

The rules for establishing credit reserves for credit risk are presented in the section entitled “Financial risk management - Credit risk” of the Yearly Financial Report.

➤ Article 439.c

The Group does not identify its wrong-way risk exposures as material.

➤ Article 439.d

*The impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating*

The Bank is a party to a loan agreement with the European Investment Bank („Finance Contract”). The loan amount is EUR 100 million.

At the end of 2014, the loan is secured by State Treasury bonds WZ0117 with a nominal value of PLN 609 million.

According to the provisions of the Finance Contract, in the event of a downgrade in the Bank’s credit rating, it will be necessary to establish additional pledges in the form and amounts to the satisfaction of EIB.

➤ Articles 439.e, 439.f, 439.g, 439.h, 439.i

Fair values of respective derivatives contracts, notional amounts of instruments by maturities and valuation of derivative instruments are presented in notes to the Yearly Financial Report (Note 16f).

Data on security margins and netting of receivables and liabilities under master agreements are presented in Additional Information to the Yearly Financial Report.

To determine the amount of its credit exposure under derivative instruments, the Group applies the Mark-to-market method laid down in Article 274 of C44.

## **VI. Capital buffers, Indicators of global systemic importance (CRR Articles 440, 441)**

Not applicable

## **VII. Credit risk adjustments (CRR Article 442)**

➤ Articles 442.a, 442.b

The Group’s strategy and policy applicable to impairment and recognizing impairment charges has been presented in the Report, section 3 “Credit risk” in the part devoted to financial risk management. It contains a detailed description of:

- Organization of the process to identify and measure impairment of credit exposures in order to determine adjustments for specific and general credit risk
- Analysis of individual impairment of credit receivables
- Collective analysis of a credit portfolio

➤ Article 442.c

The amount of credit risk exposures (without counterparty credit risk) after accounting offsets and without taking into account the effects of credit risk mitigation, broken down by different types of exposure classes (Original exposure) calculated for own funds requirements purposes.

*Table no 8 Original amount of credit risk exposures (without counterparty credit risk) after accounting offsets and without taking into account the effects of credit risk mitigation, broken down by different types of exposure classes (Original exposure) as at as at 31 December 2014 and average (quarterly) amount in 2014 (in PLN thous.)*

| Amount of credit risk exposures (without counterparty credit risk) after accounting offsets and without taking into account the effects of credit risk mitigation, broken down by different types of exposure classes (Original exposure) | Amount     | Average amount in 2014 (quarterly) |
|---|------------|------------------------------------|
| Retail portfolio, including:  | 36,248,794 | 35,657,583                         |
| * Loans secured by real estate (IRB RRE class)  | 27,172,713 | 27,182,189                         |
| * Qualifying revolving retail exposures (IRB QRRE class)  | 2,985,141  | 2,985,111                          |
| * Other retail loans  | 4,212,008  | 3,611,793                          |
| * Small businesses  | 1,878,933  | 1,878,490                          |
| Corporate lending portfolio   | 17,357,592 | 16,412,082                         |
| Amounts due from institutions   | 2,498,415  | 2,711,870                          |
| Amounts due from government sector and central banks  | 9,604,655  | 10,944,689                         |
| Trading book  | 934,147    | 640,379                            |
| TOTAL   | 66,643,603 | 66,366,604                         |

➤ Article 442.d

The Group does not present a geographical distribution of its exposures, since it has no material exposure to counterparties located outside Poland.

➤ Article 442.e

The Yearly Financial Report (in section 3e „Loans and borrowings” of the chapter 8 on financial risk management) presents detailed figures pertaining to:

- Structure of loans and borrowings granted to customers and banks and key credit portfolio quality parameters:

- Loans not classified as past due and without recognized impairment and distribution of exposures to risk grades used in the internal ratings system.
- Past due loans without recognized impairment and distribution of exposures by time past due and credit portfolio (corporates, mortgage loans, other retail loans)
- Total loans without recognized impairment
- Impairment charges
- Loans and borrowings with recognized impairment and distribution by type of analysis (individual, collective) and credit portfolio
- Loans and borrowings with impairment recognized in individual analysis and distribution by type of credit product, coverage by impairment charges (adjustments for specific credit risk) and currencies
- Size and structure of loans and borrowings coverage by the restructuring of receivables
- Distribution of exposures by industry, broken down into exposure classes/product types (section 3i “Concentration of the risk of financial assets with the credit risk exposure” in the financial risk management chapter).

➤ Article 442.f

The Group has presented the distribution of the key receivables portfolio by the residual maturity for main exposure types: deposits and loans granted to banks and other monetary institutions (Note 15b to the Yearly Financial Report), loans and borrowings granted to customers (Note 18b to the Yearly Financial Report).

➤ Article 442.g

The table below presents the distribution of credit receivables by significant industry and presentation of the amounts of impaired exposures, past due exposures, impairment charges (specific and general credit risk adjustments), amounts written down from the balance sheet in connection with revaluation charges.

*Table no 9 Distribution of credit receivables by significant industry and presentation of the amounts of impaired exposures, past due exposures, impairment charges (specific and general credit risk adjustments), amounts written down from the balance sheet in connection with revaluation charges, in PLN thous.*

|   | Industry  | Impaired balance-sheet exposures | Balance-sheet exposures > 4 days past due | Adjustments for general credit risk (IBNR) | Adjustments for specific credit risk (impaired) | Amounts written off from the balance sheet in 2014 |
|---|---|----------------------------------|---|--|---|--|
| A | Agriculture   | 3 366                            | 16 240                                    | 1 002                                      | 1 906   | 174  |
| B | Mining  | 9 581                            | 7 106                                     | 977  | 2 242   | 180  |
| C | Processing industry                                   | 249 296                          | 344 626                                   | 19 891                                     | 172 580   | 11 880   |
| D | Generation and supply of electricity, gas, water      | 728                              | 1 324                                     | 686  | 420   | 41   |
| E | Supply of water; sewage and waste                     | 2 825                            | 5 719                                     | 529  | 1 634   | 91   |
| F | Construction  | 287 781                          | 337 454                                   | 6 072                                      | 215 638   | 73 834   |
| G | Commerce and repairs                                  | 175 437                          | 264 788                                   | 17 193                                     | 123 532   | 26 300   |
| H | Transportation and warehousing                        | 78 973                           | 372 159                                   | 9 893                                      | 40 168  | 6 519  |
| I | Hotels and restaurants                                | 6 389                            | 12 328                                    | 2 092                                      | 4 733   | 829  |
| J | Information and communication                         | 13 912                           | 25 824                                    | 2 107                                      | 11 788  | 86   |
| K | Financial and insurance business                      | 34 220                           | 39 333                                    | 914  | 21 489  | 535  |
| L | Real estate administration                            | 99 014                           | 121 952                                   | 28 756                                     | 37 300  | 175  |
| M | Other professional, scientific and technical activity | 17 687                           | 27 905                                    | 2 220                                      | 13 830  | 2 710  |
| O | Public administration                                 | 11                               | 11  | 328  | 4   |  |
| P | Education   | 1 370                            | 6 719                                     | 438  | 907   | 152  |
| Q | Health care   | 1 874                            | 4 206                                     | 700  | 960   | 73   |

|     |                                       |           |           |        |         |         |
|-----|---------------------------------------|-----------|-----------|--------|---------|---------|
| R   | Culture, recreation and entertainment | 3 180     | 4 052     | 173    | 2 425   | 164     |
| N+S | Other services                        | 60 540    | 50 627    | 2 015  | 27 862  | 3 644   |
|     | Total                                 | 1 046 185 | 1 642 372 | 95 986 | 679 417 | 127 387 |

At the same time, part “Credit risk” of the Management Board Activity Report presents a general assessment of the credit risk level and assessment of changes in this respect observed in the current year, along with key asset quality indicators. It also presents an assessment of concentration levels in the credit portfolio, broken down into product types and industries.

➤ Article 442.h

The Group does not information broken down by significant geographical areas, due to immaterial exposures to counterparties having site in countries other than Poland.

➤ Article 442.i

The agreed changes in the specific and general credit risk adjustments for impaired exposures are presented in Note 8 to the Yearly Financial Report.

## VIII. Encumbered assets (CRR Article 443)

The following table presents information about the encumbered assets of the Group. For purposes of this disclosure, an asset should be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn (for instance, to be pledged for funding purposes).

As at 31 December 2014 the Group's used assets in order to secure obligations from following transactions:

- Sales of securities with buy-back clause,
- Lombard credit,
- futures contracts on bonds,
- derivatives transactions,
- Guaranteed Monies Protection Fund under Banking Guarantee Fund,
- Futures Settlements Guarantee Fund.

*Table no 10 Encumbered assets, as at 31.12.2014, in PLN thous.*

| Assets of the Group      | Balance sheet value of encumbered assets | Fair value of encumbered securities | Balance sheet value of unencumbered assets | Fair value of unencumbered securities |
|--------------------------|--|-------------------------------------|--|---------------------------------------|
| Total assets             | 2 565 964                                |                                     | 58 174 518                                 |                                       |
| Loans on demand          | 0  |                                     | 3 436 645                                  |                                       |
| Equity instruments       | 0  | 0                                   | 10 476                                     | 10 476                                |
| Debt securities          | 1 064 870                                | 1 064 870                           | 9 111 185                                  | 9 111 185                             |
| Other loans and advances | 0  |                                     | 43 246 440                                 |                                       |
| Other assets             | 1 501 094                                |                                     | 2 369 772                                  |                                       |

Additionally, in the period from 31 December 2014 to 1 of February 2015 the Bank was obliged to keep on its current account with NBP an average balance of PLN 1 692 897 thousand (obligatory reserve).