SEPARATE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

BNP Paribas Bank Polska S.A.

BNP PARIBAS

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SELECTED SEPARATE FINANCIAL DATA

	in PLN '000		in EUR '000	
Statement of profit or loss	**31.12.2019** (YTD)	**31.12.2018** (YTD)	**31.12.2019** (YTD)	**31.12.2018** (YTD)
Net interest income	3,117,110	2,076,518	724,606	486,657
Net fee and commission income	785,924	535,172	182,697	125,424
Profit before tax	885,842	472,678	205,924	110,778
Profit after tax	628,696	364,739	146,149	85,481
Total comprehensive income	612,795	363,961	142,453	85,299
Total net cash flows	1,425,733	(67,927)	331,430	(15,920)
Ratios	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Number of shares (items)	147,418,918	147,418,918	147,418,918	147,418,918
Earnings per share	4.26	3.67	0.99	0.86
Statement of financial position	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Total assets	106,592,130	106,811,658	25,030,440	24,839,920
Loans and advances to customers measured at amortised cost	68,651,562	68,870,918	16,121,067	16,016,493
Loans and advances to customers measured at fair value through profit or loss	1,974,396	2,416,249	463,636	561,918
Total liabilities	95,407,828	96,240,096	2,404,093	22,381,418
Liabilities due to customers	88,445,327	89,506,557	20,769,127	20,815,478
Share capital	147,419	147,419	34,618	34,283
Total equity	11,184,302	10,571,562	2,626,348	2,458,503
Capital adequacy	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Total own funds	12,651,988	12,240,367	2,970,996	2,846,597
Total risk exposure	80,852,563	81,493,415	18,986,160	18,951,957
Total capital ratio	15.65%	15.02%	15.65%	15.02%
Tier 1 capital ratio	13.32%	12.72%	13.32%	12.72%

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

For items of the statement of financial position, rates of the National Bank of Poland are applied:
- as at 31.12.2019 r. - 1 EUR = 4.2585 PLN
- as at 31.12.2018 r. - 1 EUR = 4.3000 PLN

For items of the statement of profit or loss and the statement of cash flows, the EUR exchange rate is calculated as the arithmetic mean of the rates published by the National Bank of Poland as at the last day of each month in the period
- for the period from 1.01.2019 to 31.12.2019 - 1 EUR = 4.3018 PLN
- for the period from 1.01.2018 to 31.12.2018 - 1 EUR = 4.2669 PLN

Calculation of earnings (loss) per share was decribed in Note 16.

SEPARATE STATEMENT OF PROFIT OR LOSS

	Note	12 months ended 31.12.2019	12 months ended 31.12.2018
Interest income	4	4,053,844	2,905,711
Interest income calculated with the use of effective interest rate method		3,835,405	2,712,079
interest income on financial instruments measured at amortised cost		3,619,460	2,544,274
interest income on financial instruments measured at fair value through other comprehensive income		215,945	167,805
Income of a similar nature to interest on instruments measured at fair value through profit or loss		218,439	193,632
Interest expense	4	(936,734)	(829,193)
Net interest income		**3,117,110**	**2,076,518**
Fee and commission income	5	996,601	677,822
Fee and commission expenses	5	(210,677)	(142,650)
Net fee and commission income		**785,924**	**535,172**
Dividend income	6	25,988	10,505
Net trading income	7	681,469	330,619
Result on investment activities	8	(36,592)	47,405
Result on fair value hedge accounting	20	(4,385)	(9,997)
Net impairment losses on financial assets and contingent liabilities	9	(409,298)	(537,275)
General administrative expenses	10,11	(2,389,958)	(1,809,892)
Depreciation and amortization	12	(452,403)	(188,842)
Other operating income	13	158,917	393,193
Other operating expenses	14	(309,741)	(161,606)
Operating result		**1,167,031**	**685,800**
Tax on financial institutions		(281,189)	(213,122)
Profit before tax		**885,842**	**472,678**
Income tax expenses	15	(257,146)	(107,939)
Net profit		**628,696**	**364,739**
attributable to equity holders of the Bank		628,696	364,739
Earnings (loss) per share (in PLN per one share)	16		
Basic		4.26	3.67
Diluted		4.26	3.67

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

	12 months ended 31.12.2019	12 months ended 31.12.2018
Net profit for the period	**628,696**	**364,739**
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss upon fulfilment of certain conditions	**(15,183)**	**122**
Measurement of financial assets measured at fair value through other comprehensive income	(18,745)	831
Deferred income tax	3,562	(709)
Items that will not be reclassified to profit or loss	**(716)**	**(900)**
Actuary valuation of employee benefits	(882)	(1,111)
Deferred income tax	166	211
Other comprehensive income (net)	**(15,899)**	**(778)**
Total comprehensive income	**612,797**	**363,961**
attributable to equity holders of the Bank	612,797	363,961

SEPARATE STATEMENT OF FINANCIAL POSITION

Assets	Note	31.12.2019	31.12.2018
Cash and balances at Central Bank	17	4,658,142	2,897,113
Amounts due from banks	18	526,595	791,071
Derivative financial instruments	19	800,886	715,671
Differences from hedge accounting	20	228,120	130,405
Loans and advances to customers measured at amortised cost	21	68,651,562	68,870,918
Loans and advances to customers measured at fair value through profit or loss	22	1,974,396	2,416,249
Financial assets available for sale	23	17,916,645	11,939,238
Financial instruments measured at fair value through profit or loss	24	241,427	203,813
Securities measured at fair value through other comprehensive income	25	7,953,358	15,875,339
Investments in subsidiaries	26	152,512	142,258
Intangible assets	27	519,124	520,108
Property, plant and equipment	28	1,214,434	499,307
Deferred tax assets	36	844,049	920,286
Other assets	29	910,880	889,882
Total assets		**106,592,130**	**106,811,658**
Liabilities	Note	31.12.2019	31.12.2018
Amounts due to banks	30	1,018,776	1,589,935
Derivative financial instruments	19	815,637	783,818
Differences from hedge accounting	20	224,218	123,600
Amounts due to customers	31	88,445,327	89,506,557
Subordinated liabilities	33	1,882,064	1,875,769
Leasing liabilities	42	601,157	-
Other liabilities	34	1,852,051	1,801,154
Current tax liabilities		38,061	123,464
Provisions	35	530,537	435,799
Total liabilities		**95,407,828**	**96,240,096**
Equity	Note	31.12.2019	31.12.2018
Share capital	45	147,419	147,419
Supplementary capital	46	9,110,976	9,111,033
Other reserve capital	46	1,572,757	1,208,018
Revaluation reserve	46	125,240	141,139
Retained earnings		227,910	(36,047)
retained profit		(400,786)	(400,786)
net profit for the period		628,696	364,739
Total equity		**11,184,302**	**10,571,562**
Total liabilities and equity		**106,592,130**	**106,811,658**

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 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 of share issue	-	(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**

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

SEPARATE STATEMENT OF CASH FLOWS

Cash flows from operating activities:	Note	12 months ended 31.12.2019	12 months ended 31.12.2018
Net profit (loss)		**628,696**	**364,739**
Adjustments for:		**(304,938)**	**(8,864,596)**
Income tax expenses		257,146	107,939
Depreciation and amortization		452,403	188,842
Dividend income		(25,988)	(10,505)
Interest income		(4,053,844)	(2,905,711)
Interest expense		936,734	829,193
Change in provisions		107,860	163,956
Change in amounts due from banks		(71,062)	(13,373)
Change in assets due to derivative financial instruments		(182,930)	42,967
Change in loans and advances to customers measured at amortised cost		190,650	655,884
Change in loans and advances to customers measured at fair value through profit or loss		441,853	(2,419,182)
Change in amounts due to banks		(168,014)	(638,814)
Change of financial liabilities held for trading		-	59,268
Change in liabilities due to derivative financial instruments		132,437	43,813
Change in amounts due to customers		(970,232)	(2,699,856)
Change in receivables due to current income tax		(19,869)	(3,949,212)
Change in other liabilities and provisions due to deferred tax		(212,816)	77,530
Other adjustments	50	(25,111)	44,234
Interest received		3,924,615	2,424,424
Interest paid		(1,028,944)	(865,993)
Leasing fees for short-term leases not included in the valuation of the liability		10,174	-
Net cash flows from operating activities		**323,758**	**(8,499,857)**

CASH FLOWS FROM INVESTING ACTIVITIES:		12 months ended 31.12.2019	12 months ended 31.12.2018
Inflows		**14,682,718**	**27,789,820**
Sale of shares in subsidiaries	23,24,25	14,603,324	23,877,234
Cash acquired as a result of merging of entities		-	3,854,038
Sale of intangible assets and property, plant and equipment		53,406	48,043
Dividends received and other inflows from investing activities		25,988	10,505
Outflows		**(13,043,935)**	**(20,026,220)**
Purchase of shares in subsidiaries		-	(2,000)
Purchase of debt securities	23,24,25	(12,539,134)	(19,743,134)
Purchase of intangible assets and property, plant and equipment		(504,801)	(228,574)
Other investment expenses		-	(52,512)
Net cash flows from investing activities		**1,638,783**	**7,763,600**

CASH FLOWS FROM FINANCING ACTIVITIES:			
Inflows		**-**	**4,219,127**
Increase in subordinated debt		-	172,000
Net proceeds from share issue and equity contributions		-	4,047,127
Outflows		**(536,808)**	**(3,550,797)**
Repayment of long-term loans and advances received		(403,043)	(3,265,797)
Repayment of leasing liabilities		(133,765)	-
Redemption of debt securities	23,24,25	-	(285,000)
Net cash flows from financing activities		**(536,808)**	**668,330**
Total net cash and cash equivalents		**1,425,733**	**(67,927)**
Cash and cash equivalents at the beginning of the period		**3,374,744**	**3,442,671**
Cash and cash equivalents at the end of the period, including:	**49**	**4,800,477**	**3,374,744**
effect of exchange rate fluctuations on cash and cash equivalents		4,866	6,314
restricted cash and cash equivalents		-	626

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION ABOUT THE BANK

BNP Paribas Bank Polska S.A. (the “Bank” or “BNP Paribas”) is the parent company in the Capital Group of BNP Paribas Bank Polska S.A. (the “Group”).

The registered office of BNP Paribas Bank Polska S.A. is located at Kasprzaka 10/16 in Warsaw. The Bank 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 Bank is unlimited.

Since 27 May 2011, pursuant to the decision of the Management Board of Warsaw Stock Exchange (WSE), the Bank's shares have been listed on WSE and classified as finance - banking sector.

At 31 December 2019, the headcount of the Bank was 9,898.66 FTEs, as compared to 10,853.60 FTEs at 31 December 2018.

BNP Paribas is a universal commercial bank offering a wide range of banking services provided to individual and institutional clients in accordance with the scope of services specified in the Bank's Statute. The Bank operates both in Polish zlotys and in foreign currencies and actively participates in trading on domestic and foreign financial markets. In addition, through its subsidiaries, the Group conducts brokerage and leasing activities and provides other financial services.

Composition of the Bank’s Management Board as at 31 December 2019:

FULL NAME	FUNCTION HELD IN THE MANAGEMENT BOARD OF THE BANK
Przemysław Gdański	President of the Management Board
Jean-Charles Aranda	Vice-President of the Management Board
Daniel Astraud	Vice-President of the Management Board
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

Changes in the Bank’s Management Board in the period between 1 January and 31 December 2019:

- On 15 May 2019, Mr. Philippe Paul Bézieau submitted a resignation from the position of the Vice-President of the Management Board of the Bank, with the effect from 30 September 2019.
- On 15 May 2019, the Supervisory Board appointed Mr. Volodymyr Radin as the Vice-President of the Bank's Management Board, with the effect from 1 October 2019 until the end of the current three-year joint term of office of the Bank's Management Board members.
- On 12 December 2019, Mr. Daniel Astraud submitted a resignation from the position of the Vice-President of the Management Board of the Bank, with the effect from 31 December 2019.

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

FULL NAME	FUNCTION 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
Michel Falvert	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 Supervisory Board of the Bank in the period between 1 January and 31 December 2019:

- On 27 June 2019, the Ordinary Meeting of the Bank appointed Mrs Magdalena Dziewguć as a Member of the Supervisory Board until the end of the current five-year joint term of office of the Supervisory Board members.
- On 8 November 2019, Mr Jacques d'Estais, Member of the Supervisory Board, submitted a resignation from the position of the Member of the Supervisory Board of the Bank.
- On 15 November 2019, the Extraordinary Meeting of the Bank appointed Mrs Sofia Merlo as a Member of the Supervisory Board until the end of the current five-year joint term of office of the Supervisory Board members.

Approval of the financial statements

The present separate financial statements have been prepared as at 31 December 2019 and approved for publication by the Management Board of the Bank on 2 March 2020.

Consolidated financial statements of BNP Paribas Bank Polska S.A. Capital Group have been prepared as at 31 December 2019 and approved for publication by the Management Board of the Bank on 2 March 2020.

Data included in the above mentioned financial statements are presented for the financial year ended 31 December 2019 with comparative data for the financial year ended 31 December 2018.

2. ACCOUNTING PRINCIPLES APPLIED FOR THE PURPOSE OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

2.1. Basis for preparation of the separate financial statements

The present separate financial statements have been prepared on the historical cost basis, with the exception of derivative contracts and financial instruments held for trading, financial assets not meeting the SPPI test, financial assets assigned to the business model, which does not entail holding them to obtain contractual cash flows, equity instruments measured at fair value through profit or loss, and except for financial instruments measured at fair value through other comprehensive income and equity instruments for which the fair value option has been applied for other comprehensive income.

2.2. Going concern

The present separate financial statements have been prepared assuming that the Bank 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.

2.3. Statement of compliance with IFRS

The present separate financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS EU").

The present separate financial statements have been prepared in accordance with the requirements specified in International Accounting Standards ("IAS") and International Financial Reporting Standards endorsed by the European Union ("IFRS EU"), as well as the related interpretations, except for the standards and interpretations listed below, which are awaiting endorsement by the European Union or have already been endorsed by the European Union but entered or will enter into force after the end of the reporting period.

In the period included in these separate financial statements, the Bank did not early apply standards and interpretations endorsed by the EU, which will enter into force after the balance sheet date.

New standards, interpretations and amendments to the existing standards published by the European Union and effective on or after 1 January 2019

- **IFRS 16 „Leases"** – was published by the International Accounting Standards Board on 13 January 2016 and approved by the European Commission Regulation No. 2017/1986 of 31 October 2017 (applicable to annual reporting periods beginning on 1 January 2019 or after that date). IFRS 16 requires a lessee to recognise the assets and lease liabilities. The right to use the underlying asset is treated similarly to other non-financial assets and amortised accordingly. Lease liabilities are initially measured based at current value of the lease payments payable during the lease term, discounted by the lease rate if it is not difficult to determine. If such a rate cannot be easily determined, the lessee applies the marginal interest rate. With regard to the types of leases, lessors continue to classify them in accordance with the requirements of IAS 17: as operating leases or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. In finance leases, a lessor recognises finance income over the lease term so as to reflect a constant periodic rate of return on its net investment. A lessor recognises operating lease payments as income on a straight-line basis or another systematic basis if it is more representative of the pattern in which benefits from the use of underlying assets are obtained.

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment features with negative compensation – were issued by the IASB on October 12, 2017 and approved by the EU on March 22, 2018 (effective for annual reporting periods beginning on or after January 1, 2019). The amendments modify the requirements of IFRS 9 regarding rights for early termination of a contract in order to allow measurement at amortised cost (or at fair value through other comprehensive income) even in the case of negative compensation payments. The changes state that the sign (plus or minus) of the prepayment amount is not relevant - i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation must be the same for both the case of an early repayment penalty and early repayment gain. In addition, the amendments also contain a clarification regarding a modification of financial liability that does not result in the derecognition of the financial liability. In such cases, the carrying amount of the liability is adjusted and the result is recognised in comprehensive income, the effective interest rate is not adjusted.

- **Amendments to IAS 19 "Employee Benefits"** – Plan Amendment, Curtailment or Settlement – were issued by the IASB on February 7, 2018 and approved by the EU on March 13, 2019 (effective for annual reporting periods beginning on or after January 1, 2019). The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period.

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term interests in associates and joint ventures - were issued by the IASB on October 12, 2017 and approved by the EU on February 8, 2019 (effective for annual reporting periods beginning on or after January 1, 2019). The amendments were introduced to clarify that an entity applies IFRS 9 (including impairment regulations) to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Changes include the deletion of paragraph 41, as it was merely reiterating the requirements stated in IFRS 9 and had created confusion about the accounting for long-term interests.

- **Annual Improvements to IFRS Standards (2015-2017 Cycle)** – address minor, but necessary, changes to various IFRS Standards (IFRS 3, IFRS 11, IAS 12 and IAS 23) to clarify wording or eliminate inconsistencies between Standards. They were issued by the IASB on December 12, 2017 and approved by the EU on March 14, 2019 (effective for annual reporting periods beginning on or after January 1, 2019). The amendments clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business (IFRS 3); when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business (IFRS 11); an entity recognises the income tax consequences of dividends in the same manner (IAS 12); once a qualifying asset funded through specific borrowings becomes ready for its intended use or sale, the borrowings used for its modernisation become part of the pool of general borrowings (IAS 23).

- **IFRIC 23 Interpretation "Uncertainty over Income Tax Treatments"** - was issued by the IASB on June 7, 2017 and approved by the EU on October 23, 2018 (effective for annual reporting periods beginning on or after January 1, 2019). It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 "Income Taxes" specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

New standards, interpretations and amendments to the existing ones, issued by the International Accounting Standards Board (IASB), approved by the European Union, but not yet effective until 31 December 2019

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – definition of "material" (the amendments were issued by the IASB on October 31, 2018 and are effective for annual reporting periods beginning on or after January 1, 2020). The amendments clarify the definition of "material" and how it should be applied.

- **Amendments to References to the Conceptual Framework in IFRS Standards** (issued by the IASB on March 29, 2018 and are effective for annual reporting periods beginning on or after January 1, 2020). Due to changes in the Conceptual Framework, the IASB updated references to the amended IFRS standards. The document introduces changes to IFRS 2, IFRS 3, MSSF 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SKI-32. It was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

New standards, interpretations and amendments to the existing ones, issued by the International Accounting Standards Board (IASB) but not yet endorsed by the EU

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual reporting periods beginning on or after January 1, 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final version of standard IFRS 14. The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account for 'regulatory deferral account balances' in accordance with its previous GAAP.

- **IFRS 17 "Insurance Contracts"** (effective for annual reporting periods beginning on or after January 1, 2021) is a new standard which requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, "Insurance Contracts" and related interpretations.

- **Amendments to IFRS 3 "Business combinations – definition of a business"** (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period), the changes are intended to improve the definition of a "business".The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest rate Benchmark Reform (effective for annual reporting periods beginning on or after January 1, 2020). The amendments:
  a) modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark - on which the hedged cash flows and cash flows of the hedging instrument are based - is not altered as a result of the interest rate benchmark reform;
  b) will mandatorily apply to all hedging relationships that are directly affected by the interest rate benchmark reform;
  c) are not intended to provide relief from any other consequences arising from the interest rate benchmark reform (a discontinuation of hedge accounting is still required if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amended Standards),
  d) and introduce detailed disclosure requirements regarding the effects of the amendments on an entity's hedging relationships.
- **Amendments to IFRS 10 "Consolidated Financial Statements"** and IAS 28 "Investments in Associates and Joint Ventures" – Sales or contribution of assets between an investor and its associate or joint venture and later amendments (the effective date is deferred until the research project on the equity method has been concluded), the amendments address the conflict between IFRS 10 and IAS 28 and explain that whether the gain or loss arising from transactions between an entity and its associate or joint venture should be recognised in accounting depends on whether the sale or contribution of assets constitute a business.

In the Bank's opinion, the above mentioned standards did not impact significantly the financial statements in the period of their first application, except IFRS 16.
The assessment of the impact of IFRS 16 implementation on the Bank's financial statements is presented in Note 2.6 Changes to accounting principles (policy).

2.4. Recognition of jointly controlled operations

Business combinations under common control do not fall within the scope of IFRS regulations. In the absence of detailed IFRS regulations in this regard, in line with the guidelines specified in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, BNP Paribas Bank Polska S.A. adopted an accounting policy generally applied to any business combinations under common control within the Bank's Group, whereby such transactions are recognized at their book value.

In accordance with the adopted accounting principles, the acquirer recognizes the assets, liabilities and equity of the acquiree at their present book value adjusted only for purposes of harmonizing the accounting principles of the acquiree with those of the acquirer. Goodwill and negative goodwill are not recognized.

The difference between the book value of the acquired net assets and the fair value of the payment is recognized in the Bank's equity. A method based on book values is used, and therefore the comparative data are not restated.

If the business combination under common control involves acquisition of minority interests, the Bank recognizes them separately.

2.5. Business combinations

For the need of settling business combinations in which the Bank acts as the acquirer, the acquisition method is applied, in accordance with the requirements of IFRS 3 "Business combinations".

For each business combination, the acquiring entity and the acquisition date are determined, and the acquisition date is the date on which the entity acquired control over the acquired entity. In addition, the application of the acquisition method requires the recognition and measurement of identifiable assets and liabilities acquired, and any non-controlling interest in the acquired entity, as well as the recognition and measurement of goodwill or bargain purchase gain. The acquiring entity measures the identifiable assets and liabilities acquired at their fair values as at the acquisition date.

If the net amount of the fair values of identifiable acquired assets and liabilities exceeds the fair value of the consideration transferred, the Bank, as the acquiring entity, recognizes the gain from the bargain purchase in the profit or loss. Before recognizing the gain from a bargain purchase, the Bank reassess whether all acquired assets and liabilities have been correctly identified and all additional assets and liabilities have been included.

If the value of the consideration transferred, measured at fair value as at the acquisition date, exceeds the net value of fair values of identifiable acquired assets and liabilities as at the acquisition date, the goodwill is recognized. The established goodwill is not subject to amortization, but at the end of each financial year and, whenever there are indications that impairment may have occurred, it is tested in terms of their impairment.

In accordance with the requirements of IFRS 3, the Bank performs a final settlement of the acquisition within a maximum of one year from the date of control acquisition.

2.6. Changes to accounting principles (policy)

The Bank has not changed any accounting principles (policy) in the present separate financial statements, except the changes resulting from IFRS 16 implementation.

IFRS 16 „Leases"

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

IFRS 16 superseded, as at 1 January 2019, the following standards and interpretations:
· IAS 17 „Leases",
· IFRIC 4 „Determining whether an Arrangement contains a Lease",
· SIC-15 „Operating Leases—Incentives",
· SIC-27 „ Evaluating the Substance of Transactions Involving the Legal Form of a Lease".
The new standard presents a comprehensive model of identification of lease agreements and their settlement in the financial statements of lessors and lessees.

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

As a general rule, as at the commencement date of the lease, the lessee will recognize the lease liability (liability to make lease payments) and the asset that constitutes the right to use the subject of the lease for the duration of the leasing contract (right to use an asset) for all leasing agreements. At the same time, IFRS 16 gives the opportunity to benefit from simplifications regarding short-term contracts and leasing of low-value items.

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

On the commencement date, the lessee measures the lease liability based on the current value of lease payments remaining to be paid as at that date. Lease payments are discounted using the interest rate of the lease, if such a rate can be easily determined. Otherwise, the lessee applies the marginal interest rate of the lessee. The following elements are included in the measurement of leasing liabilities:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Floating fees, which do not depend on the index or rate and do not have a certain minimum level, are not included in the value of the lease liability. These fees are recognized in the profit or loss account in the period of the occurrence of the event that causes their maturity.

On the commencement date, the lessee measures an asset due to the right to use at its cost. The cost of an asset due to the right of use should include:

- the initial value of the lease liability,

- leasing payments made at the time or before the conclusion of the contract less any incentives received,

- all initial costs incurred by the lessee, and

- estimated costs of dismantling and removing the underlying asset, that must be incurred by the lessee in connection with the assets included in the agreement in order to restore the place in which it is located or the asset itself to the conditions required under the leasing contract.

After the initial recognition, the right to use is reduced by depreciation and total impairment losses and adjusted in connection with the revaluation of the lease liability due to changes in the lease, which do not require the recognition of a separate lease component.

Assets with to the right of use are amortized on a straight-line basis over the shorter of two periods: the leasing period or the useful life of the underlying asset, unless the Bank has sufficient certainty that it will obtain ownership before the end of the leasing period - then the right to use is depreciated from the day of commencement until the end of the asset's useful life.

The Bank applies the exemptions provided for in IFRS 16 and does not recognize the asset components due to the right of use in the case of short-term leases and leases covering components of low-value assets in relation to cars and property. Short-term leases are defined as leases which have a period of no longer than 12 months as at the beginning date (including periods for which the lease can be extended, if it can be assumed with reasonable assurance that the lessee will exercise that right) and do not include a call option. Low-value assets are those which have a value of no more than EUR 5,000.

First application of IFRS 16

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

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

Lease definition

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

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

Bank as a lessee

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

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

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

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

- the Bank has applied the exclusion in the application with respect to leasing contracts, which period ends up to 12 months from the date of the first application of IFRS 16 or their value does not exceed the amount of EUR 5,000,
- the Bank excluded the initial direct lease costs from the valuation of the right to use the asset as of the initial application of IFRS 16,

- the Bank used its experience and knowledge while determining the leasing period, for contracts containing the option of extending or terminating the lease,
- the Bank used a practical expedient related to impairment review and relied on its assessment to evaluate whether leases are onerous and the right-of-use asset at the date of initial application need to be adjusted.

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

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

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

As at 1 January 2019, that is the day of first application of IFRS 16, the Bank recognized PLN 596,492 thousand of assets due to the right of use and leasing liabilities in the amount of PLN 610,497 thousand. Difference in the amount of PLN 14,005 thousand refers to previously recognized prepaid or accrued lease payments and provisions for the restructuring of the branch network.

The amount of future non-discounted operating lease payments as at 31 December 2018 disclosed in the Bank's financial statements	695,455
The amount of future undiscounted payments due to the lease of low value assets	(532)
Amount of future not discounted payments on short-term leases recognized on a straight-line basis as an expense at 1 January 2019	(13,788)
Other adjustments due to discount as at 1 January 2019	(70,638)
Leasing liabilities as at 1 January 2019	**610,497**

Bank as a lessor

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

2.7. Sale of the organised part of the enterprise

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

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

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

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

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

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

The settlement of Transaction of Acquisition of RBPL's Core Business is described in detail in Note 4.2 of the Consolidated Financial Statements of BNP Paribas Bank Polska S.A. Capital Group for the year ended 31 December 2018.

The amounts presented in the annual report, i.e. data related to the measurement of identifiable assets acquired and liabilities acquired measured at fair value and bargain purchase gain did not change.

The settlement of the purchase price was prepared by the Bank's Management Board based on calculations resulting from the concluded Transaction Agreement. The final settlement in accordance with the terms of the Transaction Agreement was performed at 1 October 2019 subject to final arrangements between BGŻ BNP and RBI - selling the demerged part of RBPL.

As a result of the settlement, BNP Paribas Polska paid the amount of PLN 30,876 thousand to RBI. For the purpose of transaction settlement, the Bank used provisions for future liabilities created in 2018 as part of the purchase price allocation of RBPL's Core Business. The settlement did not affect the Bank's net financial result in 2019.

Accordingly, the purchase price allocation performed as at 31 October 2018 is considered final. According to IFRS 3.34, the Bank recognised the determined excess of the fair value of the acquired assets and liabilities assumed over the purchase price as at the acquisition date, directly as a result of 2018, as a gain on a bargain purchase. The gain amounted to PLN 291,706 thousand (and is disclosed in the profit or loss statement under "Other operating income") and does not require any adjustments in 2019.

2.9. Measurement of items denominated in foreign currencies

Functional and presentation currency

Items included in the financial statements are measured in the currency of the primary economic environment in which the Bank operates ("functional currency"). The separate financial statements are presented in PLN thousands, which is the functional currency of the Bank and the presentation currency of the Bank's financial statements.

Transactions and balances

Transactions expressed in foreign currencies are translated into the functional currency at the exchange rate applicable as at the transaction date.

At the end of the reporting period, monetary assets and liabilities expressed in currencies other than Polish zloty are translated into Polish zlotys using the average exchange rate for a given currency determined by the National Bank of Poland in force at the end of the reporting period. Foreign exchange differences resulting from the translation are recognized as a net trading income or in cases specified in the accounting principles (policy), capitalized in the value of assets. Non-monetary assets and liabilities recognized at historical cost expressed in a foreign currency are disclosed at the historical exchange rate as at the transaction date. Non-monetary assets and liabilities recognized at fair value expressed in a foreign currency are translated at the exchange rate effective at the date of fair value measurement.

Basic currency rates used in the preparation of the present financial statements as at 31 December 2019 and 31 December 2018 are presented in the below table:

	31.12.2019	31.12.2018
1 EUR	4.2585	4.3000
1 USD	3.7977	3.7597
1 GBP	4.9971	4.7895
1 CHF	3.9213	3.8166

2.10. Interest income and expenses

The profit or loss statement includes all interest income on financial instruments measured at amortized cost using the effective interest rate, financial assets measured at fair value through other comprehensive income but also income with its characterestics similar to interest income on financial assets and liabilities measured at fair value through profit or loss.

The effective interest rate is the rate used to estimate future payments or incomes throughout the expected life of financial assets or financial liabilities, discounted to the gross balance sheet value of a financial asset or to the amortized cost of a financial liability. The calculation of the effective interest rate includes all commissions paid and received by the parties, transaction costs and any other bonuses and discounts that are an integral part of the effective interest rate.

Interest income is calculated using the effective interest rate based on the balance sheet amount of financial assets except for these that are impaired due to credit risk. At the moment of recognition of financial assets impairment (reclassification of a financial asset to Stage 3), interest income is accrued on the net value of the financial asset and is recognized at the effective interest rate.

2.11. Net fee and commission income

Fees and commissions, which are not accounted for using the effective interest rate method but in accordance with the straight-line method or recognized on a one-off basis, are recognized in “Net fee and commission income”.

Income settled over time with straight-line method includes commissions on overdrafts, credit cards, revolving loans and commitments (guarantees and credit facilities).

Fees for the Bank's commitment to grant a loan or an advance (commissions from promises issued) are deferred and as soon as financial assets are created they are accounted for as an element of the effective interest rate or on a straight-line basis.

Revenues from contracts with customers include both fees and commissions, which are settled over time using the straight-line method (in the course of providing the service) as well as on a one-off basis. Revenues are measured based on the Bank’s remuneration specified in the contracts with customers and do not include amounts collected on behalf of third parties. The Bank recognizes revenues when the performance obligation is met (or when it is being fulfilled) by transferring the promised good or service (i.e. an asset) to the customer.

Loans and advances

In respect of loan agreements, the Bank generates, in particular, revenues for readiness to give the funding under the granted credit limits, which are recognized in the profit or loss account on a straight-line basis over the period for which the limit was granted. For contracts without a specified repayment schedule, in the case of revolving loans, fees for each instalment of a loan tranche are recognized over the average expected repayment period. Under certain loan agreements, the Bank receives commissions for readiness or commitment, the amount of which is calculated on the basis of loan balances at the specified moment of the duration of the loan agreement. Despite the fact that they partially constitute remuneration for the provision of services, in case of which the customers derive benefits in a continuous manner, due to significant uncertainty about the credit balance at a specific point in the future, the Bank recognizes this type of income when the basis of its calculation is certain.

Debit and credit cards

Under debit card agreements with customers, the Bank recognizes revenues from various types of fees and commissions. In a majority of cases, these are activities in which the Bank executes its obligation to provide services at a given moment of time, in which the customer derives benefits from these services at once, the remuneration due is recognized by the Bank in revenues on a one-off basis. An example may be the fee for issuing a card, for checking the account balance at an ATM, for withdrawing cash at an ATM. In addition to one-off fees for banking operations, analogous to those described above for debit cards, the Bank receives annual fees for the use of credit cards sold by the Bank together with separate services, including card insurance. The

Bank allocates remuneration to individual performance obligations and recognizes commissions during the service provision period.

Commitments to grant loans and advances

The Bank charges a commission for its readiness to grant a loan or advance, which constitutes a separate remuneration for commissions received from the loans at the moment of their commissioning, such as preparation commissions. Despite the provision of the service over time, the Bank recognizes the revenue on account of the commission for readiness at the moment of the decision regarding the commissioning of the loan, because it is not possible to estimate the period by which the due remuneration should be spread.

Intermediation in the sale of investment products and asset management

The Bank acts as an intermediary in the sale of participation units of investment funds for BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A. ("TFI"), and receives a part of the commission charged for sales from customers. The Bank recognizes revenue monthly based on the sales volume for a given month. In addition, the Bank receives variable remuneration from TFI as part of the commission for the management of assets created as a result of the sale of investment fund participation units, which TFI collects from clients. The Bank's remuneration depends on the valuation of assets in the portfolio under management. The Bank recognizes revenue at the end of the month based on its own estimates in the area of valuation of assets under management, which do not imply a potential significant reversal of revenue when settling revenues from TFI.

Intermediation in the sale of insurance agreements

The Bank, acting as an agent in the sale of insurance for an insurance company, is entitled to participate in the distribution of the company's profit for which it participates in the mediation. The Bank recognizes revenues on a quarterly basis based on the periodic results of the insurance company in an amount that will not be subject to significant reversal in the future.

Recognition of bancassurance income and expenses

Direct relation of a bancassurance product and financial instrument occurs in particular if at least one of the following conditions is met: the offered financial instrument is always accompanied by the bancassurance product, or the bancassurance product is offered only accompanied by the financial instrument, i.e. the Bank does not offer any bancassurance products with identical legal form, terms and economic contents without the accompanying financial instrument.

Recognition of bancassurance income for related transactions

For related transactions including bancassurance products and financial instruments, remuneration from sales of the bancassurance products constitute an integral part of the fee for the offered financial instruments.

Fee for bancassurance products offered in related transactions with financial instruments measured at amortized cost is accounted for using the effective interest rate method and recognized in interest income for one-off premium or on a monthly basis for a monthly premium.

Fee for the agency services, whose value is determined based on their economic contents, is recognized in commission income upon sale or renewal of a bancassurance product.

Recognition of bancassurance expenses for related transactions

Expenses directly related to the sale of bancassurance product are settled in accordance with the matching principle as an element of amortized cost of a financial instrument if the total income related to the sale of the product is settled with the effective interest rate method or, respectively, proportionally to the classification of the income as recognized within amortized cost calculation and that recognized on a one-off basis or over time as the fee for the agency services, if such classification has been introduced.

Recognition of bancassurance income and expenses for transactions not classified as related

If a financial instrument and a bancassurance product are sold in two separate transactions, the Bank's fee for the sale of the bancassurance product is recognized separately from the fee for the financial instrument.

Fee for the sale of bancassurance products that do not require the Bank to provide any post-sale services is recognized as income as at the effective/renewal date of the relevant insurance policy. The related income is recognized under commission income.

Fee for the services provided by the Bank over the whole life of a bancassurance product is deferred and recognized as income based on the percentage of completion of the provided services. Application of the percentage of completion method as at the balance sheet date is limited to cases when a result of a service transaction can be reliably estimated. If the Bank is unable to determine precisely the number of activities performed within a given time range or a level of returns, income from services or activities performed in relation to a bancassurance product offered by the Bank is recognized on a straight-line basis over the life cycle of the product.

2.12. Dividend income

Dividend income is recognized in the statement of profit or loss once the Bank's right to dividends has been determined.

2.13. Net trading income

Net trading income includes all income and expenses resulting from the change in the fair value of financial assets and liabilities classified as measured at fair value through profit or loss, and interest income and interest expenses on derivatives, except derivative instruments in hedge accounting.

The item includes also gains and losses on translation of assets and liabilities denominated in foreign currencies (revaluation).

2.14. Result on investment activities

The result on investment activities includes, the income and expenses on financial assets classified as measured at fair value through other comprehensive income and income and expenses on loans and advances to customers measured at fair value through profit or loss, except for the interest.

2.15. Other operating income and expenses

Other operating income and expenses include items that are not directly related to the core operating activities of the entity.

They include mainly: result on sale and liquidation of fixed assets, revaluation of investment property, compensations received and paid, revenue and expenses arising from other services unrelated to the core business of the Bank.

2.16. Income tax expense

Charge on gross financial profit/loss includes current tax payable and debit/credit arising from a value change of the deferred tax asset/liability.

Current tax liabilities and receivables for the current and prior periods are measured at projected amounts payable to tax authorities (reimbursable) using tax rates and regulations valid in law or in fact as at the end of the reporting period.

Deferred income tax

Deferred tax liability is recognized in the full amount in line with the balance sheet method, on taxable temporary differences between tax value and balance sheet amount of assets and liabilities. Deferred tax assets are recognized with respect to all deductible temporary differences as well as unused tax reliefs and unused tax losses in the probable amount of taxable income that will allow the Bank to use the aforementioned differences, assets and losses. Deferred income tax is determined using tax rates (and regulations) binding in law or in fact, as at the end of the reporting period, which are expected to be effective at the moment of realization of deferred tax asset or settlement of deferred tax liability.

If temporary differences result from recognizing an asset or liability upon a transaction not classified as business combination, which at the moment of concluding did not affect taxable or accounting profit, deferred tax is not recognized. Further, deferred tax liability is recognized for taxable temporary differences resulting from investments in subsidiaries or associates and interests in joint ventures – except for situations when the reversal dates of the temporary differences are controlled by the entity and when it is likely that the temporary differences will not be reversed in the foreseeable future; deferred tax asset is recognized for deductible temporary differences on investments in subsidiaries or associates and interests in joint ventures only to the extent in which the above mentioned differences are likely to reverse in the foreseeable future and a taxable income may be generated to allow deduction of these temporary deductible differences.

The balance sheet amount of the deferred tax asset is verified as at the end of each reporting period and is reduced as appropriate, provided that it is no longer probable that the taxable income will be sufficient for the realization of the deferred tax asset in part or in whole. An undisclosed deferred tax asset is re-measured as at the end of the reporting period and recognized up to the amount reflecting probable taxable income which will facilitate recovery of the asset. The Bank nets off the deferred tax asset and liability only when it holds an enforceable legal title to net off receivables with liabilities for current tax and the deferred tax relates to the same taxpayer and the same tax authority.

Income tax regarding items included directly in equity is recognized in equity and in the statement of comprehensive income.

In 2019 the current income tax and deferred tax liability were calculated using 19 percent tax rate.

2.17. Classification and measurement of financial assets and liabilities

Classification and measurement of financial assets

In accordance with IFRS 9, financial assets are qualified to the following categories of measurement at the moment of their initial recognition:

- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income,
- financial assets measured at fair value through profit or loss.

The classification of financial assets in accordance with IFRS 9 depends on:

- business model relating to financial asset management, and
- the characteristics of contractual cash flows, i.e., whether contractual cash flows represent solely payments of principal and interest ("SPPI").

Irrespective of the above, there is an irrevocable option at the moment of initial recognition of the financial asset to classify it as measured at fair value through profit or loss (if there was no such possibility, the asset would be classified as measured at amortised cost or at fair value through other comprehensive income), if such approach leads to the more relevant information eliminating or significantly reducing the inconsistency in the measurement or recognition of assets or liabilities or related gains and losses. The Bank did not designate any financial assets to be measured at fair value through profit or loss at the moment of their initial recognition.

Investments in equity instruments are measured at fair value through profit or loss. At initial recognition, an irrevocable option to recognize them in other comprehensive income may be made regarding the recognition of subsequent changes in the fair value of an investment in an equity instrument that is not held for trading or a contingent consideration recognized by the Bank as a business combination in accordance with IFRS 3. If the option to measure the instrument at fair value through other comprehensive income is exercised, only dividends resulting from this investment are recognized in the statement of profit or loss. Profit or loss resulting from the measurement in other comprehensive income are not reclassified to the statement of profit or loss.

In the case of equity investments, the Bank did not use the option of fair value measurement through other comprehensive income.

Business models

The Bank classifies its financial assets to three business models, taking into account the purpose of maintaining a financial instrument:

Model 1: Receiving contractual cash flows.

Under Model 1, the main business goal is to collect contractual cash flows from the acquired or originated financial assets.

Model 2: Receiving contractual cash flows and sale of financial assets.

Under Model 2, both receiving contractual cash flows and sale of the acquired or originated financial assets are integral elements of the portfolio's business objective.

Model 3: Other financial assets not classified to Model 1 nor Model 2

In a situation when specific groups of financial assets were not acquired or originated under Model 1 and Model 2, they should be classified as Model 3. Most often, Model 3 refers to a strategy that assumes the realization of cash flows from the sale of financial assets or portfolios that are managed based on their fair value.

Assets acquired or originated with impairment identified (POCI assets)

In addition, the Bank distinguishes categories of assets acquired or granted with credit impairment. POCI assets are financial assets measured at amortized cost, which are impaired at the moment of initial recognition. At the moment of initial recognition, POCI assets are recognized at their fair value. After initial recognition, POCI assets are measured at amortized cost using the effective interest rate adjusted for credit risk to determine the amortized cost of the financial asset component and interest income generated by these assets - the CEIR rate. In the case of POCI exposures, the change in expected credit losses - over the entire lifetime - compared to those estimated at the date of their initial recognition is recognized as an impairment loss. Financial assets that were classified as POCI at the moment of initial recognition should be treated as POCI in every subsequent period until they are derecognized from the Bank's statement of financial position.

SPPI test

For the purpose of classification and subsequent measurement of financial assets, the Bank verifies whether the cash flows from a given instrument constitute solely the payment of principal and interest calculated on the principal.

For the needs of the assessment of cash flow characteristics, the principal is defined as the fair value of the financial asset at the moment of initial recognition. Interests are defined as the reflection of the time value of money and credit risk related to the unpaid part of the principal and other risks and costs associated with the standard loan agreement (e.g. liquidity risk or administrative costs) and margin.

When assessing whether contractual cash flows constitute solely repayments of the principal and interest, the Bank analyses the cash flows of the instrument resulting from the contract, i.e. whether the contract contains any provisions that could change the date of contractual payments or their amount in such a way that, in economic terms, they will not constitute solely repayments of the principal and interest on the unpaid principal part.

A financial asset is measured at amortized cost if both of the following conditions are met:

- an asset is held by the Bank in accordance with the business model whose purpose is to maintain assets to collect contractual cash flows,
- the contractual terms of the financial asset represent contractual cash flows that are solely payment of principal and interest.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- an asset is held by the Bank in accordance with the business model, which aims to both receive contractual cash flows and sell assets,
- the contractual terms of the financial asset represent contractual cash flows that are solely payment of principal and interest.

Other financial assets are measured at fair value through profit or loss.

Modification of financial assets and liabilities

If the terms of a financial asset agreement change, the Bank assesses whether the cash flows generated by the modified asset differ significantly from those generated by this asset before the terms of its agreement are modified. If a significant difference is identified, the original financial asset is derecognized from the statement of financial position, and the modified financial asset is recognized as a "new" financial asset, which is recognized in its fair value and the new effective interest rate applied to the new asset is calculated.

If the cash flows generated by the modified asset do not differ significantly from the original cash flows, the modification does not result in derecognition of the financial asset from the statement of financial position. In this case, the Bank recalculates the gross balance sheet amount of the financial asset using the previous effective interest rate.

The assessment of whether a given modification of financial assets is significant depends on the fulfilment of qualitative and quantitative criteria.

If there is evidence that a modified financial asset is initially impaired due to credit risk, it is necessary to calculate the effective interest rate adjusted for the credit risk of that financial asset.

Impairment of financial assets

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 financial 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 credit risk did not increase significantly from the date of the initial recognition, and the impairment of the loan was not identified from the moment of its granting, the Bank recognizes an allowance for the expected credit loss related to the probability of default within the next 12 months. Interest income on such assets is recognized based on the balance sheet amount (amortized cost before the adjustment for impairment allowance) using the effective interest rate.

ii) Stage 2: An allowance due to expected credit losses for the entire lifetime – significant increase in the credit risk since the moment of initial recognition and no impairment of a financial asset identified.

In the case of an exposure for which credit risk has increased significantly since the moment of its initial recognition, but no impairment of the financial asset was identified, an impairment allowance is created for the expected credit loss for the entire financing period. Interest income on such assets is recognized based on the gross balance sheet amount (amortized cost before the adjustment for impairment allowance) using the effective interest rate.

iii) Stage 3: An allowance due to expected credit losses for the entire lifetime – impairment of a financial asset

Financial assets is subject to impairment due to the credit risk resulting from an event or events that occurred after the initial recognition of a given asset. For financial assets, for which an impairment was identified, an allowance is created for the expected credit loss for the entire financing period, while interest income is recognized based on the net balance sheet value (including the impairment allowance) using the effective interest rate.
At each balance sheet date, the Bank assesses whether there has been a significant increase in credit risk for financial assets since the moment of their initial recognition, by comparing the risk of loan default during the expected financing period as at the balance sheet date and the initial recognition date, using, among others, the internal credit risk assessment system, external credit ratings, information on delay in repayments and information from internal credit risk monitoring systems, such as warning letters and information about restructuring.
The Bank assesses whether the credit risk has increased to a significant extent on the basis of individual and group assessment. In order to perform an impairment calculation on a group basis, financial assets are divided into homogeneous product groups based on common credit risk characteristics, taking into account the type of instrument, credit risk rating, initial recognition date, remaining maturity, industry branch, geographical location of the borrower and other relevant factors.

The value of expected credit loss is measured as the current value of all cash flow shortages in the expected life of a financial asset weighted with probability, and discounted using the effective interest rate. The shortfall in cash flows is the difference between all contractual cash flows due to the Bank and all cash flows that the Bank expects to collect. The value of the expected credit loss is recognized in the profit or loss account in the impairment losses.

The Bank takes into account historical data on credit losses and adjusts them to current observable data. In addition, the Bank uses reasonable and justified forecasts of the future economic situation, including its own judgment based on experience, with the purpose of estimating the expected credit losses. IFRS 9 introduces an application of macroeconomic factors to the calculation of impairment losses on financial assets. These factors include: unemployment rate, interest rates, gross domestic product, inflation, commercial property prices, exchange rates, stock indices, and wage rates. IFRS 9 also requires an assessment of both the current and the forecasted direction of the economic cycles. The inclusion of forecast information in the calculation of impairment losses on financial assets increases the level of judgement to what extent these macroeconomic factors will affect the expected credit losses. The methodology and assumptions, including all forecasts of the future economic situation, are regularly monitored.

If in the subsequent period the allowance for expected credit losses decreases, and the decrease can be objectively related to an event occurring after the impairment was recognized, then the previously recognized impairment allowance is reversed by adjusting the allowance for expected credit losses. The amount of the reversed impairment allowance is recognized in the profit or loss account.

For debt instruments measured at fair value through other comprehensive income, the measurement of the expected credit loss is based on a three-step approach, as in the case of financial assets measured at amortized cost. The Bank recognizes the amount of the impairment loss in profit or loss account, including the corresponding value recognized in other comprehensive income, without reducing the balance sheet amount of assets (i.e. their fair value) in the statement of financial position.

Classification and measurement of financial liabilities

Financial liabilities as at the date of their acquisition or establishment are classified into the following categories:

- financial liabilities measured at fair value through profit or loss,
- other financial liabilities (measured at amortized cost).

Financial instruments – other than liabilities measured at fair value through profit or loss – are measured after initial recognition at amortized cost using the effective interest rate. If a cash flow schedule cannot be determined for a given financial liability and therefore the effective interest rate cannot be reliably estimated, such liability is measured at amount due.

Compensation

Financial assets and liabilities are compensated and presented in the statement of financial position at net amount, if a valid and exercisable netting-off right occurs and the Bank intends to settle a financial asset and a financial liability net or simultaneously settle the amount due.

Securitization

In December 2017, the Bank performed a securitization transaction on the portfolio of cash and car loans. The transaction is a traditional and revolving securitization, involving the transfer of ownership of securitized receivables to SPV.

The company issued, based on securitized assets, bonds secured by a registered pledge on the assets of SPV.

The Bank performed a comprehensive analysis of the transaction, considering that in the light of the provisions of IAS 39 and IFRS 9, the contractual terms of the securitization do not fulfil the conditions for derecognition of the securitized assets. As at the date of the transaction, the Bank received the initial remuneration from the SPV irrevocably, corresponding to the total nominal value of the securitized loan portfolio. The transaction uses the mechanism of deferred remuneration payable to the Bank by

SPV. Deferred remuneration corresponds to the SPV result after settling the financing costs and operating costs. Due to the applied deferred remuneration mechanism, the Bank retains substantially all the risks and rewards associated with the transferred loans. The deferred remuneration of the Bank, as expected, will absorb the entire volatility of cash flows from the portfolios of securitized loans. The Bank bears this volatility risk as the payment of the deferred remuneration by SPV to the Bank is entirely subordinated to the SPV's liabilities towards investors in respect of financing.

In connection with the above, the Bank recognizes a liability for cash flows from securitization that are measured with the use of effective interest rate calculated on the basis of future SPV payments due to liabilities resulting from bonds issued. The securitization transaction is described in Note 43 *Securitization and loan portfolio sale*.

Repo and sell buy back transactions

Securities sold under repo and sell buy back transactions are not excluded from the statement of financial position. Liabilities to counterparties are recognized as financial liabilities under "Liabilities arising from securities sold under repo and sell buy back transactions". Securities purchased under reverse repo and buy sell back transactions are recognized under “Receivables arising from securities purchased under reverse repo and buy sell back transactions”. The difference between the sale and repurchase price is treated as interest and calculated using the effective interest method over the agreement term.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at the acquisition price less impairment allowance in the separate financial statements of the Bank.

Principles for recognition and derecognition of financial assets and liabilities from the statement of financial position

The Bank recognizes a financial asset or liability when it becomes a party to the contract of such an instrument. Standardized purchase and sale transactions of financial assets are recognized at the date of the transaction, which is the date when the Bank is required to purchase or sell a given financial asset. Standardized transactions for the purchase or sale of financial assets are transactions whose contractual terms require the delivery of an asset in the period resulting from the applicable regulations or conventions adopted on a given market. Standardized purchase or sale transactions refer in particular to FX spot FX transactions, the spot leg in FX swap transactions and securities purchase and sale transactions, where, normally, two business days pass between the transaction date and the settlement date, with the exception of repo transactions.

The Bank derecognizes a financial asset when :

- contractual rights to cash flows from a financial asset expire, or
- the Bank transfers contractual rights to receive cash flows from a financial asset.

Transfer takes place:

- in a transaction in which the Bank transfers substantially all risk and all benefits associated with the financial asset component, or
- when the Bank keeps contractual rights to receive cash flows from a financial asset, but takes contractual obligation to transfer cash flows from a financial asset to the entity outside the Bank.

2.18. Fixed assets available for sale

Fixed assets (or disposal groups) classified as available for sale are measured at the lower of the following values: carrying amount or fair value less costs to sell.

Fixed assets and groups of assets are classified as held for sale, if their balance sheet amount will be recovered as a result of the sale. This condition is regarded as met only when the sale is highly probable and the asset (or the disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A discontinued operation is a component of the Bank that either has been disposed of, or is classified as available for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to reselling.

Fixed assets held for sale include fixed assets repossessed for debt, meeting the requirements of IFRS 5 as described above.

2.19. Investment properties

Investment properties include properties treated as a source of revenue from lease and/or maintained due to a potential value increase.

Investment property is recognized in assets when and only when:

- obtaining economic benefits from this property is probable, and
- its cost can be reliably measured.

Upon initial recognition, investment properties are measured at the acquisition price including transaction costs.

The Bank adopted the principles of measuring investment properties at fair value as at subsequent balance sheet dates.

Gains resulting from changes in fair value of investment property are recognized in the statement of profit or loss as other operating income in the period in which the change has occurred, while losses are charged to other operating expenses in the period in which the change has occurred.

Real estate and land repossessed for debt are recognized as investment properties, unless they meet the criteria allowing their classification as fixed assets available for sale.

2.20. Intangible assets

Intangible assets acquired in a separate transaction are initially measured at acquisition or manufacturing cost.

The Bank determines whether the useful life of intangible assets is defined or indefinite. Intangible assets with defined useful life are amortized over their useful life and tested for impairment each time when an impairment trigger occurs, at least once a year. The period and method of amortization for intangible assets with defined useful life are verified at the end of each financial year. Changes in the expected useful life or the manner of consuming economic benefits arising from a given asset are recognized through a change in the amortization period or method, respectively, and treated as changes in estimates. Amortization charges on intangible assets with a defined useful life are recognized in the statement of profit or loss under “amortization”.

Except for research and development works, internally generated intangible assets are not recognized as assets, and expenditures on their generation are charged to the statement of profit or loss for the year in which they have been incurred.

Intangible assets with indefinite useful life and those not used are annually tested for impairment individually or on the level of cash generating unit. Other intangible assets are subject to annual impairment tests.

Purchased software licenses are capitalized in the amount of costs incurred for the purchase of a given software and its adaptation for use. Capitalized costs are amortised over an estimated useful life of the software. Software development or maintenance costs are charged to expenses when incurred. Expenditure directly related to the production of identifiable and unique computer programs controlled by the Bank, which will probcably bring economic benefits exceeding the expenditure within a period exceeding one year, is classified to intangible assets. Direct costs include personnel expenses related to software development and a corresponding portion of general expenses. Costs related to software development, included in the initial value of assets, are amortized over the estimated useful life of these assets.

Amortization of intangible assets is calculated using the straight-line method in order to spread out the initial asset value or its amount revalued over the useful life, different for each intangible asset group:

- licences 14.0 – 50.0%
- copyrights 20.0 – 50.0%

The useful lives of intangible assets are verified at the end of each reporting period and adjusted if necessary.

Amortized intangible assets are tested for impairment in each case when events or circumstances indicate that their balance sheet amount may be irrecoverable. In such cases, the balance sheet amount is immediately reduced to the recoverable amount if the former exceeds the estimated level of the latter. The recoverable amount is equal to the fair value less the sell costs or the value in use, whichever is higher.

Gain or loss from disposal of intangible assets is determined by comparison of sales proceeds with their balance sheet amount and recognized in the statement of profit or loss under other operating income.

2.21. Property, plant and equipment

Property, plant and equipment are recognized at the acquisition price or manufacturing costs less depreciation charges and impairment allowance. The initial amount of fixed assets includes their acquisition price increased by all costs directly related to their purchase and adaptation for use. The cost includes also cost of replacement of parts of plant and machinery when incurred, if the recognition criteria are met. Costs incurred after the date the fixed asset is transferred for utilisation, such as costs of maintenance and repair, are charged to profit or loss when incurred.

Upon acquisition, property, plant and equipment items are divided into components of material value to which separate useful life may be assigned. Costs of overhauls are also a component.

Land is not depreciated. Depreciation of other fixed assets is calculated using the straight-line method in order to spread out the initial asset value or its revalued amount less residual value over the useful life, different for each asset group:

• buildings and leasehold improvements	1.5 – 10.0%
• machines and equipment	10.0 – 20.0%
• computer sets	20.0%

The residual value and useful lives of property, plant and equipment are verified at the end of each reporting period and adjusted if necessary.

Depreciated property, plant and equipment are tested for impairment at least annually, in each case when events or circumstances indicate that their balance sheet amount may be irrecoverable. In such cases, the balance sheet amount is immediately reduced to the recoverable amount if the former exceeds the estimated level of the latter. The recoverable amount is equal to the fair value less costs to sell or the value in use, whichever is higher.

If the recoverable amount is lower than the current balance sheet amount of an asset, an impairment allowance is charged to the statement of profit or loss.

Gain or loss from disposal of property, plant and equipment is determined by comparison of sales proceeds with their balance sheet amount and recognized in the statement of profit or loss under other operating income or expenses.

2.22. Hedge accounting

The Bank selected the accounting policy in the area of hedge accounting and decided to continue applying the hedge accounting principles in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" until the end of works of the International Reporting Standards Board on the guidelines for macro hedge accounting (Macro hedging).

Hedge accounting recognizes the compensation effects of changes in the fair value measurement of hedging and hedged items affecting the statement of profit or loss. Pursuant to the adopted hedge accounting principles, the Bank designates certain derivatives as hedges of fair value and future cash flows of certain assets, provided the criteria determined in IAS 39 are met. Hedge accounting is used to account for hedging relationships if all of the following conditions are met:

- at the inception of the hedge there is a formal designation and documentation of the hedging relationship and the Bank's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Bank will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- the hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- for cash flow hedges, a forecast transaction that will be hedged must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Fair value hedge

Changes in the fair value measurement of financial instruments designated as hedged items are charged to the statement of profit or loss in the portion arising from the risk subject to hedge. The remaining portion of the change in the balance sheet amount is booked in accordance with general principles applicable to the particular class of financial instruments.

Change in the fair value measurement of financial instruments designated as hedged items is presented in the statement of financial position as *Adjustment of fair value of hedging and hedged item* for macro fair value hedge or as *Adjustment of fair value of hedged item* for micro fair value hedge.

Changes in the fair value measurement of derivatives designated as hedging instruments under hedge accounting are entirely recognized in the statement of profit or loss under the same item as results of changes in the value of the hedged items, i.e. in the *Result on fair value hedge accounting*.

Cash flow hedge

The effective part of changes in the fair value of derivative instruments designated and qualified as cash flow hedges is recognized in other comprehensive income. The profit or loss relating to the ineffective part is presented in the profit or loss account for the current period.

Amounts recognized in other comprehensive income are included in revenues or costs of the same period in which the hedged item will affect the profit or loss account.

If the hedging instrument expired or was sold, or when the hedge no longer meets the hedge accounting criteria, any accumulated profits or losses recognized at this moment in other comprehensive income remain in other comprehensive income until the forecast transaction is recognized in the profit or loss account. If the forecasted transaction is no longer considered probable, total gains and losses recognized in other comprehensive income are immediately transferred to the profit or loss account.

2.23. Provisions

Provisions are created when the Bank is subject to an obligation (legal or constructive) resulting from past events and it is probable that the fulfilment of such obligation will create a liability. If the Bank expects reimbursement of the expenditure required to settle the provision (for example, through insurance contracts), the reimbursement is recognized as a separate asset, but only when it is virtually certain that reimbursement will be received. The costs relating to the provision are recognized in the statement of profit or loss less any reimbursement amount. If the impact of time value of money is material, the provision is determined by discounting projected future cash flows to the present value with a gross discount rate that reflects current market assessment of time value of money and a possible risk pertaining to a liability. An increase in provision over time is recognized as interest expense.

A provision for restructuring costs is recognized when general provision recognition criteria are met, as well as detailed ones regarding the occurrence of an obligation to recognize a provision for restructuring costs determined in IAS 37. In particular, the constructive obligation to perform a restructuring procedure occurs only when the Bank has a detailed, formal restructuring plan and has raised justified expectations of parties involved in the plan that the restructuring would be performed in the form of initiating its implementation or announcing its key elements to these parties.

A detailed restructuring plan determines at least the operations involved or their part, the key locations to be included, the place of employment, positions and approximate number of employees to be compensated in exchange for termination of their employment, the amount of outlays to be incurred and the plan implementation deadline.

A restructuring provision includes only direct outlays arising from the restructuring, which a) are an indispensable effect of the restructuring procedure and b) at the same time are not related to current operations of the entity. A restructuring provision does not include future operating expenses.

2.24. Leases

Bank as a lessee

On the commencement date of the lease, the Bank recognizes the lease liability (liability to make lease payments) and the asset that constitutes the right to use the subject of the lease for the duration of the leasing contract (right to use an asset).

The Bank applies the exemptions provided for in IFRS 16 and does not recognize the asset components due to the right of use in the case of short-term leases and leases covering components of low-value assets. Short-term leases are defined as leases with a period of no longer than 12 months as at the beginning date (including periods for which the lease can be extended, if it can be assumed with reasonable assurance that the lessee will exercise that right) and do not include a call option. Low-value assets are those which have a value of no more than EUR 5,000

On the commencement date, the lessee measures the lease liability based on the current value of lease payments remaining to be paid as at that date. Lease payments are discounted using the interest rate of the lease, if such a rate can be easily determined. Otherwise, the lessee applies the marginal interest rate of the lessee. The following elements are included in the measurement of leasing liabilities:

- fixed payments, less any lease incentives receivable,
- variable lease payments that depend on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Floating fees, which do not depend on the index or rate and do not have a certain minimum level, are not included in the value of the lease liability. These fees are recognized in the profit or loss account in the period when the event that causes their maturity occurred.

On the commencement date, the lessee measures an asset due to the right to use at its cost. The cost of an asset due to the right of use should include:

- the initial value of the lease liability,

- leasing payments made at the time or before the conclusion of the contract less any incentives received,
- all initial costs incurred by the lessee, and
- estimated costs of dismantling and removing the underlying asset, that must be incurred by the lessee in connection with the assets included in the agreement in order to restore the place in which it is located or the asset itself to the conditions required under the leasing contract.

After the initial recognition, the right of use is reduced by depreciation and total impairment losses and adjusted in connection with the revaluation of the lease liability due to changes in the lease, which do not require the recognition of a separate lease component.

Assets with to the right of use are amortized on a straight-line basis over the shorter of two periods: the leasing period or the useful life of the underlying asset, unless the Bank has sufficient certainty that it will obtain ownership before the end of the leasing period - then the right to use is depreciated from the day of commencement until the end of the asset's useful life.

Bank as a lessor

Lease contracts under which substantially all of the risks and gains incidental to the ownership of the asset are transferred to the lessee are classified as financial lease agreements. In the statement of financial position the value of receivables in the amount equal to the net investment in the lease is recognized. The recognition of revenues from financial leasing contracts is performed in a manner reflecting the constant periodic rate of return on the net investment in the lease made by the Bank under finance lease.

The Bank does not offer operating lease products, i.e. such products in which all risks and rewards incidental to ownership of the assets are transferred to the lessee.

2.25. Financial guarantees

Financial guarantees are measured at the higher of the following values:

- the amount of the allowance for expected credit losses, or

- the amount initially recognized, less the accumulated amount of revenue recognized in accordance with IFRS 15.

2.26. Employee benefits

The Bank creates a provision for future liabilities due to retirement, disability and post-mortem benefits, unused annual holiday, restructuring, and for incentive and retention programs. Provisions for retirement, disability and post-mortem benefits are created using the actuarial method, as described in Note 3.f. and 11 hereof.

Employees of the Bank are entitled to the following benefits:

Retirement, disability and post-mortem benefits

Retirement benefits classified as post-employment defined benefit plans are available upon retirement (for pensioners or disability pensioners). The term of employment includes all previously completed periods of employment based on an employment contract.

Liabilities due to unused annual holiday

Provisions for unused holiday leave are calculated as the product of the daily basic salary and the number of outstanding leave days as at the end of the reporting period. Provisions for the unused holiday leave are presented in the separate financial statements under “Other liabilities”.

Benefits arising from the variable remuneration program

The Bank has implemented the variable remuneration program addressed to the individuals occupying managerial positions that exert a considerable influence on the Bank’s risk profile in line with the guidance included in Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital in banks.

Performance evaluation of individuals included in the program underlies the calculation of the variable remuneration.

Benefits provided under the program have two forms:

- cash payments accounted for in accordance with IAS 19 Employee Benefits, and
- phantom shares entitling to cash payments, whose final amount depends on the price of shares of BNP Paribas Bank Polska S.A. settled in accordance with IFRS 2 Phantom share-based payment.

The cash portion is paid:

- in the current portion – directly after completing a year in service subject to performance evaluation;
- in the deferred portion – after the deferral period.

With regard to the first form of benefits, during the deferral period, the variable remuneration is verified in accordance with the adopted program assumptions.

The cash payments under the program are recognized in line with the projected unit credit method and settled over the vesting period (i.e. both in the evaluation period understood as the year in service to which the benefit pertains and in the period of deferring relevant portions of the benefit). The benefit value is recognized as a liability to employees in correspondence with the statement of profit or loss.

For benefits granted in the form of phantom shares, the annual share retention term applies to both the portion granted following the annual performance evaluation and to the deferred portion. During the retention period, employees granted with the benefit cannot exercise rights arising from the phantom shares.

The fair value of the phantom shares, determined in line with the adopted principles (i.e. based on estimates including the reduction factor) is allocated over the vesting period. The benefit value is recognized as a liability to employees in correspondence with the statement of profit or loss.

Liabilities due to restructuring

In connection with the implemented process of group layoffs at BNP Paribas Bank Polska S.A., the Bank paid a severance pay for employees made redundant at the initiative of the employer and for employees covered by voluntary departure schemes.

Liabilities due to incentive – retention programs

The Bank implemented incentive-retention programs related to transformation activities realised by the Bank, which aims to reduce the risk of departing Bank's employees actively engaged in the process.

2.27. Capital

Share capital

Registered share capital is disclosed at its nominal value, in accordance with the statute and the entry in the court register.

Own shares

If the Bank purchases its own shares, the amount paid reduces equity as treasury shares until their cancellation. Should these shares be sold or re-allocated, the payment received is recognized in equity.

Supplementary capital from the sale of shares above their par value

The supplementary capital is created from the issue premium obtained from the issue of shares, reduced by the direct costs incurred with the issue.
The costs directly related to the issue of new shares, after deduction of income tax, reduce the proceeds from the issue included in the equity.

Other capital

Other capital: spare capital, reserve capital and general risk funds are created from profit allocations and are designated for purposes specified in the statute or other legal regulations.

Other capital items

Other equity items are created as a result of:
- valuation of financial assets at fair value through other comprehensive income,
- actuarial profits and losses related to post-employment benefits,
- valuation of derivatives as part of cash flow hedge accounting with reference to the effective part of the hedge.

2.28. Custody operations

BNP Paribas S.A. performs custody operations including maintaining securities accounts of its customers.

Assets managed under the custody services are not included in the present financial statements as they do not meet the definition of Bank's assets.

2.29. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include items that mature within three months from their acquisition date, including cash in hand and non-restricted cash at the Central Bank (current account), statutory reserve account and receivables from other banks (including nostro accounts).

3. ESTIMATES

The Bank 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 which apply full accounting system, 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 for 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 (carrying amount) of a financial asset which is individually significant and the value of future cash flows generated by that asset, discounted using the effective interest method. Cash flows from collateral are taken into account for purposes of estimating future cash flows.

Collective (group) assessment

The following assets are tested collectively:

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

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

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

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

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

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

b. Classification of financial instruments

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

c. Fair value of derivative instruments

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

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

d. Securities

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

e. Impairment of fixed assets

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

f. Provisions for retirement, disability and post-mortem benefit obligations

The Bank 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. The calculations take a number of factors into account, including macroeconomic conditions, employee turnover, risk of death and others. The basis for calculating the provision for employees is the anticipated value of severance pay which the Bank is to pay pursuant from the Remuneration Regulations in force at the Bank. 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 Bank.

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 Bank 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 Bank'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.

Sensitivity Analysis

The table below presents the impact on liabilities due to retirement, disability and posthumous severance that a 1% change (as at December 31, 2019 and December 31, 2018) in the relevant actuarial assumptions would have trigger.

	increase by 1 p.p.	decrease by 1 p.p.
31.12.2019		
discount rate	(1,753)	2,097
wage growth rate	2,052	(1,752)
31.12.2018		
discount rate	(1,457)	1,736
wage growth rate	1,724	(1,474)

Reconciliation of present value of retirement, disability and post-mortem benefit obligations

The table below presents the reconciliation from the beginning balances to the ending balances for present value liabilities due to retirement, disability and post-mortem benefit obligations:

	31.12.2019	31.12.2018
Opening balance	**14,495**	**12,784**
current employment costs	1,386	1,263
net interest on net liability	343	407
actuarial gain or loss	882	1,118
past service costs	(460)	(4,073)
benefits paid	(708)	(789)
employee transfers (emigration)	(88)	(83)
employee transfers (immigration)	-	3,868
Closing balance	**15,850**	**14,495**

g. Restructuring provision

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

In connection with the agreement concluded in December 2018, the Bank created restructuring provision to cover the costs of employment reduction and closure of branches.

h. Deferred tax provision

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 actually 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.

The balance sheet amount of the deferred tax asset is reviewed at the end of each reporting period and is reduced accordingly, insofar 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.

i. Provision for reimbursement due to early payment of a 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 Bank's revenues, in particular on relations expired before the judgment was issued, the Bank 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 December 31, 2019, the provision amounted to PLN 48,466 thousand.

Additionally, the Bank 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.

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 Bank 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 December 2019, this liability amounted to PLN 12,797 thousand.

j. Provision for potential claims resulting from proceedings related to CHF loan agreements

Provision for potential claims resulting from proceedings related to CHF loan agreements and model used by the Bank were presented in Note 35 *Provisions.*

4. NET INTEREST INCOME

Interest income	12 months ended 31.12.2019	12 months ended 31.12.2018
Amounts due from banks	23,105	17,371
Loans and advances to customers measured at amortised cost, including:	3,150,532	2,269,200
non-banking financial institutions	19,692	18,866
retail customers	1,493,807	989,500
economic operators	1,589,278	1,192,796
including retail farmers	440,094	429,895
public sector institutions	6,958	5,099
leasing receivables	40,797	62,939
Debt instruments measured at fair value through profit or loss	63,924	77,311
Debt instruments measured at amortised cost	445,823	257,703
Debt instruments measured at fair value through profit or loss	931	1,064
Debt instruments measured at fair value through other comprehensive income	215,945	167,805
Derivative instruments as part of fair value hedge accounting	153,560	115,233
Purchased repo transactions	24	24
Total interest income	**4,053,844**	**2,905,711**

Interest expense	12 months ended 31.12.2019	12 months ended 31.12.2018
Amounts due to banks	(43,902)	(71,660)
Debt securities issued	-	(795)
Amounts due to customers, including:	(739,838)	(653,690)
non-banking financial institutions	(123,583)	(129,511)
retail customers	(419,923)	(311,908)
economic operators	(180,919)	(192,271)
including retail farmers	(4,298)	(5,246)
public sector institutions	(15,413)	(20,000)
Leasing liabilities	(8,651)	-
Derivative instruments as part of fair value hedge accounting	(118,763)	(93,592)
Repo transactions	(25,580)	(9,456)
Total interest expense	**(936,734)**	**(829,193)**
Net interest income	**3,117,110**	**2,076,518**

The value of interest expenses calculated using the effective interest rate in relation to financial liabilities, which are measured at amortized cost, amounted to PLN 809,320 thousand (PLN 735,601 thousand for the 12 months ended 31 December 2018).

In 2019, the total value of interest income calculated using the effective interest rate in relation to financial assets that are measured at fair value through other comprehensive income amounted to PLN 215,945 thousand.

Interest income includes interest on financial assets assessed individually and collectively, for which impairment was identified. The amount of the above mentioned interest, which was recognized in the interest income for 2019, amounted to PLN 94,913 thousand, as compared to PLN 72,635 thousand for 2018.

5. NET FEE AND COMMISSION INCOME

Fee and commission income	12 months ended 31.12.2019	12 months ended 31.12.2018
loans, advances and leases	261,137	211,415
account maintenance	138,616	107,296
cash service	39,742	22,440
cash transfers and e-banking	101,877	59,568
guarantees and documentary operations	57,625	38,512
asset management and brokerage operations	88,219	61,998
payment and credit cards	216,707	118,879
insurance mediation activity	50,490	33,761
product sale mediation and customer acquisition	28,302	13,431
other commissions	13,886	10,522
Total fee and commission income	**996,601**	**677,822**

Fee and commission expense	12 months ended 31.12.2019	12 months ended 31.12.2018
loans, advances and leases	(2,647)	(2,852)
account maintenance	(4,828)	(3,805)
cash service	(15,582)	(6,330)
cash transfers and e-banking	(4,565)	(1,959)
asset management and brokerage operations	(4,542)	(1,869)
payment and credit cards	(119,233)	(79,176)
insurance mediation activity	(14,972)	(11,592)
product sale mediation and customer acquisition	(29,044)	(24,075)
other commissions	(15,264)	(10,992)
Total fee and commission expense	**(210,677)**	**(142,650)**
Net fee and commission income	**785,924**	**535,172**

The commission income for 2019 includes revenues from custody activities in the amount of PLN 88,219 thousand (PLN 61,998 thousand in 2018) and the amount of costs from custody activities in the amount of PLN 4,542 thousand (PLN 1,869 thousand in 2018).

Net commission income includes commission income that relate to assets and liabilities that are not measured at fair value with the result of measurement recognized in the profit or loss account for 2019 in the amount of PLN 620,165 thousand, while for 2018 in the amount of PLN 447,911 thousand, and commission costs for 2019 in the amount of PLN 71,638 thousand, as compared to PLN 50,613 thousand for 2018.

6. DIVIDEND INCOME

Dividend income	12 months ended 31.12.2019	12 months ended 31.12.2018
Equity instruments measured at fair value through profit or loss	6,007	4,860
Shares in subsidiaries	19,981	5,645
Total dividend income	**25,988**	**10,505**

7. NET TRADING INCOME

Net trading income	12 months ended 31.12.2019	12 months ended 31.12.2018
Equity instruments measured at fair value through profit or loss	18,120	7,483
Debt instruments measured at fair value through profit or loss	3,097	(324)
Derivative instruments and result on foreign exchange transactions	660,252	323,460
Result on financial instruments measured at fair value through profit or loss	**681,469**	**330,619**

8. RESULT ON INVESTMENT ACTIVITIES

Result on investment activities	12 months ended 31.12.2019	12 months ended 31.12.2018
Securities measured at fair value through other comprehensive income	3,094	-
Loans and advances to customers measured at fair value through comprehensive income	(35,654)	5,984
Debt instruments measured at fair value through profit or loss	715	41,244
Equity instruments	(4,747)	177
Result on financial instruments measured at fair value through other comprehensive income	**(36,592)**	**47,405**

During the year, the Bank has not reclassified any financial assets measured at amortized cost to financial assets measured at fair value.

9. NET IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS AND PROVISIONS ON CONTINGENT LIABILITIES

Net impairment allowances on financial assets and provisions on contingent liabilities

31.12.2019	Stage 1	Stage 2	Stage 3	Total
Amounts due from banks	(931)	-	-	(931)
Loans and advances to customers measured at amortised cost	63,087	28,191	(414,881)	(323,603)
Contingent commitments granted	(4,159)	(63,394)	(16,690)	(84,243)
Securities measured at amortised cost	(1,097)	392	184	(521)
Total net impairment allowances on financial assets and contingent liabilities	**56,900**	**(34,811)**	**(431,387)**	**(409,298)**

Net impairment allowances on financial assets and provisions on contingent liabilities

31.12.2018	Stage 1	Stage 2	Stage 3	Total
Amounts due from banks	39	-	-	39
Loans and advances to customers measured at amortised cost	(185,016)	(53,571)	(226,452)	(465,039)
Contingent commitments granted	(42,532)	(14,054)	(13,925)	(70,511)
Securities measured at amortised cost	(1,458)	(593)	-	(2,051)
Debt instruments measured at fair value through other comprehensive income	884	(1,215)	618	287
Total net impairment allowances on financial assets and contingent liabilities	**(228,083)**	**(69,433)**	**(239,759)**	**(537,275)**

10. GENERAL ADMINISTRATIVE COSTS

General administrative costs	12 months ended 31.12.2019	12 months ended 31.12.2018
Personnel expenses (Note 11)	(1,329,986)	(1,033,824)
Marketing	(146,615)	(107,213)
IT and telecom expenses	(286,343)	(150,435)
Short-term leasing and operation	(96,443)	-
Rental expenses	-	(156,737)
Other non-personnel expenses	(316,910)	(214,195)
Business travels	(21,461)	(12,904)
ATM and cash handling expenses	(7,016)	(3,954)
Costs of outsourcing services related to leasing operations	(4,604)	(6,735)
Bank Guarantee Fund fee	(166,100)	(117,294)
Polish Financial Supervision Authority fee	(14,480)	(6,601)
Total general administrative expenses	**(2,389,958)**	**(1,809,892)**

11. PERSONNEL EXPENSES

Personnel expenses	12 months ended 31.12.2019	12 months ended 31.12.2018
Payroll expenses	(1,093,439)	(729,307)
Payroll charges	(180,961)	(121,448)
Employee benefits	(29,552)	(34,182)
Costs of restructuring provision	(1,760)	(133,727)
Costs of provision for future liabilities arising from unused annual leave and retirement benefits	(10,135)	(3,180)
Appropriations to Social Benefits Fund	(12,746)	(8,808)
Other	(1,393)	(3,172)
Total personnel expenses	**(1,329,986)**	**(1,033,824)**

12. DEPRECIATION AND AMORTIZATION

Depreciation and amortization	12 months ended 31.12.2019	12 months ended 31.12.2018
Property, plant and equipment	(224,969)	(90,478)
Intangible assets	(227,434)	(98,364)
Total depreciation and amortization	**(452,403)**	**(188,842)**

13. OTHER OPERATING INCOME

Other operating income	12 months ended 31.12.2019	12 months ended 31.12.2018
Sale or liquidation of property, plant and equipment and intangible assets	20,954	13,631
Sale of goods and services	533	1,340
Release of provisions for litigation and claims and other liabilities	12,277	2,125
Recovery of debt collection costs	17,797	16,118
Recovered indemnities	2,642	13,192
Leasing operations	16,915	20,998
Gain on bargain purchase of RBPL	-	291,706
Other operating income*	87,799	34,083
Total other operating income	**158,917**	**393,193**

*The amount of PLN 87,799 thousand includes a result on sale of an organized part of the enterprise intended for running factoring activities on behalf of BGŻ BNP Paribas Faktoring Sp. z o.o. (the Factoring Entity) in the amount of PLN 42,435 thousand (PLN 45,000 thousand was recognized in the first half of 2019, in July 2019 the Bank and the Factoring Entity performed the final verification of the net value of factoring receivables transferred, which were the basis of calculation of the sale price at the end of June 2019. The difference in the amount of 2,565 thousand was recognized in the third quarter of 2019.).

14. OTHER OPERATING EXPENSES

Other operating expenses	12 months ended 31.12.2019	12 months ended 31.12.2018
Loss on sale or liquidation of property, plant and equipment and intangible assets	(63,305)	(15,990)
Provisions for litigation and claims and other liabilities	(111,347)	(41,608)
Debt collection	(45,371)	(35,946)
Donations made	(5,861)	(3,342)
Costs of leasing operations	(16,977)	(20,966)
Costs of compensations, penalties and fines	(16,898)	(2,574)
Other operating expenses	(49,982)	(41,180)
Total other operating expenses	**(309,741)**	**(161,606)**

15. INCOME TAX EXPENSE

	12 months ended 31.12.2019	12 months ended 31.12.2018
Current income tax	(178,310)	(224,716)
Deferred income tax	(78,836)	116,777
Total income tax expense	**(257,146)**	**(107,939)**
Profit before income tax	885,843	472,678
Statutory tax rate	19%	19%
Income taxes on gross profit	**(168,310)**	**(89,809)**
Receivables written-off	(18,043)	(6,613)
Non-tax-deductible tangible costs/income	(1,029)	(906)
PFRON	(1,879)	(1,052)
Prudential fee to the Bank Guarantee Fund	(31,559)	(22,286)
Impairment allowance on receivables	(2,088)	(9,669)
Tax on financial institutions	(53,426)	(40,493)
Gain on bargain purchase of RBPL	-	55,424
Research and development relief *	20,863	7,161
Other differences	(1,675)	304
Total income tax expense	**(257,146)**	**(107,939)**

*PLN 20,863 thousand includes a research and development reduction for the year 2018 in the amount of PLN 12,863 thousand and the forecasted research and development reduction for 2019 in the amount of PLN 8,000 thousand.

16. EARNING PER SHARE

	12 months ended 31.12.2019	12 months ended 31.12.2018
Attributable to equity holders of the Bank	628,696	364,739
Weighted average number of ordinary shares (items)	147,418,918	99,342,968
Basic earnings per share (in PLN per share)	4.26	3.67
Diluted earnings per share (in PLN per share)	4.26	3.67

Diluted earnings are equal to the basic earnings per share, since there are no factors that cause dilution.

Basic earnings per share are calculated as a quotient of the earnings attributable to the Bank's equity holders and the weighted average number of ordinary shares during the year, except for ordinary shares acquired by the Bank and recognized as own shares.

17. CASH AND BALANCES AT CENTRAL BANK

Cash and cash equivalents	31.12.2019	31.12.2018
Cash and other balances	2,566,489	2,253,130
Account in the National Bank of Poland	2,092,027	644,095
Gross cash and cash equivalents	**4,658,516**	**2,897,225**
Impairment allowances	(374)	(112)
Total net cash and cash equivalents	**4,658,142**	**2,897,113**

Change in impairment provisions	31.12.2019	31.12.2018
Balance at the beginning of the period	**(112)**	**-**
Change resulting from IFRS 9 implementation	-	(14)
Increases due to acquisition or origination	-	(1)
Decreases due to derecognition	-	243
Other changes (including foreign exchange differences)	(262)	(340)
Balance at the end of the period	**(374)**	**(112)**

During the day, the Bank may use cash on statutory reserve accounts for current cash settlements based on an order placed at the National Bank of Poland. The Bank 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 December 2019 interest on statutory reserve accounts was 0.5% (0.5% as at 31 December 2018).

The balance of cash in hand and at Central Bank includes the statutory reserve maintained with the National Bank of Poland. The declared reserve level to be maintained since 31 December 2019 was PLN 2,973,849 thousand (as compared to PLN 3,043,961 thousand in December 2018).

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

18. AMOUNTS DUE FROM BANKS

Amounts due from banks	31.12.2019		31.12.2018	
	Gross balance sheet amount	Allowance	Gross balance sheet amount	Allowance
Current accounts	140,829	(534)	285,955	(170)
Interbank deposits	265,266	(4)	320,181	(109)
Loans and advances	7,097	(27)	33,339	(511)
Other receivables	114,323	(355)	152,857	(471)
Total amounts due from banks	**527,515**	**(920)**	**792,332**	**(1,261)**

The total balance of long-term amounts due from banks as at 31 December 2019 amounted to PLN 194,659 thousand (PLN 235,959 thousand as at 31 December 2018).

Change in impairment allowance	31.12.2019	31.12.2018
Balance at the beginning of the period	**(1,261)**	**(4,477)**
Change resulting from IFRS 9 implementation	-	3,553
Increases due to acquisition or origination	(475)	(854)
Decreases due to derecognition	2,211	1,262
Changes resulting from the change in credit risk (net)	(1,941)	1,645
Other changes (including foreign exchange differences)	546	(2,390)
Balance at the end of the period	**(920)**	**(1,261)**

19. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivatives held by the Bank is presented in the below table:

Trading derivatives	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 options	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: valued using models	95,095,606	800,886	815,637

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

Fair value of derivatives by their maturity *

31.12.2019	Fair value of asset						Fair value of liabilities					
	Total	<= 1 month	> 1 month <= 3 months	> 3 months <= 12 months	> 1 year <= 5 years	> 5 years	Total	<= 1 month	> 1 month <= 3 months	> 3 months <= 12 months	> 1 year <= 5 years	> 5 years
Trading derivatives												
Currency derivatives:												
Foreign Exchange Forward (FX Forward + NDF)	**90,807**	15,480	16,620	41,568	17,139	-	**174,184**	11,543	15,641	61,610	85,390	-
Currency Swap (FX Swap)	**189,130**	32,931	33,149	58,528	64,522	-	**115,288**	43,958	53,381	11,855	6,079	14
Currency Interest Rate Swaps (CIRS)	**133,287**	65,906	-	1,770	14,319	51,293	**164,022**	67,375	-	6,411	25,571	64,665
OTC currency options	**26,273**	2,176	3,581	13,832	6,684	-	**43,701**	4,915	5,460	24,417	8,909	-
Total currency derivatives:	**439,497**	**116,492**	**53,351**	**115,697**	**102,663**	**51,293**	**497,195**	**127,792**	**74,482**	**104,293**	**125,948**	**64,679**
Interest rate derivatives												
Interest Rate Swap	**345,936**	2,909	2,375	19,542	175,434	145,676	**303,640**	272	5,728	17,555	169,153	110,933
Forward Rate Agreements (FRA)	**122**	-	-	122	-	-	**346**	-	-	243	103	-
OTC interest rate options	**10,332**	52	60	4,983	4,401	836	**9,479**	52	60	4,877	3,605	885
Total interest rate derivatives:	**356,390**	**2,961**	**2,435**	**24,647**	**179,835**	**146,511**	**313,465**	**324**	**5,788**	**22,675**	**172,860**	**111,818**
Other derivatives												
OTC commodity swaps	**4,999**	3,807	97	846	249	-	**4,977**	3,773	91	843	270	-
Total other derivatives:	**4,999**	**3,807**	**97**	**846**	**249**	**-**	**4,977**	**3,773**	**91**	**843**	**270**	**-**
Total trading derivatives:	**800,886**	**123,261**	**55,882**	**141,191**	**282,748**	**197,804**	**815,637**	**131,889**	**80,361**	**127,811**	**299,079**	**176,497**

* Financial data have been rounded and presented in PLN ‘000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

	Fair value of asset						Fair value of liabilities					
31.12.2018	Total	<= 1 month	> 1 month <= 3 months	> 3 months <= 12 months	> 1 year <= 5 years	> 5 years	Total	<= 1 month	> 1 month <= 3 months	> 3 months <= 12 months	> 1 year <= 5 years	> 5 years
Trading derivatives												
Currency derivatives:												
Foreign Exchange Forward (FX Forward + NDF)	**37,571**	3,140	8,298	16,544	9,589	-	**84,454**	2,998	7,800	36,001	34,847	2,808
Currency Swap (FX Swap)	**211,822**	84,117	55,678	49,142	22,885	-	**223,383**	16,067	50,352	79,290	66,166	11,508
Currency Interest Rate Swaps (CIRS)	**93,281**	-	-	1,686	70,937	20,658	**137,825**	-	-	2,948	84,438	50,439
OTC currency options	**46,682**	2,207	4,510	8,100	23,416	8,449	**51,434**	2,279	5,081	9,744	25,573	8,757
Total currency derivatives:	**389,356**	**89,464**	**68,486**	**75,472**	**126,827**	**29,107**	**497,096**	**21,344**	**63,233**	**127,983**	**211,024**	**73,512**
Interest rate derivatives:												
Interest Rate Swap	**318,561**	3,450	3,993	18,235	202,122	90,761	**279,136**	1,456	7,376	19,350	192,339	58,615
Forward Rate Agreements (FRA)	**250**	-	-	250	-	-	**-**	-	-	-	-	-
OTC interest rate options	**1,177**	-	-	16	653	508	**1,181**	-	-	16	654	511
Total interest rate derivatives:	**319,988**	**3,450**	**3,993**	**18,501**	**202,775**	**91,269**	**280,317**	**1,456**	**7,376**	**19,366**	**192,993**	**59,126**
Other derivatives												
OTC options	**2,125**	-	-	2,125	-	-	**2,135**	-	-	2,135	-	-
OTC commodity swaps	**3,813**	1,849	979	851	134	-	**3,767**	1,813	958	862	134	-
Currency Spot (FX Spot)	**389**	389	-	-	-	-	503	503	-	-	-	-
Total other derivatives:	**6,327**	**2,238**	**979**	**2,976**	**134**	**-**	**6,405**	**2,316**	**958**	**2,997**	**134**	**-**
Total trading derivatives:	**715,671**	**95,152**	**73,458**	**96,949**	**329,736**	**120,376**	**783,818**	**25,116**	**71,567**	**150,346**	**404,151**	**132,638**

* Financial data have been rounded and presented in PLN ‘000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

Maturity dates:
- for NDF, FX forward, FX swap, currency options and indexes, IRS, CIRS calculated as a difference in days between the transaction maturity date and the balance sheet date
- for FX spot, FRA, securities to be issued/received calculated as a difference in days between the transaction currency date and the balance sheet date

20. HEDGE ACCOUNTING

As at 31 December 2019, the Bank 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 Bank receives a fixed interest rate and pays a floating rate based on WIBOR 6M, WIBOR 3M, EURIBOR 3M, EURIBOR 1M, USD LIBOR 1M, USD LIBOR 6M.
Presentation of result on the hedged and hedging transactions	The change in fair value of hedging instruments is recognized in the Result on hedge accounting. Interest on IRS transactions and current accounts is recognized in Interest income.

IRS	Nominal value	Fair value	
		Assets	Liabilities
31.12.2019	6,506,139	224,532	1,626
31.12.2018	7,176,981	130,405	578

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

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	1,516,609	6,506,140
Hedging derivatives - total	**224,532**	**1,626**	**-**	**400,000**	**1,246,294**	**3,343,237**	**1,516,609**	**6,506,140**

31.12.2018

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)	130,405	578	17,200	-	1,250,000	4,453,885	1,455,896	7,176,981
Hedging derivatives - total	**130,405**	**578**	**17,200**	**-**	**1,250,000**	**4,453,885**	**1,455,896**	**7,176,981**

Additionally, as at 31 December 2019, the Bank 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 No. LD0536200061 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 Bank receives a fixed interest rate and pays a floating rate based on WIBOR 6M and EURIBOR 1M.
Presentation of result on the hedged and hedging transactions	The change in fair value of hedging transactions is recognized in the Result on hedge accounting. Interest on IRS transactions and hedged items is recognized in Interest income.

IRS	Nominal value	Fair value Assets	Fair value Liabilities
31.12.2019	846,801	-	23,007
31.12.2018	854,543	-	26,550

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

31.12.2019 PLN 199,584 thousand

31.12.2018 PLN 96,472 thousand

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

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)	-	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**

31.12.2018

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)	-	26,550	-	1,700	5,099	847,744	-	854,543
Hedging derivatives - total	**-**	**26,550**	**-**	**1,700**	**5,099**	**847,744**	**-**	**854,543**

Amounts recognized in the profit or loss account under fair value hedge accounting:

Fair value	31.12.2019	31.12.2018
Net interest income on hedging derivative instruments	146,794	115,233
Net interest income on hedged instruments	(111,998)	(93,592)
Change in fair value of hedging transactions recognized in the Result on hedge accounting, including:	(4,386)	(9,997)
change in fair value of hedging instruments	99,330	(97,480)
change in fair value of hedged instruments	(103,716)	87,483

21. LOANS AND ADVANCES TO CUSTOMERS MEASURED AT AMORTISED COST

	31.12.2019		31.12.2018	
Loans and advances to customers measured at amortised cost	Gross balance sheet amount	Allowance	Gross balance sheet amount	Allowance
Loans and advances for:				
Non-banking financial entities	**576,531**	**(2,314)**	**687,244**	**(14,641)**
current account loans	275,915	(1,191)	361,399	(1,837)
investment loans	195,443	(614)	96,596	(11,743)
other loans	105,173	(509)	229,249	(1,061)
Retail customers:	**29,997,525**	**(1,158,392)**	**27,000,114**	**(1,066,921)**
mortgage loans	18,526,757	(301,880)	16,054,648	(333,352)
other loans	11,470,768	(856,512)	10,945,466	(733,569)
Corporate customers:	**39,850,458**	**(1,915,967)**	**42,202,936**	**(1,845,925)**
current account loans	20,395,569	(1,163,590)	17,766,706	(984,066)
investment loans	14,066,034	(571,781)	15,161,760	(627,944)
other loans	5,388,855	(180,596)	9,274,470	(233,915)
Including retail farmers:	**8,732,840**	**(408,748)**	**8,681,538**	**(379,402)**
current account loans	4,389,269	(206,874)	4,312,606	(160,364)
investment loans	4,328,560	(200,839)	4,360,251	(218,750)
other loans	15,011	(1,035)	8,681	(288)
Public sector institutions:	**129,915**	**(1,925)**	**190,073**	**(1,961)**
current account loans	93,583	(1,294)	48,738	(550)
investment loans	35,635	(623)	36,056	(505)
other loans	697	(8)	105,279	(906)
Lease receivables	**1,250,960**	**(75,229)**	**1,805,600**	**(85,601)**
Total loans and advances to customers measured at amortised cost	**71,805,389**	**(3,153,827)**	**71,885,967**	**(3,015,049)**

Loans and advances to customers by Stages

31.12.2019	Stage 1	Stage 2	Stage 3
Loans and advances for:	**60,883,521**	**6,691,074**	**4,230,794**
Non-banking financial entities	575,539	84	908
Retail customers	26,877,993	1,786,916	1,332,616
Corporate customers:	32,528,567	4,594,095	2,727,796
including retail farmers	6,997,926	966,263	768,651
Public sector entities:	127,419	2,362	134
Lease receivables	774,003	307,617	169,340
Impairment allowance on loans and receivables for:	**(432,074)**	**(464,600)**	**(2,257,153)**
Non-banking financial entities	(1,907)	(10)	(397)
Retail customers	(185,466)	(206,902)	(766,024)
Corporate customers:	(238,135)	(245,297)	(1,432,535)
including retail farmers	(34,731)	(77,123)	(296,894)
Public sector entities	(1,756)	(82)	(87)
Lease receivables	(4,810)	(12,309)	(58,110)
Net loans and advances to customers measured at amortised cost	**60,451,447**	**6,226,474**	**1,973,641**

31.12.2018	Stage 1	Stage 2	Stage 3
Loans and advances for:	**61,485,682**	**6,264,930**	**4,135,355**
Non-banking financial entities	659,186	325	27,733
Retail customers	23,845,029	1,932,146	1,222,939
Corporate customers:	35,458,398	3,980,658	2,763,880
including retail farmers	7,114,796	980,508	586,234
Public sector entities:	189,960	-	113
Lease receivables	1,333,109	351,801	120,690
Impairment allowance on loans and receivables for:	**(492,558)**	**(495,154)**	**(2,027,337)**
Non-banking financial entities	(2,931)	(42)	(11,668)
Retail customers	(190,012)	(244,241)	(632,668)
Corporate customers:	(290,800)	(236,281)	(1,318,844)
including retail farmers	(78,708)	(85,095)	(215,599)
Public sector entities	(1,887)	-	(74)
Lease receivables	(6,928)	(14,590)	(64,083)
Net loans and advances to customers measured at amortised cost	**60,993,124**	**5,769,776**	**2,108,018**

The portfolio of amounts due from customers includes assets purchased or originated with impaired value (POCI - purchased or originated credit-impaired asset), which are presented in Stage 2 or 3 depending on the credit risk level assessment, whose net balance sheet value as at 31 December 2019 is PLN 389,808 thousand (PLN 62,702 thousand in Stage 2, PLN 327,106 thousand in Stage 3) and as at 31 December 2018 is PLN 681,549 thousand (PLN 8,245 thousand in Stage 2, PLN 673,304 thousand in Stage 3).

Impairment allowance of loans and advances to customers measured at amortised cost

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total
Opening balance	**(492,558)**	**(495,154)**	**(2,027,337)**	**(3,015,049)**
Increase due to acquisition or origination	(98,783)	(28,161)	(76,625)	(203,569)
Decrease due to derecognition	31,927	11,549	75,258	118,734
Changes resulting from the change in credit risk (net)	124,207	35,581	(457,651)	(297,863)
Use of allowances	-	-	190,747	190,747
Other changes (including foreign exchange differences)	3,133	11,585	38,455	53,173
Opening balance	**(432,074)**	**(464,600)**	**(2,257,153)**	**(3,153,827)**

Change in impairment allowances	Stage 1	Stage 2	Stage 3	Total*
Balance at 1.01.2018 in accordance with IAS 39	-	-	-	**(2,771,900)**
Change resulting from IFRS 9 implementation				(797,256)
Balance as at 1.01.2018 in accordance with IFRS 9	**(262,443)**	**(489,640)**	**(2,817,073)**	**(3,569,156)**
Increase due to acquisition or origination	(330,223)	(56,775)	(51,632)	(438,630)
Decrease due to derecognition	19,873	8,090	56,583	84,546
Changes resulting from the change in credit risk (net)	83,623	(31,728)	(389,744)	(337,849)
Use of allowances	-	15	1,193,113	1,193,128
Other changes (including foreign exchange differences)	(3,388)	74,884	(18,584)	52,912
Balance at 31.12.2018	**(492,558)**	**(495,154)**	**(2,027,337)**	**(3,015,049)**

*The table for 31 December 2018 presents impairment allowance divided by stages, excluding the division as at opening balance

The total balance of long-term loans and advances due to customers as at 31 December 2019 amounted to PLN 60,417,066 thousand (PLN 62,933,494 thousand as at 31 December 2018).

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

Loans by currency	31.12.2019	31.12.2018
CHF	4,839,915	5,166,681
EUR	49,088	56,277
PLN	13,634,997	10,828,584
USD	2,757	3,106
Total	**18,526,757**	**16,054,648**

	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	**576,531**	**-**	**(2,314)**	**-**
current account loans	275,915	-	(1,191)	-
investment loans	195,443	-	(614)	-
other loans	105,173	-	(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:	**39,850,458**	**148,434**	**(1,915,967)**	**(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	5,388,855	2,137	(180,596)	(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	**1,250,960**	**42,710**	**(75,229)**	**(7,558)**
Total loans and advances	**71,805,389**	**5,089,185**	**(3,153,827)**	**(189,909)**

	31.12.2018			
Value of CHF loan portfolio	Gross balance sheet amount	including CHF exposures	Allowance	including CHF exposures
Loans and advances for:				
Non-banking financial entities	**687,244**	**-**	**(14,641)**	**-**
current account loans	361,399	-	(1,837)	-
investment loans	96,596	-	(11,743)	-
other loans	229,249	-	(1,061)	-
Retail customers:	**27,000,114**	**5,234,042**	**(1,066,921)**	**(199,108)**
mortgage loans	16,054,648	5,166,681	(333,352)	(190,402)
other loans	10,945,466	67,361	(733,569)	(8,706)
Corporate customers:	**42,202,936**	**102,654**	**(1,845,925)**	**(7,647)**
current account loans	17,766,706	49,814	(984,066)	(4,375)
investment loans	15,161,760	13,396	(627,944)	(3,264)
other loans	9,274,470	39,444	(233,915)	(8)
Including retail farmers:	**8,681,538**	**3,966**	**(379,402)**	**299**
current account loans	4,312,606	3,774	(160,364)	299
investment loans	4,360,251	192	(218,750)	-
other loans	8,681	-	(288)	-
Public sector institutions:	**190,073**	**-**	**(1,961)**	**-**
current account loans	48,738	-	(550)	-
investment loans	36,056	-	(505)	-
other loans	105,279	-	(906)	-
Lease receivables	**1,805,600**	**38,531**	**(85,601)**	**(14,519)**
Total loans and advances	**71,885,967**	**5,375,227**	**(3,015,049)**	**(221,274)**

22. LOANS AND ADVANCES TO CUSTOMERS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2019	31.12.2018
Subsidised loans	1,974,396	2,416,249
Total loans and advances to customers measured at fair value through profit a loss	**1,974,396**	**2,416,249**

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

31.12.2019	Fair value	Gross balance sheet value
	1,974,396	2,116,564

31.12.2018	Fair value	Gross balance sheet value
	2,416,249	2,540,420

31.12.2019	Stage 1	Stage 2	Stage 3
Subsidised loan measured at fair value	**1,505,517**	**322,161**	**146,718**

31.12.2018			
Subsidised loan measured at fair value	**1,878,070**	**396,716**	**141,463**

23. SECURITIES MEASURED AT AMORTISED COST

	31.12.2019		31.12.2018	
Debt instruments:	Gross balance sheet value	Allowance	Gross balance sheet value	Allowance
Issued by local banks – mortgage bonds	5,231	(64)	6,006	(1)
Issued by local banks	28,194	(296)	-	-
issued by governments – Treasury bonds	17,427,475	(72)	11,269,967	(46)
issued by non-financial entities – bonds	380,660	(21,691)	618,641	(20,964)
issued by local governments – municipal bonds	97,611	(403)	65,767	(132)
Total debt instruments measured at amortised cost	**17,939,171**	**(22,526)**	**11,960,381**	**(21,143)**

31.12.2019	Stage 1	Stage 2	Stage 3	Total
Debt instruments:	**17,706,009**	**24,487**	**208,675**	**17,939,171**
Issued by local banks – mortgage bonds	5,231	-	-	5,231
Issued by local banks	28,194	-	-	28,194
issued by governments – Treasury bonds	17,427,475	-	-	17,427,475
issued by non-financial entities – bonds	147,498	24,487	208,675	380,660
issued by local governments – municipal bonds	97,611	-	-	97,611
Impairment allowances on securities	**(1,193)**	**(3,619)**	**(17,714)**	**(22,526)**
Issued by local banks – mortgage bonds	(64)	-	-	(64)
Issued by local banks	(296)	-	-	(296)
issued by governments – Treasury bonds	(72)	-	-	(72)
issued by non-financial entities – bonds	(358)	(3,619)	(17,714)	(21,691)
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**

31.12.2018	Stage 1	Stage 2	Stage 3	Total
Debt instruments:	**11,709,065**	**31,479**	**219,837**	**11,960,381**
Issued by local banks – mortgage bonds	6,006	-	-	6,006
issued by governments – Treasury bonds	11,269,967	-	-	11,269,967
issued by non-financial entities – bonds	367,325	31,479	219,837	618,641
issued by local governments – municipal bonds	65,767	-	-	65,767
Impairment allowances on securities	**(1,734)**	**(2,359)**	**(17,050)**	**(21,143)**
Issued by local banks – mortgage bonds	(1)	-	-	(1)
issued by governments – Treasury bonds	(46)	-	-	(46)
issued by non-financial entities – bonds	(1,555)	(2,359)	(17,050)	(20,964)
issued by local governments – municipal bonds	(132)	-	-	(132)
Total net debt instruments measured at amortised cost	**11,707,331**	**29,120**	**202,787**	**11,939,238**

In the portfolio of securities, the Bank included assets purchased or originated with impairment (POCI - purchased or originated credit-impaired asset), which are presented in Stage 2 or 3 depending on the credit risk level assessment, whose net balance value as at 31 December 2019 is PLN 190,960 thousand in Stage 3 (at 31 December 2018 PLN 194,638 thousand).

In accordance with the Banking Guarantee Fund ("BFG") Act of 14 December 1994, as at 31 December 2019, BNP Paribas Bank Polska S.A. held Treasury bonds recognized in the statement of financial position in the amount of PLN 433,649 thousand (with the nominal value of PLN 440,000 thousand), securing the guaranteed funds under BFG (in 2018, in the amount of PLN 452,587 thousand, with the nominal value of PLN 470,000 thousand).

Change of debt instruments measured at amortised cost based on the balance sheet value:

Change of debt instruments measured at amortised cost based on the balance sheet value:	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**11,939,238**	**-**
Change resulting from IFRS 9 implementation	-	7,466,904
Purchase of securities	6,290,069	6,363,495
Sale/repurchase of securities	(579,620)	(6,332,367)
Change in measurement at fair value through profit or loss	-	(342)
Change in impairment allowances	(1,383)	21
Change on the initial value adjustment	6,010	-
Change in interest due, foreign exchange differences, discounts and bonuses	267,812	(31,831)
Debt instruments acquired as a result of merger	-	4,476,658
Other changes	(5,481)	(3,300)
Closing balance	**17,916,645**	**11,939,238**

Change in impairment allowances of debt instruments measured at amortised cost

Change in impairment allowances of debt instruments measured at amortised cost	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**21,143**	**11,792**
Change resulting from IFRS 9 implementation	-	7,137
Balance as at 1.01.2018	**21,143**	**18,929**
Increases due to acquisition or origination	8,220	11,274
Decreases due to derecognition	(6,837)	(11,295)
Use of allowances	-	2,235
Closing balance	**22,526**	**21,143**

Debt instruments measured at amortised cost by maturity

Debt instruments measured at amortised cost by maturity	31.12.2019	31.12.2018
Up to 1 month	1,158	818
From 1 month to 3 months	121,155	473,913
From 1 year to 5 years	4,155,414	2,850,186
Over 5 years	13,661,444	8,635,464
Total debt instruments measured at amortised cost	**17,939,171**	**11,960,381**

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

Debt instruments measured at fair value through profit or loss	31.12.2019	31.12.2018
	Balance sheet value	
Bonds issued by central governments	-	11,941
Bonds issued by non-financial entities	53,902	53,612
Bonds convertible for non-financial entities bonds	24,191	58,201
Equity instruments	163,334	80,059
Financial instruments measured at fair value through profit or loss	**241,427**	**203,813**

Change in financial instruments measured at fair value through profit or loss:

Change in financial instruments measured at fair value through profit or loss:	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**203,813**	**-**
Change resulting from IFRS 9 implementation	-	104,984
Purchase of securities	24,995	35,919
Sale of securities	(11,873)	(147)
Change in measurement at fair value through profit or loss	20,629	7,640
Change in interest due, foreign exchange differences, discounts and bonuses	863	4,799
Debt instruments acquired as a result of merger	-	47,318
Other changes	3,000	3,300
Closing balance	**241,427**	**203,813**

Change in financial instruments measured at fair value through profit or loss:

Financial instruments measured at fair value through profit or loss by maturity:	31.12.2019	31.12.2018
No maturity	163,334	126,317
Up to 1 month	3,148	468
From 1 year to 5 years	15,708	13,232
Over 5 years	59,237	63,796
Total financial instruments measured at fair value through profit or loss	**241,427**	**203,813**

The table below presents the value of securities measured at fair value through profit or loss, divided into designated at fair value through profit or loss and obligatorily measured at fair value through profit and loss.

	12 months ended 31.12.2019	12 months ended 31.12.2018
Classified as obligatory measured at fair value through profit or loss as at the moment of initial recognition	78,093	77,496
Classified as measured at fair value through profit or loss as at the moment of initial recognition	163,334	126,317
Total financial instruments measured at fair value through profit or loss	**241,427**	**203,813**

25. SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt securities	31.12.2019	31.12.2018
Bonds issued by banks	530,927	516,084
Treasury bonds issued by central governments	7,422,431	15,359,255
Securities measured at fair value through other comprehensive income	**7,953,358**	**15,875,339**

The measurement 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.

Change of securities measured at fair value through other comprehensive income:

Change of securities measured at fair value through other comprehensive income	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**15,875,339**	**-**
Change resulting from IFRS 9 implementation	-	6,834,249
Purchase of securities	6,224,070	13,343,720
Sale of securities	(14,011,831)	(17,544,720)
Change in measurement at fair value through other comprehensive income	(18,747)	22,947
Change in measurement at fair value through profit or loss	1,035	11,275
Bonds acquired as a result of merger	-	13,193,469
Change in interest due, foreign exchange differences, discounts and bonuses	(116,508)	14,399
Closing balance	**7,953,358**	**15,875,339**

Gross securities measured at fair value through other comprehensive income by maturity:

Gross securities measured at fair value through other comprehensive income by maturity:	31.12.2019	31.12.2018
From 3 months to 1 year	1,115,222	7,112,515
From 1 year to 5 years	5,291,902	6,264,867
Over 5 years	1,546,234	2,497,957
Total securities measured at fair value through other comprehensive income	**7,953,358**	**15,875,339**

The table below presents gains and losses related to securities measured at fair value through other comprehensive income, which in the given period were recognized directly in equity, and then were derecognised and recognized in profit or loss for a given period of 12 months until 31 December 2019 and 31 December 2018.

Securities measured at fair value through other comprehensive income	12 months ended 31.12.2019	12 months ended 31.12.2018
Profits included directly in equity and then transferred from equity to the statement of profit or loss	2,862	39,507
Losses included directly in equity and then transferred from equity to the statement of profit or loss	(2,147)	(303)
Total	**715**	**39,204**

26. INVESTMENTS IN SUBSIDIARIES

	31.12.2019	31.12.2018
Financial sector entities	74,038	59,038
Non-financial sector entities	78,474	83,220
Total investments in subsidiaries	**152,512**	**142,258**

Shares in subsidiaries as at 31 December 2019 and 31 December 2018

31.12.2019	Acquisition cost of shares	Carrying amount	Interest held by the Bank in the entity's equity
Entity's name			
BANKOWY FUNDUSZ NIERUCHOMOŚCIOWY ACTUS SP. Z O.O.	57,434	39,008	100%
BNP PARIBAS TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A.	37,196	31,934	100%
BNP PARIBAS LEASING SERVICES SP. Z O.O.	134,800	39,996	100%
BNP PARIBAS GROUP SERVICE CENTER S.A.	48,800	31,699	100%
CAMPUS LESZNO SP. Z O.O.	12,514	7,767	100%
BNP PARIBAS SOLUTIONS SPÓŁKA Z O.O.	2,108	2,108	100%
Total	**292,852**	**152,512**	

31.12.2018	Acquisition cost of shares	Carrying amount	Interest held by the Bank in the entity's equity
Entity's name			
BANKOWY FUNDUSZ NIERUCHOMOŚCIOWY ACTUS SP. Z O.O.	57,434	39,008	100%
TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH BGŻ BNP PARIBAS S.A.	18,195	13,398	100%
BNP PARIBAS LEASING SERVICES SP. Z O.O.	134,800	39,996	100%
BNP PARIBAS GROUP SERVICE CENTER S.A.	11,000	11,000	100%
CAMPUS LESZNO SP. Z O.O.	12,514	12,514	100%
BNP PARIBAS FINANCIAL SERVICES SP. Z O.O.	20,698	20,698	100%
BNP PARIBAS SOLUTIONS SPÓŁKA Z O.O.	2,108	2,108	100%
RAIFFEISEN TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A.	3,536	3,536	100%
Total	**260,285**	**142,258**	

In December 2019 there was a merger of Bank's subsidiaries i.e. BNP Paribas Financial Service Sp. z o.o. and BNP Paribas Group Service Center S.A., during which BNP Paribas Financial Service Sp. z o.o. was acquired by BNP Paribas Group Service Center S.A.On 29 March 2019 there was a merger of Bank's subsidiaries i.e. Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A. and Riviera Towarzystwo Funduszy Inwestycyjnych S.A. (previously Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A,), during which Riviera Towarzystwo Funduszy Inwestycyjnych S.A. was acquired by TFI BNP Paribas TFI S.A.

In June 2018, the Bank acquired 100% of shares in Campus Leszno Sp. z o.o.

In October 2018, in connection with the acquisition of the core business of Raiffeisen Bank Polska S.A., the Bank acquired 100% of shares in the following companies: BNP Paribas Financial Services Sp. z o.o., BNP Paribas Solutions Spółka z o.o., Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A.

27. INTANGIBLE ASSETS

Intangible assets	31.12.2019	31.12.2018
Licenses	279,452	332,662
Other intangible assets	7,701	8,030
Expenditure on intangible assets	231,971	179,416
Total intangible assets	**519,124**	**520,108**

Intangible assets

12 months ended 31.12.2019	Licenses	Other intangible assets	Expenditure on intangible assets	Total
Gross book value				
As at 1 January	**1,236,580**	**42,906**	**181,133**	**1,460,619**
Increases:	193,137	2,535	249,581	445,253
reclassification from expenditure	183,422	2,253	-	185,675
purchase	9,711	104	249,581	259,396
reclassification from property, plant and equipment	4	178	-	182
Decreases:	(117,527)	(26,186)	(197,058)	(340,771)
reclassification from expenditure	-	-	(185,675)	(185,675)
sale, liquidation, donation, shortage	(117,527)	(26,186)	(1,455)	(145,168)
other	-	-	(9,928)	(9,928)
As at 31 December	**1,312,190**	**19,255**	**233,656**	**1,565,101**
Accumulated amortisation (-)				
As at 1 January	**903,918**	**34,281**	**-**	**938,199**
Changes:	128,820	(22,772)	-	106,048
amortisation for the financial year	224,170	2,836	-	227,006
sale, liquidation, donation, shortage	(95,350)	(25,608)	-	(120,958)
As at 31 December	**1,032,738**	**11,509**	**-**	**1,044,247**
Impairment allowances (-)				
As at 1 January	**-**	**595**	**1,717**	**2,312**
Balance changes:	-	(549)	(32)	(581)
impairment allowance recalculation	-	(549)	(32)	(581)
As at 31 December	**-**	**46**	**1,685**	**1,730**
Net book value				
As at 1 January	**332,662**	**8,030**	**179,416**	**520,108**
As at 31 December	**279,452**	**7,701**	**231,971**	**519,124**

Intangible assets

12 months ended 31.12.2018	Licenses	Other intangible assets	Expenditure on intangible assets	Total
Gross book value				
As at 1 January	**493,669**	**11,872**	**64,897**	**570,438**
Increases:	769,942	31,226	183,791	984,959
reclassification from expenditure	57,436	6,284	-	63,720
purchase	11,611	302	151,765	163,678
purchase as a result of a merger of entities	700,895	24,640	32,026	757,561
Decreases:	(27,031)	(192)	(67,555)	(94,778)
reclassification from expenditure	-	-	(63,720)	(63,720)
sale, liquidation, donation, shortage	(27,031)	(192)	(1,508)	(28,731)
other	-	-	(2,327)	(2,327)
As at 31 December	**1,236,580**	**42,906**	**181,133**	**1,460,619**
Accumulated amortisation (-)				
As at 1 January	**274,397**	**6,991**	**-**	**281,388**
Balance changes:	629,521	27,290	-	656,811
amortisation for the financial year	95,107	2,802	-	97,909
sale, liquidation, donation, shortage	(26,761)	(134)	-	(26,895)
purchase as a result of a merger of entities	561,175	24,622	-	585,797
As at 31 December	**903,918**	**34,281**	**-**	**938,199**
Impairment allowances (-)				
As at 1 January	**-**	**-**	**1,143**	**1,143**
Balance changes:	-	-	1,169	1,169
impairment allowance recalculation	-	-	1,169	1,169
As at 31 December	**-**	**-**	**2,312**	**2,312**
Net book value				
As at 1 January	**219,272**	**4,881**	**63,754**	**287,907**
As at 31 December	**332,662**	**8,625**	**178,821**	**520,108**

The Bank identifies impairment triggers for intangible assets not transferred to utilisation yet, i.e. under development, on an ongoing basis. As at 31 December 2019 and 31 December 2018, the Bank had no material contractual liabilities related to acquisition of intangible assets.

28. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	31.12.2019	31.12.2018
Fixed assets, including:	531,214	462,601
land and buildings	191,858	181,701
IT equipment	145,051	124,016
office equipment	41,444	36,066
other, including leasehold improvements	152,861	120,818
Fixed assets under construction	94,155	36,706
Right of use, including:	589,065	-
land and buildings	571,513	-
motor vehicles	13,261	-
IT equipment	4,104	-
other, including leasehold improvements	187	-
Total property, plant and equipment	**1,214,434**	**499,307**

Changes in property, plant and equimpment in 2019 and 2018 were presented below:

Property, plant and equipment and fixed assets under construction

12 months ended 31.12.2019	Land and buildings	Property, plant and equipment	Fixed assets under construction	Total
Gross book value				
As at 1 January	**399,496**	**1,330,707**	**36,706**	**1,766,909**
Increases:	10,751	187,933	209,243	407,927
reclassification from fixed assets under construction	10,751	139,436	-	150,187
purchase	-	31,022	201,120	232,142
other	-	17,475	8,123	25,598
Decreases:	(8,406)	(263,908)	(151,718)	(424,032)
reclassification from fixed assets under construction	-	-	(150,188)	(150,187)
sale, liquidation, donation, shortage, theft	(8,271)	(251,099)	-	(259,370)
other	(135)	(12,809)	(1,530)	(14,475)
As at 31 December	**401,841**	**1,254,732**	**94,231**	**1,750,804**
Accumulated depreciation (-)				
As at 1 January	**193,846**	**1,047,944**	**-**	**1,241,790**
Balance changes:	5,666	(133,492)	-	(127,826)
depreciation for the financial year	9,672	91,324	-	100,996
sale, liquidation, donation, shortage	(4,006)	(224,838)	-	(228,844)
acquisition as a result of merger	-	22	-	22
As at 31 December	**199,512**	**914,452**	**-**	**1,113,964**
Impairment allowances (-)				
As at 1 January	**11,672**	**14,088**	**51**	**25,811**
Balance changes:	(1,201)	(13,164)	25	(14,340)
impairment allowance recalculation	(1,201)	(13,164)	25	(14,340)
As at 31 December	**10,471**	**924**	**76**	**11,471**
Net book value				
As at 1 January	**193,978**	**268,675**	**36,655**	**499,308**
As at 31 December	**191,858**	**339,356**	**94,155**	**625,369**

Property, plant and equipment and fixed assets under construction

12 months ended 31.12.2018	Land and buildings	Property, plant and equipment	Fixed assets under construction	Total
Gross book value				
As at 1 January	**430,113**	**917,733**	**12,165**	**1,360,011**
Increases:	4,724	447,349	48,220	500,293
reclassification from fixed assets under construction	3,155	20,166	-	23,321
purchase	-	16,186	43,473	59,659
purchase as a result of a merger of entities	1,569	407,503	2,873	411,945
other	-	3,494	1,874	5,368
Decreases:	(35,341)	(34,375)	(23,679)	(93,395)
reclassification from fixed assets under construction	-	-	(23,321)	(23,321)
sale, liquidation, donation, shortage, theft	(35,341)	(34,375)	(333)	(70,049)
other	-	-	(25)	(25)
As at 31 December	**399,496**	**1,330,707**	**36,706**	**1,766,909**
Accumulated depreciation (-)				
As at 1 January	**198,557**	**654,458**	**-**	**853,015**
Balance changes:	(4,711)	393,486	-	388,775
depreciation for the financial year	10,137	80,805	-	90,942
sale, liquidation, donation, shortage	(15,259)	(31,352)	-	(46,611)
purchase as a result of a merger of entities	411	344,033	-	-
As at 31 December	**193,846**	**1,047,944**	**-**	**1,241,790**
Impairment allowances (-)				
As at 1 January	**6,437**	**211**	**-**	**6,648**
Balance changes:	17,512	1,652	-	19,164
impairment allowance recalculation	17,512	1,652	-	19,164
As at 31 December	**23,949**	**1,863**	**-**	**25,812**
Net book value				
As at 1 January	**225,119**	**263,064**	**12,165**	**500,348**
As at 31 December	**181,701**	**280,900**	**36,706**	**499,307**

Right of use					
12 months ended 31.12.2019	Land and buildings	Motor vehicles	IT equipment	Other, including leasehold improvements	Total
Gross book value					
As at 1 January	**579,508**	**20,667**	**6,540**	**279**	**606,994**
Increases:	142,917	5,430	16	1	148,364
Decreases:	(33,145)	(7,763)	-	-	(40,908)
As at 31 December	**689,280**	**18,334**	**6,556**	**280**	**714,450**
Accumulated depreciation (-)					
As at 1 January	**-**	**-**	**-**	**-**	**-**
Balance changes:	110,583	5,073	2,452	93	118,201
depreciation for the financial year	115,304	6,576	2,452	93	124,425
other	(4,721)	(1,503)	-	-	(6,224)
As at 31 December	**110,583**	**5,073**	**2,452**	**93**	**118,201**
Impairment allowances (-)					
As at 1 January	**10,503**				**10,503**
Balance changes:	(3,318)	-	-	-	(3,318)
Recognition of impairment loss	6,530	-	-	-	6,530
reversal of impairment loss	(9,848)	-	-	-	(9,848)
As at 31 December	**7,185**	**-**	**-**	**-**	**7,185**
Net book value					
As at 1 January	**569,005**	**20,667**	**6,540**	**279**	**596,491**
As at 31 December	**571,513**	**13,261**	**4,104**	**187**	**589,065**

As at 31 December 2019 and 31 December 2018, the Bank had no material contractual liabilities related to acquisition of property, plant and equipment.

29. OTHER ASSETS

Other assets:	31.12.2019	31.12.2018
Receivables from contracts with customers:		
sundry debtors	326,787	257,612
accrued income	114,427	85,373
payment card settlements	30,566	141,009
social insurance settlements	6,173	6,876
Other:		
settlements with securitization company	120,289	119,721
interbank and intersystem settlements	288,740	222,222
deferred expenses	40,418	49,742
tax and other regulatory receivables	20,096	17,571
other lease receivables	7,966	16,114
other	64,495	63,586
Total other assets (gross)	**1,019,957**	**979,826**
Impairment allowances on other receivables from other debtors	(109,077)	(89,944)
Total other assets (net)	**910,880**	**889,882**

30. AMOUNTS DUE TO BANKS

Amounts due to banks	31.12.2019	31.12.2018
Current accounts	593,160	596,974
Interbank deposits	-	183,006
Loans and advances received	220,410	623,781
Other liabilities	205,206	186,174
Total amounts due to banks	**1,018,776**	**1,589,935**

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

The amount of long-term liabilities due to banks as at 31 December 2019 equals PLN 425,701 thousand (as at 31 December 2018 PLN 446,395 thousand).

31. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers	31.12.2019	31.12.2018
Other financial institutions	**4,870,500**	**6,495,643**
Current accounts	472,979	1,293,705
Term deposits	2,098,929	2,890,516
Settlements of securitization transaction	2,298,573	2,298,995
Other liabilities	19	12,427
Retail customers	**42,281,589**	**44,681,053**
Current accounts	27,275,384	27,622,375
Term deposits	14,753,587	16,778,483
Other liabilities	252,618	280,195
Corporate customers	**40,291,290**	**37,283,001**
Current accounts	29,239,743	25,998,247
Term deposits	10,336,908	10,262,953
Other liabilities	714,639	1,021,801
Including farmers	**1,942,191**	**1,770,897**
Current accounts	1,827,333	1,590,618
Term deposits	105,709	168,781
Other liabilities	9,149	11,498
Public sector customers	**1,001,948**	**1,046,860**
Current accounts	788,034	721,146
Term deposits	212,777	307,176
Other liabilities	1,137	18,538
Total amounts due to customers	**88,445,327**	**89,506,557**

The amount of long-term amounts due to customers as at 31 December 2019 equals PLN 872,794 thousand (as at 31 December 2018 PLN 1,508,736 thousand).

32. DEBT SECURITIES ISSUED

Changes in the balance of debt securities issued	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**-**	**288,553**
Redemption of certificates of deposit	-	(285,000)
Changes in discount, interests, commission and fees on certificates of deposit amortized using EIR, foreign currency exchange differences	-	(3,553)
Closing balance	**-**	**-**

In 2018, all certificates of deposits were repurchased and the balance as at 31 December 2019 as well as at 31 December 2018 is PLN 0.

33. SUBORDINATED LIABILITIES

Subordinated liabilities	12 months ended 31.12.2019	12 months ended 31.12.2018
	1,882,064	**1,875,769**

Change in the balance of subordinated liabilities	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**1,875,769**	**1,645,102**
Loans received	-	172,000
Change in the balance of interest	(1,110)	(601)
Exchange differences	7,405	59,268
Closing balance	**1,882,064**	**1,875,769**

34. OTHER LIABILITIES

Other liabilities	31.12.2019	31.12.2018
Liabilities due to contracts with customers		
Sundry creditors	217,441	191,427
Payment card settlements	104,886	180,442
Deferred income	111,729	167,037
Escrow account liabilities	9,830	70,778
Social insurance settlements	24,318	37,281
Other liabilities		
Interbank and intersystem settlements	480,434	459,759
Provisions for non-personnel expenses	335,267	263,068
Provisions for other employees-related liabilities	335,040	243,929
Provision for unused annual holidays	43,398	43,914
Other regulatory liabilities	62,185	68,043
Other lease liabilities	14,140	10,666
Other	113,383	64,810
Total other liabilities	**1,852,051**	**1,801,154**

35. PROVISIONS

	31.12.2019	31.12.2018
Provision for restructuring	113,049	171,862
Provision for retirement benefits and similar obligations	15,850	14,495
Provision for contingent financial liabilities and guarantees granted	233,179	149,530
Provisions for litigation and claims	165,983	62,073
Other provisions	2,476	37,839
Total provisions	**530,537**	**435,799**

Provisions for restructuring	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**171,862**	**10,479**
Provisions recognition	6,929	157,613
Provisions utilization	(54,267)	(19,972)
Provisions release	(687)	-
Provision acquired as a result of merger	-	19,878
Other changes	(10,788)	3,864
Closing balance	**113,049**	**171,862**

Provision for retirement benefits and similar obligations	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**14,495**	**12,784**
Provisions recognition	3,135	3,354
Provisions release	(1,780)	(5,511)
Provision acquired as a result of merger	-	3,868
Closing balance	**15,850**	**14,495**

Provisions for contingent financial liabilities and guarantees granted	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**149,530**	**35,419**
IFRS 9 implementation effect	-	38,193
Provisions recognition	491,420	184,529
Provisions release	(392,438)	(185,817)
Change of credit risk	(15,105)	8,645
Provision acquired as a result of merger	-	63,221
Other changes	(228)	5,340
Closing balance	**233,179**	**149,530**

Provisions for litigation and claims	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**62,073**	**7,109**
Provisions recognition	136,696	17,694
Provisions utilization	(19,758)	(1,466)
Provisions release	(19,834)	(145)
Provision acquired as a result of merger	-	38,947
Other changes	6,806	(66)
Closing balance	**165,983**	**62,073**

Other provisions	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**37,839**	**10,906**
Provisions recognition	7,889	891
Provisions release	(34,629)	(4,632)
Provision acquired as a result of merger	-	34,571
Other changes	(8,623)	(3,897)
Closing balance	**2,476**	**37,839**

Legal risk

As at 31 December 2019, there were no proceedings in the court, arbitration tribunal or state administration authorities regarding liabilities or receivables of the Bank, the value of which would exceed 10% of the Bank's equity.

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 December 2019 the Bank received:

31 requests for settlement from companies (marchands), 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 1,020.96 million, including PLN 1,010.99 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.

Judgement 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 Tribunal 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 denominated loan agreements

As at 31 December 2019, the Bank was a defendant in 192 court cases (82 new cases in 2019, 26 of which began in the fourth quarter of 2019) (including cases validly completed clients issued 207 claims against the Bank), in which the Bank's clients demanded to declare 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 December 31, 2019 amounts to PLN 49.37 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, on an ongoing basis, creates provisions for pending court proceedings the subject of which are denominated or foreign currency loans, taking into account the current state of final judgments in cases against the Bank and the emerging line of case law. In the fourth quarter of 2019 the Bank created provision of PLN 29.49 million for the CHF loans proceedings. The value of created provisions for proceedings regarding CHF loans as at 31 December 2019 was PLN 32.1 million. Provision for ongoing court cases is calculated on individual basis, provision for future proceedings is calculated on portfolio basis. For provision calculated on portfolio basis Bank evaluates the number of future court cases related to CHF credits based on number of documents requested from Bank by clients for lawsuit purposes and observed increase in the number of new cases. Bank, while calculating expected loss related to CHF credits legal risk applied an simplified approach due to short horizon of historical data available, and relatively small number of judgements received till date. Bank will, on an ongoing basis monitor increase in the number of documents requested by clients and number of new lawsuits and update evaluation of provision accordingly.

Bank carried out sensitivity analysis of the model used to the estimation of the number of future lawsuits. Change in the number of future lawsuit would have following impact on the amount of the Bank's loss related to legal risk.

Parameter	Scenario	Impact on Bank's loss due to legal risk
Number of lawsuits	20%	PLN 3,842 thousand
	-20%	PLN -3,842 thousand

Additionally Bank evaluated, that if estimated number of future lawsuits is increased by lawsuits made by additional 1% of clients who have CHF mortgage credits Bank's loss related to legal risk will increase by ca 7 mln PLN.

Bank carried out sensitivity analysis of the model used to estimation of the number of the unfavourable judgments. Change in this estimation would have following impact on the amount of the Bank's loss related to legal risk.

Parameter	Scenario	Impact on Bank's loss due to legal risk
Percentage of lawsuits lost	+5 p.p.	PLN 8,590 thousand
	-5 p.p.	PLN -8,590 thousand

The Bank underlines there is a significant difference both for facts (especially different clauses of the agreements and scope of the information for the client), and courts' decisions taken in Poland in cases relating to indexed, denominated and currency loans, which makes precise estimation of the risk even more challenging. The Bank on an ongoing basis analyses decisions taken by courts and will adjust level of provisions according to the emerging case-law.

36. DEFERRED INCOME TAX

Changes in deferred income tax in the financial year:

Deferred tax assets	Deferred tax basis as at 31.12.2019	Deferred tax basis as at 31.12.2018	Charge arising from changes in asset for 2018
Outstanding interest accrued on liabilities, including CD interest and discount	383,295	415,219	(6,066)
Fair value measurement of derivative instruments and securities	499,382	438,881	11,495
Unrealized liabilities due to hedged items and hedging instruments	201,332	96,472	19,923
Impairment allowances on financial assets and provisions for contingent liabilities (non-deductible), which are probable to occur	3,765,364	4,116,280	(66,674)
Fair value adjustment due to credit risk of derivative instruments after maturity	587,026	812,229	(42,789)
Provision for retirement benefits and provision for restructuring	121,040	156,722	(6,780)
Other provisions for personnel costs	269,724	277,382	(1,455)
Provisions for non-personnel expenses	524,718	328,532	37,275
Impairment allowance on fixed and intangible assets	13,529	31,124	(3,343)
Impairment allowance on shares in subsidiaries and associates	63,274	46,673	3,154
Tax on civil law transactions – acquisition of shares in subsidiaries	77	77	-
Compensations paid	8,812	8,823	(2)
Impairment allowance on lease receivables	17,118	21,562	(844)
Impairment allowance on available for sale assets related to leasing operations	58,110	64,083	(1,135)
Surplus of the tax value of leased fixed assets over the book value of receivables	184,701	294,895	(20,937)
Lease down-payments	62	2,854	(530)
Deferred income from leasing operations	5,730	5,218	97
Leasing liabilities	608,343	-	115,585
Impairment allowances on other assets	5,509	2,211	627
Valuation of securities measured through other comprehensive income	8,971	7,749	232
Other deductible temporary differences	45,191	5,908	7,464
Total:	**7,371,308**	**7,132,894**	**45,297**
Asset basis recognized in profit or loss (in the current and preceding years) and charge arising from changes in asset	7,362,337	7,125,145	45,065
Basis for assets recognized in correspondence with revaluation reserve and charge arising from changes in asset	8,971	7,749	232

* the impact of change of deferred tax presented in this note includes the amount of PLN 1,154 thousand included in the settlement of the sale of an organized part of the enterprise

Unrecognized deferred tax asset is related to impairment allowances on loans and advances whose non-recoverability will not become probable in the future. The related unrecognized temporary differences amounted to PLN 40,586 thousand as at 31 December 2019 as compared to PLN 44,875 thousand as at 31 December 2018.

Deferred tax liability	Deferred tax basis as at 31.12.2019	Deferred tax basis as at 31.12.2018	Charge arising from changes in asset for 2019
Accrued revenue from interest on amounts due	(1,207,591)	(1,254,895)	(8,988)
Fair value measurement of derivative instruments and securities	(712,514)	(560,700)	28,845
Valuation of securities measured at fair value through other comprehensive income	(163,587)	(181,995)	(3,498)
Difference between accounting and tax depreciation of the Bank’s own fixed assets	(231,532)	(279,359)	(9,087)
Other accrued revenue	-	(265)	(50)
Net value of right of use	(596,251)	-	113,288
R&D expenses	(5,604)	(5,752)	(28)
Unrealized liabilities related to hedged items and hedging instruments	(5,336)	-	1,014
Deferred costs of leasing operations	(6,157)	(4,341)	345
Other taxable temporary differences	(377)	(1,980)	(305)
Total:	**(2,928,949)**	**(2,289,287)**	**121,536**
Liability basis recognized in profit or loss (in the current and preceding years) and charge arising from changes in liability**	(2,765,362)	(2,107,292)	125,034
Basis for liability charged to revaluation reserve and charge arising from changes in liability	(163,587)	(181,995)	(3,498)

** the impact of change of deferred tax presented in this note includes the amount of PLN 1,154 thousand included in the settlement of the sale of an organized part of the enterprise.

Presented as			
Deferred tax assets	**1,400,550**	**1,321,326**	**-**
Deferred tax liability	**(556,500)**	**(401,040)**	**-**
Total	**844,049**	**920,286**	**-**

37. DISCONTINUED OPERATIONS

The Bank did not discontinue any operations in 2019 or 2018.

38. SHARE-BASED PAYMENTS

The Bank has a Policy on remuneration for employees that exert a considerable influence on the risk profile of BNP Paribas Bank Polska S.A.

The principles and assumptions underlying the aforesaid Policy guarantee the existence of a reasonable, balanced and controllable remuneration policy, consistent with the acceptable risk level, the standards and values of BNP Paribas Bank Polska S.A. and the applicable laws and regulations, in particular the Ordinance of the Minister of Development and Finance of 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital in banks and recommendations provided for in CRD4.

Variable remuneration granted to the Bank's employees that exert a considerable influence on the risk profile is divided into two portions, namely a financial instrument (phantom shares) and cash. Both these portions of remuneration are deferred for three years if the total amount of variable remuneration is higher than PLN 150 thousand.

Variable remuneration in the form of phantom shares is paid as a cash equivalent of the number of shares granted to the employee, following the expiry of the retention period.

The cash portion of variable remuneration is subject to IAS 19 and the one granted in phantom shares to IFRS 2.

Financial instruments – changes in the plan for 2019 and 2018.

	2019		2018	
	Financial instrument		Financial instrument	
	number	value (PLN '000)	number	value (PLN '000)
Opening balance	**182,913**	**10,684**	**85,342**	**6,285**
granted in current period	170,853	8,440	36,943	2,389
Granted as part of merger with Raiffeisen Bank Polska	-	-	107,328	5,045
exercised in current period	(59,028)	(3,496)	(46,700)	(3,035)
Closing balance	**294,738**	**15,628**	**182,913**	**10,684**

In 2019 payments of PLN 3.496 million were made due to exercising rights to deferred phantom shares (under the program for 2015 and 2016).

The table below presents the terms of the Stock Purchase Plan for 2019

Transaction type in line with IFRS 2	Share-based payments settled in cash
Plan issued on	21 June 2012 - the Resolution of the Supervisory Board approving the Remuneration Policy
The first day of granting phantom shares	13 March 2019
The last day of granting phantom shares	20 March 2019
Plan settlement	On the settlement day of the deferred remuneration for 2015-2016, each participant will receive cash in the amount calculated as the product of the number of phantom shares and the median price of shares in BNP Paribas Bank Polska S.A. at the end of each working day (i.e. closing rate) from the year preceding the year of unit realization (January - December). On the day of settling the deferred remuneration for 2017, the participant will be paid the amount of cash being the product of the phantom shares held by the participant and the weighted average volume of the Bank's share prices of each business day from the End Period, whose length is 40 business days from July 1, 2018. The conversion of variable remuneration for 2017 into phantom shares was calculated based on the arithmetic mean of the volume-weighted average price of the Bank's shares each business day of the Initial Period, the length of which is 25 business days from 8 Febuary 2019.
Median price of BNP Paribas Bank Polska S.A. shares, for converting deferred phantom shares for 2015-2016 into cash	PLN 60.00
Weighted average price of BNP Paribas Bank Polska S.A. shares to convert deferred phantom shares from 2017 into cash	PLN 53.73
Weighted average price of BNP Paribas Bank Polska S.A. shares to convert variable remuneration into phantom shares	PLN 50.49

39. CONTINGENT LIABILITIES

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

Contingent commitments	31.12.2019	31.12.2018
Contingent commitments granted	**31,087,503**	**28,409,563**
financial commitments	24,293,205	21,614,561
guarantees	6,794,298	6,795,002
Contingent commitments received	**21,443,112**	**18,164,389**
financial commitments	12,127,379	12,384,011
guarantees	9,315,733	5,780,378

The amount of contingent liabilities granted as at 31 December 2019 equals PLN 14,049,630 thousand (as at 31 December 2018 PLN 9,572,734 thousand), while the amount of contingent liabilities received by the Bank as at 31 December 2019 equals PLN 18,515,956 thousand (as at 31 December 2018 PLN 16,230,589 thousand).

40. COLLATERALS

The Bank had the following assets pledged as collaterals for payment of its own and third-party liabilities:

Assets of the Bank pledged as collaterals

The table below presents the balance sheet value of financial assets that have been established as collateral for contracted liabilities or contingent liabilities.

Assets pledged as collaterals	31.12.2019	31.12.2018
Guaranteed amount protection fund – Bank Guarantee Fund (BFG)		
nominal value of collateral	440,000	470,000
type of collateral	Treasury bonds	
maturity	2028-04-25	2028-04-25
balance sheet amount of collateral	433,649	452,587
Collateral of BM BGŻ BNP Paribas S.A. transactions in securities deposited with the national depository for securities (KDPW) as part of the stock exchange guarantee fund		
cash	3,265	3,265
Collateral for derivative transaction settlement		
nominal value of collateral	62,795	105,037
type of collateral	call deposits (amounts due from banks)	
Collateral of SPV settlements for securitization		
nominal value of collateral	2,178,530	2,178,530
type of collateral	receivables that are the subject of a securitization transaction	

Assets of the customer pledged as collaterals

The Bank has not established collateral on customer assets that may be sold or pledged.

41. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1

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

Level 2

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

Level 3

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

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

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

In 2019, 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 the end of 2019, 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, subsidised loans (fair value determined using measurement techniques (models) which are not based on available, verifiable market data, i.e. in cases other than those described in 1 and 2).

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

31.12.2019	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**7,953,358**	**633,612**	**2,607,629**	**11,194,599**
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	-	-	241,427	241,427
Loans and advances to customers measured at fair value through profit or loss	-	-	1,974,396	1,974,396
Liabilities measured at fair value:	**-**	**532,589**	**307,681**	**840,270**
Derivatives	-	509,582	306,055	815,637
Hedging instruments	-	23,007	1,626	24,633

31.12.2018	Level 1	Level 2	Level 3	Total
Assets measured at fair value:	**15,887,437**	**711,224**	**2,742,816**	**19,341,477**
Derivative financial instruments	157	592,654	122,860	715,671
Hedging instruments	-	72,312	58,093	130,405
Financial instruments measured at fair value through other comprehensive income	15,875,339	-	-	15,875,339
Financial instruments measured at fair value through profit or loss	11,941	46,258	145,614	203,813
Loans and advances to customers measured at fair value through profit or loss	-	-	2,416,249	2,416,249
Liabilities measured at fair value:	**18**	**613,869**	**197,058**	**810,945**
Derivatives	18	586,742	197,058	783,818
Hedging instruments	-	27,127	-	27,127

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.

As regards 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.

31.12.2019	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Derivative financial instruments – liabilities	Hedging instruments - liabilities
Opening balance	**122,860**	**58,093**	**2,561,863**	**197,058**	**-**
Total gains/losses recognized in:	177,954	32,899	(17,997)	108,997	1,626
statement of profit or loss	177,954	32,899	(17,997)	108,997	1,626
Purchase	-	-	19,995	-	-
Sale	-	-	(11,873)	-	-
Settlement	-	-	(339,165)	-	-
Transfer	-	-	3,000	-	-
Closing balance	**300,814**	**90,992**	**2,215,823**	**306,055**	**1,626**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period	**(48,782)**	**32,899**	**(17,997)**	**187,813**	**1,626**

31.12.2018	Derivative financial instruments – assets	Hedging instruments - assets	Financial assets measured at fair value	Hedging instruments - liabilities
Opening balance	**45,231**	**-**	**-**	**(45,406)**
Przeklasyfikowane do portfela Instrumenty dłużne wyceniane według zamortyzowanego kosztu zgodnie z MSSF 9	-	-	104,984	-
Przeklasyfikowane do portfela kredyty i pożyczki zgodnie z MSSF 9	-	-	2,888,872	-
Total gains/losses recognized in:	(191,995)	58,093	13,201	(107,969)
statement of profit or loss	(191,995)	58,093	13,201	(107,969)
statement of other comprehensive income	-	-	-	-
Purchase	11,955	-	24,519	6,229
Sale	(124,854)	-	(147)	(95,314)
Settlement	-	-	(472,623)	-
Transfer	-	-	3,300	-
Impairment allowance	-	-	(243)	-
Merger of entities	382,523	-	-	439,518
Closing balance	**122,860**	**58,093**	**2,561,863**	**197,058**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities at the end of the period	**(78,158)**	**58,093**	**13,288**	**(248,212)**

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.

31.12.2019	Book value	Fair value	Level
Financial assets			
Cash and balances at Central Bank	4,658,142	4,658,142	3
Amounts due from banks	526,595	516,436	3
Loans and advances to customers measured at amortised cost	68,651,562	68,151,767	3
Debt instruments measured at amortised cost	17,916,645	18,771,310	1,3
Other financial assets	671,444	671,444	3
FINANCIAL LIABILITIES			
Amounts due from banks	1,018,776	1,016,680	3
Amounts due to customers	88,445,327	88,485,385	3
Subordinated liabilities	1,882,064	2,119,516	3
Other financial liabilities	851,049	851,049	3

31.12.2018	Book value	Fair value	Level
Financial assets			
Cash and balances at Central Bank	2,897,113	2,897,113	3
Amounts due from banks	791,071	766,791	3
Loans and advances to customers measured at amortised cost	68,870,918	68,070,422	3
Debt instruments measured at amortised cost	11,939,238	12,040,963	1,3
Other financial assets	673,610	673,610	3
Financial liabilities			
Amounts due from banks	1,589,935	1,505,544	3
Amounts due to customers	89,506,557	89,575,137	3
Subordinated liabilities	1,875,769	2,034,352	3
Other financial liabilities	950,353	950,353	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) Investments in subsidiaries and associates

The fair value of investments in subsidiaries and associates is equal to their balance sheet amounts equal to PLN 152,512 thousand.

d) Liabilities due to subordinated loan

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

e) 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.

f) Debt securities issued

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

g) Compensation of financial assets and liabilities

31.12.2019	Gross value presented in financial assets/liabilities	Net value presented in financial assets/liabilities	Offsetting value under concluded contracts	Cash collateral value	Net value
Financial assets					
Trading derivatives	1,025,418	1,025,418	(554,412)	(62,532)	408,474
Total	**1,025,418**	**1,025,418**	**(554,412)**	**(62,532)**	**408,474**
Financial liabilities					
Trading derivatives	840,270	840,270	(554,412)	(225,998)	59,860
Total	**840,270**	**840,270**	**(554,412)**	**(225,998)**	**59,860**

31.12.2018	Gross value presented in financial assets/liabilities	Net value presented in financial assets/liabilities	Offsetting value under concluded contracts	Cash collateral value	Net value
Financial assets					
Trading derivatives	846,076	846,076	(404,885)	(133,270)	344,916
Total	**846,076**	**846,076**	**(404,885)**	**(133,270)**	**344,916**
Financial liabilities					
Trading derivatives	810,945	810,945	(404,885)	(350,619)	66,749
Total	**810,945**	**810,945**	**(404,885)**	**(350,619)**	**66,749**

Receivables and liabilities which are not past due may be offset and the netting arrangement is possible for early contract settlement in accordance with the framework agreements / ISDA concluded with the contracting parties.

42. LEASES

Bank as a lessee

Bank is a contractual party of leasing agreements related to such base assets as:

- property,
- vehicles,
- land, including perpetual usufruct right to land,
- cash deposit machines,
- equipment,
- IT equipments.

The leasing period of vehicles equals 1 to 5 years. Leasing agreements contain extension options. In respect of vehicles the Bank concludes also leaseback agreements.

The Bank is also a party to real estate leasing agreements. The contracts are concluded for both definite of 1 to 30 years and indefinite period. In the case of contracts concluded for an indefinite period, the Bank determines the leasing period based on the notice period. The agreements provide for variable leasing fees depending on the index (e.g. CSO, HICP).

The Bank has also land lease agreements concluded for an indefinite period, and perpetual usufruct rights for land received for the period of 40 to 100 years. Lease payments are indexed in accordance with the land management act.

	31.12.2019
Costs of leasing recognized in profit and loss account	**(142,936)**
- cost of interest from leasing liabilities	(8,651)
- cost of amortization of assets due to the right of use	(124,425)
- costs related to short-term leases (recognized as administrative costs)	(9,860)

Undiscounted lease payments by maturity	31.12.2019
up to 1 year	118,151
from 1 year to 5 years	349,126
over 5 years	198,679
Total	**665,956**

	31.12.2019
Book value of liabilities due to discounted lease	**601,157**

Bank as a lessor

Lease contracts under which substantially all the risk and rewards of ownership are transferred to the lessee are classified as finance leases. The statement of financial position includes the value of receivables equal to the net leasing investment. The revenue recognition from finance lease agreements reflects the constant periodic rate of return on the net leasing investment made by the Bank under finance leases.

The Bank does not offer operational leasing products, i.e. those in which substantially all the risks and rewards of ownership are not transferred to the lessee.

Finance lease receivables

Finance lease receivables	31.12.2019	31.12.2018
Undiscounted lease payments	1,445,945	2,027,005
Unrealized financial income	(194,985)	(221,405)
Present value of minimum lease payments	**1,250,960**	**1,805,600**
Impairment allowance	(75,229)	(85,601)
Total finance lease receivables	**1,175,731**	**1,719,999**

Undiscounted lease payments by maturity	31.12.2019	31.12.2018
up to 1 year	498,169	651,805
from 1 year to 5 years	855,503	1,214,533
over 5 years	92,273	160,667
Total undiscounted lease payments by maturity	**1,445,945**	**2,027,005**

43. SECURITIZATION AND LOAN PORTFOLIO SALE

Loan portfolio sale

In 2019, the Bank concluded agreements regarding the sale of retail, SME and corporate loan portfolio. The gross book value of the portfolio amounted to PLN 447,953 thousand, the value of impairment allowances amounted to PLN 358,972 thousand.
The contractual price for the sale of these portfolios has been set at PLN 114,396 thousand. The net effect on the Bank's results from the sale of portfolios which amounted to PLN 25,414 thousand and is presented in *Recognition and release of impairment allowances on loans and advances*

Securitization

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

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

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

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

In the light of the provisions of IAS 39 and 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 December 2018 at net value of PLN 2,247,024 thousand.

The Bank acts as a servicing entity in the transaction.

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

	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	Book value		Fair value	
Assets	2,247,024	2,150,316	2,130,777	2,106,646
Liabilities	2,298,573	2,298,995	2,298,573	2,298,995

44. CUSTODY OPERATIONS

The Bank conducts custody operations consisting in maintaining assets or client transactions clearing.These assets have not been disclosed in the financial statements as they do not belong to the Bank.

As at 31 December 2019, the Custody Services Office conducted 491 securities accounts for the clients. The fair value of the financial instruments of the customers of the Custody Services Office for this day was PLN 23,335,821 thousand.

In the reporting period, securities in public trading and securities in material form as well as securities traded abroad were stored. As part of providing custody services to the clients, the Bank cooperated with several brokerage offices. The Bank acts as a depository for clients and in the case of derivative rights is a representative of an entity that is not a participant of the National Depository for Securities and, at the same time, is a clearing participant.

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

As at 31 December 2019, the structure of the shareholders of BNP Paribas Bank Polska S.A., including those holding at least 5% of the total number of votes at the General Shareholders' Meeting was as follows:

Shareholders	Number of shares	Percentage interest in share capital	Number of votes at the General Shareholders' Meeting	Percentage share in the total number of votes at the General Shareholders' Meeting
BNP Paribas, total:	130,850,464	88,76%	130,850,464	88,76%
BNP Paribas directly	95,360,238	64,69%	95,360,238	64,69%
BNP Paribas Fortis SA/NV directly	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%**

The Bank shareholders' structure did not change in 2019.
As at 31 December 2019, the Bank's share capital amounted to PLN 147,419 thousand.
The share capital is divided into 147,418,918 shares with the par value of PLN 1.00, including: 15,088,100 A series shares, 7,807,300 B series shares, 247,329 C series shares, 3,220,932 D series shares, 10,640,643 E series shares, 6,132,460 F series shares, 8,000,000 G series shares, 5,002,000 H series shares, 28,099,554 I series shares, 2,500,000 series J shares and 49,880,600 series L shares.

The Bank's shares are ordinary bearer and registered shares (as at 31 December 2018, there were 67,005,515 registered shares, including 4 shares from B series).

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

Four B series registered shares in the Bank are preference shares with respect to payment of the full par value per share in the event of the Bank's liquidation, once the creditors' claims have been satisfied, with priority over payments per ordinary shares, which, after the rights attached to the preference shares have been exercised, may be insufficient to cover the total par value of those shares.

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

As at 31 December 2019, none of the members of the Management Board or Supervisory Board of the Bank declared holding any shares of BNP Paribas Bank Polska S.A., and there were no change in this respect from the date of presenting the report for three quarters of 2019, i.e. 7 November 2019.

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

As declared by BNP Paribas SA to the Polish Financial Supervision Authority (PFSA) in 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. SUPPLEMENTARY CAPITAL AND OTHER CAPITALS

The following tables present changes in supplementary capital and other reserve capitals:

Supplementary capital	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**9,111,033**	**5,127,086**
Issue of shares	-	3,986,814
Issue costs	(57)	(2,867)
Closing balance	**9,110,976**	**9,111,033**

Other reserve capital	12 months ended 31.12.2019	12 months ended 31.12.2018
General banking risk fund	627,154	627,154
Revaluation reserve	125,240	141,139
Other reserve capital	945,603	580,864
Total	**1,697,997**	**1,349,157**

General banking risk fund created from net profit	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**627,154**	**627,154**
Distribution of retained earnings	-	-
Closing balance	**627,154**	**627,154**

Revaluation reserve	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**141,139**	**141,917**
Net gain/loss on changes in fair value of financial assets measured through other comprehensive income	(18,745)	831
Actuarial valuation of employee benefits	(882)	(1,111)
Deferred income tax	3,728	(498)
Closing balance	**125,240**	**141,139**

Other reserve capital	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**580,864**	**282,475**
Distribution of retained earnings	364,739	298,389
Closing balance	**945,603**	**580,864**

Retained earnings	12 months ended 31.12.2019	12 months ended 31.12.2018
Opening balance	**(400,786)**	**-**
Implementation of IFRS 9		(400,786)
Closing balance	**(400,786)**	**(400,786)**

Changes in revaluation reserve related to gains/losses on financial assets available for sale measurement at fair value through other comprehensive income.

	2019		2018	
	Book value	Deferred tax	Book value	Deferred tax
Opening balance	**166,949**	**(31,720)**	**166,118**	**(31,011)**
gains/losses on financial assets available for sale measurement at fair value through other comprehensive income, recognized in equity	(19,460)	3,697	(38,373)	6,740
reclassification due to sale of financial assets measured at fair value through other comprehensive income/available for sale, to profit or loss	715	(136)	39,204	(7,449)
Closing balance	**148,204**	**(28,159)**	**166,949**	**(31,720)**

47. DIVIDENDS PAID

The Bank did not pay any dividends for 2018. The Management Board of the Bank will not recommend dividend payment for 2019.

48. DISTRIBUTION OF RETAINED EARNINGS

Pursuant to the Resolution of the General Shareholders' Meeting of BNP Paribas Bank Polska S.A. of 27 June 2019 the net profit for 2018, in the amount of PLN 364,739 thousand, was allocated to the reserve capital.

49. 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	31.12.2019	31.12.2018
Cash and balances at Central Bank (Note 17)	4,658,142	2,897,113
Current accounts of banks and other receivables	140,821	174,716
Interbank deposits	-	298,837
Loans and advances	1,514	4,078
Total cash and cash equivalents	**4,800,477**	**3,374,744**

50. ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOWS

Differences between balance sheet changes the value of items and changes in the balance of these items presented in operating activities.

Change in amounts due from banks	31.12.2019	31.12.2018
Change arising from the balance sheet	(264,234)	(1,724,386)
Acquisition of RBPL	-	(770,784)
Elimination of a change in cash and cash equivalents	335,296	2,481,797
Total change in amounts due from banks	**(71,062)**	**(13,373)**

Change in amounts due from customers measured at amortised cost	31.12.2019	31.12.2018
Change arising from the balance sheet	(190,650)	16,675,715
Implementation of IFRS9	-	897,759
Acquisition of RBPL	-	(18,229,358)
Total change in amounts due from customers measured at amortised cost	**(190,650)**	**(655,884)**

Change in amounts due to banks	31.12.2019	31.12.2018
Change arising from the balance sheet	(571,057)	1,336,516
Acquisition of RBPL	-	1,201,752
Long-term loans granted by other banks	403,043	(1,899,454)
Total change in amounts due to banks	**(168,014)**	**638,814**

Change in amounts due to customers	31.12.2019	31.12.2018
Change arising from the balance sheet	(970,232)	30,863,365
Acquisition of RBPL	-	(34,929,564)
Repayment of long-term loans received	-	1,366,343
Total change in amounts due to customers	**(970,232)**	**(2,699,856)**

Cash flows from operating activities – other adjustments	31.12.2019	31.12.2018
FX differences from subordinated loans	(7,405)	59,268
Change in valuation of subsidiary	4,746	-
Impact of IFRS 16 on assets	(596,492)	-
Impact of IFRS 16 on liabilities	610,497	-
Valuation of securities through profit or loss	(21,664)	-
Allowance for securities	(3,864)	(164)
Other adjustments	(10,929)	(14,870)
Cash flows from operating activities – total other adjustments	**(25,111)**	**44,234**

51. RELATED PARTY TRANSACTIONS

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

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

As at 31 December 2018, the Group comprised BNP Paribas Bank Polska S.A., 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").

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:

31.12.2019	BNP Paribas S.A.	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 and 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 items	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**
Derivative financial instruments (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	**(101,646)**	**(452)**	**(14,487)**	**(62)**	**(19,089)**	**(135,736)**
12 months ended 31.12.2019						
Interest income	-	519	2,388	-	44	**2,951**
Interest expense	(40,879)	(290)	(8,225)	(63)	(439)	**(49,896)**
Fee and commission income	204	257	7,307	1	132	**7,901**
Fee and commission expense	(347)	-	(284)	-	(3,575)	**(4,206)**
Net trading income	(40,414)	(937)	(132)	-	-	**(41,483)**
Other operating expenses	-	(1)	(82)	-	(2,996)	**(3,079)**
General administrative costs	(20,210)	-	(15,459)	-	(12,255)	**(47,924)**

31.12.2018	BNP Paribas S.A.	BNP Paribas Fortis S.A	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Subsidiaries	Total
Assets	**595,282**	**22,349**	**168,311**	**28**	**3,980**	**789,950**
Receivables on current accounts, loans and deposits	200,648	19,479	164,139	-	15	**384,281**
Derivative financial instruments	265,576	1,034	8	-	10	**266,628**
Hedging instruments	128,568	1,836	-	-	-	**130,404**
Other assets	490	-	4,164	28	3,955	**8,637**
Liabilities	**2,054,013**	**14,753**	**475,830**	**3,905**	**142,132**	**2,690,633**
Current accounts and deposits	183,846	14,747	216,535	3,904	141,357	**560,389**
Subordinated liabilities	1,621,433	-	258,589	-	-	**1,880,022**
Derivative financial instruments	228,530	-	-	-	-	**228,530**
Hedged items	18,912	-	-	-	-	**18,912**
Other liabilities	1,292	6	706	1	775	**2,780**
Contingent liabilities						
Financial commitments granted	-	-	121,984	64	36,035	**158,083**
Guarantees granted	140,757	180,131	346,431	-	1,000	**668,319**
Commitments received	147,640	122,649	517,510	-	-	**787,799**
Derivative financial instruments (nominal value)	38,122,093	249,054	-	-	-	**38,371,147**
Derivative hedging instruments (nominal value)	7,896,881	30,100	-	-	-	**7,926,981**
Statement of profit or loss	**1,784**	**3,703**	**(72,659)**	**(63)**	**13,062**	**(54,173)**
12 months ended 31.12.2018						
Interest income	1,889	750	-	-	12	**2,651**
Interest expense	(41,959)	(342)	(51,783)	(64)	(347)	**(94,495)**
Fee and commission income	-	155	173	1	96	**425**
Fee and commission expense	(804)	-	(81)	-	4,742	**3,857**
Net trading income	67,983	3,140	3	-	-	**71,126**
Other operating income	-	-	7	-	21,285	**21,292**
General administrative costs	(25,325)	-	(20,978)	-	(12,726)	**(59,029)**

Remuneration of the Management Board and Supervisory Board

Management Board	31.12.2019	31.12.2018
Short-term employee benefits	16,867	15,199
Long-term benefits	12,637	6,546
Benefits due to termination of employment	33	90
Share-based payments	2,830	2,099
Total	**32,367**	**23,934**

Supervisory Board	31.12.2019	31.12.2018
Short-term employee benefits	1,294	1,861
Total	**1,294**	**1,861**

52. OPERATING SEGMENTS

Segment reporting

The Bank 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 Bank'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. Enterprises are segmented on the basis of activity classification codes.

The Bank'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 Bank. Additionally, the management performance of the segments may take into account amounts due to each business line for services between such lines – such information is assigned to the Bank's customers.

The Bank'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 Bank 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 Bank's indirect expenses are allocated to each segment in the Expense allocation (internal) item. Total costs of integration of banks BNP Paribas Bank Polska and Raiffeisen Bank Polska are presented in the Other Operations segment. Considering the profile of the Bank's business, no material seasonal or cyclical phenomena are identified. The Bank provides financial services, the demand for which is stable, and the effect of seasonality is immaterial.

Description of operating segments

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

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

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

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

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

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

SME Banking provides services to:

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

The SME sales network has been divided into 7 SME Regions with 44 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 60 million or with the credit exposure above PLN 25 million, in addition to entities operating in multinational capital groups.

Clients of Corporate Banking are divided into:

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

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

Services are provided by 8 Business Centres located in large cities across Poland, which are separate from the Bank's branch network. Operating services are provided to all institutional segment customers by the Bank's Branches, via telephone and online. Selected products are also sold by financial intermediaries active both at the country and local level.

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

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

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

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

The **Other Operations** segment includes also direct costs of the support functions, which have been allocated to segments in the Expense allocation (internal) item, as well as results that may not be assigned to any of the aforementioned segments (to include equity investment, gains/losses on own accounts and customer accounts not allocated to a specific segment). The segment also includes significant non-recurring costs, including the acquisition of the core business of Raiffeisen Bank Polska by Bank BGŻ BNP Paribas.

31.12.2019*	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	1,774,860	296,593	582,705	35,729	427,223	**3,117,110**	442,608	647,328
external interest income	1,989,262	358,236	721,451	58,702	926,192	**4,053,844**	699,241	907,300
external interest expenses	(449,055)	(59,301)	(137,021)	(7,292)	(284,066)	**(936,734)**	(54,300)	-
internal interest income	1,094,742	190,434	386,784	13,918	(1,685,878)	**-**	150,288	2
internal interest expenses	(860,089)	(192,777)	(388,510)	(29,599)	1,470,975	**-**	(352,621)	(259,974)
Net fee and commission income	386,732	120,472	251,854	33,563	(6,697)	**785,924**	146,826	91,336
Dividend income	19,981	-	230	-	5,778	**25,988**	-	19,527
Net trading income	88,904	64,690	231,038	183,904	112,933	**681,469**	48,265	3
Result on investment activities	4	-	2,468	-	(39,065)	**(36,592)**	5	-
Result on hedge accounting	-	-	-	-	(4,385)	**(4,385)**	-	-
Other operating income and expenses	(120,869)	(5,005)	(2,384)	903	(23,466)	**(150,824)**	(7,139)	(89,058)
Net impairment losses on financial assets and contingent liabilities	(315,450)	(57,584)	(42,615)	10,081	(3,731)	**(409,298)**	(109,619)	(138,563)
Total operating expenses	(1,073,430)	(138,665)	(247,182)	(66,701)	(863,980)	**(2,389,958)**	(15,272)	(289,934)
Depreciation and amortization	(79,646)	(3,101)	(12,943)	(5,829)	(350,884)	**(452,403)**	(617)	(12,750)
Expense allocation (internal)	(573,069)	(141,920)	(77,858)	(3,617)	796,464	**-**	-	(114,280)
Operating result	**108,017**	**135,480**	**685,313**	**188,033**	**50,190**	**1,167,031**	**505,057**	**113,609**
Tax on financial institutions	(141,437)	(35,122)	(89,731)	(10,681)	(4,218)	(281,189)	-	(39,155)
Profit before income tax	**(33,420)**	**100,358**	**595,582**	**177,352**	**45,972**	**885,842**	**505,057**	**74,454**
Income tax expense						(257,146)		
Profit before income tax						**628,696**		
Statement of financial position								
Segment assets	38,929,552	8,370,040	21,536,315	1,774,768	35,981,456	**106,592,130**	15,764,395	10,379,060
Segment liabilities	50,603,786	10,130,778	23,949,965	1,109,955	9,613,343	**95,407,828**	8,193,320	-

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

31.12.2018 *	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss								
Net interest income	1,285,705	254,836	323,556	15,219	197,202	**2,076,518**	399,541	478,554
external interest income	1,509,004	367,073	430,462	27,071	572,101	**2,905,711**	672,845	676,793
external interest expenses	(340,734)	(66,818)	(142,015)	(2,876)	(276,750)	**(829,193)**	(59,637)	-
internal interest income	794,131	158,664	280,440	4,965	(1,238,201)	**-**	138,455	-
internal interest expenses	(676,697)	(204,083)	(245,331)	(13,941)	1,140,051	**-**	(352,122)	(198,239)
Net fee and commission income	301,575	83,852	147,387	5,061	(2,702)	**535,172**	130,996	68,065
Dividend income	5,645	-	-	-	4,861	**10,505**	-	3,388
Net trading income	42,255	33,380	104,592	80,999	69,392	**330,619**	26,303	-
Result on investment activities	-	-	452	-	46,953	**47,405**	-	-
Result on hedge accounting	-	-	-	-	(9,997)	**(9,997)**	-	-
Other operating income and expenses	(4,708)	(5,636)	(1,834)	(841)	244,607	**231,587**	(6,414)	(10,892)
Net impairment losses on financial assets and contingent liabilities	(178,961)	(45,777)	(57,601)	(12,941)	(241,995)	**(537,275)**	(95,644)	(40,501)
Total operating expenses	(819,576)	(108,352)	(144,672)	(31,883)	(705,409)	**(1,809,892)**	(10,238)	(236,891)
Depreciation and amortization	(79,643)	(3,527)	(9,189)	(4,646)	(91,837)	**(188,842)**	(161)	(12,144)
Expense allocation (internal)	(358,383)	(84,802)	(63,946)	(8,583)	515,714	**-**	-	(87,815)
Operating result	**193,909**	**123,974**	**298,745**	**42,385**	**26,788**	**685,800**	**444,382**	**161,764**
Tax on financial institutions	(115,647)	(32,765)	(54,660)	(2,495)	(7,557)	(213,122)	-	(29,029)
Profit before income tax	**78,262**	**91,209**	**244,085**	**39,890**	**19,232**	**472,678**	**444,382**	**132,735**
Income tax expense						**(107,939)**		
Profit before income tax						**364,739**		
Statement of financial position								
Segment assets	36,548,891	10,139,988	23,845,652	1,243,322	35,033,806	**106,811,658**	16,588,284	10,155,921
Segment liabilities	52,327,625	10,595,532	22,219,643	2,107,495	8,989,801	**96,240,096**	8,234,852	-

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

53. FINANCIAL RISK MANAGEMENT

53.1. Financial instrument strategy

The Bank's core business focuses on financial products offered to customers: retail customers, entrepreneurs and enterprises, public sector and budget institutions as well as non-bank financial institutions. Short-term fixed rate deposits as well as current and savings accounts are the key items of the Bank's liabilities. On the other hand, the Bank's assets comprise such credit products as mortgage loans, cash loans, credit cards, overdrafts, investment and revolving loans, subsidized loans, factoring facilities, leasing, guarantees, international trade finance transactions (e.g. letters of credit), the majority of which are medium- and long-term instruments bearing interest based on short-term market rates.

The Bank uses financial market instruments in the first place to manage the liquidity, interest rate and currency risk inherent in its core business, considering the internal risk appetite as well as market trends in the medium and long term.

Additionally, the Bank offers access to financial market instruments to its customers for purposes of hedging market (currency, interest rate or commodity) risk inherent with their core business.

53.2. 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. Proof of the key nature of credit risk is its 69% 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 based on the customer's ability to generate cash flows that ensure payment of 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 with regard to geographical regions, industries, products and customers;
- credit decisions may only be taken by competent employees;
- the Bank enters credit transactions only with known customers 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.

Credit risk concentration

Concentration risk is the Bank's risk inherent to its statutory operations, which is appropriately defined and managed.

The Management Board assesses the concentration risk policy in terms of its application. In particular, it analyses the efficiency and adequacy of the principles applied in the context of the current and planned operations and risk management strategy. The adequacy of the concentration risk management is reviewed if any material changes are observed in the Bank's environment or if the risk management strategy is modified.

The appropriate assessment of the concentration risk of the Bank is highly dependent on correct identification of all key concentration risks. In justified cases, the Bank identifies concentration risk when planning its new activities involving the development and launch of new products, services, expansion to new markets, considerable alterations of products and services or market changes.

Credit portfolio diversification is one of the key credit risk management tools. The Banks avoids excessive credit concentration, as it increases the risk. Possible losses pose a considerable threat, and therefore the concentration level should be monitored, controlled and reported to the Bank's management. Key concentration risk mitigation tools include risk identification and measurement mechanisms and exposure limits in individual Bank portfolio segments and in subsidiaries. These tools enable internal differentiation of the loan portfolio and mitigation of negative effects of adverse changes in the economy.

A significant concentration area (aspect) is the one whose share in the Bank's balance sheet total is equal or higher than 10% or 5% of the net profit planned for a given year. In such cases, a given concentration area (aspect) is subject to analyses, reporting and management under the concentration risk management process.

High concentration of the Bank's credit exposures to each entity or group of entities with equity or organizational relationships is one of the potential sources of credit risk. For purposes of its reduction, the Regulation No. 575/2013 specifies the Bank's maximum exposure limit. Under Article 395 of the Regulation No. 575/2013: the institution does not assume any exposure to the client or related clients, the value of which, taking into account the effect of limiting credit risk in accordance with Articles 399-403, exceeds 25% of the value of its recognized capital. If a client is an institution or if a group of related clients include at least one institution, the value does not exceed 25% of its recognized capital or of the amount of EUR 150 million, depending on which one of these two amounts is higher, provided that the sum of the exposure to all related non-institutional customers, after taking into account the effect of credit risk mitigation under Articles 399-403, does not exceed 25% of the value of the institution's recognized capital.

The Bank's concentration limits are monitored in accordance with Article 387 of the Regulation No. 575/2013. The limits, defined in Article 395 of the Regulation No. 575/2013, had not been exceeded as at the end of 2019. As at the end of 2019, the Bank's exposure to customers/groups of customers with equity or organizational relationships had not exceeded the concentration limit. The total of exposures equal to or exceeding 10% of the Bank's equity was 17%.

Concentration risk tolerance in the Bank is determined by a system of internal limits, including both assumed development directions and speed of the Bank's business, an acceptable level of credit risk and liquidity, as well as external conditions, macroeconomic and sectoral perspective. Among others, internal limits for credit concentration risk are determined for:

- selected sectors / industries;
- exposures denominated in foreign currencies;
- customer segments (intra-bank customer segmentation);
- loans secured with a given type of collateral;
- geographical regions;
- average probability of default;
- exposures with a specified rating (the Bank's internal rating scale);
- exposures with a specified debt-to-income ratio;
- exposures with a specified loan-to-value ratio.

Activities that limit Bank's exposure to concentration risk may include systemic measures and one-off / specific decision and transactions. Systemic measures that limit concentration risk include:

- reduction of the scope of crediting of determined customer types through credit policy adjustment;
- reduction of limits charged with concentration risk;
- diversification of asset types on the level of the Bank's statement of financial position;
- change of business strategy to ensure prevention of excessive concentration;
- diversification of accepted collateral types.

Systemic measures that limit concentration risk include:

- reduction of further transactions with a given customer or a group of related customers;
- sale of selected assets/loan portfolios;
- securitization of assets;
- establishing of new collateral types (e.g. credit derivatives, guarantees, sub-participation, and insurance contracts) for existing or new credit exposures.

A concentration analysis by industry, conducted by the Bank, focuses on all credit exposures of the Bank to institutional customers. The Bank defines industries based on Polish statistical classification of economic activities (NACE/PKD 2007). The Bank's exposure to industries analysed at the end of 2019 (similarly as at the end of 2018) is concentrated in the following industries: *Agriculture, Forestry, Hunting and Fishing; Manufacture of Food Products, Beverages and Tobacco Products*. In 2018, they accounted for 32% of industrial exposure, while in 2019, the exposure to these three industries reached 34%.

In 2019, the largest share of non-performing loans in industry (22.1%) was due to *Hotels and restaurants; Arts, entertainment and recreation*, and (18.3%) *Construction of civil or water engineering and specialized objects* and (12.9%) *Editorial and printing activities; Media production.*

In 2018, the largest share of non-performing loans in industry (not including bond loans) (20.3%) was attributable to *Hotels and restaurants; Arts, entertainment and recreation*, (15.9%) *Editorial and printing activities*; *Media production* and (13.2%) *Construction of civil or water engineering and specialized objects*

The table below presents a comparison of the share of impaired loans in 2019 and 2018.

*Share of non-performing loans ** in industry exposure (gross balance sheet amount) **

	Exposure		Share of impaired loans	
Industry	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Agriculture, Forestry, Hunting and Fishing; Production of Food Products, Beverages and Tobacco Products.	14,680,939	15,143,590	7.8%	6.1%
Production of motor vehicles, motorcycles and tyres	725,978	686,657	0.9%	1.3%
Construction of civil engineering and specialist structures	1,991,982	2,276,558	18.3%	13.2%
Professional activities, including science and engineering; administration services and auxiliary services	2,368,709	2,295,995	5.9%	5.1%
Production of chemicals and chemical products	580,016	848,349	0.3%	0.4%
Telecommunications; Postal and courier services	612,359	686,021	0.2%	0.2%
Coal and peat mining; oil and gas extraction; production of gas fuels; production of coke and oil refining products.	61,066	105,987	0.2%	0.1%
Production of machinery and equipment (except for computers and electronic products)	1,986,800	2,131,648	8.8%	9.7%
Financial activities	529,620	884,574	3.7%	4.0%
Health care; production of basic pharmaceutical products and medicines	566,833	650,731	3.9%	3.0%
Hotels and restaurants; Culture, entertainment and recreation activities	349,265	394,361	22.1%	20.3%
Production of furniture and household appliances; Production of apparel, textiles and leather	832,138	880,913	11.7%	6.5%
Activities related to software and IT consultancy; information processing services; Production of computers, electronic and optical devices	301,477	363,992	5.4%	7.4%
Insurance	22,058	22,445	11.8%	8.6%
Extraction and production of other materials and ores	2,712,166	3,198,555	2.4%	3.2%
Editorial and printing activities; Media production	368,092	306,499	12.9%	15.9%
Education; Social assistance; Other services	279,244	265,562	7.8%	7.7%
Residential and non-residential construction; Services provided on real property market	4,704,137	4,522,719	4.1%	8.6%
Retail trade	3,202,098	3,330,836	4.2%	4.9%
Public administration; economic and social policy	118,315	170,859	0.0%	0.0%
Transport and warehousing	1,661,941	1,989,669	7.8%	8.2%
Generation and supply of electricity, gas, steam, hot water; Water supply, Sewage and waste management	366,204	408,685	5.3%	5.4%
Wholesale trade	4,398,667	5,167,026	7.9%	6.9%
Total	**43,420,105**	**46,732,231**	**7.0%**	**6.5%**

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

** Loans for which objective impairment triggers have been identified

The Bank also manages the risk of collateral concentration. For this purpose, the Bank introduced limits for the involvement of particular types of collateral, ensuring their appropriate diversification. As at the end of 2019, as well as at the end of 2018, the limits were not exceeded.

In the case of an individually assessed exposures, the Bank expects, as at 31 December 2019, to recover, due to established collateral, the amount of PLN 879 million, which is 49% of the total exposure assessed individually with an impairment recognized.

Maximum exposure on credit risk

The table below presents the Bank's maximum exposure to credit risk for financial instruments both recognized and not recognized in the financial statements. The maximum exposure was presented in its gross value, before considering the impact of collateral and other credit quality improvement instruments.

	31 December 2019	
Assets	Maximum exposure on credit risk – no collaterals included	Maximum exposure on credit risk – collaterals included
Cash and balances at Central Bank	4,658,516	4,658,142
Amounts due from banks	527,515	526,595
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	241,427	241,427
Derivative financial instruments	800,886	800,886
Hedging instruments	228,120	228,120
Loans and advances to customers measured at amortised cost	71,805,388	68,651,562
Other financial instruments measured at amortised cost	17,939,171	17,916,645
Deferred tax assets	844,049	844,049
Other assets	910,880	910,880
Total assets	**105,909,310**	**102,731,664**
Total contingent liabilities	**3,528,537**	**3,528,537**
Total exposure on credit risk	**109,437,847**	**102,731,664**

	31 December 2018	
Assets	Maximum exposure on credit risk – no collaterals included	Maximum exposure on credit risk – collaterals included
Cash and balances at Central Bank	2,897,225	2,897,113
Amounts due from banks	792,332	791,071
Financial instruments measured at fair value through other comprehensive income	15,875,339	15,875,339
Financial instruments measured at fair value through profit or loss	203,813	203,813
Derivative financial instruments	715,671	715,671
Hedging instruments	130,405	130,405
Loans and advances to customers measured at amortised cost	71,891,047	68,870,918
Other financial instruments measured at amortised cost	11,960,381	11,939,238
Deferred tax assets	920,286	920,286
Other assets	889,882	889,882
Total assets	**106,276,381**	**103,233,736**
Total contingent liabilities	**5,277,551**	**5,277,551**
Total exposure on credit risk	**111,553,932**	**108,511,287**

Exposure to credit risk by credit quality ratings

The table below presents significant credit risk exposures to which the expected credit loss model was applied. The breakdown was based on the rating scale presented below:

31 December 2019

Gross loans and advances measured at amortised cost, for which impairment allowance is estimated as*:

Rating	12-month expected credit loss - exposures without impairment	Expected credit loss during the exposure period - exposures without impairment	Expected credit loss during the exposure period - exposures with impairment	Expected credit loss during the exposure period - POCI exposures	Gross portfolio value for a given rating category	Net portfolio value for a given rating category
1	-	33	-	-	33	23
2	123,452	-	-	-	123,452	123,443
3	414,260	39	-	-	414,299	414,262
4	1,632,530	5,798	93	-	1,638,421	1,637,909
5	5,488,142	234,174	6,219	-	5,728,535	5,718,605
6	12,435,676	378,686	47,767	3,116	12,865,245	12,789,545
7	12,260,714	1,302,962	22,745	4,275	13,590,696	13,458,499
8	2,838,037	1,905,654	40,404	29,534	4,813,630	4,670,669
9	50,169	762,038	31,782	3,279	847,267	793,842
10	48,416	509,852	738,557	26,117	1,322,942	928,609
11 to 12	960	4,124	1,838,891	267,146	2,111,121	967,125
Total	**35,292,356**	**5,103,360**	**2,726,458**	**333,467**	**43,455,641**	**41,502,531**

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

31 December 2018

Gross loans and advances measured at amortised cost, for which impairment allowance is estimated as*:

Rating	12-month expected credit loss - exposures without impairment	Expected credit loss during the exposure period - exposures without impairment	Expected credit loss during the exposure period - exposures with impairment	Expected credit loss during the exposure period - POCI exposures	Gross portfolio value for a given rating category	Net portfolio value for a given rating category
1	383	-	-	-	384	383
2	4,076	-	-	1	4,077	4,076
3	294,651	-	23	141	294,815	294,577
4	1,911,589	318	4	967	1,912,877	1,910,976
5	3,160,276	160,084	911	1,085	3,322,356	3,298,494
6	11,963,076	429,369	3,101	9,092	12,404,638	12,337,522
7	13,330,275	741,035	16,664	153,135	14,241,109	14,110,205
8	3,218,061	1,144,173	31,790	40,327	4,434,351	4,313,033
9	131,875	509,712	20,108	15,940	677,635	636,531
10	408,137	344,553	59,080	193,018	1,004,788	888,608
11 to12	62,699	46,939	1,820,955	139,749	2,070,341	872,589
Total	**34,485,096**	**3,376,184**	**1,952,636**	**553,455**	**40,367,371**	**38,666,996**

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

For large enterprises and clients from the SME segment that prepare full financial reporting, the Bank determines internal rating classes in accordance with the adopted credit policy. The rating classes are based on the risk model dedicated to this part of the loan portfolio and are the basis for estimating the amount of the provision in accordance with IFRS 9. The Bank's customers are assigned ratings from 1 (clients for whom the Bank identifies the lowest credit risk) to 12 (clients for whom the Bank identifies the highest credit risk). In order to assign ratings, the annual financial data provided by the client and the general quality assessment of its market situation are used.

The structure of overdue receivables

The purpose of repayment overdue analysis is to indicate the level of potential credit loss (in respect of receivables without impairment). The higher delinquency in repayment, the more likely it is to identify an objective impairment trigger in the future. An increase in the delay in repayment above zero days increases the chance of identifying impairment trigger, but does not itself constitute grounds for giving this trigger. In the case of exposures overdue below 91 days, the impairment trigger may, however, be identified based on additional information about the economic and financial situation of the client.

The structure of the loan portfolio divided into impaired exposures and not impaired exposures along with the level of arrears in repayment are presented in the tables below. For the purposes of calculating the amount of the allowance, as well as for the presentation of data in the tables below, the loan is considered not due on the day on which the instalment payment expires, but on the next day.

Structure of loan portfolio in terms of impairment and DPD as at 31 December 2019

*(net balance sheet value)**

	31 December 2019					
Structure of loan portfolio in terms of impairment	not impaired				impaired	total
	0 days	1-30 days	31-60 days	61-90 days		
Mortgage loans and advances	17,851,522	272,210	28,903	8,732	342,371	18,503,738
Cash loans	7,342,714	123,147	24,211	7,413	187,339	7,684,824
Car loans	1,507,568	8,540	2,607	540	14,692	1,533,947
Credit cards	1,228,027	52,010	12,723	1,444	26,155	1,320,359
Investment loans	19,696,537	306,585	9,648	7,631	782,977	20,803,378
Limits in current accounts	10,851,918	38,440	5,703	10,091	341,984	11,248,136
Corporate revolving loans	7,436,518	106,063	5,876	3,676	292,293	7,844,426
Leases	967,266	85,547	7,236	4,448	111,229	1,175,726
Other	482,819	6,322	788	176	21,319	511,424
Total	**67,364,889**	**998,864**	**97,695**	**44,151**	**2,120,359**	**70,625,958**

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

Structure of loan portfolio in terms of impairment and DPD as at 31 December 2018

*(net balance sheet value)**

	31 December 2018					
Structure of loan portfolio in terms of impairment	not impaired				impaired	total
	0 days	1-30 days	31-60 days	61-90 days		
Mortgage loans and advances	15,887,582	335,068	34,152	8,857	373,176	16,638,834
Cash loans	7,784,509	155,780	30,614	13,217	257,248	8,241,368
Car loans	1,163,838	6,795	2,485	604	15,799	1,189,520
Credit cards	916,807	27,261	3,811	1,504	28,542	977,924
Investment loans	21,060,712	43,648	36,934	12,715	943,467	22,097,475
Limits in current accounts	11,648,742	42,368	26,314	9,585	364,122	12,091,131
Corporate revolving loans	6,010,634	23,042	4,834	8,695	167,710	6,214,916
Leases	1,585,153	69,955	7,685	598	56,607	1,719,999
Other	2,073,294	2,194	241	23	46,582	2,122,333
Total	**68,131,271**	**706,110**	**147,069**	**55,798**	**2,253,253**	**71,293,501**

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

Impairment allowances

Impairment allowances reflect the expected credit loss calculated using the three-step approach required by IFRS 9, as described in Note 3.

Collaterals

Description of collateral held or other mechanisms that improve the credit quality

The Bank assesses the creditworthiness of each client on an individual basis. The value of collateral obtained, if it is deemed necessary by the Bank due to the granting of a loan, is subject to valuation by the Bank. The Bank accepts various forms of collateral for loans, while the main categories include:

- real estate mortgage;
- insurance of real estate being the subject of a mortgage;
- life insurance of the borrower;
- registered pledge.

Impact of collaterals on the valuation of exposure with impairment identified*:

2019-12-31	Gross value with impairment	Collateral value	Net value with impairment
Overdrafts:	**750,850**	**549,689**	**341,984**
corporates	414,966	318,225	169,975
households:	335,885	231,463	172,009
retail customers	22,766	436	5,821
individual entrepreneurs	90,220	17,122	19,476
farmers	222,899	213,905	146,712
Loans and advances:	**3,457,322**	**2,123,811**	**1,667,145**
corporates:	1,441,147	1,017,216	691,515
investment loans	796,108	720,148	493,017
revolving loans	578,400	275,035	187,962
other	66,639	22,033	10,536
households:	2,016,175	1,106,595	975,630
retail customers, including:	1,318,648	585,661	560,818
mortgage loans	565,885	505,380	343,278
individual entrepreneurs	362,109	226,885	182,693
farmers	335,418	294,050	232,119
Lease receivables	**169,340**	**-**	**111,229**
Total gross loans and advances	**4,377,512**	**2,673,500**	**2,120,359**
Allowances (negative value)	(2,257,153)		
Total net loans and advances	**2,120,359**		

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

2018-12-31	Gross value with impairment	Collateral value	Net value with impairment
Overdrafts:	**707,112**	**497,406**	**364,186**
corporates	421,780	323,094	210,970
households:	285,332	174,312	153,215
retail customers	31,002	210	16,545
individual entrepreneurs	100,912	26,777	27,590
farmers	153,418	147,325	109,079
Loans and advances:	**3,452,788**	**2,348,123**	**1,832,460**
corporates:	1,628,364	1,332,491	861,506
investment loans	736,307	680,054	401,360
revolving loans	432,016	274,660	56,240
other	460,041	377,776	403,909
households:	1,824,423	1,015,633	970,951
retail customers, including:	1,202,322	548,273	575,868
mortgage loans	519,868	466,081	287,632
individual entrepreneurs	381,249	253,767	224,161
farmers	240,852	213,593	170,923
Lease receivables	**120,690**	**-**	**56,607**
Total gross loans and advances	**4,280,590**	**2,845,530**	**2,253,253**
Allowances (negative value)	(2,027,337)		
Total net loans and advances	**2,253,253**		

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

In the period covered by the present financial statements, there were no significant changes in the quality of collateral as a result of deterioration or changes in the Bank's collateral policy.

Loans and advances – credit quality

Loans and advances are classified in the overdue category, but in the case impairment is not identified and if the market current value of the collateral is sufficient to cover the value of principal, interest and other fees due to the Bank in relation to a given exposure.

Mortgage loans denominated in foreign currencies

Mortgage loans to retail customers account for ca. 24% of the loan portfolio of non-financial sector of the Bank (gross carrying amount), with 26% being loans in foreign currencies the major part of which (99%) are denominated in CHF (the Swiss franc). The total gross carrying amount of mortgage loans in foreign currencies is PLN 4.9 billion.

The Bank performs revaluation of the residential property pledged as collateral for loans on an annual basis, on the following assumptions:

- where the debt is below PLN 12 million at the revaluation date – the property is revalued using a statistical method;
- where the debt is more than PLN 12 million at the revaluation date – the property is revalued on a case-by-case basis.

The revalued amount is the basis for calculation of the current LTV for a single exposure and the average LTV for the entire portfolio as the average weighted by the gross carrying amount of individual LTVs.

The total on-balance sheet exposure and the average LTVs for mortgage loans in foreign currencies considering impairment and delinquency in days is presented below.

Exposure structure and average current LTV by impairment and delinquency

days past due	gross balance sheet value	average LTV weighted with gross balance sheet value
0-30 days	4,680,441	78.78%
31-60 days	23,208	87.04%
61-90 days	7,113	82.01%
over 90 days	182,185	106.85%
Total	**4,892,947**	**79.8%**

impairment identified	gross balance sheet value	average LTV weighted with gross balance sheet value
NO	4,587,148	78.57%
YES	305,799	99.18%
Total	**4,892,947**	**79.83%**

The average current LTV for the entire foreign currency mortgage loan portfolio exceeds the average current LTV for mortgage loans in the Polish currency (73%).

Exposure structure and average current LTV by loan granting year (mortgage loans in foreign currencies)

date of agreement	number of loans granted	gross balance sheet value	average LTV weighted with gross balance sheet value	gross balance sheet value*
2005 and before	2,764	327,763	40.20%	313,710
2006	5,367	1,119,673	57.17%	1,076,216
2007	4,735	1,513,449	86.56%	1,428,039
2008	5,803	1,676,863	97.33%	1,553,595
2009	638	135,209	64.05%	128,728
2010 and after	309	119,990	88.38%	86,861
Total	**19,616**	**4,892,947**	**79.8%**	**4,587,149**

**non-impaired loans*

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.

	2019-12-31			
Forborne exposures	Portfolio	including forbearance exposures	including change of terms	including refinancing
Loans and advances for:	**71,805,389**	**1,383,336**	**961,070**	**422,266**
Non-banking financial institutions	576,531	-	-	-
Retail customers	29,997,525	415,075	317,032	98,043
Corporate customers	39,850,458	968,261	644,038	324,223
including retail farmers	8,732,840	290,659	259,831	30,828
Public sector institutions	129,915	-	-	-
Lease receivables	1,250,960	-	-	-
Impairment allowances on loans and advances	**(3,153,827)**	**(395,411)**	**(271,968)**	**(123,443)**
Non-banking financial institutions	(2,314)	-	-	-
Retail customers	(1,158,392)	(131,026)	(101,783)	(29,243)
Corporate customers	(1,915,967)	(264,385)	(170,185)	(94,200)
including retail farmers	(408,748)	-	-	-
Public sector institutions	(1,925)	-	-	-
Lease receivables	(75,229)	-	-	-
Total loans and advances (net)	**68,651,562**	**987,925**	**689,102**	**298,823**

	2018-12-31			
Forborne exposures	Portfolio	including forbearance exposures	including change of terms	including refinancing
Loans and advances for:	**71,885,967**	**964,935**	**682,508**	**282,427**
Non-banking financial institutions	687,244	-	-	-
Retail customers	27,000,114	397,729	290,021	107,708
Corporate customers	42,202,936	567,206	392,487	174,719
including retail farmers	8,681,538	128,344	95,900	32,444
Public sector institutions	190,073	-	-	-
Lease receivables	1,805,600	-	-	-
Impairment allowances on loans and advances	**(3,015,049)**	**(298,790)**	**(190,417)**	**(108,373)**
Non-banking financial institutions	(14,641)	-	-	-
Retail customers	(1,066,921)	(107,728)	(84,891)	(22,837)
Corporate customers	(1,845,925)	(191,062)	(105,526)	(85,536)
including retail farmers	(379,402)	(22,965)	(7,491)	(15,474)
Public sector institutions	(1,961)	-	-	-
Lease receivables	(85,601)	-	-	-
Total loans and advances (net)	**68,870,918**	**666,145**	**492,091**	**174,054**

53.3. Market risk and ALM (asset and liabilities management)

Market risk management organization

The operations of BNP Paribas Bank Polska S.A. are recorded in the trading and in the banking book. Changes in market interest rates, foreign exchange rates, security prices and implied volatility of option instruments lead to changes in the net interest income and the result on measurement of the books' present value. The risk of adverse changes in the value, driven by the aforesaid factors, is recognized by the Bank as market risk. Due to differences in the characteristic features of those books, the risk is monitored and managed with the use of tools and measures appropriate for the nature of the risk in each book.

In order to reflect the characteristics of financial market transactions appropriately, i.e. the intentions of the parties entering into the transactions, the major risks and the accounting treatment, the Bank allocates all on- and off-balance sheet items to the banking or trading book. Detailed allocation criteria are established in the documents ("policies" and "methodologies") adopted by resolutions of the Management Board of the Bank and defining the purpose of keeping each book, the profile and types of risks assumed by the Bank, the measurement and mitigation methods as well as the authorizations and place of each organizational unit of the Bank in the risk generation, measurement, mitigation and reporting process.

The process of concluding transactions and their recording, as well as risk level supervision and adoption of risk limits is performed by independent units. In line with the long-term strategy adopted by the Bank, as well as with its financial plan, the Supervisory Board determines the Bank's risk tolerance, i.e. an acceptable risk level and profile, which is subsequently allocated, in the form of risk limits, to the books and portfolios by the Asset-Liability Committee (ALCO) and the Risk Management Committee. The Financial Markets Division takes responsibility for daily operational management of the risk inherent in trading book in line with the defined market risk limits. The structural interest rate and currency risk in the banking book and the market risk of the short-term liquidity position is managed by ALM Treasury. Management of the current operational currency risk position of the Bank is centralized in the trading book. The Financial and Counterparty Risk Department and ALM Finance and Operations are in charge of measuring and reporting risk and limit overrides. Additionally, the Financial and Counterparty Risk Department ensures that financial instruments are measured properly. The management result is calculated by the Financial Market Transactions Monitoring Unit, while transactions are recorded and settled by the Financial Market Transactions Processing Department. The system of limit override acceptance is hierarchical. It depends on the period of such override and its scale, and is managed by the Department head or Members of the Bank's Management Board exercising supervision of the Risk Function and the function responsible for the risk override. Irrespective of the process, all limit overrides are reported immediately after they occur and discussed at monthly ALCO or Risk Management Committee meetings.

Interest rate risk in the banking book (ALM Treasury)

The banking book of BNP Paribas Bank Polska S.A. is composed of two parts: the first one is the ALM portfolio as part of which structural interest rate, currency and liquidity risks resulting from the structure of the statement of financial position determined by the core lending, deposit and investing operations of the Bank, are managed. On the other hand, the Treasury portfolio is subject to daily and short-term liquidity management. It is also used by the Bank for purposes of performing its investing activities as well as concluding hedging transactions on the financial market.

The ALM portfolio comprises accounts, deposits and loans, strategic items (long-term investments, own debt issues and long-term loans), financial market transactions hedging the portfolio (derivative instruments) and zero-interest items (to include equity, tangible assets, intangible assets, taxes and provisions and profit for the period), transferred under management of ALM Treasury through the Fund Transfer Pricing (FTP) system.

The Treasury portfolio includes liquid securities (liquidity buffer), interbank deposits and placements, nostro and loro accounts as well as financial market transactions hedging the market risk of the portfolio (derivative instruments).

The Bank's policy in respect of the banking book – ALM and Treasury portfolios managed collectively – is to earn additional, stable revenue in excess of the product margin, without any threat to the stability of funds deposited by customers, equity and profit. The above mentioned objective is accomplished by the Bank by maintaining or matching its natural exposure generated by the core lending and deposit operations, in line with the adopted risk limits which guarantee limited sensitivity of the Bank's profit to changes in market factors, in addition to bringing the exposure into line with financial market trends forecast in the medium and long term.

Competitive conditions of the local financial market and customer expectations are the main factors shaping the Bank's product policy, in particular the application of variable interest rates for medium- and long-term credit products, and financing of these assets with short deposits and interest-free accounts.

The real interest rate gap, net interest income sensitivity and economic capital sensitivity are the key measures of the market risk in the banking book, which comprises the ALM portfolio and the Treasury portfolio. The major assumptions adopted for measurement of interest rate risk in banking book are as follows:

a) individual assets, liabilities and off-balance sheet transactions are analysed at their nominal value which is used as the basis for calculation of interest;
b) items and transactions based on floating reference rates, such as WIBOR, LIBOR, EURIBOR, NBP rediscount rate etc. are taken into account for purposes of determining the gap at the nearest repricing date for a given contract;
c) items based on floating reference rates scaled with a multiplier are taken into account for purposes of determining the gap at the nearest repricing date for a given contract at nominal value scaled with a multiplier and the nominal amount scaled with a value (1 – multiplier) is considered at the maturity date or proportionally at the principal payment dates;
d) fixed rate items and transactions are taken into account for purposes of determining the gap at the principal payment dates, at the amounts of the principal paid at a given date or at the full amount at the maturity date for items in case of which the principal is not repaid (e.g. term deposits). Items and transactions with unspecified maturity, repricing date or non-interest bearing are taken into account in line with the profile determined as a result of modelling, which is aimed to ensure the best possible reflection of the changes in interest and principal cash flows resulting from customer behaviors and in response to external factors, in particular the market interest rates.
e) for the portfolio of impaired loans - for net values (decreased by the created reserves) - the average contractual maturity for unimpaired exposures (IFRS stage 1 and 2) increased by two years is applied,
f) economic capital is calculated based on positions at internal prices.

For interest rate risk models, the bank uses the provisions of the 'W' recommendation regarding verification of the model's operation, qualitative criteria, minimum model acceptance criteria and ongoing control of the model's accuracy.
Replication portfolio models for accounts with no specific maturity dates are behavioural models built on the basis of the historical variability of deposit account balances and the analysis of the closing ratios for the modelled position. As part of modeling, the portfolio is divided into structural parts and a variable part, which is assigned the symbol ON in interest rate analyses.
As regards loans with a fixed interest rate, prepayment ratios determined in accordance with the applicable models at the Bank are used. Prepayments are analysed separately for individual types of loans (cash, car), due to the different characteristics of these products. Factors included in the prepayment analysis: loan age, seasonality, financial incentive for the customer to prepay the loan.

The following tables present the Bank's real interest rate gap as at 31 December 2019 and 31 December 2018 (PLN '000):

2019-12-31						
Interest rate gap as at 31.12.2019	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances at Central Bank	4,658,142	-	-	-	-	4,658,142
Amounts due from banks	489,515	2,491	34,589	-	-	526,595
Loans and advances to customers	29,367,043	28,843,789	8,351,770	4,892,937	749,246	72,204,784
Investment securities:	2,798,325	-	1,538,425	6,407,425	14,341,455	25,085,630
Other assets	1,312,720	39,992	179,962	959,797	479,899	2,972,369
Total assets:	**38,625,745**	**28,886,271**	**10,104,745**	**12,260,159**	**15,570,599**	**105,447,520**
Amounts due to banks	(1,142,640)	(1,405,283)	(352,917)	-	-	(2,900,840)
Amounts due to customers	(41,466,126)	(7,586,175)	(14,388,460)	(15,042,232)	(7,899,429)	(86,382,422)
Other amounts due	(299,230)	(150,020)	(554,565)	(1,024,683)	(34,407)	(2,062,905)
Other liabilities	(3,021,805)	-	-	-	-	(3,021,805)
Total liabilities:	**(45,929,801)**	**(9,141,478)**	**(15,295,941)**	**(16,066,916)**	**(7,933,836)**	**(94,367,972)**
Net off-balance sheet liabilities	(1,710,137)	(2,307,413)	(1,229,503)	3,612,351	1,546,281	(88,422)
Interest rate gap	**(9,014,194)**	**17,437,380**	**(6,420,699)**	**(194,406)**	**9,183,044**	**10,991,126**

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

2018-12-31						
Interest rate gap as at 31.12.2018	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances at Central Bank	2,797,745	99,368	-	-	-	2,897,113
Amounts due from banks	594,927	269,151	28,034	-	-	892,112
Loans and advances to customers	16,822,802	34 084,244	16,971,513	4,384,739	499,787	72,763,085
Investment securities:	2,292,360	2,292,360	7,575,361	5,956,000	8,665,000	26,781,082
Other assets	784,699	74,250	214,206	1,142,433	583,117	2,798,705
Total assets:	**23,292,532**	**36,819,374**	**24,789,114**	**11,483,172**	**9,747,904**	**106,132,096**
Amounts due to banks	(1,134,740)	(1,501,265)	(828,699)	(1,000)	-	(3,465,704)
Amounts due to customers	(27,044,249)	(25,287,645)	(14,725,492)	(13,632,325)	(6,618,884)	(87,308,595)
Other amounts due	(168,947)	(284,651)	(566,477)	(1,061,970)	(62,177)	(2,144,222)
Other liabilities	(2,390,422)	(82,428)	-	-	-	(2,472,851)
Total liabilities:	**(30,738,358)**	**(27,155,989)**	**(16,120,668)**	**(14,695,295)**	**(6,681,061)**	**(95,391,373)**
Net off-balance sheet liabilities	(758,529)	(3,265,721)	(2,145,111)	4,661,450	1,499,236	(8,676)
Interest rate gap	**(8,204,354)**	**6,397,663**	**6,523,334**	**1,449,326**	**4,566,078**	**10,732,047**

* Financial data have been rounded and presented in PLN '000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

Estimated reductions or increases in the net interest income for the banking portfolio between 1 and 3 years, resulting from changes in market interest rates, are the measure of its sensitivity. For management and risk control purposes, the Bank calculates sensitivity to a number of different market parameter change scenarios: immediate shifts and shifts in time, parallel and non-parallel shifts, in normal and stress conditions, varying depending on the currency, market and instrument.

Annual net interest income sensitivity to an immediate shift of market rates by 50 bps (in PLN '000) is presented in the below tables:

immediate shift in market rates by 50 bps:	31.12.2019	31.12.2018
- increase	82,088	68,347
- decrease	(81,000)	(61,855)

Sensitivity of interest result by currency:

immediate shift in market rates by 50 bps:	PLN	EUR	USD	CHF
- increase	42,017	35,691	5,004	(624)
- decrease	(42,079)	(34,539)	(5,005)	622

The economic sensitivity of capital to a sudden parallel shift of market rates by +/- 200 basis points in thous. PLN and as percentage of own funds:

immediate shift in market rates by 50 bps:	In thous. PLN	%
- 200 bps increase	(261,806)	(3.10%)
- 200 bps decrease	51,879	0.61%

In terms of base risk, the Bank analyses positions based on different types of rates with the same interest rate repricing date. The largest potential change in the Bank's net interest income may result from a change in the spread between Wibor 1M rates and the NBP reference rate.

If the market rate changes by 50 bps compared to the reference rate, the change in the result will be PLN 8,235 thousand.

Market risk in the trading book

The Bank's trading activities are supplementary, as they support sales of financial products to corporate customers, non-bank financial customers (directly) and retail customers (through structured products, which are officially classified into the banking book). The Bank opens its own positions, thus generating income on short-term changes in price parameters (foreign currency rates or interest rates), while maintaining the exposure within the adopted risk limits. The Bank offers commodity instruments but does not maintain open position in commodity market.

As part of the interest rate risk exposure, which is the key exposure in the trading portfolio, the Bank could enter into IRS, OIS, CIRS, FRA and basis swap transactions and purchase and sale of foreign currency options on interest options. The interest rate risk was also determined by positions resulting from FX swap and FX Forward transactions. In 2019, as part of internal risk limits, the Bank maintained an open option position in order to optimize the result, i.e. generate additional benefits due to the lack of immediate closing of customer positions by reverse transactions on the interbank market. The priority of the Bank is to hedge the interest rate risk and currency risk.

Sensitivity of items to shifts in the yield curve and VaR are the key measures of the interest rate risk in the trading portfolio. Additionally, the Bank conducts sensitivity analyses, where the changes in interest rates are more considerable than those typically observed (stress tests).

In 2019, the interest rate risk for PLN items, measured by sensitivity to shifts in the yield curve in the trading portfolio, was lower (by PLN 35 thousand on average) than in 2018 (PLN 43 thousand).

The following table presents the interest rate risk in the trading book based on BPV (Basis Point Value) in PLN ‘000:

	2019		2018	
BPV[1]	**PLN**	**EUR**	**PLN**	**EUR**
31.12.	*(20)*	*7*	*64*	*(3)*
average	*(35)*	*3*	*43*	*1*
max	*107*	*48*	*125*	*49*
min	*(109)*	*(60)*	*(18)*	*(49)*

[1)] measure of sensitivity of instrument valuation to a shift in the yield curve by 1 b.p.

The Bank’s currency risk is measured using Value at Risk (VaR), which is a measure of the change in the market value of an asset or an asset portfolio with specific assumptions concerning the market parameters, at a specific time and with defined probability. For purposes of currency risk monitoring, it is assumed that VaR is determined with a 99% confidence level and that a position is maintained for one day. The VaR methodology is validated on a quarterly basis by means of an analysis which involves a comparison of the forecast figures and those determined on the basis of actual changes in foreign exchange rates, assuming that the currency position is maintained (back-testing). The comparative period covers the last 250 business days. The VaR model was back-tested in 2017 and the verification results indicate that there is no necessity to make any adjustments.

Foreign currency transactions used for management of the Bank’s currency position were characterized by a stable exposure and a low risk. The risk resulting from foreign currency transactions with customers was offset immediately. Therefore, also the intraday foreign currency exposure remained at a low level. The following table presents currency risk of the Bank expressed as FX VaR (in PLN’000):

	2019-12-31	2018-12-31
FX VaR[1]		
average	*399*	*214*
max	*2,957*	*1,256*
min	*33*	*13*

The Bank uses a historical method which assumes that the confidence level is 99% and that positions are maintained for 1 day

The following table presents the currency structure of assets and liabilities at gross carrying amounts in PLN ‘000:

	2019-12-31		2018-12-31	
Currency position items	**Assets**	**Liabilities**	**Assets**	**Liabilities**
USD	521,273	3,184,619	1,870,533	4,098,906
GBP	289,562	284,013	576,763	796,599
CHF	4,935,057	776,496	5,453,862	1,037,177
EUR	10,421,999	13,046,263	12,329,088	13,727,747
Other convertible currencies	224,380	329,411	848,369	976,147
PLN	90,199,859	88,971,328	85,733,043	86,175,082
Total	**106,592,130**	**106,592,130**	**106,811,658**	**106,811,658**

53.4. Liquidity risk

Liquidity risk – risk management organization

The Bank's comprehensive liquidity management system covers both immediate (intraday) and future (current, short-term as well as structural medium- and long-term) liquidity. Risk is managed by the Bank by building the statement of financial position and the financing structure reflected in the Bank's financial statements including both balance and off-balance sheet items to ensure liquidity at any time, taking into consideration the profile of the Bank's business, customer characteristics and behaviours as well as needs that may arise as a result of changes in the financial market. Additionally, the risk identification and measurement methods used by the Bank enable it to forecast future liquidity levels, also in stress conditions.

The Bank ensures separation and independence of its operations, risk management, control and reporting functions. In particular, transactions with contracting parties and customers are entered into by the business, confirmed and processed by Operations, immediate (intraday) and future liquidity is managed by ALM Treasury, daily supervision of the risk level and compliance with risk limits is the responsibility of the Risk Function, while supervisory liquidity measures are reported independently by the Finance Division.

The liquidity risk limits adopted by the Bank reduce its exposure to this type of risk. Risk is monitored and controlled based on documents adopted by resolutions of the Bank's Management Board (risk measurement and monitoring policy and methodologies), developed in compliance with the guidelines formulated in Recommendation P of the Polish Financial Supervision Authority, the provisions of PFSA's Resolution No. 386/2008 and Commission Delegated Regulation (EU) 2015/61. The Bank has an internal transfer pricing system in place, which reflects accurately the real financing cost for each asset and liability type, and the transfer pricing structure stimulates optimization of the statement of financial position, including diversification of the sources of funding, from the perspective of liquidity risk. LTD limits for each business line are an important additional component of that system, as they facilitate maintenance of a secure level of assets relative to liabilities, which is appropriate considering the characteristics of each line.

The level of liquidity risk appetite is determined by the Supervisory Board of the Bank and the risk management policy based on that appetite, including definition of general liquidity risk measures, is approved by the Management Board, whereas specific risk limits and their monitoring are the responsibility of ALCO. The Bank's Management Board and Supervisory Board supervise the effectiveness of the liquidity risk management process based on periodic information and current reports.

In compliance with the requirements of PFSA's Recommendation P, the Bank conducts numerous analyses verifying its ability to maintain liquidity in crisis situations. Stress tests cover comprehensive scenarios considering internal and system factors and combining different variants with possible interactions. Stress test results are taken into account in determining liquidity limits. The Bank has a comprehensive emergency plan in place. It comprises various scenarios along with action plans for liquidity crisis situations in the Bank and in the banking system as a whole. Stress test results are correlated with the emergency plan and reaching defined warning levels triggers the emergency plan.

Risk measures

The Bank uses external and internal risk measures. The internal measures include, among others: an analysis of trends and volatility of each source of funding relative to the loan portfolio (LTD), the contractual liquidity gap and the liquidity gap realigned based on behavioural factors along with mismatch structure limits defined on its basis, an analysis of surplus liquidity and the available sources of funding, an analysis of stability and concentration of the deposit base as well as a review of the structure of funds placed with the Bank by the major depositors by volume and maturity. Additionally, sales plans (covering loans and deposits) are monitored, broken down by each business line, and simulation analyses are performed. Furthermore, the Bank analyses the costs of the deposit base with a view to optimizing the liquidity buffer and the use of such tools as the liquidity margin or pricing policy.

The external measures include supervisory long-term liquidity ratios introduced by PFSA's Resolution No. 386/2008 as well as LCR, as defined in Commission Delegated Regulation (EU) 2015/61 and NSFR determined in the Regulation No. 575/2013 of the European Parliament and of the Council and developed in line with the Commission Implementing Regulation (EU) No. 680/2014 and Basel III introducing the new stable funding ratio requirement.

The on-going supervision includes early warning tools, such as monthly reviews of additional liquidity requirements defined in the Commission Implementing Regulation (EU) No. 2016/313. In addition, the Bank conducts daily analyses of various liquidity indicators with warning levels defined in the Emergency Liquidity Plan. Theses allow, when warning levels are reached, to introduce remedial actions and restore the Bank's safety in terms of liquidity.

Liquidity risk

In 2019, the Bank's financial liquidity was maintained at a safe level. The Bank's funds were sufficient for payment of all its liabilities upon maturity. The portfolio of the most liquid securities was maintained at a level, which was sufficient to offset a potential outflow of funds placed with the Bank by the major depositors in whole.
As at the end of 2019, the Bank's surplus liquidity was at the level of PLN 25.327 billion:

	2019-12-31	2018-12-31
Cash at Central Bank (over the reserve requirement)	(784,667)	(2,327,327)
Cash at other banks up to 30 days	527	628
Highly-liquid securities	26,111,430	24,521,566
Surplus liquidity up to 30 days	**25,327,290**	**22,194,867**

The liquidity surplus increased compared to the end of 2018, mainly due to the higher accumulation of deposits from non-banking clients.
Throughout 2019, in particular as at 31 December 2019, the Bank complied with the requirements applicable to the supervisory measures.

	2019-12-31	2018-12-31
M3	6.88	8.54
M4	1.28	1.25
limit	**1.00**	**1.00**

	2019-12-31	2018-12-31	limit
Liquidity Coverage Ratio	162%	152%	**100%**

In 2018, the Bank, after the acquisition of the organized part of Raiffeisen Bank Polska in the end of 2018, continued to optimize its financing sources, which aims to reduce unnecessary, and at the same time costly and unstable, excess funding. In 2019, the Bank maintained highly lowered level of medium- and long-term loans from the BNPP Group and its subsidiaries.

The Bank's sources of funding remained highly stable throughout 2019:

	2019-12-31		2018-12-31	
	balance	stable (%)	balance	stable (%)
long-term loans from the Group	1,882,064	100%	1,872,491	100.0%
other long-term loans	219,971	100%	623,207	100.0%
securitization liabilities	2,298,151	100%	2,298,151	100.0%
retail	50,449,843	90%	51,876,788	90.0%
corporate	35,972,682	81%	34,597,993	81.4%
financial entities	2,456,769	25%	1,195,474	25.0%
banks and other unstable sources	567,689	0%	48,864	0.0%
Total	**93,847,169**	**84.8%**	**92,512,968**	**84.0%**

Inflows and outflows – expected under the agreements concluded by the Bank is presented as contractual liquidity gap:

	2019-12-31				
Contractual liquidity gap	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Assets					
Loans and advances to customers	15,870,759	2,020,209	9,038,362	24,224,886	20,476,488
Debt securities	29,015	-	1,149,709	9,058,649	14,884,030
Interbank deposits	468,878	-	-	-	-
Cash and balances at Central Bank	1,790,822	-	-	-	2,973,849
Fixed assets	-	-	-	-	1,214,434
Other assets	1,091,428	-	1	-	1,317,567
Off-balance sheet liabilities, including:	27,653,488	7,954,445	19,354,548	38,112,901	10,082,169
derivatives	11,464,813	7,954,445	19,354,548	38,112,901	9,982,169
Liabilities					
Retail deposits	39,202,363	3,897,030	6,703,537	646,911	2
Corporate deposits	33,632,979	1,289,615	708,535	125,251	216,302
Interbank deposits	567,689	-	-	-	-
Loans from financial institutions	145,851	196,211	727,049	1,411,911	1,916,995
Equity and subordinated liabilities	-	-	-	-	11,189,814
Other equity and liabilities	3,031,040	-	-	-	-
Off-balance sheet liabilities, including:	42,953,453	7,962,496	19,340,793	38,205,091	9,983,303
derivatives	11,474,207	7,962,496	19,336,493	38,202,591	9,983,303
Total receivables	**46,904,390**	**9,974,654**	**29,542,620**	**71,396,436**	**50,948,537**
Total liabilities	**119,533,375**	**13,345,352**	**27,479,914**	**40,389,164**	**23,306,416**
Liquidity gap	**(72,628,985)**	**(3,370,698)**	**2,062,706**	**31,007,272**	**27,642,121**

* Financial data have been rounded and presented in PLN ‘000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

	2018-12-31				
Contractual liquidity gap	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Assets					
Loans and advances to customers	17,266,916	2,418,630	9,013,358	23,232,182	19,050,101
Debt securities	11,001	-	7,364,532	8,593,788	11,061,000
Interbank deposits	148,837	150,000	21,000	-	-
Cash and balances at Central Bank	2,255,969	-	-	-	-
Fixed assets	-	-	-	-	1,019,415
Other assets	3,337,222	-	-	-	916,997
Off-balance sheet liabilities, including:	21,440,457	3,125,218	6,524,568	7,757,000	42,092
derivatives	7,847,899	3,125,218	6,524,568	7,757,000	42,092
Liabilities					
Retail deposits	39,122,276	4,994,791	6,726,616	1,302,292	2
Corporate deposits	32,641,164	1,431,801	979,267	194,351	166,836
Interbank deposits	34,112	-	-	-	-
Loans from financial institutions	127,114	199,652	1,067,866	1,464,291	59,154
Equity and subordinated liabilities	-	-	364,739	-	12,095,734
Other equity and liabilities	3,001,043	-	-	-	-
Off-balance sheet liabilities, including:	38,715,006	3,162,669	6,587,521	7,803,947	43,031
derivatives	7,815,801	3,162,669	6,587,521	7,803,947	43,031
Total receivables	**44,460,401**	**5,693,847**	**22,923,459**	**39,582,970**	**32,089,605**
Total liabilities	**113,640,715**	**9,788,913**	**15,726,009**	**10,764,881**	**12,364,758**
Liquidity gap	**(69,180,314)**	**(4,095,066)**	**7,197,449**	**28,818,089**	**19,724,847**

* Financial data have been rounded and presented in PLN ‘000, and therefore, in some cases, the totals may not correspond exactly to the total sum.

53.5. Country and counterparty risk

Country risk

Country risk comprises all risks related to conclusion of financial agreements with foreign parties, assuming that it is possible that economic, social or political events will have an adverse effect on creditworthiness of the Bank's obligors in that country or where intervention of a foreign government could prevent the obligor (which could also be the government itself) from discharging his liabilities.

The Bank's policy concerning country risk has been conservative. Country limits have been reviewed periodically and the limit level modified to match precisely the anticipated business needs and risk appetite of the Bank.

As at 31 December 2019, foreign lending operations of the Bank represented 46% of the Bank's exposure towards countries, treasury transactions (including deposits and derivatives) accounted for 19%, while the remaining part, i.e. 35%, was related to international trade transactions (letters of credit and guarantees). France accounted for 31%, the Netherlands for 12%, Luxembourg for 10%, Belgium for 9%, Switzerland for 7%, Austria and Great Britain for 6% of the exposure. The remaining exposure was related to Belarus, Czech Republic 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. Therefore, the counterparty risk is related to transactions on instruments whose value may change over time depending on such factors as interest rates or foreign exchange rates. The varying exposure may affect the customer's solvency and is of crucial importance to the customer's ability to discharge its liabilities when the transaction is settled. The Bank's customers may enter into financial market transactions. The exposure is determined by the Bank on the basis of the current measurement of contracts as well as the potential future changes in the exposure, depending on the transaction type, customer type and the settlement dates.

At the end of December 2018, 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.

Counterparty credit risk, for transactions which generate counterparty risk, is assessed using the same methodology as the one applied to loans. This denotes that in the credit process, these transactions are subject to limits, the value of which results directly from assessment of customer creditworthiness. However, the assessment also takes into account the specific nature of transactions, in particular their changing value in time or direct dependence on market parameters.

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

At the end of December 2019, the Bank's exposure to the counterparty risk due to concluded derivative transactions was PLN 1.33 billion. Corporate and financial clients constituted 74% of the exposure, while the remaining 26% were banks.

53.6. Operational risk

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

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

Procedures

Operational risk management consists in employment of measures aimed at operational risk identification, analysis, monitoring, control, reporting and mitigating. Such measures take into account the structures, processes, resources and scopes of responsibilities for the said processes at various organizational levels. The operational risk management strategy has been described in the Operational Risk Management Strategy of 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 governance

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 Management of Business Continuity 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 Bank's operations, in addition to court and administrative proceedings which affect the Bank. The Compliance Monitoring Department is responsible for daily non-compliance risk analysis in addition to development of appropriate risk controls and their improvement.

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

In connection with the operational merger, the Bank paid special attention to the correct identification, assessment, reduction and control of operational risk that accompanies this type of process.

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

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

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

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

Monitoring and reporting

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

Capital requirements due to operational risk

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

Subsidiaries

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

54. CAPITAL ADEQUACY MANAGEMENT

Capital adequacy management is aimed to ensure the Bank'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 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").

The level of Tier I capital ratio (Tier I) and the total capital ratio (TCR) on a consolidated level, were above the requirements applicable in 2019.

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

31.12.2019	The minimum regulatory capital adequacy ratios of the Group	Consolidated capital adequacy ratios of the Group
CET I	10.25%	12.78%
Tier I	11.75%	12.78%
Total Capital Ratio	13.75%	15.03%
31.12.2018		
CET I	9.83%	12.38%
Tier I	11.40%	12.38%
Total Capital Ratio	13.49%	14.63%

31.12.2019	The minimum regulatory capital adequacy ratios of the Bank	Separate capital adequacy ratios of the Bank
CET I	10.25%	13.32%
Tier I	11.75%	13.32%
Total Capital Ratio	13.75%	15.65%
31.12.2018		
CET I	9.83%	12.72%
Tier I	11.40%	12.72%
Total Capital Ratio	13.49%	15.02%

As at 31 December 2019 the levels of Tier I (Tier I) both on separate and consolidated levels were above the regulatory requirements.

55. MAJOR EVENTS IN BNP PARIBAS BANK POLSKA S.A. IN 2019

28.01.2019	**Resolution of the Management Board regarding the implementation of assumptions in relation to the demerger of factoring activities from the Bank and its transfer to BGŻ BNP Paribas Faktoring Sp. z o.o.** The factoring activity being subject to demerger, was acquired by the Bank following the transfer of the core business of Raiffeisen Bank Polska S.A. to the Bank. In 2017, the Bank sold the BGŻ BNP Paribas Faktoring Sp. z o.o. ("Company") to BNP Paribas ("Company shareholder") the Bank and the Company plan to continue the cooperation, using a strong factoring offer to support the Bank's clients.
29.03.2019	**Entering the changes in the Bank's statute (including the company's name) and change of the issuer's website address into the National Court Register** On March 29, 2019 the Bank's name changed from "Bank BGŻ BNP Paribas Spółka Akcyjna" to **"BNP Paribas Bank Polska Spółka Akcyjna"** and the website address from www.bgzbnpparibas.pl to www.bnpparibas.pl.
29.03.2019	**Merger of the Bank's subsidiaries** On March 29, 2019, the following subsidiaries of the Bank were merged: **Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A.** (currently, from 20 May 2019: **BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.**) with its registered office in Warsaw ("TFI") and **Riviera Towarzystwo Funduszy Inwestycyjnych S.A.** (former Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A.) located in Warsaw, consisting in the acquisition of Riviera Towarzystwo Funduszy Inwestycyjnych S.A. by TFI (as the acquiring company) pursuant to art. 492 § 1 point 1 of the Code of Commercial Companies ("Merger"), as a result of the Registry Court entering the Merger in the National Court Register ("Registry") pursuant to the decision of March 29, 2019.
17.04.2019	**Information on the amount of annual contribution for BNP Paribas Bank Polska S.A., determined by the Bank Guarantee Fund ("BFG") in relation to the bank restructuring fund for 2019 in the amount of PLN 116.1 million** The total contributions to the BFG recognised by the Bank as costs of the first quarter of 2019 amount to PLN 129.1 million (the above-mentioned annual contribution to the bank restructuring fund for 2019 in the amount of PLN 116.1 million and the contribution to the bank guarantee fund due for the first quarter of 2019, PLN 13.0 million).
18.04.2019	**Decision of PFSA regarding the consent to include the Bank's net profit for the fourth quarter of 2018 in the amount of PLN 36,429,608.99 in the Common Equity Tier 1 capital**
10.06.2019	**Decision of the Polish Financial Supervision Authority on the consent to include the Bank's net profit for the first quarter of 2019 in the Common Equity Tier 1 capital at both separate (in the amount of PLN 163,358,148.76) and consolidated (in the amount of PLN 161,601,412.49) levels.**
17.06.2019	**Conclusion of loan agreement** As a borrower, the Bank concluded the Loan Agreement ("Agreement") with BNP Paribas SA based in Paris, registered in the commercial register of companies (Registre du Commerce et des Sociétés de Paris) under number 662 042 449, as the lender. Under the Agreement, the lender will grant the Bank a loan not exceeding EUR 500 million, which is equivalent to approximately PLN 2,128 million at the average exchange rate of the National Bank of Poland as at 14 June 2019 (EUR 1 = PLN 4.2554) to finance factoring activities maintained by the Bank.
27.06.2019	**Ordinary General Meeting of BNP Paribas Bank Polska S.A.** • Consideration and approval of the following: - Financial statements for 2018 and the Management Board report on activities in 2018. - Report on non-financial information of the Bank and the Bank's Capital Group in 2018. - Report on the activities of the Bank's Supervisory Board and its committees in 2018. • Adoption of a resolution regarding the distribution of the Bank's profit for the financial year 2018. • Adoption of resolutions on acknowledgment of the fulfilment of duties by the members of the Management Board and Supervisory Board of the Bank in 2018. • Adoption of a resolution regarding the sale of an organised part of BNP Paribas Bank Polska S.A. covering factoring activities. • Adoption of resolutions regarding amendments to the Statute of BNP Paribas Bank Polska S.A.
28.06.2019	**Conclusion of an agreement on the sale of an organised part of the Bank's enterprise intended for factoring business ("ZORG", "Factoring Activity") to BGŻ BNP Paribas Faktoring sp. z o.o. ("Factoring Company")** Pursuant to the sale agreement with the effect as at 30 June 2019, the Bank sold ZORG to the Factoring Company and transferred to the Factoring Company the obligations related to conducting Factoring Activity specified in the Sale Agreement. The Factoring Company also became a party to employment relations in relation to the transferred employees.

The ZORG sale price was PLN 45 million ("Sale Price"). In July 2019, the Bank and the Factoring Company conducted final verification of the transferred values of net factoring receivables (after deduction of recognised allowances), for which customers' consent was obtained as regards their transfer under ZORG in relation to the estimated value of net factoring receivables as at 30 June 2019, adopted for the preparation of the financial plan, which is the basis for the calculation of the Sale Price. A difference between the above value of net factoring receivables equal to or greater than 1% will result in an analogous percentage adjustment of the Sale Price.

The remaining terms of the ZORG Sales Agreement do not differ from those commonly used in trade for this type of agreement.

10.07.2019

Decision of the Polish Financial Supervision Authority (PFSA) on the expiry of the decision related to maintaining own funds by the Bank to cover an additional capital requirement

The PFSA decision dated October 15, 2018 concerned the additional capital requirement to secure the risk resulting from FX mortgage loans and credit facilities for households at 0.36 pp above the Total Capital Ratio, 0.27 pp above the Tier I Capital Ratio and 0.20 p.p. above the Common Equity Tier I Ratio, referred to in Article 92(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

13.09.2019

Conclusion of Amendment Agreement to the Subordinated Loan Agreement

On September 13, 2019 the Bank and BNP Paribas S.A. concluded an Amendment Agreement to the Fixed-Term Subordinated Loan Agreement in the amount of CHF 90 million (“Amendment”), i.e. the equivalent of approx. PLN 357.6 million at the National Bank of Poland midrate as of 12 September 2019 (1 CHF = PLN 3.9738), concluded by and between Bank BGŻ S.A. (currently: BNP Paribas Bank Polska S.A.) and BNP Paribas S.A. on 12 September 2014. Under the Amendment, the subordinated loan maturity is extended until 30 November 2029. The subordinated loan interest rate will be equal to 6-month LIBOR CHF plus margin.

26.09.2019

Decisions of the Polish Financial Supervision Authority on the consent for recognition of the 2Q 2019 net profit as a part of the Common Equity Tier 1 capital on stand-alone (in the amount of PLN 243,972,498.50) and consolidated (in the amount of PLN 217,059,983.56) levels

17.10.2019

Rating’s outlook of The Bank upgraded from “Stable” to Positive” and Baseline Credit Assessment upgraded from ba2 to ba1 by Moody’s Investors Service

21.10.2019

Creation of a provision related to the proportional fees reimbursement in case of an early loan repayment resulting from Court of Justice of EU (CJEU) ruling. The provision in the amount of PLN 48.8 million was booked in the 3Q 2019 results

The creation of the provision is the result of the judgment of the Court of Justice of the European Union (“CJEU’s judgment”) dated September 11, 2019, in case C-383/18, regarding the consumer's right to reduce the total cost of credit in the case of its early repayment.

For the early repayments of loans starting from 12 September 2019, the Bank has applied framework based on the CJEU’s judgment.

15.11.2019

Extraordinary General Meeting of BNP Paribas Bank Polska S.A.

Adoption of a resolution regarding changes to the Bank's Statute.

20.11.2019

Amendment Agreement to the Subordinated Loan Agreement - Polish Financial Supervision Authority consent to include funds into the Bank’s Tier 2 capital calculation

The Bank received the decision of the Polish Financial Supervision Authority dated November 19, 2019 on the consent to include into the Bank’s Tier 2 capital calculation CHF 90 million (i.e. the equivalent of approx. PLN 352.0 million at the National Bank of Poland midrate as of 19 November 2019; 1 CHF = PLN 3.9113) which constitutes a subordinated debt under a subordinated loan agreement dated 12 September 2014, amended by the Amendment Agreement of 13 September 2019, concluded by and between BNP Paribas Bank Polska S.A. and BNP Paribas S.A. (based in Paris), under which the above-mentioned subordinated loan’s maturity is extended until 30 November 2029

30.11.2019

Creation of a provision related to the proportional fees reimbursement in case of an early loan repayment resulting from Court of Justice of EU (CJEU) ruling of September 11, 2019 in case C-383/18 (“CJEU Ruling”) in the amount of PLN 20.8 million

The total value of the provision booked in the 2019 results (due to the CJEU Ruling) amounted to PLN 69.6 million, of which PLN 48.8 million are early loan repayments before September 11, 2019 (according to information provided on November 21, 2019)

56. SUBSEQUENT EVENTS

31.01.2020	**Extraordinary General Meeting of Shareholders** • Resolution on the implementation of an Incentive Programme for persons having material impact on the Bank's risk profile • Resolution authorising the Management Board of the Bank to buy back treasury shares of the Company and to set up a reserve fund to be used in whole for buying back treasury shares. • Resolution on the issuance of subscription warrants, conditional increase of share capital by way of issuance of Series M Shares, depriving the existing shareholders of pre-emptive right to subscription warrants and pre-emptive right to Series M Shares, amendment to the Articles of Association and dematerialisation of, and applying for admission of, Series M Shares, to trade on the regulated market. • Resolution on the adoption of the consolidated text of the Articles of Association of BNP Paribas Bank Polska S.A.
6.02.2020	**Decisions of the Polish Financial Supervision Authority on the consent for recognition of the 3Q 2019 net profit as a part of the Common Equity Tier 1 capital on stand-alone (in the amount of PLN 114,075,064.24) and consolidated (in the amount of PLN 110,903,651.00) levels**

02.03.2020	**Przemysław Gdański** *President of the Management Board*	*signed with a qualified electronic signature*
02.03.2020	**Jean-Charles Aranda** *Vice-President of the Management Board*	*signed with a qualified electronic signature*
02.03.2020	**Andre Boulanger** *Vice-President of the Management Board*	*signed with a qualified electronic signature*
02.03.2020	**Przemysław Furlepa** *Vice-President of the Management Board*	*signed with a qualified electronic signature*
02.03.2020	**Wojciech Kembłowski** *Vice-President of the Management Board*	*signed with a qualified electronic signature*
02.03.2020	**Kazimierz Łabno** *Vice-President of the Management Board*	*signed with a qualified electronic signature*
02.03.2020	**Jaromir Pelczarski** *Vice-President of the Management Board*	*signed with a qualified electronic signature*
02.03.2020	**Volodymyr Radin** *Vice-President of the Management Board*	*signed with a qualified electronic signature*
02.03.2020	**Jerzy Śledziewski** *Vice-President of the Management Board*	*signed with a qualified electronic signature*

Warsaw, 2 March 2020