

# Annual Separate Financial Statements of BNP Paribas Bank Polska SA for 2011



**BNP PARIBAS** | Bank zmieniającego się świata





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## 1. Financial Highlights

FINANCIAL HIGHLIGHTS (SEPARATE)	in PLN thousand		in EUR thousand	
	31 Dec 2011 (YTD)	31 Dec 2010 (YTD)	31 Dec 2011 (YTD)	31 Dec 2010 (YTD)
<b>Income Statement</b>				
Interest income	948,920	898,044	229,202	224,264
Fee and commission income	189,376	212,168	45,742	52,984
Total income, net	789,528	845,940	190,703	211,253
Gross profit/loss	48,734	58,545	11,771	14,620
Net profit/loss	21,033	42,656	5,080	10,652
<b>Ratios</b>				
Weighted average number of shares	24,123,506	24,123,506	-	-
Basic Earnings/Loss Per Share (PLN/EUR)	0.87	1.77	0.21	0.44
Diluted Earnings/Loss Per Share (PLN/EUR)	0.87	1.77	0.21	0.44
<b>Cash Flow Statement</b>				
Net cash provided by operating activities	-674,149	380,423	-162,834	95,001
Net cash provided by investing activities	-548,297	-726,109	-132,436	-181,328
Net cash provided by (used in) financing activities	1,103,526	685,481	266,546	171,182
Total net cash flow	-118,920	339,795	-28,724	84,855
<b>Balance Sheet</b>				
	As at 31 Dec 2011	As at 31 Dec 2010	As at 31 Dec 2011	As at 31 Dec 2010
Total assets	20,723,168	18,556,235	4,691,896	4,685,563
Loans to customers	14,832,225	13,151,131	3,358,138	3,320,741
Due to banks	1,042,630	745,774	236,060	188,313
Due to customers	8,974,469	8,211,775	2,031,894	2,073,523
Loans and credit facilities received	8,194,140	7,163,459	1,855,221	1,808,817
Own equity	1,373,764	1,335,101	311,032	337,121
<b>Ratios</b>				
Number of shares	24,123,506	24,123,506	-	-
Book value per share (in PLN / EUR)	56.95	55.34	12.89	13.97
Diluted book value per share (in PLN / EUR)	56.95	55.34	12.89	13.97
<b>Capital adequacy</b>				
Capital adequacy ratio	12.01%	13.52%	-	-
Tier 1 (core) capital	1,246,574	1,253,571	282,235	316,534
Tier 2 (supplementary) capital	538,800	553,733	121,989	139,821
Tier 3 (short-term) capital	12,234	11,226	2,770	2,835

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for 2011 and the corresponding financial figures for 2010 have been converted into EUR according to the following rules:

- particular items of assets and liabilities in the balance sheet and book value per share as at the end of 2011 have been converted into EUR at the mid-rate binding as at 31 December 2011 published by the National Bank of Poland on 30 December 2011, i.e. EUR 1 = PLN 4.4168; comparative financial data as at the end of 2010 have been converted into EUR at the mid-rate binding as at 31 December 2010, published by the National Bank of Poland on 31 December 2010, i.e. EUR 1 = PLN 3.9603;
- particular items in the profit and loss account and cash flows, and earnings per share as at the end of 2011 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as at the last days of the months from January through December 2011, i.e. EUR 1 = PLN 4.1401, whereas comparative data as at the end of 2010 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through December 2010, i.e. EUR 1 = PLN 4.0044.



## 2. Separate Financial Statements of BNP Paribas Bank Polska SA

<b>Income Statement (in PLN thousand)</b>	<b>Notes</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Interest income	7.1	948,920	898,044
Interest expense	7.2	-397,394	-314,018
<b>Net interest income</b>		<b>551,526</b>	<b>584,026</b>
Fee and commission income	7.3	189,376	212,168
Fee and commission expense	7.4	-40,995	-55,349
<b>Net fee and commission income</b>		<b>148,381</b>	<b>156,819</b>
Net trading income	7.5	55,726	74,844
Net profit/loss on hedging transactions		12,353	-
Net profit/loss on the hedged item		-12,353	-
Net profit/loss on available-for-sale financial assets	7.6	10,626	1,376
Other revenues	7.7	23,269	28,875
<b>Total income, net</b>		<b>789,528</b>	<b>845,940</b>
Personnel expenses	7.8	-262,784	-231,229
Depreciation of fixed assets and intangible fixed assets	7.9	-65,350	-75,829
Other expenses	7.10	-290,183	-287,674
Net impairment losses	7.11	-122,477	-192,663
<b>Gross profit/loss</b>		<b>48,734</b>	<b>58,545</b>
Income tax expense	7.12	-27,701	-15,889
<b>Net profit/loss</b>		<b>21,033</b>	<b>42,656</b>

<b>Report of total income (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
<b>Net profit (loss) for the year</b>	<b>21,033</b>	<b>42,656</b>
Including:		
<b>Profits / losses recognised in the income statement (investments available for sale, net)</b>	-6,770	-1,277
Profits / losses not recognised in the income statement (investments available for sale)	3,048	2,001
Deferred tax - profits/losses not recognised in the income statement (investments available for sale)	-579	-380
<b>Profits/losses not recognised in the income statement (investments available for sale) - net</b>	<b>2,469</b>	<b>1,621</b>
<b>Total income</b>	<b>23,502</b>	<b>44,277</b>

Notes published on the following pages constitute an integral part of the financial statements.



<b>Balance Sheet (in PLN thousand)</b>	<b>Notes</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
<b>ASSETS</b>			
Cash and cash equivalents	8	1,053,566	1,172,860
Financial assets held for trading	9	175,238	194,290
Due from banks	10	358,822	159,013
Loans to customers	10	14,832,225	13,151,131
Hedging instruments	22	17,759	-
Investments – available for sale	11	3,621,450	3,247,825
Other investments	11	112,996	18,208
Property, plant and equipment	12	147,449	157,814
Intangible assets	13	30,756	23,659
Non-current assets held for sale	14	4,785	4,785
Settlements on account of income tax		-	84,015
Deferred tax assets	15	219,627	215,222
Other assets	16	148,495	127,413
<b>Total assets</b>		<b>20,723,168</b>	<b>18,556,235</b>
<b>LIABILITIES</b>			
Financial liabilities held for trading	9	126,034	97,699
Due to banks	17	1,042,630	745,774
Due to customers	17	8,974,469	8,211,775
Loans and credit facilities received	17	8,194,140	7,163,459
Differences from measurement to fair value of a hedged item against interest rate risk		13,132	-
Liabilities related to issuance of debt securities		-	30,000
Subordinated liabilities	18	590,016	565,236
Current tax liabilities		17,218	-
Other liabilities	19	349,914	385,772
Provisions	20	41,851	21,419
<b>Total liabilities</b>		<b>19,349,404</b>	<b>17,221,134</b>
<b>EQUITY CAPITAL</b>			
Share capital		1,206,175	1,206,175
Additional capital		129,157	125,745
Transfer from BNP Paribas SA Branch		15,161	-78,010
Other capital		6,873	45,639
Revaluation reserve		-4,635	-7,104
Net profit/loss for the year		21,033	42,656
<b>Total equity</b>	21	<b>1,373,764</b>	<b>1,335,101</b>
<b>Total liabilities and equity</b>		<b>20,723,168</b>	<b>18,556,235</b>

Notes published on the following pages constitute an integral part of the financial statements.



**Statement of Changes in Shareholders' Equity in 2010**  
(in PLN thousand)

	Share capital	Additional capital	Transfer from BNP Paribas SA Branch	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
<b>Balance as at 1 Jan 2010</b>	<b>1,206,175</b>	<b>554,415</b>	-	<b>-428,670</b>	-	<b>45,639</b>	<b>-8,725</b>	<b>1,368,834</b>
Total income in 2010	-	-	-	-	42,656	-	1,621	44,277
Distribution of retained earnings	-	-428,670	-	428,670	-	-	-	-
Others	-	-	-78,010	-	-	-	-	-78,010
<b>Balance as at 31 Dec 2010</b>	<b>1,206,175</b>	<b>125,745</b>	<b>-78,010</b>	-	<b>42,656</b>	<b>45,639</b>	<b>-7,104</b>	<b>1,335,101</b>

**Statement of Changes in Shareholders' Equity in 2011**  
(in PLN thousand)

	Share capital	Additional capital	Transfer from BNP Paribas SA Branch	Retained earnings	Net profit (loss) for the year	Other capital	Revaluation reserve	Total capital
<b>Balance as at 1 Jan 2011</b>	<b>1,206,175</b>	<b>125,745</b>	<b>-78,010</b>	<b>42,656</b>	-	<b>45,639</b>	<b>-7,104</b>	<b>1,335,101</b>
Total income in 2011	-	-	-	-	21,033	-	2,469	23,502
Distribution of retained earnings	-	3,412	-	-42,656	-	39,244	-	-
Others	-	-	93,171	-	-	-78,010	-	15,161
<b>Balance as at 31 Dec 2011</b>	<b>1,206,175</b>	<b>129,157</b>	<b>15,161*</b>	-	<b>21,033</b>	<b>6,873</b>	<b>-4,635</b>	<b>1,373,764</b>

Notes published on the following pages constitute an integral part of the financial statements.

\*The amount of PLN 15,161 thousand is the asset value on account of a deferred tax concerning tax goodwill that occurred as a result of the purchase of an organised part of an enterprise of BNP Paribas SA Branch in Poland.

The value of a deferred tax on goodwill was recognised in the Bank's equity; it will be settled according to a five-year depreciation period.

The tax settlement of the transaction of a purchase of an enterprise organised part took place in March 2011, then the asset on this account was recognised as well.



<b>Cash Flow Statement (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
<b>Cash and cash equivalents, gross, opening balance</b>	<b>1,173,597</b>	<b>833,802</b>
<b>Gross profit/loss</b>	<b>48,734</b>	<b>58,545</b>
<b>Adjustments for:</b>	<b>-722,883</b>	<b>321,878</b>
Depreciation	65,350	75,829
Impairment losses	-6,150	177,519
Profits/losses on account of FX rate differences	-	-
Profits/losses on investing activities	7,241	22,290
Changes in operational assets and liabilities:	-873,612	85,105
- financial assets and liabilities held for trading	47,387	396,240
- due from banks	-199,788	1,414,241
- loans to customers	-1,645,797	676,668
- change in the balance of assets and liabilities on account of applying fair value hedge accounting	-4,627	-
- change in the balance of available-for-sale investments	-2,253	-6,485
- change in other investments	-	-
- due to banks	296,855	-1,271,406
- due to customers	762,694	-1,263,824
- liabilities due on account of credit facilities and loans received	1,141	-82,915
- liabilities due on account of a subordinated loan	-79,206	-17,748
- other assets and liabilities (Note 24)	-50,018	240,334
Income tax (current and deferred)	84,288	-38,865
<b>Net operating cash flows</b>	<b>-674,149</b>	<b>380,423</b>
Acquisition of shares and investments in subsidiaries	-94,800	-
Purchase of available-for-sale investments	-65,180,412	-41,327,725
Purchase of property, plant and equipment and intangible fixed assets	-69,140	-41,952
Transfer from BNP Paribas SA (Note 24)	-	-229,861
Sale of shares in an affiliated entity	12	-
Proceeds from sales of available-for-sale investments	64,796,322	40,873,805
Proceeds from sales of property, plant and equipment	1,636	1,697
Other investment expenditures (Note 24)	-1,915	-2,073
<b>Net cash provided by investing activities</b>	<b>-548,297</b>	<b>-726,109</b>
Issuance of subordinated liabilities	133,986	-
Payment of subordinated liabilities	-60,000	-
Loans and credit facilities taken	3,890,376	2,257,080
Repayment of loans and credit facilities	-2,860,836	-1,571,599
<b>Net cash provided by (used in) financing activities</b>	<b>1,103,526</b>	<b>685,481</b>
<b>Cash and cash equivalents, gross, ending balance (Note 9)</b>	<b>1,054,677</b>	<b>1,173,597</b>
<b>Change in cash and cash equivalents, net</b>	<b>-118,920</b>	<b>339,795</b>

Cash Flow Statement is prepared using an indirect method.

Notes published on the following pages constitute an integral part of the financial statements.



## Additional Notes to Financial Statements

### 3. Information on BNP Paribas Bank Polska SA

#### Basic data on the Issuer

BNP Paribas Bank Polska Spółka Akcyjna ("the Bank") with its registered office in Warsaw, at ul. Suwak 3, entered in the National Court Register (KRS) maintained by the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register under No. KRS 0000006421.

The Bank was assigned statistical number (REGON) 003915970, and tax identification number (NIP) 676-007-83-01.

The Bank is a company with an indefinite period of operation, and its business has no seasonal or periodical nature.

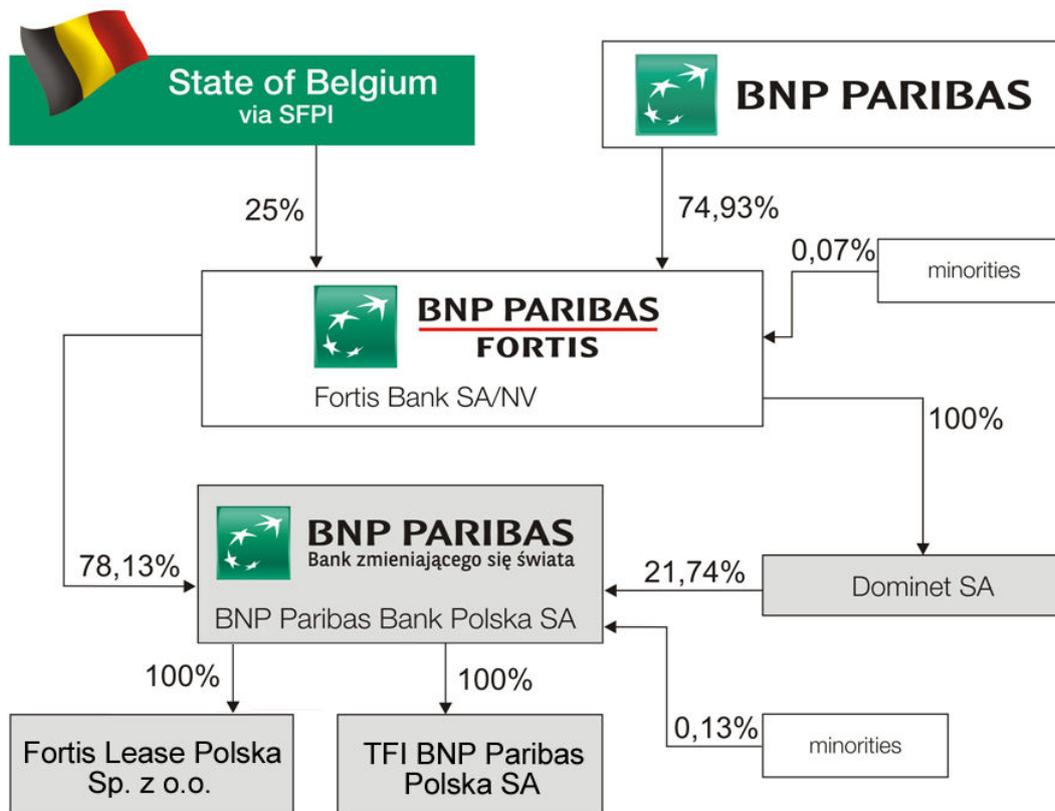
#### 3.1. The Group's structure

As at 31 December 2011, BNP Paribas Bank Polska SA was part of BNP Paribas SA, an international financial institution based in Paris.

The direct parent entity of BNP Paribas Bank Polska SA is Fortis Bank SA/NV based in Brussels which holds 99.87% of the Bank's shares, of which 78.13% directly while 21.74% through Dominet SA.

The diagram below presents the position of BNP Paribas Bank Polska SA in the BNP Paribas Group.

## shortened BNP Paribas Bank Polska SA ownership structure





BNP Paribas Bank Polska SA is the parent entity of subsidiaries: Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA and Fortis Lease Polska Sp. z o.o., holding 100% of their shares. Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA with its registered office in Warsaw, at ul. Fredry 8, is entered in the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register (KRS) under KRS Entry No. 0000031121. The company was assigned statistical number (REGON) 012557199, and tax identification number (NIP) 526-02-10-808.

Fortis Lease Polska Sp. z o. o. with its registered office in Warsaw, ul. Suwak 3, is entered in the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register (KRS) under KRS Entry No. 0000098813. The company was assigned statistical number (REGON) 016425425, and tax identification number (NIP) 521-31-10-063.

### **3.2. Change of the subsidiary's name into TFI BNP Paribas Polska SA**

On 26 August 2011, amendments to the Statute of the Bank's subsidiary were registered in the National Court Register with respect to the change of the firm under which the company operated. The Bank's subsidiary, operating so far under the firm of Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (hereinafter: "TFI"), changed the name into Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA.

Following the TFI name change, effective 1 September 2011, the name of the *Fortis FIO* fund was changed into *BNP Paribas FIO*. Likewise, names of sub-funds were changed accordingly, into *BNP Paribas Akcji* (Equity), *BNP Paribas Stabilnego Wzrostu* (Stable Growth), and *BNP Paribas Papierów Dłużnych* (Debt Securities).

The adoption of a new name and brand does not mean any changes in the TFI's capital structure. It does not cause any changes in the relations of TFI and the Bank with customers, either.

### **3.3. Purchase of Fortis Lease Polska Sp. z o.o.**

On 1 July 2011, an agreement on sale of 100% shares in Fortis Lease Polska Sp. z o. o. based in Warsaw (hereinafter "FLP") was concluded by and between the Bank, as a buyer, and BNP Paribas Leasing Solutions SA based in Luxembourg, as a seller.

Under the agreement, the Bank acquired 11,500 of FLP shares, which constitute 100% of the FLP share capital and entitle the Bank to exercise the same number of votes at the FLP meeting of shareholders. On the basis of an external valuation made, the purchase price was PLN 94.8 million.

Fortis Lease Polska Sp. z o.o. has been operating on the Polish market since 2000. It offers lease of fixed assets, including real estate, means of transport, construction equipment and specialist machines for the industry. At present, it services over 2,600 customers. Apart from Fortis Lease Polska Sp. z o.o., another lease company from the BNP Paribas Group operates in Poland, under the brand of BNP Paribas Leasing Solutions. It specialises in financing fixed assets such as hardware and telecommunication equipment, industrial devices and vehicles, in particular agricultural machines and vehicles.

On 1 July 2011 the Bank, Fortis Lease Polska Sp. z o.o. and BNP Paribas Lease Group Sp. z o.o. signed a cooperation agreement governing detailed rules of cooperation between these entities.

### **3.4. Sale of shares in Dolnośląska Szkoła Bankowa**

On 5 July 2011, the Bank entered into an agreement on sale of the entire stake of shares held in an affiliated entity - Dolnośląska Szkoła Bankowa Sp. z o.o. based in Lubin. The transaction value amounted to PLN 25 thousand. The Bank acquired 25 shares in the associated entity, which constituted 24.75% of the share capital of Dolnośląska Szkoła Bankowa Sp. z o.o., as a result of the merger of Fortis Bank Polska SA and Dominet Bank S.A. that took place on 31 July 2009.



## Scope of the Bank's business

The Bank's business activity includes banking transactions both in Polish zlotys and foreign currencies for domestic and foreign private individuals and corporate persons and other organizations without legal personality, likewise brokerage activities.

The Bank's business activity consists, in particular, of the following:

- accepting deposits due on demand and/or in fixed date and maintaining bank accounts for such deposits,
- maintaining other bank accounts,
- granting credits and loans, including consumer credits and loans,
- carrying out bank pecuniary settlements, including payment card settlements, likewise payment card issuance,
- issuing and confirming bank guarantees, granting sureties, likewise opening and confirming L/Cs,
- issuing securities, including convertible bonds and banking securities, likewise carrying out commissioned tasks, and assuming obligations related to the issuance of securities,
- participating in trading in financial instruments, including maintaining securities custody accounts,
- conducting operations on money and FX markets including forward and derivative instrument transactions,
- conducting check and bill-of-exchange operations and warrant transactions,
- purchasing and selling cash debts,
- purchasing and selling foreign currencies,
- safekeeping valuables and securities, likewise rendering safe-deposit boxes available,
- providing the following financial services:
  - consulting services on financial issues,
  - custody services,
  - leasing services,
  - brokerage activity,
- conducting commission sale in favour of open pension funds and safekeeping pension funds' assets,
- providing agency services related to the distribution of participation units, investment certificates or participation titles to investment funds, likewise agency services related to their sale and redemption, or safekeeping of investment funds' assets,
- providing agency services related to property insurance,
- intermediating within the scope of personal insurance, including life insurance,
- rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by the Bank with regard to actions to which it is a party,
- acting as an agent in making money transfers and FX settlements,
- issuance of electronic money instrument.



## 4. Accounting Policies

### 4.1. Basis of Presentation

#### 4.1.1 Statement on consistency with the IFRS

The present financial statement has been prepared pursuant to the International Financial Reporting Standards (IFRS) published in the Commission Regulation (EC) no. 1725/2003 of 29 September 2003 as amended, and in the scope not regulated by the above standards, pursuant to the Accounting Act of 29 September 1994 (Journal of Laws of 2002 No. 76, item 694, as amended) and administrative acts based thereon, likewise in accordance with requirements set out in the Ministry of Finance Ordinance dated 19 February 2009, regarding current and periodical information submitted by issuers of securities and conditions of recognising as equivalent the information required by law provisions of a country that is not a EU Member State (Journal of Laws of 2009 No. 33, item 260).

These financial statements were approved for publishing by the Bank's Board of Executives on 14 March 2012.

#### 4.1.2 New standards and interpretations, likewise amendments to standards or interpretations, which have not been effective yet and have not been applied earlier.

The following standards (interpretations) issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) were not in force yet as at 31 December 2011:

- Amendments to IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 July 2011; as at the date of preparing these financial statements, amendments to IFRS 7 have not been approved by the European Commission;
- IFRS 9 Financial Instruments, effective for annual periods beginning on or after 01 January 2015; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;
- Amendments to IAS 12 Income Taxes, effective for annual periods beginning on or after 1 January 2012; as at the date of preparing this financial statement, the amendments have not been approved by the European Commission;
- Amendments to IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 July 2012; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;
- IFRS 10 Consolidated Financial Statements, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;
- IFRS 11 Joint Arrangements, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;
- IFRS 12 Disclosure of Interests in Other Entities, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;
- IFRS 13 Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;
- Amendments to IAS 19 Employee Benefits, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;
- Amendments to IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 01 July 2013; as at the date of preparing these financial statements, amendments to IFRS 7 have not been approved by the European Commission.



Other standards and interpretations that have not become effective yet and have not been mentioned in this financial statement, are not material from the Bank's standpoint. The Bank now analyses in detail the effect of new standards on the financial statement.

## **4.2. Basic Assumptions**

The annual financial statements of the Bank for the year ended 31 December 2011 were prepared assuming the continuation of the Bank's business in the foreseeable future.

The Bank's Board of Executives is not aware of any circumstances indicating any risk to the business continuation in the foreseeable future.

The financial statements of the Bank were prepared based on the historical cost principle, except for derivative financial instruments, financial assets and liabilities measured at fair value through profit or loss, available-for-sale financial assets which were measured at fair value, and available-for-sale assets measured at the amount that is the lower of their balance sheet value and fair value less cost to sell.

The financial statements have been prepared in Polish zlotys (PLN), and all the values have been given in PLN thousands, unless indicated otherwise. The functional currency is Polish zloty (PLN).

## **4.3. Comparative Data**

The financial statements present data of BNP Paribas Bank Polska SA for the period from 1 January 2011 through 31 December 2011 and as at 31 December 2011, likewise comparative data for the period from 1 January 2010 through 31 December 2010, and as at 31 December 2010.

## **4.4. Accounting Estimates**

When preparing the financial statements pursuant to the IFRS, the management is required to make subjective evaluations, estimations and accept assumptions that affect the assets and liabilities, likewise income and expenses. Estimations and assumptions are made based on available historical data and a number of other factors that are considered appropriate in given circumstances.

The results create the basis for making estimations referring to balance sheet assets and liabilities. Actual results can differ from estimated values. Estimations and assumptions are subject to ongoing reviews. Adjustments to estimations are recognised in the period in which a given estimation was changed provided that the adjustment refers to that period only, or in the period when the change was made and in the future periods if the adjustment affects both the current period and the future ones.

### **4.4.1 Fair value**

The fair value of financial instruments that are not traded on an active market is measured applying valuation models using the market yield curve. Some variables used in such models require an adoption of expert estimations<sup>1</sup>.

### **4.4.2 Impairment losses on financial assets**

In the estimation of write-downs for impairment, the Bank assesses whether there is any evidence of impairment for specific financial asset or group of financial assets. A catalogue of impairment indicators includes events determined both in terms of quantity and quality<sup>2</sup>.

A write-down on that account is estimated on the basis of historical loss patterns that characterise the given part of the portfolio. Statistical models and parameters they use are subject to periodical reviews and the results obtained are validated by comparison to actual losses.

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<sup>1</sup> Detailed rules of determining fair value are presented in Chapter "Fair value of financial instruments".

<sup>2</sup> Detailed rules of determining impairment provisions are included in Chapter "Impairment of assets – financial assets."



#### 4.4.3 Impairment losses of non-financial assets

A non-financial asset is impaired when its carrying value exceeds its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use.

The determination of the value in use is related to the Bank's estimation of future cash flows, expected to arise from continuing use of an asset, and discounting those values.

#### 4.4.4 Useful lives and residual values

The useful life is a time period over which an item of tangible and intangible assets is expected to be used by the Bank.

A residual value of an item of property, plant and equipment and intangible assets is the expected amount that the Bank would currently obtain from disposal of the asset, after the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### 4.4.5 Other accounting estimates

The Bank made provisions on account of long-term employee benefits on the basis of an actuarial valuation.

Legal risk provisions are calculated on the basis of an estimated amount of the Bank's liabilities should a court case end unfavourably, or should a case be likely to end unfavourably for the Bank.

In addition to the above-mentioned estimates, the Bank makes also other subjective assessments during the accounting policy implementation process (e.g. as regards the classification of financial assets into a category required under IAS 39). Assessments made by the Bank affect the presentation in the financial statement and the respective financial results.

### **4.5 Foreign Currencies**

Foreign currency transactions are accounted for using the exchange rate at the date of the transaction settlement. Outstanding balances in foreign currencies at the end of a reporting period are translated at the exchange rates binding the end of the reporting period. Non-monetary items recorded at historical cost are translated using the historical exchange rate that existed at the date of the transaction. Exchange differences arising from the settlement of liabilities relating to the acquisition of an asset are recognised as income or as an expense in the period in which they arise.

### **4.6 Financial Assets and Liabilities**

#### 4.6.1 Rules of balance sheet recognition and de-recognition of financial assets and liabilities

The Bank recognises a financial asset or liability in the balance sheet when the Bank becomes a party to such an instrument.

The Bank recognises standardised purchase and sale transactions of financial assets in the balance sheet at the trade date which is the date of the Bank's commitment to purchase or sell a given financial asset.

Standardised purchase or sale transactions of financial assets constitute transactions whose contractual terms require delivery of an asset in the period established by the binding regulations or conventions in the market place.

Standardised purchase or sale transactions apply in particular to FX spot currency transactions, deposits and placements likewise to purchases and sales of securities, where it is customary that two business days elapse between the trade date and settlement date, exclusive of repurchase agreements.

The Bank derecognises a financial asset from the balance sheet at the moment when contractual rights to cash flows from the financial asset expire or when the Bank transfers the contractual rights to receive cash flows from the financial asset in a transaction where the Bank basically transfers the entire risk and all benefits related to the financial asset.



#### 4.6.2 Classification and measurement

Financial instruments are initially measured at fair value, adjusted (as regards financial assets or liabilities not classified as measured at fair value through profit or loss) by material transaction costs that can be directly attributed to the acquisition or issue of a financial asset or liability.

Subsequently, financial assets measured at fair value through profit or loss and available for sale are measured at fair value, except for such available-for-sale equity assets that are not quoted on an active market and whose fair value cannot be reliably determined.

Discount, premium, any fees and commissions included in the internal rate of return of an instrument along with incremental transaction costs are recognised in the initial value of the financial instrument and amortised over the economic useful life of the instrument.

#### 4.6.3 The Group classifies financial instruments into the following categories:

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- financial assets that the Bank intends to sell immediately or in the near term, and those that upon initial recognition were designated as measured at fair value through profit or loss;

- financial assets that upon initial recognition were designated by the Bank as available for sale.

Loans and receivables upon the initial recognition are measured at fair value including transaction costs.

After the initial recognition, the loans and receivables are measured at amortised cost, using the effective interest method, including write-downs for impairment.

In the category of loans and receivables, the Bank classifies due from banks and loans to customers.

##### Investments held to maturity

The Bank does not classify any financial assets into the category of held-to-maturity assets.

##### Financial assets measured to fair value through profit or loss

Financial assets measured to fair value through profit or loss are the assets:

- a) classified at initial recognition as held for trading if they were acquired mainly to be sold in the near term, i.e. within six months of the acquisition date;
- b) that are part of a portfolio of identified financial instruments that are managed together and for short-term profit taking,
- c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments), or
- d) classified at the initial recognition as measured to fair value through profit or loss.

The Bank did not classify assets at their initial recognition as measured to fair value through profit and loss account.

The Bank classifies held-for-trading financial assets into the category of financial assets, in particular:

- a) held-for-trading securities,
- b) derivative instruments (excluding derivative instruments that constitute effective hedging instruments),

##### Financial assets available for sale

Available-for-sale financial assets are those that are not derivative instruments and are classified at initial recognition as available for sale or assets that are not:



- a) loans and receivables,
- b) investments held to maturity,
- c) financial assets measured to fair value through profit or loss.

Available-for-sale financial assets are held at fair value. A gain or loss on an available-for-sale financial asset shall be recognised directly in the revaluation reserve whose changes are presented in the statement of total income, except for write-downs for impairment losses and FX differences on cash financial assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in revaluation reserve shall be recognised in profit or loss.

Interest income on available-for-sale financial assets is computed using the effective interest method and recognised in profit or loss.

#### Financial liabilities measured to fair value through profit or loss.

Financial liabilities measured to fair value through profit or loss are the liabilities:

- a) classified at initial recognition as held for trading if they were assumed mainly to be repurchased in the near term, i.e. within 6 months from the acquisition date;
- b) that are part of a portfolio of identified financial instruments, which are managed together and for short-term profit taking, or
- c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments).

The Bank classifies held-for-trading financial liabilities into the category of financial liabilities, in particular:

- a) derivative instruments (excluding derivative instruments that constitute effective hedging instruments),
- b) liabilities on account of short sale of securities.

#### Other financial liabilities.

Other financial liabilities are the liabilities not held for trading and not measured to fair value through profit or loss.

Other financial liabilities are measured at initial recognition at fair value including transaction costs.

After the initial recognition, other financial liabilities are recognised in amounts that require payment at amortised cost including the effective interest rate method.

The Bank classifies into the category of other financial liabilities in particular the following:

- a) liabilities due to banks;
- b) liabilities due to customers;
- c) liabilities due on account of own debt securities issued;
- d) liabilities due on account of credits and loans received.

#### 4.6.4 Fair value of financial instruments

Fair value of balance sheet and off-balance sheet financial instruments is the price for which a given asset could be exchanged or a liability settled through an arm's length transaction between the willing and knowledgeable parties.

The fair value of financial instruments is determined based on quoted prices in active markets. When quoted prices in active markets are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions accepted, including discount rates and estimates of future cash flows.

Valuation techniques include:

- market prices of comparable investments,



- discounted cash flows,
- option pricing models,
- market multiples valuation methods.

The principal methods and assumptions used in determining the fair value of financial instruments:

- Fair values for securities are determined using market prices from active markets. If no quoted prices are available from an active market, the fair value is determined using discounted cash flow models. Discount factors are based on the market interest rate curves.
- Fair values for derivative financial instruments are obtained from active markets or determined using, as appropriate, discounted cash flow models and option pricing models,
- Fair values of loans are determined using discounted cash flow models based upon present interest rates for similar type loans. For variable-rate loans that re-price frequently, fair values are approximated by the carrying amount,
- The carrying amounts are considered to approximate fair values for other financial assets and liabilities, such as short-term payables and receivables.

The Bank classifies fair value measurements using the fair value hierarchy to reflect materiality of the measurement input data. The fair value hierarchy is broken down into three levels:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level 2 – input data are inputs other than quoted prices classified into level 1, which are observable for an asset or liability either directly (i.e. as prices) or indirectly (i.e. based on prices),
- Level 3 – input data for the measurement of an asset or liability which are not based on market observables.

In the measurement of financial instruments, the Bank takes into consideration a customer credit risk using a developed methodology of adjustment of the measurement to fair value on that account.

In order to adjust the measurement of the fair value of financial instruments, the Bank applies an approach based on the assessment of customer natural exposure taking into account contracts signed with other banks, likewise on the assessment of cash flows (generated by customers) which could cover the measurement of derivative transactions that do not hedge cash flows in foreign currencies.

In the analysis, a possibility is considered of taking additional financing by customers to cover unsettled transactions that do not hedge their contracts settled in foreign currencies.

An estimation of the measurement adjustment is determined using dedicated analytical tools taking into account a materiality criterion.

Receivables arising out of terminated derivative instruments that were not paid by customers, at maturity are transferred at fair value (taking into account adjustments for credit risk) to the "Loans to customers" item where they are subsequently maintained and measured pursuant to rules binding for the "loans and receivables" category.

#### 4.6.5 Reclassification of financial instruments

a) derivative instruments, from their initial recognition and classification into the category of instruments measured at fair value through profit or loss, are not subject to reclassification into another category;

b) financial instruments that at their initial recognition were classified as loans and receivables are not subject to reclassification into another category;



c) Financial instruments that at their initial recognition have been classified as measured at fair value through profit or loss, different from the ones referred to in subsection a) above:

- may be reclassified into the category of loans and receivables provided that they are not held by the Bank for sale or repurchase in the near future and that the Bank intends and is able to hold them for a foreseeable future or to maturity,
- may be reclassified into the available-for-sale or held-to-maturity category, provided that they are not already held by the Bank for sale or repurchase in the near future and only in rare cases (i.e. in cases resulting from a single event that is not ordinary, and it is highly unlikely that such event would occur again in the near future);

d) financial instruments that at initial recognition were classified as available for sale and that meet the criteria specified in the definition of loans and receivables (if they are not classified as available for sale), may be reclassified into the category of loans and receivables if the Bank has the intention and is able to hold them in the foreseeable future or till their maturity.

#### **4.7 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount recognised in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Bank has made no offset referred to above.

#### **4.8 Sale and Repurchase Agreements and Lending/Borrowing Securities**

Securities subject to a repurchase agreement ('repos', 'sell buy backs') are not derecognised from the balance sheet. The liability resulting from the obligation to repurchase the assets is included in due to banks or due to customers depending on the type of counterparty. Securities purchased under agreements to resell ('reverse repos', 'buy sell backs') are not recognised in the balance sheet. The right to receive cash from the counterparty is recorded as due from banks or loans to customers depending on the type of counterparty. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

If securities acquired under agreements to resell ('reverse repos', 'buy sell backs') are sold to third parties, the Bank records proceeds from the sale and a liability on account of respective collateral return (liability for the short sale of securities). The obligation to return the collateral is measured at fair value through profit or loss and is classified as a held-for-trading liability.

Repurchase agreements or agreements to resell are recognised at the transaction settlement date which is the asset delivery date.

#### **4.9 Derivative Instruments**

Derivative instruments are financial instruments whose value changes in response to the change in a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates or other variable, which require no initial net investment and are settled at a future date, or instruments that require an initial net investment in the amount lower than the investment in other contract types while permitting creation of an analogous risk exposure. In the measurement of derivative instruments, a fair value adjustment for credit risk, referred to in Item "Fair value of financial instruments," is taken into account.

Derivative instruments in the Bank include the following transactions:

##### IRS Contracts

The purpose of CIRS contracts is to hedge against interest rate risk and to obtain gains as a result of short-term price changes.



IRS contracts are measured to fair value using the Discounted Cash Flow method, based on discount factors estimated on the basis of market yield curve as of the measurement date. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

#### FX Forward Contracts

The purpose of FX Forward contracts is to hedge against FX rate risk and to maintain liquidity, likewise to obtain gains as a result of short-term price changes.

FX Forward contracts are measured to fair value using the Discounted Cash Flow method. The fair value is established by comparing present cash flows translated into PLN equivalents. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

#### FX Swap Contracts

The purpose of FX Swap contracts is to regulate liquidity and hedge against FX rate risk of the Bank's currency loan portfolio, likewise to obtain gains as a result of short-term price changes.

FX Swap contracts are measured to fair value using the Discounted Cash Flow method. The fair value is established by comparing present cash flows translated into PLN equivalents. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

#### Interest Rate Options

The purpose of such contracts is to hedge against interest rate risk and also to obtain gains as a result of short-term price changes.

Interest rate options are measured to fair value based on the modified Black-Scholes model. The volatility parameter, which is required when using the above model, is assumed in the form of the so-called implied volatility parameter what ensures consistency of the price obtained with the actual market price. The measurement result is recognised in the income statement in net profit (loss) on transactions in held-for-trading financial instruments.

#### FX Options

FX Options are measured to fair value based on the Garman-Kohlhagen model. The volatility parameter, which is required when using the above model, is assumed in the form of the so-called implied volatility parameter what ensures consistency of the price obtained with the actual market price. The measurement result is recognised in the income statement in net profit (loss) on transactions in held-for-trading financial instruments.

#### FRA Contracts

FRAs are measured at the fair value using the Discounted Cash Flow method based on the market yield curve. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

#### CIRS Contracts

The purpose of CIRS contracts is to hedge against interest rate risk and to obtain gains as a result of short-term price changes.

CIRS contracts are measured to fair value using the Discounted Cash Flow method based on the market yield curve. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

#### OIS Contracts

The purpose of OIS contracts is to hedge against interest rate risk and also to obtain gains as a result of short-term price changes.

OIS contracts are measured to fair value using the Discounted Cash Flow method, based on discount factors estimated on the basis of market yield curve as of the measurement date. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.



## Futures contracts

The purpose of entering into contract is to hedge against the FX rate risk.

The futures contracts are measured to the market rate announced by Warszawska Giełda Towarowa SA (Warsaw Commodity Exchange). At the same time, there are daily flows on account of the contract's marking to market. The daily measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

### **4.10 Embedded Derivatives**

Financial assets or liabilities can include embedded derivatives. If the host contract for such an instrument is not measured at fair value through profit or loss, and the embedded instrument's economic characteristics and risk are not closely related to those of the host contract, the embedded instrument shall be separated and presented independently, to be measured to fair value. Changes in fair value of a separated derivative instrument are recognised in the income statement. The host contracts are measured pursuant to the rules applicable to their respective category of financial assets or liabilities.

The separated embedded derivatives are reported as hedging or held-for-trading derivatives, as appropriate.

### **4.11 Hedge Accounting**

The Bank applies a model of fair value hedging against interest rate risk to a part of the portfolio of financial assets or financial liabilities. The hedge accounting implemented is to ensure an appropriate recognition of the net profit (loss) on the interest rate management which is a part of the risk management process. Within the interest rate management, the Bank enters into derivative instruments to minimise the interest rate gap.

The instruments entered into, such as Interest Rates Swaps (IRS), are designated as instruments hedging the fair value of portfolios of specific assets or liabilities of a fixed interest rate.

The risk hedged is the interest rate risk, and in particular, changes in the fair value of assets and liabilities bearing a fixed interest rate due to changes in a specific reference rate. The designated interest rate will be binding for the hedging instrument, thanks to which any fair value changes of the hedged item on account of credit risk that is inherent to the hedging instrument, will be excluded from the risk hedged.

The hedging instruments are basic interest rate swap transactions made at the market rate, binding at a given moment, with a counterparty that is external from the Bank's perspective.

As at 31.12.2011, a replication model was used to define a hedging relationship for a hedged item that included a portfolio of liabilities related to current accounts.

The Bank measures a change in the hedged item fair value resulting from the risk hedged. If according to the evaluation method documented by the Bank, the hedge efficiency is currently high, the Bank recognizes a change in the fair value of a hedged item as profit or loss in the income statement, and also as an asset or liability in the balance sheet. Changes in the fair value of a hedging instrument are also recognised in the income statement.

### **4.12 Asset Impairment**

#### **4.12.1 Financial assets**

A financial asset (or a group of financial assets) is considered impaired if there is objective evidence of impairment as a result of one or more events, occurring after the initial recognition of the asset, that affect the future cash flow of the given financial instrument (or a group of financial instruments) if such cash flow can be reliably estimated.

As at each balance sheet date, the Bank makes an assessment whether there is any objective evidence of impairment of a financial asset (or group of financial assets).

When objective evidence of loans and receivables impairment is found, the Bank estimates a write-off amount as a difference between the carrying value and present value of expected future cash flows (discounted by an original effective



interest rate of the instrument) recognising it in the income statement and reducing loans and receivables using the provision account.

Impairment losses are determined using an individual method for receivables due from business entities whose total exposure exceeds (for one customer) the equivalent of EUR 50 thousand (individual analysis of future cash flows). For the remaining receivables (private individuals and business entities with exposure up to the tier of EUR 50 thousand), write-downs are set using model recoverability parameters on account of voluntary repayments and collateral value (portfolio analysis of future cash flows).

The Bank creates write-downs for impairment for incurred but not reported losses (IBNR) when there is objective evidence with respect to loans and receivables that probable losses are present in components of the loan portfolio, without having specifically identified impaired loans and receivables. The write-down for impairment for IBNR losses is estimated based upon historical patterns of losses in each component, reflecting the current economic climate in which the borrowers operate.

As regards uncollectible loans and receivables, in the event legal and procedural ways of their repayment enforcement have been exhausted, the Bank writes down such loans and receivables to the related write-downs for their impairment.

Any amounts subsequently recovered are charged to the *Net impairment losses* in the income statement.

When an objective evidence of an available-for-sale financial asset impairment is found, cumulated losses recognised so far in the equity capital are derecognised from the equity capital and recognised in the income statement, even if the financial asset has not been removed from the balance sheet. The cumulated loss amount, which is derecognised from the equity capital and recognised in the income statement, constitutes the difference between the acquisition cost (net of any principal repayments and depreciation) and the present fair value reduced by any losses on account of impairment of that asset, previously recognised in the income statement.

If the fair value of an available-for-sale debt instrument subsequently increases, and the increase can be objectively determined to result from an event following the recognition of an impairment loss in the income statement, then the reversed provision amount is recognised in the income statement.

Impairment losses for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

#### **4.12.2 Non-financial assets**

A non-financial asset is impaired when its carrying value exceeds its recoverable amount.

As at each balance sheet date, the Bank makes an assessment whether there is any indicator of a non-financial asset impairment and in the event any such indicators are identified, the Bank estimates the asset's recoverable value.

The recoverable value is the higher of the following:

- the fair value less cost to sell, and
- the value in use.

Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, after deducting any direct incremental disposal costs.

Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

### **4.13 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, freely available balances with the central bank and other banks and other financial assets with original maturity less than three months of the acquisition date.



#### 4.14 Due from Banks and Loans to Customers

Due from banks and customers include loans originated by the Bank by providing money directly to a borrower and loans purchased from third parties that are carried at amortised cost, taking into account impairment write-downs.

Debt securities not traded on an active market are also recognised as loans.

Costs incurred and loan origination fees earned for granting a loan are deferred and amortised over the life of the loan as an adjustment to the loan effective interest rate.

Rules governing impairment estimation are presented above.

#### 4.15 Property, Plant and Equipment

Property, plant and equipment include assets of foreseeable useful life longer than one (1) year, that are complete and used by the Bank in order to provide services.

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and write-downs for impairment. The residual value and useful life of property, plant and equipment are subject to annual reviews.

Any impairment loss identified is recognised in the income statement.

The acquisition price is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition.

Depreciation is calculated using the straight-line method to write down the value subject to depreciation over the asset estimated useful life.

Repairs and maintenance expenses of a property, plant and equipment component are charged to the income statement when the expenditure is incurred.

Expenditures that enhance or extend the benefits of the property, plant and equipment beyond their original use are capitalised and subsequently depreciated.

Fixed assets of low unit value (low-value assets) are charged to costs as one-time expenses in the month they are made available for use. In the event of purchase of low-value assets with aggregate essential value, they are capitalised by the Bank.

Software for computer hardware that cannot operate without that specific software, such as the operating system, is an integral part of the related hardware and it is treated as property, plant and equipment. Useful lives of fixed assets are as follows\*:

No.	Specification	Useful life
1.	Own buildings	40 years
2.	Leasehold improvements	10 years
3.	Structural cabling	5 years
4.	IT equipment	3 - 5 years
5.	Telephone equipment	3 or 5 years
6.	Vehicles	5 years
7.	Furniture	5 years
8.	Cash and vault equipment	5 years
9.	ATMs	5 years
10.	Check processing device	5 years
11.	Conference room equipment	5 years
12.	Cash registers, armoured safes and safes	10 years
13.	Other equipment	5 years
14.	Operating software	5 years

\*applicable to fixed assets purchased after 01.01.2010. With respect to fixed assets purchased before that date, useful lives are presented in the Bank's financial statement for 2009.



#### **4.16 Non-current Assets Held for Sale**

Non-current assets held for sale are such assets or a group of assets for which the Bank will recover the carrying amount from a sale transaction instead of through continuing use. Such assets are carried at the lower of the following:

- their carrying value as at the time of being classified to this category, or
- their fair value less cost to sell.

Assets that are classified as held for sale are not depreciated.

#### **4.17 Intangible Assets**

Intangible assets are identifiable assets which are not physical in nature and are recognised at acquisition cost. Intangible assets are recognised in the balance sheet if they generate financial benefits in the future and can be reliably measured. The Bank assesses regularly if an intangible asset may be impaired.

Intangible assets include intangible assets with definite useful lives, such as trademarks and licenses. They are amortised over their useful lives using the straight-line method.

The Bank does not have any intangible assets of indefinite useful life.

Intangibles are recorded on the balance sheet at acquisition cost less any amortisation and any impairment losses. The residual value and useful life of intangible assets are subject to annual reviews.

Any impairment loss identified is recognised in the income statement.

The useful life of intangible assets is determined for:

- system software, i.e. other than operating system software – 3 or 5 years.

#### **4.18 Due to Customers**

Liabilities on account of customer deposits equal the amount due at the balance sheet date. Liabilities due to customers are measured at amortised cost.

#### **4.19 Employee Benefits**

##### **4.19.1 Long-term employee benefits**

The Bank measures reserves established for one-time retirement benefit, disability benefits and post-death benefits due to eligible employees under the Labour Code provisions. The reserve amounts are estimated on the basis of actuarial calculations.

The value of reserves and costs on account of employee benefit obligations is estimated using the projected unit credit method. The value of obligations on account of one-time retirement benefits, disability benefits and post-death benefits is calculated at the present value of the estimated future cash outflows using interest rates determined by reference to market yields.

##### **4.19.2 Long-term employee benefits**

Employee entitlements to vacation leave and additional leave are recognised when they accrue to employees. A reserve is made for the estimated liability for the vacation leave and additional leave up to the balance sheet date.

##### **4.19.3 Benefits on account of work relationship termination**

The Bank recognises benefits on account of work relationship termination as a liability and expense, only when the Bank is determined (and is able to prove it) to:

- terminate the work relationship with an employee or a group of employees before they reach the retirement age, or



- provide benefits on account of work relationship termination as a result of a proposal made by the Bank which encourage the employees to voluntarily terminate the work relationship.

#### **4.20 Provisions**

Provisions are liabilities with uncertainties in the amount or timing of payments.

The Bank recognises provisions in the balance sheet, when:

- a) there is a present legal or customarily expected obligation as a result of past events;
- b) cash outflow is likely to take place in order to perform the obligation;
- c) a reliable estimate can be made at the balance sheet date.

When an impact of the time value of money is material, while estimating the provision amount the Bank discounts the estimated future liability amount.

#### **4.21 Contingent Liabilities – Off-balance Sheet Commitments**

Contingent liabilities are:

- a) a possible obligation arising as a result of past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or
- b) a present obligation, which arises as a result of past events, however it is not recognised in the balance sheet because it is unlikely that an outflow of economic benefits will be necessary to perform the obligation or the liability amount cannot be reliably estimated.

The Bank recognises as contingent liabilities such off-balance sheet commitments that do not meet the balance sheet recognition criteria as assets or liabilities, in particular:

- contingent liabilities granted on account of credit lines extended by the Bank – in the amount unused by customers;
- contingent liabilities granted on account of guarantees issued by the Bank in favour of customers – in the amount specified in agreements;
- contingent liabilities on account of export and import letters of credit;
- contingent liabilities on account of financial and guarantee master agreements concluded – in the amount unutilised by the customer;
- contingent liabilities on account of credit lines obtained by the Bank – in the amount available for use by the Bank;
- contingent liabilities on account of guarantees received by the Bank – in the amount specified in agreements.

#### **4.22 Equity Capital**

##### **4.22.1 Definition**

The equity capital comprises capital and funds established pursuant to the binding regulations, i.e. the statute and the applicable acts. The equity comprises also retained earnings and retained losses. The Bank measures the equity in the nominal value, except for revaluation reserve, which is recognised taking into account the deferred tax impact.

##### **4.22.2 Equity capital items**

###### **Share capital**

Share capital is recognised in the nominal value and may be increased through new share issue or through increase in par value of existing shares.



#### Additional capital

Additional capital is established from net profit deductions and share premiums obtained from share issue above the nominal value and allocated to cover losses that may be incurred in connection with the Bank's business activity.

#### Other capital

Reserve capital is established for the purposes defined in the statute from profit deductions.

General risk reserve is established pursuant to the Banking Law Act dated 29 August 1997 from after-tax profit.

#### Revaluation reserve

Revaluation reserve includes differences from the measurement of available-for-sale financial assets decreased by the related deferred tax deductions. The revaluation reserve is not subject to distribution.

#### Retained earnings

The retained earnings comprise undistributed profits and retained losses from previous years.

#### Net profit (loss) for the year

Current year's net profit/loss is the net profit or loss resulting from the income statement for the period the financial report is prepared. Net profit takes into account income tax.

#### 4.22.3 Costs of transactions related with operations in equity capital

Transaction costs related with operations in equity capital decrease the capital in the amount equal to the incremental costs directly attributable to this operation, i.e. such costs which in other case would not be incurred.

#### 4.22.4 Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders. The dividend income is recognised in the income statement at the acquisition of rights. Dividends paid are classified in the cash flow statement as cash provided by (used in) financing activities. Dividends received are classified in operating cash flow.

### **4.23 Earnings per share**

Basic earnings per share are calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in the period.

For the diluted earnings per share, the weighted average number of ordinary shares and the net profit/loss are adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

### **4.24 Interest Income and Expense**

Interest income and interest expense are recognised in the income statement for all financial instruments on an accrual basis using the effective interest method based on the acquisition price including direct transaction costs.

For financial assets written-down for impairment, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of estimating the write-down for impairment.

### **4.25 Fees and Transaction Costs**

Fees related to granting a loan or changing its material conditions, constitute an integral part of the effective interest rate of a financial instrument. Thus, the Bank recognises origination fees, fees for granting a loan or other preliminary fees for such actions as an assessment of borrower's financial standing, collateral assessment and recording. Such fees are deferred and recognised in the interest income as an adjustment to the effective interest rate.



Commissions and fees that do not constitute an integral part of the effective interest rate of a financial instrument are recognised through profit or loss, during the time of providing services or at the moment of performing a significant action.

Commissions and fees regarding receivables with respect to which the effective interest rate calculation cannot be applied (receivables of indefinite term of payment of specific instalments and undetermined interest rate changes) are spread over time using the straight-line method and included into the commission and fee income.

Loan syndication fees are recognised as revenue when the process related to the syndication organisation has been completed.

Transaction costs are included in the initial measurement of financial assets and liabilities other than those measured at fair value through profit or loss. Transaction costs are costs directly attributable to the acquisition or disposal of a financial asset or liability. They include fees and commissions paid to intermediaries, advisers, brokers, and dealers levied by regulatory agencies and securities exchanges, and transaction taxes and duties. Such costs are deferred and recognised as an adjustment to the effective interest rate of financial instruments.

#### **4.26 Net Profit/Loss on Transactions in Financial Instruments**

Net profit/loss on transactions in financial instruments includes:

- net profit/loss on transactions in financial instruments classified as available for sale, i.e. realised gains or losses on sales that represent the difference between the sales proceeds received and the amortised cost of the asset sold, minus any impairment losses previously recognised in the income statement;
- net profit/loss on transactions in financial instruments carried at fair value through profit or loss, e.g. the difference between the carrying value at the end of the current reporting period and the previous reporting period.

#### **4.27 Current and Deferred Income Tax**

Income tax in the income statement includes a current tax and deferred tax. The current tax constitutes the Bank's tax liability computed on the basis of relevant tax law provisions.

Deferred tax is recognised using the balance sheet method, based on identification of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In order to determine amounts of deferred tax assets and liabilities, statutory tax rates are applied.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be generated against which the deductible temporary difference can be utilised.

Deferred tax and current tax related to fair value measurement of available-for-sale assets which are charged or credited directly to the revaluation reserve are also directly recognised in the revaluation reserve and subsequently recognised in the income statement together with the gain or loss on such an investment.

#### **4.28 Government subsidies**

Government subsidies are recognised systematically as income in specific periods, to ensure their proportionality to relevant costs compensated by such subsidies. The income on that account is recognised in the "Other income" item.

#### **4.29 Leasing**

Lease facility is classified as financial lease when, under the loan agreement, basically all potential benefits and risk resulting from the ownership is transferred to the lessee. All other types of lease facilities are regarded as operating lease.

Assets utilised under a financial leasing agreement are recognised as the Bank's assets and measured at their fair value at the moment of their purchase, however, not higher than the current value of minimum lease payments. The resulting obligation towards the lessor is recognised in the payables on account of financial lease.



Leasing payments are divided into financial (interest) expense and lease liability reduction. Financial costs are directly recognised in the profit and loss account.

Operating lease payments are recognised in the profit and loss account using the straight-line method over the lease term.

### **4.30 Segment Reporting**

#### **4.30.1 Operating segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

In the Bank's business, the following segments exist:

- Retail Banking Business Line (RB BL)
- Corporate and Transaction Banking (CTB)
- Other banking activity

#### **4.30.2 Geographical segments**

The Bank operates in Poland - the only geographical segment. All income and costs earned and incurred by the Bank come from that geographical segment, likewise all assets held are located in that area.

Information on changes in the segment structure are presented in the Segment reporting section.



## 5. Comparability with Previously Published Reports

There have been changes made with respect to the manner of presentation of the data published in the 2011 annual report as at 31 December 2010 to ensure data comparability.

<b>Separate balance sheet as at 31 December 2010</b>				
<b>(in PLN thousand)</b>				
<b>Item</b>	<b>2011 Annual Report</b>	<b>2010 Annual Report</b>	<b>Difference</b>	<b>Change description</b>
Property, plant and equipment	157,814	157,348	466	Change in presentation of inventory stock
Other assets	127,413	127,879	-466	Change in presentation of inventory stock
<b>Total changes</b>	-	-	-	

<b>Separate Cash Flow Statement 1 Jan 2010-31 Dec 2010</b>				
<b>(in PLN thousand)</b>				
<b>Item</b>	<b>2011 Annual Report</b>	<b>2010 Annual Report</b>	<b>Difference</b>	<b>Change description</b>
Adjusted cash and cash equivalents, gross, opening balance	833,802	603,941	229,861	Change in presentation transfer from BNP Paribas SA
Net cash provided by investing activities	-726,109	-496,248	-229,861	
Change in cash and cash equivalents, net	339,795	569,656	-229,861	
<b>Total changes</b>	-	-	-	



## 6. Segment Reporting

### Information on segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

### Primary segmentation

The main business profile of the Bank includes financial services rendered within the following segments:

- Retail Banking
- Corporate and Transaction Banking
- Other Banking Activity

Accounting principles for specific segments are the same as the ones described in the accounting principles. In the income statement costs are at first presented as direct costs in all business lines and support units (horizontal functions).

### Activity segments:

- **Retail Banking**

The Retail Banking business line specialises in the service of small enterprises and private individuals, by providing financial services for retail customers, professionals (liberal professions) and small enterprises. Moreover, the segment offers consulting on all forms of daily banking, savings, investment and lending, likewise providing retail banking services.

- **Corporate and Transaction Banking**

The Corporate and Transaction Banking business line specialises in the service of medium and big enterprises, focusing on customers that operate internationally, by offering them financial solutions based on standard products and banking services as well as specialist financial products.

- **Other Banking Activity**

Units operating under the Other banking activity play an important role in the management of balance-sheet and off-balance sheet items of the Bank and are responsible for risk and capital management, transfer price setting, relations with other banks and liquidity management of the Bank. Costs of support units (horizontal functions), treasury and financial functions as well as other activity not related with the core banking activity are also included in the segment.

### Geographical segment

The Bank runs its business in Poland as the only geographical area, therefore all revenues earned, costs incurred and assets pertain to one geographical area – Poland.



## Income statement of BNP Paribas Bank Polska SA as per business segments

1 Jan 2011-31 Dec 2011 (in PLN thousand)	BNP Retail Banking	BNP Corporate and Transaction Banking	BNP Other Banking Activity	Total
Interest income (external)	523,095	227,523	198,302	948,920
Transfer prices expense (internal)	-307,704	-164,942	-356,593	-829,239
Interest expense (external)	-147,416	-93,894	-156,084	-397,394
Transfer prices income (internal)	209,328	147,265	472,646	829,239
<b>Net interest income</b>	<b>277,303</b>	<b>115,952</b>	<b>158,271</b>	<b>551,526</b>
Fee and commission income (external)	125,600	61,460	2,316	189,376
Fee and commission expense (external)	-38,397	-791	-1,807	-40,995
<b>Net fee and commission income</b>	<b>87,203</b>	<b>60,669</b>	<b>509</b>	<b>148,381</b>
Net trading income (external)	25,504	61,157	-30,935	<b>55,726</b>
Net profit/loss on hedging transactions (external)	-	-	12,353	<b>12,353</b>
Net profit/loss on the hedged item (external)	-	-	-12,353	<b>-12,353</b>
Net gain/loss on available-for-sale financial assets (external)	-	-	10,626	<b>10,626</b>
Other income (external)	17,291	5,958	20	<b>23,269</b>
<b>Total income, net</b>	<b>407,301</b>	<b>243,736</b>	<b>138,491</b>	<b>789,528</b>
Personnel expense (external)	-124,447	-23,103	-115,234	<b>-262,784</b>
Depreciation of fixed assets and intangible fixed assets (external)	-	-	-65,350	<b>-65,350</b>
Other expenses (external)	-78,362	-9,824	-201,997	<b>-290,183</b>
Impairment losses (external)	-113,287	-8,816	-374	<b>-122,477</b>
Costs allocation - rebilling (internal)	-329,778	-46,443	376,221	-
<b>Gross profit/loss</b>	<b>-238,573</b>	<b>155,550</b>	<b>131,757</b>	<b>48,734</b>
Income tax expense	135,607	-88,416	-74,892	<b>-27,701</b>
<b>Net profit/loss</b>	<b>-102,966</b>	<b>67,134</b>	<b>56,865</b>	<b>21,033</b>

1 Jan 2010-31 Dec 2010 (in PLN thousand)	BNP Retail Banking	BNP Corporate and Transaction Banking	BNP Other Banking Activity	Total
Interest income (external)	530,469	234,268	133,307	898,044
Transfer prices expense (internal)	-277,845	-140,003	-343,212	-761,060
Interest expense (external)	-157,944	-78,478	-77,596	-314,018
Transfer prices income (internal)	208,164	110,582	442,314	761,060
<b>Net interest income</b>	<b>302,844</b>	<b>126,369</b>	<b>154,813</b>	<b>584,026</b>
Fee and commission income (external)	156,377	53,066	2,725	212,168
Fee and commission expense (external)	-52,847	-727	-1,775	-55,349
<b>Net fee and commission income</b>	<b>103,530</b>	<b>52,339</b>	<b>950</b>	<b>156,819</b>
Net trading income (external)	40,728	63,892	-29,776	<b>74,844</b>
Net gain/loss on available-for-sale financial assets (external)	-	-	1,376	<b>1,376</b>
Other income (external)	11,757	12,368	4,750	<b>28,875</b>
<b>Total income, net</b>	<b>458,859</b>	<b>254,968</b>	<b>132,113</b>	<b>845,940</b>
Personnel expense (external)	-105,624	-12,129	-113,476	<b>-231,229</b>
Depreciation of fixed assets and intangible fixed assets (external)	-	-	-75,829	<b>-75,829</b>
Other expenses (external)	-70,431	-7,033	-210,210	<b>-287,674</b>
Impairment losses (external)	-168,887	-24,116	340	<b>-192,663</b>
Costs allocation - rebilling (internal)	-346,800	-48,004	394,804	-
<b>Gross profit/loss</b>	<b>-232,883</b>	<b>163,686</b>	<b>127,742</b>	<b>58,545</b>
Income tax expense	63,203	-44,423	-34,669	<b>-15,889</b>
<b>Net profit/loss</b>	<b>-169,680</b>	<b>119,263</b>	<b>93,073</b>	<b>42,656</b>



The table below presents the total of the Bank's assets and liabilities broken down by business lines, as at 31 December 2011 and 31 December 2010.

<b>Total assets (in PLN thousand)</b>	<b>As at:</b>	<b>BNP Retail Banking</b>	<b>BNP Corporate and Transaction Banking</b>	<b>BNP Other Banking Activity</b>	<b>Total</b>
<b>Assets</b>	<b>31 Dec 2011</b>	10,657,659	4,464,387	5,601,122	<b>20,723,168</b>
	<b>31 Dec 2010</b>	9,566,906	3,726,106	5,263,241	<b>18,556,235</b>

<b>Liabilities</b>	<b>31 Dec 2011</b>	4,987,660	4,691,980	11,043,528	<b>20,723,168</b>
	<b>31 Dec 2010</b>	4,737,582	4,269,052	9,549,601	<b>18,556,235</b>

The table below presents non-monetary expenses other than depreciation for the reporting periods ended on 31 December 2011 and 31 December 2010. Non-monetary expenses include: unrealised loss on financial instruments and write-downs for impairment.

<b>(in PLN thousand)</b>	<b>For period:</b>	<b>BNP Retail Banking</b>	<b>BNP Corporate and Transaction Banking</b>	<b>BNP Other Banking Activity</b>	<b>Total</b>
<b>Non-monetary costs</b>	<b>1 Jan 2011- 31 Dec 2011</b>	25,616	-91,960	-214,502	<b>-280,846</b>
	<b>1 Jan 2010- 31 Dec 2010</b>	-213,846	-214,420	-398,838	<b>-827,104</b>

The table below presents costs incurred to acquire tangible fixed assets and intangible fixed assets for the reporting period ended on 31.12.2011 and comparative data as at 31.12.2010.

<b>(in PLN thousand)</b>	<b>As at:</b>	<b>BNP Retail Banking</b>	<b>BNP Corporate and Transaction Banking</b>	<b>BNP Other Banking Activity</b>	<b>Total</b>
<b>Asset acquisition costs</b>	<b>31 Dec 2011</b>	-	-	64,188	<b>64,188</b>
	<b>31 Dec 2010</b>	-	-	42,119	<b>42,119</b>

## Description of Segment Activity

### Retail Banking

In 2011, net revenues of the Retail Banking BL amounted to PLN 407.3 million, i.e. by 11% less than in 2010. The net interest income was PLN 277.3 million and was lower by 8% than the result of the last year. The net interest income accounted for 68% of the Retail Banking BL net income. The net commission and fee income stood at PLN 87.2 million and was lower by PLN 16.3 million or 16% than the result of 2010. The net fee and commission income made up 21% of the Retail Banking BL net income.

In 2011, net impairment losses amounted to PLN 113.3 million as compared to PLN 168.9 million in 2010.

The personnel costs in 2011 equalled PLN 124.4 million in comparison to PLN 105.6 million in 2010 and accounted for 47% of total personnel expenses of the Bank. The "costs allocation (rebilling)" item is the net value of business line costs allocated and transferred from Retail Banking to other units. In 2011, these costs amounted to PLN 329.8 million as compared to PLN 346.8 million in 2010.

In 2011, the gross loss of the Retail Banking BL amounted to PLN 238.6 million, i.e. by 2% more than in 2010.

### Corporate and Transaction Banking

The net revenues of Corporate and Transaction Banking decreased from PLN 255.0 million earned in 2010 down to PLN 243.7 million in 2011, i.e. by 4%.

The change in the CTB BL net revenues is attributable primarily to:



- net interest income decline by 8% from PLN 126.4 million in 2010 down to PLN 116.0 million in 2011;
- net trading income lower by 4%, i.e. PLN 2.7 million;
- decrease of other income by PLN 6.4 million;
- increase in the net fee and commission income by 16%, i.e. PLN 8.3 million.

As at the end of 2011, the Corporate and Transaction Banking BL recorded a decrease of net write-downs for credit receivables, from PLN 24.1 million in 2010 down to PLN 8.8 million in 2011. The decrease in net impairment losses is a result of restructuring actions taken by the Bank and the credit portfolio quality improvement.

Personnel costs increased from PLN 12.1 million in 2010 up to PLN 23.1 million in 2011. The "costs allocation (rebilling)" item represents the net value of business line costs allocated and transferred from Corporate and Transaction Banking to other units. The costs went down from PLN 48.0 million in 2010 to PLN 46.4 million in 2011.

The above events translated into the gross income decrease from PLN 163.7 million in 2010 down to PLN 155.6 in 2011.

### **Other Banking Activity**

The Other Banking Activity segment presents net income on account of interest rate, liquidity and FX risks. The net income on this activity increased from PLN 132.1 million in 2010 up to PLN 138.5 million in 2011. The growth results primarily higher net trading income.

The expenses include costs generated by support units.



## 7. Additional Notes to the Separate Income Statement

Below there is detailed information on consolidated revenues and expenses of the Bank for 2011 and comparative data for 2010.

### Note 7.1

<b>Interest income (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Cash and cash equivalents	14,376	11,866
Due from banks	7,630	4,458
Investments available for sale	173,025	108,393
Loans to customers	745,804	761,284
Securities held for trading	2,920	12,043
Others	5,165	-
<b>Total interest income</b>	<b>948,920</b>	<b>898,044</b>

Interest income includes interest accrued on non-performing loans, which in 2011 amounted to PLN 109,899 thousand, while in 2010 - to PLN 146,763 thousand.

### Note 7.2

<b>Interest expense (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Due to banks	-46,427	-24,797
Due to customers	-223,732	-220,393
Loans and credit facilities received	-99,268	-43,752
Liabilities related to issuance of debt securities	-311	-1,520
Derivative hedging instruments	-2,126	-
Subordinated liabilities	-22,631	-21,568
Others	-2,899	-1,988
<b>Total interest expense</b>	<b>-397,394</b>	<b>-314,018</b>

### Note 7.3

<b>Fee and commission income (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Custody services and securities trading	1,396	2,055
Cash settlements services	61,239	62,418
Guarantees and contingent liabilities	19,584	17,567
Commissions related to granting credit facilities (amortised using the straight-line method)	15,398	19,980
Loan origination fees and commissions (one-off items)	6,582	6,540
Fees and commissions related to derivative instrument buy/sell transactions	11,453	3,306
Income on account of agency in customer acquisition	2,538	3,313
Card related income	20,367	21,485
Insurance product sales revenues	28,623	47,209
Income on asset management	479	733
Others	21,717	27,562
<b>Total fee and commission income</b>	<b>189,376</b>	<b>212,168</b>



#### Note 7.4

<b>Fee and commission expense (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Custody services and securities trading	-123	-172
Card related expenses	-10,711	-13,191
Cash transactions expenses	-273	-124
Settlements	-1,464	-1,508
Fee and commission income related to the franchisee branch network	-10,209	-18,780
Fees and commissions related to the sale of insurance products:	-2,439	-2,123
Others	-15,776	-19,451
<b>Total fee and commission expenses</b>	<b>-40,995</b>	<b>-55,349</b>

The net fee and commission income includes fee and commission income and expense (other than the ones covered by the effective interest rate calculation), which refer to assets and liabilities not measured at fair value through profit or loss:

- commission and fee income of PLN 27,001 thousand earned in 2011, and PLN 34,205 thousand earned in 2010;
- fee and commission expense of PLN -623 thousand incurred in 2011, and PLN -1,130 thousand reported in 2010;

#### Note 7.5

<b>Net trading income (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Securities	-171	1,741
Derivative instruments, including:	-35,463	-2,244
- fair value adjustment on account for credit risk of derivative instruments	4,752	25,936
Foreign exchange transactions	91,360	75,347
<b>Total net trading income</b>	<b>55,726</b>	<b>74,844</b>

#### Note 7.6

<b>Net profit/loss on available-for-sale financial assets (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Securities	10,626	1,366
Shares and holdings	-	10
<b>Total net profit (loss) on transactions in available-for-sale financial assets</b>	<b>10,626</b>	<b>1,376</b>

#### Note 7.7

<b>Other revenues (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
- income on account of covering mandatory annual fee for BGF	5,403	2,878
- rental and lease income	6,372	4,695
- income on account of providing financial services	830	2,327
- compensation, penalties and fines	748	596
- reimbursement of costs related to agents' activities	263	670
- settlement on account of the transfer from the BNP Paribas Branch	-	11,713
- other	9,653	5,996
<b>Total other income</b>	<b>23,269</b>	<b>28,875</b>



#### Note 7.8

<b>Personnel expenses (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
- remuneration	-210,938	-200,730
- surcharges on remuneration	-33,007	-28,936
- provisions on severance pay related to retirement, unused vacation leaves and other employee benefits	-18,839	-1,563
including: restructuring provision	-	20,238
<b>Total personnel costs</b>	<b>-262,784</b>	<b>-231,229</b>

#### Note 7.9

<b>Depreciation of fixed assets and intangible fixed assets (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Fixed assets, including:	-54,053	-59,327
- own real estate	-136	-250
- leasehold improvements	-11,042	-13,862
- computer hardware	-33,319	-34,341
- other fixed assets	-9,556	-10,874
Intangible assets	-11,297	-16,502
<b>Total depreciation of fixed assets and intangible fixed assets</b>	<b>-65,350</b>	<b>-75,829</b>

#### Note 7.10

<b>Other expenses* (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
- rents	-69,419	-63,846
- information technologies and systems	-37,547	-41,648
-marketing and advertising	-41,025	-26,792
- postal and telecommunication services	-20,524	-25,851
- municipal services	-17,237	-15,888
- expenditure related to RE use	-17,170	-15,812
- advisory services and consulting	-6,789	-4,577
- business travels	-10,232	-9,379
- training	-4,161	-4,512
- security	-5,449	-5,252
- stationery	-4,110	-4,735
- Banking Guarantee Fund costs	-13,316	-6,394
- costs of the Polish Financial Supervision Authority	-2,976	-2,967
- compensation, penalties and fines	-393	-1,954
- investment expenditures	-1,461	-3,877
- costs of receivables recovery	-14,478	-4,953
- other	-23,896	-49,237
<b>Total other costs</b>	<b>-290,183</b>	<b>-287,674</b>

\*The above note presents general expenses and operating costs.



## Note 7.11

<b>Net impairment allowances (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Net cash and cash equivalents, including:	-374	340
- write-downs for Incurred But Not Reported losses (IBNR)	-374	340
Due from banks, net, including:	21	12
- write-downs for Incurred But Not Reported losses (IBNR)	21	12
Loans to customers, net, including:	-79,730	-227,711
- write-downs for impaired credit receivables	-91,939	-251,302
- write-downs for Incurred But Not Reported losses (IBNR)	-2,370	22,999
- income on account of receivables written-down to provisions	666	592
- income on account of receivables recovered	13,913	-
Off-balance sheet liabilities, net, including:	-20,168	34,107
- provisions for off-balance sheet commitments	-22,212	36,194
- write-downs for Incurred But Not Reported losses (IBNR)	2,044	-2,087
Investments available for sale	-15,187	-
Tangible fixed assets	1,946	3,792
Intangible assets	-	2,202
Other assets, net	-8,848	-6,535
Other provisions, net	-137	1,130
<b>Total impairment losses, net</b>	<b>-122,477</b>	<b>-192,663</b>

The major components of the income tax expense:

### Note 7.12.1

<b>Income tax expense (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Current tax	-18,935	-3,584
Current tax for the previous year	1,410	-200
Deferred tax for the previous year	-1,157	-
Deferred tax	-9,019	-12,105
<b>Total income tax</b>	<b>-27,701</b>	<b>-15,889</b>

The current tax and deferred tax for the previous year refer to the current tax change reported in the annual CIT-8 income tax return for 2011 as compared to the tax amount reported in the Bank's financial statements for 2010, and the deferred tax value, corresponding to that change, on account of temporary differences.

The change was recognised in the net profit/loss of the current year due the item intangibility. Actual income tax expenses as at 31 December 2011 and for comparative data as at 31 December 2010 differ from the amount computed using the binding tax rate due to the following factors:



Note 7.12.2

<b>Tax load (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Profit before income tax	48,734	58,545
Binding tax rate in %	19%	19%
Tax computed at the rate	-9,259	-11,124
Tax increases / decreases on account of:		
Tax effects of book revenues recognised as current tax assets, pursuant to the Corporate Income Tax Act:		
- tax-exempt interest	-	-
- taxable revenues on account of the sale of receivables	-1,590	-
- non-taxable dividends from subsidiaries	-	-
- non-tax deductible income on securitisation	457	894
- other	62	62
Tax effects of non-tax-deductible accounting costs	-6,596	- 4,373
Tax effect of recognition of previous year costs	254	-191
Permanent differences that increase the real tax rate of the bank due to a recognition of a deferred tax asset in the amount equal to the expected tax to be paid	-11,698	-1,157
Items that decrease the taxable income under the Income Tax Act (tax credits for new technologies, donations deducted from the taxable income)	669	-
Total tax increases / decreases	-18,442	-4,765
<b>Total tax burden</b>	<b>-27,701</b>	<b>-15,889</b>



## 8. Cash and Cash Equivalents

### Note 8.1

<b>Cash and Cash Equivalents (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Cash at hand	167,052	174,097
Due from the Central Bank	11,552	778,929
Short-term due from banks, including:	876,073	220,571
- Nostro accounts	37,817	75,330
- short-term deposits from banks	838,256	145,241
<b>Cash and cash equivalents, gross</b>	<b>1,054,677</b>	<b>1,173,597</b>
<b>Impairment losses</b>	<b>-1,111</b>	<b>-737</b>
- for Incurred But Not Reported losses (IBNR)	-1,111	-737
<b>Total cash and cash equivalents, net</b>	<b>1,053,566</b>	<b>1,172,860</b>

### Note 8.2

<b>Changes to impairment losses (in PLN thousand)</b>	<b>31 Dec 2011</b>		<b>31 Dec 2010</b>	
	<b>Impairment loss</b>	<b>(IBNR)</b>	<b>Impairment loss</b>	<b>(IBNR)</b>
<b>Opening balance</b>	-	<b>-737</b>	-	<b>-1,078</b>
Increases	-	-1,781	-	-1,661
Decreases	-	1,407	-	2,002
<b>Ending balance</b>	-	<b>-1,111</b>	-	<b>-737</b>

The item "Due from the Central Bank" includes the balance on the nostro account and overnight deposits at the National Bank of Poland (NBP). At the nostro account with the NBP, funds that constitute the mandatory reserve are kept, computed on the basis of the arithmetic mean of daily balances on current and term accounts for a given month.

The average balance of the mandatory reserve declared at the end of 2011 stood at PLN 309,468 thousand, while at the end of 2010, it made up PLN 299,166 thousand.



## 9. Financial Assets and Liabilities Held for Trading

### Note 9.1

<b>Financial assets held for trading (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
<b>Held-for-trading securities, including:</b>	<b>24,535</b>	<b>91,699</b>
- treasury bonds	24,535	91,699
- treasury bills	-	-
<b>Derivative financial instruments, including:</b>	<b>150,703</b>	<b>102,591</b>
- foreign currency contracts, including:	89,424	49,614
- fair value adjustment for credit risk	- 2,945	-4,146
- interest rate contracts	61,279	52,977
<b>Total financial assets held for trading</b>	<b>175,238</b>	<b>194,290</b>

As at 31 December 2011 and 31 December 2010, in the Bank's balance sheet there were no buy-sell-back repo securities held for trading.

### Note 9.2

<b>Financial liabilities held for trading (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
<b>Derivative financial instruments, including:</b>	<b>126,034</b>	<b>97,699</b>
- foreign currency contracts	68,796	50,129
- interest rate contracts	57,238	47,570
<b>Total financial liabilities held for trading</b>	<b>126,034</b>	<b>97,699</b>

The table below presents fair values of derivative financial instruments.

### Note 9.3

<b>Derivative financial instruments held for trading (in PLN thousand)</b>	<b>31 Dec 2011</b>		<b>31 Dec 2010</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Foreign currency contracts:	89,424	68,796	49,614	50,129
- Forward (including the forward leg of a swap contract)	54,509	31,396	26,506	11,939
- Options	23,237	26,181	17,818	21,964
- CIRS	11,678	11,219	5,290	16,226
Interest Rate contracts:	61,279	57,238	52,977	47,570
- FRA	-	2	-	83
- IRS	56,883	52,794	47,295	42,000
- OIS	-	46	198	3
- Options	4,396	4,396	5,484	5,484
<b>Total derivative financial instruments held for trading</b>	<b>150,703</b>	<b>126,034</b>	<b>102,591</b>	<b>97,699</b>

The table below shows nominal values of held-for-trading derivative instruments recognised on off-balance sheet accounts:

### Note 9.4

<b>Held-for-trading derivative instruments by nominal value (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
<b>a) FX transactions</b>	<b>8,477,265</b>	<b>7,238,360</b>
- Forward (including the forward leg of a swap contract) – amounts purchased	1,973,637	1,219,824
- Forward (including the forward leg of a swap contract) – amounts sold	1,954,948	1,212,822
- Options - amounts purchased	927,418	735,775
- Options - amounts sold	927,418	735,775
- CIRS – amounts purchased	1,347,124	1,663,326
- CIRS – amounts sold	1,346,720	1,670,838



<b>b) interest rate transactions</b>	<b>9,320,351</b>	<b>9,647,979</b>
- FRA	544,995	474,585
- IRS - amounts purchased	3,699,973	3,464,392
- IRS - amounts sold	3,699,973	3,464,392
- OIS - amounts purchased	200,000	600,000
- OIS - amounts sold	200,000	600,000
- Options - amounts purchased	487,705	522,305
- Options - amounts sold	487,705	522,305
<b>Total financial instruments</b>	<b>17,797,616</b>	<b>16,886,339</b>

The table below shows a hierarchy of measurement methods of held-for-trading financial instruments measured to fair value, as at 31 December 2011 and comparative data as at 31 December 2010.

#### Note 9.5

<b>31 Dec 2011 (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Securities held for trading</b>	<b>24,535</b>	-	-	<b>24,535</b>
- treasury bonds	24,535	-	-	24,535
- treasury bills	-	-	-	-
<b>Derivative Financial Instruments</b>				
- positive valuation	-	146,307	4,396	<b>150,703</b>
foreign currency contracts	-	89,424	-	89,424
interest rate contracts	-	56,883	4,396	61,279
- negative valuation	-	121,638	4,396	126,034
foreign currency contracts	-	68,796	-	68,796
interest rate contracts	-	52,842	4,396	57,238

<b>31 Dec 2010 (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Securities held for trading</b>	<b>91,699</b>	-	-	<b>91,699</b>
- treasury bonds	91,699	-	-	91,699
- treasury bills	-	-	-	-
<b>Derivative Financial Instruments</b>				
- positive valuation	-	97,107	5,484	102,591
foreign currency contracts	-	49,614	-	49,614
interest rate contracts	-	47,493	5,484	52,977
- negative valuation	-	92,215	5,484	97,699
foreign currency contracts	-	50,129	-	50,129
interest rate contracts	-	42,086	5,484	47,570

At level 1, the Bank classifies debt securities whose fair value is determined using market prices.

At level 2, the Bank classifies derivative instruments, whose fair value is determined using measurement techniques in which all material input data are based on available and verifiable market data.

At level 3, the Bank classifies debt securities and derivative instruments whose fair value is determined using measurement techniques in which any material input data are not based on available verifiable market data.



The table below presents changes in fair value of held-for-trading securities in 2011, and comparative data for 2010.

Note 9.6

<b>Change in fair value of securities held for trading (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance as at 1 Jan 2010</b>	<b>487,149</b>	-	-	<b>487,149</b>
- profits/losses recognised in the net profit/loss	-	-	-	-
- profits/losses recognised in other total income	-	-	-	-
- purchase	91,699	-	-	91,699
- sale	-487,149	-	-	-487,149
- issue	-	-	-	-
- settlement	-	-	-	-
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31 Dec 2010</b>	<b>91,699</b>	-	-	<b>91,699</b>

<b>Balance as at 1 Jan 2011</b>	<b>91,699</b>	-	-	<b>91,699</b>
- profits/losses recognised in the net profit/loss	-	-	-	-
- profits/losses recognised in other total income	-117	-	-	-117
- purchase	-	-	-	-
- sale	-67,047	-	-	-67,047
- issue	-	-	-	-
- settlement	-	-	-	-
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31 Dec 2011</b>	<b>24,535</b>	-	-	<b>24,535</b>

The tables below present changes in fair value of held-for-trading derivative instruments in 2011, and comparative data for 2010.

Note 9.7

<b>Change in fair value of financial assets held for trading – positive valuation (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance as at 1 Jan 2010</b>	-	<b>55,166</b>	<b>121,990</b>	<b>177,156</b>
- profits/losses recognised in the net profit/loss	-	58,479	-15,458	43,021
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	8,672	155	8,827
- sale	-	-	-	-
- issue	-	-	-	-
- settlement	-	-75,791	-50,622	-126,413
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	54,726	-54,726	-
<b>Balance as at 31 Dec 2010</b>	-	<b>101,252</b>	<b>1,339</b>	<b>102,591</b>

<b>Balance as at 1 Jan 2011</b>	-	<b>101,252</b>	<b>1,339</b>	<b>102,591</b>
- profits/losses recognised in the net profit/loss	-	88,682	-1,088	87,594
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	25,744	-	25,744
- sale	-	-	-	-
- issue	-	-	-	-
- settlement	-	-65,028	-	- 65,028
- transfer between levels 1 and 2	-	-198	-	-198
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31 Dec 2011</b>	-	<b>150,452</b>	<b>251</b>	<b>150,703</b>



Note 9.8

<b>Change in fair value of financial assets held for trading – negative valuation (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance as at 1 Jan 2010</b>	-	<b>135,710</b>	<b>35,764</b>	<b>171,474</b>
- profits/losses recognised in the net profit/loss	-	961	-60,706	-59,745
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	11,487	-	11,487
- sale	-	8,431	182	8,613
- issue	-	-	-	-
- settlement	-	-66,298	32,168	-34,130
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	1,924	-1,924	-
<b>Balance as at 31 Dec 2010</b>	-	<b>92,215</b>	<b>5,484</b>	<b>97,699</b>

<b>Balance as at 1 Jan 2011</b>	-	<b>92,215</b>	<b>5,484</b>	<b>97,699</b>
- profits/losses recognised in the net profit/loss	-	8,137	-830	7,307
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	11,944	-	11,944
- sale	-	25,084	-	25,084
- issue	-	-	-	-
- settlement	-	-15,742	- 258	- 16,000
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31 Dec 2011</b>	-	<b>121,638</b>	<b>4,396</b>	<b>126,034</b>



## 10. Receivables

### Note 10.1

<b>Due from banks (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Loans	60,063	75,062
Deposits	101,586	-
Receivables on account of cash collateral	-	31,539
Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date	193,028	50,690
Other receivables	4,229	1,827
<b>Total due from banks, gross</b>	<b>358,906</b>	<b>159,118</b>
<b>Impairment losses:</b>	<b>-84</b>	<b>-105</b>
- for Incurred But Not Reported losses (IBNR)	-84	-105
<b>Total due from banks, net</b>	<b>358,822</b>	<b>159,013</b>

### Note 10.2

<b>Loans to customers (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Loans to budgetary entities	45	44
Mortgage loans	5,987,368	5,051,494
Consumer loans and credit facilities	2,278,817	2,294,406
Commercial loans	7,758,321	7,030,378
Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date	393	-
Other receivables	7,521	10,346
<b>Total loans to customers, gross</b>	<b>16,032,465</b>	<b>14,386,668</b>
<b>Impairment losses:</b>	<b>-1,200,240</b>	<b>-1,235,537</b>
- for incurred, reported losses	-1,116,188	-1,153,854
- for Incurred But Not Reported losses (IBNR)	-84,052	-81,683
<b>Total loans to customers, net</b>	<b>14,832,225</b>	<b>13,151,131</b>

### Note 10.3

<b>Changes to impairment losses (in PLN thousand)</b>	<b>Due from banks</b>	<b>Loans to customers</b>	
	<b>Write-downs for Incurred But Not Reported losses (IBNR)</b>	<b>Impairment loss</b>	<b>Write-downs for Incurred But Not Reported losses (IBNR)</b>
<b>Balance as at 1 Jan 2010</b>	<b>-117</b>	<b>-910,752</b>	<b>-104,674</b>
Transfer from the Branch of BNP Paribas SA	-	-	-8
Increases	-5	-541,029	-12,801
Decreases	17	289,727	35,800
Write-downs to provisions	-	9,693	-
FX rate differences	-	-1,493	-
<b>Balance as at 31 Dec 2010</b>	<b>-105</b>	<b>-1,153,854</b>	<b>-81,683</b>
<b>Balance as at 1 Jan 2011</b>	<b>-105</b>	<b>-1,153,854</b>	<b>-81,683</b>
Increases	-56	-396,256	-28,021
Decreases	77	255,105	25,652
Write-downs to provisions	-	151,210	-
FX rate differences	-	27,607	-
<b>Balance as at 31 Dec 2011</b>	<b>-84</b>	<b>-1,116,188</b>	<b>-84,052</b>



## 11. Investments

### Note 11.1

<b>Investments Available for Sale, at fair value (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Treasury bonds	1,893,309	1,887,461
Treasury bills	-	349,699
Bonds issued by banks	141,968	80,768
Bonds issued by non-financial entities	10,000	6,474
NBP cash bills	1,569,391	899,475
Shares and stock	21,969	23,948
<b>Total investments available for sale, gross</b>	<b>3,636,637</b>	<b>3,247,825</b>
<b>Write-downs for impairment of investments available for sale</b>	<b>-15,187</b>	<b>-</b>
- bonds issued by non-financial entities	-3,888	-
- shares	-11,299	-
<b>Total investments available for sale, net</b>	<b>3,621,450</b>	<b>3,247,825</b>

### Note 11.2

<b>Other investments (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Investments in subsidiaries	112,996	18,196
Investments in affiliates	-	12
<b>Total other investments</b>	<b>112,996</b>	<b>18,208</b>

The Bank holds 100% of the share capital and 100% of total votes at the General Meeting of the Bank's subsidiary, Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (TFI BNP). TFI BNP, the subsidiary, runs a brokerage activity in Poland and has been controlled by the Bank since 23 December 1999. The subsidiary is measured at the acquisition cost including write-downs for impairment. The value of shares at the acquisition price is PLN 18,196 thousand.

The Bank holds 11,500 shares of Fortis Lease Polska Sp. z o.o. (FLP), which constitute 100% of the FLP share capital and entitle the Bank to exercise the same number of votes at the FLP meeting of shareholders. On the basis of an external valuation made, the purchase price was PLN 94,800 thousand. The subsidiary has been controlled by the Bank since 1 July 2011.

### Note 11.3

<b>Change in the balance of available for sale investments (in PLN thousand)</b>	<b>Debt securities</b>	<b>Shares and stock</b>	<b>Total</b>
<b>Balance as at 1 Jan 2010</b>	<b>2,765,867</b>	<b>19,933</b>	<b>2,785,800</b>
Increases	41,327,725	3,767	41,331,492
Decreases (sale and maturity)	-40,875,116	-	-40,875,116
Measurement to fair value	1,753	248	2,001
Others	3,648	-	3,648
<b>Balance as at 31 Dec 2010</b>	<b>3,223,877</b>	<b>23,948</b>	<b>3,247,825</b>

<b>Change in the balance of available for sale investments (in PLN thousand)</b>	<b>Debt securities</b>	<b>Shares and stock</b>	<b>Total</b>
<b>Balance as at 1 Jan 2011</b>	<b>3,223,877</b>	<b>23,948</b>	<b>3,247,825</b>
Increases	65,181,100	-	65,181,100
Decreases (sale and maturity)	-64,807,635	-	-64,807,635
Decreases related to write-downs made	-3,888	-11,299	-15,187
Increases related to the release of write-downs	-	-	-
Measurement to fair value	5,117	-2,069	3,048
Others	12,209	90	12,299
<b>Balance as at 31 Dec 2011</b>	<b>3,610,780</b>	<b>10,670</b>	<b>3,621,450</b>



The table below presents profits and losses on available-for-sale investments, which in the given period were recognised directly in the equity, and then were derecognised from the equity and recognised in the net profit/loss of the given period from 1 January to 31 December 2011 and for the period from 1 January to 31 December 2010.

#### Note 11.4

<b>Investments available for sale (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
Profits recognised directly in the equity capital, and then moved from the equity capital and recognised in the net profit/loss	11,313	1,365
Losses recognised directly in the equity capital, and then moved from the equity capital and recognised in the net profit/loss	-687	-
<b>Total</b>	<b>10,626</b>	<b>1,365</b>

The table below shows a hierarchy of measurement methods of available-for-sale investments measured to fair value, as at 31 December 2011 and comparative data as at 31 December 2010.

#### Note 11.5

<b>31 Dec 2011 (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Treasury bonds	1,893,309	-	-	<b>1,893,309</b>
Treasury bills	-	-	-	-
Bonds issued by banks	141,968	-	-	<b>141,968</b>
Bonds issued by non-financial entities	-	-	6,112	<b>6,112</b>
NBP cash bills	-	-	1,569,391	<b>1,569,391</b>
Stock	10,310	-	-	<b>10,310</b>

<b>31 Dec 2010 (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Treasury bonds	1,887,461	-	-	<b>1,887,461</b>
Treasury bills	215,903	-	133,796	<b>349,699</b>
Bonds issued by banks	80,768	-	-	<b>80,768</b>
Bonds issued by non-financial entities	-	-	6,474	<b>6,474</b>
NBP cash bills	-	-	899,475	<b>899,475</b>
Stock	23,596	-	-	<b>23,596</b>

At level 1, the Bank classifies available-for-sale debt securities whose fair value is determined using market prices.

At level 3, the Bank classifies available-for-sale debt securities whose fair value is determined using measurement techniques in which any material input data are not based on available verifiable market data.

The table below presents changes in fair value of available-for-sale investments in 2011, and comparative data for 2010.

#### Note 11.6

<b>Change in the fair value of available-for-sale investments (in PLN thousand)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Balance as at 1 Jan 2010</b>	<b>1,705,624</b>	-	<b>1,079,840</b>	<b>2,785,464</b>
- profits/losses recognised in the net profit/loss	-	-	-	-
- profits/losses recognised in other total income	16,628	-	-	16,628
- purchase	1,415,672	-	1,039,746	2,455,418
- sale	-614,340	-	-	-614,340
- issue	-	-	-	-
- settlement	-315,857	-	-1,079,840	-1,395,697
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31 Dec 2010</b>	<b>2,207,727</b>	-	<b>1,039,746</b>	<b>3,247,473</b>



<b>Balance as at 1 Jan 2011</b>	<b>2,207,727</b>	-	<b>1,039,746</b>	<b>3,247,473</b>
- profits/losses recognised in the net profit/loss	-1,625	-	-	<b>-1,625</b>
- profits/losses recognised in other total income	-2,072	-	-410	-2,482
- purchase	929,675	-	1,569,391	2,499,066
- sale	-538,543	-	-49,295	-587,838
- issue	-	-	-	-
- settlement	-549,575	-	-983,929	-1,533,504
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31 Dec 2011</b>	<b>2,045,587</b>	-	<b>1,575,503</b>	<b>3,621,090</b>



## 12. Property, plant and equipment

### Note 12.1

<b>Property, Plant and Equipment by groups (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Land and land perpetual usufruct right	-	-
Own real estate	3,460	3,577
Leasehold improvements	59,646	58,072
Machines and equipment and means of transport	28,384	33,072
Computer hardware	55,959	63,093
<b>Total Property, Plant and Equipment</b>	<b>147,449</b>	<b>157,814</b>

The table below presents changes in tangible fixed assets in 2011, and comparative data for 2010.

### Note 12.2

<b>in PLN thousand</b>	<b>Land and land perpetual usufruct right</b>	<b>Own real estate</b>	<b>Leasehold improvements</b>	<b>Machines and equipment and means of transport</b>	<b>Computer hardware</b>	<b>Total</b>
<b>Gross value as at 1 Jan 2011</b>	-	<b>4,879</b>	<b>141,356</b>	<b>84,157</b>	<b>233,721</b>	<b>464,113</b>
- balance increase (incl. purchase)	-	19	15,397	8,248	22,074	45,738
- balance increase related to inventory stock	-	-	-	33	4,453	4,486
- balance decrease (sale, liquidation)	-	-	-11,704	-9,156	-37,388	-58,248
- settlement of the investment in costs	-	-	-621	-210	-13	-844
- donation	-	-	-	-33	-332	-365
- other	-	-	2	-	-2	-
<b>Gross value as at 31 Dec 2011</b>	-	<b>4,898</b>	<b>144,430</b>	<b>83,039</b>	<b>222,513</b>	<b>454,880</b>
<b>Amortisation as at 1 Jan 2011</b>	-	<b>-1,302</b>	<b>-81,738</b>	<b>-51,088</b>	<b>-170,604</b>	<b>-304,732</b>
- depreciation	-	-136	-11,042	-9,552	-33,323	-54,053
- balance decrease (sale, liquidation)	-	-	9,169	5,952	37,058	52,179
- donation	-	-	-	33	330	363
- other	-	-	10	-	-	10
<b>Amortisation as at 31 Dec 2011</b>	-	<b>-1,438</b>	<b>-83,601</b>	<b>-54,655</b>	<b>-166,539</b>	<b>-306,233</b>
<b>Write-downs as at 1 Jan 2011</b>	-	-	<b>-1,546</b>	-	<b>-21</b>	<b>-1,567</b>
- created	-	-	-2,420	-	-	-2,420
- released	-	-	2,783	-	6	2,789
- amortisation against write-downs	-	-	-	-	-	-
<b>Write-downs as at 31 Dec 2011</b>	-	-	<b>-1,183</b>	-	<b>-15</b>	<b>-1,198</b>
<b>Fixed assets net as at 31 Dec 2011</b>	-	<b>3,460</b>	<b>59,646</b>	<b>28,384</b>	<b>55,959</b>	<b>147,449</b>



in PLN thousand	Land and land perpetual usufruct right	Own real estate	Leasehold improvements	Machines and equipment and means of transport	Computer hardware	Total
<b>Gross value as at 1 Jan 2010</b>	<b>250</b>	<b>10,375</b>	<b>138,819</b>	<b>87,902</b>	<b>228,485</b>	<b>465,831</b>
- transfer from the Branch of BNP Paribas SA	-	-	-	-	10	10
- balance increase (incl. on account of inventory stock)	-	-	-	12	454	466
- balance increase (incl. purchase)	-	30	11,515	5,245	17,308	34,098
- balance decrease (sale, liquidation)	-	-73	-7,791	-8,598	-11,744	-28,206
- settlement of the investment in costs	-	-	-1,187	-208	-359	-1,754
- deductions on account of reclassification to the category "held-for-sale assets"	-250	-5,453	-	-	-	-5,703
- other	-	-	-	-196	-433	-629
<b>Gross value as at 31 Dec 2010</b>	<b>-</b>	<b>4,879</b>	<b>141,356</b>	<b>84,157</b>	<b>233,721</b>	<b>464,113</b>
<b>Amortisation as at 1 Jan 2010</b>	<b>-</b>	<b>-2,043</b>	<b>-73,011</b>	<b>-45,198</b>	<b>-146,821</b>	<b>-267,073</b>
- transfer from the Branch of BNP Paribas SA	-	-	-	-	-2	-2
- depreciation	-	-250	-13,862	-10,874	-34,341	-59,327
- balance decrease (sale, liquidation)	-	73	5,135	4,807	10,201	20,216
- deductions on account of reclassification to the category "held-for-sale assets"	-	918	-	-	-	918
- other	-	-	-	180	356	536
<b>Amortisation as at 31 Dec 2010</b>	<b>-</b>	<b>-1,302</b>	<b>- 81,738</b>	<b>-51,085</b>	<b>-170,607</b>	<b>-304,732</b>
<b>Write-downs as at 1 Jan 2010</b>	<b>-</b>	<b>-</b>	<b>-5,139</b>	<b>-19</b>	<b>-5,529</b>	<b>-10,687</b>
- created	-	-	-	-	-	-
- released	-	-	3,593	19	5,508	9,120
- amortisation against write-downs	-	-	-	-	-	-
<b>Write-downs as at 31 Dec 2010</b>	<b>-</b>	<b>-</b>	<b>-1,546</b>	<b>-</b>	<b>-21</b>	<b>-1,567</b>
<b>Fixed assets net as at 31 Dec 2010</b>	<b>-</b>	<b>3,577</b>	<b>58,072</b>	<b>33,072</b>	<b>63,093</b>	<b>157,814</b>

Property, plant and equipment held by the Bank are neither restricted nor pledged as security for liabilities.



## 13. Intangible assets

The table below presents a statement of changes in intangible assets.

### Note 13

<b>Intangible assets (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
<b>Opening balance, gross</b>	<b>83,576</b>	<b>89,014</b>
- balance increase (incl. purchase)	16,721	21,581
- liquidation	-19,949	-1,589
- settlement of the investment in costs	-86	-11,704
- other	-	-13,726
- development work	1,730	-
<b>Ending balance, gross</b>	<b>81,992</b>	<b>83,576</b>
<b>Amortisation opening balance</b>	<b>-59,917</b>	<b>-44,630</b>
- depreciation	-11,259	-16,502
- development work	-38	-
- balance decrease (sale and liquidation)	19,978	1,215
<b>Amortisation ending balance</b>	<b>-51,236</b>	<b>-59,917</b>
<b>Write-downs opening balance</b>	<b>-</b>	<b>-2,202</b>
- created	-	-
- released	-	2,202
<b>Write-downs at ending balance</b>	<b>-</b>	<b>-</b>
<b>Total net intangible assets ending balance</b>	<b>30,756</b>	<b>23,659</b>

Intangible assets held by the Bank are neither restricted nor pledged as security for liabilities.



## 14. Non-current Assets Held for Sale

The table below presents a specification of non-current assets held for sale as per their type as at 31 December 2011:

### Note 14

<b>in PLN thousand</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Land (including perpetual usufruct of land)	250	250
Buildings and premises	4,535	4,535
<b>Total non-current assets held for sale</b>	<b>4,785</b>	<b>4,785</b>

In accordance with IFRS5 "Non-current Assets Held for Sale and Discontinued Operations," in the "Non-current assets held for sale" position of its balance sheet, BNP Paribas Bank Polska SA recognised real estate which fulfils relevant IFRS5 requirements concerning the classification of assets as non-current assets held for sale as at 31 December 2011.

As the existing functions and operations performed by the Head Office in Lubin were transferred to Krakow and Warsaw, the Bank decided to earmark the real estate situated in Lubin at ul. Księża Ludwika I no. 3 for sale.

The Bank expects the real estate sales plan to be fulfilled in the first half of 2012.



## 15. Deferred Tax Assets and Liabilities

The table below presents deferred tax assets and liabilities as at 31 December 2011 and comparative data as at 31 December 2010.

### Note 15.1

in PLN thousand	31 Dec 2011	31 Dec 2010
Deferred tax assets	269,643	257,337
Deferred tax liabilities	50,016	42,115
<b>Net deferred tax</b>	<b>219,627</b>	<b>215,222</b>

Deferred tax is computed on all temporary differences using the balance sheet liability method at nominal tax rates which will be binding at the date of reversal of such differences.

### Note 15.2

Deferred tax assets (in PLN thousand)	Opening balance 1 Jan 2011	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 31 Dec 2011
Interest accrued to be paid	8,890	902	-	9,792
Negative fair value – trading derivatives	2,428	2,787	-	5,215
Negative fair value - hedged and hedging items	-	2,495	-	2,495
Write-downs for impairment and provisions	178,183	-1,265	-	176,918
Fair value adjustment on account of credit risk of matured derivative instruments	30,607	-1,030	-	29,577
Other non-tax-deductible provisions	13,814	-3,334	-	10,480
Measurement of financial instruments held for trading	13,660	-3,937	-	9,723
Measurement of available-for-sale investments	1,952	-	-657	1,295
Commissions and fees settled in time	2,772	521	-	3,293
Difference between the market price and shares acquisition price	4,588	-	-	4,588
Impairment losses	304	-71	-	233
Tax goodwill	-	-2,274	15,161	12,887
Civil law transaction tax on account of acquisition of shares in a subsidiary	-	180	-	180
Write-down for impairment - bonds, shares	-	2,886	-	2,886
Others	139	-58	-	81
<b>Total deferred tax assets</b>	<b>257,337</b>	<b>-2,198</b>	<b>14,504</b>	<b>269,643</b>
<b>Deferred tax liabilities (in PLN thousand)</b>				
Interest accrued to be received	24,111	4380	-	28,491
Positive fair value - trading derivatives	1,006	-229	-	777
Difference between balance sheet depreciation and tax depreciation	4,748	485	-	5,233
Measurement of financial instruments held for trading	7,187	-1,786	-	5,401
Measurement of available-for-sale investments	286	-	-78	208
Commissions and fees settled in time	2,711	3,058	-	5,769
Income to be received	393	-3	-	390
Goodwill under the Corporate Income Tax Act	865	-865	-	-
Repurchase of receivables	779	-779	-	-
Development work costs	-	322	-	322
Negative fair value - hedged and hedging items	-	3,374	-	3,374
Others	29	22	-	51
<b>Total deferred tax liabilities</b>	<b>42,115</b>	<b>7,979</b>	<b>-78</b>	<b>50,016</b>
<b>Net deferred tax</b>	<b>215,222</b>	<b>-10,177</b>	<b>14,582</b>	<b>219,627</b>



<b>Deferred tax assets (in PLN thousand)</b>	<b>Opening balance 1 Jan 2010</b>	<b>Increases / decreases recognised in income statement</b>	<b>Increases/ decreases recognised in capital</b>	<b>Closing balance 31 Dec 2010</b>
Interest accrued to be paid	<b>14,233</b>	-5,343	-	<b>8,890</b>
Negative fair value – trading derivatives	<b>2,489</b>	-61	-	<b>2,428</b>
Write-downs for impairment and provisions	<b>155,683</b>	22,500	-	<b>178,183</b>
Fair value adjustment on account of credit risk of matured derivative instruments	<b>36,936</b>	-6,329	-	<b>30,607</b>
Other non-tax-deductible provisions	<b>18,261</b>	-4,447	-	<b>13,814</b>
Measurement of financial instruments held for trading	<b>43,399</b>	-29,739	-	<b>13,660</b>
Measurement of available-for-sale investments	<b>2,256</b>	-	-304	<b>1,952</b>
Commissions and fees settled in time	<b>2,591</b>	181	-	<b>2,772</b>
Difference between the market price and share acquisition price	<b>4,184</b>	404	-	<b>4,588</b>
Impairment losses	<b>2,450</b>	-2,146	-	<b>304</b>
Others	<b>302</b>	-163	-	<b>139</b>
<b>Total deferred tax assets</b>	<b>282,784</b>	<b>-25,143</b>	<b>-304</b>	<b>257,337</b>
<b>Deferred tax liabilities (in PLN thousand)</b>				
Interest accrued to be received	<b>18,018</b>	6,093	-	<b>24,111</b>
Positive fair value - trading derivatives	<b>1,159</b>	-153	-	<b>1,006</b>
Difference between balance sheet depreciation and tax depreciation	<b>6,135</b>	-1,387	-	<b>4,748</b>
Measurement of financial instruments held for trading	<b>20,674</b>	-13,487	-	<b>7,187</b>
Measurement of available-for-sale investments	<b>209</b>	-	77	<b>286</b>
Commissions and fees settled in time	<b>1,421</b>	1,290	-	<b>2,711</b>
Value of future remuneration on account of securitised loans	<b>6,690</b>	-6,690	-	<b>-</b>
Income to be received	<b>746</b>	-353	-	<b>393</b>
Goodwill under the Corporate Income Tax Act	-	865	-	<b>865</b>
Repurchase of receivables	-	779	-	<b>779</b>
Others	<b>33</b>	-4	-	<b>29</b>
<b>Total deferred tax liabilities</b>	<b>55,085</b>	<b>-13,047</b>	<b>77</b>	<b>42,115</b>
<b>Net deferred tax</b>	<b>227,699</b>	<b>-12,096</b>	<b>-381</b>	<b>215,222</b>

The change in net deferred tax does not equal the deferred tax expense because deferred tax on unrealised gains and losses on available for sale financial assets is recognised directly in the revaluation reserve.

As at 31 December 2011, the total current and deferred tax liabilities related to items decreasing or increasing the equity capital stood at PLN 14,582 thousand, while as at 31 December 2010 it was PLN -381 thousand.



## 16. Other assets

### Note 16

<b>Other assets (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Deferred acquisition cost	10,700	10,026
Interest to be received, including:	88,602	72,066
- on cash and cash equivalents	3,004	75
- on due from banks	135	555
- on loans to customers	50,962	43,443
- on debt securities held for trading	523	711
- on debt securities available for sale	33,978	27,282
Financial assets recognised at the trade date	11	-
Interbank settlements	161	65
Income to be received	29,817	35,481
Receivables due from counterparties	14,630	13,048
Others	24,977	23,586
<b>Total other assets, gross</b>	<b>168,898</b>	<b>154,272</b>
Impairment losses	-20,403	-26,859
<b>Total other assets, net</b>	<b>148,495</b>	<b>127,413</b>



## 17. Liabilities

### Due to banks

#### Note 17.1

<b>Due to banks (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Banks' deposits	849,556	694,924
- Current	284,329	94,496
- Term	15,400	47,722
- Cash collateral	549,827	552,706
Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	193,074	50,850
<b>Total due to banks</b>	<b>1,042,630</b>	<b>745,774</b>

### Due to customers

#### Note 17.2

<b>Due to customers (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Current deposits	3,325,209	2,579,374
Term deposits	5,493,372	5,457,500
Cash collateral	388	174,901
Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	155,500	-
<b>Total due to customers</b>	<b>8,974,469</b>	<b>8,211,775</b>

### Loans and credit facilities received

#### Note 17.3

<b>Loans and credit facilities received (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Loans and credit facilities received from banks	8,194,140	6,371,399
Loans and credit facilities received from other institutions	-	792,060
<b>Total loans and credit facilities received</b>	<b>8,194,140</b>	<b>7,163,459</b>



## 18. Subordinated liabilities

On 29 January 2011, upon consent of the Polish Financial Supervision Authority, the Bank redeemed subordinated bonds of a nominal value of PLN 30 million at an earlier date.

The outstanding balance of other subordinated loans as at 31 December 2011 was as follows:

Agreement date	Party to the Agreement	Amount	Repayment date
23.10.2007	Fortis Bank SA/NV	EUR 100 million	28.09.2017
21.04.2009	Fortis Bank SA/NV	EUR 20 million	22.04.2019
21.04.2009	Fortis Bank SA/NV	PLN 60 million	22.04.2019

Under an agreement on assignment of receivables signed, on 29 August 2011 Fortis Bank SA/NV (BNP Paribas Fortis) assumed rights and responsibilities of BGL BNP Paribas arising from the credit agreement with the Bank for EUR 100 million dated 23 October 2007. The assignment agreement did not change any financial terms and conditions of repayment of the Bank's obligation.

In connection with the liquidation of Fortis Finance Belgium SCRL/CVBA, Fortis Bank SA/NV (BNP Paribas Fortis) assumed rights and responsibilities arising from the credit agreement for EUR 20 million dated 21 April 2009.

### Redemption of own issue bonds

On 29 January 2011, Fortis Bank Polska SA (currently BNP Paribas Bank Polska SA) redeemed the own issue bonds, acquired as a result of the merger of Fortis Bank Polska SA and Dominet Bank SA on 31 July 2009, in the amount of PLN 30 million. On 22 July 2004, Dominet Bank SA concluded an agreement with BRE Bank S.A. regarding an organisation of Corporate Bonds Issue Programme. Inscribed corporate bonds, with the nominal value of PLN 100,000, were issued by Dominet Bank SA through the agency of BRE Bank SA on 29 July 2004 in the amount of PLN 30 million.

#### Note 18

Change in subordinated liabilities (in PLN thousand)	1 Jan 2011 – 31 Dec 2011	1 Jan 2010 – 31 Dec 2010
<b>Opening balance</b>	<b>565,236</b>	<b>582,984</b>
Increases	133,986	-
- on account of loans	133,986	-
- on account of bond issue	-	-
Decreases	-30,000	-
- on account of loans	-	-
- on account of bond redemption	-30,000	-
FX rate differences	-79,206	-17,748
<b>Ending balance</b>	<b>590,016</b>	<b>565,236</b>



## 19. Other Liabilities

### Note 19

<b>Other liabilities (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Accrued interest and expenses	17,713	15,176
Interest to be paid, including:	62,386	46,616
- on due to banks	2,373	2,040
- on due to customers	36,905	36,927
- on loans and credit facilities received	20,496	3,246
- on subordinated debt	2,612	4,403
Expenses to be paid	16,003	17,888
Taxes to be paid	11,469	8,727
Employee benefits	22,867	25,011
Interbank settlements	159,057	87,885
Liabilities due to counterparties	10,677	11,118
Settlement on account of credit debt	36,507	48,089
Settlement with the BNP Paribas Branch on account of the transfer	-	111,334
Others	13,235	13,928
<b>Total other liabilities</b>	<b>349,914</b>	<b>385,772</b>



## 20. Provisions

### Note 20.1

<b>Provisions by titles (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Provisions for off-balance sheet commitments	28,286	5,948
IBNR reserve – off-balance sheet commitments	6,180	8,224
Legal risk provisions	5,267	4,562
Provisions for office sub-lease	2,118	2,685
<b>Total provisions</b>	<b>41,851</b>	<b>21,419</b>

The notes below present changes in the balance of provisions:

### Note 20.2.1

<b>Change in provisions for off-balance sheet commitments (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
<b>Opening balance</b>	<b>14,172</b>	<b>48,395</b>
Increases	32,125	12,237
- for off-balance sheet commitments	27,733	5,428
- for IBNR losses – off-balance sheet commitments	4,392	6,809
Decreases	-11,957	-46,344
- for off-balance sheet commitments	-5,521	-41,622
- for IBNR losses – off-balance sheet commitments	-6,436	-4,722
FX rate differences	126	-116
<b>Ending balance</b>	<b>34,466</b>	<b>14,172</b>

### Note 20.2.2

<b>Changes in other provisions (in PLN thousand)</b>	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
<b>Opening balance</b>	<b>7,247</b>	<b>8,378</b>
Transfer from BNP Paribas SA Branch	-	249
Increases	2,287	1,710
- for legal risk	1,131	1,047
- for office sub-lease	1,156	663
Decreases	-2,149	-3,090
- for legal risk	-426	-1,620
- for office sub-lease	-1,723	-1,470
<b>Ending balance</b>	<b>7,385</b>	<b>7,247</b>



## 21. Own equity

### Note 21.1

<b>Own equity (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Share capital	1,206,175	1,206,175
Additional capital	129,157	125,745
Transfer from BNP Paribas SA Branch	15,161	-78,010
Other capital	6,873	45,639
Revaluation reserve	-4,635	-7,104
Net profit (loss) for the year	21,033	42,656
<b>Total equity</b>	<b>1,373,764</b>	<b>1,335,101</b>

The share capital is recognised in the nominal value pursuant to the Bank's Statute and entries in the National Court Register.

The share capital of the Bank is PLN 1,206,175,300 and is divided into 24,123,506 shares with a nominal value of PLN 50.00 each.

The Bank's shares are bearer shares of equal nominal value that entitle to equal voting rights and participation in profit at the same rules. There are no preferences or restrictions related to any group of shares. The shares were paid for in cash.

### Note 21.2

<b>Series / issue</b>	<b>Registration date</b>	<b>Number of shares</b>	<b>Series / issue value at nominal value</b>
A	19 December 1990	634,060	31,703,000
B	30 April 1991	1,115,940	55,797,000
C	14 July 1994	2,000,000	100,000,000
D	11 July 1996	1,250,000	62,500,000
E	11 April 1997	1,250,000	62,500,000
F	4 June 1998	625,000	31,250,000
G	4 June 1998	740,000	37,000,000
H	8 October 1999	761,500	38,075,000
I	3 July 2000	1,675,300	83,765,000
J	28 June 2001	5,025,900	251,295,000
K	2 January 2007	1,693,480	84,674,000
L	31 July 2009	5,243,532	262,176,600
M	14 September 2009	2,108,794	105,439,700
<b>Total</b>		<b>24,123,506</b>	<b>1,206,175,300</b>

The shareholding structure as at 31 December 2011 and in the comparative period was as follows:

### Note 21.3

<b>Balance as at 31 Dec 2011</b>	<b>Number of shares held</b>	<b>% of the share capital</b>	<b>Number of votes at the AGM*</b>	<b>% of the total number of votes at the GM</b>
<b>Fortis Bank SA/NV</b>	18,848,593	78.13%	18,848,593	78.13%
<b>Dominet SA**</b>	5,243,532	21.74%	5,243,532	21.74%
<b>Others</b>	31,381	0.13%	31,381	0.13%
<b>Total:</b>	<b>24,123,506</b>	<b>100.00%</b>	<b>24,123,506</b>	<b>100.00%</b>

<b>Balance as at 31 Dec 2010</b>	<b>Number of shares held</b>	<b>% of the share capital</b>	<b>Number of votes at the AGM*</b>	<b>% of the total number of votes at the GM</b>
<b>Fortis Bank SA/NV</b>	18,848,593	78.13%	18,848,593	78.13%
<b>Dominet SA**</b>	5,243,532	21.74%	5,243,532	21.74%
<b>Others</b>	31,381	0.13%	31,381	0.13%
<b>Total:</b>	<b>24,123,506</b>	<b>100.00%</b>	<b>24,123,506</b>	<b>100.00%</b>



\* BNP Paribas SA is the parent entity (74.93% shares) of Fortis Bank SA/NV based in Brussels.

\*\*Fortis Bank SA/NV based in Brussels is the parent entity (100% shares) of Dominet S.A.

Another equity component is the additional capital which is established from net profit deductions, amounting to the level to be decided upon at the General Meeting of Shareholders. The additional capital shall also accommodate differences between the issue and nominal price of the Bank shares. Net profit deductions to replenish the additional capital make up at least 8% and are made until the additional capital reaches no less than one third of the Bank's share capital.

The other capital types are basically established from annual net profit deductions approved by the General Meeting of Shareholders. Reserve capital is earmarked for the coverage of specific losses and expenses, while the general risk fund is allocated to cover unidentified risks related to banking activity. Decisions on using other capital are made by the General meeting of Shareholders.

#### Note 21.4

<b>Other capital (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
General risk fund	5,882	45,639
Reserve capital	991	-
<b>Total other capital</b>	<b>6,873</b>	<b>45,639</b>

Revaluation reserve as at 31 December 2011 and in the comparative period stood at:

#### Note 21.5

<b>Revaluation reserve (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Measurement of available-for-sale financial assets, including:	5,722	-8,770
- Treasury bills	-	158
- Treasury bonds	-5,487	-6,349
- bonds issued by banks	487	-400
- bonds issued by non-finance entities	-	-3,526
- shares and holdings	-722	1,347
Deferred tax	1,087	1,666
<b>Total revaluation reserve</b>	<b>-4,635</b>	<b>-7,104</b>

The revaluation reserve includes changes in fair value on account of measurement of available-for-sale investments. The amount of the write-down made will increase or decrease, respectively, the value of available-for-sale investments.

As at the derecognition date of a financial asset available-for-sale from accounting books, the total effects of a fair value change in a given period recognised in the revaluation reserve are derecognised and recognised in the income statement. When available-for-sale financial assets are found impaired, the cumulated profits or losses recognised previously in the revaluation reserve are recognised in the income statement.

The revaluation reserve is not subject to distribution.

#### **Information on planned allocation of net profit/loss and dividend payment**

The Board of Executives intends to recommend that the Annual General Shareholders' Meeting should resolve to pay no dividend and allocate the entire 2011 net profit to increase the Bank's own funds.



## 22. Hedge accounting

As at 31 December 2011, the Bank applies the fair value hedge. The risk hedged is the interest rate risk, and in particular, changes in the fair value of assets and liabilities bearing a fixed interest rate due to changes in a specific reference rate.

### Hedging instruments

Hedging instruments are plain vanilla interest rate swaps (IRS) in EUR and USD under which the Bank receives a fixed interest rate and pays a variable interest rate based on WIBOR 3M.

### Hedged item

Fixed rate current accounts in EUR and USD are the hedged items.

The table below presents the breakdown of hedging derivative instruments at nominal value as at 31.12.2011, broken down by residual maturity:

#### Note 22.1

Hedging derivative instruments (in PLN thousand)	31 Dec 2011							
	Fair value		Nominal value					Total
	positive	negative	up to 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	
<b>Interest Rate Contracts</b>	<b>17,759</b>	-	-	-	-	<b>35,334</b>	<b>148,592</b>	<b>183,926</b>
- Swaps (IRS)	17,759	-	-	-	-	35,334	148,592	183,926
<b>Total hedging derivative instruments</b>	<b>17,759</b>	-	-	-	-	<b>35,334</b>	<b>148,592</b>	<b>183,926</b>

In the comparative periods, the Bank did not apply hedge accounting.

The table below presents a change of the fair value of a hedging instrument as at 31 December 2011.

#### Note 22.2

Change of the fair value of hedging instruments (in PLN thousand)	Level 1	Level 2	Level 3	Total
<b>Balance as at 1 Jan 2011</b>	-	-	-	-
- profits/losses recognised in the net profit/loss	-	-	-	-
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	17,759	-	17,759
- sale	-	-	-	-
- issue	-	-	-	-
- settlement	-	-	-	-
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
<b>Balance as at 31 Dec 2011</b>	-	<b>17,759</b>	-	<b>17,759</b>



## 23. Lease facilities

### Finance lease

The Bank is a lessee under a finance lease agreement concluded in 2005 regarding alarm systems for own and franchised branches. The Bank recognises funds related to finance lease as non-current assets.

#### Note 23.1

<b>Liabilities under finance lease (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Total amount of minimum lease charges	840	1,900
Unrealised financial costs	-63	-156
Current value of minimum lease charges	777	1,744

#### Note 23.2

<b>Total amount of minimum lease charges by maturity (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
up to 1 year	551	1,001
from 1 up to 5 years	289	899
more than 5 years	-	-
<b>Total</b>	<b>840</b>	<b>1,900</b>

#### Note 23.3

<b>Current value of minimum lease charges by maturity (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
up to 1 year	512	914
from 1 up to 5 years	265	830
more than 5 years	-	-
<b>Total</b>	<b>777</b>	<b>1,744</b>

### Operating lease

#### Payments related to Lease Agreements

BNP Paribas Bank Polska SA, pursuant to lease agreements occupies mainly office premises and storehouses. The major agreements concern buildings in Warsaw and Krakow.

In 2011, the Bank incurred expenses related to rent for the above real estate of PLN 69,419 thousand, as compared to PLN 63,846 thousand incurred in the comparable period, i.e. in 2010. The above expenses were recognised in the income statement in the Note "Other costs."

#### Note 23.4

<b>Future liabilities (gross) under lease agreements by payment dates (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
up to 1 year	62,592	54,438
from 1 up to 5 years	173,010	155,535
more than 5 years	40,955	63,778
<b>Total</b>	<b>276,557</b>	<b>273,751</b>



Some sublease agreements have been concluded for an unlimited period of time. For agreements concluded for an unspecified period of time, future liabilities have been determined based on the contractual notice period.

Lease agreements are entered into both in PLN and in foreign currencies. The notice period is usually 1, 3 or 6 months.

When the lease period ends, pursuant to the contractual provisions the Bank shall restore the premises to the technical condition that existed before the lease period.

Pursuant to lease agreements, the Bank leases office premises.

#### Note 23.5

<b>Future receivables (gross) under lease agreements by payment dates (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
up to 1 year	6,021	3,475
from 1 up to 5 years	14,781	7,204
more than 5 years	1,054	885
<b>Total</b>	<b>21,856</b>	<b>11,564</b>

Some sublease agreements have been concluded for an unlimited period of time. For agreements concluded for an unspecified period of time, future receivables have been determined based on the contractual notice period. The notice period is usually 3, 6 or 12 months.

#### Perpetual usufruct right to land

The Bank is a perpetual usufructuary of land. The perpetual usufruct right to land is recognised in the Bank's books as operating lease. Annual fees paid by the Bank for the perpetual usufruct right to land, computed at rates applicable in a given year, are settled through an account of accrued expenses and deferred income.

#### Note 23.6

<b>Future minimum lease charges on account of perpetual usufruct of land by payment dates (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
up to 1 year	9	8
from 1 up to 5 years	34	33
more than 5 years	638	629
<b>Total</b>	<b>681</b>	<b>670</b>



## 24. Additional Notes to Cash Flow Statement

This note presents the change in other assets and liabilities broken by types:

### Note 24.1

<b>Changes in other assets and liabilities (in PLN thousand)</b>	<b>1 Jan 2011- 31 Dec 2011</b>	<b>1 Jan 2010- 31 Dec 2010</b>
Expenses to be paid	-1,885	-392
Financial assets and liabilities recognised at the trade date	-11	-
Interest to be received	-16,536	-8,679
Interest to be paid	15,770	-27,554
Interbank settlements	71,076	47,607
Employee benefits	-2,144	-23,235
Settlements on account of credit debt	-11,582	12,793
Settlements with business partners	-2,023	-7,677
Settlement with the BNP Paribas Branch on account of the transfer	-111,334	111,334
Other assets and liabilities transferred from the BNP Paribas SA Branch	-	153,262
Others	8,651	-17,125
<b>Total changes in other assets and liabilities</b>	<b>-50,018</b>	<b>240,334</b>

### Note 24.2

<b>Other investment expenses (in PLN thousand)</b>	<b>1 Jan 2011- 31 Dec 2011</b>	<b>1 Jan 2010- 31 Dec 2010</b>
Acquisition of low value fixed assets	-1,905	-2,071
Others	-10	-2
<b>Total other investment expenses</b>	<b>-1,915</b>	<b>-2,073</b>

The table below presents the acquisition of the organised part of the enterprise, net of cash acquired

### Note 24.3

<b>Assets (in PLN thousand)</b>	<b>1 July 2010</b>
Cash and cash equivalents	237,539
Loans to customers	257,150
Receivables on account of deposits acquired	861,077
Other assets	58
<b>Total assets</b>	<b>1,355,824</b>

<b>Liabilities (in PLN thousand)</b>	<b>1 July 2010</b>
Due to banks	6,026
Due to customers	1,092,590
Other liabilities	358
<b>Total liabilities</b>	<b>1,098,974</b>

<b>Assets, net</b>	<b>256,850</b>
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Preliminary acquisition price paid in cash	-467,400
Cash and cash equivalents of the acquired unit	237,539
Acquisition of the organised part of the enterprise, net of cash acquired	-229,861

Preliminary acquisition price paid in cash	-467,400
Adjustment of the preliminary acquisition price	132,541
Acquisition price	-334,859



## 25. Assets that Secure Own Commitments

Pursuant to the rules of guaranteed deposit protection fund under the Bank Guarantee Fund Act dated 14 December 1994, as amended, as at 31 December 2011 the Bank's books contained Treasury bonds in the nominal value of PLN 55,000 thousand which were separated from assets, to secure the BGF. Type of assets and their amount registered in the Bank's books earmarked for the coverage of the BGF is consistent with conditions defined in particular in Article 26 para. 1 and 2 and Article 13 of the said Act.

### Note 25

<b>Available-for-sale securities that constitute collateral for the Guaranteed Deposits Protection Fund under the Bank Guarantee Fund (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
- Treasury bills at nominal value	-	-
- Treasury bills at balance sheet value	-	-
- Treasury bonds at nominal value	55,000	51,000
- Treasury bonds at balance sheet value	54,787	50,208
<b>Total available for sale securities at balance sheet value</b>	<b>54,787</b>	<b>50,208</b>

As at 31 December 2011 and as at 31 December 2010, the Bank did not use the lombard loan.



## 26. Derivative Financial Instruments

The table below presents the breakdown of held-for-trading derivative instruments at nominal value as at 31.12.2011 and for a comparative period, broken down by residual maturity.

### Note 26.1

Derivative instruments held for trading (in PLN thousand)	31 Dec 2011							
	Fair value		Nominal value by residual maturity					Total
	positive	negative	up to 1 month	1-3 months	3 months-1 year	1-5 years	>5 years	
<b>Foreign currency contracts:</b>	<b>89,424</b>	<b>68,796</b>	<b>2,718,898</b>	<b>2,131,607</b>	<b>3,134,283</b>	<b>492,477</b>	-	<b>8,477,265</b>
- Forward (including the forward leg of a FX swap contract) - amounts bought	54,509	31,396	1,235,390	379,893	345,983	12,371	-	<b>1,973,637</b>
- Forward (including the forward leg of a FX swap contract) - amounts sold			1,242,734	368,826	331,019	12,369	-	<b>1,954,948</b>
- Options – amounts purchased	23,237	26,181	120,387	247,154	457,974	101,903	-	<b>927,418</b>
- Options – amounts sold			120,387	247,154	457,974	101,903	-	<b>927,418</b>
- CIRS – amounts purchased	11,678	11,219	-	441,680	772,940	132,504	-	<b>1,347,124</b>
- CIRS – amounts sold			-	446,900	768,393	131,427	-	<b>1,346,720</b>
<b>Interest Rate Contracts</b>	<b>61,279</b>	<b>57,238</b>	<b>1,099,691</b>	<b>2,339,710</b>	<b>2,279,286</b>	<b>2,700,452</b>	<b>901,212</b>	<b>9,320,351</b>
- FRA	-	2	544,995	-	-	-	-	<b>544,995</b>
-IRS – amounts purchased	56,883	52,794	77,348	1,169,855	1,130,293	871,871	450,606	<b>3,699,973</b>
- IRS – amounts sold			77,348	1,169,855	1,130,293	871,871	450,606	<b>3,699,973</b>
- OIS - amounts purchased	-	46	200,000	-	-	-	-	<b>200,000</b>
- OIS – amounts sold			200,000	-	-	-	-	<b>200,000</b>
- Options – amounts purchased	4,396	4,396	-	-	9,350	478,355	-	<b>487,705</b>
- Options – amounts sold			-	-	9,350	478,355	-	<b>487,705</b>
<b>Total derivative instruments held for trading</b>	<b>150,703</b>	<b>126,034</b>	<b>3,818,589</b>	<b>4,471,317</b>	<b>5,413,569</b>	<b>3,192,929</b>	<b>901,212</b>	<b>17,797,616</b>
Not traded on regulated markets	150,703	126,034	3,818,589	4,471,317	5,413,569	3,192,929	901,212	17,797,616
<b>Total</b>	<b>150,703</b>	<b>126,034</b>	<b>3,818,589</b>	<b>4,471,317</b>	<b>5,413,569</b>	<b>3,192,929</b>	<b>901,212</b>	<b>17,797,616</b>

Derivative instruments held for trading (in PLN thousand)	31 Dec 2010							
	Fair value		Nominal value by residual maturity					Total
	positive	negative	up to 1 month	1-3 months	3 months-1 year	1-5 years	>5 years	
<b>Foreign currency contracts:</b>	<b>49,614</b>	<b>50,129</b>	<b>2,857,457</b>	<b>2,161,390</b>	<b>2,002,348</b>	<b>217,165</b>	-	<b>7,238,360</b>
- Forward (including the forward leg of a FX swap contract) - amounts bought	26,506	11,939	560,698	343,065	207,833	108,228	-	<b>1,219,824</b>
- Forward (including the forward leg of a FX swap contract) - amounts sold			546,595	350,203	207,087	108,937	-	<b>1,212,822</b>
- Options – amounts purchased	17,818	21,964	81,457	258,914	395,404	-	-	<b>735,775</b>
- Options – amounts sold			81,457	258,914	395,404	-	-	<b>735,775</b>
- CIRS – amounts purchased	5,290	16,226	792,060	475,236	396,030	-	-	<b>1,663,326</b>
- CIRS – amounts sold			795,190	475,058	400,590	-	-	<b>1,670,838</b>



<b>Interest Rate Contracts</b>	<b>52,977</b>	<b>47,570</b>	<b>1,003,864</b>	<b>1,624,325</b>	<b>2,430,956</b>	<b>2,839,000</b>	<b>1,749,834</b>	<b>9,647,979</b>
- FRA	-	83	-	474,585	-	-	-	<b>474,585</b>
-IRS – amounts purchased	47,295	42,000	1,932	474,870	1,215,478	917,595	854,517	<b>3,464,392</b>
- IRS – amounts sold			1,932	474,870	1,215,478	917,595	854,517	<b>3,464,392</b>
- OIS - amounts purchased	198	3	500,000	100,000	-	-	-	<b>600,000</b>
- OIS – amounts sold			500,000	100,000	-	-	-	<b>600,000</b>
- Options – amounts purchased	5,484	5,484	-	-	-	501,905	20,400	<b>522,305</b>
- Options – amounts sold			-	-	-	501,905	20,400	<b>522,305</b>
<b>Total derivative instruments held for trading</b>	<b>102,591</b>	<b>97,699</b>	<b>3,861,321</b>	<b>3,785,715</b>	<b>4,433,304</b>	<b>3,056,165</b>	<b>1,749,834</b>	<b>16,886,339</b>
Not traded on regulated markets	102,591	97,699	3,861,321	3,785,715	4,433,304	3,056,165	1,749,834	<b>16,886,339</b>
<b>Total</b>	<b>102,591</b>	<b>97,699</b>	<b>3,861,321</b>	<b>3,785,715</b>	<b>4,433,304</b>	<b>3,056,165</b>	<b>1,749,834</b>	<b>16,886,339</b>



## 27. Contingent Liabilities - Off-balance Sheet Commitments

The Bank recognises as contingent liabilities such off-balance sheet commitments that do not meet the balance sheet recognition criteria as assets or liabilities.

The tables below present the Bank's contingent liabilities as at 31.12.2011 and comparative data.

### Note 27

<b>Contingencies and Commitments (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
<b>Contingent liabilities granted</b>		
- items related to financing	3,935,071	3,117,692
- guarantees	1,925,227	1,277,205
<b>Total contingent liabilities granted</b>	<b>5,860,298</b>	<b>4,394,897</b>
<b>Contingent liabilities received</b>		
- items related to financing	3,288,000	2,861,841
- guarantees	378,134	275,223
<b>Total contingent liabilities received</b>	<b>3,666,134</b>	<b>3,137,064</b>
<b>Total contingent liabilities</b>	<b>9,526,432</b>	<b>7,531,961</b>

The major item of off-balance sheet commitments granted constitute commitments to extend loans which as at 31 December 2011 made up PLN 3,756,738 thousand or 95% of the Bank's financial off-balance sheet commitments granted, and, respectively, PLN 2,970,649 thousand as at 31 December 2010 (95%). Commitments to extend loans include credit lines granted (unutilised), credit card limits, unused overdraft credit facilities and general financing agreements.

The off-balance sheet financial commitments granted include also import letters of credit issued.

Off-balance sheet guarantee commitments granted result from guarantees issued in favour of customers and pertain chiefly to contract performance bonds and receivables repayment guarantees. The Bank offers its customers the issuance of guarantees under the standard credit offering addressed mainly to corporate customers. Commission and fee income related to guarantees issued are settled using the straight-line method and recognised in the commission and fee income in the Bank's income statement.

Off-balance sheet guarantee commitments granted include also export letters of credit issued and general guarantee agreements.

The major item of off-balance sheet commitments received by the Bank constituted unused credit lines granted by the NBP and the affiliated entities which as at 31 December 2011 made up PLN 3,288,000 thousand, and, respectively, PLN 2,861,841 thousand as at 31 December 2010.

Off-balance sheet guarantee commitments received include guarantees and suretyships to secure loans granted; such commitments totalled PLN 378,134 thousand as at 31 December 2011 and PLN 275,223 thousand as at 31 December 2010.

According to the existing experience of the Bank, performance dates of contingent financial commitments are identical with contractual validity dates of such commitments.

The financial effect of off-balance sheet contingent commitments is presented in the table above.



## 28. Custody Activity and Other Functions in Favour of Investment Funds

### Comprehensive scope of services

The Bank offers its customers a comprehensive banking product that includes:

- maintenance of securities accounts used to register assets, in particular: shares, bonds, Treasury bills, commercial papers,
- settlement of transactions in securities entered into on domestic and international markets,
- performing operations on securities (dividend payment, payment of interest on bonds, debt securities redemption),
- acting as an intermediary in Stock Exchange and interbank market transactions;
- generation of reports tailored to customer needs,
- providing information on market events.

### Custody of securities

The Bank is a direct member of KDPW S.A. (the National Depository of Securities), which is the central institution responsible for maintenance of and supervision over a deposit and settlement system as regards trading in financial instruments in Poland. The Bank holds a securities account there, dedicated specifically to its Customers. Thus the Bank's assets are separated from the Customers' assets.

### Settlement of transactions

All transactions are settled upon the receipt of a settlement instruction from the Customer. The exception is when the Custody Services Group makes securities purchase or sale instructions at the Warsaw Stock Exchange and BondSpot SA, where the Customer's order replaces the instruction. Transactions entered into on specific markets are settled on dates consistent with the binding law provisions, or if there are no general rules, they are settled the date agreed with the Customer.

### Reports for Customers

The Bank provides Customers with reports on their investment activity. The content and form of reports, frequency and manner of their sending are agreed individually with each Customer and are adjusted to Customer needs.

The Bank maintains securities accounts in favour of customers. Details regarding the accounts maintained are presented in the table below:

#### Note 28

	31 Dec 2011	31 Dec 2010
Number of accounts maintained in favour of customers	12	12
Funds deposited on such Customer accounts (in PLN thousand)	1,447,022	2,231,005

### Other functions performed in favour of investment funds

Under relevant agreements entered into with BNP Paribas L1 and BNP Paribas L Fix, Luxembourg investment funds, the Bank performs a number of functions in favour of the funds, which consist in particular in the following:

- representation of funds before their participants and the Polish Financial Supervision Authority,
- acceptance of complaints from fund participants,
- providing information on funds to fund participants,
- verification of customer orders and forwarding them to the Transfer Agent,
- making pecuniary settlements with customers in connection with investments in participation titles,
- making pecuniary settlements with funds,
- sending reports to customers,
- service of investment fund distributors other than BNP Paribas Bank Polska SA,
- distribution of fund participation units.



## 29. Information on Related Party Transactions

Information on transactions of the Bank with its parent company, its subsidiaries and affiliated entities is presented below. These transactions refer to banking operations performed within a standard business activity; the terms and conditions of transactions presented correspond to market conditions.

### Note 29.1

<b>31 Dec 2011 (in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiaries</b>	<b>Affiliated entities</b>	<b>Total</b>
<b>Assets</b>				
Cash and Cash Equivalents	200,276	-	644,142	844,418
Financial assets held for trading	15,063	-	36,155	51,218
Due from banks and Loans to customers	145,223	410	182,597	328,230
Hedging instruments	17,759	-	-	17,759
Other assets	7,816	110	5,387	13,313
<b>Total</b>	<b>386,137</b>	<b>520</b>	<b>868,281</b>	<b>1,254,938</b>
<b>Liabilities</b>				
Financial liabilities held for trading	75,600	-	34,118	109,718
Due to banks and customers	354,382	164,732	252,408	771,522
Loans and credit facilities received	-	-	7,862,743	7,862,743
Differences from measurement to fair value of a hedged item against interest rate risk	13,132	-	-	13,132
Subordinated liabilities	590,016	-	-	590,016
Other Liabilities	3,217	336	24,023	27,576
<b>Total</b>	<b>1,036,347</b>	<b>165,068</b>	<b>8,173,292</b>	<b>9,374,707</b>

<b>31 Dec 2010 (in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Affiliated entities</b>	<b>Total</b>
<b>Assets</b>				
Cash and Cash Equivalents	181,610	-	3,565	185,175
Financial assets held for trading	30,418	-	5,568	35,986
Due from banks and Loans to customers	-	1	87,876	87,877
Other assets	4,486	240	2,611	7,337
<b>Total</b>	<b>216,514</b>	<b>241</b>	<b>99,620</b>	<b>316,375</b>
<b>Liabilities</b>				
Financial liabilities held for trading	62,185	-	10,486	72,671
Due to banks and customers	126,974	16,507	340,872	484,353
Loans and credit facilities received	390,000	-	6,693,459	7,083,459
Subordinated liabilities	60,000	-	475,236	535,236
Other Liabilities	3,864	62	9,119	13,045
<b>Total</b>	<b>643,023</b>	<b>16,569</b>	<b>7,529,172</b>	<b>8,188,764</b>



## Note 29.2

<b>1 Jan 2011 – 31 Dec 2011 (in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiaries</b>	<b>Affiliated entities</b>	<b>Total</b>
<b>Income Statement</b>				
Interest income	1,194	31	4,551	5,776
Interest expense	-22,002	-7,843	-128,940	-158,785
Fee and commission income	3,892	1,608	445	5,945
Fee and commission expense	-1,223	-	-95	-1,318
Net trading income	-8,853	749	57,251	49,147
Net profit (loss) on hedging transactions	13,132	-	-	13,132
Other revenues	836	715	-79	1,472
Other expenses	-	-	-2,110	-2,110

<b>1 Jan 2010 – 31 Dec 2010 (in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Affiliated entities</b>	<b>Total</b>
<b>Income Statement</b>				
Interest income	2,029	-	324	2,353
Interest expense	-24,892	-669	-58,957	-84,518
Fee and commission income	3,900	1,537	1,527	6,964
Fee and commission expense	-1,206	-	-90	-1,296
Net trading income	75,704	-	-39,911	35,793
Other revenues	2,814	-	66	2,880

## Note 29.3

<b>31 Dec 2011 (in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiaries</b>	<b>Affiliated entities</b>	<b>Total</b>
<b>Contingent liabilities and transactions in derivative instruments</b>				
Contingent liabilities granted:	<b>11,186</b>	<b>159,465</b>	<b>313,397</b>	<b>484,048</b>
- items related to financing	-	158,066	34,845	192,911
- guarantees	11,186	1,399	278,552	291,137
Contingent liabilities received:	<b>19,625</b>	-	<b>338,104</b>	<b>357,729</b>
- items related to financing	-	-	-	-
- guarantees	19,625	-	338,104	357,729
Transactions in derivative instruments*	8,292,687	-	6,248,518	14,541,205

<b>31 Dec 2010 (in PLN thousand)</b>	<b>Parent entity</b>	<b>Subsidiary</b>	<b>Affiliated entities</b>	<b>Total</b>
<b>Contingent liabilities and transactions in derivative instruments</b>				
Contingent liabilities granted:	<b>13,441</b>	<b>50</b>	<b>364,360</b>	<b>377,851</b>
- items related to financing	-	50	187,054	187,104
- guarantees	13,441	-	177,306	190,747
Contingent liabilities received:	<b>20,569</b>	-	<b>141,411</b>	<b>161,980</b>
- items related to financing	-	-	-	-
- guarantees	20,569	-	141,411	161,980
Transactions in derivative instruments*	8,358,494	-	5,355,720	13,714,214

\*In the item "Transactions in derivative instruments", the derivative instrument purchase and sale transactions are presented.



## Material agreements with affiliated entities

### Loan agreements signed with BNP Paribas SA in 2011

In 2011, the following financing tranches from BNP Paribas SA with its registered office in Paris, were disbursed:

- on 4 February 2011 the tranche in the amount of PLN 800 million. The financing period for the aforementioned tranche is three years of the disbursement date, i.e. until 4 February 2014. The tranche interest rate was based on WIBOR 3M.
- on 30 June 2011, two credit tranches were disbursed:
  - the tranche in the amount of PLN 300 million for 2 years, i.e. until 28 June 2013;
  - the tranche in the amount of PLN 250 million for 3 years, i.e. until 30 June 2014;The tranche interest rate was based on WIBOR 3M.

- on 4 July 2011, the following credit tranches were disbursed:
  - the tranche in the amount of CHF 25 million for 2 years, i.e. until 4 July 2013;
  - the tranche in the amount of CHF 275 million for 3 years, i.e. until 4 July 2014;
  - the tranche in the amount of CHF 80 million for 4 years, i.e. until 6 July 2015;The tranche interest rate was based on LIBOR 3M.

In 2011, the Bank repaid the following credit lines taken from the Group entities:

- EUR 200 million (February 2011) - Fortis Finance;
- CHF 440 million (July 2011) - BGL;
- PLN 390 million (April, May, June, September 2011) - Fortis Bank SA/NV.

In 2012 (after the balance sheet date) the Bank repaid:

- PLN 300 million in February 2012 in favour of BNP Paribas based in Paris;
- EUR 180 million in March 2012 in favour of BNP Paribas based in Paris.

### Purchase of Fortis Lease Polska Sp. z o.o.

On 1 July 2011, an agreement on sale of 100% shares in Fortis Lease Polska Sp. z o. o. based in Warsaw was concluded by and between the Bank, as a buyer, and BNP Paribas Leasing Solutions SA based in Luxembourg, as a seller.

Under the agreement, the Bank acquired 11,500 of FLP shares, which constitute 100% of the FLP share capital and entitle the Bank to exercise the same number of votes at the FLP meeting of shareholders. On the basis of an external valuation made, the purchase price was PLN 94.8 million.

Fortis Lease Polska Sp. z o.o. has been operating on the Polish market since 2000. It offers lease of fixed assets, including real estate, means of transport, construction equipment and specialist machines for the industry. At present, it services over 2,600 customers. As at the end of 2010, FLP assets amounted to PLN 2.3 billion.

On 1 July 2011 the Bank, Fortis Lease Polska Sp. z o.o. and BNP Paribas Lease Group Sp. z o.o. signed a cooperation agreement governing detailed rules of cooperation between these entities.

### Multi-option credit line agreement with Fortis Lease Polska Sp. z o.o.

On 27 July 2011, the Bank signed another annex to the multi-option credit line agreement with Fortis Lease Polska Sp. z o.o. dated 17 November 2000. The credit line can be utilised as an overdraft facility, L/C line or guarantee credit line. Under the aforesaid annex, the credit limit amount was reduced down to PLN 160 million. The credit facility was rendered available for another current term, that is, until 13 July 2012.



### **Agreement with TFI BNP Paribas Polska SA**

On 7 April 2011, the Bank signed annex no. 2 to Distribution Agreement dated 5 November 2007 with TFI BNP Paribas Polska SA regarding acquisition by the Bank of customers interested in using third party's brokerage financial instrument portfolio services provided by TFI BNP. This Annex no. 2 referred to changes in Lokata ProfitPlus offering (formerly: Lokata Fortis FIO).



## 30. Transactions with the Board of Executives, Supervisory Board, Managers and Employees

The total remuneration and the value of benefits obtained by the members of the Board of Executives, Supervisory Board and by Managing Directors of BNP Paribas Bank Polska SA are specified in the table below:

### Note 30.1

in PLN thousand	1 Jan 2011 - 31 Dec 2011	1 Jan 2010 - 31 Dec 2010
Board of Executives, including:	8,634	8,532
- remuneration	5,161	4,805
- benefits*	794	987
- other**	2,679	2,740
Supervisory Board	756	661
Managing Directors***	16,310	14,855

\* The "benefits" item includes expenses related to medical care, company car (lump sum), accommodation.

\*\* The "other" item includes equivalent for holiday leave, bonuses and remuneration for the Board of Executives' meetings.

\*\*\*Gross remuneration paid out of the salary fund, including ZUS (Social Security) contributions for Directors directly reporting to the Board of Executives.

The table below presents detailed information in remuneration paid to members of the Board of Executives in 2011, and comparative data for 2010.

### Note 30.2

1 Jan 2011 – 31 Dec 2011 (in PLN thousand)		Remuneration	Benefits	Others	Total
Frédéric Amoudru	President of the Board of Executives, CEO	925	235	836	1,996
Jan Bujak	Senior Vice-President of the Board of Executives	827	8	303	1,138
Jaromir Pelczarski	Vice-President of the Board of Executives	827	5	303	1,135
Michel Thebault	Vice-President of the Board of Executives	739	246	100	1,085
Wojciech Kembłowski	Member of the Board of Executives since 11 May 2011	474	3	-	477
Marta Oracz	Member of the Board of Executives	547	8	94	649
Jean-Philippe Stephane Rodes	Member of the Board of Executives	653	171	160	984
Jacek Obłąkowski	Vice-President of the Board of Executives till 18 March 2011	157	1	337	495
Philippe Van Hellemont	Vice-President of the Board of Executives till 10 May 2011	12	117	546	675
<b>Total</b>		<b>5,161</b>	<b>794</b>	<b>2,679</b>	<b>8,634</b>

1 Jan 2010 – 31 Dec 2010 (in PLN thousand)		Remuneration	Benefits	Others	Total
Frédéric Amoudru	President of the Board of Executives	876	262	94	1,232
Alexander Paklons	Vice-President of the Board of Executives till 30 June 2010	-	135	420	555
Jan Bujak	Senior Vice-President of the Board of Executives	827	8	563	1,398
Jean – Luc Deguel	Vice-President of the Board of Executives till 30 June 2010	289	109	267	665
Jacek Obłąkowski	Vice-President of the Board of Executives	720	5	108	833
Jaromir Pelczarski	Vice-President of the Board of Executives	827	5	288	1,120
Michel Thebault	Vice-President of the Board of Executives	666	221	94	981
Philippe Van Hellemont	Vice-President of the Board of Executives	-	183	906	1,089
Marta Oracz	Member of the Board of Executives since 1 June 2010	244	6	-	250
Jean-Philippe Stephane Rodes	Member of the Board of Executives since 1 July 2010	356	53	-	409
<b>Total</b>		<b>4,805</b>	<b>987</b>	<b>2,740</b>	<b>8,532</b>



The table below presents detailed information in remuneration paid to members of the Supervisory Board in 2011, and comparative data for 2010.

### Note 30.3

<b>1 Jan 2011 – 31 Dec 2011 (in PLN thousand)</b>		<b>Remuneration</b>
Camille Fohl	Chairman	180
Jarosław Bauc	Deputy Chairman	120
Lars Machenil	Deputy Chairman	120
Monika Bednarek	Supervisory Board Member	84
Jean Deullin	Supervisory Board Member	84
Mark Selles	Supervisory Board Member	84
Andrzej Wojtyna	Supervisory Board Member	84
<b>Total</b>		<b>756</b>

<b>1 Jan 2010 – 31 Dec 2010 (in PLN thousand)</b>		<b>Remuneration</b>
Camille Fohl	Chairman	180
Jos Clijsters	Deputy Chairman until 30 September 2010	90
Jarosław Bauc	Deputy Chairman since 1 July 2010	51
Lars Machenil	Deputy Chairman since 5 November 2010	62
Antoni Potocki	Deputy Chairman until 29 April 2010	40
Zbigniew Dresler	Supervisory Board's member until 29 April 2010	28
Reginald De Gols	Supervisory Board's member until 31 March 2010	28
Monika Bednarek	Supervisory Board's member since 1 July 2010	42
Jean Deullin	Supervisory Board's member since 1 July 2010	42
Mark Selles	Supervisory Board's member since 30 April 2010	56
Andrzej Wojtyna	Supervisory Board's member since 1 July 2010	42
Jean-Marie Bellafiore	Supervisory Board's member from 30 April 2010 till 30 June 2010	-
<b>Total</b>		<b>661</b>

As at the end of 2011, two members of the Bank's Board of Executives who were at the same time members of the Supervisory Board of Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA did not receive any remuneration on this account, either in 2011 or 2010.

In 2011, two members of the Bank's Board of Executives were members of the Supervisory Board of Fortis Lease Polska Sp. z o.o. and did not receive any remuneration on this account.

### Provisions for employee benefits for key managers of the Bank

The table below presents provisions for employee benefits for key managers as at 31.12.2011 and comparative data as at 31.12.2010:

### Note 30.4

<b>Provisions for employee benefits for key managers, by groups (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Short-term, including:		
- Board of Executives	4,584	4,468
- Managing Directors	1,882	1,936
Long-term, including:		
- Board of Executives	2,702	2,532
- Managing Directors	346	342
- Board of Executives	116	95
- Managing Directors	230	247
<b>Total provisions for employee benefits for key managers</b>	<b>4,930</b>	<b>4,810</b>



**Information on loans, credit facilities, guarantees and sureties granted by the Bank to: Managing Directors, Members of the Board of Executives and Supervisory Board of BNP Paribas Bank Polska SA.**

**As at 31 December 2011, the Bank granted:**

to the Supervisory Board's Members:

- no debt with the Bank;

to the Board of Executives' Members:

- 7 (seven) credit card limits of PLN 35 thousand in total, of which PLN 11 thousand was used;
- 5 (five) foreign currency loans in the amount of PLN 1,311 thousand with the original maturity from 5 to 10 years, inclusive;
- 2 (two) debit limits in the savings and checking account in the total amount of PLN 80 thousand;

to Managing Directors:

- 34 loans totalling PLN 8,555 thousand, including 13 FC loans of the total of PLN 6,833 thousand with original maturity from 3 months to over 30 years;
- 11 (eleven) debit limits in the savings and checking account of PLN 231 thousand, of which PLN 27 thousand was utilised as at the end of 2011;
- 15 credit card limits totalling PLN 112 thousand, of which PLN 54 thousand were utilised as at the end of 2011;

to persons related to managing and supervising persons:

- 8 (eight) loans, of which one in a foreign currency, in the total amount of PLN 259 thousand with the original maturity from 2 to 30 years, inclusive;
- 1 (one) debit limit in the savings and credit account in the total amount of PLN 8 thousand;
- 2 (two) credit card limits totalling PLN 11 thousand, of which PLN 7 thousand were utilised as at the end of 2011;

**As at 31 December 2010, the Bank granted:**

to the Supervisory Board's Members:

- no debt with the Bank;

to the Board of Executives' Members:

- 6 (six) credit card limits of PLN 46 thousand in total, of which PLN 10 thousand was used;
- 5 (five) foreign currency loans in the amount of PLN 1,243 thousand with the original maturity from 5 to 10 years, inclusive;
- 2 (two) debit limits in the savings and checking account in the total amount of PLN 100 thousand;

to Managing Directors:

- 27 loans totalling PLN 6,607 thousand, including 14 FC loans of the total of PLN 4,594 thousand with original maturity from 3 months to over 30 years;
- 13 debit limits in the savings and checking account of PLN 319 thousand, of which PLN 27 thousand was utilised as at the end of 2010;
- 29 credit card limits totalling PLN 212 thousand, of which PLN 64 thousand were utilised as at the end of 2010;

to persons related to managing and supervising persons:

- 9 (nine) loans, of which three in a foreign currency, in the total amount of PLN 2,357 thousand with the original maturity from 2 to 30 years, inclusive;
- 4 (four) debit limits in the savings and credit accounts totalling PLN 78 thousand, of which PLN 24 thousand was utilised as at the end of 2010;
- 4 (four) credit card limits totalling PLN 42 thousand, of which PLN 4 thousand were utilised as at the end of 2010;
- guarantee of EUR 4 thousand issued for the period from 3 months up to 1 year.



### Information on indebtedness of employees related to loans granted from the Company Social Benefit Fund (ZFŚS)

The table below presents the level indebtedness of employees of BNP Paribas Bank Polska SA related to loans granted from the Company Social Benefit Fund (ZFŚS).

#### Note 30.5

<b>Employee indebtedness on account of cash loans granted from the Company Social Benefits Fund (ZFŚS)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
in PLN thousand	745	717

### Employee loans

Moreover, the Bank's employees are entitled to use employee loans. The outstanding balance of such loans is shown in the table below:

#### Note 30.6

<b>Employee loans granted</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
in PLN thousand	205,722	183,341
According to the number of employees	1,657	1,687

General terms and conditions of loans, credit facilities, guarantees and sureties received by employees, Managing Directors, Members of the Bank's Board of Executives and Supervisory Board do not differ from the applied market conditions.



## 31. Employee benefits

The number of full-time equivalents (FTEs) in the Bank was as follows:

### Note 31.1

<b>Employment:</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
FTEs	2,984	2,816
of which, having education:		
- higher	64%	63%
- BA	13%	12%
- secondary	23%	25%

Employee benefits consist of:

- Short-term employee benefits, including:
  - reserve for bonuses
  - reserve for unused vacation leaves
  - Company Social Benefit Fund (ZFŚS)
  - others
- Long-term employee benefits, including:
  - reserve for pension benefits

Details regarding reserves for short-term employee benefits broken by titles:

### Note 31.2

<b>Short-term employee benefits by titles (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Reserve for employee bonuses	15,555	12,890
Reserve for unused vacation leaves	3,420	8,719
Company Social Benefit Fund (ZFŚS)	1,413	1,180
Others	12	6
<b>Total short-term employee benefits</b>	<b>20,400</b>	<b>22,795</b>

The Bank does not finance employee pension schemes.

Long-term employee benefits include the Bank's liabilities on account of retirement severance pay, disability benefits and post-death benefits. The benefits are specific benefit programs that are not financed by assets. The Bank applies the rule of full recognition of actuarial profits and losses in the income statement.

Retirement severance pay, disability benefits and post-death benefits are governed by the relevant Labour Code provisions and are obligatory.



In the table below, a breakdown of long-term employee benefits by programmes is presented:

#### Note 31.3

<b>Current value of liabilities (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Retirement severance pay, disability benefits and post-death benefits	2,467	2,216
<b>Total long-term employee benefits</b>	<b>2,467</b>	<b>2,216</b>
<b>Liabilities recognised in the balance sheet</b>	<b>2,467</b>	<b>2,216</b>

The tables below present opening and ending balances of the present value of long-term employee benefits:

#### Note 31.4

<b>Retirement severance pay, disability benefits and post-death benefits (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
<b>Present value of liabilities – opening balance</b>	<b>2,216</b>	<b>1,986</b>
Current employment costs	267	249
Interest expense	120	111
Actuarial Profits (+) / Losses (+)	-66	-79
Benefits paid out (-)	-70	-51
<b>Present value of liabilities – ending balance</b>	<b>2,467</b>	<b>2,216</b>

In the table below, a discount rate is presented along with the expected remuneration growth rate accounted for in the benefit valuation.

#### Note 31.5

<b>Actuarial assumptions for measurement</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Discount rate	5.9%	5.6%
Expected remuneration growth rate	5.0%	5.0%



## 32. Risk Management

The Bank identifies, measures, monitors and manages all risks that occur in its activity.

The Bank divides monitoring, control and risk management processes into the following categories:

- credit risk
- liquidity risk
- FX risk
- interest rate risk
- counterparty risk
- operational risk

The Bank's Board of Executives defines the risk policy and applies rules of risk management and control, determines the limit setting policy for all relevant risk types as well as risk control procedures.

### Credit risk

#### **Credit risk management**

In its business, the Bank grants loans and credit facilities likewise issues guarantees to its customers, and also develops other forms of financing. This type of activity results in the Bank's exposure to risk that a loan or another form of financing granted by the Bank is not repaid by a borrower at a contractual date.

The risk occurs irrespective of the financing form, and the main risk source is customer's inability to meet its liabilities towards the Bank.

The rules concerning credit risk assessment, measurement, acceptance, hedging, control and reporting, adopted by the Bank, have been specified in the credit risk management policy which is consistent with the risk management strategy at BNP Paribas Bank Polska SA and supports the achievement of objectives laid down in the strategy.

The credit risk management is based on an integrated approach that covers both operational and strategic dimensions.

Further to that, in the strategic dimension the Bank defines its risk profile and adjusts business assumptions to it. The strategic credit risk management is related with such aspects of the Bank's activity as the management of the Bank's capital and goodwill, pricing policy, planning or budgeting. Such an approach is to maintain the capital adequacy and the assumed level of risk costs while generating an optimum asset profitability.

The strategic dimension focuses on the portfolio risk and covers the following activities:

- implementation of the rules and objectives of the Bank's credit policy,
- creation and development of credit systems and tools (credit engineering),
- setting limits, monitoring and management of the portfolio credit risk,
- management reporting.

An operational dimension of credit risk management focuses on the management from the point of view of a single exposure or borrower. The operational dimension consists of the following activities:

- credit analysis and credit decisions,
- credit administration,
- monitoring of risk related to individual credit exposures,
- restructuring,
- debt recovery.



Credit risk assessment is either individualised or standard, depending on the level of complexity of a credit product offered. An individual credit risk assessment is applied in the event of a comprehensive financing tailored to the needs of a customer of a significant scale of business activity. On the other hand, a standard credit risk assessment is used for homogeneous products granted to borrowers of a similar risk profile and for similar purposes.

The credit risk assessment process in the Bank includes both the quantitative and qualitative components. The quantitative part refers to an analysis of the borrower's economic and financial situation, the investment project business plan and macroeconomic environment forecast. The qualitative assessment focuses on "soft" business competence, knowledge of the market and its members as well as trends that affect the demand and supply of credit products, combined with expertise on a specific nature of borrowers' businesses in individual economic sectors.

The superior bodies authorised to take credit decisions at the Bank are the Credit Committee and Watch-list and Doubtful Debts Committee which act under regulations approved by the Supervisory Board. To ensure effectiveness of the decision-making process, some authority to take credit decisions is delegated under the "four-eyes" principle (by two people) or "two-eyes" principle (by one person). The decision-making model takes into consideration the business lines' structure, determines the number of decision-making levels, the scope of their authorisation powers, likewise the rules, criteria and conditions of making credit decisions. Amount limits of decision-making authorisations depend on two basic criteria: customer's rating and financing term.

Rating system/ risk classification system pursuant to the IFRS

The rating is determined for each client in relation to which the Bank's TOO exceeds EUR 1,000. Individual customers are covered by a risk assessment based on scoring models. The creditworthiness of customers of the Bank is estimated based on Fortis Masterscale (FMS), a rating system that contains 17 rating classes to assess entities that fulfil the payment obligations ( $PD < 1$ ) and 3 rating classes for defaults.

Borrowers with reference to which there is a probability that the Bank will not recover all the receivables due unless collateral is used, or which are in default for over 90 days regarding any material credit liability due to the Bank, are assigned rating between 18 and 20 and the default status. The default status is assigned in accordance with the risk classification system, adopted by the Bank, based on the IFRS.

The catalogue of objective indicators (events of default) includes quantitative and qualitative data, such as the following:

- significant financial difficulties or bankruptcy risk,
- composition settlement,
- composition proceedings initiated,
- economic crime,
- termination of loan agreements by other banks,
- delinquent payments longer than 90 days of a loan principal and/or interest that have been continued in any account of the customer, or a credit limit granted to the customer that has been exceeded.



## Credit risk measurement

During the credit risk identification and measurement, the Bank uses measures that illustrate expected, unexpected and incurred credit losses, generated by the credit portfolio. These are:

- incurred but not reported losses, for which an impairment allowance is created (IBNR),
- impairment allowances for incurred and reported losses,
- expected losses - basic risk costs characteristic for a given product,
- unexpected losses - additional risk costs for which a capital buffer is created.

Although the loss amount which the Bank might incur in a given year can never be determined precisely, an average credit loss level which can be reasonably expected to arise, considering the credit exposure, may be estimated. This loss category is called expected losses; from the point of view of a financial institution they are considered a cost of the credit activity pursued. Such losses are managed by, among others, diversification and adequate valuation of credit products. Expected losses are calculated using parameters which describe credit risk, namely a probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The calculation of the Incurred But Not Reported losses (IBNR) is based on the likelihood that a given credit exposure is reclassified from the performing portfolio into the portfolio of individually impaired assets in a given period of time, referred to as a loss incubation period (LIP). Write-downs for impairment related to IBNR losses are computed and posted on a monthly basis.

Write-downs for impairment related to incurred and reported losses (default exposures) are computed and posted monthly, based on the loan portfolio balance (balance sheet and off-balance sheet items) as at the end of a month, in which they were posted.

One of the functions of capital in a banking institution is to provide protection for depositors who invest their financial means there in case of losses significantly exceeding the expected losses. Losses of such nature are exactly the unexpected losses as it is impossible to know in advance when they arise and how severe they will be; they are absorbed through the Bank's equity.

## Credit risk analysis

The tables below present maximum exposure of financial assets and off-balance sheet items to credit risk, the level of write-downs for impairment and provisions for off-balance sheet commitments as at 31 December 2011 and comparative data as at 31 December 2010.

### Note 32.1.1

Information on exposure quality (in PLN thousand)	31 Dec 2011	31 Dec 2010
<b>Cash and cash equivalents</b>	<b>886,514</b>	<b>998,763</b>
- receivables without impairment	887,625	999,500
- write-downs for impairment of IBNR losses	-1,111	-737
<b>Financial assets held for trading</b>	<b>175,238</b>	<b>194,290</b>
- securities	24,535	91,699
- derivative financial instruments	150,703	102,591
measurement to fair value	153,648	106,737
fair value adjustment for credit risk	-2,945	-4,146
<b>Due from banks</b>	<b>358,822</b>	<b>159,013</b>
- receivables without impairment	358,906	159,118
- write-downs for impairment of IBNR losses	-84	-105



<b>Loans to customers</b>	<b>14,832,225</b>	<b>13,151,131</b>
- receivables without impairment	13,988,812	12,149,893
- receivables impaired, including where the impairment is:	2,043,653	2,236,775
determined on a case-by-case basis	1,204,813	1,368,231
determined using a collective method	838,840	868,544
- write-downs for impairment for incurred and reported losses	- 1,116,188	-1,153,854
determined on a case-by-case basis	-594,149	-633,453
determined using a collective method	-522,039	-520,401
- write-downs for impairment of IBNR losses	-84,052	-81,683
<b>Investments - Available for Sale</b>	<b>3,621,450</b>	<b>3,247,825</b>
- investments available for sale	3,636,637	-
- impairment losses	-15,187	-
<b>Other investments</b>	<b>112,996</b>	<b>18,208</b>
<b>Off-balance sheet commitments granted</b>	<b>5,825,832</b>	<b>4,380,725</b>
- off-balance sheet commitments without impairment	5,763,525	4,274,060
- off-balance sheet liabilities impaired, including where the impairment is:	96,773	120,837
determined on a case-by-case basis	62,234	83,198
determined using a collective method	34,539	37,639
- provisions for off-balance sheet commitments	-28,286	-5,948
determined on a case-by-case basis	-26,741	-4,554
determined using a collective method	-1,545	-1,394
- write-downs for impairment of IBNR losses – off-balance sheet commitments	-6,180	-8,224

#### Note 32.1.2

<b>Analysis of gross receivables from customers (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Performing receivables without impairment	13,617,630	11,621,128
Non-performing receivables without impairment	371,182	528,765
Receivables with impairment determined on a case-by-case basis (with a provision)	1,160,363	1,202,497
Receivables with impairment determined on a case-by-case basis (without a provision)	44,450	165,734
Receivables with impairment determined collectively (with a provision)	816,837	844,154
Receivables with impairment determined collectively (without a provision)	22,003	24,390
<b>Total loans to customers, gross</b>	<b>16,032,465</b>	<b>14,386,668</b>

The table below presents the FC analysis of loans to customers, which are neither past-due nor impaired as at 31.12.2011, along with comparative data as at 31.12.2010.

#### Note 32.1.3

<b>Performing receivables without impairment as per currencies (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
CHF	4,604,051	4,207,948
EUR	2,034,082	1,747,680
PLN	6,678,716	5,596,908
USD	300,781	68,592
<b>Total</b>	<b>13,617,630</b>	<b>11,621,128</b>

The analysis of loans to customers which are neither past-due nor impaired, broken down by rating classes as at 31.12.2011, along with comparative data as at 31.12.2010, is presented in the table below.

#### Note 32.1.4

<b>Performing receivables without impairment (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
1-7	1,165,970	733,135
8-10	1,526,671	1,745,873
11-12	1,993,921	1,839,919
13-17	1,372,772	851,306
Unrated	7,558,296	6,450,895
- of which mortgage loans	5,987,367	4,787,652
<b>Total</b>	<b>13,617,630</b>	<b>11,621,128</b>



The following table presents receivables from customers which have been impaired, broken down by rating classes as at 31 December 2011 along with comparative data as at 31 December 2010.

#### Note 32.1.5

<b>Receivables impaired (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
- determined on a case-by-case basis	1,204,813	1,368,231
18	-	-
19	754,321	971,723
20	425,508	388,400
Unrated	24,984	8,108
- determined using a collective method	838,840	868,544
18	-	-
19	2,520	8,129
20	48,864	54,312
Unrated	787,456	806,103
<b>Total</b>	<b>2,043,653</b>	<b>2,236,775</b>

The "Unrated" category covers the Bank's customers that were not assigned the Fortis Masterscale credit rating or had an expired rating. Under the rules of the Fortis Masterscale system, which is in force at the Bank, rating assignment procedure is applied only to commercial customers (business entities) with respect to which the Bank's TOO exceeds EUR 1000 per customer.

The table below presents an aging analysis of financial assets that are past-due but not impaired as at the reporting date.

#### Note 32.1.6

<b>Past-due periods of non-performing receivables, without impairment (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
from 1 to 30 days	258,294	404,894
from 31 to 60 days	49,716	81,299
from 61 to 90 days	57,295	34,832
from 91 days up	5,877	7,740
<b>Total non-performing receivables without impairment</b>	<b>371,182</b>	<b>528,765</b>

The table below presents types of collateral accepted by the Bank to secure credits and loans granted to customers as at 31 December 2011 and comparative data as at 31 December 2010.

#### Note 32.1.7

<b>Nominal value of collateral established in favour of the Bank (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Financial collateral - cash and cash equivalents	722,730	526,706
Financial collateral - other	1,555,225	989,503
Non-financial collateral - tangible	30,920,761	25,144,691
Guarantees and sureties	3,642,323	2,947,450
<b>Total collateral received</b>	<b>36,841,039</b>	<b>29,608,350</b>

The collateral presented above includes the following collateral types:

- financial collateral – cash and cash equivalents – collateral established on cash or securities in the form of a guaranty deposit, hold on a bank account or on securities account;
- financial collateral – other – collateral established on investment fund participation units in the form of a hold on an account, transfer of receivables;
- non-financial collateral – tangible – established as a registered pledge, ordinary pledge, ownership transfer, mortgage;
- guarantees and suretyships.

The portfolio of customer loans that became impaired include receivables of renegotiated terms and conditions, of PLN 163,799 thousand as at 31 December 2011 and PLN 66.849 thousand as at 31 December 2010.



Below there is an analysis of credit exposures (excl. banks) broken by business lines as at 31.12.2011 and comparative data as at 31.12.2010.

Note 32.1.8

<b>Credit exposures broken by business lines 31 Dec 2011 (in PLN thousand)</b>	<b>Retail Banking</b>	<b>Corporate and Transaction Banking</b>	<b>Total</b>
Balance sheet credit exposures	11,304,924	4,727,540	16,032,464
Off-balance sheet credit exposures	860,558	4,466,238	5,326,796
<b>Total credit exposures, gross</b>	<b>12,165,482</b>	<b>9,193,778</b>	<b>21,359,260</b>
Write-downs for impairment for incurred and reported losses	-721,311	- 394,877	- 1,116,188
Provisions for off-balance sheet commitments	-1,549	- 26,737	-28,286
Write-downs for Incurred But Not Reported losses (IBNR)	-65,406	-24,826	-90,232
- balance sheet receivables	-63,822	-20,230	-84,052
- off-balance sheet commitments	-1,584	- 4,596	-6,180
<b>Total credit exposures, net</b>	<b>11,377,216</b>	<b>8,747,338</b>	<b>20,124,554</b>

<b>Credit exposures broken by business lines 31 Dec 2010 (in PLN thousand)</b>	<b>Retail Banking</b>	<b>Corporate and Transaction Banking</b>	<b>Total</b>
Balance sheet credit exposures	10,309,204	4,077,464	14,386,668
Off-balance sheet credit exposures	889,566	3,295,730	4,185,296
<b>Total credit exposures, gross</b>	<b>11,198,770</b>	<b>7,373,194</b>	<b>18,571,964</b>
Write-downs for impairment for incurred and reported losses	-711,831	-442,023	-1,153,854
Provisions for off-balance sheet commitments	-2,583	-3,365	-5,948
Write-downs for Incurred But Not Reported losses (IBNR)	-71,965	-17,942	-89,907
- balance sheet receivables	-69,150	-12,533	-81,683
- off-balance sheet commitments	-2,815	-5,409	-8,224
<b>Total credit exposures, net</b>	<b>10,412,391</b>	<b>6,909,864</b>	<b>17,322,255</b>

Note 32.1.9

<b>Segment / Risk category 31 Dec 2011</b>	<b>Credit exposure value</b>				<b>Total</b>
	<b>Retail Banking</b>		<b>Corporate and Transaction Banking</b>		
	<b>in PLN thousand</b>	<b>in %</b>	<b>in PLN thousand</b>	<b>in %</b>	
Without impairment	10,560,317	87	8,287,336	90	18,847,653
With impairment:	1,605,165	13	906,442	10	2,511,607
- determined on a case-by-case basis	425,712	-	841,335	-	1,267,047
- determined using a collective (portfolio) method	1,179,453	-	65,107	-	1,244,560
<b>Total credit exposures, gross</b>	<b>12,165,482</b>	<b>100</b>	<b>9,193,778</b>	<b>100</b>	<b>21,359,260</b>

<b>Segment / Risk category 31 Dec 2010</b>	<b>Credit exposure value</b>				<b>Total</b>
	<b>Retail Banking</b>		<b>Corporate and Transaction Banking</b>		
	<b>in PLN thousand</b>	<b>in %</b>	<b>in PLN thousand</b>	<b>in %</b>	
Without impairment	9,909,798	88	6,304,554	86	16,214,352
With impairment:	1,288,972	12	1,068,640	14	2,357,612
- determined on a case-by-case basis	413,765	-	1,037,665	-	1,451,430
- determined using a collective (portfolio) method	875,207	-	30,975	-	906,182
<b>Total credit exposures, gross</b>	<b>11,198,770</b>	<b>100</b>	<b>7,373,194</b>	<b>100</b>	<b>18,571,964</b>

The table below presents an analysis of mortgage loans for individuals, through the relation of disbursed mortgage loans to the value of collateral for repayment of the loans, as at 31.12.2011 along with comparative data as at 31.12.2010.



#### Note 32.1.10

<b>Mortgage loans for private individuals 31 Dec 2011</b>	<b>PLN</b>	<b>FC</b>	<b>Total</b>
Balance sheet value (in PLN thousand)	1,267,733	4,719,635	5,987,368
Average maturity (years)	24.7	23.5	23.7
Average LTV (%)	76%	114%	106%

<b>Mortgage loans for private individuals 31 Dec 2010</b>	<b>PLN</b>	<b>FC</b>	<b>Total</b>
Balance sheet value (in PLN thousand)	737,824	4,313,670	5,051,494
Average maturity (years)	24	24.3	24.2
Average LTV (%)	72%	99%	95%

#### Note 32.1.11

<b>Analysis of gross mortgage loan portfolio (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Performing receivables without impairment	5,736,757	4,787,653
Past-due receivables without impairment	112,379	179,648
Receivables with impairment determined on a case-by-case basis (with a provision)	14,816	5,259
Receivables with impairment determined on a case-by-case basis (without a provision)	-	-
Receivables with impairment determined collectively (with a provision)	114,203	78,017
Receivables with impairment determined collectively (without a provision)	9,213	917
<b>Total mortgage loans, gross</b>	<b>5,987,368</b>	<b>5,051,494</b>

The table below presents an aging analysis of mortgage loans that are past-due but not impaired as at a reporting date.

#### Note 32.1.12

<b>Delinquency periods of past-due mortgage loans, without impairment (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
from 1 to 30 days	93,418	150,332
from 31 to 60 days	16,175	23,979
from 61 to 90 days	2,785	5,337
<b>Total of past-due mortgage loans, without impairment</b>	<b>112,378</b>	<b>179,648</b>

The table below presents currency analysis of mortgage loans as at 31 December 2011 and comparative data as at 31 December 2010.

#### Note 32.1.13

<b>Mortgage loans by currency (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
CHF	4,623,555	4,234,238
EUR	89,249	73,766
PLN	1,267,733	737,824
USD	6,831	5,666
<b>Total mortgage loans</b>	<b>5,987,368</b>	<b>5,051,494</b>

The table below presents credit portfolio concentration, gross, for balance sheet and off-balance sheet exposures (excl. banks) broken by sectors, as at 31 December 2011 and comparative data as at 31 December 2010.

#### Note 32.1.14

<b>Credit portfolio by sectors</b>	<b>31 Dec 2011</b>		<b>31 Dec 2010</b>	
	<b>in PLN thousand</b>	<b>in %</b>	<b>in PLN thousand</b>	<b>in %</b>
Natural persons	8,471,019	39.66	7,494,280	40.35
Wholesale	2,040,025	9.55	1,766,678	9.51
Commercial construction and engineering	1,534,187	7.18	1,263,175	6.80
Education, medical care	1,344,518	6.29	1,233,412	6.64
Machines	1,055,713	4.94	979,405	5.27
Other services	922,552	4.32	851,462	4.58



Retail trade	758,040	3.55	791,500	4.26
Financial institutions	560,514	2.62	213,146	1.15
Food, tobacco, beverages	553,343	2.59	599,771	3.23
Chemicals and plastics	515,745	2.41	412,477	2.22
Furniture and electrical industry	429,817	2.01	366,599	1.97
Vessels	327,901	1.54	361,062	1.94
Sports, tourism, culture and arts	313,263	1.47	329,730	1.78
Wood, woodwork	308,546	1.44	292,157	1.57
Motor vehicles	386,992	1.81	291,205	1.57
Communications	193,606	0.91	260,496	1.40
Transport	182,046	0.85	172,515	0.93
Ceramics and glass	171,792	0.80	177,767	0.96
Print shops and publishers	105,487	0.49	74,128	0.40
Textiles, leather articles	97,881	0.46	95,170	0.51
Paper and stationery	84,220	0.39	93,242	0.50
Administration services	81,947	0.38	91,766	0.49
Other means of transport	36,977	0.17	43,094	0.23
Production of metals and non-metals	37,320	0.17	22,231	0.12
Residential construction	12,484	0.06	9,235	0.05
Other production	17,842	0.08	81,273	0.44
Others	815,483	3.86	204,988	1.13
<b>Total credit portfolio by sectors</b>	<b>21,359,260</b>	<b>100.00</b>	<b>18,571,964</b>	<b>100.00</b>

### Credit risk concentration

The Bank fully complies with and monitors limits under the Banking Law Act that define levels of receivables concentrations bearing risk of one entity or affiliated entities.

Under Article 71 para. 1 of the Banking Law Act, as at 31 December 2011 the limit of the Bank's exposures bearing risk of one entity or affiliated entities amounted to PLN 446,344 thousand (pursuant to law, 25% of the Bank's own funds).

Under Article 71 para. 1a-1c of the Banking Law Act, the Bank's Board of Executives set forth a limit for the Bank's exposures towards another domestic bank, credit institution, foreign bank or a group of affiliated entities, comprising at least one domestic bank, credit institution or foreign bank, at the level of 35% of the Bank's own funds, however not exceeding the equivalent of EUR 150 million. As at 31 December 2011, the said limit amounted to PLN 624,881 thousand.

Either in 2011 or in 2010, the Bank did not exceed the maximum exposure limit determined under the Banking Law Act towards any customer or group of customers.

### Liquidity, FX and Interest Rate Risks

The Bank defines liquidity risk as the risk of losing its ability to: meet its payment commitments when due, acquire funds which are alternative to funds currently held, generate a positive cash flow balance within a specified time horizon.

Market interest rate risk is related to unfavourable changes in the Bank's financial result or the Bank's capital, which arises from one of the following reasons:

- a different way of making interest rate of the Bank's assets and of liabilities financing such assets dependent on market rates (mismatch risk);
- changes in market interest rates that affect fair value of the Bank's open positions (interest rate volatility risk), or
- exercise by customers of options built in the bank products which may be exercised as a result of changes in market interest rates (customer option risk).

Market FX risk is linked to adverse changes to the Bank's financial result caused by changes in market Forex spot rates.

The Bank monitors the liquidity risk, FX risk and interest rate risk by means of the multidimensional system of limits and



reports.

A system of limits is imposed on the majority of analysed parameters of liquidity, FX and interest rate risks. The limits are set in such a way so as to:

- keep the desired market risk profile, determined in the Bank's strategies;
- not exceed the risk level acceptable by the BNP Paribas Group.

In the event a limit is exceeded, the unit responsible for keeping the reported values below a given limit is required to undertake actions to enable reduction of a given risk pursuant to procedures binding in the Bank.

The information system ensures collecting data on interest rate operations and transactions, various risk indicators and market rates.

As regards the risk management, the Bank's policy objective is that employees responsible for the supervision and service of risk management processes have high moral standards and long-term expertise and theoretical knowledge required for such duties.

In its policy the Bank has adopted a rule that business functions (direct transaction conclusion), operating functions (e.g. transaction booking, transaction settlement), control functions (risk level measurements and monitoring), that are part of the FX, interest rate and liquidity risk management, are performed by units that are mutually organisationally separate and report to different Members of the Board of Executives.

The policy that consists in a plain separation of:

- business functions from the risk level control functions - is to ensure that the quality of FX and interest rate risk level control would not deteriorate as a result of an internal conflict of interest, and that any control results that show an excessive FX risk would trigger an appropriate reaction of the Bank's management,
- operating functions from the risk control function - is to ensure that the quality of risk level control would not worsen as a result of an internal conflict of interest, and that any control results that show an excessive risk level would trigger an appropriate reaction of the Bank's management,
- operating functions from business functions - is to ensure that the quality of operating processes would not decrease as a result of an internal conflict of interest.

The Bank has developed policies on operational risk control and management likewise on the procedure in the event of crisis situations. The said policies naturally refer to FX and interest rate risk management processes.

### **Liquidity Risk**

The Bank identifies the following liquidity types:

- immediate liquidity – within a current day,
- future liquidity – for a period exceeding the current day, which may be further broken down by the following:
  - current liquidity – for up to seven (7) days,
  - short-term liquidity – from over seven (7) days up to one (1) month,
  - medium- and long-term liquidity - above one (1) month.

The Bank defines liquidity risk as the risk of losing its ability to:

- settle its payment obligations timely,
- acquire funds alternative to the funds currently held,
- generate positive cash flow balance within a specified time horizon.

The Bank's strategy consists in the following:

- Ensuring high quality standards for the liquidity management processes. Under the strategy, steps towards quality improvement of the liquidity management processes have been assigned the top priority at the Bank;



- Striving to ensure that the Bank's dependence on market conditions is limited to such an extent that in a market crisis the Bank will be able to keep its liquidity for three months, without limiting the range of services or initiating changes in the core business. In the event of a market crisis lasting for a longer period, the Bank's strategy provides that liquidity would be sustained, however, the previous development direction might be changed in this situation, and the Bank would allow for costly changes in the business profile;
- Minimisation, in an active way, of the prospect for the occurrence of unfavourable events for the Bank. Since, however, the probability that such factors occur may not be completely eliminated, the Bank's strategy consists also in ensuring that, should such factors occur, the Bank will sustain its financial liquidity at minimum own costs (measurable and immeasurable) and take efficient steps to regain the confidence of customers and financial institutions as soon as possible.

### Structure of Credit Financing

The Bank finances its PLN loans chiefly by funds gathered by customers in the form of current and term deposits, and by funds invested in accounts of various insurance companies, on behalf of which the Bank, acting as their representative, sells insurance policies of such insurance companies to its customers.

The Bank finances its FC loans mainly by means of funds originating from medium- and long-term loans from the BNP Paribas Group.

As at 31 December 2011, the structure of disbursed loans from the Group was as follows:

- CHF 439 million – maturity in June 2012,
- EUR 2.5 million – maturity in June 2012,
- EUR 300 million – maturity in June 2012,
- CHF 295 million – maturity in June 2012,
- CHF 250 million – maturity in October 2012,
- PLN 800 million – maturity in February 2014,
- PLN 250 million – maturity in June 2014,
- CHF 275 million – maturity in July 2014,
- CHF 80 million – maturity in July 2015,
- EUR 50 million – maturity in July 2015,
- EUR 100 million – maturity in September 2017,
- PLN 60 million – maturity in April 2019,
- EUR 20 million – maturity in April 2019.

Additionally, as at 31 December 2011, the Bank disbursed the following credit facilities from the EBRD and EIB:

- EUR 30 million – maturity in January 2016,
- PLN 119 million – maturity in July 2016,
- PLN 80 million – maturity in June 2017.



The table below presents an analysis of balance sheet items and derivative instruments broken by residual maturity as at 31 December 2011 and comparative data as at 31 December 2010.

Note 32.2

31 Dec 2011 (in PLN thousand)	Without any maturity determine d	up to 1 month	1 - 3 months	3 - 12 months	1 - 3 years	3 - 5 years	> 5 years	Total
Cash and Cash Equivalents	-	-	-	-	-	-	-	<b>1,053,566</b>
Financial assets held for trading		23,171	16,620	44,084	9,349	39,159	42,855	<b>175,238</b>
Due from banks	-84	195,112	103,794	-	60,000	-	-	<b>358,822</b>
Loans to customers	872,238	2,168,529	459,660	1,507,141	2,534,042	1,619,510	5,671,105	<b>14,832,225</b>
Investments available for sale	6,782	1,569,391	-	215,048	176,966	589,440	1,063,823	<b>3,621,450</b>
Other investments	112,996	-	-	-	-	-	-	<b>112,996</b>
Other assets	-	-	-	-	-	-	-	<b>568,871</b>
<b>Long position</b>	<b>991,932</b>	<b>3,956,203</b>	<b>580,074</b>	<b>1,766,273</b>	<b>2,780,357</b>	<b>248,109</b>	<b>6,777,783</b>	<b>20,723,168</b>
Financial liabilities held for trading	-	34,227	12,546	16,971	9,113	35,428	17,749	<b>126,034</b>
Due to banks	-	503,158	9,353	56,119	371,114	90,415	12,471	<b>1,042,630</b>
Due to customers	14,002	7,239,187	860,791	601,470	255,912	70	3,037	<b>8,974,469</b>
Loans and credit facilities received	-	-	-	4,002,924	3,348,315	762,901	80,000	<b>8,194,140</b>
Liabilities related to issuance of debt securities	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	590,016	<b>590,016</b>
Other liabilities	-	-	-	-	-	-	-	<b>1,795,879</b>
<b>Short position</b>	<b>14,002</b>	<b>7,776,572</b>	<b>882,690</b>	<b>4,677,484</b>	<b>3,984,454</b>	<b>888,814</b>	<b>703,273</b>	<b>20,723,168</b>
<b>Gap – balance sheet</b>	<b>977,930</b>	<b>-3,820,369</b>	<b>-302,616</b>	<b>-2,911,211</b>	<b>-1,204,097</b>	<b>1,359,295</b>	<b>6,074,510</b>	
Derivative instruments								
Amounts bought	-	2,178,120	2,238,582	2,716,540	588,687	1,008,317	450,606	<b>9,180,852</b>
Amounts sold	-	1,640,468	2,232,735	2,697,028	588,686	1,007,240	450,606	<b>8,616,763</b>
<b>Gap – off- balance sheet</b>	<b>-</b>	<b>537,652</b>	<b>5,847</b>	<b>19,512</b>	<b>1</b>	<b>1,077</b>	<b>-</b>	<b>564,089</b>



31 Dec 2010 (in PLN thousand)	Without any maturity determined	up to 1 month	1 - 3 months	3 - 12 months	1 - 3 years	3 - 5 years	> 5 years	Total
Cash and Cash Equivalents	-	-	-	-	-	-	-	<b>1,172,860</b>
Financial assets held for trading	-	15,909	11,024	54,360	48,867	11,697	52,433	<b>194,290</b>
Due from banks	-105	157,745	1,373	-	-	-	-	<b>159,013</b>
Loans to customers	999,221	1,436,252	384,752	1,422,687	2,263,280	1,484,382	5,160,557	<b>13,151,131</b>
Investments available for sale	23,948	899,428	158,903	664,299	388,872	235,916	876,459	<b>3,247,825</b>
Other investments	18,208	-	-	-	-	-	-	<b>18,208</b>
Other assets	-	-	-	-	-	-	-	<b>612,908</b>
<b>Long position</b>	<b>1,041,272</b>	<b>2,509,334</b>	<b>556,052</b>	<b>2,141,346</b>	<b>2,701,019</b>	<b>1,731,995</b>	<b>6,089,449</b>	<b>18,556,235</b>
Financial liabilities held for trading	-	10,588	18,881	21,579	11,669	8,704	26,278	<b>97,699</b>
Due to banks	-	201,453	8,387	50,319	326,271	120,207	39,137	<b>745,774</b>
Due to customers	12,403	5,439,239	1,743,347	685,311	327,993	570	2,912	<b>8,211,775</b>
Loans and credit facilities received	-	792,060	-	1,782,116	4,311,268	198,015	80,000	<b>7,163 459</b>
Liabilities related to issuance of debt securities	-	-	-	-	-	30,000	-	<b>30,000</b>
Subordinated liabilities	-	30,000	-	-	-	-	535,236	<b>565,236</b>
Other liabilities	-	-	-	-	-	-	-	<b>1,742,292</b>
<b>Short position</b>	<b>12,403</b>	<b>6,473,340</b>	<b>1,770,615</b>	<b>2,539,325</b>	<b>4,977,201</b>	<b>357,496</b>	<b>683,563</b>	<b>18,556,235</b>
<b>Gap – balance sheet</b>	<b>1,028,869</b>	<b>-3,964,006</b>	<b>-1,214,563</b>	<b>-397,979</b>	<b>-2,276,182</b>	<b>1,374,499</b>	<b>5,405,886</b>	
Derivative instruments								
Amounts bought	-	1,936,147	2,126,670	2,214,745	952,649	575,079	874,917	<b>8,680,208</b>
Amounts sold	-	1,925,175	1,659,044	2,218,559	953,358	575,079	874,917	<b>8,206,132</b>
<b>Gap – off- balance sheet</b>	<b>-</b>	<b>10,972</b>	<b>467,626</b>	<b>-3,814</b>	<b>-709</b>	<b>-</b>	<b>-</b>	<b>474,075</b>



## Foreign Exchange Risk

Ensuring high quality standards of the FX risk management process and assigning high priority to actions aimed at the enhancement of such processes are among the key components of the Bank's strategy.

Pursuant to the Bank's strategy regarding exposures to market currency risk, the Bank makes transactions that result in assuming currency positions sensitive to market FX rate changes in order to generate a positive financial result.

Moreover, the level of the Bank's exposure to the market currency risk is at all times limited by a ceiling through a system of limits. In accordance with the Bank's policy, the Fixed Income and Treasury Line manages the market risk level by managing the Bank's FX position through entering into FX transactions with customers and other banks. In order to efficiently and accurately manage the FX position, the Treasury Department uses the Bank's information system that continuously provides the up-to-date information in respect of:

- FX position,
- global FX position,
- end-of-day VaR,
- intraday financial result achieved from FX position management (after deducting risk-free commercial margins).

End-of-day values are prepared and reported by the Market and Liquidity Risk Management Department.

In its policy, the Bank pays special attention to the quality of the methodology applied to VaR determination. Value at Risk (VaR) – is the measure by which the market value of an asset or a portfolio of assets can diminish at specific assumptions, in a specified period of time and with a predetermined probability. The VaR must be determined with the 99% confidence level. The VaR calculation for F/X risk includes the one-day term for keeping FX positions. This methodology is subject to a quarterly quality control by comparing the projected values with the values determined on the basis of actual FX rate changes, assuming that the given FX position is maintained (a historical review or the so-called 'back testing'). The comparative period refers to the last 250 business days.

The utilisation of limits for FX risk portfolio was as follows

### Note 32.3.1

1 Jan 2011 – 31 Dec 2011	Limit utilisation		
	minimum	medium	maximum
<b>VaR</b>	0%	25%	101%
<b>Global FX position</b>	0%	34%	71%

1 Jan 2010 – 31 Dec 2010	Limit utilisation		
	minimum	medium	maximum
<b>VaR</b>	4%	30%	94%
<b>Global FX position</b>	1%	20%	125%

The table below presents currency structure of assets and liabilities of the Bank in PLN equivalents, as at 31 December 2011 along with comparative data as at 31 December 2010.

### Note 32.3.2

FX position components (in PLN thousand)	31 Dec 2011		31 Dec 2010	
	Assets	Liabilities	Assets	Liabilities
USD	326,100	454,024	249,887	453,020
GBP	23,016	24,577	14,395	14,171
CHF	5,023,019	5,022,613	4,456,827	4,576,171
EUR	2,901,938	3,850,806	2,016,649	4,000,563
PLN	12,432,932	11,353,280	11,811,544	9,502,853
Other convertible currencies	16,613	17,868	6,933	9,457
<b>Total</b>	<b>20,723,618</b>	<b>20,723,618</b>	<b>18,556,235</b>	<b>18,556,235</b>



## **Interest Rate Risk**

The Bank's strategy with respect to exposures to market interest rate risk consists in the Bank's making operations resulting in assuming open interest rate risk positions in order to generate a positive financial result. The level of the Bank's exposure to the market interest rate risk is limited, pursuant to the guidelines of the "Interest Rate Risk Policy", through an adopted system of limits.

The market interest rate risk is concentrated in the two separate portfolios: ALM portfolio and Treasury portfolio managed by the Fixed Income and Treasury Line. Under the Bank's policy the interest rate risk is analysed in each of the said portfolios separately, as well as on the level of the entire banking portfolio, which includes the entire ALM portfolio and part of the Treasury portfolio which is excluded from the Bank's trading portfolio.

Transactions included in the banking portfolio, which are not concluded nor initiated by ALM, constitute an essential part of the ALM portfolio. These transactions are initiated and concluded by RB and CTB lines within available products, approved by the Bank's Board of Executives.

The ALM portfolio also includes transactions that hedge the market risk generated by transactions concluded with the Bank's customers, likewise the securities portfolio.

ALM is responsible for management of long- and short-term liquidity.

The Treasury holds its own securities portfolio, enters into transactions on the interbank market, and is responsible for management of short-term liquidity.

The Bank's policy indicates the following basic analysis types to assess an interest rate risk:

- Value at Risk (VaR), computed with the 99% confidence level and for various periods of keeping a fixed interest rate risk position for the banking and trading portfolio;
- interest earnings at risk (EaR) - simulations of future (within the next year) net interest earnings assuming diverse interest rate curve scenarios,
- Duration of Equity – assigning the Bank's capital position a hypothetical time limit in such a way that an average weighted duration of assets of a given portfolio is equal to the average weighted duration of this portfolio liabilities,
- sensitivity to the parallel shift of the interest rate curve by 100 basis points,
- Modified Duration (N) – a determination of the first derivative of a function describing the present value of the portfolio depending on the variable, i.e. the interest rate.

The analyses constitute an integral part of the system of limiting the interest rate risk at the Bank. Particular analyses are carried out for relevant portfolios on a daily, monthly or quarterly basis, depending on an analysis type and portfolio, for which they are performed.

Moreover, the Bank carries out analyses of sensitivity to extreme interest rate changes - significantly higher than usually observed (stress tests).



## Information on interest rate risk

As at the end of 2011 and in the comparative period of 2010, the Bank's interest rate change risk was the following:

### Note 34.4.1

<b>Bp sensitivity (+1bp): 31 Dec 2011 (in PLN thousand)</b>	<b>CHF</b>	<b>EUR</b>	<b>PLN</b>	<b>USD</b>	<b>Others</b>	<b>Total</b>
D7	- 3.35	- 2.25	- 2.30	- 0.03	-	- 7.93
M1	12.70	- 0.78	2.09	- 1.48	0.23	12.76
M3	- 4.26	- 0.80	5.26	0.11	-	0.31
M6	7.05	0.15	0.50	0.10	-	7.80
M9	- 0.16	0.03	- 0.80	0.09	0.01	- 0.83
M12	- 1.10	- 1.79	- 14.71	22.60	-	5.00
Y2	- 1.90	- 4.61	- 30.54	2.64	-	- 34.41
Y3	- 3.00	- 2.58	- 99.92	1.70	-	- 103.80
Y5	-	- 0.46	- 1.61	- 0.11	-	- 2.18
Y10	-	8.52	- 38.62	3.55	-	- 26.55
<b>Total</b>	5.99	- 4.57	- 180.65	29.17	0.24	

<b>Bp sensitivity (+1bp): 31 Dec 2010 (in PLN thousand)</b>	<b>CHF</b>	<b>EUR</b>	<b>PLN</b>	<b>USD</b>	<b>Others</b>	<b>Total</b>
D7	0.01	-1.33	-2.11	-0.18	0.01	-3.60
M1	12.52	2.08	11.37	0.55	0.11	26.63
M3	-7.73	1.44	-12.10	0.11	-	-18.28
M6	1.23	-0.02	-18.94	0.15	-	-17.58
M9	-	0.09	0.52	-4.14	-	-3.53
M12	-	0.07	-10.99	-4.33	-	-15.25
Y2	-	0.06	3.28	21.99	-	25.33
Y3	-	0.91	-38.14	2.00	-	-35.23
Y5	-	0.76	-159.01	-	-	-158.25
Y10	-	0.43	-171.91	-	-	-171.48
<b>Total</b>	6.03	4.49	-398.03	16.15	0.12	-

Interest rate limits utilisation since the beginning of 2011 was as follows:

### Note 32.4.2

<b>1 Jan 2011 – 31 Dec 2011</b>	<b>Limit utilisation</b>		
	<b>minimum</b>	<b>medium</b>	<b>maximum</b>
<b>VaR</b>	0%	12%	23%
<b>Global interest rate position</b>	0%	25%	48%

<b>1 Jan 2010 – 31 Dec 2010</b>	<b>Limit utilisation</b>		
	<b>minimum</b>	<b>medium</b>	<b>maximum</b>
<b>VaR</b>	3%	32%	90%
<b>Global interest rate position</b>	3%	21%	46%

As at 31 December 2011, no established liquidity limits were exceeded.



## Counterparty risk

Counterparty risk is the risk of the counterparty's default on its liabilities under contracts included in the Bank's trading portfolio. The counterparty risk is related to exposures at risk of such market factors as interest rates or FX rates. The impact of market factors on transactions can result in a change in the exposure scale over time, thus generating credit risk when a customer is insolvent. Actual exposure depends on contract measurement and surcharge that depends on a transaction type, customer type and settlement dates.

As at the end of December 2011, the counterparty risk calculation included the following transaction types included in the Bank's trading portfolio:

- day-to-day foreign exchange contracts
- interest rate swap contracts
- FX options
- interest rate options

The Bank monitors the amounts of adjustments made to the fair value of FX transactions (FX forward) and FX options on account of credit risk. If a need arises, the amounts are corrected.

The Bank calculates fair values of transactions not measured through the balance sheet by discounting all transaction flows using interest rates curves characteristic for each group of transactions.

An interest rate curve used to calculate the fair value of the Bank's liabilities (e.g. customer deposits, interbank deposits) and receivables (e.g. loans to customers, interbank placements) consists of:

- interest rate curve free of credit risk,
- cost of acquisition of financing sources above an interest rate curve free of credit risk,
- market margin reflecting credit risk in the case of receivables.

For instruments where future cash flows cannot be determined it is assumed that their fair value equals the carrying value.

## Fair value

### Note 32.5.1

<b>Fair value table (in PLN thousand)</b>	<b>31 Dec 2011</b>		<b>31 Dec 2010</b>	
	<b>Balance sheet value</b>	<b>Fair value</b>	<b>Balance sheet value</b>	<b>Fair value</b>
Cash and cash equivalents	1,053,566	1,053,597	1,172,860	1,172,857
Due from banks	358,822	358,410	159,013	156,965
Loans to customers	14,832,225	14,137,315	13,151,131	12,099,416
Due to banks	1,042,630	1,057,583	745,774	751,947
Due to customers	8,974,469	8,974,428	8,211,775	8,206,974
Loans and credit facilities received	8,194,140	8,215,154	7,163,459	7,094,383
Liabilities related to issuance of debt securities	-	-	30,000	28,885
Subordinated liabilities	590,016	639,867	565,236	537,817



## **Operational risk**

The operational risk management consists in continuous operational risk identification, analysis, monitoring, control and mitigation processes, including determination of relevant scopes of responsibility for the above processes at different organisational levels of the Bank. Operational risk is a basic risk inherent in the Bank's business activity which increases proportionally to the complexity of organisation, systems applied and products and services offered.

For the needs of the operational risk management, the Bank adopted a definition binding in the BNP Paribas Group, according to which operational risk is defined as the risk of incurring economic loss resulting from an application of inappropriate or ineffective internal processes or from external events, irrespective of whether the events were intentional, accidental or driven by natural causes. A cause-and-effect analysis of an event is the basis for operational risk management.

- Internal processes can include issues related to IT systems applied at the Bank and human resources management.
- External events are understood to include floods, fires, earthquakes or terrorist attacks.

Operational risk includes also in particular legal risk and compliance risk.

The Bank's policy is to introduce and maintain a high level of operational risk management and assessment standards that will guarantee the safety of customers' deposits and capital and stability of the Bank's financial result, likewise to implement and use an operational risk management and assessment system that meets legal requirements consistent with recommendations and resolutions adopted by the local financial supervisory authority regarding operational risk management and assessment.

The Bank's Board of Executives makes a periodic assessment of how the Bank operational risk management policy assumptions are put into practice. With this end in view, the Bank's Board of Executives is kept informed on an on-going basis on the scale and types of operational risk the Bank is exposed to, and also its consequences and operational risk management methods.

Ongoing examination of operational risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit, Oversight of Operational Permanent Control Department of the Compliance, Control and Fraud Prevention Line (Conformite). The co-ordination of the process of operational risk management in the units belonging to Technology, Operations and Process Services (TOPS) Line falls within the competence of the Information Security & BCP Department. The Risk Transfer Group in the Administration and Security Department is responsible for definition and implementation of the Bank's strategy in terms of Bank insurance, as a risk mitigation method.

The Bank precisely divides duties related to operational risk management, adjusted to the existing organisational structure of the Bank, taking into account recording operational losses, as well as monitoring, mitigation and reporting of the operational risk level.

Recording operational losses enables effective analysis and monitoring of operational risk. The policy applied by the Bank as regards the manner of recording operational losses is to enable efficient and error-free registration of all operational losses. The loss recording process is supervised by the Oversight of Operational Permanent Control Department which also keeps content-related documentation of the data recorded and is responsible for data quality and completeness.

The Bank is particularly committed to identification and assessment of reasons for current exposure to operational risk related to banking products, reduction of operational risk by improving internal processes and mitigation of operational risk that accompanies the introduction of new products and services. Therefore, each operational loss is classified taking into account operational incident type, reasons why operational risk has arisen, existence of an affiliated risk, accounting consequences and a claim lodged, if any, by third parties.

Under the Bank's policy, operational losses are allocated to business lines. The principal idea of allocation is to ensure that the business line management is directly interested in the control quality and efficiency of mitigation of operational risk accompanying the service of specific products.



Risk areas that are vital for products offered by the Bank are subject to ongoing monitoring of exposure to operational risk. To this end, the Bank monitors the operational risk level on the basis of results of regular operational permanent controls defined for the essential areas of the Bank's business. The operational permanent control system is now in its implementation phase. Furthermore, Risk Self-Assessment (RSA) sessions regarding operational risk are carried out every year.

The Bank periodically verifies efficiency of the implemented operational risk management system and its adequacy to the Bank's current risk profile. The operational risk management system is supervised and regularly reviewed by the Audit Department, which is operationally independent and employs competent and appropriately trained staff. The Bank's Supervisory Board oversees the control of the operational risk management system and assesses its adequacy and efficiency.

In order to compute the capital requirement for covering the operational risk, the Bank uses the Basic Indicator Approach.

As part of legal risk management, the Legal Department monitors, analyses and notifies the Compliance Department and the Audit Department about, any risks or irregularities identified. Ongoing examination of the compliance risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit, the Compliance Department .

In view of growing external and internal threats that bear signs of fraud or offence against assets of the Bank or its customers, likewise continuously improved modus operandi of such incidents, the Bank has extended and enhanced the process of counteraction, detection and examination of such cases. There is a specialised unit, the Fraud Protection Department that sees to accomplishment of these objectives.

### **Compliance risk**

The Bank considers its image and trust, which is systematically built in relationship with its customers, counterparties, shareholders and employee, one of the primary factors that conditions efficient operation and implementation of the Bank's mission and business strategy. The Bank's and its employees' failure to comply with governing law provisions or internal regulations is considered one of the greatest threats to the Bank's good reputation and image.

Therefore, in order to ensure security and stability of the Bank's business, especially through elimination or mitigation of compliance risk and the related risk of legal sanctions, financial losses or reputation loss, essential for the present and future position of the Bank in relation to its competitors and the public, a Compliance Risk Management Policy at BNP Paribas Bank Polska SA has been implemented. At the same time, processes of monitoring, identification and analysis of compliance of the Bank's internal regulations, banking practice and the conduct of Bank's employees with the binding regulations have been introduced. The said processes are the responsibility of the Compliance Department.

The Bank developed an internal Customer Acceptance Policy, thus implementing necessary IT software to verify whether customers serviced were recorded on sanctioned entities lists or not, and adjusting the Bank's operation to the requirements of the Anti-Money Laundering and Counter-Terrorism Financing Act, as amended, which is a part of the compliance risk management.

Additionally, there have been internal regulations of an ethical nature implemented, i.e. Code of Conduct of Employees, Regulations regarding employees' personal transactions or Rules for managing conflict of interests, which are presently applicable. With respect to ensuring compliance, the regulations related to acting in the interest of customers, in particular arising under the law provisions such as the financial instrument trading act, which is a transposition of the EU MiFID, play an important role.

### **Capital management**

Duties related to the capital management and capital adequacy are performed by the Bank in line with guidelines specified in the Banking Law Act and KNF resolutions (Basel II).

Pursuant to the aforesaid guidelines, the Bank's capital adequacy is managed under three pillars:



- Pillar 1 – includes regulations regarding the calculation of capital requirements for credit risk, operational risk and market risk,
- Pillar 2 – defines duties related to the development of internal capital assessment processes and determination of target capital levels consistent with risk profiles of a given bank and regulatory requirements,
- Pillar 3 – banks are obliged to disclose information on their risk profile and capitalisation level.

Under Pillar 1 (regulatory approach), the scope and detailed rules of determination of capital requirements on account of specific risk types are stipulated in Resolution No. 76/2010 of the Polish Financial Supervision Authority (KNF) dated 10 March 2010 regarding the scope and specific rules of determination of capital requirements on account of particular risk types, amended by, among others, KNF Resolution no. 369/2010 dated 12 October 2010.

BNP Paribas Bank Polska SA fulfils duties related to the computation of the capital requirement for credit risk by using a standardized approach. According to this approach, the Bank computes requirements using the regulatory division into risk classes.

To determine capital requirement for market risk, the capital requirement for interest rate risk and FX risk are calculated first. Total capital requirement for general interest rate risk is calculated for original positions by maturity, and total capital requirement for FX risk is calculated using a basic approach.

The requirement for operational risk is computed using the Basic Indicator Approach (BIA) as the percentage of the net income generated.

Under Pillar 2, the Bank fulfils duties related to the internal capital computation pursuant to KNF Resolution No. 258/2011 dated 4 October 2011 regarding detailed rules governing risk management system and internal controls and detailed conditions of estimation by banks of internal capital and review of the internal capital estimation and maintenance process, and rules of determination of the policy governing variable components of remuneration paid to bank managers. For all risks that have been considered material, internal capital estimation methodologies have been developed. They are used by the Bank to make monthly internal assessments of the internal capital needs.

Duties under Pillar 3 are governed by KNF Resolution no. 385/2008 dated 17 December 2008 regarding detailed rules and manner of the public disclosure of qualitative and quantitative information (...), as amended. The Bank fulfils these duties by publishing information, on the Bank's website, on measurement of risks identified in the Bank's activity, and on own funds required to cover those risks.

The manner of calculation of equity capital used in the capital adequacy ratio computation is governed by Resolution no. 325/2011 of the Polish Financial Supervision Authority dated 20 December 2011 regarding other reductions of Tier 1 funds (...).

### **Current situation with respect to capital adequacy**

The current policy of the Bank regarding maintaining adequate level of equity funds refers to the capital adequacy category, solvency ratio and the structure of equity funds described in the Banking Law and its relevant administrative law provisions. The basic goal of the Bank in the analysed period is to maintain the equity at the level that guarantees the solvency ratio of at least 9.5%.

In order to counteract an occurrence of risk of exceeding the limit of 9.5% determined for solvency ratio, the Bank actively manages its capital position. It refers to actions aimed at increasing own equity funds and actions leading to limitation of risk generated while conducting its activity.



### Note 32.6.1

<b>Capital adequacy (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Risk-weighted off-balance sheet assets and liabilities	<b>13,415,658</b>	<b>11,903,804</b>
Share capital	1,206,175	1,206,175
Additional capital	129,157	125,745
Reserve capital together with retained earnings	16,152	-78,010
General risk fund for unidentified risk related to banking operations	5,882	45,639
Subordinated liabilities included in equity funds	590,016	559,236
Other elements of the equity capital included in the capital adequacy ratio calculation	-18,256	-9,626
<b>Gross equity capital, total</b>	<b>1,929,126</b>	<b>1,849,159</b>
<b>Deductions</b>		
Capital shares in financial entities	112,996	18,196
Net intangible assets	30,756	23,659
<b>Total deductions</b>	<b>143,752</b>	<b>41,855</b>
<b>Net equity capital</b>	<b>1,785,374</b>	<b>1,807,304</b>
<b>Short-term capital</b>	<b>12,234</b>	<b>11,226</b>
including current profit on the Trading Portfolio	12,234	11,226
<b>Total equity capital plus short-term capital</b>	<b>1,797,608</b>	<b>1,818,530</b>
<b>Capital charge for:</b>		
Credit risk	1,088,356	969,184
Market risk	1,558	1,832
Operational risk	107,439	105,003
<b>Total capital requirement</b>	<b>1,197,353</b>	<b>1,076,019</b>
<b>Capital adequacy ratio</b>	<b>12.01%</b>	<b>13.52%</b>

As at 31 December 2011, the capital adequacy ratio of the Bank was 12.01% in comparison to 13.52% as at the end of December 2010. The ratio level was affected by growth of the loan balance and the related increase of capital requirements for credit risk (the net loan balance went up by 12.6% and the total capital requirement was higher by 11%).

In 2011, the Bank's own funds decreased by 1.15% as compared to the end of 2010, i.e. down to PLN 1,798 million. The decrease of own funds was related to the acquisition of Fortis Lease Polska Sp. z o.o. by the Bank, on 1 July 2011. Furthermore, despite an earlier redemption of subordinated bonds, the supplementary capital grew up (an increase in the value of the subordinated debt taken in EUR related to the PLN depreciation). Own funds include also the profit from the previous year.

### Note 32.6.2

<b>Minimal capital requirements (in PLN thousand)</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Credit risk	1,088,356	969,184
Market risk, including:	1,558	1,832
- general interest rate risk	1,558	1,832
Operational risk	107,439	105,003
<b>Total capital requirement</b>	<b>1,197,353</b>	<b>1,076,019</b>

The Bank's capital situation in 2011 remained stable what allowed the Bank to continue its business activity and carry out plans in a safe manner.



### 33. Events after the Balance Sheet Date

On 1 February 2012 (after the balance sheet date), Mr Lars Machenil, in connection with assuming new duties in the BNP Paribas SA Group, handed in a resignation from his membership in the Bank's Supervisory Board.



## 34. Other Material Information

### 34.1. Shareholders Holding at least 5% of Total Voting Rights at the AGM

The shareholder structure as at 31 December 2010 was follows:

Balance as at 31 Dec 2010	Number of shares held	% of the share capital	Number of votes at the AGM*	% of the total number of votes at the GM
<b>Fortis Bank SA/NV</b>	18,848,593	78.13%	18,848,593	78.13%
<b>Dominet SA**</b>	5,243,532	21.74%	5,243,532	21.74%
<b>Others</b>	31,381	0.13%	31,381	0.13%
<b>Total:</b>	24,123,506	100.00%	24,123,506	100.00%

The shareholder structure as at 31 December 2011 and as at the day of forwarding the annual report for 2011, i.e. as at 14 March 2012, was as follows:

Balance as at 31 Dec 2011	Number of shares held	% of the share capital	Number of votes at the AGM*	Share % of the total number of votes at the GM
<b>Fortis Bank SA/NV*</b>	18,848,593	78.13%	18,848,593	78.13%
<b>Dominet SA**</b>	5,243,532	21.74%	5,243,532	21.74%
<b>Others</b>	31,381	0.13%	31,381	0.13%
<b>Total:</b>	24,123,506	100.00%	24,123,506	100.00%

\* BNP Paribas SA is the parent entity (74.93% shares) of Fortis Bank SA/NV based in Brussels.

\*\*Fortis Bank SA/NV based in Brussels is the parent entity (100% shares) of Dominet SA.

BNP Paribas SA based in Paris indirectly holds 24,092,125 shares of BNP Paribas Bank Polska SA that constitute 99.87% of the Bank's share capital and entitle to 24,092,125 votes, or 99.87% of the total number of votes at the General Meeting of BNP Paribas Bank Polska SA.

The share capital of BNP Paribas Bank Polska SA amounts to PLN 1,206,175,300 and is divided into 24,123,506 ordinary, bearer shares with nominal value of PLN 50 per each share.

In 2011 and until the report publication date, i.e. 14 March 2012, the Bank has not taken any actions yet to introduce L and M series shares to stock exchange trading. All other series A to K shares are admitted to trading and listed on the stock exchange.

### 34.2. Information on the owner of BNP Paribas Bank Polska SA

**BNP Paribas SA based in Paris** is the higher level parent company in relation to BNP Paribas Bank Polska SA. The share capital of BNP Paribas SA amounts to EUR 2,396 million and is divided into 1,198,153,534 shares of EUR 2 nominal value each.

BNP Paribas Group is a leading European organisation operating in the financial sector worldwide, which focuses on investment, corporate and retail banking, asset and property management as well as insurance services. The BNP Paribas SA Group employs over 200 thousand employees and is present in over 80 countries worldwide. Belgium, France, Italy and Luxembourg are the Group's key markets in Europe. The Group has been operating in Poland through a number of subsidiaries, in particular BNP Paribas Bank Polska SA and BNP Paribas SA Branch in Poland.

BNP Paribas SA is listed on the Paris Euronext Stock Exchange and its shares are included in the CAC- 40 index (40 largest companies among 100 companies with the highest capitalisation).

BNP Paribas SA is at the same time the parent entity of Fortis Bank SA/NV based in Brussels and presently operates under the BNP Paribas Fortis brand.

**Fortis Bank SA/NV, based in Brussels** is the parent entity of BNP Paribas Bank Polska SA, which holds 99.87% of the Bank's shares, of which 78.13% directly, while 21.74% through Dominet SA. The share capital of Fortis Bank SA/NV is EUR 9,375 million. Fortis Bank issued 483,241,153 shares, of which 74.93% is held by BNP Paribas SA, 25% is owned by the Belgian State through the investment entity SFPI (Société Fédérale de Participations et d'Investissement), whereas the



remaining 0.07% is held by dispersed shareholders.

Since May 2009, intensive works have been carried out with the view to integration of Fortis Bank SA/NV and BNP Paribas under BNP Paribas Fortis brand.

**Dominet SA** based in Warsaw (ul. Suwak 3, 02-676 Warsaw) is a company with share capital of PLN 2,971,349. Through Dominet SA, Fortis Bank SA/NV holds 5,243,532 shares, or 21.74% of the share capital of BNP Paribas Bank Polska SA.

The sole shareholder of Dominet SA is Fortis Bank SA/NV which holds directly 100% of shares and votes at the company's general meeting.

### **34.3. Shares of BNP Paribas Bank Polska SA held by Management or Supervisory Board Members**

As at 31 December 2011 and as at the report publication date i.e. 14 March 2012, none of the Board of Executives' or Supervisory Board's Members held any shares issued by BNP Paribas Bank Polska SA or other financial instruments related to them.

### **34.4. Pending Proceedings before Court, Relevant Arbitration Body or Public Administration Body**

The Bank acts as a defendant and plaintiff in court and administrative proceedings while conducting its regular banking activity. In no case the value in dispute exceeds 10% of the Bank's equity capital.

In 2011 there were no resolutions in the proceedings pending since 2001 before the Office of Competition and Consumer Protection (the Office) as regards the issue of using practices that limit competition on the payment cards market by VISA and MasterCard as well as 20 banks, including BNP Paribas Bank Polska SA. To secure against an unfavourable outcome of the case, in 2007 the Bank created a provision of PLN 2.9 million.

As at 31 December 2011, the total value of 14 claims against the Bank regarding the FX derivatives made by the customers amounted to PLN 64 million. The highest claim in this group concerns the amount of PLN 28 million (EUR 7 million) on account of option transactions questioned.

### **34.5. Description of factors and events, especially atypical ones, having a material effect on the financial results generated.**

#### **Sale of a portion of the irrecoverable consumer loans portfolio**

In December 2011, the Bank sold a portion of its irrecoverable debt portfolio, classified into the "lost" category (car loans, cash loans and credit cards), with debt principal value arising from the loan agreements signed with the debtors amounting to PLN 109 million. The sale revenues were PLN 14 million.

### **34.6. Subordinated liabilities**

On 29 January 2011, upon consent of the Polish Financial Supervision Authority, the Bank redeemed subordinated bonds of a nominal value of PLN 30 million at an earlier date.

The outstanding balance of other subordinated loans as at the end of December 2011 was as follows:

<b>Agreement date</b>	<b>Party to the Agreement</b>	<b>Amount</b>	<b>Repayment date</b>
23.10.2007	Fortis Bank SA/NV	EUR 100 million	28.09.2017
21.04.2009	Fortis Bank SA/NV	EUR 20 million	22.04.2019
21.04.2009	Fortis Bank SA/NV	PLN 60 million	22.04.2019

Under an agreement on assignment of receivables signed, on 29 August 2011 Fortis Bank SA/NV (BNP Paribas Fortis) assumed rights and responsibilities of BGL BNP Paribas arising from the credit agreement with the Bank for EUR 100 million dated 23 October 2007. The assignment agreement did not change any financial terms and conditions of repayment of the Bank's obligation.

In connection with the liquidation of Fortis Finance Belgium SCRL/CVBA, Fortis Bank SA/NV (BNP Paribas Fortis) assumed rights and responsibilities arising from the credit agreement for EUR 20 million dated 21 April 2009.



## 34.7. Other important events

### Change of the name and brand to "BNP Paribas Bank Polska SA"

After the takeover of the Bank's majority shareholder, i.e. Fortis Bank SA/NV, by BNP Paribas in May 2009, the Polish Bank joined the BNP Paribas Group.

In consequence, the Bank changed its name from "Fortis Bank Polska SA" into "**BNP Paribas Bank Polska SA**" and registered it in the National Court Register on 29 April 2011. At the same time, the Bank changed also the brand under which the products and services are offered, likewise its logo, from BNP Paribas Fortis to BNP Paribas.

### As at 31 December 2011, the Bank Supervisory Board's composition was as follows:

- |                    |  |
|--------------------|--|
| 1. Camille Fohl    | - Chairman of the Supervisory Board      |
| 2. Jarosław Bauc   | - Vice Chairman of the Supervisory Board |
| 3. Lars Machenil   | - Vice Chairman of the Supervisory Board |
| 4. Monika Bednarek | - Supervisory Board member               |
| 5. Jean Deullin    | - Supervisory Board member               |
| 6. Mark Selles     | - Supervisory Board member               |
| 7. Andrzej Wojtyna | - Supervisory Board member               |

In 2011, no changes as regards the composition of the Supervisory Board took place.

### As at 31 December 2011, the composition of the Bank's Board of Executives was as follows:

- |                        |  |
|------------------------|--|
| 1. Frédéric Amoudru    | - President of the Board of Executives |
| 2. Jan Bujak           | - Senior Vice President                |
| 3. Jaromir Pelczarski  | - Vice President                       |
| 4. Michel Thebault     | - Vice President                       |
| 5. Wojciech Kembłowski | - Member of the Board of Executives    |
| 6. Marta Oracz         | - Member of the Board of Executives    |
| 7. Stephane Rodes      | - Member of the Board of Executives    |

In 2011, there were the following changes in the composition of the Board of Executives:

On the meeting held on 18 March 2011, the Bank's Supervisory Board accepted Mr Jacek Obłąkowski's resignation from his function of a Vice President and member of the Board of Executives. Mr Obłąkowski was the President of the Management Board of Dominet Bank SA from May 2007 till the merger with Fortis Bank Polska SA (at present BNP Paribas Bank Polska SA), and since 1 April 2009 he was a member of the Bank's Board of Executives as a Vice-President responsible for Retail Banking.

On the meeting held on 10 May 2011, the Bank's Supervisory Board:

- accepted Mr Philippe Van Hellemont's resignation from his function of a Vice President and Member of the Board of Executives. Mr Van Hellemont was a member of the Bank's Board of Executives from 16 June 2009, performing the function of the Chief Risk Officer managing the Risk Area.
- appointed Mr Wojciech Kembłowski as a Member of the BNP Paribas Bank Polska SA Board of Executives effective from 11 May 2011. Mr Kembłowski has taken up a position of the Director managing the Risk Area (Chief Risk Officer).

On 18 October 2011, the Polish Financial Supervision Authority (KNF) granted consent, required under Article 17 of the Banking Law Act, to appoint Mr Wojciech Kembłowski as Member of the Board of Executives.



## Update of the Recovery Programme

The Bank received from the Polish Financial Supervision Authority (KNF) a recommendation to supplement and revise the *Recovery Programme for BNP Paribas Bank Polska SA*.

In October 2011, the Bank provided the KNF with a revised version of the Programme which was approved by the KNF in March 2010.

On 2 January 2012, the Bank received a request from the KNF to supplement and revise the *Recovery Programme for BNP Paribas Bank Polska SA*. In response thereto, on 3 February 2012, the Bank provided the KNF with an update of the *Recovery Programme for BNP Paribas Bank Polska SA*.

## Material agreements with entities unrelated with the BNP Paribas Bank Polska SA

### Conclusion of a loan agreement with the European Bank for Reconstruction and Development

On 26 January 2011, a credit agreement was signed between the European Bank for Reconstruction and Development (EBRD) and the Bank under which EBRD granted the Bank a loan up to EUR 30 million. The Bank obtained funds allocated for financing investment projects of small and medium-sized enterprises under the Sustainable Energy Financing Facility Programme (PolSEFF).

The financing period is five years of the agreement signing date, i.e. until 2016. The loan interest rate has been established based on EURIBOR 3M increased by a margin.

On 28 March 2011, Fortis Bank SA/NV, based in Brussels, granted a guarantee for performance of the Bank's obligations arising under the credit agreement.

### Credit Agreement with the European Investment Bank

On 16 December 2011, a subsequent credit agreement was signed between European Investment Bank (EIB) based in Luxembourg and the Bank under which EIB will grant the Bank a credit line up to EUR 50 million. The Bank will obtain funds earmarked for financing investment projects implemented by small and medium-sized enterprises.

Financing details shall be defined for each credit tranche disbursed separately. The maximum repayment term for a credit tranche is 12 years. A fixed or variable interest rate will depend on the currency of the tranche disbursed: relevant reference rate plus margin.

Similarly as in the case of previous EIB agreements concluded with the Bank, the performance of the agreement depends on obtaining a guarantee issued by the Bank's principal shareholder, i.e. Fortis Bank SA/NV based in Brussels, Belgium.

### Agreement with the European Investment Fund

On 29 August 2011, an agreement was signed with the European Investment Fund (EIF), under which the Bank will grant loans with a guarantee facility from funds under the EU Competitiveness and Innovation Framework Programme (CIP) for the years 2007-2013.

The European Commission decided to allocate the funds derived from this Programme to credit guarantees issued by the EIF to micro, small and medium entrepreneurs under the Guarantee System for the SME sector. The EIF guarantees can be used by enterprises which employ less than 250 employees on average annual basis and generate annual net turnover up to the PLN equivalent of EUR 50 million or whose total assets are less than EUR 43 million.

The agreement signed offers a possibility of providing security to the loan portfolio in the volume of up to PLN 1.2 billion, and in the event of a loan loss, an option of a payment made under the guarantee facility issued, up to 50% of the loan amount.



## Conclusion of significant agreements with customers not affiliated with the Bank

- On 26 January 2011 the Bank signed a syndicated agreement with a customer not affiliated with the Bank; consequently, the value of agreements concluded with this customer within the past 12 months amounts to the total of PLN 200 million.

Under the syndicate, the Bank granted the customer a revolving loan up to the maximum amount of PLN 100 million. Funds under the loan will be allocated to the customer's current operating activity and refinancing previous obligations. The loan repayment deadline is fixed for 6 July 2016. The loan interest rate has been established based on WIBOR increased by a margin. The financing conditions correspond to market conditions.

- On 28 April 2011, the Bank signed a syndicated agreement with a customer not affiliated with the Bank.

Under the syndicate, the Bank granted the customer a revolving credit facility up to the maximum amount of EUR 100 million (denominated in EUR, PLN, USD or CZK), that is, the equivalent of PLN 394 million at the NBP mid rate as of 28 April 2011. The financing will be earmarked for the customer's current operating activity and refinancing previous obligations. The financing period is 5 years with an option of extending it to 7 years. The loan interest rate has been established based on WIBOR/ EURIBOR/ LIBOR/ PRIBOR increased by a margin. The financing conditions correspond to market conditions.

- On 29 June 2011, the Bank concluded an agreement on a revolving loan up to the maximum amount of PLN 160 million with a customer not affiliated with the Bank.

Funds under the loan will be allocated to the customer's current operating activity. The financing term is 12 months. The loan interest rate has been established based on WIBOR increased by a margin. The financing conditions correspond to market conditions.

- On 30 June 2011, the Bank signed an agreement on a non-revolving guarantee credit line with a customer not affiliated with the Bank.

Under this agreement the Bank shall provide the customer with a performance bond up to the maximum amount of EUR 50.3 million, i.e. an equivalent of PLN 200.5 million at the NBP mid rate of 30 June 2011. The financing term is 12 months. The guarantee granting terms and conditions are not different from market conditions.

- On 20 July 2011, the Bank concluded agreements on multi-currency credit lines with two customers of the same financial group, not affiliated with the Bank.

Under the agreements, the Bank will grant the customers financing up to the maximum amount in one case of EUR 20 million and in the other, EUR 80 million, i.e. the equivalent of PLN 80 million and PLN 320 million respectively, at the NBP mid-rate as of 20 July 2011. The total exposure towards the group may change by the equivalent of maximum PLN 401 million. Funds under the loans will be allocated to financing the customer's current operating activity. The financing term is 12 months. The financing conditions correspond to market conditions.

- On 12 December 2011, the Bank signed an annex to Amending Agreement entered into on 28 July 2009 with a customer unrelated to the Bank.

Under the annex, a new repayment schedule was determined for the customer's debt due to the Bank and Fortis Bank SA/NV, arising under:

1. a loan agreement signed by and between Fortis Bank SA/NV and the customer on 27 June 2008, as amended - the final repayment date was set for 05 January 2018;
2. a loan agreement signed by and between the Bank and the customer on 8 May 2008, as amended;
3. a suretyship agreement signed by and between the Bank and the customer on 18 January 2007, as amended.



- Other material terms and conditions of the agreement, including the financing amount and term as well as the final repayment dates of the obligations listed in items 2 and 3 above, were not changed. Under the Annex, an amendment is introduced to an agreement which meets the significant agreement criterion, as its value exceeds 10% of the Bank's equity.

**Information about granting by the issuer or its subsidiary any suretyships for loans or credit facilities or issuance of guarantees – in total to one entity or its subsidiary, if the total value of the existing suretyships or guarantees constitutes the equivalent of at least 10% of the bank's equity.**

**Agreement on multi-option guarantee credit line concluded on 25 April 2008 with a customer not affiliated with the Bank with the credit limit of PLN 205.8 million**

On 26 July 2011, an annex was signed to the agreement entered into on 25 April 2008, under which the agreement validity term was extended till 1 August 2012. Other terms and conditions of the agreement shall remain unchanged. The total value of guarantees granted under this line exceeds 10% of the Bank's equity capital.

**Agreement on multi-option guarantee credit line concluded on 25 April 2008 with a customer not affiliated with the Bank with the credit limit of EUR 50.3 million (PLN 200.5 million)**

On 30 June 2011, the Bank signed an agreement on a non-revolving guarantee credit line with a customer not affiliated with the Bank. Under this agreement the Bank shall provide the customer with a performance bond up to the maximum amount of EUR 50.3 million, i.e. an equivalent of PLN 200.5 million at the NBP mid rate of 30 June 2011. The financing term is 12 months. The total value of guarantees granted under this line exceeds 10% of the Bank's equity capital.

### **34.8. Statements of the Bank's Board of Executives**

#### **Correctness and reliability of reports presented**

To the best knowledge of the Board of Executives of the Bank, the annual financial data and comparative data presented in the Annual Financial Statements of BNP Paribas Bank Polska Spółka Akcyjna for the period ending on 31 December 2011, were prepared pursuant to the applicable accounting principles and they accurately, reliably and clearly reflect the property and financial situation of the Bank and its financial result.

#### **Entity authorised to audit the financial statements**

Mazars Audyt Sp. z o.o., an entity authorised to audit financial statements, which reviewed the annual financial statements of BNP Paribas Bank Polska SA for the period ending on 31 December 2011, has been chosen pursuant to the provisions of law. The above entity and statutory auditors meet the conditions to issue an impartial and independent review report, in accordance with the respective provisions of Polish law.



## Signatures of the Members of the Board of Executives (on the Polish original):

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14 March 2012	Frédéric Amoudru President of the Board of Executives	..... signature
14 March 2012	Jan Bujak □ Senior Vice-President of the Board of Executives Chief Financial Officer	..... signature
14 March 2012	Jaromir Pelczarski Vice-President of the Board of Executives	..... signature
14 March 2012	Michel Thebault Vice-President of the Board of Executives	..... signature
14 March 2012	Wojciech Kembłowski Member of the Board of Executives	..... signature
14 March 2012	Marta Oracz Member of the Board of Executives	..... signature
14 March 2012	Stephane Rodes Member of the Board of Executives	..... signature

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