INTERIM CONSOLIDATED REPORT FOR THE PERIOD ENDED 31 MARCH 2020

BNP Paribas Bank Polska S.A. Capital Group

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SELECTED FINANCIAL DATA

Selected consolidated financial data	in PLN '000		in EUR '000	
Statement of profit or loss	**31.03.2020 (YTD)**	31.03.2019 (YTD)	**31.03.2020 (YTD)**	31.03.2019 (YTD)
Net interest income	**810,492**	770,442	**184,359**	179,264
Net fee and commission income	**206,760**	205,883	**47,031**	47,904
Gross profit	**189,853**	237,739	**43,185**	55,316
Net profit	**115,081**	161,601	**26,177**	37,601
Total comprehensive income	**123,035**	125,522	**27,986**	29,206
Total net cash flows	**(1,048,846)**	(229,846)	**(238,577)**	(53,480)
Ratios	**31.03.2020**	31.03.2019	**31.03.2020**	31.03.2019
Number of shares (items)	**147,418,918**	147,418,918	**147,418,918**	147,418,918
Earnings per share	**0.80**	1.10	**0.18**	0.26
Statement of financial position	**31.03.2020**	31.12.2019	**31.03.2020**	31.12.2019
Total assets	**112,043,941**	109,954,142	**24,612,600**	25,819,923
Loans and advances to customers measured at amortised cost	**74,977,955**	71,836,643	**16,470,346**	16,869,002
Loans and advances to customers measured at fair value through profit or loss	**1,807,680**	1,974,396	**397,092**	463,636
Total liabilities	**100,761,584**	98,794,759	**22,134,214**	23,199,427
Liabilities due to customers	**86,927,106**	86,134,984	**19,095,206**	20,226,602
Share capital	**147,419**	147,419	**32,383**	34,618
Total equity	**11,282,357**	11,159,383	**2,478,386**	2,620,496
Capital adequacy	**31.03.2020**	31.12.2019	**31.03.2020**	31.12.2019
Total own funds	**12,795,491**	12,586,528	**2,810,775**	2,955,625
Total risk exposure	**86,834,493**	83,762,992	**19,074,862**	19,669,600
Total capital ratio	**14.74%**	15.03%	**14.74%**	15.03%
Tier 1 capital ratio	**12.44%**	12.78%	**12.44%**	12.78%

Selected separate financial data	in PLN '000		in EUR '000	
Statement of profit or loss	**31.03.2020 (YTD)**	31.03.2019 (YTD)	**31.03.2020 (YTD)**	31.03.2019 (YTD)
Net interest income	**796,106**	758,817	**181,087**	176,559
Net fee and commission income	**196,739**	198,616	**44,751**	46,213
Gross profit	**192,916**	239,410	**43,882**	55,705
Net profit	**118,121**	163,358	**26,868**	38,010
Total comprehensive income	**126,074**	127,256	**28,678**	29,610
Total net cash flows	**(1,190,269)**	(219,185)	**(270,745)**	(50,999)
Ratios	**31.03.2020**	31.03.2019	**31.03.2020**	31.03.2019
Number of shares (items)	**147,418,918**	147,418,918	**147,418,918**	147,418,918
Earnings per share	**0.80**	1.11	**0.18**	0.26
Statement of financial position	**31.03.2020**	31.12.2019	**31.03.2020**	31.12.2019
Total assets	**108,492,123**	106,592,130	**23,832,376**	25,030,440
Loans and advances to customers measured at amortised cost	**71,641,997**	68,651,562	**15,737,539**	16,121,067
Loans and advances to customers measured at fair value through profit or loss	**1,807,680**	1,974,396	**397,092**	463,636
Total liabilities	**97,181,746**	95,407,828	**21,347,834**	22,404,093
Liabilities due to customers	**88,967,316**	88,445,327	**19,543,377**	20,769,127
Share capital	**147,419**	147,419	**32,383**	34,618
Total equity	**11,310,377**	11,184,302	**2,484,541**	2,626,348
CAPITAL ADEQUACY	**31.03.2020**	31.12.2019	**31.03.2020**	31.12.2019
Total own funds	**12,837,067**	12,651,988	**2,819,908**	2,970,996
Total risk exposure	**83,336,424**	80,852,563	**18,306,444**	18,986,160
Total capital ratio	**15.40%**	15.65%	**15.40%**	15.65%
Tier 1 capital ratio	**13.01%**	13.32%	**13.01%**	13.32%

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

For items of the statement of financial position, rates of the National Bank of Poland are applied:
- as at 31.03.2020 - EUR 1 = PLN 4.5523
- as at 31.12.2019 - EUR 1 = PLN 4.2585

For items of the statement of profit or loss and the statement of cash flows, the EUR exchange rate is calculated as the arithmetic average of the rates published by the National Bank of Poland as at the last day of each month in the period:
- for the period from 1.01.2020 to 31.03.2020 - EUR 1 = PLN 4.3963
- for the period from 1.01.2019 to 31.03.2019 - EUR 1 = PLN 4.2978

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Interest income	8	1,027,700	1,035,086
Interest income calculated with the use of effective interest rate method		971,855	979,119
Interest income on financial instruments measured at amortised cost		922,293	914,551
Interest income on financial instruments measured at fair value through other comprehensive income		49,562	64,568
Income of a similar nature to interest on instruments measured at fair value through profit or loss		55,845	55,967
Interest expense	8	(217,208)	(264,644)
Net interest income		**810,492**	**770,442**
Fee and commission income	9	260,372	251,853
Fee and commission expenses	9	(53,612)	(45,970)
Net fee and commission income		**206,760**	**205,883**
Dividend income		1,979	208
Net trading income	10	187,186	167,997
Result on investment activities	11	(23,569)	(7,637)
Result on fair value hedge accounting	21	(8,828)	1,926
Net impairment losses on financial assets and contingent liabilities	12	(198,321)	(93,181)
General administrative expenses	13	(649,546)	(638,078)
Depreciation and amortization	14	(89,592)	(105,472)
Other operating income	15	146,095	37,219
Other operating expenses	16	(122,162)	(31,223)
Operating result		**260,494**	**308,084**
Tax on financial institutions		(70,641)	(70,345)
Profit before tax		**189,853**	**237,739**
Income tax expenses	17	(74,772)	(76,138)
Net profit		**115,081**	**161,601**
attributable to equity holders of the Group		115,081	161,601
Earnings (loss) per share (in PLN per one share)			
Basic		0.80	1.10
Diluted		0.80	1.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Net profit for the period	**115,081**	**161,601**
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**7,704**	**(35,967)**
Measurement of financial assets measured through other comprehensive income	9,511	(42,610)
Deferred income tax	(1,807)	6,643
Items that will not be reclassified to profit or loss	**250**	**(112)**
Actuary valuation of employee benefits	308	(137)
Deferred income tax	(59)	25
Other comprehensive income (net)	**7,954**	**(36,079)**
Total comprehensive income for the period	**123,035**	**125,522**
attributable to equity holders of the Group	123,035	125,522

BNP Paribas Bank Polska S.A. Capital Group in the first quarter of 2020 generated a net profit of PLN 115,081 thousand, decreased by PLN 46,519 thousand (28.8%) than achieved in the corresponding period of 2019. The result on the Group's banking operations in the first quarter of 2020 amounted to PLN 1,197,953 thousand and was higher YoY by PLN 53,138 thousand, i.e. by 4.6%.

The most important event affecting the decrease in the level of net profit generated in the first quarter of 2020 and the comparability of results with the result of first quarter of 2019 was the increase in risk costs associated with taking into account the estimated, based on current knowledge, effects of the coronavirus pandemic, including polish zloty depreciation and the Bank's expectations regarding the impact of a pandemic on the financial condition of the Bank's credit customers. The Group estimates that this impact amounted to approximately PLN 70 million, contributed to the decrease of the result of impairment losses on financial assets and provisions for contingent liabilities by PLN 105,140 thousand compared to the first quarter of 2019 (to the level of PLN (198,321) thousand, i.e. 112.8% YoY).
Additionally, the reduction of interest rates by the decision of the Monetary Policy Council of March 17, 2020 (among others, reduction of the reference interest rate from 1.5% to 1.0%) and market expectation relating to possible further changes resulted in a deterioration of income curve and as a consequence decrease of the result on the loan portfolio measured at fair value through profit and loss in March 2020 by approx. PLN 25.9 million. This result in the first quarter of 2020 was negative and amounted to PLN -50,161 thousand (decrease by PLN 43,221 thousand compared to the first quarter of 2019).

The following factors additionally affected the comparability of results achieved in the analysed periods:

- the Group incurred higher costs for the Bank Guarantee Fund, resulting from an increase in the level of contributions to the restructuring fund and the bank guarantee fund in 2020 compared to 2019. In the first quarter of 2020, the total BGF costs incurred by the Group amounted to PLN 147,626 thousand and were by PLN 18,484 thousand (i.e. by 14.3%) higher than the costs incurred in the first quarter of 2019,
- balance of other one-off events in the first quarter of 2020 in the amount of PLN 22,407 thousand (recognition of the sale of Kasprzaka real estate in result of other income/operating costs in the gross amount of PLN 43,564 thousand, provision for legal risk of housing loans in CHF in PLN (11,329) thousand, provision for legal risk for an old option case PLN (9,827) thousand),
- the Group incurred in the first quarter of 2020 costs of integration with the Core Business of Raiffeisen Bank Polska S.A. acquired by the Bank in the amount of PLN 53,134 thousand lower (respectively: PLN 1,209 thousand compared to PLN 54,343 thousand) compared to the first quarter of 2019.

It is estimated that net of integration costs, the first quarter of 2020 would amount to PLN 116,060 thousand PLN and would be lower YoY by PLN 89,559 thousand (i.e. by 43.6%).

The Group's comprehensive income for the first quarter of 2020 were lower by PLN 2,487 thousand. PLN (i.e. by 2.0%) compared to the same period last year. The recorded decrease was mainly due to a decrease in the net profit generated which was compensated by the improvement in the valuation of financial assets at fair value through other comprehensive income.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31.03.2020	31.12.2019
Cash and balances at Central Bank	18	3,225,246	4,658,171
Amounts due from banks	19	1,047,005	679,308
Derivative financial instruments	20	1,601,162	800,886
Adjustment of fair value of hedging item	21	481,474	228,120
Loans and advances to customers measured at amortised cost	22	74,977,955	71,836,643
Loans and advances to customers measured at fair value through profit or loss	23	1,807,680	1,974,396
Securities measured at amortised cost	24	18,204,480	17,916,645
Financial instruments measured at fair value through profit or loss	25	279,141	241,754
Securities measured at fair value through other comprehensive income	26	7,093,076	7,953,358
Investment properties		56,577	56,577
Intangible assets	27	511,272	519,945
Property, plant and equipment	28	1,158,185	1,226,746
Deferred tax assets		943,848	976,748
Current tax assets		27,139	-
Other assets	30	629,701	884,845
Total assets		**112,043,941**	**109,954,142**

The balance sheet of the Group as at 31 March 2020 amounted to PLN 112,043,941 thousand and was higher by PLN 2,089,799 thousand, i.e. by 1.9% YoY. The change in the balance sheet total was mainly due to the increase in the value of the loan portfolio.

The structure of the Group's assets compared to the end of 2019 has changed inconsiderably. The share of the loan portfolio increased by 1.4 p.p. (the sum of portfolios measured at amortized cost and at fair value) with a simultaneous decrease in the share of cash and cash balances at the Central Bank (1.4) p.p. and the share of the portfolio of securities valued at fair by other comprehensive income (0.9) p.p.

The structure of assets is dominated by loans and advances to customers, whose value accounted for 68.5% of total assets at the end of March 2020 compared to 67.1% at the end of 2019 (the sum of portfolios measured at amortized cost and at fair value). The increase in the volume of net loans and advances amounted to PLN 2,974,596 thousand, increased by 4.0% and included both the portfolio of business entities and individual clients. The increase resulted among others from significant weakening of the polish zloty in comparison to CHF, EUR and USD, which was related to the development of the coronavirus pandemic and its impact on currency markets. In the case of the housing loans portfolio in CHF for individual customers, the increase in the CHF / PLN exchange rate from 3.9213 to 4.3001 resulted in an increase in the portfolio value by PLN 456,872 thousand.

The second largest item of assets were securities and financial instruments (derivatives and financial instruments measured at fair value through profit or loss), which constituted 24.3% of the total balance sheet at the end of March 2020 (at the end of 2019: 24.5%). In the first quarter of 2020, their value increased by PLN 265,216 thousand, i.e. 1.0% primarily as a result of an increase in the value of derivative financial instruments by PLN 800,276 thousand with a simultaneous decrease by PLN 535,060 thousand, i.e. 2.0% of securities and financial instruments at fair value through profit or loss, primarily as a result of a decrease in the portfolio of treasury bonds issued by central government institutions classified as securities at fair value through other comprehensive income.

Simultaneously, the share in total assets of cash and cash balances at the Central Bank decreased from 4.2% to 2.9% and its value decreased by PLN 1,432,925 thousand, i.e. by 30.8%, mainly due to decrease in deposit in the National Bank of Poland.

LIABILITIES	Note	31.03.2020	31.12.2019
Amounts due to banks	31	4,910,888	4,485,264
Derivative financial instruments	20	1,549,344	815,637
Adjustment of fair value of hedging and hedged item	21	535,006	224,218
Amounts due to customers	32	86,927,106	86,134,984
Debt securities issued	33	1,919,545	2,179,052
Subordinated liabilities	34	1,998,570	1,882,064
Lease liabilities	29	638,211	602,192
Other liabilities	35	1,762,631	1,893,414
Current tax liabilities		8,410	8,535
Deferred tax liability		4,463	38,338
Provisions	36	507,410	531,061
Total liabilities		**100,761,584**	**98,794,759**
EQUITY			
Share capital		147,419	147,419
Supplementary capital		9,110,976	9,110,976
Other reserve capital		1,572,757	1,572,757
Revaluation reserve		133,205	125,251
Retained earnings		318,000	202,980
retained profit		202,919	(411,714)
net profit for the period		115,081	614,694
Total equity		**11,282,357**	**11,159,383**
Total liabilities and equity		**112,043,941**	**109,954,142**

As at the end of March 2020, the total value of the Group's liabilities amounted to PLN 100,761,584 thousand and increased by PLN 1,966,825 thousand, i.e. by 2% YoY. The share of liabilities in total liabilities and equity of the Group in the analysed period amounted to 89.9% and remained at a level similar to the end of 2019.

The structure of liabilities in the first quarter of 2020 remained largely unchanged. Similarly to the end of 2019, the structure was dominated by liabilities to customers. Their share at the end of March 2020 amounted to 86.3% and decreased compared to the end of 2019 by 0.9 pp. The volume increased by PLN 792,122 thousand, i.e. by 0.9% and amounted to PLN 86,927,106 thousand.

Derivatives increased the share in total liabilities by 0.7 p.p, to 1.5%. Their value amounted to PLN 1,549,344 thousand and was PLN 733,707 thousand higher than at the end of 2019 (i.e. increased by 90.0%).

Equity as at 31 March 2020 amounted to PLN 11,282,357 thousand and increased compared to 31 December 2019 by 1.1%, i.e. by PLN 122,974 thousand, mainly due to increased retained earnings. The share of equity in total liabilities and equity of the Group at the end of March 2020 amounted to 10.1% and remained at a level similar to the end of 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2020 (data approved)	**147,419**	**9,110,976**	**1,572,757**	**125,251**	**(411,714)**	**614,694**	**11,159,383**
Total comprehensive income for the period	**-**	**-**	**-**	**7,954**	**614,694**	**(499,613)**	**123,035**
Net profit for the period	-	-	-	-	-	115,081	115,081
Other comprehensive income for the period	-	-	-	7,954	614,694	(614,694)	7,954
Distribution of retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other adjustments	-	-	-	-	(61)	-	(61)
Balance as at 31 March 2020	**147,419**	**9,110,976**	**1,572,757**	**133,205**	**202,919**	**115,081**	**11,282,356**

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2019 (data approved)	**147,419**	**9,111,033**	**1,208,018**	**141,179**	**(408,214)**	**360,378**	**10,559,813**
Total comprehensive income for the period	**-**	**-**	**-**	**(15,928)**	**-**	**614,694**	**598,766**
Net profit for the period	-	-	-	-	-	614,694	614,694
Other comprehensive income for the period	-	-	-	(15,928)	-	-	(15,928)
Distribution of retained earnings	**-**	**-**	**364,739**	**-**	**(4,361)**	**(360,378)**	**-**
Distribution of retained earnings intended for capital	-	-	364,739	-	(4,361)	(360,378)	-
Costs of share issue	-	(57)	-	-	-	-	(57)
Merger	-	-	-	-	861	-	861
Balance as at 31 December 2019	**147,419**	**9,110,976**	**1,572,757**	**125,251**	**(411,714)**	**614,694**	**11,159,383**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Net profit (loss)		**115,081**	**161,601**
Adjustments for:		**(2,052,259)**	**(1,885,314)**
Income tax expenses		74,772	76,138
Depreciation and amortization		89,592	105,472
Dividend income		(1,979)	(208)
Interest income		(1,027,700)	(1,035,086)
Interest expense		217,208	264,644
Change in provisions		(23,410)	(4,629)
Change in amounts due from banks		(72,007)	195,493
Change in assets due to derivative financial instruments		(1,053,630)	(70,264)
Change in loans and advances to customers measured at amortised cost		(3,041,178)	(945,481)
Change in loans and advances to customers measured at fair value through profit or loss		166,716	132,604
Change in amounts due to banks		166,134	(165,799)
Change in liabilities due to derivative financial instruments		1,044,494	57,986
Change in amounts due to customers		792,229	(1,421,406)
Change in other assets and receivables due to current income tax		140,034	11,649
Change in other liabilities and provisions due to deferred tax		(130,360)	183,400
Other adjustments	38	62,995	(24,891)
Interest received		736,901	972,825
Interest paid		(191,913)	(212,420)
Lease payments for short-term leases not included in the lease liability measurement		(1,158)	(5,341)
Net cash flows from operating activities		**(1,937,178)**	**(1,723,713)**

CASH FLOWS FROM INVESTING ACTIVITIES:		1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Investing activities inflows		**6,035,337**	**6,151,852**
Sale of debt securities		5,918,621	6,148,787
Sale of intangible assets and property, plant and equipment		114,737	3,065
Dividends received and other investment inflows		1,979	-
Investing activities outflows		**(5,231,476)**	**(4,623,002)**
Purchase of debt securities		(5,172,934)	(4,554,549)
Purchase of intangible assets and property, plant and equipment		(58,542)	(68,453)
Net cash flows from investing activities		**803,861**	**1,528,850**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Financing activities inflows		**391,940**	**-**
Long-term loans received		391,940	-
Financing activities outflows		**(307,469)**	**(34,983)**
Repayment of long-term loans and advances received		(275,200)	(14,809)
Repayment of lease liability		(32,269)	(20,174)
Net cash flows from financing activities		**84,471**	**(34,983)**
TOTAL NET CASH AND CASH EQUIVALENTS		**(1,048,846)**	**(229,846)**
Cash and cash equivalents at the beginning of the period		**4,833,209**	**3,425,453**
Cash and cash equivalents at the end of the period, including:	37	**3,784,363**	**3,195,607**
effect of exchange rate fluctuations on cash and cash equivalents		30,372	3,355

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. IDENTIFICATION DATA

BNP Paribas Bank Polska S.A. („Bank" or „BNP Paribas") is the parent company in the Capital Group OF BNP Paribas Bank Polska S.A. („Group").
The registered office of the Bank is located at Kasprzaka 10/16 in Warsaw and is registered in Poland, by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000011571. The duration of the parent and the Group companies is unlimited.

2. DESCRIPTION OF THE CAPITAL GROUP

BNP Paribas operates within the BNP Paribas Capital Group with its registered office in Paris.
As at 31 March 2020, the Group comprised BNP Paribas Bank Polska S.A. as the parent and its subsidiaries:

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

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

In accordance with the principles of International Financial Reporting Standards, the interim condensed consolidated financial statements cover all subsidiaries as at 31 March 2020.

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

The interim condensed consolidated financial statements for the first quarter ended 31 March 2020 were prepared in accordance with the requirements of International Financial Reporting Standards, as adopted by the European Union ("EU IFRS").

The accounting principles applied in the first quarter of 2020 do not differ from the principles applicable in 2019, which are described in detail in the Consolidated financial statements of Bank BNP Paribas S.A. Capital Group for the year ended 31 December 2019.

The interim condensed consolidated financial statements do not include all information and disclosures required in annual consolidated financial statements, and, therefore, should be read in conjunction with the Consolidated financial statements of Bank BGŻ BNP Paribas S.A. Capital Group for the year ended 31 December 2019.

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

In the period covered by the consolidated financial statements, the Group did not use the option of earlier application of standards and interpretations, which were approved by the European Union, but will enter into force only after the balance sheet date.

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

1. **IFRS 17 "Insurance Contracts" (effective from January 1, 2023),**
2. **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" -** sale or contribution of assets between an investor and its associate or joint venture and subsequent amendments (the date of entry into force of the amendments has not yet been determined by the IASB),
3. **Amendment to IAS 1 -** changes affect the requirements of IAS 1 regarding the presentation of liabilities. In particular, they explain one of the criteria for classifying liabilities as long-term (effective from 1 January 2022).

The above-mentioned standards and amendments to the existing standards did not impact significantly the interim condensed consolidated financial statements for the first quarter of 2020.

3.2. Changes in presentation of financial data

In the present interim condensed consolidated financial statements, the Group has not changed the presentation of financial data.

4. GOING CONCERN

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

5. APPROVAL OF THE FINANCIAL STATEMENTS

The interim consolidated report of the BNP Paribas Bank Polska S.A. Capital Group for the first quarter ended 31 March 2020 was approved for publication by the Management Board on 12 May 2020.

6. SEASONAL OR CYCLICAL NATURE OF BUSINESS

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

7. ESTIMATES

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

a. Impairment of financial assets

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

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

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

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

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

If the credit risk did not increase significantly from the date of the initial recognition, and the event of default did not occur from the moment of granting the financial instrument, the Bank recognizes an allowance for the expected credit loss within the next 12-month horizon.

ii) Stage 2: An allowance due to expected credit losses for the entire lifetime – no event of default identified

In the case of financial instruments, whose credit risk has increased significantly since the moment of their initial recognition, but no event of default occurred, an impairment allowance is created for the entire remaining financing period, considering the probability of the occurrence of the event of default. One of the triggers of significant increase in the credit risk is 30 or more days past due.

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

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

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

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

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

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

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

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

Impairment assessment for individually significant assets

The individual test is performed by the Bank for individually significant financial assets, for which the event of default was identified. It consists in case-by-case verification of financial assets in terms of impairment. During the individual assessment, the Bank determines expected future cash flows and impairment is calculated as the difference between the present value (balance sheet amount) of a financial asset which is individually significant and the value of future cash flows generated by that asset, discounted using the effective interest method. Cash flows from collateral are taken into account for purposes of estimating future cash flows.

Collective (group) assessment

The following assets are tested collectively:

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

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

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

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

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

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

b. Classification of financial instruments

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

c. Fair value of derivative instruments

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

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

d. Securities

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

e. Impairment of fixed assets

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

f. Provision for retirement benefits

The Group creates provisions for retirement, disability and post-mortem severance pay ("severance"), in accordance with IAS 19. The provisions are calculated using the actuarial method of projected unit credit as at the date of valuation, by an independent actuary as the present value of the Group's future liabilities to employees based on employment and remuneration as at the calculation update date. The calculations take into account a number of factors, including macroeconomic conditions, employee turnover, risk of death and others. The basis for calculating of the provision for employees is the anticipated value of severance pay which the Group is to pay pursuant from the Remuneration Regulations in force at the Group. The anticipated severance pay is calculated as the product of:

- the expected severance base, in accordance with the provisions of the Collective Bargaining Agreement,
- the expected increase in the severance base from the moment of valuation until the payment of severance,
- the recommended proportional dependence on seniority (in accordance with the provisions of the Remuneration Regulations),
- gradual rights to services, unique for each team and proportional to their seniority at the Group.

The projected value is discounted actuarially at the end of the year. In accordance with the requirements of IAS 19, the financial discount rate for calculating the current value of liabilities related to employee benefits is determined on the basis of market yields on treasury bonds whose currency and maturity date are consistent with the currency and the estimated date of the benefit obligations. The actuarial discount is the product of the financial discount, the probability of a person's continued employment at the Group until the severance is required, and the probability of the need for a particular benefit (e.g. the probability of acquiring a disability). The value of annual write-offs and the probability are projected with the use of models which take the following three risks into account:

- possibility of dismissal from work,
- risk of inability to work,
- risk of death.

The possibility of dismissal from work is estimated trough a probability distribution, based on the Group's statistical data. The likelihood of dismissal depends on the age of the employee and is constant throughout each year of work. The risks of death and disability were estimated based on analyses of the latest statistical data on life expectancy in Poland (for men and women) as well as historical data published by the Central Statistical Office and the Social Security Office.

Provisions resulting from actuarial valuation are updated annually, by an independent actuary. The underlying assumptions are revised at the end of each quarter, based on quarterly forecasts.

g. Restructuring provision

On 14 December 2018, the Group finalized negotiations with trade union organizations operating in the Bank and concluded an agreement on defining the rules with reference to the matters concerning employees in connection with the group layoffs process. Group layoffs will be performed following the transfer of the RBPL Core Business.

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

h. Provision for deferred income tax

The provision for deferred income tax is recognised in the full amount using the balance sheet method, due to positive temporary differences between the tax value of assets and liabilities, and their balance sheet value in the financial statements. Deferred tax assets are recognised for all negative temporary differences, as well as unused tax credits and unused tax losses carried forward to the subsequent years, in the amount in which it is probable that taxable income will be generated that will allow the use of the above mentioned differences, assets and losses. Deferred income tax is determined using tax rates (and regulations) in force or at the end of the reporting period, which are expected to be effective at the time of realisation of the related assets due to deferred income tax or settlement of liabilities due to deferred income tax.

If the temporary differences arose as a result of the recognition of an asset or liability resulting from a transaction that is not a business combination and which at the time of the conclusion did not affect the tax or accounting result, the deferred tax is not recognized. In addition, a deferred tax provision is created for positive temporary differences arising from investments in subsidiaries or associates and investments in joint ventures - except the situations when the timing of temporary differences reversal is subject to control by the entity and when it is probable that in the foreseeable future, temporary differences will not be reversed Deferred tax assets in the event of negative temporary differences from investments in subsidiaries or associates and investments in joint ventures, only to the extent that it is probable that in the foreseeable future the abovementioned temporary differences will be reversed and taxable income allowing to offset any negative temporary differences will be generated.

The balance sheet amount of the deferred tax asset is reviewed at the end of each reporting period and is reduced accordingly, and so far as it is no longer probable that taxable income sufficient for partial or total realisation of the deferred tax asset will be realised. An unrecognised deferred tax asset is subject to reassessment at the end of each reporting period and is recognised up to an amount that reflects the probability of achieving future taxable income that will allow recovery of that asset. The Group offsets deferred tax assets with deferred tax provisions if and only if it has an enforceable legal title to compensate corresponding receivables and liabilities due to current tax and deferred income tax is related to the same taxpayer and the same tax authority.

Income tax related to the items recognized directly in equity is recognized in equity and in the statement of comprehensive income.

In first quarter of 2020, current income tax and deferred tax provision were calculated using the 19% rate.

i. Provision for the return of commission for early repayment of the loan

On 11 September 2019, the CJEU issued a judgment in which it was stated that Article 16 paragraph 1 of the Directive No. 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on consumer loan agreements which repealed Council Directive No. 87/102/EEC should be interpreted in the following way: the consumer's right to reduce the total cost of a loan in the event of earlier repayment includes all costs that have been imposed on the consumer. The CJEU pointed out that a comparative analysis of the different language versions of Article 16 clause 1 of the Directive does not allow to clearly determine the exact scope of the reduction of the total cost of a loan envisaged by this provision, because some language versions of this provision suggest reducing the costs related to the remaining period of the contract, others suggest that the costs associated with this period constitute an indication for calculating the reduction, others still only refer to interest and costs due for the remaining period of the contract.

The judgment was issued following a question referred for a preliminary ruling by the Lublin-Wschód District Court based in Świdnik, which examined three disputes between the company Lexitor, which acquired the claims of three clients, and SKOK Stefczyka, Santander Consumer Bank and mBank, regarding the reduction of the total cost of consumer loans due to their earlier repayment. The Polish court had doubts about the interpretation of Article 16 paragraph 1 of Directive No. 2008/48/EC of the

European Parliament and of the Council of 23 April 2008, and therefore asked the CJEU whether this provision concerns all costs or only those related to the duration of the contract.

As a result of the analysis concerning the impact of the judgment on the Group's revenues, in particular on relations expired before the judgment was issued, in 2019 the Group decided to create a provision for a proportional refund of commission in the event of early repayment of the loan in the amount of PLN 48,800 thousand as at 31 March 2020 the provision amounted to PLN 42,790 thousand (as at 31 December 2019 the provision amounted to PLN 48,466 thousand).

Additionally, in 2019 the Group created a provision of PLN 20,800 thousand to cover the partial reimbursements of loan commissions in the event of their early repayment, for loans repaid after the balance sheet date. The estimate of the provision is based on the difference between the value of commissions to be reimbursed and the balance of unsettled commissions as at the expected date of early loan repayment, as at 31 March 2020 the provision amounted to 19 220 thousand.

The created reserve level may be changed due to the fact that analyses are still ongoing in the banking sector as to the impact of this judgment on the financial situation and business activities of banks in Poland.

Simultaneously, the Group recognises its liability due to the proportional reimbursement of commissions in the event of their early repayment, after the judgment of the CJEU of 11 September 2019. As at 31 March 2020, this liability amounted to PLN 3,825 thousand (as at 31 December 2019 PLN 12,797 thousand).

j. Provision for potential claims arising from legal proceedings related to loans in CHF

Provision for potential claims resulting from proceedings related to CHF loan agreements and model used by the Group were presented in Note 48 Litigation and claims.

8. NET INTEREST INCOME

Interest income	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Amounts due from banks	4,926	6,138
Loans and advances to customers measured at amortised cost, including:	793,470	811,213
non-banking financial institutions	3,057	5,968
retail customers	365,915	356,669
economic operators	386,408	413,802
including retail farmers	106,948	105,972
public sector institutions	1,288	1,774
leasing receivables	36,802	33,000
Loans and advances to customers measured at amortised cost through profit or loss	13,388	16,932
Debt instruments measured at amortised cost	123,897	97,200
Debt instruments measured at fair value through profit or loss	500	3
Debt instruments measured at fair value through other comprehensive income	49,562	64,568
Derivative instruments as part of fair value hedge accounting	41,957	39,013
Purchased repo transactions	-	19
Total interest income	**1,027,700**	**1,035,086**

Interest expense	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Amounts due to banks	(28,165)	(28,490)
Debt securities issued	(18,312)	(19,485)
Amounts due to customers, including:	(130,689)	(178,118)
non-banking financial institutions	(6,263)	(12,534)
retail customers	(74,511)	(112,414)
economic operators	(46,581)	(49,936)
including retail farmers	(799)	(1,248)
public sector institutions	(3,334)	(3,234)
Lease liabilities	(2,064)	(2,262)
Derivative instruments as part of fair value hedge accounting	(32,802)	(30,558)
Repo transactions	(5,176)	(5,731)
Total interest expense	**(217,208)**	**(264,644)**
Net interest income	**810,492**	**770,442**

In the first quarter of 2020, net interest income, constituting the main source of the Group's revenues, amounted to PLN 810,492 thousand and increased by PLN 40,050 thousand, i.e. by 5.2% YoY, which was the result of a decrease in interest expenses by PLN 47,436 thousand, i.e. by 17.9% YoY, as well as decrease of interest income by PLN 7,386 thousand, i.e. by 0.7% YoY.
The net interest income for the first quarter of 2020 includes the settlement of the fair value adjustment for the Stage I loan portfolio, acquired as part of the RBPL Core Business, in the amount of PLN 13,431 thousand, which is PLN 18,857 thousand (58.4%) less than in the corresponding period of the previous year (Q4 2019: PLN 14,247 thousand, Q3 2019: PLN 21,980 thousand, Q2 2019: PLN 28,370 thousand, Q1 2019: PLN 32,288 thousand).
A significant external factor affecting the level of net interest income was the NBP's policy regarding the development of basic interest rates - their stabilization in 2019 at a constant, low level (the reference rate since March 2015 was 1.5%) and two interest rate cuts in 2020 - by the decisions of the Monetary Policy Council of March 17 and April 8, 2020 (for the reference rate to 1.0% and 0.5% respectively). The result of this policy was the downward trend in deposit rates observed on the market in 2019, which had a positive effect on banks' margins. The changes made in 2020 did not have a significant impact on the result of the first

quarter (the first change came into force on March 18) but - due to their scale (total reduction by 1 pp) - they will cause a decrease in interest margins realized by banks throughout 2020. It is estimated that the total impact on the Bank's and the Group's net interest income in 2020 of both interest rate cuts may amount to PLN 100 to 130 million. The actual impact will depend on the yield curve and the implementation of business assumptions. Both estimates and assumptions are subject to change.

Significant factor to compare the interest result realized in the first quarter of 2020 and the first quarter of 2019 was the fact that the Group's liquidity position improved as a result of the acquisition of RBPL's Core Business (net loans / deposits ratio decreased from 104.9% at the end of September 2018 to 84.2% at the end of December 2018). The improvement of the Group's liquidity position allowed optimization of pricing policy and, as a consequence, improvement of deposit margins and maintenance of similar credit margins compared to the level from the first quarter of 2019.

At the end of March 2020, the Group applied fair value hedge accounting. The change in the fair value measurement of hedging transactions is recognized in the result on hedge accounting. Interest on IRS transactions and hedged items is recognized in net interest income. Net interest income on hedging relationships (the sum of interest income and interest expense from derivatives under fair value hedge accounting) for the first quarter of 2020 amounted to PLN 9,155 thousand, as compared to PLN 8,455 thousand for the first quarter of 2019 (increase by PLN 700 thousand i.e. by 8.3%).

9. FEE AND COMMISSION INCOME

Fee and commission income	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
loans, advances and leases	71,296	71,167
account maintenance	38,131	34,123
cash service	8,150	10,171
cash transfers and e-banking	19,116	26,631
guarantees and documentary operations	13,664	14,622
asset management and brokerage operations	28,812	25,975
payment and credit cards	48,265	48,374
insurance mediation activity	18,625	12,823
product sale mediation and customer acquisition	3,780	3,896
other commissions	10,533	4,071
Total fee and commission income	**260,372**	**251,853**

Fee and commission expense	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
loans, advances and leases	(152)	(671)
account maintenance	(2,808)	(1,330)
cash service	(1,325)	(2,451)
cash transfers and e-banking	(581)	(1,466)
asset management and brokerage operations	(853)	(1,047)
payment and credit cards	(30,477)	(25,778)
insurance mediation activity	(5,268)	(3,525)
product sale mediation and customer acquisition	(6,599)	(7,623)
other commissions	(5,549)	(2,079)
Total fee and commission expense	**(53,612)**	**(45,970)**
Net fee and commission income	**206,760**	**205,883**

Net fee and commission income of the Group in the first quarter of 2020 amounted to PLN 206,760 thousand and was higher by PLN 877 thousand, i.e. by 0.4% YoY. Fee and commission income increased in the first quarter of 2020 by PLN 8,519 thousand, i.e. by 3.4% as compared to the first quarter of 2019, while fee and commission expenses increased by PLN 7,642 thousand, i.e. by 16.6%.

The most significant increases of fee and commission income were related to the following categories:

- sale of insurance products mediation by PLN 5,802 thousand, i.e. by 45.2% (in connection with a significant increase in the sale of life insurance attached to mortgage loans),
- account maintenance by PLN 4,008 thousand, i.e. by 11.7% (effect of standardizing and changing the offer made after rebranding carried out on April 1, 2019),
- asset management and brokerage operations by PLN 2,837 thousand, i.e. by 10.9%,
- other commissions by PLN 6,462 thousand, i.e. by 158.7%.

with a simultaneous decrease in revenue from cash transfers and e-banking services by PLN 7,515 thousand, i.e. by 28.2%, in connection with the European regulations regarding the amount of commission on international transfers (SEPA) which came into force from December 2019.

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

- payment and credit card service by PLN 5,247 thousand, i.e. by 20.8%,
- sale of insurance products mediation by PLN 1,743 thousand, i.e. by 49.4%,
- account maintenance by PLN 1,478 thousand, i.e. by 111.1%,
- other commission by PLN 2,922 thousand, i.e. by 111.2%.

with a simultaneous decrease in the cost of commission for cash services by PLN 1,126 thousand, i.e. by 45.9% and costs of sale of the Bank's products mediation and acquiring customers, a decrease by PLN 1,024 thousand, i.e. by 13.4%.

10. NET TRADING INCOME

Net trading income	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Equity instruments measured at fair value through profit or loss	4,869	4,016
Debt instruments measured at fair value through profit or loss	2,656	67
Derivative instruments and result on foreign exchange transactions	179,661	163,914
Result on financial instruments measured at fair value through profit or loss, total	**187,186**	**167,997**

The result on trading activities for the first quarter of 2020 amounted to PLN 187,186 thousand and was higher by PLN 19,189 thousand, i.e. by 11.4% YoY. The level and volatility of this result are mainly determined by the valuation of derivative instruments and the result from exchange positions.

11. RESULT ON INVESTMENT ACTIVITIES

During the year, the Group has not reclassified any financial assets measured at amortized cost to financial assets measured at fair value through other comprehensive income.

Result on investment activities	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Equity instruments measured at fair value through other comprehensive income	(28)	-
Debt instruments measured at fair value through other comprehensive income	26,620	(697)
Loans and advances to customers measured at fair value through profit or loss	(50,161)	(6,940)
Total result on financial instruments measured at fair value through other comprehensive income	**(23,569)**	**(7,637)**

The result on investment activities for the first quarter of 2020 was negative and amounted to PLN 23,569 thousand which was lower by PLN 15,932 thousand, i.e. by 208.6% as compared to the result for the first quarter of 2019.

The factor determining the level of the result on investment activities in the first quarter of 2020 was a change in the valuation of loans and advances to customers measured at fair value through profit or loss, which was negative and amounted to PLN 50,161 thousand (lower by PLN 43,221 thousand, i.e. by 622.8% compared to the first quarter of 2019). It is estimated that the reduction of interest rates by the decision of the Monetary Policy Council of 17 March 2020 (i.a. reduction of the reference rate from 1.5% to 1.0%) and market expectations relating to possible further changes resulted in a deterioration in income curve and as a consequence decrease of the result on the loan portfolio measured at fair value through profit or loss in March 2020 by approximately PLN 25.9 million.

The negative impact of the valuation of the loans and advances to customers measured at fair value through profit or loss has been partially neutralized by the result of the sale of debt instruments measured at fair value through other comprehensive income in the amount of PLN 26,620 thousand.

12. NET IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS AND CONTINGENT LIABILITIES

Net impairment allowances on financial assets and contingent liabilities

31.03.2020	Stage 1	Stage 2	Stage 3	Total	including POCI
Amounts due from banks	(1,659)	-	-	(1,659)	-
Loans and advances to customers measured at amortised cost	(46,017)	(35,783)	(127,388)	(209,188)	7,821
Contingent commitments granted	(2,312)	12,805	432	10,925	-
Securities measured at amortised cost	193	1,408	-	1,601	-
Total net impairment allowances on financial assets and contingent liabilities	**(50,917)**	**(21,570)**	**(126,956)**	**(198,321)**	**7,821**

Impairment losses on financial assets and provisions for contingent liabilities

31.03.2019	Stage 1	Stage 2	Stage 3	Total	including POCI
Amounts due from banks	(64)	-	-	(64)	-
Loans and advances to customers measured at amortised cost	(12,795)	(5,628)	(77,121)	(95,544)	3,895
Contingent commitments granted	7,080	(1,081)	(4,555)	1,444	-
Securities measured at amortised cost	362	437	184	983	-
Total net impairment allowances on financial assets and contingent liabilities	**(5,417)**	**(6,272)**	**(81,492)**	**(93,181)**	**3,895**

The result of impairment allowances on financial assets and provisions for contingent liabilities in the first quarter of 2020 amounted to PLN -198,321 thousand and, therefore, its negative impact on the Group’s result was higher by PLN 105,140 thousand, i.e. by 112.8% YoY.

Considering the main operational segments:

- Retail and Business Banking Segment – increase of negative balance of impairment allowances by PLN 96,088 thousand YoY,
- SME Banking Segment – increase by PLN 5,009 thousand YoY,
- Corporate Banking Segment (including CIB) – decrease by PLN 8,788 thousand YoY.

Such significant deterioration in net impairment allowances is primarily associated with negative forecasts regarding the economic situation in Poland and in the world, in connection with the development of the coronavirus pandemic. It is estimated that considering an impact of pandemic results (based on current knowledge) including i.a. the weakening of the Polish zloty and the Bank's expectations regarding the impact of a pandemic on the financial condition of the Bank's credit customers resulted in an increase in the negative result of impairment losses on financial assets and provisions for contingent liabilities in the first quarter of 2020 by at least PLN 70 million.

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

In the first quarter of 2020, the Bank not concluded agreements regarding the sale of loan portfolio.

The cost of credit risk expressed as the ratio of net impairment allowances to the average gross amount of loans and advances to customers measured at amortized cost (calculated on the basis of balances as at the end of the quarters) was 1.03% in the first quarter of 2020 and increased by 53 p.p. as compared to first quarter of 2019 (0.50%). It is estimated that without taking into account the negative impact of the coronavirus pandemic, the cost of credit risk in the first quarter of 2020 would be 0.67%, and the cost of credit risk in the first quarter of 2019 without including the sale of receivables would be 0.55%.

13. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Personnel expenses	(314,567)	(338,585)
Marketing expenses	(29,847)	(24,391)
IT and telecom expenses	(44,211)	(47,573)
Short-term lease and operating costs	(21,605)	(27,477)
Other non-personnel expenses	(76,003)	(58,213)
Business travels	(3,554)	(5,781)
ATM and cash handling expenses	(5,564)	(2,208)
Costs of outsourcing services related to leasing operations	(948)	(1,057)
Fee for the Borrowers Support Fund	(3,000)	-
Bank Guarantee Fund fee	(147,626)	(129,142)
Polish Financial Supervision Authority fee	(2,622)	(3,651)
Total general administrative expenses	**(649,546)**	**(638,078)**

General administrative expenses (including amortization and depreciation) of the Capital Group in the first quarter of 2020 amounted to PLN 739,138 thousand and were lower by PLN 4,412 thousand, i.e. 0.6% as compared to the corresponding period of the previous year.
The comparability of data in the analyzed periods was influenced by i.a. integration costs related to the acquisition of Core Business of Raiffeisen Bank Polska S.A. in 2018.

The total amount of integration costs in the first quarter of 2020 amounted to PLN 1.2 million (which included PLN 5.7 million of general administrative costs (including amortization and depreciation) and PLN 4.5 million recognized as a decrease in other operating costs due to the release of provisions for the restructuring of the branch network).

In the first quarter of 2019, these costs amounted to PLN 54.3 million (including PLN 57.0 million of administrative costs (including amortization and depreciation) and 2.7 million PLN as a reduction of other operating costs).

Excluding integration costs, general administrative expenses (including amortization and depreciation) of the Group would be 6.8% higher YoY.

The largest decrease in costs by nature YoY (by PLN 24.0 million, i.e. 7.1%) was recorded in employee costs, which is mainly due to a decrease in employment in the Group (by approx. 1,000 FTE compared to first quarter of 2019) and from creating a provision for retention programs in the amount of PLN 11.1 million in the first quarter of 2019. At the same time, in connection with the launch of Employee Capital Programs at the end of 2019, the costs incurred by the Bank (excluding subsidiaries) in this respect amounted to PLN 4,877 thousand in the first quarter of 2020. Excluding integration costs, in both analyzed periods the decrease in employee costs would amount to PLN 12.0 million, i.e. 3.7% YoY.

A decrease in the level of costs YoY was also recorded in the following categories:

- costs related to short-term leasing and operation by PLN 5,873 thousand as a result of the optimizing process of the branch network and renegotiating rent fees,
- IT and telecommunications costs by PLN 3,363 thousand related to the integration of IT infrastructure and systems after the operational merger in November 2019.

The level of the Group's costs in the first quarter of 2020 was also affected by higher BFG fees resulting from:

- the increase in contributions - in 2020 there was an increase in the total amount of contributions to the BFG for the banking sector specified by the Bank Guarantee Fund Council (PLN 1.6 billion of contribution for the bank restructuring fund for 2020 compared to PLN 2.0 billion for 2019 and 1,575 PLN million contribution to the bank guarantee fund for 2020 compared to PLN 791 million in the previous year),

- increase of the base of the guaranteed funds, after merging with the Core Business of Raiffeisen Bank Polska.

The total contributions recorded in the Bank's costs in the first quarter of 2020 amounted to PLN 147.6 million and were PLN 18.5 million higher than in the same period last year:

- the annual contribution to the bank restructuring fund for the first quarter of 2020 was PLN 126.0 million (in the first quarter of 2019 PLN 116.1 million),
- the contribution to the bank guarantee fund amounted to PLN 21.7 million in the first quarter of 2020 (in the first quarter of 2019 PLN 13.0 million).

In addition, the level of administrative costs was affected by higher costs in the following categories:

- marketing costs (increase by PLN 5.5 million), which mainly concerns the Bank's product and sponsorship campaigns (CinemaCity, Szlachetna Paczka), as well as the purchase of seedlings and maintenance of oxygen tree plantations,
- costs of ATMs and ATM services (an increase of PLN 3.4 million), which is associated with a change in the presentation from 2020 resulting from the way the ATM are operated by the supplier. In 2019, these costs were recorded, excluding operating costs, in other operating costs,
- costs of the Borrowers' Support Fund - creating a reserve in the first quarter of this year in the amount of PLN 3.0 million.

other material costs (increase by PLN 17.8 million), mainly related to the costs of advisory and consulting services (increase by PLN 6.0 million), as well as the costs of outsourcing services (increase by PLN 6.9 million) in relation to the projects implemented in the first quarter of 2020.

14. DEPRECIATION AND AMORTISATION

Depreciation and amortisation	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Property, plant and equipment	(57,859)	(54,238)
Intangible assets	(31,733)	(51,234)
Total depreciation and amortization	**(89,592)**	**(105,472)**

The total depreciation and amortization costs of the Group in the first quarter of 2020 amounted to PLN 89,592 thousand and were lower compared to the same period of the previous year by PLN 15,880 thousand. The decrease was mainly due to the realization of synergies as a result of the merger of the Bank with the Core Business of Raiffeisen Bank Polska S.A., partly offset by an increase in amortization from investments realized in 2018-2019.

Depreciation and amortization costs in the subsidiaries of the Capital Group remained at a comparable level YoY.

15. OTHER OPERATING INCOME

Other operating income	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Sale or liquidation of property, plant and equipment and intangible assets	117,193	7,411
Sale of goods and services	3,238	6,122
Release of provisions for litigation and claims and other liabilities	6	980
Recovery of debt collection costs	5,324	2,698
Recovered indemnities	689	958
Income from leasing operations	10,275	3,434
Other operating income	9,370	15,616
Total other operating income	**146,095**	**37,219**

Other operating income in the first quarter of 2020 amounted to PLN 146,095 thousand and was higher by PLN 108,876 thousand, i.e. by 292.5% compared to the previous year.

The comparison of revenues generated in the analyzed periods was primarily affected by the accounting treatment of the sale of the Bank's Head Office property at Kasprzaka Street in Warsaw. The total result on this operation was PLN 43,564 thousand (gross) and was presented as part of other operating income (in the line: Profit on the sale or liquidation of fixed assets or intangible assets, in the amount of PLN 110,848 thousand) and as part of other operating costs (in the line: Loss on sale or liquidation of fixed assets or intangible assets, in the amount of PLN 64,371 thousand and Other costs, in the amount of PLN 2,914 thousand).

Additionally, the level of other operating income in the first quarter of 2020 was positively affected by higher income from:

- lease activities by PLN 6,841 thousand, i.e. by 199,2%,
- recovered vindication costs by PLN 2,626 thousand, i.e. by 97,3%.

The amount of other operating income in the first quarter of 2020 was negatively affected by decrease of:

- other operating income by 6,246 thousand, i.e. by 40,0%,
- profit from the sale goods and services by PLN 2,884 thousand, i.e. by 47.1%.

16. OTHER OPERATING EXPENSES

Other operating expenses	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Loss on sale or liquidation of property, plant and equipment and intangible assets	(69,568)	(7,843)
Impairment allowances on other receivables	-	(575)
Provisions for restructuring of assets, litigation and claim and other liabilities	(17,026)	(528)
Debt collection	(10,848)	(9,386)
Donations made	(836)	(1,327)
Costs of leasing operations	(6,861)	(7,279)
Costs of compensations, penalties and fines	(1,563)	(162)
Other operating expenses	(15,460)	(4,123)
Total other operating expenses	**(122,162)**	**(31,223)**

Other operating expenses in the first quarter of 2020 amounted to PLN 122,162 thousand and were by PLN 90,939 thousand, i.e. by 291.3% higher compared to the same period last year, mainly due to:

- higher loss on sale or liquidation of fixed assets and intangible assets by PLN 61,725 thousand, i.e. by 787%, as a result of including in this line the amount of PLN 64,371 thousand being a part of settlement of the sale of Bank's Head Office property at Kasprzaka Street in Warsaw,
- higher expenses due to the creation of provisions for litigation and other liabilities by PLN 16,498 thousand, i.e. by 3,124.6% in relation to creation in the first quarter of 2020 of provisions for legal risk regarding CHF mortgage loans in the amount of PLN 11,329 thousand and provisions for legal risk related to the old legal case of the exBGŻ client related to option in the amount of PLN 9,418 thousand - partially offset by update of the provision for other liabilities by PLN -4,396 thousand.

In addition, the level of other operating costs in the first quarter of 2020 was influenced by:

- higher other operating costs by PLN 11,337 thousand, i.e. by 275.0% (this item included part of the settlement of the sale of the Bank's Head Office property at Kasprzaka Street in Warsaw in the amount of PLN 2,914 thousand),
- higher cost of debt collection by PLN 1,462 thousand, i.e. by 15.6%.

17. INCOME TAX EXPENSE

	1Q 2020 from 01.01.2020 to 3ok1.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Current income tax	(44,762)	(30,426)
Deferred income tax	(30,010)	(45,712)
Total income tax expense	**(74,772)**	**(76,138)**
Profit before income tax	189,853	237,739
Statutory tax rate	19%	19%
Income taxes on gross profit	**(38,135)**	**(45,170)**
Receivables written-off	(716)	(233)
Non-tax-deductible tangible costs/income	352	726
PFRON	(424)	(482)
Prudential fee to the Bank Guarantee Fund	(28,049)	(24,537)
Impairment allowance on receivables	(885)	1,389
Tax on financial institutions	(13,422)	(13,366)
Other differences	6,507	5,535
Total income / tax expense of the Group	**(74,772)**	**(76,138)**

18. CASH AND CASH BALANCES AT CENTRAL BANK

Cash and cash equivalents	31.03.2020	31.12.2019
Cash and other balances	3,138,181	2,566,518
Account in the National Bank of Poland	87,081	2,092,027
Gross cash and cash equivalents	**3,225,262**	**4,658,545**
Impairment allowances	(16)	(374)
Total cash and cash equivalents	**3,225,246**	**4,658,171**

Change of impairment allowances	3 months ended 31.03.2020	3 months ended 31.03.2019
Opening balance	**(374)**	**(112)**
Increases due to acquisition or origination	(14)	(4)
Decreases due to derecognition	38	-
Other changes (including foreign exchange differences)	334	-
Closing balance	**(16)**	**(116)**

During the day, the Group may use cash on statutory reserve accounts for current cash settlements based on an order placed at the National Bank of Poland. The Group has to ensure that the average monthly balance matches the declared statutory reserve amount.

The funds on the statutory reserve account bear interest. As at 31 March 2020 interest on statutory reserve accounts was 0.5% (0.5% as at 31 December 2019).

The balance of cash at Central Bank includes the statutory reserve maintained with the National Bank of Poland. The declared reserve level to be maintained since 31 March 2020 was PLN 2,985,600 thousand (as compared to PLN 2,973,849 thousand in December 2019).

The Group has to maintain the average monthly balance of cash above the declared statutory reserve level.

19. AMOUNTS DUE FROM BANKS

Amounts due from banks	31.03.2020			31.12.2019		
	Gross balance sheet value	Impairment allowance	Net balance sheet value	Gross balance sheet value	Impairment allowance	Net balance sheet value
Current accounts	542,978	(1,634)	541,344	262,329	(534)	261,795
Interbank deposits	46,486	-	46,486	296,479	(4)	296,475
Loans and advances	5,958	(23)	5,934	7,097	(27)	7,070
Other receivables	454,513	(1,272)	453,241	114,323	(355)	113,968
Total amounts due from banks	**1,049,934**	**(2,929)**	**1,047,005**	**680,227**	**(920)**	**679,307**

Change of impairment allowances on amount due from banks	3 months ended 31.03.2020	3 months ended 31.03.2019
Opening balance	**(920)**	**(1,261)**
Increases due to acquisition or origination	(3,530)	(8)
Decreases due to derecognition	1,816	695
Changes due to the change in credit risk (net)	(135)	(577)
Other changes (including foreign exchange differences)	(160)	(7)
Closing balance	**(2,929)**	**(1,158)**

20. DERIVATIVE FINANCIAL INSTRUMENTS

Trading derivatives (held for trading)	Nominal value	Fair value	
31.03.2020		Assets	Liabilities
Currency derivatives:			
Foreign Exchange Forward (FX Forward + NDF)	12,873,058	225,103	162,793
Currency Swap (FX Swap)	18,679,884	318,416	284,098
Currency Interest Rate Swaps (CIRS)	13,263,074	305,215	423,417
OTC currency options	2,992,161	91,917	58,921
Total currency derivatives:	**47,808,177**	**940,651**	**929,229**
Interest rate derivatives:			
Interest Rate Swap	37,925,413	647,622	600,121
Forward Rate Agreements (FRA)	6,050,000	2,962	12,515
OTC interest rate options	5,075,132	6,269	3,854
Total interest rate derivatives:	**49,050,545**	**656,853**	**616,490**
Other derivatives			
OTC commodity swaps	284,789	3,658	3,625
Currency Spot (FX Spot)	1,722,130	-	-
Total other derivatives:	**2,006,919**	**3,658**	**3,625**
Total trading derivatives:	**98,865,641**	**1,601,162**	**1,549,344**
including measured using models	98,865,641	1,601,162	1,549,344

Trading derivatives (held for trading)	Nominal value	Fair value	
31.12.2019		Assets	Liabilities
Currency derivatives:			
Foreign Exchange Forward (FX Forward + NDF)	12,776,533	90,807	174,184
Currency Swap (FX Swap)	18,483,784	189,130	115,288
Currency Interest Rate Swaps (CIRS)	12,004,222	133,287	164,022
OTC currency options	2,277,986	26,273	43,701
Total currency derivatives:	**45,542,525**	**439,497**	**497,195**
Interest rate derivatives:			
Interest Rate Swap	36,811,673	345,936	303,640
Forward Rate Agreements (FRA)	5,500,000	122	346
OTC interest rate options	4,569,927	10,332	9,479
Total interest rate derivatives:	**46,881,600**	**356,390**	**313,465**
Other derivatives			
OTC commodity swaps	221,292	4,999	4,977
Currency Spot (FX Spot)	2,450,189	-	-
Total other derivatives:	**2,671,481**	**4,999**	**4,977**
Total trading derivatives:	**95,095,606**	**800,886**	**815,637**
including measured using models	95,095,606	800,886	815,637

21. HEDGE ACCOUNTING

As at 31 December 2020, the Group used fair value hedge (**macro fair value hedge**).

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

IRS	Nominal value	Fair value	
		Assets	Liabilities
31.03.2020	8,075,183	481,474	-
31.12.2019	6,506,139	224,532	1,626

Presentation of result on the hedged and hedging transactions	The change in fair value of hedging instruments is recognized in the Result on hedge accounting. Interest on IRS transactions and current accounts is recognized in Interest income.

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

31.03.2020 PLN 479,657 thousand

31.12.2019 PLN 199,584 thousand

The tables below present derivative hedging instruments at their nominal value as at 31 March 2020 by residual maturity dates:

	31.03.2020							
Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	481,474	-	-	-	1,278,681	4,916,574	1,879,928	8,075,183
Hedging derivatives - total	**481,474**	**-**	**-**	**-**	**1,278,681**	**4,916,574**	**1,879,928**	**8,075,183**

	31.12.2019							
Hedging derivatives	Fair value		Nominal value					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	224,532	1,626	-	400,000	1,246,294	3,343,237	1,516,608	6,506,139
Hedging derivatives - total	**224,532**	**1,626**	**-**	**400,000**	**1,246,294**	**3,343,237**	**1,516,608**	**6,506,139**

Additionally, as at 31 March 2020, the Group applies fair value hedge accounting (**micro fair value hedge).**

Hedging relationship description	The hedges are used against interest rate risk, specifically changes in the fair value of fixed-rate assets and liabilities resulting from changes in a specific reference rate.
Hedged items	The hedged items are: Fixed rate bond PS0422 and the loan on fixed rate in EUR .
Hedging instruments	Hedging instruments are the standard IRS transactions, i.e. plain vanilla IRS, denominated in PLN and EUR, in which the Group receives a fixed interest rate and pays a floating rate based on WIBOR 6M and EURIBOR 1M.

IRS	Nominal value	Fair value	
		Assets	Liabilities
31.03.2020	1,351,680	-	55,349
31.12.2019	846,800	-	23,007

Presentation of result on the hedged and hedging transactions	The change in fair value of hedging transactions is recognized in the Result on hedge accounting. Interest on IRS transactions and hedged items is recognized in Interest income.

The below tables present derivative hedging instruments at their nominal value as at 31 March 2020 by residual maturity dates:

	31.03.2020							
Hedging derivatives	Fair value		Nominal					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	55,349	600	1,200	99,880	750,000	500,000	1,351,680
Hedging derivatives - total	**-**	**55,349**	**600**	**1,200**	**99,880**	**750,000**	**500,000**	**1,351,680**

	31.12.2019							
Hedging derivatives	Fair value		Nominal					
	positive	negative	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate agreements								
Swap (IRS)	-	23,007	561	1,122	95,117	750,000	-	846,800
Hedging derivatives - total	**-**	**23,007**	**561**	**1,122**	**95,117**	**750,000**	**-**	**846,800**

22. LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST

	31.03.2020			31.12.2019		
Loans and advances to customers measured at amortised cost	Gross balance sheet amount	Allowance	Net balance sheet amount	Gross balance sheet amount	Allowance	Net balance sheet amount
Loans and advances for:						
Non-banking financial entities	**545,517**	**(1,992)**	**543,525**	**576,521**	**(2,314)**	**574,207**
current account loans	262,030	(916)	261,114	275,915	(1,191)	274,724
investment loans	170,599	(537)	170,062	195,443	(614)	194,829
other loans	112,888	(539)	112,349	105,163	(509)	104,654
Retail customers:	**31,286,811**	**(1,278,537)**	**30,008,274**	**29,997,525**	**(1,158,392)**	**28,839,133**
mortgage loans	19,856,341	(350,723)	19,505,618	18,526,757	(301,880)	18,224,877
other loans	11,430,470	(927,814)	10,502,656	11,470,768	(856,512)	10,614,256
Corporate customers:	**42,454,778**	**(2,081,598)**	**40,373,180**	**40,365,447**	**(1,939,521)**	**38,425,926**
current account loans	22,044,034	(1,278,563)	20,765,471	20,395,569	(1,163,590)	19,231,979
investment loans	13,896,165	(582,091)	13,314,074	14,066,034	(571,781)	13,494,253
other loans	6,514,579	(220,944)	6,293,635	5,903,844	(204,150)	5,699,694
Including retail farmers:	**8,663,777**	**(419,348)**	**8,244,429**	**8,732,840**	**(408,748)**	**8,324,092**
current account loans	4,386,377	(212,196)	4,174,181	4,389,269	(206,874)	4,182,395
investment loans	4,258,827	(205,745)	4,053,082	4,328,560	(200,839)	4,127,721
other loans	18,573	(1,407)	17,166	15,011	(1,035)	13,976
Public sector institutions:	**126,430**	**(2,196)**	**124,234**	**129,915**	**(1,925)**	**127,990**
current account loans	93,331	(1,628)	91,703	93,583	(1,294)	92,289
investment loans	32,416	(560)	31,856	35,635	(623)	35,012
other loans	683	(8)	675	697	(8)	689
Lease receivables	**4,054,472**	**(125,730)**	**3,928,742**	**3,995,444**	**(126,057)**	**3,869,387**
Total loans and advances to customers measured at amortised cost	**78,468,008**	**(3,490,053)**	**74,977,955**	**75,064,852**	**(3,228,209)**	**71,836,643**

As at the end of March 2020, gross loans and advances to customers (a total of the portfolios measured at amortized cost and at fair value) amounted to PLN 80,467,835 thousand and increased by PLN 3,286,419 thousand, i.e. by 4.3% as compared to the data as at the end of December 2019 (increase by PLN 2,741,076 thousand YoY, i.e. by 3.5%)

The portfolio of gross loans and advances measured at amortized cost in the analyzed period amounted to PLN 78,468,008 thousand and increased by PLN 3,403,156 thousand, i.e. by 4.5%. (increase by PLN 3,156,276 thousand YoY, i.e. by 4.2%)

The structure of gross loans and advances measured at amortised cost

The value of gross loans and advances to retail customers amounted to PLN 31,286,811 thousand (increase by PLN 1,289,286 thousand, i.e. by 4.3% as compared to the end of 2019). Their share in the loan portfolio measured at amortized cost in the analyzed period was 39.9% and remained at a similar level as compared to the previous quarter. More than a half (63.5%) of the retail portfolio consists of mortgages, which amounted to PLN 19,856,341 thousand as at the end of March 2020. As regards the structure of mortgages, 73.6% of them are granted in PLN, while 26.4% are granted in CHF (the structure has not changed as compared to the end of December 2019).

The value of gross loans and advances portfolio to business customers (excluding individual farmers) amounted to PLN 33,791,001 thousand (increase by PLN 2,158,394 thousand, i.e. by 6.8% as compared to the end of 2019). Their share in the loan portfolio measured at amortized cost at the end of March 2020 was 43.1% and increased by 1 p.p. compared to previous quarter. Over half of the portfolio (52.3%) consists of current account loans.

The volume of loans granted to individual farmers at the end of the first quarter of 2020 amounted to PLN 8,663,777 thousand PLN, decrease of 0.8 p.p. as compared to December 2019.

The value of lease receivables amounted to PLN 4,054,472 thousand (increase by 1.5% as compared to the end of 2019). Their share in the loan portfolio measured at amortised cost in the analysed period was 5.2%.

The volume of loans granted to non-banking financial institutions and public sector institutions amounted to PLN 671,947 thousand and decreased by 4.9% as compared to December 2019.

The ratio of the exposure with identified impairment in the gross loan portfolio measured at amortized cost amounted to 5.7% as at the end of March 2020 and remained at similar level as compared to the end of 2019.

Loans and advances to customers by stages:

31.03.2020	Stage 1	Stage 2	Stage 3	Total	including POCI
Loans and advances for:	**66,980,063**	**6,995,049**	**4,492,896**	**78,468,008**	**444,262**
Non-banking financial entities	544,578	-	939	545,517	75
Retail customers	28,031,315	1,794,582	1,460,914	31,286,811	100,233
Corporate customers	34,936,680	4,691,252	2,826,846	42,454,778	343,913
including retail farmers	6,875,118	993,405	795,254	8,663,777	17
Public sector entities:	124,194	2,102	134	126,430	41
Lease receivables	3,343,296	507,113	204,063	4,054,472	-
Impairment allowance on loans and receivables for:	**(511,791)**	**(520,818)**	**(2,457,444)**	**(3,490,053)**	**(58,223)**
Non-banking financial entities	(1,581)	-	(411)	(1,992)	(21)
Retail customers	(199,910)	(220,122)	(858,505)	(1,278,537)	(12,816)
Corporate customers	(283,291)	(278,323)	(1,519,984)	(2,081,598)	(45,377)
including retail farmers	(33,461)	(75,034)	(310,853)	(419,348)	(5)
Public sector entities:	(2,039)	(67)	(90)	(2,196)	(9)
Lease receivables	(24,970)	(22,306)	(78,454)	(125,730)	-
Net loans and advances to customers measured at amortised cost	**66,468,272**	**6,474,231**	**2,035,452**	**74,977,955**	**386,039**

31.12.2019	Stage 1	Stage 2	Stage 3	Total	including POCI
Loans and advances for:	**63,874,173**	**6,910,703**	**4,279,976**	**75,064,852**	**442,061**
Non-banking financial entities	575,529	84	908	576,521	73
Retail customers	26,877,993	1,786,916	1,332,616	29,997,525	103,974
Corporate customers	33,009,871	4,606,005	2,749,571	40,365,447	337,974
including retail farmers	6,997,926	966,263	768,651	8,732,840	17
Public sector entities:	127,419	2,362	134	129,915	40
Lease receivables	3,283,361	515,336	196,747	3,995,444	-
Impairment allowance on loans and receivables for:	**(462,118)**	**(481,781)**	**(2,284,310)**	**(3,228,209)**	**(52,253)**
Non-banking financial entities	(1,907)	(10)	(397)	(2,314)	(21)
Retail customers	(185,466)	(206,902)	(766,024)	(1,158,392)	(11,089)
Corporate customers	(246,545)	(248,549)	(1,444,427)	(1,939,521)	(41,137)
including retail farmers	(34,731)	(77,123)	(296,894)	(408,748)	(4)
Public sector entities:	(1,756)	(82)	(87)	(1,925)	(6)
Lease receivables	(26,444)	(26,238)	(73,375)	(126,057)	-
Net loans and advances to customers measured at amortised cost	**63,412,055**	**6,428,922**	**1,995,666**	**71,836,643**	**389,808**

Impairment allowance for loans and advances measured at amortised cost:

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Balance at 01.01.2020	**(462,118)**	**(481,781)**	**(2,284,310)**	**(3,228,209)**
Increase due to acquisition or origination	(76,011)	(22,115)	(22,033)	(120,159)
Decrease due to derecognition	11,855	7,266	9,818	28,939
Changes resulting from the change in credit risk (net)	51,353	12,904	(140,098)	(75,841)
Use of allowances	-	-	5,375	5,375
Other changes (including foreign exchange differences)	(36,870)	(37,092)	(26,196)	(100,158)
Balance at 31.03.2020	**(511,791)**	**(520,818)**	**(2,457,444)**	**(3,490,053)**

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Balance at 01.01.2019	**(509,733)**	**(505,571)**	**(2,035,857)**	**(3,051,161)**
Increase due to acquisition or origination	(59,137)	(28,447)	(18,168)	(105,752)
Decrease due to derecognition	32,475	13,747	23,589	69,811
Net changes arising from changes in credit risk	68,728	(5,772)	(113,046)	(50,090)
Use of allowances	-	-	88,114	88,114
Other changes (including foreign exchange differences)	(42,577)	413	(9,595)	(51,759)
Balance at 31.03.2019	**(510,244)**	**(525,630)**	**(2,064,963)**	**(3,100,837)**

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

Loans by currency	31.03.2020	31.12.2019
CHF	5,186,368	4,839,915
EUR	50,288	49,088
PLN	14,616,763	13,634,997
USD	2,922	2,757
Total	**19,856,341**	**18,526,757**

Value of CHF loan portfolio:

	31.03.2020			
Value of CHF loan portfolio	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
Loans and advances for:				
Non-banking financial entities	**545,517**	**-**	**(1,992)**	**-**
current account loans	262,030	-	(916)	-
investment loans	170,599	-	(537)	-
other loans	112,888	-	(539)	-
Retail customers:	**31,286,811**	**5,247,839**	**(1,278,537)**	**(209,517)**
mortgage loans	19,856,341	5,186,368	(350,723)	(198,485)
other loans	11,430,470	61,471	(927,814)	(11,032)
Corporate customers:	**42,454,778**	**170,769**	**(2,081,598)**	**(9,551)**
current account loans	22,044,034	157,144	(1,278,563)	(6,254)
investment loans	13,896,165	11,576	(582,091)	(3,294)
other loans	6,514,579	2,049	(220,944)	(3)
Including retail farmers:	**8,663,777**	**3,627**	**(419,348)**	**(520)**
current account loans	4,386,377	3,488	(212,196)	(520)
investment loans	4,258,827	139	(205,745)	-
other loans	18,573	-	(1,407)	-
Public sector institutions:	**126,430**	**-**	**(2,196)**	**-**
current account loans	93,331	-	(1,628)	-
investment loans	32,416	-	(560)	-
other loans	683	-	(8)	-
Lease receivables	**4,054,472**	**44,282**	**(125,730)**	**(7,657)**
Total loans and advances	**78,468,008**	**5,462,890**	**(3,490,053)**	**(226,725)**

31.12.2019				
Value of CHF loan portfolio	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
Loans and advances for:				
Non-banking financial entities	**576,521**	**-**	**(2,314)**	**-**
current account loans	275,915	-	(1,191)	-
investment loans	195,443	-	(614)	-
other loans	105,163	-	(509)	-
Retail customers:	**29,997,525**	**4,898,041**	**(1,158,392)**	**(173,819)**
mortgage loans	18,526,757	4,839,915	(301,880)	(164,191)
other loans	11,470,768	58,126	(856,512)	(9,628)
Corporate customers:	**40,365,447**	**148,434**	**(1,939,521)**	**(8,532)**
current account loans	20,395,569	135,201	(1,163,590)	(5,542)
investment loans	14,066,034	11,096	(571,781)	(2,986)
other loans	5,903,844	2,137	(204,150)	(4)
Including retail farmers:	**8,732,840**	**3,447**	**(408,748)**	**(261)**
current account loans	4,389,269	3,306	(206,874)	(261)
investment loans	4,328,560	141	(200,839)	-
other loans	15,011	-	(1,035)	-
Public sector institutions:	**129,915**	**-**	**(1,925)**	**-**
current account loans	93,583	-	(1,294)	-
investment loans	35,635	-	(623)	-
other loans	697	-	(8)	-
Lease receivables	**3,995,444**	**42,710**	**(126,057)**	**(7,558)**
Total loans and advances	**75,064,852**	**5,089,185**	**(3,228,209)**	**(189,909)**

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

	31.03.2020	31.12.2019
Subsidised loans	1,807,680	1,974,396
Total loans and advances to customers measured at fair value through profit or loss	**1,807,680**	**1,974,396**

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

	Gross balance sheet value	Fair value
31.03.2020	1,999,827	1,807,680
31.12.2019	2,116,564	1,974,396

Subsidised loans at fair value	Stage 1	Stage 2	Stage 3	Total
31.03.2020	1,379,611	294,258	133,811	1,807,680
31.12.2019	1,505,517	322,161	146,718	1,974,396

24. SECURITIES MEASURED AT AMORTISED COST

	31.03.2020			31.12.2019		
Debt securities	Gross balance sheet amount	Allowance	Net balance sheet amount	Gross balance sheet amount	Allowance	Net balance sheet amount
issued by domestic banks – covered bonds	5,256	(62)	5,194	5,231	(64)	5,167
issued by domestic banks	28,106	(199)	27,907	28,194	(296)	27,898
issued by central governments – Treasury bonds	17,735,917	(74)	17,735,843	17,427,475	(72)	17,427,403
issued by non-financial entities – bonds	350,779	(13,444)	337,335	380,660	(21,691)	358,969
issued by local governments – municipal bonds	98,594	(393)	98,201	97,611	(403)	97,208
Total debt instruments measured at amortised cost	**18,218,652**	**(14,172)**	**18,204,480**	**17,939,171**	**(22,526)**	**17,916,645**

31.03.2020	Stage 1	Stage 2	Stage 3	Total	including POCI
Debt instruments	**18,005,301**	**14,472**	**198,879**	**18,218,652**	**194,724**
issued by domestic banks – covered bonds	5,256	-	-	5,256	-
issued by domestic banks	28,106	-	-	28,106	-
issued by central governments – Treasury bonds	17,735,917	-	-	17,735,917	-
issued by non-financial entities – bonds	137,428	14,472	198,879	350,779	194,724
issued by local governments – municipal bonds	98,594	-	-	98,594	-
Impairment allowances on securities	**(1,010)**	**(2,211)**	**(10,951)**	**(14,172)**	**(6,796)**
issued by domestic banks – covered bonds	(62)	-	-	(62)	-
issued by domestic banks	(199)	-	-	(199)	-
issued by central governments – Treasury bonds	(74)	-	-	(74)	-
issued by non-financial entities – bonds	(282)	(2,211)	(10,951)	(13,444)	(6,796)
issued by local governments – municipal bonds	(393)	-	-	(393)	-
Total net debt instruments measured at amortised cost	**18,004,291**	**12,261**	**187,928**	**18,204,480**	**187,928**

31.12.2019	Stage 1	Stage 2	Stage 3	Total	including POCI
Debt instruments	**17,706,009**	**24,487**	**208,675**	**17,939,171**	**204,520**
issued by domestic banks – covered bonds	5,231	-	-	5,231	-
issued by domestic banks	28,194	-	-	28,194	-
issued by central governments – Treasury bonds	17,427,475	-	-	17,427,475	-
issued by non-financial entities – bonds	147,498	24,487	208,675	380,660	204,520
issued by local governments – municipal bonds	97,611	-	-	97,611	-
Impairment allowances on securities	**(1,193)**	**(3,619)**	**(17,714)**	**(22,526)**	**(13,559)**
issued by domestic banks – covered bonds	(64)	-	-	(64)	-
issued by domestic banks	(296)	-	-	(296)	-
issued by central governments – Treasury bonds	(72)	-	-	(72)	-
issued by non-financial entities – bonds	(358)	(3,619)	(17,714)	(21,691)	(13,559)
issued by local governments – municipal bonds	(403)	-	-	(403)	-
Total net debt instruments measured at amortised cost	**17,704,816**	**20,868**	**190,961**	**17,916,645**	**190,961**

In accordance with the Bank Guarantee Fund (“BFG”) Act of 14 December 1994, as at 31 March 2020, BNP Paribas Bank Polska S.A. held Treasury bonds recognized in the statement of financial position in the amount of PLN 384,113 thousand (with the nominal value of PLN 385,000 thousand), securing the guaranteed funds under BFG (in 2019, in the amount of PLN 433,649 thousand, with the nominal value of PLN 440,000 thousand).

25. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments measured at fair value through profit or loss	31.03.2020	31.12.2019
	Balance sheet	
Bonds issued by non-financial entities	54,085	53,902
Bonds convertible to non-financial institutions' shares	47,638	24,191
Equity instruments	177,380	163,334
Units	38	327
Total financial instruments measured at amortised cost (fair value through profit or loss)	**279,141**	**241,754**

26. SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt securities	31.03.2020	31.12.2019
Bonds issued by banks	580,465	530,927
Treasury bonds issued by central governments	6,512,611	7,422,431
Securities measured at fair value through other comprehensive income	**7,093,076**	**7,953,358**

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

27. INTANGIBLE ASSETS

Intangible assets	31.03.2020	31.12.2019
Licenses	294,646	279,675
Other intangible assets	8,319	8,299
Expenditure on intangible assets	208,308	231,971
Total intangible assets	**511,272**	**519,945**

In the first quarter of 2020, the net balance sheet amount of intangible assets acquired by the Group was PLN 39,138 thousand (in the first quarter of 2019 it amounted to PLN 40,640 thousand), no components or intangible assets were sold or liquidated in this period (in the first quarter of 2019 - PLN 493 thousand).
The Group identifies impairment triggers for intangible assets not transferred to utilization yet, i.e. under development, on an ongoing basis. As at 31 March 2020 and 31 December 2019, the Group had no material contractual liabilities related to acquisition of intangible assets.

28. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	31.03.2020	31.12.2019
Fixed assets, including:	502,594	542,519
land and buildings	141,934	202,586
IT equipment	163,023	145,474
office equipment	44,147	41,593
other, including leasehold improvements	153,490	152,866
Fixed assets under construction	50,000	94,174
Right of use, including:	605,590	590,053
land and buildings	585,324	572,275
cars	16,612	13,487
IT equipment	3,491	4,104
other, including leasehold improvements	164	187
Total property, plant and equipment	**1,158,185**	**1,226,746**

In the first quarter of 2020, the net balance sheet amount of components acquired and recognized by the Group as leasing in property, plant and equipment was PLN 19,177 thousand (in the first quarter of 2019 it amounted to PLN 27,813 thousand), while the net balance sheet value of sold and liquidated components amounted to PLN 68,516 thousand (in the first quarter of 2019 it amounted to PLN 2,572 thousand).
As at 31 March 2020 and 31 December 2019, the Group had no material contractual liabilities related to acquisition of property, plant and equipment.

29. LEASES

Group as a lessee

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

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

The lease period of motor vehicles ranges from 1 to 5 years. The contracts contain extension options. In respect of vehicles the Group concludes also leaseback agreements.

The Group is a party to real estate lease agreements. The contracts are concluded for a definite period from 1 to 30 years and for an indefinite period. In the case of contracts for an indefinite period, the Group determines the lease period based on the notice period. The agreements provide for variable lease fees depending on the index [e.g. GUS, HICP].
The Group is a party to land lease agreements for an indefinite period, and the right of perpetual usufruct of land received for a period of 40 to 100 years. Lease payments are valorized in accordance with the Land Management Act.

	31.03.2020	31.03.2019
Lease expenses recognized in the statement of profit or loss	**(32,117)**	**(39,506)**
- interest on lease liabilities	(2,062)	(2,272)
- depreciation of right of use assets	(30,912)	(29,706)
- expenses related to short-term lease (recognized in general administrative expenses)	859	(7,528)

	31.03.2020	31.12.2019
Book value of liabilities due to discounted lease	638,211	602,192

30. OTHER ASSETS

Other assets:	31.03.2020	31.12.2019
Receivables from contracts with customers:		
sundry debtors	324,798	332,647
accrued income	113,599	116,651
payment card settlements	17,599	30,566
social insurance settlements	21,578	6,387
Other:		
interbank and intersystem settlements	93,666	288,740
deferred expenses	53,178	41,617
tax and other regulatory receivables	42,144	74,232
other lease receivables	12,923	34,738
Other	62,926	68,344
Total other assets (gross)	**742,410**	**993,922**
Impairment allowances on other receivables from sundry debtors	(112,709)	(109,077)
Total other assets (net)	**629,701**	**884,845**

31. AMOUNTS DUE TO BANKS

Amounts due to banks	31.03.2020	31.12.2019
Current accounts	732,877	593,160
Interbank deposits	100,002	-
Loans and advances received	3,759,631	3,682,321
Other liabilities	318,378	209,783
Total amounts due to banks	**4,910,888**	**4,485,264**

There were no breaches of contractual provisions and conventions related to the financial situation of the Bank and disclosure obligations in 2020 and 2019.

32. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers	31.03.2020	31.12.2019
NON-BANKING FINANCIAL INSTITUTIONS	**2,043,825**	**2,443,792**
Current accounts	533,662	375,256
Term deposits	1,510,143	2,068,517
Other liabilities	20	19
RETAIL CUSTOMERS	**42,553,700**	**42,350,458**
Current accounts	27,939,293	27,275,384
Term deposits	14,372,435	14,753,587
Other liabilities	241,972	321,487
CORPORATE CUSTOMERS	**41,233,932**	**40,338,786**
Current accounts	29,263,925	29,239,743
Term deposits	11,165,057	10,336,908
Other liabilities	804,950	762,135
INCLUDING FARMERS	**1,914,491**	**1,942,191**
Current accounts	1,792,647	1,827,333
Term deposits	108,317	105,709
Other liabilities	13,527	9,149
PUBLIC SECTOR CUSTOMERS	**1,095,649**	**1,001,948**
Current accounts	854,281	788,034
Term deposits	240,467	212,777
Other liabilities	901	1,137
Total amounts due to customers	**86,927,106**	**86,134,984**

As at the end of March 2020, amounts due to customers amounted to PLN 86,927,106 thousand increased by PLN 792,122 thousand, i.e. 0.9% compared to the end of 2019 (increase by PLN 1,004,160 thousand YoY, i.e. by 1.2%).

Structure of liabilities to customers - entities

The largest volume increase compared to the data at the end of December 2019 – by PLN 895,146 thousand - concerned liabilities to business entities (almost 93% is the increase concerned term deposits). The share of this segment in the structure of total amounts due to customers increased to 47.4% compared to 46.8% at the end of December 2019.

The individual customer deposits also increased by PLN 203,242 thousand, i.e. by 0.5% compared to the data as at to the end of December 2019 and amounted to PLN 42,553,700 thousand, Higher balances on current accounts (by PLN 663,909 thousand, i.e. by 2.4%) offset the decrease in the term deposits and other liabilities, by a total of PLN 460,667 thousand. At the same time, the share of individual customers in the structure of liabilities due to customers amounted to 49.0% and decreased by 0.2 p.p. compared to December 2019.

The volume of liabilities to budget sector institutions in the analysed period amounted to PLN 1,095,649 thousand (increase compared to December 2019 by PLN 93,701 thousand, i.e. by 9.4%).

The abovementioned increases offset a decrease in the volume of liabilities to the non-banking financial institutions by PLN 399,967 thousand.

Structure of liabilities to customers - products

The share of current accounts in the structure of liabilities due to customers at the end of March 2020 was 67.4% and increased by 0.4 p.p. compared to the data as at the end of 2019. Funds deposited in current accounts amounted to PLN 58,591,161 thousand and increased by PLN 912,744 thousand i.e. by 1.6%. The increase resulted from volume increase across all business segments, with the largest share of the increase in the volume of individual customers, which accounted for almost 73.0% of the increase).

The share of deposits in the structure of amounts due to customers in the analysed period amounted to 31.4% and decreased by 0.4 p.p. compared to the end of 2019. Deposits decreased by PLN 83,687 thousand, i.e. by 0.3% compared to December 2019 and reached the level of PLN 27,288,102 thousand. The decrease resulted mainly from decrease of deposits from non-banking financial entities and individual clients (a decrease in volume by PLN 558,374 thousand and PLN 381,152 thousand, respectively) was partially offset by an increase of PLN 828,149 thousand in term deposits of business entities and by increase of PLN 27,690 thousand in deposits from the budget sector.

The share of other liabilities in the structure of amounts due to customers was 1.2%, with a volume of 1,047,843 thousand.

33. DEBT SECURITIES ISSUED

	31.03.2020	31.12.2019
Debt securities issued	**1,919,545**	**2,179,052**

Debt securities issued	3 months ended 31.03.2020	3 months ended 31.03.2019
Opening balance	**2,179,052**	**2 179,424**
Purchase of debt securities issued	(259,954)	-
Change due to discount, interest, commissions and fees on deposit certificates settled according to ESP, exchange rate differences	447	186
Closing balance	**1,919,545**	**2,179,610**

In December 2017, special purpose vehicle issued bonds for a total amount of PLN 2,180,850 thousand with the maximum maturity date of 27 April 2032. The bonds are secured by loans and advances that are subject to securitization. The securitization transaction of the cash and car loans portfolio is described in note 41.

34. SUBORDINATED LIABILITIES

	3 months ended 31.03.2020	31.12.2019
Subordinated liabilities	**1,998,570**	**1,882,064**

Change in the balance of subordinated liabilities	3 months ended 31.03.2020	3 months ended 31.03.2019
Opening balance	**1,882,064**	**1,875,769**
Change on interest	927	(1,867)
Foreign exchange differences	115,580	5,465
Closing balance	**1,998,570**	**1,879,367**

35. OTHER LIABILITIES

Other liabilities	31.03.2020	31.12.2019
Liabilities due to contracts with customers		
Sundry creditors	161,692	214,377
Payment card settlements	71,523	104,886
Deferred income	101,177	114,931
Escrow account liabilities	10,021	9,830
Social insurance settlements	52,721	27,440
Other liabilities		
Interbank and intersystem settlements	490,010	480,839
Provisions for non-personnel expenses	422,204	341,305
Provisions for other employees-related liabilities	183,203	336,827
Provision for unused annual holidays	44,526	44,570
Other regulatory liabilities	129,705	64,183
Other lease liabilities	33,911	39,511
Other	61,938	114,715
Total other liabilities	**1,762,631**	**1,893,414**

36. PROVISIONS

	31.03.2020	31.12.2019
Provision for restructuring	77,091	113,076
Provision for retirement benefits and similar obligations	16,018	16,209
Provision for contingent financial liabilities and guarantees granted	225,231	233,179
Provisions for litigation and claims	180,196	166,073
Other provisions	8,875	2,524
Total provisions	**507,410**	**531,061**

Provisions for restructuring	3 months ended 31.03.2020	3 months ended 31.03.2019
Opening balance	**113,076**	**171,889**
Provisions recognition	-	280
Provisions utilization	(35,958)	(21,864)
Provision acquired as a result of merger	-	(687)
Other changes	(27)	5,364
Closing balance	**77,091**	**154,982**

Provision for retirement benefits and similar obligations	3 months ended 31.03.2020	3 months ended 31.03.2019
Opening balance	**16,209**	**14,703**
Provisions recognition	472	580
Provisions usage	(355)	-
Provisions release	(308)	(76)
Closing balance	**16,018**	**15,207**

Provisions for contingent financial liabilities and guarantees granted	3 months ended 31.03.2020	3 months ended 31.03.2019
Opening balance	**233,179**	**149,530**
Provisions recognition	239,105	85,394
Provisions release	(250,031)	(92,236)
Other changes	2,978	5,491
Closing balance	**225,231**	**148,179**

Provisions for litigation and claims	3 months ended 31.03.2020	3 months ended 31.03.2019
Opening balance	**166,073**	**62,156**
Provisions recognition	22,519	968
Provisions usage	(7,692)	(406)
Provisions release	(704)	(333)
Other changes	-	(1,345)
Closing balance	**180,196**	**61,040**

Other provisions	3 months ended 31.03.2020	3 months ended 31.03.2019
Opening balance	**2,524**	**39,134**
Provisions recognition	4	174
Provisions release	(25)	(361)
Other changes	6,372	(1,834)
Closing balance	**8,875**	**37,113**

37. CASH AND CASH EQUIVALENTS

For the purpose of preparation of the statement of cash flows, the balance of cash and cash equivalents comprises the following balances with maturity shorter than three months.

Cash and cash equivalents	31.03.2020	31.12.2019
Cash and balances at Central Bank (Note 18)	3,225,246	4,658,171
Current accounts of banks and other receivables	543,013	173,524
Interbank loans	14,581	-
Loans and advances	1,523	1,514
Total cash and cash equivalents	**3,784,363**	**4,833,209**

38. ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOWS

Cash flows from operating activities – other adjustments	3 months ended 31.03.2020	3 months ended 31.03.2019
FX differences from subordinated loans	115,580	5,465
IFRS 16 impact on assets	-	(596,492)
IFRS 16 impact on liabilities	-	610,497
Allowance for securities	(1,778)	(463)
Other adjustments	(54,364)	(43,898)
Cash flows from operating activities – total other adjustments	**62,995**	**(24,891)**

39. CONTINGENT LIABILITIES

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

Contingent liabilities	31.03.2020	31.12.2019
Contingent commitments granted	**31,649,213**	**31,087,503**
financial commitments	24,900,515	24,293,205
guarantees	6,748,698	6,794,298
Contingent commitments received	**20,695,811**	**21,443,112**
financial commitments	13,008,682	12,127,379
guarantees	7,687,129	9,315,733

40. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Based on the methods used to determine fair value, the Bank classifies particular assets and liabilities into the following categories:

Level 1

Assets and liabilities measured on the basis of market quotations available on active markets for identical instruments.

Level 2

Assets and liabilities measured using valuation techniques based on directly or indirectly observed market quotations or other information based on market quotations.

Level 3

Assets and liabilities measured using valuation techniques where input data is not based on observable market data.

The Bank periodically (at least quarterly) assigns individual assets and liabilities to particular levels of the fair value hierarchy. The basis for classification to particular levels of the valuation hierarchy is the input data used for the valuation, i.e. market quotes or other information. The lowest level of input data used for the valuation, having a significant impact on determining the fair value, determines the classification of an asset or liability to a particular hierarchy level.

If the input data is changed to data classified to another level, e.g. as a result of changes in the valuation methodology or changes in market data sources, the Bank transfers the asset or liability to the appropriate level of measurement in the reporting period in which the change occurred.

In the first quarter of 2020 the Bank did not make any changes in the method of fair value measurement that would result in the transfer of financial assets and liabilities between levels.

As at 31 March 2020, particular instruments were included in the following valuation levels:

1. the first level: Treasury bonds and bonds issued by European Investment Bank (fair value is determined directly by reference to published active market quotations);
2. the second level: interest rate options in EUR, USD and GBP, FX options, base interest rate and FX swaps maturing within 10 years, FRA maturing within 1 year, FX Forward, NDF and FX swaps maturing within 1 year, commodity swaps maturing within 1 year, interest rate swaps maturing within 10 years, structured instruments (fair value determined using measurement techniques which are based on available, verifiable market data);
3. the third level: interest rate options in PLN, FX options maturing over 1 year, FX Forward, NDF and FX swaps maturing over 1 year, base interest rate and FX swaps maturing over 10 years, commodity swaps maturing over 1 year, interest rate swaps with residual maturity exceeding 10 years, structured instruments (fair value determined using measurement techniques (models) which are not based on available, verifiable market data), derivatives for which significant Fair Value Correction or Credit Value Adjustment was created and corporate bonds other than CATALYST-listed ones, shares which are not listed on the WSE, subsidized loans (fair value determined using measurement techniques (models) which are not based on available, verifiable market data, i.e. in cases other than those described in 1 and 2).

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

31.03.2020	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**7,093,152**	**1,126,775**	**3,099,221**	**11,319,148**
Derivative financial instruments	-	904,230	696,932	1,601,162
Hedging instruments	-	222,545	258,929	481,474
Financial instruments measured at fair value through other comprehensive income	7,093,076	-	-	7,093,076
Financial instruments measured at fair value through profit or loss	38	-	279,103	279,141
Loans and advances to customers measured at fair value through profit or loss	-	-	1,807,680	1,807,680
Investment property	-	-	56,577	56,577
Liabilities measured at fair value:	**-**	**1,045,193**	**559,500**	**1,604,693**
Derivative financial instruments	-	1,006,765	542,579	1,549,344
Hedging instruments	-	38,428	16,921	55,349

31.12.2019	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**7,953,400**	**633,897**	**2,664,206**	**11,251,503**
Derivative financial instruments	-	500,072	300,814	800,886
Hedging instruments	-	133,540	90,992	224,532
Financial instruments measured at fair value through other comprehensive income	7,953,358	-	-	7,953,358
Financial instruments measured at fair value through profit or loss	42	285	241,427	241,754
Loans and advances to customers measured at fair value through profit or loss	-	-	1,974,396	1,974,396
Investment property	-	-	56,577	56,577
Liabilities measured at fair value:	**-**	**532,589**	**307,681**	**840,270**
Derivative financial instruments	-	509,582	306,055	815,637
Hedging instruments	-	23,007	1,626	24,633

In the case of some derivatives there was a change of valuation level from 3 to 2 due to reduction of time to maturity. Two of the transactions migrated from valuation level 2 to level 3 due to applied fair value adjustment for credit risk.

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

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

In the case of derivative financial instruments classified to level 3, the unobservable parameters are correlations between stock exchange indices, correlations between exchange rates and stock exchange indices and implied volatilities of shares listed on the WSE and the WIG20 index.

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

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

	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Investment properties	Derivative financial instrumen ts – liabilities	Hedging instruments - liabilities
Opening balance	**300,814**	**90,992**	**2,215,823**	**56,577**	**(306,055)**	**(1,626)**
Total gains/losses recognized in:	396,118	167,937	(49,979)	-	(236,524)	(15,295)
statement of profit or loss	396,118	167,937	(49,979)	-	(236,524)	(15,295)
Purchase	-	-	(84,056)	-		-
Transfer	-	-	4,995	-	-	-
Balance at 31.03.2020	**696,932**	**258,929**	**2,086,783**	**56,577**	**(542,579)**	**(16,921)**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period						
	396,118	**167,937**	**(49,979)**	**-**	**(236,579)**	**(15,295)**

	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Investment properties	Derivative financial instruments – liabilities
Opening balance	**122,860**	**58,093**	**2,562,471**	**55,868**	**(197,058)**
Total gains/losses recognized in:	39,357	22,783	(132,297)	-	69,658
statement of profit or loss	39,357	22,783	(132,297)	-	69,658
Purchase	-	-	5 000	-	-
Transfer	-	-	3 000	-	-
Balance at 31.03.2019	**162,824**	**80,876**	**2,438,174**	**55,868**	**(127,400)**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period					
	186,772	**22,783**	**(132,297)**	**-**	**366,468**

The Bank measures the fair value by discounting all contractual cash flows related to transactions, with the use of yield curves characteristic of each transaction group. Where no repayment schedule is agreed for a product, it is assumed that the fair value is equal to the carrying amount of the transaction.

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

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

The yield curve for fair value measurement of loans is constructed through classification of loans into sub-portfolios depending on the product type and currency as well as customer segmentation. A margin is determined for each sub-portfolio taking into account credit risk. The margin is determined by reference to margins used for each type of loan granted over the past six months. For foreign currency mortgage loans, the margin for the entire portfolio of a specific type of mortgage loans serves as the basis for determination of a margin reflecting credit risk as no new transactions are concluded. In the case of insufficient amount of loans, which makes it impossible to reliably determine the amount of margin, the average market margin for products of a given type was used.

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

31.03.2020	Book value	Fair value	Level
Financial assets			
Cash and balances at Central Bank	3,225,246	3,225,246	3
Amounts due from banks	1,047,005	989,299	3
Loans and advances to customers measured at amortised cost	74,977,955	74,561,855	3
Debt instruments measured at amortised cost	18,204,480	19,608,307	1,3
Other financial assets	357,854	357,854	3
Financial liabilities			
Amounts due to banks	4,910,888	4,913,865	3
Amounts due to customers	86,927,106	87,000,540	3
Subordinated liabilities	1,998,570	2,283,546	3
Lease liabilities	638,211	638,211	3
Other financial liabilities	819,878	819,878	3
Debt securities issued	1,919,545	1,919,545	3

31.12.2019	Book value	Fair value	Level
Financial assets			
Cash and balances at Central Bank	4,658,171	4,658,171	3
Amounts due from banks	679,308	669,149	3
Loans and advances to customers measured at amortised cost	71,836,643	71,336,848	3
Debt instruments measured at amortised cost	17,916,645	18,771,310	1,3
Other financial assets	584,001	584,001	3
Financial liabilities			
Amounts due to banks	4,485,264	4,483,168	3
Amounts due to customers	86,134,984	86,175,042	3
Subordinated liabilities	2,179,052	2,119,516	3
Lease liabilities	602,192	602,192	3
Other financial liabilities	876,883	876,883	3
Debt securities issued	2,179,052	2,179,052	3

a) Amounts due from banks and amounts due to banks

Amounts due from banks and amounts due to banks include interbank deposits and interbank settlements. The fair value of fixed and floating rate deposits/placements is based on discounted cash flows determined by reference to money market interest rates for items with similar credit risk and residual maturity.

b) Loans and advances to customers

The estimated fair value of loans and advances is the discounted value of future cash flows to be received, using the current market rates adjusted by actual or estimated margins earned over the past six months for each product group.

c) Liabilities due to subordinated loan

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

d) Liabilities due to customers

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

e) Debt securities issued

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

41. SECURITIZATION

Securitization

In December 2017, the Group performed a securitization transaction on the portfolio of cash and car loans. The transaction is a traditional securitization involving the transfer of ownership of the securitized receivables to SPV (BGŻ Poland ABS1 DAC based in Ireland). The revolving period was 24 months and ended in December 2019.

SPV issued bonds with a total value of PLN 2,180,850 thousand on the basis of securitized assets and received a loan of PLN 119,621 thousand, which was secured by a registered pledge on the rights to cash flows from securitized assets.

At the end of March 2020, the value of bonds and loan amounted in total to PLN 2.023.815 thousand.

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

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

In the light of the provisions of IFRS 9, the contractual terms of the securitization do not fulfil the conditions for derecognition of securitized assets. In connection with the above, the Bank recognizes securitized assets in "Loans and advances to customers" as at 31 March 2020 at net value of PLN 1,984,374 thousand.

The Group acts as a servicing entity in the transaction.

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

Balance sheet values and fair values of financial assets covered by securitization and related liabilities	Balance sheet amount		Fair value	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Assets	1,984,374	2,247,024	1,883,719	2,130,777
Liabilities	2,024,736	2,298,573	2,024,736	2,298,573

42. RELATED PARTY TRANSACTIONS

BNP Paribas Bank Polska S.A. operates within the BNP Paribas Bank Polska S.A. Group.

BNP Paribas Bank Polska S.A. is the parent in the BNP Paribas Bank Polska S.A. Group.

As at 31 March 2020, the Capital Group of BNP Paribas Bank Polska S.A. comprised BNP Paribas Bank Polska S.A. as the parent company, and its subsidiaries:

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

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

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

31.03.2020	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
Assets	**1,323,419**	**1,851**	**266,291**	**16**	**1,591,577**
Receivables on current accounts, loans and deposits	225,945	1,353	185,390	2	**412,690**
Derivative financial instruments	612,953	-	-	-	**612,953**
Hedging instruments	480,976	498	-	-	**481,474**
Other assets	3,545	-	80,901	15	**84,461**
Liabilities	**4,948,254**	**8,097**	**2,694,429**	**6,231**	**7,657,011**
Loans and advances received	1,871,404	-	1,677,200		**3,548,604**
Current accounts and deposits	367,396	8,097	741,822	6,231	**1,123,546**
Subordinated liabilities	1,724,869	-	273,701	-	**1,998,570**
Derivative financial instruments	929,236	-	-	-	**929,236**
Hedged instruments	55,349	-	-	-	**55,349**
Other liabilities	-	-	1,706	-	**1,706**
Contingent liabilities					
Financial commitments granted	-	-	193,578	58	**193,636**
Guarantee commitments	72,910	186,983	494,762	-	**754,655**
Commitments received	787,634	123,262	1,100,632	-	**2,011,528**
Derivative instruments (nominal value)	54,267,848	-	14,889	-	**54,282,737**
Hedging derivative instruments (nominal value)	9,413,206	13,657	-	-	**9,426,863**
Statement of profit or loss	**115,610**	**(10)**	**(16,567)**	**(6)**	**99,027**
3 months ended 31.03.2020					
Interest income	25	114	235	-	**374**
Interest expense	(22,712)	(59)	(4,941)	(6)	**(27,718)**
Fee and commission income	-	36	2,220	-	**2,256**
Fee and commission expense	(141)	-	(16)	-	**(157)**
Net trading income	143,515	(101)	(11)	-	**143,403**
Other operating income	-	-	2,834	-	**2,834**
General administrative expenses	(5,077)	-	(16,888)	-	**(21,965)**

31.12.2019	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
Assets	**696,243**	**5,646**	**375,015**	**33**	**1,076,937**
Receivables on current accounts, loans and deposits	120,910	4,650	270,198	3	**395,761**
Derivative financial instruments	351,629	100	11	-	**351,740**
Hedging instruments	223,640	893	-	-	**224,533**
Other assets	64	3	104,806	30	**104,903**
Liabilities	**4,243,670**	**10,846**	**2,445,000**	**5,738**	**6,705,254**
Loans and advances received	1,921,054	-	1,421,191	-	**3,342,245**
Current accounts and deposits	291,720	10,846	752,601	5,733	**1,060,900**
Subordinated liabilities	1,630,349	-	256,066	-	**1,886,415**
Derivative financial instruments	375,204	-	-	-	**375,204**
Hedged instruments	24,633	-	-	-	**24,633**
Other liabilities	710	-	15,142	5	**15,857**
Contingent liabilities					
Financial commitments granted	-	-	227,588	57	**227,645**
Guarantee commitments	72,215	187,480	600,158	-	**859,853**
Commitments received	2,152,316	123,415	1 132,726	-	**3,408,457**
Derivative instruments (nominal value)	50,735,912	227,067	132,014	-	**51,094,993**
Commitments received	7,340,164	12,776	-	-	**7,352,940**
Statement of profit or loss	**33,511**	**(916)**	**1,074**	**(9)**	**33,660**
3 months ended 31.03.2019					
Interest income	266	120	1,108	-	**1,494**
Interest expense	(334)	(40)	(1,838)	(9)	**(2,221)**
Fee and commission income	2	42	38	-	**82**
Fee and commission expense	(54)	-	(131)	-	**(185)**
Net trading income	36,571	(1,038)	(1,346)	-	**34,187**
Other operating income	5,247	-	6,077	-	**11,324**
Other operating expense	(4,357)	-	(2,375)	-	**(6,732)**
General administrative expenses	(3,830)	-	(459)	-	**(4,289)**

Remuneration of the Management Board and Supervisory Board:

Management Board	31.03.2020	31.03.2019
Short-term employee benefits	7,489	6,625
Long-term benefits	6,489	5,894
Share-based payments	1,624	1,178
Total	**15,602**	**13,697**

Supervisory Board	31.03.2020	31.03.2019
Short-term employee benefits	345	308
Total	**345**	**308**

43. CONSOLIDATED CAPITAL ADEQUACY RATIO

	31.03.2020	31.03.2019
Total equity	12,795,491	12,586,528
Total risk exposure	86,834,493	83,762,992
Total capital ratio	14.74%	15.03%
Tier 1 capital ratio	12.44%	12.78%

44. OPERATING SEGMENTS

Segment reporting

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

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

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

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

Description of operating segments

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

- entrepreneurs meeting the criterion of annual net revenues for the previous financial year below PLN 4 million preparing full financial reporting;
- entrepreneurs preparing simplified financial reporting;
- cooperatives and housing communities;
- non-profit organizations (e.g. foundations and associations);
- individual farmers whose credit exposure is below PLN 4 million and individual farmers whose credit exposure is in the range between PLN 3 million and PLN 4 million, if the collateral on arable lands covers at least 50% of credit exposure;

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

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

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

SME Banking provides services to:

- Agro clients preparing full financial reporting in relation to net sales revenues for the previous financial year between PLN 4 million and PLN 40 million and credit exposure of up to PLN 12 million, as well as agricultural producer groups and organizational units of the State Forests State Forest Holding, regardless of the amount of revenues and the level of involvement of the Group;
- non-Agro clients including companies preparing full financial reporting, with net sales revenues for the previous financial year between PLN 4 million and PLN 40 million and loan exposures not higher than PLN 12 million as well as public finance sector entities with a budget of up to PLN 100 million;
- individual farmers (i.e. economic entities conducting agricultural activity) preparing full financial reporting, with net revenues for the previous financial year in the range from PLN 0 to PLN 60 million and credit exposure not exceeding 25 million PLN, as well as individual farmers if their credit involvement is found in the range of PLN 4 million to PLN 25 million and between PLN 3 million and PLN 4 million if the collateral on arable lands covers at least 50% of credit exposure;

The SME sales network has been divided into 8 Regions with 51 SME Business Centres dedicated solely to provision of services to Small and Medium-Sized Enterprises.

Corporate Banking offers a wide variety of financial services to large and medium-sized enterprises as well as local government entities with annual turnover exceeding PLN 40 million or with the credit exposure above PLN 12 million, in addition to entities operating in multinational capital groups.

Clients of Corporate Banking are divided into:

- international clients (companies belonging to international capital groups through capital or personal connections);
- Polish corporations (or group of Polish related entities) with annual sales revenue between PLN 40 million and PLN 600 million (or between PLN 60 million and PLN 600 million in the case of business entities conducting agricultural activity) or with credit exposure greater or equal to PLN 12 million (or PLN 25 million for corporations operating in agriculture);
- large Polish corporations (with annual turnover over PLN 600 million, or listed on the stock exchange with potential in the area of investment banking services);
- public sector entities as well as financial and insurance institutions and international non-profit organizations.

Distribution network for Corporate Banking includes 9 Regional Corporate Banking Centres located in Warsaw (two), Łódź, Gdańsk, Poznań, Wrocław, Katowice, Kraków and Lublin. As part of the Regional Corporate Banking Centers, there are 25 Corporate Banking Centers located in the largest business centers in Poland, ensuring a wide geographical and sector coverage. After-sales service for the clients of the Corporate Banking segment is also carried out by the Telephone Business Service Center and in the online banking system.

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

The Corporate and Institutional Banking (CIB) Segment supports sales of products of the Group, dedicated to the largest Polish enterprises including services provided to key clients.

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

The ALM Treasury assumes responsibility for liquidity management at the Bank, setting internal and external reference prices, management of the interest rate risk inherent in the Group's statement of financial position as well as the operational and structural currency risk. The ALM Treasury focuses on both prudential (compliance with external and internal regulations) and optimization aspects (financing cost management and generating profit on management of the Group's items from the statement of financial position).

The **Other Operations** segment includes also direct costs of the support functions, which have been allocated to segments in the Expense allocation (internal) item, as well as results that may not be assigned to any of the aforementioned segments (to include equity investment, gains/losses on own accounts and customer accounts not allocated to a specific segment).

31.03.2020*	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss								
Net interest income	462,447	72,025	149,706	8,439	117,875	**810,492**	110,398	163,480
external interest income	525,063	83,930	173,571	17,820	227,316	**1,027,700**	170,745	238,914
external interest expenses	(97,003)	(13,854)	(34,811)	(34)	(71,506)	**(217,208)**	(12,955)	(12,064)
internal interest income	255,204	45,283	99,471	(75)	(399,884)	**(1)**	35,368	-
internal interest expenses	(220,817)	(43,334)	(88,525)	(9,272)	361,949	**1**	(82,760)	(63,370)
Net fee and commission income	106,406	23,166	65,661	15,261	(3,733)	**206,760**	37,282	25,344
Dividend income	-	-	1,979	-	-	**1,979**	-	(316)
Net trading income	24,871	20,847	66,376	49,299	25,793	**187,186**	12,670	922
Result on investment activities	(1)	-	-	-	(23,568)	**(23,569)**	-	-
Result on hedge accounting	-	-	-	-	(8,828)	**(8,828)**	-	-
Other operating income and expenses	(7,210)	(957)	(1,265)	-	33,364	**23,933**	(1,348)	1,932
Net impairment losses on financial assets and contingent liabilities	(140,002)	(20,875)	(37,939)	2,702	(2,206)	**(198,321)**	(8,300)	(57,509)
Total operating expenses	(335,092)	(48,058)	(101,058)	(18,643)	(146,695)	**(649,546)**	(4,224)	(89,373)
Depreciation and amortization	(24,105)	(962)	(4,706)	(1,142)	(58,678)	**(89,592)**	(107)	(3,468)
Expense allocation (internal)	(120,504)	(38,333)	(31,521)	(2,319)	192,678	**-**	-	(24,178)
Operating result	**(33,190)**	**6,853**	**107,233**	**53,597**	**126,002**	**260,494**	**146,371**	**16,834**
Tax on financial institutions	(36,437)	(8,045)	(21,391)	(1,589)	(3,179)	**(70,641)**	-	(9,953)
Profit before income tax	**(69,627)**	**(1,192)**	**85,842**	**52,008**	**122,823**	**189,853**	**146,371**	**6,881**
Income tax expense						**(74,772)**		
Net profit for the period						**115,081**		
Statement of financial position as at 31.03.2020								
Segment assets	43,703,807	7,997,337	23,906,448	1,668,765	34,767,584	**112,043,941**	15,415,783	10,498,635
Segment liabilities	54,035,043	10,625,341	25,698,830	-	10,402,370	**100,761,584**	8,032,932	-

*The financial data has been rounded and presented in PLN thousand, therefore in some cases the sum of the numbers may not correspond exactly to the total sum.

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

*The financial data has been rounded and presented in PLN thousand, therefore in some cases the sum of the numbers may not correspond exactly to the total sum.

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

As at 31 March 2020 the structure of the shareholders of BNP Paribas Bank Polska S.A., including those holding at least 5% of the total number of votes at the General Shareholders' Meeting was as follows:

Shareholder	Number of shares	Percentage interest in share capital	Number of votes at the general shareholders' meeting	Percentage share in the total number of votes at the general shareholders' meeting
BNP Paribas, total:	130,850,464	88.76%	130,850,464	88.76%
BNP Paribas directly	95,360,238	64.69%	95,360,238	64.69%
BNP Paribas Fortis SA/NV indirectly	35,490,226	24.07%	35,490,226	24.07%
Other shareholders	16,568,454	11.24%	16,568,454	11.24%
Total	**147,418,918**	**100.00%**	**147,418,918**	**100.00%**

In the first quarter of 2020, there were no changes in the shareholding structure of the Bank.
As at 31 March 2020, the Bank's share capital amounted to PLN 147,419 thousand.
The share capital is divided into 147,418,918 shares with the par value of PLN 1.00, including: 15,088,100 A series shares, 7,807,300 B series shares, 247,329 C series shares, 3,220,932 D series shares, 10,640,643 E series shares, 6,132,460 F series shares, 8,000,000 G series shares, 5,002,000 H series shares, 28,099,554 I series shares, 2,500,000 J series, 10,800,000 K series shares and 49,880,600 L series shares.

The Bank's shares are ordinary bearer and registered shares (as at 31 March 2020, there were 67,005,515 registered shares, including 4 shares from B series).
No special control rights are attached to the ordinary bearer shares.
Four B series registered shares in the Bank are preference shares with respect to payment of the full par value per share in the event of the Bank's liquidation, once the creditors' claims have been satisfied, with priority over payments per ordinary shares, which, after the rights attached to the preference shares have been exercised, may be insufficient to cover the total par value of those shares.

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

Holding of BNP Paribas Bank Polska shares by members of the Bank's Supervisory Board and members of the Bank's Management Board

As at 31 March 2020 and as at the date of submitting quarterly report, i.e. 13 May 2020:
- Przemysław Gdański - President of the Management Board - held 500 shares of BNP Paribas Bank Polska, which has changed (acquisition of shares) compared to the date of submitting the Report for 2019, i.e. 3 March 2020,
- other members of the Bank's Management Board and members of the Bank's Supervisory Board did not declare holding any shares in BNP Paribas Bank Polska S.A., which has not changed since the date of submitting the Report for 2019, i.e. 3 March 2020.

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

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

46. DIVIDEND PAID

The Group did not pay any dividends for 2019.

47. DISTRIBUTION OF RETAINED EARNINGS

In accordance with the request submitted by the Management Board to the Ordinary Shareholder's Meeting, it is planned to allocate the net profit for 2019 in the amount of PLN 628,696 thousand to reserve capital.

48. LITIGATION AND CLAIMS

Legal risk

As at 31 March 2020, there were no proceedings in the court, arbitration tribunal or state administration authorities regarding liabilities or receivables of the Bank, the value of which would exceed 10% of the Bank's equity.

Court decision regarding calculation of the interchange fee

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

The total fine levied on Bank BGŻ BNP Paribas (presently BNP Paribas Bank Polska) amounted to PLN 12.54 million and included: i) a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9.65 million; and ii) a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2.89 million. The penalty was paid by the Bank on 19 October 2015. The Bank prepared a last resort appeal against the aforesaid court decision and brought it on 25 April 2016. On 25 October 2017, the Supreme Court overruled the judgment of the Court of Appeal and remitted the case. Acquisition of the core business of RBPL did not change the situation of the Bank as RBPL was not a party to this claim.

Corporate claims against the Bank (interchange fee)

As at 31 March 2020 the Bank received:

- 32 requests for settlement from companies (merchants), due to interchange fees paid in relation to the use of payment cards, (three from companies which submitted their requests twice and one from a company which submitted two requests for different payment methods). The total amount of these claims was PLN 1,028.02 million, including PLN 1,018.05 million where the Bank had joint responsibility with other banks.
- 4 requests for mediation before the PFSA. The requests were sent to the Bank by the same entrepreneurs who had previously submitted requests for a settlement attempt. The total value of claims arising from the above applications amounts to PLN 40.29 million, of which PLN 37.79 million relates to joint liability with other banks.

Judgment of the Court of Justice of the European Union in Case C-260/18.

On October 3, 2019, the Court of Justice of the European Union (CJEU) issued a ruling in which it stated that 1) unfair contractual terms regarding exchange differences cannot be replaced by general provisions of Polish civil law; 2) if, after removing unfair terms, the nature and main subject of these contracts may change to the extent that they would no longer be indexed to a foreign currency while being subject to an interest rate based on the rate applicable to that currency, European Union law shall not prevent annulling these contracts. However, the Court of Justice did not examine the issue of abusiveness of index clauses and allowed the national court to supplement gaps in the contract caused by the removal of a provision found abusive by a provision of domestic law of a dispositional nature. It should be emphasised that the CJEU judgment concerns indexed loans, while the Bank's portfolio does not contain such loans. The Bank and its legal predecessors only concluded denominated loan agreements and currency contracts. Therefore, the judgment of the CJEU does not automatically apply to disputes brought by the Bank's clients, but it cannot be ruled out that it will affect the jurisprudence line also regarding other loans, as a consequence of which a full assessment of the effects of the CJEU judgment will be possible only after the jurisprudence of Polish courts has developed. Changing the case-law may have a potentially negative impact on the Bank, but the scale, due to many unknowns, is currently not possible to estimate reliably.

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

As at 31 December 2019, the Bank was a defendant in 243 court cases (51 new cases in 2020) including legally binding cases, clients brought a total of 258 actions against the Bank in which the Bank's clients demanded the annulment of mortgage loan agreements regarding foreign currency loans denominated in CHF, by determining that the Bank granted a loan in PLN without denomination to foreign currency, or compensation for the abuse of the subjective law by the Bank, including the principles of social coexistence, the fact of misleading the client, discontinuation of enforcement of the decision, as well as repayment of the spread. The Bank is not a party to any collective claim regarding these loans. The total value of claims pursued in the above cases as at 31 March 2020 amounts to PLN 72.35 million and for legally binding proceedings: PLN 30.66 million.

In 15 legally binding cases: 9 claims against the Bank have been dismissed; in 3 cases the proceedings were discontinued; in 1 case the court rejected the claim; in 1 case, despite the dismissal of the claim, the court's justification annulled the contract, in 1 case only the claim for an insured low contribution was awarded (in the remaining scope the court dismissed the claim).

The Bank continually creates provisions for pending court proceedings related to denominated or foreign currency loans, taking into account the current state of legally binding judgments in cases against the Bank and the emerging line of case law. In the first quarter of 2020, the Bank decided to create a reserve in the amount of PLN 11.33 million for the risk related to the CHF loan portfolio. The total value of provisions for proceedings related to CHF loans as at 31 March 2020 was PLN 43.44 million. The provision for pending cases is calculated on an individual basis, for future cases using the portfolio method. With the portfolio method, the Bank estimates the number of future lawsuits based on the number of certificates downloaded from the Bank by clients for trial purposes as well as the observed changes in new proceedings.

When calculating the expected loss on legal risk related to CHF loans, the Bank used simplifications resulting from the short horizon of available historical data and a relatively small number of cases ended with courts' rulings. The bank will monitor the number of downloaded certificates and the changing number of lawsuits and will update the provision estimate accordingly.
The Bank conducted a sensitivity analysis of the model used to estimate the number of future lawsuits. A change in the number of future lawsuits would have the following impact on the estimated loss due to legal risk related to CHF loans.

Parameter	Scenario	Impact on the Bank's loss due to legal risk
Number of lawsuits	20%	PLN 4,562 thousand
	-20%	PLN (4,562) thousand

Additionally, if 1% of customers with CHF loans filed a lawsuit against the Bank, the loss due to legal risk would increase by approx. PLN 8 million.

The Bank conducted a sensitivity analysis of the model used to estimate the number of lawsuits lost. A change in this estimate would have the following impact on the estimated loss due to legal risk related to CHF loans.

Parameter	Scenario	Impact on the Bank's loss due to legal risk
Percentage of cases lost	+5 p.p.	PLN 8 193 thousand
	-5 p.p.	PLN (8 193) thousand

At the same time, the Bank points to the fact that there is a significant discrepancy in both facts (in particular different contractual provisions and scope of information provided to the clients) as well as rulings passed in Poland regarding indexed, denominated and currency loans, which significantly impedes a precise estimation of risk. The Bank monitors the courts' rulings on an ongoing basis and will adjust the level of reserves to the emerging case-law.

49. RISK MANAGEMENT

The most important changes in the approach to credit risk management, basic measures of market risk, liquidity risk, country and counterparty risk as well as changes in the approach to operational risk management introduced as at the end of March 2020 are described below.

CREDIT RISK

Credit risk is inherent in the core financial operations of the Bank, the scope of which includes both lending and providing funding with the use of capital market products. Consequently, credit risk is identified as the risk with the highest potential to affect the present and future profits and equity of BNP Paribas Bank Polska S.A. The materiality of credit risk is confirmed by 73% share in the total economic capital estimated by the Bank for purposes of covering major risks involved in the Bank's operations, in addition to its 88% share in the total value of regulatory capital.

Credit risk management is primarily aimed at implementation of the Bank's strategy through a harmonious increase in the loan portfolio, accompanied by maintenance of the credit risk appetite at an acceptable level.

Credit risk management principles adopted by the Bank include:

- each credit transaction requires comprehensive credit risk assessment expressed in internal rating or scoring;
- in-depth and careful financial analysis serves as the basis for regarding the customer's financial information and collateral-related data as reliable; prudential analyses performed by the Bank always take into account a safety margin;
- as a rule, financing is provided to the customer based on its ability to generate cash flows that ensure payment of its liabilities to the Bank;
- credit risk assessment is additionally verified by credit risk assessment personnel, independent of the business;
- pricing terms of a credit transaction have to take account of the risk involved in such a transaction;
- credit risk is diversified on such dimensions as geographical regions, industries, products and customers;
- credit decisions may only be taken by competent employees;
- the Bank enters into credit transactions only with customers it knows, and long-term relationships are the basis for cooperation with customers;
- the customer and the transactions made with the customer are monitored transparently from the perspective of the customer, in a manner strengthening the relationship between the Bank and the customer.

Forbearance practices

The Bank treats its exposures as forborne if the obligor is provided with a forbearance due to economic reasons (financial difficulties), including any forbearance granted for exposures with identified impairment triggers. In case the forbearance is granted for a customer with a material economic loss, the Bank classifies such a customer as default.

A facility is understood as the occurrence of at least one of the following events:

- a change to the repayment schedule, especially extending the loan maturity date,
- cancellation of overdue amounts (e.g. capitalization of an overdue amount, which can be repaid at a later date),
- redemption of principal, interest or fees,
- consolidation of loans into one new product, if the amounts of payments of the consolidated loan are lower than the sum of payments of these loans separately before the consolidation occurred,
- decrease of the base interest rate or margin,
- originating a new loan to repay the existing debt,

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

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

A material economic loss is defined by the Bank as the drop of present value of expected cash flows, resulting from forbearance granted, equal or higher than 5%. The drop of the present value is calculated in accordance with the below formula:

$$\frac{NPV_0 - NPV_1}{NPV_0}$$

where:

NPV0 – the present value of expected cash flows (including interest and fees / commissions) prior to the introduction of changes in loan terms, discounted with the original effective interest rate,
NPV1 – the present value of expected cash flows (including interest and fees / commissions), after the introduction of changes in the loan terms, discounted using the original effective interest rate. In the case of consolidation of many loans for the original interest rate for the purpose of assessing the significance of economic loss, the average EIR weighted with the gross balance sheet exposure at the moment of granting the facility is assumed.

The "forborne" status is no longer assigned if the following conditions have been satisfied:

- exposure reclassified to performing portfolio as a result of the analysis of financial situation (in case of corporate portfolio), which proved that the customer does not meet the criteria for being classified to the impaired portfolio;
- the exposure has not been considered impaired for 24 months in a row;
- none of the exposures to the customer are past due by more than 30 days;
- the obligor has been making regular and considerable payments for at least a half of the trial period.

In connection with the outbreak of the COVID-19 pandemic, the Bank undertook a number of actions regarding, among others

  - the possibility for clients to request temporary postponement of principal and interest instalments on loans,
  - review of the loan portfolio with focus on industries, particularly affected by and sensitive to the consequences of the COVID 19 pandemic;

The Bank also actively participates in the works of the banking sector, regulators and organizers of government assistance addressed to entrepreneurs, has launched a number of solutions allowing customers to submit application to the Bank electronically and online as well as to use assistance programs related to the effects of a pandemic and has been conducting ongoing monitoring of the number of clients and credit exposures affected by the pandemic, including ongoing decisions on individual clients regarding the type and structure of client financing adequate to his current situation and government support programs.

The Bank started cooperation with BGK in relation to PLG-FGP liquidity guarantees offered to the Bank's clients, other liquidity guarantees and loan interest rate subsidy programs.

A simplified and electronic process of applying for postponement of principal and interest instalments on investment loans was introduced.

As a partner of the PFR program, the Bank provided its clients with technical possibilities to apply for funding from these programs using electronic banking.

The Bank is currently focusing on the use of available assistance programs for clients, on an ongoing basis examining clients' applications in this respect.

The Bank analyses the impact of amenities provided to clients (including in the form of moratoriums) on the practices applied in the area of IFRS 9. Launched guarantee programs will be the primary collateral for credit transactions, and therefore their recognition will be reflected in LGD parameters, both for non-performing exposures (Phase 3) as well as performing exposures (Phases 1 and 2). In the case of other forms of public aid (e.g. interest subsidies), the Bank expects that they will indirectly improve the loan repayment parameters (including the PD parameter), however at this moment it is not assumed that these forms of support will be directly included in PD parameters.

The above disclosure presents the Bank's position adopted as at the date of publication of these interim condensed financial statements, but it should be emphasized that both in the Bank and in the banking sector, there are ongoing analyses to develop target principles for recognizing the impact of COVID-19 on the calculation of impairment losses, therefore the abovementioned assumptions may change.

Country risk

As at 31 March 2020, foreign lending operations of the Bank represented 56% of the Bank's exposure towards countries, treasury transactions (including deposits and derivatives) accounted for 12%, while the remaining part, i.e. 32%, was related to international trade transactions (letters of credit and guarantees). Clients from France accounted for 24%, from Netherlands for 13%, Belgium and Luxembourg for 10% each, Switzerland for 8%, Czech Republic for 7% of the exposure. The remaining exposure was related to clients from Germany, Great Britain and Turkey.

COUNTERPARTY RISK

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

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

In connection with the COVID-19 pandemic, the Bank is observing increased volatility in market risk parameters, which results in an increase in counterparty risk exposure. The Bank assesses the counterparty risk on an on-going basis by reviewing the credit portfolio of customers with such risk. The Bank maintains the application of its basic principle "Know your customer". Due to the unique situation, customers are requested to provide information related to the change in business conditions in the context of the COVID-19 situation. In risk assessment, the Bank also takes into account the higher volatility of the abovementioned parameters during the concluded transactions period. So far, the Bank has not observed any significant changes in the counterparty risk materialization.

INTEREST RATE RISK IN BANKING PORTFOLIO

As part of interest rate risk management in the banking portfolio, the bank distinguishes structural elements consisting of interest-free current accounts and the Bank's capital as well as other commercial items. In terms of structural elements, the Bank secures a significant portion of long-term positions (bonds, interest rate exchange transactions). Regarding other commercial items, the Bank plans to reduce interest rate risk.

The utilization of interest rate limits in the first quarter of 2020 was at a low or moderate level. Due to the decrease in interest rates in PLN, the sensitivity of the Bank's interest income changed asymmetrically in various scenarios of interest rate changes (increase in sensitivity in the event of a decrease and no significant change in the event of an increase in interest rates).

Due to the the interest rate risk management in the banking portfolio, the impact of interest rate cuts on the Bank's result is at a relatively low level. According to the Bank's estimates, a decrease in the reference interest rate from 1.5% to 0.5% and an increase in the interest rate on the required reserve from 0.5% to 1.0% from 30 April 2020 will have a negative impact on the Bank's and the Group's net interest income for 2020 in the forecasted range from PLN 100 to PLN 130 million. The actual impact will depend on the yield curve and the ability to achieve business goals.

The outbreak of the COVID-19 epidemic did not fundamentally affect the method of managing the interest rate risk in the banking book.

MARKET RISK

The market risk exposure in the trading book in the first quarter of 2020 slightly increased as compared with the previous quarter and was, on average, 13% of VaR limit. The market risk mainly resulted from open interest rate position, with the average utilization of the VaR IR limit at 31%. In the case of currency risk, the risk was limited as compared to the previous quarter and its impact on the Bank's position decreased. Additionally, the Bank maintained a small open position in currency options.

As a result of market uncertainty, a temporary excess of the stop loss on the interest rate position occurred. The loss calculated as the result of the last 20 business days exceeded the limit of PLN 1 million between 16 March 2020 and 24 March 2020 and amounted to a maximum of PLN 2.7 million. Daily, minimum excess of the loss limit occurred also on the currency position (PLN 1.008 million with the limit of PLN 1 million). As a result of actions taken by the Financial Markets Department, including the reduction of the size of the open position, the Bank minimized losses. The total result for March was PLN (0.45) million on interest rate position and PLN 5 million on currency position.

LIQUIDITY RISK

In the period between January and March 2020, the Bank maintained the supervisory liquidity measures for the short and long term above regulatory limits and internal limits. LCR was at the level of 129% -149%.
The main sources of financing are liabilities to customers and equity. The medium and long-term credit lines received, including subordinated loans were less significant source of financing and come mainly from the BNP Paribas group.

After the outbreak of the COVID-19 epidemic, the Bank maintains a very stable situation in terms of liquidity. In March, the increase in deposits was higher than the increase in loans by PLN 940 million. The main source of financing remains funds obtained from non-banking customers and the balance of these funds is increasing.

OPERATIONAL RISK

The Bank's operational risk is defined in accordance with the requirements of the Polish Financial Supervision Authority specified in Recommendation M of the PFSA as the possibility of incurring a loss or an unreasonable cost through the fault of inappropriate or unreliable internal processes, people, technical systems or as a result of external factors. It comprises legal but not strategic risk. Operational risk as such is inherent in any banking operations.
Operational risk is managed with a view to reducing the losses and costs resulting from the aforesaid risk, ensuring top quality of the services provided by the Group in addition to security and compliance of the Group operations with the applicable laws and standards.

Procedures

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

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

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

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

Internal environment

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

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

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

Risk management

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

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

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

The operational risk profile is an assessment of the level of significance of this risk, understood as the scale and structure of operational risk exposures, determining the exposure levels to this risk (i.e. operational losses), expressed in the structural dimensions selected by the Bank and the scale dimensions. Periodic assessment and review of the Bank's operational risk profile is based on an analysis of the Bank's current risk parameters, changes and risks occurring in the Bank's environment, implementation of the business strategy, as well as the adequacy of the organizational structure and the effectiveness of the risk management and internal control system.

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

Internal control system

The purpose of internal control is effective risk control, including risk prevention or early detection. The role of the internal control system is to achieve general and specific objectives of the internal control system, which should be considered at the design stage of control mechanisms. The principles of the internal control system are described in the "Policy on internal control at BNP Paribas Bank Polska S.A." document, approved by the Bank's Management Board. This document describes the main principles, organizational framework and standards for the functioning of the control environment at the Bank, complying with the PFSA requirements provided in Recommendation H and the Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and the internal control system, the remuneration policy and the detailed method of estimating internal capital in banks. Detailed internal regulations concerning specific areas of the Bank's activity are adapted to the specifics of the Bank's operations. The appropriate organizational units of the Bank, in accordance with the scope of the tasks assigned to them, are responsible for developing detailed regulations relating to the area of internal control.

The internal control system at the Bank is based on the 3 defence lines model, which consists of:

- 1st defense line, which consists of organizational units from particular areas of banking and support areas,
- 2nd defense line, which consists of organizational units responsible for risk management, regardless of the risk management related to the first line defense, and the compliance unit,
- 3rd defense line, which is independent and objective internal audit unit.

The Bank ensures internal control through independent monitoring of compliance with control mechanisms, including on-going verification and testing.

Monitoring and reporting

The Bank periodically monitors the efficiency of the operational risk management system and its appropriateness for its current risk profile. The organization of the operational risk management system is reviewed as part of periodic control exercised by the Internal Audit Division, which is not directly involved in the operational risk management process but provides professional and unbiased opinions supporting achievement of the Bank's objectives. The operational risk management system is overseen, and its appropriateness and efficiency are assessed by the Supervisory Board.

Capital requirements due to operational risk

The Bank estimates its regulatory capital necessary to cover operational risk in accordance with the applicable regulations. The said calculation is performed using the standard approach (STA). Requirements regarding Bank's subsidiaries, to be disclosed in the consolidated financial statements, are determined in accordance with the base indicator method (BIA).

Subsidiaries

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

As part of operational risk management, the Bank conducts activities in the area of ongoing risk analysis related to the pandemic of the COVID-19 virus, and undertakes appropriate measures to ensure the safety of employees and clients of the Bank and to ensure uninterrupted implementation of processes related to the conducted business activities.

CAPITAL ADEQUACY

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

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

The capital ratios, capital requirements and equity have been calculated in accordance with the aforesaid Regulation with the use of national options.

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

On July 9, 2019, the Bank received a letter from the Polish Financial Supervision Authority stating the expiry of the PFSA's decision of 15 October 2018, on the basis of which PFSA recommended that the Bank should maintain its own funds to cover the additional capital requirement in order to hedge the risk arising from mortgage-secured foreign currency loans and loans to households at the level of 0.36 p.p. over the value of the total capital ratio, 0.27 p.p. over the value of Tier 1 capital ratio and 0.20 p.p. over the value of Common Equity Tier 1 capital ratio referred to in article 92 paragraph 1 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("Regulation No 575/2013").

On 19 March 2020, the Regulation of the Minister of Finance (Journal of Laws of 2020, item 473) of 18 March 2020 repealing the regulation on the systemic risk buffer came into force. The regulation repealed the Regulation of the Minister of Development and Finance of 1 September 2017 regarding the systemic risk buffer (Journal of Laws of 2017, item 1776), which pursuant to art. 1 paragraph 1 introduced the systemic risk buffer rate of 3% of the total risk exposure calculated in accordance with art. 92 paragraph 3 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on macro-prudential requirements for credit institutions and investment firms and amending Regulation No. 648/2012. (Official Journal of the EU L 176 of 27 June 2013, p. 1, as amended 2)), on a separate and consolidated basis.

The level of Tier I capital ratio (Tier I), both on separate and consolidated levels, and the total capital ratio (TCR) on a consolidated level, were above the requirements effective from financial year 2020.

At the same time, the Bank meets the legal requirements under the Act of 5 August 2015 on macro-prudential supervision of the financial system and crisis management in the financial sector.

31.03.2020	The minimum supervisory consolidated solvency ratios of the Group	Consolidated capital adequacy ratios of the Group
CET I	7.25%	12.44%
Tier I	8.75%	12.44%
Total Capital Ratio	10.75%	14.74%
31.03.2019		
CET I	10.45%	12.32%
Tier I	12.02%	12.32%
Total Capital Ratio	14.11%	14.57%

31.03.2020	The minimum supervisory separate solvency ratios of the Bank	Separate capital adequacy ratios of the Bank
CET I	7.25%	13.01%
Tier I	8.75%	13.01%
Total Capital Ratio	10.75%	15.40%
31.03.2019		
CET I	10.45%	12.66%
Tier I	12.02%	12.66%
Total Capital Ratio	14.11%	14.96%

As at 31 March 2020 the levels of Tier I both on separate and consolidated levels exceeded the regulatory requirements.

50. MANAGEMENT OF BNP PARBAS BANK POLSKA S.A.

Composition of the Bank's Supervisory Board as at 31 March 2020:

FULL NAME	OFFICE HELD IN THE SUPERVISORY BOARD OF THE BANK
Józef Wancer	Chairman of the Supervisory Board
Jarosław Bauc	Vice-Chairman of the Supervisory Board Independent Member of the Supervisory Board
Jean-Paul Sabet	Vice-Chairman of the Supervisory Board
Francois Benaroya	Member of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Magdalena Dziewguć	Independent Member of the Supervisory Board
Sofia Merlo	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Monika Nachyła	Member of the Supervisory Board
Stéphane Vermeire	Member of the Supervisory Board
Mariusz Warych	Independent Member of the Supervisory Board

Changes in the composition of the Supervisory Board in the period from 1 January to 31 March 2020:

- On 19 March 2020 Michel Falvert resigned from the position of Member of the Supervisory Board

Composition of the Bank's Management Board as at 31 March 2020

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

51. MAJOR EVENTS IN BNP PARIBAS BANK POLSKA S.A. IN THE FIRST QUARTER OF 2020

31.01.2020	**Extraordinary General Shareholders Meeting** • Adoption of a resolution on the introduction of an incentive program for persons having a material impact on the Bank's risk profile. • Adoption of a resolution authorizing the Management Board to purchase by the Bank its own shares and to create a reserve capital intended entirely for the purchase of own shares. • Adoption of a resolution on the issue of subscription warrants, a conditional increase in the share capital by issuing M series shares, depriving existing shareholders of the pre-emptive right to subscription warrants and pre-emptive rights to M series shares, amendments to the Statute and dematerialization and applying for admission of M series shares to trading on the regulated market. • Adoption of a resolution on the adoption of the uniform text of the Statute of BNP Paribas Bank Polska S.A.
6.02.2020	**PFSA approval of the inclusion of net profit for the third quarter of 2019 in the Common Equity Tier 1 capital - unitary in the amount of PLN 114,075,064.24 and consolidated (prudential consolidation) in the amount of PLN 110,903,651.00**
16.03.2020	**Minimum requirement for own funds and eligible liabilities (MREL) set for BNP Paribas Bank Polska S.A.** MREL requirement for the Bank was set at the sub-consolidated level at 16.001% of the total liabilities and own funds (TLOF), which corresponds to 20.866% of total risk exposure amount (TRE). This requirement should be met by 31 December 2022. Additionally, the BFG set mid-term MREL goals at the sub-consolidated level, which: - in relation to TLOF are: 12.363% at the end of 2020 and 14.182% at the end of 2021, and - in relation to TRE are: 16.122% at the end of 2020 and 18.494% at the end of 2021. The MREL requirement was determined based on consolidated balance sheet data as at 31 December 2018 and the value of required buffers as at 1 January 2019 and additional capital requirement of the PFSA as at 9 July 2019 (on 9 July 2019, the Bank was released from the obligation to maintain this requirement). According to the BFG statement of 26 March 2020, as a consequence of the abolition of the systemic risk buffer, the MREL requirements will be significantly reduced and the target deadline will be extended to 1 January 2024 (instead of 1 January 2023), as well as the deadline of the first binding mid-term goal until 1 January 2022 (instead of 1 January 2021).

All changes in the composition of the Bank's Management Board and the Bank's Supervisory Board that took place in the first quarter of 2020 were presented in Note 49 Management of BNP Paribas Bank Polska S.A.

52. THE MOST IMPORTANT ACTIONS TAKEN BY BNP PARIBAS BANK POLSKA IN CONNECTION WITH COVID-19 EPIDEMIC

Since mid-March 2020, the Bank undertakes actions aimed at ensuring continuity of service while ensuring the health of employees and customers, as well as the security of funds entrusted to the Bank.

WORK ORGANIZATION - PROTECTION OF EMPLOYEES AND CUSTOMERS

- enabling remote work on a massive scale if the nature of the work allows it; over 90% of employees of the Head Office work remotely, and people who appear in the office physically work in a rotational system.
- preparing online educational materials for children of employees
- remote recruitment process of new employees
- providing psychological telephone support
- webinars for employees in the field of organizing remote work
- offering trainings in the online version

- taking into considerations safety of employees and customers, the number of people working in branches was reduced, their opening hours were shortened, a dedicated service hours for seniors were introduced, the facilities were equipped with protective plexiglass, the departments were equipped with masks, gloves, disinfectants
- exclusion from the operation of selected branches, including cash points, due to employees' childcare leave; at the 8th of May only 4 branches of the Bank were closed (out of 507 in total), and no cash service was provided in 3 branches.

  Since the outbreak of the pandemic, an average of 99% of branches have been available to customers in accordance with appropriate security principles. Since May 11, customer service in the branches returned to standard hours.

CLIENT SUPPORT

RETAIL BANKING

- enabling individual clients to postpone the repayment of full principal and interest instalments by 3 months or principal instalments by 6 month
- possibility of remote document processing for new and existing customers
- remote account opening using the GOmobile application, thanks to confirming identity using video verification technology
- accepting documents submitted by registered mail or courier, as well as by scans
- possibility of launching a loan tranche remotely
- remote cash loan launch process - from the moment of application to signing the contract and launching the funds
- remote handling of instructions for cash loans, credit cards, and Allegro limits
- encouraging card and BLIK payments as well as Apple Pay and Google Pay
- facilitating safe parking and travel thanks to the GOmobile application (possibility of remote purchase of a city card and parking fee)

CORPORATE BANKING

- about PLN 10 billion for loan repayment guarantees under the BGK de minimis guarantee program and the Liquidity Guarantee Fund
- customer support under the anti-crisis program and the financial protection program of the Polish Development Fund (PFR)
- purchase by the Bank of PFR bonds worth PLN 1 billion
- enabling entrepreneurs to suspend the repayment of capital instalments for investment loans for 3 months
- individual approach to renewing credit lines for micro enterprises
- the ability to remotely submit applications and orders through the Business Service Center and Business Service Area
- the ability to remotely process documents for new and regular customers, including accepting documents submitted by registered mail or courier, as well as scans
- possibility of launching a loan tranche remotely
- organization of labor law webinars (including co-financing for employees' salaries) or a program of financial subsidies for companies

SOCIAL ACTIONS

- financing 2000 tests for SARS-CoV-2 as part of cooperation with Warsaw Genomics and Grupa Diagnostyka
- handing over 20,000 masks for healthcare
- fight against digital exclusion - purchase of 500 new laptops for students and transfer of 150 laptops no longer used at the Bank to schools and educational institutions
- support of '*Stowarzyszenie mali bracia Ubogich"* (donation transferred to Easter baskets for seniors)
- providing meals for doctors of the Wolski Hospital from the Bank's Paribar canteen

IMPACT ON FINANCIAL RESULTS

- net interest income: according to the Bank's estimates - published by the Bank on 2 April 2020 and 15 April 2020 (current reports 13/2020 and 15/2020) - the decision of the Monetary Policy Council of 17 March 2020 and 8 April 2020 to reduce the reference interest rate from 1.5% to 0.5% and the decision of the Monetary Policy Council of 17 March 2020 to increase the reserve requirement interest rate from 0.5% to 1.0% from 30 April 2020 this year, will have a total negative impact on the Bank's and the Group's net interest income for 2020 in the forecasted range from PLN 100 million to PLN 130 million. Additionally, it is anticipated that the reduction of interest rates made on 8 April 2020 may have a negative impact on the result on the loan portfolio measured at fair value through profit and loss in 2020. The actual impact will depend on the yield curve and the ability to achieve business goals. Both estimates and assumptions are subject to change.

- impairment losses on financial assets and provisions for contingent liabilities: taking into account the estimated and based on current knowledge, effects of the coronavirus pandemic, including weakening of the polish zloty and the Bank's expectations of the impact of a pandemic on the financial condition of the Bank's credit customers, will increase the impairment losses on financial assets and provisions for contingent liabilities in the first quarter of 2020 by PLN 70 million. As a consequence, the total level of risk costs in the first quarter of 2020 may be significantly higher than in the comparable period of the previous year.

IMPACT ON LIQUIDITY AND CAPITAL SITUATION

- The Bank continuously monitors and assesses the impact of the coronavirus epidemic on the Bank's liquidity and capital situation, which remains good. The decision of the Monetary Policy Council of 17 March 2020 to reduce the required reserve rate from 3.5% to 0.5% (which means that more funds are at the banks' disposal) and the decisions of the National Bank of Poland regarding the purchase of Treasury bonds, promissory note loan and repo operations (increasing banks' ability to manage current liquidity) had a positive impact on the banking sector liquidity.
- By the decision of the Minister of Finance, from 19 March 2020, the level of the systemic risk buffer was reduced from 3% to 0%. Consequentially, the minimum capital requirements for the Bank and the Group decreased to 10.75% for the Bank's total capital adequacy ratio (TCR) and to 8.75% for the Tier 1 capital ratio. As at 31 March 2020, the consolidated TCR amounted to 14.68%, and Tier 1: 12.39%.
- Minimum requirement for own funds and eligible liabilities (MREL) set for BNP Paribas Bank Polska S.A.

  MREL requirement for the Bank was set at the sub-consolidated level at 16.001% of the total liabilities and own funds (TLOF), which corresponds to 20.866% of total risk exposure amount (TRE). This requirement should be met by 31 December 2022.

  Additionally, the BFG set mid-term MREL goals at the sub-consolidated level, which: - in relation to TLOF are: 12.363% at the end of 2020 and 14.182% at the end of 2021, and - in relation to TRE are: 16.122% at the end of 2020 and 18.494% at the end of 2021. The MREL requirement was determined based on consolidated balance sheet data as at 31 December 2018 and the value of required buffers as at 1 January 2019 and additional capital requirement of the PFSA as at 9 July 2019 (on 9 July 2019, the Bank was released from the obligation to maintain this requirement).

  According to the BGF announcement on 26 March, 2020, as a consequence of the abolition of the systemic risk buffer, the MREL requirements will be significantly reduced and the target deadline for meeting the requirement will be extended to 1 January, 2024 (instead of 1 January, 2023), as well as meeting the first binding mid-term goal by 1 January 2022 (instead of 1 January 2021). Until the date of publication of this Report, the Bank has not received information on updated individual MREL requirements from the abolition of the systemic risk buffer. Bank is going to meet the defined MREL requirements as at 31/12/2020

Currently, the Bank is not able to accurately estimate the impact of a coronavirus epidemic. The development of the economic situation is and will depend on many factors, including the duration of the epidemic and introduced restrictions, the scope of business activity restrictions and potential additional supporting activities under economic and monetary policy undertaken by authorized Polish and/or European authorities. In the Bank's opinion, the deterioration of the outlook for global and domestic economic conditions may result in lower customer activity and reduced sales of banking products and consequentially reduced operating and financial result of the Bank and the Group. Currently, it is not possible to reliably estimate the impact of a coronavirus epidemic on asset quality and level of risk costs. The Bank's Management Board intends to actively adapt the Bank's policy and procedures to the changing economic conditions and plans activities aimed at limiting the impact of abovementioned factors on financial results.

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

The most important external factors, which in the Bank's opinion may affect the Group's results in subsequent periods include:

- **Coronavirus pandemic and risk of recession.** The spread of coronavirus in Europe is gradually slowing down. On the other hand, the number of deaths due to Covid-19 is rising faster, which currently is over 7.0%. At the beginning of the epidemic in Europe, a significant number of countries decided to close their borders. Isolation of society combined with disruptions in supply chains had a negative impact on global economic growth. According to the International Monetary Fund (IMF), the global economy will shrink by around 3% in 2020. In the euro area, the IMF forecasts a decrease of 7.5% in 2020 and an increase of 4.7% in 2021. IMF forecasts predict a 4.6% decrease in Poland's GDP this year, while in the following year an increase of 4.2%. The duration of the virus will be a key factor in determining the scale of the slowdown. At this stage, two alternative scenarios are assumed - the most likely in the shape of the letter "V" and "U". The V-shaped scenario provides for a rapid recovery and the economies are recovering in the third quarter of 2020. Meanwhile, the U-shaped scenario assumes a more negative and long-term impact of the virus, about 2-3 times more unfavourable than the Global Financial Crisis of

2008-2009. Economic activity will need a longer time to recover from shock, which is consistent with extended periods of restrictions and / or significant changes in consumer habits and global trade. However, other scenarios cannot be excluded, e.g. in the shape of the letters "L" and "W". In this scenario, the economies are not really improving and in 2021 economic growth will stagnate. In the case of the letter W, after the initial recovery, economic activity falls in the fourth quarter of 2020 or at the beginning of 2021 (e.g. due to a limiting impact of the virus). However, the good news is that some countries have already begun to ease their restrictions, which may somewhat ease the current scenarios for a decrease in GDP.

- **Actions taken by major central banks.** The fastest actions were taken by the American Federal Reserve, which already on 3 March 2020 at an unscheduled meeting reduced the interest rate by 50 bp, and then increased the repo operation to maintain the liquidity of the banking system. Three days before the Federal Open Market Committe (FOMC) meeting planned for 18 March 2020, FOMC again reduced interest rates, this time by 1 percentage point to 0.0-0.25%. However, FOMC stipulates in the guidelines that it will maintain this range until the economy "cope with the Covid 19 epidemic." Another USD 500 billion QE easing and USD 200 billion mortgage purchase were implemented. The European Central Bank, kept interest rates unchanged at the March meeting, while launching an aid package worth EUR 750 billion aimed at buying both government and corporate bonds. The Pandemic Asset Purchase Program is expected to last at least until the end of 2020, but with the stipulation that it will run until the ECB decides that the crisis phase of the coronavirus epidemic is over. In our view, central banks have acted as preventively as possible to support lending and liquidity as a result of the upcoming significant economic and financial burdens. This is also seen in the reaction of the stock indexes, which after the Fed's decision to start unlimited bond purchases began to increase dynamically.
- **Actions of Polish central institutions against the coronavirus epidemic.** Over the past two months, the Monetary Policy Council has taken significant steps to maintain liquidity in the banking sector and mitigate the effects of the coronavirus epidemic in the economy. First rate cut by 50 bp took place at the MPC technical meeting at 17th of March 2020. At that time, the Council also announced the commencement of its first ever asset purchase program. In addition, it expanded the scope of repo operations, lowered the required reserve rate from 3.5% to 0.5%, and also decided to increase the interest rate on funds held in the form of required reserves from 0.5% to the level of the NBP reference rate. At the next April meeting, the MPC decided again to lower the interest rate by 50 bp and maintain previously introduced liquidity instruments. At the same time, by the decision of the Minister of Finance, from 19 March 2020, the level of the systemic risk buffer was reduced from 3% to 0%. Selected supervisory responsibilities, including the implementation of Recommendation R have been postponed. Financial information shows that the Polish Financial Supervision Authority supports lowering the risk weights for foreign currency mortgage loans from 150% to 100%, which would free PLN 6 billion of sector's capital. The actions taken are aimed at loosening credit conditions in the economy and reducing the negative economic consequences of a pandemic, thus supporting the maintenance of macroeconomic and financial stability. They should also foster the revival of domestic economic activity after the current disruption is over. We do not expect inflationary pressure in the near future, as it should slow down as a result of decreased demand. Nevertheless, along with the economic growth, pressure on interest rate increases may come back.
- **Economic developments in Poland.** According to the latest available data, Poland's GDP in the fourth quarter increased by 3.2% slowing down from 3.9% in the previous quarter. In the last quarter, GDP growth continued to be based mainly on domestic demand and private consumption. The data available so far show that economic activity at the beginning of 2020 would be at a similar level like in 4th Quater of 2019, but as a result of a pandemic, the outlook for economic growth has changed drastically. Due to the epidemic and social distancing, we expect a slowdown in domestic demand, the main driver of Polish GDP growth. As a result of the limited activity of enterprises, the slowdown may also appear in private sector investments. Therefore, we expect GDP growth to slow down in the first quarter and will decrease in subsequent quarters. The available data on economic activity shows that in the first quarter GDP growth could amount to around 2.5% YoY. However, we expect its decline throughout 2020. In the update of the Convergence Program announced on April 29, the government assumes a decrease in real GDP by 3.4% throughout the year.
- **Situation on the domestic labour market.** In March the unemployment rate fell to 5.4% from 5.5% in February. The number of unemployed decreased by 11,000. Published data show that the March reduction of jobs in the enterprise sector was not reflected in the increase in the number of unemployed. In the coming months, the decline in economic activity will reduce employment, which may translate into an increase in the unemployment rate - according to the estimates of the Ministry of Finance, the registered unemployment rate in Poland will be over 7% at the end of 2020. However, according to the Ministry of Family, Labour and Social Policy, the unemployment rate may reach 10% at the end of this year. In the long term, the unemployment rate forecast is subject to high uncertainty and depends, i.a., on the length of the restrictions on economic activity in our country, how soon the recession will end with our major trading partners, and how fast the pace of recovery will be. In addition, professional activity will be affected by the extent to which companies use anti-crisis grants, such as assistance for micro-enterprises and self-employed, and the possibility of using remuneration for idle employees by entrepreneurs. The amounts of these measures are higher than unemployment benefits, which may limit the number of applications for unemployment benefits by self-employed people, at least in the near future. In addition, some companies may decide to maintain jobs expecting or improving the economic situation in the near future or considering the lack of qualified employees in recent years. This shortage may reappear when the effect of the virus on the economy begins to decline.

- **Changes in inflation.** Recent data show that inflation in April slowed down to 3.4% YoY from 4.6% YoY in March. Food prices have risen the most. Nevertheless, there have been many factors that have contributed to the lowering of CPI inflation growth in Poland, including a significant decrease in fuel prices. Service prices will gradually slow down due to the epidemic and economic blockade. Core inflation will weaken as wages and demand pressure decrease. Considering this, we expect CPI inflation to continue to fall in the coming months. The Convergence Program assumed that on average inflation would be 2.8% in 2020.
- **Potential increase in public finance imbalance.** After the central and local government deficit (ESA2010) decreased in 2018 to 0.2% of GDP, in 2019 it increased to 0.7%. A larger deficit was influenced by the package of legislative changes announced by the government, including an increase in spending on social benefits and a reduction in personal income tax. In 2020, the deficit as a result of fiscal stimulation will increase significantly. According to the updated Convergence Program, the deficit of the entire public finance sector will amount to 8.4% of GDP. The main reason for this increase in the deficit will be the implemented fiscal stimulation program called "Anti-crisis Shield", which aims to help entrepreneurs and maintain jobs. In our opinion, the potential effectiveness of the presented packages is high, but a lot will depend on the detailed solutions.
- **Potential increase in risk aversion in European financial markets.** At present, global growth prospects are significantly affected by the coronavirus epidemic. Despite the early action taken by central banks, the current risk aversion may increase with the impending economic slowdown.
- **Potential weakening of the polish zloty and exchange rate against key currencies**. Polish zloty as the currency of emerging markets is strongly influenced by external factors. In March and April the EUR/PLN rate increased to around 4.55 from 4.25-4.30 before the virus outbreak. If market aversion intensifies on the currency market, there will be a transfer of capital from high risk assets towards those considered low risk (e.g. dollar, yen, gold), which in turn may further weaken polish zloty. However, with the declining epidemic and the opening of the economy, polish zloty is likely to return to the trend of strengthening against the EUR.
- **Deterioration of the loan portfolio quality.** Freezing the economy as a result of a pandemic will directly translate into higher unemployment and will strongly affect the condition of companies. The total duration of the restrictions is not yet known. It is also impossible to determine precisely how resistant companies will be to these restrictions and how many of them will return to business in the future and on what scale. Certainly, these problems will be reflected in the deterioration of the quality of banks' loan portfolio. Higher rates of non-performing loans are expected in all product categories.
- **Demand for loans** will be determined by several opposing forces. On the one hand, appetite for investment property purchases should be suppressed. In addition, banks are already announced the tightening of lending policies, including mainly lowering the maximum LtV ratios. The general reduction in consumption will also limit the sale of unsecured loans, intended for e.g. holiday trips. On the other hand, low interest rates should encourage people who are not afraid of worsening their financial situation to take loans. On the corporate side, we can also expect a higher demand for liquidity or investment loans for companies' adapting to new market environment. Preliminary data available so far for March and April indicate a significant reduction in demand, especially among individual clients. This may be due to customers naturally withholding all important decisions in the growing pandemic stage. The slowdown may, however, be short-lived, which makes it difficult to estimate the demand for credit in subsequent quarters at this stage.
- **Stability of the deposit base at reduced interest rates.** At the current reference rate of 0.50%, banks' deposit offer may seem unattractive. Even moderate inflation will mean a real loss in the purchasing power of accumulated funds. This creates the risk of an outflow of deposits from the banking sector. However, its probability should be assessed as low. According to the NBP data for February 2020, 68% of household deposits (i.e. PLN 617 billion) are accumulated on current accounts, and thus, from the customer's point of view, are not long-term savings. This reduces the weight of interest and inflation in customer decisions. For people who save in the long run, the lack of a simple and safe investment alternative will be a factor influencing the outflow of deposits. The exception here are retail treasury bonds, which are becoming more and more popular. The average monthly sales in the first two months of the year amounted to PLN 2.4 billion and were 66% higher than the average from 2019.
- **Lowering the maximum loan cost limits.** In the previous term, Polish Parliament considered an anti-usury act directed mainly at companies offering so-called "Chwilówki". It was not adopted, but its main assumptions were reflected in the restrictions imposed along with the anti-crisis act. The regulations in force since the beginning of April limit the total interest and non-interest costs from 55% to 21% per annum for loans over 30 days. A 5% limit on total costs has been introduced for loans shorter than 30 days. The regulations will apply for one year. The loan market reacts dynamically, strongly reducing lending at the moment. Bankruptcy is expected in the industry and the number of companies reduced by 60% according to the most conservative estimates. Directly, this situation has limited impact on the banking sector so far. Indirectly, however, the possible insolvency of loan companies would mean no redemption of the bonds issued by them, which would serve as the primary source of financing. In the long run, the risk factor is the transfer of some borrowers to unregulated areas.
- **Postponing of repayment of principal and interest instalments .**The proposed postponement of repayment of principal and interest instalments over a period of three months or capital instalments over a period of six months is analysed by the

Bank in terms of the application of paragraph 5.4.3 of IFRS 9 regarding recognition of results on modifications of financial assets. In the Bank's opinion, the facilities granted may have a significant impact on the Group's results.

The Bank emphasizes that the dynamically changing situation and uncertainty concerning the real impact of the coronavirus epidemic on the economy and the environment may affect other significant factors that were not mentioned in this Report

54. SUBSEQUENT EVENTS

14.04.2020	**Information on the amount determined by the Bank Guarantee Fund (BFG) for BNP Paribas Bank Polska S.A. of annual contribution to the bank and resolution fund for 2020 in the amount of PLN 125.96 million.** In total, the BFG contributions booked by the Bank as costs of the first quarter of 2020 are PLN 147.63 million (i.e. the above-mentioned contribution and the bank guarantee fund contribution due in the first quarter of 2020 in the amount of PLN 21.67 million).
5.05.2020	**Decisions of the Polish Financial Supervision Authority on the consent for recognition of the 4Q 2019 net profit as a part of the Common Equity Tier 1 capital - stand-alone in the amount of PLN 107,290,717.58 and consolidated (prudential consolidation) in the amount of PLN 113,242,422.00**
5.05.2020	**The affirmation of the Bank's ratings and change of the rating's outlook to stable by Moody's Investors Service** The rating actions of Moody's reflect the deteriorating operating environment from the coronavirus outbreak in Poland with wide restrictions imposed by the authorities to contain the virus' spread and the associated significant implications for the country's economy and the limited upside potential for the Bank. The affirmation of the Bank's ratings reflects Moody's expectation of the resilience of the Bank's intrinsic financial strength against the background of a deteriorating operating environment. More specifically, Moody's affirmation of the Bank's ba1 Baseline Credit Assessment reflects – according to Moody's – its strengthened profitability particularly in terms of net interest margin, moderate asset risk, improved capitalization as well as its reduced reliance on market funding.

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Interest income	988,819	1,005,881
Interest income calculated with the use of effective interest rate method	932,974	951,204
interest income on financial instruments measured at amortised cost	883,412	885,346
interest income on financial instruments measured at fair value through other comprehensive income	49,562	64,568
Income of a similar nature to interest on instruments measured at fair value through profit or loss	55,845	55,967
Interest expense	(192,713)	(247,064)
Net interest income	**796,106**	**758,817**
Fee and commission income	251,285	245,250
Fee and commission expense	(54,546)	(46,634)
Net fee and commission income	**196,739**	**198,616**
Dividend income	15,009	208
Net trading income	186,825	167,556
Result on investment activities	(27,618)	(7,638)
Result on fair value hedge accounting	(8,828)	1,926
Net impairment losses on financial assets and contingent liabilities	(196,797)	(86,382)
General administrative expenses	(628,489)	(618,612)
Depreciation and amortization	(89,119)	(105,035)
Other operating income	141,931	34,158
Other operating expenses	(122,202)	(33,859)
Operating result	**263,557**	**309,755**
Tax on financial institutions	(70,641)	(70,345)
Profit before tax	**192,916**	**239,410**
Income tax expenses	(74,795)	(76,052)
Net profit	**118,121**	**163,358**
attributable to equity holders of the Group	118,121	163,358
Earnings (loss) per share (in PLN per one share)		
Basic	0.80	1.11
Diluted	0.80	1.11

Interim condensed separate statement on comprehensive income

	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Net profit for the period	**118,121**	**163,358**
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**7,704**	**(35,990)**
Measurement of financial assets measured at fair value through other comprehensive income	9,511	(42,633)
Deferred income tax	(1,807)	6,643
Items that will not be reclassified to profit or loss	**250**	**(112)**
Actuary valuation of employee benefits	308	(137)
Deferred income tax	(59)	25
Other comprehensive income (net)	**7,954**	**(36,102)**
Total comprehensive income	**126,074**	**127,256**
attributable to equity holders of the group	126,074	127,256

Interim condensed separate statement on financial position

ASSETS	31.03.2020	31.12.2019
Cash and balances at Central Bank	3,225,226	4,658,142
Amounts due from banks	840,966	526,595
Derivative financial instruments	1,601,162	800,886
Adjustment of hedging item fair value	481,474	228,120
Loans and advances to customers measured at amortised cost	71,641,997	68,651,562
Loans and advances to customers measured at fair value through profit or loss	1,807,680	1,974,396
Securities measured at amortised cost	18,204,480	17,916,645
Financial instruments measured at fair value through profit or loss	279,103	241,427
Securities measured at fair value through other comprehensive income	7,093,076	7,953,358
Investments in subsidiaries	148,462	152,512
Intangible assets	510,429	519,124
Property, plant and equipment	1,146,670	1,214,434
Deferred tax assets	810,219	844,049
Other assets	701,179	910,880
Total assets	**108,492,123**	**106,592,130**
LIABILITIES	31.03.2020	31.12.2019
Amounts due to banks	1,251,474	1,018,776
Derivative financial instruments	1,549,344	815,637
Adjustment of hedging and hedged item fair value	535,006	224,218
Amounts due to customers	88,967,316	88,445,327
Subordinated liabilities	1,998,570	1,882,064
Lease liabilities	637,892	601,157
Other liabilities	1,730,913	1,852,051
Current tax liabilities	4,295	38,061
Provisions	506,936	530,537
Total liabilities	**97,181,746**	**95,407,828**
EQUITY		
Share capital	147,419	147,419
Supplementary capital	9,110,976	9,110,976
Other reserve capital	1,572,757	1,572,757
Revaluation reserve	133,194	125,240
Retained earnings	346,031	227,910
retained profit	227,910	(400,786)
net profit for the period	118,121	628,696
Total equity	**11,310,377**	**11,184,302**
Total liabilities and equity	**108,492,123**	**106,592,130**

Interim condensed separate statement of changes in equity

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2020 (data approved)	**147,419**	**9,110,976**	**1,572,757**	**125,240**	**(400,786)**	**628,696**	**11,184,302**
Total comprehensive income for the period	**-**	**-**	**-**	**7,954**	**628,696**	**(510,575)**	**126,074**
Net profit for the period	-	-	-	-	-	118,121	118,121
Other comprehensive income for the period	-	-	-	7,954	628,696	(628,696)	7,954
Distribution of retained earnings	-	-	-	**-**	**-**	**-**	**-**
Balance as at 31 March 2020	**147,419**	**9,110,976**	**1,572,757**	**133,194**	**227,910**	**118,121**	**11,310,377**

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2019 (data approved)	**147,419**	**9,111,033**	**1,208,018**	**141,139**	**(400,786)**	**364,739**	**10,571,562**
Total comprehensive income for the period	-	-	-	**(15,899)**	-	**628,696**	**612,797**
Net profit for the period	-	-	-	-	-	628,696	628,696
Other comprehensive income for the period	-	-	-	(15,899)	-	-	(15,899)
Distribution of retained earnings	-	**-**	**364,739**	**-**	**-**	**(364,739)**	**-**
Distribution of retained earnings intended for capital	-	-	364,739	-	-	(364,739)	**-**
Share issue costs	**-**	(57)	**-**	**-**	**-**	**-**	(57)
Balance as at 31 December 2019	**147,419**	**9,110,976**	**1,572,757**	**125,240**	**(400,786)**	**628,696**	**11,184,302**

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

Interim condensed separate statement on cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Net profit (loss)		**118,121**	**163,358**
Adjustments for:		**(2,093,237)**	**(1,861,410)**
Income tax expenses		74,795	76,051
Depreciation and amortization		89,119	105,035
Dividend income		(15,009)	(208)
Interest income		(988,819)	(1,005,881)
Interest expense		192,713	247,064
Change in provisions		(23,292)	(5,827)
Change in amounts due from banks		(71,315)	100,977
Change in assets due to derivative financial instruments		(1,053,630)	(70,264)
Change in loans and advances to customers measured at amortised cost		(2,893,359)	(1,180,128)
Change in loans and advances to customers measured at fair value through profit or loss		166,716	132,604
Change in amounts due to banks		232,715	121,954
Change in liabilities related to derivative financial instruments		1,044,495	57,986
Change in amounts due to customers		522,096	(1,358,170)
Change in other assets and receivables due to current income tax		157,408	6,463
Change in other liabilities and provisions due to deferred tax		(121,196)	150,488
Other adjustments		49,595	17,007
Interest received		736,817	943,620
Interest paid		(191,912)	(194,840)
Lease payments with reference to short-term leases not included in the lease liability measurement		(1,174)	(5,341)
Net cash flows from operating activities		**(1,975,117)**	**(1,698,052)**

CASH FLOWS FROM INVESTING ACTIVITIES:	1Q 2020 from 01.01.2020 to 31.03.2020	1Q 2019 from 01.01.2019 to 31.03.2019
Investing activities inflows	**6,048,367**	**6,151,852**
Sale of debt security	5,918,621	6,148,787
Sale of intangible assets and property, plant and equipment	114,737	3,065
Dividends received and other investment inflows	15,009	-
Investing activities outflows	**(5,231,250)**	**(4,638,002)**
Purchase of debt securities	(5,172,934)	(4,554,549)
Purchase of intangible assets and property, plant and equipment	(58,316)	(68,453)
Other investment expenses	-	(15,000)
Net cash flows from investing activities	**817,117**	**1,513,850**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing activities inflows	**-**	**-**
Financing activities outflows	**(32,269)**	**(34,983)**
Repayment of long-term loans and advances received	-	(14,809)
Repayment of lease liability	(32,269)	(20,174)
Net cash flows from financing activities	**(32,269)**	**(34,983)**
TOTAL NET CASH AND CASH EQUIVALENTS	**(1,190,269)**	**(219,185)**
Cash and cash equivalents at the beginning of the period	**4,800,477**	**3,374,744**
Cash and cash equivalents at the end of the period, including:	**3,610,209**	**3,155,559**

EXPLANATORY NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

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

The interim condensed separate financial statements for the first quarter ended 31 March 2020 were prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), as adopted by the European Union as well as in accordance with other applicable regulations.

The interim condensed separate financial statements do not include all information and disclosures required for the annual financial statements, and therefore should be read in conjunction with the Interim condensed consolidated financial statements for the first quarter of 2020 and with the Separate financial statements of the Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2019, which was approved by the Management Board of the Bank on 2 March 2020.

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

The following significant events regarding the interim condensed separate financial statements for the first quarter of 2020 were described in the interim condensed consolidated financial statements for the first quarter of 2020:

- The most important actions taken by BNP Paribas Bank Polska SA in connection with the COVID-19 pandemic in Note 52,
- Factors which, according to the Bank, will affect the Bank's performance within at least the next quarter in Note 51,
- Subsequent events in Note 54.

2. RELATED PARTY TRANSACTIONS

BNP Paribas Bank Polska S.A. is a member of the BNP Paribas Bank Polska S.A. Capital Group

BNP Paribas Bank Polska S.A. is the parent company of the BNP Paribas Bank Polska S.A. Capital Group

As at 31 March 2020 the Capital Group of BNP Paribas Bank Polska S.A. comprised BNP Paribas Bank Polska S.A. as the parent company and its subsidiaries:

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

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

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

31.03.2020	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
Assets	**1,323,419**	**1,851**	**261,994**	**16**	**8,849**	**1,596,129**
Receivables on current accounts, loans and deposits	225,945	1,353	185,390	2	5,486	**418,176**
Derivative financial instruments	612,953	-	-	-	-	**612,953**
Hedging instruments	480,976	498	-	-	-	**481,474**
Other assets	3,545	-	76,604	15	3,363	**83,527**
Liabilities	**3,076,850**	**8,097**	**1,016,460**	**6,231**	**130,323**	**4,237,961**
Current accounts and deposits	367,396	8,097	741,822	6,231	129,391	**1,252,937**
Subordinated liabilities	1,729,250	-	378,926	-	-	**1,998,570**
Derivative financial instruments	929,236	-	-	-	-	**929,236**
Hedged instruments	55,349	-	-	-	-	**55,349**
Other liabilities	-	-	937	-	932	**1,869**
Contingent liabilities						
Financial commitments granted	-	-	193,578	58	41,444	**235,080**
Guarantees granted	72,910	186,983	494,762	-	-	**754,655**
Commitments received	787,634	123,262	1,100,632	-	-	**2,011,528**
Derivative financial instruments (nominal value)	54,267,848	-	14,889	-	-	**54,282,737**
Derivatives (nominal value)	9,413,206	13,657	-	-	-	**9,426,863**
Statement of profit or loss	**129,133**	**(10)**	**(4,829)**	**(6)**	**1,343**	**125,631**
3 months ended 31.03.2020						
Interest income	25	114	235	-	12	**386**
Interest expense	(9,189)	(59)	(1,588)	(6)	(125)	**(10,967)**
Fee and commission income	-	36	2,220		18	**2,274**
Fee and commission expense	(141)	-	(16)	-	(1,145)	**(1,302)**
Net trading income	143,515	(101)	(11)	-	-	**143,403**
Other operating income	-	-	-	-	4,834	**4,834**
General administrative expenses	(5,077)	-	(5,669)	-	(2,251)	**(12,997)**

31.12.2019	BNP Paribas Paris	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
Assets	**696,243**	**5,646**	**370,931**	**33**	**9,480**	**1,082,333**
Receivables on current accounts, loans and deposits	120,910	4,650	270,198	3	8,513	**404,274**
Derivative financial instruments	351,629	100	11	-	-	**351,740**
Hedging instruments	223,640	893	-	-	-	**224,533**
Other assets	64	3	100,722	30	967	**101,786**
Liabilities	**2,322,616**	**10,846**	**1,023,066**	**5,738**	**130,404**	**3,492,670**
Current accounts, deposits	291,720	10,846	752,601	5,733	128,198	**1,189,098**
Subordinated liabilities	1,630,349	-	256,066	-	-	**1,886,415**
Derivative financial instruments	375,204	-	-	-	-	**375,204**
Hedged instruments	24,633	-	-	-	-	**24,633**
Other liabilities	710	-	14,399	5	2,206	**17,320**
Contingent liabilities						
Financial commitments granted	-	-	227,588	57	31,541	**259,186**
Guarantees granted	72,215	187,480	600,158	-	-	**859,853**
Commitments received	2,152,316	123,415	1,132,726	-	-	**3,408,457**
Derivatives (nominal value)	50,735,912	227,067	132,014	-	-	**51,094,993**
Derivative hedging instruments (nominal value)	7,340,164	12,776	-	-	-	**7,352,940**
Statement of profit or loss	**20,345**	**(916)**	**1,074**	**(9)**	**1,447**	**21,941**
3 months ended 31.03.2019						
Interest income	198	120	1,108	-	3	**1,429**
Interest expense	(8,552)	(40)	(1,838)	(9)	(134)	**(10,573)**
Fee and commission income	2	42	38	-	66	**148**
Fee and commission expense	(50)	-	(131)	-	(961)	**(1,142)**
Net trading income	36,571	(1,038)	(1,346)	-	-	**34,187**
Other operating income	-	-	6,077	-	6,260	**12,337**
Other operating expenses	(4,357)	-	(2,375)	-	-	**(6,732)**
General administrative expenses	(3,467)	-	(459)	-	(3,787)	**(7,713)**

Remuneration of the Management Board and Supervisory Board

Management Board	31.03.2020	31.03.2019
Short-term employee benefits	7,273	6,625
Long-term benefits	6,489	5,894
Share-based payments	1,624	1,178
Total	**15,386**	**13,697**

Supervisory Board	31.03.2020	31.03.2019
Short-term employee benefits	345	308
Total	**345**	**308**

3. SEPARATE CAPITAL ADEQUACY RATIO

	31.03.2020	31.03.2019
Total own funds	12,837,067	12,651,988
Total risk exposure amount	83,336,424	80,852,563
Total capital ratio	15.40%	15.65%
Tier 1 capital ratio	13.01%	13.32%

4. SEASONAL OR CYCLICAL NATURE OF BUSINESS

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

5. DIVIDEND PAID

In 2019, no dividend was paid out in the Bank.

6. DISTRIBUTION OF RETAINED EARNINGS

In accordance with the request submitted by the Management Board to the Ordinary Shareholder's Meeting, it is planned to allocate the net profit for 2019 in the amount of PLN 628,696 thousand to supplementary capital.

7. CONTINGENT LIABILITIES

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

Contingent liabilities	31.03.2020	31.12.2019
Contingent commitments granted	**31,287,572**	**31,087,503**
financial commitments	24,538,874	24,293,205
guarantees	6,748,698	6,794,298
Contingent commitments received	**20,661,280**	**21,443,112**
financial commitments	12,974,151	12,127,379
guarantees	7,687,129	9,315,733

8. SUBSEQUENT EVENTS

Subsequent events are described in Note 54 of the interim consolidated financial statements for the first quarter of 2020.

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

12.05.2020	**Przemysław Gdański** *President of the Management Board*	signature
12.05.2020	**Jean-Charles Aranda** *Vice-President of the Management Board*	signature
12.05.2020	**Andre Boulanger** *Vice-President of the Management Board*	signature
12.05.2020	**Przemysław Furlepa** *Vice-President of the Management Board*	signature
12.05.2020	**Wojciech Kembłowski** *Vice-President of the Management Board*	signature
12.05.2020	**Kazimierz Łabno** *Vice-President of the Management Board*	signature
12.05.2020	**Jaromir Pelczarski** *Vice-President of the Management Board*	signature
12.05.2020	**Volodymyr Radin** *Vice-President of the Management Board*	signature
12.05.2020	**Jerzy Śledziewski** *Vice-President of the Management Board*	signature

Warsaw, 12 May 2020