BANK BGŻ BNP PARIBAS S.A. CAPITAL GROUP

CAPITAL ADEQUACY INFORMATION AS OF 31 DECEMBER 2017

The bank for a changing world

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1. INTRODUCTION

In accordance with the Regulation of the European Parliament and of the Council (EU) No 575/2013 as of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (Acts. Office. EU. L No. 176, p. 1), hereinafter referred to as "**Regulation (EU) No 575/2013**", Bank BGZ BNP Paribas SA with its registered office in Warsaw, hereinafter referred to as "**Bank**", is obliged to publish in a publicly accessible manner information about the qualitative and quantitative adequacy of the capital excluding irrelevant information, proprietary or confidential. This document provides information on the capital adequacy of the Bank BGZ BNP Paribas SA Capital Group as of 31 December 2017.

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

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

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

The Bank BGŻ BNP Paribas S.A. Capital Group, hereinafter referred to as "**Bank Capital Group**" is a part of BNP Paribas S.A., an international financial institution based in Paris hereinafter referred to as "**BNP Paribas Group**". The direct parent entity of Bank BGŻ BNP Paribas S.A. is BNP Paribas S.A. which holds 88,33% of the Bank's shares, where 28,35% are held indirectly per BNP Paribas Fortis SA/NV (former Fortis Bank SA/NV) based in Brussels. Rabobank International Holding B.V. holds 6,66% shares. The remaining 5,01% of shares is held by minority shareholders.

Table 1 Shareholders' structure of Bank Capital Group as of 31 December 2017

SHAREHOLDERS	NUMBER OF SHARES HELD	% OF THE SHARE CAPITAL	NUMBER OF VOTES AT THE AGM	% NUMBER OF THE TOTAL NUMBER OF VOTES
BNP Paribas S.A., *total*:	74 409 864	88,33%	74 409 864	88,33%
BNP Paribas S.A. directly	50 524 889	59,98%	50 524 889	59,98%
BNP Paribas Fortis SA/NV directly	23 884 975	28,35%	23 884 975	28,35%
Rabobank International Holding B.V.	5 613 875	6,66%	5 613 875	6,66%
Others	4 214 579	5,01%	4 214 579	5,01%
Total	**84 238 318**	**100,00%**	**84 238 318**	**100,00%**

As at 31 December 2017, the Bank Capital Group comprised Bank, as the parent, and its subsidiaries:

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

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

1) Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.,
2) BNP Paribas Group Service Center S.A..

These entities are excluded from the scope of prudential consolidation, as they fulfill the requirements set out in paragraph 1 of Article. 19 of Regulation (EU) No 575/2013.

3. OWN FUNDS

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

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

[k. PLN]

POSITIONS OF THE CONSOLIDATED FINANCIAL STATEMENT USED FOR THE CALCULATION OF OWN FUNDS	Positions on 31 December 2017	Correction for companies not subject to prudential consolidation	Filters	Part of the unrecognized annual profit	OWN FUNDS POSITIONS
Assets					
Intangible assets	288 340	300			288 040
Deferred tax assets net of related tax liability	512 045	596			511 449
Liabilities					
Subordinated liabilities	1 645 102				1 645 102
- including subordinated loans recognized as instruments in Tier II	1 645 102				1 642 424
Core capital					
Common Shares	84 238				84 238
Other capital instruments, including:	6 036 715				6 036 715
- share premium accounts	3 272 501				3 272 501
- general risk fund	627 154				627 154
- reserve capital	2 137 060				2 137 060
revaluation reserve, including:	141 988				141 988
- unrealized profits	166 128		-33 226		132 903
Result of the current year	279 707	-5 773		159 310	126 170

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

Table 3 The own funds structure with regulatory adjustments as of 31 December 2017

No.*		(A) AMOUNT AT DISCLOSURE DATE (k. PLN)	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No 575/2013 (k. PLN)
Common Equity Tier I capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	3 356 740	26 (1), 27, 28, 29, EBA list 26 (3)	
	Of which: common shares	84 238	EBA list 26 (3)	
2	Retained earnings	126 170	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to inlude unrealised gains and losses under the applicable accounting standards)	2 279 048	26 (1)	
3a	Funds for general banking risk	627 154	26 (1) (f)	
6	**Common Equity Tier I (CET1) capital before regulatory adjustments**	**6 389 112**		
Common Equity Tier I (CET1) capital: regulatory adjustments				
7	Additional value adjustment (negative amount)	-13 946	34,105	
8	Intangible assets (net of related tax liability) (negative amount)	-288 040	36 (1) (b), 37, 472 (4)	57,61
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-33 226		
	Of which: ...filter for unrealised gains	-33 226	468	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0		-57,61
28	**Total regulatory adjustments to Common Equity Tier I (CET1)**	**-335 212**		0,00
29	**Common Equity Tier I (CET1) capital**	**6 053 900**		
44	Additional Tier I (AT1) capital	0		
45	Tier I capital (T1 = CET1 + AT1)	6 053 900		
Tier II (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	1 642 424	62, 63	
51	Tier II (T2) capital before regulatory adjustments	1 642 424		
58	Tier II (T2) capital	1 642 424		
59	Total capital (TC = T1 + T2)	7 696 324		
60	Total risk weighted assets	55 988 130		
Capital ratios and buffers				
61	Common Equity Tier I (as a percentage of risk exposure amount)	10,81%	92 (2) (a), 465	
62	Tier I (as a percentage of risk exposure amount)	10,81%	92 (2) (b), 465	
63	Total capital (as a percentage of risk exposure amount)	13,75%	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requriement in accordance with article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systematic important institution buffer expressed as a percentage of risk amount)	839 822	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	699 852		
66	of which: countercyclical buffer requirement	0		
67	of which: systematic risk buffer requirement	139 970		
67a	of which: Global Systematically Important Institution (G-SII) or Other Systematically Important Institution (O-SII) buffer	139 970	CRD 131	
68	Common Equity Tier I available to meet buffers (as a percantage of risk exposure amount)		CRD 128	
Amounts below the threshold (before risk weighting)				
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	511 449	36 (1) (c), 38, 48, 470, 472 (5)	

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

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

Bank's own funds include:
1) Core capital,
2) Supplementary capital.

Core capital of the Bank includes:
1) core funds which constitute:
   a) share capital,
   b) additional capital,
   c) reserve capital,
2) additional items of core capital funds, which include:
   a) general risk fund for unidentified risk related to banking operations,
   b) retained earnings,
   c) other items of the balance sheet specified by the Polish Financial Authority,
   d) profit under approval and net profit of the current reporting period, computed pursuant to the binding accounting policies, net of any expected charges and dividends, in amounts not higher than amounts of profit verified by statutory auditors,
3) deductions from Core capital which are
   a) goodwill and other intangible assets,
   b) prudential filters; the type of particular filters and deductions applied pursuant to Articles 467-470, 474, 476 and 479 of the Regulation (EU) No 575/2013.

Supplementary capital is created under the resolutions of the General Meeting.
The share capital of the Bank as at 31 December 2017 amounted to PLN 84 238 318. Nominal value of each share is PLN 1.00, where:
- 74 409 864 is owned directly or indirectly by BNP Paribas SA,
- 5 613 875 is owned by Rabobank International Holding B.V.,
- 4 214 579 is owned by the other shareholders.

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

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

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

Retained earnings are profits generated by the Bank Capital Group in the previous period after deducting the dividends paid. Retained earnings include:
- remaining additional capital,
- reserve capital,
- general risk fund,
- retained earnings of the previous years,

- net financial result attributable to shareholders of the parent entity.

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

Capital instruments and subordinated loans qualify as instruments under Tier II, provided that the conditions specified in Article 63 of the Regulation (EU) No 575/2013 are met.
Capital Tier2 II include subordinated loans received with a value of PLN 1 642 424 k.

Bank introduced deduction for core Tier I capital in accordance with art. 36 (1) point. b. of Regulation (EU) No 575/2013 for intangible assets in amount of PLN -288 040 k. For additional Tier I and supplementary Tier II capital deductions have not been applied.

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

The Bank applied prudential filters, referred in art. 32-35 Regulation (EU) No 575/2013 introducing a correction of unrealized gains in own funds in compliance with art. 468 Regulation (EU) No 575/2013 in amount of PLN -33 226 k.

The Bank uses the transitional arrangements and include adjustments to the amounts of unrealized gains and losses related to assets or liabilities measured at fair value and recognized in the balance sheet, and that during transitional period are subject to the provisions of Article 467(1) and 468 (1) of Regulation (UE) No 575 / 2013.

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

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

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

1	Issuer	BGŻ BNP Paribas S.A.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN code: PLBGZ0000010
3	Governing law(s) of the instrument	Polish
	Regulatory Treatment	Yes
4	Transitional Resolution (UE) nr 575/2013 rules	Common Equity Tier I Partial issue reclassification to lower category of capital
5	Post-transitional Resolution (UE) nr 575/2013 rules	Common Equity Tier I
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & (Sub-)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Instrument type: ordinary share. Classification - Common Equity Tier I instrument in accordance with Article 28 of Regulation (EU) No. 575/2013.
8	Amount recognised in regulatory capital (currency in million, as at the last reporting date)	PLN 15,09 mln (series A) PLN 7,8 mln (series B) PLN 0,25 mln (series C) PLN 3,2 mln (series D) PLN 10,64 mln (series E) PLN 6,13 mln (series F) PLN 8 mln (series G) PLN 5 mln (series H) PLN 28,1 mln (series I) Registered shares of series B are preference shares. The privilege concerning the shares of series B, includes the right to receive payment of the full nominal amount per share in the event of liquidation of the Bank after satisfying creditors, first before payments attributable to ordinary shares, which are payments in face of execution of the privilege may not cover the nominal amount of those shares. The amount recognized in regulatory capital does not differ from the amount of the issued instrument.
9	Nominal amount of instrument	PLN 84 238 318
9a	Issue price	PLN 1
9b	Redemption price	Not applicable
10	Accounting classification	Equity
11	Original issue date	09.09.1994.
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons/dividends	Dividends
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing) - in relation to the payment of the coupon/dividend	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount) - in relation to the payment of the coupon/dividend	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s) Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitional features	No
37	If yes, specify non-compliant features	Not applicable

Bank recognizes subordinated liabilities in its Tier II capital. The full list of subordinated liabilities as of 31 December 2017, is shown in the table below.
Funds from subordinated loans are qualified as own funds on the basis of the adequate decision of the Polish Financial Supervision Authority.

Table 5 Subordinated liabilities as of 31 December 2017

Name of the creditor	Liability type	Currency	Original value of the liability	Value of the liability as at 31 December 2017	Date of the loan	Maturity date	Date of recognition in Capital*	Interest rate
BNP PARIBAS S.A. Francja	subordinated loan	CHF	60 000 000	214 032 000	2012-12-20	2027-12-20	2017-12-15	LIBOR CHF 3M + margin
BNP PARIBAS S.A. Francja	subordinated loan	EUR	60 000 000	250 254 000	2012-12-20	2027-12-20	2017-12-15	EURIBOR 3M + margin
BNP PARIBAS S.A. Francja	subordinated loan	CHF	90 000 000	321 048 000	2014-09-17	2024-09-17	2014-09-23	LIBOR CHF 6M + margin
BNP PARIBAS S.A. Francja	subordinated loan	EUR	40 000 000	166 836 000	2016-01-07	2026-01-07	2016-01-28	EURIBOR 3M + margin
BNP PARIBAS S.A. Francja	subordinated loan	PLN	440 000 000	440 000 000	2016-01-07	2026-01-07	2016-01-28	WIBOR 3M + margin
Lion International Investments S.A. Luksemburg	subordinated loan	EUR	60 000 000	250 254 000	2016-11-22	2026-11-23	2016-12-23	EURIBOR 3M + margin

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

4. CAPITAL REQUIREMENTS

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

Table 6 Risk wieghted assets overview

		RWAs		Capital requirements
[k. PLN]		31 December 2017	31 December 2016	31 December 2017
1	**Credit risk**	**50 362 521**	**47 647 075**	**4 029 002**
2	Of which standardised approach	50 362 521	47 647 075	4 029 002
4	Of which advanced IRB approach			
5	Of which equity positions under the simple risk-weighted approach			
6	**CounterpaRty Credit Risk**	**761 225**	**526 112**	**60 898**
7	Of which mark-to-market	548 266	472 066	43 861
10	Of which internal model method (IMM)			
11	Of which CCP - default fund contributions			
12	Of which CVA	212 959	54 045	17 037
14	**Securitisation exposures in the banking book**			
15	Of which IRB approach (IRB)			
16	Of which IRB supervisory formula approach (SFA)			
17	Of which internal assessment approach (IAA)			
18	Of which standardised approach			
19	**Market risk**	**270 215**	**207 744**	**21 617**
20	Of which standardised approach	270 215	207 744	21 617
21	Of which IMA			
23	**Operational risk**	**4 594 169**	**4 533 056**	**367 534**
24	Of which basic indicator approach	72 840	55 365	5 827
25	Of which standardised approach	4 521 329	4 477 691	361 706
26	Of which advanced measurement approach (AMA)			
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**			**-**
29	**TOTAL**	**55 988 130**	**52 913 988**	**4 479 050**

Table 7 Capital adequacy as of 31 December 2017

	[k. PLN]
Total amount of exposure to risk	**55 988 130**
Credit risk	50 910 787
Market risk	270 215
Operational risk	4 594 169
CVA Risk	212 959
Own funds	**7 696 324**
Common Equity Tier I (CET1)	6 053 900
Additional Tier I capital	
Tier II capital	1 642 424
Total capital adequacy ratio	**13,75%**
Tier I capital adequacy ratio	**10,81%**

Table 8 Capital requirements as of 31 December 2017

[k. PLN]

	Exposure class	RWA	Total of capital requirement for following types of risk: credit, counterparty, dilution and late delivery of instruments for settlement
Exposures calculated by standardised approach	Central governments or central banks	1 278 625	102 290
	Regional governments or local authorities	39 519	3 162
	Public sector entities	5 088	407
	Multilateral development banks	0	0
	International organisations	0	0
	Institutions	887 614	71 009
	Corporates	20 865 777	1 669 262
	Retail	12 569 376	1 005 550
	Exposures secured by mortgages on immovable property	11 817 212	945 377
	Exposures in default	2 499 222	199 938
	Exposures in the form of units or shares in collective investment undertakings	0	0
	Equity	205 281	16 422
	Other items	743 072	59 446
	Total	**50 910 787**	**4 072 863**

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

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

Liquidity Risk

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

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

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

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

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

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

5. CAPITAL BUFFERS

Based on Article 19(1) of the Act of 5 August 2015 on Macroprudential Supervision over the Financial System and Crisis Management in the Financial System (Dz. U. of 2017. Pos. 1934), hereinafter referred to as the "**Macroprudential Law**" in connection with the wording of Article 84 of the Macroprudential Law, Bank in the period from 1 January 2017 until 31 December 2017, is obliged to retain the amount of core capital Tier I, ancillary to the core capital Tier I held for the purpose of meeting the requirement of own funds, referred to in Article 92(1) of the Regulation (EU) No 575/2013, amounting to 1.25% of the total risk exposure calculated in accordance with art. 92(3) of the Regulation on the principles of individual and consolidated basis (**conservation buffer**).

Pursuant to Article 21(1) of the Macroprudential Law the Bank shall maintain the Common Equity Tier I capital amount, referred to in Article 92(1) of Regulation (EU) No 575/2013, equal to the total risk exposure amount calculated in accordance with Article 92(3) of the Regulation, multiplied by the weighted average of countercyclical capital buffer rates calculated based on Macroprudential Law (**countercyclical buffer specific for the institution**). The applicable counter-cyclical buffer rate equals 0 as at 31 December 2017.

The Financial Supervision Authority by the decision dated 20 November 2017, pursuant to Article 39(1), in conjunction with Article 38(1) and (2) of the Macroprudential Law identified the Bank as the other systematically important institution and imposed the other systematically important institution buffer on the Bank, equal to 0.25% of the total risk exposure amount calculated as at 31 December 2017, pursuant to Article 92(3) of Regulation (UE) No 575/2013 (**Other systematically important institution buffer**).

The Financial Supervision Authority by the decision dated 21 November 2017 recommended Bank the maintenance of the additional requirement of own funds than the value resulting from the requirements calculated in accordance with the detailed rules set out in Regulations (UE) No 575/2013 in order to hedge risk arising from foreign currency mortgage loans for households at 0.62 pp more than the value of the total capital ratio, as referred to in Article. 92(1)(c) of Regulation (UE) No 575/2013, which should consist of at least 75% of Tier I capital (which corresponds to a capital requirement at the level of 0.47 pp more than the value of Tier I capital ratio, as referred to in Article 92(1)(b) of Regulation (UE) No 575/2013) and at least 56% of the core capital Tier I (which corresponds to a capital requirement at the level of 0.35 pp more than the value of core capital ratio Tier I, referred to in Article 92(1)(a) of the Regulation (UE) No 575/2013) ("**Individual capital add-on due to foreign currency mortgage loans**").

On 15 December 2017, the Financial Supervision Authority, informed with reference to the decision dated 21 November 2017, imposing on the Bank individual capital add-on due to foreign currency mortgage loans that the additional capital requirement for the Group of Bank BGŻ BNP Paribas S.A. stood at 0.60 p.p. for the total capital ratio, 0.45 p.p. for Tier I capital ratio and 0.34% for the common equity Tier I capital ratio.

The value of foreign credit exposures for the Bank's Group did not exceed the threshold of 2% of total general credit exposures, trading book exposures and securitization exposures specified pursuant to Article 2(5)(b) of Commission Delegated Regulation (EU) No. 1152/2014 of 4 June 2014 supplementing Directive 2013/36/UE of the European Parliament and of the Council with regard to regulatory technical standards on the identification of the geographical location of the relevant credit exposures for calculating institution-specific countercyclical capital buffer rates (Acts. office. EU. series L No. 309 p. 5). These exposures have been assigned to credit exposures in the territory of the Republic of Poland. Details of the distribution of the relevant credit exposures can be found in Table 10.

Pursuant to Article 83 of the Macroprudential Law, since 1 January 2017 the countercyclical buffer is 0% for credit exposures in the territory of the Republic of Poland.

As a consequence, the countercyclical buffer as of 31 December 2017 was 0 p.p.

Table 9 Institution-specific countercyclical capital buffer as of 31 December 2017

[k. PLN]	31 December 2017
Total risk exposure amount	55 988 130
Institution specific countercyclical buffer rate	0,00%
Institution specific countercyclical buffer requirement	0

Table 10 The geographic distribution of the relevant credit exposures for the countercyclical buffer calculation as of 31 December 2017.

[k. PLN]		General credit exposures		Trading book exposure		exposure		Own funds requirement					
LP	Country	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SP	Exposure value for IRB	of which: General credit exposure	of which: Trading book exposures	of which securitisation exposure	Total	Own funds requirement weights	Countercyclical capital buffer rate.
1	Australia	360						30			30	0,00078	
2	Austria	91						5			5	0,00014	
3	Belarus	17						1			1	0,00003	
4	Belgium	2 736						297			297	0,00764	
5	Benin	55						3			3	0,00008	
6	Bulgaria	24						2			2	0,00004	
7	Canada	37						3			3	0,00007	
8	Cayman Islands	1 317						105			105	0,00271	
9	China	334						27			27	0,00069	
10	Cyprus	65						4			4	0,00010	
11	Czech Republic	22						1			1	0,00003	0,50
12	Denmark	11 520						922			922	0,02373	
13	Dominica	17						1			1	0,00003	
14	Finland	877						70			70	0,00181	
15	France	46 855						3 761			3 761	0,09684	
16	Germany	37 290						3 200			3 200	0,08241	
17	Hungary	112						13			13	0,00033	
18	Iceland	279						17			17	0,00043	1,25
19	India	50						3			3	0,00008	
20	Ireland	91 789						4 392			4 392	0,11311	
21	Italy	922						71			71	0,00183	
22	Japan	120						14			14	0,00037	
23	Latvia	122						14			14	0,00035	
24	Lithuania	78						9			9	0,00024	
25	Luxembourg	441 515						15 354			15 354	0,39540	
26	Netherlands	76 835						6 168			6 168	0,15885	
27	Norway	1 030						118			118	0,00303	2,00
28	Poland	57 527 160		24 545 543				3 801 626	18 420		3 820 046	98,37392	
29	Romania	18						1			1	0,00004	
30	Russian Federation	28						2			2	0,00004	
31	Senegal	82 155						6 572			6 572	0,16925	
32	Seychelles	11						1			1	0,00003	
33	Slovakia	172						10			10	0,00027	0,50
34	Slovenia	9						1			1	0,00001	
35	Spain	1 639						196			196	0,00506	
36	Sweden	1 776						162			162	0,00417	2,00
37	Switzerland	83 411						6 744			6 744	0,17368	
38	Turkey	14						1			1	0,00002	
39	Ukraine	726						44			44	0,00114	
40	United Kingdom	169 567						13 863			13 863	0,35701	
41	United States of Americ	10 916						937			937	0,02412	
42	Other countries	49						3			3	0,00008	
	TOTAL	**58 592 122**		**24 545 543**				**3 864 770**	**18 420**		**3 883 190**	**100,00000**	

6. CREDIT RISK ADJUSTMENTS

Bank discloses information regarding the institution's exposure to credit risk in the Consolidated Financial Statements of the Capital Group of Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2017 hereinafter referred to as "**Consolidated Financial Statements**" in periodic reports section at:

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

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

1) Definitions and recognition of impairment, past due, and credit risk adjustments – Note 2.18.
2) Credit risk management approaches and methods – Note 49.2.
3) Credit risk adjustments – Note 3, 21.
4) Maturity breakdown of the exposures – Note 49.2.
5) Changes in the specific and general credit risk adjustments – Note 21.
6) Changes to the impairment provisions accounted for categories of receivables – Note 21.

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

Table 11 Total net amount of exposures by asset class as of 31 December 2017

[k. PLN]		Net value of exposures at 31 December 2017
16	Central governments or central banks	14 509 434
17	Regional governments or local authorities	257 360
18	Public sector entities	11 513
19	Multilateral development banks	-
20	International organisations	-
21	Institutions	4 066 944
22	Corporates	30 981 253
23	*Of which SMEs*	3 401 842
24	Retail	25 003 255
25	*Of which SMEs*	16 292 299
26	Exposures secured by mortgages on immovable property	12 984 271
27	*Of which SMEs*	323 605
28	Exposures in default	2 005 546
32	Exposures in the form of units or shares in collective investment undertakings	-
33	Equity	192 120
34	Other items	2 452 551
35	**Total standardised approach**	**92 464 247**
36	**Total**	**92 464 247**

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

Table 12 Geographical breakdown of exposures by asset class as of 31 December 2017

		31 December 2017							
		Europe							
[k. PLN]		Europe	Poland	France	Luxembourg	United Kingdom	Other European countries	Other countries	TOTAL
16	Central governments or central banks	14 509 434	14 509 424	-	-	-	10	-	14 509 434
17	Regional governments or local authorities	257 360	257 360	-	-	-	-	-	257 360
18	Public sector entities	11 513	11 513	-	-	-	-	-	11 513
19	Multilateral development banks	-	-	-	-	-	-	-	-
20	International organisations	-	-	-	-	-	-	-	-
21	Institutions	3 972 900	972 488	2 426 525	8 293	51 036	514 557	94 044	4 066 944
22	Corporates	30 735 910	29 039 002	104 185	521 515	155 552	915 656	245 343	30 981 253
24	Retail	25 001 892	24 912 473	37		840	88 541	1 364	25 003 255
26	Exposures secured by mortgages on immovable property	12 966 155	12 941 934	1 545	-	15 417	7 258	18 115	12 984 271
27	Exposures in default	2 004 478	2 002 983	228	-	921	347	1 067	2 005 546
32	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-
33	Equity	184 542	184 542	-	-	-	-	7 579	192 120
34	Other items	2 452 551	2 452 539	-	-	-	12	-	2 452 551
35	**Total standardised approach**	**92 096 734**	**87 284 258**	**2 532 520**	**529 808**	**223 767**	**1 526 382**	**367 512**	**92 464 247**
36	**Total**	**92 096 734**	**87 284 258**	**2 532 520**	**529 808**	**223 767**	**1 526 382**	**367 512**	**92 464 247**

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

Table 13 Concentration of exposures by industry or counterparty types as of 31 December 2017

31 December 2017

[k. PLN]		Agriculture, Food, Tobacco	Wholesale Trade	Materials & Ores	Real Estate	Retail Trade	Business Services	Equipment excluding IT Electronic	Building & Public Works	Transportation & logistics	Utilities (Electricity, Gas, Water, etc)	Automotive	Finance & Insurance	Energy Excluding Electricity	Chemicals excluding Pharmaceuticals	Healthcare & Pharmaceuticals	IT & electronics	Communication services	Other	TOTAL
1	Central governments or central banks																			
2	Institutions																			
3	Corporates																			
6	Retail																			
14	Equity																			
15	**Total IRB Approach**																			
16	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14 509 434	14 509 434
17	Regional governments or local authorities		-	-	1	-	-	-	-	-	100	-	-	-	-	30 344	-	-	226 915	257 360
18	Public sector entities	-	-	-	-	-	1 464	-	-	-	-	-	-	-	-	8 830	-	-	1 219	11 513
19	Multilateral development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	International	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Institutions	-	103	-	-	-	-	-	-	-	-	-	2 346 836	-	-	-	-	-	1 720 005	4 066 944
22	Corporates	5 697 932	2 799 558	3 087 786	3 260 277	2 084 193	1 897 334	1 861 403	1 788 678	1 009 923	734 589	892 169	1 296 469	251 825	1 079 489	211 855	237 290	843 364	1 947 121	30 981 253
24	Retail	11 001 934	961 726	413 971	277 448	676 042	277 606	375 083	346 486	368 491	80 354	34 131	39 050	7 595	45 311	196 451	59 860	10 134	9 831 581	25 003 255
26	Exposures secured by mortgages on immovable	177 149	44 980	17 541	8 195	36 722	13 981	2 199	35 108	19 199	3 473	396	624	-	266	2 999	1 383	220	12 619 835	12 984 271
28	Exposures in default	476 121	130 854	38 772	73 313	53 051	30 437	133 659	78 776	21 303	14 407	1 956	4 323	256 052	604	5 085	6 028	480	680 323	2 005 546
32	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	Equity	-	389	-	38 990	(389)	34 549	15 857	-	5 501	-	-	24 811	-	-	-	1 000	45 000	26 412	192 120
34	Other items	-	-	-	-	(11 506)	-	-	-	-	-	-	3 348	-	-	-	211 165	-	2 249 544	2 452 551
35	**Total standardised**	**17 353 137**	**3 937 610**	**3 558 070**	**3 658 223**	**2 838 114**	**2 255 372**	**2 388 203**	**2 249 047**	**1 424 417**	**832 922**	**928 651**	**3 715 461**	**515 471**	**1 125 670**	**455 564**	**516 726**	**899 198**	**43 812 390**	**92 464 247**
36	**Total**	**17 353 137**	**3 937 610**	**3 558 070**	**3 658 223**	**2 838 114**	**2 255 372**	**2 388 203**	**2 249 047**	**1 424 417**	**832 922**	**928 651**	**3 715 461**	**515 471**	**1 125 670**	**455 564**	**516 726**	**899 198**	**43 812 390**	**92 464 247**

In the following tables credit quality of exposures is presented.

Table 14 Credit quality of exposures by exposure class and instrument as of 31 December 2017

		31 December 2017				
		Gross exposures				
	[k. PLN]	Defaulted exposures	Non-defaulted exposures	Total	Specific provisions	Collective provisions
16	Central governments or central banks	-	14 509 434	14 509 434		-
17	Regional governments or local authorities	-	257 360	257 360	213	-
18	Public sector entities	-	11 513	11 513	7	-
19	Multilateral development banks	-	-	-	-	-
20	International organisations	-	-	-	-	-
21	Institutions	-	4 066 944	4 066 944	508	-
22	Corporates	-	30 981 253	30 981 253	91 845	2 730
23	*Of which SMEs*	-	*3 401 842*	*3 401 842*	-	-
24	Retail	-	25 003 255	25 003 255	144 069	1 959
25	*Of which SMEs*	-	*16 292 299*	*16 292 299*	-	-
26	Exposures secured by mortgages on immovable property	-	12 984 271	12 984 271	26 907	2 109
27	*Of which SMEs*	-	*323 605*	*323 605*	-	-
28	Exposures in default	1 988 993	16 553	2 005 546	22 709	2 154 535
32	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-
33	Equity	-	192 120	192 120	-	-
34	Other items	-	2 452 551	2 452 551	2	-
35	**Total standardised approach**	**1 988 993**	**90 475 254**	**92 464 247**	**286 261**	**2 161 334**
36	**Total**	**1 988 993**	**90 475 254**	**92 464 247**	**286 261**	**2 161 334**

Table 15 Credit quality of exposures by industry or counterparty types as of 31 December 2017

	31 December 2017				
	Gross exposures				
[k. PLN]	Defaulted exposures	Non-defaulted exposures	Total	Specific provisions	Collective provisions
Agriculture, Food, Tobacco	474 831	16 878 306	17 353 137	79 801	334 811
Wholesale Trade	602	3 937 008	3 937 610	17 584	248 042
Materials & Ores	-	3 558 070	3 558 070	10 356	73 437
Real Estate	78 369	3 579 854	3 658 223	9 701	85 661
Retail Trade	52 583	2 785 531	2 838 114	11 700	94 648
Business Services	-	2 255 372	2 255 372	7 919	44 695
Equipment excluding IT Electronic	-	2 388 203	2 388 203	8 640	78 498
Building & Public Works	3 655	2 245 393	2 249 047	6 003	206 003
Transportation & logistics	73 164	1 351 253	1 424 417	8 279	37 251
Utilities (Electricity, Gas, Water, etc)	5 995	826 927	832 922	4 115	10 590
Automotive	-	928 651	928 651	1 212	3 804
Finance & Insurance	130 351	3 560 143	3 690 494	1 941	7 315
Energy Excluding Electricity	5 033	510 439	515 471	348	47 268
Chemicals excluding Pharmaceuticals	-	1 125 670	1 125 670	462	1 702
Healthcare & Pharmaceuticals	30 184	425 381	455 564	5 768	11 272
IT & electronics	-	516 726	516 726	1 086	6 357
Communication services	-	899 198	899 198	886	581
Other	1 134 228	42 703 129	43 837 357	110 460	869 399
TOTAL	**1 988 993**	**90 475 254**	**92 464 247**	**286 261**	**2 161 334**

Table 16 Credit quality of exposures by geography as of 31 December 2017

31 December 2017

[k. PLN]	Gross exposures			Specific provisions	Collective provisions
	Defaulted exposures	Non-defaulted exposures	Total		
Europe	**1 987 929**	**90 108 805**	**92 096 734**	**285 653**	**2 160 234**
Poland	1 986 450	85 297 808	87 284 258	284 486	2 157 491
France	226	2 532 295	2 532 520	649	485
Luxembourg	-	529 808	529 808	155	-
United Kingdom	920	222 847	223 767	-	-
Other European countries	333	1 526 048	1 526 382	363	2 259
Rest of the World	**1 064**	**366 448**	**367 512**	**608**	**1 099**
TOTAL	**1 988 993**	**90 475 254**	**92 464 247**	**286 261**	**2 161 334**

Table 17 Ageing of past-due exposures as of 31 December 2017

31 December 2017

[k. PLN]	Non-defaulted exposures							Defaulted exposures		
	≤30 days	>30 days, ≤60 days	>60 days, ≤90 days	>90 days, ≤180 days	>180 days, ≤1 year	>1 year	Total	>90 days, ≤180 days	>180 days, ≤1 year	>1 year
Loans	71 275 391	117 812	41 141	6 773	19 811	5 782	71 466 710	224 963	325 506	2 575 913
Total	**71 275 391**	**117 812**	**41 141**	**6 773**	**19 811**	**5 782**	**71 466 710**	**224 963**	**325 506**	**2 575 913**

Table 18 Maturity of exposures as of 31 December 2017

31 December 2017

	[k. PLN]	Not determined	Up to 1 month (excl. Overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
16	Central governments or central banks	14 509 407	-	-	-	-	1	14 509 407
17	Regional governments or local authorities	5 222	-	-	5 949	106 266	52 388	169 825
18	Public sector entities	499	-	-	3 400	2 674	447	7 020
19	Multilateral development banks	-	-	-	-	-	-	-
20	International organisations	-	-	-	-	-	-	-
21	Institutions	2 463 368	-	-	15 026	8 104	45 749	2 532 247
22	Corporates	1 078 809	249 286	759 595	3 063 021	7 692 516	5 135 554	17 978 780
24	Retail	374 174	167 315	365 066	1 933 465	8 556 984	9 049 785	20 446 790
26	Exposures secured by mortgages on immovable property	5 282	4 451	12 436	64 526	322 476	12 500 375	12 909 547
28	Exposures in default	834 063	1 914	10 923	41 826	278 873	790 364	1 957 962
32	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-
33	Equity	192 120	-	-	-	-	-	192 120
34	Other items	2 450 775	-	-	117	1 659	-	2 452 551
35	**Total standardised approach**	**21 913 720**	**422 965**	**1 148 020**	**5 127 329**	**16 969 553**	**27 574 663**	**73 156 250**
36	**Total**	**21 913 720**	**422 965**	**1 148 020**	**5 127 329**	**16 969 553**	**27 574 663**	**73 156 250**

7. USE OF CREDIT RISK MITIGATION TECHNIQUES

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

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

The information about the credit risk concentrations is given in the note 49.2 of the Consolidated Financial Statements.

Table 19 Standardised approach – Credit risk exposure and credit risk mitigation effects as of 31 December 2017

		31 December 2017					
		Gross exposure		EAD		RWAs	
[k. PLN]		Balance sheet	Off-balance sheet	Balance sheet	Off-balance sheet	RWAs	RWA density
1	Central governments or central banks	14 509 407	26	14 840 601	12 616	1 278 625	8,6%
2	Regional governments or local authorities	169 825	87 535	169 825	26 644	39 519	20,1%
3	Public sector entities	7 020	4 493	8 420	2 090	5 088	48,4%
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	2 532 247	1 534 696	1 996 941	252 016	887 614	39,5%
7	Corporates	17 978 780	13 002 473	17 699 744	3 320 537	20 865 777	99,3%
8	Retail	20 446 790	4 556 466	20 220 202	1 843 535	12 569 376	57,0%
9	Exposures secured by mortgages on immovable property	12 909 547	74 724	12 891 793	29 192	11 817 212	91,5%
10	Exposures in default	1 957 962	47 584	1 860 795	20 227	2 499 222	132,9%
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
16	Equity	192 120	-	192 120	-	205 281	106,9%
17	Other items	2 452 551	-	3 275 807	27 020	743 072	22,5%
18	**Total**	**73 156 250**	**19 307 997**	**73 156 250**	**5 533 879**	**50 910 787**	**64,7%**

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

Table 20 The total amount of exposures after accounting offsets and credit risk mitigation techniques as of 31 December 2016

	31 December 2017			
		Risk mitigation		
[k. PLN]	Total exposure	Guarantees and credit derivatives	Collateral	Total guarantees and collaterals
Central governments or central banks	14 509 434	-	-	-
Regional governments or local authorities	257 360	-	-	-
Public sector entities	11 513	99	-	99
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions	4 066 944	466 036	800 105	1 266 141
Corporates	30 981 253	394 792	84 038	478 829
Retail	25 003 255	261 565	35 569	297 134
Secured by mortgages on immovable property	12 984 271	15 017	3 607	18 624
Exposures in default	2 005 546	96 844	2 097	98 942
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-
Equity	192 120	-	-	-
Other items	2 452 551	-	-	-
TOTAL	**92 464 247**	**1 234 353**	**925 416**	**2 159 769**

8. LEVEREGE RISK

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

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

Table 21 Leverage Ratio

Reference date	31 December 2017
Entity name	Bank BGŻ BNP Paribas S.A.
Level of application	consolidated

Table 22 Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amount in k. PLN
1	**Total assets as per published financial statements**	**70 764 716**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	1 410 291
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5 718 607
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	0
8	**Leverage ratio total exposure measure**	**77 893 614**

Table 23 Leverage ratio common disclosure

		CRR leverage ratio exposures in k. PLN
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	71 052 756
2	(Asset amounts deducted in determining Tier I capital)	-288 040
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**70 764 716**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	491 463
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	918 828
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**1 410 291**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	17 807 657
18	(Adjustments for conversion to credit equivalent amounts)	-12 089 051
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**5 718 607**
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
	Capital and total exposure mesure	
20	**Tier I capital**	**6 053 900**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**77 893 614**
	Leverage ratio	
22	**Leverage ratio**	**7,77**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

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

		CRR leverage ratio exposures in k. PLN
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**70 764 716**
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	70 764 716
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	14 830 662
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	178 245
EU-7	Institutions	2 663 959
EU-8	Secured by mortgages of immovable properties	12 894 672
EU-9	Retail exposures	18 152 391
EU-10	Corporate	17 834 816
EU-11	Exposures in default	1 865 126
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	2 344 844

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

1	Description of the processes used to manage the risk of excessive leverage	The leverage risk is defined by the Bank in the Bank's Risk Strategy and Internal Capital Adequacy Assessment Process Methodology while reporting is described in Instructions for the preparation of the COREP report and Leverage Ratio in Bank BGZ BNP Paribas SA.
2	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers	The risk of excessive leverage means the risk of an insufficient leverage ratio due to a decrease in the institution's own funds as a result of expected or incurred losses (decrease in numerator) or unexpected and unmanaged increase in total exposure (increase in denominator). The value of financial leverage depends directly on the economic size of the bank and its capital plan. The value of leverage is one of the basic indicators monitored on a regular basis. Thanks to this, the Bank has the necessary information to avoid breaking the safe level of the leverage. The biggest impact on the leverage ratio in 2017 had a securitization transaction for the portfolio of retail loans concluded in December 2017and a change in off-balance sheet items recognision, as reported in the COREP report.

9. ENCUMBERED AND UNENCUMBERED ASSETS

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

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

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

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

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

Table 26 Encumbered and unencumbered assets

Quarterly median values in 2017 [k. PLN]

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
010	**ASSETS**	**3 393 185**		**68 650 086**	
030	Equity instruments			46 201	46 201
040	Debt securities			12 315 174	12 315 174
050	*of which covered bonds*				
060	*of which asset-backed securities*				
070	*of which issued by general governments*			11 210 432	11 210 432
080	*of which issued by financial corporations*				
090	*of which issued by non-financial corporations*			579 884	579 884
120	Other assets	3 393 185		56 288 712	

Table 27 Collateral received

Quarterly median values in 2017 [k. PLN]

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
130	**COLLATERAL RECEIVED**		**10 010 966**
140	Loans on demand		
150	Equity instruments		
160	Debt securities		
170	*of which covered bonds*		
180	*of which asset-backed securities*		
190	*of which issued by general governments*		
200	*of which issued by financial corporations*		
210	*of which issued by non-financial corporations*		
220	Loans and advances other than loans on demand		8 491 882
230	Other collateral received		1 519 084
241	**OWN COVERED BONDS AND ASSET-BACKED SECURITIES ISSUED AND NOT YET PLEDGED**		
250	**TOTAL ASSETS AND COLLATERAL RECEIVED**	**3 393 185**	

Table 28 Encumbered assets/collateral received and associated liabilities

Quarterly median values in 2017 [k. PLN]

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued
010	**CARRYING AMOUNT OF SELECTED FINANCIAL LIABILITIES**	**2 172 858**	**3 393 185**

10. OPERATIONAL RISK

Strategies and processes in operational risk management

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

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

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

Operational risk management process included the following stages:

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

Organization of the operational risk management process

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

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

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

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

Scope and types of risk reporting and measuring systems

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

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

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

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

The gross losses resulting from the operational risk events reported in 2017 have been presented in the table below by event types and categories. The amount of gross loss means a sum of losses resulting from the operational risk incidents registered in the Bank's internal database, both realized and not realized (in the Bank's opinion possible to be realized) without taking into account reductions resulting from amounts recovered from the insurance. Data includes the operational risk losses connected to the credit risk and financial risk.

Table 29 Gross losses resulting from operational risk events reported in 2017

	[k. PLN]
Internal frauds	**16 358**
Unauthorised activity	962
Theft and internal fraud	15 396
External frauds	**22 331**
Theft and external fraud	22 244
Systems security	87
Employment practices and workplace safety	**31**
Employee relations	31
Clients, products and business practices	**1 587**
Suitability, disclosure & fiduciary	652
Improper business or market practices	62
Product defects	660
Exposure & client classification	184
Bank advisory activity deficiency	29
Damages to physical assets	**333**
Disasters and other events	333
Business disruption and system failures	**58**
Systems	58
Execution, Delivery and Process Management	**17 105**
Transaction capture, execution & maintenance	3 961
Customer intake and documentation	1 522
Customer account management	37
Trade counterparties	1 796
Monitoring and reporting	9 789
Total	**57 803**

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

11. SUBSEQUENT EVENTS

In accordance with the Act of 5 August 2015 on macro-prudential supervision over the financial system and crisis management in the financial sector, and the Regulation of the Minister of Finance, from 1 January 2018, the capital requirements applicable to banks in Poland increased through:

- introducing a systemic risk buffer of 3%;
- increase in the capital conservation buffer level from 1.25% to 1.875%.

As a result of the above changes, in accordance with the "Position of the PFSA on minimal levels of capital ratios" obligatory for banks in 2018, published on 24 November 2017, the minimum capital ratios of Bank BGŻ BNP Paribas S.A. Capital Group from 1 January 2018 should be:

- 9.97% for the Common Equity Tier I ratio (CET I);
- 11.58% for Tier I capital ratio;
- 13.73% for the total capital ratio TCR.

After the preparation of the opening balance as at 1 January 2018, which takes into account the implementation of IFRS 9, the Management Board of Bank BGŻ BNP Paribas S.A. learned information on the level of solvency ratios as of 1 January 2018. Tier I capital ratio (Tier I) and the total capital ratio (TCR) in consolidated terms was below the new requirements. Solvency ratios as at 1 January 2018, on a consolidated basis, amounted to:

- CET I - 10.71%,
- Tier I - 10.71%,
- TCR - 13.62%.

The Management Board of the Bank has undertaken additional actions to meet the new regulatory requirements. Among various other activities, the Bank is planning to increase the share capital by issuing new shares. The BNP Paribas Capital Group provided the support to the Bank's Management Board in the implementation of the planned activities aimed at achieving the required capital ratios. The capital increase should be realized at the turn of 2nd and 3rd quarter of 2018, provided that the consents required by law are obtained.

Information has been disclosed to the market on 6th February 2018.