CAPITAL ADEQUACY INFORMATION OF BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP AS OF 31 DECEMBER 2019

Warsaw, 3rd March, 2020

BNP PARIBAS

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1 INTRODUCTION

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

The document is the implementation of the BNP Paribas Bank Polska S.A. information policy in terms of capital adequacy. Unless otherwise specified, all figures in the document are presented as at December 31, 2019, in thousands PLN, based on the data of the BNP Paribas Bank Polska S.A. Capital Group to the extent consistent with “Information policy of BNP Paribas Bank Polska S.A regarding capital adequacy”.

2 BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP

The Bank is the parent company of the BNP Paribas Bank Polska S.A. Capital Group (hereinafter referred to as "Bank’s Capital Group"). The Bank’s Capital Group is part of an international financial group headed by BNP Paribas S.A. based in Paris. BNP Paribas S.A. is the direct parent entity of the Bank and holds 88.76% of the Bank’s shares, where 24.07% are held indirectly per BNP Paribas Fortis SA/NV. The remaining 11.24% of shares is held by minority shareholders (having less than 5% of the total number of votes at the General Meeting). In 2019, there were no changes in the Bank's shareholding structure.

Table 1 Shareholders’ structure of Bank Capital Group as of 31 December 2019

SHAREHOLDERS	NUMBER OF SHARES HELD	% OF THE SHARE CAPITAL	NUMBER OF VOTES AT THE AGM	% NUMBER OF THE TOTAL NUMBER OF VOTES
BNP Paribas S.A., *total*:	130 850 464	88.76%	130 850 464	88.76%
BNP Paribas S.A. directly	95 360 238	64.69%	95 360 238	64.69%
BNP Paribas Fortis SA/NV directly	35 490 226	24.07%	35 490 226	24.07%
Others	16 568 454	11.24%	16 568 454	11.24%
Total	**147 418 918**	**100.00%**	**147 418 918**	**100.00%**

As at 31 December 2019, the Bank’s Capital Group comprised Bank, as the parent, and its subsidiaries:

1. Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o., the Bank holds 100% of the company’s shares
2. BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A., the Bank holds 100% of the company’s shares
3. BNP Paribas Leasing Services Sp. z o.o., the Bank holds 100% of the company’s shares
4. BNP Paribas Group Service Center S.A., the Bank holds 100% of the company’s shares
5. Campus Leszno sp. z o.o.., the Bank holds 100% of the company’s shares
6. BGŻ Poland ABS1 DAC based in Ireland, 3RD Floor Kilmore House, Park Lane, Spencer Dock, Dublin. A special purpose vehicle with which the Bank carried out a securitization transaction of a part of the loan portfolio. The Bank has no equity involvement in this unit. The entity is controlled by Bank due to fulfillment of the control conditions contained in International Financial Reporting Standard 10.
7. BNP Paribas Solutions Sp. z o.o., the Bank holds 100% of the company’s shares.

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

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

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

The table below presents information on the consolidation method used for each entity within the scope of accounting and regulatory consolidation.

Table 2 EU LI3 - Outline of the differences in the scopes of consolidation as of 31 December 2019

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.	Full consolidation	x	-	-	-	Investment fund and financial instrument portfolio management
BNP Paribas Leasing Services Sp. z o.o.	Full consolidation	x	-	-	-	Leasing activities
BNP Paribas Solution sp. z o.o.	Full consolidation	x	-	-	-	Financial services - e-currency exchange
BNP Paribas Group Service Center S.A.	Full consolidation	-	-	x	-	Financial services
Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.	Full consolidation	-	-	x	-	Real estate services
Campus Leszno sp. z o.o..	Full consolidation	-	-	x	-	Training and conference center management services
BGŻ Poland ABS1 DAC	Full consolidation	-	-	x	-	Special purpose company - entity established to conduct securitization transactions

Table 3 EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories as of 31 December 2019

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation
Assets		
Cash and balances at the Central Bank	4 658 171	4 831 137
Receivables from banks	679 308	-
Derivative financial instruments	800 886	800 886
Adjustment of the fair value of the hedged item	228 120	228 120
Loans and advances to customers valued at amortized cost	71 836 643	72 342 959
Loans and advances to customers are valued at fair value through profit and loss	1 974 396	1 974 396
Financial assets available for sale	-	-
Securities valued at amortized cost	17 916 645	17 916 645
Financial instruments measured at fair value through profit and loss	241 754	241 754
Securities valued at fair value through other comprehensive income	7 953 358	7 953 358
Investments in subsidiaries	-	78 474
Investment Estates	56 577	-
Intangible assets	519 945	519 504
Property, plant and equipment	1 226 746	1 215 758
Assets due to deferred income tax	976 748	989 761
Other assets	884 845	864 028
Total assets	**109 954 142**	**109 956 780**
Liabilities		
Liabilities due to banks	4 485 264	-
Derivative financial instruments	815 637	815 637

Adjustment of the fair value of the hedged item	224 218	224 218
Liabilities to customers	86 134 984	92 422 239
Liabilities arising from the issue of debt securities	2 179 052	2 178 902
Subordinated liabilities	1 882 064	-
Lease liabilities	602 192	-
Other liabilities	1 893 415	2 607 211
Current income tax liabilities	38 338	38 061
Deferred income tax	8 535	-
Provisions	531 061	530 897
Total liabilities	**98 794 760**	**98 817 165**

3 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is an integral part of the Bank's overall management system. The Bank designs comprehensive rules of risk identification and assessment in response to the requirements of the supervisory review and assessment process. Taking into account regulatory requirements, best practices and use of the existing risk management processes tried and tested by the Bank, the rules are aimed at identification and assessment of all risks to which the Bank is or may be exposed. The Bank takes into account the specific nature, scale and complexity of business activity and related risk, ensuring that all material risks are measured and mitigated.

The Bank strives to identify and assess threats arising from the internal and external environment that could have a significant impact on the financial stability of the Bank. The risk identification process is performed annually in the Bank.

In the risk identification process carried out in 2019 The Bank distinguished the following types of risks in its business activity, which were assessed as material:

- credit risk (including concentration risk);
- counterparty risk;
- market risk;
- interest rate risk in the banking book;
- liquidity risk;
- operational risk (including compliance risk, business continuity risk and IT risk);
- business risk (break-even risk);
- reputation risk;
- strategic risk;
- model risk;
- insolvency risk (including leverage risk).

In order to ensure that the aforementioned risks have been identified, defined and are subject to appropriate control and management, the Bank monitors all of the above-mentioned risks and subjects them to periodical reviews.

The Bank has developed detailed procedures for specific risks, defining for measurable risks, i. a. the level of risk appetite. The risk appetite, within the limits set by the risk tolerance, defines the manner in which the Bank uses its risk-taking capacity by specifying the degree of risk exposure that a given business area may take for each type of risk. For non-measurable risks, analysis and monitoring is carried out periodically based on qualitative or hybrid methods.

All methods and procedures are reviewed periodically in terms of their appropriateness and reliability and are subject to validation tests, stress tests as well as back testing, based on both theoretical changes in market parameters, business parameters and customer behavior, as well as changes that have actually taken place on the market in the past.

The Bank monitors specific types of risks by means of a formal system of limits and reports, implemented on the basis of dedicated risk management policies, accepted at the level of the Bank's Management Board. The system of limits is set in such a way as to ensure that:

- the Bank satisfies the applicable supervisory requirements at a secure and optimum level;
- the desirable risk profile, as defined in the strategy adopted by the Bank, is maintained;

- they do not exceed the risk level acceptable to the BNP Paribas Group.

If a limit is exceeded, the unit responsible for maintaining the reported values below the limit is obliged to employ measures enabling reduction of the risk value in accordance with the procedures in place at the Bank. The information system used for purposes of risk management ensures collection of data concerning operations and transactions, along with their effect on the Bank's risk profile.

The risk management policy of the Bank is aimed at ensuring that the employees in charge of risk management process supervision and handling have extensive practical experience and theoretical knowledge about the tasks performed, in addition to high morale. The procedures in place at the Bank enable control over correctness of realisation of their tasks

The Bank's policy is based on the principle that the functions of business (direct entry into transactions), operations (transaction booking and clearing) and control functions (risk measurement and monitoring) forming part of the currency, interest rate and liquidity risk management process are fulfilled by separate, organisationally independent units. The scope of their responsibilities is clearly defined to determine their role and accountability in the risk management process. This enabled separation of business, control, risk reporting and operational functions in order to guarantee appropriate quality of risk control and operational processes in addition to ensuring that the results of control indicating that the risk level is too high generate appropriate response of the Bank's management.

The Bank has adopted risk control and management policies that determine the measures to be employed in crisis situations. The principles of crisis identification, the scope of measures to be employed as well as responsibilities necessary to mitigate the related risk and to implement corrective actions, were also defined.

The risk management system of the Bank comprises mainly the Supervisory Board, the Management Board, dedicated committees (Audit Committee and Risk Committee at the level of the Supervisory Board, ALCO, Risk Management Committee, Retail Banking Risk Committee, Personal Finance Risk Committee, Credit Committee, Problematic Loan Committee, Products Approval, Services, Transaction and Businesses Committee, as well as Internal Control Coordination Committee), Risk Area department, Compliance Division as well as Security and Continuity of Business Management Department.

The key role in the risk management system at the Bank is fulfilled by the Management Board, which defines the risk management strategy, risk appetite, and adopts the risk management policies as well as defines material risk limit policy and risk control procedures. The risk management principles are derived from the document *Risk Management Strategy in BNP Paribas Bank Polska S.A.* defined by the Management Board and approved by the Supervisory Board.

Objectives and strategies regarding interest rate risk in the banking portfolio have been presented in the Consolidated Financial Statements for the year ended December 31, 2019 in chapter 53.3.

3.1 CREDIT RISK

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

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

The Bank complies, above all, with the following rules of credit risk management:

- a credit transaction requires a comprehensive credit risk assessment, reflected in an internal rating or scoring,
- credit risk measurement for credit transactions is performed at the stage of processing an application for transaction execution and on a regular basis, as part of monitoring, in consideration of changing external conditions and the financial standing of borrowers,
- credit risk assessment of material exposures in terms of the risk level or their value is performed by credit risk assessment units, independent of business units,
- credit transaction terms offered to the customer depend on the score of the credit risk level generated by this transaction,
- credit decisions may only be taken by authorized persons,

- credit risk is diversified, in particular in terms of geographical areas, sectors of economy, products and customers,
- depending on the credit risk level, the Bank accepts relevant collateral in order to minimize potential future losses.

The Bank's credit risk management process consists of the following stages:

- credit risk identification which consists in recognition of sources of risk, its materiality and connections between its particular types,
- credit risk measurement which includes specification of risk quantification methods, measurable risk-related parameters and measuring cost of risk,
- risk monitoring which includes mainly monitoring of the risk borne and assessment of correctness and effectiveness of risk management and measurement tools used,
- reporting credit risk which includes information on the type and level of the risk borne,
- undertaking measures aimed to limit the credit risk level.

3.2 COUNTERPARTY RISK

Counterparty risk is the credit risk concerning the counterparty transactions in case of which the amount of liability may change in time depending on market parameters. Therefore, the counterparty risk is related to transactions on instruments whose value may change over time depending on such factors as interest rates or foreign exchange rates. The varying exposure may affect the customer's solvency and is of crucial importance to the customer's ability to discharge its liabilities when the transaction is settled. The Bank's customers may enter into financial market transactions.

Counterparty credit risk, for transactions which generate counterparty risk, is assessed using the same methodology as the one applied to credit products. This denotes that in the credit process, Bank estimates and applies limits, of which the value results directly from assessment of customer creditworthiness, as well as considers transactions specific character or direct dependence on market parameters.

The principles applicable to foreign exchange transactions, derivative transactions as well as credit limit granting, use and monitoring for transactions subject to counterparty risk limits have been laid down in dedicated procedures. According to the policy in place at the Bank, all transactions are entered into considering individual limits and knowledge of the customer. The Bank differentiate availability of products, which are offered to customers depending on their knowledge and experience. The Bank has transparent rules applicable to hedging the counterparty credit risk exposure in place.

The Bank can reduce counterparty risk using Margin Call to obtain collateral called Variation Margin, which have been stated in the Credit Support Annex signed with customer. Furthermore, counterparty risk regarding banks may be limited by exchanging Initial Margin Deposits and for the other clients by Initial Deposit.

Counterparty risk exposure and risk-weighted assets are calculated by valuation of the market value standardized by the Regulation (EU) No 575/2013, while the internal capital valuation methodology is tightly related to measuring this risk at the Bank and includes current contracts valuation and its Potential Future Exposure as well as its estimated probability of a Potential Default of each customer.

The Bank does not conclude credit derivatives instruments and does not apply compensation for the counterparty risk exposure.

Below tables presents detailed information of the counterparty credit risk.

Table 4 EU CCR1 – Analysis of CCR exposure by approach as of 31 December 2019

		Notional	Replacement cost/current market value	Potential Future credit exposure	EEPE	Multiplier	EAD Post CRM	RWAs
1	Mark to market		-	-			2 678 313	1 392 109
2	Original exposure	-					-	-
3	Standardised approach		-			-	-	-
4	IMM (for derivatives and SFTs)				-	-	-	-
5	*Of which securities financing transactions*				-	-	-	-
6	*Of which derivatives and long settlement transactions*				-	-	-	-
7	*7 Of which from contractual cross-product netting*				-	-	-	-
8	Financial collateral simple method (for SFTs)						-	-
9	Financial collateral comprehensive method (for SFTs)						-	-
10	VaR for SFTs						-	-
11	**Total**							1 392 109

Table 5 EU CCR2 – CVA capital charge as of 31 December 2019

		Exposure value	RWAs
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) SVaR component (including the 3× multiplier)		-
4	All portfolios subject to the standardised method	-	-
EU4	Based on the original exposure method	2 678 313	1 392 109
5	Total subject to the CVA capital charge	280 877	276 502

Table 6 EU CCR3 - Standardised approach – CCR exposures by regulatory portfolio and risk as of 31 December 2019

		Risk weight												
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total	Of which unrated
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	1 539 155	-	-	-	112 767	-	-	-	-	-	1 651 922	-
7	Corporates	-	-	-	-	-	-	-	-	1 023 384	-	-	1 023 384	-
8	Retail	-		-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**		**1 539 155**				**112 767**			**1 023 384**	**3 007**		**2 678 313**	

Table 7 EU CCR8 – Exposures to CCPs as of 31 December 2019

		EAD post CRM	RWAs
1	**Exposures to QCCPs (total)**		160 570
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	584 581	159 556
3	(i) OTC derivatives	584 581	159 556

4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	31 712	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	1 014	1 014
10	Alternative calculation of own funds requirements for exposures		-
11	**Exposures to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Table 8 EU CCR5-B – Composition of collateral for exposures to CCR as of 31 December 2019

	Collateral used in derivative transactions	
	Fair value of collateral received	Fair value of posted collateral
	Segregated	Segregated
Cash	209 369	61 847
Sovereign debt	71 789	23 294
Total	**281 158**	**85 141**

3.3 MARKET RISK

Trading activity that generates market risk in the bank is treated as supplementary, aiming at supporting sales of financial instruments to corporate, non-banking financial (directly) and retail customers (by means of structured products, formally allocated to banking book). Opening market risk positions, Bank generates additional income due to short term changes in market parameters (such as FX or interest rates), while maintaining exposure within pre-approved level of limits. Bank offers commodity products, but does not open position in these instruments.

Within general exposure towards interest rate risk, which is the main exposure in trading portfolio, Bank used IRS, OIS, CIRS, FRA, basis swaps and purchase and sale of interest rate options. Interest rate risk profile was also impacted by FX swaps and FX forwards. Bank maintains open interest rate risk position, within granted limits, in order to optimize its P&L by generating additional income by lack of necessity of instant closing of customer driven position on the interbank market. Bank's priority is to hedge interest rate and FX risk by maintaining relatively low open positions enabling optimization of offer its customers.

Management of market risk is an integral part of the whole Bank management system. Apart from legal and regulatory requirements, business scale and complicity is the main driver behind risk management system. The main role in market risk management system in the Bank is fulfilled by Management Board, which decides on policy and approves rules of risk management. Direct supervision of realization of the policy is in hands of dedicated committees responsible for decisions according to mandate delegated by Management Board. Dedicated units responsible for risk management and control ensure that all material risks are measured and limited and business activity is evaluated on risk-return perspective.

Bank manages the risk by identification, measurement, control, reporting and monitoring and decision making. Risk identification is inseparably connected with introduction of new products and broadening of commercial activity. Before undertaking such activity Bank identifies all arising risks. Identification process is also performed for already started activities in normal periodic activity. On risk identification, materiality assessment is performed, followed by analysis and measurement, using appropriate methods and tools, which are under constant process of verification in order to ensure best standards and practices are in place. In this area bank is also supported by BNP Paribas Group. Within risk measurement Bank performs stress test scenario analyses in order to enhance its ability to continue its business activities in severe circumstances.

In order to avoid excessive exposure Bank implemented a set of market risk limits and warning levels adequate to its scale and complexity. The whole limit system is derived from Bank's risk appetite, which was formulated accordingly to Bank's risk strategy and business plans. Bank prepared adequate escalation process in case of limits breaches and the means of their avoidance in the future.

Risk is reported with frequency enabling Management Board, Supervisory Board and relevant committees to be properly informed on Bank's risk profile.

Supervisory Board constantly monitors the risk management system. It approves risk strategy and key risk management policies and risk appetite levels. Supervisory Board evaluates Management Board activities related to control over Bank activities and theirs compliance with the policy. Risk Committee supports the Supervisory Board with its supervisory responsibilities in the risk area, especially by giving its opinion o Bank's current and future ability to undertake the risk, evaluation of risk management strategy set by the Management Board and its realization. The Management Board ensures adequate level of market risk is not exceeded and is responsible for risk management system efficiency. It allocates and delegates responsibilities to units involved in market risk management process, including dedicated committees. The Management Board approves market risk limits. Bank's internal Risk Committee is responsible for allocation of market risk limits for trading book within the risk granted risk appetite. It also approves market risk limits for trading book, analyses limit breaches and recommends contingency actions. Internal Audit Line performs periodic controls over risk management process, including verification of Bank's processes and policies versus legal requirements. It also analyses and evaluates the efficiency of risk management systems and control mechanisms and recommends relevant actions if necessary. Product Approval Committee (NPAO) gives opinion on and approves new products, services and transaction types including their impact on market risk profile and management system. Risk Line is responsible for direct supervision over interest rate and FX risk management process. It formulates independent opinions and recommendations for Risk Committee, NPAO, ALCO and Management Board on risk policy, measurement methodology, structure and levels of market risk limits. Global Markets Line is responsible for operational and transactional risk management of trading book interest rate risk and Bank's FX risk.

The market risk management structure described above is described in Bank's internal documents that was formally approves, such as risk strategy, policies and procedures. These regulations include rules of allocation of instruments to trading book as well as methods used to calculate capital requirements and economic capital.

The table below presents elements of own funds requirements for market risk under the standardized method.

Table 9 EU MR1 - Market risk under the standardised approach as of 31 December 2019

		RWAs	Capital requirements
	Outright products		
1	Interest rate risk (general and specific)	876 152	70 092
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	**876 152**	**70 092**

3.4 LIQUIDITY RISK

Liquidity risk is the risk of the Bank's inability to meet its payment obligations. This risk is managed in the Bank through several processes: management of immediate (intra-day) liquidity and future (current, short-term, as well as structural medium and long-term) liquidity, including concentration of the funding sources, monitoring the liquidity in the market or ability to obtain funds. This process is adequate to the character and scale of the Bank's activities as well as to the regulatory requirements applicable to the Bank.

The primary objectives of the liquidity management process are to:

- ensure and maintain the liquidity of the Bank by ensuring its ability to meet its current and future obligations,
- prevent crisis situations,
- build solutions and action plans to survive crisis situations, in case they appear.

Structure and organization of the process

The liquidity risk is managed in the Bank by shaping the Bank's balance sheet and funding structure reflected in the Bank's financial statements, including both the balance sheet and off-balance sheet items. This process is centralized. The whole process is supervised by the Bank's Supervisory Board, and it is the Supervisory Board who sets the level of risk appetite, which determines the remaining values of the limits as far as the management of the Bank's liquidity is concerned. The Management Board of the Bank is responsible for the implementation of an adequate liquidity risk management system by building an appropriate organizational structure, ensuring internal rules and procedures and approving the liquidity limits to reduce the Bank's risk exposures. The Assets and Liabilities Management (ALCO) Committee appointed at the Bank meets on a monthly basis to analyze the liquidity situation and verify the efficiency of the processes employed to manage the Bank's liquidity.

The Bank ensures the separation and independence of the operational, risk management, control and reporting functions. Business lines are responsible, in particular, for entering into transactions with the Bank's counterparties and clients; the Operations area confirms and settles transactions; the ALM Treasury is responsible for managing immediate (intra-day) and future liquidity; the Risk Area keeps vigilance over ongoing supervision of the risk level and compliance with the risk limits, whereas Finance is responsible for independent reporting of the supervisory liquidity measures.

Financing for other entities of BNP Paribas Bank Polska SA Group is provided by the owner - BNP Paribas Bank.

Scope and characteristic of systems used for liquidity risk reporting and measurement

As part of the liquidity risk measurement, the Bank uses a number of measures and indicators to monitor the liquidity situation, and these include both the measures and indicators required by relevant regulations and the internal measures defined at the Bank, including internal limits values assigned to them. The liquidity parameters are calculated in accordance with the regulatory requirements – on a daily or quarterly basis. The internal parameters are calculated based on daily reports. The description and values of the regulatory measures can be found in the liquidity risk-related chapter in the Bank's main financial statement.

Based on the daily reports, liquidity gap reports are prepared, pertaining to both contractual and adjusted liquidity, which takes into account modelling of the products without the contractual maturity date as well as certain behavioral aspects for the balance-sheet and off-balance-sheet items, such as prepayment of credit facilities by the Bank's Clients. The reports are generated both for the entire balance sheet and off balance sheet of the Bank in all currencies jointly and for specific main currencies at the Bank: PLN, EUR, USD, CHF and other currencies jointly. Daily checks are also made of the early warning indicators defined in the Liquidity Contingency Plan, which monitors the situation of the Bank as well as the interbank market and the Clients' market. In a monthly cycle the Bank also analyses the selected liquidity parameters that are subject to monitoring under the Recovery Plan. All of these measures and reports created on a daily basis are supplemented by the reports and measures prepared for the meetings of the ALCO Committee, which further provide insights into, among others, the level of concentration of the financing or the cost of money from non-bank Clients.

Apart from the extensive measurements and reporting of the Bank's liquidity situation, the Bank carries out periodic stress tests to check the sensitivity of the Bank's liquidity situation and the interest income level to changes in the market parameters (e.g. increase in interest rates, increase in foreign exchange rates for PLN, etc.), possibility to close a currency mismatch in the Bank's balance sheet, ability to perform settlements and change collateral pledged by both the Bank and Clients, or crisis leading to a reduction in the access to liquidity.

The liquidity risk level is reported with a frequency to allow recording of changes in the Bank's risk profile:

- Management Board of the Bank and the Supervisory Board of the Bank – quarterly;
- ALCO Committee – monthly;
- other units and persons involved in the process of managing and monitoring the liquidity of the Bank – daily.

Strategies related to securing and reducing the liquidity risk, efficiency of hedging instruments and risk reducing measures

The Bank relies on diversified sources of financing which ensure stable liquidity situation. The Bank further holds a portfolio of high-liquidity assets, which, when needed, may be used as the source of liquidity for the Bank and ensure access to liquidity within one day. It ensures safe liquidity management under regular circumstances as well as in crisis or emergency. This portfolio of assets also allows to comply with the supervisory and internal liquidity requirements.

The largest share in the Bank's financing is held by the deposit base from non-bank Clients, which involves all Client segments, with a predominant share held by the retail segment. The deposit base stability is on the one hand ensured by an attractive and comprehensive offer for Clients, while on the other hand it is monitored and studied for the purposes of modelling the stability of liabilities from specific business lines. The Bank also cooperates with supranational institutions from where it acquires stable financing dedicated to specific projects or specific offer for the Client.

Due to the currency structure of the Bank's balance sheet, the level of currencies needs to be adjusted on both the assets and liabilities side of the balance sheet. The Bank ensures financing adapted to the profile of foreign exchange assets held, through funding acquired directly in a specific currency, or through derivative transactions such as CIRS or FX swap. Closing the currency mismatch through derivative transactions allows to close the needs of the Bank in different currencies and in the term structure adequate to the liquidity risk profile of specific currencies, which contributes to the desired liquidity profile and LCR measure.

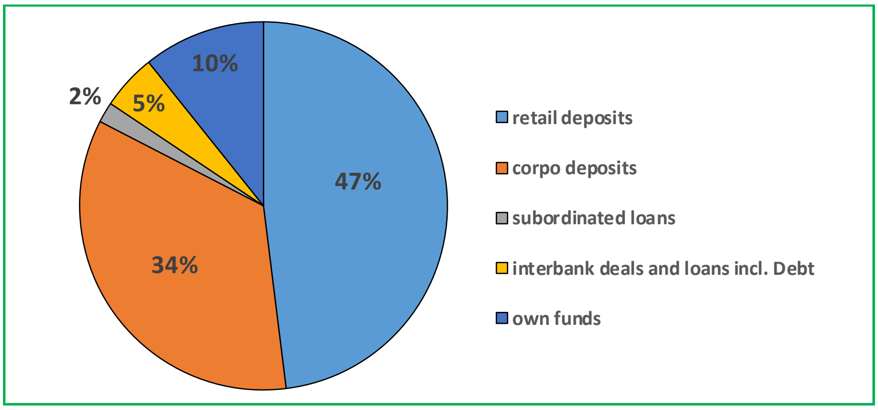
Table 10 - EU LIQ1 - Quantitative information on LCR

Scope of consolidation: consolidated Currency and units (PLN million)		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYY)		31-12-2019	30-09-2019	30-06-2019	31-03-2019	31-12-2019	30-09-2019	30-06-2019	31-03-2019
Number of data points used in the calculation of averages		12	12	9	6	12	12	9	6
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					27 924	28 588	28 890	29 635
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	55 283	54 365	54 135	54 383	4 065	3 998	3 978	3 997
3	*Stable deposits*	35 199	34 704	34 642	34 765	1 760	1 735	1 732	1 738
4	*Less stable deposits*	20 083	19 661	19 493	19 617	2 305	2 263	2 246	2 259
5	Unsecured wholesale funding	22 804	23 320	23 574	24 056	11 125	11 328	11 456	11 636
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	344	459	508	536	86	115	127	134
7	*Non-operational deposits (all counterparties))*	22 400	22 800	23 004	23 456	10 979	11 152	11 267	11 438
8	*Unsecured debt*	60	61	62	64	60	61	62	64
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	35 632	35 495	35 115	35 699	14 262	13 875	13 546	13 866
11	*Outflows related to derivative exposures and other collateral requirements*	12 075	11 634	11 307	11 576	12 075	11 634	11 307	11 576
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	23 557	23 860	23 808	24 123	2 187	2 240	2 239	2 290
14	Other contractual funding obligations	4 643	4 459	4 376	4 129	2 664	2 677	2 647	2 445
15	Other contingent funding obligations	3 667	3 160	3 184	3 203	251	239	233	225
16	**TOTAL CASH OUTFLOWS**					**32 367**	**32 116**	**31 859**	**32 169**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	2 632	2 836	2 967	3 074	1 460	1 647	1 743	1 869

19	Other cash inflows	11 899	11 486	11 165	11 438	11 899	11 486	11 165	11 438
20	**TOTAL CASH INFLOWS**	**14 531**	**14 322**	**14 132**	**14 512**	**13 359**	**13 133**	**12 908**	**13 307**
EU-20c	*Inflows subject to 75% cap*	14 531	14 322	14 132	14 512	13 359	13 133	12 908	13 307
					TOTAL ADJUSTED VALUE				
21	LIQUIDITY BUFFER					27 924	28 588	28 890	29 635
22	TOTAL NET CASH OUTFLOWS					19 008	18 983	18 952	18 863
23	LIQUIDITY COVERAGE RATIO (%)					147%	151%	153%	158%

Concentration of financing and sources of liquidity:

The Bank's primary source of financing is formed by funds acquired from non-bank Clients, including primarily retail Clients. Full financing structure is presented in the diagram below.



Exposure to derivative instruments and potential margin calls:

Derivative transactions are secured by collateral in the form of first-level assets: cash, bills and treasury bonds. Any changes in the type of collateral are limited to this type of assets. ISDA and ZBP agreements may include provisions related to 'Credit Event upon merger', which may lead to worsening of the rating. It does not entail, however, pledge of additional collateral, but leads to a possible closing of the transaction.

Currency mismatch in the liquidity coverage ratio :

The Bank calculates the LCR in PLN, EUR, CHF and in all currencies jointly for Bank only and on a consolidated basis. Apart from PLN, EUR is also considered a significant currency. For EUR and CHF, there is a currency mismatch at the Bank in the liquidity coverage ratio; however, in the event of a shortfall of liabilities in foreign currencies, the Bank enters into off-balance sheet FX transactions: FX Swap and CIRS, with entities from the BNPP Group.

3.5 OPERATIONAL RISK

Strategies and processes in operational risk management

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

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

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

Operational risk management process includes the following stages:

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

Organization of the operational risk management process

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

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

Operational risk management is closely connected with the management of other kinds of risk due to the fact that a substantial part of the operational risk losses occur at the intersection of operational risk and credit risk or financial risk or other banking risks.

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

Scope and types of risk reporting and measuring systems

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

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

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

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

The gross losses resulting from the operational risk events recognized in 2019 have been presented in the table below by event types and categories. The amount of gross loss means a sum of losses resulting from the operational risk incidents registered in the Bank's internal database, without taking into account reductions resulting from amounts recovered from the insurance and recovered from other sources. Data include the operational risk losses connected to the credit risk and financial risk.

Table 11 Gross losses resulting from operational risk events recognized in 2019

Internal frauds	**8 556**
Unauthorised activity	813
Theft and internal fraud	7 743
External frauds	**16 520**
Theft and external fraud	12 302
Systems security	4 218
Employment practices and workplace safety	**870**
Employee relations	864
Safe Environment	2
Diversity & Discrimination	5
Clients, products and business practices	**3 257**
Suitability, disclosure & fiduciary	1 098
Improper business or market practices	1 921
Product defects	51
Exposure & client classification	7
Bank advisory activity deficiency	180
Damages to physical assets	**282**
Disasters and other events	282
Business disruption and system failures	**1 929**
Systems	1 929
Execution, Delivery and Process Management	**9 886**
Transaction capture, execution & maintenance	8 883
Monitoring and reporting	776
Customer intake and documentation	25
Customer account management	3
Trade counterparties	194
Vendors & Suppliers	5
Total	**41 300**

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

4 OWN FUNDS

Information on own funds is presented on the basis of Article 437 of Regulation (EU) No 575/2013, to the extent consistent with Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

The Bank discloses full reconciliation of own funds items in relation to the financial statements.

Table 12 Full reconciliation of own funds items in relation to the financial statements

POSITIONS OF THE CONSOLIDATED FINANCIAL STATEMENT USED FOR THE CALCULATION OF OWN FUNDS	Positions on 31 December 2019	Correction for companies not subject to prudential consolidation	Filters	Part of the unrecognized annual profit	OWN FUNDS POSITIONS
Assets					
Intangible assets	519 945	441	-	-	519 504
Deferred tax assets net of related tax liability	968 213	-7 789	81 298	-	894 704
including net assets not exceeding the threshold from Article 48 paragraph 1 point a)	968 213	-7 789	81 298	-	894 704
Liabilities					
Subordinated liabilities	1 882 064				1 882 064
- including subordinated loans recognized as instruments in Tier II	1 879 895	-	-	-	1 879 895
Core capital					
Common Shares	147 419	-	-	-	147 419
Other capital instruments, including:	10 683 734	-	-	-	10 683 734
- share premium accounts	7 259 316	-	-	-	7 259 316
- general risk fund	627 154	-	-	-	627 154
- reserve capital	2 797 264	-	-	-	2 797 264
Revaluation reserve	125 250	-	-	-	125 250
Retained earnings	-411 714	-23 118	-	-	-434 832
Result of the current year	614 694	3 350	-	-241 829	376 215

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

Table 13 The own funds structure with regulatory adjustments as of 31 December 2019

No.*		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
Common Equity Tier I capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	7 406 735	26 (1), 27, 28, 29, EBA list 26 (3)
	Of which: common shares	147 419	EBA list 26 (3)
2	Retained earnings	-58 617	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2 922 514	26 (1)
3a	Funds for general banking risk	627 154	26 (1) (f)
6	Common Equity Tier I (CET1) capital before regulatory adjustments	10 897 786	
Common Equity Tier I (CET1) capital: regulatory adjustments			
7	Additional value adjustment (negative amount)	-12 317	34,105
8	Intangible assets (net of related tax liability) (negative amount)	-519 504	36 (1) (b), 37, 472 (4)
26b	Amount to be added to Common Equity Tier 1 capital with regard to IFRS 9 during the transition period	340 668	473 (a)
28	Total regulatory adjustments to Common Equity Tier I (CET1)	-191 153	

29	Common Equity Tier I (CET1) capital	10 706 633	
44	Additional Tier I (AT1) capital	-	
45	Tier I capital (T1 = CET1 + AT1)	10 706 633	
Tier II (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	1 879 895	62, 63
51	Tier II (T2) capital before regulatory adjustments	1 879 895	
58	Tier II (T2) capital	1 879 895	
59	Total capital (TC = T1 + T2)	12 586 528	
60	Total risk weighted assets	83 762 792	
Capital ratios and buffers			
61	Common Equity Tier I (as a percentage of risk exposure amount)	12.78%	92 (2) (a), 465
62	Tier I (as a percentage of risk exposure amount)	12.78%	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	15.03%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systematic important institution buffer expressed as a percentage of risk amount)	5.75%	CRD 128, 129, 130
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.00%	
67	of which: systematic risk buffer requirement	3.00%	
67a	of which: Global Systematically Important Institution (G-SII) or Other Systematically Important Institution (O-SII) buffer	0.25%	CRD 131
68	Common Equity Tier I available to meet buffers (as a percentage of risk exposure amount)	5.75%	CRD 128
Amounts below the threshold (before risk weighting)			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	976 002	36 (1) (c), 38, 48, 470, 472 (5)

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

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

1. Capital Tier I
2. Capital Tier II

Capital Tier I includes:

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

Common Equity Tier I capital includes the following items:

1. capital instruments,
2. share premium accounts related to instruments referred to in point a),
3. retained earnings when earnings were reviewed by the statutory auditor and after the permission is granted by the competent authority or after the Bank has taken a formal decision confirming the final financial result of an institution for a given year,
4. accumulated other comprehensive income (pursuant to Article 4 item 1 section 100 and point d) of Article 26(1) of the Regulation (EU) No 575/2013),
5. reserve capital,
6. general risk fund for unidentified risk related to banking operations,
7. CET 1 adjustments and deductions that constitute:
    a. losses for a current financial year,
    b. intangible assets,
    c. deferred tax assets that rely on future profitability,
    d. defined benefit pension fund assets,

e. direct, indirect and synthetic holdings by the Bank of own Common Equity Tier 1 instruments, including own Common Equity Tier 1 instruments that an institution is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation,
f. additional value adjustments based on requirements for prudent valuation (AVA),
g. other items pursuant to Article 36 of the Regulation (EU) No 575/2013,
h. additional value adjustments based on requirements for prudent valuation – pursuant to Article 34 and Article 105 of Regulation (EU) no 575/2013,
i. adjustments arising under IAS 9 in a transition period – as stipulated in Article 473a of EU Regulation no 575/2013.

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

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

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

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

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

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

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

Capital instruments and subordinated loans qualify as instruments under Tier II, provided that the conditions specified in Article 63 of the Regulation (EU) No 575/2013 are met. Capital Tier2 II include subordinated loans received with a value of PLN 1 879 895 ths.

Bank introduced deduction for core Tier I capital in accordance with Article 36 (1) point. b. of Regulation (EU) No 575/2013 for intangible assets in amount of PLN -519 504 ths. For additional Tier I and supplementary Tier II capital deductions have not been applied.

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

After analysing the requirements set forth in Regulation no 2017/2395, the Bank decided to apply transition provisions provided for in the said Regulation, which means that for the purpose of the capital adequacy assessment of the Bank and the Group, the full impact of the IFRS 9 implementation will not be taken into account. Based on the said decision and Regulation, the Bank made the adjustment to the Common Equity Tier I in the amount of PLN 400 786 ths.

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

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

Table 14 Capital instruments' main features in Common Equity Tier I Capital as of 31 December 2019

1	Issuer	BNP Paribas Bank Polska S.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN code: PLBGZ0000010
3	Governing law(s) of the instrument	Polish
	Regulatory Treatment	Yes
4	Transitional Resolution (UE) no 575/2013 rules	Common Equity Tier I Partial issue reclassification to lower category of capital
5	Post-transitional Resolution (UE) no 575/2013 rules	Common Equity Tier I
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & (Sub-)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Instrument type: ordinary share. Classification - Common Equity Tier I instrument in accordance with Article 28 of Regulation (EU) No. 575/2013.
8	Amount recognised in regulatory capital (currency in million, as at the last reporting date)	PLN 15.09 mn (series A) PLN 7.81 mn (series B) PLN 0.25 mn (series C) PLN 3.22 mn (series D) PLN 10.64 mn (series E) PLN 6.13 mn (series F) PLN 8.00 mn (series G) PLN 5.00 mn (series H) PLN 28.10 mn (series I) PLN 2.50 mn (series J) PLN 10.80 mn (series K) PLN 49.88 mn (series L) Registered shares of series B are preference shares. The privilege concerning the shares of series B, includes the right to receive payment of the full nominal amount per share in the event of liquidation of the Bank after satisfying creditors, first before payments attributable to ordinary shares, which are payments in face of execution of the privilege may not cover the nominal amount of those shares. The amount recognized in regulatory capital does not differ from the amount of the issued instrument.
9	Nominal amount of instrument	PLN 147 418 918
9a	Issue price	PLN 1
9b	Redemption price	Not applicable
10	Accounting classification	Equity
11	Original issue date	09.09.1994.
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons/dividends	Dividends
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing) - in relation to the payment of the coupon/dividend	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount) - in relation to the payment of the coupon/dividend	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative

23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s) Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitional features	No
37	If yes, specify non-compliant features	Not applicable

Bank recognizes subordinated liabilities in its Tier II capital. The full list of subordinated liabilities as of 31 December 2019, is shown in the table below. Funds from subordinated loans are qualified as own funds on the basis of the adequate decision of the Polish Financial Supervision Authority.

Table 15 Subordinated liabilities as of 31 December 2019

Name of the creditor	Liability type	Currency	Original value	Value in PLN	Date of the loan	Maturity date	Date of recognition in Capital*	Interest rate
BNP PARIBAS S.A. Francja	subordinated loan	CHF	60 000	235 278	2012-12-20	2027-12-20	2017-12-15	LIBOR CHF 3M + margin
BNP PARIBAS S.A. Francja	subordinated loan	EUR	60 000	255 510	2012-12-20	2027-12-20	2017-12-15	EURIBOR 3M + margin
BNP PARIBAS S.A. Francja	subordinated loan	CHF	90 000	352 917	2014-09-17	2029-11-30	2019-11-19	LIBOR CHF 6M + margin
BNP PARIBAS S.A. Francja	subordinated loan	EUR	40 000	170 340	2016-01-07	2026-01-07	2016-01-28	EURIBOR 3M + margin
BNP PARIBAS S.A. Francja	subordinated loan	PLN	440 000	440 000	2016-01-07	2026-01-07	2016-01-28	WIBOR 3M + margin
Lion International Investments S.A. Luksemburg	subordinated loan	EUR	60 000	255 510	2016-11-22	2026-11-22	2016-12-23	EURIBOR 3M + margin
BNP PARIBAS S.A. Francja	subordinated loan	EUR	40 000	170 340	2018-12-11	2028-12-11	2018-12-19	EURIBOR 3M + margin

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

5 CAPITAL REQUIREMENTS

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

Table 16 EU OV1 - Risk weighted assets overview as of 31 December 2019

		RWAs		Capital requirements
		31 December 2019	31 December 2018	31 December 2019
1	**Credit risk**	**73 400 616**	**73 446 863**	**5 872 049**
2	Of which standardised approach	73 400 616	73 446 863	5 872 049
4	Of which advanced IRB approach	-	-	-
5	Of which equity positions under the simple risk-weighted approach	-	-	-
6	**Counterparty Credit Risk**	**1 544 515**	**1 262 942**	**123 561**
7	Of which mark-to-market	1 268 013	922 615	101 441
10	Of which internal model method (IMM)	-	-	-
11	Of which CCP - default fund contributions	-	-	-
12	Of which CVA	276 502	340 327	22 120
14	**Securitisation exposures in the banking book**			
15	Of which IRB approach (IRB)	-	-	-
16	Of which IRB supervisory formula approach (SFA)	-	-	-
17	Of which internal assessment approach (IAA)	-	-	-
18	Of which standardised approach	-	-	-
19	**Market risk**	**876 152**	**844 070**	**70 092**
20	Of which standardised approach	876 152	844 070	70 092
21	Of which IMA	-	-	-
23	**Operational risk**	**7 941 509**	**7 908 064**	**635 321**
24	Of which basic indicator approach	151 797	100 332	12 144
25	Of which standardised approach	7 789 712	7 807 732	623 177
26	Of which advanced measurement approach (AMA)	-	-	-
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	-	-	-
29	**TOTAL**	**83 762 792**	**83 461 939**	**6 701 023**

Table 17 Capital adequacy as of 31 December 2019

Total amount of exposure to risk	**83 762 792**
Credit risk	74 668 629
Market risk	876 152
Operational risk	7 941 509
CVA Risk	276 502
Own funds	**12 586 532**
Common Equity Tier I (CET1)	10 706 637
Additional Tier I capital	-
Tier II capital	1 879 895
Total capital adequacy ratio	**15.03%**
Tier I capital adequacy ratio	**12.78%**

Table 18 Capital requirements as of 31 December 2019

	Exposure class	RWA	Total of capital requirement for following types of risk: credit, counterparty, dilution and late delivery of instruments for settlement
Exposures calculated by standardised approach	Central governments or central banks	2 253 043	180 243
	Regional governments or local authorities	50 086	4 007
	Public sector entities	17 102	1 368
	Multilateral development banks	-	-
	International organizations	-	-
	Institutions	777 518	62 201
	Corporates	30 826 486	2 466 119
	Retail	17 942 892	1 435 431
	Exposures secured by mortgages on immovable property	16 510 697	1 320 856
	Exposures in default	4 230 796	338 464
	High risk	-	-
	Exposures in the form of units or shares in collective investment undertakings	-	-
	Equity	379 486	30 359
	Other items	1 680 523	134 442
	Total	**74 668 629**	**5 973 490**

According to Article 438 of Regulation (EU) No 575/2013, the Bank publishes a brief description of the adequacy of its internal capital to support current and future operations. The internal capital adequacy assessment is carried out as part of the annual review process of the principles and assumptions of the internal capital adequacy assessment. By risk identification, significance assessment of identified risks, measuring significant risks, capital aggregation, capital allocation and capital planning, the Bank ensures the level of own funds adequate to the level of risk incurred.

For risks identified as significant the Bank builds measurement methodologies. Credit risk, counterparty credit risk, market risk and interest rate risk in the banking portfolio are covered by quantitative models. Measurement of risks difficult to measure, which include business risks, reputation risk, model risk and capital risk (including the risk of excessive leverage) is based on a qualitative methods. The internal capital at the Bank is estimated as the sum of capital to cover both qualitatively and quantitatively measured risks.

6 CAPITAL BUFFERS

The minimum levels of capital ratios applicable to the Bank and the Bank's Capital Group in 2019 result from Article 92 of Regulation (EU) No 575/2013, Article 138 section 1 point 2a of the Banking Act and the Act of August 5, 2015 on macroprudential supervision over the financial system and crisis management in the financial system (Journal of Laws of 2017, item 1934), hereinafter referred to as the "Macroprudential Act" introducing the obligation to maintain the requirement of combined buffer.

On July 10, 2019, the Bank received from the Polish Financial Supervision Authority a decision of July 9, 2019 confirming the expiry of the decision of October 15, 2018, on the basis of which the Authority recommended that the Bank should maintain its own funds to cover the additional capital requirement to cover risk resulting from mortgage-secured foreign currency loans to households at the level of 0.36 pp over the value of the total capital ratio, 0.27 pp over the value of Tier 1 capital ratio and 0.20 pp above the value of Common Equity Tier 1 capital ratio referred to in Article 92 paragraph 1 of Regulation (EU) No 575/2013.

Based on Article 19 paragraph 1 of the Macroprudential Act, in connection with the wording of Article, in the period from January 1, 2019 to December 31, 2019, is required to maintain an amount of Common Equity Tier 1 capital, additional to the Common Equity Tier 1 capital maintained for the purposes of meeting the own funds requirement, referred to in Article 92 paragraph 1 of Regulation (EU) No 575/2013, in the amount of 2.5% of the total risk exposure amount calculated in accordance with Article 92 paragraph 3 of this Regulation on an individual and consolidated basis (**conservative buffer**).

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

The **systemic risk buffer** of 3% is effective from January 1, 2018, pursuant to the Regulation of the Minister of Development and Finance of September 1, 2017 on the systemic risk buffer (Journal of Laws 2017, item 1776

According to Article 21 paragraph 1 of the Macroprudential Act, the Bank maintains the amount of Common Equity Tier 1 capital referred to in Article 92 paragraph 1 of Regulation (EU) No 575/2013, at the level of the total risk exposure amount calculated in accordance with Article 92 paragraph 3 of this Regulation, multiplied by the weighted average of countercyclical buffer rates calculated in accordance with the provisions of the Macroprudential Act (**institution-specific countercyclical buffer**).

Bank's Capital Group calculates the countercyclical buffer rate specific to an institution in accordance with the provisions of the Macroprudential Act. The distribution details for credit exposures are provided in Table 21.

Based on Article 83 of the Macroprudential Act starting from January 1, 2016, the countercyclical buffer ratio is 0% for credit exposures in the territory of the Republic of Poland. As a consequence, the countercyclical buffer rate as at December 31, 2019 was 0 pp.

Table 19 Institution-specific countercyclical capital buffer as of 31 December 2019

	31 December 2019
Total risk exposure amount	83 762 792
Institution specific countercyclical buffer rate	0.00%
Institution specific countercyclical buffer requirement	0

Table 20 The geographic distribution of the relevant credit exposures for the countercyclical buffer calculation as of 31 December 2018

		General credit exposures		Trading book exposure		Securitization exposure		Own funds requireme		
No	Country	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SP	Exposure value for IRB	of which: General credit exposure	of which: Trading book exposures	of which
1	Saudi Arabia	31	-	-	-	-	-	2	-	
2	Australia	361	-	-	-	-	-	25	-	
3	Austria	11 142	-	-	-	-	-	595	-	
4	Belgium	22 772	-	-	-	-	-	658	-	
5	Benin	89	-	-	-	-	-	5	-	
6	Belarus	58	-	-	-	-	-	4	-	
7	Brazil	32	-	-	-	-	-	1	-	
8	Bulgaria	45	-	-	-	-	-	3	-	
9	China	266	-	-	-	-	-	16	-	
10	Croatia	6	-	-	-	-	-	1	-	
11	Cyprus	59 231	-	-	-	-	-	3 367	-	
12	Denmark	46 273	-	-	-	-	-	933	-	
13	Dominica	31	-	-	-	-	-	3	-	
14	Estonia	10 278	-	-	-	-	-	822	-	
15	Finland	3 523	-	-	-	-	-	72	-	
16	France	80 243	-	-	-	-	-	3 308	-	
17	Gibraltar	23	-	-	-	-	-	1	-	
18	Greece	617	-	-	-	-	-	49	-	
19	Georgia	40	-	-	-	-	-	3	-	
20	Spain	86 573	-	-	-	-	-	6 998	-	
21	India	91	-	-	-	-	-	6	-	
22	Ireland	20 786	-	-	-	-	-	636	-	
23	Iceland	248	-	-	-	-	-	15	-	
24	Israel	590	-	-	-	-	-	47	-	
25	Canada	33	-	-	-	-	-	3	-	

26	Qatar	38	-	-	-	-	-	4	-	-	4	0.00007	
27	Lithuania	87	-	-	-	-	-	6			6	0.00010	0.50
28	Luxembourg	435 485	-	-	-	-	-	30 038	-	-	30 038	0.52864	
29	Latvia	4 584	-	-	-	-	-	352	-	-	352	0.00619	
30	Malta	380	-	-	-	-	-	23	-	-	23	0.00040	
31	Mauritius	77	-	-	-	-	-	5	-	-	5	0.00008	
32	Moldova, Republic of	86 046	-	-	-	-	-	6 884	-	-	6 884	0.12115	
33	Monaco	43	-	-	-	-	-	3	-	-	3	0.00005	
34	Netherlands	313 577	-	-	-	-	-	22 948	-	-	22 948	0.40385	
35	Germany	130 214	-	-	-	-	-	5 869	-	-	5 869	0.10330	
36	Norway	1 065	-	-	-	-	-	118	-	-	118	0.00208	2.00
37	Poland	84 541 269	-	89 601 200	-	-	-	5 494 908	67 526	-	5 562 434	97.89185	
38	Portugal	1 323	-	-	-	-	-	154	-	-	154	0.00271	
39	South Africa	15	-	-	-	-	-	1	-	-	1	0.00002	
40	Czech Republic	4 702	-	-	-	-	-	202	-	-	202	0.00355	1.00
41	Russian Federation	15 453	-	-	-	-	-	1 236	-	-	1 236	0.02175	
42	Romania	9 045	-	-	-	-	-	724	-	-	724	0.01274	
43	Senegal	86 214	-	-	-	-	-	6 897	-	-	6 897	0.12137	
44	Serbia	9	-	-	-	-	-	1	-	-	1	0.00001	
45	Seychelles	6	-	-	-	-	-	0	-	-	0	0.00001	
46	Slovakia	1 548	-	-	-	-	-	120	-	-	120	0.00211	
47	Slovenia	34	-	-	-	-	-	2	-	-	2	0.00004	1.25
48	United States of America	39 339	-	-	-	-	-	4 330	-	-	4 330	0.07620	
49	Switzerland	6 324	-	-	-	-	-	355	-	-	355	0.00625	
50	Switzerland	263	-	-	-	-	-	17	-	-	17	0.00031	
51	Sweden	43 689	-	-	-	-	-	2 999	-	-	2 999	0.05278	2.00
52	Ukraine	2 432	-	-	-	-	-	166	-	-	166	0.00292	
53	Hungary	19 005	-	-	-	-	-	1 523	-	-	1 523	0.02681	
54	United Kingdom	210 955	-	-	-	-	-	17 163	-	-	17 163	0.30204	1.00
55	Italy	710	-	-	-	-	-	69	-	-	69	0.00121	
56	United Arab Emirates	101	-	-	-	-	-	8	-	-	8	0.00014	
57	Other countries	27	-	-	-	-	-	2	-	-	2	0.00003	
	TOTAL	**86 297 442**	**0**	**89 601 200**	**0**	**0**	**0**	**5 614 698**	**67 526**	**0**	**5 682 224**	**100.00000**	

7 CREDIT RISK

7.1 CREDIT RISK ADJUSTMENTS

Bank discloses information regarding the institution's exposure to credit risk in the Consolidated Financial Statements of the Capital Group of BNP Paribas Bank Polska S.A. for the year ended 31 December 2018 hereinafter referred to as "**Consolidated Financial Statements**" in periodic reports section at: https://www.bnpparibas.pl/investor-relations/stock-exchange-reports/periodic-reports

Information on credit risk based on Article 442 of Regulation (EU) No 575/2013 are included in the following parts (Notes) of the Consolidated Financial Statements:

1) the definition of past due exposures and impaired exposures used for accounting and regulatory purposes is described in note 2.18,
2) a description of the strategies adopted to identify impairment and methods for determining impairment adjustments can be found in note 3.

The tables below present information on credit risk exposure in accordance with European Banking Authority guidelines No EBA/GL/ 2016/11.

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

Table 21 EU CRB-B Total and average net amount of exposures as of 31 December 2019

		Net value of exposures at 31 December 2019	Average net value in 2019	Net value of exposures at 31 December 2018
16	Central governments or central banks	28 014 423	28 467 626	28 920 828
17	Regional governments or local authorities	316 865	391 183	465 502
18	Public sector entities	74 003	58 689	43 375
19	Multilateral development banks	545 016	545 016	-
20	International organisations	-	-	-
21	Institutions	3 419 729	3 321 510	3 223 292
22	Corporates	45 216 355	45 064 632	44 912 909
23	*Of which SMEs*	18 447 391	19 347 873	20 248 356
24	Retail	31 639 616	30 941 306	30 242 997
25	*Of which SMEs*	17 433 162	17 666 829	17 900 496
26	Secured by mortgages on immovable property	21 127 076	20 747 110	20 367 143
27	*Of which SMEs*	4 153 044	3 654 778	3 156 511
28	Exposures in default	3 301 175	3 164 980	3 028 785
29	Items associated with particularly high risk	-	45 843	45 843
30	Covered bonds	-	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	-	-
32	Collective investments undertakings	-	-	-
33	Equity exposures	262 921	232 094	201 266
34	Other items	6 056 836	5 367 265	4 677 695
35	**Total standardised approach**	**139 974 015**	**138 051 825**	**136 129 636**
36	**Total**	**139 974 015**	**138 051 825**	**136 129 636**

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

Table 22 EU CRB-C - Geographical breakdown of exposures as of 31 December 2019

		Europe							
		Europe	Poland	France	Luxembourg	United Kingdom	Other European countries	Other countries	TOTAL
7	Central governments or central banks	28 014 522	28 014 510	-	-	-	12	-	28 014 522
8	Regional governments or local authorities	318 204	318 204	-	-	-	-	-	318 204
9	Public sector entities	74 104	74 104	-	-	-	-	-	74 104
10	Multilateral development banks	545 016	545 016	-	-	-	-	-	545 016
11	International organisations	-	-	-	-	-	-	-	-
12	Institutions	3 314 043	963 224	1 564 528	158 064	191 529	2 217 144	107 017	3 421 059
13	Corporates	45 445 326	43 883 485	21 033	326 823	132 140	1 081 844	1 116	45 446 442
14	Retail	32 019 733	32 011 822	59	5	505	7 341	355	32 020 088
15	Secured by mortgages on immovable property	21 253 353	21 167 583	1 306	-	13 283	71 181	3 219	21 256 572
16	Exposures in default	4 997 020	4 990 706	199	0	705	5 409	297	4 997 317
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-	-
21	Equity exposures	233 560	233 560	-	-	-	0	29 361	262 921
22	Other exposures	6 058 300	6 057 844	-	-	73	383	-	6 058 300
23	**Total standardised approach**	**142 273 181**	**138 260 059**	**1 587 125**	**484 893**	**338 235**	**3 383 315**	**141 365**	**142 414 546**
24	**Total**	**142 273 181**	**138 260 059**	**1 587 125**	**484 893**	**338 235**	**3 383 315**	**141 365**	**142 414 546**

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

Table 23 EU CRB-D - Concentration of exposures by industry or counterparty types as of 31 December 2019

		Agriculture, Food, Tobacco	Wholesale Trade	Real Estate	Materials & Ores	Retail Trade	Building & Public Works	Equipment excl. IT	Finance	Business Services	Transport & Storage	Household Goods	Chemicals excl. Pharmaceutic	Automotive	Utilities (Electricity, Gas, Water,	Communications Services	Healthcare & Pharmaceuticals	Information Technologies	Hotels, Tourism, Leisure	Other	TOTAL
7	Central governments or central banks	29 145	111 359	1 867	21 820	43 533	16 275	26 972	221	13 288	23 609	12 199	8 032	758	3 788	1 420	2 493	8 277	3 510	27 685 956	28 014 522
8	Regional governments or local authorities	0	-	0	-	-	-	-	-	0	0	-	-	-	100	-	26 767	-	0	291 336	318 204
9	Public sector entities	-	-	-	-	53	-	-	-	602	-	-	-	-	-	-	7 797	-	520	65 133	74 104
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	545 016	545 016
11	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Institutions	4 684	177 172	9 023	120 264	56 419	5 001	1 065	2 013 759	-	114 273	-	-	-	-	66 000	92 052	-	-	761 348	3 421 059
13	Corporates	6 669 407	5 826 375	5 039 116	3 972 158	3 164 651	2 643 334	3 049 421	1 237 022	3 166 266	1 493 903	723 797	741 703	1 145 900	1 213 648	1 495 896	390 737	707 466	107 977	2 657 665	45 446 442
14	Retail	10 297 560	1 187 748	351 390	487 299	940 008	398 556	501 873	23 867	528 217	546 958	229 866	58 135	27 876	97 188	21 142	264 113	92 458	164 380	15 801 453	32 020 088
15	Secured by mortgages on immovable property	465 413	717 720	1 367 610	494 520	592 910	406 586	394 157	1 803	222 137	162 637	202 155	70 629	110 205	12 474	8 230	81 397	50 405	65 545	15 830 039	21 256 572
16	Exposures in default	1 295 176	396 919	224 072	68 029	140 887	299 036	193 334	19 622	175 342	139 549	94 722	1 238	6 738	23 663	1 130	21 736	17 434	81 585	1 797 104	4 997 317
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Equity exposures	-	389	39 008	-	-	-	15 857	95 857	21 203	4 001	-	-	7 001	-	-	-	1 000	-	78 606	262 921
22	Other exposures	11 857	7 022	6 826	3 319	12 399	14 771	3 615	669 857	12 261	1 354	387	426	150	11 448	151	540	216	72	5 301 630	6 058 300
23	**Total standardised approach**	**18 773 243**	**8 424 704**	**7 038 912**	**5 167 410**	**4 950 859**	**3 783 559**	**4 186 293**	**4 062 008**	**4 139 317**	**2 486 285**	**1 263 125**	**880 162**	**1 298 628**	**1 362 308**	**1 593 970**	**887 632**	**877 255**	**423 589**	**70 815 287**	**142 414 546**
24	**Total**	**18 773 243**	**8 424 704**	**7 038 912**	**5 167 410**	**4 950 859**	**3 783 559**	**4 186 293**	**4 062 008**	**4 139 317**	**2 486 285**	**1 263 125**	**880 162**	**1 298 628**	**1 362 308**	**1 593 970**	**887 632**	**877 255**	**423 589**	**70 815 287**	**142 414 546**

Table 24 EU CRB-E - Maturity of exposures as of 31 December 2019

		Not determined	Up to 1 month (excl. Overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
7	Central governments or central banks	27 686 955	27 285	32 392	189 167	40 551	38 171	28 014 522
8	Regional governments or local authorities	11 217	22 914	12 908	89 583	78 601	102 981	318 204
9	Public sector entities	44 784	1 008	2 568	8 128	14 096	3 519	74 104
10	Multilateral development banks	545 016	-	-	-	-	-	545 016
11	International organisations	-	-	-	-	-	-	-
12	Institutions	1 115 607	313 041	208 426	401 541	785 155	597 290	3 421 059
13	Corporates	4 032 235	1 241 156	3 218 297	11 884 407	18 323 996	6 746 352	45 446 442
14	Retail	451 291	298 049	747 501	4 275 791	10 984 486	15 262 969	32 020 088
15	Secured by mortgages on immovable property	24 115	110 954	346 102	1 201 399	2 267 397	17 306 605	21 256 572
16	Exposures in default	2 545 319	18 704	58 446	341 868	792 812	1 240 169	4 997 317
17	Items associated with particularly high risk	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
20	Collective investment undertakings	-	-	-	-	-	-	-
21	Equity exposures	262 921	-	-	-	-	-	262 921
22	Other exposures	5 954 009	2 773	5 746	34 149	43 817	17 806	6 058 300
23	**Total standardised approach**	**42 641 253**	**2 068 101**	**4 632 386**	**18 426 034**	**33 330 912**	**41 315 861**	**142 414 546**
24	**Total**	**42 641 253**	**2 068 101**	**4 632 386**	**18 426 034**	**33 330 912**	**41 315 861**	**142 414 546**

In the following tables, the Bank discloses a breakdown of defaulted and non-defaulted exposures by exposure classes, industries, counterparty type, significant geographical areas and past due bands.

Table 25 EU CR1-A- Credit quality of exposures by exposure class and instrument as of 31 December 2019

		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
16	Central governments or central banks	-	28 014 522	98	-	-	-	28 014 423
17	Regional governments or local authorities	-	318 203	1 338	-	-	-	316 865
18	Public sector entities	-	74 104	101	-	-	-	74 003
19	Multilateral development banks	-	545 016	-	-	-	-	545 016
20	International organizations	-	-	-	-	-	-	-
21	Institutions	-	3 421 059	1 331	-	-	-	3 419 729
22	Corporates	-	45 446 442	230 087	-	-	-	45 216 355
23	*Of which SMEs*	-	18 574 523	127 132	-	-	-	18 447 391
24	Retail	-	32 020 088	380 472	-	-	-	31 639 616
25	*Of which SMEs*	-	17 620 643	187 482	-	-	-	17 433 162
26	Secured by mortgages on immovable property	-	21 256 572	129 496	-	-	-	21 127 076
27	*Of which SMEs*	-	4 185 439	32 395	-	-	-	4 153 044
28	Exposures in default	4 997 317		1 696 143			-	3 301 175
29	Exposures associated with particularly high risk	-	-		-	-	-	-
30	Covered bonds	-	-	-	-	-	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
32	Collective investment undertakings	-	-	-	-	-	-	-
33	Equity exposures	-	262 921	-	-	-	-	262 921
34	Other items	-	6 058 300	1 464	-	-	-	6 056 836
35	**Total standardised approach**	**4 997 318**	**137 417 228**	**2 440 531**	**-**	**-**	**-**	**139 974 015**
36	**Total**	**4 997 318**	**137 417 228**	**2 440 531**	**-**	**-**	**-**	**139 974 015**

Table 26 EU CR1-B - Credit quality of exposures by industry or counterparty types as of 31 Dec 2019

	Gross carrying values of						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Agriculture, Food, Tobacco	1 295 427	17 477 816	366 301	-	-	-	18 406 942
Wholesale Trade	401 080	8 023 623	147 435	-	-	-	8 277 268
Real Estate	221 893	6 817 019	61 524	-	-	-	6 977 388
Materials & Ores	68 136	5 099 273	33 228	-	-	-	5 134 181
Retail Trade	141 426	4 809 433	54 307	-	-	-	4 896 552
Building & Public Works	299 423	3 484 136	163 659	-	-	-	3 619 900
Equipment excl. IT	194 264	3 992 029	113 595	-	-	-	4 072 699
Finance	19 585	4 042 424	5 287	-	-	-	4 056 721
Business Services	156 578	3 982 739	45 680	-	-	-	4 093 637
Transport & Storage	140 012	2 346 273	51 978	-	-	-	2 434 307
Household Goods	98 341	1 164 784	28 723	-	-	-	1 234 402
Chemicals excl. Pharmaceuticals	1 229	878 934	226	-	-	-	879 937
Automotive	6 724	1 291 903	2 839	-	-	-	1 295 788
Utilities (Electricity, Gas, Water, etc)	23 631	1 338 677	8 359	-	-	-	1 353 950
Communications Services	1 449	1 592 521	574	-	-	-	1 593 396
Healthcare & Pharmaceuticals	21 812	865 820	9 695	-	-	-	877 936
Information Technologies	17 608	859 647	7 772	-	-	-	869 484
Hotels, Tourism, Leisure	81 475	342 114	37 380	-	-	-	386 209
Other	1 807 224	69 008 063	1 301 968	-	-	-	69 513 319
TOTAL	**4 997 318**	**137 417 228**	**2 440 531**	**-**	**-**	**-**	**139 974 015**

Table 27 EU CR1-C - Credit quality of exposures by geography as of 31 December 2019

	Gross carrying values of						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Europe	4 997 026	137 276 155	2 440 181	-	-	-	139 832 999
Poland	4 990 807	132 379 029	2 428 423	-	-	-	134 941 413
Other European countries	6 219	4 897 126	11 758	-	-	-	4 891 587
Rest of the World	292	141 073	350	-	-	-	141 016
TOTAL	**4 997 318**	**137 417 228**	**2 440 531**	-	-	-	**139 974 015**

Table 28 EU CR1-D Ageing of past-due exposures as of 31 December 2019

	Non-defaulted exposures							Defaulted exposures		
	≤30 days	>30 days, ≤60 days	>60 days, ≤90 days	>90 days, ≤180 days	>180 days, ≤1 year	>1 year	Total	>90 days, ≤180 days	>180 days, ≤1 year	>1 year
Loans	136 999 984	208 350	208 895	-	-	-	137 417 229	279 171	488 876	4 229 270
Total	**136 999 984**	**208 350**	**208 895**	**-**	**-**	**-**	**137 417 229**	**279 171**	**488 876**	**4 229 270**

order to identify the changes in credit risk adjustments held against loans and debt securities that are defaulted or impaired, the Bank discloses the following information:

Table 29 EU CR2-B - Changes in the stock of defaulted and impaired loans and debt securities as of 31 Dec 2019

		Gross carrying value defaulted exposures
1	**Opening balance**	**4 897 625**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	1 419 586
3	Returned to non-defaulted status	144 446
4	Amounts written off	48 128
5	Other changes	1 127 319
6	**Closing balance**	**4 997 318**

7.2 NON-PERFORMING AND FORBORNE EXPOSURES

The bank discloses information in accordance with the guidelines of the European Banking Authority EBA/GL/2018/10 regarding disclosure of non-performing and forborne exposures. The presented tables provide information on:

- credit quality of forborne exposures,
- credit quality of forborne and non-performing exposures divided by days past due buckets,
- credit quality of non-performing exposures and related impairment, provisions and valuation adjustments by portfolio and exposure classes,
- credit quality of loans and advances to non-financial customers and related impairment, provisions and valuation adjustments by industry,
- valuation of collateral and other information regarding loans and advances,
- flows (inflows and outflows) of non-performing loans and advances,
- assets acquired in connection with non-performing exposures,
- collateral obtained by acquisition.

Presented data are based on non-consolidated financial statement of the Bank.

Table 30 Template 1 - Credit quality of forborne exposures as of 31 December 2019

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	Loans and advances	391 747	991 589	991 589	979 415	25 964	369 447	622 142	622 142
2	*Central banks*	-	-	-	-	-	-	-	-
3	*General governments*	-	-	-	-	-	-	-	-
4	*Credit institutions*	-	-	-	-	-	-	-	-
5	*Other financial corporations*	-	-	-	-	-	-	-	-
6	*Non-financial corporations*	70 117	471 789	471 789	466 619	8 972	177 643	294 146	294 146
7	*Households*	321 631	519 799	519 799	512 795	16 991	191 804	327 995	327 995
8	Debt securities	-	258 421	258 421	204 520	-	13 560	244 862	244 862
9	Loan commitments given	-	-	-	-	-	-	-	-
10	**Total**	**391 747**	**1 250 010**	**1 250 010**	**1 183 934**	**25 964**	**383 007**	**867 003**	**867 003**

Table 31 Template 3 - Credit quality of performing and non-performing exposures by past due days as of 31 December 2019

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	Loans and advances	72 021 439	71 829 544	191 895	4 377 511	1 291 496	277 294	554 284	596 209	1 192 886	227 615	237 726	4 377 511
2	*Central banks*	2 091 653	2 091 653	-	-	-	-	-	-	-	-	-	-
3	*General governments*	129 781	129 781	-	134	-	0	0	111	22	-	-	134
4	*Credit institutions*	527 514	527 514	-	-	-	-	-	-	-	-	-	-
5	*Other financial corporations*	575 796	575 792	5	908	0	-	60	473	366	-	9	908
6	*Non-financial corporations*	27 301 567	27 276 374	25 193	1 763 895	505 248	68 468	221 259	166 322	532 259	130 639	139 700	1 763 895

7	*Of which SMEs*	24 880 728	24 855 535	25 193	1 472 279	441 723	58 169	166 482	156 880	415 558	112 790	120 677	1 472 279
8	*Households*	41 395 127	41 228 430	166 698	2 612 574	786 248	208 826	332 964	429 303	660 240	96 975	98 017	2 612 574
9	Debt securities	25 708 047	25 708 047	-	262 576	262 576	-	-	-	-	-	-	-
10	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
11	*General governments*	24 947 518	24 947 518	-	-	-	-	-	-	-	-	-	-
12	*Credit institutions*	33 425	33 425	-	-	-	-	-	-	-	-	-	-
13	*Other financial corporations*	530 927	530 927	-	-	-	-	-	-	-	-	-	-
14	*Non-financial corporations*	196 177	196 177	-	262 576	262 576	-	-	-	-	-	-	-
15	Off-balance-sheet exposures	30 883 366			204 136								204 136
16	*Central banks*	-			-								-
17	*General governments*	166 911			-								-
18	*Credit institutions*	1 182 178			400								400
19	*Other financial corporations*	504 608			0								0
20	*Non-financial corporations*	23 504 340			136 532								136 532
21	*Households*	5 525 330			67 205								67 205
22	***Total***	**128 612 853**	**97 537 591**	**191 895**	**4 844 224**	**1 554 072**	**277 294**	**554 284**	**596 209**	**1 192 886**	**227 615**	**237 726**	**4 581 648**

Table 32 Template 4 - Performing and non-performing exposures and related provisions as of 31 December 2019

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	Loans and advances	72 021 439	65 008 204	7 013 235	4 377 511	-	4 377 511	897 592	432 992	464 599	2 257 153	-	2 257 153	-	-	1 973 641
2	*Central banks*	2 091 653	2 091 653	-	-	-	-	-	-	-	-	-	-	-	-	-
3	*General governments*	129 781	127 419	2 362	134	-	134	1 838	1 757	82	87	-	87	-	-	47
4	*Credit institutions*	527 514	527 514	-	-	-	-	919	919	-	-	-	-	-	-	-
5	*Other financial corporations*	575 796	575 712	84	908	-	908	1 918	1 908	10	397	-	397	-	-	511

6	*Non-financial corporations*	27 301 567	23 909 163	3 392 404	1 763 895	-	1 763 895	282 065	161 022	121 043	974 134	-	974 134	-	-	773 019
7	*Of which SMEs*	24 879 816	21 744 894	3 134 922	1 472 279	-	1 472 279	264 450	147 299	117 151	752 300	-	752 300	-	-	703 237
8	*Households*	41 395 127	37 776 742	3 618 385	2 612 574	-	2 612 574	610 851	267 387	343 465	1 282 535	-	1 282 535	-	-	1 200 064
9	Debt securities	25 708 047	25 659 368	48 679	262 576	-	262 576	4 812	1 194	3 619	17 715	-	17 715	-	-	244 862
10	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	*General governments*	24 947 518	24 947 518	-	-	-	-	475	475	-	-	-	-	-	-	-
12	*Credit institutions*	33 425	33 425	-	-	-	-	360	360	-	-	-	-	-	-	-
13	*Other financial corporations*	530 927	530 927	-	-	-	-	-	-	-	-	-	-	-	-	-
14	*Non-financial corporations*	196 177	147 498	48 679	262 576	-	262 576	3 977	358	3 619	17 715	-	17 715	-	-	244 862
15	Off-balance-sheet exposures	30 883 366	28 731 311	2 152 056	204 136	-	204 136	186 829	100 568	86 261	46 350	-	46 350		-	157 786
16	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
17	*General governments*	166 911	166 911	-	-	-	-	616	616	-	-	-	-		-	-
18	*Credit institutions*	1 182 178	1 182 178	-	400	-	400	4 157	4 157	-	-	-	-		-	400
19	*Other financial corporations*	504 608	504 608	-	0	-	0	87	87	-	-	-	-		-	0
20	*Non-financial corporations*	23 504 340	21 758 142	1 746 199	136 532	-	136 532	126 242	71 556	54 686	46 329	-	46 329		-	90 203
21	*Households*	5 525 330	5 119 473	405 857	67 205	-	67 205	55 727	24 152	31 575	22	-	22		-	67 183
22	**Total**	**128 612 853**	**119 398 883**	**9 213 970**	**4 844 224**	**-**	**4 844 224**	**1 089 233**	**534 753**	**554 479**	**2 321 218**	**-**	**2 321 218**	**-**	**-**	**2 376 288**

Table 33 Template 6 - Credit quality of loans and advances by industry as of 31 December 2019

		Gross carrying amount					
			Of which non-performing		Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
				Of which defaulted			
1	Agriculture, forestry and fishing	1 506 445	1 321 618	92 959	1 321 618	53 643	-
2	Mining and quarrying	37 696	37 696	2 802	37 696	902	-
3	Manufacturing	9 161 621	9 152 567	457 110	9 152 567	346 753	-
4	Electricity, gas, steam and air conditioning supply	442 106	442 106	12 081	442 106	8 001	-
5	Water supply	182 709	182 709	8 407	182 709	3 742	-
6	Construction	2 609 241	2 609 241	332 299	2 609 241	234 677	-
7	Wholesale and retail trade	6 203 200	6 196 471	357 173	6 196 471	303 949	-
8	Transport and storage	1 051 461	1 051 461	91 157	1 051 461	49 019	-
9	Accommodation and food service activities	197 809	197 809	51 263	197 809	33 429	-
10	Information and communication	1 033 696	1 033 317	46 990	1 033 317	34 215	-
11	Financial and insurance actvities	513 054	513 054	14 585	513 054	17 651	-
12	Real estate activities	3 558 480	3 558 480	172 842	3 558 480	69 565	-
13	Professional, scientific and technical activities	1 523 157	1 522 231	44 494	1 522 231	41 517	-
14	Administrative and support service activities	371 708	371 708	64 953	371 708	22 871	-
15	Public administration and defense, compulsory social security	2 752	2 752	0	2 752	41	-
16	Education	45 930	45 930	2 403	45 930	2 541	-
17	Human health services and social work activities	279 528	279 528	3 345	279 528	4 942	-
18	Arts, entertainment and recreation	10 884	10 884	2 314	10 884	1 811	-
19	Other services	333 986	333 986	6 717	333 986	26 930	-
20	***Total***	***29 065 462***	***28 863 546***	***1 763 895***	***28 863 546***	***1 256 199***	***-***

Table 34 Template 7 - Collateral valuation – loans and advances as of 31 December 2019

		Loans and advances											
			Performing		Non-performing								
							Past due > 90 days						
				Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days		Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
1	Gross carrying amount	76 398 951	72 021 439	191 895	4 377 511	1 291 496	3 086 015	277 294	554 284	596 209	1 192 886	227 615	237 726
2	*Of which secured*	57 064 344	54 457 177	86 703	2 607 167	848 329	1 758 837	169 684	262 187	328 154	675 924	169 142	153 746
3	*Of which secured with immovable property*	37 996 880	36 195 355	70 935	1 801 525	730 027	1 071 498	138 314	209 604	242 620	480 961	-	-
4	*Of which instruments with LTV higher than 60% and lower or equal to 80%*	8 946 293	8 701 176		-	-	-						
5	*Of which instruments with LTV higher than 80% and lower or equal to 100%*	2 949 860	2 862 137		-	-	-						
6	*Of which instruments with LTV higher than 100%*	5 300 380	5 039 607		-	-	-						
7	Accumulated impairment for secured assets	3 138 060	884 608	49 495	2 253 453	332 785	1 920 668	138 115	286 477	307 322	808 355	172 914	207 484
8	Collateral												
9	*Of which value capped at the value of exposure*	37 621 541	35 904 342	71 341	1 717 198	717 223	999 975	135 482	194 666	238 630	431 197	-0	-0
10	*Of which immovable property*	35 883 867	34 187 017	68 921	1 696 850	706 566	990 284	132 931	189 467	236 689	431 197	-0	-0
11	*Of which value above the cap*	93 597 767	85 514 139	252 057	8 083 628	5 327 188	2 756 440	292 356	462 907	642 755	1 358 422	0	0
12	*Of which immovable property*	88 376 315	80 430 586	250 654	7 945 729	5 236 731	2 708 998	281 635	449 760	619 181	1 358 422	0	0
13	Financial guarantees received	1 498 799	1 488 377	1 180	10 421	6 221	4 201	1 286	2 915	-	-	-	-
14	Accumulated partial write-off												

Table 35 Template 8 - Changes in the stock of non-performing loans and advances as of 31 December 2019

		Gross carrying amount	Related net accumulated recoveries
1	**Initial stock of non-performing loans and advances**	4 277 818	
2	Inflows to non-performing portfolios	1 419 586	
3	Outflows from non-performing portfolios	1 319 893	
4	Outflow to performing portfolio	144 446	
5	Outflow due to loan repayment, partial or total	569 931	
6	Outflow due to collateral liquidations	99 000	99 000
7	Outflow due to taking possession of collateral	0	0
8	Outflow due to sale of instruments	438 571	28 400
9	Outflow due to risk transfers	0	0
10	Outflows due to write-offs	67 495	
11	Outflow due to other situations	450	
12	Outflow due to reclassification as held for sale	0	
13	**Final stock of non-performing loans and advances**	4 377 511	

Table 36 Template 9 - Collateral obtained by taking possession and execution processes as of 31 December 2019

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	-	-
2	Other than PP&E	5 057	-4 565
3	*Residential immovable property*	-	-
4	*Commercial Immovable property*	4 961	-4 241
5	*Movable property (auto, shipping, etc.)*	96	-323
6	*Equity and debt instruments*	-	-
7	Other	-	-
8	**Total**	**5 057**	**-4 565**

Table 37 Template 10 - Collateral obtained by taking possession and execution processes – vintage breakdown as of 31 December 2019

		Debt balance reduction		Total collateral obtained by taking possession									
						Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
1	Collateral obtained by taking possession classified as PP&E												
2	Collateral obtained by taking possession other than that classified as PP&E	4 961	-	4 961	- 4 241	961	- 241	-	-	4 000	4 000	-	-
3	*Residential immovable property*	-	-	-	-	-	-	-	-	-	-	-	-
4	*Commercial immovable property*	4 961	-	4 961	- 4 241	961	- 241	-	-	4 000	4 000	-	-
5	*Movable property (auto, shipping, etc.)*	-	-	-	-	-	-	-	-	-	-	-	-
6	*Equity and debt instruments*	-	-	-	-	-	-	-	-	-	-	-	-
7	*Other*	-	-	-	-	-	-	-	-	-	-	-	-
8	**Total**	**4 961**	**-**	**4 961**	**- 4 241**	**4 961**	**- 241**	**-**	**-**	**-**	**-**	**-**	**-**

7.3 CREDIT RISK MITIGATION TECHNIQUES

The Bank grants credit facilities to customers that have creditworthiness and, in the pursuit of strengthening the security of engaged funds, it establishes appropriate collateral.

Collateral accepted by the Bank, limiting credit risk impact, includes, among others:

- mortgage established on a residential real estate,
- mortgage established on a commercial real estate,
- registered pledge,
- security deposit,
- hold on funds on bank accounts,
- bank guarantee,
- guarantee issued by the State Treasury or a local government unit,
- corporate guarantee,
- suretyship,
- ownership transfer,
- assignment of receivables,
- promissory note,
- credit facility insurance,
- power of attorney to administer a bank account.

The Bank establishes the form of credit collateral, taking into consideration, among others:

- the type and value of secured receivables,
- financing term,
- the borrower's financial standing,
- risk related to the transaction and credit facility agreement performance,
- features of the given collateral arising from relevant legal regulations and agreement on establishment of the given collateral,
- possibility to satisfy the receivables due to the Bank against the accepted collateral in the shortest possible time,
- legal status of the obligor,
- value of the collateral asset,
- existing encumbrance of the pledged asset,
- cost of collateral establishment.

A decision regarding the collateral for a specific credit transaction is a component of a credit decision.
When calculating a percentage coverage of the credit exposure with the collateral value, only the collateral meeting the requirements below may be considered:

- the Bank has to have a duly documented and enforceable legal title to the collateral,
- collateral must have durable internal value and, for at least the credit agreement duration, be regularly monitored and appraised,
- collateral must be converted to funds in reasonable time, based on documented court decisions,
- there should not be a strong correlation between the collateral value and the borrower's financial standing.

As part of monitoring, periodic reviews of collateral are performed. The scope and frequency of reviews depend on the type of collateral asset and include:

- collateral value and its changes since the last review,
- correctness, completeness and validity of documents related to the established collateral.
- correctness, completeness and validity of insurance documents related to tangible collateral asset (review of insurance policies, manners of their payment, validity terms).

During credit utilization and repayment, the Bank may require the customer to establish additional collateral apart from the collateral specified in the credit agreement, if - in the Bank's assessment, the value of established collateral has decreased, the economic or financial standing of the borrower or another obligor has deteriorated or there are grounds to believe that such deterioration will occur.

Activities undertaken with regard to insurance are aimed to duly secure the Bank's interest, including establishment of collateral ensuring the highest possible level of recovery of receivables, in the event of necessary debt recovery. Thus collateral does not differ between performing and non-performing credits, impaired and non-impaired.

The Bank makes use of both on- and off-balance sheet netting. The first credit risk mitigation technique applies to the lines drawn and deposits placed with the BNP Paribas SA. The off-balance sheet netting is in use for derivative transactions which are concluded under master agreements signed with corporate, SME and Micro clients segments. The off-balance netting also applies to derivative transactions concluded with selected credit institutions.

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

Table 38 EU CR3 - CRM techniques – Overview as of 31 December 2019

		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	114 013 820	2 537 931	194 652	2 343 278	-
2	Total debt securities	25 862 795	-	-	-	-
3	Total exposures	139 876 615	2 537 931	194 652	2 343 278	-
4	*of which defaulted*	4 901 608	95 710	3 038	92 672	-

Table below presents the effect of all credit risk mitigation. RWA density provides a synthetic metric on the riskiness of each portfolio.

Table 39 EU CR4 -Standardised approach – Credit risk exposure and credit risk mitigation effects as of 31 December 2019

		Gross exposure		EAD		RWAs	
		Balance sheet	Off-balance sheet	Balance sheet	Off-balance sheet	RWAs	RWA density
1	Central governments or central banks	28 014 450	72	28 448 283	19 907	2 253 043	7.9%
2	Regional governments or local authorities	153 532	164 671	152 758	97 672	50 086	20.0%
3	Public sector entities	72 086	2 018	71 995	831	17 102	23.5%
4	Multilateral development banks	545 016	-	545 016	-	-	0.0%
5	International organisations	-	-	-	-	-	-
6	Institutions	629 681	1 139 456	1 099 048	438 721	777 518	50.6%
7	Corporates	25 075 767	19 347 292	24 357 269	6 568 918	30 826 486	99.7%
8	Retail	25 308 555	6 711 533	24 686 986	2 796 085	17 942 892	65.3%
9	Secured by mortgages on immovable property	20 226 212	1 030 360	20 074 635	474 218	16 510 697	80.3%
10	Exposures in default	4 790 118	204 192	3 007 861	123 093	4 230 796	135.1%
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Equity exposures	262 921	-	262 921	-	379 486	144.3%
16	Other exposures	6 058 300	-	6 056 836	-	1 680 523	27.7%
17	**Total**	**111 136 639**	**28 599 594**	**108 763 608**	**10 519 445**	**74 668 629**	**62.6%**

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

Table 40 The total amount of exposures after accounting offsets and credit risk mitigation techniques as of 31 December 2019

		Risk mitigation		
	Total exposure	Guarantees and credit derivatives	Collateral	Total guarantees and collaterals
Central governments or central banks	28 014 522	-	-	-
Regional governments or local authorities	318 203	-	-	-
Public sector entities	74 104	99	-	99
Multilateral development banks	545 016	-		-
International organisations	-	-	-	-
Institutions	3 421 059	952 987	-	952 987
Corporates	45 446 442	954 887	115 469	1 070 356
Retail	32 020 088	316 247	41 245	357 492
Secured by mortgages on immovable property	21 256 572	26 387	34 900	61 287
Exposures in default	4 997 317	92 672	3 038	95 710
Exposures associated with particularly high risk	-	-	-	-
Equity	262 921	-	-	-
Other items	6 058 300	-	-	-
TOTAL	**142 414 545**	**2 343 278**	**194 652**	**2 537 931**

For the purposes of determining risk weights for financial institutions, the Bank uses credit quality assessments (ratings) assigned by Moody's Investors Service. The following table is intended to present the exposures under the standardized approach, broken down by asset class and risk weight.

Table 41 EU CR5 - Standardised approach as of 31 December 2019

	Risk Weight																	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	OF which unrated
1 Central governments or central banks	26 985 019	-	-	134 789	-	-	-	-	-	10	-	894 704	-	-			28 014 522	-
2 Regional governments or local authorities	-	-	-	-	318 203	-	-	-	-	-	-	-	-	-	-	-	318 203	-
3 Public sector entities	-	-	-	-	64 434	-	9 670	-	-	-	-	-	-	-	-	-	74 104	-
4 Multilateral development banks	545 016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	545 016	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	-	-	-	2 753 823	-	480 713	-	-	162 614	23 909	-	-	-	-	-	3 421 059	-
7 Corporates	-	-	-	-	-	-	20	-	-	45 435 095	11 328	-	-	-	-	-	45 446 442	-
8 Retail	-	-	-	-	-	-	-	-	32 020 088	-	-	-	-	-	-	-	32 020 088	-
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	7 849 159	-	-	3 634 263	5 024 924	4 748 226	-	-	-	-	-	21 256 572	-
10 Exposures in default	-	-	-	-	-	-	-	-	-	2 315 931	2 681 386	-	-	-	-	-	4 997 317	-
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity	4 145 357	-	-	-	288 696	-	-	-	-	1 624 248	-	-	-	-	-	-	6 058 300	-
16 Other items	31 675 392	-	-	134 789	3 425 156	7 849 159	490 403	-	35 654 351	54 748 032	7 464 849	972 414	-	-	-	-	142 414 545	-
17 Total	**31 675 392**	**-**	**-**	**134 789**	**3 425 156**	**7 849 159**	**490 403**	**-**	**35 654 351**	**54 748 032**	**7 464 849**	**972 414**	**-**	**-**	**-**	**-**	**142 414 545**	**-**

8 LEVEREGE RISK

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

The Calculation of leverage ratio of the Bank Capital Group as of 31 December 2019 was made under the provisions of Commission Delegated Regulation (EU) 2015/62 as of 10 October 2014 amending Regulation (EU) No 575/2013 in respect of the leverage ratio (Acts. Office. EU. Series L No. 309, p. 5), hereinafter referred to as "Delegated Regulation 2015/62". According to the Delegated Regulation 2015/62 financial leverage ratio is expressed as a percentage of the value of the quotient of Tier I capital and total exposure measure by the end of the reporting period, while total exposure measure is the sum of the exposure values determined under all of the assets and off-balance items not deducted when determining the capital measure Tier I .

Table 42 CRR Leverage Ratio — Disclosure Template

Reference date	31 December 2019
Entity name	BNP Paribas Bank Polska S.A.
Level of application	consolidated

Table 43 LRSum - Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amount
1	**Total assets as per published financial statements**	**108 244 104**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	2 678 313
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	10 759 353
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	-
8	**Leverage ratio total exposure measure**	**121 681 770**

Table 44 LRCom - Leverage ratio common disclosure

		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	108 763 608
2	(Asset amounts deducted in determining Tier I capital)	-519 504
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**108 244 104**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1 037 414
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	1 640 899
EU-5a	Exposure determined under Original Exposure Method	0

6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**2 678 313**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	28 532 094
18	(Adjustments for conversion to credit equivalent amounts)	-17 772 741
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**10 759 353**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure measure		
20	Tier I capital	10 706 633
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**121 681 770**
Leverage ratio		
22	**Leverage ratio**	**8.80**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Table 45 LRSql - Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**108 244 104**
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	108 244 104
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	28 448 283
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	769 769
EU-7	Institutions	1 099 048
EU-8	Secured by mortgages of immovable properties	20 074 635
EU-9	Retail exposures	24 686 986
EU-10	Corporate	24 357 269
EU-11	Exposures in default	3 007 861
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	5 800 254

Table 46 Description of the processes used to manage the risk of excessive leverage and Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers

1	Description of the processes used to manage the risk of excessive leverage	The leverage risk is defined by the Bank in the Bank's Risk Strategy and Policy on internal capital adequacy assessment process while reporting is described in Instructions for the preparation of the COREP report and Leverage Ratio in BNP Paribas Bank Polska SA.
2	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers	The risk of excessive leverage means the risk of an insufficient leverage ratio due to a decrease in the institution's own funds as a result of expected or incurred losses (decrease in numerator) or unexpected and unmanaged increase in total exposure (increase in denominator). The value of financial leverage depends directly on the economic size of the bank and its capital plan. The value of leverage is one of the basic indicators monitored on a regular basis. Thanks to this, the Bank has the necessary information to avoid breaking the safe level of the leverage.

9 ENCUMBERED AND UNENCUMBERED ASSETS

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

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

- lombard and technical credit,
- REPO operations,
- the Bank Guarantee Fund,
- other operations to obtain liquidity or to guarantee settlements.

The Bank also uses assets encumbering as an important parameter that reduces the cost of obtaining financing. The level of encumbrance of the Bank's assets is low and is irrelevant to the Bank's business model.

Table 47 Encumbered and unencumbered assets

		Quarterly median values in 2019			
		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
010	**ASSETS**	**2 536 874**		**105 693 367**	
030	Equity instruments			147 230	147 230
040	Debt securities			25 855 063	25 855 063
050	*of which covered bonds*				
060	*of which asset-backed securities*				
070	*of which issued by general governments*			24 604 626	24 604 626
080	*of which issued by financial corporations*			571 881	571 881
090	*of which issued by non-financial corporations*			491 077	491 077
120	Other assets	2 536 874		79 691 073	

Table 48 Collateral received

		Quarterly median values in 2019	
		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
130	**COLLATERAL RECEIVED**		**20 678 094**
140	Loans on demand	-	-
150	Equity instruments	-	-
160	Debt securities	-	-
170	*of which covered bonds*	-	-
180	*of which asset-backed securities*	-	-
190	*of which issued by general governments*	-	-
200	*of which issued by financial corporations*	-	-
210	*of which issued by non-financial corporations*	-	-
220	Loans and advances other than loans on demand	-	12 097 446
230	Other collateral received	-	8 580 648
241	**OWN COVERED BONDS AND ASSET-BACKED SECURITIES ISSUED AND NOT YET PLEDGED**	**-**	**-**
250	**TOTAL ASSETS AND COLLATERAL RECEIVED**	**2 536 874**	**-**

Table 49 Encumbered assets/collateral received and associated liabilities

		Quarterly median values in 2019	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued
010	**CARRYING AMOUNT OF SELECTED FINANCIAL LIABILITIES**	**2 501 063**	**2 536 874**

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

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

Table 50 Comparison of Banks' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs as of 31 December 2019

		31 December 2019	30 September 2019	30 June 2019	31 March 2019
	Available capital (amounts)				
1	Common Equity Tier I (CET1) capital	10 706 633	10 743 493	10 509 699	10 295 741
2	Common Equity Tier I (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10 365 965	10 402 825	10 169 031	9 955 073
3	Tier I capital	10 706 633	10 743 493	10 509 699	10 295 741
4	Tier I capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10 365 965	10 402 825	10 169 031	9 955 073
5	Total capital	12 586 528	12 659 783	12 374 929	12 173 696
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12 245 860	12 319 116	12 034 261	11 833 028
	Risk-weighted assets (amounts)				
7	Total risk-weighted assets	83 762 792	84 057 112	81 856 516	83 554 734
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	83 618 128	83 910 623	81 711 565	83 410 597
	Capital ratios				
9	Tier I (as a percentage of risk exposure amount)	12.78%	12.78%	12.84%	12.32%
10	Common Equity Tier I (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.40%	12.40%	12.45%	11.94%
11	Tier I (as a percentage of risk exposure amount)	12.78%	12.78%	12.84%	12.32%
12	Tier I (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.40%	12.40%	12.45%	11.94%
13	Total capital (as a percentage of risk exposure amount)	15.03%	15.06%	15.12%	14.57%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.64%	14.68%	14.73%	14.19%
	Leverage ratio				
15	Leverage ratio total exposure measure	121 681 770	118 650 296	116 833 282	119 057 168
16	Leverage ratio	8.80%	9.05%	9.00%	8.65%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10 706 637	10 743 493	10 509 699	10 295 741