CAPITAL ADEQUACY INFORMATION OF BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP AS OF 31 DECEMBER 2020

BNP PARIBAS

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1. INTRODUCTION

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

The document is the implementation of the Information policy of BNP Paribas Bank Polska S.A regarding capital adequacy. The presented scope of information was developed based on the guidelines of the European Banking Authority regarding disclosure of information and in accordance with applicable regulations in this regard:

- Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regards to disclosure own funds requirements according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (hereinafter referred to as Regulation (EU) No 1423/2013);
- Commission Delegated Regulation (EU) 2015/1555 of 28 May 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical buffer in accordance with Article 440 (hereinafter referred to as Regulation (EU) No 2015/1555);
- Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (hereinafter referred to as Regulation No 2015/1555);
- Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets;
- European Banking Authority Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2016/11);
- Guidelines of the European Banking Authority on materiality, proprietary and confidentiality and disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013 (EBA/GL/2014/14);
- Guidelines of the European Banking Authority on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013 (EBA/GL/2017/01);
- Guidelines of the European Banking Authority on disclosure of non-performing and forborne exposures (EBA/GL/2018/10);
- Guidelines of the European Banking Authority on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07);
- Guidelines of the European Banking Authority amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR ‘quick fix’ in response to the COVID-19 pandemic (EBA/GL/2020/12).

Unless otherwise specified, all figures in the document are presented as at December 31, 2020, in thousands PLN, based on the data of the BNP Paribas Bank Polska S.A. Capital Group.

2. BNP PARIBAS BANK POLSKA S.A. CAPITAL GROUP

The Bank is the parent company of the BNP Paribas Bank Polska S.A. Capital Group (hereinafter referred to as "Bank's Capital Group"). The Bank's Capital Group is part of an international financial group headed by BNP Paribas S.A. based in Paris. BNP Paribas S.A. is the direct parent entity of the Bank and holds 88.76% of the Bank's shares, where 24.07% are held indirectly per BNP Paribas Fortis SA/NV. The remaining 11.24% of shares is held by minority shareholders (having less than 5% of the total number of votes at the General Meeting). In 2020, there were no changes in the Bank's shareholding structure.

Table 1 Shareholders' structure of Bank Capital Group as of 31 December 2020

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

As at 31 December 2020, the Bank's Capital Group comprised Bank, as the parent, and its subsidiaries (the Bank's share in the equity of individual companies is presented in parentheses) :

1. Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. (100%)
2. BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A. (100%)
3. BNP Paribas Leasing Services Sp. z o.o. (100%)
4. BNP Paribas Group Service Center S.A. (100%)
5. Campus Leszno sp. z o.o. (100%)
6. BNP Paribas Solutions Sp. z o.o. (100%)
7. BGŻ Poland ABS1 DAC (a special purpose vehicle with which the Bank carried out a securitization transaction of a part of the loan portfolio; the Bank has no equity involvement in this unit).

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

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

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

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

Table 2 EU LI3 - Outline of the differences in the scopes of consolidation as of 31 December 2020

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
BNP Paribas Towarzystwo Funduszy Inwestycyjnych S.A.	Full consolidation	x	-	-	-	Investment fund and financial instrument portfolio management
BNP Paribas Leasing Services Sp. z o.o.	Full consolidation	x	-	-	-	Leasing activities
BNP Paribas Solution sp. z o.o.	Full consolidation	x	-	-	-	Financial services - e-currency exchange
BNP Paribas Group Service Center S.A.	Full consolidation	-	-	x	-	Financial services

Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.	Full consolidation	-	-	x	-	Real estate services
Campus Leszno sp. z o.o..	Full consolidation	-	-	x	-	Training and conference center management services
BGŻ Poland ABS1 DAC	Full consolidation	x	-	-	-	Special purpose company - entity established to conduct securitization transactions

Table 3 EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories as of 31 December 2020

			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at the Central Bank	3 421 877	3 691 613	-	-	-	-	-
Receivables from banks	774 722	0	-	-	-	-	-
Derivative financial instruments	1 531 617	1 531 617	1 531 617	-	1 485 896	-	1 531 617
Adjustment of the fair value of the hedged item	531 793	531 793	531 793	-	-	-	531 793
Loans and advances to customers valued at amortized cost	74 097 269	74 602 237	-	1 393 049	-	-	-
Loans and advances to customers are valued at fair value through profit and loss	1 539 848	1 539 848	-	-	-	-	-
Financial assets available for sale	23 361 022	23 361 022	-	-	-	-	-
Securities valued at amortized cost	371 900	371 900	-	-	-	-	-
Financial instruments measured at fair value through profit and loss	10 228 560	10 228 560	-	-	-	-	-
Securities valued at fair value through other comprehensive income	0	70 706	-	-	-	-	-
Investments in subsidiaries	0	0	-	-	-	-	-
Investment Estates	651 608	651 246	-	-	-	651 246	-
Intangible assets	1 479 540	1 469 167	-	-	-	-	-
Property, plant and equipment	745 606	744 649	-	-	-	-	-
Assets due to deferred income tax	55 087	55 087	-	-	-	-	-
Other assets	786 839	755 792	-	-	-	-	-
Total assets	**119 577 288**	**119 605 237**	**2 063 410**	**1 393 049**	**-**	**651 246**	**2 063 410**
Liabilities							
Liabilities due to Central Bank	84 675	0					
Liabilities due to banks	6 824 894	0	-	-	-	-	-
Derivative financial instruments	1 521 148	1 521 148	-	-	-	-	-
Adjustment of the fair value of the hedged item	542 719	542 719	1 521 148	-	1 388 641	-	1 521 148
Liabilities to customers	90 051 004	102 217 614	60 020	-	-	-	60 020
Liabilities arising from the issue of debt securities	1 318 380	1 390 551	-	-	-	-	-
Subordinated liabilities	4 306 539	0	-	-	-	-	-
Lease liabilities	968 749	0	-	-	-	-	-
Other liabilities	1 269 243	1 260 040	-	-	-	-	-
Current income tax liabilities	0	0	-	-	-	-	-
Deferred income tax	0	0	-	-	-	-	-
Provisions	659 410	659 315	-	-	-	-	-
Total liabilities	**107 546 761**	**107 591 387**	**-**	**-**	**-**	**-**	**-**

Table 4 EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements as of 31 December 2020

		Total	Items subject to			
			Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	119 605 237	115 497 532	2 063 410	1 393 049	1 485 896
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	107 591 387	-	1 581 168	-	1 388 641
3	Total net amount under the regulatory scope of consolidation	12 013 850	115 497 532	482 242	-	97 255
4	Off-balance-sheet amounts	38 020 668	34 499 362	-	-	-
5	Differences in valuations	2 063 410	-	1 952 188	-	-
6	Differences due to the specific credit risk adjustment value adjustment	285 491	285 491	-	-	-
7	Securitization with risk transfe	-1 393 049	-	-	1 393 049	-
8	Others		879 878	-	-	-
9	Exposure amounts considered for regulatory purposes	120 561 089	151 162 263	2 434 430	-	-

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management system is an integrated set of rules, mechanisms and tools (including, inter alia, policies and procedures) relating to risk processes. Risk management is part of the Bank's overall management system. The role of the risk management system is to continuously identify, measure or estimate and monitor the level of risk incurred by the Bank.

The Bank has developed comprehensive rules of risk identification and assessment in response to the requirements of the review and supervisory assessment process. The rules are aimed at identification and assessment of all risks to which the Bank is or may be exposed, taking into account regulatory requirements, best practices and use of existing risk management processes tested by the Bank. The Bank takes into account the specific nature, scale and degree of complexity of business activity and related risk, ensuring that all significant risks in the Bank's activity are measured and mitigated. The Bank strives to identify and assess risks resulting from the internal and external environment that could have a significant impact on the Bank's financial stability. The risk identification process is carried out at the Bank on an annual basis and is an element of the internal capital adequacy assessment process

In the risk identification process carried out in 2020 The Bank distinguished the following types of risks in its business activity, which were assessed as material:

- credit risk (incl. country risk, residua risk, settlement risk and concentration risk);
- counterparty risk;
- market risk;
- interest rate risk in the banking book;
- liquidity and refinancing risk;
- operational risk (including legal risk, non-compliance risk, business continuity risk and IT risk);
- business risk (including revenue risk and strategic risk);
- reputation risk;
- model risk;
- insolvency risk (including leverage risk);
- CSR/ESG risk.

For the identified risk types, the Bank defines the level of risk appetite. The risk appetite, within the limits set by risk tolerance, defines the way the Bank uses its capacity to take risk by defining for each risk type the degree of risk exposure that a given area may take. All methods and procedures are subject to periodical reviews for their adequacy and reliability. The Bank applies validation tests, stress tests, as well as scenario and historical (back testing) analysis, based on both theoretical changes in market, business parameters and customer behavior, as well as changes that actually took place in the market in the past.

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

- the Bank satisfies supervisory standards;
- the desired risk profile defined in the Bank's strategy is maintained;
- the limits do not exceed the risk level acceptable to the BNP Paribas Group.

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

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

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

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

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

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

Objectives and strategies regarding interest rate risk in the banking portfolio have been presented in the Consolidated Financial Statements for the year ended December 31, 2020 in chapter 56.5.

1.1. CREDIT RISK

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

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

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

- a credit transaction requires a comprehensive credit risk assessment, reflected in an internal rating or scoring,
- credit risk measurement for credit transactions is performed at the stage of processing an application for transaction execution and on a regular basis, as part of monitoring, in consideration of changing external conditions and the financial standing of borrowers,

- credit risk assessment of material exposures in terms of the risk level or their value is performed by credit risk assessment units, independent of business units,
- credit transaction terms offered to the customer depend on the score of the credit risk level generated by this transaction,
- credit decisions may only be taken by authorized persons,
- credit risk is diversified, in particular in terms of geographical areas, sectors of economy, products and customers,
- depending on the credit risk level, the Bank accepts relevant collateral in order to minimize potential future losses.

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

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

1.2. COUNTERPARTY RISK

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

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

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

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

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

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

Below tables presents detailed information of the counterparty credit risk.

Table 5 EU CCR1 – Analysis of CCR exposure by approach as of 31 December 2020

		Notional	Replacement cost/current market value	Potential Future credit exposure	EEPE	Multiplier	EAD Post CRM	RWAs
1	Mark to market		1 109 461	1 324 969			2 434 430	1 516 260
2	Original exposure	-					-	-
3	Standardised approach		-			-	-	-
4	IMM (for derivatives and SFTs)				-	-	-	-
5	*Of which securities financing transactions*				-	-	-	-
6	*Of which derivatives and long settlement transactions*				-	-	-	-
7	*7 Of which from contractual cross-product netting*				-	-	-	-
8	Financial collateral simple method (for SFTs)						-	-
9	Financial collateral comprehensive method (for SFTs)						-	-
10	VaR for SFTs						-	-
11	**Total**							1 516 260

Table 6 EU CCR2 – CVA capital charge as of 31 December 2020

		Exposure value	RWAs
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) SVaR component (including the 3× multiplier)		-
4	All portfolios subject to the standardised method	-	-
EU4	Based on the original exposure method	2 434 430	1 516 260
5	Total subject to the CVA capital charge	513 033	107 211

Table 7 EU CCR3 - Standardised approach – CCR exposures by regulatory portfolio and risk as of 31 December 2020

	Exposure classes	Risk weight 0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total	Of which unrated
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	89 701	-	-	913 039	25 864	-	-	-	-		1 028 604	-
7	Corporates	-	-	-	-	-	5 873	-	-	1 309 096	-		1 314 969	-
8	Retail	-	-	-	-	-	-	-	90 857	-	-		90 857	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Total	-	89 701	-		913 039	31 737	-	90 857	1 309 096	-	-	2 434 430	-

Table 8 EU CCR8 – Exposures to CCPs as of 31 December 2020

		EAD post CRM	RWAs
1	**Exposures to QCCPs (total)**		77 708
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	464 269	76 708
3	(i) OTC derivatives	464 269	76 708
4	(ii) Exchange-traded derivatives	-	-

5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	186 607	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	1 000	1 000
10	Alternative calculation of own funds requirements for exposures		-
11	**Exposures to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Table 9 EU CCR5-A - Impact of netting and collateral held on exposure values as of 31 December 2020

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	1 302 397	992 409	309 988	228 904	81 084
Total	**1 302 397**	**992 409**	**309 988**	**228 904**	**81 084**

Table 10 EU CCR5-B – Composition of collateral for exposures to CCR as of 31 December 2020

	Collateral used in derivative transactions	
	Fair value of collateral received	Fair value of posted collateral
	Segregated	Segregated
Cash	243 081	349 788
Sovereign debt	188 089	49 337
Total	**431 170**	**399 125**

1.3. MARKET RISK

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

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

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

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

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

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

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

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

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

Table 11 EU MR1 - Market risk under the standardised approach as of 31 December 2020

		RWAs	Capital requirements
	Outright products		
1	Interest rate risk (general and specific)	1 265 023	101 202
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	**1 265 023**	**101 202**

1.4. LIQUIDITY RISK

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

The primary objectives of the liquidity management process are to:

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

Structure and organization of the process

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

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

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

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

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

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

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

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

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

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

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

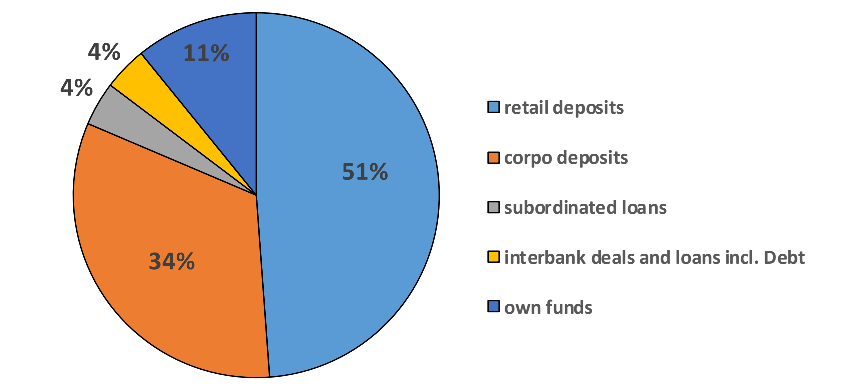
Due to the currency structure of the Bank's balance sheet, the level of currencies needs to be adjusted on both the assets and liabilities side of the balance sheet. The Bank ensures financing adapted to the profile of foreign exchange assets held, through funding acquired directly in a specific currency,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

Table 12 - EU LIQ1 - Quantitative information on LCR

Scope of consolidation: consolidated		Total unweighted value (average)				Total weighted value (average)			
Currency and units (PLN million)									
Quarter ending on (DD Month YYY)		31-12-2020	30-09-2020	30-06-2020	31-03-2020	31-12-2020	30-09-2020	30-06-2020	31-03-2020
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					35 023	32 285	29 500	28 031
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	63 286	61 533	59 305	56 681	4 737	4 524	4 304	4 151
3	*Stable deposits*	39 016	38 198	37 219	36 087	1 951	1 910	1 861	1 804
4	*Less stable deposits*	22 449	21 957	21 264	20 594	2 786	2 614	2 443	2 347
5	Unsecured wholesale funding	28 830	26 830	24 410	22 890	13 403	12 686	11 757	11 236
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0	26	104	217	0	7	26	54
7	*Non-operational deposits (all counterparties))*	28 783	26 752	24 251	22 615	13 355	12 627	11 676	11 124
8	*Unsecured debt*	48	52	55	58	48	52	55	58
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	32 448	32 789	33 395	34 734	10 214	11 388	12 341	13 599
11	*Outflows related to derivative exposures and other collateral requirements*	7 963	9 261	10 232	11 469	7 963	9 261	10 232	11 469
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	24 484	23 528	23 164	23 264	2 251	2 127	2 110	2 130
14	Other contractual funding obligations	3 239	3 833	4 427	4 932	889	1 324	1 905	2 633
15	Other contingent funding obligations	6 869	5 337	4 784	4 238	288	310	285	269
16	**TOTAL CASH OUTFLOWS**					**29 531**	**30 231**	**30 593**	**31 889**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	2 805	2 835	2 708	2 658	1 804	1 783	1 650	1 510
19	Other cash inflows	7 447	8 841	9 919	11 260	7 447	8 841	9 919	11 260
20	**TOTAL CASH INFLOWS**	**10 252**	**11 676**	**12 627**	**13 918**	**9 251**	**10 625**	**11 568**	**12 770**
EU-20c	*Inflows subject to 75% cap*	10 252	11 676	12 627	13 918	9 251	10 625	11 568	12 770
					TOTAL ADJUSTED VALUE				
21	LIQUIDITY BUFFER					35 023	32 285	29 500	28 031
22	TOTAL NET CASH OUTFLOWS					20 280	19 606	19 024	19 119
23	LIQUIDITY COVERAGE RATIO (%)					173%	164%	155%	147%

Concentration of financing and sources of liquidity:

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



Exposure to derivative instruments and potential margin calls:

Derivative transactions are secured by collateral in the form of first-level assets: cash, bills and treasury bonds. Any changes in the type of collateral are limited to this type of assets. ISDA and ZBP agreements the provisions of the so-called Credit Event upon merger, which define a case of deterioration of creditworthiness or rating as a result of events related to a change in the ownership structure. It does not entail, however, pledge of additional collateral, but leads to a possible closing of the transaction.

Currency mismatch in the liquidity coverage ratio :

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

1.5. OPERATIONAL RISK

Strategies and processes in operational risk management

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

Operational risk is defined as the possibility to incur losses resulting from inadequate or failed internal processes, people, systems or influence of external events. Definition covers legal risk, whereas strategic and reputational risk, which is related to business risk are excluded.

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

Operational risk management process includes the following stages:

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

7) control and assessment of applied risk reduction tools.

Organization of the operational risk management process

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

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

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

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

Scope and types of risk reporting and measuring systems

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

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

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

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

The gross losses resulting from the operational risk events recognized in 2020 are presented in the table below by event types and categories. The amount of gross loss means a sum of losses resulting from the operational risk incidents registered in the Bank's internal database, without taking into account reductions resulting from amounts recovered from the insurance and recovered from other sources. Data include the operational risk losses connected to the credit risk and financial risk.

Table 13 Gross losses resulting from operational risk events recognized in 2020

Internal frauds		**5 541**
	Unauthorised activity	0
	Theft and internal fraud	5 541
External frauds		**21 567**
	Theft and external fraud	19 357
	Systems security	2 210
Employment practices and workplace safety		**253**
	Employee relations	246
	Safe Environment	2
	Diversity & Discrimination	5
Clients, products and business practices		**49 071**
	Suitability, disclosure & fiduciary	42 005
	Improper business or market practices	6 202
	Product defects	840
	Exposure & client classification	0
	Bank advisory activity deficiency	24

Damages to physical assets	**178**
Disasters and other events	178
Business disruption and system failures	**561**
Systems	561
Execution, Delivery and Process Management	**6 799**
Transaction capture, execution & maintenance	2 061
Monitoring and reporting	3 415
Customer intake and documentation	191
Customer account management	25
Trade counterparties	974
Vendors & Suppliers	133
Total	**83 970**

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

4. OWN FUNDS

Information on own funds is presented on the basis of Article 437 of Regulation (EU) No 575/2013, to the extent consistent with Regulation (EU) No 1423/2013.

Due to the need to limit the negative impact of the COVID-19 pandemic on the domestic banking sector and, consequently, on the Polish economy, on March 19, 2020, the Regulation of the Minister of Finance of March 18, 2020, repealing the regulation on the systemic risk buffer, entered into force. The purpose of solving the systemic risk buffer was to release the capital accumulated by banks from the systemic risk buffer, which allowed banks, on the one hand, to reduce the risk of limiting the flow of credit to the economy (credit-crunch phenomenon), and on the other hand, to absorb larger losses, thus mitigating the risk of bankruptcy.

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

Table 14 Full reconciliation of own funds items in relation to the financial statements as of 31 December 2020

POSITIONS OF THE CONSOLIDATED FINANCIAL STATEMENT USED FOR THE CALCULATION OF OWN FUNDS	Positions on 31 December 2020	Correction for companies not subject to prudential consolidation	Filters	Part of the unrecognized annual profit	OWN FUNDS POSITIONS
Assets					
Intangible assets	651 608	-362	- 228 632	-	880 602
Deferred tax assets net of related tax liability	745 606	-957	- 65 806	-	678 844
including net assets not exceeding the threshold from Article 48 paragraph 1 point a)	745 606	-957	-65 806	-	678 844
Liabilities					
Subordinated liabilities	4 306 539				
- including subordinated loans recognized as instruments in Tier II	4 302 575	-	-	-	4 302 575
Core capital					
Common Shares	147 419	-	-	-	147 419
Other capital instruments, including:	11 319 958	-	- 7528	-	11 312 430
- share premium accounts	7 259 316	-	-	-	7 259 316
- general risk fund	627 154	-	-	-	627 154
- reserve capital	3 433 489	-	- 7528	-	3 425 961
Revaluation reserve	255 833	-	-	-	255 833
Retained earnings	-425 778	-19 755	280 550	-	- 164 983
Result of the current year	733 095	3 077	-	301 380	334 127

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

Table 15 The own funds structure with regulatory adjustments as of 31 December 2020

No.*		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
Common Equity Tier I capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	7 406 735	art. 26 para. 1, art. 27, 28 i 29, the list of EBA referred to in art. 26 para.3
	Of which: common shares	147 419	the list of EBA referred to in art. 26 para.3
2	Retained earnings	-111 405	art. 26 para. 1 lit. c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	3 681 794	art. 26 para. 1
3a	Funds for general banking risk	627 154	art. 26 para. 1 lit. f)
6	Common Equity Tier I (CET1) capital before regulatory adjustments	11 604 278	
Common Equity Tier I (CET1) capital: regulatory adjustments			
7	Additional value adjustment (negative amount)	-16 338	art. 36, 105
8	Intangible assets (net of related tax liability) (negative amount)	-422 614	art. 36 para. 1 lit. b), art. 37 I, art. 472 para. 4
26b	Amount to be added to Common Equity Tier 1 capital with regard to IFRS 9 during the transition period	280 550	art.. 473 a)
28	Total regulatory adjustments to Common Equity Tier I (CET1)	-158 402	
29	Common Equity Tier I (CET1) capital	11 445 875	
44	Additional Tier I (AT1) capital	-	
45	Tier I capital (T1 = CET1 + AT1)	11 445 874	
Tier II (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	4 302 575	art. 62 i 63
51	Tier II (T2) capital before regulatory adjustments	4 302 575	
58	Tier II (T2) capital	4 302 575	
59	Total capital (TC = T1 + T2)	15 748 450	
60	Total risk weighted assets	84 447 701	
Capital ratios and buffers			
61	Common Equity Tier I (as a percentage of risk exposure amount)	13.55%	art. 92 para. 2 lit. a), art. 465
62	Tier I (as a percentage of risk exposure amount)	13.55%	art. 92 para. 2 lit. a), art. 465
63	Total capital (as a percentage of risk exposure amount)	18.65%	art. 92 para. 2 lit. c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systematic important institution buffer expressed as a percentage of risk amount)	2.75%	Capital Requirements Directive, art. 128, 129,130
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.00%	
67	of which: systematic risk buffer requirement	0.00%	
67a	of which: Global Systematically Important Institution (G-SII) or Other Systematically Important Institution (O-SII) buffer	0.25%	Capital Requirements Directive, art. 131
68	Common Equity Tier I available to meet buffers (as a percentage of risk exposure amount)	2.75%	Capital Requirements Directive, art. 128
Amounts below the threshold (before risk weighting)			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	744 949	art. 36 para. 1 lit. c),

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

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

1. Capital Tier I
2. Capital Tier II

Capital Tier I includes:

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

Common Equity Tier I capital includes the following items:

1. capital instruments,
2. share premium accounts related to instruments referred to in point a),
3. retained earnings when earnings were reviewed by the statutory auditor and after the permission is granted by the competent authority or after the Bank has taken a formal decision confirming the final financial result of an institution for a given year,
4. accumulated other comprehensive income (pursuant to Article 4 item 1 section 100 and point d) of Article 26(1) of the Regulation (EU) No 575/2013),
5. reserve capital,
6. general risk fund for unidentified risk related to banking operations,
7. CET 1 adjustments and deductions that constitute:
    a. losses for a current financial year,
    b. intangible assets,
    c. deferred tax assets that rely on future profitability,
    d. defined benefit pension fund assets,
    e. direct, indirect and synthetic holdings by the Bank of own Common Equity Tier 1 instruments, including own Common Equity Tier 1 instruments that an institution is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation,
    f. additional value adjustments based on requirements for prudent valuation (AVA),
    g. other items pursuant to Article 36 of the Regulation (EU) No 575/2013,
    h. additional value adjustments based on requirements for prudent valuation – pursuant to Article 34 and Article 105 of Regulation (EU) no 575/2013,
    i. adjustments arising under IAS 9 in a transition period – as stipulated in Article 473a of EU Regulation no 575/2013.

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

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

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

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

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

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

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

Capital instruments and subordinated loans qualify as instruments under Tier II, provided that the conditions specified in Article 63 of the Regulation (EU) No 575/2013 are met. Capital Tier2 II include subordinated loans received with a value of PLN 4 302 575 ths.

Bank introduced deduction for core Tier I capital in accordance with Article 36 (1) point. b. of Regulation (EU) No 575/2013 for intangible assets in amount of PLN -422 614 ths. The amount was calculated taking into account the changes introduced by Regulation (EU) No 2176/2020 of November 12, 2020 amending Delegated Regulation (EU) No 241/2014 with regard to the deduction of software assets from Common Equity Tier 1 items.

For additional Tier I and supplementary Tier II capital deductions have not been applied.

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

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

In the Tier I, AT I and Tier II capital statement - adjustments which had been provided in Regulation (EU) No 575/2013 have not been applied.

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

Table 16 Capital instruments' main features in Common Equity Tier I Capital as of 31 December 2020

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

15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons/dividends	Dividends
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing) - in relation to the payment of the coupon/dividend	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount) - in relation to the payment of the coupon/dividend	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s) Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitional features	No
37	If yes, specify non-compliant features	Not applicable

Bank recognizes subordinated liabilities in its Tier II capital. The full list of subordinated liabilities as of 31 December 2020, is shown in the table below. Funds from subordinated loans are qualified as own funds on the basis of the adequate decision of the Polish Financial Supervision Authority. On December 28, 2020, the Bank received a decision of the Polish Financial Supervision Authority approving the recognition of funds from a subordinated loan in the amount of PLN 2,300,000,000 (two billion three hundred million zlotys) as an instrument in the Bank's Tier II supplementary funds.

Table 17 Subordinated liabilities as of 31 December 2020

Name of the creditor	Liability type	Currency	Original value	Value in PLN	Date of the loan	Maturity date	Date of recognition in Capital*	Interest rate
BNP PARIBAS S.A. France	subordinated loan	CHF	60 000	255 846	2012-11-15	2027-12-20	2017-12-15	LIBOR CHF 3M + margin
BNP PARIBAS S.A. France	subordinated loan	EUR	60 000	276 888	2012-11-15	2027-12-20	2017-12-15	EURIBOR 3M + margin
BNP PARIBAS S.A. France	subordinated loan	PLN	440 000	440 000	2015-12-29	2026-01-07	2016-01-07	WIBOR 3M + margin
BNP PARIBAS S.A. France	subordinated loan	EUR	40 000	184 592	2015-12-29	2026-01-07	2016-01-07	EURIBOR 3M + margin
BNP PARIBAS S.A. France	subordinated loan	EUR	60 000	276 888	2016-11-22	2026-11-22	2016-11-22	EURIBOR 3M + margin
Lion International Investments S.A. Luxembourg	subordinated loan	EUR	40 000	184 592	2018-12-10	2028-12-11	2018-12-11	EURIBOR 3M + margin
BNP PARIBAS S.A. France	subordinated loan	CHF	90 000	383 769	2014-09-17	2029-11-19	2029-11-19	LIBOR CHF 6M + margin
BNP PARIBAS S.A. France	subordinated loan	PLN	2 300 000	2 300 000	2020-12-07	2030-12-23	2020-12-23	WIBOR 3M + margin

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

5. CAPITAL REQUIREMENTS

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

Table 18 EU OV1 - Risk weighted assets overview as of 31 December 2020

		RWAs		Capital requirements
		31 December 2020	30 September 2020	31 December 2020
1	Credit risk	73 417 892	73 205 899	5 873 431
2	Of which standardised approach	73 417 892	73 205 899	5 873 431
4	Of which advanced IRB approach	-	-	-
5	Of which equity positions under the simple risk-weighted approach	-	-	-
6	Counterparty Credit Risk	1 622 153	1 435 136	129 772
7	Of which mark-to-market	1 514 943	1 313 798	121 195
10	Of which internal model method (IMM)	-	-	-
11	Of which CCP - default fund contributions	-	-	-
12	Of which CVA	107 211	121 338	8 577
14	Securitisation exposures in the banking book			
15	Of which IRB approach (IRB)	-	-	-
16	Of which IRB supervisory formula approach (SFA)	-	-	-
17	Of which internal assessment approach (IAA)	-	-	-
18	Of which standardised approach	-	-	-
19	Market risk	1 265 023	1 101 421	101 202
20	Of which standardised approach	1 265 023	1 101 421	101 202
21	Of which IMA	-	-	-
23	Operational risk	8 142 632	8 142 632	651 411
24	Of which basic indicator approach	147 746	147 746	11 820
25	Of which standardised approach	7 994 887	7 994 887	639 591
26	Of which advanced measurement approach (AMA)	-	-	-
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
29	TOTAL	84 447 701	83 885 088	6 755 816

Table 19 Capital adequacy as of 31 December 2020

Total amount of exposure to risk	84 447 701
Credit risk	74 932 835
Market risk	1 265 023
Operational risk	8 142 632
CVA Risk	107 211
Own funds	15 748 450
Common Equity Tier I (CET1)	11 445 875
Additional Tier I capital	-
Tier II capital	4 302 575
Total capital adequacy ratio	18.65%
Tier I capital adequacy ratio	13.55%

Table 20 Capital requirements as of 31 December 2020

	Exposure class	RWA	Total of capital requirement for following types of risk: credit, counterparty, dilution and late delivery of instruments for settlement
Exposures calculated by standardised approach	Central governments or central banks	1 697 109	135 769
	Regional governments or local authorities	42 947	3 436
	Public sector entities	2 521	202
	Multilateral development banks	0	0
	International organizations	0	0
	Institutions	533 225	42 658
	Corporates	33 424 246	2 673 940
	Retail	19 338 466	1 547 077
	Exposures secured by mortgages on immovable property	13 686 763	1 094 941
	Exposures in default	3 693 536	295 483
	High risk	0	0
	Exposures in the form of units or shares in collective investment undertakings	0	0
	Equity	325 145	26 012
	Other items	2 188 877	175 110
	Total	**74 932 835**	**5 994 627**

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

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

6. CAPITAL BUFFERS

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

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

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

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

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

On March 19, 2020, the Regulation of the Minister of Finance (Journal of Laws of 2020, item 473) of March 18, 2020, repealing the regulation on the systemic risk buffer, entered into force. The regulation repealed the regulation of the Minister of Development and Finance of September 1, 2017 on the systemic risk buffer (Journal of Laws of 2017, item 1776), which, pursuant to Art. 1 clause 1 introduced a systemic risk buffer rate of 3% of the total risk exposure amount calculated in accordance with Art. 92 sec. 3 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 (Journal of Laws UE L 176 of 27.06. 2013, p. 1, as amended2), on an individual and consolidated basis.

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

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

Based on Article 83 of the Macroprudential Act starting from January 1, 2016, the countercyclical buffer ratio is 0% for credit exposures in the territory of the Republic of Poland. As a consequence, the countercyclical buffer rate as at December 31, 2020 was 0 pp.

Table 21 Institution-specific countercyclical capital buffer as of 31 December 2020

	31 December 2020
Total risk exposure amount	84 447 701
Institution specific countercyclical buffer rate	0.00%
Institution specific countercyclical buffer requirement	0

Table 22 The geographic distribution of the relevant credit exposures for the countercyclical buffer calculation as of 31 December 2020

		General credit exposures		Trading book exposure		Securitization exposure		Own funds requirement					
No	Country	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SP	Exposure value for IRB	of which: General credit exposure	of which: Trading book exposures	of which securitisation exposure	Total	Own funds requirement weights	Countercyclical capital buffer rate
1	Austria	1 126	-	-	-	-	-	125	-	-	125	0.00215%	0.0%
2	Belgium	4 584	-	-	-	-	-	382	-	-	382	0.00655%	0.0%
3	Cyprus	34	-	-	-	-	-	3	-	-	3	0.00005%	0.0%
4	Denmark	11 519	-	-	-	-	-	922	-	-	922	0.01581%	0.0%
5	Finland	876	-	-	-	-	-	70	-	-	70	0.00120%	0.0%
6	France	16 614	-	-	-	-	-	1 329	-	-	1 329	0.02280%	0.0%
7	Lithuania	68	-	-	-	-	-	4	-	-	4	0.00007%	0.0%
8	Luxembourg	231 667	-	-	-	-	-	18 533	-	-	18 533	0.31800%	0.5%
9	Netherlands	312 804	-	-	-	-	-	25 024	-	-	25 024	0.42937%	0.0%
10	Germany	82 452	-	-	-	-	-	6 687	-	-	6 687	0.11474%	0.0%
11	Norway	7 322	-	-	-	-	-	586	-	-	586	0.01005%	1.0%
12	Poland	91 580 859	-	204 185 914	-	-	-	5 618 495	121 196	-	5 739 691	98.48182%	0.0%
13	Czech Republic	295 691	-	-	-	-	-	23 655	-	-	23 655	0.40587%	0.5%
14	Russian Federation	9 081	-	-	-	-	-	554	-	-	554	0.00950%	0.0%
15	Romania	4 455	-	-	-	-	-	356	-	-	356	0.00612%	0.0%
16	Slovakia	2 350	-	-	-	-	-	188	-	-	188	0.00323%	1.0%
17	United States of America	923	-	-	-	-	-	74	-	-	74	0.00127%	0.0%
18	Switzerland	100 522	-	-	-	-	-	8 042	-	-	8 042	0.13798%	0.0%
19	Sweden	11 547	-	-	-	-	-	923	-	-	923	0.01584%	0.0%
20	Hungary	58	-	-	-	-	-	5	-	-	5	0.00008%	0.0%
21	United Kingdom	8 896	-	-	-	-	-	1 020	-	-	1 020	0.01751%	0.0%
	TOTAL	**92 683 450**	**-**	**204 185 914**	**-**	**-**	**-**	**5 706 978**	**121 196**	**-**	**5 828 173**	**100.0000%**	

7. CREDIT RISK

7.1. CREDIT RISK ADJUSTMENTS

Bank discloses information regarding the institution's exposure to credit risk in the Consolidated Financial Statements of the Capital Group of BNP Paribas Bank Polska S.A. for the year ended 31 December 2020 hereinafter referred to as “Consolidated Financial Statements” in periodic reports section at: https://www.bnpparibas.pl/investor-relations/stock-exchange-reports/periodic-reports. Information on credit risk based on Article 442 of Regulation (EU) No 575/2013 are included in the following parts (Notes) of the Consolidated Financial Statements:

1) the definition of past due exposures and impaired exposures used for accounting and regulatory purposes is described in note no 3 of the Consolidated Financial Statement,
2) past due exposures (more than 90 days) are classified as impaired exposures if the share of the past due amount is considered material. When determining the materiality of past due amount the Bank takes into account the principles of the 'Regulation of the Minister of Finance, Investments and Development of October 3, 2019 on the significance level of an overdue credit obligation' described in note 3 of the Consolidated Financial Statement,
3) a description of the strategies adopted to identify impairment and methods for determining impairment adjustments can be found in note 3 of the Consolidated Financial Statement.

Bank’s definition concerning forborne exposure is consistent with forborne exposure definition specified in appendix V to Commission Implementing Regulation (EU) no 680/2014.

The bank discloses condensed information on its exposure to credit risk under Art.442 of Regulation (EU) No 575/2013 according to templates defined in EBA/GL/ 2016/11.

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

Table 23 EU CRB-B Total and average net amount of exposures as of 31 December 2020

		Net value of exposures at 31 December 2020	Average net value in 2020	Net value of exposures at 31 December 2019
16	Central governments or central banks	24 177 363	26 095 893	28 014 423
17	Regional governments or local authorities	270 550	293 708	316 865
18	Public sector entities	9 312	41 657	74 003
19	Multilateral development banks	880 632	880 632	545 016
20	International organisations	-	0	-
21	Institutions	2 719 876	3 069 802	3 419 729
22	Corporates	61 513 155	53 364 755	45 216 355
23	*Of which SMEs*	14 403 407	16 425 399	18 447 391
24	Retail	35 546 712	33 593 164	31 639 616
25	*Of which SMEs*	19 405 293	18 419 227	17 433 162
26	Secured by mortgages on immovable property	18 673 503	19 900 289	21 127 076
27	*Of which SMEs*	512 960	2 333 002	4 153 044
28	Exposures in default	3 004 631	3 152 903	3 301 175
29	Items associated with particularly high risk	-	0	-
30	Covered bonds	-	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	-	-
32	Collective investments undertakings	-	-	-
33	Equity exposures	324 739	293 830	262 921
34	Other items	6 476 219	6 266 527	6 056 836
35	**Total standardised approach**	**153 596 692**	**146 785 353**	**139 974 015**
36	**Total**	**153 596 692**	**146 785 353**	**139 974 015**

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

Table 24 EU CRB-C - Geographical breakdown of exposures as of 31 December 2020

		Europe							
		Europe	Poland	France	Luxembourg	United Kingdom	Other European countries	Other countries	TOTAL
7	Central governments or central banks	23 329 744	23 329 744	-	-	-	-	847 620	24 177 364
8	Regional governments or local authorities	272 348	272 348	-	-	-	-	-	272 348
9	Public sector entities	9 354	9 354	-	-	-	-	-	9 354
10	Multilateral development banks	880 632	-	-	-	-	880 632	-	880 632
11	International organisations	-	-	-	-	-	-	-	-
12	Institutions	2 660 119	160 404	1 052 840	13 996	26 831	1 406 048	63 664	2 723 782
13	Corporates	61 772 851	59 955 374	16 616	519 170	1	1 281 690	9 322	61 782 173
14	Retail	36 052 110	36 049 939	0	0	739	1 432	2	36 052 113
15	Secured by mortgages on immovable property	18 759 427	18 744 696	-	-	7 932	6 799	-	18 759 427
16	Exposures in default	4 565 399	4 564 034	-	-	916	449	11	4 565 410
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-	-
21	Equity exposures	181 120	181 120	-	-	-	-	143 619	324 739
22	Other exposures	1 338 845	1 338 227	299	9	21	288	5 139 363	6 478 207
23	**Total standardised approach**	**149 821 950**	**144 605 240**	**1 069 755**	**533 175**	**36 441**	**3 577 339**	**6 203 601**	**156 025 551**
24	**Total**	**149 821 950**	**144 605 240**	**1 069 755**	**533 175**	**36 441**	**3 577 339**	**6 203 601**	**156 025 551**

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

Table 25 EU CRB-D - Concentration of exposures by industry or counterparty types as of 31 December 2020

		Agriculture, Food, Tobacco	Wholesale Trade	Real Estate	Materials & Ores	Retail Trade	Building & Public Works	Equipment excl. IT	Finance	Business Services	Transport & Storage	Household Goods	Chemicals excl. Pharmaceutic.	Automotive	Utilities (Electricity, Gas, Water, etc)	Communications Services	Healthcare & Pharmaceuticals	Information Technologies	Hotels, Tourism, Leisure	Other	TOTAL
7	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24 177 364	24 177 364
8	Regional governments or local authorities	-	-	-	-	-	-	-	-	0	-	-	-	-	100	-	27 198	-	-	245 051	272 348
9	Public sector entities	-	-	-	-	-	-	-	-	1 179	-	-	-	-	-	-	7 265	-	520	390	9 354
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	880 632	880 632
11	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-	-	928 141	-	-	-	-	-	-	-	-	-	-	1 795 642	2 723 782
13	Corporates	6 088 459	5 480 225	6 219 454	4 765 249	3 161 580	2 855 296	2 880 021	1 380 268	3 501 698	2 538 955	1 009 497	865 247	1 293 468	1 238 964	1 906 009	709 228	798 087	171 660	14 918 809	61 782 173
14	Retail	9 449 797	1 559 532	571 441	637 614	1 155 992	444 234	617 645	28 790	624 301	497 524	295 319	102 337	40 491	112 779	20 318	369 728	144 360	191 042	19 188 868	36 052 113
15	Secured by mortgages on immovable property	149 840	84 062	20 626	10 778	55 912	32 178	29 544	363	52 337	26 956	10 507	376	738	1 816	1 551	18 816	8 290	10 739	18 243 997	18 759 427
16	Exposures in default	1 121 148	315 185	122 725	70 508	111 798	174 137	165 499	26 988	174 548	73 171	51 914	3 046	3 619	11 942	942	22 880	11 893	65 336	2 038 131	4 565 410
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	324 739	324 739
22	Other exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6 478 207	6 478 207
23	**Total standardised approach**	**16 809 244**	**7 439 005**	**6 934 245**	**5 484 149**	**4 485 282**	**3 505 845**	**3 692 709**	**2 364 549**	**4 354 063**	**3 136 605**	**1 367 238**	**971 006**	**1 338 316**	**1 365 601**	**1 928 820**	**1 155 115**	**962 630**	**439 298**	**88 291 830**	**156 025 551**
24	**Total**	**16 809 244**	**7 439 005**	**6 934 245**	**5 484 149**	**4 485 282**	**3 505 845**	**3 692 709**	**2 364 549**	**4 354 063**	**3 136 605**	**1 367 238**	**971 006**	**1 338 316**	**1 365 601**	**1 928 820**	**1 155 115**	**962 630**	**439 298**	**88 291 830**	**156 025 551**

Table 26 EU CRB-E - Maturity of exposures as of 31 December 2020

		Not determined	Up to 1 month (excl. Overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
7	Central governments or central banks	24 177 364	-	-	-	-	-	24 177 364
8	Regional governments or local authorities	31 490	29 525	910	4 895	91 262	114 266	272 348
9	Public sector entities	25	-	165	8 361	804	-	9 354
10	Multilateral development banks	-	-	-	-	152 715	440 605	880 632
11	International organisations	-	-	-	-	-	-	-
12	Institutions	1 991 315	15 256	6 866	85 813	125 586	498 946	2 723 782
13	Corporates	17 745 193	1 354 849	3 008 011	12 808 088	18 604 616	8 261 416	61 782 173
14	Retail	5 141 565	334 855	843 893	4 084 851	11 021 710	14 625 239	36 052 113
15	Secured by mortgages on immovable property	2 275	45 633	19 103	117 066	372 945	18 202 405	18 759 427
16	Exposures in default	2 216 575	13 846	54 519	147 608	969 574	1 163 288	4 565 410
17	Items associated with particularly high risk	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
20	Collective investment undertakings	-	-	-	-	-	-	-
21	Equity exposures	324 739	-	-	-	-	-	324 739
22	Other exposures	6 478 207	-	-	-	-	-	6 478 207
23	**Total standardised approach**	**58 989 381**	**1 793 963**	**3 933 467**	**17 256 682**	**31 186 497**	**42 865 560**	**156 025 551**
24	**Total**	**58 989 381**	**1 793 963**	**3 933 467**	**17 256 682**	**31 186 497**	**42 865 560**	**156 025 551**

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

Table 27 EU CR1-A- Credit quality of exposures by exposure class and instrument as of 31 December 2020

		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
16	Central governments or central banks	-	24 177 364	2	-	-	-	24 177 363
17	Regional governments or local authorities	-	272 348	1 798	-	-	-	270 551
18	Public sector entities	-	9 354	42	-	-	-	9 312
19	Multilateral development banks	-	880 632		-	-	-	880 632
20	International organizations	-	-		-	-	-	-
21	Institutions	-	2 723 782	3 907	-	-	-	2 719 876
22	Corporates	-	61 782 173	269 017	-	-	3 315	61 513 155
23	*Of which SMEs*	-	14 500 632	97 225	-	-	-	14 403 407
24	Retail	-	36 052 113	505 401	-	-	12 587	35 546 712
25	*Of which SMEs*	-	19 667 549	262 256	-	-	5 314	19 405 293
26	Secured by mortgages on immovable property	-	18 759 427	85 924	-	-	2 022	18 673 503
27	*Of which SMEs*	-	519 701	6 741	-	-	130	512 960
28	Exposures in default	4 565 410	-	1 560 779	-	-	-	3 004 631
29	Exposures associated with particularly high risk	-	-		-	-	-	-
30	Covered bonds	-	-	-	-	-	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
32	Collective investment undertakings	-	-	-	-	-	-	-
33	Equity exposures	-	324 739	-	-	-	-	324 739
34	Other items	-	6 478 207	1 988	-	-	-	6 476 219
35	**Total standardised approach**	**4 565 410**	**151 460 140**	**2 428 858**	**-**	**-**	**-**	**153 596 692**
36	**Total**	**4 565 410**	**151 460 140**	**2 428 858**	**-**	**-**	**17 925**	**153 596 692**

Table 28 EU CR1-B - Credit quality of exposures by industry or counterparty types as of 31 December 2020

	Gross carrying values of						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values Defaulted exposures
Agriculture, Food, Tobacco	1 121 148	15 688 096	310 625	-	-	-	16 498 620
Wholesale Trade	315 185	7 123 819	132 287	-	-	-	7 306 717
Real Estate	122 725	6 811 520	20 479	-	-	-	6 913 766
Materials & Ores	70 508	5 413 641	31 461	-	-	-	5 452 688
Retail Trade	111 798	4 373 485	46 247	-	-	-	4 439 035
Building & Public Works	174 137	3 331 708	72 190	-	-	-	3 433 655
Equipment excl. IT	165 499	3 527 209	106 864	-	-	-	3 585 845
Finance	26 988	2 337 562	4 852	-	-	-	2 359 697
Business Services	174 548	4 179 515	55 636	-	-	-	4 298 427
Transport & Storage	73 171	3 063 434	33 267	-	-	-	3 103 338
Household Goods	51 914	1 315 323	25 408	-	-	-	1 341 830
Chemicals excl. Pharmaceuticals	3 046	967 960	717	-	-	-	970 289
Automotive	3 619	1 334 697	2 070	-	-	-	1 336 246
Utilities (Electricity, Gas, Water, etc.)	11 942	1 353 659	3 989	-	-	-	1 361 612
Communications Services	942	1 927 878	447	-	-	-	1 928 373
Healthcare & Pharmaceuticals	22 880	1 132 235	10 239	-	-	-	1 144 877
Information Technologies	11 893	950 737	6 530	-	-	-	956 100
Hotels, Tourism, Leisure	65 336	373 962	27 422	-	-	-	411 876
Other	2 038 131	86 253 699	1 538 128	-	-	-	86 753 702
TOTAL	**4 565 410**	**151 460 140**	**2 428 858**	**-**	**-**	**-**	**153 596 692**

Table 29 EU CR1-C - Credit quality of exposures by geography as of 31 December 2020

	Gross carrying values of						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values Defaulted exposures
Europe	4 565 399	145 256 551	2 428 644	-	-	-	147 393 307
Poland	4 564 034	140 041 207	2 413 507	-	-	-	142 191 733
Other European countries	1 365	5 215 345	15 136	-	-	-	5 201 574
Rest of the World	11	6 203 589	215	-	-	-	6 203 386
TOTAL	**4 565 410**	**151 460 140**	**2 428 858**	-	-	-	**153 596 692**

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

Table 30 EU CR2-B - Changes in the stock of defaulted and impaired loans and debt securities as of 31 December 2020

		Gross carrying value defaulted exposures
1	**Opening balance**	**4 313 513**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	2 961 962
3	Returned to non-defaulted status	-68 697
4	Amounts written off	-25 833
5	Other changes	-2 909 422
6	**Closing balance**	**4 271 523**

7.2. CREDIT RISK MITIGATION TECHNIQUES

The Bank grants credit facilities to customers that have creditworthiness and, in the pursuit of strengthening the security of engaged funds, it establishes appropriate collateral.
Collateral accepted by the Bank, limiting credit risk impact, includes, among others:

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

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

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

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

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

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

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

During credit utilization and repayment, the Bank may require the customer to establish additional collateral apart from the collateral specified in the credit agreement, if - in the Bank's assessment, the value of established collateral has decreased, the economic or financial standing of the borrower or another obligor has deteriorated or there are grounds to believe that such deterioration will occur.
Activities undertaken with regard to insurance are aimed to duly secure the Bank's interest, including establishment of collateral ensuring the highest possible level of recovery of receivables, in the event of necessary debt recovery. Thus collateral does not differ between performing and non-performing credits, impaired and non-impaired.
The Bank makes use of both on- and off-balance sheet netting. The first credit risk mitigation technique applies to the lines drawn and deposits placed with the BNP Paribas SA. The off-balance sheet netting is in use for derivative transactions which are concluded under master agreements signed with corporate, SME and Micro clients segments. The off-balance netting also applies to derivative transactions concluded with selected credit institutions.

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

Table 31 EU CR3 - CRM techniques – overview as of 31 December 2020

			Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans		116 008 918	10 267 472	218 762	10 048 710	-
2	Total debt securities		29 749 161				-
3	Total exposures		145 758 079	10 267 472	218 762	10 048 710	-
4		*of which defaulted*	4 476 214	89 197	5 453	83 743	-

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

Table 32 EU CR4 - Standardised approach – Credit risk exposure and credit risk mitigation effects as of 31 December 2020

		Gross exposure		EAD		RWAs	
		Balance sheet	Off-balance sheet	Balance sheet	Off-balance sheet	RWAs	RWA density
1	Central governments or central banks	24 177 292	72	33 742 635	133	1 697 109	5.0%
2	Regional governments or local authorities	186 792	85 557	185 204	29 531	42 947	20.0%
3	Public sector entities	1 781	7 573	1 756	3 662	2 521	46.5%
4	Multilateral development banks	880 632	-	880 632	-	-	0.0%
5	International organisations	-	-	-	-	-	-
6	Institutions	297 036	1 398 142	696 173	468 530	533 225	45.8%
7	Corporates	35 739 559	24 727 645	25 966 790	9 020 952	33 424 246	95.5%
8	Retail	28 064 542	7 896 714	27 261 123	2 215 160	19 338 466	65.6%
9	Secured by mortgages on immovable property	18 488 681	270 746	18 394 878	127 615	13 686 763	73.9%
10	Exposures in default	4 407 061	158 350	2 789 493	55 920	3 693 536	129.8%
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Equity exposures	324 739	-	324 739	-	325 145	100.1%
16	Other exposures	6 477 696	511	6 526 780	74 895	2 188 877	33.2%
17	**Total**	**119 045 812**	**34 545 310**	**116 770 203**	**11 996 397**	**74 932 835**	**58.2%**

The total amount of exposure, including value adjustments, without taking into account the effects of credit risk mitigation techniques and the breakdown by exposure class, is presented in the table below.

Table 33 Total exposure amount including value adjustments and credit risk mitigation techniques as of 31 December 2020

		Risk mitigation		
	Total exposure	Guarantees and credit derivatives	Collateral	Total guarantees and collaterals
Central governments or central banks	24 177 364	-	-	-
Regional governments or local authorities	272 348	-	-	-
Public sector entities	9 354	-	-	-
Multilateral development banks	880 632	-		-
International organisations	-	-	-	-
Institutions	2 723 782	1 502	-	1 502
Corporates	61 782 173	9 631 480	142 398	9 773 878
Retail	36 052 113	329 068	64 570	393 638
Secured by mortgages on immovable property	18 759 427	4 593	6 518	11 110
Exposures in default	4 565 410	82 068	5 276	87 344
Exposures associated with particularly high risk	-	-	-	-
Equity	324 739	-	-	-
Other items	6 478 207	-	-	-
TOTAL	**156 025 551**	**10 048 710**	**218 762**	**10 267 472**

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

Table 34 EU CR5 - Standardised approach as of 31 December 2020

	Risk Weight																Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted		
1 Central governments or central banks	33 063 924	-	-	-	-	-	-	-	-	-	-	678 844	-	-	-	-	33 742 768	-
2 Regional governments or local authorities	-	-	-	-	214 735	-	-	-	-	-	-	-	-	-	-	-	214 735	-
3 Public sector entities	-	-	-	-	627	-	4 790	-	-	-	-	-	-	-	-	-	5 417	-
4 Multilateral development banks	880 632	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	880 632	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	102 814	-	-	1 884 771	-	100 143	-	-	105 578	-	-	-	-	-	-	2 193 307	-
7 Corporates	-	-	-	-	-	-	317 848	-	-	35 738 981	245 881	-	-	-	-	-	36 302 710	-
8 Retail	-	-	-	-	-	-	-	-	29 567 139	-	-	-	-	-	-	-	29 567 139	-
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	8 782 615	-	-	5 199 220	38 782	4 501 876	-	-	-	-	-	18 522 493	-
10 Exposures in default	-	-	-	-	-	-	-	-	-	1 149 168	1 696 245	-	-	-	-	-	2 845 413	-
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity	-	-	-	-	-	-	-	-	-	324 469	-	271	-	-			324 739	-
16 Other items	4 166 185	-	-	-	307 671	-	-	-	-	2 127 818	-	-	-	-			6 601 674	-
17 Total	**38 110 742**	**102 814**	**-**	**-**	**2 407 804**	**8 782 615**	**422 782**	**-**	**34 766 359**	**39 484 796**	**6 444 003**	**679 114**	**-**	**-**	**-**	**-**	**131 201 029**	**-**

7.3. NON-PERFORMING AND FORBORNE EXPOSURES

The Bank discloses information in accordance with EBA/GL/2018/10 guidelines. The presented tables provide information on:

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

The Bank does not meet the criteria for disclosing information pursuant to template 5 of the EBA/GL/2018/10 guidelines.

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Table 35 Template 1 - Credit quality of forborne exposures as of 31 December 2020

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	Performing forborne	Non-performing forborne	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	Loans and advances	420 426	1 028 539	1 028 539	1 018 630	-27 845	-368 251	612 938	348 178
2	*Central banks*	-	-	-	-	-	-	-	-
3	*General governments*	-	-	-	-	-	-	-	-
4	*Credit institutions*	-	-	-	-	-	-	-	-
5	*Other financial corporations*	-	-	-	-	-	-	-	-
6	*Non-financial corporations*	335 165	699 082	699 082	689 173	-18 920	-231 199	468 964	234 865
7	*Households*	85 261	329 457	329 457	329 457	-8 925	-137 052	143 974	113 313
8	Debt securities	-	239 156	184 928	184 928	-	-6 968	-	-
9	Loan commitments given	45 576	19 397	19 397	19 397	1 639	2 471	-	-
10	**Total**	**466 002**	**1 287 092**	**1 232 865**	**1 222 955**	**-26 206**	**-372 748**	**612 938**	**348 178**

Table 36 Template 2 - Quality of forbearance as of 31 December 2020

		Gross carrying amount of forborne exposures
1	Loans and advances that have been forborne more than twice	77
2	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	323 269

Table 37 Template 3 - Credit quality of performing and non-performing exposures by past due days as of 31 December 2020

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	Loans and advances	75 058 841	71 275 936	3 782 904	4 271 523	1 873 144	166 634	315 974	664 725	858 689	182 630	209 726	4 271 523
2	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
3	*General governments*	101 337	101 337	-	44	-	-	-	-	20	24	-	44
4	*Credit institutions*	506 449	506 449	-	-	-	-	-	-	-	-	-	-
5	*Other financial corporations*	606 866	606 866	-	1 625	15	1 413	-	5	179	4	8	1 625
6	*Non-financial corporations*	41 241 136	37 510 586	3 730 550	2 821 193	1 186 392	102 769	173 765	454 821	625 708	114 781	162 957	2 821 193
7	*Of which SMEs*	38 900 445	35 171 587	3 728 858	2 657 305	1 118 491	102 769	169 749	400 115	600 072	114 781	151 328	2 657 305
8	*Households*	32 603 052	32 550 698	52 354	1 448 662	686 737	62 453	142 208	209 900	232 782	67 820	46 760	1 448 662
9	Debt securities	33 471 008	33 471 008	-	243 311	239 156	-	4 155	-	-	-	-	243 311
10	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
11	*General governments*	23 415 174	23 415 174	-	-	-	-	-	-	-	-	-	-
12	*Credit institutions*	6 553 350	6 553 350	-	-	-	-	-	-	-	-	-	-
13	*Other financial corporations*	3 419 878	3 419 878	-	-	-	-	-	-	-	-	-	-
14	*Non-financial corporations*	82 605	82 605	-	243 311	239 156	-	4 155	-	-	-	-	243 311
15	Off-balance-sheet exposures	37 864 652			156 017								156 017
16	*Central banks*	-			-								-
17	*General governments*	93 352			-								-
18	*Credit institutions*	1 401 244			-								-
19	*Other financial corporations*	585 559			-								-
20	*Non-financial corporations*	32 355 994			111 722								111 722
21	*Households*	3 428 502			44 295								44 295
22	***Total***	**146 394 500**	**104 746 944**	**3 782 904**	**4 670 850**	**2 112 300**	**166 634**	**320 129**	**664 725**	**858 689**	**182 630**	**209 726**	**4 670 850**

Table 38 Template 4 - Performing and non-performing exposures and related provisions as of 31 December 2020

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		On performing exposures	On non-performing exposures
1	**Loans and advances**	**75 058 841**	**66 489 975**	**7 165 450**	**4 271 523**	**-**	**4 149 252**	**-1 101 341**	**-507 001**	**-594 339**	**-2 086 938**	**-**	**-2 086 938**	**-**	**26 353 387**	**4 809 982**
2	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	*General governments*	101 337	98 991	2 346	44	-	44	-2 256	-1 990	-266	-12	-	-12	-	944	-
4	*Credit institutions*	506 449	506 449	-	-	-	-	-1 475	-1 475	-	-	-	-	-	-	-
5	*Other financial corporations*	606 866	606 833	33	1 625	-	1 625	-1 217	-1 214	-3	-718	-	-718	-	-	-
6	*Non-financial corporations*	41 241 136	34 635 023	5 204 490	2 821 193	-	2 698 922	-659 233	-297 037	-362 197	-1 337 469	-	-1 337 469	-	14 966 744	4 465 115
7	*Of which SMEs*	38 900 445	32 658 242	4 844 517	2 657 305	-	2 535 034	-643 691	-284 559	-359 132	-1 221 815	-	-1 221 815	-	14 522 850	4 462 695
8	*Households*	32 603 052	30 642 679	1 958 580	1 448 662	-	1 448 662	-437 159	-205 286	-231 873	-748 740	-	-748 740	-	11 385 699	344 867
9	**Debt securities**	**33 471 008**	**33 408 871**	**4 021**	**243 311**	**-**	**189 083**	**-1 270**	**-824**	**-446**	**-11 123**	**-**	**-11 123**	**-**	**-**	**-**
10	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	*General governments*	23 415 174	23 415 174	-	-	-	-	-485	-485	-	-	-	-	-	-	-
12	*Credit institutions*	6 553 350	6 553 350	-	-	-	-	-89	-89	-	-	-	-	-	-	-
13	*Other financial corporations*	3 419 878	3 419 878	-	-	-	-	-	-	-	-	-	-	-	-	-
14	*Non-financial corporations*	82 605	20 468	4 021	243 311	-	189 083	-695	-249	-446	-11 123	-	-11 123	-	-	-
15	**Off-balance-sheet exposures**	**37 864 652**	**35 395 665**	**2 243 121**	**156 017**	**-**	**156 017**	**180 294**	**120 108**	**60 186**	**34 149**	**-**	**34 149**		**-**	**121 867**
16	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
17	*General governments*	93 352	93 352	-	-	-	-	485	485	-	-	-	-		-	-
18	*Credit institutions*	1 401 244	1 401 244	-	-	-	-	5 594	5 594	-	-	-	-		-	-
19	*Other financial corporations*	585 559	585 559	-	0	-	0	403	403	-	-	-	-		-	0
20	*Non-financial corporations*	32 355 994	30 056 952	2 073 176	111 722	-	111 722	156 377	102 409	53 967	34 149	-	34 149		-	77 573
21	*Households*	3 428 502	3 258 557	169 945	44 295	-	44 295	17 436	11 217	6 219	-	-	-		-	44 295
22	**Total**	**146 394 500**	**135 294 511**	**9 412 592**	**4 670 850**	**-**	**4 494 352**	**-922 317**	**-387 717**	**-534 600**	**-2 063 912**	**-**	**-2 063 912**	**-**	**26 353 387**	**4 931 849**

Table 39 Template 6 - Credit quality of loans and advances by industry as of 31 December 2020

		Gross carrying amount					
			Of which non-performing				
				Of which defaulted	Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
1	Agriculture, forestry and fishing	10 998 838	998 591	991 985	9 486 402	-517 863	-
2	Mining and quarrying	42 296	3 450	3 450	42 178	-1 529	-
3	Manufacturing	9 879 416	499 445	480 218	9 871 603	-362 727	-
4	Electricity, gas, steam and air conditioning supply	651 429	5 538	5 454	651 429	-9 064	-
5	Water supply	244 379	10 344	10 133	244 379	-7 157	-
6	Construction	2 808 823	220 623	216 256	2 808 645	-184 293	-
7	Wholesale and retail trade	6 363 665	440 310	426 577	6 348 053	-344 147	-
8	Transport and storage	1 686 960	103 075	84 441	1 686 534	-79 058	-
9	Accommodation and food service activities	312 400	57 228	56 036	312 300	-39 119	-
10	Information and communication	1 549 839	50 617	48 678	1 549 839	-43 533	-
11	Financial and insurance actvities	690 394	101 567	100 863	690 394	-41 243	-
12	Real estate activities	4 538 896	139 501	138 253	4 538 896	-62 966	-
13	Professional, scientific and technical activities	2 552 885	67 243	62 026	2 551 897	-80 134	-
14	Administrative and support service activities	661 672	79 396	74 703	661 406	-54 779	-
15	Public administration and defense, compulsory social security	893	1	1	893	-17	-
16	Education	113 216	7 614	6 859	113 177	-7 190	-
17	Human health services and social work activities	819 714	23 795	23 074	819 714	-36 044	-
18	Arts, entertainment and recreation	26 042	3 404	3 311	25 986	-3 216	-
19	Other services	120 572	9 450	7 894	120 550	-122 625	-
20	***Total***	**44 062 329**	**2 821 193**	**2 740 215**	**42 524 274**	**-1 996 702**	**-**

Table 40 Template 7 - Collateral valuation – loans and advances as of 31 December 2020

		Loans and advances											
			Performing		Non-performing								
							Past due > 90 days						
				Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days		Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
1	Gross carrying amount	79 330 364	75 058 841	3 782 904	4 271 523	1 873 144	2 398 379	166 634	315 974	664 725	858 689	182 630	209 726
2	*Of which secured*	61 299 349	58 122 464	3 737 367	3 176 885	1 533 213	1 643 672	101 980	192 257	396 505	678 124	144 144	130 663
3	*Of which secured with immovable property*	42 026 468	39 450 633	44 074	2 575 836	1 225 708	1 350 128	84 233	139 481	297 081	568 581	136 484	124 268
4	*Of which instruments with LTV higher than 60% and lower or equal to 80%*	10 998 804	10 553 581		445 223	265 671	179 553						
5	*Of which instruments with LTV higher than 80% and lower or equal to 100%*	3 081 742	2 876 957		204 785	115 702	89 083						
6	*Of which instruments with LTV higher than 100%*	4 942 004	4 533 335		408 669	121 355	287 314						
7	Accumulated impairment for secured assets	-2 049 102	-703 124	-60 800	-1 345 978	-390 094	-955 884	-39 972	-103 744	-203 741	-375 101	-112 966	-120 361
8	Collateral												
9	*Of which value capped at the value of exposure*	29 900 124	28 692 087	3 658 005	1 208 037	654 310	553 727	46 788	69 214	138 899	263 382	29 209	6 235
10	*Of which immovable property*	24 956 104	23 807 125	28 458	1 148 979	604 494	544 485	46 677	68 451	137 196	256 717	29 209	6 235
11	*Of which value above the cap*	427 638 667	410 448 798	217 518	17 189 869	5 668 631	11 521 238						
12	*Of which immovable property*	121 236 377	107 975 028	149 405	13 261 349	3 505 229	9 756 121						
13	Financial guarantees received	1 263 245	1 255 138	159	49 209	46 986	2 223	18	1 934	272	-	-	-
14	Accumulated partial write-off												

Table 41 Template 8 - Changes in the stock of non-performing loans and advances as of 31 December 2020

		Gross carrying amount	Related net accumulated recoveries
1	**Initial stock of non-performing loans and advances**	4 313 513	
2	Inflows to non-performing portfolios	2 961 962	
3	Outflows from non-performing portfolios	-3 003 952	
4	Outflow to performing portfolio	-68 697	
5	Outflow due to loan repayment, partial or total	-1 760 340	
6	Outflow due to collateral liquidations	-	-
7	Outflow due to taking possession of collateral	-	-
8	Outflow due to sale of instruments	-889 584	122 731
9	Outflow due to risk transfers	-	-
10	Outflows due to write-offs	-25 833	
11	Outflow due to other situations	-259 498	
12	Outflow due to reclassification as held for sale	-	
13	**Final stock of non-performing loans and advances**	4 271 523	

Table 42 Template 9 - Collateral obtained by taking possession and execution processes as of 31 December 2020

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	-	-
2	Other than PP&E	24 880	-19 771
3	*Residential immovable property*	4 000	-4 000
4	*Commercial Immovable property*	-	-
5	*Movable property (auto, shipping, etc.)*	139	-9
6	*Equity and debt instruments*	20 740	-15 762
7	Other	-	-
8	**Total**	**24 880**	**-19 771**

Table 43 Template 10 - Collateral obtained by taking possession and execution processes – vintage

		Debt balance reduction		Total collateral obtained by taking possession									
						Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
1	Collateral obtained by taking possession classified as PP&E	-	-	-	-								
2	Collateral obtained by taking possession other than that classified as PP&E	24 880	-19 762	24 880	-19 771	963	-9	-	-	23 917	-19 762	-	-
3	*Residential immovable property*	4 000	-4 000	4 000	-4 000	-	-	-	-	4 000	-4 000	-	-
4	*Commercial immovable property*	-	-	-	-	-	-	-	-	-	-	-	-
5	*Movable property (auto, shipping, etc.)*	139	-	139	-9	139	-9	-	-	-	-	-	-
6	*Equity and debt instruments*	20 740	-15 762	20 740	-15 762	824	-	-	-	19 917	-15 762	-	-
7	*Other*	-	-	-	-	-	-	-	-	-		-	-
8	***Total***	**24 880**	**-19 762**	**24 880**	**-19 771**	**963**	**-9**	**-**	**-**	**23 917**	**-19 762**	**-**	**-**

7.4. EXPOSURES SUBJECT TO MEASURES APPLIED IN RESPONSE TO THE COVID-19 CRISIS

In response to the need to address negative economic consequences of COVID-19 pandemic, the European Union (EU) and Member States have introduced a wide range of mitigating measures to support the real economy and the financial sector. As part of such measures, some Member States have introduced legislative moratoria on loan repayments granting the borrowers various forms of payment holidays on their existing loans. Various forms of public guarantees to be applied to new lending have been also introduced. Coordinating supervisory response to these measures, the European Banking Authority (EBA) issued guidelines of 2 April 2020 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 .

Application of payment moratoria and the public guarantees necessitates additional collection of information from the institutions for supervisory purposes, and also calls for public disclosure for the purposes of market discipline and transparency for investors and in the wider public interest. As a coordinated approach to the collection of information regarding the application of the payment moratoria to the existing loans and public guarantees to new lending in response to COVID-19 pandemic, the EBA has introduced additional reporting and disclosure covering both aspects by issuing guidelines EBA/GL/2020/07 of 2 June 2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis.

In the tables below, the Bank presents information in accordance with the disclosure templates covering information on exposures subject to legislative and non-legislative moratoria and on newly originated exposures subject to public guarantee schemes, specified in Annex 3 of the EBA/GL/2020/07 guidelines.

Table 44 Template 1 - Information on loans and advances subject to legislative and non-legislative moratoria

		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing				Performing			Non performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	301 325	171 565	14 973	62 908	129 760	43 425	126 762	-38 042	-5 206	-918	-4 276	-32 835	-8 047	-31 577	67 192
2	of which: Households	139 857	45 807	515	10 646	94 050	18 234	92 157	-28 420	-2 139	-91	-1 709	-26 281	-5 160	-25 499	66 269
3	*of which: Collateralised by residential immovable property*	80 702	20 464	-	4 068	60 239	15 303	58 905	-14 332	-383	-	-340	-13 949	-4 089	-13 582	36 490
4	of which: Non-financial corporations	160 582	124 871	14 457	51 376	35 710	25 191	34 605	-9 389	-2 834	-827	-2 333	-6 555	-2 887	-6 078	923
5	*of which: Small and Medium-sized Enterprises*	152 459	118 924	14 457	51 311	33 535	23 126	32 430	-9 266	-2 771	-827	-2 309	-6 495	-2 857	-6 018	923
6	*of which: Collateralised by commercial immovable property*	138 652	109 452	13 002	47 487	29 200	19 961	28 409	-6 011	-2 013	-638	-1 696	-3 998	-859	-3 766	522

Table 45 Template 2 - Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

		Number of obligors	Gross carrying amount							
						Residual maturity of moratoria				
				Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	43	7 251 102							
2	Loans and advances subject to moratorium (granted)	43	7 251 102	135 935	6 949 776	276 870	24 455	-	-	-
3	of which: Households		3 376 781	135 848	3 236 923	136 937	2 920	-	-	-
4	*of which: Collateralised by residential immovable property*		2 230 943	86 437	2 150 240	79 151	1 551	-	-	-
5	of which: Non-financial corporations		3 873 167	87	3 712 585	139 047	21 535	-	-	-
6	*of which: Small and Medium-sized Enterprises*		3 295 728	87	3 143 268	136 982	15 477	-	-	-
7	*of which: Collateralised by commercial immovable property*		2 593 861	87	2 455 209	123 877	14 775	-	-	-

Table 46 Template 3 - Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	1 298 960	83	991 112	-
2	of which: Households	-			-
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	1 298 960	83	991 112	-
5	of which: Small and Medium-sized Enterprises	1 153 433			-
6	of which: Collateralised by commercial immovable property	388 661			-

8. LEVERAGE RISK

The Bank discloses information on its leverage ratio based on Regulation (EU) 2016/200.

The calculation of leverage ratio of the Bank Capital Group as of 30 June 2020 was made under the provisions of Commission Delegated Regulation (EU) 2015/62 as of 10 October 2014 amending Regulation (EU) No 575/2013 in respect of the leverage ratio (Acts. Office. EU. Series L No. 309, p. 5), hereinafter referred to as "Delegated Regulation 2015/62". According to the Delegated Regulation 2015/62 financial leverage ratio is expressed as a percentage of the value of the quotient of Tier I capital and total exposure measure by the end of the reporting period, while total exposure measure is the sum of the exposure values determined under all of the assets and off-balance items not deducted when determining the capital measure Tier I.

The bank did not use the option to temporarily exclude some exposures to central banks from the total exposure measure pursuant to Art. 500 b of Regulation (EU) No 575/2013 introduced by Regulation (EU) No 2020/873. Accordingly, the provisions of the EBA/GL/2020/11 guidelines of August 11, 2020 on supervisory reporting and disclosure in accordance with the targeted fast-track changes to the CRR in response to the COVID-19 pandemic regarding the disclosure of the indicator do not apply.

Table 47 CRR Leverage Ratio — Disclosure Template

Reference date	**31 December 2020**
Entity name	**BNP Paribas Bank Polska S.A.**
Level of application	**consolidated**

Table 48 LRSum - Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amount
1	**Total assets as per published financial statements**	**116 770 203**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	2 434 430
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	12 478 889
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	-
8	**Leverage ratio total exposure measure**	**131 683 522**

Table 49 LRCom - Leverage ratio common disclosure

		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	117 421 449
2	(Asset amounts deducted in determining Tier I capital)	-651 246
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**116 770 203**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1 106 073
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	1 328 356
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**2 434 430**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	0
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	36 068 062
18	(Adjustments for conversion to credit equivalent amounts)	-23 589 172
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**12 478 889**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure measure		
20	Tier I capital	11 445 875
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**131 683 522**
Leverage ratio		
22	**Leverage ratio**	**8.69**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Table 50 LRSpl - Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**116 770 203**
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	116 770 203
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	34 623 267
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	186 960
EU-7	Institutions	696 173
EU-8	Secured by mortgages of immovable properties	18 394 878
EU-9	Retail exposures	27 261 123
EU-10	Corporate	25 966 790
EU-11	Exposures in default	2 789 493
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	6 851 519

Table 51 Description of the processes used to manage the risk of excessive leverage and Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers

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

9. ENCUMBERED AND UNENCUMBERED ASSETS

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

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

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

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

Table 52 Encumbered and unencumbered assets

		Quarterly median values in 2020			
		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
010	**ASSETS**	**2 287 480**	**-**	**115 690 171**	
030	Equity instruments	-	-	229 968	229 968
040	Debt securities	-	-	31 611 189	31 611 189
050	*of which covered bonds*	-	-	-	-
060	*of which asset-backed securities*	-	-	-	-
070	*of which issued by general governments*	-	-	23 864 792	23 864 792
080	*of which issued by financial corporations*	-	-	6 342 584	6 342 584
090	*of which issued by non-financial corporations*	-	-	403 831	403 831
120	Other assets	2 287 480	-	83 849 014	

Table 53 Collateral received

		Quarterly median values in 2020	
		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
130	**COLLATERAL RECEIVED**		**20 899 123**
140	Loans on demand	-	-
150	Equity instruments	-	-
160	Debt securities	-	-
170	*of which covered bonds*	-	-
180	*of which asset-backed securities*	-	-

190	*of which issued by general governments*	-	-
200	*of which issued by financial corporations*	-	-
210	*of which issued by non-financial corporations*	-	-
220	Loans and advances other than loans on demand		12 833 270
230	Other collateral received	-	8 0 65853
241	**OWN COVERED BONDS AND ASSET-BACKED SECURITIES ISSUED AND NOT YET PLEDGED**	**-**	**-**
250	**TOTAL ASSETS AND COLLATERAL RECEIVED**	**2 287 480**	**2 287 480**

Table 54 Encumbered assets/collateral received and associated liabilities

		Quarterly median values in 2020	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued
010	**CARRYING AMOUNT OF SELECTED FINANCIAL LIABILITIES**	**2 251 596**	**2 287 480**

10. TRANSITIONAL PROVISIONS

The purpose of this chapter is to present a comparison of the Bank's own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous expected credit losses, and with and without the provisional treatment in accordance with Article 468 of the Regulation (EU) No 575/2013.

In accordance with the Regulation of the European Parliament and of the Council (EU) No 2017/2395 of 12 December 2017 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State (hereinafter "Regulation (EU) No 2017/2395") and in regards with EBA/GL/2020/12, the Bank discloses the amounts of own funds, Common Equity Tier 1 capital and Tier 1 capital, risk weighted assets as well as the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio, the total capital ratio and the leverage ratio the Bank would have in case it wasn't apply the transitional measures resulting from the introduction of IFRS 9 and the corresponding expected credit losses, as well as the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic in accordance with Article 468 of the Regulation (EU) No 575/2013.

The Bank does not use temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income, in line with Article 468 of the Regulation (EU) No 575/2013. Reported capital ratios including leverage ratio and Tier 1 capital already fully reflect the effect of unrealized gains and losses measured at fair value through other comprehensive income.

The Bank, as the parent company, after analysing the requirements of Regulation (EU) No 2017/2395, decided to apply the transitional provisions provided for in this regulation, which means that for the purposes of assessing the capital adequacy of the BNP Paribas Bank Polska S.A. Group the full impact of IFRS 9 implementation is not introduced. The Bank fulfilled its obligations under the Regulation (EU) No 2017/2395 by notifying the Polish Financial Supervision Authority of its intention to apply the transitional provisions in a letter with reference number BZO/W/15/2018 of January 29, 2018.

Table 55 Comparison of Banks' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs , and with and without the application of the temporary treatment in accordance with Article 468 of the CRR as of 31 December 2020

		31 December 2020	30 September 2020	30 June 2020	31 March 2020
	Available capital (amounts)				
1	Common Equity Tier I (CET1) capital	11 445 875	11 270 368	10 940 334	10 800 016
2	Common Equity Tier I (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11 165 325	10 989 818	10 659 784	10 519 466
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	11 445 875	11 270 368	10 940 334	10 800 016
3	Tier I capital	11 445 875	11 270 368	10 940 334	10 800 016
4	Tier I capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11 165 325	10 989 818	10 659 784	10 519 466
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	11 445 875	11 270 368	10 940 334	10 800 016
5	Total capital	15 748 450	13 243 898	12 900 804	12 795 491
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15 467 900	12 963 348	12 620 254	12 514 941
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15 748 450	13 243 898	12 900 804	12 795 491
	Risk-weighted assets (amounts)				
7	Total risk-weighted assets	84 447 701	83 885 088	84 827 952	86 834 493
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	84 288 532	83 739 248	84 679 493	86 685 732
	Capital ratios				
9	Tier I (as a percentage of risk exposure amount)	13.55%	13.44%	12.90%	12.44%
10	Common Equity Tier I (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.25%	13.12%	12.59%	12.14%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	13.55%	13.44%	12.90%	12.44%
11	Tier I (as a percentage of risk exposure amount)	13.55%	13.44%	12.90%	12.44%
12	Tier I (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.25%	13.12%	12.59%	12.14%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	13.55%	13.44%	12.90%	12.44%
13	Total capital (as a percentage of risk exposure amount)	18.65%	15.79%	15.21%	14.74%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.35%	15.48%	14.90%	14.44%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18.65%	15.79%	15.21%	14.74%
	Leverage ratio				
15	Leverage ratio total exposure measure	131 683 522	132 794 542	129 168 809	121 948 221
16	Leverage ratio	8.69%	8.49%	8.47%	8.86%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.48%	8.28%	8.25%	8.63%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-	-	-	-

11. STATEMENT OF THE MANAGEMENT BOARD

Hereby, the Management Board of BNP Paribas Bank Polska S.A.

- declares that to the best of their knowledge, the information disclosed in accordance with part eight of Regulation (EU) No 575/2013 has been prepared in accordance with internal control processes;
- declares that, to the best of their knowledge, the adequacy of risk management arrangements ensures that the risk management systems used are appropriate from the point of view of the risk profile and strategy of the Bank and the entire Bank Capital Group;
- approves this "Capital adequacy information of the BNP Paribas Bank Polska S.A. Capital Group as of 31 December 2020", which includes information on risk, discusses the general risk profile of the Bank and the Bank's Capital Group related to the business strategy, and includes key indicators and figures that provide external stakeholders with a comprehensive view of risk management in BNP Paribas Bank Polska SA Capital Group, including interactions between the Bank's risk profile and the risk appetite defined by the Management Board and approved by the Supervisory Board.

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

26.02.2021	**Przemysław Gdański** *President of the Management Board*	***qualified electronic signature***
26.02.2021	**Jean-Charles Aranda** *Vice-President of the Management Board*	***qualified electronic signature***
26.02.2021	**Andre Boulanger** *Vice-President of the Management Board*	***qualified electronic signature***
26.02.2021	**Przemysław Furlepa** *Vice-President of the Management Board*	***qualified electronic signature***
26.02.2021	**Wojciech Kembłowski** *Vice-President of the Management Board*	***qualified electronic signature***
26.02.2021	**Kazimierz Łabno** *Vice-President of the Management Board*	***qualified electronic signature***
26.02.2021	**Magdalena Nowicka** *Vice-President of the Management Board*	***qualified electronic signature***
26.02.2021	**Volodymyr Radin** *Vice-President of the Management Board*	***qualified electronic signature***
26.02.2021	**Jerzy Śledziewski** *Vice-President of the Management Board*	***qualified electronic signature***

Warsaw, 26 February 2021