Board of Executives' Report on the Business Activity of BNP Paribas Bank Polska SA in 2011

BNP PARIBAS | Bank zmieniającego się świata

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1. SUMMARY OF THE BUSINESS ACTIVITY OF BNP PARIBAS BANK POLSKA SA IN 2011

BNP Paribas Bank Polska SA (hereinafter referred to as the "Bank") is part of the international financial institution BNP Paribas SA based in Paris.

Mission Responsible banking for a changing world

On 29 April 2011 the change of the Bank's name from "Fortis Bank Polska SA" to **"BNP Paribas Bank Polska SA"** was registered in the National Court Register. 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.

1.1. Key factors and events that affected the Bank's financial performance in 2011

BNP Paribas Bank Polska closed the year 2011 with the gross profit totalling PLN 49 million, which shows a 17% drop compared to the year 2010. Net profit noted by the Bank stood at PLN 21 million.

The Bank's development and the conditions underlying its growth:

- **12% growth of the Bank's total assets** up to PLN 20,723 million recorded at the end of 2011;
- **13% increase in net loans to customers** up to PLN 14,832 million at the end of 2011 is attributable to growing sales of loans by the Bank (working capital loans for companies and mortgage loans in PLN showed the highest growth rate) and rising FX rates.
- **9% growth of due to customers** up to PLN 8,974 million at the end of 2011, triggered mainly by the increased balance of current deposits, savings accounts included, combined with the growth of PLN term deposits held by corporate customers;
- **Stable capital situation of the Bank– capital adequacy ratio stood at 12.01%;**
- **6% rise in the number of the Bank's customers,** whereas the number of Corporate and Transaction Banking customers grew by 7% and Retail Banking Business Line recorded 6% growth;
- **7% drop in net revenues** recorded by the Bank, which is mainly the result of rising costs of financing in PLN, whose share in the financing structure soared, lower commission and fee income from sale of insurance products and lower net trading income compared to the result noted in 2010, which comprised high income on released fair value adjustments for credit risk related to derivative transactions concluded with the Group customers;
- **14% increase in the Bank's personnel costs** incurred in 2011 for transformation of the franchisee branches into the Bank's own outlets, development of the Personal Finance activities;
- **14% drop in depreciation costs**;
- 1% rise of other costs of the Bank;
- **Continuation of the prudent policy of the risk management** – costs of risk dropped by 36% in 2011 compared to 2010, mainly as a result of the continued restructuring measures undertaken by the Bank and a more prudent lending policy consistently applied to new loans;
- **Improved quality of the loan portfolio** - the share of non-performing loans in the total loan portfolio of the Bank fell from 15.5% recorded at the end 2010 to 12.7% at the end of 2011.
- **Opening of 12 new operational branches based on the New Branch Model concept.**

1.2. External factors that influenced the operation and development of the Group in 2011

1.2.1. Economic and market situation abroad

The situation remained unstable on global financial markets in 2011. Excessive indebtedness of the Southern Europe countries, in particular looming Greek bankruptcy fears, represented the major risk factor during this period. The ongoing problems faced by the European debt market deepened fears of investors over the collapse of the euro zone. Consequently, high volatility persisted in financial markets and euro depreciation trend could be clearly observed since the second quarter of 2011.

The results of the world economy in 2011 showed a decline compared to 2010. As predicted by the International Monetary Fund estimates, the world economy recorded 3.8% growth during this period, which represented clear slowdown compared to the previous year, which showed 5.2% growth. Considerable economic decline was recorded in the group of the developed economies, where economic growth rate slowed down to 1.6% compared to 3.2% noted the year before. It should be highlighted that expectations of further economic decline in the subsequent year intensified in 2011. The expectations were reflected in the International Monetary Fund forecasts for 2012 predicting that the world economy would see only 1.2% growth, whereas the economic growth rate would be the lowest in the euro zone countries where 0.5% rate drop was projected.

1.2.2. Polish economy in 2011

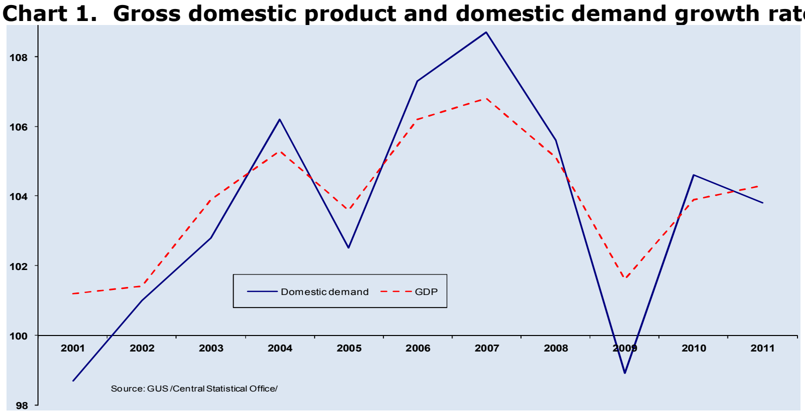
GDP – growth rate and components

The Polish economy remained in the recovery phase in 2011. Gross domestic product rose in this period by 4.3%, which represented a slightly better result compared to the previous year (3.9%). The domestic demand continued to be the main growth engine. It should be underlined that the results noted by specific components of the domestic demand varied. The individual consumption soared by 3.1% in the analysed period, thereby this ratio rose at the pace comparable to the year 2010 (3.2%). Sustainable improvement of the economic situation clearly boosted the tendency to invest.

Gross outlays for fixed assets rose by 8.7% in 2011 (growth from -0.2% noted in 2010).

The construction sector recorded the best results among the major economic sectors since its growth rate of the gross value added accelerated up to 11.8% compared to 6.4% reached in the previous year. Definitely weaker results were observed in the industry and trade sectors (growth by 6.3% and 4.6% respectively).

Chart 1. Gross domestic product and domestic demand growth rate in the years 2000-2011 *(Source: GUS)*



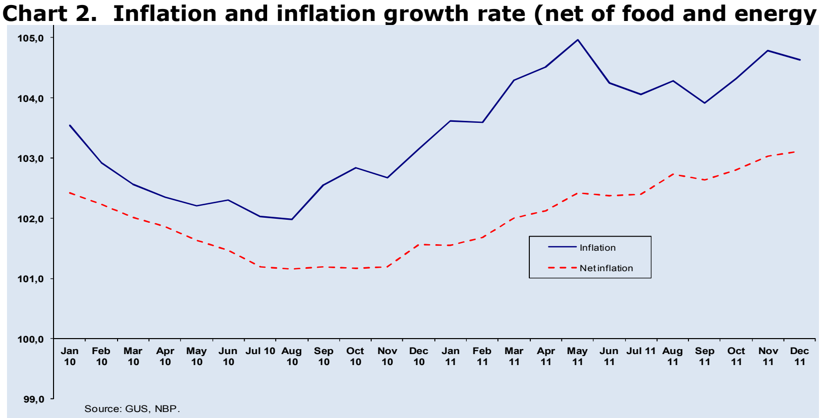
Labour market

The stable economic situation in 2011 translated into growing demand for labour. Employment in the enterprise sector went up by 3.2% in this period, what meant a substantial improvement if compared to 2010 when the employment grew only by 0.8%. Nevertheless, the employment market improvement was too weak to affect the salary pressure. Although average nominal salaries and wages grew by 5% throughout the year 2011 compared to 3.3% noted in 2010, with the inflation rate taken into account, the salary growth rate in the enterprise sector stood only at 0.9%, thus it was comparable to the previous-year result (0.8%).

Inflation

Inflationary pressure in the economy remained high. The main inflation rate substantially exceeded the NBP inflation target (2.5%), whereas the average annual inflation rate for this period stood at 4.1%. Major sources of inflation were supply-related. The inflation rate was mostly affected by prices of housing-related goods and services and also prices of food and non-alcoholic beverages, which added to the inflation pace 1.4 and 1.3 percentage points respectively. At the same time, the favourable economic situation contributed to a gradual increase of price pressure on the demand side. Net inflation rate (i.e. inflation net of food and energy prices) stood at 3.1% YOY in December 2011, thus it doubled in value compared to 2010 (1.6%).

Chart 2. Inflation and inflation growth rate (net of food and energy prices) in 2010-2011 (Source: GUS, NBP)



Balance of payments

The payment situation of the Polish economy noticeably deteriorated in 2011. Irrespective of the current account balance showing stable results (in November 2011 the cumulated 12-month current account deficit equalled EUR -15.7 billion and neared the result noted in the corresponding period of the previous year), deterioration of the financial account balance translated into a considerable decrease of the end result of the balance of payments. In November 2011, the end result of the cumulated 12-month balance of payments totalled EUR -0.27 billion, whereas the result for the corresponding period of the previous year reached the level of EUR +12.8 billion. On the financial side, the most substantial capital inflows were recorded in portfolio investments in the debt market and direct investments (EUR 10.3 billion and EUR 10 billion respectively - cumulated 12-month data).

Public finances

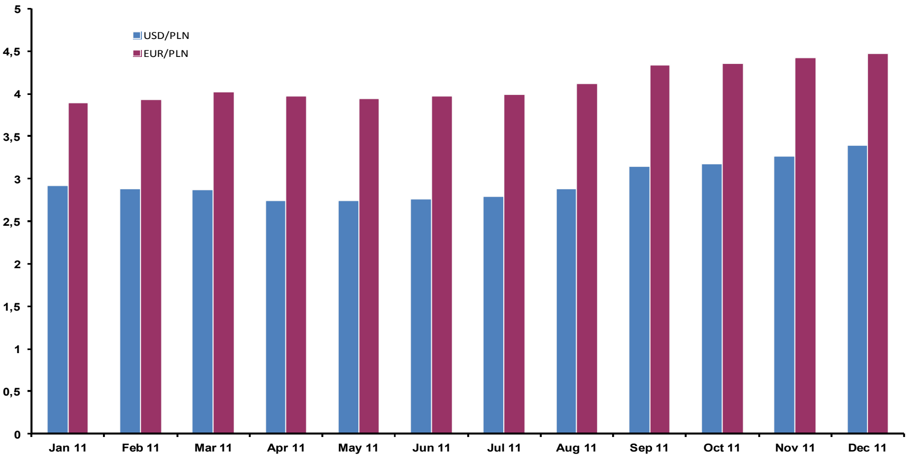
The situation of the Polish financial sector was positive. Current budget execution proved much more satisfactory than planned. In November 2011, the central budget deficit totalled PLN -21.5 billion, thus it showed almost a two-fold decrease compared to the level assumed in the Budget Act (PLN -40.2 billion). Good results of the central budget combined with the prudent policy of the debt management were an important factor contributing to a positive opinion of foreign investors about the Polish economy, and thereby stabilising the situation in the domestic financial markets. According to the data of the Ministry of Finance, the portfolio of Polish treasury securities held by foreign investors recorded a growth by PLN 26 billion throughout the year 2011.

Foreign exchange rate

In 2011, the domestic forex market was predominantly affected by the sentiment fluctuations in international markets. Escalation of problems on the European debt market fuelled systematic depreciation of the Polish zloty that began in the second half of the year. At the end of the year, the Polish currency was quoted at 4.4168 in relation to euro and 3.4174 in relation to the US dollar. In both cases, such quoting pointed to significant depreciation compared to the level noted in the first half of 2011 (10.8% and 24.2% respectively). In the second half of 2011, BGK and the central bank remained active on the forex market; the purpose of their activities was to stabilize short-term market fluctuations and not to shape a more permanent FX trend.

The CHF/PLN rate attained high levels in the analysed period, attributable to considerable appreciation of the Swiss franc against other major international currencies. Despite the allowable appreciation threshold for EUR/CHF rate set at 1.20 by the Swiss Central Bank, the Polish zloty depreciated at the end of 2011 by more than 15% versus the Swiss franc, compared to the corresponding period of the previous year.

Chart 3. USD/PLN and EUR/PLN rates in 2011 *(Source: NBP)*



Source: NBP

Interest rate

Following the substantial monetary policy tightening in the first half of 2011 (NBP reference interest rate rose from 3.50% to 4.50% in this period), the NBP interest rates stabilised in the second half of 2011. It should be emphasized that the stable level of the NBP interest rates were accompanied in the second half of the year by market expectations for the policy softening, fuelled by acute slowdown of the Polish economy projected by markets. Nevertheless, current economic performance that proved visibly more satisfactory than the market projections, and moderate hawkish rhetoric repeated after each session of the Monetary Policy Council, postponed the expected cuts of interest rates. Furthermore, the last months of 2011 brought a rise in the interbank market rates. At the end of the year, WIBOR 3M-OIS spread equalled 60 basis points.

The market of Treasury bonds recorded the yield decline between March and beginning-September 2011, triggered by ongoing demand for Polish Treasury securities. Since the third quarter of 2011, escalation of problems on European financial markets was reflected in valuation of Polish bonds. The additional factor that contributed to the yield growth was the inflation rise noted at the end of 2011. At the end of the year, the yield of 5-year bonds totalled 5.34% (which represented growth compared to the September minimum results of 4.86%).

1.2.3. Banking sector in 2011

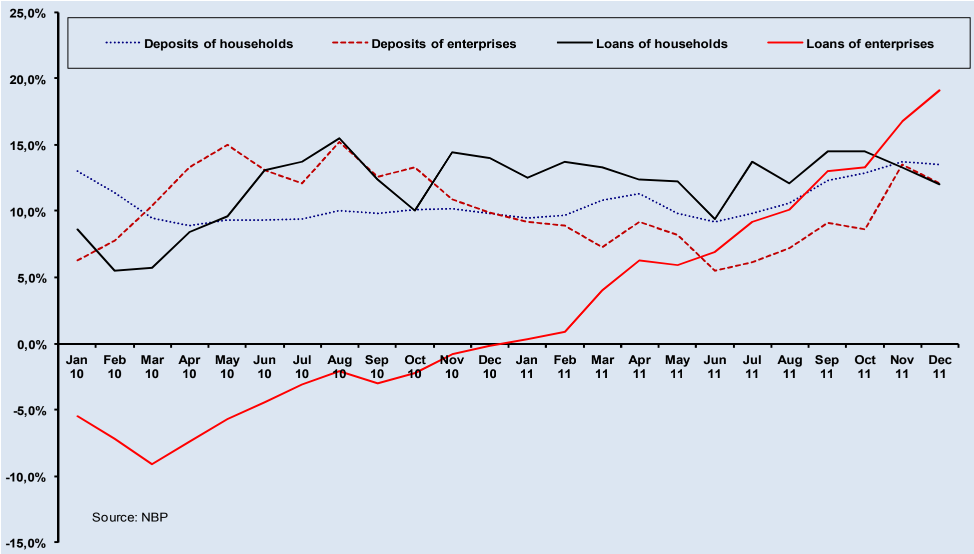
The environment of the banking sector did not undergo any major changes in 2011. The excessive liquidity of the banking sector remained high. At the end of 2011, the value of NBP bills issued amounted to PLN 93.4 billion and thereby was by 25% higher than the year before.

The year 2011 failed to bring major changes of trends in household deposits and loans. Household deposits jumped in 2011 by 11.1% which was a moderately higher result compared to the previous year (10.1%). Moderate improvement was recorded in the household loans (average annual growth rate improved up to 12.8% from 10.9% in 2010). More significant changes were recorded in corporate deposits and loans. The growth of deposits slowed down (8.7% versus 11.7% in 2010), whereas the loan growth accelerated (up to 8.8% from -4.2% in 2010). The above trends reflect to a large extent high demand for loans financing current activities of enterprises and higher investment expenditures.

Financial performance of banks

The performance of the banking sector remained strong in 2011. After the first eleven months of 2011, the net profit of the banking sector reached PLN 14.5 billion, and was higher by 37.6% than in the corresponding period of the preceding year. Interest margin and fees and commissions contributed mostly to the result earned by the sector.

Chart 4. **Loans and deposits to households and enterprises in 2010-2011** *(Source: NBP)*



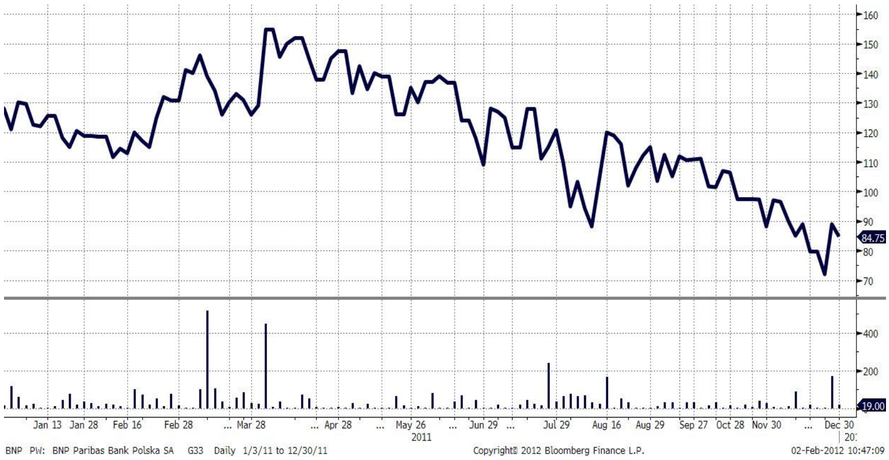
2. STOCK PERFORMANCE ON THE WARSAW STOCK EXCHANGE

The Bank's stock labelled with the ISIN code: PLPPAB000011 has been quoted on the Warsaw Stock Exchange SA in Warsaw (WSE) since 9 November 1994. Following the change of the Bank's name, the Bank's stock has been quoted since May 2011 under the abbreviated name: BNPPL and the ticker: BNP. The Bank's stock is classified in the 250 PLUS segment, yet the limited liquidity of the stock excludes it from any indexes.

At the first session in January 2011, the Bank's stock was traded at PLN 128. As at 30 December 2011, the Bank’s stock price dropped to PLN 84.75, i.e. by 34%. The highest Bank’s stock price in 2011 was recorded on 04 and 05 April 2011, when it stood at PLN 155. The lowest Bank’s stock price was recorded on 28 December 2011, when it was PLN 72.10. The average stock price in 2011 was PLN 131 compared to the average price of PLN 152 in 2010.

An average turnover in the Bank’s stock was almost 18 shares per session in 2011 and was higher in comparison to the average turnover recorded in 2010 (over 7 shares per session). An average value of the turnover in the Bank’s stock per session in 2011 was PLN 2.10 thousand and was higher than the average value of the stock turnover in 2010 of PLN 1.08 thousand per session.

Chart 5. Quotations of the Bank stock from 3 January 2011 to 30 December 2011 *(Source: bloomberg.pl)*



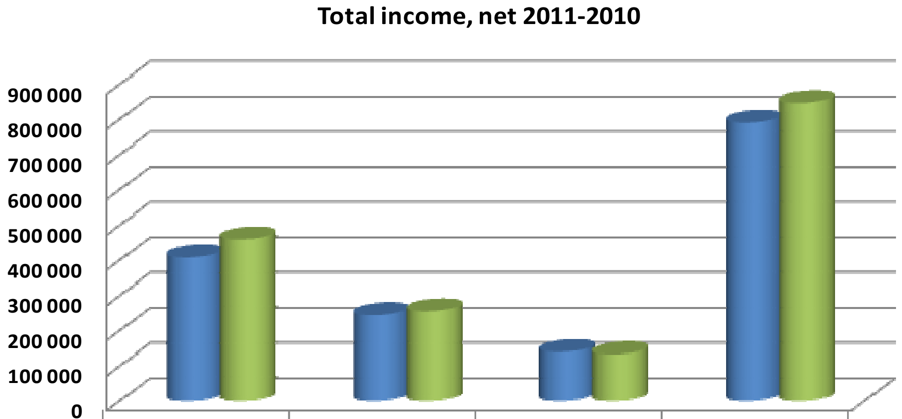
WIG, a stock exchange index, fell from 48,004.74 points noted on 03 January 2011 to 37,595.44 points recorded on 31 December 2011 (decrease by 22%). WIG-Banks, a sector sub-index fell in 2011 from 6,965.24 points noted on 3 January 2011 to 5,421.04 points recorded on 31 December 2011 (change by more than 22%).

3. THE BANK'S PRODUCTS AND SERVICES AND DEVELOPMENT OF BUSINESS IN 2011

BNP Paribas Bank Polska SA is a universal bank that serves the main three market segments:

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

Chart 6. Net income by segments in 2010 and 2011 (in PLN thousand)



	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
2011	407 301	243 736	138 491	789 528
2010	458 859	254 968	132 113	845 940

3.1. Retail Banking

Retail Banking

- provides services to individuals and small and medium enterprises that generate the turnover up to PLN 30 million
- 229 own and franchisee branches
- 358,000 individual customers and 28,000 companies
- 1,617 FTE

Retail Banking, which comprises small enterprises, individual and private banking customers, offers comprehensive services to individuals, including affluent customers segment, and enterprises that meet the criterion of annual turnover below PLN 30 million. In particular, the Bank targets its offering at the following segments:

- Mass Retail segment – customers of monthly net income below PLN 7,500, where additionally a sub-segment of Mass Retail Aspiring Customers, with income of over PLN 2,500, has been separated;
- Mass Affluent Customer segment (MA) – customers of minimum PLN 7,500 net monthly income and/or who invest assets through the Bank in the minimum amount of PLN 100 thousand, not more than PLN 1 million.
- Private Banking segment – customers who invest assets through BNP Paribas Bank Polska SA in the minimum amount of PLN 1 million, including the Ultra-HNWI group of customers holding assets above PLN 5 million;
- Micro enterprises (MICRO) segment – business entities generating annual revenues below PLN 500,000;
- Small and Medium Enterprises (SME) - business entities with annual turnover from minimum PLN 500,000 up to PLN 30 million.

Personal Finance business line provides comprehensive services to the Mass Retail customer segment as regards car loans, cash loans and credit cards.

I. Products and services offered to Individuals

Mass Retail and Mass Affluent segments

The product offer targeted at individuals in 2011 was developed in line with the adopted strategy to build secure relations with customers and ensure that the offer is complex and tailored to customers needs, especially the needs of the target segments.

Relations with customers are based on four core personal accounts equipped with packages of products and services:

- Account with the S Package – dedicated to customers who contact the bank for the first time, e.g.: minor customers, first jobbers and the elderly;
- Account with the M Package – its core is a standard bank account giving access to a full range of banking

transactions;
- Account with the L Package – for more aware and demanding customers;
- Account with the XL Package – mainly for Mass Affluent customers.

In addition to a savings and checking account (ROR), the following products and services are available to Package holders:

- overdraft facility within current account (ROR) and Authorised Debit Balance;
- settlement services: standing orders, direct debits, domestic and international transfers;
- debit cards: Visa and MasterCard;
- Pl@net Internet banking system;
- Call Centre;
- assistance insurance (with the exception of the S Package).

Furthermore, holders of Packages are offered: overnight deposits (where a surplus of funds credits automatically an overnight deposit account), foreign currency accounts in EUR and USD, deposits with various maturity terms, bearing fixed or variable interest rate, standard and negotiated in PLN, EUR and USD.

Development of the offer for individuals in 2011:

- development of savings account was continued: - holders of personal accounts were offered "Very" (Bardzo) savings accounts and promotional "More" (Więcej) savings accounts with the guarantee that a promotional interest rate will remain unchanged initially for 12 months, and the next 6 months after the account opening. Interest in these accounts is compounded daily on business days;
- "More" (Więcej) savings account was ranked first in Total Money ranking of savings accounts and Bankier.pl ranking;
- in April 2011, a term deposit "Strong Deposit" (Silna Lokata) with the promotional interest rate for the first 6 months during the deposit term was introduced into the offer;
- in September and November 2011, term deposits "Deposit 6/6" and "Deposit 3/6", i.e. deposits for 6 and 3 months with a promotional interest rate were added to the offer;
- Under the re-branding campaign conducted in May 2011, the Bank expanded its offer under the new brand "BNP Paribas Polska SA" by launching "Konto Witalne", which in addition to a personal account accompanied by a package of assistance services, comprised an interest-free loan totalling a monthly net salary (up to PLN 7,500) and "More Saving" (Więcej oszczędnościowe) account bearing interest at 5.8% p.a. for funds up to PLN 15.000. The main objective of the campaign was to acquire new customers and raise the BNP Paribas brand awareness;
- The Bank also complemented its offering of deposits by medium-term investment products where the principal amount is 100% protected at the end of the investment period.
  - WIBOR PROFIT made available in April 2011, a 2-year structured product in a form of a group endowment life insurance of TUnŻ Cardif SA insurance company, based on WIBOR 3M reference rate;
  - Euro Profit+ and Euro Profit+ II offered in June and July 2011 - 2-year structured products in a form of group endowment life insurance of TUnŻ Cardif SA insurance company, based on EUR/PLN rate;
  - Planet Profit III and IV introduced in November and December 2011 - 2-year structured products in a form of group endowment life insurance of AXA Życie TU SA based on the BNP Paribas Millenium Long Short Commodities index that includes commodities of the highest expected level of return.
- bank assurance products added to the offer in 2011:
  - new variants of personal insurance adjusted to a new offer and ongoing promotions of car and cash loans;
  - life insurance and job loss insurance for mortgage loans with the increased LTV, offered in November and December 2011 to a selected group of customers who have taken a mortgage loan from the Bank;
- from January 2011 onwards, all MasterCard payment cards issued by the Bank are PayPass-enabled.

In 2011 the Bank modified its mortgage offer targeted at individuals: The current offering includes:

- mortgage loan "Family's Own Home" (Rodzina na swoim), granted under the government programme implemented pursuant to the Act dated 8 September 2006 regarding Financial Support for Families to Purchase Their Own Home;
- housing loans allocated for financing residential purposes and for consolidation of debts, to a limited extent;
- home equity loan to finance any purpose not related to the borrower's business or farming activity.

The Bank's prioritizes building long-term relations with customers using the offer of mortgage products by encouraging them to choose from other products, in particular personal accounts with a package as well as personal insurance.

Private Banking Segment

In addition to products and services available to individual customers of the Bank, in the Private Banking segment the BNP Paribas Bank Polska SA provides integrated asset management services and solutions for affluent private individuals. The services offered include:

- savings and investment products;
- credit products;

- daily banking products.

Private Banking customers are also given access to services and products offered by the international BNP Paribas network.

The Bank offers the following savings and investment products to Private Banking customers:

- deposits (in PLN and in foreign currencies, for various terms, overnight deposits with negotiated interest rates);
- savings accounts;
- a wide selection of domestic and international external investment funds (211 funds);
- BNP Paribas L1 international funds;
- periodical subscriptions for international investment funds of BNP Paribas L Fix, or term funds, mainly with the principal amount protection, whose profits are related to stock markets or other instrument markets;
- asset management offer of TFI BNP Paribas Polska S.A. which includes:
    - model portfolios and investment strategies tailored to individual customer needs as regards acceptable risk, expected yield and investment horizon;
    - investment fund portfolios actively managed by investment advisers who customise the portfolio structure by selecting the funds they view as the best investments; within portfolios of funds, cooperation has been established with renowned investment companies;
    - Individual Pension Account IKE BNP Paribas FIO;
    - BNP Paribas FIO funds;
    - ProfitPlus deposit which is a combination of a 6-month term deposit with a selected BNP Paribas FIO sub-fund, BNP Paribas FIO Stock or Stable Growth;
- structured products prepared within and outside the Bank, including custom-built instruments.

The Bank offers the following credit products to Private Banking customers:

- mortgage loans - long-term loans for the purchase of an apartment or house on the primary or secondary market, for construction or refurbishment of real estate and land plot purchase;
- any purpose cash loans, short and medium-term facilities,
- credit lines available in a current account – the maximum financing term for a credit line is one (1) year with a possibility to extend it,
- other types of loans tailored to individual needs of customers.

Private Banking Customers have access to the following daily banking products and services:

- accounts in PLN and main convertible currencies;
- foreign exchange transactions executed at negotiated rates;
- Pl@net Internet banking system;
- assistance insurance and AXA MED medical insurance;
- Call Centre;
- Visa and MasterCard payment cards;
- credit cards (Visa, MasterCard), in particular Gold and Platinum cards which give access to insurance services, assistance and concierge services and Traveller Package;
- charge cards (American Express) - best customers may apply for "Centurion," a titanium card; holders of the card may take advantage of concierge and insurance services likewise some privileges during their stays in hotels of various chains, and a number of other additional services.

Personal Finance

Personal Finance

- consumer loans: cash and car loans, credit cards
- debt collection
- 348 FTE

Personal Banking business line has been created as a specialised competence centre responsible for development and introduction of consumer loans to the Bank's offering and also for managing the portfolio of such loans. The main products offered by Personal Finance include:

- cash loans: Classic loan, Extra loan;
- car loans for a purchase of new and used cards: flexible loan for a purchase of new or used means of transport (for the borrower's own use or for business purposes); a loan for a purchase of a car from an authorised car dealer.

Personal Finance products are distributed mainly through the Bank branch network and directly by external distribution channels such as used car brokers, car dealers and independent financial partners. Other distribution channels include: Internet, Call Centre, insurance institutions and financial brokers.

Cash loans:

- To support sales of loans to individuals, two promotional campaigns under one campaign slogan "Make Your Plan Come True" (Zrealizuj swój plan) were launched in 2011.
    - In February 2011, the Bank started the promotion of cash loans offered on attractive conditions: discounted origination fee, nominal interest rate of 9.9% and compulsory insurance for borrowers.
    - In August 2011, the promotion sequel was launched. The offer pricing parameters varied with the financing term and loan amount. The interest rate of the promotional loan ranged between 9.9% and 11.9%, while the fee of 0%, 2% or 3% depended on a type of personal account selected by a customer. The prerequisite for using the promotional offer was subscription to a group insurance provided by the Bank.
- Since November 2011, "Happy Day" offer has been available at the Bank, which enables the newly opened Branches to sell a cash loan on preferential conditions (interest rate decreased by 1 p.p. compared to the promotional cash loan offer).
- The PF line began to work on a consolidation loan which will be added to the product offering. Implementation of the new product is scheduled for the first half of 2012.

Car loans:

- a new option of a car loan was made available to customers who may refinance a purchase of a car or a car loan granted by another bank;
- pricing conditions of the standard loan offer for new and used cars were changed;
- a loan offer for a purchase of vehicles to be used for the purpose of a farming activity was also modified;
- promotional activities under one slogan "Make Your Plan Come True" were launched:
    - a spring promotion that run till the end of June 2011 with a 7.9% loan interest rate for new vehicles and 8.9% for used vehicles; the interest rate was additionally lowered if a customer decided to open a personal account.
    - autumn promotion available from 25 August 2011 and extended until 29 February 2012 with an interest rate between 7.9% to 11.9%; the interest rate could be additionally lowered if a customer decided to open a personal account in the case of loans with the maximum maturity of 48 months. Two promotional offers allowed a two-month grace period in repayment of loans for cars of less than 8 years and special offers for selected authorized car dealers.

Cash and car loans were ranked first in the rankings of Internet portals - Comperia.pl and TotalMoney.pl

In the beginning of the year, a cash loan retention offer was prepared for customers who have repaid or approached the pay-off of their cash or car loan with BNP Paribas Bank Polska SA.

In August 2011 a new debt collection application called "Tallyman" was made operational. All debt collection processes related to individual customers (PF and RB) were centralized in "one place" and the debt collection was automated.

II. Products and services offered to Enterprises

SME and Micro Enterprises Segment

Retail Banking business line provides products and services to Micro and SME customers with an annual turnover below PLN 30 million. The Bank's offering for these segments includes:

- accounts and packages;
- deposits and placement account;
- payment cards;
- credit products;
- liquidity management - cash management;
- trade finance;
- currency and interest rate risk management;
- other financial services (lease facilities, cash collection, financing agreement, purchase/sale of foreign currencies);
- a loan offer linked with the European Union financing programmes.

In September 2011, the Bank was ranked first by Forbes and was awarded the title of the *"Best Bank for Companies"*.

<u>Development of the offer for micro, small and medium etreprises in 2011:</u>

- In March 2011, the Bank launched *Kredyt pod Obroty* (account turnover financing), which is a kind of overdraft available in three options. Maximum loan amount depends on average monthly revenues from the customer's business activity and declared turnover amount channelled through accounts held with the Bank. Customers could test the product for 4 months at no additional costs such as commissions, margin or other fees.
- By the end of March 2011, the Bank introduced *Kredyt Energooszczedny* (energy efficiency loan), offered to small and medium enterprises in cooperation with the European Bank for Reconstruction and Development (EBRD) under the Sustainable Energy Financing Facility Programme in Poland (PolSEFF). The Energy Efficiency Loan is used to finance investments that aim at reducing energy consumption by a company. Investments financed under the programme are based on a wide range of energy saving technologies, such as: systems of renewable energy supply to buildings, heating and cooling technologies, integrated energy management systems, building thermo-modernisation systems, energy-saving lighting systems and many other technologies available. Owing to the cooperation with EBRD, entrepreneurs using the Energy Efficiency Loan, after successful

completion of their investment project, receive an investment bonus financed by the EU, equal to 10% of the loan amount disbursed.

- The Bank's offering includes also *EIB investment loan* for small and medium-sized companies. As a result of cooperation with the European Investment Bank, the loan is offered to customers at a lower margin and for longer financing terms (up to 10 years).
- The cooperation with Bank Gospodarstwa Krajowego under the Operational Programme "Innovative Economy", enabled the Bank to expand its credit offer by a new product at the end of September 2011 - a *technology loan*. A technology loan is a revolving investment facility earmarked for financing investments that involve implementation of a new technology. A technology premium of the maximum amount of PLN 4 million comes together with the loan.
- At the end of September 2011, thanks to the cooperation with European Investment Fund (EIF) under the Competitiveness and Innovation Framework Programme, the Bank added an *EIF surety* to its offer. The EIF surety is cost-free collateral for small and medium enterprises that may be granted to secure financing in PLN or EUR, that may include an investment loan, EIB loan, mortgage loan or financing of contracts by a non-renewable working capital loan.
- The Bank has continued its cooperation with consulting companies involved in, *inter alia*, preparing applications for customers interested in obtaining EU funding. Under this cooperation, workshops for customer relationship managers were organised to enhance their knowledge of EU funding issues and also to discuss the model of companies cooperation with the Bank. Additionally, a series of conferences with the participation of the Bank's existing and potential customers have been planned.
- In April 2011, the Bank implemented material changes in the loan granting process. Workflow tool improves the efficiency of the loan granting process to customers on the one hand, and additional credit experts, hired under a program of support to relationship mangers, ensure more efficient credit application handling on the other.

As a supplement to the loan offering, there is an array of deposits allowing effective management of financial surpluses. The Bank offers various deposit types, both in PLN and in foreign currency, with attractive interest rates and deposit terms adjusted to company's needs.

- In January 2011, a placement account was included in the offer, providing customers with the possibility of making an unlimited number of cost-free transfers to a current account via the internet banking system, through branches or call centre.
- In cooperation with Fortis Lease Polska sp. z o.o., the Bank offers leasing services: financial lease, operating lease and sale-and-leaseback. Lease assets may include means of transport, machines and equipment as well as real estate.
- In 2011, the Bank's offering was extended by a *new MasterCard Business credit card* which could be an alternative source of short-term financing for entrepreneurs. Credit card debt repayment maturity is 28 days, which allows a company to use a non-interest bearing loan for up to 58 days.
- In the beginning of December 2011, a new functionality in the electronic banking system BiznesPl@net was made available to corporate customers - an updated trading platform *Deal on Pl@net*which enables customers to view rates of currency pairs almost in real time and place orders without the need to constantly monitor currency prices.
- In the second quarter of 2011, the Bank intensified its local activities by, among other things, starting cooperation with entrepreneurs' organisations. Within promotional activities related to the credit offering, Energy Efficiency Loan in particular, the Bank took part in fairs and sector conferences.

3.2. Corporate and Transaction Banking

Corporate and Transaction Banking

- provides comprehensive bank services to medium-size companies and corporate businesses generating annual turnover in excess of PLN 30 million, and to companies that are a part of international groups
- 8 Business Centres
- 2,700 corporate customers
- 172 FTE

Corporate and Transaction Banking (CTB) provides comprehensive services through the network of its Business Centres. CTB targets corporate customers with an annual turnover of over PLN 30 million. It focuses also on companies that are part of international groups, irrespective of their annual turnover. Thanks to cooperation within the international group of BNP Paribas, CTB offers access to a rich selection of products and services.

Product offering for medium and large enterprises and international groups

Following the integration with BNP Paribas group, in the years 2010-2011 CTB product offering has been enriched by a number of specialised solutions introduced and developed owing to the BNP Paribas group's support. In 2011 new competence centres dedicated to real estate financing, structured financing and also the public sector and institutions were set up within the CTB BL.

CTB resumed its international activities by organising a road show in Europe under the BNP Paribas programme targeted at corporate customers "*One Bank for Corporates in Europe".*

Cash Management offering includes a wide range of services, from bank accounts to complicated cash pooling solutions that enable to manage a company's liquidity at an international level.

- current accounts, foreign currency and auxiliary accounts available to both resident and non-resident companies;
- escrow and trust accounts;

- payroll accounts;
- domestic and cross-border transfers, SEPA credit transfers, Direct Debit;
- Pl@net and Connexis Internet banking systems;
- Visa Business payments cards - debit and charge cards, MasterCard Business - debit and credit card;
- MBR/RPI system is a SWIFT-based system which enables account management via external electronic banking systems;
- domestic and international Cash Pooling;
- Automated Identification of Payments.

Short-, Mid- and Long-term Financing

Based on agreements signed with the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), the Bank offers investment financing for medium-sized companies.

In 2011, the Bank incorporated in its offer an EIF surety that provides customers with an option to obtain cheaper investment financing with the EIF guarantee as collateral.

In addition to loans with EU subsidies, the Bank offers a full range of investment financing and current (working-capital) financing facilities:

- overdraft facility;
- revolving credit;
- investment loan (including also in cooperation with EIB and EBRD);
- multi-option credit line;
- guarantee credit line;
- straight loan;
- fixed interest rate loan;
- general financing agreement.

Trade finance

Our individual customer approach and continuous development of the offering for exporters and importers guarantee the top quality service. Customers of the Bank may use the following forms of international cooperation:

- documentary collection;
- letters of credit;
- purchase of receivables based on invoices/bills of exchange;
- buyer's credit with KUKE SA insurance;
- DOKE programme (Export Credit Interest Subsidy Programme).

Export letters of credit grew both in volume and number. This trend is attributable, to a great extent, to transactions effected within BNP Paribas group. Use of services offered by banks within BNP Paribas group benefits both transaction parties considering that it enables better information flow, faster receipt of funds and often cost optimisation.

Structured Finance & Capital Development

In 2011, a new organisational unit was set up in the Bank that reflects BNP Paribas experience and know-how in the structured finance area. Investment banking includes:

- acquisition finance;
- structured investment lines and current financing;
- credit line arrangement and syndication, including the option to act as a lead arranger;
- investments in minority stakes (up to 40%) in companies.

Global Markets

To address the financial crisis in the years 2008-2009, BNP Paribas introduced solutions that guarantee the security of concluded transactions and customer service of the highest standard: spot transactions, forward transactions, FX swap, FX options and interest rate options (cap, floor); IRS, FRA, CIRS, structured products.

Leasing

Leasing offer covers a complete range of the most popular solutions: operational lease, financial lease, sales & leaseback and lease of assets.

Real Estate Finance

The Bank provides financing solutions for huge investment projects: office buildings, shopping centres and logistics. Financing is offered with recourse or without recourse to an investor or a project sponsor, in form of a credit or leasing.

3.3. Other Banking Activity

Other banking activity includes daily treasury transactions (Treasury), financial market products (Fixed Income) and asset and liability management (ALM).

Other Banking Activity

- Treasury
- Fixed Income
- ALM

Products and services offered to the Fixed Income and Treasury Line customers

The Fixed Income and Treasury Line is a business line operating on the financial markets that specialises in servicing banks and other financial institutions. The Line carries out operations on the money market and FX market, it also participates in trading in securities. The Fixed Income and Treasury Line supports other business lines providing a selected group of customers with financial market products and instruments via standard and off-balance sheet transactions. These products are offered by the Financial Markets Sales Department within the CTB BL.

Furthermore, the Bank offers its Customers FX transactions and transactions designed to hedge FX risk and interest rate risk.

FX transactions include, in particular:

- spot transactions,
- forward transactions,
- foreign currency options,
- zero-cost structures.

Interest rate risk currency transactions include:

- Forward Rate Agreements (FRA);
- Interest Rate Swaps (IRS) – transactions that consist in swapping the interest rate of liabilities or assets from a floating to a fixed rate or the other way round;
- Interest Rate Options (IRO) - CAP / FLOOR;
- Currency Interest Rate Swaps (CIRS) – transactions that consist in swapping the currency of assets or liabilities along with swapping the interest rate from a floating to a fixed rate or the other way round;

The following products are available for the Bank's customers who wish to invest a surplus of funds:

- treasury bills on the primary and secondary markets; "buy sell back" and "sell buy back" transactions;
- State Treasury bonds.

Money market and debt securities operations

The Bank's activities on the money market and the market of debt securities may be grouped into three categories:

- activity related to liquidity management,
- activity related to the management of interest rate risk,
- activity related to the Bank's investment policy concerning equity funds.

The Bank's investment policy is established by the Asset and Liability Management Committee. Capital is first of all invested in debt securities issued by the State Treasury or NBP.

3.4. Securities custody services

The Bank offers custody services related to maintenance of securities accounts, safekeeping customer assets and settlement of transactions concluded on domestic and international markets. Under the Decision issued by the Securities and Exchange Commission of 14 July 2000 (KPWiG-4042-2/2000), custody services are provided by the Custody Services Group separated from the Bank's structure.

In connection with the Bank's obligations of a Service Agent and Paying Agent in favour of foreign investment funds: BNP Paribas L Fix, BNP Paribas L1, managed by BNP Paribas Investment Partners Luxembourg, the Custody Services Group coordinates the distribution of participation units in Poland.

3.5. Clearing activity

Outgoing PLN payments to domestic banks are settled electronically only, through the ELIXIR and SORBNET systems.

The Bank participates in EuroELIXIR system for handling domestic transfer orders in euro. The Bank provides its customers with SEPA credit transfers (both incoming and outgoing ones). The Bank also indirectly participates in TARGET2. In 2011, since the adaptation period in the NBP came to an end, the intermediary agent was changed from NBP to Fortis Bank SA/NV based in Brussels and the membership in the Sorbnet EURO ceased.

4. ANALYSIS OF BNP PARIBAS BANK POLSKA PERFORMANCE IN 2011

4.1. Income Statement

The Bank closed the year 2011 with a gross profit totalling PLN 49 million, which was by PLN 10 million lower than in 2010. A smaller than expected scale of activity has brought about lower revenues from the Bank's regular sources of income. At the same time the costs of risk were substantially lower, compared to the corresponding period of 2010.

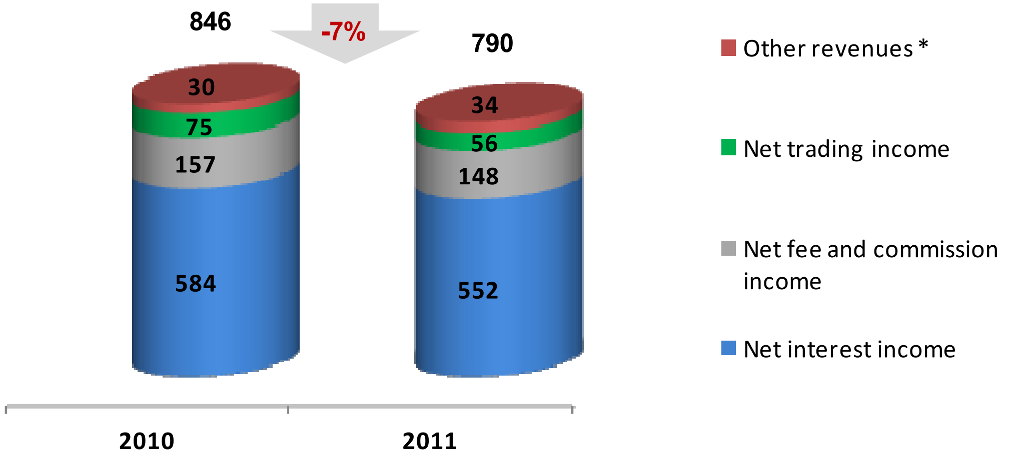
Evolution of key items of the Income Statement is presented below.

in PLN million	2010	2011	Δ 2011/2010
Total income, net	846	790	-7%
Total expenses	-594	-619	4%
Net impairment losses	-193	-122	-37%
Profit before income tax	**59**	**49**	**-17%**
Income tax	-16	-28	75%
Net profit/loss	**43**	**21**	**-51%**

4.1.1. Net income

The chart below shows a structure of basic revenues items in the periods compared.

Chart 7. Revenues structure in 2010 and 2011 (in PLN million)

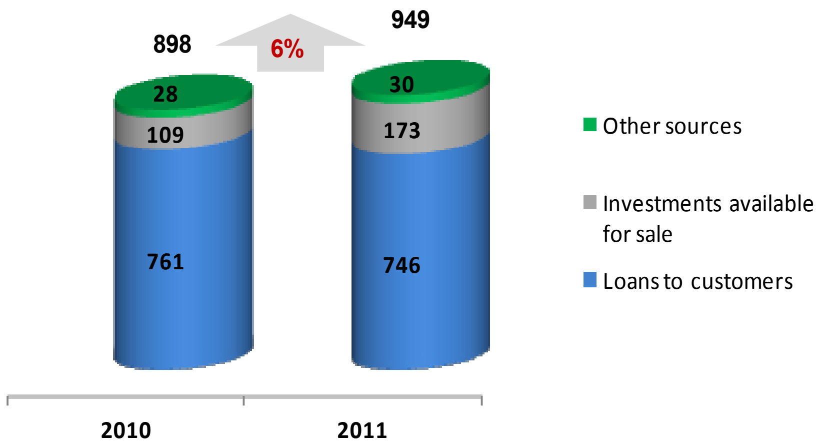


**Other revenues include: Net profit (loss) on transactions in available-for-sale financial assets, dividends and other investment income, and other income.*

Net interest income

In the profit and loss account structure, net interest income is prevailing. The interest income structure in years 2010 and 2011 is presented below.

Chart 8. Interest income structure in 2010 and 2011 (in PLN million)

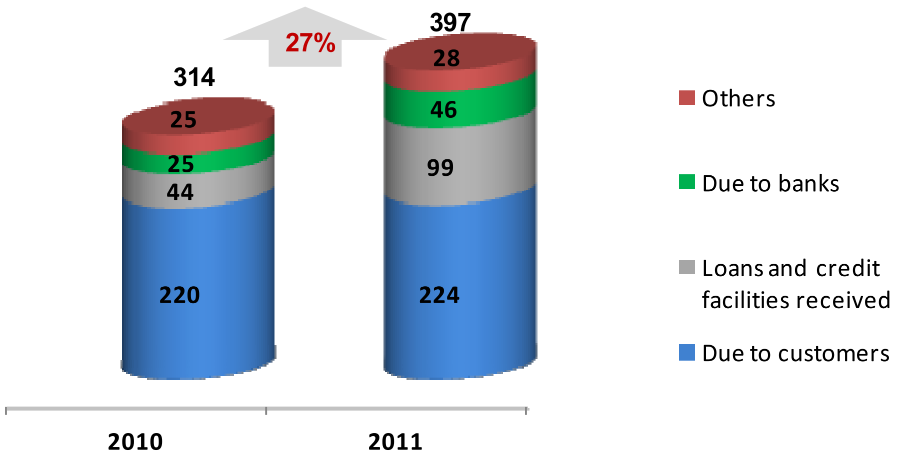


Interest on loans to Bank customers dropped by 2%. As compared to 2010, average credit volumes increased by 6% mainly due to sales actions and promotional campaigns, likewise a growth in FX rates. The above increase was attributable to a 3% rise in average credit volumes of the Corporate and Transaction Banking Business Line and a 8% rise recorded by the Retail Banking Business Line. Although the average credit volumes improved, attractive price conditions offered by the Bank in this period and higher provisioning for non-performing loans resulted in a decline of margin and, in consequence, lower interest income on loans.

Interest income of available-for-sale investments grew up by 60% as compared to the year 2010. This growth results from a higher average value of the Bank's investment portfolio, which includes primarily Treasury bonds and NBP bills.

Interest expenses rose by PLN 83 million. The interest expense structure in 2011 was the following:

Chart 9. Interest expense structure in 2010 and 2011 (in PLN million)



Interest expenses increased primarily due to higher costs of loans and credit facilities received (mainly from the BNP Paribas group and also from EIB and EBRD under the financing programmes for small and medium-sized businesses). Growth of this expense item resulted, on the one hand, from higher interest on loans granted by the BNP Paribas group, following the replacement of a portion of foreign currency loans by PLN loans. In 2011 additional funds of PLN 119 million were drawn down from EIB and also EUR 30 million from EBRD; these funds are allocated to financing of investment projects of small and medium-sized enterprises. Simultaneously, interest expenses related to other banks' deposits increased in connection with higher volumes of such deposits. Interest expenses related to liabilities due to customers, which in 2011 accounted for 56% of total interest expenses of the Bank, diminished by 2% as compared to 2010. At the same time, however, the average volumes of the Bank customers' deposits were by 2% higher than in 2010.

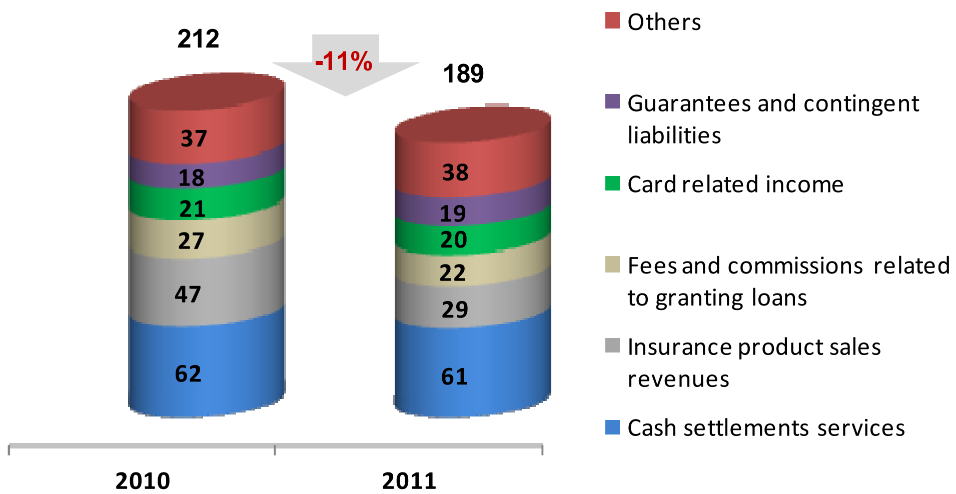
Additionally, in 2011 the Bank recorded interest income on hedging derivatives in the amount of PLN 3 million, which was the effect of introduction in 2011 of hedge accounting for the portfolio of liabilities on account of FC current accounts.

Net fee and commission income

Second largest item in the Group's net income was commission and fee income which accounted for 19% of total net revenues in 2011. The net commission and fee income in 2011 was lower by PLN 8 million than the result of 2010.

The structure of commission and fee revenues in 2010 and 2011 is the following:

Chart 10. Fee and commission income structure in 2010 and 2011 (in PLN million)

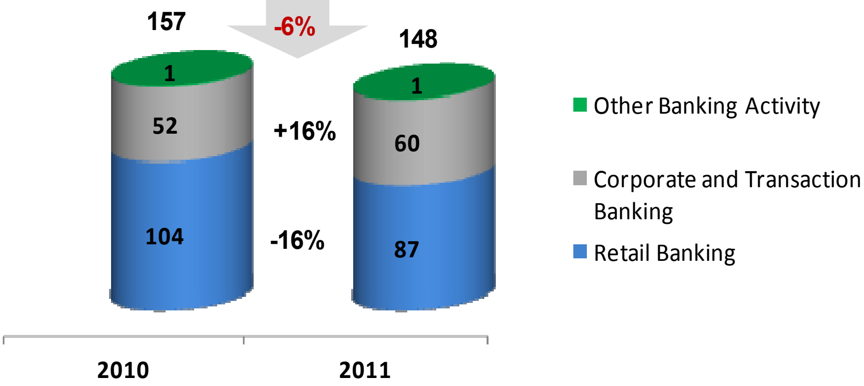


The main sources of the fee and commission revenues in the Bank were fees and commissions on cash settlement services, commissions related to the sale of insurance products, loan origination, guarantee issuance, and card related fees. The drop in commission and fee revenues as compared to 2010 resulted mainly from lower revenues on account of car and cash loan insurance, offered to individuals within the Retail Banking Business Line (insurance sale revenues went down by PLN 19 million), and a 17% decrease in loan origination fee revenues. Simultaneously, commissions and fees related to trade in derivatives grew up by PLN 8 million and those related to guarantees and contingent commitments issued increased by PLN 2 million – these items are primarily related to corporate customers within the Corporate and Transaction Banking line.

In 2011, fee and commission expenses amounted to PLN 41 million and were by 26% lower than in 2010. These costs went down primarily owing to lower costs of commissions paid to franchisees in connection with reducing the number of franchised branches.

The commission and fee income structure by business areas is the following:

Chart 11. Fee and commission income by sectors in 2010 and 2011 (in PLN million)



Net trading income

In 2011, the Bank recorded a net trading income of PLN 56 million, so it was by 26% lower than in 2010. This item includes: earnings on FX differences and revaluation, result on options, CIRS, IRS, FRA and OIS, and also fair value adjustments of FX options.

Earnings on FX differences and revaluation (FX swap result not included) in 2011 amounted to PLN 86 million and were by 1% higher as compared to 2010.

Result on options and CIRS, IRS, FRA and OIS (FX swap result included) in 2011 equalled PLN -35 million and was by PLN 3 million higher than in 2011.

Fair value adjustments for credit risk related to derivative transactions concluded with the Bank's customers in the previous years amounted to PLN 5 million in 2011, whereas they stood at PLN 26 million in 2010. A significant portion of the transactions affected by the adjustments had already been settled or restructured in previous periods; consequently, the Bank's revenues on account of release of the adjustments were lower by PLN 21 million as compared to 2010.

Other revenues*

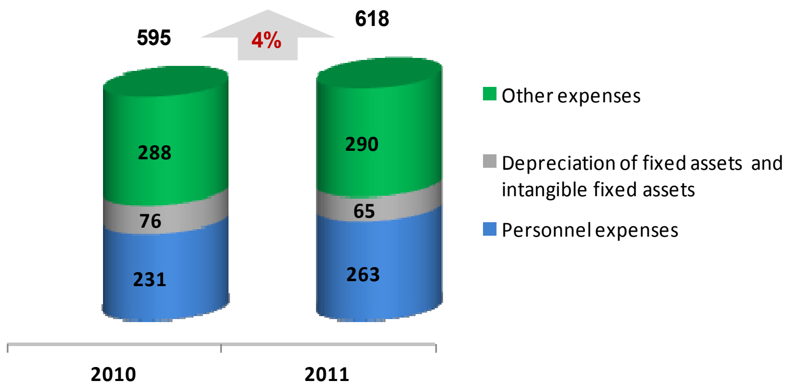
Other revenues in 2011 stood at PLN 34 million and were by 12% higher than in the previous year. This growth was primarily attributable to a higher by PLN 9 million net profit on available-for-sale financial assets, generated in connection with earnings on sale of securities. However, other revenues in 2010 included additionally PLN 12 million on account of settlement of the transfer of customers from BNP Paribas S.A. Warsaw Branch.

**Other revenues include: Net profit (loss) on transactions in available-for-sale financial assets, dividends and other investment income, and other income.*

4.1.2. Costs

Specific costs categories in the periods compared were the following:

Chart 12. Specific costs structure in 2010 and 2011 (in PLN million)



In 2011 the Bank's personnel costs were higher by 14% compared to the costs incurred in 2010. The increase in the Bank's personnel costs resulted from the following: employment growth in the Retail Banking Business Line related to the transformation of franchisee branches into the Bank's own branches, development of the Personal Finance area of activity. Additionally, the personnel costs in 2010 were lower owing to a release of provisions for restructuring (created in 2009) that exceeded the amount of redundancy payments made in this period.

Depreciation of fixed and intangible assets was lower by 14% than in 2010.

Other costs of the Group were by 1% higher than the costs incurred in 2010. At the same time, the share of the marketing expenses in total expenses of the Bank increased from 9% in 2010 to 14% in 2011. This increase was related to marketing campaigns promoting the BNP Paribas brand on the Polish market. Key items in other expenses in 2011 were the following: rents (PLN 69 million), marketing and advertising (PLN 41 million), IT costs (PLN 38 million) and mailing and telecommunication services (PLN 21 million).

4.1.3. Net impairment losses

In 2011, net impairment losses diminished by PLN 70 million as compared to 2010. The decrease in cost of risk is attributable to better effectiveness of restructuring and recovery activities undertaken by the Bank and a consistently applied cautious policy of granting new loans. Additionally, in December 2011 the Bank sold a portion of the portfolio of irrecoverable consumer loans to individuals (principal value of PLN 109 million). The sale revenues in the amount of almost PLN 14 million positively impacted the net impairment losses. The above actions led to an improvement of the portfolio quality expressed in the decrease of the non-performing loans share in the entire loan portfolio from 15.5% as at the end of 2010 to 12.7% as at the end of 2011. 93% of costs related to net impairment losses in 2011 were attributable to customers of the Retail Banking Business Line. The remaining 7% refer to corporate customers of the Corporate and Transaction Banking Business Line.

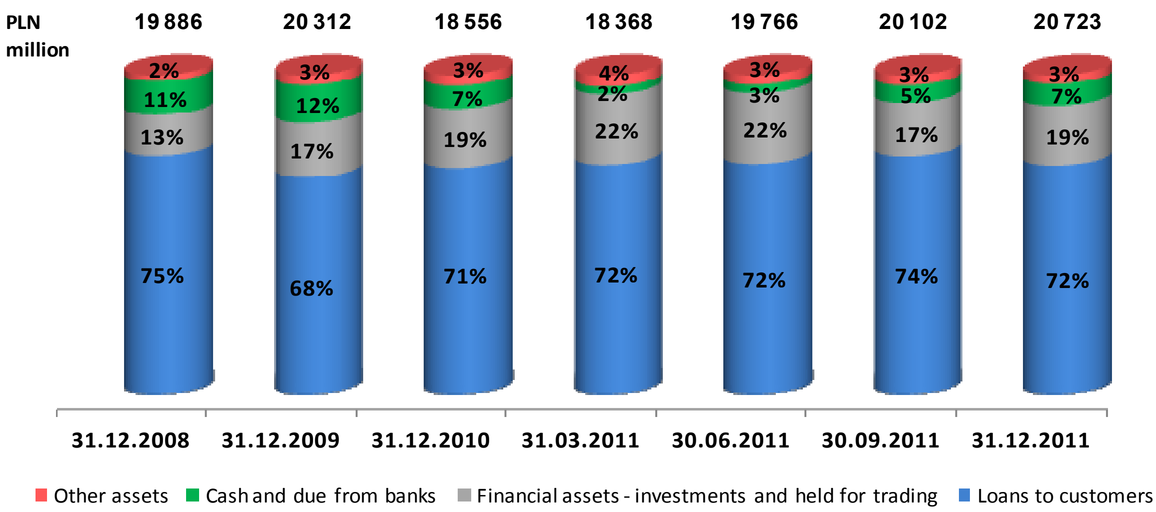
4.2. Balance sheet

4.2.1. Assets

The Bank's total assets as at 31 December 2011 were higher than the total assets as at the end of December 2010 by PLN 2,167 million, or 12%. One of the main reasons of the increase in total assets was a growth in loans to customers.

The Bank's assets structure is as follows:

Chart 13. Assets structure from 2008 to 2011 (in PLN million)



The table below presents the structure and evolution of selected assets of the Bank.

in PLN million	31 Dec 2010	Share (%)	31 Dec2011	Share (%)	Δ 2011/2010
ASSETS					
Loans to customers	13 151	71%	14 832	72%	13%
Investments – available for sale and others	3 266	18%	3 734	18%	14%
Cash and cash equivalents	1 173	6%	1 054	5%	-10%
Due from banks	159	1%	359	2%	126%
Financial assets held for trading	194	1%	175	1%	-10%
Property, plant and equipment and intangible assets	181	1%	178	1%	-2%
Other assets *	432	2%	391	2%	-10%
TOTAL ASSETS	**18 557**	**100%**	**20 723**	**100%**	**12%**

**Other assets include: deferred tax assets, settlements on account of income tax, hedging instruments, non-current assets held for sale and other assets*

Loans to customers – the Bank's credit portfolio profile

Net loans to customers which grew by PLN 1,681 million, or 13%, as compared to the end of December 2010, constitute the primary item of the Group's asset structure. The growth is attributable to the following:

– higher loan sales in the Bank, with the highest growth rate recorded for working capital loans for companies and for mortgage loans in PLN; and
– depreciation of the Polish currency against the currencies present in the Bank's foreign currency loan portfolio, which caused a 7% growth of the total loan portfolio.

Consequently, the share of net loans to customers in the structure of assets grew from 71% as at the end of December 2010 up to 72%. Loan portfolio evolution and structure are the following:

in PLN million	31 Dec 2010	Share (%)	31 Dec 2011	Share (%)	Δ 2011/2010
Commercial loans	7 030	49%	7 758	48%	10%
Mortgage loans	5 052	35%	5 987	37%	19%
Consumer loans and credit facilities	2 295	16%	2 279	14%	-1%
Other receivables *	10	0%	8	0%	-23%
Total loans to customers, gross	**14 387**	**100%**	**16 032**	**100%**	**11%**
Impairment losses and IBNR	-1 236		-1 200		-3%
Total loans to customers, net	**13 151**		**14 832**		**13%**

**Other receivables include: loans to budgetary units, receivables on account of recognising financial instruments (FX spot and FX swap type transactions) as at the transaction conclusion date and other receivables*

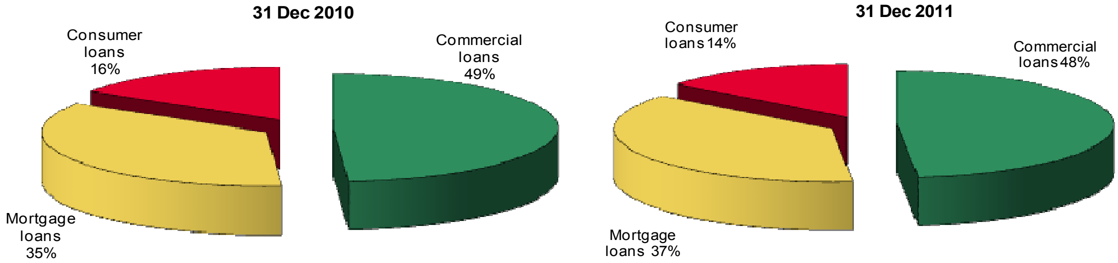
Commercial loans to business entities have the biggest share in the structure of gross loans to customers. Growth in the loans to businesses was achieved primarily owing to higher sales of working capital loans (mainly revolving credit lines to large companies, customers of the Corporate and Transaction Banking line), likewise a growth in balances of overdraft facilities (by 25% in comparison to the end of December 2010). In the portfolio of loans to businesses within the Retail Banking line, car loans increase was particularly significant (up by 65% YoY). Among commercial loans, only investment loans recorded a decline with the loan balance by 7% lower as compared to December 2010; the decrease resulted from the still lower demand for financing of investment projects of companies. The impact of higher FX rates on FC loans contributed to the increase in the balance of commercial loans by almost 4%.

As compared to the end of December 2010, the balance of **loans to individuals** grew up by PLN 919 million, or 13%, and stood at PLN 8,266 million. The higher volume of mortgage loans in the portfolio of loans to individuals was to a great extent affected by CHF exchange rate increases (depreciation of the Polish currency resulted in the mortgage loan value increase by PLN 607 million, which accounts for the total mortgage portfolio growth by 12%). Excluding the impact of FX rate changes, the FC mortgage loans balance decreased by 5% as compared to December 2010. At the same time, the Bank's attractive offering contributed to higher sales of mortgage loans in PLN, in particular in quarters 2 and 3 of 2011 and resulted in the PLN mortgage loan balance growth by PLN 530 million, i.e. by 72%. Consequently, their share in the total volume of mortgage loans increased from 15% as at the end of December 2010 up to 21%, with the balance of PLN 1,268 million at the end of December 2011.

Consumer loans and credit facilities at the end of December 2011 stood at a level similar to the one of the previous year. A slight decrease in cash and car loans to individuals was recorded at the end of December 2011, even though sales of these loans during the year were higher owing to the launch of an attractive offer of these products and intensive promotion activities; the volume decrease was a result of sale in December 2011 of a portion of the irrecoverable receivables portfolio with the principal value of PLN 109 million.

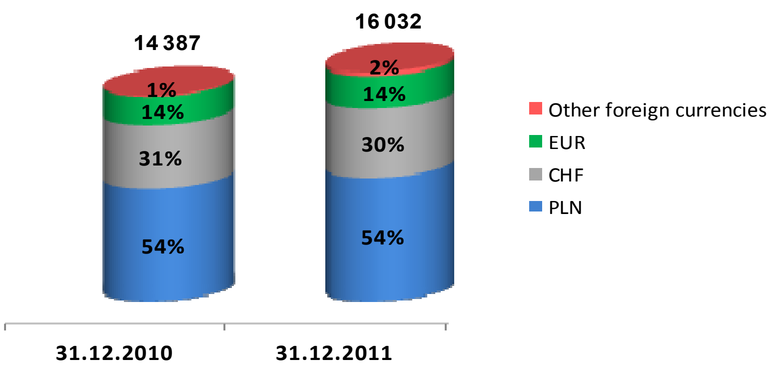
Structure of gross loans to customers of the Group as at 31 December 2010 and as at 31 December 2011:

Chart 14. Structure of the Group's gross loans to customers in 2010 and 2011 (in %)



Currency structure of the portfolio of gross loans to customers in the comparative periods was the following:

Chart 15. Currency structure of the gross receivables from customers in 2010 and 2011 (in PLN million)

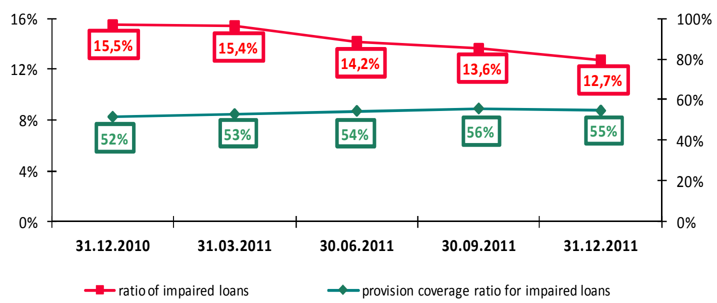


Credit portfolio quality

At the end of December 2011, a gross value of the portfolio of impaired loans to customers amounted to PLN 2,044 million, which accounted for 12.7% of the total portfolio. The ratio of impaired (non-performing) loans to the total loan portfolio has continuously been decreasing owing to the portfolio quality improvement, on the one hand, and higher efficiency of restructuring and debt collection activities and also sale of a portion of the portfolio of irrecoverable consumer loans to individuals (principal value of PLN 109 million), on the other.

Evolution of the ratios of impaired loans and of the related provisioning is presented the the graph below.

Chart 16. Change of the ratios of impaired loans and of the related provisioning as at 31 Dec.2010 and in 2011 (in %)



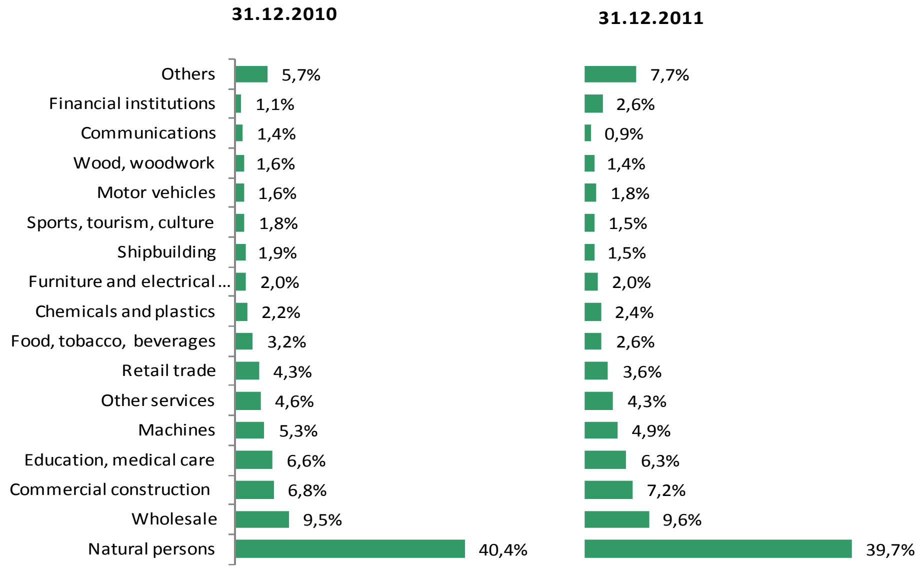
Decrease in the value of impairment losses and IBNR provisions was mainly the result of sale of a portion of the non-performing receivables with the highest provision coverage as well as repayments of significant non-performing clients by big corporates.

Credit portfolio by sectors

As at the end of December 2011, the Bank's exposure (balance sheet and off-balance sheet credit exposures) stood at PLN 21.4 billion and was concentrated mainly on the financing for natural persons and the following sectors: wholesale, commercial construction and engineering, education and medical care as well as retail sale.

Loan portfolio by sectors in the comparative periods was the following:

Chart 17. Loan portfolio by sectors as at 31 Dec. 2010 and 31 Dec. 2011 (in %)



The greatest increases in the share and level of exposure were recorded by the following sectors: commercial construction and engineering (volume growth by 21% YoY), retail sale (up by 15%), and also chemicals and plastics (up by 25%). The exposure to financial institutions and individuals likewise increased by 163% and 13%, respectively.

Investments available for sale

Investments available for sale and others augmented primarily as a result of higher investments in NBP bills, which are characterised by shorter maturity and, therefore, lower risk during dynamic changes on the market, and they replaced investments in long-term treasury bills. At the end of December 2011, treasury bonds, which remained at a level similar to the previous year, and NBP bills had the biggest share in the Bank's investment portfolio (52% and 43%, respectively).

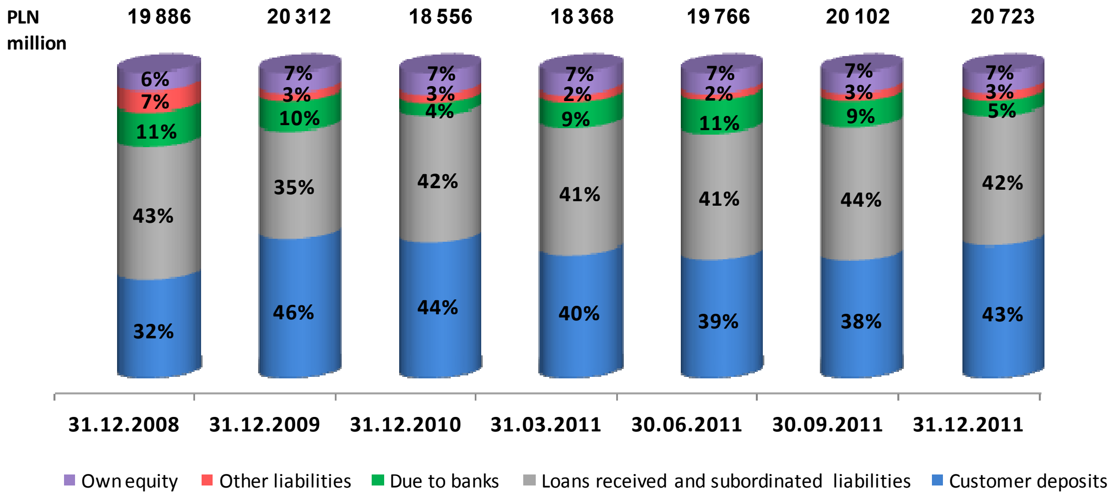
Cash and cash equivalents

A decrease in cash and cash equivalents resulted mainly from lower receivables due from the central bank.

4.2.2. Liabilities

The Group's liabilities structure is as follows:

Chart 18. Liabilities structure from 2008 to 2011 (in PLN million)



The table below presents the structure and evolution of selected liabilities of the Bank:

in PLN million	31 Dec 2010	Share (%)	31 Dec 2011	Share (%)	Δ 2011/2010
LIABILITIES					
Loans and credit facilities received	8 212	44%	8 974	43%	9%
Due to customers	7 163	39%	8 194	40%	14%
Due to banks	746	4%	1 043	5%	40%
Subordinated liabilities	565	3%	590	3%	4%
Financial liabilities held for trading	98	1%	126	1%	29%
Other liabilities *	437	2%	422	2%	-3%
Total equity	**1 335**	**7%**	**1 374**	**7%**	**3%**
TOTAL LIABILITIES	**18 556**	**100%**	**20 723**	**100%**	**12%**

**Other liabilities include: provisions, hedging instruments, differences from measurement to fair value of hedged items against interest rate risk, liabilities on account of securities issue, current tax liabilities and other liabilities.*

Liabilities

Customer deposits together with loans and credit facilities received continue to constitute the main source of asset financing in the Bank.

As compared to the end of December of 2010, the value of loans and credit facilities received increased by PLN 1,031 million as a result of:

- impact of the FX rate increase on FC loans received;
- drawdown in 2011 of additional funds from the European Investment Bank in the amount of PLN 119 million and from the European Bank for Reconstruction and Development in the amount of EUR 30 million to finance investment projects of small and medium-sized enterprises.

This item includes mainly credit facilities granted by the BNP Paribas group that at the end of December 2011 accounted for 96% of loans received by the Bank.

Increase in the value of liabilities due to banks results primarily from a growth of current deposits (by PLN 190 million, i.e. 201%), mainly deposits of banks from the BNP Paribas group.

Subordinated liabilities include subordinated credit facilities from the BNP Paribas group. Their value grew up (by 4% as compared to December 2010) influenced by FX rate increases.

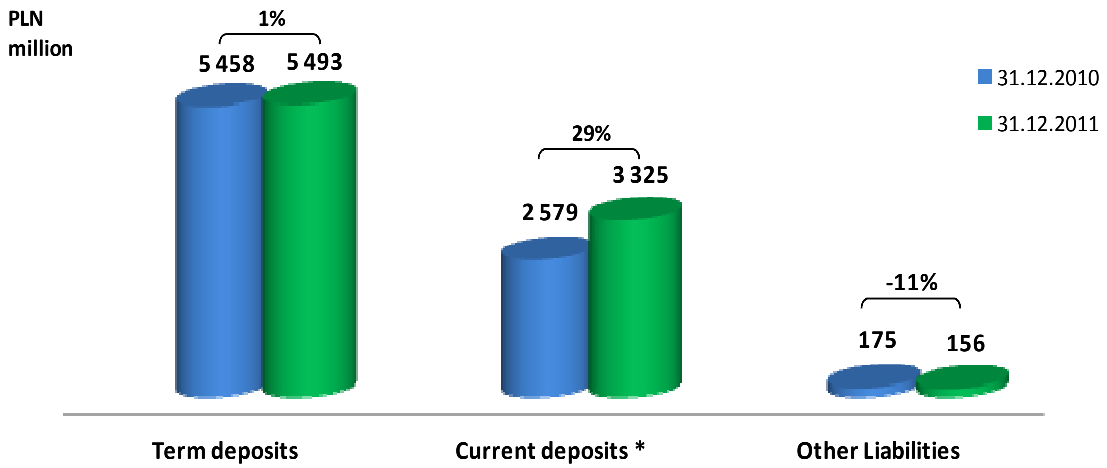
Customer deposits

Growth of liabilities due to customers was observed mainly with respect to current deposits, inclusive of savings accounts, and also PLN term deposits held by corporate customers. Despite higher balances, the share of liabilities due to customers in total liabilities was lower than in 2010.

Deposits denominated in PLN constitute 87% of all customer deposits. They augmented by PLN 670 million, or 9%, year on year. A positive impact of the FX rate increases on the level of foreign currency deposits compensated lower balances of these deposits. In the structure of foreign currency deposits, EUR deposits are predominant (81% of foreign currency deposits and 11% of total customer deposits).

Structure of liabilities due to customers, by deposit type:

Chart 19. Structure of liabilities due to customers in 2010 and 2011 (in PLN million)

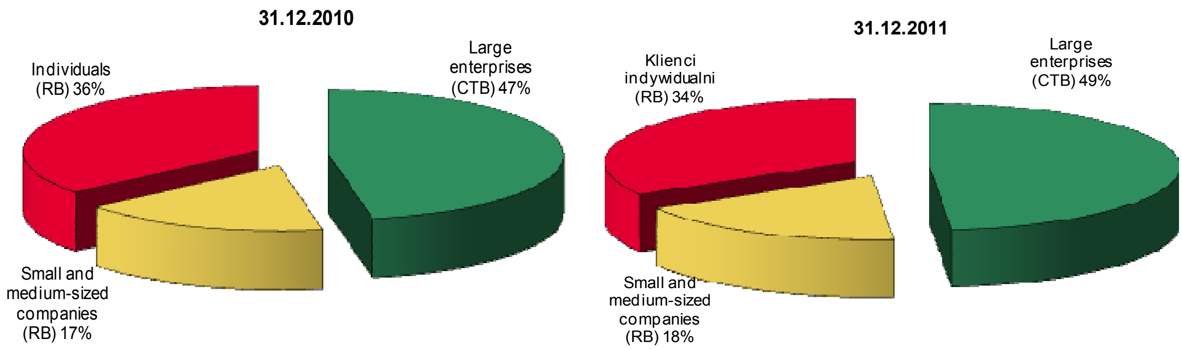


**inclusive of savings accounts, which at the end of December 2011 accounted for 39% of total current deposits*

In the structure of liabilities due to customers, term deposits continue to prevail, which at the end of December 2011 represented 61% of the total liabilities due to customers (as compared to 66% as at the end of December 2010).

Current deposits as at the end of December 2011 accounted for 37% of total liabilities due to customers. Their share in the total liabilities due to customers has been growing (by 6 percentage points as compared to December 2010). The biggest year-on-year growth has been recorded with respect to savings accounts held by individuals (by PLN 421 million, i.e. 52%), owing to advantageous offer of these products, and also with respect to core deposits on current accounts held by large enterprises (CTB line) – up by 28%.

Chart 20. Structure of deposits by segments in 2010 and 2011 (in %)



Own equity

Own equity growth by PLN 39 million year on year resulted predominantly from the net profit earned by the Bank in 2011 and also from the equity augmented by PLN 15 million on account of a deferred tax concerning a goodwill arising as a result of the purchase of an organised part of the enterprise of BNP Paribas SA Branch in Poland.

Capital Adequacy Ratio

As at 31 December 2011 the capital adequacy ratio was 12.01% in comparison to 13.52% as at the end of December 2010.

The ratio went down due to the increased capital requirement on account of credit risk arising from higher credit balances of the Bank and the FX rate growth. Own funds for the capital adequacy calculation was by 1% lower as compared to 2010 (up from PLN 1,819 million to PLN 1,798 million), which resulted mainly from the deduction of the capital stock in the leasing company purchased in July 2011, partly compensated by an impact of the FX rate growth on the value of the subordinated debt in EUR, changes in short-term capital volume and the recognition of last-year profit in the own funds.

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.

4.2.3. Average interest rate of deposits and loans

Basic variable interest rates applied to loans by the Bank are based on LIBOR/EURIBOR rates for foreign currency loans, and WIBOR rate for PLN loans. In 2011, the Monetary Policy Council intervened four times to increase the level of official NBP interest rates by the total of 100 basis points.

Average nominal interest rate of current and term deposits at the Bank in 2011, as compared to 2010, was the following:

- PLN deposits: 3.26%, compared to 3.21%;
- FC deposits: 1.05%, compared to 1.24%.

In 2011, average nominal interest rates for loans, both performing and non-performing ones, broken by currency, as compared to 2010, were the following:

- PLN loans: 8.35%, versus 8.53%;
- EUR loans: 3.74%, versus 3.64%;
- USD loans: 1.84% versus 3.04%;
- CHF loans: 1.31% versus 1.39%.

4.3. Contingent Liabilities - Off-balance Sheet Commitments

Contingent off-balance sheet commitments evolution and structure are the following:

Contingent liabilities granted and received (in PLN million)	31 Dec 2010	31 Dec 2011	Δ 2011/2010
Total contingent liabilities granted			
- items related to financing	3 118	3 935	26%
- guarantees	1 277	1 925	51%
Total contingent liabilities granted	**4 395**	**5 860**	**33%**
Contingent liabilities received			
- items related to financing	2 862	3 288	15%
- guarantees	275	378	37%
Total contingent liabilities received	**3 137**	**3 666**	**17%**
Total contingent liabilities	**7 532**	**9 526**	**26%**

The volume of contingent financial commitments increased primarily with respect to unused credit lines to companies, mainly large corporations within the CTB line. The above commitments include credit lines granted and not utilised, credit card limits, unused overdraft credit facilities, loan commitment letters issued, general financing agreements and import letters of credit.

Off-balance sheet guarantee commitments granted include guarantees issued in favour of customers, general guarantee agreements and export letters of credit issued. Growth in guarantee-like commitments issued pertained primarily to guarantees issued to companies and confirmed export letters of credit.

Increase in the contingent financial commitments obtained by the Group resulted mainly from the unused funds under the credit lines received by the Bank from the NBP and the European Investment Bank.

4.4. Basic ratios

Below there are indices for the Bank's shares with respect to the consolidated data:

Ratio	31 Dec 2010	31 Dec 2011
Return on Assets (ROA)*	**0.23%**	**0.11%**
Return on equity (ROE)*	**3.12%**	**1.54%**
Earnings (loss) per share	**1.77**	**0.87**
Book value per share	**55.34**	**56.95**

The book value per share is PLN 56.95. For proper calculation, the share capital, additional capital, revaluation reserve, other reserve capital, retained earnings from the previous years and the consolidated net profit (loss) for the fiscal year were included in equity capital.

*These ratios were calculated per annum as follows:

Return on Assets (ROA)	Net profit/loss / average assets as at the end of four subsequent quarters (in %)
Return on Equity (ROE)	Net profit/loss / average equity as at the end of four subsequent quarters (in %)

4.5. Enforcement titles and value of collateral

In 2011, the Bank issued 165 enforcement titles in the enterprises and affluent individuals segments for the total amount of PLN 47,133 thousand as at 31 December 2011, in comparison to 188 enforcement titles issued in those segments in 2010 for the amount of PLN 149,654 thousand.

Moreover, in 2011 the Bank issued 14,480 enforcement titles in the Mass Retail individuals segment in the total value of PLN 122,305 thousand as compared to 61,567 enforcement titles in the value of PLN 369,840 thousand issued in 2010.

Total value of collateral established on borrowers' accounts and assets amounted to PLN 61,268,593 thousand as at 31 December 2011, as compared to PLN 51,316,355 thousand as at 31 December 2010.

in PLN thousand	31 Dec 2010	31 Dec 2011
Collateral value	51,316,355	61,268,593

4.6. Management of financing sources

The basic sources of financing for lending activity of the BNP Paribas Bank Polska SA group include customer deposits which are accepted by the Bank both from enterprises and natural persons, and long-term credit facilities granted by financial institutions, including credit lines and subordinated loans from entities that are part of BNP Paribas group.

In the Bank's opinion, the stability of financing sources is satisfactory.

Structure of financing sources (in PLN thousand)	31 Dec 2010	31 Dec 2011	Change
Customer deposits	8,211,775	8,974,469	9%
Long-term credit lines and subordinated loans	7,728,695	8,784,156	14%
Equity capital	1,335,101	1,373,764	3%

In the second half of 2011 the balance of deposits held by individuals remained stable. The balance of deposits of corporate customers grew up by approx. 30% (in comparison to June 2011), mainly held on term deposit and current accounts.

Under the funding strategy of the Bank, the part of the Bank's credit portfolio with foreign currency assets should get funding support from the group, if such an external funding is needed and is not covered by the Bank's internal liquidity means.

The credit line of CHF 440 million, which matured on 3 July 2011, was renewed in the total amount of CHF 380 million (CHF 25 million until 4 July 2013, CHF 275 million until 4 July 2014 and CHF 80 million until 6 July 2015).

Under an agreement signed in August 2011 with Fortis Bank SA/NV and BGL BNP Paribas, Fortis Bank SA/NV has assumed rights and responsibilities of BGL BNP Paribas arising from the subordinated loan agreement for EUR 100 million dated 23 October 2007.

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

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

Agreement date	Party to the Agreement	Amount	Repayment date
23 Oct 2007	Fortis Bank SA/NV	EUR 100 million	28 Sept 2017
21 Apr 2009	Fortis Bank SA/NV	EUR 20 million	22 Apr 2019
21 Apr 2009	Fortis Bank SA/NV	PLN 60 million	22 Apr 2019

The Bank ensures its liquidity also through credit lines available both on the domestic and international interbank market.

Furthermore, the Bank actively cooperates with the European financial institutions such as the European Investment Bank ("EIB") and European Bank for Reconstruction and Development ("EBRD").

- On 20 July 2011, the Bank drew down the second tranche of PLN 119 million from EIB (under the agreement dated 30 November 2009). The funds obtained are allocated for the financing of investment projects of small and medium-sized enterprises.
- Furthermore, on 30 August 2011, EUR 30 million were drawn down under the agreement signed on 26 January 2011 with EBRD.
- Additionally, in December 2011 the Bank signed a new loan agreement in the amount of EUR 50 million with EIB. Similarly to the first agreement with EIB, the funds will be earmarked for financing investment projects implemented by small and medium-sized enterprises.

5. PROSPECTS FOR ACTIVITY DEVELOPMENT OF BNP PARIBAS BANK POLSKA SA

The prospects for the activity development of BNP Paribas Bank Polska SA will be materially affected by a macroeconomic situation and implementation of the BNP Paribas group development strategy on the Polish market.

Under the *Mission, Vision and Strategy* adopted in 2010 by the Bank's Board of Executives and Supervisory Board, the ambition of BNP Paribas Bank Polska is to create a strong universal bank on the Polish market. The Bank offers its products and services to individuals (including private banking customers), micro, small and medium-sized enterprises as well as domestic and international corporations.

In 2011 BNP Paribas group in Poland reached a new phase of integration of its various activities and adjusted its business and operational models to the rules and methodologies of the BNP Paribas group. Under the "One Organisation" concept, cooperation and synergies between different entities representing the group in Poland were strengthened.

In the corporate banking activity the Bank closely cooperates with BNP Paribas SA Branch in Poland. Under division of competences between BNP Paribas Bank Polska SA and the Branch, the Bank has focused on rendering services related to daily banking operations for enterprises, including cash management, full credit service, global trade finance and selected financial forward transactions. The Branch's priority is to serve the largest corporate and institutional customers of the BNP Paribas group and offer advanced investment banking products.

The development strategy for corporate customers segment (CTB) gains strong support through the position in the international environment held by the BNP Paribas group which operates as "one bank for corporates in Europe". The strategy is based on introduction of innovative solutions for key products adjusted to the customer needs, competitive price offering and a "one-to-one" relation with a chosen relationship manager, who operates together with highly qualified product specialists (for products such as cash management, structured products, FX market, trade finance, factoring and lease etc.). The Bank will develop its activity though a network of business centres and based on new competence centres dedicated to real estate financing, structured financing and also the public sector and institutions.

The financing based on lease and credit facilities, with a growing share of lease products, is treated as a key factor to establish and maintain relations, at the same time accompanied with very active cross-selling of other specialist services. Since 1 July 2011 the BNP Paribas Bank Polska SA group includes Fortis Lease Polska Sp. z o.o., a lease company which, in cooperation with the Bank, offers lease of fixed assets, including real estate, means of transport, construction machines and specialist equipment for the industry.

The Bank strives to reinforce its position on the retail banking market. The Bank positions itself as a preferred supplier of basic banking services related to daily banking, financing, savings products and investment solutions for individuals, micro, small and medium-sized enterprises (SME) with a special emphasis on responsible lending and innovative products. Honesty and transparency constitute the grounds for building relations with our customers.

As regards the SME segment, the Bank plans to develop a product offering that supports current activity of our customers and their development. This offering includes attractive transaction packages, credit products available at good prices (inclusive of working capital and investment loans) as well as access to cash management, factoring, FX, trade finance and leasing. The Bank's strength is expert knowledge about acquisition of EU funding and access to loans financed by the EIB and EBRD. Based on agreements signed with the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), the Bank offers investment financing for medium-sized companies.

Furthermore, the Bank plans to develop a factoring activity by taking over in 2012 Fortis Commercial Finance Sp. z o.o., factoring company.

The Personal Finance business line operates as a specialised competence centre responsible for managing consumer loans portfolio (cash loans, car loans and credit cards for individual customers). The products distribution is carried out via the Retail Banking branches network and directly through car dealers. The strategy assumes further development of Personal Finance, mainly personal loans and car loans.

The Bank accomplishes these ambitious goals through development of a sales network, service quality, tools and new technologies, increasing the brand recognition and also acquiring customers thanks to attractive promotional campaigns of products and expanding the cross-selling offering, owing to the group's support in implementation of a multi-channel integrated banking model and tools for credit risk management.

Upon transformation of Fortis Private Investments, the Bank's subsidiary specialising so far in managing individual clients' assets within financial instruments portfolio, into an Investment Fund Company in 2010, the offering for customers was expanded by adding products and services regarding investment fund management and intermediation in the sale and redemption of participation units. The strategy also assumes further development of Wealth Management and Investment Fund Company services, among others, on the basis of cooperation with the retail banking area and an access to the portfolio of CTB and SME segment.

The Bank intends to develop the brokerage activity and create a dedicated service unit.

Balanced and ambitious development of the activity in the above segments and appropriate risk control system, enhancing effectiveness in the cost management area, boosting of revenues from operating activity and improvement of financial results of the Bank, as well as customer service are the priorities in the management of the Bank in 2012.

Further, these actions are a part of the *Recovery Programme* prepared in accordance with Article 142 of the Banking Law Act and implemented with the consent of the Polish Financial Supervision Authority.

On 2 January 2012, the Bank received a request from the Polish Financial Supervision Authority 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 a revised version of the *Recovery Programme for BNP Paribas Bank Polska SA.* In particular, the Programme revision concerned an extended time horizon till 2014, revised assumptions regarding capital adequacy (including the planned increase of the Bank's own funds), liquidity and sources of financing and also the Bank efficiency ratios.

Upon the registration of a new bank name - BNP Paribas Bank Polska SA in May 2011, a process of changing the brand/logo under which the Bank offers its products and services, was under way, in particular re-branding the Bank's branches. The change of the Bank's name reflects ambitions of BNP Paribas group to build a strong banking brand in Europe and also confirms the group's plans of expansion on the Polish market. In 2012 the Bank plans further intensified communication actions with a view to strengthening the BNP Paribas brand.

The main challenge for 2012 is implementation of the adopted business strategy, further reorganisation of the sales network and its development through opening new branches, likewise continuation of initiatives aiming at increasing the Bank's profitability potential.

Similarly as in 2011, the Supervisory Board and Board of Executives do not publish the financial performance projections for 2012.

6. SPONSORSHIP

BNP Paribas Bank Polska is part of the BNP Paribas group, which is the number one sponsor of tennis worldwide. Therefore, the Bank treats tennis events sponsorship in Poland as a priority.

In 2011, the Bank was the title sponsor of:

- BNP Paribas Polish Open 2011 tennis tournament held Sopot;
- Tomaszewski Cup, international junior tennis tournament (up to 16);

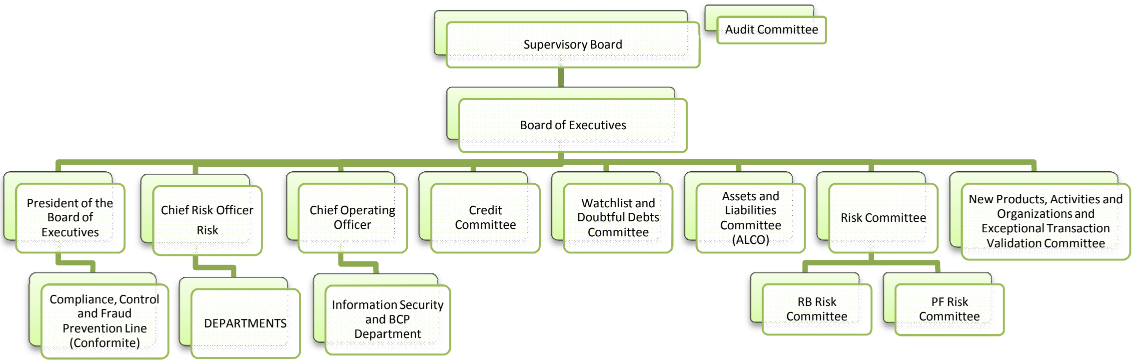
The Bank sponsorship activity rules are available at the Bank's website at: http://www.bnpparibas.pl/o-banku/aktywnosc-sponsoringowa.asp

7. BASIC RISK TYPES AND RISK MANAGEMENT

The Bank identifies, measures, monitors and manages all risks that arise in its activity. The Bank divides monitoring, control and risk management processes into the following categories:

- credit and counterparty risk;
- liquidity risk;
- market risk, including:
  - FX risk;
  - interest rate risk;
- operational risk.

To guarantee that the above-mentioned risk categories are identified, defined, as well as appropriately controlled and managed, the Bank observes numerous internal control procedures and risk level limits, which were described in detail in *Note 32 Risk Management in the Bank's Annual Financial Statements for 2011*.



The organisation of the risk management system comprises the Supervisory Board, Board of Executives, dedicated committees (Audit Committee at the Supervisory Board level, Assets and Liabilities Committee (ALCO), Risk Committee, Credit Committee, Watchlist and Doubtful Debts Committee, New Products, Activities and Organisations and Exceptional Transaction Validation Committee, Risk Area Departments, Compliance, Control and Fraud Prevention Line (Conformite) and Information Security and Business Continuity Department.

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

7.1. Credit risk

Credit risk is the risk of losses incurred by the Bank on account of granted loans due to the customers' inability to meet their obligations and requirements defined in a loan agreement.

In its business, the Bank grants loans and credit facilities likewise issues guarantees to 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 credit risk management system at the Bank has been defined in the *Credit Risk Management Policy* approved by the Board of Executives. In 2011, the *Policy* was further supplemented by:

- rules of management of credit exposures related to real estate financing and credit exposures secured by mortgages, granted to individual and corporate customers; these rules implement requirements of the revised Recommendation S issued by KNF in 2011;
- rules of management of the risk of subsidiaries in connection with the Bank's acquisition of 100% of shares in Fortis Lease Polska Sp. z o.o.

Detailed financing rules and criteria with respect to products offered by a given business line, customer exclusions from financing, types of loans available, financing purposes, limits and terms and conditions, are determined in credit policies for specific business lines. Pursuant to the credit policy criteria, the Bank's intention is to cooperate with customers with good reputation and satisfactory financial situation.

Credit policies specify also detailed rules of risk identification, measurement and acceptance, collateral for loan repayment and monitoring customers in the course of the loan agreement.

In 2011, amendments were introduced to credit policies to account for instructions arising from updated Recommendation S. With reference to the portfolio of retail customers, the Bank assigned the high priority to an update of internal regulations regarding the rules of monitoring the collateral value, financial standing and creditworthiness of customers holding mortgage loans, in particular foreign currency loans.

The credit risk management process is adjusted to the business line structure adopted by the Bank. The functions of acquisition and sale of credit products and credit risk assessment are separated from each other thereby ensuring a clear division of responsibilities in the credit process.

An organisationally separate Risk Area, headed by a Member of the Board of Executives in the function of the Chief Risk Officer, performs the key role in the credit risk management. The credit risk management activity is supported by dedicated committees. To enhance effectiveness of the risk management system in supporting business functions, and following adjustments related to the integration with the BNP Paribas Group, in 2011 the Bank changed the committees' structure and rules of operation. New committees: Watchlist and Doubtful Debts Committee, RB Risk Committee and PF

Risk Committee were created, while the scope of tasks of the Risk Committee and Credit Committee was modified. The Bank assesses the borrowers' risk using rating or scoring classification systems and risk classification according to IFRS.

Credit decisions are made according to the decision-making model approved by the Bank's Board of Executives and Supervisory Board, adjusted to the standards applicable in the BNP Paribas group. 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.

IT activities and solutions applied by the Bank to support and standardize the credit process include an IT workflow application for enterprises, implemented in 2011. Alongside the already used workflow application for retail customers, the new solution extended the list of monitoring processes by monitoring turnover on customer accounts and monitoring bailiff seizures.

7.2. 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.

The counterparty risk calculation covers the following transaction types included in the Bank's trading portfolio: FX transactions, interest rate swap transactions, FX options, interest rate options.

Counterparty credit risk assessment with respect to transactions generating counterparty risk is similar to the assessment performed for credit granting. Rules of entering into FX and derivative transactions, likewise granting, using and monitoring credit limits for such transactions with customers are regulated at the Bank in dedicated instructions. Under the policy adopted, the Bank enters into any transactions based on individually assigned limits and following the knowledge of customer. The Bank defined product groups offered to customers depending on their individual experience and knowledge.

7.3. Liquidity and market risks (interest rate and FX)

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);
- 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 FX 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;
- keep limits set by the Bank at or below the risk level accepted 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 historical data on interest rate operations and transactions, various risk indicators and market rates.

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. Additionally, the Bank has introduced several-level control mechanisms in the risk management process.

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 also to FX and interest rate risk management processes.

7.4. 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 the 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 with respect to the operational risk management is described in the *Operational Risk Management Policy at BNP Paribas Bank Polska SA.* 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 customer 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 relevant recommendations and resolutions adopted by the financial supervisory authority.

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, the *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.

7.5. Security policy

Considering that financial services require specialist knowledge and permanent access to data, while reliable information determines the financial entity's position, the Bank pays particular attention to system solutions that provide continuous and appropriate protection of information against threats.

The system solution that allows for improvement, monitoring and control over the information security at each level of the Bank's management is the Information Security Management System (ISMS). The Information Security Management System covers the areas of data communication security, physical security, compliance risk, personal data security, business continuity and crisis management.

Since 2008, the Bank has got the ISO Information Security certificate which confirms the compliance of the Information Security Management System with requirements of the ISO /IEC 27001 international standard . In 2011, BNP Paribas Bank Polska SA was subject to a recertification audit performed by an external auditor. The audit was successful and resulted in extending the Bank's right to use the ISO /IEC 27001 standard for the subsequent three years.

The system Information Security Management is part of the Bank's strategy and confirms a high quality of the services offered. The ISO certificate obtained proves that the Bank's activity is based on and complies with, requirements of the international standard regarding information security, including data communication, physical and business continuation security.

Financial data regarding the risk management are described in Note 32 of the Bank's Annual Financial Statements for 2011.

7.6. 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.

8. AFFILIATED ENTITIES

8.1. Profile of Shareholders with over 5% of votes at the Annual General Meeting

8.1.1. BNP Paribas SA

BNP Paribas SA based in Paris (16 boulevard des Italiens, 75009 Paris, France) is the higher level parent company in relation to BNP Paribas Bank Polska SA. BNP Paribas SA is the parent company of the BNP Paribas group.

BNP Paribas SA is a French joint-stock company (société anonyme) authorised to conduct banking activity under the French Monetary and Financial Code, Book V, Title 1 (Code Monétaire et Financier, Livre V, Titre 1er). It was incorporated under a decree dated 26 May 1966. The company's duration was extended to 99 years as from 17 September 1993. In addition to detailed rules regarding the company's status of an entity operating in the banking sector, BNP Paribas SA is governed by the French Commercial Code (Code de Commerce) which applies to commercial companies and partnerships, and by the provisions of the Statute.

BNP Paribas SA has been registered in the Register of Commerce and Companies in Paris (RCS Paris) under number 662 042 449.

As at 31 December 2011, the share capital of BNP Paribas SA amounted to EUR 2,415,479,796 and was divided into 1,207,739,898 fully paid up shares, with a nominal value of EUR 2 each. These shares are inscribed or bearer shares, at their owner's discretion, subject to the applicable law provisions.

BNP Paribas SA is a public company. BNP Paribas SA shares are listed on the NYSE Euronext Paris (Compartment A, ISIN code: FR0000131104). BNP Paribas SA shares are included in: the CAC 40 index (top 40 companies among 100 highest market capitalisations), SBF120/SBF250, EURONEXT100 and others.

BNP Paribas group is a leading European financial institution with global presence, rated AA- by Standard & Poor's. Present across Europe through all its business lines, the group has four domestic retail banking markets in France, Italy, Belgium and Luxembourg. BNP Paribas SA group operates in over 80 countries worldwide and has 200 thousand employees, including 156 thousand in Europe, 15 thousand in North America and 13 thousand in Asia. The group maintains a leading position in three core businesses:

- Retail Banking, which includes such operating businesses as: French Retail Banking (FRB), BNL banca commerciale (BNL bc) – Italian retail bank, BeLux Retail Banking, Europe-Mediterranean, BancWest, Personal Finance and Equipment Solutions;
- Corporate and Investment Banking (CIB);
- Investment Solutions.

In 2011, the International Retail Banking business area was created comprising retail banks of the BNP Paribas group that operate outside of the domestic markets, including BNP Paribas Bank Polska SA.

The BNP Paribas 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. The following services are also rendered to customers through specialised subsidiaries:

- investment services (BNP Paribas Investment Partners);
- custody services (BNP Paribas Securities Services SA - Branch in Poland);
- insurance (Cardif Towarzystwo Ubezpieczeń na Życie Polska SA - Cardif Assurances Risques Divers SA - Branch in Poland);
- lease (BNP Paribas Leasing Solutions through BNP Paribas Lease Group Sp. z o.o. and Fortis Lease Polska Sp. z o.o.);
- car fleet financing and management (Arval Service Lease Polska Sp. z o.o.);
- real property management (BNP Paribas Real Estate Advisory&Property Management Poland Sp. z o.o.).

Financial performance for 2011 based on unaudited financials:

In 2011, BNP Paribas group generated net profit (attributable to equity holders) of EUR 6,050 million, which is down by 22.9% over 2010, despite the Greek sovereign debt impairment increasing the provision to 75% and a loss due to substantial reduction of sovereign debt outstandings. The group generated EUR 42,384 million in revenues, down by only 3.4% than the ones noted in 2010. Gross operating income stood at EUR 16,268 million and was lower than in 2010. Due to the Greek sovereign debt provision, the cost of risk soared significantly.

Common equity Tier 1 ratio (capital adequacy) was 9.6% at the end of December 2011, even though it was necessary to adjust to the more stringent solvency requirements under Basel 2.5.

Net earnings per (ordinary) share were EUR 4.82 compared to EUR 6.33 in 2010. Return on equity (ROE) stood at 8.8%, compared to 12.3% in 2010. As at 31 December 2011, teh net book value per share totalled EUR 58.2 (i.e. up by 5% as compared to 2010).

BNP Paribas SA is the parent entity of Fortis Bank SA/NV based in Brussels.

Details regarding BNP Paribas SA group and its financial results are available at: http://www.bnpparibas.com

8.1.2. BNP Paribas Fortis

Fortis Bank SA/NV based in Brussels (Montagne du Parc 3, B-1000 Brussels) currently operates under the BNP Paribas Fortis brand. Since May 2009 Fortis Bank SA/NV has been part of BNP Paribas SA group.

Fortis Bank SA/NV is a joint-stock company incorporated under Belgian law on 5 December 1934. In Belgium, the company has been entered into the Register of Legal Persons under number 0403.199.702.

The paid-up share capital of Fortis Bank SA/NV is EUR 9,374,878,367.40. 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.

8.1.3. Dominet SA

Dominet SA with its registered office in Warsaw (ul. Suwak 3, 02-676 Warsaw) holds 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.

8.2. Subsidiaries

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.

8.2.1. Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (TFI BNP)

TFI BNP operates on the basis of the permit issued by the Polish Financial Supervision Authority as regards:

- setting up investment funds and their management;
- agency services as regards sale and repurchase of participation units;
- management of portfolios of financial instruments of individual customers.

TFI BNP manages the portfolio of BNP Paribas FIO (formerly: Fortis FIO) launched on the Polish market in 2005 in cooperation with SKARBIEC TFI S.A. BNP Paribas FIO is the first umbrella fund on the Polish market with separated sub-funds. The fund comprises the following sub-funds: BNP Paribas Akcji (stock sub-fund), BNP Paribas Stabilnego Wzrostu (stable-growth sub-fund) and BNP Paribas Papierów Dłużnych (debt securities sub-fund). Additionally, under BNP Paribas FIO, IKE BNP Paribas FIO (Individual Pension Accounts) are offered.

As part of the financial instrument portfolio management activity conducted by the company since 1996, comprehensive solutions are offered with respect to investments on capital markets, both in Poland and abroad. TFI FPI offers equity, balanced and debt securities portfolios, including also Polish and foreign funds portfolios as well as active allocation portfolios with a defined share of equity. Structured bond portfolios are available within individual portfolios, whereas customers interested in primary market offers may choose an IPO Portfolio.

Under the agreement of 5 November 2007, the Bank cooperates with TFI BNP as an intermediary offering financial instrument portfolio management services. In cooperation with the Private Banking Department, the asset management services of TFI BNP are offered to high net worth individuals who are customers of the Bank.

The share capital of TFI BNP amounts to PLN 9,048 thousand and is divided into 377,000 shares with the nominal value of PLN 24 each. The equity level is sufficient for secure current business as well as future development of the company.

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 of the company. The Bank's subsidiary, operating so far under the firm of Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA changed its 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* (stock), *BNP Paribas Stabilnego Wzrostu (stable growth)*, and *BNP Paribas Papierów Dłużnych (debt securities).*

TFI BNP obtained KNF approval of amendments to the Statute of BNP Paribas FIO with respect to launching two sub-funds of BNP Paribas FIO - BNP Paribas Komercyjnych Paperów Dłużnych (commercial debt securities sub-fund) and BNP Paribas Sektorowy (sector sub-fund) - a stock sub-fund. The sub-funds were launched in January 2012 (after the balance sheet date), when TFI BNP acquired participation units of these sub-funds through subscription.

8.2.2. Fortis Lease Polska Sp. z o.o.

Fortis Lease Polska Sp. z o.o. is a lease firm which specialises in lease solutions tailored to the needs of enterprises. FLP has been in business on the Polish market since 2000. It has been offering lease of real estate and a wide range of fixed assets, including means of transport, construction machines and specialist equipment for industry. At present, it services over 2,600 customers.

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.

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.

8.3. Minority interest

As at 31 December 2011, BNP Paribas Bank Polska SA group held interest exceeding 5% of share capital of the following entities:

Vistula Group SA

As at 31 December 2011 the Bank owned 8,247,423 shares of Vistula Group SA, which accounts for 7.39% of the company's share capital. The ordinary bearer shares held enable the Bank to exercise 8,247,423 voting rights at the general meeting of shareholders of the company, or 7.39% share in the general number of votes at the general meeting of shareholders. The company's shares were taken up by the Bank in exchange of the company's obligations in 2009.

Odlewnie Polskie SA

As at 31 December 2011 the Bank owned 1,952,896 shares of Odlewnie Polskie SA, which accounts for 9.45% of the company's share capital. The ordinary bearer shares held enable the Bank to exercise 1,952,896 voting *rights at the general meeting of shareholders of the company, or 9.45% share in the general number of votes at the general meeting of shareholders. In 2010, the company's shares were taken up by the Bank under a* composition agreement with the company's creditors, through a conversion of receivables pursuant to Article 294, item 3 of the *Bankruptcy and Rehabilitation Act of 28 February 2003.*

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.

9. AGREEMENTS SIGNIFICANT FOR THE GROUP'S ACTIVITY

9.1. Major agreements signed with the BNP Paribas Group entities

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 04 July 2014;
  - the tranche in the amount of CHF 80 million for 4 years, i.e. until 06 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 in February 2011 in favour of Fortis Finance Belgium SCRL/CVBA;
- CHF 440 million in July 2011 in favour of BGL BNP Paribas;
- PLN 390 million (April, May, June, September 2011) in favour of 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.

On 1 January 2011, the Bank signed an agreement on opening a current account with BNP Paribas SA Branch in Poland.

9.1.1. Purchase Agreement of Fortis Lease Polska Sp. z o.o.

The agreement on purchase of 100% of shares in FLP and agreement on cooperation with lease entities of the BNP Paribas Group were described on page 32.

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.

9.1.2. 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 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).

9.1.3. Agreement with Arval Service Lease Polska Sp. z o.o.

On 14 March 2011, the Bank signed a cooperation agreement with Arval Service Lease Polska Sp. z o.o. as regards the Bank's support for this company to acquire new customers. In the case Arval concludes a vehicle lease agreement (operating lease) with the Bank's customer through the agency of the Bank, the Bank is entitled to an appropriate remuneration on this account.

Details regarding agreements and transactions with affiliated entities in 2011 and comparative data for 2010 are presented in Note 29 of the Bank's Annual Financial Statements for 2011.

9.2. Agreements with international institutions

9.2.1. 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 the 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.

9.2.2. Credit Agreements with the European Investment Bank

On 30 November 2009, a credit agreement was signed between the European Investment Bank (EIB) based in Luxembourg and the Bank, under which the EIB granted the Bank a credit line up to EUR 50 million. The first tranche in the amount of PLN 80 million was disbursed in September 2010. The second tranche in the amount of PLN 119 million was disbursed in July 2011.

On 16 December 2011, a subsequent credit agreement was signed between the Bank and the EBI, under which the EIB would grant the Bank a credit line up to EUR 50 million. The Bank will obtain further 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 agreements signed by and between the EIB and the Bank, Fortis Bank SA/NV based in Brussels granted a guarantee for performance of the Bank's obligations arising under the credit agreement.

9.2.3. 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 for 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 an 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.

Under the agreement signed, there is 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.

9.3. 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.
- 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.
- 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.
- 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.
- 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:

  - 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;
  - a loan agreement signed by and between the Bank and the customer on 8 May 2008, as amended;
  - 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 was introduced to an agreement which met the significant agreement criterion, as its value exceeded 10% of the Bank's equity.
- On 10 January 2012 (after the balance sheet date), the Bank signed a multi-option credit line agreement with a customer not affiliated with the Bank.

  Under the agreement, the Bank granted the customer a credit line up to PLN 200 million. The credit facility will finance the customer's current operating activity. The financing term is 24 months. The loan interest rate has been established based on WIBOR increased by a margin.

The financing conditions correspond to market conditions.

9.4. Guarantees and sureties

- Agreement on a 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 to the aforesaid agreement was signed, 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 Group's equity capital.
- 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 performance bonds 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.
- On 23 December 2011, the Bank issued two advance payment guarantees to the order of BNP Paribas SA branch in Milan: one in the amount of PLN 100 million and valid till 31 December 2014, while the other of PLN 75 million and valid till 20 January 2014, in favour of a customer. The guarantees were issued by the Bank against a security in the form of two counter guarantees in the same amount, issued by BNP Paribas SA branch in Milan in favour of the Bank.

9.5. Bond redemption

- On 29 January 2011, the Bank redeemed subordinated bonds in the amount of PLN 31,622 thousand (of PLN 30 nominal value and interest) upon consent to an earlier reimbursement of funds given by the Polish Financial Supervision Authority. The bonds were issued by Dominet Bank SA through the agency of BRE Bank SA in 2004. After the merger of the Bank and Dominet Bank SA, the Bank took over the liabilities on account of issuance of these bonds. They were included into the Bank's Tier 2 funds.
- On 29 January 2011, the Bank redeemed secured bonds in the amount of PLN 30,709 thousand (of PLN 30 nominal value and interest). The security deposit was reimbursed to the Bank. The bonds were issued by Dominet Bank SA through the agency of BRE Bank SA in 2004. After the merger of the Bank and Dominet Bank SA, the Bank took over the liabilities on account of issuance of these bonds.

9.6. Insurance agreements

Mandatory insurance		
risk / insurance cover	legal grounds	insurance period
OC multiagenta - third party liability insurance on account of agency services.	Finance Minister's Ordinance dated 23 June 2005 regarding obligatory third party liability insurance on account of agency services (Journal of Laws No. 122, item 1027 of 2005)	20 Feb 2011 - 19 Feb 2012
General Agreement on Motor Insurance /third party liability (OC)/ - compulsory third party liability insurance of motor vehicle owners in case of damage related to the participation of these vehicles in the traffic.	Act dated 22 May 2003 on obligatory insurance, Insurance Guarantee Fund and Polish Motor Insurers' Bureau (Journal of Laws no. 124 item 1152, as amended)	1 July 2011 - 30 June 2012
Voluntary insurance		
risk / insurance cover		insurance period
Insurance against the risk of financial losses of BNP Paribas Bank Polska SA on account of the Bank's liability as the payment card issuer - the insurance covers the Bank's liability defined in the Act on Electronic Payment Instruments dated 12 September 2003 (Journal of Laws no. 169, item 1385).		1 Jan 2011 - 31 Jan 2012
General insurance agreement regarding property, electronic equipment, professional indemnity and CARGO for electronic equipment - the insurance covers property (including pecuniary values) and electronic equipment owned by the Bank. The scope of the insurance programme is based on the so-called All Risk insurance. Moreover, the insurance programme covers the Bank's professional indemnity under property owned and business activity conducted and also a national CARGO insurance for IT hardware.		26 April 2011 - 25 April 2012
General Professional Indemnity Insurance *of Franchise Branches* of BNP Paribas Bank Polska SA - the insurance covers professional indemnity of *franchise branches* of the Bank against third parties on account of office activity and the property held. Furthermore, the insurance coverage includes harm inflicted on employees of *franchise branches,* as well as the liability for damage made to immovable and movable property of third parties.		26 April 2011 - 25 April 2012
BBB /Financial Institution Banker's Blanket Bond/ - BNP Paribas Bank Polska SA is covered by the corporate insurance programme of the BNP Paribas Group and its entities worldwide. The corporate programme provides insurance of the banking activity against the Bank's losses arising from electronic and computer crime, both internal and external.		1 May 2011 - 30 April 2012

D&O /Directors and Officers Liability/ - BNP Paribas Bank Polska SA, as a member of the BNP Paribas Group, is covered by the corporate Directors and Officers Liability Insurance Programme.	1 May 2011 - 30 April 2012
General Agreement on Motor Insurance (all-risk insurance /AC/) - vehicle damage, destruction or theft (Auto-Casco) insurance of motor vehicles owned by the Bank.	1 July 2011 - 30 June 2012
Programme of group insurance coverage against personal injury accidents (NNW) of BNP Paribas Bank Polska SA employees - the group NNW insurance covers death of the insured and permanent personal injury resulting from NNW.	1 December 2011 - 30 November 2012
Programme of group life insurance of BNP Paribas Bank Polska SA employees - the group life insurance programme covers life and health of the Bank's employees and their families.	1 December 2011 - 30 November 2012

9.7. Agreements with the central bank and the regulators

Agreements with the National Bank of Poland. During 2011, annexes to the PLN account agreement were executed, related primarily to changes in the table of commissions and fees to this account and the introduction of a possibility of transferring data from the Sorbnet system to the European Central Bank with consent of the system participants. Furthermore, the agreement on maintenance of an EUR account in the Sorbnet EURO system was terminated in November.

Agreement on the maintenance of a securities account and a deposit account in the Securities Register. On 9 March 2011 the Bank concluded a new agreement, under which the National Bank of Poland maintains an account and deposit account of cash bills and T-bills for the Bank.

Annex to agreement on extension of a lombard credit facility and a provision of pledge securing the facility and Annex to agreement on extension of a technical credit facility and transfer of rights under securities. On 9 March 2011, the Bank signed annexes to the agreements concluded on 15 March 2010.

9.8. Agreement with auditor

On 30 June 2010, the Bank signed an agreement with Mazars Audyt Sp. z o.o. with the registered office at ul. Piękna 18, 00-549 Warsaw, KIBR (Polish National Chamber of Statutory Auditors) register number 186, regarding an audit of financial statements for 2010 and 2011 and a review of abbreviated interim financial statements for the first half of 2011. Total fees, exclusive of VAT, due under the aforementioned agreement equal to EUR 263 thousand and evidenced additional costs.

The table below shows the auditor's net remuneration broken by service type (in PLN thousand):

Remuneration (in PLN thousand):	2010	2011
Audit of annual financial statements for the previous year	233	261
Review of interim semi-annual financial statements	177	172
Other services (group reviews)	250	270
In total (net, exclusive of VAT)	**660**	**703**

10. CORPORATE SOCIAL RESPONSIBILITY

BNP Paribas Bank Polska SA applies the principle of corporate social responsibility (CSR) to its undertakings. In its operations, it focuses on two aspects of the CSR, namely **sustainable development** and **community involvement**.

1. Sustainable development is understood as generating sustainable economic growth while taking into account expectations of stakeholders and also a responsible approach to social and ecological challenges.

Sustainable development - green office

In everyday operations, the Bank strives to minimise negative impact of its business on the natural environment. Therefore, projects aimed at implementation of ecological standards are successively carried out.

Optimisation of electric energy consumption

In 2011, during the rebranding process, the system of the Bank's branch signage was modified by replacing the existing fluorescent lamps with more environmentally friendly LED diodes. It is estimated that the above replacement of light sources saved about 40% of energy. As at the end of October 2011, the signage of 84% of the Bank's branches was based on the LED diodes.

In the Bank's head office buildings, time-controlled lighting, ventilation and air-conditioning systems were introduced (BMS - building management system), resulting in savings of energy consumed by those systems at approx. 5.5% as compared to 2010.

Paper savings

In 2011, measures were introduced to decrease the quantity of paper used, both internally (by employees) and in communication with customers.

Employees were encouraged to use electronic documents instead of printed ones. Thanks to equipping conference rooms in LAN jacks and/or wireless network, it was also possible to use laptops as information carriers.

In order to limit the paper and toner consumption, office printer settings were optimised (low resolution printing, double sided printing). In 2011, "follow me printing" started to be tested; it helps to reduce both the electric energy and paper consumption (estimated possible reduction of between 20-30%).

Thanks to the above actions, savings on consumables and paper reached 20% as compared to the previous year.

An introduction of an innovative solution regarding packing operational and promotional prints attributed to an additional decrease of quantity of the paper consumed, while thanks to combining shipments of operational and promotional prints and limiting the number of shipments to one per week, the CO_2 emission was also reduced.

In spring 2011, customers were offered an e-correspondence service. In effect of promotion and information measures, such as the campaign with an ecology motif under cooperation with the Biebrza National Park and further communication using key sales channels (branches, the Pl@net internet system, etc), the share of e-correspondence in the total number of account statements reached over 13% at the year-end.

Recycling programmes

Similarly as in previous years, the Bank participated in the Hewlett Packard Planet Partners Return and Recycling programme. Under the programme, the Bank returns used print cartridges to be recycled - about 2 tons annually. Moreover, all documents in paper and recorded on electronic carriers are sent to recycling under cooperation with another contractor of the Bank, Rhenus Data Office, whilst applying the due processes to protect professional secrecy of data.

Providing second-hand equipment to public benefit institutions

The Bank supports public benefit institutions, such as foundations, hospitals or schools by providing them with equipment which is no longer used by the Bank but considering its good condition it can prove useful for the needy (e.g. furniture from relocated branches). In 2011, the Bank donated 42 computers, 35 monitors, 35 laptops and about 300 pieces of furniture.

Optimisation of business travels

In 2011, actions were started to reduce the need to travel on business. An increasingly popular participation in meetings through video conferences substantially contributed to the reduction of the number of travels between Warsaw and Krakow by 30% (which translates into an estimated reduction of CO_2 emission needed for transport energy). At the end of 2011, a web-conference system AVAYA was introduced to enlarge the range of alternative communication tools.

A decrease in business travels was also attributable to a growing popularity of e-learning. As at the end of 2011, over 50 training courses were available in the form of e-learning and in the first three quarters of 2011 more than 11,000 training sessions were recorded in this mode.

waste management

- limitation of paper and toner consumption,
- supplier selection compliant with eco-standards,
- implementation of the "Planet Partners HP" programme
- waste segregation and recycling.

ecological mobility

- conference calls and video-conferences available,
- internal communication platform,
- e-learning training

PREVENTING CLIMATE CHANGES

repeated utilisation

- a project of donating used furniture and equipment to public benefit organisations.

water and energy saving

- using equipment conforming to ecological standards,
- constant monitoring of water and energy consumption,
- promoting pro-ecological behaviour among employees.

Responsible business - corporate social responsibility in business processes

Policy regarding the defence sector

Pursuant to the BNP Paribas Group policy, in December 2011 the Bank implemented the Defence Policy which defines the Bank's position with respect to financing and investing in companies and ventures related to the defence industry.

Green product

In mid 2011, the Bank's offering was enhanced by an energy-efficiency loan for companies with a 10% investment bonus. The product was offered in cooperation with the EBRD under PolSEFF, the sustainable energy financing facility programme addressed to small and medium enterprises.

2. Community involvement The community involvement programme is implemented by the entity dedicated to undertake prosocial actions, the BNP Paribas Foundation ("the Foundation").

Basic information and objectives of the Foundation activity

The Foundation’s aim is to prevent social exclusion especially among children and the youth. The objectives are accomplished through initiation, support and performance of programmes aimed at financial and material support for institutions of similar goals, and support and promotion of volunteer work and charity ideas.

Main pillars of the Foundation actions

Foundation programmes		
strategic partnerships with organisations that help children and the youth – Towarzystwo Przyjaciół Dzieci and Caritas Polska	**coalitions with local organisations** to aid children and the youth in local environment; projects implemented in cooperation with local business organisations.	**volunteer activities** promoting charity and community involvement for the benefit of local communities

Strategic partnerships

The Foundation is a partner of two nationwide non-governmental organisations. These are: Towarzystwo Przyjaciół Dzieci (*Children’s Friends Association, TPD*) with which the Foundation has been running programmes to support daycare centres for children and the youth for already four years; and Caritas Polska (*Caritas*), with which the Foundation started cooperation under the implementation of the "*Skrzydła*" (*Wings*) programme.

In cooperation with TPD, the Foundation carried out a grant programme, "*Na tropie niewidzialnej ręk*i" (On the track of an invisible hand) aiming at selecting and financing the best ideas for holidays, which referred to the European Year of Volunteering. Out of almost 40 contesting local childcare centres and TPD day rooms from all over Poland, eight most interesting projects were selected. They were awarded grants for the organisation of the planned activities.

Additionally, also the Bank backed up TPD by supporting the 1% campaign for the benefit of activities run by TPD. TPD was given an opportunity to display its information leaflets in all branches of the Bank and thus address a broad group of potential individual donors.

Furthermore, the Bank provided TPD with material support in the form of computer equipment and furniture which were given to TPD centres in the Małopolska, Mazovia and Podkarpackie regions.

On 1 September 2011, the Foundation signed a partnership agreement with Caritas. The agreement concerns support provided by the Foundation in the implementation of the "Skrzydła" (Wings) grant programme. The programme is addressed to children and the youth at risk of exclusion. Under the programme, the Foundation supported 68 students of primary, middle and secondary schools of seven dioceses. The students covered by the programme are provided with funds to buy their sets of textbooks and workbooks for school as well as clothes, and financing for their private lessons, journey to school and meals in the school year 2011/2012.

Coalitions with local organisations

In 2011, under the cooperation initiated with local organisations, the Foundation implemented five projects in the Lublin, Małopolska, Kujawy and Pomerania, Silesia and Wielkopolska regions. The projects aimed at aiding children and the youth who are at risk of social exclusion, and promoting the corporate social responsibility.

- In the Lublin province, the project was carried out in cooperation with the Lublin Business Club. The project was a grant contest entitled "*Europejski Klub Przygody"* (the European Nature Club), under which three day care centres were provided with support to organise and carry out summer holidays for children and the youth. The contest final was accompanied by an art exhibition of the children's work.
- In the Małopolska province, the project was carried out in cooperation with the French Institute in Krakow. It was an art competition for TPD local childcare centres and day rooms in Krakow, entitled "*Magiczny Paryż*" (Magic Paris). The task of the charges of those centres was to create works of art depicting the most popular spots and historic monuments of Paris. The works made by the children were presented during an outdoor exhibition organised by the French Institute on the French National Day. All the exhibition visitors could vote for the most beautiful work. The childcare centre whose painting scored the highest number of votes received a subsidy to organise summer holidays for its charges, while all the young authors of the works of art were given cinema vouchers as a reward. An additional advantage of the project was an opportunity for TPD to present itself as an organisation whose activities are worth supporting and should be supported, considering high social usefulness of the TPD activity in favour of children in need.
- In the Kujawy and Pomerania province, the project was carried out in cooperation with the Business Centre Club: the Bydgoszcz Lodge and Toruń Lodge. It was a grant contest entitled "*Mój dom w sercu Europy*" (My home in the centre of Europe) organised for family-type children's homes. The prize for the two winning homes was a grant earmarked for financing education needs, passions and interests of children. The finalists received support to finance remedial science classes, participation in cultural events (trips to cinemas, theatres, museums) and a several-day long trip to visit the oldest Polish towns. Additionally, the winners were organised a trip to Olszówka, where children had an opportunity to take a golf playing lesson and start their first competition in this sport on a golf course.
- In the Silesian province, the project was carried out in cooperation with the Miejski Ośrodek Sportu i Rekreacji (city sports and recreation centre) in Częstochowa. It had a form of a special Olympics under the name of "*Przełam bariery*" (Break down barriers) for children and the youth from special schools, integration schools and other centres that offer help and support to the disabled children and the youth. Over 400 contestants from 21 centres participated in the project.
- In the Wielkopolska province, the project was carried out in cooperation with the Wielkopolski Capital Club. It was a grant programme under the motto "*Pokoloruj świat dziecka*" (Colour in the child's world), aimed at assisting adoption centres in the region. As a result of the programme carried out, two centres - in Piła and Konin - received support to finance renovation and additional equipment of the rooms where psychological and pedagogical tests are made with children who are the charges of those centres.

Furthermore, a project in the Łódź region was inaugurated in cooperation with the BCC Łódź Lodge, addressed to the TPD day care rooms, under the name of "*Łódź – miasto przyszłości*" (Łódź - the city of future). The project was a grant contest combined with an art competition. Its final took place on 20 January 2012.

Support of the volunteer work idea

The Foundation implemented two grant programmes aimed at providing support to volunteering.

The action undertaken by the Bank on the occasion of the Neighbours' Day included "*Dzień Dobry Sąsiada*" (Neighbour's good day), a grant programme aimed at supporting the concept of volunteer work and charity in the local environments. There were 30 applications submitted in response to the programme, four out of which were awarded a grant earmarked for fulfilment of ideas presented. The projects concerned a support of actions in favour of children at risk of exclusion and regarding environment protection issues (e.g. creation of green public space), likewise tidying and renovation works.

Another programme was a grant contest: *„Zamiast tortu – dzielimy granty"* (We give grants instead of a layer cake). The project was announced among the Bank's employees on the fifth anniversary of the Foundation, and it was to support employee initiatives for the benefit of the local community. In the contest, the Bank's employees were awarded grants to implement six community projects. They started in December 2011 and will last till the end of February 2012.

Furthermore, in the last quarter of 2011, rules of communicating the Foundation activities to the Bank's employees were developed and implemented. Such actions are to reinforce knowledge on BNP Paribas's community involvement and promote the idea of charity and volunteer work among the Bank's employees.

The Foundation budget

Annual costs of the Foundation amounted to PLN 388 thousand, of which approximately PLN 303 thousand were statutory expenses (subsidies, grants), while about PLN 85 thousand were administrative expenses.

Awards for the Foundation

The Foundation was a semi-finalist of the *Benefactor of the Year 2010* competition in the category of cooperation with a non-governmental organisation. "Benefactor of the Year" is the biggest competition that promotes charity and corporate social responsibility in Poland. The Foundation was one of three organisations selected out of 54 companies in the "Company's cooperation with a non-governmental organisation" category. The competition committee appreciated the projects and social initiatives in partnership with Towarzystwo Przyjaciół Dzieci (*Children's Friends Association*). The competition lasted from January through May 2011.

Additional information - changes in the Foundation

Under a Decision of the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register (KRS) dated 30 December 2011, the Foundation was given the status of a public benefit organisation.

11. ORGANISATIONAL STRUCTURE

11.1. Bank authorities

Pursuant to the Bank's Statute, BNP Paribas Bank Polska SA bodies comprise:

- General Meeting;
- Supervisory Board;
- Board of Executives.

Permanent and temporary committees acting as advisory and decision-making bodies are appointed at the Bank. Permanent committees include:

- *Assets and Liabilities Committee (ALCO)*, that oversees the management of liquidity, interest rate and FX risks;
- *Risk Committee*, that monitors and manages core risks arising from the Bank's business activity, along with the following sub-committees:
    - *RB Risk Committee;*
    - *PF Risk Committee;*

  The purpose of the RB and PF Risk Committees is to streamline the management of credit products offered within these segments.
- *Credit Committee*, that takes credit decisions, both general and specific, except for the decisions that fall within the competence of the Watchlist and Doubtful Debts Committee;
- *Watchlist and Doubtful Debts Committee*, that takes decisions, on a case by case basis, regarding classification of Bank customers to a watchlist or assignment of a default status, or adopting of a specific strategy towards customers and also making necessary write-downs/creating provisions for default customers exposures;
- *Internal Control Coordination Committee*, responsible for the efficient management of the Bank's internal control system, along with the following sub-committees:
    - Operational Risk Committee,
- *Information Security and Business Continuity Committee,* responsible for oversight and management of the information security and business continuity system;
- *New Products, Activities and Organizations and Exceptional Transaction Validation Committee*, that approves new initiatives regarding various activities, new products, services and non-standard transactions;
- *Investment Committee*, that manages the Bank's project portfolio: takes decisions regarding implementation of new projects, accepts material changes in ongoing projects and verifies whether goals of given projects have been achieved.

In August 2011 two sub-committees were created: RB Risk Committee and PF Risk Committee, while the Credit Risk and Provisioning Committee was transformed into the Watchlist and Doubtful Debts Committee.

Composition, scope of competence and activity of these Committees are specified in the Regulations of particular Committees approved under resolutions of the Bank's Board of Executives (or an appropriate Committee in the case of sub-committees), while the regulations of credit risk management Committees are approved also by the Bank's Supervisory Board.

The following operate within the Supervisory Board of BNP Paribas Bank Polska SA:

- Audit Committee;
- Compensation Committee.

They are appointed under the Bank's Statute and the Supervisory Board Regulations and operate based on separate regulations (see pages 50-52 further herein).

11.2. Business lines and sales outlets

The basic organisational structure of the Bank is made up of:

- Head Office;
- operating units.

The Bank's business and organization is structured along customer service lines (business lines) providing comprehensive service to specific customer and/or service market segments. As at 31 December 2011 the following customer service/ business lines were operating at the Bank:

- Retail Banking Business Line, offering comprehensive services to the three main customer groups: i) individuals, ii) small companies with the annual turnover not exceeding PLN 30 million and iii) professionals, namely members of liberal professions,
- Personal Finance Business Line – a business line that deals in particular with preparation of product offering and management of consumer loans offered via external distribution channels and the RB branch network,
- Corporate and Transaction Banking - CTB Business Line, providing comprehensive bank services to medium-size companies and corporate businesses, based among other things on the criterion of annual turnover over PLN 30 million, and to companies that are a part of international groups, irrespective of their annual turnover,
- Fixed Income and Treasury Line specialised in providing services to banks and other financial institutions by trading in money and foreign exchange markets as well as securities; it supports other business lines functioning at the Bank by providing a selected group of customers with financial market products.

In 2011 the Bank opened 12 new full-service branches based on the New Branch Model (NBM) concept. It is a concept based on the ABCD (Attract, Build, Capture, Desire) marketing rule that determines the manner of communication between a customer and a Bank branch at each stage of the customer's visit to a branch. The new standard entails harmonised colours, design, finishing and functionality. New branches comprise advisory as well as advisory and transaction desks, a customer service room and 24h area with an ATM, and also, depending on the branch type, a cash deposit machine and a night-drop box.

A pilot branch operating according to the above concept was opened on 18 July 2011 in Warsaw.

As at 31 December 2011, BNP Paribas Bank Polska SA structure comprised the following operating units dedicated to Customer service:

- branches, sub-branches and franchise branches, divided into leading and subordinated branches;
    - 172 full-service branches, including 29 leading branches (four branches in Warsaw, three branches in Kraków, two in each of Poznań, Wrocław and Lublin each and one branch in each of Bielsko-Biała, Bydoszcz, Częstochowa, Łódź, Gdynia, Gdańsk, Gliwice, Katowice, Kielce, Lubin, Olsztyn, Opole, Rzeszów, Szczecin, Zakopane and Ząbki), and 57 franchise branches;
- Business Centres - dedicated to servicing medium and large enterprises; 8 Business Centres: two in Warsaw and one in each of Kraków, Gdańsk, Katowice, Poznań, Wrocław and Łódź.

In addition to their own tasks, leading branches are responsible for the performance of tasks by the operating units subordinated to them in a given territory (i.e. subordinated own branches, franchise branches and own sub-branches). At the end of 2011, the structure of the distribution network takes into account the country’s division into eight geographical areas of activity:

- Centre Region – 32 branches;
- South Region – 17 branches;
- Śląsk (Silesia) Region – 27 branches;
- West Region – 26 branches;
- North Region – 25 branches;
- East Region – 19 branches;
- Łódź Region – 11 branches;
- Dolny Śląsk Region – 15 branches.

Additionally, the distribution network is supported by 57 franchise branches that provide services to Bank customers under cooperation agreements signed with the Bank.

For 2012, the opening of new branches designed according to the New Branch Model has been scheduled. Additionally, in 2012 a reorganisation of the branch network has been planned; among other things, there will be 7 regions (instead of 8 currently) with micro-regions operating within them.

11.3. Staff

As at 31 December 2011, the employment level at BNP Paribas Bank Polska SA, expressed in full time equivalents (including employees on maternity and parental leaves and on long sick leaves) amounted to 2,984 as compared to 2,816 as at 31 December 2010, which means a net growth by 168 FTEs as compared to the end of 2010.

As at 31 December 2011 TFI BNP Paribas Polska SA employed 16 persons, which did not change as compared to 31 December 2010. The employment level at Fortis Lease Polska Sp. z o.o. stood at 7.5 FTE as at 31 December 2011.

To ensure high level of the Bank’s employee qualifications, the Bank has been pursuing a coherent human resources management strategy developed by the Board of Executives, including in particular training programmes, performance of employment plans, adaptation support for new employees and personnel management.

In order to increase personal development possibilities and better respond to the needs of employees, a number of measures were taken with a view to improve training availability and effectiveness; for example, an effort was made to adjust the training programmes to internal needs and many e-learning courses were implemented. Moreover, subsequent actions were completed in the area of leadership and management skills development.

12. CORPORATE GOVERNANCE REPORT

The Bank observes corporate governance rules and internally promotes the application of the best practices in the Bank as well as monitors their functioning.

On 18 March 2011, the Bank published a *Report on corporate governance rules application at the Bank in 2010* along with the 2010 annual report, approved by the General Meeting of the Bank on 10 May 2011. All of the Bank's existing Reports on corporate governance rules application are published on the Bank's website.

This report has been prepared

- pursuant to §91 para. 5 item 4) of the *Minister of Finance Ordinance dated 19 February 2009 regarding current and periodical information submitted by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws of 2009 No. 33, item 259, as amended)*
- and includes all information stipulated under §1 of *Resolution No. 1013/2007 of the Warsaw Stock Exchange (WSE) Management Board dated 11 December 2007 regarding the scope and structure of a report on corporate governance rules application by listed companies,*
- and as a consequence disclosure of this report is equivalent to submitting the report, mentioned under §29 item 5 of the *Warsaw Stock Exchange Regulations* .

12.1. Indication of corporate governance rules that the Bank is subject to

In 2011 BNP Paribas Bank Polska SA, as a listed company, was subject to corporate governance rules defined in the *Code of Best Practice for WSE Listed Companies* (hereinafter "Best Practices") that constitutes an appendix to Resolution No. 17/1249/2010 adopted by the WSE Supervisory Board on 19 May 2010. The Bank applies rules contained therein within the scope recommended by the Bank's Board of Executives and Supervisory Board.

In 2011 the WSE amended the *Best Practices* on 31 August 2011 and 19 October 2011, effective from 1 January 2012. The contents of the binding *Best Practices* is available on the Stock Exchange official website dedicated to corporate governance issues http://corp-gov.gpw.pl and on the Bank's website in the Investor Relations tab http://www.bnpparibas.pl/relacje-inwestorskie/lad-korporacyjny.htm

12.2. Corporate governance rules that have not been applied by the Bank, with explanations

The Bank applies all rules specified under Parts II, III and IV of the Best Practices, except for Rule IV.10 regarding the participation of shareholders in the general meeting of shareholders using electronic means of communication, which will be effective as of 1 January 2013.

With reference to the recommendations specified in Part I of the Best Practices, there are three recommendations whose application at the Bank needs to be commented on.

- With respect to Recommendation I.1, the Bank makes all efforts to pursue a transparent and efficient information policy, however in 2011, the Bank did not webcast the General Meeting sessions via the Internet and therefore it did neither record nor publish any recordings from the sessions. Participation in the General Meeting's sessions is available to all shareholders and other authorised persons as well as to media representatives and all the materials and decisions taken by the General Meetings are disclosed to the public.
- With reference to Recommendation I.5, a remuneration policy and the rules of its defining are determined at the Bank under *Remuneration Regulations of BNP Paribas Bank Polska SA*. Principles of remunerations and the amounts of salaries for the Board of Executives' members are determined by the Remuneration Committee of the Board Members within the Supervisory Board. The remuneration amounts for the Supervisory Board members are verified on the annual basis and resolved by the General Meeting of Shareholders.

  The detailed data on remuneration to the management and supervisory bodies of the Bank are included in the Bank's annual financial reports (Chapter 30 of the Annual Financial Statements and paragraph 12.7.4. of the Board of Executives Report on the Activity of the Group) and are subject to approval, together with those reports. There are some differences in the scope of defining remuneration policy with respect to members of supervisory and management bodies as compared with the European Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC). Remuneration policy is not subject to annual reviews by the General Meetings and some elements of the statement disclosing remuneration policy are included in various documents.

  Furthermore, under Resolutions no. 258/2011 and 259/2011 of the Financial Supervision Authority of 4 October 2011, the Bank shall implement a *policy governing variable components of remuneration paid to managers.* The policy will constitute a document superior to other documents at the Bank regarding remuneration policy and rules applicable to employees whose professional activity has a significant impact on the Bank's risk profile. Moreover, the Remuneration Committee within the Bank's Supervisory Board shall issue opinions on the *Policy* functioning, including in particular the remuneration amount and components, and it will monitor and issue opinions about variable components of remuneration paid to bank managers responsible for risk management and also for compliance of the Bank's activity with law provisions and internal regulations.
- With reference to Recommendation I.9 on ensuring a balanced proportion of women and men in management and supervisory functions in companies, as at the end of December 2011 the Bank's Board of Executives was made up of one woman and six men. The Supervisory Board was likewise made up of one woman and six men. This recommendation is not fully applied.

12.3. Basic features of internal controls and risk management systems applied in the Bank, with respect to the process of drafting separate and consolidated financial statements.

The internal control system operates under the Polish regulatory requirements and is adjusted to the standards of the BNP Paribas group. The purpose of the internal control system is to support decision processes in the manner that enables prevention of risks or their early detection, in particular by ensuring the following:

- effectiveness and efficiency of the Bank's business;
- reliability of financial reporting;
- compliance of the Bank's business with law provisions and internal regulations;
- Security of transactions and assets.

The Supervisory Board, Board of Executives, managerial staff and all the remaining employees of the Bank participate in the internal control process, which covers operation of all organizational units of the Bank's head office, branches and subsidiaries.

The system of internal controls at the Bank includes two categories:

- permanent control (1st and 2nd level, including functional and operational control)
- institutional control (3rd level, including internal audit).

Functional control and a permanent operational control are performed in line with the internal regulations binding at the Bank and approved by the Board of Executives and the Supervisory Board. The Internal Control Coordination Committee is an advisory body assisting the Board of Executives in effective management of the internal controls at the Bank.

The activity of the Audit Department is supervised by the Audit Committee Chairman. Department operations are managed by the Department Director who reports to the President of the Board of Executives for administrative purposes. The appointment /dismissal and remuneration of the head of the Audit Department are approved by the Audit Committee. Pursuant to internal audit regulations binding in the BNP Paribas group, i.e. the Audit Charter, the Audit Department's activity is performed as part of Inspection Generale, internal audit of the BNP Paribas group which is the Bank's parent entity. The Audit Department applies the audit methodology and the risk analysis, planning and reporting methodology adopted in the group and it operates in compliance with Polish law.

The functioning of internal controls is under the oversight of the Supervisory Board, and in particular of the Audit Committee.

The Audit Department periodically notifies the Audit Committee, and at least once a year, the Supervisory Board, of weaknesses identified together with conclusions resulting from the internal audit assignments conducted likewise actions undertaken to rectify these weaknesses or fulfil recommendations.

The objective of the risk management system is to identify, measure or estimate and monitor the risk inherent in the Bank's activity. The risk management system serves to ensure that detailed objectives for the Bank's business activity are correctly determined and accomplished.

In the risk management system, the Bank:

- applies formalised rules to determine the level of risk assumed and risk management rules, likewise formalised procedures aimed at identification, measurement or estimation and monitoring of the risk existing in the Bank's business, including also the expected risk level in the future, limits to mitigate the risk and rules applicable in case the limits are exceeded,
- has adopted a system of management reporting which enables the risk level to be monitored, and an organisational structure which is adjusted to the level and profile of the risk assumed by the Bank.

The Bank supervises also the risk related to the activity of subsidiaries.

The process of drafting separate and consolidated financial statements is described in the Bank's internal regulations adopted upon Order of the President of the Board of Executives. Designated units of the Bank participate in that process. The process is coordinated by the Stock Exchange and Regulatory Reporting Group in the finance and legal area reporting to the Senior Vice-President of the Board of Executives, Chief Financial Officer. The Stock Exchange and Regulatory Reporting Group verifies correctness of information submitted, and is responsible for the final form of the reports. Financial statements are forwarded to the Board of Executives, Reporting Department Director, Accounting Line Director and Accounting Policy Group for their opinion and approval. Semi-annual and annual financial statements are subject, respectively, to a review or audit by the statutory auditor.

The Audit Committee performs a key role in the process of approval of the Bank's financial statements, because it monitors the financial reporting process and the independence of the statutory auditor and entity authorised to audit financial statements, likewise it issues recommendations to the Supervisory Board regarding acceptance or rejection of financial statements.

Upon their positive recommendation by the Audit Committee and approval by the Supervisory Board, reports are published and annual financial statements are presented to the General Meeting of Shareholders for approval.

12.4. Description of activity of the General Meeting and its basic authority, likewise rights of shareholders along with the manner of rights exercise.

The General Meeting of BNP Paribas Bank Polska SA acts under provisions of the Code of Commercial Companies and Partnerships, the Bank's Statute and the Regulations of the General Meeting of shareholders. The Statute and Regulations' wording is available at the Bank's website http://www.bnpparibas.pl/relacje-inwestorskie/dokumenty-spolki.htm

An Annual General Meeting (AGM) shall take place within six months of the end of each fiscal year. The General Meeting may be held in Warsaw or Krakow.

AGM shall be convened by the Bank's Board of Executives. The Supervisory Board has the right to convene AGM if the Board of Executives fails to convene it on the date determined in the Statute. The Supervisory Board has also the right to convene an Extraordinary General Meeting (EGM) if it deems fit to do so. EGM may be also convened by shareholders who represent at least one half of the Bank's share capital, or at least one half of the overall number of votes in the Bank.

The General Meeting shall be convened by an announcement published on the Bank's website and in the manner appropriate for passing current information by public companies at least twenty six days before the GM's date.

GM may be cancelled by a person or body by which it has been convened. GM is cancelled in the same manner as it is convened, immediately after the cancelling person or body obtains information about an obstacle that would hinder holding GM at the date for which it has been convened.

Pursuant to the Bank's Statute, reserved for the competence of the General Meeting shall be in particular the following issues:

- consideration and approval of a report on the Bank's activity and financial statements, as well as consolidated statements, if their creation and approval is required, likewise discharge of the members of the Bank's bodies of their duties,
- adoption of resolutions regarding profit allocation or loss coverage, and if needed, a resolution setting the date of establishing the right to dividend (dividend date) and the dividend payment date;
- all decisions pertaining to claims for losses incurred during establishment of the Bank, its management or supervision,
- amendments to the Statute of the Bank,
- election and recall of the Supervisory Board and its specific members,
- determination of remuneration of the Supervisory Board members,
- redemption of shares and determination of detailed conditions governing the redemption,
- establishment and liquidation of capital types and funds, and defining their purposes, subject to the ones stipulated under the Bank's Statute,
- merger or liquidation of the Bank and selection of liquidators,
- approval of the Regulations of the Supervisory Board,
- consideration of issues presented by the Supervisory Board or the Board of Executives,
- adoption of resolutions regarding other matters which by virtue of binding regulations require a resolution to be adopted by the General Meeting.

The most important rights of shareholders related to exercising their powers at the General Meeting are specified in the *Rules of Procedure of the General Meeting* and arise under the applicable law. A shareholder shall have the right to participate in the General Meeting and exercise voting rights in person or by a proxy. In connection with his/her participation in the General Meeting a shareholder has the right to:

- contact the Bank using electronic means of communication; the shareholders' communication with the Bank via electronic means is carried out using an electronic mail and specially dedicated e-mail address: walnezgromadzenie@bnpparibas.pl; in particular, the Bank's shareholders may submit motions and demands concerning the agenda, likewise ask questions and send notifications and documents;
- the Bank's shareholder or shareholders representing at least one twentieth of the Bank's share capital may demand that specific issues are added to the agenda and submit draft resolutions to the Bank regarding issues on the GM agenda, or issues that are to be put on the agenda;
- notify the Bank about granting a power of attorney in an electronic form using a specially dedicated e-mail address: walnezgromadzenie@bnpparibas.pl;
- demand sending him/her, free of charge, a list of shareholders authorised to participate in GM via electronic mail.

However, neither the *Statute* nor the *GM Rules of Procedure* provide for a possibility of participation of a shareholder in the General Meeting or expressing one's views during the General Meeting using electronic means of communication, nor exercising voting rights at the General Meeting by post.
The full wording of documentation to be presented during GM along with draft resolutions are placed at the Bank's website http://www.bnpparibas.pl/relacje-inwestorskie/walne-zgromadzenie.htm starting from the GM convening date and also available at the Company's registered office in 02-676 Warsaw, at ul. Suwak 3.

In 2011, there was one Annual General Meeting of BNP Paribas Bank Polska SA held on 10 May 2011 and one Extraordinary General Meeting of BNP Paribas Bank Polska SA held on 18 March 2011.

Resolutions of the Extraordinary General Meeting of BNP Paribas Bank Polska SA

On 18 March 2011, the Bank's Extraordinary General Meeting was held which resolved on amendments to the Statute of BNP Paribas Bank Polska Spółka Akcyjna including primarily the change of the Bank's formal and legal name into BNP Paribas Bank Polska SA.

The other amendments to the Statute included more precise provisions on the scope of competence of the audit committee and the internal control system at the Bank, likewise indicating services within the Bank's brokerage activity which the Bank intends to provide.

Under the decision dated 18 May 2011, the Polish Financial Supervision Authority (KNF) granted its consent to the amendments to the Statute applied by the Bank; whereas KNF abandoned the proceedings on granting a permit for amendments to the Bank's Statute concerning a brokerage activity. Pursuant to the KNF interpretation, the scope of brokerage activity performed by the Bank under *Art. 111 of the Trading in Financial Instruments Act* will be specified in a permit granted by KNF and it is not necessary to mention these brokerage services in the Bank's Statute.

Resolutions of the Annual General Meeting of BNP Paribas Bank Polska SA

On 10 May 2011, the Bank's Annual General Meeting of Shareholders was held which adopted resolutions concerning the approval of separate and consolidated financial statements for 2010, the Board of Executives' Report from the activity in 2010 and the Supervisory Board's Report for 2010, the approval of the discharge of duties of the Bank's authorities for 2010, distribution of the 2010 profit and settlement of the purchase of an organised part of an enterprise of BNP Paribas SA Branch in Poland.

The Bank's net profit for the fiscal year 2010 which amounted to PLN 42.7 million, was earmarked in full for the Bank's equity increase in the following manner: the profit portion of PLN 3.4 million was allocated to the additional capital and the portion of PLN 39.2 million to the general risk fund.

At the Annual General Meeting the Bank's shareholders made a settlement of the purchase of an organised part of an enterprise of BNP Paribas Branch in Poland SA. The resulting negative difference of PLN 78 million was covered in full from the reserve capital, upon a previous transfer of a part of the general risk fund in the amount of PLN 79 million to the reserve capital.

12.5. Indication of shareholders holding substantial share packages, and authorisation rights and limitations related to the Bank's securities

Shareholder structure of BNP Paribas Bank Polska SA

As at 31 December 2011 and as at the publication date of the annual report for 2011, i.e. 14 March 2012 the shareholder structure specifying all shareholders with at least 5% of the total number of votes at the General Meeting of the Bank was as follows:

Shareholder	Number of shares held	% of the share capital	Number of votes at the GM	Share (%) in the total number of votes at the GM
BNP Paribas Fortis (Fortis Bank SA/NV)	18,848,593	78.13%	18,848,593	78.13%
Dominet SA	5,243,532	21.74%	5,243,532	21.74%
Other shareholders	31,381	0.13%	31,381	0.13%
Total:	**24,123,506**	**100.00%**	**24,123,506**	**100.00%**

Since May 2009 BNP Paribas SA is the parent entity of BNP Paribas Fortis (Fortis Bank SA/NV) based in Brussels.

BNP Paribas SA holds, via Fortis Bank SA/NV, 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 the Bank.

Fortis Bank SA/NV based in Brussels holds directly 18,848,593 shares in the Bank representing a 78.13% stake in the share capital and giving the right to exercise the same number of votes at the Bank's General Meeting of shareholders. Moreover, Fortis Bank SA/NV is the parent entity of Dominet SA (holding 100% of shares), and through this company it additionally holds 5,243,532 of the Bank's shares that constitute 21.74% of the Bank's share capital and the same number of votes.

The free float, i.e. shares held by minority shareholders included 31,381 shares i.e. 0.13% of all the Bank's shares and the same number of votes.

Share capital of BNP Paribas Bank Polska SA

As at 31 December 2011 and as at the publication date of the annual report for 2011, i.e. 14 March 2012:

- the share capital of BNP Paribas Bank Polska SA was PLN 1,206,175,300 - registered and paid in full;
- total number of shares: 24,123,506 ordinary bearer shares;
- nominal value of 1 share: PLN 50 each.

All the shares of the Bank are bearer ones and entail no particular rights or limits with respect to any transfer of ownership or exercise of voting rights. Each share entitles its holder to one vote at the Bank's General Meeting. Shares are entitled to participate in dividends on equal terms.

In 2011, and as at the publication date of the annual report for 2011, 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 shares (series A to K) have been admitted and introduced to public trading.

In 2011, the majority shareholder of BNP Paribas Bank Polska SA agreed with KNF on prolongation of the term of fulfilling the commitment to increase shares in free float, partly to the end of 2012 and partly to the end of 2013.

12.6. Description of the Bank's Statute amendment rules

Any amendments to the Bank's Statute are made pursuant to the law provisions. Amendments to the Statute are introduced by a resolution of the General Meeting requiring the qualified majority of 3/4 (75%) votes cast. Then, the Statute's amendments are registered in the National Court Register. The consolidated text of the amended Statute is determined by the Bank's Supervisory Board.

Pursuant to Article 34 para. 2 of the Banking Law, BNP Paribas Bank Polska SA shall obtain a consent of the Polish Financial Supervision Authority for amendments to the Bank's Statute if they refer to issues specified in Article 31 para. 3 of the Banking Law and broadening or restricting voting rights on shares.

The latest amendments to the Bank's Statute were registered by the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register on 29 August 2011. The Supervisory Board, acting on the basis of authorisation derived from the Bank's Statute (Art. 15 para. 3 item 12), determined the consolidated text of the Statute including the aforesaid amendments.

12.7. Composition and rules of activity of managing and supervisory authorities and their committees

12.7.1. Composition and rules of activity of the Board of Executives

As at 1 January 2011, the composition of the Bank's Board of Executives was as follows:

	Name and surname	Position in the Bank's Board of Executives	Area
1.	**Frédéric Amoudru**	President of the Board of Executives	Country Manager
2.	**Jan Bujak**	Senior Vice President of the Board of Executives	Chief Financial Officer, Finance and Legal
3.	**Jacek Obłękowski**	Vice President of the Board of Executives	Retail Banking Business Line (RB BL)
4.	**Jaromir Pelczarski**	Vice President of the Board of Executives	Technology, Operations & Process Services
5.	**Michel Thebault**	Vice President of the Board of Executives	Personal Finance Business Line
6.	**Philippe Van Hellemont**	Vice President of the Board of Executives	Risk
7.	**Marta Oracz**	Member of the Board of Executives	Human Resources
8.	**Stephane Rodes**	Member of the Board of Executives	Corporate and Transaction Banking

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 Obłękowski's resignation from his function of a Vice President and member of the Board of Executives. Mr Obłękowski 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 its consent, required under Article 17 of the Banking Law Act, to appoint Mr Wojciech Kembłowski as Member of the Board of Executives.

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

	Name and surname	Position in the Bank's Board of Executives	Area
1.	**Frédéric Amoudru**	President of the Board of Executives	Country Manager Retail Banking Business Line (RB BL)
2.	**Jan Bujak**	Senior Vice President of the Board of Executives	Chief Financial Officer, Finance and Legal
3.	**Jaromir Pelczarski**	Vice President of the Board of Executives	Technology, Operations & Process Services
4.	**Michel Thebault**	Vice President of the Board of Executives	Personal Finance Business Line
5.	**Wojciech Kembłowski**	Member of the Board of Executives	Risk
6.	**Marta Oracz**	Member of the Board of Executives	Human Resources
7.	**Stephane Rodes**	Member of the Board of Executives	Corporate and Transaction Banking

<u>Presence of the Board of Executives' members in the governing bodies of affiliated entities as at 31 December 2011</u>

Mr Frédéric Amoudru also held the function of:

- Chairman of the Supervisory Board of TFI BNP Paribas Polska SA;
- Chairman of the Supervisory Board of Fortis Lease Polska Sp. z o.o.;
- President of the Board of Executives of Dominet SA;
- Member of the Board of Executives of BNP Paribas Real Estate Advisory&Property Management Poland Sp. z o.o.

Mr Jan Bujak performed the function of:

- Member of the Supervisory Board of TFI BNP Paribas Polska SA;
- Vice Chairman of the Supervisory Board of Dominet SA.

Mr Stephane Rodes performed the function of Vice Chairman of the Supervisory Board of Fortis Lease Polska Sp. z o.o.

Rules of appointment and discharge of members of the Board of Executives and the scope of their authority

Members of the Board of Executives of BNP Paribas Bank Polska SA are appointed and discharged pursuant to the provisions of the Code of Commercial Companies and Partnerships and the Banking Law Act. The activity of the Bank's Board of Executives is governed in detail by the Bank's Statute and the Regulations of the Board of Executives, approved by the Supervisory Board, which are available at the Bank's website http://www.bnpparibas.pl/relacje-inwestorskie/dokumenty-spolki.htm

The Board of Executives (the Board) shall be composed of three to ten members, including the President of the Board of Executives, one or a number of Vice Presidents of the Board and other members of the Board in the number that is to be defined by the Bank's Supervisory Board. Appointment of two Members of the Board of Executives, including the President of the Board, is made with a consent of the Polish Financial Supervision Authority, given upon a request of the Supervisory Board.

Members of the Board of Executives are appointed by the Supervisory Board for the period of joint five-year tenure. A mandate of the Board member appointed prior to the expiry of a given tenure of the Board shall expire at the same time as mandates of the remaining members of the Board.

The Board of Executives manages the Bank's operational activity and represents the Bank before external parties. The scope of tasks of the Board includes primarily all the issues that are not reserved for the competence of other bodies of the Bank.

Individual Members of the Board of Executives have no specific authority to take decisions on share issue or redemption.

In 2011, the Board of Executives of BNP Paribas Bank Polska SA held 22 meetings and adopted 100 resolutions. The Board of Executives met at least once a month.

12.7.2. Compositions and rules of activity of the Supervisory Board

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

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

	Name and surname	Function in the Bank's Supervisory Board
1.	**Camille Fohl**	Chairman
2.	**Jarosław Bauc**	Vice Chairman, independent
3.	**Lars Machenil**	Vice Chairman
4.	**Monika Bednarek**	Supervisory Board's member, independent
5.	**Jean Deullin**	Supervisory Board's member
6.	**Mark Selles**	Supervisory Board's member
7.	**Andrzej Wojtyna**	Supervisory Board's member, independent

As at 31 December 2011, Mr Mark Sellers was at the same time the Chairman of the Supervisory Board of Dominet SA.

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.

The Bank's Board of Executives operates on the basis of the Bank's Statute and the Regulations of the Supervisory Board, approved by the General Meeting, which are available at the Bank's website http://www.bnpparibas.pl/relacje-inwestorskie/dokumenty-spolki.htm

The Bank's Supervisory Board shall comprise from five to ten members. The Supervisory Board shall elect a Chairman and at least one Vice Chairman from among its members.

Members of the Supervisory Board are appointed by the General Meeting of the Bank for the period of joint five-year tenure. A mandate of the Supervisory Board member appointed prior to the expiry of a given tenure of the Board shall expire at the same time as mandates of the remaining members of the Supervisory Board.

The Supervisory Board shall proceed with constant, general supervision over all activities of the Bank, and in particular, shall mind whether the activities of the Board of Executives are consistent or not with the interest of the shareholders, welfare of the Bank, and in line with the applicable law and the Statute.

The duties of the Supervisory Board shall include in particular the following issues:

- supervision over the implementation of the management system, including the risk management system and internal controls, and the assessment of its adequacy and effectiveness,
- supervision over the consistency of the Bank's policy with respect to risk assumption with the Bank's strategy and financial plan,
- supervision over the compliance risk management and annual assessment of the compliance risk management effectiveness by the Bank,
- notifying KNF about the Board of Executives' composition and any changes thereto immediately after the formation of the Board of Executives or making any changes to its composition,
- notifying KNF about the Board of Executives' members who, according to the division of the scope of competence, supervise credit risk management and the internal audit.

Pursuant to the Bank's Statute, the competence of the Supervisory Board shall include in particular the following:

- assessment of the Bank's financial statements,
- assessment of the report of the Bank's Board of Executives and its proposals pertaining to allocation of profit and covering losses, as well as presentation of annual reports with the results of the said assessments to the General Meeting,
- approval of the draft annual budget, long-term programmes of the Bank's development and the Bank's business strategy likewise rules of the Bank's prudent and stable management,
- approval of annual economic and financial plans of the Bank,
- approval of motions of the Bank's Board of Executives with respect to opening or liquidation of branches, sub-branches and representative offices of the Bank outside Poland,

- approval of the Board of Executives' motions regarding participation as a shareholder in establishment of another bank, company or another commercial organisation, with the exclusion of the Stock Exchange investments concluded for a term no longer than 6 months,
- appointment and recalling of the President of the Board of Executives of the Bank, Vice Presidents and Members of the Board of Executives as well as determination of their remuneration; the Supervisory Board may delegate one or more of its members to a committee empowered to make decisions on remuneration of members of the Board of Executives,
- selection, upon the Board of Executives' motion, of a statutory auditor to carry out an audit of the Bank's financial statements,
- approval of general rules of making credit decisions, including regulations of the credit committees which are the authorised bodies to reach decisions related to loans and credits under the regulations,
- adoption of resolutions regarding purchase or sale of real estate or a stake in such real estate and also regarding the purchase or sale of the right of perpetual usufruct,
- adoption of resolutions on issuing bonds,
- drawing up a consolidated text of the Bank's amended Statute and editorial changes according to the resolution of the General Meeting,
- appointment of an Internal Audit Committee composed of the Supervisory Board members basically to supervise the Audit Department activity,
- approval of the Bank's compliance risk policy assumptions,
- approval of internal procedures regarding internal capital estimation, capital management and capital planning processes,
- approval of the internal control rules.

In 2011, the Supervisory Board of BNP Paribas Bank Polska SA held 8 meetings and adopted 42 resolutions.
The following bodies operate within the Supervisory Board of BNP Paribas Bank Polska SA:

- Audit Committee,
- Compensation Committee,

appointed under the Bank's Statute and the Supervisory Board Regulations and operate in line with separate Regulations (see: section 12.7.5 and 12.7.6).

12.7.3. Information on shares of the Bank held by members of the Board of Executives and the Supervisory Board

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

12.7.4. Information on the Board of Executives and Supervisory Board Members' remuneration

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

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

* 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 Bank and the managing persons entered into no agreements providing for any compensation in the event such people resign or are dismissed from their job position without an important reason, or when they are discharged or dismissed due to the Bank's merger by acquisition.

Details regarding values of remuneration and other benefits of the members of the Bank's Board of Executives and Supervisory Board in 2011 and comparative data for 2010 are presented in Note 30 of the Bank's Annual Financial Statements for 2011.

12.7.5. Composition and rules of activity of the Audit Committee:

As at 31 December 2011, the Audit Committee composition was as follows:

1.	**Lars Machenil**	**Chairman**
2.	**Jarosław Bauc**	**Committee Member, independent**
3.	**Mark Selles**	**Committee Member**
4.	**Andrzej Wojtyna**	**Committee Member, independent**

The composition and rules of operation of the Audit Committee are determined in the Regulations of the Supervisory Board and the Audit Committee Regulations approved by the Supervisory Board.

The Audit Committee is composed of at least three and maximum five Supervisory Board Members, including two independent Members. Within the scope defined in the Supervisory Board Resolution, the Audit Committee may hold decision-making powers.

The scope of the Audit Committee competence includes in particular:

- monitoring the effectiveness of the internal audit activity, in particular through supervision of the Bank's Audit Department operation and issuing recommendations for the Supervisory Board with respect to approval of an annual audit plan presented by the Audit Department upon obtaining a positive opinion of the President of the Bank's Board of Executives and issuing recommendations on appointing or dismissing a director of the Audit Department and this department budget;
- periodical review of internal controls in the Bank and in particular risk management systems, with a view to ensuring that the main risks including those related to compliance with existing legislation and corporate governance standards, are properly identified, managed and disclosed;
- monitoring the reliability of financial information, in particular financial statements, presented by BNP Paribas Bank Polska SA and the Bank's subsidiaries;
- monitoring the external audit process, in particular through:
    - issuing recommendations to the Supervisory Board on choosing, appointing or re-appointing an external auditor (statutory auditor) and the amount of the auditor's remuneration;
    - supervision of the work performed by statutory auditors;
    - providing opinion on the audit plan submitted by the statutory auditors;
    - formal assessment of the external auditor's activity at least once every three years on the grounds of determined criteria, and also monitoring whether the rule of the external auditor's independence and objectivity is followed or not, including a proper implementation of a procedure of an initial approval of other services rendered by the auditor (not related to the audit);
    - monitoring the executives' response to the recommendations presented by an external auditor (statutory auditor) in a management letter;
- ensuring good communication and cooperation between the external auditor (statutory auditor), internal audit and the Supervisory Board.

The Audit Committee issues recommendations and provides opinions based on a consensus. The recommendations and opinions are presented to the Supervisory Board by the Committee Chairman. The Audit Committee submits annual reports on its activity to the Supervisory Board. The Audit Committee Chairman forwards the Audit Committee recommendations and opinions to the President of the Board of Executives of the Bank.

12.7.6. Composition and rules of activity of the Committee for Compensation of the Board of Executives' Members

As at 31 December 2011 the Committee for Compensation of the Board of Executives' Members was composed of:

1.	**Camille Fohl**	**Chairman**
2.	**Lars Machenil**	**Committee Member**
3.	**Monika Bednarek**	**Committee Member, independent**

The composition and rules of operation of the Compensation Committee are determined in the Regulations of the Supervisory Board and the Regulations of the Committee for Compensation of the Board of Executives' Members of BNP Paribas Bank Polska SA approved by the Supervisory Board.

The Compensation Committee is composed of three members: Chairman of the Supervisory Board, and Vice Chairman of the Supervisory Board and the Supervisory Board Member appointed by the Supervisory Board's resolution. At least one member of the Committee should be an independent Supervisory Board Member. Within the scope defined in the Supervisory Board Resolution, the Compensation Committee may hold decision-making powers.

The Compensation Committee is authorised in particular to make decisions related to compensation packages in favour of the Board of Executives' Members, including:

- approval of employment terms and conditions for members of the Board of Executives determined in employment contracts or manager's contracts,
- determination of principles of motivation programmes for the Board of Executives and making decisions on payments of awards, bonuses and other benefits on this account,
- making formal decisions in terms of semi-annual adaptation of the compensation package to costs of living indexes and/or to foreign exchange rates, including expatriation premiums paid to expatriates, members of the Board of Executives.

The Committee for Compensation of the Board of Executives' Members may also prepare recommendations for the Supervisory Board in all other matters related to the employment and compensation package of the members of the Board of Executives, which would require the Supervisory Board resolution.

The Committee takes decisions based on a consensus. Should there be no consensus a given issue is submitted to the Supervisory Board to be decided upon. Any decisions made by the Compensation Committee within the scope of its authorisation are immediately enforceable. The Chairman forwards the Compensation Committee's decisions to the President of the Board of Executives who undertakes appropriate actions to implement them.

13. BOARD OF EXECUTIVES' REPRESENTATIONS

Correctness and reliability of reports presented

The Board of Executives of BNP Paribas Bank Polska SA represents that, to the best of their knowledge:

- The financial statements of BNP Paribas Bank Polska SA for 2011 and the comparative data were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the Bank's property and financial situation and its net profit in all material aspects.
- The Board of Executives' report on the activity of BNP Paribas Bank Polska SA in 2011 contains the true picture of the Bank's development and achievements, including a description of basic risks and threats.

Selection of an entity authorised to audit the financial statements

The Board of Executives of BNP Paribas Bank Polska SA hereby represents that Mazars Audyt Sp. z o.o. based in Warsaw, an entity authorised to audit financial statements, was chosen, under Article 15, Section 3, item 8) of the Statute of BNP Paribas Bank Polska SA by the Supervisory Board based on a recommendation given by the Board of Executives and the Audit Committee (Resolution no. 30/2010 of 18 June 2010), pursuant to the provisions of law, as the entity to audit the financial statements of BNP Paribas Bank Polska SA for 2011, and that the above entity and statutory auditors employed to perform the review, meet the conditions to issue an impartial and independent audit report, in accordance with the respective provisions of Polish law.

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

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