BNP PARIBAS | Bank zmieniającego się świata

Annual Consolidated Financial Statements of BNP Paribas Bank Polska SA Group for 2014

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1. Financial Highlights

CONSOLIDATED FINANCIAL HIGHLIGHTS	in PLN thousand		in EUR thousand	
Income Statement	**31 Dec 2014 (YTD)**	**31 Dec 2013 (YTD)**	**31 Dec 2014 (YTD)**	**31 Dec 2013 (YTD)**
Net interest income	565,377	537,585	134,957	127,662
Net fee and commission income	149,284	149,671	35,635	35,543
Net banking income	826,276	823,313	197,235	195,515
General expenses (including depreciation)	-586,159	-569,398	-139,918	-135,217
Cost of risk and net result on provisions	-99,356	-116,332	-23,717	-27,626
Profit/loss before taxation	139,243	137,531	33,238	32,660
Profit/loss after taxation	103,176	102,283	24,628	24,289
Ratios				
Weighted average number of shares	31,708,849	28,692,926	-	-
Basic earnings/loss per share (PLN/EUR)	3.25	3.56	0.78	0.85
Diluted earnings/loss per share (PLN/EUR)	3.25	3.56	0.78	0.85
Cash flow statement				
Net cash provided by operating activities	-556,040	1,036,049	-132,729	246,034
Net cash provided by investing activities	382,277	-906,898	91,251	-215,364
Net cash provided by (used in) financing activities	1,598,476	-819,974	381,562	-194,722
Total gross cash flow	1,424,713	-690,823	340,084	-164,052
Balance Sheet	**Balance as at 31 Dec 2014**	**Balance as at 31 Dec 2013**	**Balance as at 31 Dec 2014**	**Balance as at 31 Dec 2013**
Total assets	23,199,679	21,117,256	5,442,995	5,091,931
Loans to customers	17,561,644	16,600,857	4,120,227	4,002,907
Liabilities due to banks	112,251	424,273	26,336	102,303
Liabilities due to customers	12,426,362	10,930,814	2,915,412	2,635,709
Loans and credit facilities received	7,562,365	7,050,920	1,774,245	1,700,164
Equity capital	2,120,835	1,804,841	497,580	435,195
Ratios				
Number of shares	33,719,465	28,692,926	-	-
Book value per share (PLN/EUR)	62.90	62.90	14.76	15.17
Diluted book value per share (PLN/EUR)	62.90	62.90	14.76	15.17

Capital adequacy*	Balance as at 31 Dec 2013 in PLN thousand	Balance as at 31 Dec 2013 in EUR thousand
Capital adequacy ratio	12.36%	-
Tier 1 (core) capital	1,704,294	410,951
Tier 2 (supplementary) capital	459,557	110,811
Tier 3 (short term) capital	10,228	2,466

** Capital adequacy ratio as at the end of 2013 was calculated pursuant to Resolution no. 76/2010 of the Polish Financial Supervision Authority dated 10 March 2010 regarding the specific rules of determination of capital requirements on account of particular risk types (KNF Official Journal No. 2/2010 item 2),*

Capital adequacy**	Balance as at 31 Dec 2014 in PLN thousand	Balance as at 31 Dec 2014 in EUR thousand
Total capital adequacy ratio	12.89%	-
Tier 1 capital adequacy ratio	10.38%	-
Total amount of exposure to risk	18,653,289	4,376,344
Common Equity Tier 1 (CET1)	1,935,539	454,107
Additional Tier 1 capital	-	-
Tier 2 capital	468,420	109,898

*** Capital adequacy ratio was calculated as at the end of 2014, pursuant to Regulation of the European Parliament and Council (EU) No. 575/2013 regarding prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012, with the assumed deduction of 100% of the deferred tax asset from own funds and taking into account 80% of losses on the trading book in their computation.*

Rates adopted for conversion of the financial data into EURO

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for 2014 and the corresponding financial figures for 2013 have been converted into EUR according to the following rules:

- particular items of assets and liabilities in the balance sheet and book value per share as at the end of 2014 have been converted into EUR at the mid-rate binding as at 31 December 2014 published by the National Bank of Poland on 31 December 2014, i.e. EUR 1 = PLN 4.2623; comparative financial data as at the end of 2013 have been converted into EUR at the mid-rate binding as at 31 December 2013, published by the National Bank of Poland on 31 December 2013, i.e. EUR 1 = PLN 4.1472;
- particular items in the income statement and cash flow statement, and earnings per share as at the end of 2014 were converted into EUR at the rate based on the arithmetic mean of mid-rates determined by the National Bank of Poland as at the last days of the months from January through December 2014, i.e. EUR 1 = PLN 4.1893, whereas comparative data as at the end of 2013 were converted into EUR at the rate based on the arithmetic mean of mid-rates determined by the National Bank of Poland as at the last days of the months from January through December 2013, i.e. EUR 1 = PLN 4.2110.

2. Consolidated Financial Statements of BNP Paribas Bank Polska SA Group

Consolidated Income Statement (in PLN thousand)	Notes	1 Jan 2014- 31 Dec 2014	1 Jan 2013- 31 Dec 2013
Interest income	7.1	890,256	890,090
Interest expense	7.2	-324,879	-352,505
Net interest income		**565,377**	**537,585**
Fee and commission income	7.3	183,482	181,715
Fee and commission expense	7.4	-34,198	-32,044
Net fee and commission income		**149,284**	**149,671**
Net trading income	7.5	91,210	102,313
Net profit/loss on hedging transactions		465	-2,805
Net profit/loss on the hedged item		-465	2,805
Net profit/loss on available-for-sale financial assets	7.6	22,888	25,441
Dividends		6	14
Other revenues	7.7	46,382	54,654
Other operating expenses	7.8	-48,871	-46,365
Net banking income		**826,276**	**823,313**
General expenses		**-541,584**	**-524,399**
Personnel expenses	7.9	-294,010	-278,658
Other general expenses	7.10	-247,574	-245,741
Depreciation	7.11	**-44,575**	**-44,999**
Gross operating profit/loss		**240,117**	**253,915**
Cost of risk and net result on provisions		**-99,356**	**-116,332**
Cost of risk	7.12	-110,030	-94,563
Net result on provisions	7.13	10,674	-21,769
Net operating profit/loss		**140,761**	**137,583**
Net profit/loss from disposal of assets		-1,518	-52
Profit/loss before taxation		**139,243**	**137,531**
Income tax	7.14.1	-36,067	-35,248
Profit/loss after taxation		**103,176**	**102,283**
Consolidated earnings per share	7.15		
Profit/loss after taxation (in PLN thousand)		103,176	102,283
Weighted average number of ordinary shares		31,708,849	28,692,926
Earnings per ordinary share (in PLN)		**3.25**	**3.56**
Weighted average diluted number of ordinary shares		31,708,849	28,692,926
Diluted earnings per ordinary share ratio (in PLN)		**3.25**	**3.56**

Consolidated report of total income (in PLN thousand)	1 Jan 2014- 31 Dec 2014	1 Jan 2013- 31 Dec 2013
Net profit/loss for the year	**103,176**	**102,283**
Other comprehensive income that may be reclassified to profit or loss - net	**1,384**	**-28,559**
Measurement of instruments available for sale	1,709	-35,258
Deferred tax – Investments available for sale	-325	6,699
Other comprehensive income that will never be reclassified subsequently to profit or loss - net	**-77**	**200**
Actuarial profit/loss	-96	246
Deferred tax – actuarial profit/loss	19	-46
Total consolidated comprehensive income	**104,483**	**73,924**

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

Consolidated balance sheet (in PLN thousand)	**Notes**	**31 Dec 2014**	**31 Dec 2013**
Cash and cash equivalents	8	2,714,529	1,290,247
Financial assets held for trading	9.1	139,584	70,118
Due from banks	10.1	95,862	79,201
Loans to customers	10.2	17,561,644	16,600,857
Hedging instruments	22.1	9,245	8,503
Investments available for sale	11	2,178,751	2,607,870
Property, plant and equipment	12	99,851	111,140
Intangible assets	13	73,816	51,632
Settlements on account of income tax		-	19,841
Deferred tax assets	14	185,038	196,830
Other assets	15	141,359	81,017
Total assets		**23,199,679**	**21,117,256**
Financial liabilities held for trading	9.2	134,549	69,790
Liabilities due to banks	16.1	112,251	424,273
Liabilities due to customers	16.2	12,426,362	10,930,814
Loans and credit facilities received	17	7,562,365	7,050,920
Differences from hedging fair value of hedged items against interest rate risk	22.1	6,740	6,097
Subordinated liabilities	18	468,801	452,192
Income tax liabilities		14,240	128
Deferred tax liabilities	14	1,070	808
Other liabilities	19	297,651	316,780
Provisions	20	54,815	60,613
Total liabilities		**21,078,844**	**19,312,415**
Share capital		1,532,887	1,304,380
Additional capital		180,540	172,921
Other capital	21.4	253,052	183,480
Revaluation reserve	21.5	5,058	3,751
Retained earnings		46,122	38,026
Net profit/loss for the year		103,176	102,283
Total equity capital		**2,120,835**	**1,804,841**
Total liabilities and equity		**23,199,679**	**21,117,256**

Consolidated Statement of Changes in Shareholders' Equity in 2013 (in PLN thousand)								
	Share capital	Additional capital	Retained earnings	Net profit/loss for the year	Other capital	Revaluation reserve	Consolidation adjustment	Total capital
Balance as at 31 Dec 2012	**1,434,646**	**172,401**	**33,845**	**30,841**	**26,269**	**32,110**	**833**	**1,730,945**
Net profit/loss for the year	-	-	30,841	-30,841	-	-	-	-
Consolidation adjustment	-	-	833	-	-	-	-833	-
Balance as at 1 Jan 2013	**1,434,646**	**172,401**	**65,519**	**-**	**26,269**	**32,110**	**-**	**1,730,945**
Total comprehensive income in 2013	-	-	-	102,283	-	-28,359	-	73,924
Share value decrease	-130,266	-	-	-	130,266	-	-	-
Distribution of retained earnings	-	520	-27,465	-	26,945	-	-	-
Other	-	-	-28*	-	-	-	-	-28
Balance as at 31 Dec 2013	**1,304,380**	**172,921**	**38,026**	**102,283**	**183,480**	**3,751**	**-**	**1,804,841**

* The amount of PLN 28 thousand refers to a change in the presentation of actuarial profits/losses that results from IAS19.

Consolidated Statement of Changes in Shareholders' Equity in 2014 (in PLN thousand)							
	Share capital	Additional capital	Retained earnings	Net profit/loss for the year	Other capital	Revaluation reserve	Total capital
Balance as at 31 Dec 2013	**1,304,380**	**172,921**	**38,026**	**102,283**	**183,480**	**3,751**	**1,804,841**
Net profit/loss for the year	-	-	102,283	-102,283	-	-	-
Balance as at 1 Jan 2014	**1,304,380**	**172,921**	**140,309**	**-**	**183,480**	**3,751**	**1,804,841**
Total comprehensive income in 2014	-	-	-	103,176	-	1,307	104,483
Share issue	228,507	-	-	-	-9,773	-	218,734
Distribution of retained earnings	-	7,101	-86,446	-	79,345	-	-
Other	-	518	-7,741	-	-		-7,223
Balance as at 31 Dec 2014	**1,532,887**	**180,540**	**46,122**	**103,176**	**253,052**	**5,058**	**2,120,835**

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

Consolidated Cash Flow Statement (in PLN thousand)		1 Jan 2014-31 Dec 2014	1 Jan 2013-31 Dec 2013
Cash and cash equivalents, gross Opening balance		**1,290,864**	**1,981,688**
OPERATING ACTIVITY			
Profit/loss before taxation		139,243	137,531
Adjustments for:		**-695,283**	**898,518**
Depreciation		44,588	44,999
Change of reserves and provisions	Note 24.1	-64,905	-105,470
Profits/losses on account of FX rate differences		783	10,410
Profits/losses on investing activities		6,815	17,275
Changes in operational assets and liabilities:		-687,341	945,244
- financial assets and liabilities held for trading		-4,707	58,792
- due from banks, gross		-16,503	128,841
- loans to customers, gross		1,073,124	-309,433
- change in the balance of available-for-sale investments, gross		-14,565	33,785
- change in fixed assets		10,004	-
- liabilities due to banks		-312,022	41,915
- liabilities due to customers		1,495,588	829,370
- change in the balance of assets and liabilities on account of applying fair value hedge accounting		-99	-27
- liabilities due on account of loans and credit facilities received		-2,805,254	23,218
- liabilities due on account of a subordinated loan		16,609	5,429
- other assets and liabilities		-129,516	133,354
Tax paid		4,753	-13,942
Other adjustments		24	2
Net operating cash flows		**-556,040**	**1,036,049**
INVESTING ACTIVITIES			
Purchase of available-for-sale investments		-44,866,185	-33,614,769
Purchase of property, plant and equipment and intangible fixed assets		-63,102	-56,453
Proceeds from AFS divestment		45,311,578	32,771,626
Proceeds from sales of property, plant and equipment		1,538	4,910
Other investment expenses	Note 24.2	-1,552	-12,212
Net cash provided by investing activities		**382,277**	**-906,898**
FINANCING ACTIVITY			
Subordinated loans repayment		-	-267,092
Drawdown of loans and credit facilities received		3,621,952	2,831,986
Repayment of loans and credit facilities received		-2,242,210	-3,404,472
Share issue		228,507	-
Other financial gains	Note 24.3	-	19,604
Other financial expenses	Note 24.3	-9,773	-
Net cash provided by (used in) financing activities		**1,598,476**	**-819,974**
Cash and cash equivalents, gross Ending balance		**2,715,577**	**1,290,864**
Change in gross cash and cash equivalents		**1,424,713**	**-690,823**

The consolidated Cash Flow Statement is prepared using an indirect method.

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

Additional Notes to the Consolidated Financial Statements of the Group

3. Information on BNP Paribas Bank Polska SA Group

Basic data on the Issuer

The parent entity in BNP Paribas Bank Polska SA Group („the Group") is BNP Paribas Bank Polska SA with its registered office in Warsaw at ul. Suwak 3, entered in the National Court Register (KRS) maintained by the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register under KRS No. 0000006421. The Bank was assigned statistical number (REGON): 003915970, and tax identification number (NIP): 676-007-83-01.

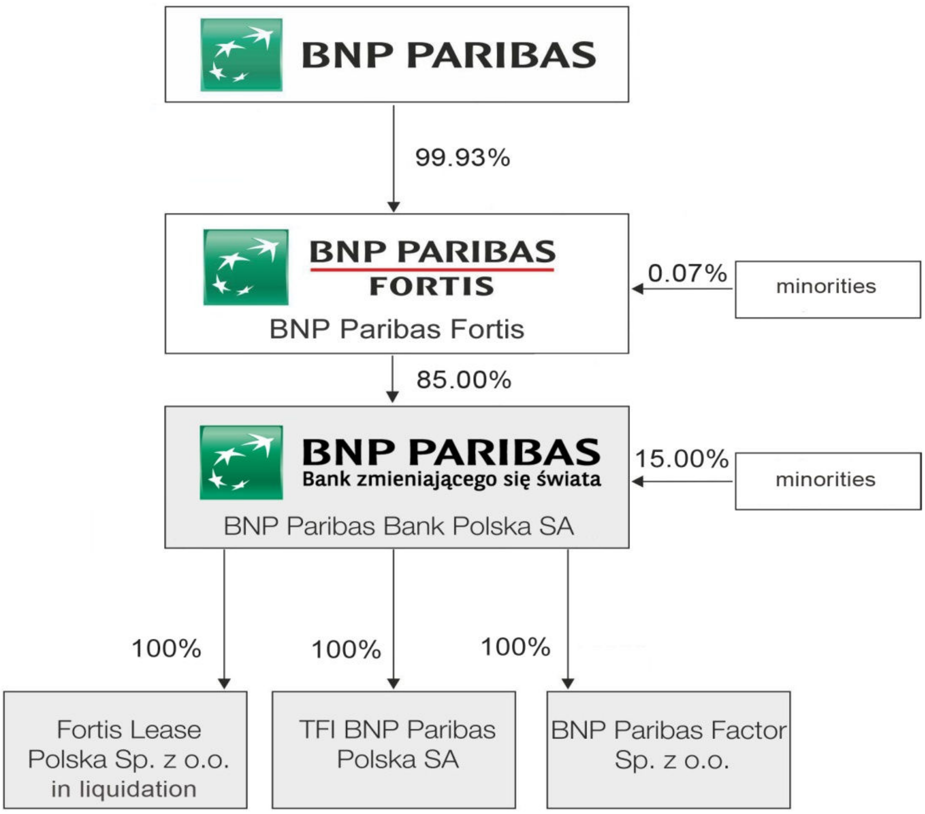
The Bank is a company with an indefinite period of operation, and its business has no seasonal or cyclical nature.

Structure of the Group

BNP Paribas Bank Polska SA Group ("the Group") is part of BNP Paribas SA, an international financial institution based in Paris.

As at 31 December 2014, the direct parent entity of BNP Paribas Bank Polska SA was BNP Paribas Fortis based in Brussels which held 85% of the Bank's shares, the remaining 15% were held by other shareholders.

The diagram below presents the position of BNP Paribas Bank Polska SA in the BNP Paribas group:



Changes in the Group's structure

On 15 February 2014, by virtue of an agreement on the enterprise sale and debt takeover signed by and between Fortis Lease Polska Sp. z o.o. as the seller and the Bank as the buyer, the FLP's enterprise was transferred to BNPP Polska as in-kind remuneration for shares redeemed, which accounted for 99.9% of FLP's share capital. Owing to the transfer of the FLP's enterprise to BNP Paribas Bank Polska SA, leasing activity pursued by Fortis Lease was incorporated into the structures of BNP Paribas Bank Polska. The lease enterprise transfer in favour of the Bank is an element of consolidating and reducing the number of the BNP Paribas group entities in Poland. Furthermore, the purpose of incorporating the lease business into the bank's structures was to improve operating results and achieve cost effectiveness.
On 1 July 2014 FLP liquidation proceedings were instituted by way of the resolution of the Extraordinary Meeting of FLP Shareholders dated 30 June 2014. On 9 July 2014, liquidators of Fortis Lease, pursuant to Article 279 of the CCC, gave an announcement on the company's dissolution and opening of liquidation and they requested creditors to lodge their claims within 3 months of the announcement date, namely until 9 October 2014.
The liquidators drew up a liquidation process opening balance which was then approved of by the shareholders meeting and undertake further actions to liquidate Fortis Lease Polska Sp. z o.o.

As at 31 December 2014, the BNP Paribas Bank Polska SA Group included:

- BNP Paribas Bank Polska SA (hereinafter referred to as "the Bank");
- Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (investment fund company) (hereinafter referred to as "TFI") - the Bank's subsidiary in which it holds 100% shares,
- Fortis Lease Polska Sp. z o.o. in liquidation (hereinafter referred to as "FLP") - a wholly-owned subsidiary of the Bank;
- BNP Paribas Factor Sp. z o.o. (hereinafter: "Factor") - the Bank's subsidiary in which it holds 100% shares.

Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (investment fund company) with its registered office in Warsaw at Pl. Marszałka Józefa Piłsudskiego 1, is entered in the District Court for the capital city of Warsaw, XII Commercial Division of the National Court Register (KRS) under KRS Entry No. 0000031121. The company was assigned statistical number (REGON): 012557199, and tax identification number (NIP): 526-02-10-808.

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

BNP Paribas Factor Sp. z o. o. with its registered office in Warsaw at ul. Suwak 3, is entered in the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register (KRS) under KRS Entry No. 0000225155. The company was assigned statistical number (REGON): 052255107, and tax identification number (NIP): 966-17-67-430.

Name of the unit	Ownership relation	Consolidation method	Registered office	% of votes at the General Meeting	
				31 Dec 2014	31 Dec 2013
Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (investment fund company)	subsidiary	full consolidation	Warsaw	100%	100%
Fortis Lease Polska Sp. z o.o. in liquidation	subsidiary	full consolidation	Warsaw	100%	100%
BNP Paribas Factor Sp. z o.o.	subsidiary	full consolidation	Warsaw	100%	100%

Field of the Group's business activity

The Group's business activity includes banking transactions both in Polish zlotys and foreign currencies for domestic and foreign private individuals and legal persons and other organizations without legal personality, likewise brokerage and leasing activities.
In addition, through its subsidiaries the Group is engaged in factoring activity and provides other financial services.

1. The scope of the Bank's business shall include:
    1) accepting deposits due on demand and/or in fixed date, and maintaining bank accounts for such deposits,
    2) maintaining other bank accounts,
    3) granting credits and loans, including consumer credits and loans,
    4) carrying out bank pecuniary settlements, including payment card settlements, likewise payment card issuance,
    5) issuing and confirming bank guarantees, granting sureties, likewise opening and confirming L/Cs,
    6) issuing securities, including convertible bonds and banking securities, likewise carrying out commissioned tasks, and assuming obligations related to the issuance of securities,
    7) participating in trading in financial instruments, including maintaining securities custody accounts,
    8) conducting operations on money and FX markets including forward and derivative instrument transactions,
    9) conducting check and bill-of-exchange operations and warrant transactions,
    10) purchasing and selling cash debts,
    11) purchasing and selling foreign currencies,
    12) safekeeping valuables and securities, likewise rendering safe-deposit boxes available,
    13) providing the following financial services:
        a) consulting services on financial issues,
        b) custody services,
        c) leasing services,
        d) brokerage activity,
    14) conducting customer acquisition activity for open pension funds and safekeeping pension funds' assets,
    15) providing agency services related to the distribution of participation units, investment certificates or participation titles to investment funds, likewise agency services related to their sale and redemption, or safekeeping of investment funds' assets,
    16) providing agency services related to property insurance,
    17) insurance brokerage services in the scope of personal insurance, including life insurance,
    18) rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by banks with regard to actions to which they are parties,
    19) acting as an agent in making money transfers and FX settlements,
    20) issuance of electronic money instrument.

2. Within its legal capacity, the Bank may also:
   1) contract credits and loans,
   2) acquire or purchase shares of other legal entities, stakes, rights derived from shares and stakes in other legal entities, and also, certificates and participation units in investment funds,
   3) purchase and sell real estate,
   4) under conditions agreed with a debtor, change the debt into the debtor's property assets,
   5) perform and act as an agent in performing brokerage services whose performance by the Bank does not constitute a brokerage activity or does not require the consent of the Financial Supervision Authority (KNF),
   6) act as an agent in providing financial services for other domestic and foreign banks, likewise financial or credit institutions,
   7) perform tasks being the subject of the Bank's activity for other banks, domestic and foreign, likewise financial or credit institutions,
   8) provide auxiliary banking services in favour of companies affiliated with the Bank or the Bank's controlling entity, with the use of IT systems and technologies, including services related to data processing, software development and operation, and IT infrastructure,
   9) provide consulting services for enterprises concerning capital structure, enterprise strategy or other issues related to such structure or strategy,
   10) provide consulting and other services concerning merger, division or takeover of enterprises,
   11) provide additional services related to a firm commitment underwriting or stand-by underwriting,
   12) perform the function of a representative bank under the Bond Act dated 29 June 1995.

4. Accounting Policies

4.1. Basis of Presentation

4.1.1 Statement on consistency with the IFRS

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

This financial report was approved for publishing by the Bank's Board of Executives on 6 March 2015.

The following standards, amendments to the existing standards and interpretations, published by the International Accounting Standards Board (IASB) and approved for use by the EU, became effective for the first time in 2014:

- IFRS 10 "Consolidated Financial Statements," approved in the EU on 11 December 2012 (applies to annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements," approved in the EU on 11 December 2012 (applies to annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosure of Interests in Other Entities," approved in the EU on 11 December 2012 (applies to annual periods beginning on or after 1 January 2014),
- IAS 27 (as amended in 2011) "Separate Financial Statements," approved in the EU on 11 December 2012 (applies to annual periods beginning on or after 1 January 2014),
- IFRS 28 (as amended in 2011) "Investments in Associates and Joint Ventures," approved in the EU on 11 December 2012 (applies to annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" - transition guidance, approved in the European Union on 4 April 2013 (apply to annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities, approved in the European Union on 20 November 2013 (apply to annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 32 "Financial Instruments: Presentation" - offsetting financial assets and financial liabilities, approved in the EU on 13 December 2012 (apply to annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 36 "Impairment of Assets" - recoverable amount disclosures for non-financial assets, approved in the EU on 19 December 2013 (apply to annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting, approved in the EU on 19 December 2013 (apply to annual periods beginning on or after 1 January 2014).

The above standards, interpretations and amendments to standards had no material impact on the Group's accounting policy applied to date.

The financial statements do not include amendments to standards and interpretations, which:

- were issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) but have not been approved by the European Union - as specified below;
- were issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) and were approved by the European Union, but have become or will become effective after the balance sheet date - IFRIC 21 "Levies" (applies to annual periods beginning on or after 17 June 2014).

As at the date of publication of these statements, the following standards, amendments to standards and interpretations issued by the IASB were approved for use in the EU but have not become effective yet:

- Amendments to various standards: "Annual Improvements to IFRSs (2010–2012 Cycle)" - made by introducing annual improvements to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) chiefly to remove inconsistencies and clarify wording, were approved in the EU on 17 December 2014 (apply to annual periods beginning on or after 1 February 2015),
- Amendments to various standards: "Annual Improvements to IFRSs (2011-2013 Cycle)" - made by introducing annual improvements to IFRSs (IFRS 1, IFRS 3, IFRS 13 and IAS 40) chiefly to remove inconsistencies and clarify wording, were approved in the EU on 18 December 2014 (apply to annual periods beginning on or after 1 January 2015),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions, were approved in the EU on 17 December 2014 (apply to annual periods beginning on or after 1 February 2015),

As at the date of publication of these statements, the following standards, amendments to standards and interpretations issued by the IASB have not been approved yet for use in the EU:

- IFRS 9 "Financial Instruments" (applies to annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (applies to annual periods beginning on or after 1 January 2016),
- IFRS 15 "Revenue from Contracts with Customers" (applies to annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 11 " Joint Arrangements" - accounting for acquisitions of interests in joint operations (applies to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (apply to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (apply to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (apply to annual periods beginning on or after 1 July 2014),
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (applies to annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (apply to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (apply to annual periods beginning on or after 1 January 2016),
- Amendments to various standards: "Annual Improvements to IFRSs (2012-2014 Cycle)" - made by introducing annual improvements to IFRSs (IFRS 5, IFRS 7, IFRS 19 and IAS 34) chiefly to remove inconsistencies and clarify wording (apply to annual periods beginning on or after 1 January 2016).

The Group now analyses in detail the effect of new standards on the financial statements. In the Group's opinion, the above amendments to standards and interpretations will have no material impact on the Group's financial statements except IFRS 9 "Financial Instruments." Details of amendments introduced by this standard are as follows:

- IFRS 9 "Financial Instruments" issued on 24 July 2014 is the replacement of IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9 outlines the following requirements:

- Classification and measurement - IFRS 9 introduces a new approach for the classification of financial assets driven by cash flow characteristics and business model linked to specific assets. This single, principle-based approach replaces the existing rule-based requirements pursuant to IAS 39. The new model also results in a single impairment model being applied to all financial instruments.
- Impairment - IFRS 9 introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to faster account for any expected losses in the full lifetime of the instruments.
- Hedge accounting - IFRS 9 introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity. The new model represents a substantial overhaul of hedge accounting that aligns the accounting treatment with risk management activities.
- Own credit risk - IFRS 9 removes the net profit/loss variability caused by changes in credit risk of financial liabilities designated to be measured at fair value. This amendment means that gains resulting from deterioration of own credit risk of liabilities are not recognised through profit or loss.

4.2. Basic assumptions

The annual consolidated financial statements of the Group for the year ended 31 December 2014 were prepared assuming the continuation of the Group's business in the foreseeable future.
The Bank's Board of Executives is not aware of any circumstances indicating any risk to the business continuation by the Group in the foreseeable future.
The consolidated financial statements of the Group were prepared based on the historical cost principle, except for derivative financial instruments, financial assets and liabilities measured at fair value through profit or loss, available-for-sale financial assets which were measured at fair value, and available-for-sale assets measured at the amount that is the lower of their balance sheet value and fair value less cost to sell.

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

4.3. Comparative Data

The consolidated financial statements present consolidated data of BNP Paribas Bank Polska SA and its subsidiaries: Fortis Lease Polska Sp. z o.o. in liquidation, Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA and BNP Paribas Factor Sp. z o.o. for the periods from 1 January 2014 until 31 December 2014, and as at 31 December 2014, and consolidated comparative data for the periods from 1 January 2013 until 31 December 2013, and as at 31 December 2013.

4.4. Consolidation basis

Subsidiaries are enterprises that are controlled by BNP Paribas Bank Polska SA (which is the parent entity). The control exists when the Bank, either directly or indirectly, has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
The control also exists when the Bank owns one half or less of voting power of an enterprise, when there is:
- it has more than one half of the voting rights by virtue of an agreement with other investors,
- it has power to govern the financial and operating policies of the enterprise under a statute or an agreement,
- it has power to appoint or dismiss the majority of the members of the management board or equivalent governing body, where such board or body controls the enterprise.

The full consolidation method is applied to the subsidiary. The full consolidation consists in adding together specific items of financial statements of the Bank and of the subsidiaries in full amount, and making relevant adjustments and consolidation eliminations.
In the full consolidation of balance sheets, all items of assets and liabilities of both the subsidiary and parent are aggregated in their full amounts, irrespective of the parent's actual interest in the subsidiary.
In the consolidation process, the carrying amount of the parent's investment in the subsidiary and the parent's portion of equity of the subsidiary are eliminated.
Intragroup receivables and payables and intragroup transactions, unrealised gains and expenses resulting from transactions with the subsidiary are eliminated in the preparation of consolidated financial statements.
The Group's entities apply the uniform accounting standards.
Under IAS 27, in the consolidated financial statements of BNP Paribas Bank Polska SA Group for the year ended 31 December 2014, the full consolidation is applied to the following subsidiaries: Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA, Fortis Lease Polska Sp. z o.o. in liquidation and BNP Paribas Factor Sp. z o.o.

4.5. Accounting Estimates

When preparing the consolidated financial statements pursuant to the IFRS, the management is required to make subjective evaluations, estimations and accept assumptions that affect the assets and liabilities, likewise income and expenses. Estimations and assumptions are made based on available historical data and a number of other factors that are considered appropriate in given circumstances.
The results create the basis for making estimations referring to balance sheet assets and liabilities. Actual results may differ from estimated values. Estimations and assumptions are subject to ongoing reviews. Adjustments to estimations are recognised in the period in which a given estimation was changed provided that the adjustment refers to that period only, or in the period when the change was made and in the future periods if the adjustment affects both the current period and the future ones.

4.5.1 Fair value

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

4.5.2 Provisions for impaired financial assets

In the estimation of impairment provisions, the Group assesses whether there is any evidence of impairment for specific financial asset or group of financial assets. A catalogue of impairment indicators includes events determined both in terms of quantity and quality[2].
A provision on that account is estimated on the basis of historical loss patterns that characterise the given part of the portfolio. Statistical models and parameters used therein are subject to periodical reviews and the results obtained are validated by comparison to actual losses.

4.5.3 Provisions for impaired non-financial assets

A non-financial asset is impaired when its carrying value exceeds its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use.
The determination of the value in use is related to the Group's estimation of future cash flows, expected to arise from continuing use of an asset, and discounting those values.

4.5.4 Useful lives and residual values

The useful life is a time period over which an item of the property, plant and equipment and intangible assets is expected to be used by the Group.
A residual value of an item of property, plant and equipment and intangible assets is the expected amount that the Group would currently obtain from disposal of the asset, after the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

[1] Detailed rules of determining fair value are presented in Chapter "Fair value of financial instruments".
[2] Detailed rules of determining impairment provisions are included in Chapter "Impairment of assets – financial assets."

4.5.5 Other accounting estimates

The Group made provisions on account of long-term employee benefits on the basis of an actuarial valuation.
Legal risk provisions are calculated on the basis of an estimated amount of the Group's liabilities should a court case end unfavourably, or should a case be likely to end unfavourably for the Bank.
In addition to the above estimates, the Group makes also other subjective assessments during the accounting policy implementation process (e.g. as regards the classification of financial assets into a category required under IAS 39). Assessments made by the Group affect the presentation in the financial statements and financial results.

4.6 Foreign currencies

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

4.7 Financial Assets and Liabilities

4.7.1 Rules of balance sheet recognition and de-recognition of financial assets and liabilities

The Group recognises a financial asset or liability in the balance sheet when the Group becomes a party to such an instrument agreement.
The Bank recognises standardised purchase and sale transactions of financial assets in the balance sheet at the trade date which is the date of the Bank's commitment to purchase or sell a given financial asset.
Standardised purchase or sale transactions of financial assets constitute transactions whose contractual terms require delivery of an asset in the period established by the binding regulations or conventions in the market place.
Standardised purchase or sale transactions apply in particular to FX spot transactions, spot leg in FX swap transactions and to purchases and sales of securities, where it is customary that two business days elapse between the trade date and settlement date, exclusive of repurchase agreements.
The Group derecognises a financial asset from the balance sheet at the moment when contractual rights to cash flows from the financial asset expire or when the Group transfers the contractual rights to receive cash flows from the financial asset in a transaction where the Group basically transfers the entire risk and all benefits related to the financial asset, likewise when without transferring or assuming in general the entire risk and benefits, the Group transfers the control over an asset.

4.7.2 Classification and measurement

Financial instruments are initially measured at fair value, adjusted (as regards financial assets or liabilities not classified as measured at fair value through profit or loss) by material transaction costs that can be directly attributed to the acquisition or issue of a financial asset or liability.
Subsequently, financial assets measured at fair value through profit or loss and available for sale are measured at fair value, except for such available-for-sale equity assets that are not quoted on an active market and whose fair value cannot be reliably determined.
Discount, premium, any fees and commissions included in the internal rate of return of an instrument along with incremental transaction costs are recognised in the initial value of the financial instrument and amortised over the economic useful life of the instrument.

4.7.3 The Group classifies financial instruments into the following categories:

Loans and receivables

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

a) financial assets that the Group intends to sell immediately or in the near term, and those that upon initial recognition were designated as measured at fair value through profit or loss;
b) financial assets that upon initial recognition were designated by the Group as available for sale.

Loans and receivables upon the initial recognition are measured at fair value including transaction costs.
After the initial recognition, the loans and receivables are measured at amortised cost, using the effective interest method, including impairment provisions.
Into the category of loans and receivables, the Group classifies 'liabilities due from banks' and 'loans to customers', and also debt securities (corporate bonds), provided that the following conditions are met jointly:
- there is regular income and payments set for debt securities,
- debt securities are not traded on an active market;
- the Group does not intend to sell the securities immediately or in the near term.

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

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

a) classified at initial recognition as held for trading if they have been acquired with an intention to sell in the near term (not exceeding 3 months from the purchase date) to acquire gains on FX differences;
b) that are part of a portfolio of identified financial instruments that are managed together and for short-term profit taking,
c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments); or
d) classified at the initial recognition as measured to fair value through profit or loss.

The Group did not classify assets at their initial recognition as measured to fair value through profit or loss.
The Group classifies held-for-trading financial assets into the category of financial assets, in particular:

a) securities held for trading;
b) derivative instruments (excluding derivative instruments that constitute effective hedging instruments).

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

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

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

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

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

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

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

Other financial liabilities.

Other financial liabilities are the liabilities not held for trading and not measured to fair value through profit or loss.
Other financial liabilities are measured at initial recognition at fair value including transaction costs.
After the initial recognition, other financial liabilities are recognised in amounts that require payment at amortised cost, including the effective interest rate method.
The Group classifies into the category of other financial liabilities in particular the following:

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

4.7.4 Fair value of financial instruments

Fair value of balance sheet and off-balance sheet financial instruments is the price which would be obtained for selling a given asset or which would be paid for an obligation transfer in a transaction concluded on usual terms by and between market participants as of the measurement day.
The fair value of financial instruments is determined based on quoted prices in active markets. When quoted prices in active markets are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions accepted, including discount rates and estimates of future cash flows.

Valuation techniques include:

- market prices of comparable investments,
- discounted cash flows,
- option pricing models,
- market multiples valuation method.

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

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

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

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

In the measurement of financial instruments, the Group takes into consideration customer credit risk using a developed methodology of adjustment of the measurement to fair value on that account.
In order to adjust the measurement of the fair value of financial instruments, the Group applies an approach based on the assessment of customer natural exposure taking into account contracts signed with other banks, likewise on the assessment of cash flows generated by customers which cash flows could cover the measurement of derivative transactions that do not hedge cash flows in foreign currencies.
In the analysis, a possibility is considered of taking additional financing by customers to cover unsettled transactions that do not hedge their contracts settled in foreign currencies.
An estimation of the measurement adjustment is determined using dedicated analytical tools taking into account a materiality criterion.
Receivables arising out of terminated derivative instruments that were not paid by customers, at maturity are transferred at fair value (taking into account adjustments for credit risk) to the "Loans to customers" item where they are subsequently maintained and measured pursuant to rules binding for the "loans and receivables" category.

4.7.5 Reclassification of financial instruments

a) derivative instruments, from their initial recognition and classification into the category of instruments measured at fair value through profit or loss, are not subject to reclassification into another category;
b) Financial instruments that at their initial recognition were classified as loans and receivables are not subject to reclassification into another category;
c) Financial instruments that at their initial recognition were classified as measured at fair value through profit or loss, different from the ones referred to in subsection a) above:
- may be reclassified into the category of loans and receivables provided that they are not held by the Group for sale or repurchase in the near future and that the Group intends and is able to hold them in the foreseeable future or until maturity;
- may be reclassified into the available-for-sale or held-to-maturity category, provided that they are not already held by the Group for sale or repurchase in the near future and only in rare cases (i.e. in cases resulting from a single event that is not ordinary, and it is highly unlikely that such event would occur again in the near future);
d) Financial instruments that at initial recognition were classified as available for sale and that meet the criteria specified in the definition of loans and receivables (if they are not classified as available for sale), may be reclassified into the category of loans and receivables, if the Group has the intention and is able to hold them in the foreseeable future or until their maturity.

4.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount recognised in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.
The Group made no set-off referred to above.

4.9 Sale and Repurchase Agreements and Securities Lending/Borrowing

Securities being object of a repurchase agreement ('repos', 'sell buy backs') are not derecognised in the balance sheet. The liability resulting from the obligation to repurchase the assets is included in 'due to banks' or 'due to customers' items, depending on the type of a counterparty. Securities purchased under agreements to resell ('reverse repos', 'buy sell backs') are not recognised in the balance sheet. The right to receive cash from the counterparty is recorded as due from banks or loans to customers depending on the type of counterparty. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.
If securities acquired under agreements to resell ('reverse repos,' 'buy sell backs') are sold to third parties, the Group records proceeds from the sale and a liability for the obligation to return the collateral (liability for the short sale of securities). The obligation to return the collateral is measured at fair value through profit or loss and is classified as a held-for-trading liability.

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

4.10 Derivative Instruments

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

Derivative instruments in the Group include the following transactions:

IRS Contracts
The purpose of CIRS contracts is to hedge against interest rate risk and to obtain gains as a result of short-term price changes.
IRS contracts are measured to fair value using the discounted cash flow method, based on discount factors estimated on the basis of market yield curve as of the measurement date. The measurement result is recognised in the net profit/loss on transactions in financial instruments held for trading.

FX Forward Contracts
The purpose of FX Forward contracts is to hedge against FX rate risk and to maintain liquidity, likewise to obtain gains as a result of short-term price changes.
FX forward contracts are measured to fair value using the Discounted Cash Flow method, based on discount factors estimated on the basis of market yield curve as of the measurement date. The fair value is established by comparing present cash flows translated into PLN equivalents. The measurement result is recognised in the net profit/loss on transactions in financial instruments held for trading.

FX Swap Contracts
The purpose of FX Swap contracts is to regulate liquidity and hedge against FX rate risk of the Group's currency loan portfolio, likewise to obtain gains as a result of short-term price changes.
FX swap contracts are measured to fair value using the Discounted Cash Flow method, based on discount factors estimated on the basis of market yield curve as of the measurement date. The fair value is established by comparing present cash flows translated into PLN equivalents. The measurement result is recognised in the net profit/loss on transactions in financial instruments held for trading.

Interest Rate Options
The purpose of such contracts is to hedge against interest rate risk and also to obtain gains as a result of short-term price changes.
Interest rate options are measured to fair value based on the modified Black-Scholes model. The volatility parameter, which is required when using the above model, is assumed in the form of the so-called implied volatility parameter what ensures consistency of the price obtained with the actual market price. The measurement result is recognised in the income statement in the item net profit/loss on transactions in financial instruments held for trading.

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

FRA Contracts
The purpose of CIRS contracts is to hedge against interest rate risk and to obtain gains as a result of short-term price changes.
FRA contracts are measured at fair value using the discounted cash flow method based on the market yield curve. The measurement result is recognised in the net profit/loss on transactions in financial instruments held for trading.

CIRS Contracts
The purpose of CIRS contracts is to hedge against interest rate risk and to obtain gains as a result of short-term price changes.
CIRS contracts are measured at fair value using the discounted cash flow method based on the market yield curve. The measurement result is recognised in the net profit/loss on transactions in financial instruments held for trading.

OIS Contracts
The purpose of OIS contracts is to hedge against interest rate risk and also to obtain gains as a result of short-term price changes.
OIS contracts are measured at fair value using the discounted cash flow method, based on discount factors estimated on the basis of market yield curve as of the measurement date. The measurement result is recognised in the net profit/loss on transactions in financial instruments held for trading.

Currency futures
The purpose of entering into such contract is to hedge against the FX rate risk.
The futures contracts are measured at the market rate announced by Warszawska Giełda Towarowa SA (Warsaw Commodity Exchange). At the same time, there are daily flows on account of the contract's marking to market. The daily measurement result is recognised in the net profit/loss on transactions in held-for-trading financial instruments.
As at 31 December 2013, the Group held no Futures transactions.

4.11 Embedded Derivatives

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

4.12 Fair Value Hedge

The Group applies a model of fair value hedging against interest rate risk to a part of the portfolio of financial assets or financial liabilities. The hedge accounting implemented is to ensure an appropriate recognition of the net profit/loss on the interest rate management which is a part of the risk management process. Within the interest rate management, the Group enters into derivative instruments to minimise the interest rate gap.
The instruments entered into, such as Interest Rates Swaps (IRS), are designated as instruments hedging the fair value of portfolios of specific assets or liabilities of a fixed interest rate.
The risk hedged is the interest rate risk, and in particular, changes in the fair value of assets and liabilities bearing a fixed interest rate due to changes in a specific reference rate. The designated interest rate will be binding for the hedging instrument, thanks to which any fair value changes of the hedged item on account of credit risk that is inherent to the hedging instrument, will be excluded from the risk hedged.
The hedging instruments are basic interest rate swap transactions made at the market rate, prevailing at a given moment, with a counterparty that is external from the Group's perspective.
As at 31 December 2013, a replication model was used to define a hedging relationship for a hedged item that included a portfolio of liabilities related to current accounts.
The Group measures a change in the hedged item fair value resulting from the risk hedged. If according to the evaluation method documented by the Bank, the hedge efficiency is currently high, the Group recognizes

a change in the fair value of a hedged item as profit or loss in the income statement, and also as an asset or liability in the balance sheet. Changes in the fair value of a hedging instrument are recognised in the income statement.
It means that any ineffectiveness is immediately recognised in the income statement.

In the event the hedge accounting is discontinued, an adjustment of the balance sheet value of the hedged item is depreciated using the straight-line method until the end of the respective period of portfolio re-pricing.

Income/expenses on account of interest on the hedging item are presented in the interest income or expense.

4.13 Asset Impairment

4.13.1 Financial assets

A financial asset (or a group of financial assets) is considered impaired if there is objective evidence of impairment as a result of one or more events, occurring after the initial recognition of the asset, that affect the future cash flow of the given financial instrument (or a group of financial instruments) if such cash flow can be reliably estimated.
As at each balance sheet date, the Group makes an assessment whether there are any objective indicators of impairment of a financial asset (or group of financial assets) or not.
When an objective evidence of loans and receivables impairment is found, the Group estimates a write-down amount as a difference between the carrying value and present value of expected future cash flows (discounted by an original effective interest rate of the instrument) recognising it in the income statement and reducing loans and receivables using the provision account. If the estimated amount of provisions for impairment decreases or the evidence ceases to occur, the provision is decreased or released through profit or loss.
Provisions for impairment are determined using an individual method for receivables due from business entities whose total exposure exceeds (for one customer) the equivalent of EUR 50 thousand (individual analysis of future cash flows). For the remaining receivables (private individuals and business entities with exposure up to the tier of EUR 50 thousand), provisions are set using model recoverability parameters on account of voluntary repayments and collateral realisation (portfolio analysis of future cash flows).
The Group creates impairment provisions for incurred but not reported losses (IBNR) when there is an objective evidence, in relation to loans and receivables, that a portion of the loan portfolio is affected by impairment despite that there is no objective evidence of specific loans and receivables impairment. Impairment provisions for IBNR losses are estimated based upon historical patterns of losses in each portfolio component, reflecting the current economic climate in which the borrowers operate.
As regards non-collectible loans and receivables, in the event legal and procedural ways of their repayment enforcement have been exhausted, the Group writes down such loans and receivables to the related impairment provisions.
Any amounts subsequently recovered are recognized in the item 'Risk costs' in the income statement.
When objective indicators of an available-for-sale financial asset impairment are found - cumulated losses recognised so far in the equity capital are derecognised in the equity capital and recognised in the income statement, even if the financial asset has not been removed from the balance sheet. The cumulated loss amount, which is derecognised in the equity capital and recognised in the income statement, constitutes the difference between the acquisition cost (net of any principal repayments and depreciation) and the present fair value reduced by any losses on account of impairment of that asset, previously recognised in the income statement.
If the fair value of an available-for-sale debt instrument subsequently increases, and the increase can be objectively determined to result from an event following the recognition of an impairment loss in the income statement, then the reversed provision amount is recognised in the income statement.
Impairment losses for an investment in an equity instrument classified as available for sale are not reversed through profit or loss but through other comprehensive income.

4.13.2 Non-financial assets

A non-financial asset is impaired when its carrying value exceeds its recoverable amount.
As at each balance sheet date, the Group makes an assessment whether there is any indicator of a non-financial asset impairment and in the event any such indicators are identified, the Bank estimates the asset’s recoverable value.

The recoverable value is the higher of the following:

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

Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between willing and well-informed parties, after deducting any direct incremental disposal costs.
Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

4.14 Cash and Cash Equivalents

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

4.15 Due from Banks and Loans to Customers

Liabilities due from banks and loans to customers include loans originated by the Group by providing funds directly to a borrower and loans acquired from third parties that are carried at amortised cost, allowing for impairment provisions.
Debt securities not traded on an active market are also recognised as loans.
Costs incurred and loan origination fees earned for granting a loan are deferred and amortised over the life of the loan as an adjustment to the loan effective interest rate.
Rules governing impairment estimation are presented above.

4.16 Property, Plant and Equipment

Property, plant and equipment include assets of foreseeable useful life longer than one (1) year, that are complete and used by the Group in order to provide services.
Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and write-downs for impairment. The residual value and useful life of property, plant and equipment are subject to annual reviews.

Any impairment loss identified is recognised in the income statement.
The acquisition price is the amount of cash or cash equivalents paid or the fair value of other assets given in order to acquire a specific asset at the time of its acquisition.
Depreciation is calculated using the straight-line method to write down the value subject to depreciation over the asset estimated useful life.
Repairs and maintenance expenses of a property, plant and equipment component are recognised in the income statement when such expenses are incurred.

Expenditures that enhance or extend the benefits of the property, plant and equipment beyond their original use are capitalised and subsequently depreciated.
Fixed assets of low unit value (low-value assets) are charged to costs as one-time expenses in the month they are made available for use. In the event of a total material value of low-value assets purchased, they are capitalised by the Group.

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

No.	Specification	Useful life (in years)
1.	Own buildings	40
2.	Leasehold improvements	10
3.	Structural cabling Structural cabling (including lighting and air-conditioning)	5
4.	PC sets/laptops (micro computers)	4

5.	Mini computers (servers in branches)	3
6.	Central bank system and supplementary systems with a long-term useful life (back office systems not related to products but to business organisation e.g. HR, financial and securities management systems).	8
7.	- Central IT equipment (servers, memory modules, processors, printers, photocopiers, discs, scanners, switches, routers, matrices, server cabinets, patch cabinets, etc.)	5
8.	Fixed-line telephones	5
9.	Mobile phones	3
10.	Conference room equipment (projectors, audio-visual equipment)	5
11.	Cash and vault equipment	5
12.	ATMs	5
13.	Cheque processing device	5
14.	Cash registers, strongboxes and safes	5
15.	Vehicles	5
16.	Office furniture	5
17.	Other devices and equipment	5
18.	Operating software	5

4.17 Non-current Assets Held for Sale

Non-current assets held for sale are such assets or a group of assets for which the Group will recover the carrying amount through a sale transaction, and not through their further use. Such assets are carried at the lower of the following:

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

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

4.18 Intangible Assets

Intangible assets are identifiable assets which are not physical in nature and are recognised at acquisition cost. Intangible assets are recognised in the balance sheet, if in the future they generate financial benefits and can be reliably measured.
The Group activates expenditures for software produced on its own, within formally undertaken projects. The activated expenditures include: costs on account of employee benefits (remuneration, surcharges on remuneration) resulting directly from creation of an item of intangible assets; outlays for materials and services used to create intangible assets; depreciation of patents and licences used at creation of intangible assets. The Group regularly assesses if an intangible asset is subject to impairment.
Intangible assets include assets with definite useful lives, such as trademarks and licenses. They are amortised over their useful lives using the straight-line method.
The Group does not have any intangible assets of indefinite useful life.
Intangibles are recorded on the balance sheet at acquisition cost less any amortisation and any impairment losses. The residual value and useful life of intangible assets are subject to annual reviews.
Any impairment loss identified is recognised in the income statement.

The useful life of intangible assets is determined for:

- central banking systems and supplementary systems with long-term useful life – 8 years,
- system software, i.e. other than operating system software – 3 or 5 years,
- development work costs – 3 or 5 years.

4.19 Liabilities Due to Customers

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

4.20 Employee Benefits

4.20.1 Long-term employee benefits
The Group measures reserves established for one-time retirement benefit, disability benefits and post-death benefits due to eligible employees under the Labour Code provisions, likewise for liabilities on account of a deferred portion of a bonus for the Bank's senior management. The reserve amounts are estimated on the basis of actuarial calculations.
The value of reserves and costs on account of employee benefit obligations is estimated using the projected unit credit method. The value of obligations on account of one-time retirement benefits, disability benefits and post-death benefits is calculated at the present value of the estimated future cash outflows using interest rates determined by reference to market yields.

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

4.20.3 Benefits on account of employment relationship termination
The Group recognises benefits on account of work relationship termination as a liability and expense when it is determined to, and is able to prove it that:
- terminate the work relationship with an employee or a group of employees before they reach the retirement age, or
- provide benefits on account of employment relationship termination as a result of a proposal made by it, which encourage the employees to voluntarily terminate the employment relationship.

4.21 Provisions

Provisions are liabilities with uncertainties in the amount or timing of payments.
The Group recognises provisions in the balance sheet, when:

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

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

4.22 Contingent Liabilities - Off-balance Sheet Commitments

Contingent liabilities are:

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

The Group recognises as contingent liabilities such off-balance sheet commitments that do not meet the balance sheet recognition criteria as assets or liabilities, in particular:
- contingent liabilities granted on account of credit lines extended by the Group – in the amount unused by customers;
- contingent liabilities granted on account of guarantees issued by the Group in favour of customers – in the amount specified in agreements;
- contingent liabilities on account of export and import letters of credit;
- contingent liabilities on account of credit lines obtained by the Group – in the amount available for use by the Group;
- contingent liabilities on account of guarantees received by the Group – in the amount specified in agreements.

4.23 Equity Capital

4.23.1 Definition

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

4.22.2 Equity capital items

Share capital

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

Additional capital

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

Other capital

Reserve capital is established for the purposes defined in the statute from profit deductions.
General risk reserve is established pursuant to the Banking Law Act dated 29 August 1997 from after-tax profit.

Revaluation reserve

Revaluation reserve includes differences from the measurement of available-for-sale financial assets and actuarial profits or losses decreased by the related deferred tax deductions. Revaluation reserve includes also:

- actuarial profits/losses on account of measurement of the Bank's liabilities due to employees related to retirement severance pay, disability benefits and post-death benefits,
- actuarial profits/losses on measurement of liabilities on account of the deferred payment of a part of variable compensation of executives and other individuals who have a significant influence on the risk profile, and
- actuarial profits/losses on measurement of liabilities on account of retention programmes targeted at key employees (KERP) and executive staff (COMEX) in relation with the merger of BGŻ and BNPP PL.

Retained earnings

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

Net profit/loss for the year

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

4.23.3 Costs of transactions related to operations in equity capital

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

4.23.4 Dividends on ordinary shares

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

4.24 Earnings per share

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

4.25 Interest Income and Expense

Interest income and interest expense are recognised in the income statement for all financial instruments on an accrual basis using the effective interest method based on the acquisition price including direct transaction costs.
For financial assets written-down for impairment, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of estimating the provision for impairment.

4.26 Fees and Commissions, Transaction Costs and Remuneration Related to the Sale of Insurance Products

Fees related to granting a loan or changing its material conditions, constitute an integral part of the effective interest rate of a financial instrument. This is how upfront fees, origination fees or other preliminary fees for such actions as an assessment of borrower's financial standing, likewise collateral assessment and recording are recognised. Such fees are deferred and recognised in the interest income as an adjustment to the effective interest rate.
Commissions and fees that do not constitute an integral part of the effective interest rate of a financial instrument are recognised through profit or loss, during the time of providing services or at the moment of performing a significant action.
Commissions and fees regarding receivables with respect to which the effective interest rate calculation cannot be applied (receivables of indefinite term of payment of specific instalments and undetermined interest rate changes) are spread over time using the straight-line method and included into the commission and fee income.
Loan syndication fees are recognised as revenue when the process related to the syndication organisation has been completed.
Transaction costs are included in the initial measurement of financial assets and liabilities other than those measured at fair value through profit or loss. Transaction costs are costs directly attributable to the acquisition or disposal of a financial asset or liability. They include fees and commissions paid to intermediaries, advisers, brokers, and dealers levied by regulatory agencies and securities exchanges, and transaction taxes and duties. Such costs are deferred and recognised as an adjustment to the effective interest rate of financial instruments.
Remuneration for the sale of insurance products is settled according to the product economic nature, which is determined individually for each insurance. Income earned on insurance premiums that are mandatory for borrowers or closely related with banking products, are settled over the insurance coverage period:

- during the life of a loan by an effective interest rate or using a straight-line method during the policy validity period (when it is shorter than the loan maturity) - when the premium is charged once in advance;
- or calculated monthly in the month that the insurance coverage applies to, when the insurance premium is payable periodically together with the loan instalment.

Remuneration for selling additional insurance, offered optionally (mainly property insurance: real estate, movables, comprehensive automotive [AC] and third party liability [OC] insurance policies of vehicles, but also life insurance [unit-linked policies/plans]) is recognised:

- as a one-off item when the insurance has the nature of remuneration for insurance intermediation,
- or when the remuneration can be subject to a proportional reimbursement or the Bank provides additional services during the policy life - by a straight-line method for the period in which the reimbursement can be made or when the services are provided.

4.27 Remuneration for the sale of insurance products

The remuneration for the sale of insurance products, depending on the economic content of a transaction, is recognised through the effective interest rate, either using a straight-line method for the policy period, or as one-off items.

Insurance products directly related to loans are settled using the effective rate. The insurance products sold by the Group are considered instruments related to loans, especially when an insurance product is offered to a customer exclusively with a loan. That is, without the purchase of a loan, no insurance product identical as to the legal form, terms and conditions and economic content can be bought.

The revenue is recognised depending on fee and commission titles, and on the rules applied to recognising financial instruments related to them. Remuneration for the sale of insurance products is settled according to the product economic nature, which is determined individually for each insurance. Remuneration related to insurance which is integral to loan agreements is classified by the Group to loan upfront fees and settled as follows:

- during the life of a loan by an effective interest rate or using a straight-line method during the policy validity period (when it is shorter than the loan maturity) - when the premium is charged once in advance;

or

- calculated monthly in the month that the insurance coverage applies to, when the insurance premium is payable periodically together with the loan instalment.

Remuneration for selling additional insurance, offered optionally (mainly property insurance: real estate, movables, comprehensive automotive [AC] and third party liability [OC] insurance policies of vehicles, but also life insurance [unit-linked policies/plans]) is recognised:

- as a one-off item when the insurance has the nature of remuneration for insurance intermediation, the Bank acts only as an insuring agent and is not obliged to provide any further services,

or

- by a straight-line method throughout the policy validity period, in the event the remuneration can be subject to a proportional reimbursement or when the Bank provides additional services, other than leading to the insurance agreement conclusion.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction as at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction as at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

As rendering of services consists of activities, whose number cannot be precisely determined, performed within a specific time range, for practical reasons the Group recognises the revenues using the straight-line method (evenly) over the given period.

The Group does not sell products which would be simultaneously related to other financial and insurance instruments, and therefore would require a division of the remuneration received into a part pertaining to the financial instrument and a part related to the insurance instrument.

4.28 Net Profit/Loss on Transactions in Financial Instruments

Net profit/loss on transactions in financial instruments includes:

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

4.29 Current and Deferred Income Tax

Income tax in the income statement includes a current tax and deferred tax. The current tax constitutes the Group's tax liability computed on the basis of relevant tax law provisions.
Deferred tax is recognised using the balance sheet method, based on identification of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In order to determine amounts of deferred tax assets and liabilities, statutory tax rates are applied.
Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be generated against which the deductible temporary difference can be utilised.
Deferred tax and current tax related to fair value measurement of available-for-sale assets which are charged or credited directly to the revaluation reserve are also directly recognised in the revaluation reserve and subsequently recognised in the income statement together with the gain or loss on such an investment.

4.30 Government subsidies

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

4.31 Lease – The Group as a Lessee

Lease facility is classified as financial lease when, under the loan agreement, basically all potential benefits and risk resulting from the ownership is transferred to the lessee. All other types of lease facilities are regarded as operating lease.
Assets utilised under a financial lease agreement are recognised as the Group's assets and measured to their fair value at the moment of their purchase, however, not higher than the current value of minimum lease payments. The resulting obligation towards the lessor is recognised in the payables on account of financial lease.
Leasing payments are divided into financial (interest) expense and lease liability reduction. Financial costs are directly recognised in the income statement.
Operating lease payments are recognised in the income statement using the straight-line method over the lease term.

4.32 Lease – the Group as the Lessor

Lease agreements under which substantially all the risks and rewards incident to ownership of assets is transferred over to the lessee are classified as finance lease agreements. In the balance sheet statement, the value of receivables is recognised in the amount equal to the net investment in the lease. Income on account of finance lease agreements is recognised in the manner that reflects a constant periodical rate of return on the net investment in the lease made by the Group in respect of the finance lease.
The Group does not offer products of operational lease, that is, a lease without transferring substantially all the risks and rewards incident to ownership of assets over to the lessee.

4.33 Segment Reporting

4.33.1 Operating segments

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

- Retail Banking Business Line (RB BL)
- Corporate and Transaction Banking (CTB)
- Other Banking Activity.

4.33.2 Geographical segments

The Group operates in Poland as the sole geographical segment. All income and costs earned and incurred by the Group come from this geographical segment, likewise all assets held are located in this area.
Information on changes in the segment structure are presented in the "Segment Reporting" section.

5. Comparability with Previously Published Reports

There have been changes made with respect to the manner of presentation of the data published in the 2013 annual report as at 31 December 2013 to ensure data comparability.

Consolidated balance sheet as at 31 December 2013					
Item	Before the adjustment	Adjustment	After the adjustment	Change description	
				Amount	Description
Property, plant and equipment	125,728	-14,588	111,140	-14,588	Change in the presentation of outlays for operating systems
Intangible assets	37,044	14,588	51,632	14,588	
Loans to customers	16,582,614	18,243	16,600,857	18,243	Change in the presentation of non-current assets held for sale
Non-current assets held for sale	18,243	-18,243	-	-18,243	
Liabilities due to customers	10,894,299	36,515	10,930,814	36,515	Change in the presentation of Liabilities due to customers on account of loan overpayments/prepayments
Other liabilities	353,378	-36,598	316,780	-36,598	
Provisions	60,530	83	60,613	83	Changes in the presentation of other provisions

Consolidated Income Statement for the period from 1 Jan 2013 to 31 Dec 2013					
Item	Before the adjustment	Adjustment	After the adjustment	Change description	
				Amount	Description
Fee and commission income	198,193	-16,478	181,715	-16,478	Change in the presentation of provisions for fees and commissions
Fee and commission expense	-48,522	16,478	-32,044	16,478	
Other revenues	29,776	24,878	54,654	24,878	Change in the presentation of income and expenses on leasing business
Other operating expenses	-21,487	-24,878	-46,365	24,878	

Consolidated Cash Flow Statement for the period from 1 Jan 2013 to 31 Dec 2013					
Item	Before the adjustment	Adjustment	After the adjustment	Change description	
				Amount	Description
Operating activity					
Liabilities due to customers	829,349	21	829,370	21	Change in the presentation of Liabilities due to customers on account of loan overpayments/prepayments
Other assets and liabilities	133,370	-16	133,354	-16	
Change of reserves and provisions	-105,465	-5	-105,470	-5	Changes in the presentation of other provisions

6. Segment Reporting

Information on segments

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

Primary segmentation

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

- Retail Banking (RB);
- Corporate and Transaction Banking (CTB);
- Other Banking Activity.

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

Activity segments

- Retail Banking

Within its activity, the Retail Banking segment provides financial services to individual customers, private banking services and offers its services to small and medium-sized enterprises (including Micro enterprises) of the annual turnover up to PLN 60 million (until the end of 2013 - up to PLN 40 million). The segment offers also advisory services as regards all forms of daily banking, savings, investment and financing products.

- Corporate and Transaction Banking

The activity of the Corporate and Transaction Banking segment focuses on medium and large enterprises, offering them financial solutions based on standard banking products and services as well as specialised financial products. The Corporate and Transaction Banking customers are corporate entities and institutions whose annual sales revenues exceed PLN 60 million (PLN 40 million until the end of 2013).60

- Other Banking Activity

Operationally, the Other Banking Activity is run by the ALM/Treasury Line. Its aim is to ensure an appropriate level of financing to enable running the banking operations in a manner that is safe and compliant with the regulatory requirements, and ensure security of the future cash flows' structure. The ALM/Treasury line activities include a treasury department functions, assets and liabilities management and a profit centre named Corporate Centre. The ALM/Treasury Line manages the Group's liquidity and determines internal and external reference rates. It manages interest rate, operational and structural FX risks.

Geographical segment

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

Consolidated Income Statement by Business Segments

1 Jan 2014 - 31 Dec 2014 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Interest income (external)	543,337	253,417	93,502	**890,256**
Transfer prices expense (internal)	-258,442	-151,560	-338,951	**-748,953**
Interest expense (external)	-120,188	-87,792	-116,899	**-324,879**
Transfer prices income (internal)	168,452	128,661	451,840	**748,953**
Net interest income	**333,159**	**142,726**	**89,492**	**565,377**
Fee and commission income (external)	111,341	71,964	177	**183,482**
Fee and commission expense (external)	-31,077	-2,836	-285	**-34,198**
Net fee and commission income	**80,264**	**69,128**	**-108**	**149,284**
Net trading income	28,099	65,065	-1,954	**91,210**
Net profit/loss on hedging transactions	-	-	465	**465**
Net profit/loss on the hedged item	-	-	-465	**-465**
Net profit/loss on available-for-sale financial assets	49	-51	22,890	**22,888**
Dividends	6	-	-	**6**
Other revenues	21,482	24,900	-	**46,382**
Other operating expenses	-25,617	-23,254	-	**-48,871**
Net banking income	**437,442**	**278,514**	**110,320**	**826,276**
General expenses	**-289,732**	**-45,840**	**-206,012**	**-541,584**
Personnel expenses	-145,513	-38,695	-109,802	**-294,010**
Other general expenses	-144,219	-7,145	-96,210	**-247,574**
Depreciation	-25,235	-14,283	-5,057	**-44,575**
Cost allocation (internal)	-149,757	-45,418	195,175	**-**
Gross operating profit/loss	**-27,282**	**172,973**	**94,426**	**240,117**
Cost of risk and net result on provisions	**-75,606**	**-23,319**	**-431**	**-99,356**
Cost of risk	-86,652	-22,947	-431	-110,030
Net result on provisions	11,046	-372	-	10,674
Net operating profit/loss	**-102,888**	**149,654**	**93,995**	**140,761**
Net profit/loss from disposal of assets	-1,498	-20	-	**-1,518**
Profit/loss before taxation	**-104,386**	**149,634**	**93,995**	**139,243**
Income tax	**-**	**-**	**-**	**-36,067**
Profit/loss after taxation	**-**	**-**	**-**	**103,176**

1 Jan 2013 - 31 Dec 2013 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Interest income (external)	538,024	249,176	102,890	**890,090**
Transfer prices expense (internal)	-280,334	-134,267	-372,061	**-786,662**
Interest expense (external)	-153,945	-106,168	-92,392	**-352,505**
Transfer prices income (internal)	190,219	132,678	463,765	**786,662**
Net interest income	**293,964**	**141,419**	**102,202**	**537,585**
Fee and commission income (external)	115,361	66,204	150	**181,715**
Fee and commission expense (external)	-28,948	-2,875	-221	**-32,044**
Net fee and commission income	**86,413**	**63,329**	**-71**	**149,671**
Net trading income	30,069	67,277	4,967	**102,313**
Net profit/loss on hedging transactions	-	-	-2,805	**-2,805**
Net profit/loss on the hedged item	-	-	2,805	**2,805**
Net profit/loss on available-for-sale financial assets	527	4,453	20,461	**25,441**
Dividends	14	-	-	**14**
Other revenues	22,101	32,553	-	**54,654**
Other operating expenses	-22,172	-24,193	-	**-46,365**
Net banking income	**410,916**	**284,838**	**127,559**	**823,313**
General expenses	**-294,660**	**-57,319**	**-172,420**	**-524,399**
Personnel expenses	-146,574	-35,264	-96,820	**-278,658**
Other general expenses	-148,086	-22,055	-75,600	**-245,741**
Depreciation	**-24,091**	**-3,370**	**-17,538**	**-44,999**
Cost allocation (internal)	-143,712	-34,228	177,940	**-**
Gross operating profit/loss	**-51,547**	**189,921**	**115,541**	**253,915**
Cost of risk and net result on provisions	**-140,965**	**24,143**	**490**	**-116,332**
Cost of risk	-132,448	37,394	491	**-94,563**
Net result on provisions	-8,517	-13,251	-1	**-21,769**
Net operating profit/loss	**-192,512**	**214,064**	**116,031**	**137,583**
Net profit/loss from disposal of assets	-727	675	-	**-52**
Profit/loss before taxation	**-193,239**	**214,739**	**116,031**	**137,531**
Income tax	**-**	**-**	**-**	**-35,248**
Profit/loss after taxation	**-**	**-**	**-**	**102,283**

The table below presents the total of the Group's assets and liabilities broken down by business lines, as at 31 December 2014 and 31 December 2013.

Consolidated total assets (in PLN thousand)	Balance as at:	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Assets	31 Dec 2014	11,227,127	6,316,709	5,655,843	**23,199,679**
	31 Dec 2013	10,866,641	5,671,083	4,579,532	**21,117,256**
Loans to customers, gross	31 Dec 2014	11,928,410	6,653,073	-	**18,581,483**
	31 Dec 2013	11,562,625	6,126,839	-	**17,689,464**
Loans to customers, net	31 Dec 2014	11,228,099	6,333,545	-	**17,561,644**
	31 Dec 2013	10,851,369	5,749,488	-	**16,600,857**
Liabilities	31 Dec 2014	7,183,572	5,671,661	10,344,446	**23,199,679**
	31 Dec 2013	6,535,010	5,900,309	8,681,937	**21,117,256**
Liabilities due to customers	31 Dec 2014	7,065,472	5,360,890	-	**12,426,362**
	31 Dec 2013	5,984,110	4,946,704	-	**10,930,814**

The table below presents non-monetary expenses other than depreciation for the reporting periods ended on 31 December 2014 and 31 December 2013. Non-monetary expenses include: unrealised loss on financial instruments and impairment provisions.

(in PLN thousand)	For period:	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Non-monetary expenses	**1 Jan 2014 - 31 Dec 2014**	-85,237	-30,357	-65,344	**-180,938**
	1 Jan 2013 - 31 Dec 2013	-107,602	-46,996	-58,965	**-213,563**

The table below presents costs incurred to acquire tangible fixed assets and intangible fixed assets for the reporting period ended on 31 December 2014 and comparative data as at 31 December 2013.

(in PLN thousand)	Balance as at:	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Asset acquisition costs	**31 Dec 2014**	112	-	58,725	**58,837**
	31 Dec 2013	19	-	54,990	**55,009**

7. Additional Notes to Consolidated Income Statement

Below there is detailed information on revenues and expenses of the Group for 2014 and comparative data for 2013.

Note 7.1

Interest income (in PLN thousand)	**1 Jan 2014 – 31 Dec 2014**	**1 Jan 2013 - 31 Dec 2013**
Cash and cash equivalents	14,648	14,500
Due from banks	1,354	2,325
Loans to customers	793,016	793,168
Investments available for sale	78,477	77,196
Securities held for trading	-	331
Derivative hedging instruments	2,634	2,570
Other	127	-
Total interest income	**890,256**	**890,090**

Interest income includes interest accrued on non-performing loans, which in 2014 amounted to PLN 35,154 thousand, while in 2013 - to PLN 63,599 thousand.

Note 7.2

Interest expense (in PLN thousand)	**1 Jan 2014 – 31 Dec 2014**	**1 Jan 2013 - 31 Dec 2013**
Liabilities due to banks	-12,309	-24,733
Liabilities due to customers	-196,418	-223,274
Loans and credit facilities received	-101,607	-108,651
Subordinated loans	-14,141	5,455*
Derivative hedging instruments	-227	-209
Other	-177	-1,093
Total interest expense	**-324,879**	**-352,505**

*in this item, the settlement of a prepaid portion of subordinated loans was recognised, with a positive mark to market in the amount of PLN 19,604 thousand.

Note 7.3

Fee and commission income (in PLN thousand)	**1 Jan 2014 – 31 Dec 2014**	**1 Jan 2013 - 31 Dec 2013**
Securities trading	1,936	821
Cash settlements services	56,303	58,468
Guarantees and contingent liabilities	18,969	20,829
Loan origination fees and commissions (recognised on a straight-line basis)	21,069	15,978
Loan origination fees and commissions (one-off items)	10,604	13,683
Income on account of agency in customer acquisition	4,711	2,956
Card related income	23,265	24,379
Insurance product sales revenues	22,197	22,708
Income on asset management	3,703	3,334
Other	20,725	18,559
Total fee and commission income	**183,482**	**181,715**

Note 7.4

Fee and commission expense (in PLN thousand)	1 Jan 2014 - 31 Dec 2014	1 Jan 2013 - 31 Dec 2013
Card related expenses	-16,506	-14,538
Cash transactions expenses	-325	-356
Settlements	-672	-791
Fee and commission expenses related to the franchise branch network	-9,722	-9,655
Expenses related to the sale of insurance products	-2,186	-2,925
Other	-4,787	-3,779
Total fee and commission expenses	**-34,198**	**-32,044**

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

- commission and fee income of PLN 67,924 thousand earned in 2014, and PLN 63,746 thousand earned in 2013;
- fee and commission expense of PLN -41,589 thousand incurred in 2014, and PLN -34,850 thousand reported in 2013;.

Note 7.5

Net trading income (in PLN thousand)	1 Jan 2014 - 31 Dec 2014	1 Jan 2013 - 31 Dec 2013
Securities	-	-13
Derivative instruments, including:	1,446	3,036
- fair value adjustment on account of credit risk of derivative instruments	798	1,730
Foreign exchange transactions	89,764	99,290
- Credit value adjustment	-598	-
Total net trading income	**91,210**	**102,313**

Note 7.6

Net profit/loss on available-for-sale financial assets (in PLN thousand)	1 Jan 2014 - 31 Dec 2014	1 Jan 2013 - 31 Dec 2013
Securities	22,888	24,705
Shares and holdings	-	476
Participation units	-	260
Total net profit/loss on transactions in available-for-sale financial instruments	**22,888**	**25,441**

Note 7.7

Other revenues (in PLN thousand)	**1 Jan 2014 - 31 Dec 2014**	**1 Jan 2013 - 31 Dec 2013**
Income on account of covering mandatory annual fee for BGF	9,699	5,948
Rental and lease income	8,267	8,524
Compensation, penalties and fines	323	1,593
Reimbursement of costs related to agents' activities	111	77
Income on investing activities	3,174	2,642
Income on leasing activity	18,854	29,520
Other*	5,954	6,350
Total other income	**46,382**	**54,654**

*item 'Other' includes income from franchisees arising from composition agreements, income on sales of assets taken over for receivables, income on account of using company cars for private purposes

Note 7.8

Other operating expenses (in PLN thousand)	**1 Jan 2014 - 31 Dec 2014**	**1 Jan 2013 - 31 Dec 2013**
Compensation, penalties and fines	-1,358	-972
BGF - annual fee costs	-15,761	-16,841
BGF - prudential fee costs	-7,250	-
Leasing activity expenses	-18,994	-24,878
Other expenses	-5,508	-3,674
Total other operating expenses	**-48,871**	**-46,365**

Note 7.9

Personnel expenses (in PLN thousand)	**1 Jan 2014 - 31 Dec 2014**	**1 Jan 2013 - 31 Dec 2013**
Remuneration	-243,751	-238,120
Surcharges on remuneration	-38,271	-36,826
Provisions on severance pay related to retirement, unused vacation leaves and other employee benefits, including:	-11,871	-3,629
- restructuring provisions	-	4,370
Other remuneration components	-117	-83
Total personnel expenses	**-294,010**	**-278,658**

Note 7.10

Other general expenses (in PLN thousand) PLN	1 Jan 2014 – 31 Dec 2014	1 Jan 2013 - 31 Dec 2013
- rents	-64,580	-67,700
- information technologies and systems	-44,606	-37,964
-marketing and advertising	-29,938	-33,215
- expenditure related to RE use	-9,557	-13,143
- postal and telecommunication services	-11,069	-14,616
- advisory services and consulting	-7,246	-4,593
- business travels	-17,349	-14,812
- training	-4,674	-4,627
- municipal services	-15,717	-15,894
- security	-2,652	-2,908
- stationery	-3,883	-4,508
- KNF costs	-2,128	-2,013
- costs of receivables recovery	-5,972	-9,499
-costs related to ATMs and cash service	-4,208	-4,561
- outsourcing costs in the lease business	-11,130	-
- other*	-12,865	-15,688
Total other general expenses	**-247,574**	**-245,741**

*"other"- the item includes a provision for debt recovery costs and provision for other administration costs.

Note 7.11

Depreciation (in PLN thousand)	1 Jan 2014 - 31 Dec 2014	1 Jan 2013 - 31 Dec 2013
Fixed assets, including:	-28,209	-36,127
- own real estate	-262	-521
- leasehold improvements	-12,749	-11,641
- computer hardware	-10,341	-17,183
- other fixed assets	-4,857	-6,782
Intangible assets	-16,732	-9,230
Provisions for impairment of intangible assets	53	78
Provisions for impairment of investments	313	280
Total depreciation	**-44,575**	**-44,999**

Note 7.12

Cost of risk (in PLN thousand)	1 Jan 2014 - 31 Dec 2014	1 Jan 2013 - 31 Dec 2013
Net cash and cash equivalents, including:	-431	483
- provisions for Incurred But Not Reported losses (IBNR)	-431	483
Due from banks, net, including:	49	-2
- provisions for Incurred But Not Reported losses (IBNR)	49	-2
Loans to customers, net, including:	-100,447	-75,696
- provisions for credit receivables	-97,124	-89,931
- provisions for Incurred But Not Reported losses (IBNR)	-13,842	-11,143
- income on account of receivables written-down to provisions	-1,253	3,937
- income on account of receivables recovered	11,772	21,441
Off-balance sheet liabilities, net, including:	-7,541	-15,164
- provisions for off-balance sheet commitments	-2,643	-13,391
- provisions for Incurred But Not Reported losses (IBNR)	-4,898	-1,773
Other assets, net	-1,660	-8,072
Other provisions, net	-	3,888
Total cost of risk	**-110,030**	**-94,563**

Note 7.13

Net result on provisions (in PLN thousand)	1 Jan 2014 - 31 Dec 2014	1 Jan 2013 - 31 Dec 2013
Provisions for legal risk related to financial instruments	7,001	-20,675
Provisions for legal risk - other	3,673	-1,094
Total net result on provisions	**10,674**	**-21,769**

The major components of the income tax expense:

Note 7.14.1

Income tax (in PLN thousand)	1 Jan 2014 - 31 Dec 2014	1 Jan 2013 - 31 Dec 2013
Current tax	-32,274	-7,566
Current tax for the previous year	405	8,913
Deferred tax for the previous year	-	-68
Deferred tax	-4,198	-36,527
Total income tax	**-36,067**	**-35,248**

The current tax for the previous year for the period 01 Jan 2014 - 31 Dec 2014 is the change of the current tax value reported in the Bank's CIT-8 annual tax return for 2013, filed on 31 March 2014, as compared to the tax reported in the Bank's financial statements for 2013.

The current tax for the previous year for the period 01 Jan 2014 - 31 Dec 2014 is the result of filing revised CIT-8 annual tax returns for the years 2007-2012 in June 2013. The revised returns are the consequence of the Bank's receipt of positive tax rulings issued by the Minister of Finance on corporate income tax with respect to the rules of including changes in the IBNR provision into income or tax-deductible expenses, and as regards tax effects of entering into repo transactions. The revised items positively affected the Bank's financial result in 2013.

Actual income tax expenses as at 31 December 2014 and for comparative data as at 31 December 2013 differ from the amount computed using the applicable tax rate due to the following factors (note 7.14.2):

Note 7.14.2

Tax burden (in PLN thousand)	1 Jan 2014 - 31 Dec 2014	1 Jan 2013 - 31 Dec 2013
Profit/loss before taxation	139,243	137,531
Binding tax rate in %	19	19
Tax computed at the rate	-33,875	-29,833
Tax increases / decreases on account of:		
Tax effects of book revenues recognised as current tax assets, pursuant to the Corporate Income Tax Act:	8,575	-1,305
- tax-exempt interest	-2	-2
- non-tax deductible income on securitisation	117	289
- non-taxable dividends from subsidiaries	7,418	4,611
- other	1,042	-6,203
Tax effects of accounting expenses which are not tax-deductible expenses, pursuant to the Corporate Income Tax Act	-4,700	-4,802
Tax effect of recognition of previous year costs	432	-339
Tax reimbursement received in effect of revised income tax returns for the years 2007-2012 filed by the Bank	-	9,250
Permanent differences that increase the real tax rate of the bank due to a recognition of a deferred tax asset in the amount equal to the expected tax to be paid	-7,084	-10,545
Items that decrease the taxable income under the Income Tax Act (tax credits for new technologies, donations deducted from the taxable income, tax loss in consequence of filing a revised annual tax return for 2009)	2,482	1,332
Other	-1,897	994
Total tax increases / decreases	-2,192	-5,415
Total tax burden	**-36,067**	**-35,248**

Note 7.15

Consolidated earnings per share	1 Jan 2014 - 31 Dec 2014	1 Jan 2013 - 31 Dec 2013
Number of shares as at 31 December	33,719,465	28,692,926
Weighted average number of ordinary shares	31,708,849	28,692,926
Profit/loss after taxation (in PLN thousand)	103,176	102,283
Earnings/loss per ordinary share ratio in PLN	3.25	3.56
Weighted average diluted number of potential ordinary shares	31,708,849	28,692,926
Diluted consolidated Earnings/Loss Per Share (PLN per share)	**3.25**	**3.56**

The basic earnings per share are computed as a quotient of the profit attributable to the Bank's shareholders and a weighted average number of ordinary shares during the period.
The diluted earnings per share are computed as a quotient of the profit attributable to the Bank's shareholders and a weighted average number of ordinary shares adjusted to take into consideration the impact of all potential ordinary shares that cause the EPS dilution.
As at the reporting date, there occurred no factors resulting in the dilution of potential ordinary shares.

Consolidated income statement for the third and fourth quarters of 2014 and comparative data

Consolidated Income Statement (in PLN thousand)	1 July 2014-30 Sept 2014	1 Oct 2014-31 Dec 2014	1 July 2013-30 Sept 2013	1 Oct 2013-31 Dec 2013
Interest income	228,610	224,611	222,689	212,025
Interest expense	-86,309	-79,842	-83,722	-80,247
Net interest income	**142,301**	**144,769**	**138,967**	**131,778**
Fee and commission income	45,665	50,692	46,657	36,335
Fee and commission expense	-8,901	-8,944	-8,564	3,399
Net fee and commission income	**36,764**	**41,748**	**38,093**	**39,734**
Net trading income	23,879	26,215	24,982	27,370
Net profit/loss on hedging transactions	39	-348	-290	-287
Net profit/loss on the hedged item	-39	348	290	287
Net profit/loss on available-for-sale financial assets	4,345	1,693	5,622	1,149
Dividends	-	-	3	-
Other revenues	13,482	11,261	14,410	32,916
Other operating expenses	-12,478	-11,812	-10,601	-31,399
Net banking income	**208,293**	**213,874**	**211,476**	**201,548**
General expenses	**-133,392**	**-146,463**	**-131,078**	**-131,715**
Personnel expenses	-72,609	-77,915	-68,601	-72,466
Other general expenses	-60,783	-68,548	-62,477	-59,249
Depreciation	**-11,203**	**-11,401**	**-10,871**	**-11,419**
Gross operating profit/loss	**63,698**	**56,010**	**69,527**	**58,414**
Cost of risk and net result on provisions	**-25,731**	**-23,571**	**-36,710**	**-24,170**
Cost of risk	-25,893	-30, 089	-16,915	-26,163
Net result on provisions	162	6,518	-19,795	1,993
Net operating profit/loss	**37,967**	**32,439**	**32,817**	**34,244**
Net profit/loss from disposal of assets	-339	-213	-8	232
Profit/loss before taxation	**37,628**	**32,226**	**32,809**	**34,476**
Income tax	-11,370	-5,083	-6,125	-10,383
Profit/loss after taxation	**26,258**	**27,143**	**26,684**	**24,093**

8. Cash and Cash Equivalents

Note 8.1

Cash and cash equivalents (in PLN thousand)	31 Dec 2014	31 Dec 2013
Cash at hand	226,141	182,201
Due from the central bank	1,277,631	377,442
Short-term due from banks, including:	1,211,805	731,221
- Nostro accounts	208,429	374,133
- short-term deposits from banks	1,003,376	357,088
Cash and cash equivalents, gross	**2,715,577**	**1,290,864**
Impairment provisions:	**-1,048**	**-617**
- for Incurred But Not Reported losses (IBNR)	-1,048	-617
Total cash and cash equivalents, net	**2,714,529**	**1,290,247**

Note 8.2

Changes to impairment provisions (in PLN thousand)	31 Dec 2014		31 Dec 2013	
	Impairment provisions	IBNR	Impairment provisions	IBNR
Opening balance	**-**	**-617**	**-**	**-1,100**
Increases	-	-2,300	-	-995
Decreases	-	1,869	-	1,478
Ending balance	**-**	**-1,048**	**-**	**-617**

The item "Due from the Central Bank" includes the balance on the nostro account and overnight deposits at the National Bank of Poland (NBP).

The Bank has been keeping a mandatory reserve on a current account held with the National Bank of Poland. The reserve is calculated on the value of an average monthly balance of deposits received. During the day, the Bank can use the funds deposited on the mandatory reserve accounts to make current monetary settlements, upon an instruction filed to the National Bank of Poland. However, the Bank must ensure keeping the average monthly balance on this account in an appropriate amount stated in the mandatory reserve declaration.

9. Financial assets and liabilities held for trading

Note 9.1

Financial assets held for trading (in PLN thousand)	31 Dec 2014	31 Dec 2013
Derivative financial instruments, including:	**139,584**	**70,118**
- foreign currency contracts, including:	77,291	17,685
- fair value adjustment for credit risk	-788	-417
- interest rate contracts	62,228	52,433
- fair value adjustment for credit risk	-2,150	-
- other options	65	-
Total financial assets held for trading	**139,584**	**70,118**

As at 31 December 2014 and 31 December 2013, in the Group's balance sheet there were no buy-sell-back repo securities held for trading.

Note 9.2

Financial liabilities held for trading (in PLN thousand)	31 Dec 2014	31 Dec 2013
Derivative financial instruments, including:	**134,549**	**69,790**
- foreign currency contracts	64,751	18,669
- interest rate contracts	69,798	51,121
Total financial liabilities held for trading	**134,549**	**69,790**

The table below presents fair values of derivative financial instruments.

Note 9.3

Derivative financial instruments held for trading (in PLN thousand)	31 Dec 2014		31 Dec 2013	
	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts:	**77,291**	**64,751**	**17,685**	**18,669**
- Forward (including the forward leg of a swap contract)	41,024	30,982	15,328	16,697
- Options	33,369	33,559	1,208	1,626
- CIRS	2,898	210	1,149	346
Interest Rate contracts:	**62,228**	**69,798**	**52,433**	**51,121**
- FRA	-13	143	13	-
- IRS	58,664	65,968	46,333	45,120
- OIS	114	222	86	-
- Options	3,463	3,465	6,001	6,001
Other options	**65**	-	-	-
Total derivative financial instruments held for trading	**139,584**	**134,549**	**70,118**	**69,790**

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

Note 9.4

Held-for-trading derivative instruments by nominal value (in PLN thousand)	31 Dec 2014	31 Dec 2013
Currency transactions	**11,052,342**	**3,970,010**
- Forward (including the forward leg of a swap contract) – amounts purchased	3,056,248	1,428,334
- Forward (including the forward leg of a swap contract) – amounts sold	3,046,564	1,430,192
- Options - amounts purchased	2,347,517	430,885
- Options - amounts sold	2,347,517	430,885
- CIRS – amounts purchased	127,869	124,416
- CIRS – amounts sold	126,627	125,298
Interest rate transactions	**11,700,868**	**4,383,476**
- FRA	1,063,410	800,000
- IRS - amounts purchased	2,301,859	1,438,426
- IRS - amounts sold	2,301,859	1,438,426
- OIS - amounts purchased	2,922,952	150,000
- OIS – amounts sold	2,922,952	150,000
- Options - amounts purchased	93,918	203,312
- Options - amounts sold	93,918	203,312
Total financial instruments	**22,753,210**	**8,353,486**

The table below shows a hierarchy of measurement methods of held-for-trading financial instruments measured to fair value, as at 31 December 2014 and comparative data as at 31 December 2013.

Note 9.5

Hierarchy of measurement methods as at 31 Dec 2013 (in PLN thousand)	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments				
- positive valuation	-	68,487	1,631	**70,118**
foreign currency contracts	-	16,145	1,540	**17,685**
interest rate contracts	-	52,342	91	**52,433**
- negative valuation	-	68,159	1,631	**69,790**
foreign currency contracts	-	17,129	1,540	**18,669**
interest rate contracts	-	51,030	91	**51,121**

Hierarchy of measurement methods as at 31 Dec 2014	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments				
- positive valuation	-	115,961	23,558	**139,519**
foreign currency contracts	-	54,054	23,237	**77,291**
interest rate contracts	-	61,907	321	**62,228**
Other options	-	-	65	**65**
- negative valuation	-	110,991	23,558	**134,549**
foreign currency contracts	-	41,514	23,237	**64,751**
interest rate contracts	-	69,477	321	**69,798**

As at the end of 2014, specific instruments were included into the following measurement levels:
- Level 1: Treasury bonds;
- Level 2: interest rate options in EUR, FX options, interest rate and FX base swaps, FRA contracts, FX Forward transactions maturing within one year, FX swaps, OIS, interest rate swaps maturing within 10 years; (the fair value is determined using measurement techniques [models] based on verifiable market data available);
- level 3: interest rate options in PLN, FX options maturing within a period longer than one year, FX Forward transactions maturing within a period longer than one year, interest rate swaps maturing within a period longer than 10 years (the fair value is determined using measurement techniques [models] not based on verifiable market data available);

The table below presents changes in fair value of held-for-trading securities in 2013.

Note 9.6

Change in fair value of securities held for trading (in PLN thousand)	**Level 1**	**Level 2**	**Level 3**	**Total**
Balance as at 1 Jan 2013	**50,270**	**-**	**-**	**50,270**
- profits/losses recognised in the net profit/loss	-	-	-	-
- profits/losses recognised in other comprehensive income	-	-	-	-
- purchase	-	-	-	-
- sale	-50,270	-	-	-50,270
- issue	-	-	-	-
- settlement (matured)	-	-	-	-
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
Balance as at 31 Dec 2013	**-**	**-**	**-**	**-**

In 2014 the Group's portfolio did not include held-for-trading securities.

The tables below present changes in fair value of held-for-trading derivative instruments in 2014, and comparative data for 2013.

Note 9.7

Change in fair value of financial assets held for trading – positive valuation (in PLN thousand)	**Level 1**	**Level 2**	**Level 3**	**Total**
Balance as at 1 Jan 2013	**-**	**68,102**	**26,337**	**94,439**
- profits/losses recognised in the net profit/loss	-	34,849	1,184	36,033
- profits/losses recognised in other comprehensive income	-	-	-	-
- purchase	-	2,142	-	2,142
- sale	-	-	-	-
- settlement (matured)	-	-36,587	-	-36,587
- transfer between levels 1 and 2	-	-19	-	-19
- transfer to/from level 3	-	-	-25,890	-25,890
Balance as at 31 Dec 2013	**-**	**68,487**	**1,631**	**70,118**

Balance as at 1 Jan 2014	**-**	**68,487**	**1,631**	**70,118**
- profits/losses recognised in the net profit/loss	-	61,901	23,367	85,268
- profits/losses recognised in other comprehensive income	-	-	-	-
- purchase	-	7,626	233	7,859
- sale	-	-	-	-
- settlement (matured)	-	-22,053	-151	-22,204
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-1,522	-1,522
Balance as at 31 Dec 2014	**-**	**115,961**	**23,558**	**139,519**

Transfers from the level 3 measurement concerned FX forward transactions only. These transactions were transferred to the level 2 measurement. The total nominal value of such transactions was PLN 134.8 million. They were transferred due to a change in their maturity into the "below one year" range. Pursuant to the rules applied at the Bank, transactions in derivative instruments with maturity longer than one year are classified into the level 3 measurement while transactions with maturity below one year are classified into the level 2 measurement, providing that they are measured on the basis of a model containing, as source data, the parameters derived from available and verifiable market data.

Note 9.8

Change in fair value of financial liabilities held for trading - negative valuation (in PLN thousand)	Level 1	Level 2	Level 3	Total
Balance as at 1 Jan 2013	**-**	**60,206**	**26,512**	**86,718**
- profits/losses recognised in the net profit/loss	-	17,457	1,008	18,465
- profits/losses recognised in other comprehensive income	-	-	-	-
- purchase	-	2,002	-	2,002
- sale	-	949	-	949
- settlement (matured)	-	-12,455	-	-12,455
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-25,889	-25,889
Balance as at 31 Dec 2013	**-**	**68,159**	**1,631**	**69,790**
Balance as at 1 Jan 2014	**-**	**68,159**	**1,631**	**69,790**
- profits/losses recognised in the net profit/loss	-	57,659	23,458	81,117
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	8,831	-	8,831
- sale	-	222	233	455
- settlement (matured)	-	-23,880	-241	-24,121
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-1,523	-1,523
Balance as at 31 Dec 2014	**-**	**110,991**	**23,558**	**134,549**

10. Receivables

Note 10.1

Due from banks (in PLN thousand)	31 Dec 2014	31 Dec 2013
Loans	37,071	62,174
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) at the trade date	54,220	3,407
Other receivables	4,599	13,697
Total due from banks, gross	**95,890**	**79,278**
Impairment provisions:	**-28**	**-77**
- for Incurred But Not Reported losses (IBNR)	-28	-77
Total due from banks, net	**95,862**	**79,201**

Note 10.2

Loans to customers (in PLN thousand)	31 Dec 2014	31 Dec 2013
Loans and receivables due from State-owned entities	24,337	37
Mortgage loans	5,598,051	5,699,713
Consumer loans and credit facilities	2,680,821	2,457,174
Commercial loans and receivables	7,924,691	7,590,372
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) at the trade date	5,831	-
Finance lease receivables	1,940,071	1,784,332
Other receivables	407,681	157,836
Total loans to customers, gross	**18,581,483**	**17,689,464**
Impairment provisions:	**-1,019,839**	**-1,088,607**
- for incurred, reported losses	-891,107	-974,610
- for Incurred But Not Reported losses (IBNR)	-128,732	-113,997
Total loans to customers, net	**17,561,644**	**16,600,857**

Note 10.3

Changes in impairment provisions (in PLN thousand)	Due from banks Provisions for Incurred But Not Reported losses (IBNR)	Impairment provision	Loans to customers Provisions for Incurred But Not Reported losses (IBNR)
Balance as at 1 Jan 2013	**-74**	**-1,099,281**	**-102,853**
Increases	-28	-536,216	-39,103
Decreases	25	453,728	27,959
Write-downs to provisions	-	208,012	-
FX rate differences	-	-853	-
Balance as at 31 Dec 2013	**-77**	**-974,610**	**-113,997**

Balance as at 1 Jan 2014	**-77**	**-974,610**	**-113,997**
Increases	49	-336,754	-104,462
Decreases	-	237,882	89,727
Write-downs to provisions	-	195,188	-
FX rate differences	-	-12,813	-
Balance as at 31 Dec 2014	**-28**	**-891,107**	**-128,732**

11. Investments

Note 11.1

Investments available for sale (in PLN thousand)	31 Dec 2014	31 Dec 2013
Treasury bonds	2,087,963	1,837,318
Bonds issued by banks	-	62,066
Bonds issued by non-financial entities	70,347	-
NBP bills	-	699,847
Shares and holdings	17,032	5,148
Participation units	3,786	3,491
Total investments available for sale, gross	**2,179,128**	**2,607,870**
Provisions for investments available for sale	**-377**	**-**
- for shares	-377	-
Total investments available for sale, net	**2,178,751**	**2,607,870**

Note 11.2

Change in the balance of available-for-sale investments (in PLN thousand)	Debt securities	Shares and holdings	Participation units	Total
Balance as at 1 Jan 2013	**1,772,905**	**10,335**	**7,350**	**1,790,590**
Increases	33,639,162	-	620	33,639,782
Decreases (sale and maturity)	-32,786,168	-12,073	-4,240	-32,802,481
Decreases related to provisions made	3,888	-	-	3,888
Increases related to the release of provisions	-	7,429	-	7,429
Measurement to fair value	-34,477	-543	-239	-35,259
Other	3,921	-	-	3,921
Balance as at 31 Dec 2013	**2,599,231**	**5,148**	**3,491**	**2,607,870**
Balance as at 1 Jan 2014	**2,599,231**	**5,148**	**3,491**	**2,607,870**
Increases	44,868,677	12,503	-	44,881,180
Decreases (sale and maturity)	-45,312,969	-	-	-45,312,969
Measurement to fair value	2,410	-996	295	1,709
Other	961	-	-	961
Balance as at 31 Dec 2014	**2,158,310**	**16,655**	**3,786**	**2,178,751**

The table below presents profits and losses on available-for-sale investments, which in the given period were recognised directly in the equity, and then were derecognised from the equity and recognised in the net profit/loss of the given period from 1 January to 31 December 2014 and for the period from 1 January to 31 December 2013.

Note 11.3

Investments available for sale (in PLN thousand)	1 Jan 2014 – 31 Dec 2014	1 Jan 2013 - 31 Dec 2013
Profits recognised directly in the equity capital, and then moved from the equity capital and recognised in the net profit/loss	23,980	21,138
Losses recognised directly in the equity capital, and then moved from the equity capital and recognised in the net profit/loss	-1,391	-8,659
Total	**22,589**	**12,479**

The table below shows a hierarchy of measurement methods of available-for-sale investments measured to fair value, as at 31 December 2014 and comparative data as at 31 December 2013.

Note 11.4

Hierarchy of measurement methods as at 31 Dec 2013 (in PLN thousand)	Level 1	Level 2	Level 3	Total
Treasury bonds	1,837,318	-	-	**1,837,318**
Bonds issued by banks	-	62,066	-	**62,066**
NBP bills	-	699,847	-	**699,847**
Shares	5,148	-	-	**5,148**
Participation units	-	3,491	-	**3,491**

Hierarchy of measurement methods as at 31 Dec 2014 (in PLN thousand)	Level 1	Level 2	Level 3	Total
Treasury bonds	2,087,963	-	-	**2,087,963**
Bonds issued by non-financial entities	-	60,558	9,789	**70,347**
Shares	4,154	-	-	**4,154**
Participation units	-	3,786	-	**3,786**

As at the end of 2014, specific instruments were included into the following measurement levels:

- level 1: Treasury bonds, shares quoted on the WSE

(the fair value is determined directly by reference to active market quotations published);

- level 2: cash bills, corporate bonds traded on CATALYST market

(the fair value is determined using measurement techniques [models] based on verifiable market data available or a price was set on a low liquidity market);

- level 3: corporate bonds except the bonds traded on CATALYST market, shares not quoted on the WSE

(the fair value is determined using measurement techniques [models] not based on verifiable market data available, i.e. in cases other than the ones described in items 1 and 2).

The table below presents changes in fair value of available-for-sale investments in 2014, and comparative data for 2013.

Note 11.5

Change in the fair value of available-for-sale investments (in PLN thousand)	Level 1	Level 2	Level 3	Total
Balance as at 1 Jan 2013	**1,776,608**	**9,826**	**-**	**1,786,434**
- profits/losses recognised in the net profit/loss	41,002	4,112	-	45,114
- profits/losses recognised in other total income	-40,865	-278	-	-41,143
- purchase	995,193	33,620,495	-	33 615 688
- sprzedaż	-769,746	-209,885	-	-979,631
- issue	-	-	-	-
- settlement (matured)	-159,726	-31,658,866	-	-31,818,592
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
Balance as at 31 Dec 2013	**1,842,466**	**765,404**	**-**	**2,607,870**

Balance as at 1 Jan 2014	**1,842,466**	**765,404**	**-**	**2,607,870**
- profits/losses recognised in the net profit/loss	24,071	-	-	24,071
- profits/losses recognised in other total income	1,062	682	507	2,251
- purchase	1,692,747	43,161,756	9,282	44,863,785
- sale	-1,458,065	-	-	-1,458,065
- issue	-	-	-	-
- settlement (matured)	-10,164	-43,863,498	-	-43,873,662
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
Balance as at 31 Dec 2014	**2,092,117**	**64,344**	**9,789**	**2,166,250**

12. Property, plant and equipment

Note 12.1

Property, Plant and Equipment by groups (in PLN thousand)	31 Dec 2014	31 Dec 2013
Land use	250	250
Real property used for one's own purposes	7,113	7,346
Leasehold improvements	59,920	63,744
Machines and equipment and means of transport	13,793	19,198
Computer hardware	18,775	20,602
Total Property, Plant and Equipment	**99,851**	**111,140**

The table below presents changes in tangible fixed assets in 2014, and comparative data for 2013.

Note 12.2

Changes in the property, plant and equipment in PLN thousand	Land and land perpetual usufruct right	Real property used for one's own purposes	Leasehold improvements	Machines and equipment and means of transport	Computer hardware	Total
Gross value as at 1 Jan 2014	**250**	**10,360**	**154,639**	**69,541**	**203,118**	**437,908**
- balance increase (incl. purchase)	-	29	9,777	2,503	8,404	20,713
- balance increase – non-financial non-current assets not delivered for use as at the balance sheet date	-	-	-	56	3,029	3,085
- balance decrease - non-financial non-current assets not delivered for use as at the balance sheet date	-	-	-	-296	-2,657	-2,953
- balance decrease (sale, liquidation)	-	-	-9,486	-11,533	-11,300	-32,319
- recognition of investments in costs	-	-	-162	-78	-101	-341
- donation	-	-	-	-42	-269	-311
- fixed assets transferred from Fortis Lease	-	-	-	7	8	15
Gross value as at 31 Dec 2014	**250**	**10,389**	**154,768**	**60,158**	**200,232**	**425,797**

Amortisation as at 1 Jan 2014	**-**	**-3,014**	**-89,668**	**50,343**	**-182,381**	**-325,406**
- depreciation	-	-262	-12,749	-5,733	-10,421	-29,165
- increase related to depreciation (provision for unsettled investments)	-	-	-15	-21	-15	-51
- decrease related to depreciation (provision z for unsettled investments)	-	-	36	16	15	67
- balance decrease (sale, liquidation)	-	-	8,465	9,679	11,216	29,360
- donation	-	-	-	42	269	311
- depreciation of fixed assets transferred from Fortis Lease	-	-	-	-5	-8	-13
Amortisation as at 31 Dec 2014	**-**	**-3,276**	**-93,931**	**-46,365**	**-181,325**	**-324,897**
Provisions as at 1 Jan 2014	**-**	**-**	**-1,227**	**-**	**-135**	**-1,362**
- created	-	-	-765	-	-	-765
- released	-	-	1,075	-	3	1,078
Provisions as at 31 Dec 2014	**-**	**-**	**-917**	**-**	**-132**	**-1,049**
Fixed assets net as at 31 Dec 2014	**250**	**7,113**	**59,920**	**13,793**	**18,775**	**99,851**

Changes in the property, plant and equipment in PLN thousand	Land and land perpetual usufruct right	Real property used for one's own purposes	Leasehold improvements	Machines and equipment and means of transport	Computer hardware	Total
Gross value as at 1 Jan 2013	**-**	**4,907**	**148,000**	**82,587**	**222,468**	**457,962**
- balance increase (incl. purchase)	-	-	17,300	7,869	13,452	38,621
- balance increase – non-financial non-current assets not delivered for use as at the balance sheet date	-	-	-	398	991	1,389
- balance decrease - non-financial non-current assets not delivered for use as at the balance sheet date	-	-	-	-2,589	-2,793	-5,382
- balance decrease (sale, liquidation)	-	-	-10,596	-18,625	-3,901	-33,122
- recognition of investments in costs	-	-	-65	-49	-5	-119
- donation	-	-	-	-50	-1,376	-1,426
- increase on account of reclassification of fixed assetsheld for sale to fixed assets	250	5,453	-	-	-	5,703
- reklasyfikacja	-	-	-	-	-25,718	-25,718
Gross value as at 31 Dec 2013	**250**	**10,360**	**154,639**	**69,541**	**203,118**	**437,908**

Amortisation as at 1 Jan 2013	**-**	**-1,575**	**-87,761**	**-60,700**	**-182,686**	**-332,722**
- depreciation	-	-521	-11,641	-6,720	-17,195	-36,077
- increase related to depreciation (provision for unsettled investments)	-	-	-130	-63	-1	-194
- decrease related to depreciation (provision for unsettled investments)	-	-	94	63	1	158
- balance decrease (sale, liquidation)	-	-	9,770	17,027	4,994	31,791
- donation	-	-	-	50	1,376	1,426
- increase on account of reclassification of fixed assets held for sale to fixed assets	-	-918	-	-	-	-918
- reclassification	-	-	-	-	11,130	11,130
Amortisation as at 31 Dec 2013	**-**	**-3,014**	**-89,668**	**-50,343**	**-182,381**	**-325,406**
Provisions as at 1 Jan 2013	**-**	**-**	**-1,502**	**-**	**-140**	**-1,642**
- created	-	-	-966	-	-	-966
- released	-	-	1,241	-	5	1,246
Provisions as at 31 Dec 2013	**-**	**-**	**-1,227**	**-**	**-135**	**-1,362**
Fixed assets net as at 31 Dec 2013	**250**	**7,346**	**63,744**	**19,198**	**20,602**	**111,140**

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

13. Intangible assets

Note 13.1

Intangible assets broken down by groups (in PLN thousand)	31 Dec 2014	31 Dec 2013
Copyright or related property rights	26	30
Operating software	1,147	19
Capitalized development work costs (MD)	6,049	4,612
Acquired copyright	544	567
System software	66,050	46,404
Total intangible assets	**73,816**	**51,632**

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

Note 13.2

Intangible assets (in PLN thousand)	1 Jan 2014 – 31 Dec 2014	1 Jan 2013 – 31 Dec 2013
Opening balance, gross	**138,836**	**96,832**
- balance increase (incl. purchase)	36,632	14,708
- liquidation	-11,048	-
- recognition of investments in costs	-336	-166
- increase in the balance of development works	2,592	1,531
- increase in the balance of acquired copyrights, concessions, patents, licenses and similar values	189	183
- increase in the balance of trademarks	7	30
- balance increase - non-financial non-current assets not delivered for use as at the balance sheet date	55	-
- balance decrease - non-financial non-current assets not delivered for use as at the balance sheet date	-55	-
- reclassification	-	25,718
Ending balance, gross	**166,872**	**138,836**
Amortisation opening balance	**-87,148**	**-66,790**
- amortisation costs	-15,449	-8,380
- depreciation costs of development works	-1,092	-731
- depreciation costs of acquired copyrights, concessions, patents, licenses and similar values	-202	-117
- depreciation costs of trademarks	-3	-1
- increase related to depreciation (provision for unsettled investments)	-169	-106
- decrease related to depreciation (provision for unsettled investments)	170	107
- balance decrease (sale and liquidation)	10,840	-
- reclassification	-	-11,130
Amortisation ending balance	**-93,053**	**-87,148**
Provisions opening balance	**-56**	**-133**
- created	-25	-
- released	78	77
Provisions ending balance	**-3**	**-56**
Total net intangible assets ending balance	**73,816**	**51,632**

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

14. Deferred Tax Assets and Liabilities

The table below presents deferred tax assets and liabilities as at 31 December 2014 and comparative data as at 31 December 2013.

Note 14.1

in PLN thousand	31 Dec 2014	31 Dec 2013
Deferred tax assets	222,601	245,230
Deferred tax liabilities	37,563	48,400
Total deferred tax assets, net - recognised in assets	**185,038**	**196,830**
Deferred tax liabilities - recognised in correspondence with revaluation reserve	1,162	762
Deferred tax liabilities related to actuarial profits and losses	28	46
Other deferred tax liabilities	-120	-
Total deferred tax liabilities - recognised in liabilities	**1,070**	**808**
Net deferred tax	**183,968**	**196,022**

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

Note 14.2

Deferred tax assets (in PLN thousand)	Opening balance 1 Jan 2014	Opening balance (including incorporation of Fortis Lease Polska into the Bank's structure) as at 15 Feb 2014	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 31 Dec 2014
Interest accrued to be paid	5,255	132	1,365	-304	6,448
Negative fair value - hedged and hedging items	1,158	-	122	-	1,280
Provisions for credit exposure impairment	149,652	-	-9,106	-	140,546
Fair value adjustment on account of credit risk of matured derivative instruments	21,367	-	-11,745	-	9,622
Reserves for employee benefits	4,862	-	594	-	5,456
Expenses calculated for payment, which are not tax-deductible expenses	3,957	172	1,125	4	5,258
Provisions for impairment - other assets	25,011	-	-367	-23,351	1,293
Provisions that are not tax-deductible expenses	4,925	-	-1,952	-	2,973
Measurement of financial instruments held for trading	3,061	-	5,902	-	8,963
Measurement of available-for-sale investments	72	-	-	-72	-
Commissions and fees settled in time	8,174	-	805	-4,690	4,289
Difference between the market price and	404	-	-	-	404

shares acquisition price					
Provisions for impairment - fixed assets, intangible assets	288	-	-88	-	200
Tax value of the company	6,823	-	-3,032	-	3,791
Civil law transaction tax on account of acquisition of shares in a subsidiary	194	-	-	-180	14
Provisions for impairment - bonds, shares	-	72	-	-	72
Compensation notes paid	-	2,576	-427	-	2,149
Write-offs for leasing receivables impairment	-	14,905	-2,062	-	12,843
Write-downs for impairment of assets held for sale related to leasing activity	-	3,029	-1,743	-	1,286
Surplus of basic value of leased fixed assets over book value of receivables	-	9,593	13,613	-9,552	13,654
Up-front fees for leasing agreements	-	580	-141	-	439
Income settled in time related to leasing activity	-	2,150	-873	-	1,277
Other	10,027	-	45	-9,728	344
Total deferred tax assets	**245,230**	**33,209**	**-7,965**	**-47,873**	**222,601**

Deferred tax liabilities (in PLN thousand)					
Interest accrued to be received	28,820	-	-1,480	-630	26,710
Difference between balance sheet depreciation and tax depreciation	5,573	-	-752	-	4,821
Measurement of held-for-trading securities	917	-	805	-	1,722
Measurement of available-for-sale investments	837	-	-	325	1,162
Commissions and fees settled in time	3,055	-	-907	-2,148	-
Income to be received	554	-	82	-	636
Development work costs	876	-	273	-	1,149
Negative fair value - hedged and hedging items	1,615	-	141	-	1,756
Costs settled in time related to leasing activity	-	1,520	-714	-171	635
Surplus of positive unrealised FX differences over negative unrealised FX differences related to leasing activity	-	6,852	-	-6,852	-
Actuarial profits or losses on account of retirement severance pay, disability benefits and post-death benefits	46	-	-	-18	28
Other	6,915	-	-41	-6,905	-31
Tax-deductible cost of a purchase for shares converted from convertible bonds	-	-	45	-	45
Total deferred tax liabilities	**49,208**	**8,372**	**-2,548**	**-16,399**	**38,633**
Net deferred tax	**196,022**	**24,837**	**-5,417**	**-31,474**	**183,968**

Deferred tax assets (in PLN thousand)	Opening balance 1 Jan 2013	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 31 Dec 2013
Interest accrued to be paid	10,885	-5,630	-	5 255
Negative fair value - hedged items and hedging instruments	1,672	-514	-	1,158
Provisions for credit exposure impairment	173,939	-24,287	-	149,652
Fair value adjustment on account of credit risk of matured derivative instruments	26 873	-5,506	-	21 367
Reserves for employee benefits	3,532	1,330	-	4,862
Expenses calculated for payment that are not tax-deductible expenses	3 594	363	-	3,957
Provisions for impairment - other assets	26,887	-1,876	-	25,011
Provisions which are not tax-deductible expenses	2,989	1,930	6	4,925
Measurement of financial instruments held for trading	6,900	-3,839	-	3,061
Measurement of available-for-sale investments	72	-	-	72
Commissions and fees settled in time	6,942	1,232	-	8,174
Difference between the market price and share acquisition price	3,155	-2,751	-	404
Provisions for impairment - fixed assets, intangible assets	347	-59	-	288
Tax value of the company	9,855	-3,032	-	6,823
Civil law transaction tax on account of acquisition of shares in a subsidiary	194	-	-	194
Provisions for impairment - bonds, shares	2,151	-2,151	-	-
Others	2,153	7,874	-	10,027
Total deferred tax assets	**282,140**	**-36,916**	**6**	**245,230**
Deferred tax liabilities (in PLN thousand)				
Interest accrued to be received	29,597	-777	-	28,820
Difference between balance sheet depreciation and tax depreciation	5,825	-252	-	5,573
Measurement of financial instruments held for trading	3,125	-2,208	-	917
Measurement of available-for-sale investments	7,537	-	-6,700	837
Commissions and fees settled in time	5,272	-2,217	-	3,055
Income to be received	390	164	-	554
Development work costs	726	150	-	876
Negative fair value - hedged and hedging items	2,124	-509	-	1,615
Actuarial profits or losses on account of retirement severance pay, disability benefits and post-death benefits	-	-	46	46
Other	1,587	5,328	-	6,915
Total deferred tax liabilities	**56,183**	**-321**	**-6,654**	**49,208**
Net deferred tax	**225,957**	**-36,595**	**6,660**	**196,022**

The change in net deferred tax does not equal the deferred tax expense because deferred tax on unrealised gains and losses on available for sale financial assets is recognised directly in the revaluation reserve.
As at 31 December 2014, the total current and deferred tax liabilities related to items decreasing or increasing the equity capital stood at PLN 31,474 thousand, while as at 31 December 2013 it was PLN 6,660 thousand.

15. Other assets

Note 15

Other assets (in PLN thousand)	31 Dec 2014	31 Dec 2013
Receivables due from counterparties	18,027	17,583
Deferred acquisition cost	13,358	13,982
Income to be received	21,819	33,131
Interbank settlements	462	95
Settlements on account of credit cards	11,874	8,290
Settlements on account of taxes and statutory deductions*	74,962	1,941
Other	15,046	25,373
Total other assets, gross	**155,548**	**100,395**
Impairment provisions	-14,189	-19,378
Total other assets, net	**141,359**	**81,017**

* Increase in the balance of the item "Settlements on account of taxes and statutory deductions" is due to incorporating the leasing activity into the Bank's structures.

16. Liabilities

Note 16.1

Liabilities due to banks (in PLN thousand)	31 Dec 2014	31 Dec 2013
Current deposits	58,090	92,569
Term deposits	-	160,518
Cash collateral	-	167,784
Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) at the trade date	54,113	3,402
Other	48	-
Total liabilities due to banks	**112,251**	**424,273**

Note 16.2

Liabilities due to customers (in PLN thousand)	31 Dec 2014	31 Dec 2013
Current deposits	4,987,964	4,475,223
Term deposits	7,216,989	6,250,895
Cash collateral	177,675	153,014
Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) at the trade date	5,821	-
Other	37,913	51,682
Total liabilities due to customers	**12,426,362**	**10,930,814**

17. Loans and credit facilities received

Note 17.1

Loans and credit facilities received (in PLN thousand)	31 Dec 2014	31 Dec 2013
Loans and credit facilities received from banks	7,562,365	7,050,920
Total loans and credit facilities received	**7,562,365**	**7,050,920**

The table below presents the change in the loans and credit facilities received as at 31 Dec 2014 and comparative data for the previous year.

Note 17.2

Change in loans and credit facilities received (in PLN thousand)	1 Jan 2014 – 31 Dec 2014	1 Jan 2013 – 31 Dec 2013
Opening balance	**7,050,920**	**7,589,756**
Increases	3,380,326	1,374,806
- on account of loan contracting	3,380,326	1,374,806
Decreases	-3,084,932	-1,906,379
- on account of loan repayment	-3,084,932	-1,906,379
FX rate differences	209,787	-3,915
Other	6,264	-3,348
Ending balance	**7,562,365**	**7,050,920**

18. Subordinated liabilities

The table below presents the change in the subordinated liabilities as at 31 Dec 2014 and comparative data for the previous year.

Note 18

Change in subordinated liabilities (in PLN thousand)	1 Jan 2014 – 31 Dec 2014	1 Jan 2013 – 31 Dec 2013
Opening balance	**452,192**	**694,251**
Decreases	-	-267,092
- on account of loan repayment	-	-267,092
FX rate differences	16,692	5,424
Net profit/loss on a loan prepayment	-	19,604
Other	-83	5
Ending balance	**468,801**	**452,192**

19. Other liabilities

Note 19

Other liabilities (in PLN thousand)	31 Dec 2014	31 Dec 2013
Accrued interest and expenses	19,983	20,589
Expenses to be paid	27,489	20,244
Taxes to be paid	63,393	11,899
Employee benefits	30,560	28,213
Liabilities due to counterparties	5,708	34,364
Interbank settlements	91,433	118,552
On account of trust agreements	20,571	55,333
Other	38,514	27,586
Total	**297,651**	**316,780**

20. Provisions

Note 20.1

Provisions by titles (in PLN thousand)	31 Dec 2014	31 Dec 2013
Provisions for off-balance sheet commitments	23,924	21,238
IBNR reserve – off-balance sheet commitments	15,296	10,398
Legal risk provisions	3,304	19,478
Reserves for liabilities	-	3,162
Provisions for employee benefits (including the restructuring provision)	9,326	4,918
Reserves for office sub-lease	2,965	1,419
Total provisions	**54,815**	**60,613**

Provisions for legal risk include amounts concerning legal proceedings involving the Bank (of which, in particular, lawsuits regarding claims on account of foreign currency derivative instruments, and others, e.g. related to proceedings before the *Office of Competition and Consumer Protection (UOKiK)* - for details, please see Note 32.2)

Provisions for employee benefits include retirement severance pay, disability benefits and post-death benefits, retention programmes, deferred payment of a part of variable compensation for executives and other individuals who have a significant influence on the risk profile (detailed information is presented in Note 30.6).

The notes below present changes in the balance of provisions:

Note 20.2.1

Change in provisions for off-balance sheet commitments (in PLN thousand)	1 Jan 2014 – 31 Dec 2014	1 Jan 2013 – 31 Dec 2013
Opening balance	**31,636**	**16,534**
Increases	16,294	26,963
- for off-balance sheet commitments	6,187	21,271
- for Incurred But Not Reported losses (IBNR) - off-balance sheet liabilities (IBNR)	10,107	5,692
Decreases	-8,710	-11,861
- for off-balance sheet commitments	-3,501	-7,943
- for Incurred But Not Reported losses (IBNR) - off-balance sheet liabilities (IBNR)	-5,209	-3,918
Ending balance	**39,220**	**31,636**

Note 20.2.2

Changes in other provisions (in PLN thousand)	1 Jan 2014 – 31 Dec 2014	1 Jan 2013 – 31 Dec 2013
Opening balance	**28,977**	**23,221**
Increases	14,573	57,441
- for legal risk	5,416	43,360
- for office sub-lease	2,519	917
- for future commitments	-	10,434
- for employee benefits	6,638	2,730
Decreases	-27,955	-51,685
- for legal risk	-21,590	-33,474
- for office sub-lease	-973	-1,287
- for future commitments	-3,162	-11,249
- for employee benefits	-2,230	-5,675
Ending balance	**15,595**	**28,977**

21. Equity capital

Note 21.1

Equity capital (in PLN thousand)	31 Dec 2014	31 Dec 2013
Share capital	1,532,887	1,304,380
Additional capital	180,540	172,921
Other capital	253,052	183,480
Revaluation reserve	5,058	3,751
Retained earnings	46,122	38,026
Net profit/loss for the year	103,176	102,283
Total equity capital	**2,120,835**	**1,804,841**

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

On 27 May 2014, the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register registered the Bank's share capital increase from the amount of PLN 1,304,380,415.96 to the amount of PLN 1,532,886,878.90 i.e. by PLN 228,506,462.94 as a result of the issue of 5,026,539 ordinary bearer series O shares.

After registration of the capital increase, the Bank's share capital amounts to PLN 1,532,886,878.90 and is divided into 33,719,465 ordinary bearer shares with a nominal value of PLN 45.46 each, which entitle their holders to 33,719,465 votes at the Bank's general meeting of shareholders.

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

Note 21.2

Series / issue	Registration date	Number of shares	Series / issue value at nominal value
A	19 Dec 1990	634,060	28,824,367.60
B	30 Apr 1991	1,115,940	50,730,632.40
C	14 July 1994	2,000,000	90,920,000.00
D	11 July 1996	1,250,000	56,825,000.00
E	11 Apr 1997	1,250,000	56,825,000.00
F	4 June 1998	625,000	28,412,500.00
G	4 June 1998	740,000	33,640,400.00
H	08 Oct 1999	761,500	34,617,790.00
1	3 July 2000	1,675,300	76,159,138.00
J	28 June 2001	5,025,900	228,477,414.00
K	2 Jan 2007	1,693,480	76,985,600.80
L	31 July 2009	5,243,532	238,370,964.72
M	14 Sept 2009	2,108,794	95,865,775.24
N	23 June 2012	4,569,420	207,725,833.20
O	27 May 2014	5,026,539	228,506,462.94
Total		**33,719,465**	**1,532,886,878.90**

The shareholding structure as at 31 December 2014 and in the comparative period was as follows:

Note 21.3

Balance as at 31 Dec 2014	Number of shares	% of the share capital	Number of votes at the general meeting	Share (%) in the total number of votes at the GM
BNP PARIBAS SA (indirectly) through:	28,661,545	85.00%	28,661,545	85.00%
BNP Paribas Fortis SA/NV directly	28,661,545	85.00%	28,661,545	85.00%
Others	5,057,920	15.00%	5,057,920	15.00%
Total:	**33,719,465**	**100.00%**	**33,719,465**	**100.00%**

** BNP PARIBAS SA is the parent entity (99.93% shares) of BNP Paribas Fortis Bank SA/NV based in Brussels.*

Balance as at 31 Dec 2013	Number of shares	% of the share capital	Number of votes at the general meeting	Share (%) in the total number of votes at the GM
BNP PARIBAS SA (indirectly) through:	28,661,545	99.89%	28,661,545	99.89%
BNP Paribas Fortis SA/NV	23,418,013	81.62%	23,418,013	81.62%
Dominet SA	5,243,532	18.27%	5,243,532	18.27%
Others	31,381	0.11%	31,381	0.11%
Total:	**28,692,926**	**100.00%**	**28,692,926**	**100.00%**

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

The other capital types are basically established from annual net profit deductions approved by the General Meeting of Shareholders. Reserve capital is earmarked for the coverage of specific losses and expenses, while the general risk fund is allocated to cover unidentified risks related to banking activity and may not be divided. Decisions on using other capital are made by the General meeting of Shareholders.

Note 21.4

Other capital (in PLN thousand)	31 Dec 2014	31 Dec 2013
General risk fund	131,420	52,177
Reserve capital	121,632	131,303
Total other capital	**253,052**	**183,480**

Revaluation reserve as at 31 December 2014 and in the comparative period stood at:

Note 21.5

Revaluation reserve (in PLN thousand)	31 Dec 2014	31 Dec 2013
Measurement of available-for-sale financial assets, including:	6,098	4,388
- cash bills	-	-55
- Treasury bonds	4,470	2,669
- corporate bonds	626	72
- shares	332	1,327
- participation units	670	375
Deferred tax	-1,166	-837
Other	126	200
Total revaluation reserve	**5,058**	**3,751**

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

As at the derecognition date of a financial asset available-for-sale from accounting books, the total effects of a fair value change in a given period recognised in the revaluation reserve are derecognised and recognised in the income statement. When available-for-sale financial assets are found impaired, the cumulated profits or losses recognised previously in the revaluation reserve are recognised in the income statement.
The revaluation reserve includes also profits/losses on account of measurement of the Bank's liabilities due to employees related to retirement severance pay, disability benefits and post-death benefits, likewise related to the deferred payment of a part of variable compensation of executives and other individuals who have a significant influence on the risk profile.
The revaluation reserve is not subject to distribution.

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

The Board of Executives intends to recommend that the Annual General Shareholders' Meeting should resolve to pay no dividend and allocate the entire 2014 net profit to increase the Bank's own funds.

22. Hedge Accounting

As at 31 December 2014 and in the periods compared, the Group applies the fair value hedge. The risk hedged is the interest rate risk, and in particular, changes in the fair value of assets and liabilities bearing a fixed interest rate due to changes in a specific reference rate.

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

Hedged item
Fixed rate current accounts in EUR are the hedged items.

The table below presents the breakdown of hedging derivative instruments at nominal value as at 31 Dec 2014 and as at 31 Dec 2013, broken down by residual maturity:

Note 22.1

Hedging derivative instruments (in PLN thousand)	31 Dec 2014							
	Fair value		Nominal value					
	positive	negative	up to 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest Rate Contracts	9,245	-	17,049	-	-	68,197	12,787	98,033
- Swaps (IRS)	9,245	-	17,049	-	-	68,197	12,787	98,033
Total hedging derivative instruments	**9,245**	**-**	**17,049**	**-**	**-**	**68,197**	**12,787**	**98,033**

Hedging derivative instruments (in PLN thousand)	31 Dec 2013							
	Fair value		Nominal value					
	positive	negative	up to 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest Rate Contracts	8,503	-	-	-	-	66,356	29,030	95,386
- Swaps (IRS)	8,503	-	-	-	-	66,356	29,030	95,386
Total hedging derivative instruments	**8,503**	**-**	**-**	**-**	**-**	**66,356**	**29,030**	**95,386**

The table below presents a change of the fair value of a hedging instrument as at 31 December 2014 and comparative data.

Note 22.2

Change of the fair value of derivative hedging instruments (in PLN thousand)	Level 1	Level 2	Level 3	Total
Balance as at 1 Jan 2013	**-**	**11,179**	**-**	**11,179**
- profits/losses recognised in the net profit/loss (dirty FV)	-	-2,676	-	-2,676
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	-	-	-
- sale	-	-	-	-
- issue	-	-	-	-
- settlement (matured)	-	-	-	-
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	**-**
Balance as at 31 Dec 2013	**-**	**8,503**	**-**	**8,503**

Change of the fair value of derivative hedging instruments (in PLN thousand)	Level 1	Level 2	Level 3	Total
Balance as at 1 Jan 2014	**-**	**8,503**	**-**	**8,503**
- profits/losses recognised in the net profit/loss (dirty FV)	-	742	-	742
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	-	-	-
- sale	-	-	-	-
- issue	-	-	-	-
- settlement (matured)	-	-	-	-
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	**-**
Balance as at 31 Dec 2014	**-**	**9,245**	**-**	**9,245**

23. Lease Facilities

Finance lease - receivables

Until 14 February 2014, the Group of BNP Paribas Bank conducted lease activity through its subsidiary, Fortis Lease Polska Sp. z o.o., by concluding, as a lessor, finance lease transactions primarily concerning means of transport, machines, technical equipment and real estate.

On 15 February 2014, the lease activity was included into the Bank's organizational structures.

Note 23.1

Finance lease receivables (in PLN thousand)	31 Dec 2014	31 Dec 2013
(Gross) finance lease receivables	2,157,879	2,020,405
Unrealised financial income	-217,808	-236,073
Current value of minimum lease charges	**1,940,071**	**1,784,332**
provisions for impairment	-84,433	-115,370
Total finance lease receivables	**1,855,638**	**1,668,962**

Note 23.2

Finance lease receivables by maturity (in PLN thousand)	31 Dec 2014	31 Dec 2013
up to 1 year	546,810	549,614
from 1 up to 5 years	1,055,278	914,183
above 5 years	555,791	556,608
(Gross) finance lease receivables	**2,157,879**	**2,020,405**

Note 23.3

Current value of minimum lease charges (in PLN thousand)	31 Dec 2014	31 Dec 2013
up to 1 year	486,322	484,682
from 1 up to 5 years	935,052	791,720
above 5 years	518,697	507,930
Current value of minimum lease charges, gross	**1,940,071**	**1,784,332**

Finance lease - liabilities

The Bank is a lessee involved in finance lease agreements regarding branch equipment. The Bank recognises funds related to finance lease as non-current assets.

Note 23.4

Liabilities under finance lease (in PLN thousand)	31 Dec 2014	31 Dec 2013
Total amount of minimum lease charges	1,584	1,580
Unrealised financial costs	-738	-757
Current value of minimum lease charges	**846**	**823**

Note 23.5

Total amount of minimum lease charges by maturity (in PLN thousand)	31 Dec 2014	31 Dec 2013
up to 1 year	695	528
more than 5 years	889	1,052
Total	**1,584**	**1,580**

Note 23.6

Current value of minimum lease charges by maturity (in PLN thousand)	31 Dec 2014	31 Dec 2013
up to 1 year	359	259
above 5 years	487	564
Total	**846**	**823**

Operating lease

Payments related to Lease Agreements

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

In 2014, the Group incurred expenses related to rent for the above real estate of PLN 64,580 thousand, as compared to PLN 67,700 thousand incurred in the comparable period, i.e. in 2013. The above expenses were recognised in the income statement in the Note "Other costs."

Note 23.7

Future minimum lease charges on account of lease agreements, by payment dates (liabilities) (in PLN thousand)	31 Dec 2014	31 Dec 2013
up to 1 year	53,401	53,811
from 1 up to 5 years	129,128	143,468
above 5 years	24,315	41,800
Total	**206,844**	**239,079**

Some lease agreements have been concluded for an unlimited period of time. For agreements concluded for an unspecified period of time, future liabilities have been determined based on the contractual notice period.
Lease agreements are entered into both in PLN and in foreign currencies. The notice period is usually 1, 3 or 6 months.
When the lease period ends, pursuant to the contractual provisions the Bank shall restore the premises to the technical condition that existed before the lease period.
Pursuant to lease agreements, the Bank leases office premises.

Note 23.8

Future minimum lease charges on account of lease agreements, by payment dates (receivables) (in PLN thousand)	31 Dec 2014	31 Dec 2013
up to 1 year	5,552	5,624
from 1 up to 5 years	9,265	6,171
above 5 years	147	-
Total	**14,964**	**11,795**

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

Perpetual usufruct right to land

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

Note 23.9

Future minimum lease charges on account of perpetual usufruct of land by payment dates (in PLN thousand)	31 Dec 2014	31 Dec 2013
up to 1 year	9	9
from 1 up to 5 years	34	34
above 5 years	612	621
Total	**655**	**664**

24. Additional Notes to Cash Flow Statement

The note below shows changes of reserves and provisions:

Note 24.1

Change of reserves and provisions (in PLN thousand)	1 Jan 2014-31 Dec 2014	1 Jan 2013-31 Dec 2013
Opening balance	**-949,182**	**-1,054,652**
Decreases	111,760	127,713
- provisions for cash and cash equivalents	-	483
- provisions for due from banks	49	-
- provisions for loans to customers	100,228	113,879
- provisions for fixed assets	366	-
- provisions for investments available for sale	-	11,317
- provisions for other assets	5,189	1,216
- reserves	5,928	818
Increases	-46,855	-22,245
- provisions for cash and cash equivalents	-431	-
- provisions for due from banks	-	-3
- provisions for loans to customers	-46,047	-352
- provisions for investments available for sale	-377	-
- reserves	-	-21,890
Other	-	2
Ending balance	**-884,277**	**-949,182**
Change	**-64,905**	**-105,470**

Note 24.2

Other investment expenses (in PLN thousand)	1 Jan 2014-31 Dec 2014	1 Jan 2013-31 Dec 2013
Acquisition of low value fixed assets	-1,552	-12,212
Total other investment expenses	**-1,552**	**-12,212**

Note 24.3

Other financial gains and expenses (in PLN thousand)	1 Jan 2014-31 Dec 2014	1 Jan 2013-31 Dec 2013
Net profit earned on an prepayment of a subordinated loan	-	19,604
Expenses related to a share issue	-9,773	-

25. Assets that Secure Own Commitments

Pursuant to the rules of guaranteed deposit protection fund under the Bank Guarantee Fund Act dated 14 December 1994, as amended, as at 31 December 2014 the Bank's books contained Treasury bonds in the nominal value of PLN 75,000, which were separated from assets, to secure the Protection Fund of Guaranteed Deposits under the BGF. Type of assets and their amount registered in the Bank's books earmarked for the coverage of the BGF is consistent with conditions defined in particular in Article 26 para. 1 and 2 and Article 13 of that Act.

Note 25

Available-for-sale securities that constitute collateral for the Guaranteed Deposits Protection Fund under the Bank Guarantee Fund (in PLN thousand)	31 Dec 2014	31 Dec 2013
- Treasury bonds at nominal value	75,000	60,000
- Treasury bonds at balance sheet value	74,827	59,640
Total available for sale securities at balance sheet value	**74,827**	**59,640**

As at 31 December 2014 and as at 31 December 2013, the Bank did not use the lombard loan.

26. Derivative Financial Instruments

The table below presents the division of derivative instruments held for trading according to their nominal value as at 31 Dec 2014 and for a comparable period, broken down by residual maturity (the residual maturity is understood as the period from the reporting date till the the date of the initial maturity / the nearest interest rate change).

Note 26.1

Derivative instruments 31 Dec 2014 (in PLN thousand)	up to 1 month	1-3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Amounts purchased	2,140,180	4,126,652	2,759,255	1,830,459	428,347	628,880	**11,913,773**
Amounts sold	1,076,542	4,117,197	2,759,255	1,829,217	428,347	628,880	**10,839,438**
Gap – off-balance sheet	1,063,638	9,455	-	1,242	-	-	**1,074,335**

Derivative instruments 31 Dec 2013 (in PLN thousand)	Up to 1 month	1–3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Amounts purchased	1,284,464	667,483	775,968	1,211,587	237,978	397,893	**4,575,373**
Amounts sold	484,463	669,334	775,976	1,212,469	237,978	397,893	**3,778,113**
Gap – off-balance sheet	800,001	-1,851	-8	-882	-	-	**797,260**

Note 26.2

Derivative instruments held for trading (in PLN thousand)	Fair value		31 Dec 2014 Nominal value by residual maturity					
	positive	negative	up to 1 month	1-3 months	3 months-1 year	1-5 years	>5 years	Total
Foreign currency contracts:	**77,291**	**64,751**	**1,517,865**	**2,990,723**	**4,345,954**	**2,197,800**	**-**	**11,052,342**
- Forward (including the forward leg of an FX swap contract) – amounts purchased	41,024	30,982	550,816	1,122,120	973,227	410,085	-	**3,056,248**
- Forward (including the forward leg of an FX swap contract) - amounts sold			550,587	1,112,665	973,227	410,085	-	**3,046,564**
- Options – amounts purchased	33,369	33,559	208,231	377,969	1,199,750	561,567	-	**2,347,517**
- Options – amounts sold			208,231	377,969	1,199,750	561,567	-	**2,347,517**
- CIRS – amounts purchased	2,898	210	-	-	-	127,869	-	**127,869**
- CIRS – amounts sold			-	-	-	126,627	-	**126,627**
Interest Rate Contracts	**62,228**	**69,798**	**1,698,856**	**5,253,126**	**1,172,554**	**2,318,572**	**1,257,760**	**11,700,868**

- FRA	-13	143	1,063,410	-	-	-	-	**1,063,410**
- IRS – amounts purchased	58,664	65,968	17,723	3,611	545,102	1,139,032	596,391	**2,301,859**
- IRS – amounts sold			17,723	3,611	545,102	1,139,032	596,391	**2,301,859**
- OIS - amounts purchased	114	222	300,000	2,622,952	-	-	-	**2,922,952**
- OIS – amounts sold			300,000	2,622,952	-	-	-	**2,922,952**
- Options – amounts purchased	3,463	3,465	-	-	41,175	20,254	32,489	**93,918**
- Options – amounts sold			-	-	41,175	20,254	32,489	**93,918**
Total derivative instruments held for trading	**139,519**	**134,549**	**3,216,721**	**8,243,849**	**5,518,508**	**4,516,372**	**1,257,760**	**22,753,210**
Not traded on regulated markets	139,519	134,549	3,216,721	8,243,849	5,518,508	4,516,372	1,257,760	22,753,210
Total	**139,519**	**134,549**	**3,216,721**	**8,243,849**	**5,518,508**	**4,516,372**	**1,257,760**	**22,753,210**

Derivative instruments held for trading (in PLN thousand)	**Fair value**		**31 Dec 2013 Nominal value by residual maturity**					
	positive	**negative**	**up to 1 month**	**1-3 months**	**3 months-1 year**	**1-5 years**	**>5 years**	**Total**
Foreign currency contracts:	**17,685**	**18,669**	**685,985**	**1,336,817**	**1,326,601**	**620,607**	**-**	**3,970,010**
- Forward (including the forward leg of an FX swap contract) – amounts purchased	15,328	16,697	227,212	479,689	535,987	185,446	-	**1,428,334**
- Forward (including the forward leg of an FX swap contract) - amounts sold			227,211	481,540	535,994	185,447	-	**1,430,192**
- Options – amounts purchased	1,208	1,626	115,781	187,794	127,310	-	-	**430,885**
- Options – amounts sold			115,781	187,794	127,310	-	-	**430,885**
- CIRS – amounts purchased	1,149	346	-	-	-	124,416	-	**124,416**
- CIRS – amounts sold			-	-	-	125,298	-	**125,298**
Interest Rate Contracts	**52,433**	**51,121**	**1,082,944**	**-**	**225,342**	**2,279,406**	**795,784**	**4,383,476**
- FRA	13	-	800,000	-	-	-	-	**800,000**
-IRS – amounts purchased	46,333	45,120	-	-	62,671	999,428	376,327	**1,438,426**
- IRS – amounts sold			-	-	62,671	999,428	376,327	**1,438,426**
- OIS - amounts purchased	86	-	100,000	-	50,000	-	-	**150,000**
- OIS – amounts sold			100,000	-	50,000	-	-	**150,000**
- Options – amounts purchased	6,001	6,001	41,472	-	-	140,275	21,565	**203,312**
- Options – amounts sold			41,472	-	-	140,275	21,565	**203,312**
Total derivative instruments held for trading	**70,118**	**69,790**	**1,768,929**	**1,336,817**	**1,551,943**	**2,900,013**	**795,784**	**8,353,486**
Not traded on regulated markets	70,118	69,790	1,768,929	1,336,817	1,551,943	2,900,013	795,784	8,353,486
Total	**70,118**	**69,790**	**1,768,929**	**1,336,817**	**1,551,943**	**2,900,013**	**795,784**	**8,353,486**

27. Contingent Liabilities - Off-balance Sheet Commitments

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

The tables below present the Group's contingent liabilities as at 31 Dec 2014 and comparative data for the previous year.

Note 27.1

Contingent liabilities granted (in PLN thousand)	31 Dec 2014	31 Dec 2013	Change (%)
Financial liabilities granted	6,405,821	5,249,987	22.02%
Guarantee liabilities granted	2,841,117	2,008,975	41.4%
Total contingent liabilities granted	**9,246,938**	**7,258,962**	**-**

Contingent liabilities received (in PLN thousand)	31 Dec 2014	31 Dec 2013	Change (%)
Financial liabilities received	1,763,410	2,125,000	-17.0%
Guarantee liabilities received	931,560	514,690	81.0%
Total contingent liabilities received	**2,694,970**	**2,639,690**	**-**

Off-balance sheet items and derivative instruments broken by residual maturity as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

Note 27.2

Contingent liabilities granted (in PLN thousand)		up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Unspecified	Total
31 Dec 2014	items related to financing	980,993	1,267,343	2,878,204	1,105,996	173,285	-	**6,405,821**
	guarantees	142,399	428,203	1,096,999	1,038,973	134,543	-	**2,841,117**
31 Dec 2013	items related to financing	974,372	761,068	2,229,040	929,268	356,239	-	**5,249,987**
	guarantees	75,374	232,378	946,210	640,783	114,230	-	**2,008,975**

Contingent liabilities received (in PLN thousand)		up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Unspecified	Total
31 Dec 2014	items related to financing	-	-	-	-	1,763,410	-	**1,763,410**
	guarantees	114,645	246,539	198,957	264,375	107,044	-	**931,560**
31 Dec 2013	items related to financing	-	-	-	-	2,125,000	-	**2,125,000**
	guarantees	11,103	12,629	85,160	311,768	94,030	-	**514,690**

The major item of off-balance sheet commitments granted constitute commitments to extend loans which as at 31 December 2014 made up PLN 6,271,476 thousand or 98% of the Bank's financial off-balance sheet commitments granted, and, respectively, PLN 5,167,335 thousand as at 31 December 2013 (97%). Commitments to extend loans include credit lines granted (unutilised), credit card limits, unused overdraft credit facilities.

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

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

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

The major item of off-balance sheet commitments received by the Bank was an unused credit line granted by the NBP, which as at 31 December 2014 made up PLN 1,763,410 thousand, and PLN 2,125,000 thousand as at 31 December 2013, respectively.

Off-balance sheet guarantee commitments received include guarantees and suretyships to secure loans granted; such commitments totalled PLN 931,560 thousand as at 31 Dec 2014 and PLN 514,690 thousand as at 31 Dec 2013.

28. Information on Related Party Transactions

Information on transactions of the Bank with its parent company and entities affiliated by management is presented below. These transactions concern bank operations made as part of a regular business activity. Terms of such transactions correspond to market conditions.

Note 28.1

31 Dec 2014 (in PLN thousand)	Direct parent entity (BNP Paribas Fortis)	Ultimate parent entity (BNP Paribas)	Other entities of the BNP Paribas group	Total
Assets				
Cash and cash equivalents	178,258	-	1,032,777	1,211,035
Financial assets held for trading	3,486	21,193	10,499	35,178
Due from banks and Loans to customers	-	54,273	1,257	55,530
Hedging instruments	9,245	-	-	9,245
Other assets	3,978	171	3,320	7,469
Total assets	**194,967**	**75,637**	**1,047,853**	**1,318,457**
Liabilities				
Financial liabilities held for trading	1,193	27,817	-	29,010
Liabilities due to banks and customers	18,336	80,521	47,364	146,221
Loans and credit facilities received	419,097	5,297,638	1,079,767	6,796,502
Subordinated liabilities	-	468,801	-	468,801
Other liabilities	43	6	4,774	4,823
Total liabilities	**438,669**	**5,874,783**	**1,131,905**	**7,445,357**

31 Dec 2013 (in PLN thousand)	Direct parent entity (BNP Paribas Fortis)	Ultimate parent entity (BNP Paribas)	Other entities of the BNP Paribas group	Total
Assets				
Cash and cash equivalents	304,182	6,657	350,158	660,997
Financial assets held for trading	9,832	14,134	-	23,966
Due from banks and Loans to customers	-	3,542	10,622	14,164
Hedging instruments	8,503	-	-	8,503
Other assets	10,591	31	113	10,735
Total assets	**333,108**	**24,364**	**360,893**	**718,365**
Liabilities				
Financial liabilities held for trading	44,210	5,624	-	49,834
Liabilities due to banks and customers	41,357	38,286	131,244	210,887
Loans and credit facilities received	-	5,058,068	-	5,058,068
Subordinated liabilities	-	452,192	-	452,192
Other liabilities	637	6,089	7,378	14,104
Total liabilities	**86,204**	**5,560,259**	**138,622**	**5,785,085**

1 Jan 2014 – 31 Dec 2014 (in PLN thousand)	Direct parent entity (BNP Paribas Fortis)	Ultimate parent entity (BNP Paribas)	Other entities of the BNP Paribas group	Total
Income Statement				
Interest income	3,299	47	3,210	6,556
Interest expense	-6,476	-71,607	-32,324	-110,407
Fee and commission income	182	3	1,416	1,601
Fee and commission expense	-509	-25	-295	-829
Net trading income	-19,241	-10,990	10,504	-19,727
Net profit/loss on hedging transactions	593	-	-	593
Other revenues	-	-	11	11
Other operating expenses	-	-	-67	-67
Other general expenses	-	426	-4,365	-3,939
Cost of risk	-	-175	-	-175

1 Jan 2013 - 31 Dec 2013 (in PLN thousand)	Direct parent entity (BNP Paribas Fortis)	Ultimate parent entity (BNP Paribas)	Other entities of the BNP Paribas group	Total
Income Statement				
Interest income	3,106	282	3,449	6,837
Interest expense	18,698	-80,584	-17,672	-79,558
Fee and commission income	135	8	1,563	1,706
Fee and commission expense	-684	-29	-278	-991
Net trading income	8,581	30,156	2	38,739
Net profit/loss on hedging transactions	-2,785	-	-	-2,785
Other revenues	-	-	88	88
Other general expenses	-	510	-3,363	-2,853
Cost of risk	-	-	-1	-1

Note 28.2

Contingent liabilities and transactions in derivative instruments as at 31 Dec 2014 (in PLN thousand)	Direct parent entity (BNP Paribas Fortis)	Ultimate parent entity (BNP Paribas)	Other entities of the BNP Paribas group	Total
Contingent liabilities granted:	**68,649**	**8,317**	**261,425**	**338,391**
- financial	-	-	33,893	33,893
- guarantees	68,649	8,317	227,532	304,498
Contingent liabilities received:	**84,312**	**96,756**	**605,909**	**786,977**
- guarantees	84,312	96,756	605,909	786,977
Transactions in derivative instruments*	**3,167,035**	**12,385,363**	**943,587**	**16,495,985**

Contingent liabilities and transactions in derivative instruments as at 31 Dec 2013 (in PLN thousand)	Direct parent entity (BNP Paribas Fortis)	Ultimate parent entity (BNP Paribas)	Other entities of the BNP Paribas group	Total
Contingent liabilities granted:	**17,391**	**49,295**	**176,507**	**243,193**
- financial	-	-	22,450	22,450
- guarantees	17,391	49,295	154,057	220,743
Contingent liabilities received:	**43,709**	**109,558**	**303,161**	**456,428**
- guarantees	43,709	109,558	303,161	456,428
Transactions in derivative instruments*	**1,515,276**	**3,494,806**	**-**	**5,010,082**

** including buy and sell transactions in derivative instruments.*

Agreements with the BNP Paribas group entities

Loan agreements with BNP PARIBAS

- On 22 January 2014, the Bank and BNP PARIBAS group concluded a collateralised uncommitted loan facility agreement. Under the agreement, BNP PARIBAS provided the Bank with a credit line to replace the existing financing of a large part of the portfolio of CHF mortgage loans granted by the Bank, under the terms and conditions that ensure a better maturity match in relation to the existing financing.

  Total funds acquired under the new agreement amounted to CHF 790 million. The funds from the new credit line were earmarked for repayment of the current funding, and simultaneously ensured new funding for those loans. The total outstanding debt amount in CHF remained unchanged.

  In order to secure the credit line, the conditional receivables assignment agreement was concluded with BNP PARIBAS on the same day. The object of the conditional assignment agreement are receivables under the portfolio of CHF-denominated mortgage loans granted by the Bank.

  The Bank may be obligated to transfer certain receivables as collateral securing receivables of the BNP PARIBAS group arising from the collateralised credit line (uncommitted), in the event of considerable deterioration of the Bank's particular economic indicators related to the loan portfolio quality, capital adequacy or assets.
- On 4 February 2014, under the EUR 1,800 million credit line, the PLN 800 million line was renewed. The new maturity is set for August 2015.
- On 2 June 2014, a tranche of CHF 40 million was repaid at maturity.
- As the tranche of CHF 275 million matured in July, on 30 June its funds were replaced with tranches of longer maturity (from 2015 to 2024), with CHF 260 million under the collateralised credit line (uncommitted) and CHF 15 million under the EUR 1,800 million credit line.
- On 5 January 2015 (after the balance sheet date), a tranche of EUR 30 million was repaid at maturity. In addition, as the balance of the CHF loan portfolio was decreasing, the Bank prepaid CHF 30 million of the credit line.

Loan agreements concluded by and between BNP Paribas Fortis and BNP Paribas Factor

On 22 April 2014 , BNP Paribas Fortis offered BNP Paribas Factor to increase the loan funds made available by EUR 70 million to the total amount of EUR 120 million.

Enterprise sale and debt takeover agreement concluded with Fortis Lease Polska Sp. z o.o.

On 15 February 2014, under an agreement signed by and between Fortis Lease Polska Sp. z o.o. and the Bank, the FLP enterprise was transferred to the Bank in exchange of FLP redeemed shares which accounted for 99.98% of FLP share capital. Thus, the FLP lease activity was incorporated into the Bank's structures.
The lease enterprise transfer in favour of the Bank is an element of consolidating and reducing the number of the BNP PARIBAS group entities in Poland. The integration of the lease business is primarily intended to improve the business and cost efficiency.
On 1 July 2014, FLP liquidation was initiated upon a resolution on FLP liquidation taken by the FLP extraordinary meeting of shareholders on 30 June 2014.

Financing agreements signed by Fortis Lease Polska Sp. z o.o.

- On 15 February 2014, following the incorporation of the lease business into the Bank, the Bank assumed the rights and obligations arising from agreements signed by Fortis Lease Polska Sp. z o.o. with BNP PARIBAS group. The agreements include:
    - agreement with BNP Paribas SA dated 1 August 2011;
    - agreement with BNP Paribas SA Branch in Warsaw dated 4 October 2012;
    - agreement with BGL BNP Paribas SA dated 19 September 2012;

  As at 15 February 2014, the debt under the aforesaid agreements totalled the equivalent of PLN 1,092 million and as at 31 December 2014 it was higher by the equivalent of PLN 168 million.

- In May 2014, the Bank obtained PLN 300 million under the above agreements. In June 2014, the Bank repaid credit tranches of EUR 6 million and PLN 32 million at maturity, and in December, a tranche of EUR 3 million was repaid. Additionally, some portion of the credit line is repaid gradually according to the repayment schedule.
- In 2015, i.e. after the balance sheet date, under the above agreements, EUR 7 million and PLN 250 million were repaid at maturity.

Services Agreement

On 15 February 2014, BNP Paribas Bank Polska SA concluded a services agreement with BNP Paribas Lease Group Sp. z o.o. ("BPLG"). Under the Services Agreement BPLG undertook to provide support for BNP Paribas Bank Polska SA in the following areas related to lease services: (i) sale support and management services; (ii) posting and related financial services (current posting, preparing tax declarations and administrative services) and (iii) other services. BPLG shall be remunerated for its services on a quarterly basis, as specified in the annex to the Services Agreement. The Services Agreement was concluded for an indefinite period of time and may be terminated in cases and conditions specified therein.

Cooperation Agreement

On 2 July 2014, the BNP Paribas group (i.e. BNP Paribas SA and BNP Paribas Fortis Sa/NV), BNP Paribas Bank Polska SA, Bank Gospodarki Żywnościowej SA (BGŻ) and the Rabobank group signed an agreement on cooperation and information exchange in connection with the project regarding a potential integration between BGŻ and the Bank. Preparations for the integration process included setting up an Integration Office. The intention to combine two banks is subject to obtaining relevant approvals from regulators for BNP PARIBAS group to acquire the block of 98.5% shares held by Rabobank in BGŻ, and then for the integration of both banks.

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

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

Note 29.1

(in PLN thousand)	1 Jan 2014 - 31 Dec 2014	1 Jan 2013- 31Dec2013
Board of Executives, including:	**8,614**	**8,420**
- remuneration	6,427	6,670
- other*	2,187	1,750
Supervisory Board	**821**	**903**
Managing Directors**	**20,108**	**17,063**

* in the "Other" item, the Bank recognises costs related to medical care, company cars (lump sum), apartment expenses, equivalents for holiday leave, bonuses.
**Gross remuneration paid out of the salary fund, including ZUS (Social Security) contributions for Directors directly reporting to the Board of Executives.

Members of the Bank's Board of Executives who are members of Supervisory Boards of subsidiaries, received no remuneration on that account, either in 2014 or 2013.

Provisions for employee benefits for key managers

The table below presents provisions for employee benefits for key managers as at 31 Dec 2014 and comparative data as at 31 Dec 2013:

Note 29.2

Provisions for employee benefits for key managers, by groups (in PLN thousand)	31 Dec 2014	31 Dec 2013
Short-term, including:	5,759	**5,204**
- Board of Executives	1,993	2,012
- Managing Directors	3,766	3,192
Long-term, including:	4,879	**2,137**
- Board of Executives	2,466	1,274
- Managing Directors	2,413	863
Total provisions for employee benefits for key managers	**10,638**	**7,341**

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

As at 31 Dec 2014, the Bank granted:

to the Supervisory Board's Members:
- no debt with the Bank;

to the Board of Executives' Members:
- 11 credit card limits totalling PLN 178 thousand, of which PLN 44 thousand was used;
- 3 foreign currency loans in the amount equivalent to PLN 1,933 thousand;
- 4 debit limits in the savings and checking account in the aggregate amount of PLN 190 thousand;

to Managing Directors:
- 28 loans totalling PLN 5,764 thousand, including 13 foreign currency loans in the total amount of PLN 3,341 thousand;
- 20 debit limits in the savings and checking account of PLN 282 thousand, of which PLN 13 thousand was utilised as at the end of 2014;
- 30 credit card limits totalling PLN 172 thousand, of which PLN 67 thousand were utilised as at the end of 2014;

to persons related to managing and supervising persons:
- three (3) loans, of which one (1) in a foreign currency, in the total amount equivalent to PLN 106 thousand;
- three (3) debit limits in the savings and credit account in the total amount of PLN 18 thousand;
- five (5) credit card limits totalling PLN 13 thousand, of which PLN 2 thousand were utilised as at the end of 2014;

As at 31 Dec 2013, the Bank granted:

to the Supervisory Board's Members:
- no debt with the Bank;

to the Board of Executives' Members:
- 11 credit card limits totalling PLN 128 thousand, of which PLN 20 thousand was used;
- 2 foreign currency loans in the amount equivalent to PLN 515 thousand;
- 3 debit limits in the savings and checking account in the aggregate amount of PLN 180 thousand;

to Managing Directors:
- 33 loans totalling PLN 8,784 thousand, including 14 FC loans in the total amount equivalent to PLN 5,249 thousand;
- 17 debit limits in the savings and checking account of PLN 247 thousand, of which PLN 81 thousand was utilised as at the end of 2013;
- 30 credit card limits totalling PLN 207 thousand, of which PLN 85 thousand were utilised as at the end of 2013;

to persons related to managing and supervising persons:
- 11 loans, of which four in a foreign currency, in the total amount of PLN 840 thousand;
- 2 debit limits in the savings and credit account in the total amount of PLN 7 thousand;
- 3 credit card limits totalling PLN 56 thousand, of which PLN 2 thousand was utilised as at the end of 2013;

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

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

Note 29.3

Employee indebtedness on account of cash loans granted from the Company Social Benefits Fund (ZFŚS) (in PLN thousand)	31 Dec 2014	31 Dec 2013
in PLN thousand	400	444

Employee loans

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

Note 29.4

Employee loans (in PLN thousand)	31 Dec 2014	31 Dec 2013
in PLN thousand	129,821	137,564
According to the number of employees	1,312	1,340

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

30. Employee benefits

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

Note 30.1

Employment	31 Dec 2014	31 Dec 2013
FTEs	2,812	2,794
of which, having education:		
- higher	69%	67%
- BA	14%	13%
- secondary	17%	20%

Employee benefits consist of:

- Short-term employee benefits, including:
  - reserve for bonuses
  - reserve for unused vacation leaves
  - Company Social Benefit Fund (ZFŚS)
  - others
- Long-term employee benefits, including:
  - reserve for pension benefits
  - provision for the deferred payment of a part of variable compensation of executives and other individuals who have a significant influence on the risk profile

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

Note 30.2

Short-term employee benefits by titles (in PLN thousand)	31 Dec 2014	31 Dec 2013
Reserve for employee bonuses	21,765	20,368
Reserve for unused vacation leaves	7,304	5,991
Company Social Benefit Fund (ZFŚS)	1,024	1,310
restructuring provision (benefits on account of work relationship termination)	-	12
Other	467	532
Total short-term employee benefits	**30,560**	**28,213**

The Group does not finance employee pension schemes.

Under long-term employee benefits, the Group recognises liabilities related to retirement severance pay, disability benefits and post-death benefits, likewise related to the deferred payment of a part of variable compensation of executives and other individuals who have a significant influence on the risk profile.

The benefits are specific benefit programs that are not financed by assets. The Group applies the rule of full recognition of actuarial profits and losses in the income statement.

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

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

Note 30.3

Current value of liabilities (in PLN thousand)	**31 Dec 2014**	**31 Dec 2013**
Retirement severance pay, disability benefits and post-death benefits	3,753	3,307
Deferred bonus	3,878	805
Total long-term employee benefits	**7,631**	**4,112**
Liabilities recognised in the balance sheet	**7,631**	**4,112**

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

Note 30.4

Retirement severance pay, disability benefits and post-death benefits (in PLN thousand)	**31 Dec 2014**	**31 Dec 2013**
Present value of liabilities – opening balance	**4,112**	**3,492**
Current employment costs	3,407	763
Interest expense	181	165
Past employment costs	-	-
Actuarial Profits (-) / Losses (+)	107	-213
Benefits paid out (-)	-176	-95
Present value of liabilities – ending balance	**7,631**	**4,112**

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

Note 30.5

Actuarial assumptions for measurement (in PLN thousand)	**31 Dec 2014**	**31 Dec 2013**
Discount rate	2.60% do 3.50%	4.40 do 4.50%
Expected remuneration growth rate	4.50%	5.00%

The Bank has adopted a Policy on Variable Compensation of Executives at BNP Paribas Bank Polska SA in line with the requirements specified in the Resolution no. 258/2011 of the Polish Financial Supervision Authority.

In line with the above mentioned Policy, the Bank's employees covered by it who have a considerable impact on the Bank's risk profile will receive variable compensation depending on their individual performance and on the Bank's results approved by the Supervisory Board.

Part of the variable compensation for the Bank's employees will be paid in cash on the basis of the units granted. The value of the units is determined as an annual average price of the Bank's shares, calculated as an arithmetic average of the Bank's share price at the end of each month of the year preceding the year of unit redemption.

The table below presents changes in the number of units and weighted average exercise prices.

Note 30.6

Year 2014	Units	
	Number	AVERAGE EXERCISE PRICE
Opening balance	7,183.6	81.73
Granted in a given period	16,884	81.73
Redeemed in a given period	-	-
Exercised in a given period	12,524.93	81.73
Expired in a given period	-	-
Ending balance	11,542.67	71.22
That can be exercised at the end of a given period	-	-

Year 2013	Units	
	Number	AVERAGE EXERCISE PRICE
Opening balance	-	-
Granted in a given period	17,959	65.38
Redeemed in a given period	-	-
Exercised in a given period	10,775.40	65.38
Expired in a given period	-	-
Ending balance	7,183.6	81.73
That can be exercised at the end of a given period	-	-

31. Risk Management

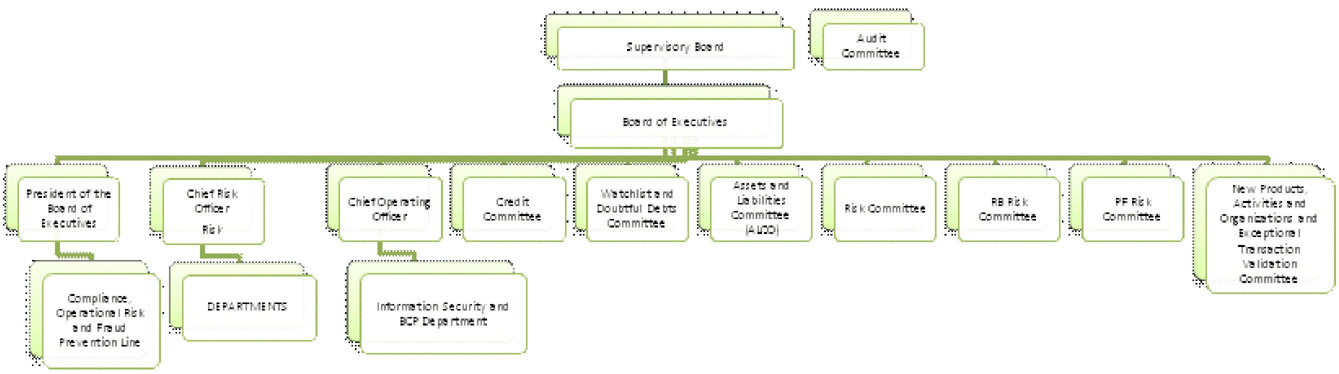
The Bank identifies, measures, monitors and manages all risks that arise in its activity. The Bank identifies the following categories of risk monitoring, control and management:

- credit risk,
- liquidity risk;
- foreign exchange risk (FX risk),
- interest rate risk,
- counterparty risk,
- operational risk.
- compliance risk

In order to guarantee that the above risks have been identified, defined and made subject to an appropriate control and management, the Bank complies with numerous internal control procedures and risk level limits.
The Bank has developed detailed procedures for all risk categories, both at the level of the Bank and at the level of individual business lines, which describe the risks and the relevant exposure limits. All methods and procedures are subject to periodic reviews to verify their adequacy and accuracy through validation tests, stress tests and back testing. In the case of immeasurable risks, the procedures are analysed and monitored using various quality-based methods.

The organisation of the risk management system at the Bank comprises mainly the Supervisory Board, Board of Executives, dedicated committees (Audit Committee at the Supervisory Board level, Assets and Liabilities Committee (ALCO), Risk Committee, RB Risk Committee, PF Risk Committee, Credit Committee, Watchlist and Doubtful Debts Committee, New Products, Activities and Organisations and Exceptional Transaction Validation Committee), Risk Area Departments, Compliance and Operational Risk and Fraud Prevention Line, and Information Security and Business Continuity Department.
The key role in the risk management system of the Bank is played by the Board of Executives, which determines the risk management policy and adopts the risk management rules, as well as defines the limit setting policy for relevant risks and policy for defining the risk control procedures. The source of the risk management policy is the *Risk Management Strategy* adopted by the Board of Executives and approved by the Supervisory Board.

The following diagram illustrates the essential organisational elements of the risk management structure of the Bank.



Credit risk

Credit risk is the risk of losses incurred by the Bank on account of the customer inability to meet its obligations within the predefined contractual date due to a deterioration or loss of creditworthiness.

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

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

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

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

The credit risk operational management focuses on the management on the level of a borrower or even a single exposure.

The operational dimension consists of the following activities:

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

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 Risk Committee and Retail Banking/Personal Finance Risk Committees participate in the strategic risk management.

The basic rules concerning credit risk assessment, measurement, acceptance, hedging, control and reporting, have been specified in the *Credit Policy of BNP Paribas Bank Polska SA* which is consistent with the risk management strategy at BNP Paribas Bank Polska SA and supports the achievement of objectives laid down in the strategy. The above policy determines risk management rules related to retail credit exposures and credit exposures secured by mortgages - to implement requirements of Recommendations T and S issued by the Polish Financial Supervision Authority - and risk management rules concerning subsidiaries.

In order to implement requirements under KNF's Recommendation J, rules regarding the management of data pertaining to real estate that constitutes mortgage security of credit exposures in BNP Paribas Bank Polska SA, were defined in the internal regulations applied.

Detailed financing rules and criteria regarding a product offering of a given business line, types of loans available, financing objectives, its terms and conditions or limits, rules of risk identification, measurement and acceptance, securing the loan repayment and customer monitoring over the life of a loan agreement, are defined in credit policies for specific business lines.

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

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

The superior bodies authorised to make credit decisions at the Bank are the Credit Committee and the Watch-list and Doubtful Debts Committee, which act under the Bank's *Credit Decision Making Regulations at BNP Paribas Bank Polska SA*, approved by the Bank's Supervisory Board.

To ensure effectiveness of the decision-making process, some authority to make credit decisions is delegated to lower decision-making levels. The decision-making authority delegation model takes into consideration the business lines' structure, defines 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 the following criteria: customer segment, customer risk profile and financing term.

On all competence levels, credit decisions are made by two people (under the "four-eyes" principle) by a representative of the business line and a representative of an organisational unit responsible for an assessment, independent of the business line, of the customer and transaction risks. With respect to customers for whom the credit risk is assessed using scoring models approved by the Risk Committee or Retail Banking/Personal Finance Risk Committees, as the case may be, credit decisions can be made by business line representatives.

The Bank assesses the customer risk profile using rating and scoring classification systems and risk classification according to IFRS.

Rating is assigned to commercial customers. The rating system rules are determined in the *Rating Policy for CTB and SME Customers at BNP Paribas Bank Polska SA*. The creditworthiness of business entities is estimated based on a rating system that contains ten rating classes to assess entities that fulfil the payment obligations (PD < 1) and two rating classes for defaults.

The risk assessment based on scoring models that use, among other things, data from the Credit Information Bureau, is applied to individuals and Micro companies.
Borrowers with reference to which there is a probability that the Bank will not recover all the receivables due unless collateral is used, or which are in default for over 90 days regarding any material credit liability due to the Bank, are assigned rating between 11 and 12 and the default status. The default status is assigned in accordance with the risk classification system adopted by the Bank, based on IFRS.

As regards business entities not classified into the Micro segment, the list of objective indicators (defaults) includes, but is not limited to, the following:

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

As regards individual customers and business entities classified into the Micro segment, the identification of the "default" status is based on the following premises: a delay of more than 90 days in repayment of receivables due to the Bank, loan fraud suspicion, restructuring, notice of termination of a loan agreement, bankruptcy of all co-borrowers, death of all co-borrowers, uncollectibility, and in case of customers with individually material exposures - a negative assessment of their financial standing.

Credit risk measurement

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

- incurred but not reported losses, for which an impairment provision is created (IBNR),
- impairment provisions for incurred and reported losses (loan specific provisions),

The calculation of a provision for the Incurred But Not Reported losses (IBNR) is based on the following parameters:

- exposure at default (EAD) estimated using a Credit Conversion Factor (CCF),
- the likelihood that a given credit exposure is reclassified from the performing portfolio into the portfolio of assets with evidence of impairment in a given period of time, referred to as a loss identification period (LIP). LIP parameter determines an average delay between occurrence of an event causing a loss and identification of evidence of impairment by the bank,
- loss given default (LGD).

Provisions for impairment related to IBNR losses are computed and posted on a monthly basis.
Provisions for impairment of incurred and reported losses (exposures at default) are computed using the individual or portfolio method depending on the customer segment and total credit exposure towards a customer. The individual assessment consists in estimating expected recoveries (including recoveries against collateral) on the basis of an analysis carried out separately for each credit exposure. The value of a provision computed using the individual method is approved by two people: by a representative of the business line and a representative of an organisational unit responsible for an assessment, independent of the business line, of the customer and transaction risks. The portfolio assessment consists in an automatic computation of a provision using formulas and parameters defined for a given portfolio of credit exposures. The formulas and parameter values used are approved by the Risk Committee. Provisions are posted on a monthly basis, based on the loan portfolio balance (balance sheet and off-balance sheet items) as at the end of a month in which they were posted.

Values of parameters adopted in the portfolio method applied to creating provisions for exposures with evidence of impairment and in the method of calculating provisions for incurred but not reported losses (IBNR) are estimated on the basis of a historical data analysis or expert judgement if the Bank does not have an adequately numerous collection of historical data.

From the point of view of a financial institution, expected losses are considered a cost of its lending activity. They are an estimated average level of expected losses, considering the credit exposure amount. Such losses are managed by, among others, diversification and adequate valuation of credit products. Expected losses are calculated using parameters which describe credit risk, namely a probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Subsidiaries

The rules of the Bank's supervision over the credit risk generated by the activity of subsidiaries were stipulated in the *Credit Policy at BNP Paribas Bank Polska SA.*

The Bank recommends, issues opinions and approves policies, rules and methodologies applied by the subsidiaries in the credit risk management.

Credit risk management methods applied at the Bank and its subsidiaries simultaneously include:

- rating system for CTB and SME customers,
- system of risk classification according to IFRS,
- credit capacity assessment of shared customers of the Bank and its subsidiaries,
- model of making credit decisions,
- system of the Bank's internal limits for concentration risk, which includes limits for receivables portfolio of subsidiaries.

Credit risk analysis

The tables below present maximum exposure of financial assets and off-balance sheet items to credit risk, the level of write-downs for impairment and provisions for off-balance sheet commitments as at 31 December 2014 and comparative data as at 31 December 2013.

Note 31.1.1

Information on exposure quality (in PLN thousand)	31 Dec 2014	31 Dec 2013
Cash and cash equivalents (excluding cash at hand)	**2,488,388**	**1,108,046**
- receivables without impairment	2,489,436	1,108,663
- provisions for impairment of IBNR losses	-1,048	-617
Financial assets held for trading	**139,584**	**70,118**
- derivative financial instruments	139,584	70,118
measurement to fair value	142,522	70,535
fair value adjustment for credit risk	-2,938	-417
Due from banks	**95,862**	**79,201**
- receivables without impairment	95,890	79,278
- provisions for impairment of IBNR losses	-28	-77
Loans to customers	**17,561,644**	**16,600,857**
- receivables without impairment	17,259,053	16,192,199
- receivables impaired, including where the impairment is:	1,322,430	1,497,265
determined on a case-by-case basis	694,166	936,403
determined using a collective method	628,264	560,862
- provisions for impairment for incurred and reported losses	-891,107	-974,610
determined on a case-by-case basis	-440,619	-579,876
determined using a collective method	-450,488	-394,734
- provisions for impairment of IBNR losses	-128,732	-113,997
Investments available for sale	**2,178,751**	**2,607,870**
- receivables without impairment	2,178,751	2,607,870
- receivables impaired	377	-
- write-downs for impairment for incurred and reported losses	-377	-
Off-balance sheet commitments granted	**9,207,718**	**7,227,326**
- off-balance sheet commitments without impairment	9,206,259	7,212,774
- off-balance sheet commitments impaired, including where the impairment is:	40,679	46,188
determined on a case-by-case basis	39,857	44,686
determined using a collective method	822	1,502
- provisions for off-balance sheet commitments	-23,924	-21,238
determined on a case-by-case basis	-23,610	-20,556
determined using a collective method	-314	-682
- write-downs for impairment of IBNR losses – off-balance sheet commitments	-15,296	-10,398

Note 31.1.2

Analysis of gross receivables from customers (in PLN thousand)	31 Dec 2014	31 Dec 2013
Performing receivables without impairment	16,808,658	15,903,758
Non-performing receivables without impairment	450,395	288,441
Impaired receivables with impairment determined on a case-by-case basis with a write-down	691,116	915,582
Impaired receivables with impairment determined on a case-by-case basis with no write-down	3,050	20,821
Impaired receivables with impairment determined on a collective basis with a write-down	532,748	560,854
Impaired receivables with impairment determined on a collective basis with no write-down	95,516	8
Total	**18,581,483**	**17,689,464**

The table below presents the FC analysis of loans to customers, which are neither past-due nor impaired as at 31 Dec 2014, along with comparative data as at 31 Dec 2013.

Note 31.1.3

Performing receivables without impairment (in PLN thousand)	31 Dec 2014	31 Dec 2013
CHF	3,712,234	3,838,612
EUR	2,637,946	2,575,980
PLN	10,348,207	9,358,617
USD	51,575	119,547
Other	58,696	11,002
Total	**16,808,658**	**15,903,758**

The rules of functioning of the BNP Paribas rating system were described in the "Credit risk" section.

The analysis of loans to customers which are neither past-due nor impaired, broken down by rating classes as at 31 Dec 2014, along with comparative data as at 31 Dec 2013, is presented in the table below.

Note 31.1.4

Performing receivables without impairment according to the BNP Paribas ranking (in PLN thousand)	31 Dec 2014	31 Dec 2013
1+ to 6+	1,352,951	961,718
6 to 7+	3,132,541	3,283,654
7 to 7-	2,032,005	2,417,028
8+ to 10-	1,738,742	1,428,560
No rating assigned, including:	8,552,419	7,812,798
mortgage loans	5,313,641	5,436,275
Total	**16,808,658**	**15,903,758**

The following table presents receivables from customers which have been impaired, broken down by rating classes as at 31 Dec 2014 along with comparative data as at 31 Dec 2013.

Note 31.1.5

Receivables impaired according to the BNP Paribas ranking (in PLN thousand)	31 Dec 2014	31 Dec 2013
- determined on a case-by-case basis	694,166	936,403
11	327,906	500,788
12	261,175	387,209
No rating assigned	105,085	48,406
- determined using a collective method	628,264	560,862
11	42,977	22,419
12	74,356	78,892
No rating assigned	510,931	459,551
Total	**1,322,430**	**1,497,265**

The "no rating assigned" category includes retail customers and those whose rating has expired. Pursuant to the rules binding at the Bank, the rating assignment procedure is applied to commercial customers.

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

Note 31.1.6

Past-due periods of non-performing receivables without impairment (in PLN thousand)	31 Dec 2014	31 Dec 2013
from 1 to 30 days	333,221	232,327
from 31 to 60 days	57,143	42,583
from 61 to 90 days	49,598	12,221
from 91 days up	10,433	1,310
Total	**450,395**	**288,441**

The table below presents types of collateral to secure credits and loans granted to customers as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

Note 31.1.7

Nominal value of collateral established in favour of the Bank (in PLN thousand)	31 Dec 2014	31 Dec 2013
Financial collateral - cash and cash equivalents	7,255,622	4,186,811
Financial collateral - other	3,401,461	2,737,030
Non-financial collateral - tangible	26,490,952	20,200,888
Guarantees and sureties	3,840,687	3,882,238
Total collateral received	**40,988,722**	**31,006,967**

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

The value of assets taken over for debts in 2014 increased to PLN 2,096 thousand as compared to 2013 when it stood at PLN 1,832 thousand. Despite stagnation in the used vehicle market, the Bank has no problems with selling vehicles.

Below there is an analysis of credit exposures (excluding banks) broken by business lines as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

Note 31.1.8

Credit exposures broken by business lines 31 Dec 2014 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Total
Balance sheet credit exposures	11,928,462	6,653,021	18,581,483
Off-balance sheet credit exposures	845,004	8,054,125	8,899,129
Total credit exposures, gross	**12,773,466**	**14,707,146**	**27,480,612**
Provisions for impairment of incurred and reported losses	-620,326	-270,781	-891,107
Provisions for off-balance sheet commitments	-1,138	-22,786	-23,924
Provisions for Incurred But Not Reported losses (IBNR)	-84,033	-59,995	-144,028
- balance sheet receivables	-79,985	-48,747	-128,732
- off-balance sheet commitments	-4,048	-11,248	-15,296
Total credit exposures, net	**12,067,969**	**14,353,584**	**26,421,553**

Credit exposures broken by business lines 31 Dec 2013 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Total
Balance sheet credit exposures	11,562,800	6,126,664	17,689,464
Off-balance sheet credit exposures	802,146	6,153,974	6,956,120
Total credit exposures, gross	**12,364,946**	**12,280,638**	**24,645,584**
Provisions for impairment of incurred and reported losses	-627,630	-346,980	-974,610
Provisions for off-balance sheet commitments	-830	-20,408	-21,238
Provisions for Incurred But Not Reported losses (IBNR)	-87,276	-37,119	-124,395
- balance sheet receivables	-83,707	-30,290	-113,997
- off-balance sheet commitments	-3,569	-6,829	-10,398
Total credit exposures, net	**11,649,210**	**11,876,131**	**23,525,341**

Note 31.1.9

Segment / Risk category 31 Dec 2014	Credit exposure value				
	Retail Banking		Corporate and Transaction Banking		Total
	in PLN thousand	in %	in PLN thousand	in %	
Without impairment	11,893,851	93	14,223,652	97	26,117,503
With impairment:	879,615	7	483,494	3	1,353,109
- determined on a case-by-case basis	318,824	2	415,199	3	734,023
- determined using a collective (portfolio) method	560,791	4	68,295	0	629,086
Total credit exposures, gross	**12,773,466**	**100**	**14,707,146**	**100**	**27,480,612**

Segment / Risk category 31 Dec 2013	Credit exposure value				
	Retail Banking		Corporate and Transaction Banking		Total
	in PLN thousand	in %	in PLN thousand	in %	
Without impairment	11,422,810	92	11,679,321	95	23,102,131
With impairment:	942,136	8	601,317	5	1,543,453
- determined on a case-by-case basis	380,207	3	600,882	5	981,089
- determined using a collective (portfolio) method	561,929	5	435	0	562,364
Total credit exposures, gross	**12,364,946**	**100**	**12,280,638**	**100**	**24,645,584**

The table below presents an analysis of mortgage loans to individuals, through the relation of disbursed mortgage loans to the value of collateral for repayment of the loans, as at 31 Dec 2014 along with comparative data as at 31 Dec 2013.

Note 31.1.10

Mortgage loans to individuals 31 Dec 2014	PLN	FC	Total
Balance sheet value (in PLN thousand)	1,759,937	3,838,114	5,598,051
Average maturity (years)	23	21	22
Average LTV (%)	78%	98%	91%

Mortgage loans to individuals 31 Dec 2013	PLN	FC	Total
Balance sheet value (in PLN thousand)	1,792,944	3,906,769	5,699,713
Average maturity (years)	24	22	23
Average LTV (%)	78%	93%	89%

Note 31.1.11

Analysis of mortgage loans portfolio, gross (in PLN thousand)	31 Dec 2014	31 Dec 2013
Performing receivables without impairment	5,319,805	5,443,261
Non-performing receivables without impairment	114,745	107,292
Receivables with impairment determined on a case-by-case basis (with a provision)	27,058	24,927
Receivables with impairment determined collectively (with a provision)	135,340	124,233
Receivables with impairment determined collectively (without a provision)	1,103	-
Total mortgage loans, gross	**5,598,051**	**5,699,713**

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

Note 31.1.12

Delinquency periods of past-due mortgage loans, without impairment (in PLN thousand)	31 Dec 2014	31 Dec 2013
from 1 to 30 days	99,336	96,227
from 31 to 60 days	12,423	8,482
from 61 to 90 days	2,986	2,583
Total mortgage loans, gross	**114,745**	**107,292**

The table below presents currency analysis of mortgage loans as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

Note 31.1.13

Mortgage loans as per currencies (in PLN thousand)	31 Dec 2014	31 Dec 2013
CHF	3,763,559	3,829,915
EUR	70,952	73,221
PLN	1,759,973	1,792,944
USD	3,567	3,633
Total mortgage loans, gross	**5,598,051**	**5,699,713**

The table below presents credit portfolio concentration, gross, for balance sheet and off-balance sheet exposures (excl. banks) broken by sectors, as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

Note 31.1.14

Loan portfolio by sectors	31 Dec 2014		31 Dec 2013	
	in PLN thousand	in %	in PLN thousand	in %
Construction and real estate activities	3,106,625	11.30	3,399,026	13.79
Water supply, sewerage, waste management and remediation activities	835,531	3.04	290,035	1.18
Accommodation and food service activities	119,705	0.44	190,324	0.77
Financial and insurance activities	350,097	1.27	488,018	1.98
Mining and quarrying	356,303	1.30	759,853	3.08
Wholesale and retail trade Repair of motor vehicles and motorcycles	4,857,719	17.67	3,614,188	14.66
Individual clients	8,483,010	30.87	8,356,918	33.91
Other service activities	828,985	3.02	1,024,873	4.16
Manufacturing	4,841,097	17.62	4,083,028	16.57
Transportation and storage	569,754	2.07	1,297,512	5.26
Electricity, gas, steam and air conditioning supply	631,717	2.30	249,564	1.01
Other sectors	2,500,069	9.10	892,245	3.63
Total loan portfolio by sectors	**27,480,612**	**100.00**	**24,645,584**	**100.00**

The Bank applies an internal procedure on the exposure concentration management, under which e.g. limits for credit exposures towards specific economy sectors have been established along with rules of monitoring the limit current utilisation. The monitoring results are submitted quarterly to the Board of Executives and the Risk Committee. Furthermore, the Bank annually verifies the limits to reflect changes in the risk level for specific sectors.

Forbearance practices

Risk related to forbearance practices, description of risk management and monitoring rules.

The Bank deems restructured exposures as forbearance exposures.

The Bank deems an exposure as restructured in the event the following conditions are met jointly:

- evidence of impairment has been recognised for an exposure prior to modification of agreement terms and conditions,
- The Bank modified terms and conditions of the existing agreement or granted a new loan to repay the existing debt, thus extending to a debtor one of the following concessions: debt amount decrease, decrease of the amount of principal and interest instalments, change to instalment due dates, interest rate reduction, capitalisation of interest due, discontinuation of penalty interest accrual, partial or total cancellation of penalty or ordinary interest.

The status of a restructured exposure is irreversible and is binding until the exposure complete repayment.

Rules of granting forbearance to borrowers are defined by a dedicated Risk unit. The granting process is pursued by a dedicated Personal Finance operational unit. Compliance with the rules of granting forbearance is subject to verification under cyclical second level controls performed by a dedicated Risk unit.

Pursuant to the principles binding within the Group as at 31 December 2014, the following concessions may be extended to borrowers with past-due debts:

1. Financing term may be prolonged based on the following principles:
   - financing term cannot exceed the maximum financing term dedicated to a relevant credit product
   - age of a borrower together with the financing term cannot exceed 75 years
2. Principal instalments may be deferred based on the following principles:
   - No more than 3 principal instalments may be deferred on a one-off basis.
   - Instalments may be deferred after repayment of 6 principal and interest instalments following the date of the previous deferral, and after payment of 12 principal and interest instalments following the previous capitalisation and loan repayment holidays/prolongation
   - The loan financing term cannot be extended for more than 12 months due to deferrals.
3. Principal and interest instalments as well as loan/credit facility service costs may be capitalised based on the following principles:
   - An amount equal to 3 principal and interest instalments at most may be capitalised on a one time basis (for credit cards, capitalisation cannot exceed three times the minimum amount and 15 % of the limit granted).
   - Instalments may be deferred after repayment of 6 principal and interest instalments following the date of the previous deferral, and after payment of 12 principal and interest instalments following the previous capitalisation and loan repayment holidays/prolongation
   - The loan financing term cannot be extended for more than 12 months due to capitalisation.
4. Suspension of principal instalments and principal and interest instalments.
   - Instalments may be suspended when default does not exceed three times a principal and interest instalment and the following conditions are met jointly:

- outstanding debt is settled by a payment made by a borrower and/or by capitalisation or deferral,
- amount of a loan/credit facility after suspending is not higher than the amount of the loan/credit facility granted,
- the target loan/credit facility collateral in the form of a mortgage has been established.

- The principal amount to be repaid in the existing repayment schedule over the months that are included in the suspension period is allocated to principal instalments to be repaid after the suspension period, which leads to the increase of the remaining loan instalments.

The following instalments may be suspended:

- two (2) principal and interest instalments with a proviso that instalments cannot be suspended for more than 6 months over the entire financing period,
- four (4) principal instalments with a proviso that instalments cannot be suspended for more than 12 months over the entire financing period,

5. Restructuring loan
   - A loan granted to consolidate debts arising under credit products non-secured with a mortgage granted at an earlier date to a customer. A consolidated instalment amount matches the actual repayment capacity of the customer.

For CTB and SME business lines debtors, debt restructuring may take the following shape:

- an agreement on debt repayment, concluded when at least part of the debt is due and the debtor raises no objections whatsoever as to the existing receivable,
- a civil law composition agreement concluded when the Debtor raises justified objections as to a part of the existing receivable or loan agreement,
- an annex to the binding loan agreements, concluded in order to, e.g. extend their term of validity, change the instalment amount, interest capitalization, establish additional collateral, etc.

Restructured exposures are subject to monitoring as to whether the obligations specified in the loan agreement are met. Current monitoring of restructured exposures is performed by dedicated Bank units.

The table below presents forborne exposures as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

Note 31.1.15

Dues from customers (in PLN thousand)	**31 Dec 2014**	**31 Dec 2013**
Exposures without impairment, including:	17,259,053	16,192,199
Forborne exposures	44,776	25,424
Exposures with impairment, including:	1,322,430	1,497,265
Forborne exposures	238,043	298,880
Total Dues from customers, gross, including:	**18,581,483**	**17,689,464**
Forborne exposures	282,819	324,304
Impairment provisions, including:	**-1,019,839**	**-1,088,607**
Write-offs for receivables impairment	-147,348	-168,452
Total Dues from customers, net, including:	**17,561,644**	**16,600,857**
Forborne exposures	135,471	155,852

The table below presents forborne exposures broken down by products as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

Note 31.1.16

Dues from customers (in PLN thousand)	31 Dec 2014	31 Dec 2013
Mortgage loans	64,311	40,008
Consumer loans and credit facilities	45,739	38,015
Commercial loans	172,769	246,281
Total Dues from customers, gross	**282 819**	**324 304**
Impairment provisions	-147,348	-168,452
Total Dues from customers, net	**135,471**	**155,852**

The table below presents an analysis of forborne exposures portfolio as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

Note 31.1.17

(in PLN thousand)	31 Dec 2014	31 Dec 2013
Exposures without impairment	44,776	25,424
Exposures with impairment:	238,043	298,880
determined on a case-by-case basis	169,179	244,310
- determined using a portfolio method	68,864	54,570
Total forborne exposures	**282,819**	**324,304**
Impairment provisions	-147,348	-168,452
determined on a case-by-case basis	-110,950	-137,302
- determined using a portfolio method	-36,398	-31,150
Total forborne exposures net	**135,471**	**155,852**

Change in the balance sheet value of forborne exposures as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

Note 31.1.18

(in PLN thousand)	31 Dec 2014	31 Dec 2013
Balance sheet value of forborne exposures, gross, opening balance	**324,304**	**237,331**
Balance sheet value of provisions, opening balance	**-168,452**	**-72,749**
changes in balance sheet value of forborne exposures, gross	-41,485	86,973
changes in balance sheet value of provisions	21,104	-95,703
Balance sheet value of forborne exposures, gross, closing balance	**282,819**	**324,304**
Balance sheet value of provisions, closing balance	**-147,348**	**-168,452**

Credit risk concentration

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

Under Article 71 para. 1 of the Banking Law Act, as at 31 December 2014 the limit of the Bank's exposures bearing risk of one entity or affiliated entities amounted to PLN 660,990 thousand on a consolidated basis (pursuant to law, 25% of the Bank's own funds) and was not exceeded.

Under Article 71 para. 1a-1c of the Banking Law Act, the Bank's Board of Executives set forth a limit for the Bank's exposures towards another bank or credit institution or a group of affiliated entities, comprising at least one bank or credit institution, at the level of 35% of the Bank's own funds, however not exceeding the equivalent of EUR 150 million. As at 31 Dec 2014, the said limit amounted to PLN 639,345 thousand on a consolidated basis and was not exceeded.

The Bank determined a set of internal concentration limits to be applied both in the Bank and its subsidiaries. The system of internal limits supports maintenance of the accepted risk profile by ensuring an optimum diversification of the credit portfolio structure. The limit system has been developed by the Bank in particular to implement rules and requirements set forth in Resolution 384/2008, Recommendations T and S and other requirements issued by the Polish Financial Supervision Authority.

Additional information on CHF loan portfolio (after the balance sheet date)

With respect to FX operations and transactions, the Bank actively pursues its activity in basic currencies following the rule of maintaining a moderate exposure to the FX risk, in line with the risk limits adopted. For CHF a material item is generated by a mortgage portfolio solely at the principal instalment repayment term, but this item is hedged and does not cause exposure to exchange rate risk.
The Bank has a limited foreign exchange rate risk and a liquidity risk arising from the CHF mortgage loan portfolio due to acquiring a stable long-term financing matched to the loan portfolio characteristics.
The Bank's position as at 31 December 2014 totalled CHF 232 thousand and was insignificant in comparison to other exposures held by the Bank within the risk limits adopted, including in particular the open FX position.

The table below presents loans to customers granted in CHF as at 31 Dec 2014 and comparative data as at 31 Dec 2013:

Note 31.1.19

31 Dec 2014 (in PLN thousand)	Gross	Impairment provisions	Net	Average PD	Current LTV (average)	LTV after 30% increase in exchange rate
Retail loans						
Without impairment	3,713,368	-	3,713,368	1.6%	97.5%	1.27
With impairment:	143,201	-86,447	56,754		124.2%	1.61
Commercial loans and receivables						
Without impairment	109,377	-	109,377	3.6%	-	-
With impairment:	19,252	-16,928	2,324	-	-	-
Total	**3,985,198**	**-103,375**	**3,881,823**	**-**	**-**	**-**

31 Dec 2013 (in PLN thousand)	Gross	Impairment provisions	Net	Average PD	Current LTV (average)	LTV after 30% increase in exchange rate
Retail loans						
Without impairment	3,805,379	-	3,805,379	1.4%	93.5%	1.22
With impairment:	126,782	-68,432	58,370	-	118.5%	1.54
Commercial loans and receivables						
Without impairment	89,139	-	89,139	1.6%	-	-
With impairment:	7,994	-2,940	5,054	-	-	-
Total	**4,029,294**	**-71,372**	**3,957,942**	**-**	**-**	**-**

The table below presents an analysis, by delinquency periods of financial assets in CHF as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

Note 31.1.20

Past-due periods of non-performing receivables (in PLN thousand)	31 Dec 2014	31 Dec 2013
from 1 to 30 days	96,540	90,698
from 31 to 60 days	18,319	9,868
from 61 to 90 days	8,231	2,814
from 91 days up	144,410	117,142
Total	**267,500**	**220,522**

As at 31 Dec 2014, the IBNR provisions for receivables denominated in CHF amounted to PLN 13,686 thousand, including:
- PLN 13,268 thousand for receivables from individual customers,
- PLN 418 thousand for receivables from corporate customers.

At the end of January 2015, the average CHF exchange rate amounted to PLN 4.02, whereas at the end of December 2014 it amounted to PLN 3.54. The exchange rate volatility made it necessary to create additional provisions at the end of January 2015 amounting to PLN 10.4 million, of which PLN 8.6 million was for provisions for impairment and PLN 1.8 million for IBNR provisions.

Liquidity, FX and Interest Rate Risks

Liquidity risk is defined as the risk of being unable to fulfil obligations at an acceptable price in a given place and currency.
FX risk is the risk of adverse changes in the Bank's financial result caused by changes in market FX rates.

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

- differences between dates of interest rate change of the Bank's assets and liabilities that finance them (mismatch risk);
- differences in base rates which are the grounds for determining interest rates of positions of the same re-pricing terms (base risk);

- changes in market interest rates that affect fair value of the Bank's open positions (interest rate volatility risk), or
- exercise by customers of options embedded in the banking products, which may be exercised as a result of changes in market interest rates (customer option risk).

The Bank monitors the liquidity risk, FX risk and interest rate risk by means of a formal system of limits and reports.
The system of limits covers the majority of analysed parameters of liquidity, foreign exchange and interest rate risks. The limits are set in such a way so as to:

- keep the desired market risk profile defined in the Bank's strategy;
- not exceed the risk level acceptable by the BNP Paribas group.

In the event a limit is exceeded, the unit responsible for keeping the reported values below a given limit is required to undertake actions to enable reduction of a given risk pursuant to procedures binding in the Bank.
The information system used in the risk management ensures accumulation of data on interest rate operations and transactions, market interest rate levels and the risk measures applied.
For its market risk analyses the Bank uses, among others, a scenario analysis and stress testing set. The analyses are based on both theoretical changes in market parameters and on changes that actually occurred at the market in the past.

As regards the risk management, the Bank's policy objective is that employees responsible for the supervision and service of risk management processes have high moral standards and long-term expertise and theoretical knowledge required for such duties. The procedures implemented allow to control the correct performance of their tasks.
In its policy, the Bank has adopted a rule that business functions (direct transaction conclusion), operating functions (e.g. transaction posting, 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 organisationally separate. These units have a clearly defined scope of duties specifying their place and responsibility in the risk management process.
Thanks to this rule, business functions have been separated from risk level control functions, operational functions from risk control functions and operational functions from business functions.
The purpose is to ensure an appropriate quality of the risk level control and operational processes, and also to ensure that the control results indicating an excessive risk level meet with an appropriate response of the Bank's management.

The Bank has developed rules on risk control and management, including the procedure in the event of crisis situations. The rules for identifying crisis phenomena, the scope of actions undertaken and responsibility scope which is indispensable to limit the risk in such cases and to undertake corrective actions have been defined.

Liquidity risk

In the Bank's assessment, the liquidity risk is divided into:

- financing liquidity risk, understood as the risk of a failure to fulfil the expected or unexpected requests for payment of funds, without incurring unacceptable losses or without putting the business activity at risk.
- market liquidity risk refers to an impossibility of selling assets due to inadequate market depth or occurrence of market disruptions. Such risk is therefore to some extent related to the market risk. The market liquidity risk manifests changes of the portfolio liquidation value due to changes in the portfolio value represented by the mark-to market valuation. The liquidity risk involves uncertainty as the time needed to liquidate assets.

The Bank identifies the following liquidity types:

- immediate liquidity – within a current day,
- future liquidity – for a period exceeding the current day, which may be further broken down into the following:

- current liquidity – for up to seven (7) days,
- short-term liquidity – from over seven (7) days up to one (1) month,
- medium- and long-term liquidity - above one (1) month.

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

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

The Bank's strategy consists in the following:

- Sustainable organic balance growth, that is an increase in assets must be coupled with a corresponding increase in financing of these assets,
- Limiting the Bank's dependence on market conditions volatility and ensuring that in a situation of a market crisis, the Bank, within a short time, will be able to fulfil its obligations without limiting the range of the services provided and initiating changes in the core activity profile. In the case of a crisis situation lasting in a longer time horizon, the Bank's strategy assumes maintaining liquidity, however, allowing changes in the development directions and implementation of costly processes of the activity profile modification,
- Limiting, actively, a probability of occurrence of unfavourable events that may affect the Bank's liquidity situation. In particular, it refers to the events that may influence the reputation risk. In such a case, the Bank will take measures to regain the confidence of customers and financial institutions as soon as possible,
- Ensuring high quality standards for the liquidity management processes. The actions aimed at improving the quality of the liquidity management processes have been assigned the top priority at the Bank.

The main sources of financing are liabilities due to customers, medium and long term credit lines received and capital. Medium and long term credit lines received, including subordinated loans, originate mainly from the BNP Paribas group, the European Bank for Reconstruction and Development and European Investment Bank.

BNP Paribas ensures stable financing in foreign currencies (e.g. CHF, EUR) but also in PLN. The Bank's policy provides for other sources of financing such as debt issue or structured transactions (secutitisation).

Structure of Loan Financing

The Bank finances its PLN loans mainly by means of Customers' funds accumulated as current or term deposits, striving to maintain a stable relationship between these items.
The Bank finances its FC loans mainly by means of funds originating from medium- and long-term loans from the BNP Paribas Group. In particular, it pertains to the portfolio of housing loans denominated in CHF, for which the Bank has acquired a stable level of financing.

As at 31 Dec 2014, the structure of disbursed loans from the group was as follows:

- CHF 285 million – maturity in 2015;
- CHF 230 million – maturity in 2016;
- CHF 225 million – maturity in 2017;
- CHF 80 million – maturity in 2021;
- CHF 140 million – maturity in 2022;
- CHF 80 million – maturity in 2023;
- CHF 90 million – maturity in 2024;
- EUR 136.7 million – maturity in 2015;
- EUR 7.6 million – maturity in 2016;

- EUR 7 million – maturity in 2017;
- EUR 5.1 million – maturity in 2018;
- EUR 2 million – maturity in 2019;
- EUR 4.5 million – maturity in 2020;
- EUR 63 million – maturity in 2022;
- EUR 60.5 million – maturity in 2023;
- EUR 7 million – maturity in 2024;
- PLN 1,366.1 million – maturity in 2015;
- PLN 1.8 million – maturity in 2016;
- PLN 27.8 million – maturity in 2017;
- PLN 20 million – maturity in 2018;
- PLN 20 million – maturity in 2019;
- PLN 10 million – maturity in 2020;
- PLN 5 million – maturity in 2021;
- PLN 30 million – maturity in 2022;
- PLN 97 million – maturity in 2023;

Additionally, as at 31 Dec 2014, the Bank disbursed the following credit facilities from the EBRD and EIB:

- EUR 33.7 million – maturity in 2016;
- EUR 8 million – maturity in 2018;
- EUR 30 million – maturity in 2019;
- PLN 150 million – maturity in 2015;
- PLN 180.9 million – maturity in 2016;
- PLN 95 million – maturity in 2017;
- PLN 7.1 million – maturity in 2018;
- PLN 27.3 million – maturity in 2022;

BNP Paribas Factor Sp. z o. o.

As at 31 Dec 2014, the structure of financing of BNP Paribas Factor Sp. z o.o. was the following:

- PLN 220 million – maturity in January 2015;
- EUR 46.8 million – maturity in January 2015,
- CHF 1 million – maturity in January 2015,
- CHF 630 million – maturity in January 2015,

Credit lines are granted for an indefinite period of time and renewed for a period of two weeks.

The table below presents an analysis of balance sheet items and derivative instruments broken by residual maturity as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

An analysis regarding derivative instruments is presented in Note 26.

Note 31.2

Balance sheet items broken down into residual maturity								
31 Dec 2014 (in PLN thousand)	**Without any maturity determined**	**up to 1 month**	**1 – 3 months**	**3 - 12 months**	**1 - 3 years**	**3 - 5 years**	**> 5 years**	**Total**
Cash and cash equivalents	2,714,529	-	-	-	-	-	-	**2,714,529**
Financial assets held for trading	-	6,814	21,903	25,969	36,836	6,132	41,930	**139,584**
Due from banks	-28	54,480	291	40,735	384	-	-	**95,862**
Loans to customers	259,006	2,891,560	436,221	1,922,542	3,666,377	2,599,283	5,786,655	**17,561,644**
Investments available for sale	20,441	-	-	-	551,154	1,132,846	474,310	**2,178,751**
Other assets	509,309	-	-	-	-	-	-	**509,309**
Long position	**3,503,257**	**2,952,854**	**458,415**	**1,989,246**	**4,254,751**	**3,738,261**	**6,302,895**	**23,199,679**
Financial liabilities held for trading	-	7,585	11,455	26,246	39,361	5,902	44,000	**134,549**
Liabilities due to banks	1	112,250	-	-	-	-	-	**112,251**
Liabilities due to customers	37,915	9,218,121	2,291,783	506,658	366,456	1,066	4,363	**12,426,362**
Loans and credit facilities received	-	568,442	258,872	2,710,694	2,124,679	238,899	1,660,779	**7,562,365**
Subordinated liabilities	-	-	-	-	-	-	468,801	**468,801**
Other liabilities	2,495,351	-	-	-	-	-	-	**2,495,351**
Short position	**2,533,267**	**9,906,398**	**2,562,110**	**3,243,598**	**2,530,496**	**245,867**	**2,177,943**	**23,199,679**
Gap – balance sheet	**969,990**	**-6,953,544**	**-2,103,695**	**-1,254,352**	**1,724,255**	**3,492,394**	**4,124,952**	**-**

Balance sheet items broken down into residual maturity								
31 Dec 2013 (in PLN thousand)	**Without any maturity determined**	**up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 3 years**	**3 - 5 years**	**> 5 years**	**Total**
Cash and cash equivalents	1,290,247	-	-	-	-	-	-	**1,290,247**
Financial assets held for trading	-	5,343	4,450	8,294	26,783	2,765	22,483	**70,118**
Due from banks	77	31,541	5,737	5,000	37,000	-	-	**79,201**
Loans to customers	383,774	2,530,323	477,066	1,846,885	3,306,208	2,397,698	5,658,903	**16,600,857**
Investments available for sale	8,639	699,847	-	72,567	499,043	1,081,222	246,552	**2,607,870**
Other assets	468,963	-	-	-	-	-	-	**468,963**
Long position	**2,151,546**	**3,267,054**	**487,253**	**1,932,746**	**3,869,034**	**3,481,685**	**5,927,938**	**21,117,256**

Financial liabilities held for trading	-	5,304	6,233	8,157	24,940	2,967	22,189	**69,790**
Liabilities due to banks	-	265,342	8,808	52,984	85,390	11,749	-	**424,273**
Liabilities due to customers	36,458	8,890,070	1,270,137	416,251	312,930	1,400	3,568	**10,930,814**
Loans and credit facilities received	-	531,487	819,916	1,202,039	3,001,248	1,100,098	396,132	**7,050,920**
Subordinated liabilities	-	-	-	-	-	-	452,192	**452,192**
Other liabilities	2,189,267	-	-	-	-	-	-	**2,189267**
Short position	**2,225,725**	**9,692,203**	**2,105,094**	**1,679,431**	**3,424,508**	**1,116,241**	**874,081**	**21,117,256**
Gap – balance sheet	**-74,179**	**-6,425,149**	**-1,617,841**	**253,315**	**444,526**	**2,365,471**	**5,053,857**	**-**

Foreign Exchange Risk

The Bank runs business which results in taking FX positions sensitive to market FX rate changes. At the same time, the Bank strives to limit the exposure to FX risk related to offering FX products to customers. The Bank carries out a limited activity on the foreign exchange market in order to generate a financial result on short-term arbitrage positions.

The Bank's exposure to the market foreign exchange risk is mitigated by a system of limits. Pursuant to the Bank's policy, the market FX risk level is managed by the Treasury Department through the management of an intraday foreign currency position and end-of-day foreign currency position. In order to manage its foreign currency position in an efficient and accurate manner, the Bank uses an IT system supplying up-to-date information concerning:

- FX position,
- global FX position,
- Value at Risk (VaR),
- daily profit/loss on the FX position management.

Global FX position and VAR are limited and reported as at the end of day by the Risk Capital Market Department.

To measure the FX risk, the Bank applies the Value at Risk (VaR) method. It is a change in a market value of an asset or a portfolio of assets, with specific market parameters assumed, within a defined time frame and with a set probability. It is assumed that for the purposes of the FX risk, VaR is determined with a 99% confidence level. The calculation of VaR for FX risk takes into account a one-day term of maintaining foreign currency positions. The VaR methodology is subject to a quarterly quality control by comparing the projected values with the values determined on the basis of actual FX rate changes, assuming that the given FX position is maintained (a historical review or the so-called 'back testing'). The comparative period is the last 250 business days. The VaR back-testing carried out in 2014, demonstrated no need to revise the model.

The utilisation of limits for FX risk portfolio was as follows:

Note 31.3.1

1 Jan 2013-31 Dec 2013		Limit utilisation	
	minimum	medium	maximum
VaR	1%	14%	46%
Global FX position	15%	50%	126%

1 Jan 2014-31 Dec 2014	Limit utilisation minimum	medium	maximum
VaR	1%	11%	25%
Global FX position	14%	49%	96%

As at 31 Dec 2014, no FX risk limits were exceeded, and the global FX position managed by the Treasury Department, including FX position of consolidated entities, amounted to PLN 7,868.6 thousand. VaR stood at PLN 69.7 thousand (on the Bank's level, respectively: PLN 8,112.5 thousand and PLN 73.0 thousand).

The table below presents currency structure of assets and liabilities of the Group in PLN equivalents, as at 31 Dec 2014 along with comparative data as at 31 Dec 2013.

Note 31.3.2

FX position components	31 Dec 2014		31 Dec 2013	
(in PLN thousand)	Assets	Liabilities	Assets	Liabilities
USD	111,596	314,159	206,130	297,966
GBP	61,293	29,405	21,864	21,846
CHF	4,034,899	4,034,887	4,013,320	4,014,227
EUR	2,900,002	3,225,369	2,949,690	3,070,441
PLN	16,068,258	15,572,465	13,899,295	13,686,690
Other convertible currencies	23,631	23,394	26,957	26,086
Total	**23,199,679**	**23,199,679**	**21,117,256**	**21,117,256**

Interest rate risk

The Bank carries out operations that result in open interest rate risk positions.
The market interest rate risk is concentrated in two separate portfolios: ALM portfolio and Treasury portfolio managed by the ALM/Treasury Line. The above portfolios were divided considering re-pricing dates of items which they comprise. The ALM portfolio contains items of longer re-pricing terms than the Treasury portfolio.
The Bank, with a significant scale of its trading activity, holds a banking book and a trading book, pursuant to Resolution 76/2010 (as amended) of the Polish Financial Supervision Authority (KNF).
According to the Bank's policy, the interest rate risk is analysed both jointly and separately for each of the said books. The banking book comprises the entire ALM portfolio and some part of the Treasury portfolio which does not belong to the trading book.
An essential part of the ALM portfolio consists of banking book transactions which are not made by the ALM/Treasury Line but result from the activity of business lines offering deposit and credit products to the Bank's customers.
The ALM portfolio also includes transactions that hedge the interest rate risk generated by products offered to the Bank's customers and the securities portfolio maintained.

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

- Value at Risk (VaR), computed with the 99% confidence level for various periods of keeping a position for the banking and trading books;
- interest earnings at risk (EaR) - simulations of future (within the next year) net interest earnings assuming diverse interest rate curve scenarios,
- Periodic Gap (PG) - mismatched re-pricing dates of interest-bearing positions;
- One Year Equivalent (OYE) - a measure of sensitivity of interest-bearing positions to movements in interest rates;

- sensitivity to the parallel shift of the interest rate curve.

These analyses are a core element of the system of limiting the interest rate risk in the Bank. The individual analyses are made for the relevant portfolios on a daily, monthly or quarterly basis, depending on the type of analysis and the portfolio concerned.
Moreover, the Bank carries out analyses of the banking book sensitivity to extreme interest rate changes, using significantly higher interest rate changes than usually observed (stress tests).

Information on interest rate risk

The note below presents interest rate risk measures for the Treasury portfolio (short-term positions) and the banking book that includes positions of consolidated entities (pursuant to KNF Resolution no. 76/2010 as amended) in the years 2014 and 2013:

Note 31.4.1

PLN thousand	Limit utilisation for the Treasury portfolio: VaR		
	31 Dec 2014	31 Dec 2013	Limit
	71.9	120.5	700

31 Dec 2014		Limit utilisation for the Treasury portfolio: One Year Equivalent PLN*	EUR*	USD*	Other**	Total**
Treasury Funding	utilisation	78	-5	-10	0	50
	limit	1,825	125	70	7	1,000
Treasury Trading	utilisation	0	0	0	0	0
	limit	200	5	5	5	100
Treasury Total	utilisation	78	-5	-10	0	50
	limit	2,025	130	75	12	1,100

*in the currency million, ** in EUR million

Limit utilisation for the Treasury portfolio: Periodic Gap								
Treasury Funding								
31 Dec 2014	PLN*		EUR*		USD*		Other**	
	utilisation	limit	utilisation	limit	utilisation	limit	utilisation	limit
0-1 M	-789	3,000	-40	200	-52	200	2	50
1-3 M	146	2,000	-10	200	-50	100	0	15
3-6 M	200	1,000	0	100	0	50	0	5
6-12 M	200	750	0	100	0	50	0	2
12-24 M	0	500	0	0	0	0	0	0
24-36 M	0	150	0	0	0	0	0	0
36-60 M	0	25	0	0	0	0	0	0

Treasury Trading								
31 Dec 2014	PLN*		EUR*		USD*		Other**	
	utilisation	limit	utilisation	limit	utilisation	limit	utilisation	limit
0-1 M	0	200	0	5	0	5	0	5
1-3 M	0	200	0	5	0	5	0	5
3-6 M	0	200	0	5	0	5	0	5
6-12 M	0	200	0	5	0	5	0	5
12-24 M	0	50	0	0	0	0	0	0
>24 M	0	50	0	0	0	0	0	0

Treasury Total								
31 Dec 2014	PLN*		EUR*		USD*		Other**	
	utilisation	limit	utilisation	limit	utilisation	limit	utilisation	limit
0-1 M	-789	3,200	-40	205	-52	205	2	55
1-3 M	146	2,200	-10	205	-50	105	0	20
3-6 M	200	1,200	0	105	0	55	0	10
6-12 M	200	950	0	105	0	55	0	7
12-24 M	0	550	0	0	0	0	0	0
24-36 M	0	200	0	0	0	0	0	0
36-60 M	0	75	0	0	0	0	0	0

*in the currency million, ** in EUR million

PLN thousand	Limit utilisation for the banking book		
	31 Dec 2014	31 Dec 2013	Limit
Position sensitivity to the interest rate curve shift by +100 bps	9,010	41,762	102,000
EaR	6.69%	5.77 %	10%

Consolidated entities conduct no business activity eligible for the trading book.

The utilisation of interest rate limits for the portfolio since the beginning of 2014, and in the comparative period of 2013, was as follows:

Note 31.4.2

1 Jan 2013 - 31 Dec 2013	Limit utilisation		
	minimum	medium	maximum
VaR	4 %	21 %	42 %

1 Jan 2014 – 31 Dec 2014	Limit utilisation		
	minimum	medium	maximum
VaR	1%	13%	46%

As at 31 December 2013, no established limits were exceeded.

Counterparty risk

Counterparty risk is a credit risk related to the counterparty to transactions with the obligation amount varying over time, depending on market parameters. Thus the counterparty risk is related to transactions in instruments whose value can change over time depending on such factors as the level of interest rates or FX rates. A different value of exposure may affect the customer solvency and is fundamental for the customer's ability to meet its obligations at the transaction settlement.
The Bank determines the exposure amount on the basis of the current valuation of contracts and the potential future change in the exposure value, depending on the transaction type, customer type and settlement dates.

As at the end of December 2014, the counterparty risk calculation included the following transactions recognised in the Bank's trading book: FX transactions, interest rate swap transactions, FX options and interest rate options.

Note 31.5

Counterparty risk measures by business lines as at 31 Dec 2014 (in PLN thousand)	Corporate and Transaction Banking, Retail Banking	Interbank transactions	Total
Balance sheet equivalent on account of derivative transactions	155,974.22	150,344.38	306,318.60
Capital charge for derivative transactions (total trade and banking book)	12,335.54	4,933.51	17,269.05

Counterparty credit risk assessment with respect to transactions generating counterparty risk is similar to the assessment performed for lending. It means that in the lending process, the transactions are subject to limits whose value results directly from assessment of creditworthiness of customers, carried out analogously as for the purpose of offering credit products. The assessment also takes into account a specific nature of the transactions and in particular, their changeable value over time or direct dependence on market parameters.

Rules of entering into FX and derivative transactions, likewise granting, using and monitoring credit limits for the transactions subject to limits of the counterparty risk are regulated in dedicated procedures. Under the policy adopted, the Bank enters into any transactions based on individually allocated limits and the knowledge of the customer. The Bank has defined product groups offered to customers depending on their individual knowledge and experience.

Fair value

The Bank calculates the fair value by discounting all contract-related transaction flows using interest rates curves characteristic for each group of transactions. Prepayments are not included in the fair value calculation. In the case of products with no repayment schedule, it is assumed that the fair value is equal to the transaction balance sheet value.

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

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

In order to structure the yield curve for determining fair value of loans, loans are divided into sub-portfolios depending on product type and currency and customer type. For each separated sub-portfolio, a margin is set that takes into account the credit risk. The margin is established on the basis of margins applied to loans of a given type that were granted within the past three months, and if no such loans were granted in this period, then a six-month period is analysed. In the event no new transactions have been concluded for the past six months, the margin for the entire portfolio of the relevant loan type is taken as the basis. In particular, with respect to mortgage loans denominated in foreign currencies, due to the lack of new transactions, the margin for the entire portfolio of the given mortgage loan type shall be the basis for setting a margin that reflects credit risk.

As at the end of 2014, receivables and payables were included into the following measurement levels:

- level two means that the fair value was determined using the measurement techniques based on available verifiable market data, without any discretionary corrections with considerable impact on the measurement result,

- level three means that the fair value was determined using available verifiable market data adjusted by parameters resulting from the Bank's own assumptions based on know-how and perception of behaviour of other market participants.

The table below shows a hierarchy of measurement of receivables and payables to banks and non-bank customers, as at 31 Dec 2014 and comparative data as at 31 Dec 2013.

Note 31.6.1

Fair value table (in PLN thousand)	**31 Dec 2014**		**Level of measurement**	
	Balance sheet value	**Fair value**	**2**	**3**
ASSETS				
Cash and cash equivalents	2,714,529	2,714,555	2,714,555	-
Due from banks	95,862	95,664	95,664	-
Loans to customers	**17,561,644**	**17,512,469**	**-**	**17,512,469**
Loans and receivables due from State-owned entities	24,278	24,676	-	24,676
Mortgage loans	5,486,151	5,306,627	-	5,306,627
Consumer loans and credit facilities	2,425,736	2,516,667	-	2,516,667
Commercial loans and receivables	7,373,178	7,412,212	-	7,412,212
Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date	5,831	5,831	-	5,831
Finance lease receivables	1,839,999	1,839,999	-	1,839,999
Other receivables	406,471	406,457	-	406,457
LIABILITIES				
Due to banks	112,251	112,204	112,204	-
Liabilities due to customers	12,426,362	12,456,752	-	12,456,752
Loans and credit facilities received	7,562,365	7,694,080	7,694,080	-
Subordinated liabilities	468,801	562,872	562,872	-

Fair value table (in PLN thousand)	**31 Dec 2013**		**Level of measurement**	
	Balance sheet value	**Fair value**	**2**	**3**
ASSETS				
Cash and cash equivalents	1,290,247	1,290,254	1,290,254	-
Due from banks	79,201	79,137	79,137	-
Loans to customers	**16,600,857**	**16,078,235**	**-**	**16,078,235**
Loans and receivables due from State-owned entities	37	38	-	38
Mortgage loans	5,603,779	5,030,932	-	5,030,932
Consumer loans and credit facilities	2,154,226	2,200,102	-	2,200,102
Commercial loans and receivables	7,016,672	7,020,776	-	7,020,776
Receivables from financial instruments recognition	-	-	-	-

(FX spot and FX swap transactions) on the transaction date				
Finance lease receivables	1,668,962	1,668,962	-	1,668,962
Other receivables	157,181	157,425	-	157,425
LIABILITIES				
Due to banks	424,273	433,332	433,332	-
Liabilities due to customers	10,930,814	10,914,058	-	10,914,058
Loans and credit facilities received	7,050,920	7,119,413	7,119,413	-
Subordinated liabilities	452,192	506,396	506,396	-

Operational risk

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 understood 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. Internal processes may 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 is the basic risk inherent in the Bank's business activity, which increases proportionally to the complexity of an organisation, systems applied likewise products and services offered. The scope of operational risk also includes legal risk and compliance risk.

- **Operational Risk Management Strategy**

The operational risk management consists in continuous operational risk identification, analysis, monitoring, control, reporting and counteracting processes, including determination of relevant structures, processes, resources and scopes of responsibility for the above processes at various organisational levels of the Bank. A cause-and-effect analysis of an event is the basis for operational risk management.

The Bank's policy in this regard has been determined in the *Operational Risk Management Policy at BNP Paribas Bank Polska SA*, approved by the Board of Executives and accepted by the Bank's Supervisory Board. The Policy covers all areas of the Bank's business operations. It defines the Bank's objectives and methods of their accomplishment with respect to the operational risk management quality and adjustment to legal requirements resulting from recommendations and resolutions issued by local banking supervision authorities, i.e. keeping high operational risk management and assessment standards to guarantee security of customer deposits and capital as well as stability of the Bank's financial result, by applying the operational risk management and assessment system that meets legal requirements consistent with recommendations and resolutions of the local financial supervision, and keeping operational risk within the appetite and tolerance assumed for the operational risk.

Pursuant to the *Policy*, the operational risk management instruments include:

- IT software application to record operational losses along with the rules of their recording, allocation and reporting;
- analysis, monitoring and daily control of operational risk,
- preventing an increased operational risk level occurrence, including risk transfer,
- calculation of a capital requirement for operational risk.

The Bank's Board of Executives periodically verifies implementation of the Bank's operational risk management policy assumptions and, if necessary, orders introduction of adjustments indispensable to improve the system. 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.

- **Internal Environment**

The Bank precisely defines the division of duties regarding the operational risk management, adjusted to the existing organisational structure. The ongoing analysis of the operational risk along with development and improvement of adequate risk control techniques are tasks of the Operational Risk Department. The Real-Estate Contracts and Insurance Group in the Facility Management and Administration Department is responsible for the definition and implementation of the Bank's strategy in terms of Bank insurance as a risk mitigation method. Whereas, the business continuity management is the responsibility of the Information Security and Business Continuity Department.

As a part of legal risk management, the Legal and Organisation Department monitors, identifies, analyses changes in the common law provisions and their impact on agreements, unilateral declarations and other documentation and internal procedures of the Bank as well as pending (and expected) judicial and administrative proceedings that affect the Bank. Ongoing monitoring of the compliance risk along with development and improvement of adequate risk control techniques are the tasks of 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 counteracting, detecting and examining such instances. Its implementation is the responsibility of the Fraud Prevention Department.

- **Risk Identification and Assessment**

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 and also outsourcing.

Pursuant to the operational risk management policy, the operational risk analysis aims at understanding dependence between factors that generate this risk and operational events types, and its most important result is determination of an operational risk profile.

The operational risk profile, which constitutes the assessment of risk severity level, understood as the scale and structure of operational risk exposures, is used to define the level of exposure to operational risk and may be presented in structural dimensions (core process areas) and scale dimensions (residual risk level) selected by the Bank. It is defined during annual operational risk mapping sessions, at which the operational risk is assessed for the main operational risk factors (people, processes, systems and external events) and key areas of the Bank's key process areas. Additionally, as a part of the operational risk mapping, stress testing is carried out in the form of scenario analyses of the operational risk.

Operational losses recording facilitates an effective analysis and monitoring of operational risk. The operational losses recording process is supervised by the Operational Risk Department which verifies quality and completeness of data related to operational losses recorded in a dedicated IT application, available to all the Bank's organisational units.

- **Risk Prevention**

In its preventive actions against an increased operational risk level occurrence the Bank may decide to: reduce the risk (e.g. through a change of the existing processes or/and introduction of new ones), transfer the risk (e.g. through insurance), outsource some actions, avoid the risk (through ceasing a given business activity, withdrawal from a specific market, sale or withdrawal from an investment project) or maintain and accept the increased risk level.

- **Business continuity management**

Ensuring business continuity and ability to make quick decision aiming at business recovery to its usual course in crisis situations are of a decisive significance to the Bank. In order to ensure a comprehensive approach to the business continuity issues, the Bank's Board of Executives set out the *Business Continuity Management Policy at BNP Paribas Bank Polska SA*. It specifies standards for functioning of effective business continuity solutions and it is in line with the guidelines of BNP PARIBAS, likewise international standards and best practices on business continuity management.

The Business Continuity Management includes a Disaster Recovery (DR) that comprises processes, policies and procedures related to restoring operation of a technical infrastructure, critical for the organisation, as well as the issues connected with crisis management at the Bank, described in detail in the *Crisis Management at BNP Paribas Bank Polska SA*.

- **Control and Monitoring**

The Bank periodically verifies functioning of the implemented operational risk management system and its adequacy to the Bank's current risk profile. Reviews of the operational risk management system are carried out within periodic controls by the Audit Department, which does not participate directly in the operational risk management function, however, it provides professional and independent opinion to support the Bank in reaching its objectives. The Supervisory Board oversees the control of the operational risk management system, likewise assesses its adequacy and efficiency.

- **Reporting and Transparency of Operation**

To compute the capital requirement for operational risk, the Bank uses a standardized approach for BNP Paribas Bank Polska SA and a basic indicator approach for the Bank's subsidiaries.

The total gross operational losses recorded by the Bank and subsidiaries in 2014 amounted to approx. PLN 19 million. The structure of operating losses of the Bank (including subsidiaries whose share equal approx. PLN 20 thousand) in 2014, broken down into specific categories of events, is presented in the table below.

The Bank's losses in 2014 *(including subsidiaries).*

Categories of operational events	Share (%)
1. Internal fraud	1.5%
1.1 Unauthorised activities	0.0%
1.2 Theft and fraud	1.5%
2. External fraud	65.6%
2.1 Theft and fraud	63.3%
2.2 Systems security	2.2%
3. Employment Practices and Workplace Safety	0.3%
3.1 Employee relations	0.3%
3.2 Safe work environment	0.0%
3.3 Diversity and discrimination	0.0%
4. Customers, products and business practices	29.4%
4.1 Suitability, Disclosure & Fiduciary	0.0%
4.2 Improper business or market practices	29.1%
4.3 Product flaws	0.1%
4.4 Selection, sponsorship & exposure	0.1%
4.5 Advisory services	0.1%
5. Damage to physical assets	0.5%
5.1 Natural disasters and other events	0.5%
6. Business disruption and system failures	0.0%
6.1 Systems	0.0%
7. Transaction execution, delivery & operating process management	2.7%
7.1 Transaction capture, execution, settlement and maintenance	2.7%
7.2 Monitoring and reporting	0.0%
7.3 Customer intake and documentation	0.0%
7.4 Customer account management	0.0%
7.5 Trade counterparties other than bank customers (e.g. clearing houses)	0.0%
7.6 Vendors and suppliers	0.0%
Total	100.00%

The highest operational losses were noted in the following categories of events:

- External fraud (65.6%) - in this category of operational events 93.2% of the loss amount is attributable to loans obtained by fraud in the Retail Banking area. Including:

  - 58.2% of the loss amount is attributable to the area of small and medium enterprises (a majority of the loss was recovered from the insurance via risk transfer mechanism);

  - the remaining 41.8% of the loss amount is attributable to the individual customer and includes credit facilities with loss of an average value of PLN 20 thousand.

  In the Bank, necessary measures are undertaken to prevent, detect and analyse fraud cases and suspicions, in order to protect the Bank's assets and income as well as the Bank's customers. Implementation of such tasks includes collection and analysis of information on fraud commitment mechanisms and schemes, best practices in the fraud risk management, signals of potential threats and market trends, in order to undertake prevention and/or detection activities at an appropriately early stage. IT tools and databases are maintained to support the process. Whenever required, formal explanatory proceedings are conducted to disclose the fraudster(s) and the fraud mechanism. In this respect, the Fraud Protection Department plays the key role as it supervises and coordinates all operational activities of the Bank's units performed under the fraud risk management.

- Customers, products and business practices (29.4 % of total losses) - the value of losses in this category results from settlement agreements signed by the Bank with customers, which ended court disputes regarding transactions in derivative instruments entered into in the years 2008-2009. A potential exposure of the Bank to operational loss in this respect was mitigated in the years by the implementation of MiFID in the Polish environment and the internal reorganisation of the process by the Bank, taking into account changes with respect to required documentation needed to enter into such transactions. Also, the Bank considerably limited its activity in this area.

The Bank's subsidiaries

Pursuant to the regulatory provisions, the Bank exercises supervision over operational risk associated with the activities of its subsidiaries. The supervision is exercised by means of:

- participation of the Bank in development and modification of rules governing operational risk management in subsidiaries;
- substantive support provided by the Bank as regards methods of operational risk management;
- participation of the Bank's representatives in selected activities concerning operational risk management in subsidiaries;
- verification of compliance of the operational risk management in subsidiaries with the strategy and policy of the Bank and the BNP PARIBAS group.

Within the strategy and policy of operational risk management, the subsidiaries specifically introduce the operational risk management rules and establish organisational units (or individual positions) responsible for the operational risk management, which cooperate to this effect with the Operational Risk Department, which ensures supervision over the operational risk management processes. Furthermore, the Bank's subsidiaries adopted definitions of risks conforming to the definitions in force in the Bank for the purposes of managing operational risk. Pursuant to supervisory regulations, the Bank is obliged to keep a record of operating losses of the subsidiaries based on data provided by these entities.

Compliance risk

The Bank considers its image and confidence, which is systematically built in relationships with its customers, counterparties, shareholders and employees, as one of the primary factors that condition 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. In 2013, the Bank developed and implemented a policy describing an approach and management of the so-called hard-to-measure risks. The compliance risk was identified in the

policy as one of such risks. The document adopted constitutes a formal confirmation of the Bank's existing position assuming that the Bank's intention as concerns the compliance risk management is to ensure security and stability of business activity, especially by excluding or limiting the likelihood of any material irregularities in the Bank's functioning that might bring such negative effects as legal sanctions, financial losses or a reputation loss. A content-related specification of the aforesaid document is to be found in the *Compliance Risk Management Policy by BNP Paribas Bank Polska SA.* 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 above processes are supervised by the Compliance, Operational Risk and Fraud Prevention Line which includes the Compliance Department. *The Compliance Risk Management Policy* indicates key areas where the Bank is exposed to materialisation of such risk. It is predominantly the financial security area, including the implementation of provisions on counteracting money laundering and financing of terrorism, acting in the customer's best interest, broadly understood issues related to ethics in business and performance of duties concerning stock exchange trading. Within the above areas, 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, the Bank implemented internal regulations of an ethical nature, i.e. Code of Conduct of Employees, Regulations on Bank Employees' Personal Transactions or Rules for Managing Conflict of Interests, which are presently applicable. With respect to ensuring compliance, the important regulations are those 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.
Under the compliance risk management, a number of internal controls were implemented based on the Fundamental Monitoring Points methodology applied in the Bank, i.e. operational permanent controls determined and defined on the basis of risk assessment, implemented within the internal control system.

The Bank's subsidiaries

Similarly as the Bank, its subsidiaries attach great importance to the compliance and reputation risks. To ensure control of compliance of the companies' activities and the conduct of their employees with both the binding legal regulations and internal procedures, compliance functions were created in those entities. Employees who perform the functions carry out their tasks based on the internal policy that describes the internal control system, operational risk management and compliance risk management. These tasks and their results are periodically reported to the Bank within the shareholder supervision.

Capital management

Rules applied in the capital adequacy account

Duties related to the capital management and capital adequacy are performed by BNP Paribas Bank Polska SA Group in line with guidelines specified in Directive 2013/36/EU of the European Parliament and the Council (CRD IV), Regulation of the European Parliament and the Council (EU) No. 575/2013 (CRR), the Banking Law Act, KNF resolutions and the regulations implementing these acts.

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

- Pillar 1 – calculation of capital requirements for credit risk, market risk and operational risk,
- Pillar 2 - internal capital assessment process and determination of the optimal level of capital funds consistent with the bank's risk profile,
- Pillar 3 - disclosure of information about the bank's risk profile and capital adequacy level.

Under Pillar 1 (regulatory approach) the scope and detailed rules of determination of capital requirements on account of specific risk types are stipulated in Regulation of the European Parliament and the Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms.

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

The Bank also monitors the level of the exposure concentration.

To determine capital requirement for market risk, the capital requirement for interest rate risk, big exposures exceeding a specific limit within the trading book, capital requirement for FX risk and settlement risk are calculated. The capital requirement for interest rate risk comprises the following: capital requirement for general interest rate risk (calculated for original positions by maturities) and the capital requirement for specific risk of debt instrument prices.

The Bank does not calculate requirements for the price risk of equity securities or the price risk of commodities, as the Bank holds no equity securities or commodities in its trading book.

The capital requirement for operational risk is calculated using a standardised approach.

The Bank observes the minimum level of the leverage ratio.

Under Pillar 2, BNP Paribas Bank Polska SA Group fulfils duties related to the internal capital computation pursuant to Directive 2013/36/EU of the European Parliament and the Council of 26 June 2013 on conditions of an access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and KNF Resolution No. 258/2011 dated 4 October 2011 regarding detailed rules governing risk management system and internal controls and detailed conditions of estimation by banks of internal capital and review of the internal capital estimation and maintenance process, and rules of determination of the policy governing variable components of remuneration paid to bank managers.

For all risks that have been considered material, internal capital estimation methodologies have been developed. They are used by the Bank to make monthly internal assessments of the internal capital needs.

The duties arising under Pillar 3 are regulated in Regulation of the European Parliament and the Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms.

BNP Paribas Bank Polska SA Group fulfils these duties by publishing information, on the Bank's website, on measurement of risks identified in the Bank’s activity, and on own funds required to cover those risks.

Calculation of equity capital used in the capital adequacy ratio computation is governed by Regulation of the European Parliament and the Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms and the Banking Law Act.

Current situation with respect to capital adequacy

The primary capital adequacy principle is to keep own funds at the level not lower than the regulatory capital requirement, and assessment of internal capital needs.

Ensuring an adequate level of capital and maintenance the capital adequacy ratios at a given level is one of the main tasks of managing the Bank's balance sheet.

BNP Paribas Bank Polska SA Group actively manages its capital position. It refers to actions aimed at increasing own funds and ensuring their proper structure and cost effectiveness, likewise to actions leading to limitation of risk generated while conducting its activity.

Note 31.7

Capital adequacy* (in PLN thousand)	31 Dec 2013
Total amount of exposure to risk	**17,588,026**
Capital requirements	
Credit risk	16,031,113
Market risk	14,163
Operational risk	1,542,750
Total capital requirement	**17,588,026**
Total own funds plus short-term capital, including:	**2,174,079**
- Tier 1 (core) capital	1,704,294
- Tier 2 (supplementary) capital	459,557
Capital adequacy ratio	**12.36%**
Tier 1 capital adequacy ratio	9.69%

** Capital adequacy ratio as at the end of 2013 was calculated pursuant to Resolution no. 76/2010 of the Polish Financial Supervision Authority dated 10 March 2010 regarding the specific rules of determination of capital requirements on account of particular risk types (KNF Official Journal No. 2/2010 item 2),*

Note 31.8

Capital adequacy** (in PLN thousand)	31 Dec 2014
Total amount of exposure to risk	**18,653,289**
Capital requirements	
Credit risk	17,235,439
Market risk	21,071
Operational risk	1,396,779
Own funds	**2,403,959**
Common Equity Tier 1 (CET1)	1,935,539
Additional Tier 1 capital	-
Tier 2 capital	468,420
Total capital adequacy ratio	**12.89%**
Tier 1 capital adequacy ratio	10.38%

*** Capital adequacy ratio was calculated as at the end of 2014, pursuant to Regulation of the European Parliament and Council (EU) No. 575/2013 regarding prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012, with the assumed deduction of 100% of the deferred tax asset from own funds and taking into account 80% of losses on the trading book in their computation.*

The total amount of exposure to risk as at the end of 2014 reached PLN 18,653 million and was by 6.1% higher than as at the end of 2013. The growth was attributable primarily to the increase in the loan balance.

The Group's own funds as at the end of December 2014 amounted to PLN 2,404 million and were higher by 10.6% than the funds as at the end of December 2013. The increase in the funds level was achieved owing to the share issue (the own funds increase on account of the share issue amounted to PLN 219 million) and inclusion of the profit of 2013 and H1 2014 into own funds.

As at 31 December 2014, the Group's total capital adequacy ratio stood at 12.89% in comparison to 12.36% as at the end of December 2013 while the Tier 1 ratio was 10.38% and 9.69%, accordingly. As at the end of 2014, values of both ratios exceeded the required minimum.

The Group's capital situation in 2014 remained stable what allowed the Group to continue its business activity and carry out plans in a safe manner.

32. Other Material Information

Information on shareholders holding, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the issuer's general meeting

As at 31 December 2014 and the 2014 annual report publication date, i.e. 06 March 2015, shareholders' structure specifying the shareholders with at least 5% of the total number of votes at the General Meeting 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 SA (indirectly) through*:	28,661,545	85.00%	28,661,545	85.00%
BNP Paribas Fortis SA/NV directly	*28,661,545*	*85.00%*	*28,661,545*	*85.00%*
Others	5,057,920	15.00%	5,057,920	15.00%
Total:	**33,719,465**	**100.00%**	**33,719,465**	**100.00%**

** BNP PARIBAS SA is the parent entity (99.93% shares) of BNP Paribas Fortis Bank SA/NV based in Brussels.*

Changes in the shareholder structure

On 27 May 2014, following registration of the series O shares, issued with pre-emptive rights excluded and subscribed by investors in the public offering, the share of BNP Paribas Group decreased from 99.89% to 85.00% of the total number of votes at the Bank's general meeting, while the free float of shares held by minority shareholders increased to 15.00%.

As a result of a division of the liquidation property of Dominet SA, the former shareholder of the Bank holding directly 5,243,532 shares accounting for 15.55% of the Bank's share capital, which entitled Dominet SA to exercise 5,243,532 votes at the Bank's general meeting - on 25 June 2014 all these 5,243,532 shares were acquired directly by BNP Paribas Fortis, while the share of Dominet SA w likwidacji in the total number of votes in the Bank went down to zero.

Merger Plan of Bank Gospodarki Żywnościowej SA with BNP Paribas Bank Polska SA

The acquisition by the BNP Paribas Group of a 74.39% stake in Bank Gospodarki Żywnościowej SA ("BGŻ") from Rabobank was finalized in September 2014.

On 10 October 2014, the Management Boards of BGŻ and BNP Paribas Bank Polska SA ("BNPP Polska") agreed and announced the Merger Plan of both banks pursuant to Art. 498 and 499 of the Act of 15 September 2000 - the Commercial Companies Code (CCC) *(consolidated text: Journal of Laws of 2013, item 1030, as amended)*.

The Merger will be effected pursuant to Article 492 §1, item 1 of the CCC by way of transferring all property (all assets and liabilities) of BNP Paribas Bank Polska SA (*the Target Bank*) to BGŻ (*the Bidding Bank*), with a concurrent share capital increase in BGŻ from the amount of PLN 56,138,764 to the amount of PLN 84,238,318 by way of the issuance of 28,099,554 shares of BGŻ with the nominal value of PLN 1.00 (the "Merger Shares"), to be delivered by BGŻ to the existing shareholders of BNPP Polska.

Under the *Merger Plan,* the following share exchange ratio was decided upon: in exchange for six (6) shares of the Bank, shareholders will receive five (5) Merger Shares.

The Merger will be effected only after obtaining all required regulatory approvals and permits related to the Merger. The legal merger is scheduled for the first half of 2015.

It is anticipated that the merger of the Bank and BGŻ will bring benefits to both banks, their customers, as well as shareholders (including minority shareholders), and will allow achieving the following objectives: capital position strengthening, liquidity improvement, sales network expansion, competitive position in the market, capturing synergies in the form of reduced operating costs, likewise strengthening and simplifying the management system.

As a result of the Merger, BGŻ will assume all rights and obligations of BNP Paribas Bank Polska SA, and BNP Paribas Bank Polska SA will be wound-up without liquidation proceedings.

All property of BNP Paribas Bank Polska Polska SA (all assets and liabilities) will be transferred to BGŻ on the day of the Merger registration in the register of entrepreneurs of the National Court Register maintained by the competent registration court having jurisdiction over the venue of the BGŻ's registered office. The BGŻ's share capital increase through the issuance of the Merger Shares will be registered on the same day.

The merged Bank will operate under the name *Bank BGŻ BNP Paribas Spółka Akcyjna.*

In November 2014, the Management Boards of BGŻ and BNPP Polska obtained the statutory auditor's opinion confirming that the *Merger Plan* was prepared correctly and accurately.

On 4 December 2014 a request was filed with the Polish Financial Supervision Authority for permission to merge the two institutions pursuant to Art. 124 of the *Banking Law Act.*

32.2 Pending Proceedings before Court, Relevant Arbitration Body or Public Administration Body

In the ordinary course of its business, the Group is involved in various legal proceedings concerning its operating activities. These proceedings mostly include civil, commercial and consumer protection cases. In no case the value in dispute exceeds 10% of the Bank's equity capital.

To the best knowledge of the Bank, as at 31 December 2014, the total value of lawsuits pending before the courts, involving the Group's entities, either as a plaintiff or defendant, was PLN 493.5 million. As at 31 December 2014, the total value of lawsuits, in which entities of the Group appeared as a plaintiff, amounted to PLN 362.1 million (excluding interest), while the total value of lawsuits, in which the entities of the Group appeared as a defendant, was PLN 131.4 million (excluding interest).

As at 31 December 2014, in the aforementioned lawsuits the total value of disputes currently pending before the courts, which involve the Bank as a plaintiff or defendant was PLN 483.1 million (excluding interest). As at 31 December 2014, the total value of lawsuits in which the Bank appears as a plaintiff was PLN 351.7 million (excluding interest), while the total value of lawsuits in which the Bank appears as a defendant was PLN 131.4 million (excluding interest).

As at 31 December 2014, the Bank's provision for legal risk was PLN 3.3 million. In the opinion of the Bank's Board of Executives, the provisions created for the legal risk as at 31 December 2014 were adequate to the risk level.

The largest category of claims are the ones related to currency derivative transactions (including claims concerning currency options) concluded by the Group's customers in 2008 and 2009. Due to the decline of the PLN exchange rate at that time, most of the Group's customers involved in currency derivative instruments and currency options recorded significant losses.

As at 31 December 2014 the nominal value of claims related to transactions in derivative instruments, including currency options, that were filed to a court, totalled PLN 48.9 million (excluding interest), the total of which constitutes the value in dispute of nine cases brought before courts against the Bank. As at 31 December 2014, the highest nominal value claim against the Bank amounted to approx. PLN 24 million. The lawsuit in this case was served on the Bank on 5 June 2014. On 5 August 2014, the Bank submitted a statement of response to the statement of claim, submitting at the same time a counterclaim against the customer for PLN 4.3 million regarding the amounts of the transactions still not settled by the customer. In the Bank's opinion there are very strong arguments to effectively resist the claim. The case is now in the course of the proceedings at first instance. The court referred the case to the mediation proceedings.

As at the end of December 2014, the total amount of provisions created by the Bank for legal risk in court proceedings related to derivative instruments (concerning transactions entered into with customers in the years 2007-2008) was approx. PLN 1.4 million.

In 2013 the proceedings before the Anti-monopoly Court relating to the fine imposed in 2006 by the President of the Office of Competition and Consumer Protection (UOKiK) in connection with anticompetitive practices consisting in joint determination of interchange fee rates on transactions performed using Visa and MasterCard systems in Poland were closed. The Bank is one of 20 Polish banks involved in these proceedings. The fine imposed on the Bank in 2006 by the President of the Office of Competition and Consumer Protection was PLN 2.9 million. Following an appeal filed by the banks in 2008, the Anti-monopoly Court reversed the decision of the President of the Office of Competition and Consumer Protection. In 2010, following an appeal of the President of the Office of Competition and Consumer Protection, the Appellate Court reversed the judgement of the Anti-monopoly Court and remanded the case to the Anti-monopoly Court for a new trial. In case the proceedings result in an unfavourable outcome, the Bank established a provision of PLN 2.9 million. On 21 November 2013, the Anti-monopoly Court (the first instance), upon retrial, substantially decreased the amounts of pecuniary fines imposed on the banks, and in the case of the Bank the amount of the pecuniary fine was determined at the level of PLN 59,748. The banks' appeal against the decision of the President of the Office of Competition and Consumer Protection with respect to the remaining scope was dismissed by the Court. In December 2013 the provision for legal risk was reduced to the amount of the pecuniary fine imposed on the Bank by the court verdict. The decision in the aforementioned case is not final and enforceable.

Completion of the proceedings conducted by the General Inspector of Financial Information

As a result of the proceedings, ended in June 2014, initiated by the General Inspector of Financial Information (GIIF) for non-fulfilment of the obligation to register transactions the equivalent of which exceeds EUR 15,000, discovered during the inspection conducted by the Polish Financial Supervision Authority in August 2012, a financial penalty was imposed on the Bank in the amount of PLN 10,000. The maximum amount of penalty that could be imposed by GIIF for this kind of infringement is PLN 750,000. The Bank has not exercised its right to appeal against the GIIF decision.

32.3 Changes in an economic situation and operating conditions for conducting business that materially affect the fair value of financial assets and liabilities of the entity, irrespective of whether such assets and liabilities are recognised at the fair value or at amortised cost

In the reporting period, there were no changes in the economic situation or conditions for conducting business which would materially affect the fair value of financial assets and liabilities of the entity.

32.4 Failure to repay a credit facility or default on provisions of the credit facility agreement with respect to which no remedial measures were undertaken by the end of the reporting period

In the reporting period, there was no default on the credit facility agreement.

32.5 Changes in the manner of determination of measurement of financial instruments measured at fair value.

In the first half of 2014, the Bank introduced calculation of the Credit Value Adjustment (CVA), which includes derivative transactions recognised in the Bank's trading and banking book (foreign exchange transactions, interest rate swap transactions, currency options and interest rate options).

The CVA reflects the market value of the counterparty credit risk. The CVA is calculated to factor in the situation where insolvency of the counterparty makes it impossible to recover the market value of derivative transactions concluded with the counterparty. At the end of 2014 the Credit Value Adjustment (CVA) amounted to PLN 2,867 thousand.

The Bank determines the adjustment amount based on the exposure, assessment of the counterparty's creditworthiness and estimation of expected recoveries in case the counterparty has become insolvent. The exposure amount is determined on the basis of the current valuation of contracts and the potential future change in the exposure value, depending on the transaction type and settlement date.

32.6 Changes in the classification of financial instruments due to a change of a purpose or utilisation of such assets

In the reporting period, there were no changes in the manner of classification of financial instruments due to a change of the purpose or utilisation of such assets.

32.7 Information on provisions for financial assets, tangible fixed assets, intangible assets or other assets, and reversal of such provisions

As at 31 December 2014 and 31 December 2013, apart from provisions presented in the notes to the balance sheet, the Group did not make any other material provisions.

32.8 Information about material purchase and sale transactions of tangible fixed assets and a material commitment on account of a purchase of tangible fixed assets

In 2014 or 2013, the Group did not make any material sale or purchase of tangible fixed assets. There were no material commitments, either, on account of any purchase of tangible fixed assets.

32.9 Information on provisions for inventories to net realisable value and reversals of such provisions.

In the reporting period, the Group made no provisions for inventories to net realisable value or reversals of such provisions.

32.10 Corrections of prior period errors

In 2014, no corrections were made of prior period errors.

32.11 Other information essential for the assessment of the situation with respect to human resources, property, finances, net profit/loss and changes thereto, likewise the information which is vital for the evaluation of the Bank's ability to fulfil its obligations.

The Annual General Meeting of 7 April 2014

On 07 April 2014, the Bank's Annual General Meeting of Shareholders was held, which adopted resolutions concerning the approval of separate and consolidated financial statements for 2013, the Board of Executives' Report on the business activity in 2013 and the Supervisory Board's Report for 2013, the approval of the discharge of duties of the Bank's authorities for 2013 and distribution of the 2013 profit. The Bank's net profit for the fiscal year 2013 which amounted to nearly PLN 86.3 million, was earmarked in full for the increase of the Bank's own capital funds in the following manner: the profit portion of nearly PLN 79.2 million was allocated to the general risk fund, PLN 7 million to the additional capital, and the remainder to the retained earnings.
The Annual General Meeting of the Bank has decided to increase the share capital by issuing the series "O" shares with pre-emptive rights of the existing shareholders excluded, and to amendment the Bank's Statute accordingly.

Issue of series O shares and changes in the share capital structure

Within the fulfilment of BNP PARIBAS group's commitment to the Polish Financial Supervision Authority ("KNF") to increase the free float of the Bank's shares to at least 15%, the Bank resumed in 2014 the work on the public offering of shares.

On 7 April 2014, the Bank's Annual General Meeting resolved to increase the share capital by the amount not higher than PLN 228.5 million through a new issue of up to 5,026,539 series O shares, with pre-emptive rights of the existing shareholders excluded.

On 11 April 2014, the Bank confirmed its intention to increase the share capital through a public offering of shares, and to increase the free float of the Bank's shares at the Warsaw Stock Exchange.

On 22 April 2014, KNF approved the issue prospectus of the Bank. An underwriting agreement was concluded under the terms and conditions set out in the prospectus, whereas the Bank and BNP Paribas Fortis SA/NV and "Dominet" S.A. w likwidacji made the lock-up commitment.

After disclosing the issue prospectus on 23 April 2014, the Bank initiated the public offering. The offering included up to 5,026,539 shares of new series O shares issue. Under the public offering the Bank issued the maximum number of offered shares i.e. 5,026,539 shares at an issue price of PLN 46 each. The gross proceeds from the share issue were PLN 231.2 million. Under the subscription in the public offering, all the offered shares were allotted, of which 166,093 shares were allotted to retail investors and 4,860,446 shares - to institutional investors.

In addition to the issue of series O shares, on 11 June 2014 the Bank's shares of the previous issues were introduced to public trading on the primary market: 5,243,532 series L shares, 2,108,794 series M shares and 4,569,420 series N shares.

Increase of the share capital

On 27 May 2014, the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register registered the Bank's share capital increase from the amount of PLN 1,304,380,415.96 up to the amount of PLN 1,532,886,878.90, i.e. by PLN 228,506,462.94 as a result of the issue of 5,026,539 ordinary bearer series O shares.

After registration of the capital increase, the Bank's share capital amounts to PLN 1,532,886,878.90 and is divided into 33,719,465 ordinary bearer shares with a nominal value of PLN 45.46 each, which entitle their holders to 33,719,465 votes at the Bank's general meeting of shareholders.

As at 31 December 2014, the Bank Supervisory Board's composition was as follows:

	Name and surname	Function in the Bank's Supervisory Board
1.	Jean-Paul Sabet	Chairman
2.	Jarosław Bauc	Vice Chairman, independent
3.	Filip Dierckx	Vice Chairman
4.	Monika Bednarek	Supervisory Board's member, independent
5.	Jean-Marc Buresi	Supervisory Board's member
6.	Yvan De Cock	Supervisory Board's member
7.	Andrzej Wojtyna	Supervisory Board's member, independent

The Annual General Meeting of the Bank, which was held on 7 April 2014, appointed a new member of the Supervisory Board - Mr. Jean-Marc Buresi, representing the BNP PARIBAS group, CEO of the Personal Finance Inside (France).

Concurrently, on the day of the Annual General Meeting, Mr Jean Deullin and Ms Helene Dubourg resigned from their functions in the Bank's Supervisory Board, effective at the date of the Annual General Meeting. The reason for the resignation was the appointment of Mr Jean Deullin and Ms Helene Dubourg to other positions in the BNP PARIBAS group.

On 26 June 2014 Mr Lars Machenil resigned his membership in the Bank's Supervisory Board as of 30 June 2014. The resignation resulted from the fact Mr Francois Benaroya was employed at the Bank.

As at 31 December 2014, 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	Chief Executive Officer
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.	Adam Parfiniewicz	Member of the Board of Executives	Retail Banking Business Line (RB BL)
8.	Stephane Rodes	Member of the Board of Executives	Corporate and Transaction Banking

In 2014, no changes as regards the composition of the Board of Executives took place.

Results of the Asset Quality Review and Stress Tests of BNP Paribas Bank Polska S.A.

26 October 2014 was the day of disclosure of the results of the Asset Quality Review and stress tests carried out by the Polish Financial Supervision Authority ("KNF") among 15 Polish banks based on assumptions set out by the European Banking Authority ("EBA") in consultation with the European Central Bank ("ECB") for the purpose of the EBA Comprehensive Assessment.

Having analysed results of stress tests and Asset Quality Review separately, it is clear that the Bank does not suffer from any capital shortfall. Nevertheless, having analysed the impact of stress tests and the Asset Quality Review on the Bank's balance sheet, it has been observed that the Bank's adjusted CET1 ratio in the last year examined, i.e. 2016, would decrease to 4.71% and therefore it would fall below the minimum level of 5.5% recommended by the regulators. In May 2014 the Bank acquired a new capital of PLN 228.5 million, which in the KNF's opinion amply covers the theoretical shortfall of funds. Having considered the recapitalisation amount, the adjusted CET1 ratio would rise from 4.71% to 6.04%, according to the KNF calculations, and thus it would exceed the minimum threshold of 5.5%.

Irrespective of satisfactory AQR results, the KNF reported some reservations regarding the Bank, chiefly as regards correctness of identification of evidence of impairment, measurement of collateral accepted and the need to adjust the Bank's internal regulations to e.g. new supervisory regulations. As a consequence of the AQR exercise, KNF issued recommendations to the Bank, including a recommendation that the loan portfolio should be reviewed as at 31 December 2014 and missing provisions should be created. Pursuant to the estimates of BNP Paribas Bank Polska SA, the value of additional provisions as at 31 December 2014 (directly recognized in the profit or loss of BNP Paribas Bank Polska SA for the year ended 31 December 2014) amounted to PLN 28.3 million for BNP Paribas Bank Polska SA, including PLN 14.5 million on account of the LIP parameter adjustment.

The Bank's Management Board is convinced that the current capital situation of the Bank, strengthened by the capital increase in May 2014, is solid and secure, to which testify the results of the asset quality review and stress tests conducted by the KNF.

A Request to Include the H1 2014 net profit into the Common Equity Tier 1 capital

On 6 November 2014, the Bank's Board of Executives filed a request to the Polish Financial Supervision Authority (KNF) for permission to include the after-tax profit earned in the period from 1 January 2014 to 30 June 2014 into the Common Equity Tier 1 capital, to calculate capital ratios.

32.12 Dividends paid (or declared), in total and per one share, broken by ordinary and preference shares

On 07 April 2014, the Annual General meeting resolved to not pay any dividends for 2013.

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

Guarantee credit line agreement of 20 January 2014

On 20 January 2014, the Bank signed a guarantee credit line agreement with not affiliated entities (the Ordering Party and Surety) and annex no. 1 to the guarantee credit line agreement ("the Guarantee Credit Line Agreement").
Under the Guarantee Credit Line Agreement, the Bank made available to the Ordering Party a guarantee limit up to PLN 424.8 million ("the Guarantee Limit") for the period of 67 months from the conclusion date of the Guarantee Credit Line Agreement, and the Guarantee Limit will be systematically reduced whenever the total amount of the guaranteed obligation of the Ordering Party is decreased. The Guarantee Credit Line Agreement provides for granting by the Bank of an irrevocable and unconditional payment guarantee up to PLN 216.7 million ("Guarantee I") (Guarantee I within the limit set was granted on 28 January 2014 up to the amount of PLN 216,7 million), likewise an irrevocable and unconditional payment guarantee up to PLN 424.8 million ("Guarantee II"). If Guarantee II is granted, Guarantee I will automatically expire on the date of the Guarantee II. As of 28 February 2014, the reduced Guarantee Limit amounted to approx. PLN 398.8 million.

Other significant agreements with entities not affiliated with the Bank

Multi-option credit line agreement of 27 February 2014

On 27 February 2014, the Bank concluded an agreement on a multi-option credit line up to the maximum amount of PLN 200 million with customers not affiliated with the Bank.
Under the agreement, the Bank provides customers with an L/C line and grants an uncommitted overdraft facility, likewise a revolving working capital loan. The financing term is 12 months.

Multi-option credit line agreement of 05 March 2014

On 05 March 2014, the Bank concluded an agreement on a multi-option credit line up to the maximum amount of PLN 250 million with customers not affiliated with the Bank.

Under the agreement, the Bank grants to customers an overdraft facility in PLN or EUR, likewise a revolving working capital loan in PLN or EUR. The financing term lasts until 30 March 2016.

Non-revolving loan agreement of 21 May 2014

On 21 May 2014, the Bank concluded an agreement on a non-revolving loan up to the maximum amount of PLN 200 million with a customer not affiliated with the Bank. The financing term lasts until 19 May 2017.

Cooperation agreement of 3 June 2014 with Hyundai Motor Poland sp. z o.o.

On 3 June 2014, the Bank signed a cooperation agreement with Hyundai Motor Poland sp. z o.o. ("HYUNDAI"). The agreement sets out rules of a long-term and exclusive cooperation with respect to provision by the Bank of retail and wholesale financing for the Polish HYUNDAI network consisting of 56 authorised dealers, which comprises 65 points of sale.
The strategic partnership established between HYUNDAI and the Bank is based on the rules of long-term and mutually advantageous cooperation. It aims at creating conditions for a sustainable growth of sales of HYUNDAI vehicles thanks to competitive wholesale and retail financing (with credit and lease facilities).

Cooperation agreement of 3 June 2014 with Kia Motors Polska sp. z o.o.

On 4 June 2014, the Bank signed a cooperation agreement with Kia Motors Polska sp. z o.o. ("KIA"). The agreement sets out rules of a long-term and exclusive cooperation with respect to provision by the Bank of retail and wholesale financing for the Polish KIA network consisting of 63 authorised dealers, which comprises 75 points of sale.

Annex to multi-option credit line agreement of 30 December 2014

On 30 December 2014, the Bank and a customer not affiliated with the Bank signed an annex to the multi-option credit line ("Annex"), which provided for an increase of the credit limit from PLN 230 million up to PLN 280 million. As specified in the Annex, the current credit term shall last until 16 December 2015.
Under the Annex, the Bank grants the Customer an overdraft facility, a guarantee credit line and a letter of credit line.
The funds likewise the guarantee and L/C credit lines provided under the Annex are connected with the Customer's current business activity. Interest rate of the overdraft facility was determined based on a WIBOR rate increased by a margin; guarantee and L/C credit lines are provided to the Customer upon payment of a commission. Terms of financing and issuing guarantees and L/Cs determined in the Annex correspond to market conditions.

Agreements with international institutions

- On 15 February 2014, following the incorporation of the lease business into the Bank (enterprise sale and debt takeover agreement signed by and between Fortis Lease Polska Sp. z o.o. and BNP Paribas Bank Polska SA), the Bank entered into rights and obligations of the loan agreement dated 30 November 2009 signed by European Investment Bank ("EIB") and Fortis Lease Polska Sp. z o.o. As at 15 February 2014, the outstanding debt under the agreement equalled the equivalent of PLN 137.5 million.
- On 23 May 2014, the Bank and EIB signed an annex to the agreement concluded on 16 December 2011. Under the annex, the Bank can provide additional financing to energy efficiency projects (*SME FF EE Window*) under which enterprises can receive a non-refundable grant. The amount of grants that can be provided with the additional funds received, total EUR 720 thousand.
- On 24 June 2014, the Bank concluded a loan agreement with the European Bank for Reconstruction and Development ("EBRD"), under which the Bank would obtain funds from the EBRD earmarked for financing investment projects of small *and medium-sized enterprises within the Sustainable Energy Financing Facility Programme (PolSEFF 2).* Under the agreement, the Bank may receive the total of

up to EUR 50 million in two tranches.

On 2 July 2014, the BNP PARIBAS group issued a guarantee for the performance of the Bank's obligations under the said loan agreement.

On 11 August 2014 a cooperation agreement was concluded under PoLSEFF II Programme by and between the National Fund for Environmental Protection and Water Management (NFOŚiGW) and four banks, including BNP Paribas Bank Polska SA. NGOŚiGW shall cover non-repayable subsidies for partial repayment of the bank loan principal - the budget shall amount to PLN 60 million, out of which almost PLN 19 million shall be granted to BNP Paribas Bank Polska SA for subsidies.

33. Statements of the Bank's Board of Executives

Correctness and reliability of reports presented

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

- The consolidated financial statements of BNP Paribas Bank Polska SA Group for 2014 and the comparative data were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the property and financial situation of the Bank's Group and its net profit in all material aspects.
- The Board of Executives' report on the activity of BNP Paribas Bank Polska SA Group in 2014 contains the true picture of the Bank Group's development and achievements, including a description of basic risks and threats.

Entity authorised to audit financial statements

Deloitte Polska Spółka z ograniczona odpowiedzialnością Spółka komandytowa, based in Warsaw, an entity authorised to audit financial statements, reviewing the financial statements of BNP Paribas Bank Polska SA for the year 2014, has been chosen pursuant to the provisions of law. The above entity and statutory auditors meet the conditions to issue an impartial and independent review report, in accordance with the respective provisions of Polish law.

The remuneration defined in the agreement for the entity authorised to audit financial statements, for the audit and review of the semi-annual and annual financial statements and consolidation packages for the year 2014 amounts to PLN 600 thousand plus VAT. Under the agreements, the remuneration for the above work in the years 2015-2017 will be determined in annexes to the agreements.

34. Events after the Balance Sheet Date

Additional information on the portfolio of loans denominated in CHF

In January 2015, a decision of the Swiss National Bank to discontinue the minimum EUR/CHF rate caused a significant appreciation of the Swiss franc against all the main currencies, including Polish zloty. As at 31 December 2014, the NBP middle exchange rate of PLN/CHF was 3.54 while on the day the Swiss National Bank announced its decision, i.e. on 15 January 2015, the NBP mid-rate as at the end of day was 4.16.

Detailed disclosures were presented in Notes 31.1.19 and 31.1.20 of the "Risk Management" chapter.

Guarantee credit line agreement of 17 February 2015 (after the balance sheet date)

On 17 February 2015 (after the balance sheet date), the Bank concluded an agreement on a multi-option credit line ("the Agreement") up to the maximum amount of PLN 240 million with customers not affiliated with the Bank.

Under the Agreement, the Bank provides the Customers with an L/C line and grants an uncommitted overdraft facility. The financing term is 12 months.

Conclusion of significant agreements with customers not affiliated with the Bank

On 17 February 2015, the Bank concluded an agreement on a multi-option credit line ("the Agreement") up to the maximum amount of PLN 240 million with a customer not affiliated with the Bank.

Under the Agreement, the Bank provides the Customers with an L/C line and grants an uncommitted overdraft facility. The financing term is 12 months.

The funds likewise L/C lines provided under the Agreement are related to the customer's business activity. Interest rate of the overdraft facility was determined based on a WIBOR rate increased by a margin; L/C credit lines are provided to the Customer under the terms and conditions of the Agreement. Terms of financing and issuing L/Cs determined in the Agreement correspond to market conditions.

The Agreement meets the criteria of a significant agreement, because the value of the agreement subject exceeds 10% of the Bank’s equity capital.

Extraordinary General Meeting of BNP Paribas Bank Polska SA

On 25 February 2015, the Extraordinary General Meeting of the Bank adopted Resolution no. 4 on the merger of BNP Paribas Bank Polska S.A. with Bank Gospodarki Żywnościowej S.A. and on a consent to the planned amendments to the Statute of Bank Gospodarki Żywnościowej S.A. The wording of the Resolution was announced to the public by BNPP Polska on 25 February 2015 by means of Current Report no. 9/2015.

Information on initiating a collective dispute with employees

The Board of Executives of BNP Paribas Bank Polska SA (the “Bank”) informed that in the course of negotiations held with the trade unions since 10 February 2015 on planned staff reductions linked to the merger of the Bank with Bank Gospodarki Żywnościowej S.A., no agreement had been reached so far.

On 27 February 2015, two trade unions operating at the Bank formally submitted their demands to the Bank with regards to this matter. The trade unions demand (i) the right to additional severance payments for employees whose employment is to be terminated as part of collective redundancies or if the employer needs to terminate the employment on an individual basis for reasons not attributable to employees, and (ii) restructuring bonuses for all employees.

On 2 March 2015, the Bank informed trade unions operating at the Bank that it was not going to meet their demands as submitted and as a result, pursuant to Article 7 item 1 of the Act of 23 May 1991 on Collective Bargaining (Journal of Laws of 1991, No. 55, item 236, as amended), a collective dispute between the Bank and its employees was initiated (with the effect as of the day the trade unions operating at the Bank submitted their demands towards the Bank).

The Bank's Board of Executives will make every effort to reach an agreement with the trade unions in order to offer a fair compensation for the staff affected by the staff reduction plan.

Agreement with One of Trade Unions Operating at BNP Paribas Bank Polska S.A.

The Board of Executives of BNP Paribas Bank Polska S.A. (the "Bank"), in reference to current report no. 12/2015 of 3 March 2015, hereby informs that on 4 March 2015 the Bank and Bank Gospodarki Żywnościowej S.A. ("BGŻ"), on the one hand, and the Komisja Międzyzakładowa NSZZ „Solidarność" Pracowników Bankowości w Banku Gospodarki Żywnościowej S.A., Związek Zawodowy Pracowników Banku Gospodarki Żywnościowej S.A. i Banków Spółdzielczych (two trade unions operating at BGŻ) and Organizacja Zakładowa NSZZ „Solidarność" No. 3254 at BNP Paribas Bank Polska S.A. (one of the two trade unions operating at the Bank) on the other hand, entered into an agreement defining the method of proceeding on employee issues relating to group lay-offs (the "Agreement"). The parties to the Agreement agreed that group lay-offs would be conducted in the period of 24 months from the day of the planned merger of BGŻ with the Bank and would cover no more than 1,800 employees.

The parties to the Agreement also agreed, among other things, the selection criteria for employees whose employment contracts will be terminated under group lay-offs, terms of employees' participation in voluntary redundancy programs, terms of severance payments and additional compensation payable to employees, as wells as the conditions of relocation (changing workplace) and the conditions of so-called outplacement program.

Furthermore, as a result of entering into the Agreement the collective dispute between the Bank and Organizacja Zakładowa NSZZ "Solidarność" No. 3254 at BNP Paribas Bank Polska S.A., initiated on 27 February 2015, has been resolved. Considering that Organizacja Międzyzakładowa Pracowników Banków No. 001 NSZZ PBiU "Dialog 2005" (the second trade union operating at the Bank) is not a party to the Agreement, the collective dispute between the Bank and this trade union, initiated on 27 February 2015, has not been resolved.

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

4 March 2015	Frédéric Amoudru President of the Board of Executives	.... signature
4 March 2015	Jan Bujak Senior Vice President of the Board of Executives Chief Financial Officer	.... signature
4 March 2015	Jaromir Pelczarski Vice President of the Board of Executives	.... signature
4 March 2015	Michel Thebault Vice President of the Board of Executives	.... signature
4 March 2015	Wojciech Kembłowski Member of the Board of Executives	.... signature
4 March 2015	Marta Oracz Member of the Board of Executives	.... signature
4 March 2015	Adam Parfiniewicz Member of the Board of Executives	.... signature
4 March 2015	Stephane Rodes Member of the Board of Executives	.... signature