Credit Risk**	**1 262 941**	**761 225**	**101 035**
7	Of which mark-to-market	922 615	548 266	73 809
10	Of which internal model method (IMM)	-	-	-
11	Of which CCP - default fund contributions	-	-	-
12	Of which CVA	340 326	212 959	27 226
14	**Securitisation exposures in the banking book**	**-**	**-**	**-**
15	Of which IRB approach (IRB)	-	-	-
16	Of which IRB supervisory formula approach (SFA)	-	-	-
17	Of which internal assessment approach (IAA)	-	-	-
18	Of which standardised approach	-	-	-
19	**Market risk**	**844 070**	**270 215**	**67 526**
20	Of which standardised approach	844 070	270 215	67 526
21	Of which IMA	-	-	-
23	**Operational risk**	**7 908 064**	**4 594 169**	**632 645**
24	Of which basic indicator approach	100 332	72 840	8 027
25	Of which standardised approach	7 807 732	4 521 329	624 619
26	Of which advanced measurement approach (AMA)	-	-	-
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**-**	**-**	**-**
29	**TOTAL**	**83 451 280**	**55 988 130**	**6 676 102**

Table 7 Capital adequacy as of 31 December 2018

	[k. PLN]
Total amount of exposure to risk	**83 451 281**
Credit risk	74 358 821
Market risk	844 070
Operational risk	7 908 064
CVA Risk	340 326
Own funds	**12 206 789**
Common Equity Tier I (CET1)	10 334 299
Additional Tier I capital	
Tier II capital	1 872 490
Total capital adequacy ratio	**14,63%**
Tier I capital adequacy ratio	**12,38%**

Table 8 Capital requirements as of 31 December 2018

[k. PLN]

	Exposure class	RWA	Total of capital requirement for following types of risk: credit, counterparty, dilution and late delivery of instruments for settlement
Exposures calculated by standardised approach	Central governments or central banks	2 587 541	207 003
	Regional governments or local authorities	78 057	6 245
	Public sector entities	25 570	2 046
	Multilateral development banks	0	0
	International organizations	0	0
	Institutions	770 388	61 631
	Corporates	31 893 839	2 551 507
	Retail	16 971 073	1 357 686
	Exposures secured by mortgages on immovable property	16 860 281	1 348 823
	Exposures in default	3 679 882	294 391
	High risk	68 765	5 501
	Exposures in the form of units or shares in collective investment undertakings	0	0
	Equity	281 930	22 554
	Other items	1 141 495	91 320
	Total	**74 358 821**	**5 948 706**

According to Art. 438 of Regulation (EU) No 575/2013, the Bank publishes a brief description of the adequacy of its internal capital to support current and future operations. Internal capital estimation methods are converged to a large degree with BNP Paribas Group framework embodying risk type definitions and policies. Risk definitions used by the Bank are being aligned with the definitions applied by the BNP Paribas Group. However, the risk definitions have been approved by the Supervisory Board of the Bank and they may differ to the latest ones at the BNP Paribas Group level.

The core risk identified in the Bank are described in the following paragraphs.

Liquidity Risk

The risk for the Bank to be unable to fulfil its obligations at an acceptable cost in a given currency and location. The Bank recognises the material impact of liquidity risk on the Bank's activity. The management of liquidity risk is currently converged to a large degree with BNP Paribas Group framework and policies.

Credit risk

Credit risk is considered material by the Bank. It results from the volume and nature of the Bank's assets. Credit risk is the risk of incurring an economic loss on loans and receivables, existing or potential due to prior commitments, resulting from the credit quality migration of the Bank's debtors, which may eventually come to default.

The probability of default and the expected recovery on the loan or receivable in the event of default are key components of the credit quality assessment. When measured at portfolio level, credit risk takes into account correlations between the values of the loans and receivables making up the portfolio concerned.

Market risk (interest rate and currency risks) and interest rate risk in the banking book

Market risk is defined as the risk of incurring an economic loss as a result of adverse changes in market parameters, those ones being directly tradable or not. The risk of incurring an economic loss as a result of mismatches in interest rates, maturities or nature between assets and liabilities. For banking activities, asset-liability management risk is measured in non-trading portfolios and primarily relates to the interest rate risk in the banking book.

Operational risk

Bank defines operational risk in compliance with the Regulation (EU) No 575/2013 as the risk of incurring an economic loss due to inadequate or failed internal processes, human and systems errors or due to external events, including legal risk. The management of operational risk is underpinned by an analysis of the cause - event - effect chain. The management of operational risk is currently converged to a large degree with BNP Paribas Group framework and policies.

Business, reputation, and strategic risks

Business risk is the risk of a negative operating result due to the inability to match costs to revenues. This may be due to changes in the business environment and to the inelastic cost structure that prevents them from being corrected.

5. CAPITAL BUFFERS

Based on Article 19(1) of the Act of 5 August 2015 on Macroprudential Supervision over the Financial System and Crisis Management in the Financial System (Dz. U. of 2017. Pos. 1934), hereinafter referred to as the "**Macroprudential Law**" in connection with the wording of Article 84 of the Macroprudential Law, Bank in the period from 1 January 2018 until 31 December 2018, is obliged to retain the amount of core capital Tier I, ancillary to the core capital Tier I held for the purpose of meeting the requirement of own funds, referred to in Article 92(1) of the Regulation (EU) No 575/2013, amounting to 1.875% of the total risk exposure calculated in accordance with art. 92(3) of the Regulation (EU) No 575/2013 on the principles of individual and consolidated basis (**conservation buffer**).

Pursuant to Article 21(1) of the Macroprudential Law the Bank shall maintain the Common Equity Tier I capital amount, referred to in Article 92(1) of Regulation (EU) No 575/2013, equal to the total risk exposure amount calculated in accordance with Article 92(3) of the Regulation, multiplied by the weighted average of countercyclical capital buffer rates calculated based on Macroprudential Law (**countercyclical buffer specific for the institution**). The applicable counter-cyclical buffer rate equals 0 as at 31 December 2018.

The Financial Supervision Authority (KNF) in its letter dated 8 August 2018, pursuant to Art. 39 item 1 in connection with Art. 38 items 1 and 2 of the Macroprudential Law informed the Bank that no premises have arisen to justify repealing or changing the Authority's decision dated 4 October 2016, in the wording established by the Authority decision dated 19 December 2017 with respect to imposing the other systemically important institution buffer on the Bank (on a consolidated and standalone basis) equal to 0.25% of total risk exposure amount computed based on Art. 92(3) of Regulation (EU) No 575/2013 (**other systemically important institution buffer**).

The Financial Supervision Authority by its decision of 15 October 2018 instructed the Bank to maintain an additional requirement with respect to own funds in excess of the value arising under from the requirements calculated in accordance with the detailed principles defined in Regulation (EU) No 575/2013 to hedge the risk resulting from foreign currency mortgage loans to households at the level equal to 0.36 pp in excess of the total capital ratio, referred to in Art. 92 para. 1 point c) of Regulation (EU) No 575/2013 that should include at least 75% of Tier I capital (which corresponds to the capital requirement at the level of 0.27 pp in excess of the Tier I capital ratio, referred to in Art. 92 para. 1 point b) of Regulation No 575/2013) and at least 56% of the Common Equity Tier I capital (which corresponds to the capital requirement at the level of 0.20 pp in excess of the Common Equity Tier I capital ratio, referred to in Art. 92 para. 1 point a) of Regulation (EU) No 575/2013 ("**Individual capital add-on for FX mortgage loans**").

Due to entry into force on 1 January 2018 of the Ordinance of the Minister for Development and Finance dated 1 September 201t on the systemic risk buffer (Journal of Laws 2017, no 1776) (equal to 3%), the KNF set the minimum thresholds for capital ratios to which banks should adhere in 2018. Starting 2018 banks should maintain the minimum values of capital ratios at the Pillar 1 regulatory level, arising under Art. 92 of the Regulation (EU) No 575/2013 and Pillar 2 (hereinafter the "add-on"), stipulated in Art. 138(1)(2a) of the Banking law, likewise the combined buffer requirement defined in the Macroprudential Law.

The BGŻ BNP Paribas S.A. Group calculates the institution-specific countercyclical buffer ratio in accordance with the provisions of the Act on macroprudential supervision over the financial system and crisis management in the financial system. Details of the distribution of the relevant credit exposures can be found in Table 10.

Pursuant to Article 83 of the Macroprudential Law, since 1 January 2018 the countercyclical buffer is 0% for credit exposures in the territory of the Republic of Poland.

As a consequence, the countercyclical buffer as of 31 December 2018 was 0 p.p.

Table 9 Institution-specific countercyclical capital buffer as of 31 December 2018

[k. PLN]	31 December 2018
Total risk exposure amount	83 451 281
Institution specific countercyclical buffer rate	0,00%
Institution specific countercyclical buffer requirement	0

Table 10 The geographic distribution of the relevant credit exposures for the countercyclical buffer calculation as of 31 December 2018

[k. PLN]		General credit exposures		Trading book exposure		Securitization exposure		Own funds requirement					
LP	Country	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SP	Exposure value for IRB	of which: General credit exposure	of which: Trading book exposures	of which securitisation exposure	Total	Own funds requirement weights	Countercyclical capital buffer rate
1	Saudi Arabia	31	-	-	-	-	-	2	-	-	2	0,00003	
2	Australia	361	-	-	-	-	-	25	-	-	25	0,00043	
3	Austria	11 142	-	-	-	-	-	595	-	-	595	0,01047	
4	Belgium	22 772	-	-	-	-	-	658	-	-	658	0,01158	
5	Benin	89	-	-	-	-	-	5	-	-	5	0,00009	
6	Belarus	58	-	-	-	-	-	4	-	-	4	0,00008	
7	Brazil	32	-	-	-	-	-	1	-	-	1	0,00001	
8	Bulgaria	45	-	-	-	-	-	3	-	-	3	0,00005	
9	China	266	-	-	-	-	-	16	-	-	16	0,00028	
10	Croatia	6	-	-	-	-	-	1	-	-	1	0,00001	
11	Cyprus	59 231	-	-	-	-	-	3 367	-	-	3 367	0,05925	
12	Denmark	46 273	-	-	-	-	-	933	-	-	933	0,01642	
13	Dominica	31	-	-	-	-	-	3	-	-	3	0,00004	
14	Estonia	10 278	-	-	-	-	-	822	-	-	822	0,01447	
15	Finland	3 523	-	-	-	-	-	72	-	-	72	0,00127	
16	France	80 243	-	-	-	-	-	3 308	-	-	3 308	0,05822	
17	Gibraltar	23	-	-	-	-	-	1	-	-	1	0,00003	
18	Greece	617	-	-	-	-	-	49	-	-	49	0,00086	
19	Georgia	40	-	-	-	-	-	3	-	-	3	0,00005	
20	Spain	86 573	-	-	-	-	-	6 998	-	-	6 998	0,12315	
21	India	91	-	-	-	-	-	6	-	-	6	0,00011	
22	Ireland	20 786	-	-	-	-	-	636	-	-	636	0,01119	
23	Iceland	248	-	-	-	-	-	15	-	-	15	0,00026	
24	Israel	590	-	-	-	-	-	47	-	-	47	0,00083	
25	Canada	33	-	-	-	-	-	3	-	-	3	0,00005	
26	Qatar	38	-	-	-	-	-	4	-	-	4	0,00007	

27	Lithuania	87	-	-	-	-	-	6			6	0,00010	0,50
28	Luxembourg	435 485	-	-	-	-	-	30 038	-	-	30 038	0,52864	
29	Latvia	4 584	-	-	-	-	-	352	-	-	352	0,00619	
30	Malta	380	-	-	-	-	-	23	-	-	23	0,00040	
31	Mauritius	77	-	-	-	-	-	5	-	-	5	0,00008	
32	Moldova, Republic of	86 046	-	-	-	-	-	6 884	-	-	6 884	0,12115	
33	Monaco	43	-	-	-	-	-	3	-	-	3	0,00005	
34	Netherlands	313 577	-	-	-	-	-	22 948	-	-	22 948	0,40385	
35	Germany	130 214	-	-	-	-	-	5 869	-	-	5 869	0,10330	
36	Norway	1 065	-	-	-	-	-	118	-	-	118	0,00208	2,00
37	Poland	84 541 269	-	89 601 200	-	-	-	5 494 908	67 526	-	5 562 434	97,89185	
38	Portugal	1 323	-	-	-	-	-	154	-	-	154	0,00271	
39	South Africa	15	-	-	-	-	-	1	-	-	1	0,00002	
40	Czech Republic	4 702	-	-	-	-	-	202	-	-	202	0,00355	1,00
41	Russian Federation	15 453	-	-	-	-	-	1 236	-	-	1 236	0,02175	
42	Romania	9 045	-	-	-	-	-	724	-	-	724	0,01274	
43	Senegal	86 214	-	-	-	-	-	6 897	-	-	6 897	0,12137	
44	Serbia	9	-	-	-	-	-	1	-	-	1	0,00001	
45	Seychelles	6	-	-	-	-	-	0	-	-	0	0,00001	
46	Slovakia	1 548	-	-	-	-	-	120	-	-	120	0,00211	
47	Slovenia	34	-	-	-	-	-	2	-	-	2	0,00004	1,25
48	United States of America	39 339	-	-	-	-	-	4 330	-	-	4 330	0,07620	
49	Switzerland	6 324	-	-	-	-	-	355	-	-	355	0,00625	
50	Switzerland	263	-	-	-	-	-	17	-	-	17	0,00031	
51	Sweden	43 689	-	-	-	-	-	2 999	-	-	2 999	0,05278	2,00
52	Ukraine	2 432	-	-	-	-	-	166	-	-	166	0,00292	
53	Hungary	19 005	-	-	-	-	-	1 523	-	-	1 523	0,02681	
54	United Kingdom	210 955	-	-	-	-	-	17 163	-	-	17 163	0,30204	1,00
55	Italy	710	-	-	-	-	-	69	-	-	69	0,00121	
56	United Arab Emirates	101	-	-	-	-	-	8	-	-	8	0,00014	
57	Other countries	27	-	-	-	-	-	2	-	-	2	0,00003	
	TOTAL	**86 297 442**	**0**	**89 601 200**	**0**	**0**	**0**	**5 614 698**	**67 526**	**0**	**5 682 224**	**100,00000**	

6. CREDIT RISK ADJUSTMENTS

Bank discloses information regarding the institution's exposure to credit risk in the Consolidated Financial Statements of the Capital Group of Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2018 hereinafter referred to as "**Consolidated Financial Statements**" in periodic reports section at:

https://www.bgzbnpparibas.pl/investor-relations

The following sections of the Consolidated Financial Statements should be referred to for the credit risk disclosures resulting from the art. 442 of the Regulation (EU) No 575/2013:

1) impairment of financial assets –Note 2.17
2) credit risk – Note 55.2
3) maturity breakdown of the exposures – Note 22.
4) changes to the impairment provisions accounted for categories of receivables – Note 22.

The total net amount of exposures by exposure category is presented in the table below.

Table 11 Total net amount of exposures by asset class as of 31 December 2018

[k. PLN]	Net value of exposures at 31 December 2018	Average net value in 2018	Net value of exposures at 31 December 2017
Central governments or central banks	28 920 828	18 400 248	14 507 332
Regional governments or local authorities	465 502	346 303	257 360
Public sector entities	43 375	41 520	11 513
Multilateral development banks	-	-	-
International organisations	-	-	-
Institutions	3 223 292	2 296 288	4 027 614
Corporates	44 912 909	35 222 404	30 922 351
Of which SMEs	20 248 356	16 390 196	14 538 877
Retail	30 242 997	24 975 787	22 921 833
Of which SMEs	17 900 496	16 603 364	16 028 976
Exposures secured by mortgages on immovable property	20 367 143	14 793 358	12 984 271
Of which SMEs	3 156 511	1 088 735	381 232
Exposures in default	3 028 785	2 439 786	2 005 546
High Risk	45 843	11 461	-
Equity	201 266	174 522	178 722
Other items	4 677 695	2 974 531	2 454 162
Total standardised approach	**136 129 636**	**101 676 210**	**90 270 705**
Total	**136 129 636**	**101 676 210**	**90 270 705**

The geographic distribution of the exposures is presented in the table below.

Table 12 Geographical breakdown of exposures by asset class as of 31 December 2018

31 December 2018

	Europe							
[k. PLN]	Europe	Poland	France	Luxembourg	United Kingdom	Other European countries	Other countries	TOTAL
Central governments or central banks	28 917 538	28 917 522	-	-	-	16	-	28 917 538
Regional governments or local authorities	465 502	465 502	-	-	-	-	-	465 502
Public sector entities	43 375	43 375	-	-	-	-	-	43 375
Multilateral development banks	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-
Institutions	3 158 466	1 016 815	1 281 065	12 388	21 821	826 378	64 826	3 223 292
Corporates	44 819 076	43 940 308	91 431	258 579	116 915	411 844	93 832	44 912 909
Retail	30 242 441	30 238 200	89	1	846	3 305	556	30 242 997
Exposures associated with particularly high risk	45 843	45 843	-	-	-	-	-	45 843
Exposures secured by mortgages on immovable property	20 364 531	20 326 044	1 337	-	14 370	22 780	2 612	20 367 143
Exposures in default	3 028 701	3 024 740	70	-	449	3 442	84	3 028 785
Equity	193 081	193 081	-	-	-	-	8 185	201 266
Other items	4 680 986	4 680 199	-	-	18	769	-	4 680 986
Total standardised approach	**135 959 541**	**132 891 631**	**1 373 992**	**270 967**	**154 418**	**1 268 532**	**170 095**	**136 129 636**
Total	**135 959 541**	**132 891 631**	**1 373 992**	**270 967**	**154 418**	**1 268 532**	**170 095**	**136 129 636**

Concentration of exposures by industry or counterparty types is presented in table below.

Table 13 Concentration of exposures by industry or counterparty types as of 31 December 2018

	31 December 2018																			
[k. PLN]	Agriculture, Food, Tobacco	Wholesale Trade	Real Estate	Materials & Ores	Retail Trade	Building & Public Works	Equipments excl. IT	Finance	Business Services	Transport & Storage	Household Goods	Chemicals excl. Pharmaceuticals	Automotive	Utilities (Electricity, Gas, Water, etc)	Communications Services	Healthcare & Pharmaceuticals	Information Technologies	Hotels, Tourism, Leisure	Other	TOTAL
Central governments or central banks	33 257	154 578	4 487	36 135	75 827	67 099	38 390	419 769	28 727	49 331	20 085	12 868	309	5 281	1 371	5 616	9 904	9 902	27 944 603	28 917 538
Regional governments or local authorities		-	1	-	-	-	-	-		-	-	-	-	100	-	32 465	-		432 936	465 502
Public sector entities	-	-		-	67	630	-	-	1 310	-	-	-	-	-	-	8 260	-	400	32 709	43 375
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	5 195	4 922	9 020	180	805	4 247	14 301	1 792 161	2 369	8 480	-	-	500	-	-	-	-	2 702	1 378 409	3 223 292
Corporates	6 284 526	6 274 234	3 504 884	4 232 715	3 273 492	3 060 483	3 580 588	1 521 409	2 794 384	1 784 713	865 967	1 213 871	1 232 972	951 752	1 022 423	412 430	682 544	197 027	2 022 494	44 912 909
Retail	10 752 112	1 029 083	292 000	450 473	885 307	494 629	457 811	26 487	461 489	491 904	189 358	45 257	19 155	88 326	21 246	255 318	68 483	164 846	14 049 711	30 242 997
Exposures associated with particularly high risk	-	-	38 217	-	-	524	-		-	-	-	-	-	-	-	-	-	-	7 102	45 843
Exposures secured by mortgages on immovable property	512 365	846 191	1 655 223	531 216	648 358	803 466	403 030	10 440	253 942	194 097	242 469	76 194	69 249	14 706	10 735	90 651	28 651	73 930	13 902 231	20 367 143
Exposures in default	703 349	175 698	309 181	45 396	105 399	128 258	117 655	31 362	87 812	117 707	24 373	2 507	2 898	16 563	422	11 432	20 507	51 739	1 076 526	3 028 785
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity	-	389	39 008	-	-	-	15 857	90 535	43 475	4 001	-	-	7 001	-	-	-	1 000	-	-	201 266
Other items	11 504	7 486	25 273	2 579	11 489	27 858	9 953	596 505	7 067	1 445	571	-	150	6 886	102	622	1 609	1 209	3 968 679	4 680 986
Total standardised approach	**18 302 309**	**8 492 581**	**5 877 293**	**5 298 696**	**5 000 744**	**4 587 193**	**4 637 586**	**4 488 670**	**3 680 575**	**2 651 678**	**1 342 823**	**1 350 697**	**1 332 234**	**1 083 613**	**1 056 298**	**816 794**	**812 698**	**501 754**	**64 815 400**	**136 129 636**
Total	**18 302 309**	**8 492 581**	**5 877 293**	**5 298 696**	**5 000 744**	**4 587 193**	**4 637 586**	**4 488 670**	**3 680 575**	**2 651 678**	**1 342 823**	**1 350 697**	**1 332 234**	**1 083 613**	**1 056 298**	**816 794**	**812 698**	**501 754**	**64 815 400**	**136 129 636**

In the following tables credit quality of exposures is presented.

Table 14 Credit quality of exposures by exposure class and instrument as of 31 Dec 2018

	31 December 2018				
	Gross exposures				
[k. PLN]	Defaulted exposures	Non-defaulted exposures	Total	Stage 3 provisions	Stage 1 & stage 2 provisions
Central governments or central banks	-	28 917 562	28 917 562	-	24
Regional governments or local authorities		466 768	466 769	-	1 266
Public sector entities	-	43 487	43 487	-	112
Multilateral development banks	-	-	-	-	-
International organisations	-	-	-	-	-
Institutions	15 858	3 224 462	3 240 321	-	1 170
Corporates	2 070 653	45 102 743	47 173 396	-	189 834
Of which SMEs	771 801	20 355 708	21 127 509	-	107 352
Retail	2 732 317	30 570 715	33 303 032	-	327 718
Of which SMEs	1 449 313	18 060 571	19 509 885	-	160 075
Exposures secured by mortgages on immovable property	-	20 449 734	20 449 734	-	82 592
Of which SMEs	-	3 159 577	3 159 577	-	3 067
Exposures in default	-	-	-	1 790 044	-
Exposures associated with particularly high risk	-	66 643	66 643	-	20 800
Equity	-	218 832	218 832	-	17 566
Other items	-	4 681 797	4 681 797	-	811
Total standardised approach	**4 818 828**	**133 742 745**	**138 561 573**	**1 790 044**	**641 894**
Total	**4 818 828**	**133 742 745**	**138 561 573**	**1 790 044**	**641 894**

Table 15 Credit quality of exposures by industry or counterparty types as of 31 Dec 2018

	31 December 2018				
	Gross exposures				
[k. PLN]	Defaulted exposures	Non-defaulted exposures	Total	Stage 3 provisions	Stage 1 & stage 2 provisions
Agriculture, Food, Tobacco	1 058 102	17 728 155	18 786 257	352 344	156 866
Wholesale Trade	371 248	8 336 840	8 708 088	191 921	23 246
Real Estate	374 641	5 585 467	5 960 108	67 485	15 327
Materials & Ores	104 037	5 262 740	5 366 777	57 501	10 494
Retail Trade	168 268	4 920 527	5 088 795	60 286	27 787
Building & Public Works	335 793	4 462 008	4 797 800	197 806	12 815
Equipment excl. IT	234 520	4 524 562	4 759 082	110 548	10 960
Finance	36 077	4 508 070	4 544 147	4 772	3 469
Business Services	124 649	3 609 288	3 733 937	35 817	17 590
Transport & Storage	171 375	2 542 596	2 713 971	50 935	11 183
Household Goods	58 745	1 320 339	1 379 085	34 412	1 855
Chemicals excl. Pharmaceuticals	3 370	1 349 352	1 352 722	875	1 149
Automotive	8 767	1 329 998	1 338 764	5 882	649
Utilities (Electricity, Gas, Water, etc)	25 238	1 076 573	1 101 811	8 573	9 497
Communications Services	1 200	1 058 089	1 059 289	739	2 252
Healthcare & Pharmaceuticals	19 528	814 144	833 672	7 913	8 979
Information Technologies	28 116	794 328	822 444	7 203	2 543
Hotels, Tourism, Leisure	82 715	451 982	534 697	30 766	2 180
Other	1 612 439	64 067 687	65 680 127	564 267	323 054
TOTAL	**4 818 828**	**133 742 745**	**138 561 573**	**1 790 044**	**641 894**

Table 16 Credit quality of exposures by geography as of 31 December 2018

31 December 2018

[k. PLN]	Gross exposures			Stage 3 provisions	Stage 1 & stage 2 provisions
	Defaulted exposures	Non-defaulted exposures	Total		
Europe	**4 818 633**	**133 572 252**	**138 390 886**	**1 789 931**	**641 414**
Poland	4 813 261	130 504 389	135 317 649	1 788 480	637 538
France	160	1 374 122	1 374 282	91	199
Luxembourg	-	271 196	271 196	-	229
United Kingdom	754	155 595	156 349	307	1 624
Other European countries	4 459	1 266 950	1 271 409	1 052	1 824
Rest of the World	**195**	**170 493**	**170 688**	**113**	**480**
TOTAL	**4 818 828**	**133 742 745**	**138 561 573**	**1 790 044**	**641 894**

Table 17 Contractual maturities of past-due exposures as of 31 December 2018

31 December 2018

[k. PLN]	Non-defaulted exposures							Defaulted exposures		
	≤30 days	>30 days, ≤60 days	>60 days, ≤90 days	>90 days, ≤180 days	>180 days, ≤1 year	>1 year	Total	>90 days, ≤180 days	>180 days, ≤1 year	>1 year
Loans	133 275 405	236 418	77 554	33 028	13 285	16 504	133 652 193	2 162 919	363 506	2 382 955
Total	**133 275 405**	**236 418**	**77 554**	**33 028**	**13 285**	**16 504**	**133 652 193**	**2 162 919**	**363 506**	**2 382 955**

Table 18 Maturity of exposures as of 31 December 2018

31 December 2018

[k. PLN]	Not determined	Up to 1 month (excl. Overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Central governments or central banks	1 897	27 955 482	28 916	241 982	612 443	76 818	28 917 538
Regional governments or local authorities	-	101 010	6 914	41 126	229 635	86 818	465 502
Public sector entities	-	473	1 676	15 984	22 430	2 812	43 375
Multilateral development banks	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-
Institutions	2 579	1 450 697	64 471	334 613	434 271	936 661	3 223 292
Corporates	38 473	2 895 208	2 739 548	10 856 177	20 349 872	8 033 631	44 912 909
Retail	14 834	315 298	750 000	3 885 078	13 181 399	12 096 388	30 242 997
Exposures associated with particularly high risk	-	-	-	-	45 843	-	45 843
Exposures secured by mortgages on immovable property	7 778	60 428	170 348	827 353	3 478 293	15 822 943	20 367 143
Exposures in default	401 414	649 016	96 496	171 981	746 699	963 179	3 028 785
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-
Equity	-	140 816	-	-	60 450	-	201 266
Other items	360	4 410 720	175 367	38 481	38 613	17 446	4 680 986
Total standardised approach	**467 335**	**37 979 148**	**4 033 736**	**16 412 774**	**39 199 947**	**38 036 696**	**136 129 636**
Total	**467 335**	**37 979 148**	**4 033 736**	**16 412 774**	**39 199 947**	**38 036 696**	**136 129 636**

7. USE OF CREDIT RISK MITIGATION TECHNIQUES

In terms of art. 453 of the Regulation (EU) No 575/2013 Bank makes use of both on- and off-balance sheet netting. The first credit risk mitigation technique applies to the lines drawn and deposits placed with the BNP Paribas SA. The off-balance sheet netting is in use for derivative transactions which are concluded under master agreements signed with corporate, SME and Micro clients segments. The off-balance netting also applies to derivative transactions concluded with selected credit institutions.

The Bank does not use credit derivatives as the credit risk mitigation technique.

The information about the credit risk concentrations is given in the note 55.2 of the Consolidated Financial Statements.

Table 19 Standardised approach – Credit risk exposure and credit risk mitigation effects as of 31 December 2018

						31 December 2018
	Gross exposure		EAD		RWAs	
[k. PLN]	Balance sheet	Off-balance sheet	Balance sheet	Off-balance sheet	RWAs	RWA density
Central governments or central banks	28 917 491	71	29 490 423	15 891	2 579 313	8,7%
Regional governments or local authorities	258 567	208 201	259 082	131 201	51 816	13,3%
Public sector entities	27 086	16 401	26 999	5 189	21 516	66,8%
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	870 308	922 317	951 281	315 987	301 159	23,8%
Corporates	26 785 169	17 616 920	26 350 807	6 175 565	25 375 167	78,0%
Retail	24 324 576	6 239 238	23 742 042	2 586 330	15 259 390	58,0%
Exposures secured by mortgages on immovable property	19 214 075	1 235 660	19 117 140	544 089	16 403 893	83,4%
Exposures in default	4 697 375	116 314	2 812 411	44 252	3 608 114	126,3%
Exposures associated with particularly high risk	66 643	-	45 843	-	68 765	-
Equity	218 832	-	201 266	-	281 930	140,1%
Other items	4 681 797	-	4 680 986	-	1 149 721	24,6%
Total	**110 061 919**	**26 355 121**	**107 678 282**	**9 818 503**	**65 100 785**	**55,4%**

The total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the broken down by different types of exposure classes are presented in the table below.

Table 20 The total amount of exposures after accounting offsets and credit risk mitigation techniques as of 31 December 2018

				31 December 2018
		Risk mitigation		
[k. PLN]	Total exposure	Guarantees and credit derivatives	Collateral	Total guarantees and collaterals
Central governments or central banks	28 917 538	-	-	-
Regional governments or local authorities	465 502	-	-	-
Public sector entities	43 375	99	1 400	1 499
Multilateral development banks	-	-	-	-

International organisations	-	-	-	-
Institutions	3 223 292	722 940	152 054	874 994
Corporates	44 912 909	339 945	268 171	608 117
Retail	30 242 997	334 588	30 354	364 942
Secured by mortgages on immovable property	20 367 143	15 625	3 035	18 660
Exposures in default	3 028 785	93 658	14 019	107 678
Exposures associated with particularly high risk	45 843	-	-	-
Equity	201 266	-	-	-
Other items	4 680 986	-	-	-
TOTAL	**136 129 636**	**1 506 856**	**469 034**	**1 975 890**

8. LEVEREGE RISK

The Bank discloses information on its leverage ratio based on Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regards to disclosure of the leverage ratio of institutions according to art. 451 of the Regulation (EU) No 575/2013 (Acts. Office. EU. Series L No. 39, p. 5) with later changes.

The Calculation of leverage ratio of the Bank Capital Group as of 31 December 2017 was made under the provisions of Commission Delegated Regulation (EU) 2015/62 as of 10 October 2014 amending Regulation (EU) No 575/2013 in respect of the leverage ratio (Acts. Office. EU. Series L No. 309, p. 5), hereinafter referred to as "Delegated Regulation 2015/62.". According to the Delegated Regulation 2015/62 financial leverage ratio is expressed as a percentage of the value of the quotient of Tier I capital and total exposure measure by the end of the reporting period, while total exposure measure is the sum of the exposure values determined under all of the assets and off-balance items not deducted when determining the capital measure Tier I .

Table 21 Leverage Ratio

Reference date	31 December 2018
Entity name	Bank BGŻ BNP Paribas S.A.
Level of application	consolidated

Table 22 Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amount in k. PLN
1	**Total assets as per published financial statements**	**107 157 661**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	9 990 203
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2 144 533

EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	0
8	**Leverage ratio total exposure measure**	**119 292 397**

Table 23 Leverage ratio common disclosure

		CRR leverage ratio exposures in k. PLN
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	107 678 282
2	(Asset amounts deducted in determining Tier I capital)	-520 621
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**107 157 661**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	856 700
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	1 287 833
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**2 144 533**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	26 375 045
18	(Adjustments for conversion to credit equivalent amounts)	-16 384 842
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**9 990 203**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure measure		
20	**Tier I capital**	**10 334 299**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**119 292 397**

	Leverage ratio	
22	**Leverage ratio**	**8,66**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Table 24 Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures in k. PLN
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**107 157 661**
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	107 157 661
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	29 493 713
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	286 081
EU-7	Institutions	951 281
EU-8	Secured by mortgages of immovable properties	19 117 140
EU-9	Retail exposures	23 742 042
EU-10	Corporate	26 350 807
EU-11	Exposures in default	2 812 411
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	4 404 184

Table 25 Description of the processes used to manage the risk of excessive leverage and Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers

1	Description of the processes used to manage the risk of excessive leverage	The leverage risk is defined by the Bank in the Bank's Risk Strategy and Internal Capital Adequacy Assessment Process Methodology while reporting is described in Instructions for the preparation of the COREP report and Leverage Ratio in Bank BGZ BNP Paribas SA.
2	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers	The risk of excessive leverage means the risk of an insufficient leverage ratio due to a decrease in the institution's own funds as a result of expected or incurred losses (decrease in numerator) or unexpected and unmanaged increase in total exposure (increase in denominator). The value of financial leverage depends directly on the economic size of the bank and its capital plan. The value of leverage is one of the basic indicators monitored on a regular basis. Thanks to this, the Bank has the necessary information to avoid breaking the safe level of the leverage. The biggest impact on the leverage ratio in 2018 was the merger of Bank BGŻ BNP Paribas S.A. with a separate part of Raiffeisen Bank Polska S.A. on October 31, 2018.

9. ENCUMBERED AND UNENCUMBERED ASSETS

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

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

a) lombard and technical credit,
b) REPO operations,
c) the Bank Guarantee Fund,
d) other operations to obtain liquidity or to guarantee settlements.

The bank also uses assets encumbering as an important parameter that reduces the cost of obtaining financing.

The level of encumbrance of the Bank's assets is low and is irrelevant to the Bank's business model.

Table 26 Encumbered and unencumbered assets

		Quarterly median values in 2018 [k. PLN]			
		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
010	**ASSETS**	**4 322 360**		**76 729 898**	
030	Equity instruments			80 857	80 857
040	Debt securities			17 568 713	17 568 713
050	*of which covered bonds*				
060	*of which asset-backed securities*				
070	*of which issued by general governments*			16 835 239	16 835 239
080	*of which issued by financial corporations*				
090	*of which issued by non-financial corporations*			521 733	521 733
120	Other assets	4 322 360		59 080 328	

Table 27 Collateral received

		Quarterly median values in 2018 [k. PLN]	
		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
130	**COLLATERAL RECEIVED**		**13 622 678**
140	Loans on demand		
150	Equity instruments		
160	Debt securities		
170	*of which covered bonds*		
180	*of which asset-backed securities*		
190	*of which issued by general governments*		
200	*of which issued by financial corporations*		
210	*of which issued by non-financial corporations*		

220	Loans and advances other than loans on demand		11 017 252
230	Other collateral received		2 605 426
241	**OWN COVERED BONDS AND ASSET-BACKED SECURITIES ISSUED AND NOT YET PLEDGED**		
250	**TOTAL ASSETS AND COLLATERAL RECEIVED**	**4 322 360**	

Table 28 Encumbered assets/collateral received and associated liabilities

		Quarterly median values in 2018 [k. PLN]	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued
010	**CARRYING AMOUNT OF SELECTED FINANCIAL LIABILITIES**	**3 392 068**	**4 322 360**

10. OPERATIONAL RISK

Strategies and processes in operational risk management

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

Operational risk is defined by the Bank as the possibility to incur losses or an unjustified cost resulting from inadequate or failed internal processes, people and systems or from external events. Legal risk is included into the operational risk, whereas strategic risk is excluded.

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

Operational risk management process included the following stages:

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

Organization of the operational risk management process

The operational risk management process is carried out under three lines of defence. The first line of defence consists of risk management in the operational activity of the Bank. The second line of defence consists in particular risk management by employees at specifically appointed positions or in organizational units, regardless of the risk management at the first line of defence and the activity of the compliance unit. The third line of defence consists of the activity of the internal audit unit.

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

Operational risk management is closely connected to the management of other kinds of risk due to the fact that a substantial part of the operational risk losses occur between operational risk and credit risk or operational risk and financial risk, as well as other banking risks.

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

Scope and types of risk reporting and measuring systems

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

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

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

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

The gross losses resulting from the operational risk events recognized in 2018 have been presented in the table below by event types and categories. The amount of gross loss means a sum of losses resulting from the operational risk incidents registered in the Bank’s internal database, without taking into account reductions resulting from amounts recovered from the insurance and recovered from other sources. Data includes the operational risk losses connected to the credit risk and financial risk.

Table 29 Gross losses resulting from operational risk events recognized in 2018

		[k. PLN]
Internal frauds		**1 716**
	Unauthorised activity	244
	Theft and internal fraud	1 472
External frauds		**5 772**
	Theft and external fraud	4 716
	Systems security	1 056
Employment practices and workplace safety		**-31**
	Employee relations	-31
Clients, products and business practices		**4 167**
	Suitability, disclosure & fiduciary	950
	Improper business or market practices	3 152
	Product defects	41
	Exposure & client classification	7
	Bank advisory activity deficiency	17
Damages to physical assets		**262**
	Disasters and other events	262
Business disruption and system failures		**302**
	Systems	302
Execution, Delivery and Process Management		**-321**
	Transaction capture, execution & maintenance	-913
	Monitoring and reporting	42
	Customer intake and documentation	-129
	Customer account management	50
	Trade counterparties	614
	Vendors & Suppliers	15
Total		**11 867**

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

11. COMPARISON OF BANK'S OWN FUNDS AND CAPITAL AND LEVERAGE RATIOS WITH AND WITHOUT THE APPLICATION OF TRANSITIONAL ARRANGEMETS FOR IFRS 9 OR ANALOGOUS ECLS

In accordance with the Regulation of the European Parliament and of the Council (EU) No 2017/2395 of 12 December 2017 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State, the Bank discloses the amounts of own funds, Common Equity Tier 1 capital and Tier 1 capital, the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio, the total capital ratio and the leverage ratio the Bank would have in case the Bank was not to apply the art. 1 of this Regulation.

Table 30. Comparison of Banks' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs as of 31 December 2018

[k. PLN]

		31 December 2018	30 September 2018	31 June 2018
	Available capital (amounts)			
1	Common Equity Tier I (CET1) capital	10 334 299	7 163 238	6 163 169
2	Common Equity Tier I (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9 953 552	6 867 728	5 867 659
3	Tier I capital	10 334 299	7 163 238	6 163 169
4	Tier I capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9 953 552	6 867 728	5 867 659
5	Total capital	12 206 789	8 851 232	7 866 555
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11 826 042	8 555 722	7 571 045
	Risk-weighted assets (amounts)			
7	Total risk-weighted assets	83 451 281	58 145 604	57 028 035
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	83 050 515	57 828 143	56 762 158
	Capital ratios			
9	Tier I (as a percentage of risk exposure amount)	12,38%	12,32%	10,81%
10	Common Equity Tier I (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11,98%	11,88%	10,34%
11	Tier I (as a percentage of risk exposure amount)	12,38%	12,32%	10,81%
12	Tier I (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11,98%	11,88%	10,34%
13	Total capital (as a percentage of risk exposure amount)	14,63%	15,22%	13,79%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,24%	14,80%	13,34%
	Leverage ratio			
15	Leverage ratio total exposure measure	119 292 397	77 737 147	76 985 519
16	Leverage ratio	8,66%	9,21%	8,01%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,34%	8,83%	7,62%

12. SUBSEQUENT EVENTS

Capital buffers

In accordance with the Macroprudential Law, from 1 January 2019, the capital requirements applicable to banks in Poland increased through increase in the capital conservation buffer level from 1. 875% to 2.5%.

As a result of this change the minimum capital ratios of Bank BGŻ BNP Paribas S.A. Capital Group from 1 January 2019 should be:

- 11.95% for the Common Equity Tier I ratio (CET I);
- 12.02% for Tier I capital ratio;
- 14.11% for the total capital ratio TCR.

The Bank's Management Board resolution dated 28 January 2019 regarding the implementation phase for the factoring activity carve-out from the Bank to BGŻ BNP Paribas Faktoring sp. z o.o.

The factoring activity to be carved-out to the Company was acquired by the Bank through the transfer of the core business of Raiffeisen Bank Polska S.A. to the Bank about which the Bank informed in the current report no. 61/2018 dated 31 October 2018. The detailed terms and conditions of the Carve-out will be worked out between the Bank, the Company and the Company's Shareholder. The Carve-out process shall be finalized by the end of the third quarter of 2019 subject to obtaining consents required by law, including relevant corporate approvals.
As of 31 December 2018, the factoring assets amounted to PLN 1.6 billion (preliminary, unaudited data).