BNP PARIBAS | Bank zmieniającego się świata

Annual Consolidated Financial Statements of BNP Paribas Bank Polska SA Group for 2013

BNP Paribas Bank Polska SA with its registered office at ul. Suwak 3, registered with the District Court for the capital city of Warsaw, XIII Commercial Division, under no. KRS 6421, VAT PL: 6760078301, holding paid-up share capital of PLN 1,304,380,415.96 | www.bnpparibas.pl

Table of Contents

Table of Contents 2
1. Financial Highlights 3
2. Consolidated Financial Statements of BNP Paribas Bank Polska SA Group 5
3. Information on BNP Paribas Bank Polska SA Group 10
4. Accounting Policies 13
5. Comparability with Previously Published Reports 29
6. Segment Reporting 31
7. Additional Notes to Consolidated Income Statement 35
8. Cash and Cash Equivalents 42
9. Financial Assets and Liabilities Held for Trading 43
10. Receivables 47
11. Investments 49
12. Property, Plant and Equipment 52
13. Intangible assets 55
14. Non-current Assets Held for Sale 56
15. Deferred Tax Assets and Liabilities 57
16. Other Assets 60
17. Liabilities 61
18. Subordinated Liabilities 62
19. Other Liabilities 63
20. Provisions 64
21. Equity capital 65
22. Hedge Accounting 68
23. Lease Facilities 70
24. Additional Notes to Cash Flow Statement 73
25. Assets that Secure Own Commitments 75
26. Derivative Financial Instruments 76
27. Contingent Liabilities - Off-balance Sheet Commitments 78
28. Information on Related Party Transactions 80
29. Transactions with the Board of Executives, Supervisory Board, Managers and Employees 83
30. Employee benefits 86
31. Risk Management 88
32. Other Material Information 115
33. Statements of the Bank's Board of Executives 121
34. Events after the Balance Sheet Date 122

1. Financial Highlights

CONSOLIDATED FINANCIAL HIGHLIGHTS	in PLN thousand		in EUR thousand	
Income Statement	**31 Dec 2013 (YTD)**	**31 Dec 2012 (YTD)**	**31 Dec 2013 (YTD)**	**30 Dec 2012 (YTD)**
Net interest income	537,585	544,776	127,662	130,529
Net fee and commission income	149,671	145,851	35,543	34,946
Net banking income	823,313	816,535	195,515	195,643
General expenses (including depreciation)	-569,398	-607,242	-135,217	-145,496
Cost of risk and net result on provisions	-116,332	-153,649	-27,626	-36,814
Profit/loss before taxation	137,531	53,565	32,660	12,834
Profit/loss after taxation	102,283	30,841	24,289	7,390
Ratios				
Weighted average number of shares	28,692,926	26,508,094	-	-
Basic earnings/loss per share (PLN/EUR)	3.56	1.16	0.85	0.28
Diluted earnings/loss per share (PLN/EUR)	3.56	1.16	0.85	0.28
Cash Flow Statement				
Net cash provided by operating activities	1,036,049	713,478	246,034	170,950
Net cash provided by investing activities	-906,898	1,832,615	-215,364	439,097
Net cash provided by (used in) financing activities	-819,974	-1,681,939	-194,722	-402,995
Total gross cash flow	-690,823	864,154	-164,052	207,052
Balance Sheet	**Balance as at 31 Dec 2013**	**Balance as at 31 Dec 2012**	**Balance as at 31 Dec 2013**	**Balance as at 31 Dec 2012**
Total assets	21,117,256	20,830,812	5,091,931	5,095,351
Loans to customers	16,582,614	16,159,656	3,998,508	3,952,756
Liabilities due to banks	424,273	382,360	102,303	93,528
Liabilities due to customers	10,894,299	10,064,950	2,626,905	2,461,951
Loans and credit facilities received	7,050,920	7,589,756	1,700,164	1,856,503
Equity capital	1,804,841	1,730,945	435,195	423,400
Ratios				
Number of shares	28,692,926	28,692,926	-	-
Book value per share (PLN/EUR)	62.90	60.33	15.17	14.76
Diluted book value per share (PLN/EUR)	62.90	60.33	15.17	14.76
Capital adequacy				
Capital adequacy ratio	12.36 %	13.80%	-	-
Tier 1 (core) capital	1,704,294	1,638,085	410,951	400,686
Tier 2 (supplementary) capital	459,557	725,388	110,811	177,435
Tier 3 (short term) capital	10,228	11,102	2,466	2,716

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for 2013 and the corresponding financial figures for 2012 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 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; comparative financial data as at the end of 2012 have been converted into EUR at the mid-rate binding as at 31 December 2012, published by the National Bank of Poland on 31 December 2012, i.e. EUR 1 = PLN 4.0882;
- particular items in the income statement and cash flow statement, and earnings per share 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, whereas comparative data as at the end of 2012 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 2012, i.e. EUR 1 = PLN 4.1736.

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

Comparative data of the Group for the period from 1 January 2012 through 31 December 2012 include relevant items of BNP Paribas Factor Sp. z o.o. from the company acquisition date, i.e. 2 April 2012.

Consolidated Income Statement (in PLN thousand)	Notes	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Interest income	7.1	890,090	1,018,956
Interest expense	7.2	-352,505	-474,180
Net interest income		**537,585**	**544,776**
Fee and commission income	7.3	198,193	185,844
Fee and commission expense	7.4	-48,522	-39,993
Net fee and commission income		**149,671**	**145,851**
Net trading income	7.5	102,313	109,244
Net profit/loss on hedging transactions		-2,805	-3,291
Net profit/loss on the hedged item		2,805	3,291
Net profit/loss on available-for-sale financial assets	7.6	25,441	17,022
Dividends		14	18
Other income	7.7	29,776	22,214
Other operating expenses	7.8	-21,487	-22,590
Net banking income		**823,313**	**816,535**
General expenses		**-524,399**	**-548,058**
Personnel expenses	7.9	-278,658	-292,209
Other general expenses	7.10	-245,741	-255,849
Depreciation	7.11	**-44,999**	**-59,184**
Gross operating profit/loss		**253,915**	**209,293**
Cost of risk	7.12	-94,563	-152,608
Net result on provisions	7.13	-21,769	-1,041
Cost of risk and net result on provisions		**-116,332**	**-153,649**
Net operating profit/loss		**137,583**	**55,644**
Net profit/loss from disposal of assets, shares and interest		-52	-2,079
Profit/loss before taxation		**137,531**	**53,565**
Income tax	7.14.1	-35,248	-22,724
Profit/loss after taxation		**102,283**	**30,841**
Consolidated Earnings Per Share	7.15		
Profit/loss after taxation (in PLN thousand)		102,283	30,841
Weighted average number of ordinary shares		28,692,926	26,508,094
EPS ratio (in PLN)		**3.56**	**1.16**
Weighted average diluted number of ordinary shares		28,692,926	26,508,094
Diluted earnings per ordinary share ratio (in PLN)		**3.56**	**1.16**

Consolidated report of total income (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Net profit/loss for the year	**102,283**	**30,841**
Profits/losses not recognised in the income statement (investments available for sale)	-35,258	45,055
Deferred tax - profits/losses not recognised in the income statement (investments available for sale)	6,699	-8,561
Profits/losses not recognised in the income statement (investments available for sale) - net	**-28,559**	**36,494**
Actuarial profits/losses not recognised in the income statement	246	**-**
Deferred tax - Actuarial profits/losses not recognised in the income statement	-46	**-**
Actuarial profits/losses not recognised in the income statement - net	**200**	**-**
Total consolidated income	**73,924**	**67,335**

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

Consolidated balance sheet (in PLN thousand)	Notes	31 Dec 2013	31 Dec 2012
Cash and cash equivalents	8	1,290,247	1,980,588
Financial assets held for trading	9.1	70,118	145,838
Due from banks	10.1	79,201	208,045
Loans to customers	10.2	16,582,614	16,159,656
Hedging instruments		8,503	11,179
Investments available for sale	11	2,607,870	1,825,430
Property, plant and equipment	12	125,728	123,598
Intangible assets	13	37,044	29,909
Non-current assets held for sale	14	18,243	32,100
Settlements on account of income tax		19,841	4,423
Deferred tax assets	15	196,830	233,373
Other assets	16	81,017	76,673
Total assets		**21,117,256**	**20,830,812**
Financial liabilities held for trading	9.2	69,790	86,718
Liabilities due to banks	17.1	424,273	382,360
Liabilities due to customers	17.2	10,894,299	10,064,950
Loans and credit facilities received	17.3	7,050,920	7,589,756
Differences from the fair value hedge against interest rate risk falling on hedged items		6,097	8,800
Subordinated liabilities	18	452,192	694,251
Income tax liabilities		128	-
Deferred tax liabilities	15	808	7,416
Other liabilities	19	353,378	225,949
Provisions	20	60,530	39,667
Total liabilities		**19,312,415**	**19,099,867**
Share capital		1,304,380	1,434,646
Additional capital		172,921	172,401
Other capital	21.4	183,480	26,269
Revaluation reserve	21.5	3,751	32,110
Consolidation adjustment		-	833
Retained earnings		38,026	33,845
Net profit/loss for the year		102,283	30,841
Total equity capital		**1,804,841**	**1,730,945**
Total liabilities and equity		**21,117,256**	**20,830,812**

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 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**

Consolidated Statement of Changes in Shareholders' Equity in 2012 (in PLN thousand)

	Share capital	Additional capital	Transfer from BNP Paribas SA Branch	Retained earnings	Net profit/loss for the year	Other capital	Revaluation reserve	Consolidation adjustment	Total capital
Balance as at 1 Jan 2012	**1,206,175**	**127,099**	**15,161**	**40,147**	**-**	**6,919**	**-4,384**	**12,805**	**1,403,922**
Consolidation adjustment	-	-	-	12,805	-	-	-	-11,972	833
Total income in 2012	-	-	-	-	30,841	-	36,494	-	67,335
Share issue	228,471	31,529	-	-	-	-	-	-	260,000
Transfer of a positive difference into the additional capital	-	15,161	-15,161*	-	-	-	-	-	-
Distribution of retained earnings	-	-243	-	-19,107	-	19,350	-	-	-
Other	-	-1,145	-	-	-	-	-	-	-1,145
Balance as at 31 Dec 2012	**1,434,646**	**172,401**	**-**	**33,845**	**30,841**	**26,269**	**32,110**	**833**	**1,730,945**

*In 2012, the Annual General Meeting decided to transfer a positive difference, in the amount of PLN 15,161 thousand, arising from the tax settlement of the acquisition by BNP Paribas Bank Polska SA of an organised part of BNP Paribas SA Branch in Poland into the additional capital. The tax settlement of the transaction of a purchase of an organised part of the enterprise took place in March 2011, and then the asset on this account was recognised as well.
** The amount of PLN 28 thousand refers to a change in the presentation of actuarial profits/losses that results from IAS19.

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

Consolidated Cash Flow Statement (in PLN thousand)		1 Jan 2013- 31 Dec 2013	1 Jan 2012- 31 Dec 2012
Cash and cash equivalents, gross Opening balance		**1,981,688**	**1,117,534**
OPERATING ACTIVITY			
Profit/loss before taxation		137,531	53,565
Adjustments for:		**898,518**	**659,913**
Depreciation		44,999	59,184
Change of reserves and provisions	Note 24.1	-105,465	-150,766
Profits/losses on account of FX rate differences		10,410	-71,985
Profits/losses on investing activities		17,275	8,928
Changes in operational assets and liabilities:		945,239	847,148
- financial assets and liabilities held for trading		58,792	-9,393
- due from banks, gross		128,841	151,204
- loans to customers, gross		-309,433	732,361
- change in the balance of available-for-sale investments, gross		33,785	9,817
- due to banks		41,915	-668,179
- due to customers		829,349	1,204,527
- change in the balance of assets and liabilities on account of applying fair value hedge accounting		-27	2,248
- liabilities due on account of credit facilities and loans received		23,218	-410,076
- liabilities due on account of a subordinated loan		5,429	-37,346
- other assets and liabilities	Note 24.4	133,370	-128,015
Tax paid		-13,942	-32,591
Other adjustments		2	-6
Net operating cash flows		**1,036,049**	**713,478**
INVESTING ACTIVITIES			
Acquisition of shares and investments in subsidiaries		-	-7,653
Cash held by the acquired unit		-	8,591
Purchase of available-for-sale investments		-33,614,769	-23,259,420
Purchase of property, plant and equipment and intangible fixed assets		-56,453	-42,314
Proceeds from AFS divestment		32,771,626	25,131,999
Proceeds from sales of property, plant and equipment		4,910	1,936
Other investment expenses	Note 24.2	-12,212	-524
Net cash provided by investing activities		**-906,898**	**1,832,615**
FINANCING ACTIVITIES			
Subordinated loans drawdown		-	446,586
Subordinated loans repayment		-267,092	-320,647
Drawdown of loans and credit facilities received		2,831,986	3,907,953
Repayment of loans and credit facilities received		-3,404,472	-5,987,718
Share issue		-	260,000
Other financial gains	Note 24.3	19,604	13,029
Other financial expenses	Note 24.3	-	-1,142
Net cash provided by (used in) financing activities		**-819,974**	**-1,681,939**
Cash and cash equivalents, gross Ending balance		**1,290,864**	**1,981,688**
Change in gross cash and cash equivalents		**-690,823**	**864,154**

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

BNP Paribas Bank Polska Spółka Akcyjna ("the Bank") with its registered office in Warsaw, at ul. Suwak 3, is entered in the National Court Register (KRS) maintained by the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register under No. KRS 0000006421.
The Bank was assigned statistical number (REGON): 003915970, and tax identification number (NIP): 676-007-83-01.
The Bank is a company with an indefinite period of operation, and its business has no seasonal or periodical nature.

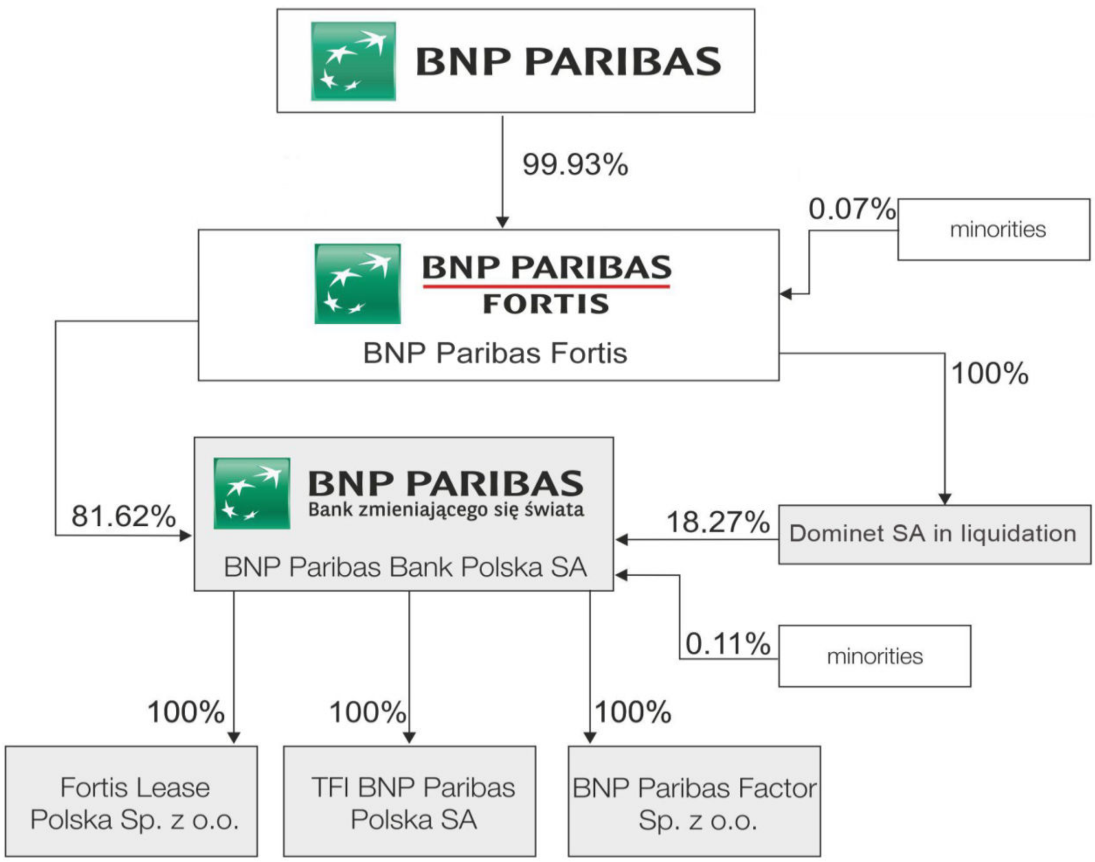
The consolidated financial statements of BNP Paribas Bank Polska SA Group for 2013 contain the data of the Bank and its subsidiaries: Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A., Fortis Lease Polska Sp. z o.o. and BNP Paribas Factor Sp. z o.o. (jointly referred to as "the Group").

Structure of the Group

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

As at 31 December 2013, the direct parent entity of BNP Paribas Bank Polska SA was BNP Paribas Fortis based in Brussels, which held 99.89% of the Bank's shares, of which 81.62% directly, while 18.27% through Dominet SA in liquidation. The remaining 0.11% shares are held by other shareholders.

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



As at 31 December 2013, the BNP Paribas Bank Polska SA Group included:

- BNP Paribas Bank Polska SA (hereinafter: ("the Bank"),
- Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (investment fund company) (hereinafter: "TFI BNP") - the Bank's subsidiary in which it holds 100% shares;
- Fortis Lease Polska Sp. z o.o. (hereinafter: "FLP") - the Bank's subsidiary in which it holds 100% shares;
- 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 with its registered office in Warsaw, at Pl. Marszałka Józefa Piłsudskiego no. 2, 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. with its registered office in Warsaw, ul. Suwak 3, is entered in the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register (KRS) under KRS Entry No. 0000098813. The company was assigned statistical number (REGON): 016425425, and tax identification number (NIP): 521-31-10-063.

BNP Paribas Factor Sp. z o. o. with its registered office in Warsaw at ul. Cybernetyki 19B, is registered with the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register (KRS) under No. KSR 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 of Shareholders	
				31 Dec 2013	31 Dec 2012
Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA	subsidiary	full consolidation	Warsaw	100%	100%
Fortis Lease Polska Sp. z o.o.	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 activities.
The Bank's business activity consists, in particular, of the following:

- accepting deposits due on demand and/or at fixed date and maintaining bank accounts for such deposits,
- maintaining other bank accounts,
- granting credits and loans, including consumer credits and loans,
- carrying out bank pecuniary settlements, including payment card settlements, likewise payment card issuance,
- issuing and confirming bank guarantees, granting sureties, likewise opening and confirming L/Cs,
- issuing securities, including convertible bonds and banking securities, likewise carrying out commissioned tasks, and assuming obligations related to the issuance of securities,
- participating in trading in financial instruments, including maintaining securities custody accounts,
- conducting operations on money and FX markets including forward and derivative instrument transactions,
- conducting check and bill-of-exchange operations and warrant transactions,

- purchasing and selling cash debts,
- purchasing and selling foreign currencies,
- safekeeping valuables and securities, likewise rendering safe-deposit boxes available,
- providing the following financial services:
  - consulting services on financial issues,
  - custody services,
  - leasing services,
  - brokerage services,
- conducting customer acquisition activity for open pension funds and safekeeping pension funds' assets,
- providing agency services related to the distribution of participation units, investment certificates or participation titles to investment funds, likewise agency services related to their sale and redemption, or safekeeping of investment funds' assets,
- providing agency services related to property insurance,
- insurance brokerage services in the scope of personal insurance, including life insurance,
- rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by the Bank with regard to actions to which it is a party,
- acting as an agent in making money transfers and FX settlements,
- issuance of electronic money instrument.

In addition to the above, the Group runs the following business through its subsidiaries:

- establishment of investment funds and their management;
- intermediation in distribution and redemption of participation units in investment funds and participation titles to foreign investment funds;
- management of portfolios that consist of one or more financial instruments;
- offering lease of fixed assets, including real property, means of transport, building machinery and specialised equipment for industry.
- providing factoring services, both non-recourse and recourse factoring.

4. Accounting Policies

4.1. Basis of Presentation

4.1.1. Statement on consistency with the IFRS

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

This financial report was approved for publishing by the Bank's Board of Executives on 11 March 2014.

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

The following standards (interpretations) issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) were not in force yet as at 31 December 2013:
- IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2015; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;
- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Liabilities, effective for annual periods beginning on or after 1 January 2014; the amendments have been approved by the European Commission;
- Amendments to IAS 36 Impairment of Assets, effective for annual periods beginning on or after 1 January 2014; the amendments have not been approved by the European Commission;
- Interpretation IFRIC 21 Levies; it applies to annual periods starting on or after 1 January 2014.

Other standards and interpretations that have not become effective yet and have not been mentioned in this financial statement, are not material from the Bank's standpoint. The Bank now analyses in detail the effect of new standards on the financial statement. The Bank does not intend to apply any of such standards before they become mandatory laws.

4.2. Basic Assumptions

The annual consolidated financial statements of the Group for the year ended 31 December 2013 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., Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. and BNP Paribas Factor Sp. z o.o for the period from 1 January 2013 through 31 December 2013 and as at 31 December 2013, likewise consolidated comparative data for the period from 1 January 2012 through 31 December 2012 and as at 31 December 2012, while as regards BNP Paribas Factor Sp. z o.o., its financial result is presented since the date of shares acquisition by the Bank in this subsidiary, i.e. from 2 April 2012 through 31 December 2012 and as at 31 December 2012.

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 rights of an enterprise, and if:
- 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. Such 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 the 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 2013, the full consolidation is applied to the following subsidiaries: Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA, Fortis Lease Polska Sp. z o. o. 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. The most crucial areas for which the Group makes estimates are presented below.

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 Impairment losses on financial assets

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

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[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."

4.5.3 Impairment losses of non-financial assets

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

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 currency transactions, deposits and placements likewise to purchases and sales of securities, where it is customary that two business days elapse between the trade date and settlement date, exclusive of repurchase agreements.
The Group derecognises a financial asset in 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.

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:

- 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 profit or loss.

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

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

The 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 credit facilities and cash loans received.

4.7.4 Fair value of financial instruments

Fair value of balance sheet and off-balance sheet financial instruments is the price for which a given asset could be exchanged or a liability settled through an arm's length transaction between the willing and well-informed parties.
The fair value of financial instruments is determined based on quoted prices in active markets. When quoted prices in active markets are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions accepted, including discount rates and estimates of future cash flows.
Valuation techniques include:

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

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

- Fair values for securities are determined using market prices from active markets. If quoted prices are not available in 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, accordingly, 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 values are recognized as 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 other than quoted prices classified into level 1, which are observable for an asset or liability either directly (i.e. as prices) or indirectly (i.e. based on prices),
- Level 3 – input data for the measurement of an asset or liability which are not based on market observables.

In the measurement of financial instruments, the 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 under the rules applicable to 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 'liabilities due from banks' or 'loans to customers' depending on the type of counterparty. The difference between the sale and repurchase price is considered as interest, which accrues over the life of the agreement using the effective interest rate 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:

<u>IRS Contracts</u>
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.

<u>FX Forward Contracts</u>
The purpose of FX Forward contracts is to hedge against FX rate risk and to maintain liquidity, likewise to obtain gains as a result of short-term price changes.
FX Forward contracts are measured to fair value using the discounted cash flow method. The fair value is established by comparing present cash flows translated into PLN equivalents. The measurement result is recognised in the net profit/loss on transactions in financial instruments held for trading.

<u>FX Swap Contracts</u>
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. 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.

<u>Interest Rate Options</u>
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 that 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.

<u>FX Options</u>
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 that 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

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.

Futures contracts

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 financial instruments held for trading.

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.

As at 31 December 2013, the Group did not separate embedded derivatives.

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 applied to the hedging instrument, thanks to which any fair value changes of the hedged item on account of credit risk that is inherent to the hedging instrument, will be excluded from the risk hedged.

The hedging instruments are basic interest rate swap transactions made at the market rate, binding at a given moment, with a counterparty that is external from the 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 are objective indicators of such 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 is any objective evidence of impairment of a financial asset (or group of financial assets) or not.
When objective indicators of impairment of loans and receivables are 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) and recognises it in the income statement, likewise reduces loans and receivables using the provision account.
Impairment provisions are determined using an individual method (individual analysis of future cash flows) for receivables due from business entities whose total exposure exceeds (for one customer) the equivalent of EUR 240 thousand, and for receivables of individual customers whose exposure exceeds PLN 4 million, likewise for receivables of the Affluent Banking segment customers. For the remaining receivables, 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 indicator, in relation to a group of loans and receivables, that a portion of the loan portfolio is affected by impairment despite that there are no objective indicators 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 into 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.

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

The items '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 and meet the definition of loans and receivables, may also be 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 impairment provisions. 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, which is 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 booked 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.	Cooperative ownership right to premises	40
3.	Leasehold improvements	10
4.	General Technical Installations (GTI) in own office buildings	20
5.	Computer sets/ laptops (micro computers)	4
6.	Mini computers (servers in branches)	3
7.	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	8

	systems).	
8.	Central IT equipment (servers, memory modules, processors, printers, photocopiers, discs, scanners, switches, routers, matrices, server cabinets, patch cabinets, etc.)	5
9.	Fixed-line telephones	10
10.	Mobile phones	3
11.	Conference rooms equipment (projectors, audio-visual equipment)	5
12.	Cash and vault equipment	5
13.	ATMs	5
14.	Cheque processing device	5
15.	Cash registers, strongboxes and safes	5
16.	Vehicles	5
17.	Office furniture	5
18.	Other devices and equipment	5
19.	Operating software	5
20	System software	3 or 5
21.	Development work costs	3 or 5
22.	Trademarks	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 in the balance sheet at acquisition cost less any amortisation and 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 Long-term employee benefits

Employee entitlements to a 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 work 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 as to 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) present obligations, which arise as a result of past events, however they are not recognised in the balance sheet because it is unlikely that an outflow of economic benefits will be necessary to perform the obligations 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 financial and guarantee master agreements concluded – in the amount unutilised by the customer;
- 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.

4.23.2 Equity capital items

Share capital

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

Additional capital

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

Other capital

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

Revaluation reserve

Revaluation reserve includes differences from the measurement of available-for-sale financial assets decreased by the related deferred tax deductions. The revaluation reserve 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.

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 or 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.
With regard to financial assets for which impairment provisions have been established, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of estimating the write-down for impairment.

4.26 Fees and Transaction Costs

Fees related to granting a loan or changing its material conditions, constitute an integral part of the effective interest rate of a financial instrument. 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, but it does not apply to financial assets and liabilities measured at fair value through profit or loss. Transaction costs are the costs directly attributable to the acquisition or disposal of a financial asset or liability. They include fees and commissions paid to intermediaries, advisers, brokers, and dealers levied by regulatory agencies and securities exchanges, and transaction taxes and duties. Such costs are deferred and recognised as an adjustment to the effective interest rate of financial instruments.

4.27 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 profit and loss account 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 2012 annual report as at 31 December 2012 to ensure data comparability.

Consolidated balance sheet as at 31 December 2012

Item	Before the adjustment	Adjustment	After the adjustment	Change description	
				Amount	Description
Loans to customers	16,159,687	-31	16,159,656	-31	Change in the presentation of settlements with counterparties to Other assets
Other assets	76,642	31	76,673	31	
Other liabilities	226,475	-526	225,949	-526	Change in the presentation of provisions for employee benefits
Provisions	39,141	526	39,667	526	
Liabilities due from banks	382,358	2	382,360	2	Change in the presentation of interest
Loans and credit facilities received	7,589,758	-2	7,589,756	-2	

Consolidated Income Statement for the period from 1 Jan 2012 to 30 Dec 2012

Item	Before the adjustment	Adjustment	After the adjustment	Change description	
				Amount	Description
Net profit/loss from disposal of assets, shares and interest	-2,733	654	-2,079	12	Change in the presentation of income on disposal of assets by a subsidiary
				642	Change in the presentation of provisions for impairment of other fixed assets
Depreciation	-58,542	-642	-59,184	-642	
Other income	22,226	12	22,214	12	Change in the presentation of income on disposal of assets by a subsidiary
Other general expenses	-252,624	-3,225	-255,849	-3,566	Change in the presentation of debt recovery costs
				341	Separation of a new item, "Net result on provisions," where provisions for legal risk are recognised, from "Other expenses"
Cost of risk	-156,095	3,487	-152,608	3,566	Change in the presentation of debt recovery costs
				-79	Change in the presentation of cost of risk by a subsidiary
Net result on provisions	-	-1,041	-1,041	-700	Separation of a new item, "Net result on provisions," where provisions for legal risk are recognised, from "Other operating expenses"
				-341	Separation of a new item, "Net result on provisions," where provisions for legal risk are recognised, from "Other expenses"
Other operating expenses	-23,369	779	-22,590	79	Change in the presentation of cost of risk by a subsidiary
				700	Change in the presentation of provision for legal risk

Consolidated Cash Flow Statement for the period from 1 Jan 2012 to 30 Dec 2012					
Item	**Before the adjustment**	**Adjustment**	**After the adjustment**	**Change description**	
				Amount	**Description**
Operating activity					
Change of reserves and provisions	-149,784	-982	-150,766	-1,004	Change in the presentation of a provision by a subsidiary
				-642	Change in the presentation of provisions for impairment of other fixed assets
				526	Change in the presentation of provisions for employee benefits
				138	Change in the presentation of write-downs by a subsidiary
Depreciation	58,542	642	59,184	642	Change in the presentation of provisions for impairment of other fixed assets
Loans to customers, gross	732,933	-572	732,361	31	Change in the balance of settlements with counterparties
				-465	Change in the presentation of interest by a subsidiary
				-138	Change in the presentation of write-downs by a subsidiary

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).

- 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 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)	131,658	66,385	150	**198,193**
Fee and commission expense (external)	-45,245	-3,056	-221	**-48,522**
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 income	15,804	13,972	-	**29,776**
Other operating expenses	-15,704	-5,783	-	**-21,487**
Net banking income	**411,087**	**284,667**	**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	**-51,376**	**189,750**	**115,541**	**253,915**
Cost of risk	-132,448	37,394	491	**-94,563**
Net result on provisions	-8,517	-13,251	-1	**-21,769**
Cost of risk and net result on provisions	**-140,965**	**24,143**	**490**	**-116,332**
Net operating profit/loss	**-192,341**	**213,893**	**116,031**	**137,583**
Net profit/loss from disposal of assets, shares and interest	-727	675	-	**-52**
Profit/loss before taxation	**-193,068**	**214,568**	**116,031**	**137,531**
Income tax	47,933	-54,666	-28,515	**-35,248**
Profit/loss after taxation	**-145,135**	**159,902**	**87,516**	**102,283**

1 Jan 2012 - 31 Dec 2012 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Interest income (external)	582,799	294,960	141,197	**1,018,956**
Transfer prices expense (internal)	-351,603	-167,008	-479,081	**-997,692**
Interest expense (external)	-206,253	-163,771	-104,156	**-474,180**
Transfer prices income (internal)	243,453	179,367	574,872	**997,692**
Net interest income	**268,396**	**143,548**	**132,832**	**544,776**
Fee and commission income (external)	122,967	62,333	544	**185,844**
Fee and commission expense (external)	-37,069	-2,253	-671	**-39,993**
Net fee and commission income	**85,898**	**60,080**	**-127**	**145,851**
Net trading income	27,277	69,504	12,463	**109,244**
Net profit/loss on hedging transactions	-	-	-3,291	**-3,291**
Net profit/loss on the hedged item	-	-	3,291	**3,291**
Net profit/loss on available-for-sale financial assets	44	61	16,917	**17,022**
Dividends	18	-	-	**18**
Other income	14,028	8,179	7	**22,214**
Other operating expenses	-13,500	-9,090	-	**-22,590**
Net banking income	**382,161**	**272,282**	**162,092**	**816,535**
General expenses	**-299,756**	**-52,384**	**-195,918**	**-548,058**
Personnel expenses	-147,430	-31,516	-113,263	**-292,209**
Other general expenses	-152,326	-20,868	-82,655	**-255,849**
Depreciation	**-32,148**	**-3,126**	**-23,910**	**-59,184**
Cost allocation (internal)	-164,450	-36,092	200,542	**-**
Gross operating profit/loss	**-114,193**	**180,680**	**142,806**	**209,293**
Cost of risk	-181,912	29,293	11	**-152,608**
Net result on provisions	-424	-252	-365	**-1,041**
Cost of risk and net result on provisions	-182,336	29,041	-354	**-153,649**
Net operating profit/loss	**-296,529**	**209,721**	**142,452**	**55,644**
Net profit/loss from disposal of assets, shares and interest	-1,813	-266	-	**-2,079**
Profit/loss before taxation	**-298,342**	**209,455**	**142,452**	**53,565**
Income tax	104,063	-76,413	-50,374	**-22,724**
Profit/loss after taxation	**-194,279**	**133,042**	**92,078**	**30,841**

The table below presents the total of the Group's assets and liabilities broken down by business lines, as at 31 December 2013 and 31 December 2012.

Consolidated total assets (in PLN thousand)	Balance as at:	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Assets	31 Dec 2013	10,866,641	5,671,083	4,579,532	**21,117,256**
	31 Dec 2012	11,487,430	5,690,103	3,653,279	**20,830,812**
Loans to customers, gross	31 Dec 2013	11,551,350	6,119,871	-	**17,671,221**
	31 Dec 2012	11,582,390	5,779,400	-	**17,361,790**
Liabilities	31 Dec 2013	6,535,010	5,907,961	8,674,285	**21,117,256**
	31 Dec 2012	5,696,919	5,704,068	9,429,825	**20,830,812**
Due to customers	31 Dec 2013	5,949,746	4,944,553	-	**10,894,299**
	31 Dec 2012	5,351,260	4,713,690	-	**10,064,950**

The table below presents non-monetary expenses other than depreciation for the reporting periods ended on 31 December 2013 and 31 December 2012. 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 2013 - 31 Dec 2013**	-107 602	-46 996	-58 965	**-213 563**
	1 Jan 2012 - 31 Dec 2012	-287 254	-17 137	141 963	**-162 428**

The table below presents costs incurred to acquire tangible fixed assets and intangible fixed assets for the reporting period ended on 31 December 2013 and comparative data as at 31 December 2012.

(in PLN thousand)	Balance as at:	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Asset acquisition costs	**31 Dec 2013**	19	-	54,990	**55,009**
	31 Dec 2012	57	-	41,482	**41,539**

7. Additional Notes to Consolidated Income Statement

On 2 April 2012, the Bank acquired 100% shares in BNP Paribas Factor Sp. z o.o., a subsidiary. In these statements, the Group presents comparative data without taking into account relevant items of BNP Paribas Factor Sp. z o.o. for the period from 1 January to 2 April 2012. The results of BNP Paribas Factor Sp. z o.o. have been included in the Group's results since 2 April 2012.

Below there is detailed information on revenues and expenses of the Group for 2013 and comparative data for 2012.

Note 7.1

Interest income (in PLN thousand)	**1 Jan 2013 - 31 Dec 2013**	**1 Jan 2012 - 31 Dec 2012**
Cash and cash equivalents	14,500	20,282
Due from banks	2,325	14,692
Loans to customers	793,168	872,467
Investments available for sale	77,196	107,689
Securities held for trading	331	1,233
Hedging derivative instruments	2,570	2,593
Total interest income	**890,090**	**1,018,956**

Interest income includes interest accrued on non-performing loans, which in 2013 amounted to PLN 63,599 thousand, while in 2012 - to PLN 95,233 thousand.

Note 7.2

Interest expense (in PLN thousand)	**1 Jan 2013 - 31 Dec 2013**	**1 Jan 2012 - 31 Dec 2012**
Liabilities due to banks	-24,733	-27,073
Liabilities due to customers	-223,274	-307,877
Loans and credit facilities received	-108,651	-133,811
Subordinated loans	5,455*	-1,102
Hedging derivative instruments	-209	-747
Other	-1,093	-3,570
Total interest expense	**-352,505**	**-474,180**

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

Note 7.3

Fee and commission income (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Custody services and securities trading	934	1,711
Cash settlements services	58,449	57,676
Guarantees and contingent liabilities	21,628	21,407
Loan origination fees and commissions (recognised on a straight-line basis)	15,978	14,841
Loan origination fees and commissions (one-off items)	13,683	11,583
Income on account of agency in customer acquisition	2,956	1,490
Card related income	24,057	22,765
Insurance product sales revenues	22,708	25,780
Income on asset management	3,334	2,816
Other	34,466	25,775
Total fee and commission income	**198,193**	**185,844**

Note 7.4

Fee and commission expense (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Custody services and securities trading	-97	-80
Card related expenses	-16,133	-11,185
Cash transactions expenses	-356	-352
Settlements	-787	-1,351
Fee and commission expenses related to the franchise branch network	-9,553	-8,706
Expenses related to the sale of insurance products:	-2,925	-2,483
Other	-18,671	-15,836
Total fee and commission expenses	**-48,522**	**-39,993**

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 34,967 thousand earned in 2013, and PLN 32,296 thousand earned in 2012;
- fee and commission expense of PLN -6,617 thousand incurred in 2013, and PLN -1,244 thousand reported in 2012;

Note 7.5

Net trading income (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Securities	-13	989
Derivative instruments, including:	3,036	14,403
- fair value adjustment on account of credit risk of derivative instruments	1,730	8,915
Foreign exchange transactions	99,290	93,852
Total net trading income	**102,313**	**109,244**

Note 7.6

Net profit/loss on available for sale financial assets (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Securities	24,705	16,044
Shares and holdings	476	934
including impairment provisions	-	3,870
Participation units	260	44
Total net profit/loss on transactions in available for sale financial instruments	**25,441**	**17,022**

Note 7.7

Other income (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Income on account of covering mandatory annual fee for BGF	5,948	5,825
Rental and lease income	8,524	7,579
Compensation, penalties and fines	1,593	742
Reimbursement of costs related to agents' activities	77	141
Other*	13,634	7,927
Total other income	**29,776**	**22,214**

*the item Others includes e.g.: income from franchisees' on account of composition agreements signed, income on sales of fixed 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 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Compensation, penalties and fines	-967	-4,750
BGF costs	-16,841	-14,817
Other expenses	-3,679	-3,023
Total other operating expenses	**-21,487**	**-22,590**

Note 7.9

Personnel expenses (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Remuneration	-238,120	-240,183
Surcharges on remuneration	-36,826	-36,832
Provisions on severance pay related to retirement, unused vacation leaves and other employee benefits, including:	-3,629	-15,052
- restructuring provisions	4,370	-13,000
Other remuneration components	-83	-142
Total personnel expenses	**-278,658**	**-292,209**

Note 7.10

Other general expenses (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
- rents	-67,700	-73,491
- information technologies and systems	-36,844	-40,155
- marketing and advertising	-33,737	-30,304
- expenditure related to RE use	-14,849	-13,040
- postal and telecommunication services	-14,162	-16,675
- advisory services and consulting	-5,612	-2,799
- business travels	-11,807	-10,635
- training	-4,627	-3,733
- municipal services	-17,089	-17,030
- investment expenditures	-1,094	-2,870
- security	-3,371	-4,200
- stationery	-4,508	-3,151
- KNF costs	-2,013	-2,126
- costs of receivables recovery	-7,708	-11,173
- costs related to ATMs and cash service	-4,696	-4,917
- other*	-15,924	-19,550
Total other general expenses	**-245,741**	**-255,849**

*"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 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Fixed assets, including:	-36,127	-43,942
- own real estate	-521	-137
- leasehold improvements	-11,641	-10,972
- computer hardware	-17,183	-24,004
- other fixed assets	-6,782	-8,829
Intangible assets	- 9,230	-14,664
Provisions for impairment of intangible assets	78	-133
Provisions for impairment of investments	280	-445
Total depreciation	**-44,999**	**-59,184**

Note 7.12

Cost of risk (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Net cash and cash equivalents, including:	483	11
- provisions for Incurred But Not Reported losses (IBNR)	483	11
Due from banks, net, including:	-2	10
- provisions for Incurred But Not Reported losses (IBNR)	-2	10
Loans to customers, net, including:	-75,686	-166,126
- provisions for credit receivables	-89,921	-196,774
- provisions for Incurred But Not Reported losses (IBNR)	-11,143	-7,261
- income on account of receivables written-down to provisions	3,937	2,380
- income on account of receivables recovered	21,441	35,529
Off-balance sheet liabilities, net, including:	-15,164	17,461
- provisions for off-balance sheet commitments	-13,391	19,905
- provisions for Incurred But Not Reported losses (IBNR)	-1,773	-2,444
Other assets, net	-8,082	-3,964
Other provisions, net	3,888	-
Total cost of risk	**-94,563**	**-152,608**

Note 7.13

Net result on provisions (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Provisions for legal risk related to financial instruments	-20,675	-700
Provisions for legal risk - other	-1 094	-341
Total net result on provisions	**-21,769**	**-1,041**

The major components of the income tax expense:

Note 7.14.1

Income tax (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Current tax	- 7,566	-8,727
Current tax for the previous year	8,913	-2,308
Deferred tax for the previous year	-68	2,287
Deferred tax	-36,527	-13,976
Total income tax	**-35,248**	**-22,724**

The current tax for the previous year is the change of the current tax value reported in the Bank's CIT-8 annual tax return for 2012, filed on 31 March 2013, as compared to the tax reported in the Bank's financial statements for 2012, published on 8 March 2013.
In June 2013, the Bank filed revised CIT-8 annual tax returns for the years 2007-2012. 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 tax returns positively affected the Bank's result.
Actual income tax expenses as at 31 December 2013 and for comparative data as at 31 December 2012 differ from the amount computed using the binding tax rate due to the following factors (note 7.14.2):

Note 7.14.2

Tax burden (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Profit/loss before taxation	137,531	53,565
Binding tax rate in %	19%	19%
Tax computed at the rate	-29,833	-14,386
Tax increases / decreases on account of:		
Tax effects of book revenues recognised as current tax assets, pursuant to the Corporate Income Tax Act:	-1,305	3,188
- tax-exempt interest	-2	-5
- non-tax deductible income on securitisation	289	540
- non-taxable dividends from subsidiaries	4,611	4,209
- other	-6,203	-1,556
Tax effects of accounting expenses which are not tax-deductible expenses, pursuant to the Corporate Income Tax Act	-4,802	-2,657
Tax effect of recognition of previous year costs	-339	-56
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	-10,545	-10,449
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)	1,332	560
Other	994	1,076
Total tax increases / decreases	-5,415	-8,338
Total tax burden	**-35,248**	**-22,724**

Note 7.15

Consolidated Earnings Per Share	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Number of shares as at 31 December	28,692,926	28,692,926
Weighted average number of ordinary shares	28,692,926	26,508,094
Profit/loss after taxation (in PLN thousand)	102,283	30,841
Earnings/loss per ordinary share ratio in PLN	3.56	1.16
Weighted average diluted number of potential ordinary shares	28,692,926	26,508,094
Diluted consolidated Earnings/Loss Per Share (PLN per share)	**3.56**	**1.16**

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 2013 and comparative data

Consolidated Income Statement (in PLN thousand)	1 July 2013- 30 Sept 2013	1 Oct 2013- 31 Dec 2013	1 July 2012- 30 Sept 2012	1 Oct 2012 - 30 Dec 2012
Interest income	222,689	212,025	247,744	253,178
Interest expense	-83,722	-80,247	-122,855	-110,106
Net interest income	**138,967**	**131,778**	**124,889**	**143,072**
Fee and commission income	50,414	52,813	47,152	50,346
Fee and commission expense	-12,321	-13,079	-9,392	-11,822
Net fee and commission income	**38,093**	**39,734**	**37,760**	**38,524**
Net trading income	24,982	27,370	29,089	26,333
Net profit/loss on hedging transactions	-290	-287	1,065	392
Net profit/loss on the hedged item	290	287	-1,065	-392
Net profit/loss on available-for-sale financial assets	5,622	1,149	4,622	752
Dividends	3	-	18	-
Other income	7,701	8,038	6,473	5,906
Other operating expenses	-4,092	-6,521	-7,322	-6,165
Net banking income	**211,276**	**201,548**	**195,529**	**208,422**
General expenses	**-130,963**	**-131,715**	**-128,322**	**-133,842**
Personnel expenses	-68,601	-72,466	-66,910	-67,967
Other general expenses	-62,362	-59,249	-61,412	-65,875
Depreciation	**-10,871**	**-11,419**	**-14,787**	**-14,637**
Gross operating profit/loss	**69,442**	**58,414**	**52,420**	**59,943**
Cost of risk	-16,915	-26,163	-39,833	-40,606
Net result on provisions	-19,795	1,993	3,123	-1,437
Cost of risk and net result on provisions	**-36,710**	**-24,170**	**-36,710**	**-42,043**
Net operating profit/loss	**32,732**	**34,244**	**15,710**	**17,900**
Net profit/loss from disposal of assets, shares and interest	77	232	-272	-1,169
Profit/loss before taxation	**32,809**	**34,476**	**15,438**	**16,731**
Income tax	-6,125	-10,383	-9,131	-4,951
Profit/loss after taxation	**26,684**	**24,093**	**6,307**	**11,780**

8. Cash and Cash Equivalents

Note 8.1

Cash and cash equivalents (in PLN thousand)	31 Dec 2013	31 Dec 2012
Cash at hand	182,201	220,445
Due from the central bank	377,416	497,969
Short-term due from banks, including:	731,199	1,262,785
- Nostro accounts	374,133	978,854
- short-term deposits from banks	357,066	283,931
Interest	48	489
Cash and cash equivalents, gross	**1,290,864**	**1,981,688**
Impairment provisions:	**-617**	**-1,100**
- for Incurred But Not Reported losses (IBNR)	-617	-1,100
Total cash and cash equivalents, net	**1,290,247**	**1,980,588**

Note 8.2

Changes to impairment provisions (in PLN thousand)	31 Dec 2013		31 Dec 2012	
	Impairment provisions	IBNR	Impairment provisions	IBNR
Opening balance	**-**	**-1,100**	**-**	**-1,111**
Increases	-	-995	-	-2,063
Decreases	-	1,478	-	2,074
Ending balance	**-**	**-617**	**-**	**-1,100**

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 submitted 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 2013	31 Dec 2012
Held-for-trading securities, including:	**-**	**51,399**
- treasury bonds	-	50,270
- interest	-	1,129
Derivative financial instruments, including:	**70,118**	**94,439**
- foreign currency contracts, including:	17,685	25,057
- fair value adjustment for credit risk	-417	-635
- interest rate contracts	52,433	69,382
Total financial assets held for trading	**70,118**	**145,838**

As at 31 December 2013 and 31 December 2012, 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 2013	31 Dec 2012
Derivative financial instruments, including:	**69,790**	**86,718**
- foreign currency contracts	18,669	23,851
- interest rate contracts	51,121	62,867
Total financial liabilities held for trading	**69,790**	**86,718**

The table below presents fair values of derivative financial instruments.

Note 9.3

Derivative financial instruments held for trading (in PLN thousand)	31 Dec 2013		31 Dec 2012	
	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts:	**17,685**	**18,669**	**25,057**	**23,851**
- Forward (including the forward leg of a swap contract)	15,328	16,697	20,374	17,834
- Options	1,208	1,626	4,638	5,273
- CIRS	1,149	346	45	744
Interest Rate contracts:	**52,433**	**51,121**	**69,382**	**62,867**
- FRA	13	-	215	442
- IRS	46,333	45,120	66,087	59,362
- OIS	86	-	19	-
- Options	6,001	6,001	3,061	3,063
Total derivative financial instruments held for trading	**70,118**	**69,790**	**94,439**	**86,718**

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 2013	31 Dec 2012
FX Transactions	**3,970,010**	**3,943,919**
- Forward (including the forward leg of a swap contract) – amounts purchased	1,428,334	1,374,115
- Forward (including the forward leg of a swap contract) – amounts sold	1,430,192	1,372,258
- Options - amounts purchased	430,885	475,425
- Options - amounts sold	430,885	475,425
- CIRS – amounts purchased	124,416	122,646
- CIRS – amounts sold	125,298	124,050
Interest rate transactions	**4,383,476**	**6,453,470**
- FRA	800,000	1,077,360
- IRS - amounts purchased	1,438,426	1,290,055
- IRS - amounts sold	1,438,426	1,290,055
- OIS - amounts purchased	150,000	1,000,000
- OIS – amounts sold	150,000	1,000,000
- Options - amounts purchased	203,312	398,000
- Options - amounts sold	203,312	398,000
Total financial instruments	**8,353,486**	**10,397,389**

The table below shows a hierarchy of measurement methods of held for trading financial instruments measured to fair value, as at 31 December 2013 and comparative data as at 31 December 2012.

Note 9.5

Hierarchy of measurement methods as at 31 Dec 2012 (in PLN thousand)	Level 1	Level 2	Level 3	Total
Securities	50,270	-	-	50,270
- treasury bonds	50,270	-	-	50,270
- treasury bills	-	-	-	-
Derivative Financial Instruments				
- positive valuation	-	68,102	26,337	94,439
foreign currency contracts	-	24,815	242	25,057
interest rate contracts	-	43,287	26,095	69,382
- negative valuation	-	60,206	26,512	86,718
foreign currency contracts	-	23,434	417	23,851
interest rate contracts	-	36,772	26,095	62,867

Hierarchy of measurement methods as at 31 Dec 2013	Level 1	Level 2	Level 3	Total
Securities	-	-	-	-
- treasury bonds	-	-	-	-
- treasury bills	-	-	-	-
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

As at the end of 2013, 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;
- - Level 3: interest rate options in PLN , FX Forward transactions maturing within a period longer than one year, cash bills.

The table below presents changes in fair value of held for trading securities in 2013, and comparative data for 2012.

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 2012	**24,535**	**-**	**-**	**24,535**
- profits/losses recognised in the net profit/loss	-	-	-	-
- profits/losses recognised in other total income	71	-	-	71
- purchase	50,270	-	-	50,270
- sale	-24,606	-	-	-24,606
- issue	-	-	-	-
- settlement (matured)	-	-	-	-
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
Balance as at 31 Dec 2012	**50,270**	**-**	**-**	**50,270**
Balance as at 1 Jan 2013	**50,270**	**-**	**-**	**50,270**
- profits/losses recognised in the net profit/loss	-	-	-	-
- profits/losses recognised in other total 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	**-**	**-**	**-**	**-**

The tables below present changes in fair value of held for trading derivative instruments in 2013, and comparative data for 2012.

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 2012	**-**	**128,565**	**22,138**	**150,703**
- profits/losses recognised in the net profit/loss	-	16,398	9,448	25,846
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	10,591	-	10,591
- sale	-	-	-	-
- issue	-	-	-	-
- settlement (matured)	-	-92,701	-	-92,701
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	5,249	-5,249	-
Balance as at 31 Dec 2012	**-**	**68,102**	**26,337**	**94,439**
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 total income	-	-	-	-
- purchase	-	2,142	-	2,142
- sale	-	-	-	-
- issue	-	-	-	-
- 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**

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 2012	**-**	**103,947**	**22,087**	**126,034**
- profits/losses recognised in the net profit/loss	-	-12,924	9,722	-3,202
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	664	-	664
- sale	-	6,442	-	6,442
- issue	-	-	-	-
- settlement (matured)	-	-43,220	-	-43,220
- transfer between levels 1 and 2	-	5,297	-5,297	-
- transfer to/from level 3	-	-	-	-
Balance as at 31 Dec 2012	**-**	**60,206**	**26,512**	**86,718**
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 total income	-	-	-	-
- purchase	-	2,002	-	2,002
- sale	-	949	-	949
- issue	-	-	-	-
- 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**

10. Receivables

Note 10.1

Due from banks (in PLN thousand)	31 Dec 2013	31 Dec 2012
Loans	62,054	60,049
Deposits	-	102,205
Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date	3,407	38,689
Other receivables	13,667	6,601
Interest	150	575
Total due from banks, gross	**79,278**	**208,119**
Impairment provisions:	**-77**	**-74**
- for Incurred But Not Reported losses (IBNR)	-77	-74
Total due from banks, net	**79,201**	**208,045**

Note 10.2

Loans to customers (in PLN thousand)	31 Dec 2013	31 Dec 2012
Loans to State-owned entities	37	44
Mortgage loans	5,692,723	5,804,242
Consumer loans and credit facilities	2,442,003	2,330,502
Commercial loans	7,565,244	7,323,821
Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date	-	930
Finance lease receivables	1,762,775	1,714,963
Other receivables	158,077	130,232
Interest	50,362	57,056
Total loans to customers, gross	**17,671,221**	**17,361,790**
Impairment provisions:	**-1,088,607**	**-1,202,134**
- for incurred, reported losses	-974,610	-1,099,281
- for Incurred But Not Reported losses (IBNR)	-113,997	-102,853
Total loans to customers, net	**16,582,614**	**16,159,656**

Note 10.3

Changes to impairment provisions (in PLN thousand)	Due from banks Provisions for Incurred But Not Reported losses (IBNR)	Impairment provisions	Loans to customers Provisions for Incurred But Not Reported losses (IBNR)
Balance as at 1 Jan 2012	**-84**	**-1,245,058**	**-95,427**
Consolidation adjustment	-	-140	-87
Increases	-21	-516,609	-27,030
Decreases	31	328,008	19,691
Write-downs to provisions	-	322 613	-
FX rate differences	-	11 905	-
Balance as at 31 Dec 2012	**-74**	**-1,099,281**	**-102,853**

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**

11. Investments

Note 11.1

Investments available for sale (in PLN thousand)	31 Dec 2013	31 Dec 2012
Treasury bonds	1,814,477	1,766,570
Bonds issued by banks	61,414	-
Bonds issued by non-financial entities	-	10,223
NBP cash bills	699,847	-
Shares and holdings	5,148	17,764
Other	3,491	7,350
Interest	23,493	34,840
Total investments available for sale, gross	**2,607,870**	**1,836,747**
Write-downs for investments available for sale	**-**	**-11,317**
- for bonds issued by non-financial entities	-	-3,888
- for shares	-	-7,429
Total investments available for sale, net	**2,607,870**	**1,825,430**

Note 11.2

Change in the balance of available for sale investments (in PLN thousand)	Debt securities	Shares and holdings	Other	Total
Balance as at 1 Jan 2012	**3,610,780**	**10,941**	**3,200**	**3,624,921**
Increases	23,256,715	-	6,000	23,262,715
Decreases (sale and maturity)	-25,141,199	-6 835	-2,380	-25,150,414
Decreases related to provisions made	-	-	-	-
Increases related to the release of provisions	-	3,870	-	3,870
Measurement to fair value	42,163	2,364	530	45,057
Other	4,446	-5	-	4,441
Balance as at 31 Dec 2012	**1,772,905**	**10,335**	**7,350**	**1,783,240**
Balance as at 1 Jan 2013	**1,772,905**	**10,335**	**7,350**	**1,790,590**
Increases	33,615,669	-	620	33,616,289
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	**2,575,738**	**5,148**	**3,491**	**2,584,377**

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 2013 and for the period from 1 January to 31 December 2012.

Note 11.3

Investments available for sale (in PLN thousand)	**1 Jan 2013 - 31 Dec 2013**	**1 Jan 2012 - 31 Dec 2012**
Profits recognised directly in the equity capital, and then moved from the equity capital and recognised in the net profit/loss	21,138	18,458
Losses recognised directly in the equity capital, and then moved from the equity capital and recognised in the net profit/loss	-8,659	-3,294
Total	**12,479**	**15,164**

The table below shows a hierarchy of measurement methods of available for sale investments measured to fair value, as at 31 December 2013 and comparative data as at 31 December 2012.

Note 11.4

Hierarchy of measurement methods as at 31 Dec 2012 (in PLN thousand)	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bonds	1,766,570	-	-	**1,766,570**
Bonds issued by non-financial entities	-	-	6,335	**6,335**
Shares	10,335	-	-	**10,335**
Other	-	7,350	-	**7,350**

Hierarchy of measurement methods as at 31 Dec 2013 (in PLN thousand)	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bonds	1,814,477	-	-	**1,814,477**
Bonds issued by banks	61,414	-	-	**61,414**
NBP cash bills	-	-	699,847	**699,847**
Shares	5,148	-	-	**5,148**
Other	-	3,491	-	**3,491**

As at the end of 2013, specific instruments were included into the following measurement levels:

- Level 1: Treasury bonds, shares;
- 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;
- Level 3: interest rate options in PLN , FX Forward transactions maturing within a period longer than one year, cash bills.

The table below presents changes in fair value of available for sale investments in 2013, and comparative data for 2012.

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 2012	**2,046,218**	**3,200**	**1,575,503**	**3,624,921**
- profits/losses recognised in the net profit/loss	16,579	530	-	17,109
- profits/losses recognised in other total income	25,789	-	223	26,012
- purchase	1,007,752	6,000	-	1,013,752
- sale	-1,114,383	-2,380	-	-1,116,763
- issue	-	-	-	-
- settlement (matured)	-205,050	-	-1,569,391	-1,774,441
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	-
Balance as at 31 Dec 2012	**1,776,905**	**7,350**	**6,335**	**1,790,590**

Balance as at 1 Jan 2013	**1,776,905**	**7,350**	**6,335**	**1,790,590**
- profits/losses recognised in the net profit/loss	17,484	-239	4,112	21,357
- profits/losses recognised in other total income	-40,865	-	-278	-41,143
- purchase	1,057,259	620	32,558,429	33,616,308
- sale	-770,018	-4,240	-209,885	-984,143
- 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	**1,881,039**	**3,491**	**699,847**	**2,584,377**

12. Property, Plant and Equipment

Note 12.1

Property, Plant and Equipment by groups (in PLN thousand)	31 Dec 2013	31 Dec 2012
Land use	250	-
Own real estate	7,346	3,332
Leasehold improvements	63,744	58,737
Machines and equipment and means of transport	19,198	21,887
Computer hardware	35,190	39,642
Total Property, Plant and Equipment	**125,728**	**123,598**

The table below presents changes in tangible fixed assets in 2013, and comparative data for 2012.

Note 12.2

Changes in the property, plant and equipment in PLN thousand	Land and land perpetual usufruct right	Own real estate	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**
- consolidation adjustment	-	-	-	-	-	-
- 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 assets held for sale to fixed assets	250	5,453	-	-	-	5,703
- other	-	-	-	-	-	-
Gross value as at 31 Dec 2013	**250**	**10,360**	**154,639**	**69,541**	**228,836**	**463,626**

Amortisation as at 1 Jan 2013	**-**	**-1,575**	**-87,761**	**-60,700**	**-182,686**	**-332,722**
- consolidation adjustment	-	-	-	-	-	-
- 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
- other		-	-	-	-	-
Amortisation as at 31 Dec 2013	**-**	**-3,014**	**-89,668**	**-50,343**	**-193,511**	**-336,536**
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**	**35,190**	**125,728**

Changes in the property, plant and equipment in PLN thousand	**Land and land perpetual usufruct right**	**Own real estate**	**Leasehold improvements**	**Machines and equipment and means of transport**	**Computer hardware**	**Total**
Gross value as at 1 Jan 2012	**-**	**4,898**	**144,703**	**85,872**	**224,097**	**459,570**
- consolidation adjustment	-	-	16	86	50	**152**
- balance increase (incl. purchase)	-	-	12,631	2,766	11,972	**27,369**
- balance increase - non-financial non-current assets not delivered for use as at the balance sheet date	-	-	-	-	723	**723**
- balance decrease - non-financial non-current assets not delivered for use as at the balance sheet date	-	-	-	-23	-4,791	-4,814
- balance decrease (sale, liquidation)	-	-	-9,271	-5,764	-9,057	-24,092
- recognition of investments in costs	-	-	-79	-110	-350	-539
- donation	-	-	-	-186	-176	-362
- other	-	9	-	-54	-	-45
Gross value as at 31 Dec 2012	**-**	**4,907**	**148,000**	**82,587**	**222,468**	**457,962**

Amortisation as at 1 Jan 2012	**-**	**-1,438**	**-83,874**	**-56,286**	**-167,826**	**-309,424**
- consolidation adjustment	-	-	-1	-53	-37	-91
- depreciation	-	-137	-10,973	-8,664	-24,008	-43,782
- balance decrease (sale, liquidation)	-	-	7,087	4,111	9,011	20,209
- donation	-	-	-	138	176	314
- other		-	-	54	-2	52
Amortisation as at 31 Dec 2012	**-**	**-1,575**	**-87,761**	**-60,700**	**-182,686**	**-332,722**
Provisions as at 1 Jan 2012	**-**	**-**	**-1,183**	**-**	**-15**	**-1,198**
- created	-	-	-683	-	-130	-813
- released	-	-	167	-	5	172
- releases against write-downs		-	197	-	-	197
Provisions as at 31 Dec 2012	**-**	**-**	**-1,502**	**-**	**-140**	**-1,642**
Fixed assets net as at 31 Dec 2012	**-**	**3,332**	**58,737**	**21,887**	**39,642**	**123,598**

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

13. Intangible assets

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

Note 13

Intangible assets (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Opening balance, gross	**96,832**	**83,197**
- balance increase (incl. purchase)	14,708	11,508
- liquidation	-	-118
- recognition of investments in costs	-166	-538
- increase in the balance of development works	1,531	2,783
- increase in the balance of acquired copyrights, concessions, patents, licenses and similar values	183	-
- increase in the balance of trademarks	30	-
Ending balance, gross	**113,118**	**96,832**
Amortisation opening balance	**-66,790**	**-52,186**
- amortisation costs	-8,380	-14,187
- depreciation costs of development works	-731	-535
- depreciation costs of acquired copyrights, concessions, patents, licenses and similar values	-117	-
- depreciation costs of trademarks	-1	-
- increase related to depreciation (provision for unsettled investments)	-106	-
- decrease related to depreciation (provision for unsettled investments)	107	-
- balance decrease (sale and liquidation)	-	118
Amortisation ending balance	**-76,018**	**-66,790**
Provisions opening balance	**-133**	**-**
- created	-	-140
- released	77	7
Provisions ending balance	**-56**	**-133**
Total net intangible assets ending balance	**37,044**	**29,909**

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

14. Non-current Assets Held for Sale

The table below presents a specification of non-current assets held for sale by type as at 31 December 2013 and comparative data as at 31 December 2012:

Note 14

in PLN thousand	31 Dec 2013	31 Dec 2012
Land (including perpetual usufruct of land)	3,984	5,686
Buildings and premises	13,577	23,768
Means of transport	682	1,611
Construction machines	-	24
Other	-	1,011
Total non-current assets held for sale	**18,243**	**32,100**

In accordance with IFRS5 "Non-current Assets Held for Sale and Discontinued Operations,", in the "Non-current assets held for sale" balance sheet position, BNP Paribas Bank Polska SA recognised the real estate which fulfilled relevant IFRS5 requirements concerning classification of assets as non-current assets held for sale.
The Bank entered into a preliminary conditional sale agreement of real estate, with its finalisation planned for the end of the second quarter of 2013.
As the conditions defined in IFRS5 were not fulfilled, the Bank reclassified the real estate to fixed assets, in the amount of PLN 4,264 thousand.

In the Group, non-current assets held for sale include non-current assets taken over from lessees through debt recovery actions and earmarked for sale pursuant to the debt recovery procedure applied in the subsidiary.

15. Deferred Tax Assets and Liabilities

The table below presents deferred tax assets and liabilities as at 31 December 2013 and comparative data as at 31 December 2012:

Note 15.1

in PLN thousand	31 Dec 2013	31 Dec 2012
Deferred tax assets	245,230	282,140
Deferred tax liabilities	48,400	48,767
Total deferred tax assets, net - recognised in assets	**196,830**	**233,373**
Deferred tax liabilities - recognised in correspondence with revaluation reserve	762	7,537
Deferred tax liabilities related to actuarial profits and losses	46	-
Other deferred tax liabilities, net	-	-121
Total deferred tax liabilities - recognised in liabilities	**808**	**7,416**
Net deferred tax	**196,022**	**225,957**

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

Note 15.2

Deferred tax assets (in PLN thousand)	Opening balance 1 Jan 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 and hedging items	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
Provisions for employee benefits that	3,532	1,330	-	4,862
Expenses calculated for payment, which are not tax-deductible expenses	3,594	363	-	3,957
Provisions for impairment - other assets	26,887	-1,876	-	25,011
Provisions that 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 shares 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	-	-
Other	2,153	7,874	-	10,027
Tax loss	-	-		-
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 held-for-trading securities	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**

Deferred tax assets (in PLN thousand)	**Opening balance 1 Jan 2012**	**Consolidation adjustment**	**Increases / decreases recognised in income statement**	**Increases/ decreases recognised in capital**	**Closing balance 31 Dec 2012**
Interest accrued to be paid	10,497	-	388	-	10,885
Negative fair value - hedged items and hedging instruments	2,495	-	-823	-	1,672
Provisions for credit exposure impairment	176,918	-	-2,979	-	173,939
Fair value adjustment on account of credit risk of matured derivative instruments	29,577	-	-2,704	-	26,873
Provisions for employee benefits that are not tax-deductible expenses	3,654	-	-122	-	3,532
Expenses calculated for payment, which are not tax-deductible expenses	3,089	-	505	-	3,594
Provisions for impairment - other assets	29,045	-	-2,158	-	26,887
Provisions which are not tax-deductible expenses	1,321	-	1,668	-	2,989
Measurement of financial instruments held for trading	14,937	-	-8,037	-	6,900
Measurement of available-for-sale investments	1,295	-	72	-1,295	72
Commissions and fees settled in time	4,875	-	2,067	-	6,942
Difference between balance sheet depreciation and tax depreciation	24	-	-24	-	-
Difference between the market price and share acquisition price	4,588	-	-1,433	-	3,155
Provisions for impairment - fixed assets, intangible assets	233	-	114	-	347
Tax value of the company	12,887	-	-3,032	-	9,855
Civil law transaction tax on account of acquisition of shares in a subsidiary	180	-	14	-	194
Provisions for impairment - bonds, shares	2,886	-	-735	-	2,151
Other	978	-	1,175	-	2,153
Total deferred tax assets	**299,479**	**-**	**-16,044**	**-1,295**	**282,140**

Deferred tax liabilities (in PLN thousand)					
Interest accrued to be received	29,380	-	217	-	29,597
Difference between balance sheet depreciation and tax depreciation	5,325	-	500	-	5,825
Measurement of financial instruments held for trading	6,178	-	-3,053	-	3,125
Measurement of available-for-sale investments	271	-	-	7,266	7,537
Commissions and fees settled in time	5,883	-	-611	-	5,272
Income to be received	390	-	-	-	390
Development work costs	321	-	405	-	726
Negative fair value - hedged and hedging items	3,374	-	-1,250	-	2,124
Other	2,151	-	-564	-	1,587
Total deferred tax liabilities	**53,273**	**-**	**-4,356**	**7,266**	**56,183**
Net deferred tax	**246,206**	**-**	**-11,688**	**-8,561**	**225,957**

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 2013, the total current and deferred tax liabilities related to items decreasing or increasing the equity capital stood at PLN 6,660 thousand, while as at 31 December 2012 it was PLN -8,561 thousand.

16. Other Assets

Note 16

Other assets (in PLN thousand)	31 Dec 2013	31 Dec 2012
Financial assets recognised at the trade date	45	-
Receivables due from counterparties	17,583	22,270
Deferred acquisition cost	13,982	9,796
Income to be received	33,131	29,182
Interbank settlements	95	54
Settlements on account of credit cards	8,290	13,177
Other	27,269	22,788
Total other assets, gross	**100,395**	**97,267**
Impairment provisions	-19,378	-20,594
Total other assets, net	**81,017**	**76,673**

17. Liabilities

Note 17.1

Liabilities due to banks (in PLN thousand)	31 Dec 2013	31 Dec 2012
Current deposits	92,569	58,940
Term deposits	160,000	-
Cash collateral	166,864	283,352
Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	3,402	38,754
Interest	1,438	1,314
Total liabilities due to banks	**424,273**	**382,360**

Note 17.2

Liabilities due to customers (in PLN thousand)	31 Dec 2013	31 Dec 2012
Current deposits	4,473,505	3,579,775
Term deposits	6,239,465	6,288,320
Cash collateral	152,052	141,920
Other	15,167	12,768
Interest	14,110	42,167
Total liabilities due to customers	**10,894,299**	**10,064,950**

Note 17.3

Loans and credit facilities received (in PLN thousand)	31 Dec 2013	31 Dec 2012
Loans and credit facilities received from banks	7,042,355	7,577,240
Interest	8,565	12,516
Total loans and credit facilities received	**7,050,920**	**7,589,756**

18. Subordinated Liabilities

The table below presents the change in the subordinated liabilities as at 31 December 2013 and comparative data for the previous year.

Note 18

Change in subordinated liabilities (in PLN thousand)	**1 Jan 2013 - 31 Dec 2013**	**1 Jan 2012 - 31 Dec 2012**
Opening balance	**694,251**	**592,628**
Increases	-	446,586
- on account of loan contracting	-	446,586
Decreases	-267,092	-320,647
- on account of loans repayment	-267,092	-320,647
FX rate differences	5,424	-35,192
Net profit/loss on a loan prepayment	19,604	13,029
Other	5	-2,153
Ending balance	**452,192**	**694,251**

19. Other Liabilities

Note 19

Other liabilities (in PLN thousand)	31 Dec 2013	31 Dec 2012
Accrued interest and expenses	20,589	20,347
Expenses to be paid	20,244	18,539
Taxes to be paid	11,899	12,857
Employee benefits	27,394	19,831
Liabilities due to counterparties	35,000	37,955
Settlement on account of credit debt	37,132	36,495
Interbank settlements	118,552	63,986
On account of trust agreements	55,333	3,100
Other	27,235	12,839
Total	**353,378**	**225,949**

20. Provisions

Note 20.1

Provisions by titles (in PLN thousand)	31 Dec 2013	31 Dec 2012
Provisions for off-balance sheet commitments	21,238	7,910
IBNR provision – off-balance sheet commitments	10,398	8,624
Legal risk provisions	19,482	9,592
Provisions for commitments	3,162	3,977
Provisions for employee benefits (including the restructuring provision)	4,831	7,775
Provisions for office sub-lease	1,419	1,789
Total provisions	**60,530**	**39,667**

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 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Opening balance	**16,534**	**34,466**
Increases	26,963	13,830
- for off-balance sheet commitments	21,271	7,562
- for Incurred But Not Reported losses (IBNR) - off-balance sheet liabilities (IBNR)	5,692	6,268
Decreases	-11,861	-31,291
- for off-balance sheet commitments	-7,943	-27,467
- for Incurred But Not Reported losses (IBNR) - off-balance sheet liabilities (IBNR)	-3,918	-3,824
FX rate differences	-	-471
Ending balance	**31,636**	**16,534**

Note 20.2.2

Changes in other provisions (in PLN thousand)	1 Jan 2013 - 31 Dec 2013	1 Jan 2012– 31 Dec 2012
Opening balance	**23,133**	**12,826**
Increases	57,441	29,552
- for legal risk	43,360	8,898
- for office sub-lease	917	1,128
- for future commitments	10,434	5,552
- for employee benefits	2,730	13,974
Decreases	-51,680	-19,245
- for legal risk	-33,470	-4,573
- for office sub-lease	-1,287	-1,457
- for future commitments	-11,249	-4,548
- for employee benefits	-5,674	-8,667
Ending balance	**28,894**	**23,133**

21. Equity capital

Note 21.1

Equity capital (in PLN thousand)	31 Dec 2013	31 Dec 2012
Share capital	1,304,380	1,434,646
Additional capital	172,921	172,401
Other capital	183,480	26,269
Revaluation reserve	3,751	32,110
Consolidation adjustment	-	833
Retained earnings	38,026	33,845
Net profit/loss for the year	102,283	30,841
Total equity capital	**1,804,841**	**1,730,945**

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

On 10 May 2013, the Bank's share capital decrease was registered by the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register. The decrease implemented resolutions no. 10 and 11 of the Bank's Annual General Meeting dated 4 April 2013.
The Bank's share capital was reduced from PLN 1,434,646,300 to PLN 1,304,380,415.96, that is, by the amount of PLN 130,265,884.04 as a result of a decrease of the share nominal value from PLN 50.00 to PLN 45.46.
After the decrease registration, the Bank's share capital amounts to PLN 1,304,380,415.96 and is divided into 28,692,926 ordinary bearer shares with a nominal value of PLN 45.46 each, which entitle their holders to 28,692,926 votes at the Bank's general meeting.

Further to the share capital decrease registration, the contents of Article 6 of the Bank's Statute was amended accordingly.

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.

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	8 Oct 1999	761,500	34,617,790.00
I	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
Total		**28,692,926**	**1,304,380,415.96**

The shareholding structure as at 31 December 2013 and in the comparative period was as follows:

Note 21.3

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 Fortis SA/NV	23,418,013	81.62%	23,418,013	81.62%
Dominet SA (in liquidation)	5,243,532	18.27%	5,243,532	18.27%
Minority shareholders	31,381	0.11%	31,381	0.11%
Total:	**28,692,926**	**100.00%**	**28,692,926**	**100.00%**

Balance as at 31 Dec 2012	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 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%
Minority shareholders	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 shares. Net profit deductions to replenish the additional capital make up at least 8% and are made until the additional capital reaches no less than one third of the Bank's share capital.
The other capital types are basically established from annual net profit deductions approved by the General Meeting of Shareholders. Reserve capital is earmarked for the coverage of specific losses and expenses, while the general risk fund is allocated to cover unidentified risks related to banking activity.
Decisions on using other capital are made by the General meeting of Shareholders.

Note 21.4

Other capital (in PLN thousand)	31 Dec 2013	31 Dec 2012
General risk fund	52,177	25,232
Reserve capital	131,303	1,037
Total other capital	**183,480**	**26,269**

Revaluation reserve as at 31 December 2013 and in the comparative period stood at:

Note 21.5

Revaluation reserve (in PLN thousand)	31 Dec 2013	31 Dec 2012
Measurement of available-for-sale financial assets, including:	4,388	39,646
- cash bills	-55	-
- treasury bonds	2,669	36,939
- corporate bonds	72	223
- shares	1,327	1,871
- participation units	375	613
Deferred tax	-837	-7,536
Other	200	-
Total revaluation reserve	**3,751**	**32,110**

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 2013 net profit to increase the Bank's own funds.

22. Hedge Accounting

As at 31 December 2013 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 December 2013 and as at 31 December 2012, broken down by residual maturity:

Note 22.1

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

Hedging derivative instruments (in PLN thousand)	31 Dec 2012							
	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	11,179	-	-	-	-	49,058	44,970	94,028
- Swaps (IRS)	11,179	-	-	-	-	49,058	44,970	94,028
Total hedging derivative instruments	11,179	-	-	-	-	49,058	44,970	94,028

The table below presents a change of the fair value of a hedging instrument as at 31 December 2013 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 2012	**-**	**17,759**	**-**	**17,759**
- profits/losses recognised in the net profit/loss (dirty FV)	-	3,409	-	3,409
- profits/losses recognised in other total income	-	-	-	-
- purchase	-	-	-	-
- sale	-	-	-	-
- issue	-	-	-	-
- settlement (matured)	-	-9,989	-	- 9,989
- transfer between levels 1 and 2	-	-	-	-
- transfer to/from level 3	-	-	-	**-**
Balance as at 31 Dec 2012	**-**	**11,179**	**-**	**11,179**

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**

23. Lease Facilities

Finance lease - receivables

The Group runs 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, technical equipment and real estate.

Note 23.1

Finance lease receivables (in PLN thousand)	31 Dec 2013	31 Dec 2012
(Gross) finance lease receivables	1,998,848	2,002,166
Unrealised financial income	-232,759	-28, 376
Current value of minimum lease charges	**1,766, 089**	**1,718,790**
provisions for impairment	-115,370	-133,594
Total finance lease receivables	**1,650,719**	**1,585,196**

Note 23.2

Finance lease receivables by maturity (in PLN thousand)	31 Dec 2013	31 Dec 2012
up to 1 year	528,057	546,936
from 1 up to 5 years	914,183	849,728
above 5 years	556,608	605,502
(Gross) finance lease receivables	**1,998, 848**	**2,002,166**

Note 23.3

Current value of minimum lease charges (in PLN thousand)	31 Dec 2013	31 Dec 2012
up to 1 year	466,439	477,042
from 1 up to 5 years	791,720	690,525
above 5 years	507,930	551,223
Current value of minimum lease charges, gross	**1,766,089**	**1,718,790**

Finance lease - liabilities

The Bank is a lessee involved in finance lease agreements regarding alarm systems and 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 2013	31 Dec 2012
Total amount of minimum lease charges	1,580	959
Unrealised financial costs	-757	-382
Current value of minimum lease charges	**823**	**577**

Note 23.5

Total amount of minimum leasing charges by maturities (in PLN thousand)	31 Dec 2013	31 Dec 2012
up to 1 year	528	494
more than 5 years	1,052	465
Total	**1,580**	**959**

Note 23.6

Current value of minimum leasing charges by maturities (in PLN thousand)	31 Dec 2013	31 Dec 2012
up to 1 year	259	354
above 5 years	564	223
Total	**823**	**577**

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 2013, the Group incurred expenses related to rent for the above real estate of PLN 67,700 thousand, as compared to PLN 73,491 thousand incurred in the comparable period, i.e. in 2012. The above expenses were recognised in the income statement in the Note "Other costs."

Note 23.7

Future liabilities (gross) under lease agreements, by payment dates (in PLN thousand)	31 Dec 2013	31 Dec 2012
up to 1 year	53,811	54,376
from 1 up to 5 years	143,468	143,931
above 5 years	41,800	30,595
Total	**239,079**	**228,902**

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 is required to 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 receivables (gross) under lease agreements (in PLN thousand)	31 Dec 2013	31 Dec 2012
up to 1 year	5,624	6,330
from 1 up to 5 years	6,171	7,750
above 5 years	-	780
Total	**11,795**	**14,860**

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 (in PLN thousand)	31 Dec 2013	31 Dec 2012
up to 1 year	9	9
from 1 up to 5 years	34	34
above 5 years	621	630
Total	**664**	**673**

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 2013-31 Dec 2013**	**1 Jan 2012-31 Dec 2012**
Opening balance	**- 1,054,740**	**- 1,205,506**
Decreases	127,710	151,175
- provisions for cash and cash equivalents	483	11
- provisions for due from banks	-	10
- provisions for loans to customers	113,879	138,655
- provisions for investments available for sale	11,317	3,870
- provisions for other assets	1,216	-
- reserves	815	8,629
Increases	-22,245	-409
- provisions for due from banks	-3	-
- provisions for loans to customers	-352	-217
- provisions for other investments	-	-
- provisions for fixed assets	-	-
- provisions for other assets	-	-192
- reserves	-21,890	-
Other	-	-
Ending balance	**-949,275**	**-1,054,740**
Change	**-105,465**	**-150,766**

Note 24.2

Other investment expenses (in PLN thousand)	**1 Jan 2013-31 Dec 2013**	**1 Jan 2012-31 Dec 2012**
Acquisition of low value fixed assets	-12,212	-524
Total other investment expenses	**-12,212**	**-**

Note 24.3

Other financial gains and expenses (in PLN thousand)	**1 Jan 2013-31 Dec 2013**	**1 Jan 2012-31 Dec 2012**
Net profit earned on an prepayment of a subordinated loan	19,604	13,029
Expenses related to a share issue	-	-1,142

Note 24.4

Changes in other assets and liabilities (in PLN thousand)	**1 Jan 2013- 31 Dec 2013**	**1 Jan 2012- 31 Dec 2012**
Opening balance - assets	**97,600**	**93,712**
Consolidation adjustment	-	39
Increases	3,191	3,848
Decreases	-64	71
Ending balance - assets	**100,727**	**97,670**
Opening balance - non-current assets held for sale	**27,315**	**469**
Increases	-	27,315
Decreases	-9,072	-469
Ending balance - non-current assets held for sale	**18,243**	**27,315**
Opening balance - liabilities	**226,276**	**322,364**
Consolidation adjustment	-	1,170
Increases	131,915	1,158
Decreases	-4,487	-98,339
Ending balance - liabilities	**353,704**	**226,353**
Other	-3	-69
Change	**133,370**	**-128,015**

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 2013 the Bank's books contained Treasury bonds in the nominal value of PLN 60,000, 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 2013	31 Dec 2012
- Treasury bonds at nominal value	60,000	60,000
- Treasury bonds at balance sheet value	59,640	60,250
Total available for sale securities at balance sheet value	**59,640**	**60,250**

As at 31 December 2013 and as at 31 December 2012, the Bank did not use the lombard loan.

26. Derivative Financial Instruments

The table below presents the breakdown of held-for-trading derivative instruments at nominal value as at 31 December 2013 and for a comparative 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 2013 in PLN thousand	**up to 1 month**	**1-3 months**	**3-12 months**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Amounts bought	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**

Derivative instruments 31 Dec 2012 in PLN thousand	**Up to 1 month**	**1–3 months**	**3-12 months**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Amounts bought	1,378,273	823,096	1,009,453	450,395	602,419	396,605	**4,660,241**
Amounts sold	1,373,760	825,449	1,687,117	850,394	603,823	396,605	**5,737,148**
Gap – off-balance sheet	4,513	-2,353	-677,664	-399,999	-1,404	-	**-1,076,907**

Note 26.2

Derivative instruments	**Fair value**		**31 Dec 2013 Nominal value by residual maturity**					
held for trading (in PLN thousand)	**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	**70,118**	**69,790**	**1,768,929**	**1,336,817**	**1,551,943**	**2,900,013**	**795,784**	**8,353,486**

instruments held for trading								
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**	**1,082,944**	**1,336,817**	**1,551,943**	**2,900,013**	**795,784**	**8,353,486**

Derivative instruments held for trading (in PLN thousand)	**Fair value**		**31 Dec 2012 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:	**25,057**	**23,851**	**735,390**	**1,439,823**	**1,490,964**	**277,742**	**-**	**3,943,919**
- Forward (including the forward leg of an FX swap contract) – amounts purchased	20,374	17,834	359,401	534,595	464,596	15,523	-	**1,374,115**
- Forward (including the forward leg of an FX swap contract) - amounts sold			354,887	536,948	464,900	15,523	-	**1,372,258**
- Options – amounts purchased	4,638	5,273	10,551	184,140	280,734	-	-	**475,425**
- Options – amounts sold			10,551	184,140	280,734	-	-	**475,425**
- CIRS – amounts purchased	45	744	-	-	-	122,646	-	**122,646**
- CIRS – amounts sold			-	-	-	124,050	-	**124,050**
Interest Rate Contracts	**69,382**	**62,867**	**2,016,640**	**208,722**	**1,205,606**	**2,229,292**	**793,210**	**6,453,470**
- FRA	215	442	-	-	677,360	400,000	-	**1,077,360**
-IRS – amounts purchased	66,087	59,362	8,320	104,361	64,123	716,646	396,605	**1,290,055**
- IRS – amounts sold			8,320	104,361	64,123	716,646	396,605	**1,290,055**
- OIS - amounts purchased	19	-	1,000,000	-	-	-	-	**1,000,000**
- OIS – amounts sold			1,000,000	-	-	-	-	**1,000,000**
- Options – amounts purchased	3,061	3,063	-	-	200,000	198,000	-	**398,000**
- Options – amounts sold			-	-	200,000	198,000	-	**398,000**
Total derivative instruments held for trading	**94,439**	**86,718**	**2,752,030**	**1,648,545**	**2,696,570**	**2,507,034**	**793,210**	**10,397,389**
Not traded on regulated markets	94,439	86,718	2,752,030	1,648,545	2,696,570	2,507,034	793,210	10,397,389
Total	**94,439**	**86,718**	**2,752,030**	**1,648,545**	**2,696,570**	**2,507,034**	**793,210**	**10,397,389**

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 December 2013 and comparative data for the previous year.

Note 27.1

Contingent liabilities granted (in PLN thousand)	31 Dec 2013	31 Dec 2012	Change (%)
Financial liabilities granted	5 747 843	4,930,129	16.5%
Guarantee liabilities granted	2 008 975	1,921,582	4.5%
Total contingent liabilities granted	**7,756,818**	**6,851,711**	**-**

Contingent liabilities received (in PLN thousand)	31 Dec 2013	31 Dec 2012	Change (%)
Financial liabilities received	2,125,000	1,462,000	45%
Guarantee liabilities received	514,690	490,046	5%
Total contingent liabilities received	**2,639,690**	**1,952,046**	**-**

Off-balance sheet items and derivative instruments broken by residual maturity as at 31 December 2013 and comparative data as at 31 December 2012.

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 2013	items related to financing	1 160 168	761 068	2 232 040	1 029 090	565 477	-	**5 747 843**
	guarantees	75 374	232 378	946 210	640 783	114 230	-	**2 008 975**
31 Dec 2012	items related to financing	143 423	340 771	1 810 744	2 034 922	600 269	-	**4,930,129**
	guarantees	78 492	235 872	934 638	593 807	78 773	-	**1,921,582**

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 2013	items related to financing	-	-	-	-	2,125,000	-	**2,125,000**
	guarantees	11,103	12,629	85,160	311,768	94,030	-	**514,690**
31 Dec 2012	items related to financing	-	-	-	-	1,462,000	-	**1,462,000**
	guarantees	17,640	81,674	100,288	246,320	44,124	-	**490,046**

The major item of off-balance sheet commitments granted constitute commitments to extend loans which as at 31 December 2013 made up PLN 5,594,673 thousand or 97% of the Bank's financial off-balance sheet commitments granted, and, respectively, PLN 4,802,962 thousand as at 31 December 2012 (97%). Commitments to extend loans include credit lines granted (unutilised), credit card limits, unused overdraft credit facilities and general financing agreements.

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

Off-balance sheet guarantee commitments granted result from guarantees issued in favour of customers and pertain chiefly to contract performance bonds and receivables repayment guarantees. The Group 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 Group's income statement.

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

The major item of off-balance sheet commitments received by the Group was an unused credit line granted by the NBP, which as at 31 December 2013 made up PLN 2,125,000 thousand, and PLN 1,462,000 thousand as at 31 December 2012, respectively.

Off-balance sheet guarantee commitments received include guarantees and suretyships to secure loans granted; such commitments totalled PLN 514,690 thousand as at 31 December 2013 and PLN 490,046 thousand as at 31 December 2012.

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 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	44 410	5 624	-	49 834
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**

31 Dec 2012 (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	956,258	29	200,426	1,156,713
Financial assets held for trading	8,216	14,907	6,187	29,310
Due from banks and Loans to customers	103,458	37,744	4,627	145,829
Hedging instruments	11,179	-	-	11,179
Other assets	9,207	59	6,636	15,902
Total assets	**1,088,318**	**52,739**	**217,876**	**1,358,933**
Liabilities				
Financial liabilities held for trading	63,037	8,288	-	71,325
Liabilities due to banks and customers	27,220	51,686	110,316	189,222
Loans and credit facilities received	-	5,495,895	-	5,495,895
Differences from measurement to fair value of a hedged item against interest rate risk	8,799	-	-	8,799
Subordinated liabilities	245,300	448,951	-	694,251
Other liabilities	659	5,447	10,081	16,187
Total liabilities	**345,015**	**6,010,267**	**120,397**	**6,475,679**

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 income	-	-	88	88
Other general expenses	-	510	-3,363	-2,853
Cost of risk	-	-	-1	-1

1 Jan 2012 - 31 Dec 2012 (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	6,162	436	8,166	14,764
Interest expense	-2,727	-70,707	-16,029	-89,463
Fee and commission income	641	11	1,355	2,007
Fee and commission expense	-1,205	-72	-246	-1,523
Net trading income	42 941	15 512	-20 428	38 025
Net profit/loss on hedging transactions	-3,755	-	-	-3,755
Other income	-8	-	250	242
Other operating expenses	-	-	-6	-6
Other general expenses	-	-146	-2,706	-2 852
Cost of risk	-102	-60	-160	-322

Note 28.2

Contingent liabilities and transactions in derivative instruments as at 31 December 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**
- items related to financing	-	-	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**

Contingent liabilities and transactions in derivative instruments as at 31 December 2012 (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:	**7,513**	**37,054**	**330,174**	**374 741**
- items related to financing	-	-	27,467	27,467
- guarantees	7,513	37,054	302,707	347,274
Contingent liabilities received:	**29,036**	**134,397**	**308,416**	**471,849**
- guarantees	29,036	134,397	308,416	471,849
Transactions in derivative instruments*	**2,791,378**	**4,257,037**	**584,326**	**7,632,741**

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

Agreements with the BNP PARIBAS Group entities

Loan agreements with BNP PARIBAS

- In January 2013, the Bank repaid CHF 250 million representing a part of credit lines it had taken. The repayment was partly compensated by two new tranches of financing disbursed by the BNP PARIBAS group, in the total amount of CHF 160 million. Their repayment date falls on 1 March 2015 with respect to a tranche of CHF 80 million, and on 1 September 2015 with respect to another tranche of CHF 80 million. The repayment schedule of the loan of CHF 230 million was also modified (replacement with three loans with different maturities).
- In January 2013, the Bank also prepaid EUR 60 million being a part of a subordinated loan granted under the agreement with BNP Paribas Fortis SA/NV dated 23 October 2007. The repayment was made upon consent of the Polish Financial Supervision Authority to the prepayment of the funds totalling EUR 100 million.
- Under a loan agreement concluded by and between the Bank and BNP PARIBAS, in July 2013 another loan tranche was disbursed in the amount of EUR 30 million, which matures on 5 January 2015. The Bank repaid a tranche of CHF 25 million.
- In October 2013, the Bank repaid the maturing credit line of CHF 250 million. At the same time, the Bank drew down funds under subsequent tranches, in the aggregate amount of CHF 200 million, to mature by July 2016.
- In December 2013, the Bank was granted renewal of funding in the amount of EUR 90 million (the Bank repaid the maturing credit line of EUR 90 million, while receiving funds in the same amount and with maturity in June 2015).

Financing agreements with Fortis Lease Polska Sp. z o.o.

- On 22 January 2013, the Bank consented to extend, until 5 December 2013, the availability period of the PLN 60 million credit limit granted to FLP under the multi-option credit line agreement dated 17 November 2000.
- Furthermore, on 25 February 2013, the Bank and FLP signed Annex no. 1 to the uncommitted facility agreement dated 23 March 2012. The Annex concerned an increase of the maximum facility amount to PLN 248 million and determination of the credit line availability on 5 December 2013.
- On 9 May 2013, the Bank and Fortis Lease concluded annex no. 2 to the Uncommitted Credit Facility Agreement of 23 March 2012 under which the maximum credit facility amount was increased to PLN 345 million.

Annex to agreement with TFI BNP Paribas

- On 1 October 2013 the Bank and TFI BNP Paribas signed an annex to the agreement they concluded on 29 June 2012. Under the annex, the cooperation rules concerning distribution by the Bank of participation units in investment funds managed by TFI BNP Paribas were changed, as a result of which the Bank's distribution offering has been extended by participation units in investment funds managed by KBC TFI S.A.

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 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Board of Executives, including:	**8,420**	**8,546**
- remuneration	6,670	5,936
- other*	1,750	2,610
Supervisory Board	**903**	**771**
Managing Directors**	**17,063**	**15,260**

* 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 2013 or 2012.

Provisions for employee benefits for key managers

The table below presents provisions for employee benefits for key managers as at 31 December 2013 and comparative data as at 31 December 2012:

Note 29.2

Provisions for employee benefits for key managers, by groups (in PLN thousand)	31 Dec 2013	31 Dec 2012
Short-term, including:	**5,204**	**4,058**
- Board of Executives	2,012	1,806
- Managing Directors	3,192	2,252
Long-term, including:	**2,137**	**941**
- Board of Executives	1,274	566
- Managing Directors	863	375
Total provisions for employee benefits for key managers	**7,341**	**4,999**

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

As at 31 December 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 with the original maturity from 10 to over 30 years, inclusive;
- 3 debit limits in the savings and checking account in the total 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 with original maturity from 10 years to over 30 years;
- 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 with the original maturity from 1 to 30 years, inclusive;
- 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 were utilised as at the end of 2013.

As at 31 December 2012, the Bank granted:

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

to the Board of Executives' Members:
- 6 credit card limits totalling PLN 90 thousand, of which PLN 18 thousand was used;
- 4 foreign currency loans in the amount of PLN 1,128 thousand with the original maturity from 5 to 10 years, inclusive;
- 3 debit limits in the savings and checking account in the total amount of PLN 180 thousand;

to Managing Directors:
- 25 loans totalling PLN 6,490 thousand, including 7 FC loans in the total amount equivalent to PLN 4,232 thousand with original maturity from 3 months to over 30 years;
- 9 debit limits in the savings and checking account of PLN 166 thousand, of which PLN 78 thousand was utilised as at the end of 2012;
- 15 credit card limits totalling PLN 104 thousand, of which PLN 29 thousand were utilised as at the end of 2012;

to persons related to managing and supervising persons:
- 8 loans, of which one in a foreign currency, in the total amount of PLN 164 thousand with the original maturity from 2 to 30 years, inclusive;
- 1 debit limit in the savings and credit account in the total amount of PLN 4 thousand;
- 2 credit card limits totalling PLN 11 thousand, of which PLN 1 thousand were utilised as at the end of 2012;

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 2013	31 Dec 2012
in PLN thousand	444	693

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 2013	31 Dec 2012
in PLN thousand	137 571	153,808
According to the number of employees	1 340	1,371

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 2013	31 Dec 2012
FTEs	2,794	2,815
of which, having education:		
- higher	67%	65%
- BA	13%	13%
- secondary	20%	22%

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 2013	31 Dec 2012
Reserve for employee bonuses	20,368	13,495
Reserve for unused vacation leaves	5,991	5,673
Company Social Benefit Fund (ZFŚS)	1,310	1,012
restructuring provision (benefits on account of work relationship termination)	12	4,404
Other	532	79
Total short-term employee benefits	**28,213**	**24,663**

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 2013	31 Dec 2012
Retirement severance pay, disability benefits and post-death benefits	3,307	2,966
Deferred bonus	805	526
Total long-term employee benefits	**4,112**	**3,492**
Liabilities recognised in the balance sheet	**4,112**	**3,492**

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 2013	31 Dec 2012
Present value of liabilities – opening balance	**3,492**	**2,633**
Current employment costs	763	833
Interest expense	165	141
Past employment costs	-	-116
Actuarial Profits (-) / Losses (+)	-213	4
Benefits paid out (-)	-95	-3
Present value of liabilities – ending balance	**4,112**	**3,492**

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 2013	31 Dec 2012
Discount rate	4.50%	4.95%
Expected remuneration growth rate	5.00%	5.00%

31. Risk Management

The Bank identifies the following categories of risk monitoring, control and management:

- credit risk,
- liquidity risk,
- foreign exchange risk,
- interest rate risk,
- counterparty risk,
- operational risk,
- compliance risk.

The Bank's Board of Executives defines the risk management policy for all risk types and policy for specific risk types. The strategy is approved by the Supervisory Board.

Credit risk

Credit risk is the risk of losses incurred by the Bank on account of granted loans due to the customer inability to meet its obligations within the predefined contractual date.

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 one person - 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, excluding business entities which use car loans only. The rating system rules are determined in the *Rating Policy for CTB and SME Customers at BNP Paribas Bank Polska SA*.

The risk assessment based on scoring models that use, among other things, data from the Credit Information Bureau, is applied to individuals. 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.

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.

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 loan portfolio. These are:

- 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 impairment 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 impairment 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).

Risk management in subsidiaries

In the risk management the Bank's subsidiaries apply the assumptions and rules stipulated in the *Risk Management Strategy at BNP Paribas Bank Polska SA*.

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 the 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 2013 and comparative data as at 31 December 2012.

Note 31.1.1

Information on exposure quality (in PLN thousand)	**31 Dec 2013**	**31 Dec 2012**
Cash and cash equivalents (excluding cash at hand)	**1,108,046**	**1,760,143**
- receivables without impairment	1,108,615	1,760,754
- write-downs for impairment of IBNR losses	-617	-1,100
- interest	48	489
Financial assets held for trading	**70,118**	**145,838**
- securities	-	50,270
- derivative financial instruments	70,118	94,439
measurement to fair value	70,535	95,074
fair value adjustment for credit risk	-417	-635
- interest	-	1,129
Due from banks	**79,201**	**208,045**
- receivables without impairment	79,128	207,544
- write-downs for impairment of IBNR losses	-77	-74
- interest	150	575
Loans to customers	**16,582,614**	**16,159,656**
- receivables without impairment	16,141,923	15,362,217
- receivables impaired, including where the impairment is:	1,478,936	1,942,517
determined on a case-by-case basis	918,160	1,256,790
determined using a collective method	560,776	685,727
- write-downs for impairment for incurred and reported losses	-974,610	-1,099,281

determined on a case-by-case basis	-579,876	-613,302
determined using a collective method	-394,734	-485,979
- write-downs for impairment of IBNR losses	-113,997	-102,853
- interest	50,362	57,056
Investments available for sale	**2,607,870**	**1,825,430**
- receivables without impairment	2,584,377	1,774,571
- receivables impaired	-	27,336
- write-downs for impairment for incurred and reported losses	-	-11,317
- interest	23,493	34,840
Off-balance sheet commitments granted	**7,725,182**	**6,835,177**
- off-balance sheet commitments without impairment	7,675,370	6,755,808
- off-balance sheet commitments impaired, including where the impairment is:	81,448	95,903
determined on a case-by-case basis	44,849	64,066
determined using a collective method	36,599	31,837
- provisions for off-balance sheet commitments	-21,238	-7,910
determined on a case-by-case basis	-20,556	-7,220
determined using a collective method	-682	-690
- write-downs for impairment of IBNR losses – off-balance sheet commitments	-10,398	-8,624

Note 31.1.2

Analysis of gross receivables from customers (in PLN thousand)	31 Dec 2013	31 Dec 2012
Performing receivables without impairment	15,854,633	15,052,197
Non-performing receivables without impairment	287,290	310,020
Impaired receivables with impairment determined on a case-by-case basis with a write-down	897,339	1,170,877
Impaired receivables with impairment determined on a case-by-case basis with no write-down	20,821	85,913
Impaired receivables with impairment determined on a collective basis with a write-down	560,772	658,787
Impaired receivables with impairment determined on a collective basis with no write-down	4	26,940
Total	**17,620,859**	**17,304,734**

The table below presents the FC analysis of loans to customers, which are neither past-due nor impaired as at 31 December 2013, along with comparative data as at 31 December 2012.

Note 31.1.3

Performing receivables without impairment (in PLN thousand)	31 Dec 2013	31 Dec 2012
CHF	3,835,365	4,235,758
EUR	2,571,968	2,159,037
PLN	9,316,869	8,169,213
USD	119,438	482,634
Other	10,993	5,555
Total	**15,854,633**	**15,052,197**

In order to adjust the rating scale to the one commonly applied in the BNP Paribas group, the Fortis Masterscale so far binding in the Bank and its subsidiaries was replaced by the BNP Paribas rating system.

The comparability of loan receivables' classification according to the scale used previously and the one applied currently was presented in Notes 31.1.4 and 31.1.5 for receivables without impairment and in Notes 31.1.6 and 31.1.7 for impaired receivables.

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 December 2013, along with comparative data as at 31 December 2012, is presented in the table below.

Note 31.1.4

Performing receivables without impairment according to the Fortis Masterscale rating (in PLN thousand)	31 Dec 2013	31 Dec 2012
1-7	1,071,929	1,303,202
8-10	3,084,759	2,025,782
11-12	2,710,912	2,512,344
13-17	1,507,754	1,394,778
No rating assigned, including:	7,479,279	7,816,091
mortgage loans	5,436,275	5,561,786
Total	**15,854,633**	**15,052,197**

Note 31.1.5

Performing receivables without impairment according to the BNP Paribas rating (in PLN thousand)	31 Dec 2013	31 Dec 2012
1+ to 6+	958,559	1,303,949
6 to 7+	3,282,059	2,427,533
7 to 7-	2,417,027	2,194,969
8+ to 10-	1,428,553	1,319,678
No rating assigned, including:	7,768,435	7,806,068
mortgage loans	5,436,275	5,561,786
Total	**15,854,633**	**15,052,197**

The following table presents receivables from customers which have been impaired, broken down by rating classes as at 31 December 2013 along with comparative data as at 31 December 2012.

Note 31.1.6

Receivables impaired according to the Fortis Masterscale rating (in PLN thousand)	31 Dec 2013	31 Dec 2012
- determined on a case-by-case basis	918,160	1,256,790
18	-	1 542
19	500,788	872 343
20	371,270	346 617
No rating assigned	46,102	36 288
- determined using a collective method	560,776	685,727

18	-	-
19	22,419	20 488
20	79,060	68 039
No rating assigned	459,297	597 200
Total	**1,478,936**	**1,942,517**

Note 31.1.7

Receivables impaired according to the BNP Paribas rating (in PLN thousand)	31 Dec 2013	31 Dec 2012
- determined on a case-by-case basis	918,160	1,256,790
11	500,788	873,885
12	368,966	346,617
No rating assigned	48,406	36,288
- determined using a collective method	560,776	685,727
11	22,419	20,488
12	78,892	68,039
No rating assigned	459,465	597,200
Total	**1,478,936**	**1,942,517**

The "no rating assigned" category covers customers who have not been assigned any credit rating or whose rating has expired. Pursuant to rating rules binding in the Group, the rating assignment procedure is applied to commercial customers, excluding business entities that use car loans only.

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 31.1.8

Past-due periods of non-performing receivables without impairment (in PLN thousand)	31 Dec 2013	31 Dec 2012
from 1 to 30 days	231,636	241,219
from 31 to 60 days	42,327	50,163
from 61 to 90 days	12,036	14,612
from 91 days up	1,291	4,026
Total	**287,290**	**310,020**

The table below presents types of collateral to secure credits and loans granted to customers as at 31 December 2013 and comparative data as at 31 December 2012.

Note 31.1.9

Nominal value of collateral established in favour of the Bank (in PLN thousand)	31 Dec 2013	31 Dec 2012
Financial collateral - cash and cash equivalents	4,186,811	5 939 812
Financial collateral - other	2,737,030	2 559 676
Non-financial collateral - tangible	20,200,888	30 128 755
Guarantees and sureties	3,882,238	3 885 252
Total collateral received	**31,006,967**	**42 509 495**

The collateral presented above includes the following collateral types:

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

The portfolio of customer loans that became impaired include receivables of renegotiated terms and conditions, of PLN 151,045 thousand as at 31 December 2013 and PLN 164,582 thousand as at 31 December 2012.

The value of assets taken over for debts in 2013 decreased to PLN 1,832 thousand as compared to 2012 when it stood at PLN 3,150 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 December 2013 and comparative data as at 31 December 2012.

Note 31.1.10

Credit exposures broken by business lines 31 Dec 2013 (in PLN thousand)	**Retail Banking**	**Corporate and Transaction Banking**	**Total**
Balance sheet credit exposures	11,518,633	6,102,226	17,620,859
Off-balance sheet credit exposures	971,019	6,482,957	7,453,976
Total credit exposures, gross	**12,489,652**	**12,585,183**	**25,074,835**
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	**11,773,916**	**12,180,676**	**23,954,592**

Credit exposures broken by business lines 31 Dec 2012 (in PLN thousand)	**Retail Banking**	**Corporate and Transaction Banking**	**Total**
Balance sheet credit exposures	11,542,521	5,762,213	17,304,734
Off-balance sheet credit exposures	939,140	5,518,946	6,458,086
Total credit exposures, gross	**12,481,661**	**11,281,159**	**23,762,820**
Provisions for impairment of incurred and reported losses	-670,401	-428,880	-1,099,281
Provisions for off-balance sheet commitments	-772	-7,138	-7,910
Provisions for Incurred But Not Reported losses (IBNR)	-79,226	-32,251	-111,477
- balance sheet receivables	-75,933	-26,920	-102,853
- off-balance sheet commitments	-3,293	-5,331	-8,624
Total credit exposures, net	**11,731,262**	**10,812,890**	**22,544,152**

Note 31.1.11

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	11,556,857	93%	11,957,594	95%	23,514,451
With impairment:	932,795	7%	627,589	5%	1,560,384
- determined on a case-by-case basis	369,095	3%	593,914	5%	963,009
- determined using a collective (portfolio) method	563,700	4%	33,675	0%	597,375
Total credit exposures, gross	**12,489,652**	**100%**	**12,585,183**	**100%**	**25,074,835**

Segment / Risk category 31 Dec 2012	Credit exposure value				
	Retail Banking		Corporate and Transaction Banking		Total
	in PLN thousand	in %	in PLN thousand	in %	
Without impairment	11,382,676	91%	10,341,724	92%	21,724,400
With impairment:	1,098,985	9%	939,435	8%	2,038,420
- determined on a case-by-case basis	409,119	3%	911,737	8%	1,320,856
- determined using a collective (portfolio) method	689,866	6%	27,698	0%	717,564
Total credit exposures, gross	**12,481,661**	**100%**	**11,281,159**	**100%**	**23,762,820**

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 December 2013 along with comparative data as at 31 December 2012.

Note 31.1.12

Mortgage loans for private individuals 31 Dec 2013	PLN	FC	Total
Balance sheet value (in PLN thousand)	1,789,026	3,903,697	5,692,723
Average maturity (years)	23.9	21.9	22.5
Average LTV (%)	78%	93%	89%

Mortgage loans to individuals 31 Dec 2012	PLN	FC	Total
Balance sheet value (in PLN thousand)	1,654,463	4,149,779	5,804,242
Average maturity (years)	24.4	22.7	23.2
Average LTV (%)	74 %	90 %	86 %

Note 31.1.13

Analysis of mortgage loans portfolio, gross (in PLN thousand)	31 Dec 2013	31 Dec 2012
Performing receivables without impairment	5,436,275	5,561,786
Non-performing receivables without impairment	107,292	110,494
Receivables with impairment determined on a case-by-case basis (with a provision)	24,927	11,690
Receivables with impairment determined collectively (with a provision)	124,229	106,294
Receivables with impairment determined collectively (without a provision)	-	13,978
Total mortgage loans, gross	**5,692,723**	**5,804,242**

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

Note 31.1.14

Delinquency periods of past-due mortgage loans, without impairment (in PLN thousand)	31 Dec 2013	31 Dec 2012
from 1 to 30 days	96,227	93,007
from 31 to 60 days	8,482	14,773
from 61 to 90 days	2,583	2,714
Total mortgage loans, gross	**107,292**	**110,494**

The table below presents currency analysis of mortgage loans as at 31 December 2013 and comparative data as at 31 December 2012.

Note 31.1.15

Mortgage loans as per currencies (in PLN thousand)	31 Dec 2013	31 Dec 2012
CHF	3,826,937	4,066,840
EUR	73,134	78,670
PLN	1,789,026	1,654,463
USD	3,626	4,269
Total mortgage loans, gross	**5,692,723**	**5,804,242**

The table below presents loan portfolio concentration, gross, for balance sheet and off-balance sheet exposures (excluding banks) broken by sectors, as at 31 December 2013 and comparative data as at 31 December 2012.

Note 31.1.16

Loan portfolio by sectors	31 Dec 2013 in PLN thousand	in %	31 Dec 2012 in PLN thousand	in %
Construction and activity related to real estate market service	3,485,677	13.90	3,533,529	14.87
Water supply, sewerage, waste management and remediation activities	294,002	1.17	225,149	0.95
Accommodation and food service activities	203,471	0.81	254,751	1.07
Financial and insurance activities	300,249	1.20	420,143	1.77
Mining and quarrying	758,752	3.03	595,695	2.51
Wholesale and retail trade Repair of motor vehicles and motorcycles	3,720,593	14.84	3,868,511	16.28
Individual clients	8,334,671	33.24	8,343,727	35.11
Other service activities	946,768	3.78	929,602	3.91
Manufacturing	4,274,066	17.04	3,917,461	16.49
Transportation and storage	960,216	3.82	827,022	3.48
Electricity, gas, steam and air conditioning supply	249,681	1.00	240,504	1.01
Other sectors	1,546,689	6.17	606,726	2.55
Total loan portfolio by sectors	**25,074,835**	**100.00**	**23,762,820**	**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.

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 2013 the limit of the Bank's exposures bearing risk of one entity or affiliated entities amounted to PLN 540,963 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 December 2013, the said limit amounted to PLN 622,080 thousand on a consolidated basis and was not exceeded.

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 built in the bank 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.
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.

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

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

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

The Bank’s strategy consists in the following:

- Ensuring sources of financing of the Bank's activity that are stable and suited to the expected needs,
- 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.

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 December 2013, the structure of disbursed loans from the group was as follows:

- PLN 800 million – maturity in February 2014,
- CHF 40 million – maturity in June 2014,
- CHF 275 million – maturity in July 2014,
- EUR 30 million – maturity in January 2015,
- CHF 80 million – maturity in March 2015,
- CHF 40 million – maturity in April 2015,
- CHF 70 million – maturity in June 2015,
- EUR 90 million – maturity in June 2015,
- CHF 40 million – maturity in July 2015,
- CHF 80 million – maturity in September 2015,
- CHF 30 million – maturity in October 2015,
- CHF 30 million – maturity in January 2016,
- CHF 30 million – maturity in March 2016,
- CHF 30 million – maturity in April 2016,
- CHF 79 million – maturity in June 2016,
- CHF 30 million – maturity in July 2016,
- CHF 31 million – maturity in September 2016,
- CHF 75 million – maturity in March 2017,
- CHF 75 million – maturity in June 2017,
- CHF 75 million – maturity in September 2017,
- CHF 60 million – maturity in December 2022 (subordinated loan),
- EUR 60 million – maturity in December 2022 (subordinated loan).

Additionally, as at 31 December 2013, the Bank disbursed the following credit facilities from the EBRD and EIB:

- PLN 150 million – maturity in December 2015,
- EUR 30 million – maturity in January 2016,
- PLN 119 million – maturity in July 2016,
- PLN 55 million – maturity in December 2016,
- PLN 80 million – maturity in June 2017.

Fortis Lease Polska Sp. z o.o.

Fortis Lease Polska Sp. z o.o. finances its agreements mainly using funds originating from medium- and long-term loans from the BNP Paribas Group.

As at 31 December 2013, the structure of disbursed loans from the group was as follows:

- CHF 27.7 million – maturity in February 2023,
- EUR 155.2 million – maturity in August 2024,
- PLN 722.3 million – maturity in December 2023.

Additionally, as at 31 December 2013, FLP disbursed the following credit facilities from the EBRD and EIB:

- EUR 16.2 million – maturity in March 2018;
- PLN 70.3 million – maturity in December 2022.

BNP Paribas Factor Sp. z o. o.

As at 31 December 2013, the structure of financing of BNP Paribas Factor Sp. z o.o. was the following:

- PLN 134 million - maturity in January 2014
- EUR 5.7 million - maturity in January 2014

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

The table below presents an analysis of balance sheet items and derivative instruments broken by residual maturity as at 31 December 2013 and comparative data as at 31 December 2012.

An analysis regarding derivative instruments is presented in Note 26.

Note 31.2

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	73	31,429	5,699	5,000	37,000	-	-	**79,201**
Loans to customers	403,821	2,519,377	469,489	1,843,769	3,301,736	2,390,137	5,654,285	**16,582,614**
Investments available for sale	32,132	699,847	-	71,520	493,225	1,067,371	243,775	**2,607,870**
Other assets	487,206	-	-	-	-	-	-	**487,206**
Long position	**2,213,479**	**3,255,996**	**479,638**	**1,928,583**	**3,858,744**	**3,460,273**	**5,920,543**	**21,117,256**
Financial liabilities held for trading	-	5,304	6,233	8,157	24,940	2,697	22,189	**69,790**
Liabilities due to banks	1,438	264,753	8,782	52,694	84,896	11,710	-	**424,273**
Liabilities due to customers	14,123	8,884,184	1,266,462	413,941	310,626	1,395	3,568	**10,894,299**
Loans and credit facilities received	7,429	531,487	816,535	1,200,581	2,998,787	1,099,969	396,132	**7,050,920**
Subordinated liabilities	464	-	-	-	-	-	451,728	**452,192**
Other liabilities	2,225,782	-	-	-	-	-	-	**2,225,782**
Short position	**2,249,236**	**9,685**	**2,098,012**	**1,675,373**	**3,419,249**	**1,116,041**	**873,617**	**21,117,256**
Gap – balance sheet	**-35,757**	**-6,429,732**	**-1,618,374**	**253,210**	**439,495**	**2,344,232**	**5,046,926**	**-**

Balance sheet items broken down into residual maturity								
31 Dec 2012 (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	1,980,588	-	-	-	-	-	-	**1,980,588**
Financial assets held for trading	-	6,809	10,978	11,695	9,218	78,929	28,209	**145,838**
Due from banks	501	40,604	105,603	46,337	15,000	-	-	**208,045**
Loans to customers	747,775	2,298,582	427,568	1,708,047	3,183,363	1,881,275	5,913,046	**16,159,656**
Investments available for sale	17,705	174,641	-	6,335	524,320	478,106	624,323	**1,825,430**
Other assets	511,255	-	-	-	-	-	-	**511,255**
Long position	**3,257,824**	**2,520,636**	**544,149**	**1,772,414**	**3,731,901**	**2,438,310**	**6,565,578**	**20,830,812**
Financial liabilities held for trading	-	3,215	9,453	11,286	7,623	27,337	27,804	**86,718**
Liabilities due to banks	1,314	155,955	8,657	51,944	124,089	40,401	-	**382,360**
Liabilities d ue to customers	37,002	7,531,291	823,393	1,433,230	239,621	413	-	**10,064,950**
Loans and credit facilities received	10,640	276,004	134,246	1,697,685	2,974,987	2,074,006	422,188	**7,589,756**
Subordinated liabilities	459	245,292	-	-	-	-	448,500	**694,251**
Other liabilities	2,012,777	-	-	-	-	-	-	**2,012,777**
Short position	**2,062,192**	**8,211,757**	**975,749**	**3,194,145**	**3,346,320**	**2,142,157**	**898,492**	**20,830,812**
Gap – balance sheet	**1,195,632**	**-5,691,121**	**-431,600**	**-1,421,731**	**385,581**	**296,153**	**5,667,086**	**-**

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 2013, 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 2012 - 31 Dec 2012	Limit utilisation		
	minimum	medium	maximum
VaR	2%	35%	174%
Global FX position	16%	45%	114%

As at 31 December 2013, 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 6,893.8 thousand. VaR stood at PLN 36.3 thousand (on the Bank's level, respectively: PLN 6,984.1 thousand and PLN 38.2 thousand).
Considering a small value of the limits and a conservative method of their determination (i.e. the VaR at PLN 700 thousand and FX position at PLN 25 million), the cases noted when the limits were exceeded did not mean any significant growth of risk assumed by the Bank.

The table below presents currency structure of assets and liabilities of the Group in PLN equivalents, as at 31 December 2013 along with comparative data as at 31 December 2012.

Note 31.3.2

FX position components (in PLN thousand)	31 Dec 2013		31 Dec 2012	
	Assets	Liabilities	Assets	Liabilities
USD	206,130	297,966	219,115	394,989
GBP	21,864	21,846	17,680	17,268
CHF	4,013,320	4,014,227	4,705,004	4,705,864
EUR	2,949,690	3,070,441	3,133,008	3,171,249
PLN	13,899,295	13,686,690	12,736,620	12,511,191
Other convertible currencies	26,957	26,086	19,385	30,251
Total	**21,117,256**	**21,117,256**	**20,830,812**	**20,830,812**

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.

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 2013 and 2012:

Note 31.4.1

PLN thousand	Limit utilisation for the Treasury portfolio: VaR		
	31 Dec 2013	31 Dec 2012	Limit
	120.5	67.7	700

		Limit utilisation for the Treasury portfolio: One Year Equivalent (the limit is binding from 1 Feb 2013)				
31 Dec 2013		PLN*	EUR*	USD*	Other**	Total**
Treasury Funding	utilisation	-67	-2	-7	0	40
	limit	1,825	125	70	7	1,000
Treasury Trading	utilisation	-25	0	0	0	12
	limit	200	5	5	5	100
Treasury Total	utilisation	-92	-2	-7	0	52
	limit	2,025	130	75	12	1,100

*in the currency million, ** in EUR million

Limit utilisation for the Treasury portfolio: Periodic Gap (the limit is binding from 1 Feb 2013)								
Treasury Funding								
31 Dec 2013	**PLN***		**EUR***		**USD***		**Other****	
	utilisation	limit	utilisation	limit	utilisation	limit	utilisation	limit
0-1 M	-1067	3,000	-27	200	-30	200	0	50
1-3 M	392	2,000	0	200	-30	100	0	15
3-6 M	0	1,000	0	100	0	50	0	5
6-12 M	0	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 2013	**PLN***		**EUR***		**USD***		**Other****	
	utilisation	limit	utilisation	limit	utilisation	limit	utilisation	limit
0-1 M	-47	200	0	5	0	5	0	5
1-3 M	-50	200	0	5	0	5	0	5
3-6 M	-41	200	0	5	0	5	0	5
6-12 M	-50	200	0	5	0	5	0	5
12-24 M	25	50	0	0	0	0	0	0
>24 M	0	50	0	0	0	0	0	0
Treasury Total								
31 Dec 2013	**PLN***		**EUR***		**USD***		**Other****	
	utilisation	limit	utilisation	limit	utilisation	limit	utilisation	limit
0-1 M	-1,115	3,200	-27	205	-30	205	0	55
1-3 M	342	2,200	0	205	-30	105	0	20
3-6 M	-41	1,200	0	105	0	55	0	10
6-12 M	-50	950	0	105	0	55	0	7
12-24 M	25	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 2013	**31 Dec 2012**	**Limit**
Position sensitivity to the interest rate curve shift by +100 bps	41,762	23,710	61,100
EaR	5.77%	3.45 %	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 2013, and in the comparative period of 2012, was as follows:

Note 31.4.2

1 Jan 2012 - 31 Dec 2012	minimum	Limit utilisation medium	maximum
VaR	0 %	9 %	26 %

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

As at 31 December 2013, no established liquidity 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 2013, 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 2013 (in PLN thousand)	Corporate and Transaction Banking, Retail Banking	Interbank transactions	Total
Balance sheet equivalent on account of derivative transactions	144,634.44	28,140.66	172,775.10
Capital charge for derivative transactions (total trade and banking book)	9,198.59	823.35	10,021.94

Fair value

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.

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. 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.

Note 31.6.1

Fair value table (in PLN thousand)	31 Dec 2013 Balance sheet value	31 Dec 2013 Fair value	31 Dec 2012 Balance sheet value	31 Dec 2012 Fair value
Cash and cash equivalents	1,290,247	1,290,254	1,980,588	1,980,550
Due from banks	79,201	79,137	208,045	208,865
Loans to customers	16,582,614	16,059,992	16,159,656	16,229,612
Liabilities due to banks	424,273	433,332	382,360	396,995
Liabilities due to customers	10,894,299	10,914,058	10,064,950	10,115,919
Loans and credit facilities received	7,050,920	7,119,413	7,589,756	7,704,884
Subordinated liabilities	452,192	506,396	694,251	747,020

Note 31.6.2

Table showing the fair value of loans to customers (in PLN thousand)	31 Dec 2013 Balance sheet value	31 Dec 2013 Fair value	31 Dec 2012 Balance sheet value	31 Dec 2012 Fair value
Loans to State-owned entities	37	38	44	44
Mortgage loans	5,692,723	5,119,876	5,804,242	5,701,852
Consumer loans and credit facilities	2,442,003	2,487,878	2,330,502	2,385,342
Commercial loans	7,565,244	7,569,658	7,323,821	7,441,388
Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date	-	-	930	930
Finance lease receivables	1,762,775	1,762,775	1,714,963	1,714,963
Other receivables	158,077	158,064	130,232	130,173
Interest	50,362	50,310	57,056	57,054
Total loans to customers, gross	**17,671,221**	**17,148,599**	**17,361,790**	**17,431,746**
Impairment losses:	**-1,088,607**	**-1,088,607**	**-1,202,134**	**-1,202,134**
- for incurred, reported losses	-974,610	-974,610	-1,099,281	-1,099,281
- for Incurred But Not Reported losses (IBNR)	-113,997	-113,997	-102,853	-102,853
Total loans to customers, net	**16,582,614**	**16,059,992**	**16,159,656**	**16,229,612**

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 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 strictures, 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 stipulated 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. Risk profile 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 the Bank's key processes. Additionally, as a part of the operational risk mapping, stress testing is carried out in the form of scenario analyses of the operational risk.

Recording operational losses 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 and assesses its adequacy and efficiency.

- **Reporting and Transparency of Operation**

The Bank uses the Basic Indicator Approach to calculate the capital requirement for operational risk.

The total gross operational losses recorded by the Bank in 2013 amounted to PLN 18.9 million. The structure of operating losses of the Bank (including subsidiaries) in 2013, broken down into specific categories of events, is presented in the table below.

Categories of operational events	Share (%)
1. Internal fraud	**2.4%**
1.1 Unauthorised activities	0.0%
1.2 Theft and fraud	2.4%
2. External fraud	**44.0%**
2.1 Theft and fraud	44.0%
2.2 Systems security	0.0%
3. Employment Practices and Workplace Safety	**0.2%**
3.1 Employee relations	0.2%
3.2 Safe work environment	0.0%
3.3 Diversity and discrimination	0.0%
4. Customers, products and business practices	**48.4%**
4.1 Suitability, Disclosure & Fiduciary	0.0%
4.2 Improper business or market practices	48.2%
4.3 Product flaws	0.0%
4.4 Selection, sponsorship & exposure	0.0%
4.5 Advisory services	0.2%
5. Damage to physical assets	**1.7%**
5.1 Natural disasters and other events	1.7%
6. Business disruption and system failures	**0.0%**
6.1 Systems	0.0%
7. Transaction execution, delivery & operating process management	**3.3%**
7.1 Transaction capture, execution, settlement and maintenance	3.3%
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%

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

- Customers, products and business practices (48.4 % 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.
- External fraud (44 % of total losses) - in this category of operational events, 95 % of the loss amount is attributable to loans obtained by fraud in the Retail Banking area, in the average value of approx. PLN 60 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.

The Bank's subsidiaries

Pursuant to the regulatory provisions, the Bank exercises supervision over operational risk associated with the activities of its subsidiaries, i.e. TFI BNP Paribas Polska, Fortis Lease Polska and BNP Paribas Factor. 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. The amount of gross operational losses in the Bank's subsidiaries in 2013 stood at approx. PLN 10 thousand, which were recorded primarily in two categories of events:Safe work environment (52 % of total losses) and Transaction capture, execution, settlement and maintenance (45 %).

TFI BNP Paribas Polska, Fortis Lease Polska and BNP Paribas Factor, as companies to which the banking law requirements are not applicable, do not have to calculate the capital requirement for operational risk. Nevertheless, being subsidiaries of the Bank, they are required to provide financial data for its calculation and further reporting by the Bank. They provide financial data consistent with regulatory recommendations for the capital requirement calculation on account of operational risk according to the Basic Indicator Approach.

Assessment of the size and profile of the operational risk associated with the operations of subsidiaries is made on the basis of the information they provide, including results of the operational risk mapping process realised by them.

Compliance risk

The Bank considers its image and trust, which is systematically built in relationship with its customers, counterparties, shareholders and employee, one of the primary factors that conditions efficient operation and implementation of the Bank’s mission and business strategy. The Bank’s and its employees’ failure to comply with governing law provisions or internal regulations is considered one of the greatest threats to the Bank’s good reputation and image. 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 regulations related to acting in the interest of customers, in particular arising under the law provisions such as the financial instrument trading act, which is a transposition of the EU MiFID, play an important role.

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 the Banking Law Act and KNF resolutions.
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 Resolution No. 76/2010 of the Financial Supervision Authority dated 10 March 2010 regarding the scope and specific rules of determination of capital requirements on account of particular risk types, as amended.
BNP Paribas Bank Polska SA fulfils duties related to the computation of the capital requirement for credit risk by using a standardized approach. According to this approach, the Bank computes requirements using the regulatory division into risk classes. The Bank calculates also capital requirements for counterparty credit risk likewise for the settlement and delivery risk.

To determine capital requirement for market risk, the capital requirement for interest rate risk and FX risk are calculated first. 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 (calculated using the Basic Indicator Approach). The capital requirement for foreign exchange risk is calculated using the Basic Indicator Approach (BIA).

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 requirement for operational risk is computed using the Basic Indicator Approach (BIA).

The Bank monitors also the level of concentration of exposures and the level of capital concentration.

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

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

Calculation of own funds used in the capital adequacy ratio computation is governed by the Banking Law Act and Resolution no. 325/2011 of the Financial Supervision Authority dated 20 December 2011 regarding other reductions of Tier 1 funds, their amount, scope and conditions of decreasing bank's Tier 1 funds by such reductions, other bank's balance sheet items included into Tier 2 capital, their amount, scope and conditions of including them into bank's Tier 2 capital, reductions of Tier 2 capital, their amount, scope and conditions of decreasing bank's Tier 2 capital by such reductions; likewise the scope and manner of taking into account bank's business in holdings in the calculation of own funds capital.

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 ratio at a given level is one of the main tasks of managing the Bank's balance sheet. The Group assumes maintaining the capital adequacy ratio and the Tier 1 ratio at a level exceeding the regulatory requirements.

The 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 business activity.

Note 31.7

Capital adequacy (in PLN thousand)	**31 Dec 2013**	**31 Dec 2012**
Risk-weighted off-balance sheet assets and liabilities	**15,905,835**	**15,659,407**
Share capital	1,304,380	1,434,646
Additional capital	172,921	172,401
Reserve capital together with retained earnings	169,329	35,715
General risk fund for unidentified risk related to banking operations	52,177	25,232
Subordinated liabilities included in own funds	451,728	693,792
Other components of own funds included in the capital adequacy ratio calculation	2,373	31,596
Net profit for the first half	47,987	-
Gross own funds, total	**2,200,895**	**2,393,382**
Deductions		
Capital shares in financial entities	-	-
Net intangible assets	-37,044	-29,909
Total deductions	**-37,044**	**-29,909**
Net own funds	**2,163,851**	**2,363,473**
Short-term capital	**10,228**	**11,102**
including current profit on the trading book	10,228	11,102
Total own funds plus short-term capital	**2,174,079**	**2,374,575**
Capital charge for:		
Credit risk	1,282,489	1,263,007
Market risk	1,133	3,622
Operational risk	123,420	109,654
Total capital requirement	**1,407,042**	**1,376,283**
Capital adequacy ratio	**12.36 %**	**13.80 %**

The total capital requirement of the BNP Paribas Bank Polska SA Group, as at the end of 2013, reached PLN 1,407 million and was by 1.5% higher than as at the end of 2012. Growth was noted in requirements for credit risk (due to the loan balance increase) and operational risk.

The Group's own funds, including short-term capital, as at the end of December 2013 amounted to PLN 2,174 million and were lower by PLN 8.4% than the funds as at the end of December 2012. The decrease in the level of own funds was attributable to the repayment of a subordinated loan of EUR 60 million in January 2013. On 4 April 2013, the Bank's AGM resolved to decrease the share capital by reducing the nominal value of shares. The share capital reduction had no impact on the decrease of own funds, as the reduction amount was added to the reserve capital. In the second half of 2013, the profit for the first half of the year was included into own funds.

As at 31 December 2013, the consolidated capital adequacy ratio was 12.36% in comparison to 13.80% as at the end of December 2012 while the Tier 1 ratio stood at 9.69% and 9.52%, accordingly. The capital adequacy ratio decrease resulted from the subordinated loan repayment. As at the end of 2013, values of both ratios exceeded the required minimum.

The Group’s capital situation in 2013 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 2013 and the 2013 annual report publication date, i.e. 11 March 2014, shareholders' structure specifying the shareholders with at least 5% of the total number of votes at the General Meeting was as follows:

Shareholder name	Number of shares	% of the share capital	Share capital (in PLN)	Number of votes at the general meeting	Share (%) in the total number votes at the GM
BNP Paribas	**28,661,545**	**99.89%**	**1,302,953,835.70**	**28,661,545**	**99.89%**
BNP Paribas Fortis SA/NV	23,418,013	81.62%	1,064,582,870.98	23,418,013	81.62%
Dominet SA (in liquidation)	5,243,532	18.27%	238,370,964.72	5,243,532	18.27%
Minority shareholders	**31,381**	**0.11%**	**1,426,580.26**	**31,381**	**0.11%**
Total:	**28,692,926**	**100.00%**	**1,304,380,415.96**	**28,692,926**	**100.00%**

BNP Paribas SA based in Paris is the parent entity (holder of 99.93% shares) of BNP Paribas Fortis SA/NV based in Brussels. On 14 November 2013, BNP Paribas SA acquired, through an investment vehicle SFPI/FPIM, a 25% shareholding in BNP Paribas Fortis SA/NV, owned by the Belgian state.
BNP Paribas Fortis SA/NV based in Brussels is the parent entity (100% shares) of Dominet Spółka Akcyjna (in liquidation).

Changes in the number of the issuer's shares, or share options, owned by the members of the management or supervisory bodies

As at 31 December 2013 and as at the publication date of the 2013 annual report, i.e. 11 March 2014, none of the Board of Executives and Supervisory Board's members held any shares issued by BNP Paribas Bank Polska SA or other financial instruments related to them.

Planned increase of the share free float in 2013

In 2013, the Bank implemented measures to fulfil the commitment of the BNP Paribas Group towards the Polish Financial Supervision Authority (PFSA) to increase the free float of shares of BNP Paribas Bank Polska SA up to 15% by the end of 2013.
The planned new issue of the series "O" shares, based on the issue prospectus approved by the PFSA on 19 June 2013, was not carried out on the fixed date. On 5 September 2013, having consulted Citigroup, the Global Coordinator for the offer, the Bank's Board of Executives decided not to proceed with the public offering of the series "O" shares in view of a highly unfavourable market situation at the Warsaw Stock Exchange in Poland.
On 9 October 2013, the Bank's Extraordinary General Meeting resolved to raise the Bank's share capital by the issuance of 8,575,086 series "O" shares. The share issue was to be made available to investors under a public offering, with pre-emptive rights of the existing shareholders excluded.
On 5 December 2013, BNP Paribas Group and Rabobank Group announced to have reached an agreement under which BNP Paribas Group acquired a 98.5% stake in Bank Gospodarki Żywnościowej S.A. (hereinafter "BGŻ"). The transaction will be completed subject to the execution of the final documentation and to the necessary regulatory approvals.
In connection with the planned transaction of BNP Paribas Group in Poland, the Bank suspended its work on the share issue and applied to KNF (the Polish Financial Supervision Authority) for consent to suspend the proceedings regarding the issue prospectus approval. On 18 December 2013, the Bank disclosed information that the aforesaid consent had been obtained.

As a consequence, the Bank's new share issue and free float increase did not materialize within the time frame assumed, i.e. by the end of 2013.

Selection of a new auditor

According to the adopted rule on changing an auditor at least once in five years, on 29 October 2013 the Bank's Supervisory Board selected a new auditor. The Supervisory Board chose Deloitte Polska Spółka z o.o. Spółka Komandytowa based in Warsaw as the entity authorised to audit consolidated financial statements of the Group and separate financial statements of the Bank for the years 2014-2017, and also to review consolidated financial statements of the Group and separate financial statements of the Bank for the first halves of the years 2014-2017.

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 2013, the total value of lawsuits pending before the courts, involving the Group's entities, either as a plaintiff or defendant (excluding summonses to conciliatory settlements), was PLN 190.8 million. As at 31 December 2013, the total value of lawsuits, in which entities of the Group appeared as a plaintiff, amounted to PLN 71.8 million (excluding interest), while the total value of lawsuits, in which the entities of the Group appeared as a defendant, was PLN 119 million (excluding interest).

As at 31 December 2013, in the aforementioned lawsuits the total value of disputes currently pending before the courts, which involve the Bank as a plaintiff or defendant (excluding summonses to a conciliatory settlement attempt) is PLN 175.3 million (excluding interest).

As at 31 December 2013, the total value of lawsuits in which the Bank appears as a plaintiff was PLN 62.1 million (excluding interest), while the total value of lawsuits in which the Bank appears as a defendant was PLN 113.2 million (excluding interest).

As at 31 December 2013, the Bank’s provision for legal risk was PLN 19.5 million. In the opinion of the Bank's Board of Executives, the provisions created for the legal risk as at 31 December 2013 were adequate to the risk level.

The largest category of claims are claims related to currency derivative transactions (including claims related to 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 a significant loss. As a consequence, the Bank required that such a loss is covered by the customers in accordance with the terms and conditions of the relevant agreements concluded with the customers.

As at 31 December 2013 the nominal value of claims related to transactions in derivative instruments, including currency options, that were filed to a court or reported to the Bank, totalled PLN 70.1 million (excluding interest), including: (i) eight cases brought before courts against the Bank, with a total nominal value of approximately PLN 54.7 million (excluding interest) and (ii) three other cases in which the Bank received summonses to conciliatory settlement attempts before the court (the total nominal value of such settlements is approximately PLN 15.4 million, excluding interest) that potentially may lead to legal proceedings. Still, it should be mentioned that on 3 January 2014 (after the balance-sheet date) with respect to the summons to conciliatory settlement attempt with the highest amount of PLN 14.96 million, the customer, under the settlement agreement concluded with the Bank, waived any and all claims against the Bank.

At present, the highest nominal value claim against the Bank amounts to approx. PLN 30.5 million. A lawsuit in this case was brought to court in August 2013, but it has not been served on the Bank yet as the plaintiff has failed to pay the relevant fees.

In the closed option case (and therefore not included in the above total amount of PLN 54.7 million), on 30 December 2013 the plaintiff withdrew the lawsuit brought on 10 June 2013 against the Bank for payment of the amount of PLN 54,422,511.00 (increased by statutory interest which, according to the plaintiff, amounted to approx. PLN 44 million) and waived any and all claims against the Bank. Withdrawal of the lawsuit was a result of reaching the out-of-court settlement with the customer by the Bank on 30 December 2013.

In two cases regarding transactions in derivative instruments, appeals in cassation were filed to the Supreme Court: one by the former customer and the other by the Bank. The appeal in cassation filed by the Bank was admitted by the Supreme Court which revoked the unfavourable decision of the appellate court and the case was remanded to the lower court. As regards the other case, the appeal in cassation filed by the customer was rejected by the Supreme Court and the court's decision, favourable for the Bank, was upheld.

As at the end of December 2013, the total amount of provisions created by the Bank for legal risk in court proceedings related to derivative instruments amounted to approx. PLN 13.9 million. The amount of provisions created for legal risk as at the end of 2013 was considerably reduced owing to successful conclusion of two option cases.

In 2013 the proceedings before the Anti-monopoly Court (the first instance) relating to the fine imposed in 2006 by the President of the Office of Competition and Consumer Protection (UOKiK) in connection with illegal anti-competitive 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 back 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.

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 reporting period, there were no changes in the manner of determination of measurement of financial instruments measured at fair value.

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 about provisions for impaired financial assets, tangible fixed assets, intangible assets or other assets, and reversal of such provisions

As at 31 December 2013 and 31 December 2012, 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 2013 or 2012, 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 2013, 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.

	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.	Stéphane Rodes	Member of the Board of Executives	Corporate and Transaction Banking (CTB)

In 2013, no changes as regards the composition of the Board of Executives took place.

	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.	Francois Benaroya	Supervisory Board's member
6.	Yvan De Cock	Supervisory Board's member
7.	Jean Deullin	Supervisory Board's member
8.	Helene Dubourg	Supervisory Board's member
9.	Andrzej Wojtyna	Supervisory Board's member, independent

On 04 April 2013 the Annual General Meeting of Shareholders appointed to the Supervisory Board two new members:

- Jean-Paul Sabet, Deputy Head of the BNP PARIBAS group's International Retail Banking (IRB);
- Yvan De Cock, Member of the Executive Committee and Head of Corporate and Public Sector Banking of BNP Paribas Fortis SA/NV.

At the same time, Mr Camille Fohl, who took up new duties in the BNP PARIBAS group, resigned from his function of the Chairman and membership in the Bank's Supervisory Board effective the date of holding the Annual General Meeting. Camille Fohl served on the Supervisory Board since 26 June 2009.
At the Supervisory Board meeting, held after adjournment of the Annual General Meeting on 4 April 2013, Mr Jean-Paul Sabet took up the function of the Chairman of the Bank's Supervisory Board.

Update of the Recovery Programme

On 11 July 2013, the Polish Financial Supervision Authority approved the revised *Recovery Programme for BNP Paribas Bank Polska SA*.
In the revised Programme approved by KNF, new assumptions in terms of financial projections for years 2013-2014 have been adopted; they take into account the economic slowdown and faster-than-expected reduction of interest rates by the Monetary Policy Council.
In KNF's opinion, the full implementation of the Recovery Programme should allow the Bank to permanently achieve positive financial results and improve the main economic and financial ratios, and thus enable the finalisation of the recovery process by the assumed deadline i.e. 31 December 2014.

Project of the Bank's Operational Efficiency

In July 2013, the Bank completed implementation of the operational efficiency optimisation project which started in 2012. The Bank achieved savings assumed in the project.
A part of a provision in the amount of PLN 1,369 thousand, remaining after the project completion, was recognised in the profit/loss of 2013.

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

On 04 April 2013, the Annual General meeting resolved to not pay any dividends for 2012.

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.

Significant agreements with customers not affiliated with the Bank

- On 11 February 2013, the Bank and customers not affiliated with the Bank entered into multi-option credit line agreements dated 31 January 2013 up to EUR 50 million, which constitute the equivalent of approximately PLN 208 million at the NBP mid-rate of 11 February 2013. The credit funds will finance the current activity of the customers. Each disbursement requires the Bank's approval. The financing term is 12 months. The credit interest rate has been established based on the WIBOR and EURIBOR rate increased by a margin. The financing conditions correspond to market conditions.
- On 15 July 2013, the Bank and a customer not affiliated with the Bank signed the Annex dated 11 July 2013 to a multi-option credit line agreement, regarding an increase, in the period from the date of fulfilment of the terms and conditions specified in the Annex until 1 December 2013, of the credit limit from EUR 42 million up to EUR 47 million, i.e. the equivalent of approximately PLN 202 million at the NBP mid-rate of 16 July 2013. Pursuant to the Annex, from 2 December 2013 until the end of the current credit term, i.e. until 11 January 2014, the aforesaid limit will be reduced to EUR 20

million. As specified in the Annex, the financing term lasts until 22 June 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 lines provided under the Annex are related to the customer's business activity. The interest rate of the overdraft facility was determined based on the WIBOR rate increased by a margin. The guarantee lines are granted against a commission while the L/C lines are provided under the terms and conditions specified in the Table of Commissions and Fees for Enterprises. Terms of financing and issuing guarantees and L/Cs determined in the Annex correspond to market conditions.

- On 16 December 2013, the Bank and a customer not affiliated with the Bank signed an annex to the multi-option credit line, which provided for an increase of the credit limit from PLN 180 million up to PLN 230 million. As specified in the Annex, the current credit term shall last until 16 December 2014. 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 lines provided under the Annex 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; 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.

  The above agreements met the criteria of significant agreements at the time of their conclusion as the value of the agreement subject matters for the Bank exceeded 10% of the Bank's equity capital.

Conditional agreement for a sale of receivables due to the Bank from Vistula Group SA

In addition, the conditional agreement on sale of the Bank's and BNP Paribas Fortis' receivables due from Vistula Group S.A. has been recognized as an essential agreement, due to its significant impact on the Group's financial standing and operating result:

On 26 July 2013, BNP Paribas Bank Polska SA ("the Bank") and BNP Paribas Fortis SA/NV ("BNP Paribas Fortis") concluded with Raport 5 Non-Standard Closed-End Securitization Investment Fund and Forum XI Closed-End Investment Fund ("Funds"), managed by FORUM Towarzystwo Funduszy Inwestycyjnych SA - the conditional agreement on sale of the Bank's and BNP Paribas Fortis' receivables due from Vistula Group SA ("Agreement"). The aggregate nominal value of the principal of the Bank's receivables that were sold conditionally under the Agreement and were so far recognised in the Bank's books as non-performing receivables, amounted to approx. PLN 141 million as at 26 July 2013.

The Agreement implementation within the scope pertinent to the Bank was conditional upon the satisfaction of a number of conditions precedent, including in particular the payment by the Funds of the price in the amount of approx. PLN 103 million in favour of the Bank. The last condition precedent of the agreement, including the payment of the agreed sale price in favour of the Bank, was satisfied on 13 August 2013.

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 2013 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 2013 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

The Board of Executives of BNP Paribas Bank Polska SA hereby represents that Mazars Audyt Sp. z o.o. based in Warsaw, an entity authorised to audit financial statements, was chosen, under Article 15, Section 3, item 8) of the Statute of BNP Paribas Bank Polska SA by the Supervisory Board based on a recommendation given by the Board of Executives and the Audit Committee (Resolution no. 24/2012 dated 23 May 2012 as amended by Resolution no. 41/2012 of 31 August 2012), pursuant to the provisions of law, as the entity to review the consolidated financial statements of BNP Paribas Bank Polska SA for 2013 and that the above entity and statutory auditors employed to perform the review, meet the conditions to issue an impartial and independent audit report, in accordance with the respective provisions of Polish law.

34. Events after the Balance Sheet Date

Agreement with an entity not affiliated with the Bank

- On 20 January 2014, the Bank signed a guarantee line agreement ("Agreement") with not affiliated entities (the Principal and Surety) and annex no. 1 to the guarantee line agreement.
  Under the Agreement, the Bank will provide the Principal with a guarantee limit up to just under PLN 424.8 million ('the Guarantee Limit") for the availability period of 67 months since signing the Agreement. Under the Guarantee Limit, the Bank will issue an irrevocable and unconditional guarantee payable at first demand, up to approx. PLN 216.7 million ("Guarantee 1") and an irrevocable and unconditional payment guarantee up to approx. PLN 424.8 million ("Guarantee 2"). In the event Guarantee 2 is issued, Guarantee 1 will automatically expire on the Guarantee 2 Date and in the case of issuance of Guarantee 2, the Principal will not be authorised to demand the issuance of Guarantee 1.
  The Guarantees may be issued exclusively under two conditions precedent: (i) a suretyship isestablished in favour of the Bank by the Surety, under the terms and conditions determined in the Agreement, and (ii) enforcement submission statements are made by the Surety and Principal, under the terms and conditions determined in the Agreement, under Article 97 para. 1 and 2 of the Banking Law Act. The Guarantee Limit is non-revolving, and each amount paid out under the Guarantee will decrease the amount of the Bank's obligation under the Guarantee. The Guarantee validity period will not exceed the Guarantee Limit availability period.
  Terms and conditions, including financial conditions of the Agreement, do not diverge from the terms and conditions commonly applied in such agreements. In the Agreement, no liquidated damages were specified whose amount would exceed 10% of its value.
  The agreement meets the criteria of a significant agreement, because the value of the agreementsubject exceeds 10% of the Bank's equity.

- On 27 February 2014 the Bank concluded with Customers not affiliated with the Bank a multi-option credit line agreement dated 18 February 2014 (the "Agreement") up to the maximum amount of PLN 200 million.
  Under the Agreement, the Bank provides a letter of credit line to the Customers and grants to the Customers an uncommitted overdraft facility and a revolving facility. The financing term is 12 months.
  The funds provided to the Customers under the credit facilities and the letter of credit line, as stipulated by the Agreement, are made available in connection with the Customers' current business. The interest on the overdraft facility and the revolving facility is based on WIBOR increased by a margin and the letter of credit line is provided to the Customers on conditions defined under the Agreement. The terms and conditions of the financing and letters of credit that are set forth in the Agreement correspond to market conditions.
  The Agreement meets the significant agreement criterion because its total value exceeds 10% of the Bank's equity.

- On 5 March 2014 the Bank concluded with Customers not affiliated with the Bank a multi-option credit line agreement (the "Agreement") up to the maximum amount of PLN 250 million.
  Under the Agreement, the Bank grants to the Customers an overdraft facility in PLN or EUR and a revolving line in PLN or EUR. The financing term ends 30 March 2016.
  The funds provided to the Customers under the Agreement will be allocated for financing the Customers' current business. The interest on the overdraft facility and the revolving line is based on WIBOR or EURIBOR increased by a margin. The terms and conditions of the financing that are set forth in the Agreement correspond to market conditions.
  The Agreement meets the significant agreement criterion because its total value exceeds 10% of the Bank's equity.
  The total amount of all the agreements concluded with this customer within last 12 months stands at PLN 267 million.

Agreements with the BNP Paribas Group entities

In order to extend the maturity of its CHF funding, on 22 January 2014 BNP Paribas Bank Polska SA and BNP Paribas SA based in Paris ("BNP PARIBAS") concluded a collateralized uncommitted loan facility agreement ("Loan Facility Agreement").
Under the Loan Facility Agreement, BNP PARIBAS opened the uncommitted credit line for the Bank that replaced the current financing of the major part of the CHF-denominated mortgage loans granted by the Bank. The funds from the new line will be earmarked for repayment of the current funding and simultaneously will ensure new funding for those loans. The credit line amount may not exceed the equivalent of CHF 810 million (eight hundred and ten million Swiss francs).
The detailed terms of financing will be determined individually for each tranche contracted under the facility. The maturity of each tranche disbursed shall not exceed 15 years. Interest rate for the tranches will be based on 3M LIBOR with a margin corresponding to the collateralized financing.
The Loan Facility Agreement includes clauses typical of this kind of contracts, such as compliance, change of control and gross-up. The financing conditions correspond to market conditions.
Moreover, in order to collateralize the Loan Facility Agreement the conditional security assignment agreement was concluded with BNP PARIBAS on the same day ("Security Assignment Agreement"). The subject of the Security Assignment Agreement are receivables under the major portfolio of CHF-denominated mortgage loans granted by the Bank. The Bank may be obliged to effectively assign the receivables covered by the Security Assignment Agreement, only in case of a significant deterioration of the Bank's defined economic indices concerning the Bank's loan portfolio quality, capital adequacy or the share of pledged assets in total assets (fulfilment of a condition precedent).

The significant agreement criterion is met as a result of exceeding 10% of the Bank's equity.

Incorporation of the subsidiary's leasing activity into the Bank

On 15 February 2014, an agreement on the enterprise sale and debt takeover (hereinafter, "the Agreement") was signed by and between Fortis Lease Polska Sp. z o.o. (hereinafter, the "FLP") as the "Seller" and the Bank as the "Buyer". FLP is the wholly-owned subsidiary of the Bank, i.e. the Bank holds 100% of FLP shares. Under the Agreement, the FLP's enterprise was transferred to the Bank as in-kind remuneration for shares redeemed, which accounted for 99.98% of FLP's share capital. The remuneration for the FLP's redeemed shares amounts to PLN 114,980,000.

The incorporation of the lease business into the Bank's structure is intended to improve the business and cost efficiency, additionally it should simplify the service for the Bank's customers.

On behalf of BNP Paribas Bank Polska SA:

Frédéric Amoudru

President of the Board of Executives

Jan Bujak

Senior Vice President of the Board of Executives

Jaromir Pelczarski

Vice President of the Board of Executives

Michel Thebault

Vice President of the Board of Executives

Wojciech Kembłowski

Member of the Board of Executives

Marta Oracz

Member of the Board of Executives

Adam Parfiniewicz

Member of the Board of Executives

Stephane Rodes
Member of the Board of Executives

11 March 2014