BNP Paribas Bank Polska S.A.

GROUP

Interim consolidated report

for the period of 3 months ended 31 March 2019

BNP PARIBAS

The bank for a changing world

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SELECTED FINANCIAL DATA

Selected consolidated financial data

	in PLN '000		in EUR '000	
STATEMENT OF PROFIT OR LOSS	**31.03.2019 (YTD)**	31.03.2018 (YTD)	**31.03.2019 (YTD)**	31.03.2018 (YTD)
Net interest income	**770,442**	449,912	**179,264**	107,676
Net fee and commission income	**205,883**	120,674	**47,904**	28,880
Profit before tax	**237,739**	121,194	**55,316**	29,005
Profit after tax	**161,601**	85,458	**37,601**	20,452
Total comprehensive income	**125,522**	92,322	**29,206**	22,095
Total net cash flows	**(229,846)**	(726,479)	**(53,480)**	(173,865)
RATIOS	**31.03.2018**	31.03.2018	**31.03.2018**	31.03.2018
Number of shares (items)	**147,418,918**	84,238,318	**147,418,918**	84,238,318
Earnings per share	**1.10**	1.01	**0.26**	0.24
STATEMENT OF FINANCIAL POSITION	**31.03.2019**	31.12.2018	**31.03.2019**	31.12.2018
Total assets	**108,845,223**	109,022,519	**25,305,192**	25,354,074
Loans and advances to customers measured at amortised cost	**72,210,895**	70,997,701	**16,788,156**	16,511,093
Loans and advances to customers measured at fair value through profit or loss	**2,283,645**	2,416,249	**530,920**	561,918
Total liabilities	**98,159,220**	98,462,706	**22,820,826**	22,898,304
Liabilities due to customers	**85,922,946**	87,191,708	**19,976,041**	20,277,141
Share capital	**147,419**	147,419	**34,273**	34,283
Total equity	**10,686,003**	10,559,813	**2,484,366**	2,455,770
CAPITAL ADEQUACY	**31.03.2019**	31.12.2018	**31.03.2019**	31.12.2018
Total own funds	**12,173,793**	12,206,789	**2,830,259**	2,838,788
Total risk exposure	**83,574,734**	83,451,251	**19,430,110**	19,407,268
Total capital ratio	**14.57%**	14.63%	**14.57%**	14.63%
Tier 1 capital ratio	**12.32%**	12.38%	**12.32%**	12.38%

Selected separate financial data

	in PLN '000		in EUR '000	
STATEMENT OF PROFIT OR LOSS	**31.03.2019 (YTD)**	31.03.2018 (YTD)	**31.03.2019 (YTD)**	31.03.2018 (YTD)
Net interest income	**758,817**	444,902	**176,559**	106,477
Net fee and commission income	**198,616**	113,596	**46,213**	27,186
Profit before tax	**239,410**	126,226	**55,705**	30,209
Profit after tax	**163,358**	89,265	**38,010**	21,363
Total comprehensive income	**127,256**	96,141	**29,610**	23,009
Total net cash flows	**(219,185)**	(726,349)	**(50,999)**	(173,834)
RATIOS	**31.03.2019**	31.03.2018	**31.03.2019**	31.03.2018
Number of shares (items)	**147,418,918**	84,238,318	**147,418,918**	84,238,318
Earnings per share	**1.11**	1.06	**0.26**	0.25
STATEMENT OF FINANCIAL POSITION	**31.03.2019**	31.12.2018	**31.03.2019**	31.12.2018
Total assets	**106,206,258**	106,811,658	**24,691,665**	24,839,920
Loans and advances to customers measured at amortised cost	**69,849,465**	68,870,918	**16,239,152**	16,016,493
Loans and advances to customers measured at fair value through profit or loss	**2,283,645**	2,416,249	**530,920**	561,918
Total liabilities	**95,507,497**	96,240,096	**22,204,333**	22,381,418
Liabilities due to customers	**88,174,745**	89,506,557	**20,499,557**	20,815,478
Share capital	**147,419**	147,419	**34,273**	34,283
Total equity	**10,698,761**	10,571,562	**2,487,332**	2,458,503
CAPITL ADEQUACY	**31.03.2019**	31.03.2018	**31.03.2019**	31.12.2018
Total own funds	**12,196,539**	12,240,367	**2,835,547**	2,846,597
Total risk exposure	**81,504,553**	81,493,415	**18,948,818**	18,951,957
Total capital ratio	**14.96%**	15.02%	**14.96%**	15.02%
Tier 1 capital ratio	**12.66%**	12.72%	**12.66%**	12.72%

For purposes of data translation into EUR, the following exchange rates are used by the Group:

For items of the statement of financial position, rates of the National Bank of Poland are applied:
- as at 31.03.2019 – EUR 1 = PLN 4.3013
- as at 31.12.2018 – EUR 1 = PLN 4.3000

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 of 3 months:
- for the period from 1.01.2019 to 31.03.2019 - EUR 1 = PLN 4.2978
- for the period from 1.01.2018 to 31.03.2018 - EUR 1 = PLN 4.1784

I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of profit or loss

	Note	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Interest income	8	1,035,086	635,030
interest income calculated with the use of effective interest rate method		980,409	586,842
interest income on financial instruments measured at amortised cost		914,551	551,677
interest income on financial instruments measured at fair value through other comprehensive income		64,568	35,165
Income of a similar nature to interest on instruments measured at fair value through profit or loss		55,967	48,188
Interest expense	8	(264,644)	(185,118)
Net interest income		**770,442**	**449,912**
Fee and commission income	9	251,853	149,911
Fee and commission expenses	9	(45,970)	(29,237)
Net fee and commission income		**205,883**	**120,674**
Dividend income		208	25
Net trading income	10	167,997	75,412
Result on investment activities	11	(7,637)	8,393
Result on fair value hedge accounting		1,926	1,516
Net impairment losses on financial assets and contingent liabilities	12	(93,181)	(62,354)
General administrative expenses	13	(638,078)	(380,088)
Depreciation and amortization	14	(105,472)	(40,933)
Other operating income	15	37,219	38,683
Other operating expenses	16	(31,223)	(40,011)
Operating result		**308,084**	**171,229**
Tax on financial institutions		(70,345)	(50,035)
Profit before tax		**237,739**	**121,194**
Income tax expenses	17	(76,138)	(35,736)
Net profit		**161,601**	**85,458**
attributable to equity holders of the Group		161,601	85,458
EARNINGS (LOSS) PER SHARE (IN PLN PER ONE SHARE)			
Basic		1.10	1.01
Diluted		1.10	1.01

Interim condensed consolidated statement of comprehensive income

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Net profit for the period	**161,601**	**85,458**
OTHER COMPREHENSIVE INCOME		
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS UPON FULFILMENT OF CERTAIN CONDITIONS	**(35,967)**	**7,000**
Measurement of financial assets measured through other comprehensive income	(42,610)	9,330
Deferred income tax	6,643	(2,330)
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	**(112)**	**(136)**
Actuary valuation of employee benefits	(137)	(174)
Deferred income tax	25	38
OTHER COMPREHENSIVE INCOME (NET)	**(36,079)**	**6,864**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**125,522**	**92,322**
attributable to equity holders of the Group	125,522	92,322

In the first quarter of 2019, BNP Paribas Bank Polska S.A. Capital Group generated a net profit in the amount of PLN 161,601 thousand, which was higher by PLN 76,143 thousand (or 89.1%) than in the corresponding period of 2018.

The result on banking operations of the Group for the first three months of 2019 amounted to PLN 1,144,815 thousand and was higher by PLN 490,211 thousand, i.e. by 74.9% YoY.

The following factors influenced the comparability of data in the analysed periods:

- recognition of current period income and expenses of the Core Business of Raiffeisen Bank Polska S.A. (RBPL) acquired on 31 October 2018, including incorporation of three companies previously owned by the RBPL Capital Group into the Group's structure:
  - Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A. - change of the name to the Riviera Towarzystwo Funduszy Inwestycyjnych S.A. on 4 January 2019, acquisition of the company by TFI BGŻ BNP Paribas S.A. on 29 March 2019,
  - Raiffeisen Solutions Sp. z o.o. - currently BNP Paribas Solutions Sp. z o.o.,
  - Raiffeisen Financial Services Polska Sp. z o.o. - currently BNP Paribas Financial Services Sp. z o.o.,
- incurring higher BFG-related costs in the first quarter of 2019. Total fees in the first quarter of 2019 recognized in costs were higher by PLN 90.1 million YoY,
- incurring integration costs in the amount of PLN 54.3 million in the first quarter of 2019 taking into account the fact that there were no such costs in the corresponding period of the previous year.

Eliminating the impact of integration costs, the Group's net profit generated in the first quarter of 2019 would be higher by 140.6% (i.e. PLN 120,161 thousand) than the profit generated in the first quarter of 2018.

The total income of the Group for the first three months of 2019 was higher by PLN 33,200 thousand (i.e. by 36.0%) than in the corresponding period of the previous year. The increase was mainly due to the improvement in net profit, partially offset by a change in the valuation of available for sale financial assets (a negative effect in the amount of PLN 51,940 thousand).

Interim condensed consolidated statement of financial position

ASSETS	Note	31.03.2019	31.12.2018
Cash and balances at Central Bank	18	2,715,459	2,897,123
Amounts due from banks	19	916,374	961,496
Derivative financial instruments	20	743,071	715,671
Adjustment of fair value of hedging item	21	172,367	130,405
Loans and advances to customers measured at amortised cost	22	72,210,895	70,997,701
Loans and advances to customers measured at fair value through profit or loss	23	2,283,645	2,416,249
Securities measured at amortised cost	24	16,079,051	11,939,238
Financial instruments measured at fair value through profit or loss	25	206,202	204,421
Securities measured at fair value through other comprehensive income	26	10,194,356	15,875,339
Investment properties		55,868	55,868
Intangible assets	27	506,991	520,767
Property, plant and equipment	28	1,097,855	511,275
Deferred tax assets		994,738	1,034,313
Current tax assets		2,461	-
Other assets	30	665,890	762,653
Total assets		**108,845,223**	**109,022,519**

The Group's total assets as at the end of March 2019 amounted to PLN 108,845,223 thousand and were lower by PLN 177,296 thousand, i.e. by 0.2%, compared to the end of December 2018.

The most important changes in the structure of the Group's assets in the first quarter of 2019, as compared to the end of 2018, are the increases in the share of securities measured at amortised cost (+3.8 p.p.) and loans and advances to customers measured at amortised cost (+1.2 p.p.) with a simultaneous decrease in securities measured at fair value through other comprehensive income (-5.2 p.p.).

The structure of assets is dominated by loans and advances to customers (both measured at amortized cost and measured at fair value through profit or loss) whose share accounted for 68.4% of total assets at the end of March 2019, compared to 67.3% at end of the previous year. In terms of value, the volume of net loans and advances (both measured at amortized cost and measured at fair value through profit or loss) increased by PLN 1,080,590 thousand, i.e. by 1.5%.

The second largest asset item was securities and financial instruments, which accounted for 24.3% of the balance sheet total at the end of the first quarter of 2019. Their total value decreased by PLN 1,539,389 thousand (i.e. by 5.5%), mainly as a result of a reduction in the portfolio of government bonds issued by central government institutions.

The shares of the cash and balances at Central Bank and amounts due from banks in the total assets of the Group as at 31 March 2019 remained at similar levels as compared to the end of the previous year and amounted to 2.5% and 0.8%, respectively. However, their total volume decreased by PLN 226,786 thousand, i.e. 5.9%

LIABILITIES	Note	31.03.2019	31.12.2018
Amounts due to banks	31	4,371,236	3,976,469
Derivative financial instruments	20	789,219	783,818
Adjustment of fair value of hedging and hedged item	21	175,283	123,600
Amounts due to customers	32	85,922,946	87,191,708
Debt securities issued	33	2,179,610	2,179,424
Subordinated liabilities	34	1,879,367	1,875,769
Lease liabilities		593,097	-
Other liabilities	35	1,818,286	1,711,641
Current tax liabilities		5,380	174,589
Deferred tax liability		8,275	8,276
Provisions	36	416,521	437,412
Total liabilities		**98,159,220**	**98,462,706**

EQUITY	Note	31.03.2019	31.12.2018
Share capital	44	147,419	147,419
Supplementary capital		9,110,976	9,111,033
Other reserve capital		1,208,018	1,208,018
Revaluation reserve		105,100	141,179
Retained earnings		114,490	(47,836)
retained profit		(47,111)	(408,214)
net profit for the period		161,601	360,378
Total equity		**10,686,003**	**10,559,813**
Total liabilities and equity		**108,845,223**	**109,022,519**

As at the end of March 2019, the total value of the Group's liabilities amounted to PLN 98,159,220 thousand and was lower by PLN 303,486 thousand, i.e. by 0.3% as compared to the value at the end of 2018. The share of liabilities in total liabilities and equity of the Group remained at a similar level to the end of the previous year and amounted to 90.2%.

The most significant change in the structure of liabilities in the first quarter of 2019 was a decrease in the share of amounts due to customers with a simultaneous increase in the share of amounts due to banks and separating lease liabilities in accordance with IFRS 16.

At the end of March 2019, amounts due to customers decreased by PLN 1,268,762 thousand, i.e. by 1.5% as compared to the end of December 2018 and amounted to PLN 85,922,946 thousand. Their share in total liabilities decreased to 87.5% as compared to 88.6% at the end of 2018. The decrease is a result of an optimization policy with reference to the liquidity position of the Group.

Amounts due to banks increased in the analysed period, which resulted in the increase of their share in total liabilities by 0.5 p.p. to the level of 4.5%. Amounts due to banks totalled PLN 4,371,236 thousand and were higher by PLN 394,767 thousand (i.e. by 9.9%) than at the end of 2018.

Total equity as at 31 March 2019 increased as compared to 31 December 2018 by 1.2%, i.e. by PLN 126,190 thousand. The share of total equity in total liabilities and equity of the Group at the end of March 2019 was at the level of 9.8% (as compared to 9.7% at the end of 2018).

Interim condensed consolidated statement of changes in equity

					Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained profit under approval	Net profit for the period	Total
Balance as at 1 January 2019 (data approved)	**147,419**	**9,111,033**	**1,208,018**	**141,179**	**(408,214)**	**360,378**	**10,559,813**
Total comprehensive income for the period	**-**	**-**	**-**	**(36,079)**	**-**	**161,601**	**125,522**
Net profit for the period	-	-	-	-	-	161,601	161,601
Other comprehensive income for the period	-	-	-	(36,079)	-	-	(36,079)
Distribution of retained earnings	**-**	**-**	**-**	**-**	**360,378**	**(360,378)**	**-**
Transfer retained profit under approval	-	-	-	-	360,378	(360,378)	-
Share issue		**(57)**	**-**	**-**	**-**	**-**	**(57)**
Costs of share issue		(57)	-	-	-	-	(57)
Merger	**-**	**-**	**-**	**-**	**725**	**-**	**725**
Balance as at 31 March 2019	**147,419**	**9,110,976**	**1,208,018**	**105,100**	**(47,111)**	**161,601**	**10,686,003**

Interim condensed consolidated statement of changes in equity (continued)

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2018 (data approved)	**84,238**	**5,127,086**	**909,629**	**141,988**	**16,815**	**279,707**	**6,559,463**
Change resulting from IFRS 9 implementation	-	-	-	-	(407,752)	-	(407,752)
Balance as at 1 January 2018 (data approved)	**84,238**	**5,127,086**	**909,629**	**141,988**	**(390,937)**	**279,707**	**6,151,711**
Total comprehensive income for the period	**-**	**-**	**-**	**(809)**	**-**	**360,378**	**359,569**
Net profit for the period	-	-	-	-	-	360,378	360,378
Other comprehensive income for the period	-	-	-	(809)	-	-	(809)
Distribution of retained earnings	**-**	**-**	**298,389**	**-**	**(18,682)**	**(279,707)**	**-**
Distribution of retained earnings intended for capital	-	-	298,389	-	(18,682)	(279,707)	-
Share issue	**63,181**	**3,983,947**	**-**	**-**	**-**	**-**	**4,047,128**
Series issue	63,181	3,986,814	-	-	-	-	4,049,995
Costs of share issue	-	(2,867)	-	-	-	-	(2,867)
Other (subsidiaries' equity)	**-**	**-**	**-**	**-**	**1,405**	**-**	**1,405**
Balance as at 31 December 2018	**147,419**	**9,111,033**	**1,208,018**	**141,179**	**(408,214)**	**360,378**	**10,559,813**

Interim condensed consolidated statement of changes in equity (continued)

					Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained profit under approval	Net profit for the period	Total
Balance as at 1 January 2018 (data approved)	**84,238**	**5,127,086**	**909,629**	**141,988**	**16,815**	**279,707**	**6,559,463**
Change resulting from IFRS 9 implementation	-	-	-	-	(318,028)	-	(318,028)
Balance as 1 January 2018 (data restated)	**84,238**	**5,127,086**	**909,629**	**141,988**	**(301,213)**	**279,707**	**6,241,435**
Total comprehensive income for the period	**-**	**-**	**-**	**6,864**	**-**	**85,458**	**92,322**
Net profit for the period	-	-	-	-	-	85,458	85,458
Other comprehensive income for the period	-	-	-	6,864	-	-	6,864
Distribution of retained earnings	**-**	**-**	**-**	**-**	**279,707**	**(279,707)**	**-**
Transfer retained profit under approval	-	-	-	-	279,707	(279,707)	-
Balance as at 31 March 2018	**84,238**	**5,127,086**	**909,629**	**148,852**	**(21,506)**	**85,458**	**6,333,757**

Interim condensed consolidated statement of cash flow

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Net profit (loss)		**161,601**	**85,458**
ADJUSTMENTS FOR:		**(1,885,314)**	**(532,201)**
Income tax expenses		76,138	35,736
Depreciation and amortization		105,472	40,933
Dividend income		(208)	(25)
Interest income		(1,035,086)	(635,030)
Interest expense		264,644	185,118
Change in provisions		(4,629)	40,479
Change in amounts due from banks		195 493	(41,067)
Change in assets due to derivative financial instruments		(70,264)	44,945
Change in loans and advances to customers measured at amortised cost		(945,481)	3,089,632
Change in loans and advances to customers measured at fair value through profit or loss		132,604	(2,750,954)
Change in amounts due to banks		(165,799)	1,198,369
Change in liabilities due to derivative financial instruments		57,986	(26,614)
Change in amounts due to customers		(1,421,406)	(1,147,531)
Change in other assets and receivables due to current income tax		(58,696)	(143,240)
Change in other liabilities and provisions due to deferred tax		183,400	(308,251)
Other adjustments	38	45,454	(335,074)
Interest received		972,825	411,133
Interest paid		(212,420)	(190,760)
Lease payments for short-term leases not included in the lease liability measurement		(5,341)	-
Net cash flows from operating activities		**(1,723,713)**	**(446,743)**

CASH FLOWS FROM INVESTING ACTIVITIES:	Note	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
INVESTING ACTIVITIES INFLOWS		**6,151,852**	**11,478,984**
Sale of financial assets		6,148,787	11,475,163
Sale of intangible assets and property, plant and equipment		3,065	3,796
Dividends received and other inflows from investing activities		-	25
INVESTING ACTIVITIES OUTFLOWS		**(4,623,002)**	**(11,374,633)**
Purchase of debt securities		(4,554,549)	(11,350,011)
Purchase of intangible assets and property, plant and equipment		(68,453)	(24,622)
Net cash flows from investing activities		**1,528,850**	**104,351**
CASH FLOWS FROM FINANCING ACTIVITIES:			
FINANCING ACTIVITIES INFLOWS		**-**	**-**
Long-term loans received		-	-
FINANCING ACTIVITIES OUTFLOWS		**(34,983)**	**(384,087)**
Repayment of long-term loans and advances received		(14,809)	(99,087)
Repayment of lease liability		(20,174)	-
Redemption of debt securities		-	(285,000)
Net cash flows from financing activities		**(34,983)**	**(384,087)**
TOTSL NET CASH AND CASH EQUIVALENTS		**(229,846)**	**(726,479)**
Cash and cash equivalents at the beginning of the period		**3,425,453**	**3,443,205**
Cash and cash equivalents at the end of the period, including:	**37**	**3,195,607**	**2,716,726**
effect of exchange rate fluctuations on cash and cash equivalents		3,355	1,266
restricted cash and cash equivalents		954	867

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 IDENTIFICATION DATA

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

The registered office of the Bank is located at Kasprzaka 10/16 in Warsaw and is registered in Poland, by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000011571. The duration of the parent and the Group companies is unlimited.

2 DESCRIPTION OF THE CAPITAL GROUP

BNP Paribas operates within the BNP Paribas Capital Group with its registered office in Paris.

As at 31 March 2019, the Group comprised BNP Paribas Bank Polska S.A. as the parent and its subsidiaries:

1. BANKOWY FUNDUSZ NIERUCHOMOŚCIOWY ACTUS SP. Z O.O. („ACTUS").
2. TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH BGŻ BNP PARIBAS S.A. („TFI").
3. BNP PARIBAS LEASING SERVICES SP. Z O.O. („LEASING").
4. BNP PARIBAS GROUP SERVICE CENTER S.A. („GSC").
5. CAMPUS LESZNO SP. Z O.O.
6. BGZ POLAND ABS1 DAC („SPV").
7. BNP PARIBAS FINANCIAL SERVICES SP. Z O.O.
8. BNP PARIBAS SOLUTIONS SPÓŁKA Z O.O.

The Bank does not have any capital involvement in BGŻ Poland ABS1 DAC (SPV). The company is controlled by the Bank in connection with the control conditions contained in IFRS 10.

On 29 March 2019, the following Bank's subsidiaries merged: Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A. and Riviera Towarzystwo Funduszy Inwestycyjnych S.A., TFI BGŻ BNP Paribas S.A acquired Riviera Towarzystwo Funduszy Inwestycyjnych S.A. The details of the transaction are specified in note 51.

In accordance with the principles of International Financial Reporting Standards, the interim condensed consolidated financial statements cover all subsidiaries as at 31 March 2019.

3 ACCOUNTING PRINCIPLES APPLIED FOR THE PURPOSE OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the first quarter ended 31 March 2019 were prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), as adopted by the European Union, as well as in accordance with other applicable regulations. The accounting principles applied in the first quarter of 2019 do not differ from the principles applicable in 2018, which are described in detail in the Consolidated financial statements of Bank BNP Paribas S.A. Capital Group for the year ended 31 December 2018.

The interim condensed consolidated financial statements do not include all information and disclosures required in annual consolidated financial statements, and, therefore, should be read in conjunction with the Consolidated financial statements of Bank BGŻ BNP Paribas S.A. Capital Group for the year ended 31 December 2018.

The present financial statements include the requirements of all International Accounting Standards approved by the European Union ("IAS"), International Financial Reporting Standards ("EU IFRS") and interpretations related to these standards, except for the standards and interpretations listed below that are awaiting approval by the European Union or have been approved, but entered into or will enter into force only after the balance sheet date.

3.1 New standards and amendments to the existing standards published by IASB but not yet effective

- **IFRS 17 „Insurance contracts”** (applicable for annual periods beginning on 1 January 2021 or after that date)**,**
- **Amendments to IFRS 3 „Business combinations”** – definition of business (applicable to mergers, whose acquisition date falls on the beginning of the first annual period beginning on 1 January 2020 or after that date, and with reference to the acquisition of assets that occurred on the first day of the above mentioned annual period or after that date),
- **Amendments to IFRS 10 „Consolidated Financial Statements” and IAS 28 „Investments in Associates and Joint Ventures”** – Sale or contribution of assets between an investor and its affiliate or joint venture and subsequent changes (application date is postponed until the moment of completion of research on the equity method),
- **Amendments to IAS 1 „Presentation of financial statements” and IAS 8 Accounting policies, changes in accounting estimates and errors”** – Definition of materiality (applicable for annual periods beginning on 1 January 2020 or after that date),
- **Amendments to the references to conceptual assumptions included in IFRS** (applicable for annual periods beginning on 1 January 2020 or after that date).

The above mentioned standards and amendments to the existing standards did not impact significantly the financial statements for the first quarter of 2019.

3.2 IFRS 16 implementation

IFRS 16 "Leases" was published by the International Accounting Standards Board on 13 January 2016 and approved by the European Commission Regulation No. 2017/1986 of 31 October 2017 for use in European Union member states. The standard is obligatorily applicable to annual reporting periods beginning on 1 January 2019 or after that date.

IFRS 16 superseded, as at 1 January 2019, the following standards and interpretations:

· IAS 17 „Leases”,

· IFRIC 4 „Determining whether an Arrangement contains a Lease”,

· SIC-15 „Operating Leases—Incentives”,

· SIC-27 „ Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The new standard presents a comprehensive model of identification of lease agreements and their settlement in the financial statements of lessors and lessees.

IFRS 16 uses the model of right of use to identify leasing agreements. The standard contains detailed guidelines for assessing whether a given contract contains lease elements, services or both of these characteristics. An agreement is classified as a lease agreement if it transfers the right to control the use of an identified asset for a given period of time in exchange for a payment. Significant changes were introduced as regards settlement for the lessee. As regards the leasing recognition model used by the lessees, the classification of the lease as operating or financial was rejected. In the scope of all leasing contracts and agreements containing the leasing element, the assets (the right to use the asset in a given period of time) and leasing liabilities are recognized. The standard does not introduce significant changes in the scope of requirements for lessors when compared to IAS 17. The lessor continues to classify the lease as operating lease or finance lease as two separate types of leasing.

As a general rule, as at the commencement date of the lease, the lessee will recognize 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) for all leasing agreements. At the same time, IFRS 16 gives the opportunity to benefit from simplifications regarding short-term contracts and leasing of low-value items.

IFRS 16 allows lessees to apply the currently used methods of recognizing operating leases to recognize short-term lease contracts and lease of low-value items. Short-term leasing is characterized by the maximum possible duration of the contract of 12 months, including its renewal options. Determining whether the lease is a short-term lease is based only on the maximum possible duration of the contract, i.e. the period for which the enforceable rights and obligations arise. Lessees cannot benefit from the above-mentioned simplification in case of short-term contracts with the option to purchase the leased asset irrespective of the intention and expectations of the lessee as to the subject of the contract.

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 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, initially measured using the index or rate as at the commencement date;
- 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; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Floating 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 recognized in the profit or loss account 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 lessee in connection with the assets included in the agreement in order to restore the place in which it 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 amortized on a straight-line basis over the shorter of two periods: the leasing period or the useful life of the underlying asset, unless the Group 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.

The Group 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.

First application of IFRS 16

In accordance with the requirements, as of 1 January 2019, the Group applied IFRS 16 Leases for the first time.

The Group implemented IFRS 16 using a retrospective approach modified with cumulative impact on 1 January 2019 (IFRS 16, C5 (b), C8 (b) (ii)), hence without retrospective changes in the presentation, according to which the recognized value of the lease liability is equal to the value of the right of use, adjusted by previously recognized pre-paid or accrued lease payments.

Lease definition

The Group has previously used the definition of lease determined in accordance with IFRIC 4. In accordance with IFRS 16, the Group assesses whether the contract constitutes or contains a lease based on the definition of leasing provided for in this Standard.

As at the date of initial application of IFRS 16, the Group used the practical solution of not re-assessing the nature of contracts concluded before 1 January 2019. In connection with the above, the Group applied the exclusion from IFRS 16 in relation to contracts that were not previously identified as leasing in accordance with IAS 17 or IFRIC 4.

Group as a lessee

In accordance with the previously applied IAS 17 Leases, the Group classified leasing contracts as a financial or operating lease based on an assessment of whether the entire risk and benefits resulting from ownership of the leased asset were transferred to the lessee. In accordance with IFRS 16, the Group recognizes a component of assets due to the right of use and leasing liabilities for the majority of leases – i.e. those leasing contracts are recognized in the statement of financial position.

For leasing contracts, previously classified as operating leases, the Group recognized assets due to the right of use and leasing liabilities as follows:

- the leasing liability was measured at the present value of the remaining lease payments, discounted using the marginal interest rate at the date of the initial application,
- the value of the right of use of the underlying asset components for individual lease agreements (separately for each contract) has been determined in a value reflecting the leasing liability, adjusted for previously recognized prepaid or accrued lease payments.

Using the modified retrospective method of implementing IFRS 16, the Group used the following practical expedients for leases previously classified as operating leases in accordance with IAS 17:

- the Group has applied the exclusion in the application with respect to leasing contracts, which period ends up to 12 months from the date of the first application of IFRS 16 or their value does not exceed the amount of EUR 5,000,
- the Group excluded the initial direct lease costs from the valuation of the right to use the asset as of the initial application of IFRS 16,
- the Group used its experience and knowledge while determining the leasing period, for contracts containing the option of extending or terminating the lease.

For leases that were previously classified as finance leases in accordance with IAS 17, the balance sheet amount of the right to use the asset and liability as at 1 January 2019 was determined as the balance sheet amount of the leased asset and leasing liabilities directly before that date, valued in accordance with IAS 17.

The weighted average value of the right of use, the marginal interest rate applied to the lease liabilities recognized in the financial statements on the date of the first application of IFRS 16, in contract currencies, was the following:

- for liabilities in EUR 0.817%,
- for liabilities in PLN 2.601%.

The impact of IFRS 16 implementation on the financial statements as at the date of initial application is as follows:

As at 1 January 2019, the Group recognized PLN 596,492 thousand of assets due to the right of use and leasing liabilities in the amount of PLN 610,497 thousand. Difference in the amount of PLN 14,005 thousand refers to previously recognized prepaid or accrued lease payments and provisions for the restructuring of the branch network.

	1.01.2019
The amount of future non-discounted operating lease payments as at 31 December 2018 disclosed in the Bank's financial statements	695,455
The amount of future non-discounted payments on intangible assets	(532)
The amount of future non-discounted short-term payments on leases, recognized on a straight-line basis as an expense at 1 January 2019	(13,788)
Other adjustments due to discount as at 1 January 2019	(70,638)
Leasing liabilities as at 1 January 2019	**610,497**

Group as a lessor

With reference to contracts in which the Group is a lessor, as at the moment of IFRS 16 implementation, the Group did not make any adjustments.

3.3 Changes in presentation of financial data

In the present consolidated financial statements, the Group changed the presentation of the following data:

- in note 9 „Net fee and commission income": commission on account servicing, cash servicing as well as cash transfers and e-banking services. In previous periods these commissions were presented jointly in the „account servicing and settlement operations" and "other" items, while since June 2018 the commissions are presented separately. The comparative data for the first quarter of 2018 was adjusted accordingly.
- in note 8 „Net interest income", note 22 "Loans and advances to customers measured at amortized cost" and in note 32 "Amounts due to customers": the subjective division in order to unify the presentation in all cross-sections. The comparative data for the first quarter of 2018 was adjusted accordingly.

4 GOING CONCERN

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

5 APPROVAL OF THE FINANCIAL STATEMENTS

The interim consolidated report of the BNP Paribas Bank Polska S.A. Capital Group for the first quarter ended 31 March 2019 was approved for publication by the Management Board on 15 May 2019.

6 SEASONAL OR CYCLICAL NATURE OF BUSINESS

There are no significant seasonal or cyclical phenomena in the Group's operations.

7 ESTIMATES

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

a) Impairment of financial assets

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

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

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

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

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

If the credit risk did not increase significantly from the date of the initial recognition, and the event of default did not occur from the moment of granting the financial instrument, the Bank 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. One of the triggers of significant increase in the credit risk is 30 or more days past due.

If in the subsequent periods the credit quality of the financial instrument improves and the previous conclusions regarding a significant credit risk increase from the moment of initial recognition are reversed, the exposure is reclassified from Stage 2 to Stage 1, and impairment allowances for expected impairment losses of these financial instruments are calculated in the 12-month horizon.

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

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

In order to assess whether there has been a significant increase in credit risk since the initial recognition of the financial instrument, the Bank compares the risk of default during the expected period of financing granted as at the balance sheet date and the date of initial recognition. For this purpose, the Bank applies an internal credit risk rating system, information on delay in repayments and information from internal credit risk monitoring systems, such as warning letters and information about restructuring.

The value of the allowance due to expected impairment losses is calculated using the probability of default, the value of the exposure expected at the moment of default and the estimation of loss in case of default. When calculating the probability of default, the Bank takes into account factors regarding the forecast of the future economic situation. The Bank uses three scenarios when forecasting the future economic situation: optimistic, pessimistic and the most probable. The considered macroeconomic factors include: GDP growth, the level of exchange rates and interest rates, and the unemployment rate. The final selection of the factor affecting the estimates and the form of quantification of the impact of the forecast of macroeconomic conditions on portfolio performance depends on the exposure to the particular sub-portfolio and the results of a number of statistical analyses.

As regards business entities in which full accounting system is applied, the Bank has compiled a list of events of default, such as considerable financial difficulties of the customer, substantial deterioration of the customer's rating or more than 90 days past due (or 30 days for forbearance exposures).

As regards retail customers and micro enterprises with simplified accounting system, more than 90 days past due (or more than 30 days for exposures with forbearance granted to debtors) is the key event of default. Other triggers include debt restructuring or a suspicion of fraud.

For exposures in case of which events of default occurred, individual or collective (group) tests are performed by the Bank. Individual assessment is performed for assets considered by the Bank to be individually significant and in all the cases in which the Bank has decided to perform an individual test of impairment for a given exposure.

Impairment assessment for individually significant assets

The individual test is performed by the Bank for individually significant financial assets, for which the event of default was identified. It consists in case-by-case verification of financial assets in terms of impairment. During the individual assessment, the Bank determines expected future cash flows and impairment is calculated as the difference between the present value (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.

Collective (group) assessment

The following assets are tested collectively:

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

The value of the allowance for the expected credit losses depends on the type of credit exposure, delinquency period and collateral type and value (for selected portfolios), on the probability of default (PD) parameters, loss given default (LGD) parameters and credit conversion factor (CCF).

The amount of collective impairment allowances is determined with the application of statistical methods for defined exposure portfolios which are homogenous from the perspective of credit risk. Homogeneous exposure portfolios are defined based on customer segment, type of credit products and exposure delinquency classes and, for institutional customers with a rating assigned by the Bank internally, the credit rating assigned to the customer. The criteria applied by the Bank to define homogeneous portfolios are aimed at grouping exposures so that the credit risk profile is reflected as accurately as practicable and, consequently, so as to estimate the level of allowances for the expected credit losses on financial assets as objectively and adequately as possible.

The PD parameters are updated periodically during the year, in line with the value estimation principles adopted by the Bank. The aforesaid parameters are determined based on statistical analyses of historical data as well as observable migration of credit exposures. LGD and CCF parameters are updated periodically during the year. As regards CCF, the Bank's analysis focuses on the percentage of off-balance sheet liabilities converted into on-balance sheet exposures. In selected portfolios, LGD is determined for each exposure individually, based on its type and collateral value. For the remaining exposures, it is determined at the level of a given homogenous portfolio.

While classifying the exposure to Stage 3, the Bank takes into account a quarantine period, in which a credit exposure with an objective impairment trigger identified may be reclassified to Stage 2 or 1 only if the Bank's receivables from the customer have been paid on time (no amounts overdue over 30 days) for a specific number of months. The required quarantine period differs depending on the customer type. Its length is determined by the Bank on the basis of historical observations which allow for determining the period after which the probability of default drops to the level comparable to that of other exposures classified to the portfolio with no indications of impairment.

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

b) Classification of financial instruments

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

c) Fair value of derivative instruments

The fair value of derivative instruments which are not quoted on active markets is determined using measurement techniques (e.g. models). Such methods are evaluated and verified periodically by qualified independent employees who have not participated in their development. All models require approval before use as well as calibration to ensure that the results reflect actual data and comparable market prices. The models used at present rely on the data obtained from Reuters and/or Bloomberg information systems. Derivative instruments are measured on the basis of generally acceptable models. Linear instruments are measured using the discounted cash flow method while plain vanilla options using the Black-Scholes model. Other options included in structured deposits are measured either through decomposition into vanilla options or through Monte Carlo simulations.

CVA/DVA is estimated for all derivatives which are active at a specific date. The adjustment is determined based on the projected future exposure resulting from the instrument, counterparty rating and collateral provided/accepted.

d) Securities

Securities, for which no liquid market exists, are measured using the discounted cash flow model. As regards Stage 3 securities, the credit risk margin is a non-observable parameter corresponding to the market margin for instruments with similar characteristics.

e) Impairment of fixed assets

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

f) Provision for retirement benefits

Provisions for retirement benefits have been estimated by an independent actuary using actuarial methods. The underlying assumptions are revised at the end of each quarter.

g) Leasing – Group as a lessor

Lease contracts under which substantially all of the risks and gains incidental to the ownership of the asset 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 recognized. 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 Group under finance lease.

The Group 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.

h) Restructuring provision

On 14 December 2018, 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 group layoffs process. Group layoffs will be performed following the transfer of the RBPL Core Business.

In connection with the concluded agreement, the Bank created restructuring reserve to cover the costs of employment reduction and closure of branches.

8 NET INTEREST INCOME

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
INTEREST INCOME		
Amounts due from banks	6,138	8,998
Loans and advances to customers measured at amortised cost, including:	811,213	484,616
non-banking financial institutions	25,814	21,152
retail customers	356,669	202,241
economic operators	393,956	247,163
including retail farmers	105,972	101,323
public sector institutions	1,774	1,156
leasing receivables	33,000	12,904
Loans and advances to customers measured at amortised cost through profit or loss	16,932	21,043
Debt instruments measured at amortised cost	97,200	58,063
Debt instruments measured at fair value through profit or loss	3	87
Debt instruments measured at fair value through other comprehensive income	64,568	35,165
Derivative instruments as part of fair value hedge accounting	39,013	27,058
Purchased repo transactions	19	-
	1,035,086	**635,030**
INTEREST EXPENSE		
Amounts due to banks	(28,490)	(20,301)
Debt securities issued	(19,485)	(19,865)
Amounts due to customers, including:	(178,118)	(120,177)
non-banking financial institutions	(12,534)	(12,340)
retail customers	(112,414)	(74,938)
economic operators	(49,936)	(28,541)
including retail farmers	(1,248)	(1,356)
public sector institutions	(3,234)	(4,358)
Lease liabilities	(2,262)	-
Derivative instruments as part of fair value hedge accounting	(30,558)	(23,112)
Repo transactions	(5,731)	(1,663)
	(264,644)	**(185,118)**
Net interest income	**770,442**	**449,912**

In the first quarter of 2019, net interest income, constituting the main source of the Group's revenues, amounted to PLN 770,442 thousand and increased by PLN 320,530 thousand, i.e. by 71.2% YoY, which was the result of an increase in interest income by PLN 400,056 thousand, i.e. by 63.0% YoY, as well as increase of interest expenses by PLN 79,526 thousand, i.e. by 43.0% YoY.

A factor positively influencing the level of the fee and commission income in the analysed period, but at the same time disturbing comparability with the corresponding period of the previous year, was the acquisition of the Core Business of Raiffeisen Bank Polska S.A. on 31 October 2018 and, therefore, recognition of the interest income and expenses of the Core Business in the profit or loss statement of the Capital Group in the first quarter of 2019.

Significant external factors affecting the level of net interest income include the NBP's policy regarding the development of basic interest rates and their stabilization at record low level (the reference rate as of March 2015 amounts to 1.5%) and market trends in determining interest rates on deposits.

The fact that the Group's liquidity position improved as a result of the acquisition of the Core Business of RBPL (the net loans / deposits ratio decreased from 97.3% at the end of March 2018 to 86.7% at the end of March 2019) enabled the optimization of pricing policy and, as a consequence, for the improvement of deposit margins.

At the end of March 2019, the Group applied fair value hedge accounting. The change in the fair value measurement of hedging transactions is recognized in the result on hedge accounting. Interest on IRS transactions and hedged items is recognized in net interest income.

Net interest income on hedging relationships (the sum of interest income and interest expense from derivatives under fair value hedge accounting) for the first quarter of 2019 amounted to PLN 34,010 thousand, as compared to PLN 12,053 thousand for the first quarter of 2018.

9 FEE AND COMMISSION INCOME

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
FEE AND COMMISSION INCOME		
loans, advances and leases	71,167	47,237
account maintenance	34,123	25,033
cash service	10,171	4,191
cash transfers and e-banking	26,631	11,892
guarantees and documentary operations	14,622	8,090
asset management and brokerage operations	25,975	17,909
payment and credit cards	48,374	22,400
insurance mediation activity	12,823	8,718
product sale mediation and customer acquisition	3,896	1,621
other commissions	4,071	2,820
Total fee and commission income	**251,853**	**149,911**

FEE AND COMMISSION EXPENSE

loans, advances and leases	(671)	(879)
account maintenance	(1,330)	(913)
cash service	(2,451)	(791)
cash transfers and e-banking	(1,466)	(219)
asset management and brokerage operations	(1,047)	(611)
payment and credit cards	(25,778)	(20,393)
insurance mediation activity	(3,525)	(2,031)
product sale mediation and customer acquisition	(7,623)	(2,786)
other commissions	(2,079)	(614)
Total fee and commission expense	**(45,970)**	**(29,237)**
Net fee and commission income	**205,883**	**120,674**

Net fee and commission income in the first quarter of 2019 amounted to PLN 205,883 thousand and was higher by PLN 85,209 thousand, i.e. by 70.6% YoY.

A factor positively influencing the level of the fee and commission income in the analysed period, but at the same time disturbing comparability with the corresponding period of the previous year, was the acquisition of the Core Business of Raiffeisen Bank Polska S.A. on 31 October 2018 and, therefore, recognition of income and expenses on fee and commission of the Core Business in the profit or loss statement of the Capital Group for the first quarter of 2019.

Fee and commission income increased in the first quarter of 2019 by PLN 101,942 thousand, i.e. by 68.0% as compared to the first quarter of 2018, while fee and commission expenses increased by PLN 16,733 thousand, i.e. by 57.2%.

The increase of fee and commission income occurred in all income categories. The most significant increases were related to the following categories:

- payment and credit card service by PLN 25,974 thousand, i.e. by 116.0%,
- loans, advances and leases by PLN 23,930 thousand, i.e. by 50.7%,
- cash transfers and e-banking by PLN 14,739 thousand, i.e. by 123.9%,
- account maintenance by PLN 9,090 thousand, i.e. by 36.3%,
- asset management and brokerage operations by PLN 8,066 thousand, i.e. by 45.0%.

The increase of fee and commission expenses was mainly a result of increased costs in the following categories:

- payment card service by PLN 5,385 thousand, i.e. by 26.4%,
- product sale mediation and customer acquisition by PLN 4,837 thousand, i.e. by 173.6%,
- cash service by PLN 1,660 thousand, i.e. by 209.9%.

10 NET TRADING INCOME

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Equity instruments measured at fair value through profit or loss	4,016	780
Debt instruments measured at fair value through profit or loss	67	(37)
Derivative instruments and result on foreign exchange transactions	163,914	74,669
Result on financial instruments measured at fair value through profit or loss, total	**167,997**	**75,412**

The result on trading activities for the first quarter of 2019 amounted to PLN 167,997 thousand and was higher by PLN 92,585 thousand, i.e. by 122.8% YoY. The level and volatility of this result are mainly determined by the valuation of derivative instruments and the result from exchange positions.

11 RESULT ON INVESTMENT ACTIVITIES

During the year, the Group did not change the classification of any financial assets measured at amortized cost to be measured at fair value through other comprehensive income.

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Loans and advances to customers measured at fair value through profit or loss	(6,940)	7,833
Debt instruments measured at fair value through profit or loss	(697)	560
Total result on investment activities	**(7,637)**	**8,393**

The result on investment activities for the first quarter of 2019 was negative and amounted to PLN -7,637 thousand as compared to the positive result for the first 3 months of 2018.

As part of this result, starting from the first quarter of 2018, the change in the valuation of the portfolio of loans and advances to customers measured at fair value through profit or loss was presented, resulting from the adjustment to IFRS 9 and having a significant impact on this item.

12 NET IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS AND CONTINGENT LIABILITIES

31.03.2019	Stage 1	Stage 2	Stage 3	Total
Amounts due from banks	(64)	-	-	(64)
Loans and advances to customers measured at amortised cost	(12,795)	(5,628)	(77,121)	(95,544)
Contingent commitments granted	7,080	(1,081)	(4,555)	1,444
Securities measured at amortised cost	362	437	184	983
Total net impairment allowances on financial assets and contingent liabilities	**(5,417)**	**(6,272)**	**(81,492)**	**(93,181)**

31.03.2018	Stage 1	Stage 2	Stage 3	Total
Amounts due from banks	212	-	-	212
Loans and advances to customers measured at amortised cost	58,153	(97,253)	(30,175)	(69,275)
Contingent commitments granted	2,032	864	3,828	6,724
Securities measured at amortised cost	(18)	3	-	(15)
Total net impairment allowances on financial assets and contingent liabilities	**60,379**	**(96,386)**	**(26,347)**	**(62,354)**

The result of impairment allowances on financial assets and provisions for contingent liabilities in the first quarter of 2019 amounted to PLN -93,181 thousand and, therefore, its negative impact on the Group's result was higher by PLN 30,827 thousand, i.e. by 49.4% YoY. One of the factors causing the increase in impairment allowances on financial assets and provisions for contingent liabilities was the recognition of impairment allowances on the assets of the Core Business of Raiffeisen Bank Polska S.A. acquired on 31 October 2018. In addition, the result of the first quarter of 2019 includes a provision for an increased risk related to ASF (African swine fever) in the amount of PLN 19 million.

In the first quarter of 2019, the Bank concluded agreements regarding the sale of a portfolio of loans from the retail portfolio. The amount of receivables sold under agreements covered by impairment allowances in a significant part or derecognized in total, amounted to PLN 364,181 thousand (principal, interest and other side receivables). The contractual price for the sale of these portfolios has been set at PLN 40,463 thousand. The net impact on the Bank's result from the sale of portfolios amounted to PLN 8,934 thousand and is presented in the recognition and release of impairment allowances on loans and advances.

In the first quarter of 2018, the Bank did not conclude any agreements with reference to the sale of loan portfolio.

The cost of credit risk expressed as the ratio of net impairment allowances to the average gross amount of loans and advances to customers measured at amortised cost (calculated on the basis of balances as at the end of the quarters) was 0.50% in the first quarter of 2019 (0.46% at the end of the first quarter of 2018). The low level of the ratio was primarily influenced by appropriate risk control and effectiveness of monitoring and restructuring processes.

Considering the main operational segments[1]:

- Retail and Business Banking Segment – deterioration in the balance of impairment allowances by PLN 27,632 thousand YoY,
- SME Banking Segment – improvement by PLN 15,768 thousand YoY,
- Corporate Banking Segment (including CIB) – deterioration by PLN 19,003 thousand YoY.

13 GENERAL ADMINISTRATIVE EXPENSES

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Personnel expenses	(338,585)	(207,741)
Marketing expenses	(24,391)	(23,168)
IT and telecom expenses	(47,573)	(24,824)
Rental expenses	-	(37,283)
Short-term lease and operating costs	(27,477)	-
Other non-personnel expenses	(58,213)	(42,280)
Business travels	(5,781)	(2,318)
ATM and cash handling expenses	(2,208)	(668)
Costs of outsourcing services related to leasing operations	(1,057)	(1,525)
Bank Guarantee Fund fee (BFG)	(129,142)	(39,046)
Polish Financial Supervision Authority fee	(3,651)	(1,235)
Total general administrative expenses	**(638,078)**	**(380,088)**

General administrative expenses (including amortisation and depreciation) of the Capital Group in the first quarter of 2019 amounted to PLN 743,550 thousand and were higher by PLN 322,529 thousand, i.e. 76.6% as compared to the corresponding period of the previous year.

The increase in the level of costs was mainly a result of the merger with the Core Business of Raiffeisen Bank Polska S.A. (RBPL) and the integration costs incurred, as well as the increase of BFG fees.

The total amount of integration costs in the first quarter of 2019 amounted to PLN 54.3 million (including PLN 1.8 million related to the acquisition of SKOK Rafineria), of which:

- PLN 57.0 million has been included in general administrative expenses and amortization and depreciation,
- PLN -2.7 million - as a reduction of other operating expenses (PLN -1.1 million - release of provisions for restructuring branches, PLN 1.3 million - costs of liquidation of fixed assets, PLN -3.0 million - income resulting from the release of the restructuring provision in connection with earlier than planned termination of the contract at one of the locations in Warsaw).

Integration costs included in general administrative costs and amortization and depreciation refer mainly to integration with RBPL and include, among others:

- costs of accruing accelerated depreciation of systems in connection with the merger processes of banks - PLN 26.9 million,
- creation of a provision for retention programs - PLN 11.1 million,
- costs of consulting services - PLN 5.2 million,
- marketing costs - PLN 4.6 million.

[1] Information based on the note related to operational segments included in the Interim condensed consolidated report of BNP Paribas Bank Polska S.A. Capital Group for the period of 3 months ended 31 March 2019.

The largest increase in costs by nature in the analysed period (by PLN 130.8 million) occurred in "personnel expenses", which is mainly due to the increase in employment resulting from the acquisition of RBPL employees (increase in costs by PLN 91.5 million), costs of provisions created on retention programs and inclusion in the Group's structure of employees of three companies previously owned by the RBPL Capital Group.

A significant increase in costs was related to the fees paid to BFG. Total premiums booked for the Bank's costs in the first quarter of 2019 amounted to PLN 129.1 million and were higher by PLN 90.1 million than in the corresponding period of the previous year:

- the annual contribution to the banks' resolution fund for 2019 (settled in the first quarter of 2019) amounted to PLN 116.1 million, as compared to PLN 24.2 million in the first quarter of 2018,
- contribution to the bank guarantee fund due for 3 months of 2019 amounted to PLN 13.0 million and was lower by PLN 1.8 million than the amount from the analogous period of 2018.

The increase in costs for BFG results from the increase in the total amount of premiums for the banking sector defined by the Bank Guarantee Fund (PLN 2 billion in contributions to the bank restructuring fund in 2019 against PLN 960 million in 2018 and PLN 791 million in premiums for the bank guarantee fund in 2019 against PLN 1.24 billion in the previous year) and from the change in the accounting method applied for the premiums for the forced bank restructuring fund by the Bank (in 2018, the premium was spread over the first half of the year, while in 2019 it was charged to the first quarter in the whole amount).

The increase in costs YoY occurred in IT and telecommunications costs (by PLN 22.7 million) and in other non-personnel expenses (by PLN 15.9 million).

In connection with the implementation of IFRS 16 "Leases" since 1 January 2019, which defines one model of lease measurement, there was a change in the accounting of costs. The rental cost of rent in the first quarter of 2019 were recognized in the amortization and depreciation expenses as the costs related to depreciation of the right of use of the property (PLN 27.0 million), in the interest expenses as lease liability interest (PLN 1.9 million) and as a separate item of administrative expenses – *short-term lease and operating costs*.

14 DEPRECIATION AND AMORTISATION

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Property, plant and equipment	(54,238)	(22,124)
Intangible assets	(51,234)	(18,809)
Total depreciation and amortization	**(105,472)**	**(40,933)**

Depreciation and amortization expenses in the analysed period, in comparison to the first quarter of 2018, increased by PLN 64.5 million, which resulted mainly from:

- implementation of IFRS 16 "Leases" on 1 January 2019 - an increase by PLN 29.6 million results from the change in accounting of rental costs, car leases, IT equipment for depreciation,
- costs of accruing accelerated depreciation of systems in connection with the merger process – increase by PLN 26.9 million.

15 OTHER OPERATING INCOME

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Sale or liquidation of property, plant and equipment and intangible assets	7,411	2,376
Sale of goods and services	6,122	1,580
Release of provisions for litigation and claims and other liabilities	980	159
Recovery of debt collection costs	2,698	4,804
Recovered indemnities	958	12,548
Income from leasing operations	3,434	8,134
Other operating income	15,616	9,082
Total other operating income	**37,219**	**38,683**

Other operating income in the first quarter of 2019 amounted to PLN 37,219 thousand and was lower by PLN 1,464 thousand, i.e. by 3.8% compared to the previous year.

The decrease was related mainly to lowered income from:

- recovered indemnities by PLN 11,590 thousand YoY,
- lease activities by PLN 4,700 thousand YoY,
- recovered vindication costs by PLN 2,106 thousand,

with a simultaneous increase in:

- profit from the sale of fixed assets, intangible assets and goods and services in total by PLN 9,577 thousand, and
- other operating income by PLN 6,534 thousand. This item in the first quarter of 2019 includes, inter alia, annual adjustment of VAT charged in 2018 in the amount of PLN 5.5 million (compared to PLN 2.9 million in the corresponding period of the previous year).

16 OTHER OPERATING EXPENSES

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Loss on sale or liquidation of property, plant and equipment and intangible assets	(7,843)	(1,716)
Impairment allowances on other receivables	(575)	-
Provisions for restructuring of assets, litigation and claim and other liabilities	(528)	(13,571)
Debt collection	(9,386)	(10,944)
Donations made	(1,327)	(630)
Costs of leasing operations	(7,279)	(7,605)
Costs of compensations, penalties and fines	(162)	(819)
Other operating expenses	(4,123)	(4,726)
Total other operating expenses	**(31,223)**	**(40,011)**

Other operating expenses in the first quarter of 2019 amounted to PLN 31,223 thousand and were by PLN 8,788 thousand, i.e. by 22.0% lower compared to the same period last year.

The level of other operating expenses in the analysed period was mainly influenced by:

- lower expenses due to the creation of provisions for litigations and other liabilities YoY - a decrease of PLN 13,043 thousand, and
- higher loss on sale or liquidation of fixed assets and intangible assets - increase by PLN 6,127 thousand.

In addition, other operating expenses for the first quarter of 2019 included the amount of PLN 2,696 thousand (as a reduction of costs) regarding integration costs.

17 INCOME TAX EXPENSE

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Current income tax	(30,426)	(25,355)
Deferred income tax	(45,712)	(10,381)
Total income tax expense	**(76,138)**	**(35,736)**
Profit before income tax	237,739	121,194
Statutory tax rate	19%	19%
Income taxes on gross profit	**(45,170)**	**(23,027)**
Receivables written-off	(233)	(21)
Non-tax-deductible tangible costs/income	726	285
PFRON	(482)	(217)
Prudential fee to the Bank Guarantee Fund	(24,537)	(7,419)
Impairment allowance on receivables	1,389	(591)
Tax on financial institutions	(13,366)	(9,507)
Other differences	5,535	4,761
Total income / tax expense of the Group	**(76,138)**	**(35,736)**

18 CASH AND CASH BALANCES AT CENTRAL BANK

CASH AND CASH EQUIVALENTS	31.03.2019	31.12.2018
Cash and other balances	2,031,488	2,253,140
Account in the National Bank of Poland	684,087	644,095
Gross cash and cash equivalents	**2,715 575**	**2,897,235**
Impairment allowances	(116)	(112)
Total cash and balances at Central Bank	**2,715 459**	**2,897,123**

CHANGE OF IMPAIRMENT ALLOWANCES	3 months ended 31.03.2019	3 months ended 31.03.2018
Impact of IFRS 9 on the opening balance	-	(14)
Opening balance	**(112)**	**(14)**
Increases due to acquisition or origination	(4)	(254)
Closing balance	**(116)**	**(270)**

19 AMOUNTS DUE FROM BANKS

	31.03.2019		31.12.2018	
	Gross balance sheet value	Impairment allowance	Gross balance sheet value	Impairment allowance
Current accounts	663,066	(178)	453,641	(170)
Interbank deposits	63,071	(1)	322,920	(109)
Loans and advances	137,379	(979)	33,339	(511)
Other receivables	54,016	-	152,857	(471)
Total amounts due from banks	**917,532**	**(1,158)**	**962,757**	**(1,261)**

CHANGE OF IMPAIRMENT ALLOWANCES	3 months ended 31.03.2019	3 months ended 31.03.2018
Opening balance	**(1,261)**	**(4,477)**
Impact of IFRS 9 on the opening balance	-	3,333
Increases due to acquisition or origination	(8)	(1,766)
Decreases due to derecognition	695	2,234
Changes due to the change in credit risk (net)	(577)	-
Other changes (including foreign exchange differences)	(7)	(7)
Closing balance	**(1,158)**	**(683)**

20 DERIVATIVE FINANCIAL INSTRUMENTS

		Fair value	
31.03.2019	Nominal value	Assets	Liabilities
TRADING DERIVATIVES (HELD FOR TRADING)			
CURRENCY DERIVATIVES:			
Foreign Exchange Forward (FX Forward + NDF)	9,446,140	46,915	104,851
Currency Swap (FX Swap)	18,981,313	184,078	152,598
Currency Interest Rate Swaps (CIRS)	9,635,955	108,796	166,294
OTC currency options	4,036,628	39,630	42,080
Total currency derivatives:	**42,100,036**	**379,419**	**465,823**
INTEREST RATE DERIVATIVES:			
Interest Rate Swap	38,735,503	353,118	314,382
Forward Rate Agreements (FRA)	2,000,000	141	-
OTC interest rate options	1,828,503	2,482	736
Total interest rate derivatives:	**42,564,006**	**355,741**	**315,118**
OTHER DERIVATIVES			
OTC options	54,153	2,165	2,176
OTC commodity swaps	324,703	5,442	5,414
Currency Spot (FX Spot)	1,387,645	304	688
Total other derivatives:	**1,766,501**	**7,911**	**8,278**
TOTAL TRADING DERIVATIVES:	**86,430,543**	**743,071**	**789,219**
including: measured using models	*86,430,543*	*743,071*	*789,219*

31.12.2018	Nominal value	Fair value Assets	Fair value Liabilities
TRADING DERIVATIVES (HELD FOR TRADING)			
CURRENCY DERIVATIVES:			
Foreign Exchange Forward (FX Forward + NDF)	7,829,117	37,571	84,454
Currency Swap (FX Swap)	21,914,055	211,822	223,383
Currency Interest Rate Swaps (CIRS)	8,909,095	93,281	137,825
OTC currency options	3,580,893	46,682	51,434
Total currency derivatives:	**42,233,160**	**389,356**	**497,096**
INTEREST RATE DERIVATIVES:			
Interest Rate Swap	37,357,838	318,561	279,136
Forward Rate Agreements (FRA)	6,660,000	250	-
OTC interest rate options	1,747,257	1,177	1,181
Total interest rate derivatives:	**45,765,095**	**319,988**	**280,317**
OTHER DERIVATIVES			
OTC options	54,091	2,125	2,135
OTC commodity swaps	295,763	3,813	3,767
Currency Spot (FX Spot)	1,827,788	389	503
Total other derivatives:	**2,177,642**	**6,327**	**6,405**
TOTAL TRADING DERIVATIVES:	**90,175,897**	**715,671**	**783,818**
including: measured using models	*90,175,897*	*715,671*	*783,818*

21 HEDGE ACCOUNTING

As at 31 March 2019, the Group used fair value hedge (**macro fair value hedge**).

Hedging relationship description	The hedges are used against interest rate risk, specifically changes in the fair value of fixed-rate assets and liabilities resulting from changes in a specific reference rate.
Hedged items	Fixed-rate PLN, EUR and USD current accounts are the hedged items.
Hedging instruments	Hedging instruments include standard IRS transactions, i.e. plain vanilla IRS in PLN, EUR and USD, in which the Group receives a fixed interest rate and pays a floating rate based on WIBOR 6M, WIBOR 3M, EURIBOR 3M, EURIBOR 1M, USD LIBOR 1M, USD LIBOR 6M.
Presentation of result on the hedged and hedging transactions	The change in fair value of hedging instruments is recognized in the Result on hedge accounting. Interest on IRS transactions and current accounts is recognized in Interest income.

		Fair value	
IRS	Nominal value	Assets	Liabilities
31.03.2019	7,165,166	172,367	595
31.12.2018	7,176,981	130,405	578

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

31.03.2019 PLN 145,850 thousand

31.12.2018 PLN 96,472 thousand

The below table presents derivative hedging instruments at their nominal value as at 31 March 2019 by residual maturity dates:

	31.03.2019							
	Fair value		Nominal value					
Hedging derivatives	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	172,367	595	-	1,000,000	650,000	4,101,015	1,414,151	7,165,166
Hedging derivatives - total	**172,367**	**595**	**-**	**1,000,000**	**650,000**	**4,101,015**	**1,414,151**	**7,165,166**

	31.12.2018							
	Fair value		Nominal value					
Hedging derivatives	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	130,405	578	17,200	-	1,250,000	4,453,885	1,455,896	7,176,981
Hedging derivatives - total	**130,405**	**578**	**17,200**	**-**	**1,250,000**	**4,453,885**	**1,455,896**	**7,176,981**

Additionally, as at 31 March 2019, the Group applies fair value hedge accounting (**micro fair value hedge**).

Hedging relationship description	The hedges are used against interest rate risk, specifically changes in the fair value of fixed-rate assets and liabilities resulting from changes in a specific reference rate.
Hedged items	Fixed rate bond PS0422 and the loan No. LD0536200061 are the hedged items.
Hedging instruments	Hedging instruments are the standard IRS transactions, i.e. plain vanilla IRS, denominated in PLN and EUR, in which the Group receives a fixed interest rate and pays a floating rate based on WIBOR 6M and EURIBOR 1M.
Presentation of result on the hedged and hedging transactions	The change in fair value of hedging transactions is recognized in the Result on hedge accounting. Interest on IRS transactions and hedged items is recognized in Interest income.

		Fair value	
IRS	Nominal value	Assets	Liabilities
31.03.2019	852,875	-	28,838
31.12.2018	854,543	-	26,550

The below tables present derivative hedging instruments at their nominal value as at 31 March 2018 and 31 March 2019 by residual maturity dates:

	31.03.2019							
	Fair value		Nominal value					
Hedging derivatives	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	28,838	-	-	-	852,875	-	852,875
Hedging derivatives - total	**-**	**28,838**	**-**	**-**	**-**	**852,875**	**-**	**852,875**

	31.12.2018							
	Fair value		Nominal value					
Hedging derivatives	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	26,550	-	-	-	854,543	-	854,543
Hedging derivatives - total	**-**	**26,550**	**-**	**-**	**-**	**854,543**	**-**	**854,543**

22 LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST

	31.03.2019		31.12.2018	
	Gross balance sheet amount	Allowance	Gross balance sheet amount	Allowance
LOANS AND ADVANCES FOR:				
NON-BANKING FINANCIAL ENTITIES	**667,354**	**(12,566)**	**687,227**	**(14,641)**
current account loans	360,824	(1,744)	361,399	(1,837)
investment loans	123,526	(11,837)	96,596	(11,743)
other loans	183,004	1,015	229,232	(1,061)
RETAIL CUSTOMERS:	**27,528,876**	**(1,026,519)**	**27,001,876**	**(1,066,974)**
mortgage loans	16,540,622	(320,591)	16,054,648	(333,352)
other loans	10,988,254	(705,928)	10,947,228	(733,622)
CORPORATE CUSTOMERS:	**43,381,725**	**(1,947,557)**	**42,613,747**	**(1,858,267)**
current account loans	18,396,592	(1,004,515)	17,766,706	(984,066)
investment loans	14,878,860	(677,681)	15,161,760	(627,944)
other loans	10,106,273	(265,361)	9,685,281	(246,257)
INCLUDING RETAIL FARMERS:	**8,740,940**	**(410,520)**	**8,681,538**	**(379,402)**
current account loans	4,373,172	(159,626)	4,312,606	(160,364)
investment loans	4,357,831	(250,577)	4,360,251	(218,750)
other loans	9,937	(317)	8,681	(288)
PUBLIC SECTOR INSTITUTIONS:	**167,119**	**(1,759)**	**190,073**	**(1,961)**
current account loans	51,594	(527)	48,738	(550)
investment loans	33,375	(507)	36,056	(505)
other loans	82,150	(725)	105,279	(906)
LEASE RECEIVABLES	**3,566,658**	**(112,436)**	**3,561,739**	**(115,118)**
Total loans and advances to customers measured at amortised cost	**75,311,732**	**(3,100,837)**	**74,054,662**	**(3,056,961)**

As at the end of March 2019, gross loans and advances to customers (a total of the portfolios measured at amortised cost and at fair value) amounted to PLN 77,726,759 thousand and increased by PLN 1,131,677 thousand, i.e. by 1.5% as compared to the data as at the end of December 2018.

The portfolio of gross loans and advances measured at amortised cost in the analysed period amounted to PLN 75,311,732 thousand and increased by PLN 1,257,070 thousand, i.e. by 1.7%:

The structure of gross loans and advances measured at amortised cost

The value of gross loans and advances to retail customers amounted to PLN 27,528,876 thousand (increase by PLN 527,000 thousand, i.e. by 2.0% as compared to the end of 2018). Their share in the loan portfolio measured at amortised cost in the analysed period was 36.6% and remained at a similar level as compared to the previous quarter. More than a half (60.1%) of the retail portfolio consists of mortgages, which amounted to PLN 16,540,622 thousand as at the end of March 2019. As regards the structure of mortgages, 68.8% of them are granted in PLN, while 30.8% are granted in CHF (as at the end of December: 67.4% and 32.2%, respectively).
The gross value of loans and advances to corporate customers amounted to PLN 43,381,725 thousand (increase by PLN 767,978 thousand, i.e. by 1.8% as compared to the end of 2018). Their share in the loan portfolio measured at amortised cost at the end of March 2019 was 57.6% and remained at a similar level to the previous quarter. Over 42% of the portfolio consists of current account loans.

The value of lease receivables amounted to PLN 3,566,658 thousand (increase by 0.1% as compared to the end of 2018). Their share in the loan portfolio measured at amortised cost in the analysed period was 4.7%.

The volume of loans granted to non-banking financial entities and public sector institutions amounted to PLN 834,473 thousand, and decreased by 4.9% as compared to December 2018.

The ratio of the exposure with identified impairment in the gross loan portfolio measured at amortized cost improved to 5.4% as at the end of March 2019, as compared to 5.6% as at the end of 2018.

Loans and advances to customers by stages

31.03.2019	Stage 1	Stage 2	Stage 3
LOANS AND ADVANCES FOR:	**64,498,005**	**6,742,557**	**4,071,170**
Non-banking financial entities	641,229	417	25,708
Retail customers	24,335,038	2,012,761	1,181,077
Corporate customers	36,357,186	4,288,215	2,736,324
including retail farmers	7,209,456	917,303	614,181
Public sector entities:	164,556	2,452	111
Lease receivables	2,999,996	438,712	127,950
IMPAIRMENT ALLOWANCE ON LOANS AND RECEIVABLES FOR:	**(510,244)**	**(525,630)**	**(2,064,963)**
Non-banking financial entities	(2,961)	(62)	(9,543)
Retail customers	(163,250)	(253,446)	(609,823)
Corporate customers	(317,306)	(247,058)	(1,383,193)
including retail farmers	(91,973)	(82,484)	(236,063)
Public sector entities:	(1,661)	(22)	(76)
Lease receivables	(25,066)	(25,042)	(62,328)
Net loans and advances to customers measured at amortised cost	**63,987,761**	**6,216,927**	**2,006,207**

	Stage 1	Stage 2	Stage 3

31.12.2018

LOANS AND ADVANCES FOR:	**63,546,544**	**6,350,530**	**4,157,588**
Non-banking financial entities	659,169	325	27,733
Retail customers	23,846,696	1,932,196	1,222,984
Corporate customers	35,846,876	3,992,327	2,774,544
including retail farmers	7,114,796	980,508	586,234
Public sector entities:	189,960	-	113
Lease receivables	3,003,843	425,682	132,214
IMPAIRMENT ALLOWANCE ON LOANS AND RECEIVABLES FOR:	**(513,974)**	**(505,675)**	**(2,037,312)**
Non-banking financial entities	(2,931)	(42)	(11,668)
Retail customers	(190,035)	(244,253)	(632,686)
Corporate customers	(296,086)	(239,127)	(1,323,054)
including retail farmers	(78,808)	(85,095)	(215,599)
Public sector entities:	(1,887)	-	(74)
Lease receivables	(23,035)	(22,253)	(69,830)
Net loans and advances to customers measured at amortised cost	**63,032,570**	**5,844,855**	**2,120,276**

The portfolio of amounts due from customers includes assets purchased or originated with impaired value (POCI - purchased or originated credit-impaired asset), which are presented in Stage 2 or 3 depending on the credit risk level assessment, whose net balance sheet value as at 31 March 2019 is PLN 593,473 thousand, while as at 31 December 2018 amounts to PLN 681,549 thousand.

Impairment allowance for loans and advances measured at amortised cost

CHANGE IN IMPAIRMENT ALLOWANCES	Stage 1	Stage 2	Stage 3	Total
Opening balance	**(509,733)**	**(505,571)**	**(2,035,857)**	**(3,051,161)**
Increase due to acquisition or origination	(59,137)	(28,447)	(18,168)	(105,752)
Decrease due to derecognition	32,475	13,747	23,589	69,811
Changes resulting from the change in credit risk (net)	68,728	(5,772)	(113,046)	(50,090)
Use of allowances	-	-	88,114	88,114
Other changes (including foreign exchange differences)	(42,577)	413	(9,595)	(51,759)
Closing balance	**(510,244)**	**(525,630)**	**(2,064,963)**	**(3,100,837)**

ZMIANA STANU ODPISÓW AKTUALIZUJĄYCH Z TYTUŁU UTRATY WARTOŚCI	Stage 1	Stage 2	Stage 3	Total
Opening balance	-	-	-	**(2,784,780)**
Change resulting from IFRS 9 implementation	-	-	-	(746,195)
Increase due to acquisition or origination	(103,315)	(218,660)	(216,832)	(538,807)
Decrease due to derecognition	161,467	121,408	186,656	469,531
Use of allowances	-	-	-	184,754
Other changes (including foreign exchange differences)	-	-	-	5,406
Closing balance	**-**	**-**	**-**	**(3,410,091)**

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

Loans by currency	31.03.2019	31.12.2018
CHF	5,097,486	5,166,681
EUR	54,477	56,277
PLN	11,385,571	10,828,584
USD	3,088	3,106
Total	**16,540,622**	**16,054,648**

Value of CHF loan portfolio

	31.03.2019				31.12.2018			
	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
LOANS AND ADVANCES FOR:								
NON-BANKING FINANCIAL ENTITIES	**667,354**	**-**	**(12,566)**	**-**	**687,227**	**-**	**(14,641)**	**-**
current account loans	360,824	-	(1,744)	-	361,399	-	(1,837)	-
investment loans	123,526	-	(11,837)	-	96,596	-	(11,743)	-
other loans	183,004	-	1,015	-	229,232	-	(1,061)	-
RETAIL CUSTOMERS:	**27,528,876**	**5,163,078**	**(1,026,519)**	**(193,225)**	**27,001,876**	**5,234,042**	**(1,066,974)**	**(199,108)**
mortgage loans	16,540,622	5,097,486	(320,591)	(183,666)	16,054,648	5,166,681	(333,352)	(190,402)
other loans	10,988,254	65,592	(705,928)	(9,559)	10,947,228	67,361	(733,622)	(8,706)
CORPORATE CUSTOMERS:	**43,381,725**	**100,413**	**(1,947,557)**	**(8,714)**	**42,613,747**	**102,654**	**(1,858,267)**	**(7,647)**
current account loans	18,396,592	48,280	(1,004,515)	(5,419)	17,766,706	49,814	(984,066)	(4,375)
investment loans	14,878,860	12,911	(677,681)	(3,068)	15,161,760	13,396	(627,944)	(3,264)
other loans	10,106,273	39,222	(265,361)	(227)	9,685,281	39,444	(246,257)	(8)
INCLUDING RETAIL FARMERS:	**8,740,940**	**-**	**(410,520)**	**-**	**8,681,538**	**-**	**(379,402)**	**-**
current account loans	4,373,172	-	(159,626)	-	4,312,606	-	(160,364)	-
investment loans	4,357,831	-	(250,577)	-	4,360,251	-	(218,750)	-
other loans	9,937	-	(317)	-	8,681	-	(288)	-
PUBLIC SECTOR INSTITUTIONS:	**167,119**	**-**	**(1,759)**	**-**	**190,073**	**-**	**(1,961)**	**-**
current account loans	51,594	-	(527)	-	48,738	-	(550)	-
investment loans	33,375	-	(507)	-	36,056	-	(505)	-
other loans	82,150	-	(725)	-	105,279	-	(906)	-
LEASE RECEIVABLES	**3,566,658**	**43,705**	**(112,436)**	**(8,053)**	**3,561,739**	**38,531**	**(115,118)**	**(14,519)**
Total loans and advances	**75,311,732**	**5,307,196**	**(3,100,837)**	**(209,992)**	**74,054,662**	**5,375,227**	**(3,056,961)**	**(221,274)**

In the first quarter of 2019, the Bank concluded agreements regarding the sale of retail loan portfolio. The amount of receivables covered in a significant portion by impairment allowances, or derecognized from the statement of financial position, sold under agreements amounted to PLN 364,181 thousand (including principal, interest and other side receivables). The contractual price for the sale of these portfolios has been set at PLN 40,463 thousand. The net effect on the Bank's results from the sale of portfolios which amounted to PLN 8,934 thousand and is presented in Recognition and release of impairment allowances on loans and advances.

Securitization

In 2017 the Bank concluded 9 agreements regarding the sale of loan portfolio.

In December 2017, the Bank performed a securitization transaction on the portfolio of cash and car loans. The transaction is a traditional securitization involving the transfer of ownership of the securitized receivables to SPV (BGŻ Poland ABS1 DAC based in Ireland). The revolving period is 24 months.

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.

As a result of securitization, the Bank obtained financing in return for the transfer of rights to future cash flows resulting from the securitized loan portfolio in the amount of PLN 2,300,471 thousand as at 22 November 2017 (cut-off). The maximum deadline for full redemption of bonds and repayment of the loan is 27 April 2032.

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

In the light of the provisions of IFRS 9, the contractual terms of the securitization do not fulfil the conditions for derecognition of securitized assets. In connection with the above, the Bank recognizes securitized assets in “Loans and advances to customers” as at 31 March 2019 in the net value amounting to PLN 2,205,703 thousand.

The Bank acts as a servicing entity in the transaction.

Balance sheet values and fair values of financial assets covered by securitization and related liabilities:

	Balance sheet amount		Fair value	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Assets	2,205,703	2,150,316	2,110,670	2,106,646
Liabilities	2,299,206	2,298,995	2,299,206	2,298,995

23 LOANS AND ADVANCES TO CUTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.03.2019	31.12.2018
Subsidised loans	2,283,645	2,416,249
Total loans and advances to customers measured at fair value through profit or loss	**2,283,645**	**2,416,249**

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

	Fair value	Gross balance sheet value
31.03.2019	2,283,645	2,415,027
31.12.2018	2,416,249	2,540,420

Subsidised loans at fair value	Stage 1	Stage 2	Stage 3
31.03.2019	1,786,132	355,793	141,720
31.12.2018	1,878,069	396,716	141,464

24 SECURITIES MEASURED AT AMORTISED COST

	31.03.2019		31.12.2018	
	Gross balance sheet value	Impairment allowance	Gross balance sheet value	Impairment allowance
INSTRUMENTY DŁUŻNE:				
issued by national banks – covered bonds	-	-	6,006	(1)
issued by central governments – Treasury bonds	15,427,393	(64)	11,269,967	(46)
issued by non-financial entities – bonds	600,041	(20,103)	618,641	(20,964)
issued by local governments – municipal bonds	71,917	(133)	65,767	(132)
Total debt instruments measured at amortised cost	**16,099,351**	**(20,300)**	**11,960,381**	**(21,143)**

31.03.2019	Stage 1	Stage 2	Stage 3
DEBT INSTRUMENTS	**15,869,434**	**9,299**	**220,618**
issued by central governments – Treasury bonds	15,427,393	-	-
issued by non-financial entities – bonds	370,124	9,299	220,618
issued by local governments – municipal bonds	71,917	-	-
IMPAIRMENT ALLOWANCES ON SECURITIES	**(1,949)**	**(1,328)**	**(17,023)**
issued by central governments – Treasury bonds	(64)	-	-
issued by non-financial entities – bonds	(1,752)	(1,328)	(17,023)
issued by local governments – municipal bonds	(133)	-	-
Total net debt instruments measured at amortised cost	**15,867,485**	**7,971**	**203,595**

31.12.2018	Stage 1	Stage 2	Stage 3
DEBT INSTRUMENTS	**11,709,065**	**31,479**	**219,837**
issued by national banks – covered bonds	6,006	-	-
issued by central governments – Treasury bonds	11,269,967	-	-
issued by non-financial entities – bonds	367,325	31,479	219,837
issued by local governments – municipal bonds	65,767	-	-
IMPAIRMENT ALLOWANCES ON SECURITIES	**(1,734)**	**(2,359)**	**(17,050)**
issued by national banks – covered bonds	(1)	-	-
issued by central governments – Treasury bonds	(46)	-	-
issued by non-financial entities – bonds	(1,555)	(2,359)	(17,050)
issued by local governments – municipal bonds	(132)	-	-
Total net debt instruments measured at amortised cost	**11,707,331**	**29,120**	**202,787**

25 FINACIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.03.2019	31 12.2018
FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	Balance sheet	
Bonds issued by central governments	-	11,941
Bonds issued by non-financial entities	54,303	53,612
Bonds convertible to non-financial institutions’ shares	15,271	11,943
Equity instruments	136,019	126,317
Units	609	608
Total financial instruments measured at amortised cost (fair value through profit or loss)	206,202	204,421

26 SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.03.2019	31.12.2018
DEBT SECURITIES		
NBP bills	199,966	-
Bonds issued by banks	525,941	516,084
Treasury bonds issued by central governments	9,468,449	15,359,255
SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**10,194,356**	**15,875,339**

The valuation of debt securities measured at fair value through other comprehensive income is based on the discounted cash flow model using current market interest rates, taking into account the issuer's credit risk in the amount corresponding to the parameters observed on the market for transactions with similar credit risk parameters and similar time horizon. The measurement does not take into account assumptions that cannot be observed directly on the market.

27 INTANGIBLE ASSETS

	31.03.2019	31.12.2018
Licenses	322,654	332,813
Other intangible assets	8,520	8,836
Expenditure on intangible assets	175,817	179,118
Total intangible assets	**506,991**	**520,767**

In the first quarter of 2019, the net balance sheet amount of intangible assets acquired by the Group was PLN 40,640 thousand (in the first quarter of 2018 it amounted to PLN 15,037 thousand), while the net balance sheet value of sold and liquidated components amounted to PLN 493 thousand (in the first quarter of 2018 - PLN 137 thousand).

28 PROPERTY, PLANT AND EQUIPMENT

	31.03.2019	31.12.2018
Fixed assets, including:	467,408	474,568
land and buildings	193,181	192,895
IT equipment	115,133	124,497
office equipment	35,875	36,239
other, including leasehold improvements	123,219	120,937
Fixed assets under construction	48,477	36,707
Right of use, including:	581,970	-
land and buildings	555,174	-
cars	19,005	-
IT equipment	5,958	-
other	1,833	-
Total property, plant and equipment	**1,097,855**	**511,275**

In the first quarter of 2019, the net balance sheet amount of the components included in property, plant and equipment acquired by the Group was PLN 27,813 thousand (in the first quarter of 2018 it amounted to PLN 9,585 thousand), while the net balance sheet value of sold and liquidated components amounted to PLN 2,572 thousand (in the first quarter of 2018 it amounted to PLN 1,531 thousand).

29 LEASES

Group as a lessee

The Group is a party to lease agreements with respect to underlying asset components such as:

- real estate,
- motor vehicles,
- land, including the right of perpetual usufruct of land,
- CDMs,
- equipment items,
- IT equipment.

The lease period of motor vehicles ranges from 1 to 5 years. The contracts contain extension options.

The Group is a party to real estate lease agreements. The contracts are concluded for a definite period from 1 to 30 years and for an indefinite period. In the case of contracts for an indefinite period, the Group determines the lease period based on the notice period. The agreements provide for variable lease fees depending on the index [e.g. GUS, HICP].

The Group is a party to land lease agreements for an indefinite period, and the right of perpetual usufruct of land received for a period of 40 to 100 years. Lease payments are valorised in accordance with the Land Management Act.

	31.03.2019
Lease expenses recognized in the statement of profit or loss	**(39,506)**
interest on lease liabilities	(2,272)
depreciation of right of use assets	(29,706)
expenses related to short-term lease (recognized in general administrative expenses)	(7,528)

30 OTHER ASSETS

OTHER ASSETS:	31.03.2019	31.12.2018
Receivables from contracts with customers:		
sundry debtors	248,960	134,419
accrued income	129,105	145,260
payment card settlements	113,756	141,009
social insurance settlements	7,706	6,054
Other:		
interbank and intersystem settlements	52,065	222,222
deferred expenses	70,739	50,409
tax and other regulatory receivables	63,751	70,115
other lease receivables	24,637	16,114
other	42,219	67,021
Total other assets (gross)	**752,938**	**852,623**
Impairment allowances on other receivables from sundry debtors	(87,048)	(89,970)
Total other assets (net)	**665,890**	**762,653**

31 AMOUNTS DUE TO BANKS

	31.03.2019	31.12.2018
Current accounts	742,196	599,176
Interbank deposits	163,906	183,006
Loans and advances received	3,159,348	3,005,787
Other liabilities	305,786	188,500
Total amounts due to banks	**4,371,236**	**3,976,469**

There were no breaches of contractual provisions and conventions related to the financial situation of the Bank and disclosure obligations in 2019 and 2018.

32 AMOUNTS DUE TO CUSTOMERS

	31.03.2019	31.12.2018
NON-BANKING FINANCIAL INSTITUTIONS	**4,105,448**	**4,052,126**
Current accounts	1,507,208	1,149,183
Term deposits	2,583,935	2,890,516
Other liabilities	14,305	12,427
RETAIL CUSTOMERS	**44,551,060**	**44,753,378**
Current accounts	27,388,589	27,622,375
Term deposits	16,777,001	16,778,483
Other liabilities	385,470	352,520
CORPORATE CUSTOMERS	**36,081,250**	**37,339,344**
Current accounts	24,548,395	25,998,247
Term deposits	10,733,992	10,262,953
Other liabilities	798,863	1,078,144
INCLUDING FARMERS	**1,793,937**	**1,770,897**
Current accounts	1,623,833	1,590,618
Term deposits	158,083	168,781
Other liabilities	12,021	11,498
PUBLIC SECTOR CUSTOMERS	**1,185,188**	**1,046,860**
Current accounts	695,024	721,146
Term deposits	488,517	307,176
Other liabilities	1,647	18,538
Total amounts due to customers	**85,922,946**	**87,191,708**

At the end of March 2019, amounts due to customers amounted to PLN 85,922,946 thousand and were lower by PLN 1,268,762 thousand, i.e. by 1.5% compared to the end of 2018, which is the result of the policy of optimization of the Group's deposit base.

The decrease was noted mainly in the deposits of business operators, whose volume decreased by PLN 1,258,094 thousand, i.e. by 3.4% (including PLN 1,449,852 thousand of term deposits). Simultaneously, the share of this segment in the structure of total amounts due to customers decreased to 42.0% vs. 42.8% as at the end of December 2018.

The volume of deposits of retail customers amounted to PLN 44,551,060 thousand and decreased by PLN 202,318 thousand, i.e. by 0.5%. At the same time, their share in the total amounts due to customers increased to 51.9% as compared to 51.3% at the end of December 2018.

The volume of deposits of non-banking financial entities and the public sector entities increased in total by PLN 191,650 thousand (increase by 3.8% as compared to the end of 2018).

Structure of amounts due to customers – the product division

The share of current accounts in the structure of amounts due to customers in total amounted to 63.0% at the end of March 2019, recording a decrease by 0.6 p.p. as compared to the end of 2018. The funds deposited on current accounts amounted to PLN 54,139,216 thousand and decreased by PLN 1,351,735 thousand, i.e. by 2.4%. This was a result of a decrease in the volume of the business entities segment (by PLN 1,449,852 thousand, i.e. -5.6% as at the end of 2018), and in the segment of retail clients (by PLN 233,786 thousand, i.e. -0.8% as at the end of 2018).

The share of term deposits in the structure of amounts due to customers in the analysed period amounted to 35.6% and increased by 0.9 p.p. as compared to the end of 2018. Value of term deposits increased by PLN 344,317 thousand, i.e. by 1.1% as compared to December 2018 and reached PLN 30,583,445 thousand. This increase was mainly related to the business entities segment (increase in volume by PLN 471,039 thousand).

The share of other liabilities in the structure of amounts due to customers amounted to 1.4% (decrease by 0.3 p.p. as compared to December 2018). Their volume amounted to 1,200,285 thousand.

33 DEBT SECURITIES ISSUED

Changes in the balance of debt securities issued

	3 months ended 31.03.2019	3 months ended 31.03.2018
Opening balance	**2,179,424**	**2,471,966**
Redemption of certificates of deposit	-	(285,000)
Changes in discount, interests, commission and fees on certificates of deposit amortized using EIR, foreign currency exchange differences	186	(5,035)
Closing balance of debt securities issued	**2,179,610**	**2,181,931**

In the first quarter of 2018, the Bank redeemed deposit certificates issued on the basis of the Agreement concluded in March 2008.

In December 2017, SPV issued bonds for the total amount of PLN 2,180,850 thousand with the maximum initial maturity date to 27 April 2032. The repayment of bonds is secured by receivables from loans and borrowings subject to securitization.

34 SUBORDINATED LIABILITIES

As at 31 March 2019, the balance sheet amount of subordinated liabilities was PLN 1,879,367 thousand (PLN 1,652,130 thousand as at 31 December 2018).

Change in the balance of subordinated liabilities	3 months ended 31.03.2019	3 months ended 31.03.2018
Opening balance	**1,875,769**	**1,645,102**
Change in the balance of interest	(1,867)	(1,088)
Foreign exchange differences	5,465	8,116
Closing balance	**1,879,367**	**1,652,130**

35 OTHER LIABILITIES

	31.03.2019	31.12.2018
Liabilities due to contracts with customers		
Sundry creditors	168,025	64,920
Payment card settlements	102,406	180,442
Deferred income	142,500	169,815
Escrow account liabilities	52,985	70,778
Social insurance settlements	36,044	37,432
Other liabilities		
Interbank and intersystem settlements	604,635	460,016
Provisions for non-personnel expenses	396,521	267,908
Provisions for other employees-related liabilities	120,766	245,070
Provision for unused annual holidays	44,940	44,997
Other regulatory liabilities	104,757	69,380
Other lease liabilities	26,330	18,592
Other	18,377	82,291
Total other liabilities	**1,818,286**	**1,711,641**

36 PROVISIONS

	31.03.2019	31.12.2018
Provision for restructuring	154,982	171,889
Provision for retirement benefits and similar obligations	15,207	14,703
Provision for contingent financial liabilities and guarantees granted	148,179	149,530
Provisions for litigation and claims	61,040	62,156
Other provisions	37,113	39,134
Total provisions	**416,521**	**437,412**

Provisions for restructuring	3 months ended 31.03.2019	12 months ended 31.03.2018
Opening balance	**171,889**	**10,479**
Provisions recognition	280	-
Provisions utilization	(21,864)	(3,495)
Provision acquired as a result of merger	(687)	-
Other changes	5,364	-
Closing balance	**154,982**	**6,984**

Provision for retirement benefits and similar obligations	3 months ended 31.03.2019	12 months ended 31.03.2018
Opening balance	**14,703**	**12,940**
Provisions recognition	580	578
Provisions release	(76)	(122)
Closing balance	**15,207**	**13,396**

Provisions for contingent financial liabilities and guarantees granted	3 months ended 31.03.2019	12 months ended 31.03.2018
Opening balance	**149,530**	**35,419**
IFRS 9 implementation effect	-	38,193
Provisions recognition	85,394	33,998
Provisions release	(92,236)	(40,721)
Other changes	5,491	37
Closing balance	**148,179**	**66,926**

Provisions for litigation and claims	3 months ended 31.03.2019	12 months ended 31.03.2018
Opening balance	**62,156**	**7,109**
Provisions recognition	968	13,704
Provisions utilization	(406)	(133)
Provisions release	(333)	(40)
Other changes	(1,345)	-
Closing balance	**61,040**	**20,640**

Other provisions	3 months ended 31.03.2019	12 months ended 31.03.2018
Opening balance	**39,134**	**10,906**
Provisions recognition	174	52
Provisions release	(361)	(1,380)
Other changes	(1,834)	-
Closing balance	**37,113**	**9,578**

37 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:

	31.03.2019	31.12.2018
Cash and balances at Central Bank (Note 18)	2,715,459	2,897,123
Current accounts of banks and other receivables	438,148	225,425
Interbank deposits	42,000	298,837
Loans and advances	-	4,078
Total cash and cash equivalents	**3,195,607**	**3,425,463**

38 ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOWS

Cash flows from operating activities – other adjustments	3 months ended 31.03.2019	12 months ended 31.03.2018
FX differences from subordinated loans	5,465	8,116
Hedge accounting	-	(45,389)
IFRS 9 impact	-	(318,028)
Tax on financial institutions	70,345	50,035
Allowance for securities	(463)	-
IFRS 16 impact on assets	(596,492)	-
IFRS 16 impact on liabilities	610,497	-
Other adjustments	(43,898)	(29,808)
Cash flows from operating activities – total other adjustments	**45,454**	**(335,074)**

39 CONTINGENT LIABILITIES

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

	31.03.2019	31.12.2018
CONTINGENT COMMITMENTS GRANTED	**28,640,962**	**28,688,905**
financial commitments	21,675,611	21,893,903
guarantees	6,965,351	6,795,002
CONTINGENT COMMITMENTS RECEIVED	**20,660,017**	**18,164,389**
financial commitments	12,611,255	12,384,011
guarantees	8,048,762	5,780,378

40 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 2019 and 2018, the Bank did not make any changes in the method of fair value measurement that would result in the transfer of financial assets and liabilities between levels.

As at 31 March 2019, particular instruments were included in the following valuation levels:

1. the first level: Treasury bonds (fair value is determined directly by reference to published active market quotations);
2. the second level: interest rate options in EUR and GBP, FX options, base interest rate and FX swaps maturing within 10 years, FRA maturing within 1 year, FX Forward, NDF and FX swaps maturing within 1 year, commodity swaps, interest rate swaps maturing within 10 years, structured instruments (fair value determined using measurement techniques which are based on available, verifiable market data), money bills, CATALYST-listed corporate bonds (fair value determined using measurement techniques which are based on available, verifiable market data or based on prices available on a limited-liquidity market);
3. the third level: interest rate options in PLN, FX options maturing over 1 year, FX Forward, NDF and FX swaps maturing over 1 year, base interest rate and FX swaps maturing over 10 years, interest rate swaps with residual maturity exceeding 10 years, structured instruments (fair value determined using measurement techniques (models) which are not based on available, verifiable market data), corporate bonds other than CATALYST-listed ones, shares which are not listed on the WSE, subsidised loans (fair value determined using measurement techniques (models) which are not based on available, verifiable market data, i.e. in cases other than those described in 1 and 2).

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

31.03.2019	Level 1	Level 2	Level 3	Total
ASSETS MEASURED AT FAIR VALUE:	**10,194,396**	**723,979**	**2,737,134**	**13,655,509**
Derivative financial instruments	-	580,247	162,824	743,071
Hedging instruments	-	91,491	80,876	172,367
Loans and advances to customers measured at fair value through profit or loss	-	-	2,283,645	2,283,645
Financial instruments measured at fair value through other comprehensive income	10,194,356	-	-	10,194,356
Financial instruments measured at fair value through profit or loss	40	52,241	153,921	206,202
Investment property	-	-	55,868	55,868
LIABILITIES MEASURED AT FAIR VALUE:	**-**	**691,252**	**127,400**	**818,652**
Derivative financial instruments	-	661,819	127,400	789,219
Hedging instruments	-	29,433	-	29,433

31.03.2018	Level 1	Level 2	Level 3	Total
ASSETS MEASURED AT FAIR VALUE:	**4,801,476**	**394,143**	**2,902,484**	**8,098,103**
Derivative financial instruments	-	394,143	35,333	429,476
Loans and advances to customers measured at fair value through profit or loss	-	-	2,750,954	2,750,954
Financial instruments measured at fair value through other comprehensive income	4,801,476	-	-	4,801,476
Financial instruments measured at fair value through profit or loss	-	-	61,762	61,762
Investment property	-	-	54,435	54,435
LIABILITIES MEASURED AT FAIR VALUE:	**-**	**359,542**	**41,554**	**401,096**
Derivatives	-	359,542	41,554	401,096

The fair value of level 2 and 3 financial instruments is determined using the measurement techniques (e.g. models).

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

As regards level 3 municipal bonds, the credit risk margin is a non-observable parameter corresponding to the market margin for instruments within similar characteristics. The effect of changes in the credit margin on changes in the fair value is considered immaterial.

In the case of investment property, the input data used for the valuation are offer prices for comparable properties, actual transaction prices and other data regarding the real estate market conditions in a given area. The adoption of other estimates than those used as at 31 December 2018 could result in a significant change in the valuation of the investment property, however, the Group does not have reliable estimates of their impact on the fair value of the property.

The valuation was made by an external property appraiser with the use of a mixed approach, residual method.

Presented below are changes in the measurement of level 3 assets and liabilities as well as amounts charged to profit or loss and statement of comprehensive income.

31.03.2019	Derivative financial instruments – assets	Financial assets measured at fair value	Investment properties	Derivative financial instruments – liabilities	Hedging instruments - liabilities
Opening balance	**349,596**	**2,561,863**	**55,868**	**(493,868)**	**58,093**
Total gains/losses recognized in:	39,357	(132,297)	-	69,277	22,783
statement of profit or loss	*39,357*	*(132,297)*	-	*69,277*	*22,783*
Purchase	2,315	5,000	-	(477)	-
Sale	(83,098)	-	-	122,655	-
Transfer	(145,346)	5,000	-	(175,013)	-
Closing balance	**162,824**	**2,437,566**	**55,868**	**(127,400)**	**80,876**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period	**(186,772)**	**(132,297)**	**-**	**366,468**	**22,783**

31.03.2018	Derivative financial instruments – assets	Financial assets measured at fair value	Investment properties	Derivative financial instruments – liabilities	Hedging instruments - liabilities
Opening balance	**45,231**	**73,850**	**54,435**	**(45,406)**	**(9,618)**
Change resulting from IFRS 9 implementation	**-**	**2,946,329**	**-**	**-**	**-**
Total gains/losses recognized in:	(9,898)	(100,874)	-	3,852	(3,418)
statement of profit or loss	*(9,898)*	*(100,874)*	-	*3,852*	*(3,418)*
Acquired as a result of merger	-	-	-	-	-
Purchase	-	6,518	-	-	-
Sale	-	(143)	-	-	-
Transfer	-		-	-	-
Impairment allowance	-		-	-	-
Merger	-	636	-	-	-
Closing balance	**35,333**	**2,812,716**	**54,435**	**(41,554)**	**(13,036)**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period	**(9,898)**	**(100,874)**	**-**	**3,852**	**(3,418)**

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.

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

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

The yield curve for fair value measurement of loans is constructed through classification of loans into sub-portfolios depending on the product type and currency as well as customer segmentation. A margin is determined for each sub-portfolio taking into account credit risk. The margin is determined by reference to margins used for each type of loan granted over the past three months and if in this period loans were not granted or their volume was low, the starting point is the margin from the previous quarter increased by the average change in the level of margins on the whole loan portfolio observed during the quarter.

The following table presents the book and fair values of those financial assets and liabilities which have not been presented in the Group's statement of financial position at fair value, along with the measurement classification level. The current credit risk margin and the current liquidity margin, the values of which are not quoted on an active market, are the non-observable parameters for all the categories.

31.03.2019	Book value	Fair value	Level
FINANCIAL ASSETS			
Amounts due from banks	882,550	862,552	3
Loans and advances to customers measured at amortised cost	72,210,895	71,569,796	3
Debt instruments measured at amortised cost	16,079,051	16,509,980	1,3
FINANCIAL LIABILITIES			
Amounts due to banks	4,371,236	4,351,902	3
Amounts due to customers	85,922,946	86,002,849	3
Subordinated liabilities	1,879,367	2,071,740	3

31.12.2018	Book value	Fair value	Level
FINANCIAL ASSETS			
Amounts due from banks	961,496	937,216	3
Loans and advances to customers measured at amortised cost	70,997,701	70,197,205	3
Debt instruments measured at amortised cost	11,939,238	12,040,963	1,3
FINANCIAL LIABILITIES			
Amounts due to banks	3,976,469	3,892,078	3
Amounts due to customers	87,191,708	87,260,288	3
Subordinated liabilities	1,875,769	2,034,352	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 actual or estimated margins earned over the past three months for each product group.

c) Investments in associates

The fair value of investments in associates is equal to their balance sheet amounts.

d) Liabilities due to subordinated loan

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

e) Amounts due to customers

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

f) Debt securities issued

The fair value of debt securities issued was estimated using a model discounting future cash flows from the investment, based on the market yield curves adjusted by the issuer's credit risk.

41 RELATED PARTY TRANSACTIONS

As at 31 March 2019, the Capital Group of BNP Paribas Bank Polska S.A. comprised BNP Paribas Bank Polska S.A. as the parent company, and its subsidiaries:

1. BANKOWY FUNDUSZ NIERUCHOMOŚCIOWY ACTUS SP. Z O.O. („ACTUS").
2. TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH BGŻ BNP PARIBAS S.A. („TFI")
3. BNP PARIBAS LEASING SERVICES SP. Z O.O. („LEASING").
4. BNP PARIBAS GROUP SERVICE CENTER S.A. („GSC")
5. CAMPUS LESZNO SP. Z O.O.
6. BGZ POLAND ABS1 DAC („SPV").
7. BNP PARIBAS FINANCIAL SERVICES SP. Z O.O.
8. BNP PARIBAS SOLUTIONS SPÓŁKA 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

31.03.2019	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
ASSETS	**607,191**	**10,264**	**62,319**	**31**	**679,805**
Receivables on current accounts, loans and deposits	143,259	9,348	55,617	4	**208,228**
Derivative financial instruments	289,910	-	-	-	**289,910**
Hedging instruments	171,451	916	-	-	**172,367**
Other assets	2,571	-	6,702	27	**9,300**
LIABILITIES	**4,073,555**	**14,001**	**498,034**	**4,948**	**4,590,538**
Loans and advances received	1,804,429	-	-	-	**1,804,429**
Current accounts and deposits	319,866	13,996	238,319	4,948	**577,129**
Subordinated liabilities	1,625,584	-	258,640	-	**1,884,224**
Derivative financial instruments	298,104	-	-	-	**298,104**
Hedged instruments	22,120	-	-	-	**22,120**
Other liabilities	3,452	5	1,075	-	**4,532**
CONTINGENT LIABILITIES					
Financial commitments granted	-	-	214,221	36	**214,257**
Guarantee commitments	152,112	182,515	427,858	-	**762,485**
Commitments received	4,168,265	122,696	508,453	-	**4,799,414**
Derivative instruments (nominal value)	39,772,704	-	-	-	**39,772,704**
Hedging derivative instruments (nominal value)	7,902,263	12,904	-	-	**7,915,167**

3 months ended 31.03.2019	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
STATEMENT OF PROFIT OR LOSS	**33,511**	**(916)**	**1,074**	**(9)**	**33,660**
Interest income	266	120	1,108	-	**1,494**
Interest expense	(334)	(40)	(1,838)	(9)	**(2,221)**
Fee and commission income	2	42	38	-	**82**
Fee and commission expense	(54)	-	(131)	-	**(185)**
Net trading income	36,571	(1,038)	(1,346)	-	**34,187**
Other operating income	5,247	-	6,077	-	**11,324**
Other operating expenses	(4,357)	-	(2,375)	-	**(6,732)**
General administrative expenses	(3,830)	-	(459)	-	**(4,289)**

31.12.2018	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
ASSETS	**595,282**	**22,349**	**170,046**	**28**	**787,705**
Receivables on current accounts, loans and deposits	200,648	19,479	164,139	-	**384,266**
Derivative financial instruments	265,576	1,034	-	-	**266,610**
Hedging instruments	128,568	1,836	-	-	**130,404**
Other assets	490	-	5,907	28	**6,425**
LIABILITIES	**2,054,013**	**14,753**	**478,496**	**3,905**	**2,551,167**
Current accounts and deposits	183,846	14,747	216,525	3,904	**419,022**
Subordinated liabilities	1,621,433	-	258,589	-	**1,880,022**
Derivative financial instruments	228,530	-	-	-	**228,530**
Other liabilities	18,912	-	-	-	**18,912**
Current accounts and deposits	1,292	6	3,382	1	**4,681**
CONTINGENT LIABILITIES					
Financial commitments granted	-	-	121,984	64	**122,048**
Guarantee commitments	140,757	180,131	346,431	-	**667,319**
Commitments received	147,640	122,649	517,510	-	**787,799**
Derivative instruments (nominal value)	38,122,093	249,054	-	-	**38,371,147**
Derivative hedging instruments (nominal value)	7,896,881	30,100	-	-	**7,926,981**
3 months ended 31.03.2018					
STATEMENT OF PROFIT OR LOSS	**(6,323)**	**247**	**(14,677)**	**(14)**	**(20,767)**
Interest income	3,277	271	361	-	**3,909**
Interest expense	(7,954)	(81)	(10,443)	(14)	**(18,492)**
Fee and commission income	-	54	3,464	-	**3,518**
Fee and commission expense	(30)	-	(17)	-	**(47)**
Net trading income	-	3	(49)	-	**(46)**
Other operating income	-	-	3,675	-	**3,675**
Other operating expenses	(1,616)	-	(4,667)	-	**(6,283)**
General administrative expenses	-	-	(7,001)	-	**(7,001)**

Remuneration of the Management Board and Supervisory Board

Management Board	31.03.2019	31.03.2018
Short-term employee benefits	6,625	4,936
Long-term benefits	5,894	2,115
Share-based payments	1,178	1,138
TOTAL	**13,697**	**8,189**

Supervisory Board	31.03.2019	31.03.2018
Short-term employee benefits	308	519
TOTAL	**308**	**519**

42 CONSOLIDATED CAPITAL ADEQUACY RATIO

	31.03.2019	31.12.2018
Total equity	12,173,793	12,206,789
Total risk exposure	83,574,734	83,451,251
Total capital ratio	14.57%	14.63%
Tier 1 capital ratio	12.32%	12.38%

43 OPERATING SEGMENTS

Segment reporting

The Group has identified the following operating segments for reporting purposes and allocated income and expenses as well as assets and liabilities thereto: Retail and Business Banking, Small and Medium-Sized Enterprises (SME), Corporate Banking, Corporate and Institutional Banking (CIB) as well as Other Operations, including ALM Treasury and the Corporate Centre. Additionally, performance related to Agro customers, i.e. individual farmers and agro-food sector enterprises, as well as the Personal Finance segment has been presented. Although the aforesaid segment performance overlaps with that of the basic operating segments, it is additionally monitored separately for purposes of the Group's management reporting. The abovementioned segmentation reflects the principles of customer classification to each segment in line with the business model adopted by the Group, which are based on such criteria as the entity, finances and type of business activity. Enterprises are segmented on the basis of activity classification codes.

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

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

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

Description of operating segments

The Retail and Business Banking Segment offers comprehensive services to retail customers, including private banking customers (Wealth Management), i.e. investing in the amount of minimum PLN 1 million through the Group, as well as business clients (microenterprises), including:

- non-Agro entrepreneurs, not preparing full financial reporting, in accordance with the principles set out in the Accounting Act, meeting the criterion of annual net revenues for the previous financial year below EUR 2 million;
- Agro entrepreneurs not preparing full financial reporting and who meet the criterion of annual net income for the previous financial year below EUR 2 million, conducting activities classified according to selected PKD 2007 codes;
- professionals: entrepreneurs not preparing full financial reporting in accordance with the principles set out in the Accounting Act and performing professions defined in a separate document;
- individual farmers whose credit exposure is less than PLN 3 million;
- individual farmers whose credit exposure is in the range between PLN 3 million and PLN 4 million, if the collateral on arable lands covers at least 50% of credit exposure;
- non-profit organizations (e.g. foundations and associations);
- cooperatives and housing communities.

The scope of financial services offered by the Retail and Business Banking Segment includes maintenance of current and deposit accounts, acceptance of term deposits, granting mortgage loans, cash loans, mortgage advances, overdrafts, loans to microenterprises, issuing debit and credit cards, cross-border cash transfers, foreign exchange transactions, sale of insurance products as well as other services of lesser importance to the Group's income. Additionally, the performance of the Retail and Business Banking Segment includes: balances and performance of direct banking (BGŻ Optima), performance of brokerage services and distribution of investment fund units.

The Retail and Business Banking customers are served by the Bank's Branches and alternative channels, i.e. online banking, mobile banking and telephone banking, direct banking channel (BGŻ Optima) and the Personal Banking channel. Selected products are also sold by financial intermediaries active at the country and local level.

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

Personal Finance provides strong support in acquisition of retail customers, generating income and increasing profitability.

SME Banking provides services to:

- individual farmers, whose credit exposure is in the range between PLN 3 million and PLN 4 million, and at the same time the collateral on arable lands covers less than 50% of credit exposure;
- individual farmers, whose credit exposure is between PLN 4 million and PLN 25 million;
- Agro-SME clients preparing full financial reporting in relation to net sales revenues for the previous financial year below PLN 60 million and credit exposure of up to PLN 25 million, as well as agricultural producer groups;
- non-Agro-SME clients including: (i) companies preparing full financial reporting, with net sales revenues for the previous financial year below PLN 60 million and loan exposures lower than PLN 25 million; (ii) public finance sector entities with a budget of up to PLN 60 million, which were included in the tender procedure or the request for proposals;
- small Agro-SME clients including: Agro entrepreneurs, preparing full financial reporting, with net revenues from sales for the previous financial year below PLN 10 million and with credit exposure below PLN 25 million;
- Small Agro-SME clients including: non-Agro entrepreneurs, preparing full financial reporting, with net sales revenues for the previous financial year below PLN 10 million and credit exposure below PLN 25 million.

Corporate Banking offers a wide variety of financial services to large and medium-sized enterprises as well as local government entities with annual turnover exceeding PLN 60 million or with the credit exposure above PLN 25 million, in addition to entities operating in multinational capital groups.

Clients of Corporate Banking are divided into:

- Polish mid corporates (i.e. with annual revenues between PLN 60 and 600 million);
- international clients (companies belonging to international capital groups);
- large Polish corporations (with annual turnover over PLN 600 million, listed on the stock exchange and with potential in the area of investment banking services);
- currency exchange offices;
- public sector entities and financial institutions.

Within the above groups there are sub-segments of clients from the agro and non-agro areas.

Operating services are provided to all institutional segment customers by the Branches, via telephone and online. Selected products are also sold by financial intermediaries active both at the country and local level.

The basic products and services provided to Corporate Customers include cash management and global trade finance services – comprehensive services related to import and export LCs, bank guarantees and documentary collection, supply chain and exports financing, acceptance of deposits (from overnight to term deposits), corporate finance services which involve provision of overdraft facilities, revolving and investment loans as well as agro-business loans), financial market products, to include foreign exchange and derivative transactions for the account of customers, lease and factoring products as well as specialized services such as financing real estate, structured finance services to mid-caps and investment banking.

The Corporate and Institutional Banking (CIB) Segment supports sales of products of the BNP Paribas Group, an international institution, dedicated to the largest Polish enterprises. It offers world-class quality expertise to customers by combining the knowledge of the Polish market with experience gained on international markets as well as top-class industry experts' competence. It supports development of Polish enterprises and implementation of projects of strategic importance to Poland, to include construction of power plants, green energy or fuel sector funding or securing financing for cross-border acquisitions of listed companies. The Segment includes also financial institutions.

Other Banking Operations of the Group are performed mainly through the **ALM Treasury**, the main objective of which is ensuring an appropriate and stable level of funding to guarantee the security of the Bank's operations and compliance with the standards defined in the applicable laws.

The AML 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 AML Treasury focuses on both prudential (compliance with external and internal regulations) and optimization 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). The segment also includes significant non-recurring costs, including the acquisition of the core business of Raiffeisen Bank Polska by the Bank.

In 2019, there were changes in the criteria for assigning customers to the Small and Medium Enterprises Banking Segment and to the Corporate Banking Segment. The general change in the classification in Corporate Banking Segment compared to previous year is a reduction of the level of customer sales net revenue from PLN 60 million to PLN 40 million. The second criteria for classification in Corporate Banking Segment is the Group's credit exposure towards the client, which has been reduced from PLN 25 million to PLN 12 million. Due to ongoing work on the final and detailed criteria of customer segmentation - the Group included in the criteria description form 2018.

31.03.2019*	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
STATEMENT OF PROFIT OR LOSS								
Net interest income	433,471	76,773	145,772	8,771	105,653	**770,442**	108,347	163,591
external interest income	499,003	96,212	191,984	14,074	233,814	**1,035,086**	175,534	240,334
external interest expenses	(133,965)	(18,702)	(41,264)	(1,941)	(68,775)	**(264,644)**	(15,764)	(12,223)
internal interest income	274,111	48,545	97,246	3,630	(423,532)	**-**	37,082	-
internal interest expenses	(205,678)	(49,282)	(102,195)	(6,992)	364,146	**-**	(88,504)	(64,520)
Net fee and commission income	102,365	35,098	58,716	9,138	568	**205,883**	39,443	26,293
Dividend income	-	-	-	-	208	**208**	-	-
Net trading income	19,105	14,654	48,569	41,867	43,804	**167,997**	10,839	420
Result on investment activities	5	-	-	-	(7,642)	**(7,637)**	-	-
Result on hedge accounting	-	-	-	-	1,926	**1,926**	-	-
Other operating income and expenses	4,593	(1,132)	392	502	1,638	**5,996**	(1,849)	(1,686)
Net impairment losses on financial assets and contingent liabilities	(43,914)	(15,866)	(28,298)	1,849	(6,951)	**(93,181)**	(30,272)	(12,242)
Total operating expenses	(325,988)	(50,726)	(87,862)	(17,285)	(156,216)	**(638,078)**	(4,401)	(93,531)
Depreciation and amortization	(18,380)	(893)	(2,313)	(1,413)	(82,470)	**(105,472)**	(158)	(2,956)
Expense allocation (internal)	(128,032)	(33,531)	(17,425)	22	178,966	**-**	-	(24,145)
Operating result	**43,225**	**24,377**	**117,550**	**43,451**	**79,482**	**308,084**	**121,950**	**55,743**
Tax on financial institutions	(34,961)	(11,792)	(20,355)	(2,181)	(1,055)	**(70,345)**	-	(9,637)
Profit before income tax	**8,241**	**12,671**	**97,256**	**41,300**	**78,272**	**237,739**	**122,495**	**46,639**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(76,138)**	**-**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**161,601**	**-**	**-**
STATEMENT OF FINANCIAL POSITION AS AT 31.03.2019								
Segment assets	36,645,409	9,572,749	25,845,355	1,146,822	35,634,888	**108,845,223**	16,679,782	9,758,763
Segment liabilities	51,907,862	10,257,969	22,273,967	1,557,450	12,161,972	**98,159,220**	7,821,170	-

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

31.03.2018 *	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
STATEMENT OF PROFIT OR LOSS								
Net interest income	282,927	61,498	63,638	1,990	39,859	**449,911**	95,814	96,829
external interest income	350,012	94,005	89,800	4,309	96,904	**635,030**	166,009	150,184
external interest expenses	(90,218)	(16,251)	(37,690)	-	(40,960)	**(185,119)**	(14,359)	(7,394)
internal interest income	182,374	36,022	64,507	-	(282,902)	**-**	32,297	-
internal interest expenses	(159,241)	(52,277)	(52,979)	(2,319)	266,817	**-**	(88,132)	(45,961)
Net fee and commission income	77,743	17,725	27,331	281	(2,406)	**120,674**	30,516	19,232
Dividend income	-	-	-	-	25	**25**	-	-
Net trading income	8,368	6,565	18,869	17,163	24,445	**75,411**	5,103	77
Result on investment activities	-	-	(20)	-	8,414	**8,394**	-	-
Result on hedge accounting	-	-	-	-	1,516	**1,516**	-	-
Other operating income and expenses	454	(1,362)	(277)	95	(239)	**(1,329)**	(1,662)	(685)
Net impairment losses on financial assets and contingent liabilities	(16,282)	(31,634)	(8,158)	712	(6,991)	**(62,354)**	(47,886)	7,634
Total operating expenses	(207,555)	(29,251)	(34,197)	(5,994)	(103,091)	**(380,087)**	(2,661)	(67,033)
Depreciation and amortization	(19,442)	(933)	(2,099)	(1,041)	(17,418)	**(40,932)**	(38)	(2,842)
Expense allocation (internal)	(80,268)	(16,643)	(13,910)	(2,019)	112,840	**-**	-	(18,841)
Operating result	**45,946**	**5,965**	**51,177**	**11,186**	**56,954**	**171,228**	**79,187**	**34,370**
Tax on financial institutions	(25,923)	(9,487)	(11,733)	(400)	(2,492)	**(50,035)**	-	(6,600)
Profit before income tax	**20,023**	**(3,521)**	**39,443**	**10,786**	**54,462**	**121,193**	**79,187**	**27,771**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(35,736)**	**-**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**85,458**	**-**	**-**
STATEMENT OF FINANCIAL POSITION AS AT 31.12.2018								
Segment assets	36,076,966	10,345,141	24,142,069	1,243,322	37,215,022	**109,022,519**	16,806,772	9,512,330
Segment liabilities	52,327,625	10,595,532	22,219,643	2,107,495	11,212,410	**98,462,706**	8,234,852	-

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

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

As at 31 March 2019 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, total:	130,850,464	88.76%	130,850,464	88.76%
BNP Paribas directly	*95,360,238*	*64.69%*	*95,360,238*	*64.69%*
BNP Paribas Fortis SA/NV indirectly	*35,490,226*	*24.07%*	*35,490,226*	*24.07%*
Other shareholders	16,568,454	11.24%	16,568,454	11.24%
Total	**147,418,918**	**100.00%**	**147,418,918**	**100.00%**

In the first quarter of 2019, there were no changes in the shareholding structure of the Bank.

As at 31 March 2019, the Bank's share capital amounted to PLN 147,419 thousand.

The share capital is divided into 147,418,918 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 and 49,880,600 L series shares.

The Bank's shares are ordinary bearer and registered shares (as at 31 March 2019, there were 67,005,515 registered shares, including 4 shares from B series).

No special control rights are attached to the ordinary bearer shares.

Four B series 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 Bank's Statute does not impose any limitations as to exercising the voting rights or set forth any provisions whereby the equity rights attached to securities would be separated from the holding itself. One right to vote at the General Shareholders' Meeting of the Bank is attached to each share. The Bank's Statute does not impose any limitations as to transferring the title to the securities issued by the Bank.

As at 31 March 2019 none of the members of the Management Board or Supervisory Board of the Bank declared holding any shares of BNP Paribas Bank Polska S.A., and there were no change in this respect from the date of presenting the report for 2018, i.e. 14 March 2019.

Investor obligation of BNP Paribas concerning the liquidity of the Bank's shares

As declared by BNP Paribas SA to the Polish Financial Supervision Authority (PFSA) on 14 September 2018, the number of the Bank's shares that are in free float should have been increased to at least 25% plus one share by the end of 2023 at the latest.

45 DIVIDEND PAID

The Group did not pay any dividends for 2018.

46 DISTRIBUTION OF RETAINED EARNINGS

In accordance with the request submitted by the Management Board to the Ordinary Shareholder's Meeting, it is planned to allocate the net profit for 2018 in the amount of PLN 364,739 thousand to reserve capital.

47 LITIGATION AND CLAIMS

Legal risk

As at 31 March 2019, 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.

Judgment on the method of calculating the interchange fee

On 6 October 2015, the Court of Appeals issued a decision regarding calculation of the interchange fee by banks acting in agreement. Thus, the decision of the 1st instance (Regional) Court of 2013 was changed by dismissing the banks' appeals in whole, while upholding the appeal brought by the Office of Competition and Consumer Protection (UOKiK), which had questioned a considerable reduction in the fines by the 1st instance court. This denotes that the penalty imposed under the first decision of the President of UOKiK of 29 December 2006 was upheld. It involved a fine levied on 20 banks, including Bank BGŻ S.A. and Fortis Bank Polska S.A., for practices limiting competition by calculating interchange fees on Visa and MasterCard transactions in Poland in agreement.

The total fine levied on BNP Paribas Bank Polska amounted to PLN 12,544 thousand and included: i) a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9,650 thousand; and ii) a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2,895 thousand. 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.

Corporate claims against the Bank (interchange fee)

As at 31 March 2019 the Bank received 26 requests for settlement from companies (marchands), due to interchange fees paid in relation to the use of payment cards (the number of requests did not change since 31 December 2017). The total amount of these claims was PLN 986.06 million, including PLN 975.99 million where the Bank had joint and several responsibility with other banks. The Bank has been called to participate in the case as a third party intervener in two proceedings initiated by clients against other banks, and the subject of which is a claim for payment based on the decision of the President of UOKiK. The Bank has not yet decided whether to participate in the proceedings.

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

As at 31 March 2019 the Bank was the defendant in (129) one hundred and twenty nine court cases in which the Bank's customers demand to declare the mortgage loan contract is invalid in terms of granting a foreign currency loan, denominated or indexed to CHF ("CHF contracts") by determining that the Bank granted a loan in PLN without denomination to a foreign currency or compensation for abuse of the entity's right by the Bank, including the principles of social coexistence and misleading the customer or depriving the executory title of enforceability, as well as the return of the spread.

The total value of claims in the above mentioned proceedings is PLN 40.87 million.

48 RISK MANAGEMENT

The most important changes in the approach to credit risk management, basic measures of market risk, liquidity risk, country and counterparty risk as well as changes in the approach to operational risk management introduced in the first quarter of 2019 are described below.

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 Bank Polska S.A. The materiality of credit risk is confirmed by 71% 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 89% 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 to the customer based on its ability to generate cash flows that ensure payment of its 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 on such dimensions as geographical regions, industries, products and customers;
- credit decisions may only be taken by competent employees;
- the Bank enters into credit transactions only with customers it knows and long-term relationships are the basis for cooperation with customers;
- the customer and the transactions made with the customer are monitored transparently from the perspective of the customer, in a manner strengthening the relationship between the Bank and the customer.

Forbearance practices

The 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;

only in the period of customer's financial difficulties or, in the period when, due to changes on the market, such difficulties may occur, i.e.:

- the exposure is subject to debt collection; or
- the exposure is not subject to debt collection but there is evidence (provided by the customer or obtained in the decision-making process) that the customer is facing financial difficulties or may be facing them in the near future.

A material economic loss is defined by the Bank as the drop of present value of expected cash flows, resulting from forbearance granted, equal or higher than 5%. 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 "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.

FINANCIAL RISK

The use of sensitivity limits for the interest position in individual time periods in the first quarter of 2019 was low. The level of interest rate risk measured by the average use of the technical limits of the interest rate gap slightly increased as compared to the previous quarter and amounted to 38% at the end of March.

The currency risk does not occur in the banking book. It is transferred to the trading book.

Market risk in the trading book

The market risk exposure in the trading book in the first quarter of 2019 decreased as compared with the previous quarter and was, on average, 17%. Exposures to interest rate risk were the main source of risk in the trading book (the dominant share of interest rate swaps). The currency risk exposures had immaterial impact on the bank's market risk because the end-of-day positions on particular currencies were limited to the minimum levels.

Liquidity risk

In the period between January and March 2019, the Bank maintained the supervisory liquidity measures for the short and long term above regulatory limits and internal limits. LCR was at the level of 139% -169%.

The main sources of financing are liabilities to customers, medium and long-term credit lines and equity. The average and long-term credit lines received, including subordinated loans, come mainly from the BNP Paribas group.

Country and counterparty risk

Counterparty risk is the credit risk concerning the counterparty transactions in case of which the amount of liability may change in time depending on market parameters.

The counterparty risk was calculated for the following types of transactions contained in the trading portfolio of the Bank: foreign exchange transactions, interest rate swap transactions, FX options, interest rate options and commodity derivatives.

As at the end of March 2019, nearly 25% of the Bank's exposure towards countries was treasury transactions (including deposits and derivatives), 46% was related to foreign lending operations, while the remaining part, i.e. 33% were international trade transactions (letters of credit and financial guarantees). France accounted for 24%, Austria for 16%, the Netherlands for 13%, Luxembourg and Germany for 9%, Great Britain for 6% of the exposure. The remaining exposure was related to Belgium and Spain.

OPERATIONAL RISK

The Bank's operational risk is defined in accordance with the requirements of the Polish Financial Supervision Authority specified in Recommendation M of the PFSA as the possibility of incurring a loss or an unreasonable cost through the fault of inappropriate or unreliable internal processes, people, technical systems or as a result of external factors. It comprises legal but not strategic risk. Operational risk as such is inherent in any banking operations.

Operational risk is managed with a view to reducing the losses and costs resulting from the aforesaid risk, ensuring top quality of the services provided by the Bank in addition to security and compliance of the Bank's operations with the applicable laws and standards.

Procedures

Operational risk management consists in employment of measures aimed at operational risk identification, analysis, monitoring, control, reporting and mitigating. Such measures take into account the structures, processes, resources and scopes of responsibilities for the said processes at various organizational levels. The operational risk management strategy has been described in the Operational Risk Management Strategy of Bank BGŻ BNP Paribas S.A., which was approved by the Management Board of the Bank and accepted by the Supervisory Board. The Operational Risk Policy of Bank BGŻ BNP Paribas S.A., adopted by the Management Board 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 local banking supervision authorities. The Bank's operational risk management objectives include, in particular, compliance with high operational risk management that guarantee security of customer deposits, the Bank's equity, stability of its financial performance as well as maintenance of the operational risk level within the range of the operational risk appetite and tolerance defined by the Bank. When developing the operational risk management system, the Bank complies with the applicable legal requirements, in particular, with the recommendations and resolutions of the national financial supervision authorities and the standards adopted by the BNP Paribas Group.

In accordance with the Policy, the Bank's operational risk management instruments include:

- tools used for purposes of recording operational events, together with the principles of their recording, allocation and reporting;
- operational risk analysis, its monitoring and daily control;
- counteracting an elevated level of operational risk, to include risk transfer;
- calculation of the capital requirement related to the operational risk.

Compliance with the operational risk policy is verified by the Bank's Management Board periodically and, if necessary, the required adjustments are made in order to improve the system. To this end, the Management Board of the Bank is regularly provided with information concerning the scale and types of operational risk to which the Bank is exposed, its effects and management methods.

Internal environment

The Bank precisely defines the roles and responsibilities in the operational risk management process, considering its organizational structure. The Operational Risk Department is responsible for daily operational risk analysis in addition to development of appropriate risk control and mitigation techniques and their improvement. Development and implementation of the Bank's strategy with respect to insurance as a risk mitigation technique is the responsibility of the Real Estate and Administration Department, while the Security and Continuity of Business Department is in charge of business continuity management.

As part of the legal risk management process, the Legal Division monitors, identifies and performs analyses of changes to laws of general application and their effect on the Group's operations, in addition to court and administrative proceedings which affect the Bank. The Compliance Monitoring Department is responsible for daily non-compliance risk analysis in addition to development of appropriate risk controls and their improvement.

Considering the elevated level of external and internal risks related to fraud and offense against the assets of the Bank and its customers, the Bank has extended the scope of and improved its processes aimed at counteracting, detecting and examining such cases, which is entrusted with the Fraud Prevention Department.

Risk management

The Bank places a strong focus on identification and assessment of the factors that trigger its present exposure to operational risk in relation to banking products. It is the Bank's objective to reduce the operational risk level through improvement of its internal processes as well as mitigating the risk inherent in the process of launching new products and services and outsourcing operations to third parties.

In accordance with the Operational Risk Management Policy of Bank BGŻ BNP Paribas 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.

Keeping a track record of operational events enables efficient operational risk analysis and monitoring. The process of operational event recording is overseen by the Operational Risk Department, which assumes responsibility for verification of the quality and completeness of data concerning operational events recorded in dedicated tools available to all organizational units of the Bank.

Internal control system

The purpose of internal control is effective risk control, including risk prevention or early detection. The role of the internal control system is to achieve general and specific objectives of the internal control system, which should be considered at the design stage of control mechanisms. The principles of the internal control system are described in the "Policy on internal control at BGŻ BNP Paribas 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 Development and Finance of 6 March 2017 on the risk management system and the internal control system, the remuneration policy and the detailed method of estimating internal capital 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 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).

Subsidiaries

In accordance with supervisory regulations, the Bank supervises operational risk related to the operations of its subsidiaries. Operational risk management in subsidiaries is performed in dedicated units / persons appointed for this purpose. The method of operational risk management in subsidiaries is organized adequately to the scope of the particular entity's activity and the profile of its operations, in accordance with the rules applied in the Group.

CAPITAL ADEQUACY

Capital adequacy management is aimed to ensure the Group's compliance with macro-prudential regulations defining capital requirements related to the risks incurred by the Bank, quantified in the form of the capital ratio.

Since 1 January 2014, banks have been subject to new principles applicable to calculation of capital ratios, following the implementation of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on macro-prudential requirements for credit institutions and investment firms and amending Regulation No. 648/2012.

The capital ratios, capital requirements and equity have been calculated in accordance with the aforesaid Regulation with the use of national options in line with the assumptions adopted for purposes of temporary reporting by the Polish Financial Supervision Authority (PFSA).

The level of Common Equity Tier 1 (CET I), Tier 1 capital and total capital ratio (TCR), both on separate and consolidated levels, were above regulatory requirements in force in 2019.

On 15 October 2018, the Bank received from the Polish Financial Supervision Authority a recommendation to maintain own funds on the level appropriate to cover an additional capital requirement of 0.36 p.p. to hedge the risk resulting from FX mortgage loans for households. The additional capital requirement should consist at least in 75% of Tier 1 capital (which corresponds to 0.27 points).

On 8 August 2018, the Bank received a letter from the Polish Financial Supervision Authority with the information that the Commission conducted a review of the adequacy of the buffer ratio for another systemically important institution. As a result of the review, the Commission concluded that there are no reasons justifying the repeal or amendment of its previous decision of 4 October 2016, as amended by the Commission decision of 19 December 2017, concerning imposition of a buffer for another systemically important institution on the Bank (on a consolidated and separate basis) in the amount of 0.25% of the total risk exposure amount.

The level of Tier I capital ratio (Tier I), both on separate and consolidated levels, and the total capital ratio (TCR) on a consolidated level, were above the new requirements.

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.

The minimum consolidated capital adequacy ratios of the Group under the provisions of CRR law and administrative decisions issued by the Polish Financial Supervision Authority (PFSA) applicable to the Group as at 31 March 2019 are as follows:

CET I = 10.45%

Tier I =12.02%

Total Capital Ratio = 14.11%

As at 31 March 2019 the consolidated capital adequacy ratios of the Group were as follows:

CET I = 12.32%

Tier I = 12.32%

Total Capital Ratio = 14.57%

The minimum separate capital adequacy ratios of the Bank under the provisions of the CRR law and administrative decisions issued by the Polish Financial Supervision Authority (PFSA) applicable to the Bank as at 31 March 2019 are as follows:

CET I = 10.45%

Tier I =12.02%

Total Capital Ratio = 14.11%

As at 31 March 2019 the separate capital adequacy ratios of the Bank were as follows:

CET I = 12.66%

Tier I = 12.66%

Total Capital Ratio = 14.96%

As at 31 March 2019 the levels of Tier I both on separate and consolidated levels exceeded the regulatory requirements.

49 MANAGEMENT OF BNP PARIBAS BANK POLSKA S.A.

Composition of the Bank's Supervisory Board as at 31 March 2019:

FULL NAME	OFFICE HELD IN THE SUPERVISORY BOARD OF THE BANK
Józef Wancer	Chairman of the Supervisory Board
Jarosław Bauc	Vice-Chairman of the Supervisory Board Independent Member of the Supervisory Board
Jean-Paul Sabet	Vice-Chairman of the Supervisory Board
Francois Benaroya	Member of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Jacques d'Estais	Member of the Supervisory Board
Michel Falvert	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Monika Nachyła	Member of the Supervisory Board
Stéphane Vermeire	Member of the Supervisory Board
Mariusz Warych	Independent Member of the Supervisory Board

In the period between 1 January and 31 March 2019 there were no changes in the composition of the Supervisory Board.

Composition of the Bank's Management Board as at 31 March 2019:

FULL NAME	OFFICE HELD IN THE MANAGEMENT BOARD OF THE BANK
Przemysław Gdański	President of the Management Board
Jean-Charles Aranda	Vice-President of the Management Board
Daniel Astraud	Vice-President of the Management Board
Philippe Paul Bézieau	Vice-President of the Management Board
André Boulanger	Vice-President of the Management Board
Przemysław Furlepa	Vice-President of the Management Board
Wojciech Kembłowski	Vice-President of the Management Board
Kazimierz Łabno	Vice-President of the Management Board
Jaromir Pelczarski	Vice-President of the Management Board
Jerzy Śledziewski	President of the Management Board

In the period between 1 January and 31 March 2019 there were no changes in the composition of the Management Board.

50 FACTORS WHICH, ACCORDING TO THE BANK, WILL AFFECT THE BANK'S PERFORMANCE WITHIN AT LEAST THE NEXT QUARTER

The most significant external factors affecting the financial results of the Group in the subsequent periods include:

- **The economic situation in Poland.** Previously available data on economic activity for the period January-March are consistent with GDP growth, slightly exceeding 4.0% (YoY) in the first quarter of 2019. Thus, the GDP growth probably decelerated from the level of 4.9% YoY in the fourth quarter of 2018. In the fourth quarter of 2018, the growth was a result of the domestic demand, with solid consumption dynamics maintained, however, with a lower increase in investments, as compared to the previous quarter. Weaker data on the economic situation in the euro zone and growing supply restrictions suggest that GDP growth may be subject to further slowdown in the coming quarters, but the scale of the slowdown will be limited by the increase in social transfers that have been announced by the government.
- **The situation on the domestic labour market.** The unemployment rate in the fourth quarter of 2018 reached a historical minimum, and was at the level of 6.0%, which was continued at the beginning of the current year. The impact of unfavourable demographic trends and lowering the retirement age considering the number of economically active people was limited in the previous quarters by a significant influx of workers from Ukraine. In the medium- and long-term a reduction in labour supply may reduce the potential and real GDP growth. Recently, the wage pressure decreased, still remaining on a relatively high level.
- **Changes in the level of inflation.** After a decrease in January to the minimum level of over a two-year period (0.7%), CPI inflation rebounded in February and March, rising to 1.7% at the end of the first quarter of 2019. The higher core inflation was responsible for the increase of the consumer price index, as well as the growing dynamics of food prices. The level of inflation growth, however, remains below 2.5% of the target level and will probably not approach this target level before the end of the year. In this context, the Monetary Policy Council (MPC) kept interest rates unchanged. After recent MPC meetings, the President of the National Bank of Poland, Adam Glapiński, pointed out that in his opinion interest rates may remain unchanged until the end of the term of office of MPC in 2021. The risk of inflation increase is the pro-inflationary impact of the fiscal loosening announced this year. Higher expenditures on social transfers combined with supply constraints on the labour

market should lead to inflationary pressure. We expect CPI inflation to increase to around 2.5% of the target level at the beginning of 2020. Core inflation should rise steadily, and at the end of the next year may be close to 3.0%. On the other hand, the possibility of a smaller transfer of wage growth to core inflation in conditions of increased productivity growth is another risk for the inflation level. Market interest rates in Poland decreased at the turn of the year, following their counterparts in the core markets (US and euro zone), which was a result of, among others, signals from the Federal Reserve, which suggest that the US central bank has withheld the monetary policy tightening cycle.

- **Potentially increasing imbalances in public finance**. High economic activity and improvement of tax collection process resulted in a further reduction of the general government deficit from 1.4% of GDP in 2017 to 0.5% of GDP in 2018. However, the decreasing deficit trend will be reversed in the current year. Increasing social transfers by the government will result in a deficit increase to nearly 2.0% in 2019 and, probably, 2.5% in 2020. The perspective of the deficit increase by increasing rigid expenditures may result in a possible stronger slowdown in economic activity.
- **The global trade war.** Currently, the trade dispute is focused on the US-China line. The escalation of the dispute could contribute to the slowdown in economic growth both in the world and in Poland.
- **Potential increase in volatility and risk aversion on the European financial markets,** resulting from the slowdown of economic growth in the euro zone as well as the gradual tightening of monetary policy parameters by the ECB, including the end of the asset purchase program in early 2019. Higher risk aversion on the European bond market may increase the risk premium for Polish assets and cause increase in the profitability of Polish Treasury securities (especially at the long end of the yield curve).
- **Potential significant weakening of Polish zloty exchange rate against key currencies**, in response to a possible increase in volatility and risk aversion in the financial markets. In case of a stable situation in the external environment, BNP Paribas predicts that at the end of 2019 the EUR/PLN exchange rate will remain close to the current level (around 4.30).
- **A draft of bill on support for people having problems with timely payment of mortgage loans** prepared by the Chancellery of the President. The bill assumes the creation of a fund that will be financed from quarterly contributions paid by banks, depending on the volume of their own portfolios of denominated and indexed loans (maximum 0.5% of the balance sheet value of the loan portfolio). The estimated annual burden on the banking sector will amount to PLN 2.5 – 3.2 billion.
- **The development of the product offer by external entities,** including those developed as a result of **Payment Services Directive** (**PSD II**) implementation related to payment services within the EU internal market. PSD II will introduce, among others, an online access service to customer account data and payment initiation service at the customer's request. The above mentioned services may be provided by third parties (entered into the register of PFSA). The Directive imposes on banks the obligation to provide public application interfaces software (APIs) and to implement additional security requirements.
- **Recommendation S.** Currently, the PFSA is working on the amendment to the Recommendation S concerning good practices in the management of mortgage credit exposures. As part of the amendment, the PFSA intends to oblige banks to introduce mortgage loans bearing interest at a fixed interest rate and periodically fixed interest rate.
- **Act on Capital Accumulation Program**, introducing the obligation to create Capital Accumulation Programs. On 1 July 2019, the largest employers employing over 250 employees are going to join the Program as one of the first. At the latest, in 2021, small companies and public finance sector units will join. The new Program will increase the costs of running businesses.

51 MAJOR EVENTS IN BNP PARIBAS BANK POLSKA S.A. IN THE FIRST QUARTER OF 2019

28.01.2019 **Resolution of the Management Board regarding the implementation of assumptions in relation the demerger of factoring activities from the Bank and its transfer to BGŻ BNP Paribas Faktoring sp. z o.o.**

The factoring activity that will be subject to demerger, was acquired by the Bank following the transfer of the core business of Raiffeisen Bank Polska S.A. to the Bank. In 2017, the Bank sold the BGZ BNP Paribas Faktoring sp. z o.o. ("Company") to BNP Paribas ("Company Shareholder")

The detailed procedure and conditions for demerger of the factoring activities from the Bank to the Company will be the subject of further arrangements of the Bank with the Company and with the Company's Shareholder. The completion of works related to the demerger of factoring activities is scheduled until the end of the third quarter of 2019 and is subject to the receipt of consents required by law, including relevant corporate decisions.

As at 31 December 2018, the value of receivables due to factoring activities amounted to PLN 1.6 billion.

The Bank and the Company plan to continue the cooperation, using a strong factoring offer to support the Bank's clients.

14.03.2019 **Request to PFSA regarding the permission to include the net profit generated by the Bank in the fourth quarter of 2018 in the amount of PLN 36,429,608.99 in Common Equity Tier 1 capital**

29.03.2019 **Entering an amendment to the Bank's statute (including the name) and changing the address of the issuer's website into the National Court Register**

On 29 March 2019, the Bank was informed about the registration of the amendments to the Bank's Statute adopted by resolution No. 3 of the Extraordinary General Meeting of the Bank on 11 December 2018, by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Department of the National Court Register.

As a result, on 29 March 2019 the Bank's name changed from "Bank BGŻ BNP Paribas Spółka Akcyjna" to "BNP Paribas Bank Polska Spółka Akcyjna" and the website address from www.bgzbnpparibas.pl to www.bnpparibas.pl.

29.03.2019 **Merger of the Bank's subsidiaries**

On 29 March 2019, the Bank's following subsidiaries were merged: Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A. with its registered office in Warsaw ("TFI BGŻ BNP Paribas S.A.") and Riviera Towarzystwo Funduszy Inwestycyjnych S.A. (former: Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A.) with its registered office in Warsaw, as a result of acquisition of Riviera Towarzystwo Funduszy Inwestycyjnych S.A. by TFI BGŻ BNP Paribas S.A. (as the acquiring company) in the mode of article 492 § 1 point 1 of the Code of Commercial Companies ("Merger"), as a result of the registration by the Registry Court of the Merger into the National Court Register ("Register") on the basis of the decision of 29 March 2019.

Simultaneously, in connection with the Merger, on 29 March 2019, the Registry Court made an entry regarding the share capital increase of TFI BGŻ BNP Paribas S.A. by PLN 1,644,912.00 to the amount of PLN 10,692,912.00, as a result of the issue of 68,538 ordinary registered series T shares of the TFI, with a nominal value of PLN 24.00 each, allocated to the Bank, being the sole shareholder ("Capital Increase").

As a result of the Capital Increase, the Bank, as the only shareholder of TFI BGŻ BNP Paribas S.A., holds a total of 445,538 ordinary registered shares entitling to the same number of votes at the general meeting.

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52 SUBSEQUENT EVENTS

17.04.2019	**Information on the amount of the annual contribution to the banks' resolution fund for 2019 set by the Bank Guarantee Fund for BNP Paribas Bank Polska S.A. in the amount of PLN 116.1 million** In total, the BFG contributions recognized as costs in the first quarter of 2019 amounted to PLN 129.1 million (the aforementioned annual contribution to the banks' resolution fund for 2019 – in the amount of PLN 116.1 million and the bank guarantee fund's contribution for the first quarter of 2019 – amounted to PLN 13.0 million).
18.04.2019	**Decision of PFSA regarding the permission to include the net profit generated by the Bank in the fourth quarter of 2018, in the amount of PLN 36,429,608.99 into Common Equity Tier 1 capital.**

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Interest income	1,005,881	640,104
Interest income calculated with the use of effective interest rate method	951,204	591,916
interest income on financial instruments measured at amortised cost	885,346	556,751
interest income on financial instruments measured at fair value through other comprehensive income	64,568	35,165
Income of a similar nature to interest on instruments measured at fair value through profit or loss	55,967	48,188
Interest expense	(247,064)	(195,202)
Net interest income	**758,817**	**444,902**
Fee and commission income	245,250	142,894
Fee and commission expense	(46,634)	(29,298)
Net fee and commission income	**198,616**	**113,596**
Dividend income	208	25
Net trading income	167,556	75,318
Result on investment activities	(7,638)	8,393
Result on fair value hedge accounting	1,926	1,516
Net impairment losses on financial assets and contingent liabilities	(86,382)	(55,155)
General administrative expenses	(618,612)	(369,228)
Depreciation and amortization	(105,035)	(40,821)
Other operating income	34,158	36,510
Other operating expenses	(33,859)	(38,795)
Operating result	**309,755**	**176,261**
Tax on financial institutions	(70,345)	(50,035)
Profit before tax	**239,410**	**126,226**
Income tax expenses	(76,052)	(36,961)
Net profit	**163,358**	**89,265**
attributable to equity holders of the Group	163,358	89,265
EARNINGS (LOSS) PER SHARE (IN PLN PER ONE SHARE)		
Basic	1.11	1.06
Diluted	1.11	1.06

Interim condensed separate statement on comprehensive income

	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Net profit for the period	**163,358**	**89,265**
OTHER COMPREHENSIVE INCOME		
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS UPON FULFILMENT OF CERTAIN CONDITIONS	**(35,990)**	**7,031**
Measurement of financial assets measured at fair value through other comprehensive income	(42,633)	9,345
Deferred income tax	6,643	(2,314)
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	**(112)**	**(155)**
Actuary valuation of employee benefits	(137)	(191)
Deferred income tax	25	36
OTHER COMPREHENSIVE INCOME (NET)	**(36,102)**	**6,876**
TOTAL COMPREHENSIVE INCOME	**127,256**	**96,141**
attributable to equity holders of the group	127,256	96,141

Interim condensed separate statement on financial position

ASSETS	31.03.2019	31.12.2018
Cash and balances at Central Bank	2,715,434	2,897,113
Amounts due from banks	651,433	791,071
Derivative financial instruments	743,071	715,671
Adjustment of hedging item fair value	172,367	130,405
Loans and advances to customers measured at amortised cost	69,849,465	68,870,918
Loans and advances to customers measured at fair value through profit or loss	2,283,645	2,416,249
Securities measured at amortised cost	16,079,051	11,939,238
Financial instruments measured at fair value through profit or loss	205,593	203,813
Securities measured at fair value through other comprehensive income	10,194,356	15,875,339
Investments in subsidiaries	157,258	142,258
Intangible assets	506,395	520,108
Property, plant and equipment	1,083,258	499,307
Deferred tax assets	868,894	920,286
Current tax assets	2,461	-
Other assets	693,577	889,882
Total assets	**106,206,258**	**106,811,658**

LIABILITIES	31.03.2019	31.12.2018
Amounts due to banks	1,696,949	1,589,935
Derivative financial instruments	789,219	783,818
Adjustment of hedging and hedged item fair value	175,283	123,600
Amounts due to customers	88,174,745	89,506,557
Subordinated liabilities	1,879,367	1,875,769
Lease liabilities	590,323	-
Other liabilities	1,785,505	1,801,154
Current tax liabilities	-	123,464
Provisions	416,106	435,799
Total liabilities	**95,507,497**	**96,240,096**

EQUITY	31.03.2019	31.12.2018
Share capital	147,419	147,419
Supplementary capital	9,110,976	9,111,033
Other reserve capital	1,208,018	1,208,018
Revaluation reserve	105,037	141,139
Retained earnings	127,311	(36,047)
retained profit	(36,047)	(400,786)
net profit for the period	163,358	364,739
Total equity	**10,698,761**	**10,571,562**
Total liabilities and equity	**106,206,258**	**106,811,658**

Interim condensed separate statement of changes in equity

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit under approval	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2019 (data approved)	**147,419**	**9,111,033**	**1,208,018**	**141,139**	**(400,786)**	**364,739**	**10,571,562**
Total comprehensive income for the period	**-**	**-**	**-**	**(36,102)**	**-**	**163,358**	**127,256**
Net profit for the period	-	-	-	-	-	163,358	163,358
Other comprehensive income for the period	-	-	-	(36,102)	-	-	(36,102)
Distribution of retained earnings	**-**	**-**	**-**	**-**	**364,739**	**(364,739)**	**-**
Transfer retained profit under approval	-	-	-	-	364,739	(364,739)	-
Share issue	-	(57)	-	-	-	-	(57)
Share issue costs	-	(57)	-	-	-	-	(57)
Balance as at 31 March 2019	**147,419**	**9,110,976**	**1,208,018**	**105,037**	**(36,047)**	**163,358**	**10,698,761**

	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 2018 (data approved)	**84,238**	**5,127,086**	**909,629**	**141,917**	**-**	**298,389**	**6,561,259**
Change related to the implementation of IFRS 9	-	-	-	-	(400,786)	-	(400,786)
Balance as at 1 January 2018 (data approved)	**84,238**	**5,127,086**	**909,629**	**141,917**	**(400,786)**	**298,389**	**6,160,473**
Total comprehensive income for the period	**-**	**-**	**-**	**(778)**	**-**	**364,739**	**363,961**
Net profit for the period	-	-	-	-	-	364,739	364,739
Other comprehensive income for the period	-	-	-	(778)	-	-	(778)
Distribution of retained earnings	**-**	**-**	**298,389**	**-**	**-**	**(298,389)**	**-**
Distribution of retained earnings intended for capital	-	-	298,389	-	-	(298,389)	-
Share issue	**63,181**	**3,983,947**	**-**	**-**	**-**	**-**	**4,047,128**
Share issue	63,181	3,986,814	-	-	-	-	4,049,995
Share issue costs	-	(2,867)	-	-	-	-	(2,867)
Balance as at 31 December 2018	**147,419**	**9,111,033**	**1,208,018**	**141,139**	**(400,786)**	**364,739**	**10,571,562**

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit under approval	Net profit for the period	
Balance as at 1 January 2018 (data approved)	**84,238**	**5,127,086**	**909,629**	**141,917**	**-**	**298,389**	**6,561,259**
Change related to the implementation of IFRS 9	-	-	-	-	(311,063)	-	(311,063)
Balance as at 1 January 2018 (data restated)	**84,238**	**5,127,086**	**909,629**	**141,917**	**(311,063)**	**298,389**	**6,250,196**
Total comprehensive income for the period	**-**	**-**	**-**	**6,876**	**-**	**89,265**	**96,141**
Net profit for the period	-	-	-	-	-	89,265	89,265
Other comprehensive income for the period	-	-	-	6,876	-	-	6,876
Distribution of retained earnings	**-**	**-**	**-**	**-**	**298,389**	**(298,389)**	**-**
Transfer retained profit under approval	-	-	-	-	298,389	(298,389)	-
Balance as at 31 March 2018	**84,238**	**5,127,086**	**909,629**	**148,793**	**(12,674)**	**89,265**	**6,346,337**

Interim condensed separate statement on cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
Net profit (loss)	**163,358**	**89,265**
ADJUSTMENTS FOR:	**(1,861,410)**	**(535,878)**
Income tax expenses	76,051	36,961
Depreciation and amortization	105,035	40,821
Dividend income	(208)	(25)
Interest income	(1,005,881)	(640,104)
Interest expense	247,064	195,202
Change in provisions	(5,827)	40,462
Change in amounts due from banks	100,977	(14,683)
Change in assets due to derivative financial instruments	(70,264)	44,945
Change in loans and advances to customers measured at amortised cost	(1,180,128)	3,322,092
Change in loans and advances to customers measured at fair value through profit or loss	132,604	(2,750,954)
Change in amounts due to banks	121,954	916,593
Change in liabilities related to derivative financial instruments	57,986	(26,614)
Change in amounts due to customers	(1,358,170)	(1,154,354)
Change in other assets and receivables due to current income tax	(63,882)	(121,610)
Change in other liabilities and provisions due to deferred tax	150,488	(312,253)
Other adjustments	87,352	(326,632)
Interest received	943,620	416,207
Interest paid	(194,840)	(201,932)
Lease payments with reference to short-term leases not included in the lease liability measurement	(5,341)	-
Net cash flows from operating activities	**(1,698,052)**	**(446,613)**

CASH FLOWS FROM INVESTING ACTIVITIES:	1Q 2019 from 01.01.2019 to 31.03.2019	1Q 2018 from 01.01.2018 to 31.03.2018
INVESTING ACTIVITIES INFLOWS	**6,151,852**	**11,478,984**
Sale of financial assets available for sale	6,148,787	11,475,163
Sale of intangible assets and property, plant and equipment	3,065	3,796
Dividends received and other inflows from investing activities	-	25
INVESTING ACTIVITIES OUTFLOWS	**(4,638,002)**	**(11,374,633)**
Purchase of financial assets available for sale	(4,554,549)	(11,350,011)
Purchase of intangible assets and property, plant and equipment	(68,453)	(24,622)
Other investment expenses	(15,000)	-
Net cash flows from investing activities	**1,513,850**	**104,351**
CASH FLOWS FROM FINANCING ACTIVITIES:		
FINANCING ACTIVITIES INFLOWS	**-**	**-**
Long-term loans received	-	-
Increase in subordinated debt	-	-
FINANCING ACTIVITIES OUTFLOWS	**(34,983)**	**(384,087)**
Repayment of long-term loans and advances received	(14,809)	(99,087)
Redemption of debt securities	-	(285,000)
Other financing expenses	(20,174)	-
Net cash flows from financing activities	**(34,983)**	**(384,087)**
TOTAL NET CASH AND CASH EQUIVALENTS	**(219,185)**	**(726,349)**
Cash and cash equivalents at the beginning of the period	**3,374,744**	**3,442,671**
Cash and cash equivalents at the end of the period, including:	**3,155,559**	**2,716,322**
effect of exchange rate fluctuations on cash and cash equivalents	3,355	(1,266)
restricted cash and cash equivalents	954	867

EXPLANATORY NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

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

The interim condensed separate financial statements for the first quarter ended 31 March 2019 were prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), as adopted by the European Union as well as in accordance with other applicable regulations.

The interim condensed separate financial statements do not include all information and disclosures required for the annual financial statements, and therefore should be read in conjunction with the Interim condensed consolidated financial statements for the first quarter of 2019 and with the Separate financial statements of the Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2018, which was approved by the Management Board of the Bank on 13 March 2019.

The accounting principles and methods of performing accounting estimates adopted in the preparation of the interim condensed separate financial statements of the Bank are consistent with the accounting principles adopted for the Group's interim condensed consolidated financial statements, which are described in sections 3 and 7.

2 RELATED PARTY TRANSACTIONS

As at 31 March 2019 the Capital Group of BNP Paribas Bank Polska S.A. comprised BNP Paribas Bank Polska S.A. as the parent company and its subsidiaries:

1. BANKOWY FUNDUSZ NIERUCHOMOŚCIOWY ACTUS SP. Z O.O. („ACTUS").
2. TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH BGŻ BNP PARIBAS S.A. („TFI")
3. BNP PARIBAS LEASING SERVICES SP. Z O.O. („LEASING").
4. BNP PARIBAS GROUP SERVICE CENTER S.A. („GSC")
5. CAMPUS LESZNO SP. Z O.O.
6. BGZ POLAND ABS1 DAC („SPV").
7. BNP PARIBAS FINANCIAL SERVICES SP. Z O.O.
8. BNP PARIBAS SOLUTIONS SPÓŁKA Z O.O.

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

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

31.03.2019	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
ASSETS	**556,961**	**10,264**	**62,319**	**31**	**3,168**	**632,743**
Receivables on current accounts, loans and deposits	95,391	9,348	55,617	4	367	**160,727**
Derivative financial instruments	289,910	-	-	-	5	**289,915**
Hedging instruments	171,451	916	-	-	-	**172,367**
Other assets	209	-	6,702	27	2,796	**9,734**
LIABILITIES	**2,266,848**	**14,001**	**498,034**	**4,948**	**145,703**	**2,929,534**
Current accounts and deposits	319,866	13,996	238,319	4,948	145,306	**722,435**
Subordinated liabilities	1,625,584	-	258,640	-	-	**1,884,224**
Derivative financial instruments	298,104	-	-	-	2	**298,106**
Hedged instruments	22,120	-	-	-	-	**22,120**
Other liabilities	1,174	5	1,075	-	395	**2,649**
CONTINGENT LIABILITIES						
Financial commitments granted	-	-	214,221	36	29,707	**243,964**
Guarantees granted	152,112	182,515	427,858	-	167	**762,652**
Commitments received	4,168,265	122,696	508,453	-	-	**4,799,414**
Derivative financial instruments (nominal value)	39,772,704	-	-	-	-	**39,772,704**
Derivatives (nominal value)	7,902,263	12,904	-	-	-	**7,915,167**
3 months ended 31.03.2019						
STATEMENT OF PROFIT OR LOSS	**20,345**	**(916)**	**1,074**	**(9)**	**1,447**	**21,941**
Interest income	198	120	1,108	-	3	**1,429**
Interest expense	(8,552)	(40)	(1,838)	(9)	(134)	**(10,573)**
Fee and commission income	2	42	38	-	66	**148**
Fee and commission expense	(50)	-	(131)	-	(961)	**(1,142)**
Net trading income	36,571	(1,038)	(1,346)	-	-	**34,187**
Other operating income	-	-	6,077	-	6,260	**12,337**
Other operating expenses	(4,357)	-	(2,375)	-	-	**(6,732)**
General administrative expenses	(3,467)	-	(459)	-	(3,787)	(7,713)

	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
ASSETS	**595,282**	**22,349**	**168,311**	**28**	**3,980**	**789,950**
Receivables on current accounts, loans and deposits	200,648	19,479	164,139	-	15	**384,281**
Derivative financial instruments	265,576	1,034	8	-	10	**266,628**
Hedging instruments	128,568	1,836	-	-	-	**130,404**
Other assets	490	-	4,164	28	3,955	**8,637**
LIABILITIES	**2,054,013**	**14,753**	**475,830**	**3,905**	**142,132**	**2,690,633**
Current accounts, deposits	183,846	14,747	216,535	3,904	141,357	**560,389**
Subordinated liabilities	1,621,433	-	258,589	-	-	**1,880,022**
Derivative financial instruments	228,530	-	-	-	-	**228,530**
Hedged instruments	18,912	-	-	-	-	**18,912**
Other liabilities	1,292	6	706	1	775	**2,780**
CONTINGENT LIABILITIES						
Financial commitments granted	-	-	121,984	64	36,035	**158,083**
Guarantees granted	140,757	180,131	346,431	-	1,000	**668,319**
Commitments received	147,640	122,649	517,510	-	-	**787,799**
Derivatives (nominal value)	38,122,093	249,054	-	-	-	**38,371,147**
Derivative hedging instruments (nominal value)	7,896,881	30,100	-	-	-	**7,926,981**
3 months ended 31.03.2018						
STATEMENT OF PROFIT OR LOSS	**(6,323)**	**247**	**(9,189)**	**(14)**	**3,577**	**(11,702)**
Interest income	3,277	271	338	-	4	**3,890**
Interest expense	(7,954)	(81)	(5,235)	(14)	(57)	**(13,341)**
Fee and commission income	-	54	388	-	6,405	**6,847**
Fee and commission expense	(30)	-	(13)	-	-	**(43)**
Net trading income	-	3		-	-	**3**
Other operating expenses	(1,616)	-	(4,667)	-	(2,775)	**(9,058)**

Remuneration of the Management Board and Supervisory Board

Management Board	31.03.2019	31.03.2018
Short-term employee benefits	6,625	4,936
Long-term benefits	5,894	2,115
Share-based payments	1,178	1,138
TOTAL	**13,697**	**8,189**

Supervisory Board	31.03.2019	31.03.2018
Short-term employee benefits	308	519
TOTAL	**308**	**519**

3 SEPARATE CAPITAL ADEQUACY RATIO

	31.03.2019	31.12.2018
Total own funds	12,196,539	12,240,367
Total risk exposure amount	81,504,553	81,493,415
Total capital ratio	14.96%	15.02%
Tier 1 capital ratio	12.66%	12.72%

4 SEASONAL OR CYCLICAL NATURE OF BUSINESS

There are no significant seasonal or cyclical phenomena in the Bank's operations.

5 ISSUE AND REDEMPTION OF SECURITIES

Issue and redemption of securities are described in section 33 of the Interim consolidated financial statements for the first quarter of 2019.

6 DIVIDEND PAID

In 2018, no dividend was paid out in the Bank.

7 DISTRIBUTION OF RETAINED EARNINGS

In accordance with the request submitted by the Management Board to the Ordinary Shareholder's Meeting, it is planned to allocate the net profit for 2018 in the amount of PLN 364,739 thousand to reserve capital.

8 CONTINGENT LIABILITIES

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

	31.03.2019	31.12.2018
CONTINGENT COMMITMENTS GRANTED	**28,387,168**	**28,409,563**
financial commitments	21,675,611	21,614,561
guarantees	6,711,557	6,795,002
CONTINGENT COMMITMENTS RECEIVED	**20,659,757**	**18,164,389**
financial commitments	12,610,995	12,384,011
guarantees	8,048,762	5,780,378

9 SUBSEQUENT EVENTS

Subsequent events are described in Note 52 of the Interim consolidated financial statements for the first quarter of 2019.

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

15.05.2019	**Przemysław Gdański** *President of the Management Board*	*signed with the qualified electronic signature*
15.05.2019	**Jean-Charles Aranda** *Vice-President of the Management Board*	*signed with the qualified electronic signature*
15.05.2019	**Daniel Astraud** *Vice-President of the Management Board*	*signed with the qualified electronic signature*
15.05.2019	**Philippe Paul Bézieau** *Vice-President of the Management Board*	*signed with the qualified electronic signature*
15.05.2019	**Andre Boulanger** *Vice-President of the Management Board*	*signed with the qualified electronic signature*
15.05.2019	**Przemysław Furlepa** *Vice-President of the Management Board*	*signed with the qualified electronic signature*
15.05.2019	**Wojciech Kembłowski** *Vice-President of the Management Board*	*signed with the qualified electronic signature*
15.05.2019	**Kazimierz Łabno** *Vice-President of the Management Board*	*signed with the qualified electronic signature*
15.05.2019	**Jaromir Pelczarski** *Vice-President of the Management Board*	*signed with the qualified electronic signature*
15.05.2019	**Jerzy Śledziewski** *Vice-President of the Management Board*	*signed with the qualified electronic signature*

Warsaw, 15 May 2019