BNP Paribas Bank Polska S.A.
GROUP

Interim consolidated report
for the period of 6 months ended 30 June 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	**30.06.2019 (YTD)**	30.06.2018 (YTD)	**30.06.2019 (YTD)**	30.06.2018 (YTD)
Net interest income	**1,565,139**	945,490	**365,004**	223,019
Net fee and commission income	**407,087**	252,657	**94,936**	59,596
Profit before tax	**520,973**	269,670	**121,496**	63,609
Profit after tax	**378,661**	188,601	**88,307**	44,487
Total comprehensive income	**363,245**	168,870	**84,712**	39,833
Total net cash flows	**(871,996)**	(2,377,132)	**(203,357)**	(560,710)
RATIOS	**30.06.2019**	30.06.2018	**30.06.2019**	30.06.2018
Number of shares (items)	**147,418,918**	84,238,318	**147,418,918**	84,238,318
Earnings per share	**2.57**	2.24	**0.60**	0.53
STATEMENT OF FINANCIAL POSITION	**30.06.2019**	31.12.2018	**30.06.2019**	31.12.2018
Total assets	**106,544,101**	109,022,519	**25,057,409**	25,354,074
Loans and advances to customers measured at amortised cost	**70,857,188**	70,997,701	**16,664,437**	16,511,093
Loans and advances to customers measured at fair value through profit or loss	**2,182,483**	2,416,249	**513,284**	561,918
Total liabilities	**95,620,415**	98,462,706	**22,488,338**	22,898,304
Amounts due to customers	**82,641,868**	87,191,708	**19,435,999**	20,277,141
Share capital	**147,419**	147,419	**34,671**	34,283
Total equity	**10,923,686**	10,559,813	**2,569,070**	2,455,770
CAPITAL ADEQUACY	**30.06.2019**	31.12.2018	**30.06.2019**	31.12.2018
Total own funds	**12,374,929**	12,206,789	**2,910,378**	2,838,788
Total risk exposure	**81,856,516**	83,451,281	**19,251,297**	19,407,275
Total capital ratio	**15.12%**	14.63%	**15.12%**	14.63%
Tier 1 capital ratio	**12.84%**	12.38%	**12.84%**	12.38%

Selected separate financial data

	in PLN '000		in EUR '000	
STATEMENT OF PROFIT OR LOSS	**30.06.2019 (YTD)**	30.06.2018 (YTD)	**30.06.2019 (YTD)**	30.06.2018 (YTD)
Net interest income	**1,541,729**	933,638	**359,545**	220,224
Net fee and commission income	**392,366**	238,692	**91,503**	56,302
Profit before tax	**551,406**	275,300	**128,593**	64,937
Profit after tax	**407,331**	194,073	**94,993**	45,777
Total comprehensive income	**391,892**	174,347	**91,393**	41,124
Total net cash flows	**(865,399)**	(2,376,823)	**(201,819)**	(560,638)
RATIOS	**30.06.2019**	30.06.2018	**30.06.2019**	30.06.2018
Number of shares (items)	**147,418,918**	84,238,318	**147,418,918**	84,238,318
Earnings per share	**2.76**	2.30	**0.64**	0.54
STATEMENT OF FINANCIAL POSITION	**30.06.2019**	31.12.2018	**30.06.2019**	31.12.2018
Total assets	**103,677,364**	106,811,658	**24,383,199**	24,839,920
Loans and advances to customers measured at amortised cost	**68,182,447**	68,870,918	**16,035,383**	16,016,493
Loans and advances to customers measured at fair value through profit or loss	**2,182,483**	2,416,249	**513,284**	561,918
Total liabilities	**92,713,967**	96,240,096	**21,804,790**	22,381,418
Amounts due to customers	**84,970,340**	89,506,557	**19,983,617**	20,815,478
Share capital	**147,419**	147,419	**34,671**	34,283
Total equity	**10,963,397**	10,571,562	**2,578,409**	2,458,503
CAPITL ADEQUACY	**30.06.2019**	31.12.2018	**30.06.2019**	31.12.2018
Total own funds	**12,413,657**	12,240,367	**2,919,487**	2,846,597
Total risk exposure	**79,452,306**	81,493,415	**18,685,867**	18,951,957
Total capital ratio	**15.62%**	15.02%	**15.62%**	15.02%
Tier 1 capital ratio	**13.28%**	12.72%	**13.28%**	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 30.06.2019 - EUR 1 = PLN 4.2520
- 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 6 months:
- for the period from 1.01.2019 to 30.06.2019 - EUR 1 = PLN 4.2880
- for the period from 1.01.2018 to 30.06.2018 - EUR 1 = PLN 4.2395

I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of profit or loss

	Note	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
Interest income	8	1,059,509	2,094,595	713,312	1,348,342
interest income calculated with the use of effective interest rate method		1,002,432	1,981,551	666,399	1,253,241
interest income on financial instruments measured at amortised cost		949,976	1,864,527	630,972	1,182,649
interest income on financial instruments measured at fair value through other comprehensive income		52,456	117,024	35,427	70,592
Income of a similar nature to interest on instruments measured at fair value through profit or loss		57,077	113,044	46,913	95,101
Interest expense	8	(264,812)	(529,456)	(217,734)	(402,852)
Net interest income		**794,697**	**1,565,139**	**495,578**	**945,490**
Fee and commission income	9	256,554	508,407	171,739	321,650
Fee and commission expenses	9	(55,350)	(101,320)	(39,756)	(68,993)
Net fee and commission income		**201,204**	**407,087**	**131,983**	**252,657**
Dividend income		1,348	1,556	784	809
Net trading income	10	158,035	326,032	63,178	138,590
Result on investment activities	11	(12,361)	(19,998)	(1,667)	6,726
Result on hedge accounting		(3,009)	(1,083)	1,307	2,823
Net impairment losses on financial assets and contingent liabilities	12	(112,353)	(205,534)	(54,989)	(117,343)
General administrative expenses	13	(594,822)	(1,232,900)	(393,209)	(773,297)
Depreciation and amortization	14	(115,755)	(221,227)	(41,729)	(82,662)
Other operating income	15	71,632	108,851	13,990	52,673
Other operating expenses	16	(34,400)	(65,623)	(16,914)	(56,925)
Operating result		**354,216**	**662,300**	**198,312**	**369,541**
Tax on financial institutions		(70,982)	(141,327)	(49,836)	(99,871)
Profit before tax		**283,234**	**520,973**	**148,476**	**269,670**
Income tax expenses	17	(66,174)	(142,312)	(45,333)	(81,069)
Net profit		**217,060**	**378,661**	**103,143**	**188,601**
attributable to equity holders of the Bank		217,060	378,661	103,143	188,601

EARNINGS (LOSS) PER SHARE (IN PLN PER ONE SHARE)				
Basic	1.47	2.57	1.22	2.24
Diluted	1.47	2.57	1.22	2.24

Interim condensed consolidated statement of comprehensive income

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
Net profit for the period	**217,060**	**378,661**	**103,143**	**188,601**
OTHER COMPREHENSIVE INCOME				
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS UPON FULFILMENT OF CERTAIN CONDITIONS	**20,239**	**(15,728)**	**(26,322)**	**(19,322)**
Measurement of financial assets measured through other comprehensive income	23,187	(19,423)	(32,458)	(23,128)
Deferred income tax	(2,948)	3,695	6,136	3,806
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	**424**	**312**	**(273)**	**(409)**
Actuary valuation of employee benefits	523	386	(347)	(521)
Deferred income tax	(99)	(74)	74	112
OTHER COMPREHENSIVE INCOME (NET)	**20,663**	**(15,416)**	**(26,595)**	**(19,731)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**237,723**	**363,245**	**76,548**	**168,870**
attributable to equity holders of the Group	237,723	363,245	76,548	168,870

Interim condensed consolidated statement of financial position

ASSETS	Note	30.06.2019	31.12.2018
Cash and balances at Central Bank	18	2,350,499	2,897,123
Amounts due from banks	19	527,687	961,496
Derivative financial instruments	20	729,564	715,671
Adjustment of fair value of hedging item	21	231,929	130,405
Loans and advances to customers measured at amortised cost	22	70,857,188	70,997,701
Loans and advances to customers measured at fair value through profit or loss	23	2,182,483	2,416,249
Securities measured at amortised cost	24	15,977,152	11,939,238
Financial instruments measured at fair value through profit or loss	25	211,283	204,421
Securities measured at fair value through other comprehensive income	26	9,917,396	15,875,339
Investment properties		55,868	55,868
Intangible assets	27	498,069	520,767
Property, plant and equipment	28	1,136,103	511,275
Deferred tax assets		989,616	1,034,313
Other assets	30	879,264	762,653
Total assets		**106,544,101**	**109,022,519**

LIABILITIES	Note	30.06.2019	31.12.2018
Amounts due to banks	31	4,803,636	3,976,469
Derivative financial instruments	20	800,950	783,818
Adjustment of fair value of hedging and hedged item	21	205,551	123,600
Amounts due to customers	32	82,641,868	87,191,708
Debt securities issued	33	2,179,424	2,179,424
Subordinated liabilities	34	1,867,972	1,875,769
Lease liabilities		599,594	-
Other liabilities	35	2,095,921	1,711,641
Current tax liabilities		20,303	174,589
Deferred tax liability		8,274	8,276
Provisions	36	396,922	437,412
Total liabilities		**95,620,415**	**98,462,706**

EQUITY	Note	30.06.2019	31.12.2018
Share capital	43	147,419	147,419
Supplementary capital		9,110,976	9,111,033
Other reserve capital		1,572,757	1,208,018
Revaluation reserve		125,763	141,179
Retained earnings		(33,229)	(47,836)
retained profit		(411,890)	(408,214)
net profit for the period		378,661	360,378
Total equity		**10,923,686**	**10,559,813**
Total liabilities and equity		**106,544,101**	**109,022,519**

Interim condensed consolidated statement of changes in equity

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
Balance as at 1 January 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	**-**	**-**	**-**	**(15,416)**	**-**	**378,661**	**363,245**
Net profit for the period	-	-	-	-	-	378,661	378,661
Other comprehensive income for the period	-	-	-	(15,416)	-	-	(15,416)
Distribution of retained earnings	**-**	**-**	**364,739**	**-**	**(4,361)**	**(360,378)**	**-**
Transfer of the result subject to approval	-	-	364,739	-	(4,361)	(360,378)	-
Share issue	**-**	**(57)**	**-**	**-**	**-**	**-**	**(57)**
Costs of share issue	-	(57)	-	-	-	-	(57)
Merger	**-**	**-**	**-**	**-**	**685**	**-**	**685**
Balance as at 30 June 2019	**147,419**	**9,110,976**	**1,572,757**	**125,763**	**(411,890)**	**378,661**	**10,923,686**

Interim condensed consolidated statement of changes in equity (continued)

					Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained profit	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	-	-	-	-	(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**

* In the fourth quarter of 2018, the Bank implemented a rating calculation methodology based on segmentation in the agricultural segment. This methodology was used to estimate PD parameters and identify a significant increase in credit risk. Due to the significance of this change and the change in the calculation methodology, this approach was also applied to the Opening Balance of 2018 and was reflected in the amortized cost and fair value of exposure in this segment.

Interim condensed consolidated statement of changes in equity (continued)

	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**	**141,988**	**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	**-**	**-**	**-**	**(19,731)**	**-**	**188,601**	**168,870**
Net profit for the period	-	-	-	-	-	188,601	188,601
Other comprehensive income for the period	-	-	-	(19,731)	-	-	(19,731)
Distribution of retained earnings	**-**	**-**	**298,389**	**-**	**(18,682)**	**(279,707)**	**-**
Transfer of the result subject to approval	-	-	298,389	-	(18,682)	(279,707)	-
Balance as at 30 June 2018	**84,238**	**5,127,086**	**1,208,018**	**122,257**	**(319,895)**	**188,601**	**6,410,305**

Interim condensed consolidated statement of cash flow

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	HY 2019 from 01.01.2019 to 30.06.2019	HY 2018 from 01.01.2018 to 30.06.2018
Net profit (loss)		**378,661**	**188,601**
ADJUSTMENTS FOR:		**(2,697,819)**	**(2,116,529)**
Income tax expenses		142,312	81,069
Depreciation and amortization		221,227	82,662
Dividend income		(1,556)	(809)
Interest income		(2,094,595)	(1,348,342)
Interest expense		529,456	402,852
Change in provisions		(23,663)	42,433
Change in amounts due from banks		104,894	(75,040)
Change in assets due to derivative financial instruments		(117,226)	18,858
Change in loans and advances to customers measured at amortised cost		1,034,646	1,768,085
Change in loans and advances to customers measured at fair value through profit or loss		233,766	(2,636,772)
Change in amounts due to banks		(174,487)	721,006
Change in liabilities due to derivative financial instruments		100,893	4,760
Change in amounts due to customers		(4,552,146)	(2,174,141)
Change in other assets and receivables due to current income tax		(97,608)	(215,527)
Change in other liabilities and provisions due to deferred tax		319,074	583,375
Other adjustments	38	189,639	(184,733)
Interest received		1,933,745	1,213,884
Interest paid		(454,783)	(400,149)
Lease payments for short-term leases not included in the lease liability measurement		8,593	-
Net cash flows from operating activities		**(2,319,158)**	**(1,927,928)**

CASH FLOWS FROM INVESTING ACTIVITIES:	Note	HY 2019 from 01.01.2019 to 30.06.2019	HY 2018 from 01.01.2018 to 30.06.2018
INVESTING ACTIVITIES INFLOWS		**8,305,955**	**12,923,816**
Sale of financial assets		8,301,078	12,922,243
Sale of intangible assets and property, plant and equipment		3,321	764
Dividends received and other inflows from investing activities		1,556	809
INVESTING ACTIVITIES OUTFLOWS		**(6,604,567)**	**(12,881,735)**
Purchase of debt securities		(6,363,119)	(12,800,941)
Purchase of intangible assets and property, plant and equipment		(241,448)	(80,794)
Net cash flows from investing activities		**1,701,388**	**42,081**
CASH FLOWS FROM FINANCING ACTIVITIES:			
FINANCING ACTIVITIES INFLOWS		**-**	**-**
Long-term loans received		-	-
FINANCING ACTIVITIES OUTFLOWS		**(254,226)**	**(491,285)**
Repayment of long-term loans and advances received		(242,218)	(206,285)
Repayment of lease liability		(12,008)	-
Redemption of debt securities		-	(285,000)
Net cash flows from financing activities		**(254,226)**	**(491,285)**
TOTSL NET CASH AND CASH EQUIVALENTS		**(871,996)**	**(2,377,132)**
Cash and cash equivalents at the beginning of the period	**37**	**3,425,453**	**3,443,205**
Cash and cash equivalents at the end of the period, including:	**37**	**2,553,457**	**1,066,073**
effect of exchange rate fluctuations on cash and cash equivalents		175	8,026
restricted cash and cash equivalents		-	725

EXPLANATORY NOTES TO THE 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 Group with its registered office in Paris.

As at 30 June 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. BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH 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 BGZ 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., BNP Paribas TFI S.A acquired Riviera Towarzystwo Funduszy Inwestycyjnych S.A. The details of the transaction are specified in note 49.

In accordance with the principles of International Financial Reporting Standards, the interim condensed consolidated financial statements cover all subsidiaries as at 30 June 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 half of 2019 ended 30 June 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 half 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. 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. 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 will not impact significantly the financial statements for the first half 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 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 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) 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 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 Sale of the organised part of the enterprise

On 28 June 2019, the Bank concluded a sale agreement with BGŻ BNP Paribas Faktoring sp.z o.o. with its registered office in Warsaw ("Factoring Company"), a subsidiary of BNP Paribas S.A. with headquarters in Paris ("BNP"). The sale agreement ("Sale", "Sale Agreement") concerned the sale of an organized part of the Bank's enterprise dedicated to factoring activities ("Factoring Activity", "ZORG"). Pursuant to the Sale Agreement, the Bank sold ZORG to the Factoring Company and transferred to the Factoring Company the assets and liabilities presented in the table below, with effect from 30 June 2019:

ASSETS	30.06.2019
Amounts due from banks	214,689
Loans and advances to customers measured at amortised cost	1,442,108
Other assets	1,377
Total assets	**1,658,174**
LIABILITIES	
Amounts due to banks	1,635,798
Amounts due to customers	18,621
Other liabilities	3,755
Total liabilities	**1,658,174**

The value of net assets sold was zero, and the ZORG sale price recognized in the Bank's gross financial result for the second quarter of 2019 was PLN 45,000 thousand ("Sale Price").

The Bank and the Factoring Company performed the final verification of the net values of transferred factoring receivables (after deduction due to the allowances created) for which customers' consents were obtained as regards their transfer under ZORG in relation to the estimated value of net factoring receivables as at 30 June 2019, adopted for the preparation of the financial plan, which is the basis for the calculation of the Sale Price.

Difference of the above net value of factoring receivables amounted to 5.7%, which resulted in an analogous percentage adjustment of the Sale Price in the amount of PLN 2,565 thousand. The amount of the adjustment of the Sale Price was returned to the account of the Factoring Company on 26 July 2019 and recognized in the Group's gross financial result in the month of settlement. The final ZORG Sale Price after adjustment was PLN 42,435 thousand.

3.4 Settlement of acquisition of the Core Business of Raiffeisen Bank Polska S.A.

The settlement of Transaction of Acquisition of RBPL's Core Business is described in detail in Note 4.2 of the Separate Financial Statements of Bank BGŻ BNP Paribas for the year ended 31 December 2018.

The amounts presented in the annual report did not change as at 30 June 2019.

This provisional settlement of the purchase price was prepared by the Bank's Management Board based on calculations resulting from the concluded Transaction Agreement. The final settlement in accordance with the terms of the Transaction Agreement will, however, be subject to final arrangements between BGŻ BNP and RBI - selling the demerged part of RBPL.

Accordingly, the purchase price allocation performed as at 31 October 2018 is preliminary and may change if the Bank acquires new information that relates to the balance as at 31 October 2018, and which are not known at the day of preparing the interim condensed consolidated financial statements for the first half of 2019. Pursuant to IFRS 3.45, the maximum period for making changes to the purchase price allocation expires after 12 months from the date of acquisition, i.e. on 31 October 2019. Any changes will be made retrospectively (i.e. they will be recognized in equity). According to IFRS 3.34, the Bank recognized the determined excess of the fair value of the acquired assets and liabilities as at the acquisition date over the purchase price, directly as a result of 2018, as gain on a bargain purchase (disclosed in the profit or loss statement in the 'Other operating income' item).

3.5 Changes in presentation of financial data

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

- 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 half 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. Group for the first half of 2019 ended 30 June 2019 was approved for publication by the Management Board on 28 August 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

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
INTEREST INCOME				
Amounts due from banks	5,618	11,756	2,386	11,384
Loans and advances to customers measured at amortised cost, including:	831,515	1,642,728	565,199	1,049,815
non-banking financial institutions	6,825	12,793	2,630	4,712
retail customers	381,426	738,095	239,185	441,426
economic operators	407,220	821,022	273,992	540,225
including retail farmers	109,906	215,878	108,036	209,359
public sector institutions	1,737	3,511	1,125	2,281
leasing receivables	34,307	67,307	48,267	61,171
Loans and advances to customers measured at amortised cost through profit or loss	16,352	33,284	19,564	40,607
Debt instruments measured at amortised cost	112,843	210,043	63,387	121,450
Debt instruments measured at fair value through profit or loss	277	280	156	243
Debt instruments measured at fair value through other comprehensive income	52,456	117,024	35,427	70,592
Derivative instruments as part of fair value hedge accounting	40,448	79,461	27,193	54,251
Purchased repo transactions	-	19	-	-
Total interest income	**1,059,509**	**2,094,595**	**713,312**	**1,348,342**
INTEREST EXPENSE				
Amounts due to banks	(31,160)	(59,650)	(22,702)	(43,003)
Debt securities issued	(19,440)	(38,925)	(15,671)	(35,536)
Amounts due to customers, including:	(171,569)	(349,687)	(155,333)	(275,510)
non-banking financial institutions	(11,719)	(24,253)	(7,756)	(20,096)
retail customers	(110,207)	(222,621)	(72,330)	(147,268)
economic operators	(45,766)	(95,702)	(69,002)	(97,543)
including retail farmers	(1,129)	(2,377)	(1,342)	(2,698)
public sector institutions	(3,877)	(7,111)	(6,245)	(10,603)
Lease liabilities	(2,005)	(4,267)	-	-
Derivative instruments as part of fair value hedge accounting	(31,653)	(62,211)	(22,422)	(45,534)
Repo transactions	(8,985)	(14,716)	(1,606)	(3,269)
Total interest expense	**(264,812)**	**(529,456)**	**(217,734)**	**(402,852)**
Net interest income	**794,697**	**1,565,139**	**495,578**	**945,490**

9 FEE AND COMMISSION INCOME

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
FEE AND COMMISSION INCOME				
loans, advances and leases	63,126	134,293	51,930	99,167
account maintenance	33,473	67,596	24,168	49,201
cash service	9,545	19,716	4,642	8,833
cash transfers and e-banking	26,328	52,959	12,205	24,097
guarantees and documentary operations	14,680	29,302	8,161	16,251
asset management and brokerage operations	31,525	57,500	26,726	44,635
payment and credit cards	53,137	101,511	27,743	50,143
insurance mediation activity	13,953	26,776	10,454	19,172
product sale mediation and customer acquisition	7,239	11,135	2,694	4,315
other commissions	3,548	7,619	3,016	5,836
TOTAL FEE AND COMMISSION INCOME	**256,554**	**508,407**	**171,739**	**321,650**
FEE AND COMMISSION EXPENSE				
loans, advances and leases	(838)	(1,509)	(702)	(1,581)
account maintenance	(1,188)	(2,518)	(809)	(1,722)
cash service	(3,346)	(5,797)	(936)	(1,727)
cash transfers and e-banking	(1,061)	(2,527)	(398)	(617)
asset management and brokerage operations	(7,077)	(8,124)	(7,129)	(7,740)
payment and credit cards	(27,503)	(52,733)	(20,958)	(39,430)
insurance mediation activity	(3,640)	(7,165)	(1,641)	(3,672)
product sale mediation and customer acquisition	(7,837)	(15,460)	(5,679)	(8,465)
other commissions	(2,860)	(5,487)	(1,504)	(4,039)
TOTAL FEE AND COMMISSION EXPENSE	**(55,350)**	**(101,320)**	**(39,756)**	**(68,993)**
Net fee and commission income	**201,204**	**407,087**	**131,983**	**252,657**

10 NET TRADING INCOME

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
Equity instruments measured at fair value through profit or loss	4,897	8,913	2,556	3,336
Debt instruments measured at fair value through profit or loss	1,230	1,297	321	284
Derivative instruments and result on foreign exchange transactions	151,908	315,822	60,301	134,970
Result on financial instruments measured at fair value through profit or loss, total	**158,035**	**326,032**	**63,178**	**138,590**

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.

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
Loans and advances to customers measured at fair value through profit or loss	(12,473)	(19,413)	(12,076)	(4,243)
Debt instruments measured at fair value through other comprehensive income	112	(585)	10,409	10,969
Total result on financial instruments measured at fair value through other comprehensive income	**(12,361)**	**(19,998)**	**(1,667)**	**6,726**

12 NET IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS AND CONTINGENT LIABILITIES

HY 2019 from 01.01.2019 to 30.06.2019

IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS AND CONTINGENT LIABILITIES	Stage 1	Stage 2	Stage 3	Total
Amounts due from banks	153	-	-	153
Loans and advances to customers measured at amortised cost	(51,055)	25,157	(170,219)	(196,117)
Contingent commitments granted	(10,004)	(740)	5,052	(5,692)
Securities measured at amortised cost	(3,363)	(698)	183	(3,878)
Total net impairment allowances on financial assets and contingent liabilities	**(64,269)**	**23,719**	**(164,984)**	**(205,534)**

HY 2018 from 01.01.2018 to 30.06.2018

IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS AND CONTINGENT LIABILITIES	Stage 1	Stage 2	Stage 3	Total
Amounts due from banks	350	-	-	350
Loans and advances to customers measured at amortised cost	(8,681)	(11,418)	(100,920)	(121,019)
Contingent commitments granted	(3,162)	(2,400)	7,868	2,306
Securities measured at amortised cost	897	123	-	1,020
Total net impairment allowances on financial assets and contingent liabilities	**(10,596)**	**(13,695)**	**(93,052)**	**(117,343)**

13 GENERAL ADMINISTRATIVE EXPENSES

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
Personnel expenses	(335,721)	(674,306)	(206,607)	(414,348)
Marketing expenses	(52,156)	(76,547)	(27,467)	(50,635)
IT and telecom expenses	(71,463)	(119,036)	(27,220)	(52,044)
Short-term lease and operating costs	(20,915)	(48,392)	-	-
Rental expenses	-	-	(34,503)	(71,786)
Other non-personnel expenses	(89,912)	(148,125)	(47,084)	(89,364)
Business travels	(5,298)	(11,079)	(3,595)	(5,913)
ATM and cash handling expenses	(1,995)	(4,203)	(888)	(1,556)
Costs of outsourcing services related to leasing operations	(1,112)	(2,169)	(1,493)	(3,018)
Bank Guarantee Fund fee	(12,578)	(141,720)	(43,113)	(82,159)
Polish Financial Supervision Authority fee	(3,672)	(7,323)	(1,239)	(2,474)
Total general administrative expenses	**(594,822)**	**(1,232,900)**	**(393,209)**	**(773,297)**

14 DEPRECIATION AND AMORTISATION

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
Property, plant and equipment	(54,298)	(108,536)	(22,073)	(44,197)
Intangible assets	(61,457)	(112,691)	(19,656)	(38,465)
Total depreciation and amortization	**(115,755)**	**(221,227)**	**(41,729)**	**(82,662)**

15 OTHER OPERATING INCOME

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
Sale or liquidation of property, plant and equipment and intangible assets	1,385	8,796	759	3,135
Sale of goods and services	4,399	10,521	5,530	7,110
Release of provisions for litigation and claims and other liabilities	8,882	9,862	191	350
Recovery of debt collection costs	5,117	7,815	4,167	8,971
Recovered indemnities	(550)	408	30	12,578
Income from leasing operations	1,320	4,754	6,839	14,973
Other operating income	51,079	66,695	(3,526)	5,556
Total other operating income	**71,632**	**108,851**	**13,990**	**52,673**

16 OTHER OPERATING EXPENSES

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
Loss on sale or liquidation of property, plant and equipment and intangible assets	(5,372)	(13,215)	(1,564)	(3,280)
Provisions for restructuring of assets, litigation and claim and other liabilities	(9,579)	(10,682)	(200)	(13,771)
Debt collection	(12,092)	(21,478)	(8,029)	(18,973)
Donations granted	(1,643)	(2,970)	(824)	(1,454)
Costs of leasing operations	(3,756)	(11,035)	(4,759)	(12,364)
Indemnities, penalties and fines	(2,447)	(2,609)	(231)	(1,050)
Other operating income	489	(3,634)	(1,307)	(6,033)
Total other operating income	**(34,400)**	**(65,623)**	**(16,914)**	**(56,925)**

17 INCOME TAX EXPENSE

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
Current income tax	(64,998)	(95,424)	(38,898)	(64,253)
Deferred income tax	(1,176)	(46,888)	(6,435)	(16,816)
Total income tax expense	**(66,174)**	**(142,312)**	**(45,333)**	**(81,069)**
Profit before income tax	283,234	520,973	148,476	269,670
Statutory tax rate	19%	19%	19%	19%
Income taxes on gross profit	**(53,814)**	**(98,985)**	**(28,210)**	**(51,237)**
Receivables written-off	(1,019)	(1,252)	(191)	(212)
Non-tax-deductible tangible costs/income	(853)	(127)	(1,077)	(792)
PFRON	(479)	(961)	(211)	(428)
Prudential fee to the Bank Guarantee Fund	(2,389)	(26,926)	(8,191)	(15,610)
Impairment allowance on receivables	(784)	605	(2,297)	(2,888)
Tax on financial institutions	(13,547)	(26,913)	(9,469)	(18,976)
Other differences	6,711	12,247	4,313	9,074
Total income / tax expense of the Group	**(66,174)**	**(142,312)**	**(45,333)**	**(81,069)**

18 CASH AND CASH BALANCES AT CENTRAL BANK

CASH AND CASH EQUIVALENTS	30.06.2019	31.12.2018
Cash and other balances	2,244,086	2,253,140
Account in the National Bank of Poland	106,416	644,095
Gross cash and cash equivalents	**2,350,502**	**2,897,235**
Impairment allowances	(3)	(112)
Total cash and balances at Central Bank	**2,350,499**	**2,897,123**

CHANGE OF IMPAIRMENT ALLOWANCES	6 months to 30.06.2019	6 months to 30.06.2018
Opening balance	**(112)**	**-**
Change resulting from IFRS 9 implementation	-	(14)
Increases due to acquisition or origination	-	(395)
Decreases due to derecognition	109	407
Closing balance	**(3)**	**(2)**

19 AMOUNTS DUE FROM BANKS

	30.06.2019		31.12.2018	
	Gross balance sheet value	Impairment allowance	Gross balance sheet value	Impairment allowance
Current accounts	295,625	(654)	453,641	(170)
Interbank deposits	21,094	-	322,920	(109)
Loans and advances	28,181	(362)	33,339	(511)
Other receivables	184,266	(463)	152,857	(471)
Total amounts due from banks	**529,166**	**(1,479)**	**962,757**	**(1,261)**

CHANGE OF IMPAIRMENT ALLOWANCES	6 months ended 30.06.2019	6 months ended 30.06.2018
Opening balance	**(1,261)**	**(4,477)**
Change resulting from IFRS 9 implementation	-	3,333
Increases due to acquisition or origination	(491)	(2,949)
Decreases due to derecognition	1,032	3,287
Changes resulting from the change in credit risk (net)	(854)	-
Other changes (including foreign exchange differences)	95	(22)
Closing balance	**(1,479)**	**(828)**

20 DERIVATIVE FINANCIAL INSTRUMENTS

		Fair value	
30.06.2019	Nominal value	Assets	Liabilities
DERIVATIVE FINANCIAL INSTRUMENTS			
CURRENCY DERIVATIVES:			
Foreign Exchange Forward (FX Forward + NDF)	9,803,767	63,750	142,642
Currency Swap (FX Swap)	18,042,794	148,156	131,319
Currency Interest Rate Swaps (CIRS)	9,923,132	117,907	142,743
OTC currency options	4,363,233	31,005	34,807
Total currency derivatives:	**42,132,926**	**360,818**	**451,511**
INTEREST RATE DERIVATIVES:			
Interest Rate Swap	35,295,920	364,142	345,116
Forward Rate Agreements (FRA)	9,000,000	34	258
OTC interest rate options	1,829,991	1,257	901
Total interest rate derivatives:	**46,125,911**	**365,433**	**346,275**
OTHER DERIVATIVES			
OTC commodity swaps	231,984	3,313	3,164
Currency Spot (FX Spot)	2,085,237	-	-
Total other derivatives:	**2,317,221**	**3,313**	**3,164**
TOTAL TRADING DERIVATIVES:	**90,576,058**	**729,564**	**800,950**
including: measured using models	*90,576,058*	*729,564*	*800,950*

		Fair value	
31.12.2018	Nominal value	Assets	Liabilities
DERIVATIVE FINANCIAL INSTRUMENTS			
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 DERIVATIVE FINANCIAL INSTRUMENTS	**90,175,897**	**715,671**	**783,818**
including: measured using models	*90,175,897*	*715,671*	*783,818*

21 HEDGE ACCOUNTING

As at 30 June 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.

IRS	Nominal value	Fair value	
		Assets	Liailities
30.06.2019	6,643,540	231,929	-
31.12.2018	7,176,981	130,405	578

The liabilities in the item "Adjustment of the fair value of hedged and hedging item" include the adjustment of the value of hedged instruments (deposits) amounting to:

30.06.2019 PLN 187,138 thousand

31.12.2018 PLN 96,472 thousand

The below table presents derivative hedging instruments at their nominal value as at 30 June 2019 by residual maturity dates:

	30.06.2019							
	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)	231,929	-	-	-	650,000	4,584,876	1,408,664	6,643,540
Hedging derivatives - total	**231,929**	**-**	**-**	**-**	**650,000**	**4,584,876**	**1,408,664**	**6,643,540**

	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 30 June 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.

Hedging instruments:

		Fair value	
IRS	Nominal value	Assets	Liabilities
30.06.2019	850,015	-	18,413
31.12.2018	854,543	-	26,550

The below tables present derivative hedging instruments at their nominal value as at 30 June 2019 by residual maturity dates:

	30.06.2019							
	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)	-	18,413	-	-	-	850,015	-	850,015
Hedging derivatives - total	**-**	**18,413**	**-**	**-**	**-**	**850,015**	**-**	**850,015**

	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

	30.06.2019		31.12.2018	
	Gross balance sheet amount	Allowance	Gross balance sheet amount	Allowance
LOANS AND ADVANCES FOR				
NON-BANKING FINANCIAL ENTITIES	**467,804**	**(2,552)**	**687,227**	**(14,641)**
current account loans	160,061	(985)	361,399	(1,837)
investment loans	126,408	(827)	96,596	(11,743)
other loans	181,335	(740)	229,232	(1,061)
RETAIL CUSTOMERS	**28,242,592**	**(1,027,755)**	**27,001,876**	**(1,066,974)**
mortgage loans	17,027,836	(303,839)	16,054,648	(333,352)
other loans	11,214,756	(723,916)	10,947,228	(733,622)
CORPORATE CUSTOMERS	**41,363,038**	**(1,983,527)**	**42,613,747**	**(1,858,267)**
current account loans	18,710,789	(1,053,365)	17,766,706	(984,066)
investment loans	14,568,757	(676,375)	15,161,760	(627,944)
other loans	8,083,492	(253,787)	9,685,281	(246,257)
INCLUDING RETAIL FARMERS	**9,010,999**	**(444,702)**	**8,681,538**	**(379,402)**
current account loans	4,623,837	(179,111)	4,312,606	(160,364)
investment loans	4,378,719	(265,422)	4,360,251	(218,750)
other loans	8,443	(169)	8,681	(288)
PUBLIC SECTOR INSTITUTIONS	**154,877**	**(1,643)**	**190,073**	**(1,961)**
current account loans	47,097	(515)	48,738	(550)
investment loans	35,764	(521)	36,056	(505)
other loans	72,016	(607)	105,279	(906)
LEASE RECEIVABLES	**3,762,432**	**(118,078)**	**3,561,739**	**(115,118)**
Total loans and advances to customers measured at amortised cost	**73,990,743**	**(3,133,555)**	**74,054,662**	**(3,056,961)**

Net loans and advances to customers by stages

30.06.2019	Stage 1	Stage 2	Stage 3
LOANS AND ADVANCES FOR:	**62,884,817**	**7,021,828**	**4,084,098**
Non-banking financial entities	464,152	323	3,329
Retail customers	25,031,121	2,033,262	1,178,209
Corporate customers	34,152,398	4,463,355	2,747,285
including retail farmers	7,305,263	1,035,424	670,312
Public sector entities	152,605	2,161	111
Lease receivables	3,084,541	522,727	155,164
IMPAIRMENT ALLOWANCE ON LOANS AND RECEIVABLES FOR	**(479,800)**	**(527,843)**	**(2,125,912)**
Non-banking financial entities	(2,072)	(52)	(428)
Retail customers	(155,709)	(251,771)	(620,275)
Corporate customers	(290,744)	(250,915)	(1,441,868)
including retail farmers	(84,111)	(77,150)	(283,441)
Public sector entities	(1,545)	(18)	(80)
Lease receivables	(29,730)	(25,087)	(63,261)
Net loans and advances to customers measured at amortised cost	**62,405,017**	**6,493,985**	**1,958,186**

31.12.2018	Stage 1	Stage 2	Stage 3
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 30 June 2019 is PLN 455,239 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 (1.01.2019)	**(509,733)**	**(505,571)**	**(2,035,857)**	**(3,051,161)**
Increase due to acquisition or origination	(102,104)	(39,925)	(21,774)	(163,803)
Decrease due to derecognition	52,961	12,405	53,335	118,701
Changes resulting from the change in credit risk (net)	116,167	(9,574)	(247,602)	(141,009)
Use of allowances	-	12	140,715	140,727
Other changes (including foreign exchange differences)	(37,091)	14,810	(14,729)	(37,010)
Closing balance (30.06.2019)	**(479,800)**	**(527,843)**	**(2,125,912)**	**(3,133,555)**

	6 months ended 30.06.2018*
Opening balance (1.01.2018)	**(2,784,780)**
IFRS 9 impact on opening balance	(746,195)
Increase due to acquisition or origination	(1,077,631)
Decrease due to derecognition	945,428
Use of allowances	822,947
Other changes (including foreign exchange differences)	16,794
Closing balance (30.06.2018)	**(2,823,437)**

* The table for 6 months ended 30 June 2018 does not present the division of impairment allowances into individual stages due to the inability to divide them as at the opening balance

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

Loans by currency	30.06.2019	31.12.2018
CHF	4,951,494	5,166,681
EUR	52,396	56,277
PLN	12,021,033	10,828,584
USD	2,913	3,106
Total	**17,027,836**	**16,054,648**

Value of CHF loan portfolio

	30.06.2019				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	**467,804**	**-**	**(2,552)**	**-**	**687,227**	**-**	**(14,641)**	**-**
current account loans	160,061	-	(985)	-	361,399	-	(1,837)	-
investment loans	126,408	-	(827)	-	96,596	-	(11,743)	-
other loans	181,335	-	(740)	-	229,232	-	(1,061)	-
RETAIL CUSTOMERS	**28,242,592**	**5,014,693**	**(1,027,755)**	**(183,325)**	**27,001,876**	**5,234,042**	**(1,066,974)**	**(199,108)**
mortgage loans	17,027,836	4,951,494	(303,839)	(173,488)	16,054,648	5,166,681	(333,352)	(190,402)
other loans	11,214,756	63,199	(723,916)	(9,837)	10,947,228	67,361	(733,622)	(8,706)
CORPORATE CUSTOMERS	**41,363,038**	**96,619**	**(1,983,527)**	**(8,440)**	**42,613,747**	**102,654**	**(1,858,267)**	**(7,647)**
current account loans	18,710,789	46,139	(1,053,365)	(5,243)	17,766,706	49,814	(984,066)	(4,375)
investment loans	14,568,757	12,239	(676,375)	(2,984)	15,161,760	13,396	(627,944)	(3,264)
other loans	8,083,492	38,241	(253,787)	(213)	9,685,281	39,444	(246,257)	(8)
INCLUDING RETAIL FARMERS	**9,010,999**	**3,683**	**(444,702)**	**(274)**	**8,681,538**	**-**	**(379,402)**	**-**
current account loans	4,623,837	3,518	(179,111)	(274)	4,312,606	-	(160,364)	-
investment loans	4,378,719	165	(265,422)	-	4,360,251	-	(218,750)	-
other loans	8,443	-	(169)	-	8,681	-	(288)	-
PUBLIC SECTOR INSTITUTIONS	**154,877**	**-**	**(1,643)**	**-**	**190,073**	**-**	**(1,961)**	**-**
current account loans	47,097	-	(515)	-	48,738	-	(550)	-
investment loans	35,764	-	(521)	-	36,056	-	(505)	-
other loans	72,016	-	(607)	-	105,279	-	(906)	-
LEASE RECEIVABLES	**3,762,432**	**42,785**	**(118,078)**	**(7,998)**	**3,561,739**	**38,531**	**(115,118)**	**(14,519)**
Total loans and advances	**73,990,743**	**5,154,097**	**(3,133,555)**	**(199,763)**	**74,054,662**	**5,375,227**	**(3,056,961)**	**(221,274)**

In the first half 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 618,223 thousand (including 69,873,463 thousand. The net effect on the Bank's results from the sale of portfolios which amounted to PLN 47,639 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 (BGZ Poland ABS1 DAC (SPV) 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 30 June 2019 in the net value amounting to PLN 2,235,692 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	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Assets	2,235,692	2,150,316	2,120,647	2,106,646
Liabilities	2,298,995	2,298,995	2,298,995	2,298,995

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

	30.06.2019	31.12.2018
Subsidised loans	2,182,483	2,416,249
Total loans and advances to customers measured at fair value through profit or loss	**2,182,483**	**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
30.06.2019	2,182,483	2,326,034
31.12.2018	2,416,249	2,540,420

Subsidised loans at fair value	Stage 1	Stage 2	Stage 3
30.06.2019	1,683,603	357,751	141,129
31.12.2018	1,878,069	396,716	141,464

24 SECURITIES MEASURED AT AMORTISED COST

	30.06.2019		31.12.2018	
	Gross balance sheet value	Impairment allowance	Gross balance sheet value	Impairment allowance
SECURITIES				
issued by central banks – covered bonds	5,692	(199)	6,006	(1)
issued by local banks	27,865	(329)	-	-
issued by central governments – treasury bonds	15,405,611	(64)	11,269,967	(46)
issued by non-financial entities – bonds	462,839	(22,841)	618,641	(20,964)
issued by local governments – municipal bonds	98,949	(371)	65,767	(132)
Total securities measured at amortised cost	**16,000,956**	**(23,804)**	**11,960,381**	**(21,143)**

30.06.2019	Stage 1	Stage 2	Stage 3
SECURITIES	**15,758,240**	**22,703**	**220,013**
issued by local banks – covered bonds	5,692	-	-
issued by local banks	27,865	-	-
issued by central governments – treasury bonds	15,405,611	-	-
issued by non-financial entities – bonds	220,123	22,703	220,013
issued by local governments – municipal bonds	98,949	-	-
IMPAIRMENT ALLOWANCES ON SECURITIES	**(1,881)**	**(4,708)**	**(17,215)**
issued by local banks – covered bonds	(199)	-	-
issued by local banks	(329)	-	-
issued by central governments – treasury bonds	(64)	-	-
issued by non-financial entities – bonds	(918)	(4,708)	(17,215)
issued by local governments – municipal bonds	(371)	-	-
Total net securities measured at amortised cost	**15,756,359**	**17,995**	**202,798**

31.12.2018	Stage 1	Stage 2	Stage 3
SECURITIES	**11,709,065**	**31,479**	**219,837**
issued by local 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 local 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 securities measured at amortised cost	**11,707,331**	**29,120**	**202,787**

25 FINACIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2019	31.12.2018
FINANCIAL INSTRUMENTS	Balance sheet value	
Treasury bonds issued by central governments	-	11,941
Bonds issued by non-financial entities	54,077	53,612
Bonds convertible for non-financial entities bonds	16,698	11,943
Equity instruments	139,896	126,317
Units	612	608
Total financial instruments measured at fair value through profit or loss	**211,283**	**204,421**

26 SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.06.2019	31.12.2018
DEBT SECURITIES		
NBP bills	549,947	-
Bonds issued by banks	530,268	516,084
Treasury bonds issued by central governments	8,837,181	15,359,255
SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**9,917,396**	**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

	30.06.2019	31.12.2018
Licenses	276,160	332,813
Other intangible assets	8,204	8,836
Expenditure on intangible assets	213,705	179,118
Total intangible assets	**498,069**	**520,767**

In the first half of 2019, the net balance sheet amount of intangible assets acquired by the Group was PLN 91,168 thousand (in the first half of 2018 it amounted to PLN 59,043 thousand), while the net balance sheet value of sold and liquidated components amounted to PLN 1,591 thousand (in the first half of 2018 - PLN 420 thousand).

28 PROPERTY, PLANT AND EQUIPMENT

	30.06.2019	31.12.2018
Fixed assets, including:	475,050	474,568
land and buildings	209,842	192,895
IT equipment	113,611	124,497
office equipment	31,312	36,239
other, including leasehold improvements	120,285	120,937
Fixed assets under construction	71,702	36,707
Right of use, including:	589,351	-
land and buildings	570,207	-
cars	13,566	-
IT equipment	5,344	-
other	234	-
Total property, plant and equipment	**1,136,103**	**511,275**

In the first half of 2019, the net balance sheet amount of the components included in property, plant and equipment acquired by the Group was PLN 150,280 thousand (in the first half of 2018 it amounted to PLN 21,751 thousand), while the net balance sheet value of sold and liquidated components amounted to PLN 1,730 thousand (in the first half of 2018 it amounted to PLN 344 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 also concludes leaseback agreements for motor vehicles.

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.

	30.06.2019
Lease expenses recognized in the statement of profit or loss	**(73,274)**
interest on lease liabilities	(4,293)
depreciation of right of use assets	(60,576)
expenses related to short-term lease (recognized in general administrative expenses)	(8,405)

30 OTHER ASSETS

OTHER ASSETS:	30.06.2019	31.12.2018
Receivables from contracts with customers:		
sundry debtors	312,390	134,419
accrued income	81,874	145,260
payment card settlements	118,890	141,009
social insurance settlements	6,755	6,054
Other:		
interbank and intersystem settlements	221,253	222,222
deferred expenses	56,304	50,409
tax and other regulatory receivables	76,962	70,115
other lease receivables	50,632	16,114
other	44,170	67,021
Total other assets (gross)	**969,230**	**852,623**
Impairment allowances on other receivables from sundry debtors	(89,966)	(89,970)
Total other assets (net)	**879,264**	**762,653**

31 AMOUNTS DUE TO BANKS

	30.06.2019	31.12.2018
Current accounts	1,060,378	599,176
Interbank deposits	158,624	183,006
Loans and advances received	3,381,605	3,005,787
Other liabilities	203,029	188,500
Total amounts due to banks	**4,803,636**	**3,976,469**

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

32 AMOUNTS DUE TO CUSTOMERS

	30.06.2019	31.12.2018
NON-BANKING FINANCIAL INSTITUTIONS	**2,994,807**	**4,052,126**
Current accounts	1,130,919	1,149,183
Term deposits	1,854,045	2,890,516
Other liabilities	9,843	12,427
RETAIL CUSTOMERS	**43,874,970**	**44,753,378**
Current accounts	27,645,236	27,622,375
Term deposits	15,868,866	16,778,483
Other liabilities	360,868	352,520
CORPORATE CUSTOMERS	**34,718,729**	**37,339,344**
Current accounts	24,749,854	25,998,247
Term deposits	9,110,447	10,262,953
Other liabilities	858,428	1,078,144
INCLUDING FARMERS	**1,637,630**	**1,770,897**
Current accounts	1,494,525	1,590,618
Term deposits	133,201	168,781
Other liabilities	9,904	11,498
PUBLIC SECTOR CUSTOMERS	**1,053,362**	**1,046,860**
Current accounts	744,011	721,146
Term deposits	307,406	307,176
Other liabilities	1,945	18,538
Total amounts due to customers	**82,641,868**	**87,191,708**

33 DEBT SECURITIES ISSUED

	30.06.2019	31.12.2018
DŁUŻNE PAPIERY WARTOŚCIOWE	**2,179,424**	**2,179,424**

Changes in the balance of debt securities issued

	6 months ended 30.06.2019	6 months ended 30.06.2018
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	-	(5,222)
Closing balance of debt securities issued	**2,179,424**	**2,181,744**

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

	30.06.2019	31.12.2018
SUBORDINATED LIABILITIES	**1,867,972**	**1,875,769**

Change in the balance of subordinated liabilities	6 months ended 30.06.2019	6 months ended 30.06.2018
Opening balance	**1,875,769**	**1,645,102**
Change in the balance of interest	537	173
Foreign exchange differences	(8,334)	60,962
Closing balance	**1,867,972**	**1,706,237**

35 OTHER LIABILITIES

	30.06.2019	31.12.2018
Liabilities due to contracts with customers		
Sundry creditors	187,971	64,920
Payment card settlements	113,804	180,442
Deferred income	132,179	169,815
Escrow account liabilities	51,414	70,778
Social insurance settlements	26,057	37,432
Other liabilities		
Liabilities due to settlement of sale of the organized part of enterprise*	196,036	-
Interbank and intersystem settlements	643,434	460,016
Provisions for non-personnel expenses	352,988	267,908
Provisions for other employees-related liabilities	211,767	245,070
Provision for unused annual holidays	44,532	44,997
Other regulatory liabilities	80,783	69,380
Other lease liabilities	41,513	18,592
Other	13,443	82,291
Total other liabilities	**2,095,921**	**1,711,641**

*Details are presented in Note 3.3.

36 PROVISIONS

	30.06.2019	31.12.2018
Provision for restructuring	137,533	171,889
Provision for retirement benefits and similar obligations	14,459	14,703
Provision for contingent financial liabilities and guarantees granted	155,038	149,530
Provisions for litigation and claims	44,923	62,156
Other provisions	44,969	39,134
Total provisions	**396,922**	**437,412**

Provisions for restructuring	6 months ended 30.06.2019	6 months ended 30.06.2018
Opening balance	**171,889**	**10,479**
Provisions recognition	3,313	-
Provisions utilization	(26,193)	(5,212)
Provisions released	(687)	-
Other changes	(10,789)	-
Closing balance	**137,533**	**5,267**

Provision for retirement benefits and similar obligations	6 months ended 30.06.2019	6 months ended 30.06.2018
Opening balance	**14,703**	**12,940**
Provisions recognition	1,020	1,351
Provisions released	(1,264)	(427)
Other changes	-	(83)
Closing balance	**14,459**	**13,781**

Provisions for contingent financial liabilities and guarantees granted	6 months ended 30.06.2019	6 months ended 30.06.2018
Opening balance	**149,530**	**35,419**
IFRS 9 implementation effect	-	38,193
Provisions recognition	178,670	80,621
Provisions released	(174,767)	(82,927)
Other changes	1,605	460
Closing balance	**155,038**	**71,766**

Provisions for litigation and claims	6 months ended 30.06.2019	6 months ended 30.06.2018
Opening balance	**62,156**	**7,109**
Provisions recognition	2,282	14,257
Provisions utilization	(9,968)	(489)
Provisions releases	(8,384)	(59)
Provisions acquired due to merger of entities	-	448
Other changes	(1,163)	(61)
Closing balance	**44,923**	**21,205**

Other provisions	6 months ended 30.06.2019	6 months ended 30.06.2018
Opening balance	**39,134**	**10,906**
Provisions recognition	8,204	191
Provisions released	(545)	(3,274)
Other changes	(1,824)	-
Closing balance	**44,969**	**7,823**

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:

	30.06.2019	31.12.2018	30.06.2018
Cash and balances at Central Bank (Note 18)	2,350,499	2,897,123	914,056
Current accounts of banks and other receivables	188,958	225,425	107,017
Interbank deposits	6,000	298,837	30,000
Loans and advances	8,000	4,078	15,000
Total cash and cash equivalents	**2,553,457**	**3,425,463**	**1,066,073**

38 ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOWS

Cash flows from operating activities – other adjustments	6 months ended 30.06.2019	6 months ended 30.06.2018
FX differences from subordinated loans	(7,260)	60,962
Hedge accounting	-	1,269
IFRS 9 impact	-	(319,895)
Securities measurement through profit or loss	5,005	(9,392)
Tax on financial institutions	141,327	99,871
Allowance for securities	(1,799)	-
IFRS 16 impact on assets	(596,492)	-
IFRS 16 impact on liabilities	610,497	-
Other adjustments	38,361	(17,548)
Cash flows from operating activities – total other adjustments	**189,639**	**(184,733)**

39 CONTINGENT LIABILITIES

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

	30.06.2019	31.12.2018
CONTINGENT COMMITMENTS GRANTED	**29,569,520**	**28,688,905**
financial commitments	22,943,955	21,893,903
guarantees	6,625,565	6,795,002
CONTINGENT COMMITMENTS RECEIVED	**20,100,527**	**18,164,389**
financial commitments	12,003,985	12,384,011
guarantees	8,096,542	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 the first half of 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 30 June 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:

30.06.2019	Level 1	Level 2	Level 3	Total
ASSETS MEASURED AT FAIR VALUE:	**9,917,437**	**677,925**	**2,733,161**	**13,328,523**
Derivative financial instruments	-	504,006	225,558	729,564
Hedging instruments	-	119,201	112,728	231,929
Financial instruments measured at fair value through other comprehensive income	9,917,396	-	-	9,917,396
Financial instruments measured at fair value through profit or loss	41	54,718	156,524	211,283
Loans and advances to customers measured at fair value through profit or loss	-	-	2,182,483	2,182,483
Investment property	-	-	55,868	55,868
LIABILITIES MEASURED AT FAIR VALUE:	**-**	**545,582**	**273,781**	**819,363**
Derivative financial instruments	-	527,169	273,781	800,950
Hedging instruments	-	18,413	-	18,413

31.12.2018	Level 1	Level 2	Level 3	Total
ASSETS MEASURED AT FAIR VALUE:	**15,887,437**	**711,224**	**2,799,292**	**19,397,953**
Derivative financial instruments	157	592,654	122,860	715,671
Hedging instruments	-	72,312	58,093	130,405
Financial instruments measured at fair value through other comprehensive income	15,875,339	-	-	15,875,339
Financial instruments measured at fair value through profit or loss	11,941	46,258	146,222	204,421
Loans and advances to customers measured at fair value through profit or loss	-	-	2,416,249	2,416,249
Investment property	-	-	55,868	55,868
LIABILITIES MEASURED AT FAIR VALUE:	**18**	**613,869**	**197,058**	**810,945**
Derivatives	18	586,742	197,058	783,818
Hedging instruments	-	27,127	-	27,127

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.

	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Investment properties	Derivative financial instruments – liabilities
Balance as at 01.01.2019	**349,596**	**58,093**	**2,561,863**	**55,868**	**(493,868)**
Total gains/losses recognized in:	54,085	54,635	1,297	-	(23,601)
statement of profit or loss	*54,085*	*54,635*	*1,297*	-	*(23,601)*
Purchase	6,511	-	5,000	-	(3,600)
Settlement	(108,299)	-	(232,153)	-	183,856
Transfer	(76,335)	-	3,000	-	63,432
Balance as at 30.06.2019	**225,558**	**112,728**	**2,339,007**	**55,868**	**(273,781)**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period	**54,085**	**54,635**	**1,297**	**-**	**(23,601)**

	Derivative financial instruments – assets	Financial assets measured at fair value	Investment properties	Derivative financial instruments – liabilities	Hedging instruments - liabilities
Balance as at 01.01.2018	**45,231**	**73,850**	**(54,435)**	**(45,406)**	**(9,618)**
Debt instruments reclassified and measured at amortised cost in accordance with IFRS 9	-	(18,553)	-	-	-
Loans and advances reclassified in accordance with IFRS 9	-	54,114	-	-	-
Total gains/losses recognized in:	(2,103)	6,267	-	(70,396)	(3,418)
statement of profit or loss	*(2,103)*	*6,267*	-	*(70,396)*	*(3,418)*
Purchase	-	15,529	-	-	-
Sale	-	(143)	-	-	-
Transfer	-	3,300	-	-	-
Balance as at 30.06.2018	**43,128**	**134,364**	**54,435**	**(115,802)**	**(13,036)**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period	**(2,103)**	**6,267**	**-**	**(70,396)**	**(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.

30.06.2019	Book value	Fair value	Level
FINANCIAL ASSETS			
Amounts due from banks	527,687	586,164	3
Loans and advances to customers measured at amortised cost	70,857,188	70,689,549	3
Securities measured at amortised cost	15,977,152	16,661,115	1,3
FINANCIAL LIABILITIES			
Amounts due to banks	4,803,636	4,798,937	3
Amounts due to customers	82,641,868	82,703,486	3
Subordinated liabilities	1,867,972	2,092,207	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
Securities 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 30 June 2019, the 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. BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH 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

30.06.2019	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the group of BNP Paribas S.A.	Key personnel	Total
ASSETS	**828,170**	**3,183**	**40,605**	**76**	**872,034**
Receivables on current accounts, loans and deposits	320,942	2,251	38,077	11	**361,281**
Derivative financial instruments	271,322	-	-	-	**271,322**
Derivative hedging instruments	230,997	932	-	-	**231,929**
Other assets	4,909	-	2,528	65	**7,502**
LIABILITIES	**5,041,176**	**23,019**	**604,347**	**5,264**	**5,673,806**
Loans and advances received	2,884,165	-	-	-	**2,884,165**
Current accounts and deposits	191,567	23,019	347,445	5,263	**567,294**
Subordinated liabilities	1,616,959	-	255,703	-	**1,872,662**
Derivative financial instruments	333,300	-	-	-	**333,300**
Derivative hedging instruments	12,008	-	-	-	**12,008**
Other liabilities	3,177	-	1,199	1	**4,377**
CONTINGENT LIABILITIES					
Financial commitments granted	-	-	285,496	-	**285,496**
Guarantee commitments	107,803	191,518	513,760	-	**813,081**
Commitments received	2,271,073	131,374	1,009,608	-	**3,412,055**
Derivative instruments (nominal value)	47,714,243	-	-	-	**47,714,243**
Hedging derivative instruments (nominal value)	7,380,784	12,756	-	-	**7,393,540**
6 months ended 30.06.2019					
STATEMENT OF PROFIT OR LOSS	**(122,905)**	**30,028**	**(12,228)**	**(18)**	**(105,123)**
Interest income	245	270	1,773	-	**2,288**
Interest expense	(42,985)	(73)	(3,515)	(19)	**(46,592)**
Fee and commission income	105	81	1,027	1	**1,214**
Fee and commission expense	(103)	-	(152)	-	**(255)**
Net trading income	(74,914)	29,750	(432)	-	**(45,596)**
Other operating income	9,566	-	5	-	**9,571**
Other operating expenses	(14,094)	-	(10,934)	-	**(25,028)**
General administrative expenses	(725)	-	-	-	**(725)**

31.12.2018	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the 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**

6 months ended 30.06.2018					
STATEMENT OF PROFIT OR LOSS	**(77,804)**	**230**	**(31,333)**	**(27)**	**(108,934)**
Interest income	2,551	469	721	-	**3,741**
Interest expense	(16,157)	(156)	(22,910)	(27)	**(39,250)**
Fee and commission income	10	70	5,839	-	**5,919**
Fee and commission expense	(208)	-	(30)	-	**(238)**
Net trading income	(58,687)	(153)	(6,917)	-	**(65,757)**
Other operating income	-	-	15,836	-	**15,836**
Other operating expenses	(5,313)	-	(10,440)	-	**(15,753)**
General administrative expenses	-	-	(13,432)	-	**(13,432)**

Remuneration of the Management Board and Supervisory Board

Management Board	30.06.2019	30.06.2018
Short-term employee benefits	10,135	8,213
Long-term benefits	7,659	3,441
Share-based payments	1,660	1,583
TOTAL	**19,454**	**13,237**

Supervisory Board	30.06.2019	30.06.2018
Short-term employee benefits	615	1,059
TOTAL	**615**	**1,059**

42 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 Bank, which are based on such criteria as the entity, finances and type of business activity.

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 take into account amounts due to each business line for services between such lines.

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 Bank'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. Considering the profile of the Bank'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

Retail and Business Banking segment covers comprehensive services to retail customers, including private banking customers, as well as business clients (microenterprises), including:

- entrepreneurs whose annual net income for the preceding financial year is below PLN 4 million, conducting full financial reporting;
- entrepreneurs conducting simplified financial reporting,
- housing communities and property managers,
- non-profit organizations
- retail farmers with credit exposure from the Group below PLN 3 million.

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 e-banking (BGŻOptima), 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, e-banking channel (BGŻOptima), the Banking Premium channel and Wealth Management. 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 the following major products: cash loans, car loans, instalment loans and credit cards. The aforesaid products are distributed through the Retail and Business Banking branch network as well as external distribution channels.

SME Banking provides services to:

- farmers conducting full financial reporting with annual net income for the preceding financial year below PLN 60 million and with credit exposure from the Group below PLN 25 million,
- farmers not preparing financial statements with credit exposure from the Group between PLN 3 and 25 million,
- government financial sector entities with the budget below PLN 100 million,
- Agro entrepreneurs and farmers conducting full financial reporting with net annual income for the previous financial year between PLN 4 million and PLN 40 million and with the credit exposure from the Group below PLN 12 million, and, regardless of revenues and credit exposure - agricultural producer groups and organizational units of the State Forest Enterprise.

The SME sales network has been divided into 8 SME Regions dedicated solely to provision of services to Small and Medium Enterprises.

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 40 million or the Bank's exposure to a customer of PLN 12 million or more, in addition to entities operating in multinational capital groups.

Corporate Banking customers are classified into 4 key groups:

- international customers (companies operating in international financial groups through capital or personal ties);
- Polish corporations with average capitalization (i.e. Polish entities (or groups of Polish affiliates) with annual turnover higher than PLN 40 million or 60 million in case of farmers in the last financial year or with credit exposure higher than PLN 12 million or PLN 25 million in case of farmers);
- public sector and institutions with budget higher than PLN 100 million, financial and insurance institutions, non-profit international entities.

The service is provided through a network of units located throughout the country, grouped into 9 Corporate Regions, operating separately from the Bank's branch network. Operational service for all institutional segments is carried out by the Bank's Branches, as well as access to telephone and internet banking is provided.

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.

Corporate and Institutional Banking (CIB) supports the sale of the Group's products addressed to the largest Polish enterprises. It includes support for strategic clients.

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).

30.06.2019*	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	885,675	153,201	292,555	17,312	216,395	**1,565,139**	219,870	338,799
external interest income	1,023,680	193,461	383,369	27,558	466,528	**2,094,596**	353,736	495,189
external interest expenses	(266,790)	(37,137)	(79,197)	(3,969)	(142,365)	**(529,457)**	(31,520)	(26,756)
internal interest income	548,397	95,365	192,320	7,637	(843,719)	**-**	74,316	-
internal interest expenses	(419,612)	(98,488)	(203,937)	(13,914)	735,951	**-**	(176,662)	(129,635)
Net fee and commission income	203,021	63,918	124,340	14,597	1,210	**407,087**	74,476	54,696
Dividend income	-	-	-	-	1,556	**1,556**	-	8,192
Net trading income	42,967	29,692	102,816	80,969	69,588	**326,032**	22,101	654
Result on investment activities	8	-	234	-	(20,240)	**(19,998)**	-	-
Result on hedge accounting	-	-	-	-	(1,083)	**(1,083)**	-	-
Other operating income and expenses	2,436	(2,331)	(394)	534	42,983	**43,228**	(3,197)	(6,704)
Net impairment losses on financial assets and contingent liabilities	(132,251)	(48,759)	(35,207)	10,509	174	**(205,534)**	(70,707)	(55,223)
Total operating expenses	(592,982)	(81,407)	(148,517)	(32,872)	(377,122)	**(1,232,900)**	(7,783)	(161,219)
Depreciation and amortization	(36,005)	(1,570)	(5,024)	(2,703)	(175,925)	**(221,227)**	(310)	(5,860)
Expense allocation (internal)	(267,178)	(69,331)	(35,951)	(1,088)	373,547	**-**	-	(52,759)
Operating result	**105,691**	**43,415**	**294,851**	**87,259**	**131,084**	**662,300**	**234,450**	**120,577**
Tax on financial institutions	(70,595)	(23,621)	(40,611)	(4,381)	(2,120)	**(141,327)**	-	(19,504)
Profit before income tax	**35,096**	**19,794**	**254,241**	**82,878**	**128,964**	**520,973**	**234,451**	**101,074**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(142,312)**	**-**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**378,661**	**-**	**-**
STATEMENT OF FINANCIAL POSITION AS AT 30.06.2019								
Segment assets	37,746,389	9,152,796	23,485,545	1,218,064	34,941,308	**106,544,101**	16,433,449	10,166,502
Segment liabilities	51,199,054	9,687,960	20,856,209	1,082,821	12,794,372	**95,620,415**	7,681,658	-

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

30.06.2018*	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	598,605	124,259	137,082	4,358	81,186	**945,490**	194,796	211,016
external interest income	723,664	186,347	184,963	9,281	244,088	**1,348,342**	334,025	314,191
external interest expenses	(173,054)	(33,510)	(76,860)	-	(119,428)	**(402,852)**	(29,754)	(10,773)
internal interest income	366,846	72,840	133,791	-	(573,477)	**-**	65,573	-
internal interest expenses	(318,851)	(101,418)	(104,811)	(4,923)	530,003	**-**	(175,049)	(92,401)
Net fee and commission income	157,411	36,859	60,436	722	(2,771)	**252,657**	63,400	38,277
Dividend income	-	-	-	-	809	**809**	-	-
Net trading income	17,183	13,684	39,857	31,105	36,762	**138,591**	10,974	96
Result on investment activities	-	-	452	-	6,274	**6,726**	-	-
Result on hedge accounting	-	-	-	-	2,823	**2,823**	-	-
Other operating income and expenses	578	(2,959)	(1,179)	95	(786)	**(4,252)**	(3,487)	(1,510)
Net impairment losses on financial assets and contingent liabilities	(62,738)	(24,280)	(17,486)	(247)	(12,592)	**(117,343)**	(61,284)	(7,565)
Total operating expenses	(420,531)	(56,562)	(73,804)	(11,950)	(210,450)	**(773,297)**	(4,554)	(134,539)
Depreciation and amortization	(39,097)	(1,753)	(4,206)	(2,093)	(35,511)	**(82,662)**	(77)	(5,731)
Expense allocation (internal)	(158,529)	(36,171)	(27,674)	(4,100)	226,475	**-**	-	(37,009)
Operating result	**92,881**	**53,074**	**113,477**	**17,889**	**92,219**	**369,541**	**199,767**	**63,034**
Tax on financial institutions	(53,054)	(17,755)	(23,654)	(1,043)	(4,366)	**(99,871)**	-	(13,218)
Profit before income tax	**39,827**	**35,320**	**89,823**	**16,846**	**87,853**	**269,670**	**199,767**	**49,817**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(81,069)**	**-**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**188,601**	**-**	**-**
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.

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

As at 30 June 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 half of 2019, there were no changes in the shareholding structure of the Bank.

As at 30 June 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 30 June 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 30 June 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 was no change in this respect from the date of presenting the Interim consolidated report of the Bank for the first quarter of 2019, i.e. 16 May 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) in September 2014, the number of the Bank's shares that are in free float was to be increased to at least 12.5% by 30 June 2016 and to at least 25% plus one share by the end of 2018 at the latest, with the provision that if reaching the assumed percentage of free float shares within the declared deadline were unreasonable due to unforeseen or exceptional market conditions, or if it were to expose the BNP Paribas Group to unjustified financial losses, BNP Paribas was to immediately commence negotiations with PFSA to agree on a modified schedule of reaching the assumed percentage of free float shares.

On 31 May 2016 the Management Board of Bank BGŻ BNP Paribas S.A. (currently: BNP Paribas Bank Polska S.A.) was informed that during a meeting held on 31 May 2016, PFSA unanimously accepted a change in the deadline to fulfil the investor obligation of BNP Paribas SA regarding increase of the Bank's shares liquidity at Warsaw Stock Exchange. The change in the deadline to fulfil the investor obligations of BNP Paribas SA, justified with an unforeseen adverse change in market conditions compared to the date of accepting the above mentioned obligation, consists in PFSA considering the obligations fulfilled if liquidity of shares of the Bank reaches at least 12.5% shares by the end of 2018 and 25% plus one share by the end of 2020.

On 14 September 2018, PFSA has received commitments from BNP Paribas SA regarding prudent and stable management of the Bank. As part of the obligation, BNP Paribas SA committed to increase the liquidity of the Bank's shares on the Warsaw Stock Exchange up to at least 25% plus 1 share by the end of 2023 at the latest.

44 DIVIDEND PAID

The Group did not pay any dividends for 2018.

45 DISTRIBUTION OF RETAINED EARNINGS

In accordance with the Resolution No. 6 of the Ordinary General Meeting of the Bank of 27 June 2019, the profit of the Bank after tax (net profit) for 2018 in the amount of PLN 364,739 thousand, was fully allocated to the reserve capital.

46 LITIGATION AND CLAIMS

Legal risk

As at 30 June 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 Group'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 Bank BGŻ BNP Paribas S.A. 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 30 June 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.

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

As at 30 June 2019 the Bank was the defendant in 146 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 in 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 Bank is not a party to any of the collective claims regarding the mentioned loans. The total value of claims in the above mentioned proceedings is PLN 43.94 million.

In 9 proceedings so far validly completed, 8 claims against the Bank were dismissed, and in 1 case despite the dismissal of the claim, the court annulled the contract in the justification. The Bank creates, on an ongoing basis, provisions for pending court proceedings, the subject of which are denominated or foreign currency loans, taking into account the current state of final judgments in cases against the Bank and the emerging line of case law. The value of created provisions for proceedings regarding loans in CHF as at 30.06.2019 is PLN 770 thousand.

Expected judgment of the CJEU

On 14 May 2019, the opinion of the CJEU's Advocate General was published, according to which recognition of a foreign exchange difference clause as unlawful may result in the conversion of the CHF indexed loan agreement into a national currency loan bearing the LIBOR rate applied for CHF or the annulment of the loan agreement , but it will always be for the national court to assess the facts of the specific case and issue a ruling based on the applicable national law.

The spokesperson's opinion is a consequence of four questions referred to the CJEU last year by the District Court in Warsaw regarding unfair terms in consumer contracts regarding the effects of possible abusiveness of the provisions of the loan agreement indexed to the Swiss franc.

Until the date of these financial statements, no judgment of the CJEU in this case has been announced (its publication is expected in September 2019), and therefore it is not known whether the CJEU in its judgment will fully share the position of the Advocate General.

The Bank's portfolio does not include indexed loans. The Bank continuously monitors the state of court decisions in cases of loans indexed or denominated in a foreign currency in terms of shaping and possible changes in the case-law. Changing the case-law may have a potentially negative impact on the Bank, the scale, due to many unknowns, is not currently reliable.

47 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 half 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 72% share in the total economic capital estimated by the Bank for purposes of covering major risks involved in the Bank's operations, in addition to its 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 second 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 decreased as compared to the previous quarter and amounted to 36% at the end of June.

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 second quarter of 2019 slightly increased as compared with the previous quarter and was, on average, 11% of VaR limit. 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 Group's market risk because the end-of-day positions on particular currencies were limited to the minimum levels.

Liquidity risk

In the period between April and June 2019, the Group maintained the supervisory liquidity measures for the short and long term above regulatory limits and internal limits. LCR was at the level of 140%-156%.

The main sources of financing are liabilities to customers and equity. To a smaller degree, 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 June 2019, 49% of the Bank's exposure towards countries was transactions related to credit activity of the Bank to foreign customers, treasury transactions (including deposits and derivatives), were 15%, while the remaining part, i.e. 36% were international trade transactions (letters of credit and financial guarantees). French customers accounted for 29%, those from the Netherlands for 14%, those from Luxembourg for 13%, Austrian for 7%, Belgian 7% and those from Great Britain for 6% of the exposure. The remaining exposure was related to Germany, Switzerland and Moldova.

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 Group in addition to security and compliance of the Group'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 BNP Paribas Bank Polska S.A., which was approved by the Management Board of the Bank and accepted by the Supervisory Board. The Operational Risk Policy of BNP Paribas Bank Polska S.A., adopted by the 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 national financial supervision authorities. The Bank's operational risk management objectives include, in particular, compliance with high operational risk management that guarantee security of customer deposits, the Bank's equity, stability of its financial performance as well as maintenance of the operational risk level within the range of the operational risk appetite and tolerance defined by the Bank. When developing the operational risk management system, the Bank complies with the applicable legal requirements, in particular, with the recommendations and resolutions of the national financial supervision authorities and the standards adopted by the BNP Paribas Group.

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 Management 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 BNP Paribas Bank Polska S.A., the operational risk analysis is aimed at acquiring an understanding of the interdependence between the risk generating factors and operational event types, and it is performed primarily with the objective to define the operational risk profile.

The operational risk profile is the assessment of materiality of the risk, which is understood as the scale and structure of the operational risk exposure, defining the degree of exposure to the operational risk (operational losses), where the structural dimensions selected by the Bank (key process areas) and the scale (residual risk level) are expressed. It is determined in the course of annual operational risk mapping sessions, which involve operational risk assessment for the major operational risk factors (people, processes, systems and external events) as well as the key process areas at the Bank.

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 BNP Paribas Bank Polska S.A." document, approved by the Bank's Management Board. This document describes the main principles, organizational framework and standards for the functioning of the control environment at the Bank, complying with the PFSA requirements provided in Recommendation H and the Regulation of the Minister of 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 Group 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 the 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).

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 requirements in force in 2019.

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 30 June 2019 are as follows:

CET I = 10.45%
Tier I =12.02%
Total Capital Ratio = 14.11%

As at 30 June 2019 the consolidated capital adequacy ratios of the Group were as follows:

CET I = 12.84%
Tier I = 12.84%
Total Capital Ratio = 15.12%

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 30 June 2019 are as follows:

CET I = 10.45%
Tier I =12.02%
Total Capital Ratio = 14.11%

As at 30 June 2019 the separate capital adequacy ratios of the Bank were as follows:

CET I = 13.28%
Tier I = 13.28%
Total Capital Ratio = 15.62%

As at 30 June 2019 the levels of Tier I both on separate and consolidated levels exceeded the regulatory requirements.

48 MANAGEMENT OF BNP PARIBAS BANK POLSKA S.A.

Composition of the Bank's Supervisory Board as at 30 June 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
Magdalena Dziewguć	Independent 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

Changes in the Supervisory Board of the Bank from 1 January to 30 June 2019:

- On 27 June 2019, the Ordinary Meeting of the Bank appointed Ms Magdalena Dziewguć as a Member of the Supervisory Board until the end of the current five-year joint term of office of the Supervisory Board members.

Composition of the Bank's Supervisory Board as at 30 June 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	Vice-President of the Management Board

Changes in the Management Board of the Bank from 1 January to 30 June 2019:

- On 15 May 2019, Mr Philippe Paul Bézieau submitted a resignation from the position of the Vice-President of the Management Board, with the effect from 30 September 2019.
- On 15 May 2019, the Supervisory Board appointed Mr Volodymyr Radin as the Vice-President of the Bank's Management Board, with the effect from 1 October 2019 for the period of the current 3-year joint term of office of Management Board Members.

49 MAJOR EVENTS IN BNP PARIBAS BANK POLSKA S.A. IN THE FIRST HALF 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 being 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 Bank and the Company plan to continue the cooperation, using a strong factoring offer to support the Bank's clients.
29.03.2019	**Entering the changes in the Bank's statute (including the company's name) and change of the issuer's website address into the National Court Register** On 29 March 2019, the changes were registered by the District Court for the Capital City of Warsaw, 12th Commercial Department of the National Court Register. The changes concerned amendments to the Bank's statute, adopted by Resolution No. 3 of the Bank's Extraordinary General Meeting of 11 December 2018. 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 following Bank's subsidiaries were merged**: Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A.** (currently, from 20 May 2019: BNP Paribas Towarzystwo Funduszy Inwestycyjnych 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.) located in Warsaw, consisting in the acquisition of Riviera Towarzystwo Funduszy Inwestycyjnych S.A. by TFI BGŻ BNP Paribas S.A (as the acquiring company) pursuant to art. 492 § 1 point 1 of the Code of Commercial Companies ("Merger"), as a result of the Registry Court entering the Merger in the National Court Register ("Registry") pursuant to the decision of 29 March 2019. At the same time, on 29 March 2019, in connection with the Merger, the Registry Court made an entry in the Court Register regarding the increase in the share capital of TFI BGŻ BNP Paribas S.A. in the amount of PLN 1,644,912 to the amount of PLN 10,692,912, as a result of the issue of 68,538 ordinary registered series T shares of TFI, with a nominal value of PLN 24.00 each, intended for the Bank, which is the sole shareholder ("Increase in Capital"). As a result of the Capital Increase, the Bank, as the sole 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.
17.04.2019	**Information on the amount of annual contribution for BNP Paribas Bank Polska S.A., determined by the Bank Guarantee Fund in relation to the bank restructuring fund for 2019 in the amount of PLN 116.1 million** The total contributions to the BFG recognized by the Bank as costs of the first quarter of 2019 amount to PLN 129.1 million (the abovementioned annual contribution to the bank restructuring fund for 2019 in the amount of PLN 116.1 million and the contribution to the bank guarantee fund due for the first quarter of 2019 - PLN 13.0 million).

18.04.2019	**Decision of PFSA regarding the consent to include the Bank's net profit for the fourth quarter of 2018 in the amount of PLN 36,429,608.99 in the Common Equity Tier 1 capital**
5.06.2019	**Resolution of the Management Board regarding the sale and transfer of an organized part of the enterprise intended for factoring business to BGŻ BNP Paribas Faktoring Sp. z o.o. located in Warsaw**
10.06.2019	**Decision of the Polish Financial Supervision Authority on the consent to include the Bank's net profit for the first quarter of 2019 in the Common Equity Tier 1 capital at both separate (in the amount of PLN 163,358,148.76) and consolidated (in the amount of PLN 161,601,412.49) levels.**
14.06.2019	**Resolution of the Supervisory Board of BNP Paribas Bank Polska S.A. regarding the consent to conclude the agreement in relation to the sale of an organized part of the enterprise intended for factoring business to BGŻ BNP Paribas Faktoring Sp. z o.o. located in Warsaw**
17.06.2019	**Conclusion of loan agreement** As a borrower, the Bank concluded the Loan Agreement ("Agreement") with BNP Paribas SA with its registered office in Paris, registered in the commercial register of companies (Registre du Commerce et des Sociétés de Paris) under number 662 042 449, as the lender. Under the Agreement, the lender will grant the Bank a loan not exceeding EUR 500 million, which is equivalent to approximately PLN 2,128 million at the average exchange rate of the National Bank of Poland as at 14 June 2019 (EUR 1 = PLN 4.2554) to finance factoring activities maintained by the Bank.
27.06.2019	**Ordinary General Meeting of BNP Paribas Bank Polska S.A.** • Consideration and approval of the following: - *Financial statements for 2018 and the Management Board report on activities in 2018.* - *Report on non-financial information of the Bank and the Bank's Group in 2018.* - *Report on the activities of the Bank's Supervisory Board and its committees in 2018.* • Adoption of a resolution regarding the distribution of the Bank's profit for the financial year 2018. • Adoption of resolutions on acknowledgment of the fulfilment of duties by the members of the Management Board and Supervisory Board of the Bank in 2018. • Adoption of a resolution regarding the sale of an organized part of BNP Paribas Bank Polska S.A. covering factoring activities. • Adoption of resolutions regarding amendments to the Statute of BNP Paribas Bank Polska S.A.
28.06.2019	**Conclusion of an agreement on the sale of an organized part of the Bank's enterprise intended for factoring business** ("ZORG", "Factoring Activity") **to BGŻ BNP Paribas Faktoring sp.z o.o.** ("Factoring Company") Pursuant to the sale agreement with the effect as at 30 June 2019, the Bank sold ZORG to the Factoring Company and transferred to the Factoring Company the obligations related to conducting Factoring Activity specified in the Sale Agreement. The Factoring Company also became a party to employment relations in relation to the transferred employees. The ZORG sale price was PLN 45 million ("Sale Price"). By 30 July 2019, the Bank and the Factoring Company will conduct final verification of the transferred values of net factoring receivables (after deduction of recognized allowances), for which customers' consents were obtained as regards their transfer under ZORG in relation to the estimated value of net factoring receivables as at 30 June 2019, adopted for the preparation of the financial plan, which is the basis for the calculation of the Sale Price. The difference between the above value of net factoring receivables, amounting to at least 1%, will result in an analogous percentage adjustment of the Sale Price. The remaining terms of the ZORG Sales Agreement do not differ from those commonly used in trade for this type of agreement. The details of the transaction are specified in note 3.3.

50 SUBSEQUENT EVENTS

10.07.2019 **Decision of the Polish Financial Supervision Authority on the expiry of the decision regarding the Bank's maintenance of own funds to cover the additional capital requirement in order to hedge the risk arising from currency mortgage loans for households.**

The decision of PFSA of 15 October 2018 concerned an additional requirement of 0.36 p.p. over the value of the total capital ratio, 0.27 p.p. over the value of Tier 1 capital ratio and 0.20 p.p. above the value of Common Equity Tier 1 capital ratio referred to in art. 92 paragraph 1 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("Regulation No 575/2013").

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
Interest income	1,027,612	2,033,493	681,561	1,321,665
Interest income calculated with the use of effective interest rate method	970,535	1,920,449	634,648	1,226,564
interest income on financial instruments measured at amortised cost	918,079	1,803,425	599,221	1,155,972
interest income on financial instruments measured at fair value through other comprehensive income	52,456	117,024	35,427	70,592
Income of a similar nature to interest on instruments measured at fair value through profit or loss	57,077	113,044	46,913	95,101
Interest expense	(244,700)	(491,764)	(192,825)	(388,027)
Net interest income	**782,912**	**1,541,729**	**488,736**	**933,638**
Fee and commission income	243,886	489,136	159,243	302,334
Fee and commission expense	(50,136)	(96,770)	(34,147)	(63,642)
Net fee and commission income	**193,750**	**392,366**	**125,096**	**238,692**
Dividend income	21,329	21,537	6,429	6,454
Net trading income	157,722	325,278	63,155	138,473
Result on investment activities	(12,363)	(20,001)	(1,667)	6,726
Result on fair value hedge accounting	(3,009)	(1,083)	1,307	2,823
Net impairment losses on financial assets and contingent liabilities	(98,174)	(184,556)	(54,955)	(110,110)
General administrative expenses	(575,995)	(1,194,607)	(380,139)	(749,367)
Depreciation and amortization	(115,358)	(220,393)	(41,623)	(82,444)
Other operating income	68,653	102,811	16,289	52,799
Other operating expenses	(36,489)	(70,348)	(23,718)	(62,513)
Operating result	**382,978**	**692,733**	**198,910**	**375,171**
Tax on financial institutions	(70,982)	(141,327)	(49,836)	(99,871)
Profit before tax	**311,996**	**551,406**	**149,074**	**275,300**
Income tax expenses	(68,024)	(144,075)	(44,266)	(81,227)

Net profit	**243,972**	**407,331**	**104,808**	**194,073**
attributable to equity holders of the Group	243,972	407,331	104,808	194,073
EARNINGS (LOSS) PER SHARE (IN PLN PER ONE SHARE)				
Basic	1.66	2.76	1.24	2.30
Diluted	1.66	2.76	1.24	2.30

Interim condensed separate statement on comprehensive income

	2Q 2019 from 01.04.2019 to 30.06.2019	HY 2019 from 01.01.2019 to 30.06.2019	2Q 2018 from 01.04.2018 to 30.06.2018	HY 2018 from 01.01.2018 to 30.06.2018
Net profit for the period	**243,972**	**407,331**	**104,808**	**194,073**
OTHER COMPREHENSIVE INCOME				
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS UPON FULFILMENT OF CERTAIN CONDITIONS	**20,239**	**(15,751)**	**(26,307)**	**(19,276)**
Measurement of financial assets available for sale	23,187	(19,446)	(32,467)	(23,122)
Deferred income tax	(2,948)	3,695	6,160	3,846
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	**424**	**312**	**(295)**	**(450)**
Actuary valuation of employee benefits	523	386	(364)	(555)
Deferred income tax	(99)	(74)	69	105
OTHER COMPREHENSIVE INCOME (NET)	**20,663**	**(15,439)**	**(26,602)**	**(19,726)**
TOTAL COMPREHENSIVE INCOME	**264,635**	**391,892**	**78,206**	**174,347**
attributable to equity holders of the group	**264,635**	**391,892**	**78,206**	**174,347**

Interim condensed separate statement on financial position

ASSETS	30.06.2019	31.12.2018
Cash and balances at Central Bank	2,350,479	2,897,113
Amounts due from banks	361,927	791,071
Derivative financial instruments	729,564	715,671
Adjustment of hedging item fair value	231,929	130,405
Loans and advances to customers measured at amortised cost	68,182,447	68,870,918
Loans and advances to customers measured at fair value through profit or loss	2,182,483	2,416,249
Securities measured at amortised cost	15,977,152	11,939,238
Financial instruments measured at fair value through profit or loss	210,671	203,813
Securities measured at fair value through other comprehensive income	9,917,396	15,875,339
Investments in subsidiaries	157,259	142,258
Intangible assets	497,230	520,108
Property, plant and equipment	1,123,355	499,307
Deferred tax assets	851,486	920,286
Other assets	903,986	889,882
Total assets	**103,677,364**	**106,811,658**

LIABILITIES	30.06.2019	31.12.2018
Amounts due to banks	1,795,262	1,589,935
Derivative financial instruments	800,950	783,818
Adjustment of hedging and hedged item fair value	205,551	123,600
Amounts due to customers	84,970,340	89,506,557
Subordinated liabilities	1,867,972	1,875,769
Lease liabilities	598,489	-
Other liabilities	2,066,443	1,801,154
Current tax liabilities	12,433	123,464
Provisions	396,527	435,799
Total liabilities	**92,713,967**	**96,240,096**

EQUITY	30.06.2019	31.12.2018
Share capital	147,419	147,419
Supplementary capital	9,110,976	9,111,033
Other reserve capital	1,572,757	1,208,018
Revaluation reserve	125,700	141,139
Retained earnings	6,545	(36,047)
retained profit	(400,786)	(400,786)
net profit for the period	407,331	364,739
Total equity	**10,963,397**	**10,571,562**
Total liabilities and equity	**103,677,364**	**106,811,658**

Interim condensed separate statement of changes in equity

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
Balance as at 1 January 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	**-**	**-**	**-**	**(15,439)**	**-**	**407,331**	**391,892**
Net profit for the period	-	-	-	-	-	407,331	407,331
Other comprehensive income for the period	-	-	-	(15,439)	-	-	(15,439)
Distribution of retained earnings	**-**	**-**	**364,739**	**-**	**-**	**(364,739)**	**-**
Transfer of the result subject to approval	-	-	364,739	-	-	(364,739)	-
Share issue	**-**	**(57)**	**-**	**-**	**-**	**-**	**(57)**
Share issue costs	-	(57)	-	-	-	-	(57)
Balance as at 30 June 2019	**147,419**	**9,110,976**	**1,572,757**	**125,700**	**(400,786)**	**407,331**	**10,963,397**

	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**

* In the fourth quarter of 2018, the Bank implemented a rating calculation methodology based on segmentation in the agricultural segment. This methodology was used to estimate PD parameters and identify a significant increase in credit risk. Due to the significance of this change and the change in the calculation methodology, this approach was also applied to the Opening Balance of 2018 and was reflected in the values of the amortized cost and fair value of exposures in this segment.

	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**	**141,917**	**-**	**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	**-**	**-**	**-**	**(19,726)**	**-**	**194,073**	**174,347**
Net profit for the period	-	-	-	-	-	194,073	**194,073**
Other comprehensive income for the period	-	-	-	(19,726)	-	-	**(19,726)**
Distribution of retained earnings	**-**	**-**	**298,389**	**-**	**-**	**(298,389)**	**-**
Distribution of retained earnings intended for capital	-	-	298,389	-	-	(298,389)	-
Balance as at 30 June 2018	**84,238**	**5,127,086**	**1,208,018**	**122,191**	**(311,063)**	**194,073**	**6,424,543**

Interim condensed separate statement on cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	HY 2019 from 01.01.2019 to 30.06.2019	HY 2018 from 01.01.2018 to 30.06.2018
Net profit (loss)	**407,331**	**194,073**
ADJUSTMENTS FOR:	**(2,739,873)**	**(2,128,926)**
Income tax expenses	144,075	81,227
Depreciation and amortization	220,393	82,444
Dividend income	(21,537)	(6,454)
Interest income	(2,033,493)	(1,321,665)
Interest expense	491,764	388,027
Change in provisions	(24,881)	42,399
Change in amounts due from banks	109,559	(51,840)
Change in assets due to derivative financial instruments	(117,226)	18,858
Change in loans and advances to customers measured at amortised cost	486,688	2,354,092
Change in loans and advances to customers measured at fair value through profit or loss	233,766	(2,636,772)
Change in amounts due to banks	447,353	36,295
Change in liabilities related to derivative financial instruments	100,893	4,760
Change in amounts due to customers	(4,565,919)	(2,179,785)
Change in other assets and receivables due to current income tax	(118,045)	(132,745)
Change in other liabilities and provisions due to deferred tax	285,347	568,312
Other adjustments	145,460	(177,962)
Interest received	1,904,540	1,187,207
Interest paid	(437,203)	(385,324)
Lease payments with reference to short-term leases not included in the lease liability measurement	8,593	-
Net cash flows from operating activities	**(2,332,542)**	**(1,934,853)**

CASH FLOWS FROM INVESTING ACTIVITIES:	HY 2019 from 01.01.2019 to 30.06.2019	HY 2018 from 01.01.2018 to 30.06.2018
INVESTING ACTIVITIES INFLOWS	**8,325,936**	**12,929,461**
Sale of financial assets	8,301,078	12,922,243
Sale of intangible assets and property, plant and equipment	3,321	764
Dividends received and other inflows from investing activities	21,537	6,454
INVESTING ACTIVITIES OUTFLOWS	**(6,604,567)**	**(12,880,146)**
Purchase of financial assets	(6,363,119)	(12,800,941)
Purchase of intangible assets and property, plant and equipment	(241,448)	(79,205)
Net cash flows from investing activities	**1,721,369**	**49,315**
CASH FLOWS FROM FINANCING ACTIVITIES:		
FINANCING ACTIVITIES INFLOWS	**-**	**-**
Long-term loans received	-	-
Increase in subordinated debt	-	-
FINANCING ACTIVITIES OUTFLOWS	**(254,226)**	**(491,285)**
Repayment of long-term loans and advances received	(242,218)	(206,285)
Lease liability repayment	(12,008)	-
Redemption of debt securities	-	(285,000)
Net cash flows from financing activities	**(254,226)**	**(491,285)**
TOTAL NET CASH AND CASH EQUIVALENTS	**(865,399)**	**(2,376,823)**
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:	**2,509,345**	**1,065,848**
effect of exchange rate fluctuations on cash and cash equivalents	175	8,026
restricted cash and cash equivalents	-	725

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 half ended 30 June 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 half 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.

The following significant events regarding the Interim condensed separate financial statements for the first half of 2019 were described in the Interim condensed consolidated financial statements for the first half of 2019:

- implementation of IFRS 16 in Note 3.2,

- sale of an organized part of the enterprise in Note 3.3,

- settlement of the transaction of acquisition of the core business of Raiffeisen Bank Polska S.A. in Note 3.4,

- opinion of the Advocate General of the CJEU in Note 46.

2 RELATED PARTY TRANSACTIONS

As at 30 June 2019 the 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. BNP PARIBASTOWARZYSTWO FUNDUSZY INWESTYCYJNYCH 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

30.06.2019	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
ASSETS	**811,913**	**3,183**	**40,605**	**76**	**11,164**	**866,941**
Receivables on current accounts, loans and deposits	309,151	2,251	38,077	11	6,616	**356,106**
Derivative financial instruments	271,322	-	-	-	1	**271,323**
Hedging derivative instruments	230,997	932	-	-	-	**231,929**
Other assets	443	-	2,528	65	4,547	**7,583**
LIABILITIES	**2,153,914**	**23,019**	**604,347**	**5,264**	**125,316**	**2,911,860**
Current accounts and deposits	191,567	23,019	347,445	5,263	124,964	**692,258**
Subordinated liabilities	1,616,959	-	255,703	-	-	**1,872,662**
Derivative financial instruments	333,300	-	-	-	2	**333,302**
Hedging derivative instruments	12,008	-	-	-	-	**12,008**
Other liabilities	80	-	1,199	1	350	**1,630**
CONTINGENT LIABILITIES						
Financial commitments granted	-	-	285,496	-	24,000	**309,496**
Guarantees granted	107,803	191,518	513,760	-	-	**813,081**
Commitments received	2,271,073	131,374	1,009,608	-	-	**3,412,055**
Derivative financial instruments (nominal value)	47,714,243	-	-	-	-	**47,714,243**
Derivative hedging financial instruments (nominal value)	7,380,784	12,756	-	-	-	**7,393,540**
6 months ended 30.06.2019						
STATEMENT OF PROFIT OR LOSS	**(106,587)**	**30,028**	**(12,228)**	**(18)**	**3,932**	**(84,873)**
Interest income	123	270	1,773	-	20	**2,186**
Interest expense	(17,807)	(73)	(3,515)	(19)	(361)	**(21,775)**
Fee and commission income	105	81	1,027	1	146	**1,360**
Fee and commission expense	(94)	-	(152)	-	(1,740)	**(1,986)**
Net trading income	(74,820)	29,750	(432)	-	-	**(45,502)**
Other operating income	-	-	5	-	11,117	**11,122**
Other operating expenses	(14,094)	-	(10,934)	-	(1)	**(25,029)**
General administrative expenses	-	-	-	-	(5,249)	**(5,249)**

31.12.2018	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**
Derivative 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**
Derivative hedging 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**
6 months ended 30.06.2018						
STATEMENT OF PROFIT OR LOSS	**(77,804)**	**230**	**(19,528)**	**(27)**	**1,333**	**(95,796)**
Interest income	2,551	469	721	-	8	**3,749**
Interest expense	(16,157)	(156)	(10,933)	(27)	(4,829)	**(32,102)**
Fee and commission income	10	70	1,154	-	2	**1,236**
Fee and commission expense	(208)	-	(30)	-	(1,838)	**(2,076)**
Net trading income	(58,687)	(153)	-	-	-	**(58,840)**
Net trading income	-	-	-	-	8,889	**8,889**
Other operating expenses	(5,313)	-	(10,440)	-	(899)	**(16,652)**

Remuneration of the Management Board and Supervisory Board

Management Board	30.06.2019	30.06.2018
Short-term employee benefits	10,135	8,213
Long-term benefits	7,659	3,441
Share-based payments	1,660	1,583
TOTAL	**19,454**	**13,237**

Supervisory Board	30.06.2019	30.06.2018
Short-term employee benefits	615	1,059
TOTAL	**615**	**1,059**

3 SEASONAL OR CYCLICAL NATURE OF BUSINESS

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

4 ISSUE AND REDEMPTION OF SECURITIES

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

5 DIVIDEND PAID

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

6 DISTRIBUTION OF RETAINED EARNINGS

In accordance with the Resolution No. 6 of the Ordinary General Meeting of the Bank of 27 June 2019, the profit of the Bank after tax (net profit) for 2018 in the amount of PLN 364,739 thousand, was fully allocated to the reserve capital.

7 CONTINGENT LIABILITIES

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

	30.06.2019	31.12.2018
CONTINGENT COMMITMENTS GRANTED	**29,359,142**	**28,409,563**
financial commitments	22,733,577	21,614,561
guarantees	6,625,565	6,795,002
CONTINGENT COMMITMENTS RECEIVED	**20,100,527**	**18,164,389**
financial commitments	12,003,985	12,384,011
guarantees	8,096,542	5,780,378

8 SUBSEQUENT EVENTS

Subsequent events are described in Note 50 of the Interim consolidated financial statements for the first half of 2019.

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

28.08.2019	**Przemysław Gdański** *President of the Management Board*	*qualified electronic signature*
28.08.2019	**Jean-Charles Aranda** *Vice-President of the Management Board*	*qualified electronic signature*
28.08.2019	**Daniel Astraud** *Vice-President of the Management Board*	*qualified electronic signature*
28.08.2019	**Philippe Paul Bézieau** *Vice-President of the Management Board*	*qualified electronic signature*
28.08.2019	**Andre Boulanger** *Vice-President of the Management Board*	*qualified electronic signature*
28.08.2019	**Przemysław Furlepa** *Vice-President of the Management Board*	*qualified electronic signature*
28.08.2019	**Wojciech Kembłowski** *Vice-President of the Management Board*	*qualified electronic signature*
28.08.2019	**Kazimierz Łabno** *Vice-President of the Management Board*	*qualified electronic signature*
28.08.2019	**Jaromir Pelczarski** *Vice-President of the Management Board*	*qualified electronic signature*
28.08.2019	**Jerzy Śledziewski** *Vice-President of the Management Board*	*qualified electronic signature*

Warsaw, 28 August 2019