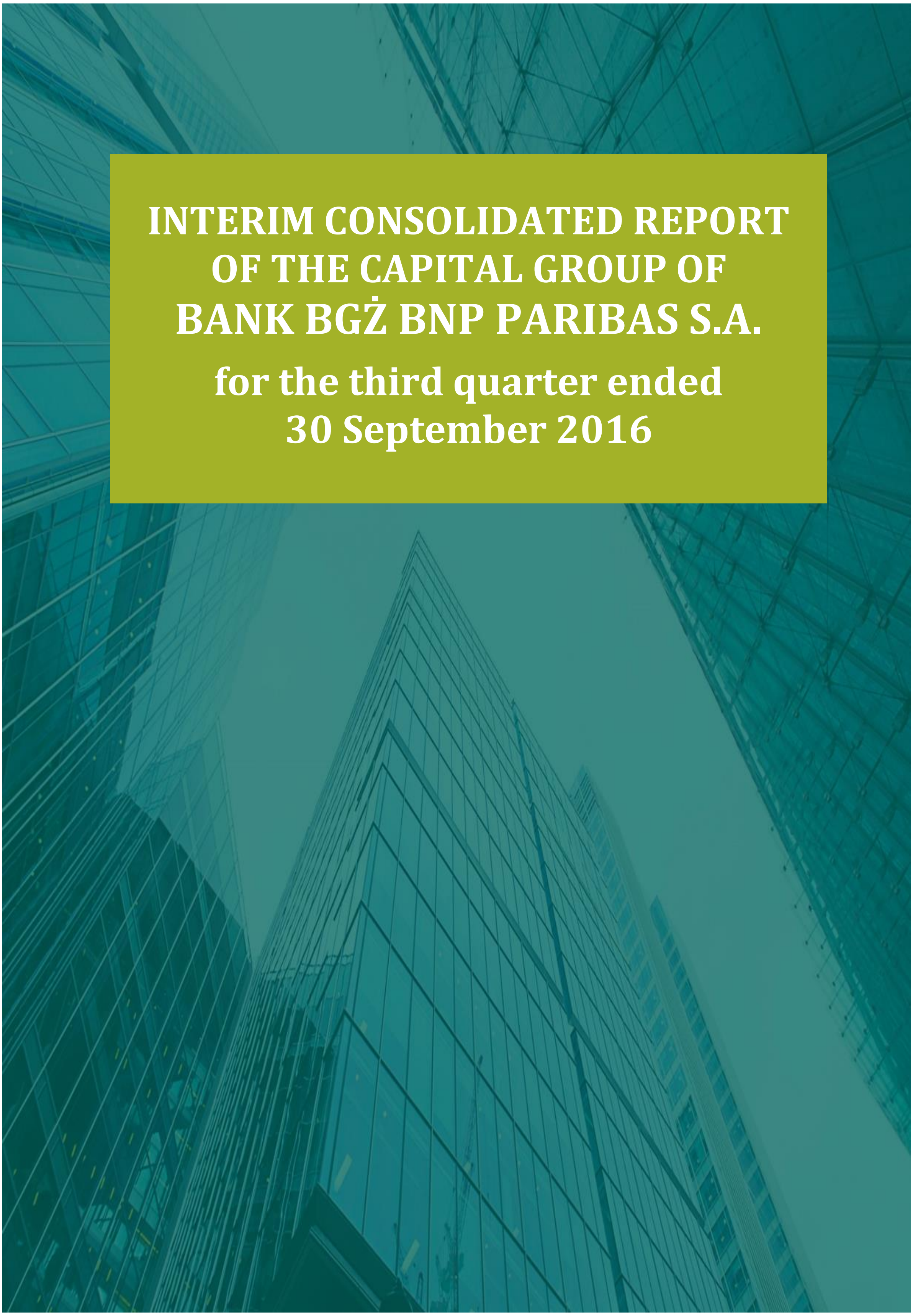
INTERIM CONSOLIDATED REPORT OF THE CAPITAL GROUP OF BANK BGŻ BNP PARIBAS S.A.

for the third quarter ended 30 September 2016



BGŻ BNP PARIBAS

Bank zmieniającego się świata

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SELECTED FINANCIAL DATA

Selected consolidated financial data	in PLN '000		in EUR '000	
Statement of profit or loss	**30.09.2016 (YTD)**	**30.09.2015 (YTD)**	**30.09.2016 (YTD)**	**30.09.2015 (YTD)**
Net interest income	**1 363 128**	**996 388**	312 016	239 602
Net fee and commission income	**375 580**	**301 586**	85 969	72 523
Profit before income tax	**158 083**	**81 758**	36 185	19 660
Net profit for the period	**74 856**	**58 219**	17 134	14 000
Total comprehensive income for the period	**51 228**	**(27 102)**	11 726	(6 517)
Total net cash flows	**(988 741)**	**236 939**	(226 319)	56 977
Indicators	**30.09.2016**	**30.09.2015**	**30.09.2016**	**30.09.2015**
Number of shares	**84 238 318**	**84 238 318**		
Earnings (loss) per share	**0,89**	**0,81**	0,20	0,19
Balance sheet	**30.09.2016**	**31.12.2015**	**30.09.2016**	**31.12.2015**
Total assets	**69 087 079**	**65 372 338**	16 022 050	15 340 218
Amounts due to customers	**52 902 388**	**46 527 391**	12 268 643	10 918 078
Total liabilities	**62 767 302**	**59 103 984**	14 556 424	13 869 291
Share capital	**84 238**	**84 238**	19 536	19 767
Total equity	**6 319 777**	**6 268 354**	1 465 625	1 470 927
Capital adequacy ratio	**30.09.2016**	**31.12.2015**	**30.09.2016**	**31.12.2015**
Total equity	**7 368 475**	**6 735 562**	1 708 830	1 580 561
Total risk exposure	**51 560 141**	**50 095 752**	11 957 361	11 755 427
Total capital ratio	**14,29%**	**13.45%**		
Tier 1 capital ratio	**11,44%**	**11.76%**		

Selected separate financial data	in PLN '000		in EUR '000	
Statement of profit or loss	**30.09.2016 (YTD)**	**30.09.2015 (YTD)**	**30.09.2016 (YTD)**	**30.09.2015 (YTD)**
Net interest income	**1 302 644**	**993 014**	298 171	238 791
Net fee and commission income	**335 255**	**291 713**	76 739	70 148
Profit before income tax	**118 251**	**82 882**	27 067	19 931
Net profit for the period	**46 632**	**59 824**	10 674	14 386
Total comprehensive income for the period	**23 419**	**(25 506)**	5 361	(6 133)
Total net cash flows	**(1 005 359)**	**236 939**	(230 124)	56 977
Indicators	**30.09.2016**	**30.09.2015**	**30.09.2016**	**30.09.2015**
Number of shares	**84 238 318**	**84 238 318**		
Earnings (loss) per share	**0,55**	**0,83**	0,13	0,20
Balance sheet	**30.09.2016**	**31.12.2015**	**30.09.2016**	**31.12.2015**
Total assets	**67 608 777**	**63 009 129**	15 679 215	14 785 669
Amounts due to customers	**53 093 678**	**46 620 848**	12 313 005	10 940 009
Total liabilities	**61 311 025**	**56 845 951**	14 218 698	13 339 423
Share capital	**84 238**	**84 238**	19 536	19 767
Total equity	**6 297 752**	**6 163 178**	1 460 518	1 446 246
Capital adequacy ratio	**30.09.2016**	**31.12.2015**	**30.09.2016**	**31.12.2015**
Total equity	**7 387 977**	**6 597 941**	1 713 353	1 548 267
Total risk exposure	**50 138 322**	**47 868 505**	11 627 626	11 232 783
Total capital ratio	**14.74%**	**13.78%**		
Tier 1 capital ratio	**11.81%**	**12.12%**		

For purposes of data translation into EUR, the following exchange rates are used by the Bank:

For items of the statement of financial position, rates of the National Bank of Poland:
- as at 30.09.2016: EUR 1 = PLN 4.3120
- as at 31.12.2015: EUR 1 = PLN 4.2615

For items of the statement of profit or loss and the statement of cash flows, the EUR exchange rate is calculated as the arithmetic mean of the rates published by the National Bank of Poland as at the last day of each month in the nine-month period:
- for the period from 1.01.2016 to 30.09.2016: EUR 1 = PLN 4.3688
- for the period from 1.01.2015 to 30.09.2015: EUR 1 = PLN 4.1585

- data in PLN '000

I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of profit or loss

	Note	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Interest income	9	659 021	1 929 628	565 122	1 466 703
Interest expense	9	(191 832)	(566 500)	(159 455)	(470 315)
Net interest income		**467 189**	**1 363 128**	**405 667**	**996 388**
Fee and commission income	10	160 113	453 786	138 312	348 189
Fee and commission expense	10	(29 460)	(78 206)	(19 335)	(46 603)
Net fee and commission income		**130 653**	**375 580**	**118 977**	**301 586**
Dividend income		19	5 777	(836)	4 394
Net trading income	11	67 797	177 652	53 242	121 106
Result on investing activities	12	4	42 437	105	35 305
Result on hedge accounting	22	116	256	-	-
Other operating income	13	21 630	105 410	21 402	38 317
Other operating expenses	14	(23 443)	(82 952)	(18 681)	(62 368)
Net impairment losses on financial assets and contingent liabilities	15	(115 922)	(281 737)	(92 533)	(225 972)
General administrative expenses	16	(408 780)	(1 264 891)	(389 392)	(1 022 165)
Amortization and depreciation	17	(52 443)	(148 829)	(41 722)	(104 833)
Operating result		**86 820**	**291 831**	**56 229**	**81 758**
Tax from financial institutions		(51 203)	(133 748)	-	-
Profit before income tax		**35 617**	**158 083**	**56 229**	**81 758**
Income tax expense	18	(25 399)	(83 227)	(15 813)	(23 539)
Net profit for the period		**10 218**	**74 856**	**40 416**	**58 219**
attributable to equity holders of the Group		10 218	74 856	40 416	58 219
Earnings (loss) per share (in PLN per share)					
Basic		0,12	0,89	0,48	0,81
Diluted		0,12	0,89	0,48	0,81

- data in PLN '000

Interim condensed consolidated statement of other comprehensive income

	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Net profit for the period	**10 218**	**74 856**	**40 416**	**58 219**
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss	***(19 732)***	***(24 481)***	***27 763***	***(90 093)***
Net change in valuation of available for sale financial assets	(24 361)	(30 223)	34 274	(111 226)
Net change in valuation of derivative instruments designated as cash flow hedges	-	-	-	-
Deferred tax	4 629	5 742	(6 511)	21 133
Items that will not be reclassified subsequently to profit or loss	***2 133***	***853***	***1 725***	***4 772***
Actuarial valuation of employee benefits	50	1 053	2 129	5 891
Deferred tax	(9)	(200)	(404)	(1 119)
Other comprehensive income (net of tax)	**(19 691)**	**(23 628)**	**29 488**	**(85 321)**
Total comprehensive income for the period	**(9 473)**	**51 228**	**69 904**	**(27 102)**
attributable to equity holders of the Group	(9 473)	51 228	69 904	(27 102)

The financial data of the Capital Group of Bank BGŻ BNP Paribas S.A. as at 30.09.2016 concerns: Bank BGŻ BNP Paribas S.A., Sygma Bank Polska S.A. (incorporated into the Capital Group of the Bank as from 01.12.2015, into the Bank's structure as from 31.05.2016), TFI BGZ BNP Paribas S.A., BGZ BNP Paribas Faktoring Sp. z o.o., Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o., BNP Paribas Leasing Services Sp. z o.o. (formerly: Fortis Lease Polska Sp. z o.o. in liquidation) and BNP Paribas Group Service Center S.A. (formerly: Laser Services Polska S.A., incorporated into the Capital Group of the Bank as from 01.12.2015). The figures presented as at 30.09.2015 do not concern (out of the aforesaid entities) Sygma Bank Polska S.A. and BNP Paribas Group Service Center S.A. (formerly: Laser Services Polska S.A.).

A legal merger of Bank BGŻ and BNP Paribas Bank Polska was completed on 30 April 2015. The transaction was accounted for using the book value method and the results of BNPP Bank Polska S.A were recognized in the consolidated financial statements of the Capital Group of Bank BGŻ BNP Paribas S.A. prospectively, i.e. as from 30 April 2015.
Furthermore, on 1 December 2015, 100% of shares in Sygma Bank Polska S.A. and 100% of shares in Laser Services S.A. were purchased.

The aforesaid transactions had a considerable impact on data comparability in the analyzed periods, in particular as regards items of the statement of profit or loss and the indicator levels, as the comparative data for the three quarters of 2015 were not restated.

During the three quarters of 2016, the Group's total income was PLN 51,228 thousand, up by PLN 78,330 thousand year-on-year.

The said increase was mainly attributable to a drop in the loss on measurement of available for sale financial assets (by PLN 81,003 million, i.e. 72.8% YoY) and a higher net profit (up by PLN 16,637 thousand, i.e. 28.6% YoY), particularly due to a considerable increase in the net banking income (+38.5% YoY) following an increase in the scale of the Bank's operations as a result of its merger with BNP Paribas Polska and the acquisition of Sygma Bank Polska in December 2015.

- data in PLN '000

Interim condensed consolidated statement of financial position

	Note	30.09.2016	31.12.2015
ASSETS			
Cash and balances with the Central Bank	19	2 021 495	2 826 416
Loans and advances to banks	20	281 018	495 431
Derivative financial instruments	21	323 378	368 147
Hedging instruments	22	49 063	2 711
Loans and advances to customers	23	54 211 801	52 269 544
Available for sale financial assets	24	10 464 436	7 845 074
Investment property		54 487	54 627
Intangible assets	25	242 688	256 455
Property, plant and equipment	26	537 341	537 201
Deferred tax asset		485 424	465 211
Other assets	27	415 948	251 521
TOTAL ASSETS		**69 087 079**	**65 372 338**

As at the end of September 2016, the balance sheet total of the Group amounted to PLN 69,087,079 thousand, which denotes a rise by PLN 3,714,741 thousand, i.e. 5.7%, as compared to the end of December 2015.

Loans and advances to customers, which accounted for 78.5% of total assets as at the end of September 2016 vs. 80.0% as at the end of 2015, were the key item in the structure of assets. In terms of value, net loans and advances increased by PLN 1,942,257 thousand, i.e. by 3.7%.

Another material item of assets (15.1%) was available for sale financial assets, which saw a rise in nominal value of PLN 2,619,362 thousand, i.e. 33.4%, predominantly as a result of an increase in the portfolio of T-bonds issued by central government institutions (up by PLN 2,642,607 thousand).

The reserve requirement declared as at the end of September 2016 was PLN 1,831,567 thousand vs. PLN 1,590,634 thousand in December 2015.

- data in PLN '000

Interim condensed consolidated statement of financial position (continued)

	Note	30.09.2016	31.12.2015
LIABILITIES			
Amounts due to banks	28	6 517 608	9 876 892
Derivative financial instruments	21	291 901	351 539
Hedged instruments		8 585	1 605
Amounts due to customers	29	52 902 388	46 527 391
Debt securities issued	30	396 577	469 083
Subordinated liabilities	31	1 470 248	847 568
Other liabilities	32	1 006 473	816 984
Current tax liabilities		22 372	40 716
Provision for deferred tax		8 025	8 052
Provisions	33	143 125	164 154
TOTAL LIABILITIES		**62 767 302**	**59 103 984**
EQUITY			
Share capital	41	84 238	84 238
Other supplementary capital		5 108 418	5 092 196
Other reserve capital		860 241	780 874
Revaluation reserve		174 462	198 090
Retained earnings:		92 418	112 956
retained profit		17 562	99 663
net profit for the period		74 856	13 293
TOTAL EQUITY		**6 319 777**	**6 268 354**
TOTAL LIABILITIES AND EQUITY		**69 087 079**	**65 372 338**

As at the end of September 2016, the Group's total liabilities amounted to PLN 62,767,302 thousand and were PLN 3,663,318 thousand, i.e. 6.2%, higher as compared to the end of 2015.

The major factors which affected the change in liabilities at the end of the third quarter of 2016 vs. the end of 2015 were:

- an increase in amounts due to customers – at the end of March 2016, customer deposits went up by PLN 6,374,997 thousand, i.e. 13.7%, vs. the end of December 2015, and totaled PLN 52,902,388 thousand. They accounted for 84.3% of total liabilities as compared to 78.7% at the end of 2015;
- an increase in subordinated liabilities – a result of two subordinated loans received from BNP Paribas with its registered office in Paris, of PLN 440 million and EUR 40 million;
- a decrease in amounts due to banks – this item dropped by PLN 3,359,284 thousand, i.e. 34.0%, mainly as a result of a decrease in the volume of loans and advances received;

As at the end of September 2016, the Group's equity totaled PLN 6,319,777 thousand, up by PLN 51,423 thousand, i.e. 0.8%, vs. the end of 2015.

- data in PLN ‘000

Interim condensed consolidated statement of changes in equity

					Retained earnings		
	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained profit	Net profit for the period	Total
Balance as at 1 January 2016	**84 238**	**5 092 196**	**780 874**	**198 090**	**99 663**	**13 293**	**6 268 354**
Total comprehensive income for the period	**-**	**-**	**-**	**(23 628)**	**-**	**74 856**	**51 228**
Net profit for the period	-	-	-	-	-	74 856	74 856
Other comprehensive income for the period	-	-	-	(23 628)	-	-	(23 628)
Appropriation of retained earnings	**-**	**-**	**8 263**	**-**	**5 030**	**(13 293)**	**-**
Appropriation of retained earnings	-	-	8 263	-	5 030	(13 293)	-
Merger	**-**	**16 222**	**71 104**	**-**	**(87 326)**	**-**	**-**
Equity resulting from merger	-	16 222	71 104	-	(87 326)	-	-
Other (equity of subsidiaries)	**-**	**-**	**-**	**-**	**195**	**-**	**195**
Balance as at 30 September 2016	**84 238**	**5 108 418**	**860 241**	**174 462**	**17 562**	**74 856**	**6 319 777**

- data in PLN '000

Interim condensed consolidated statement of changes in equity (continued)

					Retained earnings		
	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained profit	Net profit for the period	Total
Balance as at 1 January 2015	**56 139**	**3 430 785**	**271 858**	**255 363**	**4 128**	**138 031**	**4 156 304**
Total comprehensive income for the period	**-**	**-**	**-**	**(58 881)**	**-**	**13 293**	**(45 588)**
Net profit for the period	-	-	-	-	-	13 293	13 293
Other comprehensive income for the period	-	-	-	(58 881)	-	-	(58 881)
Appropriation of retained earnings	**-**	**7 730**	**130 000**	**-**	**301**	**(138 031)**	**-**
Appropriation of retained earnings to other supplementary capital	-	7 730	130 000	-	301	(138 031)	-
Merger	**28 099**	**1 653 681**	**379 016**	**1 122**	**-**	-	**2 061 918**
Issued shares of H series	28 099	-	-	-	-	-	28 099
Equity resulting from merger	-	1 653 681	379 016	1 122	-	-	2 033 819
Other (equity of subsidiaries)	**-**	**-**	**-**	**486**	**95 234**	**-**	**95 720**
Balance as at 31 December 2015	**84 238**	**5 092 196**	**780 874**	**198 090**	**99 663**	**13 293**	**6 268 354**

- data in PLN '000

Interim condensed consolidated statement of changes in equity (continued)

					Retained earnings		
	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained profit	Net profit for the period	Total
Balance as at 1 January 2015	**56 139**	**3 430 785**	**271 859**	**255 362**	**4 128**	**138 031**	**4 156 304**
Total comprehensive income for the period	**-**	**-**	**-**	**(85 321)**	**-**	**58 219**	**(27 102)**
Net profit for the period	-	-	-	-	-	58 219	58 219
Other comprehensive income for the period	-	-	-	(85 321)	-	-	(85 321)
Appropriation of retained earnings	**-**	**7 730**	**130 000**	**-**	**301**	**(138 031)**	**-**
Appropriation of retained earnings	-	7 730	130 000	-	301	(138 031)	-
Merger	**28 099**	**1 653 681**	**379 016**	**1 122**	**-**	**-**	**2 061 918**
Issued shares of I series	28 099	-	-	-	-	-	28 099
Equity resulting from merger	-	1 653 681	379 016	1 122	-	-	2 033 819
Other (equity of subsidiaries)	**-**	**-**	**-**	**557**	**7 051**	**-**	**7 608**
Balance as at 30 September 2015	**84 238**	**5 092 196**	**780 875**	**171 720**	**11 480**	**58 219**	**6 198 728**

- data in PLN '000

Interim condensed consolidated statement of cash flows

	Note	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit for the period		**74 856**	**58 219**
Adjustments for:		**3 674 629**	**2 132 681**
Income tax expense		83 227	23 539
Depreciation and amortization		148 829	104 833
Dividend income		(5 777)	(4 394)
Interest income		(1 929 628)	(1 466 703)
Interest expense		566 500	470 315
Change in provisions		(22 712)	102 067
Change in loans and advances from banks		15 939	(116 496)
Change in reverse repo transactions		-	100 662
Change in debt securities held for trading		-	198 528
Change in derivative financial instruments (assets)		(1 583)	40 458
Change in loans and advances to customers		(2 057 252)	(20 542 451)
Change in amounts due to banks		(751 436)	7 111 818
Change in repo transactions		-	(45 357)
Change in financial liabilities held for trading		-	-
Change in derivative financial instruments (liabilities)		(59 638)	(101 198)
Change in amounts due to customers		6 396 142	13 149 657
Change in other assets and current tax assets		(178 499)	(555 502)
Change in other liabilities and deferred tax liability		171 118	568 391
Other adjustments	**35**	(121 394)	2 261 715
Interest received		2 008 950	1 324 940
Interest paid		(588 157)	(492 141)
NET CASH FROM OPERATING ACTIVITIES		**3 749 485**	**2 190 900**

- data in PLN '000

Interim condensed consolidated statement of cash flows (continued)

	Note	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
CASH FLOWS FROM INVESTING ACTIVITIES:			
Financing activities inflows		**15 977 330**	**105 082 465**
Sale of available for sale financial assets		15 947 620	105 057 937
Sale of intangible assets and property, plant and equipment		23 933	20 134
Dividend income and other investing activities inflows		5 777	4 394
Financing activities outflows		**(18 659 614)**	**(104 956 725)**
Purchase of available for sale financial assets		(18 500 479)	(104 813 001)
Purchase of intangible assets and property, plant and equipment		(159 135)	(143 724)
NET CASH FROM INVESTING ACTIVITIES		**(2 682 284)**	**125 740**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Financing activities inflows		**1 731 417**	**4 029 646**
Long-term loans received		1 117 517	4 029 646
Increase in subordinated liabilities		613 900	-
Financing activities outflows		**(3 797 359)**	**(6 109 347)**
Repayment of long-term loans and advances		(3 725 363)	(5 814 572)
Redemption of debt securities issued		(71 996)	(294 775)
NET CASH FROM FINANCING ACTIVITIES		**(2 065 942)**	**(2 079 701)**
TOTAL NET CASH		**(998 741)**	**236 939**
Cash and cash equivalents at the beginning of the period		**3 262 335**	**2 180 981**
Cash and cash equivalents at the end of the period, of which:	**34**	**2 263 594**	**2 417 920**
effect of exchange rate fluctuations on cash and cash equivalents held		(2 126)	16 364
of restricted use		1 933	4 228

EXPLANATORY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Bank BGŻ BNP Paribas S.A. is the parent in the Capital Group of Bank BGŻ BNP Paribas S.A. (the "Group").

The registered office of Bank BGŻ BNP Paribas S.A. (the "Bank" or "BGŻ BNP Paribas") is located at ul. Kasprzaka 10/16 in Warsaw. The Bank is registered in Poland, with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000011571. The duration of the parent and the Group companies is unlimited.

2 General information on the Capital Group

Bank BGŻ BNP Paribas S.A. operates within the BNP PARIBAS SA Group with its registered office in Paris.

As at 30 September 2016, the Group comprised Bank BGŻ BNP Paribas S.A., the parent, and its subsidiaries:

2.1. Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. ("Actus") with its registered office at ul. Kasprzaka 10/16 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000023062. The Bank holds 100% interest in the share capital of the company and 100% of votes at the General Meeting.

2.2. Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A. ("TFI") with its registered office at ul. Bielańska 12 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000031121. The Bank holds 100% of the company's shares.

2.3. BNP Paribas Leasing Services Sp. z o.o. ("Leasing", formerly: Fortis Lease Polska Sp. z o.o. in liquidation) with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000098813. The Bank holds 100% of the company's shares.

2.4. BGŻ BNP Paribas Faktoring Sp. z o.o. ("Faktoring") with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000225155. The Bank holds 100% of the company's shares.

2.5. BNP Paribas Group Service Center S.A.("GSC", formerly: Laser Services Polska S.A.) with its registered office at ul. Suwak 3 in Warsaw . The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number 0000022784. The Bank holds 100% of the company's shares.

In accordance with the principles laid down in IFRS, the interim condensed consolidated financial statements cover all subsidiaries as at 30 September 2016.

3 Accounting principles applied for purposes of preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements for the third quarter of the year, ended 30 September 2016, have been prepared in conformity with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), as endorsed by the European Union, and other applicable regulations. The accounting principles applied in the third quarter of 2016 do not differ from the principles used in 2015, which were presented in detail in the Consolidated Financial Statements of the Capital Group of Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2015.

As the interim condensed consolidated financial statements do not contain all the information and disclosures required for the annual consolidated financial statements, they should be read together with the Consolidated Financial Statements of the Capital Group of Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2015.

These financial statements have been prepared in conformity with the requirements set out in all International Accounting Standards ("IAS") and International Financial Reporting Standards endorsed by the European Union ("IFRS EU"), as well as the related interpretations, except the standards and interpretations listed below, which are awaiting endorsement by the European Union or have already been endorsed by the European Union but entered or will enter into force after the end of the reporting period.

Amendments to the existing standards which have been applied for the first time to the Group's financial statements for 2016:

- **IFRS 14 "Regulatory Deferral Accounts"** (applicable to annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment Entities: Applying the Consolidation Exception (applicable to annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative (applicable to annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortization (applicable to annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants (applicable to annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements (applicable to annual periods beginning on or after 1 January 2016);
- **Amendments to standards "IFRS Improvements (2012-2014)"** – amendments to standards resulting from the annual improvements process (IFRS 5, IFRS 7, IAS 19 and IAS 34), primarily with a view to removing inconsistencies and clarifying wording (applicable to annual periods beginning on or after 1 January 2016).

New standards and amendments to the existing standards published by IASB but not yet effective:

- **IFRS 9 "Financial instruments"** (applicable to annual periods beginning on or after 1 January 2018);

- **IFRS 15 "Revenue from Contracts with Customers"** with subsequent amendments (applicable to annual periods beginning on or after 1 January 2018);
- **IFRS 16 "Leases"** (applicable to annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 2 "Share-based Payment"** – Classification and Measurement of Share-based Payment Transactions (applicable to annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 4 "Insurance Contracts" –** Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (applicable to annual periods beginning on or after 1 January 2018 or at the time of adoption of IFRS 9 "Financial Instruments" for the first time);
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, with subsequent amendments (the effective date has been postponed until the moment of completing research regarding the equity method);
- **Amendments to IAS 7 "Statement of Cash Flows"** – Disclosure Initiative (applicable to annual periods beginning on or after 1 January 2017);
- **Amendments to IAS 12 "Income Taxes"** – Recognition of Deferred Tax Assets for Unrealized Losses (applicable to annual periods beginning on or after 1 January 2017).

Recognition of jointly controlled operations

Business combinations of jointly-controlled entities do not fall within the scope of IFRS regulations. In the absence of detailed IFRS regulations in this regard, in line with the guidelines laid down in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, Bank BGŻ BNP Paribas S.A. adopted an accounting policy generally applied to any business combinations of jointly-controlled entities in the Bank's Group, whereby such transactions are recognized at book value.

In accordance with the adopted accounting principles, the acquirer recognizes the assets, equity and liabilities of the acquiree at their present book value adjusted only for purposes of bringing the accounting principles of the acquiree into line with those of the acquirer. Goodwill and negative goodwill are not recognized.

The difference between the book value of the acquired net assets and the fair value of the payment is recognized in the Bank's equity. As a method based on book values is used, the comparative data are not restated.

If the business combination transaction involves acquisition of minority interests, the Group presents them separately.

4 Going concern

These Interim Condensed Consolidated Financial Statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, i.e. within at least 12 months of the date of end of the reporting period, in substantially the same scope.

5 Approval for publication

The Interim Consolidated Report of the Capital Group of Bank BGŻ BNP Paribas S.A. for the third quarter ended 30 September 2016 was approved by the Management Board for publication on 7 November 2016.

6 Seasonality or cyclicality of business

There are no major seasonal or cyclical phenomena in the operations of the Group.

7 Estimates

The Group makes estimates and assumptions which affect the value of its assets and liabilities in the following period. The estimates and assumptions, which are reviewed on an ongoing basis, are made based on prior experience and considering other factors, including expectations as to future events, which appear reasonable in specific circumstances.

a) Impairment of loans and advances

In accordance with IFRS, the Bank's financial assets measured at amortized cost and available for sale financial assets which are not measured at fair value are tested for impairment. Financial assets are tested so as to verify whether any objective indications of their impairment exist.

As regards business entities with integrated accounts, the Bank has compiled a list of indications if impairment, such as considerable financial difficulties of the customer, substantial deterioration of the customer's rating or delinquency exceeding 90 days (or 30 days for restructured exposures).

As regards individuals and micro enterprises with simplified accounts, delinquency by more than 90 days (or more than 30 days for exposures with forbearance granted to obligors) is the key indication of impairment. Other indications include debt restructuring or a suspicion of fraud.

For exposures with objective indications of impairment identified, individual or collective (group) tests are performed by the Bank. Individual tests are performed for assets considered by the Bank to be individually material.

Impairment tests for assets which are individually material

The individual test is performed by the Bank for financial assets which are individually material. It consists in case-by-case verification of financial assets for impairment. The individual test determines expected future cash flows and impairment is calculated as the difference between the present value (carrying amount) of a financial asset which is individually material and the value of future cash flows generated by that asset, discounted using the effective interest method. Cash flows from hedges are taken into account for purposes of estimating future cash flows.

Collective (group) tests

Collective tests are performed for assets:

- classified as individually immaterial;
- classified as individually material, for which an objective indication of impairment has not been identified.

For exposures with objective indications of impairment identified, the Bank recognizes a collective impairment loss. The value of the aforesaid impairment loss depends on the type of the credit exposure, the delinquency period as well as the type and value of collateral (applicable to selected portfolios). For exposures with no objective indications of impairment identified, an IBNR (incurred but not reported) loss is recognized by the Bank. The amount of the IBNR loss depends on the probability of default (PD), loss given default (LGD), credit conversion factor (CCF) and the loss identification period (LIP).

The amount of impairment losses estimated using the collective method, both for exposures which are individually immaterial with an objective indication of impairment identified and exposures which are individually material and immaterial without an objective indication of impairment identified, is determined with the application of statistical methods for defined exposure portfolios which are homogenous from the perspective of credit risk. Homogeneous exposure portfolios are defined based on customer segment, type of credit products and, for purposes of IBNR estimates, exposure delinquency classes which do not exceed 90 days and, for institutional customers with a rating assigned by the Bank internally, the credit rating assigned to the customer. The criteria applied by the Bank to define homogeneous portfolios are aimed at grouping exposures so that the credit risk profile is reflected as accurately as practicable and, consequently, so as to estimate the level of impairment losses on financial assets as objectively and adequately as possible.

In line with the Bank's impairment testing methodology, the PD parameters are updated twice a year. The aforesaid parameter is determined based on statistical analyses of historical data as well as observable monthly migration of credit exposures. The values of LGD, CCF and LIP are verified and updated on an annual basis. As regards CCF, the Bank's analysis focuses on the percentage of off-balance sheet liabilities converted into on-balance sheet exposures during the loss identification period (LIP). LIP parameters are determined based on analyses of the period between the occurrence of an event driving the impairment loss in relation to the obligor to the date when the impairment status is actually assigned to the debtor. The length of LIP depends on the characteristics of the product as well as effectiveness and frequency of the credit exposure monitoring process carried out by the Bank. For selected portfolios, LGD is determined separately for each exposure, depending on the type and value of collateral. For the remaining portfolios, it is determined at the level of a defined homogeneous portfolio.

When classifying exposures into those with objective indications of impairment identified and those without objective indications of impairment identified, the Bank takes into account a quarantine period, where a credit exposure with an objective indication of impairment identified may again be classified as an exposure without an objective indication of impairment identified only if the Bank's receivables from the customer have been paid on time, i.e. without a delinquency of more than 30 days, for a specific number of months. The required quarantine period differs depending on the customer type. Its length is determined by the Bank on the basis of historical observations which are sufficient to determine the time after which the probability of further default decreases to a level comparable with other exposures classified as exposures without identified indications of impairment.

Impairment losses on financial assets estimated using statistical models in a collective impairment test are back-tested periodically. The parameters used for purposes of estimating impairment losses and the statistical models are covered by the model management process, which involves laying down the principles of their development, approval, monitoring and validation as well as model back-testing. The models and parameters are validated and impairment losses/allowances determined using the collective method are back-tested at least on an annual basis. Additionally, the process of estimating impairment losses is subject to periodic functional control and verified independently by the Bank's internal audit.

b) Fair value of derivative financial instruments

The fair value of derivative financial instruments which are not quoted on active markets is determined using measurement techniques (e.g. models). Such methods are evaluated and verified periodically by qualified independent employees who have not participated in their development. All models require approval before use as well as calibration to ensure that the results reflect actual data and comparable market prices. The models used at present rely on data obtained from Reuters and/or Bloomberg information systems. Derivative financial instruments are measured on the basis of generally acceptable models. Linear instruments are measured using the discounted cash flow method while plain vanilla options using the Black-Scholes model. Other options included in structured deposits are measured either through decomposition into vanilla options or through Monte Carlo simulations.

CVA/DVA is estimated for all derivatives which are active at a specific date. The adjustment is determined based on the projected future exposure resulting from the instrument, counterparty rating and collateral provided/accepted.

c) Securities

Securities with no liquid market are measured using the discounted cash flow model. As regards Level 3 securities, the credit risk margin is a non-observable parameter corresponding to the market margin for instruments within similar characteristics.

d) Impairment of property, plant and equipment

At the end of each reporting period, the Group verifies whether there is any objective indication of impairment of its property, plant and equipment. If such indications have been identified, the Group estimates the recoverable amount. Determination of the value in use of property, plant and equipment requires the Bank to make assumptions as to the amounts, dates of future cash flows that may be generated by the Group on the property, plant and equipment as well as other factors. When estimating the fair value less costs to sell, the Group relies on available market data or valuations of independent appraisers, which, as a rule, are also based on estimates.

e) Provision for retirement benefits

Provisions for retirement benefits have been estimated by an independent actuary using actuarial methods. The underlying assumptions are revised at the end of each quarter.

f) Leases – the Group as a lessor

Lease agreements whereby substantially all risks and rewards of ownership of the assets are transferred onto the lessee are classified as finance leases. The receivables representing the net lease investment are recognized on the balance sheet. Revenue from finance lease agreements is recognized to reflect the fixed periodic rate of return on the net lease investment made by the Group in the form of a finance lease.

The Group does not offer operating lease products where substantially all risks and rewards of ownership of the assets are not transferred onto the lessee.

8 Business combinations

Merger of Bank BGŻ BNP Paribas S.A. and Sygma Bank Polska S.A.

On 31 May 2016, the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, recorded the merger through acquisition of Bank BGŻ BNP Paribas S.A., with its registered office in Warsaw, and Sygma Bank Polska S.A., with its registered office in Warsaw.

The merger is aimed to ensure a more efficient use of the potential of the combined entities and produce the benefits of the economic and financial synergies, whether direct or indirect, to include enhancement of the product offering of Bank BGŻ BNP Paribas S.A. on the Polish *consumer finance* market, which will have a positive effect on the Bank's income.

As a result of the merger, on 31 May 2016, Bank BGŻ BNP Paribas S.A., as the acquirer, assumed all the rights and obligations of Sygma Bank Polska S.A., as the acquiree, in accordance with Article 494.1 of the Code of Commercial Companies. Under Article 494.1 of the Code of Commercial Companies, Sygma Bank Polska S.A. was dissolved without any liquidation procedure at the date of its deregistration.

The net assets of Sygma Bank Polska S.A. were taken over in return for cash amounting to PLN 200 million.

The merger of Bank BGŻ BNP Paribas S.A. and Sygma Bank Polska S.A. was a merger of jointly controlled entities because at the date of the merger both the entities were subsidiaries of BNP Paribas with its registered office in Paris.

Having accounted for its merger with Sygma Bank Polska S.A., Bank BGŻ BNP Paribas S.A. recognized the net assets of Sygma Bank Polska S.A. totaling PLN 311,154 thousand as at the merger date, i.e. 31 May 2016, in its financial statements. The difference between the amounts allocated to assets and liabilities in the separate financial statements of the parent after the legal merger and the book value of the investment in the subsidiary before the legal merger date was recognized under Equity.

- data in PLN '000

Presented below are the net assets of Sygma Bank Polska S.A. as at 31 May 2016:

	31.05.2016
ASSETS	**unaudited**
Cash and balances with the Central Bank	37
Loans and advances to banks	244 363
Debt securities held for trading	-
Hedging instruments	-
Loans and advances to customers	1 530 414
Available for sale financial assets	-
Intangible assets	2 569
Property, plant and equipment	9 036
Deferred tax asset	36 550
Other assets	23 650
TOTAL ASSETS	**1 846 619**
LIABILITIES	
Amounts due to banks	1 390 460
Financial liabilities held for trading	-
Amounts due to customers	5 742
Loans and advances received	-
Subordinated liabilities	70 480
Current tax liabilities	4 775
Other liabilities	41 719
Provisions	22 199
TOTAL LIABILITIES	**1 535 375**
TOTAL EQUITY	**311 244**
TOTAL LIABILITIES AND EQUITY	**1 846 619**

The acquiree's revenue and expenses have been recognized in the separate financial statements of Bank BGŻ BNP Paribas S.A. as from the merger date.

In the consolidated financial statement of the Capital Group of Bank BGŻ BNP Paribas S.A., Sygma Bank was consolidated by full method from buying 100% of shares of Sygma Bank by BGŻ BNP Paribas. Income and expences presented in the consolidated financial statement starting from 1 January 2016.

Accounting for the transaction

Business combinations of a jointly controlled parent and subsidiary, where the existing parent is the entity which continues the business activity, are accounted for using a method whereby the acquired assets and liabilities are recognized in the financial statements of the acquirer at their book values disclosed in the consolidated financial statements of the parent as at the business combination date. The difference between the amounts allocated to assets and liabilities in the separate financial statements of the parent after the legal merger and the book value of the investment in the subsidiary before the legal merger date is recognized under consolidated Equity.

The acquired assets and liabilities are included in the balance sheet of the merged entity at their carrying amounts after the application of consistent measurement methods and elimination of the relevant items.

The business combination is accounted for without any adjustments to the comparative data, i.e. the acquiree's revenue and expenses are recognized in profit or loss of the merged entity as from the merger date.

- data in PLN '000

9 Net interest income

	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Interest income				
Loans and advances to banks	7 706	20 661	6 527	17 705
Loans and advances to customers in current accounts	92 053	269 281	90 168	236 837
Loans and advances to customers, in this:	473 466	1 392 804	417 416	1 047 899
corporate	113 018	331 515	114 398	285 540
households	337 910	998 217	285 859	729 619
budget entities	1 258	3 735	1 367	4 461
other entities	21 280	59 337	15 792	28 279
Hedging instruments and hedged items	20 294	59 941	583	979
Reverse repo transactions	-	-	-	7 559
Debt securities, in this:	65 502	186 941	50 428	155 724
held for trading	-	-	-	1 956
available for sale	65 502	186 941	50 428	153 768
	659 021	**1 929 628**	**565 122**	**1 466 703**
Interest expense				
Amounts due to banks	(28 265)	(83 185)	(15 462)	(38 338)
Debt securities issued	(3 017)	(9 638)	(3 392)	(13 367)
Amounts due to customers, in this:	(140 151)	(412 896)	(140 545)	(410 973)
corporate	(37 621)	(113 485)	(33 522)	(79 050)
households	(80 081)	(232 386)	(83 819)	(262 453)
budget entities	(5 156)	(13 731)	(3 707)	(9 660)
other entities	(17 293)	(53 294)	(19 497)	(59 810)
Hedging instruments and hedged items	(20 516)	(60 781)	1	1
Repo transactions	117	-	(57)	(7 638)
	(191 832)	**(566 500)**	**(159 455)**	**(470 315)**
Net interest income	**467 189**	**1 363 128**	**405 667**	**996 388**

In the analyzed period, the net interest income was affected by both external factors, mainly record low interest rates, and internal factors, namely the growth rate of commercial volumes, the legal merger of Bank BGŻ and BNPP Polska on 30 April 2015 and the incorporation of Sygma Bank Polska into the Capital Group as from 1 December 2015.

In the three quarters of 2016, the net interest income, which represents the main source of the Group's income, went up by PLN 366,740 thousand, i.e. 36.8%, year on year. This was attributable to a rise in interest income by PLN 462,925 thousand, i.e. 31.6% year-on-year, which was accompanied by slower growth of interest expense (up by PLN 96,185 thousand year on year, i.e. 20.5%).

Interest income on loans and advances to customers, which saw an increase of PLN 344,905 thousand, i.e. 32.9%, year-on-year, was is the largest item in the structure of the Group's interest income (72.2%). In addition to interest on loans and advances, the Group saw a rise in interest on loans and advances to customers in current accounts (up PLN 32,444 thousand, i.e. 13.7%, year-on-year) and in interest on securities (up by PLN 31,217 thousand, i.e. 20.0%, year-on-year).

- data in PLN '000

The volume of gross loans increased by 7.8% year-on-year.

A rise in interest expense was driven by an increase in expense related to amounts due to banks (up by PLN 44,847 thousand, i.e. 117.0%, year-on-year).

The Group used hedge accounting as at the end of September 2016. Fixed-rate current accounts in PLN and EUR are the hedged items. The hedging instruments are standard IRS transactions, i.e. plain vanilla IRS in PLN and EUR. Changes in the fair value measurement of the hedging transactions are recognized in the result on hedge accounting, while interest on IRS and the hedged items is recognized in the net interest income.

In the three quarters of 2016, the net interest income on hedging relationships (interest income on the hedging instruments plus interest expense on the hedged items) was negative and amounted to PLN (840) thousand as compared to PLN 980 thousand in the three quarters of 2015.

10 Net fee and commission income

	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Fee and commission income:				
loans and advances	41 759	131 829	39 124	102 396
settlements	15 383	46 884	15 615	31 126
account maintenance	30 655	93 114	29 723	82 886
guarantee commitments	7 496	20 842	7 455	14 715
brokerage operations	3 894	15 557	6 682	18 482
payment cards	21 536	59 569	18 924	49 350
insurance activity	17 085	35 282	7 085	18 515
asset management	3 297	5 412	877	2 489
other	19 008	45 297	12 827	28 230
	160 113	**453 786**	**138 312**	**348 189**
Fee and commission expense:				
loans and advances	(806)	(1 022)	(771)	(2 774)
payment cards	(15 294)	(38 985)	(12 671)	(32 003)
insurance activity	(2 217)	(5 501)	(628)	(1 071)
related to partners' network	306	(7 232)	(2 038)	(3 000)
other	(11 449)	(25 466)	(3 227)	(7 755)
	(29 460)	**(78 206)**	**(19 335)**	**(46 603)**
Net fee and commission income	**130 653**	**375 580**	**118 977**	**301 586**

Between 1 January 2016 and 30 September 2016, the net fee and commission income was higher by PLN 73,994 thousand, i.e. 24.5%, year-on-year as a result of an increase in the fee and commission income by PLN 105,597 thousand, i.e. 30.3%, year-on-year, which was accompanied by a rise in the fee and commission expense by PLN 31,603 thousand, i.e. 67.8%, year-on-year.

An increase in the fee and commission income, mainly as a consequence of acquisition of the customer base of BNPP Polska and Sygma Bank Polska, was recorded in almost all fee and commission categories (except for brokerage operations), especially the following:

- loans and advances – up by PLN 29,433 thousand, i.e. 28.7%;
- account maintenance and settlements (up by the total of PLN 25,986 thousand, i.e. 22.8%), which was attributable to a rise in the number of transactions as well as changes in the Rates and Charges;

- data in PLN '000

- insurance activity – up by PLN 16,767 thousand, i.e. 90.6%;
- payment cards – up by PLN 10,219 thousand, i.e. 20.7%.

An increase in the fee and commission expense was mainly driven by higher fees and commissions on payment cards paid to card operators due to a higher number of transactions made by the Bank's customers as well as those related to the partners' network.

11 Net trading income

	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Debt instruments	-	-	(1)	204
Derivative financial instruments and foreign currency exchange result	67 797	177 652	53 243	120 902
Net trading income	**67 797**	**177 652**	**53 242**	**121 106**

The net trading income for the three quarters of 2016 increased by PLN 56,546 thousand, i.e. 46.7% year-on-year. Its level and changes are determined mainly by the measurement of the Bank's derivative financial instruments, trading in debt securities and the foreign currency exchange result.

12 Result on investing activities

	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Available for sale assets	4	42 437	105	35 305
Result on investing activities	**4**	**42 437**	**105**	**35 305**

On 21 June 2016, a transaction involving the acquisition of Visa Europe Limited by Visa Inc. was settled. Consequently, the BGŻ BNP Paribas Group received:

- EUR 6,945 thousand in cash (PLN 30,518 thousand at the exchange rate of 4.3945 of 20 June 2016);
- 2 521 preference, C series shares in Visa Inc.

Furthermore, the settlement included a deferred cash payment of EUR 1.12 billion due to all participants in the transaction; the share of Bank BGŻ BNP Paribas in the aforesaid amount was 0.0535214433%. The deferred cash payment due to the Group can be adjusted within three years of the transaction date should the events described in the agreement occur.

The total gain earned by Bank BGŻ BNP Paribas on the aforesaid transaction was PLN 41,817 thousand and it was recognized in profit or loss as "Result on investing activities".

During the three quarters of 2015, the result on investing activities was determined mainly by gains realized on sale of the available for sale securities portfolio.

- data in PLN '000

13 Other operating income

	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Sale or liquidation of property, plant and equipment and intangible assets	4 359	7 514	450	1 406
Sale of goods and services	(7 013)	4 896	1 215	3 833
Release of provisions for litigation and claims and other liabilities	(269)	3 190	1 997	2 169
Recovery of debt collection costs	2 408	5 731	1 544	3 355
Recovery of overdue debts, redeemed receivables, noncollectible debts and payment of receivables that were excluded from the consolidated statement of financial position	3 993	28 920	5 964	9 237
Income from leasing operations	6 037	18 409	5 252	8 325
Other	12 115	36 750	4 980	9 992
Total other operating income	**21 630**	**105 410**	**21 402**	**38 317**

During the three quarters of 2016, other operating income went up by PLN 67,093 thousand year-on-year. This was mainly attributable to:

- recognition of PLN 20,200 thousand in 2016 on sale of loan portfolios as *operating income from recovery of overdue debts, redeemed receivables, noncollectible debts and payment of receivables that were excluded from the consolidated statement of financial position*. The remaining portion was recognized as *impairment losses on loans and advances*;
- recognition of income from leasing operations in other operating income as a result of incorporation of the leasing business into the operational structure of the Bank as from the date of its legal merger with BNPP Polska;
- a higher gain on sale or liquidation of property, plant and equipment;
- partial reversal (in the first quarter of 2016) of a provision recognized for a financial penalty imposed by the Office of Competition and Consumer Protection in 2012 for the Bank's use of a certain standard form contract for individual retirement account maintenance, regarded as a practice infringing the group interests of consumers, totaling PLN 687 thousand.

Additionally, other operating income includes an annual input VAT adjustment for 2015 in the amount of PLN 8,820 thousand.

14 Other operating expenses

	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Loss on sale or liquidation of property, plant and equipment, intangible assets	(4 954)	(18 385)	(4 027)	(18 119)
Impairment charges on other receivables	(428)	(428)	(384)	(1 063)
Provisions for restructuring of assets, litigation and claim, and other liabilities	(90)	(840)	1 191	(9 415)
Debt collection	(7 324)	(19 416)	(4 628)	(10 157)
Donations made	(691)	(2 812)	(1 268)	(1 291)
Costs of leasing operations	(6 606)	(18 113)	(4 986)	(7 921)
Other operating expenses	(3 350)	(22 958)	(4 579)	(14 402)
Total other operating expenses	**(23 443)**	**(82 952)**	**(18 681)**	**(62 368)**

- data in PLN '000

During the three quarters of 2016, other operating expenses amounted to PLN 82,952 thousand and increased by PLN 20,584 thousand (33.0%) year-on-year. In the analyzed period, the level of other operating expenses was determined by:

- incurred bank integration costs – intangible assets written off, costs of liquidation of property, plant and equipment and additional expenses paid for termination of a cooperation agreement with an entity providing cashless transaction processing services, totaling PLN 21.7 million;
- recognition of costs of leasing operations in other operating expenses as a result of incorporation of the leasing business into the operational structure as from the date of its legal merger with BNPP Polska;
- higher debt collection costs.

During the three quarters of 2015, *other operating expenses relating to provisions for restructuring of assets* included PLN 6.9 million resulting from recognition of a provision for closing down Bank BGŻ BNP Paribas branches as part of the restructuring process following the merger with BNPP Polska.

During the three quarters of 2016, *other operating expenses* included the costs of damages totaling PLN 7,428 thousand.

15 Net impairment losses on financial assets and contingent liabilities

	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Loans and advances to banks	862	276	(205)	(575)
Loans and advances to customers	(122 240)	(289 616)	(108 372)	(251 825)
Contingent commitments granted	5 456	7 603	16 044	26 428
Total net impairment losses on financial assets and contingent liabilities	**(115 922)**	**(281 737)**	**(92 533)**	**(225 972)**

During the three quarters of 2016, the annualized cost of credit risk calculated as net impairment losses relative to the average balance of net loans and advances to customers (determined on the basis of quarter-end balances) was 0.71%, down by 0.05 p.p. as compared to the corresponding period in the preceding year.

The net impairment losses on financial assets and contingent liabilities for nine months of 2016 may not be compared to the corresponding figure for 2015 due to the bank merger transactions completed in these periods. Since May 2015, the Bank's loan portfolio has included the portfolio acquired from BNP Paribas Bank Polska (PLN 18.1 billion as at 30 April 2015) and since December 2015 – loans and advances of Sygma Bank Polska (PLN 1.8 billion as at 31 December 2015).

- data in PLN '000

16 General administrative expenses

	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Personnel expenses	(215 858)	(692 994)	(192 973)	(546 328)
Marketing	(26 655)	(71 315)	(35 492)	(55 247)
IT and telecom costs	(36 069)	(100 718)	(35 160)	(84 334)
Rental expenses	(42 987)	(132 085)	(41 873)	(100 815)
Other non-personnel expenses	(47 677)	(141 331)	(52 602)	(151 565)
Business travels	(2 261)	(6 794)	(1 545)	(3 047)
ATM and cash handling costs	(941)	(2 799)	(1 295)	(2 457)
Costs of outsourcing services related to leasing operations	(5 676)	(17 802)	(589)	(3 232)
Bank Guarantee Fund fee	(30 439)	(91 775)	(27 862)	(70 124)
Polish Financial Supervision Authority fee	(217)	(7 278)	(1)	(5 016)
Total general administrative expenses	**(408 780)**	**(1 264 891)**	**(389 392)**	**(1 022 165)**

The Group's general administrative expenses for the period from 1 January to 30 September 2016 amounted to PLN 1,264,891 thousand, up by PLN 242,726 thousand (23.7%) year-on-year. This was mainly due to the merger processes and integration costs:

- the figure for the nine months of 2015 does not include the expenses of exBNPP Polska and its subsidiaries for the period from January to April and those of Sygma Bank Polska and Laser Services, which were incorporated into the Group as from 1 December 2015;
- the expenses of Sygma Bank Polska until the merger date (for the period from January to May 2016) were recognized in the amount of PLN 62.8 million.

The integration costs incurred by the Group in the nine months of 2016 totaled PLN 146.7 million and included:

- PLN 125.0 million recognized as general administrative expenses;
- PLN 21.7 million recognized as other operating expenses.

Integration costs recognized as general administrative expenses include mainly:

- recognition of an additional provision for employment restructuring of PLN 26.0 million;
- costs of projects implemented in connection with the integration of Bank BGŻ SA with BNPP Polska SA of PLN 41.8 million;
- costs of the merger of Bank BGŻ BNP Paribas and Sygma Bank Polska of PLN 10.3 million;
- costs of accelerated amortization of intangible assets to be decommissioned after operating merger completion of PLN 22.0 million;
- costs incurred by Sygma Bank Polska in connection with the merger (before the merger with Bank BGŻ BNPP) of PLN 8.0 million;
- retention program of PLN 3.8 million.

Apart from the aforesaid integration costs, the level of operating expenses during nine months of 2016 was determined by a rise in the Bank Guarantee Fund and the Polish Financial Supervision Authority fees of PLN 23.9 million, resulting from a larger scale of operations following the merger with BNPP Polska, as well as inclusion of the fees incurred by Sygma Bank Polska and introduction of new rates as from 2016.

- data in PLN '000

17 Depreciation and amortization

	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Property, plant and equipment	(19 338)	(59 629)	(18 697)	(48 144)
Intangible assets	(33 105)	(89 200)	(23 025)	(56 689)
Total depreciation and amortization	**(52 443)**	**(148 829)**	**(41 722)**	**(104 833)**

In the analyzed period, the costs of depreciation and amortization went up by PLN 43,996 thousand (42.0%) year-on-year. The increase was a result of acquisition of intangible assets and property, plant and equipment from BNPP Polska as well as accelerated depreciation and amortization relating to the preparation of the operating merger.

18 Income tax expenses

	3rd quarter of 2016 period from 01.07.2016 to 30.09.2016	3 quarters of 2016 period from 01.01.2016 to 30.09.2016	3rd quarter of 2015 period from 01.07.2015 to 30.09.2015	3 quarters of 2015 period from 01.01.2015 to 30.09.2015
Current income tax	(46 444)	(100 856)	(560)	(33 133)
Deferred income tax	21 045	17 629	(15 253)	9 594
Total income taxes	**(25 399)**	**(83 227)**	**(15 813)**	**(23 539)**
Profit before income tax	35 607	158 083	56 229	81 758
Statutory tax rate	19%	19%	19%	19%
Income tax on gross profit	**(6 765)**	**(30 036)**	**(10 683)**	**(15 534)**
Receivables write-off	(5 122)	(9 370)	(264)	(1 002)
Non-tax-deductible overheads/income	(60)	(780)	(125)	(289)
PFRON	(299)	(965)	(263)	(696)
Prudential fee to the Bank Guarantee Fund	(1 857)	(5 600)	(1 107)	(2 787)
Purchased receivables write-offs	28	184	(115)	(250)
Impairment allowance for receivables	6 195	(2 477)	(581)	(368)
Tax from financial institutions	(9 761)	(22 174)	-	-
Other differences	(7 758)	(12 009)	(2 675)	(2 613)
Total income tax charge on gross profit	**(25 399)**	**(83 227)**	**(15 813)**	**(23 539)**

- data in PLN ‘000

19 Cash and balances with the Central Bank

	30.09.2016	31.12.2015
Cash and other balances	1 081 637	1 128 335
Consolidated account with the National Bank of Poland	939 858	1 698 081
Total cash and balances with the Central Bank	**2 021 495**	**2 826 416**

20 Loans and advances to banks

	30.09.2016	31.12.2015
Current accounts	169 265	163 914
Interbank placements	68 941	280 775
Loans and advances	40 384	49 947
Other	3 173	1 851
Total loans and advances to banks (gross)	**281 763**	**496 487**
Impairment allowances on loans and advances to banks	(745)	(1 056)
Total loans and advances to banks (net)	**281 018**	**495 431**

	9 months ended 30.09.2016	12 months ended 31.12.2015
Impairment allowances on loans and advances to banks at the beginning of the period	**(1 056)**	**(487)**
Impairment charges	(2 307)	(1 438)
Release of impairment charges	2 583	500
Provision acquired as a result of merger	-	(79)
Write-off	-	352
Other changes	35	96
Impairment allowances on loans and advances to banks at the end of the period	**(745)**	**(1 056)**

- data in PLN '000

21 Derivative financial instruments

30.09.2016	Nominal value	Fair value	
		Assets	Liabilities
Trading derivatives			
Currency derivatives:			
Non-deliverable Forward (NDF)	827 397	4 014	3 971
Foreign Exchange Forward (FX Forward)	4 700 479	12 742	32 035
Currency Swaps (FX Swap)	7 569 364	37 011	10 798
Currency Interest Rate Swaps (CIRS)	1 261 297	6 121	4
OTC currency options	2 085 547	7 861	7 281
Total OTC currency derivatives:	**16 444 084**	**67 749**	**54 089**
Interest rate derivatives:			
Interest Rate Swap (IRS)	41 276 216	237 732	225 414
Currency Interest Rate Swaps (CIRS)	767	253	-
Forward Rate Agreements (FRA)	12 950 000	2 636	2 117
OTC interest rate options	2 761 055	9 844	9 627
Other	-	-	-
Total OTC interest rate derivatives:	**56 988 038**	**250 465**	**237 158**
OTC options	388 242	4 162	304
Total OTC derivatives based on equity securities:	**388 242**	**4 162**	**304**
OTC commodity swap	20 216	415	337
Total OTC commodity derivatives:	**20 216**	**415**	**337**
Other options	**(8 500)**	**21**	**-**
Foreign Exchange Spot (FX Spot)	1 349 992	566	13
Total current currency derivatives	**1 349 992**	**566**	**13**
TOTAL:	**75 182 072**	**323 378**	**291 901**
of which: – valued using model-based method	*75 182 072*	*323 378*	*291 901*

- data in PLN '000

31.12.2015	Nominal value	Fair value	
		Assets	Liabilities
Trading derivatives			
Currency derivatives:			
Non-deliverable Forward (NDF)	953 099	6 310	2 297
Foreign Exchange Forward (FX Forward)	4 846 974	20 828	23 867
Currency Swaps (FX Swap)	4 850 365	25 838	17 174
Currency Interest Rate Swaps (CIRS)	879 953	5 090	(3)
OTC currency options	2 832 716	10 459	8 515
Total OTC currency derivatives:	**14 363 107**	**68 525**	**51 850**
Interest rate derivatives:			
Interest Rate Swap (IRS)	43 458 255	279 779	281 084
Currency Interest Rate Swaps (CIRS)	1 037	262	-
Forward Rate Agreements (FRA)	25 300 000	3 469	5 003
OTC interest rate options	1 230 627	5 783	5 180
Other	24 003	-	169
Total OTC interest rate derivatives:	**70 013 922**	**289 293**	**291 436**
OTC options	384 577	4 751	2 904
Total OTC derivatives based on equity securities:	**384 577**	**4 751**	**2 904**
OTC commodity swap	188 789	5 566	5 188
Total OTC commodity derivatives:	**188 789**	**5 566**	**5 188**
Other options	**(6 500)**	**-**	**-**
Foreign Exchange Spot (FX Spot)	842 933	12	161
Total current currency derivatives	**842 933**	**12**	**161**
TOTAL:	**85 786 828**	**368 147**	**351 539**
of which: – valued using model-based method	*85 786 828*	*368 147*	*351 539*

22 Hedge accounting

As at 30 September 2016, the Group used fair value hedges.

Hedging relationship	The hedges are used against interest rate risk, specifically changes in the fair value of fixed-rate assets and liabilities resulting from changes in a specific reference rate.
Hedged items	Fixed-rate current accounts in PLN and EUR are the hedged items.
Hedging instruments	Standard IRS transactions, i.e. plain vanilla IRS in EUR and PLN, where the Group receives a fixed interest rate and pays a floating rate based on EURIBOR 1M and 3M, and for PLN based on WIBOR 3M and 6M, are the hedging instruments.
Presentation of result on the hedged and hedging transactions	The change in fair value of hedging instrument is recognized in the Result on hedge accounting. Interest on the IRS transaction and the hedged items is recognized in Interest income.

IRS	Nominal value	Fair value	
		Assets	Liabilities
30.09.2016	5 503 680	49 063	

- data in PLN '000

Amounts recognized in the statement of profit or loss and the revaluation reserve in relation to fair flow hedges:

	30.09.2016	31.12.2015
Net interest income on hedging derivatives	59 941	15 197
Net interest income on hedged instruments	(60 781)	(12 206)
Change in fair value of hedging transactions recognized in the Result on hedge accounting	256	-
including: change in fair value of hedging instruments	7 367	(4 582)
change in fair value of hedged instruments	(7 111)	4 582

The table below presents hedging derivative instruments by nominal value as at 30 September 2016, broken down by residual maturity:

Hedging instruments	30.09.2016							
	Fair value		Nominal value					
	positive	negative	up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total
Interest rate contracts	**49 063**	**-**	**-**	**1 500 000**	**1 482 848**	**2 369 912**	**150 920**	**5 503 680**
Swap (IRS)	49 063	-	-	1 500 000	1 482 848	2 369 912	150 920	5 503 680
Total hedging instruments	**49 063**	**-**	**-**	**1 500 000**	**1 482 848**	**2 369 912**	**150 920**	**5 503 680**

- data in PLN '000

23 Loans and advances to customers

	30.09.2016	31.12.2015
Current accounts:	**8 593 837**	**7 944 880**
corporate	4 415 066	3 906 021
households:	4 167 356	3 967 365
individual customers	193 094	207 899
individual entrepreneurs	445 617	497 868
farmers	3 528 645	3 261 598
budget entities	3 369	526
other entities	8 046	70 968
Loans and advances:	**48 504 530**	**47 330 763**
corporate	14 309 496	14 152 769
investment loans	6 752 325	6 154 067
revolving loans	3 166 931	3 778 853
other	4 390 240	4 219 849
households:	31 099 354	30 371 955
individual customers, in this:	21 624 400	21 148 995
mortgage loans	14 861 402	14 722 641
individual entrepreneurs	2 218 735	2 352 245
farmers	7 256 219	6 870 715
budget entities	175 248	180 339
other entities	334 867	387 008
Lease receivables	2 585 565	2 238 692
Total loans and advances to customers (gross)	**57 098 367**	**55 275 643**
Impairment allowances	(2 886 566)	(3 006 099)
Total loans and advances to customers (net)	**54 211 801**	**52 269 544**

At the end of September 2016, gross loans and advances to customers increased by PLN 1,822,724 thousand, i.e. 3.3% vs. December 2015. In 2016, the increase was mainly driven by a rise in corporate loans and advances, and loans and advances to farmers.

Loans and advances to enterprises rose by PLN 665,772 thousand, i.e. 3.7%, and represent one-third of the gross loan portfolio (no change as compared to the balance as at 31 December 2015).

Loans and advances to households (including individual entrepreneurs and farmers) increased by PLN 927,390 thousand, i.e. 2.7%, and accounted for 62% of the gross loan portfolio as at 30 September 2016 and 31 December 2015. Mortgage loans with a total value of PLN 14,861,402 thousand, including 54.9% and 44.6% of loans denominated, respectively, in PLN and CHF, accounted for almost 42% of loans and advances to households.

Lease receivables, which are now managed within the Bank's structure, account for almost 4.5% of the gross loan portfolio, following the merger of Bank BGŻ and BNPP Polska in April 2015.

At the end of September 2016, the share of impaired exposures in gross loans and advances to the Bank's customers amounted to 7.4% vs. 7.6% at the end of 2015.

- data in PLN '000

Impairment allowances on loans and advances to customers

	30.09.2016	31.12.2015
Current accounts:	**(401 584)**	**(427 738)**
corporate	(268 883)	(286 390)
households:	(132 185)	(140 770)
individual customers	(22 864)	(24 384)
individual entrepreneurs	(56 118)	(74 438)
farmers	(53 203)	(41 948)
budget entities	(4)	-
other entities	(512)	(578)
Loans and advances:	**(2 484 982)**	**(2 578 361)**
corporate:	(915 045)	(1 009 631)
investment loans	(220 679)	(231 727)
revolving loans	(413 874)	(443 234)
other	(280 492)	(334 670)
households:	(1 465 209)	(1 473 521)
individual customers, in this:	(1 029 056)	(1 048 463)
mortgage loans	(339 858)	(347 082)
individual entrepreneurs	(235 621)	(242 403)
farmers	(200 532)	(182 655)
budget entities	(242)	(219)
other entities	(3 309)	(4 027)
Lease receivables	(101 177)	(90 963)
Total impairment allowances	**(2 886 566)**	**(3 006 099)**

The Bank's credit risk exposure related to loans and advances to customers by indications of impairment

	30.09.2016	31.12.2015
Impaired exposures		
gross exposure	4 231 272	4 202 122
impairment allowance	(2 573 286)	(2 687 616)
Net exposure	**1 657 986**	**1 514 506**
Non-impaired exposures		
gross exposure	52 867 095	51 073 521
IBNR provision	(313 280)	(318 483)
Net exposure	**52 553 815**	**50 755 038**

	30.09.2016	31.12.2015
Impairment allowances on loans and advances at the beginning of the period	**(3 006 099)**	**(1 430 389)**
Impairment charges*	(1 473 119)	(2 010 656)
Release of impairment charges*	1 183 503	1 682 423
Write-off	419 000	140 954
Provision acquired as a result of merger	-	(1 377 356)
Other changes (including exchange differences)	(3 468)	(11 075)
Impairment allowances on loans and advances at the end of the period	**(2 880 183)**	**(3 006 099)**

*Recognition and release of impairment allowances on loans and advances presented as revenue owing to functional limitations of the system.
The presentation above does not have any effect on the Group's financial profit or loss.

Mortgage loans to individuals – by currency (in PLN '000)

Loans by currency	30.09.2016	31.12.2015
CHF	6 626 703	6 924 155
EUR	76 099	82 704
PLN	8 154 071	7 710 797
USD	4 529	4 985
Total	**14 861 402**	**14 722 641**

CHF portfolio

	30.09.2016		31.12.2015	
	Total portfolio	including CHF exposures	Total portfolio	including CHF exposures
(Gross) loan portfolio, in this:				
Current accounts:	**8 593 837**	**3**	**7 944 880**	**-**
corporate	4 415 066	1	3 906 021	-
households:	4 167 356	2	3 967 365	-
individual customers	193 094	1	207 899	-
individual entrepreneurs	445 617	1	497 868	-
farmers	3 528 645	-	3 261 598	-
budget entities	3 369	-	526	-
other entities	8 046	-	70 968	-
Loans and advances:	**48 504 530**	**3 954 753**	**47 330 763**	**7 310 324**
corporate:	14 309 496	90 055	14 152 769	116 457
investment loans	6 752 325	21 210	6 154 067	27 867
revolving loans	3 166 931	10 604	3 778 853	11 761
other	4 390 240	58 241	4 219 849	76 829
households:	31 099 354	6 787 100	30 371 955	7 104 798
individual customers, in this:	21 624 400	6 723 520	21 148 995	7 030 204
mortgage loans	14 861 402	6 626 703	14 722 641	6 924 155
individual entrepreneurs	2 218 735	53 457	2 352 245	63 593
farmers	7 256 219	10 123	6 870 715	11 001
budget entities	175 248	-	180 339	-
other entities	334 867	2 562	387 008	2 811
Lease receivables	2 585 565	94 356	2 238 692	86 258
Total loans and advances (gross)	**57 098 367**	**6 974 076**	**55 275 643**	**7 310 324**

- data in PLN '000

Impairment allowances on CHF loans

	30.09.2016		31.12.2015	
	Total portfolio	including CHF exposures	Total portfolio	including CHF exposures
(Gross) loan portfolio, in this:				
Current accounts:	**(401 584)**	**(2)**	**(427 738)**	**-**
corporate	(268 883)	(1)	(286 390)	-
households:	(132 185)	(1)	(140 770)	-
individual customers	(22 864)	-	(24 384)	-
individual entrepreneurs	(56 118)	(1)	(74 438)	-
farmers	(53 203)	-	(41 948)	-
budget entities	(4)	-	-	-
other entities	(512)	-	(578)	-
Loans and advances:	**(2 484 982)**	**(272 991)**	**(2 578 361)**	**(258 775)**
corporate:	(915 045)	(11 655)	(1 009 631)	(16 734)
investment loans	(220 679)	(757)	(231 727)	(98)
revolving loans	(413 874)	(11)	(443 234)	(668)
other	(280 492)	(10 887)	(334 670)	(15 968)
households:	(1 465 209)	(246 363)	(1 473 521)	(239 929)
individual customers, in this:	(1 029 056)	(236 906)	(1 048 463)	(230 132)
mortgage loans	(339 858)	(225 307)	(347 082)	(217 322)
individual entrepreneurs	(235 621)	(9 457)	(242 403)	(8 438)
farmers	(200 532)	(1 373)	(182 655)	(1 359)
budget entities	(242)	-	(219)	-
other entities	(3 309)	(4)	(4 027)	(6)
Lease receivables	(101 177)	(13 596)	(90 963)	(2 106)
Total loans and advances (gross)	**(2 886 566)**	**(272 993)**	**(3 006 099)**	**(258 775)**

In three quarters of 2016, the Bank entered into three agreements for sale of its loan portfolio. The volume of receivables sold under the agreements (with impairment allowances recognized for a significant portion of the receivables or receivables fully derecognized from the Bank's balance sheet) amounted to PLN 545,133 thousand (principal amounts, interest and other secondary receivables). The contractual portfolio sale price was PLN 75,604 thousand. The net effect on the profit generated by the Bank from sale of the portfolio was PLN 53,160 thousand and is presented under recognition and release of impairment allowances on loans and advances in the amount of PLN 32,960 thousand and in Note 13 under other operating income in the amount of PLN 20,200 thousand.

- data in PLN '000

24 Available for sale financial assets

	30.09.2016	31.12.2015
Debt securities available for sale:	10 420 780	7 792 947
issued by governments – T-bonds	10 328 283	7 685 676
issued by local governments – bonds	80 223	95 144
issued by local governments – municipal bonds	12 274	12 127
Debt securities available for sale: (stock and shares)	38 079	48 592
Share units	5 577	3 535
Total available for sale financial assets	**10 464 436**	**7 845 074**
of which:		
valued using the market quotation method	*10 330 633*	*7 689 232*
valued using model-based method	*133 803*	*155 842*

25 Intangible assets

	30.09.2016	31.12.2015
Licenses	158 972	218 004
Other intangible assets	6 897	6 447
Expenditure on intangible assets	76 819	32 004
Total intangible assets	**242 688**	**256 455**

In the third quarter of 2016, the gross book value of intangible assets purchased by the Group was PLN 88,099 thousand (vs. PLN 47,865 thousand in the third quarter of 2015), while the net amount of assets sold and liquidated was PLN 15,896 thousand (third quarter of 2015: PLN 17 thousand).

26 Property, plant and equipment

	30.09.2016	31.12.2015
Non-current assets, in this:	485 007	495 458
land and buildings	245 983	252 157
leasehold improvements	91 736	102 067
IT equipment	88 255	84 740
office equipment	30 200	49 262
equipment and vehicles	28 833	7 232
Assets under construction	52 334	41 743
Total property, plant and equipment	**537 341**	**537 201**

In the third quarter of 2016, the gross book value of property, plant and equipment purchased by the Group was PLN 64,376 thousand (vs. PLN 36,054 thousand in the third quarter of 2015), while the net amount of property, plant and equipment items sold and liquidated was PLN 7,784 thousand (third quarter of 2015: PLN 6,504 thousand).

- data in PLN '000

27 Other assets

	30.09.2016	31.12.2015
Other assets:		
other debtors	61 983	61 261
interbank and intersystem settlements	36 647	500
prepaid expenses*	40 557	38 126
accrued income	47 719	47 835
card settlements	18 787	12 633
tax and other regulatory receivables	114 554	108 542
insurance receivables	2 163	930
other lease receivables	41 824	20 667
other	104 595	10 863
Total other assets (gross)	**468 829**	**301 357**
Impairment allowances on other receivables	(52 881)	(49 836)
Total other assets (net)	**415 948**	**251 521**

*Due to amendments made to the Act on the Bank Guarantee Fund (Journal o Laws of 2016) in March 2016, the method for determination of the obligatory and prudential fee to the Bank Guarantee Fund changed from annual to quarterly.
As a consequence, the Group paid its liabilities for the first, second and third quarter of 2016 in this respect at the end of March, June and September 2016, respectively, therefore there are no items concerning the Bank Guarantee Fund under Prepaid expenses.

28 Amounts due to banks

	30.09.2016	31.12.2015
Current accounts	202 475	120 628
Interbank deposits	54 953	1 288 942
Loans and advances received	6 212 184	8 447 998
Other liabilities	47 996	19 324
Total amounts due to banks	**6 517 608**	**9 876 892**

29 Amounts due to customers

	30.09.2016	31.12.2015
Other financial institutions:	**3 985 969**	**4 935 155**
Current accounts	406 318	622 755
Term deposits	1 538 591	2 028 453
Loans and advances received	2 040 762	2 240 934
Other liabilities, in this:	298	43 013
due to cash collateral	263	43 002
other	35	11
Individual customers:	**26 250 836**	**24 079 361**
Current accounts	14 290 556	13 398 459
Term deposits	11 835 266	10 595 406
Other liabilities, in this:	125 014	85 496
cash collateral	33 140	36 017
other	91 874	49 479
Corporate:	**21 101 861**	**16 817 438**

- data in PLN '000

	30.09.2016	31.12.2015
Current accounts	10 621 773	9 888 534
Term deposits	10 252 493	6 695 150
Other liabilities, in this:	227 595	233 754
cash collateral	196 138	208 568
other	31 457	25 186
Including farmers:	**1 375 133**	**1 309 339**
Current accounts	1 194 822	1 133 901
Term deposits	176 644	171 893
Other liabilities, in this:	3 667	3 545
cash collateral	3 259	3 500
other	408	45
Budget entities:	**1 563 722**	**695 437**
Current accounts	614 865	502 878
Term deposits	948 173	192 425
Other liabilities, in this:	684	134
cash collateral	23	134
other	661	-
Total amounts due to customers	**52 902 388**	**46 527 391**

At the end of September 2016, amounts due to customers increased by PLN 6,374,997 thousand, i.e. 13.7% vs. December 2015.
Individual customer deposits rose by PLN 2,171,475 thousand, i.e. 9.0%, and accounted for 49.6% of all deposits at the end of September 2016, which represents a 2.2 p.p. decrease compared with December 2015.
On the other hand, corporate customer deposits increased by PLN 4,284,423 thousand, i.e. 25.5%. Their share in total deposits rose from 36.1% at the end of December 2015 to 39.9% at the end of the third quarter of 2016.

The share of current accounts in total deposits decreased to 49.0% vs. 52.5% at the end of December 2015. The value of funds deposited at current accounts increased by PLN 1,520,886 thousand, i.e. by 6.2%. On the other hand, the share of term deposits in total deposits increased from 41.9% at the end of December 2015 to 46.5% at the end of September 2016. The value of term deposits increased by PLN 5,063,089 thousand, i.e. 25.9% vs. December 2015.
The balance of loans and advances and other liabilities decreased by PLN 200,172 thousand (i.e. 8.9%) and PLN 8,806 thousand (i.e. 2.4%), respectively.

30 Debt securities issued

Changes in the balance of debt securities issued

	9 months ended 30.09.2016	12 months ended 31.12.2015
Balance at the beginning of the period	**469 083**	**762 311**
Issuance of certificates of deposit	-	-
Redemption of certificates of deposit	(71 996)	(294 775)
Changes in discount from certificates of deposit, interests commission and other fees on certificates of deposit amortized using EIR, foreign currency exchange differences	(510)	1 547
Balance of debt securities issued at the end of the period	**396 577**	**469 083**

In 2008, the Bank entered into several agreements with three financing banks, concerning the issue of bearer, materialized bank securities (Certificates of Deposit) denominated in PLN.

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The Bank, as the issuer of debt securities, signed a Dealer Agreement and an Underwriting Agreement for purposes of the Debt Securities Issue Program ("Program") with Bank Handlowy w Warszawie S.A., Bank Pekao S.A., BRE Bank S.A. (currently mBank) and ING Bank Śląski S.A., acting as the Program Dealers. The scope of the Program includes multiple issues of Certificates of Deposit ("CDs") and the Bank's Bonds ("bonds") denominated in PLN, with the total par value of no more than PLN 3,500 thousand. The Bank will issue zero-coupon and coupon CDs for a maximum term of 5 years as well as zero-coupon and coupon bonds for a maximum term of 10 years. The aforesaid agreements were signed for an indefinite term.

The Debt Securities Issue Program is aimed at financing the day-to-day lending operations of the Bank.

The agreements renew and extend the scope of the previous Debt Securities Issue Program of 14 March 2008, to include bonds.

As at 30 September 2016, the par value of certificates of deposit issued was PLN 394,000 thousand as compared to PLN 465,000 thousand as at 31 December 2015.

31 Subordinated liabilities

Change in the balance of subordinated liabilities	**9 months ended 30.09.2016**	**12 months ended 31.12.2015**
Balance at the beginning of the period	**847 568**	**320 951**
Increases	613 900	-
loan received	*613 900*	-
Decreases	-	-
loan repayments	-	-
Loan acquired as a result of merger	-	474 016
Change in the balance of interest	1 050	(1 779)
Exchange differences	7 730	54 380
Balance of subordinated liabilities at the end of the period	**1 470 248**	**847 568**

32 Other liabilities

	30.09.2016	**31.12.2015**
Interbank and intersystem settlements	229 777	165 646
Other creditors	99 454	64 860
Card settlements	37 658	37 929
Provisions for non-personnel expenses	154 154	157 340
Provisions for other employees-related liabilities	101 427	113 929
Provision for unused holidays	35 970	31 125
Deferred income	52 930	42 596
Trust account liabilities	57 319	8 429
Other regulatory liabilities	93 066	108 093
Insurance liabilities	13 628	6 851
Other lease liabilities	18 454	15 521
Brokerage house liabilities	-	15 114
Other	112 635	49 551
Total other liabilities	**1 006 472**	**816 984**

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33 Provisions

	30.09.2016	31.12.2015
Provision for restructuring	53 789	60 824
Provision for retirement benefits and similar obligations	26 404	25 879
Provision for guarantees, suretyships and undrawn credit facilities	39 353	46 784
Provisions for litigation and claims	20 679	20 913
Other provisions	2 900	9 754
Total provisions	**143 125**	**164 154**

Provision for restructuring	**9 months ended 30.09.2016**	**12 months ended 31.12.2015**
Opening balance	**60 824**	**-**
Provisions charges	29 867	66 666
Provisions utilization	(35 408)	(61 869)
Provisions release	(2 080)	(49)
Provision acquired as a result of merger	586	56 076
Closing balance	**53 789**	**60 824**

Provision for retirement benefits and similar obligations	**9 months ended 30.09.2016**	**12 months ended 31.12.2015**
Opening balance	**25 879**	**26 859**
Provisions charges	4 439	1 938
Provisions release	(3 914)	(7 077)
Provision acquired as a result of merger	-	4 159
Closing balance	**26 404**	**25 879**

Provision for guarantees, suretyships and undrawn credit facilities	**9 months ended 30.09.2016**	**12 months ended 31.12.2015**
Opening balance	**46 784**	**23 200**
Provisions charges	30 983	50 386
Provisions release	(40 814)	(68 366)
Provision acquired as a result of merger	-	41 260
Other changes	2 400	304
Closing balance	**39 353**	**46 784**

Provisions for litigation and claims	**9 months ended 30.09.2016**	**12 months ended 31.12.2015**
Opening balance	**20 913**	**16 457**
Provisions charges	1 697	9 734
Provisions utilization	(3 097)	(10 080)
Provisions release	(1 772)	(1 011)
Provision acquired as a result of merger	-	5 809
Other changes	2 938	4
Closing balance	**20 679**	**20 913**

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Other provisions	9 months ended 30.09.2016	12 months ended 31.12.2015
Opening balance	**9 754**	**1 596**
Provisions charges	538	2 137
Provisions release	(4 182)	(2 985)
Provision acquired as a result of merger	-	9 006
Other changes	(3 210)	-
Closing balance	**2 900**	**9 754**

34 Cash and cash equivalents

For purposes of preparation of the statement of cash flows, the balance of cash and cash equivalents comprises the following balances with maturity shorter than three months.

	30.09.2016	31.12.2015
Cash and balances with the Central Bank	2 021 495	2 826 416
Current accounts and other receivables	173 843	163 957
Interbank placements	68 256	270 973
Loans and advances	-	989
Total cash and cash equivalents	**2 263 594**	**3 262 335**

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35 Additional information regarding the statement of cash flows

Other adjustments in the statement of cash flows	9 months ended 30.09.2016	9 months ended 30.09.2015
Changes resulting from changes in balance sheet as a result of merger:	-	2 062 040
Cash and cash equivalents	-	*2 745 280*
Loans and advances to banks	-	*504 402*
Debt securities held for trading	-	*167 463*
Hedging instruments	-	*6 500*
Loans and advances to customers	-	*18 138 127*
Available for sale financial assets	-	*1 238 010*
Investments in subsidiaries and associates	-	*21 067*
Intangible assets	-	*73 271*
Property, plant and equipment	-	*97 266*
Deferred tax assets	-	*213 610*
Other assets	-	*144 415*
Amounts due to banks	-	*(595 093)*
Financial liabilities held for trading	-	*(176 832)*
Differences resulting from fair value hedges against interest rate risk attributable to hedged items	-	*(5 872)*
Amounts due to customers	-	*(12 392 905)*
Loans and advances received	-	*(6 706 454)*
Subordinated liabilities	-	*(474 016)*
Current tax liabilities	-	*(14 176)*
Provision for deferred tax	-	*(263)*
Other liabilities	-	*(835 199)*
Provisions	-	*(86 561)*
Available for sale financial assets	-	114 132
FX differences from subordinated loans	8 780	43 073
Changes in hedge accounting	(39 372)	1 587
Equity of subsidiaries from merger	(87 325)	7 608
Investments in subsidiaries from merger	-	21 067
Other adjustments	(3 477)	12 208
Total other adjustments	**(121 394)**	**2 261 715**

36 Contingent liabilities

	30.09.2016	31.12.2015
Contingent commitments granted	**17 274 690**	**16 898 723**
financial commitments	13 757 776	13 256 997
guarantees	3 516 914	3 641 726
Contingent commitments received	**3 139 640**	**5 372 144**
financial commitments	2 218 536	4 186 655
guarantees	921 104	1 185 489

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37 Fair value of financial assets and liabilities

At the end of the third quarter of 2016, instruments were allocated to the following measurement levels:

- level 1: treasury bonds, WSE-listed shares (fair value determined directly by reference to published active market quotations);
- level 2: interest rate options in EUR, FX options, base interest rate and FX swaps, FRA, FX Forward and FX swaps maturing within 1 year, commodity swaps, OIS, interest rate swaps maturing within 10 years (fair value determined using measurement techniques which are based on available, verifiable market data), money bills, CATALYST-listed corporate bonds (fair value determined using measurement techniques which are based on available, verifiable market data or based on prices available on a limited-liquidity market);
- level 3: interest rate options in PLN, FX options maturing over 1 year, FX Forward and FX swaps maturing over 1 year, interest rate swaps with residual maturity exceeding 10 years (fair value determined using measurement techniques (models) which are not based on available, verifiable market data), corporate bonds other than CATALYST-listed ones, shares which are not listed on the WSE (fair value determined using measurement techniques (models) which are not based on available, verifiable market data, i.e. in cases other than those described in 1 and 2).

The table below presents classification of assets and liabilities re-measured to fair value in the consolidated financial statements into three categories:

30.09.2016	Level 1	Level 2	Level 3	Total
Assets re-measured to fair value:	**10 209 149**	**567 569**	**114 646**	**10 891 364**
Derivative financial instruments	-	314 499	8 879	323 378
Hedging instruments	-	49 063	-	49 063
Available for sale financial assets	10 209 149	204 007	51 280	10 464 436
Investment property	-	-	54 487	54 487
Liabilities re-measured to fair value:	**-**	**(282 385)**	**(9 516)**	**(291 901)**
Derivative financial instruments	-	(282 385)	(9 516)	(291 901)

31.12.2015	Level 1	Level 2	Level 3	Total
Assets re-measured to fair value:	**7 686 599**	**424 800**	**156 449**	**8 267 848**
Derivative financial instruments	-	361 454	6 693	368 147
Available for sale financial assets	7 686 599	63 346	95 129	7 845 074
Investment property	-	-	54 627	54 627
Liabilities re-measured to fair value:	**-**	**(344 994)**	**(6 545)**	**(351 539)**
Derivative financial instruments	-	(344 994)	(6 545)	(351 539)

The fair value of level 2 and 3 financial instruments is determined using the measurement techniques (e.g. models).

The input data used for purposes of valuation of level 2 and 3 instruments includes foreign exchange rates, yield curves, reference rates, changes in foreign exchange rates, reference rates, stock market indices and stock prices, swap points, basis spreads, stock market index values and futures prices.

As regards level 3 municipal bonds, the credit risk margin is a non-observable parameter corresponding to the market margin for instruments within similar characteristics. The effect of changes in the credit margin on changes in the fair value is considered immaterial.

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For investment property, offer prices for comparable property, actual transaction prices and other information concerning the conditions on a specific regional real estate market are the input data used for purposes of valuation. Adoption of estimates other than those used as at 30 September 2016 could lead to a material change in the valuation of investment property. However, the Group is not able to estimate their effect on the fair value of real property reliably.

The measurement was carried out by a third-party property appraiser using the combined approach (residual method).

Presented below are changes in the measurement of level 3 assets and liabilities as well as amounts charged to profit or loss and statement of comprehensive income.

	Derivative financial instruments – assets	Available for sale financial assets	Investment property	Derivative financial instruments – liabilities
Balance as at 01.01.2016	**6 693**	**95 129**	**54 627**	**(6 545)**
Total gains/losses recognized in:	(578)	(51 821)	(140)	(2 891)
statement of profit or loss	*(578)*	*(21 957)*	*(140)*	*(2 891)*
statement of other comprehensive income	-	*(29 864)*	-	-
Purchase	2 773	10 000	-	(80)
Settlement	(9)	(2 028)	-	-
Balance as at 30.09.2016	**8 879**	**51 280**	**54 487**	**(9 516)**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities held at the end of the period, in this:	**(578)**	**(24 203)**	**(140)**	**(2 891)**

	Derivative financial instruments – assets	Available for sale financial assets	Investment property	Derivative financial instruments – liabilities
Balance as at 01.01.2015	**8 283**	**20 675**	**54 627**	**(6 231)**
Total gains/losses recognized in:	(15 491)	21 848	-	(7 337)
statement of profit or loss	*(15 491)*	*371*	-	*(7 337)*
statement of other comprehensive income	-	*21 477*	-	-
Purchase	3 924	80 337	-	2 121
Settlement	229	(20 753)	-	229
Transfers	(469)	-	-	147
Merger	10 217	72 786	-	10 200
Balance as at 31.12.2015	**6 693**	**174 893**	**54 627**	**(871)**
Unrealized gains/losses recognized in profit or loss related to assets and liabilities held at the end of the period	**(5 131)**	**77**	**-**	**2 632**

The Bank measures the fair value by discounting all contractual cash flows related to transactions, with the use of yield curves characteristic of each transaction group. Where no repayment schedule is agreed for a product, it is assumed that the fair value is equal to the carrying amount of the transaction.

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The yield curve used for fair value measurement of liabilities (such as customer and interbank deposits) and receivables (such as loans to customers and interbank deposits) comprises:
- the credit risk free yield curve;
- the cost of obtaining financing above the credit risk free yield curve;
- the market margin that reflects credit risk for receivables.

The yield curve for fair value measurement of loans is constructed through classification of loans into sub-portfolios depending on the product type and currency as well as customer segmentation. A margin is determined for each sub-portfolio taking into account credit risk. The margin is determined by reference to margins used for each type of loan granted over the past three months and if no such loans were granted over such period, a period of six months is analyzed. If no new transaction was entered into during the past six months, the margin for the whole portfolio of specific type loans is used as the basis. In particular, for foreign currency mortgage loans, the margin for the whole portfolio of a specific type of mortgage loans serves as the basis for determination of a margin reflecting credit risk as no new transactions are concluded.

At the end of the third quarter of 2016, receivables and liabilities were allocated to the following measurement levels:
- level 2, which denotes that the fair value is measured using techniques based on available, verifiable market data, without any discretionary adjustments that would have a considerable effect on the results of measurement;
- level 3, which denotes that the fair value is measured using available market data adjusted by parameters resulting from the Bank's own assumptions based on expertise and experience as well as the perceived behavior of other market participants.

The following table presents the measurement hierarchy for loans and advances from and amounts due to banks and customers as at 30 September 2016, and comparative data:

30.09.2016	Book value	Fair value	Level
Financial assets			
Loans and advances to banks	281 018	281 678	2,3
Loans and advances to customers	54 211 801	54 584 124	3
Financial liabilities			
Amounts due to banks	6 517 608	6 637 556	2,3
Amounts due to customers	52 902 388	53 013 041	3
Debt securities issued	396 577	404 782	3
Subordinated liabilities	1 470 248	1 728 123	2

31.12.2015	Book value	Fair value	Level
Financial assets			
Loans and advances to banks	404 724	402 216	3
Reverse repo transactions	100 668	100 668	3
Loans and advances to customers	29 631 923	29 619 745	3
Financial liabilities			
Amounts due to banks	1 546 739	1 536 443	3
Repo transactions	45 364	45 364	
Amounts due to customers	32 804 444	32 865 106	3
Debt securities issued	762 311	764 634	3
Subordinated liabilities	320 951	322 250	3

38 Related-party transactions

Bank BGŻ BNP Paribas S.A. operates within the BNP Paribas S.A. Group.

Bank BGŻ BNP Paribas S.A. is the parent in the Capital Group of Bank BGŻ BNP Paribas S.A.

As at 30 September 2016, the Group comprised Bank BGŻ BNP Paribas S.A., the parent, and its subsidiaries:

1. Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. ("Actus"), with its registered office at ul. Kasprzaka 10/16 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000023062. The Bank holds 100% interest in the share capital of the Company and 100% of votes at the General Meeting.
2. Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A. ("TFI") with its registered office at ul. Bielańska 12 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000031121. The Bank holds 100% of the company's shares.
3. BNP Paribas Leasing Services Sp. z o.o. ("Leasing", formerly: Fortis Lease Polska Sp. z o.o. in liquidation) with the registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000098813. The Bank holds 100% of the company's shares.
4. BGŻ BNP Paribas Faktoring Sp. z o.o. ("Faktoring") with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000225155. The Bank holds 100% of the company's shares.
5. BNP Paribas Group Service Center S.A. ("GSC", formerly: Laser Services Polska S.A.), with its registered office at ul. Suwak 3 in Warsaw.3. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000022784. The Bank holds 100% of the company's shares.

All transactions between the Bank and its related parties were entered into as part of its day-to-day operations and included mainly loans, deposits, transactions in derivative instruments as well as income and expenses related to advisory and financial intermediation services.

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Transactions with shareholders of BGŻ BNP Paribas S.A. and related parties

30.09.2016	BNP PARIBAS SA	BNP PARIBAS FORTIS SA/NV	OTHER ENTITIES FROM THE CAPITAL GROUP OF BANK BNP PARIBAS S.A.	KEY PERSONNEL	TOTAL
Assets	**90 887**	**168 621**	**42 040**	**-**	**301 548**
Current accounts, interbank placements, loans and advance	41 809	118 647	16 195	-	**176 651**
Derivative financial instruments	48 901	3 125	101	-	**52 127**
Hedging instruments	-	46 849	-	-	**46 849**
Other assets	177	-	25 744	-	**25 921**
Liabilities	**4 799 564**	**46 900**	**2 843 310**	**88**	**7 689 862**
Loans and advances received	3 276 359	-	2 040 120	-	**5 316 479**
Interbank deposits and current accounts	34 561	46 096	759 263	88	**840 008**
Subordinated liabilities	1 474 060	-	-	-	**1 474 060**
Derivative financial instruments	14 575	623	272	-	**15 470**
Other liabilities	9	181	43 655	-	**43 845**
Contingent liabilities					
Financial commitments granted	-	-	100 596	7	**100 603**
Guarantees granted	4 969	60 872	203 169	-	**269 010**
Commitments received	99 766	290 995	1 763 801	-	**2 154 562**
Derivative financial instruments (face value)	50 031 106	723 726	10 070	-	**50 764 902**
3 quarters of 2016 from 01.01.2016 to 31.09.2016					
Statement of profit or loss	**11 398**	**10 910**	**(82 456)**	**(24)**	**(60 172)**
Interest income	68 174	6 330	2 860	3	**77 367**
Interest expense	(41 310)	9 620	(106 132)	(27)	**(137 849)**
Fee and commission income	4	-	32 972	-	**32 976**
Fee and commission expense	(303)	(1 742)	(46)	-	**(2 091)**
Net trading income	(22 307)	(2 652)	(2 180)	-	**(27 139)**
Result on hedge accounting	7 140	(646)	-	-	**6 494**
Other operating income	-	-	229	-	**229**
Other operating expense	-	-	(786)	-	**(786)**
General administrative expenses	-	-	(9 373)	-	**(9 373)**

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31.12.2015	BNP PARIBAS SA	BNP PARIBAS FORTIS SA/NV	OTHER ENTITIES FROM THE CAPITAL GROUP OF BANK BNP PARIBAS S.A.	KEY PERSONNEL	TOTAL
Assets	**44 885**	**121 369**	**49 127**	**1 553**	**216 934**
Current accounts, interbank placements, loans and advance	6 097	112 846	41 399	1 553	**161 895**
Derivative financial instruments	38 781	-	2 951	-	**41 732**
Hedging instruments	-	8 523	-	-	**8 523**
Other assets	7	-	4 777	-	**4 784**
Liabilities	**6 410 337**	**1 483 770**	**3 785 558**	**3 519**	**11 683 184**
Loans and advances received	5 533 980	1 481 130	3 773 049	-	**10 788 159**
Interbank deposits and current accounts	-	16	-	3 519	**3 535**
Subordinated liabilities	848 360	-	-	-	**848 360**
Derivative financial instruments	27 413	2 392	2 413	-	**32 218**
Other liabilities	584	232	10 096	-	**10 912**
Contingent liabilities					
Financial commitments granted	-	-	103 817	223	**104 040**
Guarantees granted	7 313	60 316	174 690	-	**242 319**
Commitments received	287 341	73 743	558 855	-	**919 939**
Derivative financial instruments (face value)	36 200 827	848 082	704 829	-	**37 753 738**
3 quarters of 2015 from 01.01.2015 to 30.09.2015					
Statement of profit or loss	**(25 959)**	**16 423**	**(17 078)**	**5**	**(26 609)**
Interest income	12	890	243	16	**1 161**
Interest expense	(16 319)	(211)	(26 028)	(11)	**(42 569)**
Fee and commission income	-	10 441	2 313	-	**12 754**
Fee and commission expense	(2)	(74)	(3 487)	-	**(3 563)**
Net trading income	(4 327)	55	6 630	-	**2 358**
Result on hedge accounting	(5 323)	5 307	-	-	**(16)**
Other operating income	-	15	170	-	**185**
General administrative expenses	-	-	3 081	-	**3 081**

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- data in PLN '000

Remuneration of the Management Board and Supervisory Board

Management Board	30.09.2016	31.12.2015
Short-term employee benefits	15 650	20 992
Long-term benefits	3 020	6 753
Benefits due to termination of employment	-	3 224
Share-based payments	616	2 542
TOTAL	**19 286**	**33 511**

Supervisory Board	30.09.2016	31.12.2015
Short-term employee benefits	1 192	664
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
TOTAL	**1 192**	**664**

39 Consolidated capital ratio

	30.09.2016	31.12.2015
Total equity	7 368 475	6 735 562
Total risk exposure	51 560 141	50 095 752
Total capital ratio	**14,29%**	**13,45%**
Tier 1 capital ratio	**11,44%**	**11,76%**

40 Operating segments

Segment reporting

The Group has identified the following operating segments for reporting purposes and allocated income and expenses as well as assets and liabilities thereto: Retail and Business Banking, Small and Medium – sized Enterprises ('SME') and Agro, Corporate Banking, Corporate and Institutional Banking (CIB) as well as Other Operations, including the Assets and Liability Management Division and the Corporate Center. Additionally, performance related to Agro customers, i.e. individual farmers and agri-food sector enterprises, as well as the Personal Finance segment has been presented. Although the aforesaid segment performance overlaps with that of the basic operating segments, it is additionally monitored separately for purposes of the Group's management reporting. The abovementioned segmentation reflects the principles of customer classification to each segment in line with the business model adopted by the Group, which are based on such criteria as the entity, finances and type of business activity. Enterprises are segmented on the basis of activity classification codes.

The Group's management performance is monitored by considering all items of the statement of profit or loss of the particular segment, to the level of gross profit, i.e. for each segment revenue, expenses and net impairment losses are reported. Management revenue include cash flows between segments and a unit managing assets and liabilities, measured using internal transfer prices of funds based on market prices and liquidity margins for a given maturity date and currency. Management expenses of the segments include direct operating expenses and expenses allocated using the allocation model adopted by the Group. Additionally, the management performance of the segments may take into account amounts due to each business line for services between such lines – such information is assigned to the Bank's customers.

The Group's operations are carried out in Poland only. As no considerable differences in the risks, which might be affected by the geographical location of the Group's branches, can be identified, no geographical disclosures have been presented.

The Group applies consistent, detailed principles to all identified segments. As regards revenue, in addition to standard items, components of the net interest income of the segments have been identified, to include external and internal revenue and expenses. As regards operating expenses, the Group's indirect expenses are allocated to each segment in the Expense allocation (internal) item. Total integration costs of banks BGŻ, BNP Paribas Bank Polska and Sygma Bank Polska are presented in the Other Operations segment. Considering the profile of the Group's business, no material seasonal or cyclical phenomena are identified. The Group provides financial services, the demand for which is stable, and the effect of seasonality is immaterial.

Description of operating segments

The Retail and Business Banking Segment offers comprehensive services to individuals, also private banking customers, as well as businesses (microenterprises), including:

- entrepreneurs whose annual net income for the preceding financial year is below PLN 10 million and the Bank's credit exposure to a customer is less than PLN 2 million;
- farmers, where the Bank's credit exposure to a customer is less than PLN 1 million and the Standard Output (parameter describing the economic size of farms in accordance with the Community Typology for Agricultural Holdings) in the preceding financial year was less than EUR 50 thousand.

The scope of financial services offered by the Retail and Business Banking Segment includes maintenance of current and deposit accounts, acceptance of term deposits, granting mortgage loans, cash advances, installment loans, mortgage loans, overdrafts, loans to microenterprises, issuing debit and credit cards, cross-border cash transfers, foreign exchange transactions, sale of insurance products as well as other services of lesser importance to the Group's income. Additionally, the performance of the Retail and Business Banking Segment includes: balances and performance of direct banking (BGŻ Optima), performance of brokerage services and distribution of investment fund units.

The Retail and Business Banking customers are served by the Bank's Branches and alternative channels, i.e. online banking (eBGŻ, Pl@net), mobile banking and telephone banking (TeleBGŻ), indirect banking channel (BGŻ Optima) and the Personal Banking channel. Selected products are also sold by financial intermediaries active at the country and local level.

Personal Finance is responsible for development of product offering and management of financial services provided to consumers, offering five key product groups, i.e. cash advances, installment loans, car loans, leases and credit cards. These products are distributed via Retail and Business Banking branches, Bank's loan outlets located in trading centers, external distribution channels, Internet and Contact Centre.

Personal Finance provides strong support in acquisition of individual customers, generating income and increasing profitability.

The SME and Agro Segment provides services to institutional customers (other than retail customers) with annual net revenue for the preceding financial year of PLN 10-60 million and the Bank's credit exposure of less than PLN 25 million, or the Bank's credit exposure of PLN 2-25 million and the customer's net revenue for the preceding financial year of less than PLN 60 million; farmers with the Bank's credit exposure of PLN 1-25 million or the Standard Output (parameter describing the economic size of farms in accordance with the Community Typology for Agricultural Holdings) in the preceding financial year of EUR 50 thousand or more as well as Agro entrepreneurs.

The SME sales network has been divided into seven SME Regions with 44 SME Business Centers dedicated solely to provision of services to Small and Medium-Sized Enterprises.

The Corporate Banking Segment focuses on provision of services to medium-sized and large enterprises, offering them a wide range of financial solutions. Corporate Banking customers are corporations and institutions with annual sales revenue exceeding PLN 60 million. They are divided into four key groups:

- Polish mid-caps (with annual income of PLN 60-600 million);
- multinational customers (companies operating in multinational capital groups);
- large Polish corporations (with annual turnover of more than PLN 600 million and an investment banking potential);
- public sector and institutions.

Additionally, an agro sub-segment and a non-agro sub-segment have been identified in the aforesaid segments.

Services are provided by 9 Business Centers located in large cities across Poland, which are separate from the Bank's branch network. Operating services are provided to all institutional segment customers by the Bank's Branches, via telephone (TeleBGŻ) and online (eBGŻ Firma, Biznes Planet and Connexis). Selected products are also sold by financial intermediaries active at the country and local level.

The basic products and services provided to Corporate Customers include cash management and global trade finance services – comprehensive services related to import and export LCs, bank guarantees and documentary collection, supply chain and exports financing, acceptance of deposits (from overnight to term deposits), corporate finance services which involve provision of overdraft facilities, revolving and investment loans as well as agro-business loans), financial market products, to include foreign exchange and derivative transactions for the account of customers, lease and factoring products as well as specialized services such as financing real property, structured finance services to mid-caps and investment banking.

The Corporate and Institutional Banking (CIB) Segment supports sales of products of the BNP Paribas Group, an international institution, dedicated to the largest Polish enterprises. It offers world-class quality expertise to customers by combining the knowledge of the Polish market with experience gained on international markets as well as top-class industry experts' competence. It supports development of Polish enterprises and implementation of projects of strategic importance to Poland, to include construction of power plants, green energy or fuel sector funding or securing financing for cross-border acquisitions of listed companies. In addition to the Strategic Customer Department, the organizational structure of CIB comprises the Financial Markets Division.

Other Operations of the Group are carried out mainly through **Asset Liability Management Division**, the main objective of which is ensuring an appropriate and stable level of funding to guarantee security of the Bank's operations and compliance with the standards defined in the applicable laws.

The Asset Liability Management Division assumes responsibility for liquidity management at the Bank, setting internal and external reference prices, management of the interest rate risk inherent in the Bank's balance sheet as well as the operational and structural currency risk. The Asset Liability Management Division focuses on both prudential (compliance with external and internal regulations) and optimization aspects (financing cost management and generating profit on management of the Bank's balance sheet items).

The Other Operations segment includes also direct costs of the support functions, which have been allocated to segments in the Expense allocation (internal) item, as well as results that may not be assigned to any of the aforementioned segments (to include equity investment, gains/losses on own accounts and customer accounts not allocated to a specific segment).

- data in PLN '000

3 quarters of 2016*	Retail and Business Banking	SME and AGRO	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss								
Net interest income	827 255	174 276	179 594	2 526	179 477	**1 363 128**	260 507	348 810
external interest income	1 057 225	325 987	273 486	6 381	266 550	**1 929 628**	476 969	491 399
external interest expense	(270 392)	(44 162)	(108 084)	-	(143 862)	**(566 500)**	(30 640)	(17 913)
internal interest income	480 922	79 692	165 105	-	822 638	**1 548 357**	69 015	-
internal interest expense	(440 499)	(187 241)	(150 913)	(3 855)	(765 849)	**(1 548 357)**	(254 837)	(124 676)
Net fee and commission income	222 968	67 229	86 081	112	(808)	**375 580**	90 676	46 519
Dividend income	-	796	851	-	4 131	**5 777**	119	-
Net trading income	29 588	19 430	57 371	48 140	23 123	**177 652**	21 512	507
Result on investing activities	453	-	(3)	-	41 987	**42 437**	-	-
Result on hedge accounting	-	-	-	-	256	**256**	-	-
Other operating revenue and expenses	27 934	6 594	4 019	145	(16 232)	**22 458**	2 191	23 483
Net impairment losses on financial assets and provisions for contingent liabilities	(193 297)	(70 445)	(17 968)	100	(128)	**(281 737)**	(74 416)	(79 085)
General administrative expenses	(606 352)	(85 311)	(107 709)	(20 889)	(444 632)	**(1 264 891)**	(7 425)	(184 646)
Amortization and depreciation	(56 160)	(1 011)	(5 502)	(875)	(85 281)	**(148 829)**	(252)	(8 076)
Expense allocation (internal)	(255 260)	(75 297)	(48 706)	(4 020)	383 282	**-**	-	(41 001)
Operating result	**(2 871)**	**36 260**	**148 028**	**25 239**	**85 175**	**291 831**	**292 912**	**106 521**
Tax on financial institutions	(71 090)	(27 551)	(29 672)	(459)	(4 977)	**(133 748)**	-	(15 315)
Profit (loss) before income tax	**(73 960)**	**8 709**	**118 356**	**24 780**	**80 199**	**158 083**	**292 912**	**91 197**
Income taxes	**-**	**-**	**-**	**-**	**-**	**(83 227)**	**-**	**-**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**74 856**	**-**	**-**
Statement of financial position as at 30.09.2016								
Segment assets	27 904 631	11 260 891	13 209 486	308 676	16 403 395	**69 087 079**	14 971 782	5 873 281
Segment liabilities	31 248 835	5 524 015	15 633 124	-	10 361 329	**62 767 302**	4 631 959	900

3 quarters of 2015*	Retail and Business Banking	SME and AGRO	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss								
Net interest income	592 367	144 378	108 742	1 815	149 085	**996 388**	231 750	182 738
external interest income	799 199	297 098	199 131	-	171 275	**1 466 703**	475 908	263 390
external interest expense	(278 078)	(35 493)	(75 957)	-	(80 786)	**(470 315)**	(38 716)	-
internal interest income	474 440	73 675	107 486	-	733 833	**1 389 433**	(288 655)	(80 662)
internal interest expense	(403 193)	(190 901)	(121 918)	1 815	(675 236)	**(1 389 433)**	83 213	10
Net fee and commission income	180 324	64 866	55 175	32	1 189	**301 586**	89 932	9 725
Dividend income	2	(146)	144	-	4 394	**4 394**	192	-
Net trading income	29 247	22 821	35 684	15 031	18 324	**121 106**	17 481	583
Result on investing activities	78	-	-	-	35 227	**35 305**	-	-
Result on hedge accounting	-	-	-	-	-	**-**	-	-
Share in profit (loss) of associates	-	-	-	-	-	**-**	-	-
Other operating revenue and expenses	(3 075)	5 162	162	-	(26 300)	**(24 051)**	4 296	(1 902)
Net impairment losses on financial assets and provisions for contingent liabilities	(210 912)	(26 511)	12 288	-	(838)	**(225 972)**	(55 813)	(58 977)
General administrative expenses	(429 456)	(48 034)	(57 061)	(9 848)	(477 767)	**(1 022 165)**	(7 112)	(35 872)
Amortization and depreciation	(48 482)	(867)	(5 241)	(670)	(49 573)	**(104 833)**	(294)	(1 947)
Expense allocation (internal)	(140 320)	(41 174)	(34 221)	(2 971)	218 686	**-**	(60 483)	(33 641)
Operating result	**(30 226)**	**120 496**	**115 671**	**3 390**	**(127 573)**	**81 758**	**219 950**	**60 708**
Tax on financial institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Segment profit (loss) before income tax	**(30 226)**	**120 496**	**115 671**	**3 390**	**(127 573)**	**81 758**	**219 950**	**60 708**
Income taxes						**(23 539)**		
Net profit (loss)						**58 219**		
Statement of financial position as at 31.12.2015								
Segment assets	29 082 102	11 056 056	11 873 872	128 144	13 232 162	**65 372 338**	14 817 940	4 697 762
Segment liabilities	29 753 756	6 285 391	10 689 816	-	12 375 018	**59 103 984**	5 311 070	-

*As the figures have been rounded and presented in PLN '000, in some cases their total may not correspond to the exact grand total.

- figures in PLN '000

41 The shareholders' structure of Bank BGŻ BNP Paribas S.A.

As at 30 September 2016 and the date of the Board's approval of the report for the third quarter of 2016, i.e. 7 November 2016, the structure of the shareholders of Bank BGŻ BNP Paribas S.A., including those holding at least 5% of the total number of votes at the General Meeting, was as follows:

30.09.2016 Shareholders	Number of shares	Percentage interest in share capital	Number of votes at the General Shareholders' Meeting	Percentage share in the total number of votes at the General Shareholders' Meeting
BNP PARIBAS total:	74 409 864	88.33%	74 409 864	88.33%
BNP Paribas directly	50 524 889	59.98%	50 524 889	59.98%
BNP Paribas Fortis SA/NV directly	23 884 975	28.35%	23 884 975	28.35%
Rabobank International Holding B.V.*	5 613 875	6.66%	5 613 875	6.66%
Other shareholders	4 214 579	5.01%	4 214 579	5.01%
Total:	**84 238 318**	**100.00%**	**84 238 318**	**100.00%**

***Rabobank Group**

No changes in the shareholders' structure occurred in 2016 versus the end of 2015.

As at 30 September 2016 the share capital of the Bank amounted to PLN 84,238 thousand. It was divided into 84,238,318 shares with the par value of PLN 1.00, including: 15,088,100 A series shares, 7,807,300 B series shares, 247,329 C series shares, 3,220,932 D series shares, 10,640,643 E series shares, 6,132,460 F series shares, 8,000,000 G series shares, 5,002,000 H series shares and 28,099,554 I series shares.

The Bank's shares are ordinary bearer and registered shares (as at 30 September 2016, there were 13,024,915 registered shares, including four B series shares).

No special control rights are attached to the ordinary bearer shares.

Four B series registered shares in the Bank are preference shares with respect to payment of the full par value per share in the event of the Bank's liquidation, once the creditors' claims have been satisfied, with priority over payments per ordinary shares, which, after the rights attached to the preference shares have been exercised, may be insufficient to cover the total par value of those shares.

The Bank's Statute does not impose any limitations as to exercising the voting rights or set forth any provisions whereby the equity rights attached to securities would be separated from the holding itself. One right to vote at the General Shareholders' Meeting of the Bank is attached to each share. The Bank's Statute does not impose any limitations as to transferring the title to the securities issued by the Bank.

As at 30 September 2016 and the date of Board's approval of the report for the period of 6 months ended 30 June 2016, i.e. 31 August 2016, no shares issued by the Bank were held by members of the Management Board, Supervisory Board or the key executives.

As declared by BNP Paribas SA to the Polish Financial Supervision Authority (PFSA) in September 2014, the number of the Bank's shares that are traded freely should have been increased to at least 12.5% by 30 June 2016 and to at least 25% plus one share by the end of 2018 at the latest, provided that had the reaching the assumed percentage of freely traded shares within the declared deadline been unreasonable due to unforeseen or exceptional market conditions, or would it expose the BNP Paribas Group to unjustified financial losses, BNP Paribas should immediately commence negotiations with PFSA to agree a modified schedule of reaching the assumed percentage of freely traded shares.

On 31 May 2016 the Management Board of Bank BGŻ BNP Paribas S.A. was informed that during a meeting held on 31 May 2016, PFSA unanimously accepted a change in the deadline to fulfill the investor obligation of BNP Paribas SA with the registered office in Paris regarding improvement in liquidity of the Bank's shares at Warsaw Stock Exchange. The change in the deadline to fulfill the investor obligation of BNP Paribas SA, justified with an unforeseen adverse change in market conditions compared to the date of accepting the obligation, consists in PFSA considering the obligations fulfilled if liquidity of shares of Bank BGŻ BNP Paribas S.A. reaches at least 12.5% shares by the end of 2018 and 25% plus one share by the end of 2020.

42 Dividends paid

The Group did not pay out dividends for 2015.

43 Appropriation of retained earnings

Pursuant to a Resolution of the General Shareholders' Meeting of Bank BGŻ BNP Paribas of 30 June 2016, the net profit for 2015, in the amount of PLN 8,263 thousand, was allocated to the unidentified banking risk reserve.

44 Litigation

As at 30 September 2016, the total value of the proceedings with the Bank as the defendant was PLN 117,230 thousand and of those with the Bank as the plaintiff was PLN 295,992 thousand. As at 31 December 2015, the total value of the proceedings with the Bank as the defendant was PLN 113,395 thousand and of those with the Bank as the plaintiff was PLN 169,552 thousand.

Shareholders of Bank BGŻ BNP Paribas S.A. or any other Group companies are not parties to any proceedings before courts, arbitration or public administration bodies, the value of which would account for at least 10% of the Bank's equity.

Court decision regarding calculation of the interchange fee

On 6 October 2015, the Court of Appeals issued a decision regarding calculation of the interchange fee by banks acting in agreement. Thus, the decision of the 1st instance (Regional) Court of 2013 was changed by dismissing the banks' appeals in whole, while upholding the appeal brought by the Office of Competition and Consumer Protection (UOKiK), which had questioned a considerable reduction in the fines by the 1st instance court. This denotes that the penalty imposed under the first decision of the President of UOKiK of 29 December 2006 was upheld. It involved a fine levied on 20 banks, including Bank BGŻ S.A. and Fortis Bank Polska S.A., for practices limiting competition by calculating interchange fees on Visa and MasterCard transactions in Poland in agreement. The total fine levied on Bank BGŻ BNP Paribas amounted to PLN 12,544 thousand and included: i) a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9,650 thousand; and ii) a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2,895 thousand. The penalty was paid by the Bank on 19 October 2015. The Bank prepared a last resort appeal against the aforesaid court decision and brought it on 25 April 2016.

Claims lodged against the Bank (interchange fee)

Before 30 September 2016 the Bank received 23 calls for settlement from companies making payments using payment cards, who demanded a return of intercharge fees charged by the Bank as a result of the collusion.

The total value of claims reached PLN 983.44 million, including PLN 950.95 million of joint and several liability of the Bank and other banks.

Proceedings instigated by the Bank's customers being parties to CHF denominated loan agreements.

As at 30 September 2016, the Bank was a defendant in ten cases (including one case, where the plaintiff is composed of 79 debtors of the Bank) regarding action of annulment of mortgage loan agreements denominated in CHF in the form of a statement that the Bank has granted a PLN loan without the denomination in foreign currency or claiming damages for the Bank's abuse of the legal rights, to include principles of community life and misinforming customers.

The 1st instance (Regional) Court issued final and binding decisions advantageous for the Bank in two cases. The total value of the litigations amounts to PLN 28 million.

45 Risk management

Key changes in credit risk management approach, key measures of market, liquidity, counterparty and country risk and changes in the operational risk management approach, introduced in three quarters of 2016 are described below.

CREDIT RISK

Credit risk is inherent in the core financial operations of the Bank, the scope of which includes both lending and provision of funding with the use of capital market products. Consequently, credit risk is identified as the risk with the highest potential to affect the present and future profits and equity of Bank BGŻ BNP Paribas. The materiality of credit risk is confirmed by its 78% share in the total economic capital estimated by the Bank for purposes of covering major risks involved in the Bank's operations, in addition to its 90% share in the total value of regulatory capital.

Credit risk management is primarily aimed at implementation of the Group's strategy through a harmonious increase in the loan portfolio, accompanied by maintenance of the credit risk appetite at an acceptable level.

Credit risk management principles adopted by the Group:

- each credit transaction requires comprehensive credit risk assessment expressed in internal rating or scoring;
- in-depth and careful financial analysis serves as the basis for regarding the customer's financial information and collateral-related data as reliable; prudential analyses performed by the Group always take into account a margin of safety;
- as a rule, financing is provided to the customer based on its ability to generate cash flows that ensure payment of its liabilities to the Group;
- the credit risk assessment is additionally verified by credit risk assessment personnel, independent of the business;
- the pricing terms of a credit transaction have to take account of the risk involved in such a transaction;
- credit risk is diversified on such dimensions as geographical regions, industries, products and customers;
- credit decisions may only be taken by competent employees;
- the Group enters into credit transactions only with customers it knows and long-term relationships are the basis for cooperation with customers;
- the customer and the transactions made with the customer are monitored transparently from the perspective of the customer, in a manner that strengthens the relationship between the Bank and the customer.

Forbearance practices

The Bank treats its exposures as forborne if the obligor is provided with a facility which results in a material economic loss or any facility for exposures with indications of impairment.

A facility is understood as the occurrence of at least one of the following events:

- a change to the repayment schedule;

- cancellation of the past due amount (e.g. capitalization of the past due amount, which may be repaid at a later date);
- cancellation of principal, interest or fees;
- granting a new loan for purposes of repayment of the existing debt only when the customer is faced with financial difficulties, i.e.:
  - the exposure is subject to debt collection; or
  - the exposure is not subject to debt collection but there is evidence (provided by the customer or obtained in the decision-making process) that the customer is facing financial difficulties.

A material economic loss is defined by the Bank as:

- margin reduction by more than 50%; or
- cancellation of receivables by more than 5% of the total amount due (principal, interest, fees, charges); or
- a combination of the aforementioned elements, provided that they represent at least 100% of the loss materiality threshold.

The “forborne” status is no longer assigned if the following conditions have been satisfied:

- the exposure has not been considered impaired for 24 months in a row;
- none of the exposures to the customer are past due by more than 30 days;
- the obligor has been making regular and considerable payments for at least a half of the trial period.

FINANCIAL RISK

Market risk in the banking book

The use of sensitivity limits for the interest position in each time period was low in the third quarter of 2016. The interest rate risk was slightly increased compared to the second quarter and reached the average of 18% at the end of September.
The currency risk of the banking book is transferred to the trading book.

Market risk in the trading book

In the third quarter of 2016 market risk measured with VaR was slightly higher than in the second quarter: the average use of VaR limit for the trading book reached 27%. Interest rate risk exposures were the main source of risk in the trading book (with the major share of interest rate swaps and forward rate agreements). Currency risk exposures had a very limited impact on the Bank’s market risk as end-of-day positions in each currency were reduced to minimum levels.

Liquidity risk

In the third quarter of 2016 the supervisory liquidity measures, both in the short and in the long term, were maintained above the regulatory and internal limits. No threats to the Bank's liquidity position were observed.
Amounts due to customers, medium- and long-term lines of credit and equity are the major sources of funding used by the Bank. Medium- and long-term lines of credit, including subordinated loans, are provided mainly by the BNP Paribas Group.

Counterparty and country risk

Counterparty risk is the credit risk concerning the counterparty to transactions where the amount of liability may change in time depending on market parameters.
The counterparty risk was calculated for the following types of transactions contained in the trading portfolio of the Bank: foreign exchange transactions, interest rate swap transactions, FX options, interest rate options and commodity derivatives.

In the third quarter of 2016, the Bank saw a decrease in exposure to the corporate customer risk (down 10%) and an increase in exposure to banks of 67%.

As at 30 September 2016, foreign lending operations of the Bank represented 47.5%, international trade transactions accounted for 37.3%, treasury transactions for 15.1% and

derivative transactions entered into with foreign corporate customers represented 0.2% of the Bank's country risk exposure.
France accounted for 30.2%, the Netherlands for 14.1%, Belgium for 13.8% and Germany for 12.5% of the exposure each. The remaining exposure was related to Senegal, Luxembourg, Turkey, Switzerland and the UK.

OPERATIONAL RISK

The Bank's operational risk is defined in accordance with the resolution of the Polish Financial Supervision Authority and the requirements of Recommendation M of the PFSA as the possibility of incurring a loss or an unreasonable cost through the fault of inappropriate or unreliable internal processes, people, technical systems or as a result of external factors. It comprises legal but not strategic risk. Operational risk as such is inherent in any banking operations.

Operational risk is managed with a view to reducing the losses and costs resulting from the aforesaid risk, ensuring top quality of the services provided by the Bank in addition to security and compliance of the Bank's operations with the applicable laws and standards.

Procedures

Operational risk management consists in employment of measures aimed at operational risk identification, analysis, monitoring, control, reporting and mitigating in addition to implementation of corrective actions. Such measures take into account the structures, processes, resources and scopes of responsibilities for the said processes at various organizational levels. The operational risk management strategy has been described in the Operational Risk Management Strategy of Bank BGŻ BNP Paribas S.A., which was approved by the Management Board of the Bank and accepted by the Supervisory Board. The Operational Risk Policy of Bank BGŻ BNP Paribas S.A., adopted by the Management Board of the Bank, is another document of key importance. It addresses all aspects of the Bank's operations in addition to defining the Bank's objectives and the methods of their achievement as regards the quality of operational risk management as well as compliance with legal requirements set out in the recommendations and resolutions issued by local banking supervision authorities. The Bank's operational risk management objectives include, in particular, compliance with high operational risk management and assessment standards that guarantee security of customer deposits, the Bank's equity, stability of its financial performance as well as maintenance of the operational risk level within the range of the operational risk appetite and tolerance defined by the Bank. When developing the operational risk management and assessment system, the Bank complies with the applicable legal requirements, in particular the recommendations and resolutions of the national financial supervision authorities and the standards adopted by the Group.

In accordance with the Policy, the Bank's operational risk management instruments include:
- tools used for purposes of recording operational events, together with the principles of their recording, allocation and reporting;
- operational risk analysis, its monitoring and day-to-day control;
- counteracting an elevated level of operational risk, to include risk transfer;
- calculation of the capital requirement related to operational risk.

Compliance with the operational risk policy is verified by the Bank's Management Board periodically and, if necessary, the required adjustments are made in order to improve the system. To this end, the Management Board of the Bank is regularly provided with information concerning the scale and types of operational risk to which the Bank is exposed, its effects and management methods.

Internal environment

The Bank precisely defines the roles and responsibilities in the operational risk management process, considering its organizational structure. The Operational Risk Department is responsible for day-to-day operational risk analysis in addition to development of appropriate risk control and mitigation techniques and their improvement. Development and implementation of the Bank's strategy with respect to insurance as a risk mitigation technique is the responsibility of the Administration Department, while the Information Security and Continuity of Business Department ("COB") focuses on management of continuity of business.

As part of the legal risk management process, the Legal Division monitors, identifies and performs analyses of changes to laws of general application and their effect on the Group's operations, in addition to court and administrative proceedings which affect the Bank. The Compliance Monitoring Department is responsible for day-to-day non-compliance risk analysis in addition to development of appropriate risk controls and their improvement.

Considering the elevated level of external and internal risks related to fraud and offence against the assets of the Bank and its customers, the Bank has extended the scope of and improved its processes aimed at counteracting, detecting and examining such cases, which is the responsibility of the Fraud Management Department.

Risk management

The Bank places a strong focus on identification and assessment of the factors that trigger its present exposure to operational risk in relation to banking products. It is the Bank's objective to reduce the operational risk level through improvement of its internal processes as well as mitigating the risk inherent in the process of launching new products and services and outsourcing operations to third parties.

In accordance with the Operational Risk Management Policy, operational risk analysis is aimed at acquiring an understanding of the interdependence between the risk generating factors and operational event types, and it is performed primarily with the objective to define the operational risk profile.

The operational risk profile is the assessment of materiality of the risk, which is understood as the scale and structure of the operational risk exposure, defining the degree of exposure to the operational risk (operational losses), where the structural dimensions selected by the Bank (key process areas) and the scale (residual risk level) are expressed. It is determined in the course of annual operational risk mapping sessions, which involve operational risk assessment for the major operational risk factors (people, processes, systems and external events) as well as the key process areas at the Bank.

Keeping a track record of operational events enables efficient operational risk analysis and monitoring. The process of operational event recording is overseen by the Operational Risk Department, which assumes responsibility for verification of the quality and completeness of data concerning operational events recorded in dedicated tools available to all organizational units of the Bank.

Internal control system

The internal control system principles have been formulated in the "Internal Control Policy of the Bank BGŻ BNP Paribas SA", which was approved by the Management Board of the Bank and accepted by the Supervisory Board. The document lays down the key principles, defines the organizational framework and establishes the standards of the Bank's internal control environment. The Bank's internal control objectives are, in particular, improvement of efficiency of controls as part of a uniform, effective internal control system based on three control levels, as well as improvement of the process of the Bank responding to identified internal control inefficiencies and raising the risk awareness in the organization. The Bank's management is involved in the process of ensuring and confirming the efficiency of the key processes and controls (management sign-off).
Functional control is exercised in accordance with the Functional Control Rules.

Monitoring and reporting

The Bank monitors periodically the efficiency of the operational risk management system and its appropriateness for its current risk profile. The organization of the operational risk management system is reviewed as part of periodic control exercised by the Internal Audit Division, which is not directly involved in the operational risk management process but provides professional and unbiased opinions supporting achievement of the Bank's objectives. The operational risk management system is overseen and its appropriateness and efficiency are assessed by the Supervisory Board.

The Bank holds data regarding operational risk losses for over ten years and estimates its regulatory capital necessary to cover operational risk in accordance with the applicable regulations. The said calculation is performed using the basic indicator approach (BIA).

46 Governing Bodies of Bank BGŻ BNP Paribas S.A.

COMPOSITION OF THE SUPERVISORY BOARD OF BANK BGŻ BNP PARIBAS S.A.

Composition of the Supervisory Board of Bank BGŻ BNPP as at 30 September 2016:

Full name	Office held in the Supervisory Board of the Bank
Józef Wancer	Chairman of the Supervisory Board
Jarosław Bauc	Vice-Chairman, Independent Member of the Supervisory Board
Jean-Paul Sabet	Vice-Chairman of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Jacques d'Estais	Member of the Supervisory Board
Alain Van Groenendael	Member of the Supervisory Board
Thomas Mennicken	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Monika Nachyła	Member of the Supervisory Board
Mariusz Warych	Independent Member of the Supervisory Board

The composition of the Supervisory Board of Bank BGŻ BNP Paribas S.A. did not change in the third quarter of 2016.

On 21 July 2016 the Supervisory Board of Bank BGŻ BNP Paribas S.A. adopted resolutions to appoint Józef Wancer to the position of the Chairman of the Supervisory Board of Bank BGŻ BNP Paribas S.A., and Jarosław Bauc and Jean-Paul Sabet to the position of a Vice-Chairman of the Supervisory Board of Bank BGŻ BNP Paribas S.A.

COMPOSITION OF THE MANAGEMENT BOARD OF BANK BGŻ BNP PARIBAS S.A.

Composition of the Management Board of Bank BGŻ BNPP as at 30 September 2016:

Full name	Office held in the Management Board of the Bank
Tomasz Bogus	President of the Management Board
Daniel Astraud	Vice-President of the Management Board
François Benaroya	Vice-President of the Management Board
Philippe Paul Bézieau	Vice-President of the Management Board
Blagoy Bochev	Vice-President of the Management Board
Jan Bujak	Vice-President of the Management Board
Wojciech Kembłowski	Vice-President of the Management Board
Magdalena Legęć	Vice-President of the Management Board
Jaromir Pelczarski	Vice-President of the Management Board
Jerzy Śledziewski	Vice-President of the Management Board
Bartosz Urbaniak	Member of the Management Board

Changes in the Management Board in the third quarter of 2016:

- On 1 July 2016 Philippe Paul Bézieau was appointed Vice-President of the Management Board until the end of the existing three-year joint office of the members of the Management Board.
- On 18 July 2016 Jean-Philippe Stephane Rodes resigned from the Management Board.
- On 1 August 2016 Jerzy Śledziewski was appointed Vice-President of the Management Board until the end of the existing three-year joint office of the members of the Management Board.

47 Factors which, according to the Bank, will affect the Group's performance within the upcoming quarter

The major factors which may affect the Bank's performance in the future are:

- Despite a certain slowdown in the economy comparing to last year, in investments in particular, the economic outlooks for Poland remain optimistic. This, in turn, drives employment and private consumption, which are additionally supported by the government's 500+ child benefit program. Another positive factor is the gradual improvement of the economic conditions in the euro zone. According to the latest forecasts of the National Bank of Poland the Polish GDP will grow by 3.2% in 2016 and by 3.5% in 2017. The European Central Bank estimates that the GDP growth in the euro zone will amount to 1.7% in 2016 and to 1.6% in 2017.
- In July 2016 Fitch rating agency affirmed Poland's rating of A- with the stable outlooks. In September a similar decision was taken by Moody's rating agency, which affirmed Poland's rating at A2. The rating outlook, however, has remained negative, similarly to the outlooks of Standard&Poor's agency of January 2016. This implies that two out of three top rating agencies predict another revision of the credit rating. The rating may be downgraded if the risk of the deterioration of the situation in public finance occurs.
- External conditions are the key risk factor for the growth of the economy as a whole. The adverse effects of the geopolitical situation in the Middle East and Ukraine have continued; the key negative macroeconomic factors include the slump in China and gradual abandonment of the quantitative easing in the U.S.A. The condition of the banking sector is another cause for concern in certain countries in the euro zone. Low investment demand remains the key domestic risk. The recent upward revision of the GDP in 2015 may also adversely affect the annual GDP growth.
- The consequences of Brexit are a significant threat to the GDP growth in Poland. Brexit could hamper the GDP growth of the whole EU, and depending on the exit scenario, even result in adjustments to the budget for 2014-2020. However, it will probably take a few quarters before the Polish economy begins to feel the consequences of Brexit.
- The problem of foreign currency mortgage loan portfolios in banks cause considerable uncertainty for the banking sector and the entire economy. At present, the most probable solution is that the Polish Sejm approves the solution proposed by the President, which assumes that customers will be returned currency spreads. According to the Chancellery of the President of the Republic of Poland the costs of such operation are estimated at PLN 3.6-4.0 billion.
- Stabilization of the interest rates of the National Bank of Poland at a record low reduces banks' freedom to increase margins. On the one hand, it may result in a decrease of financing costs incurred by individuals and enterprises, which should translate into a higher demand for loans. On the other hand, it may discourage households from investing their savings in the form of bank deposits and have an adverse effect on the yield on zero-interest deposits.
- The tax on financial institutions imposed in February 2016 has a negative effect on the profitability of banking activity. As regards banks, the tax will be charged on an annual basis at a rate of 0.4392% of the value of assets in excess of PLN 4 billion, excluding equity and treasury securities. According to preliminary estimates of the Management Board, this will reduce the net profit of the Bank by approx. PLN 200 million in 2016.

- figures in PLN '000

- In accordance with Recommendation S, from January 2017 the minimum down-payment in mortgage loans will be increased from 15% to 20% of the mortgaged real estate. Bank will still be able to apply a lower threshold provided that up to 10% of the down-payment is insured. Imposing other new requirements may adversely affect the demand for mortgage loans in 2017, in particular if a portion of the demand in this segment is shifted towards the end of 2016.

48 Major events in 2016

8.01.2016	**Payment of a contribution to the Borrowers' Support Fund** – pursuant to a decision of the Board of the Borrowers' Support Fund of 5 January 2016 regarding the actual amount and due date of the contribution to the Borrowers' Support Fund (the "Fund"), the Bank was obliged to pay a contribution of PLN 38,167,677.50 by 18 February 2016. In the fourth quarter of 2015, the Bank recognized the relevant provision for the said contribution.
19.01.2016	**The estimated effect of the Act** (of 15 January 2016, Journal of Laws, item 68, which came into force as of 1 February 2016) **on Tax on Certain Financial Institutions on the performance of Bank BGŻ BNP Paribas S.A. in 2016 –** the Management Board of the Bank estimated that the related reduction of the Bank's net profit would be ca. PLN 200 million.
29.01.2016	**PFSA decisions dated 28 January 2016 granting the consent for classification of subordinated loans (of PLN 440 million and EUR 40 million) as the Bank's Tier 2 capital** - received by the Bank on 29 January 2016. The Bank raised the funds from realization of subordinated loan agreements concluded with BNP Paribas S.A. on 29 December 2015. Once the aforesaid subordinated loans are classified as Tier 2 capital, the Bank's equity will be sufficient to satisfy the capital requirements recommended by PFSA.
26.02.2016	**Shareholders' first announcement of planned merger of Bank BGŻ BNP S.A. and Sygma Bank Polska S.A.**
14.03.2016	**Registration of amendments to the Statute of Bank BGŻ BNP Paribas S.A.,** adopted by the Extraordinary Shareholders' Meeting on 15 December 2015 in the National Court Register.
21.03.2016	**Shareholders' second announcement of planned merger of Bank BGŻ BNP S.A. and Sygma Bank Polska S.A.**
23.03.2016	**Management Board of Bank BGŻ BNP Paribas S.A. gives positive opinion on merger of Bank BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A.**
24.03.2016	**Recommendations of the Polish Financial Supervision Authority concerning the additional capital requirement for the Bank (consolidated presentation) and increasing the own funds by way of retaining the entire 2015 earnings in the Bank.** PFSA recommends that the Capital Group of the Bank maintain own funds necessary to satisfy an additional capital requirement of 0.72 p.p. with Tier 1 capital accounting for at least 75% (i.e. 0.54 p.p.). Effective from 1 January 2016, the Bank's minimum capital ratios taking into account the additional capital requirement should be as follows: • Separate presentation: Tier 1 – 10.78%; TCR - 13.96%; • Consolidated presentation: Tier 1 - 10.79%; TCR - 13.97%. In addition the Bank was instructed to increase its own funds through retaining its whole profit earned from 1 January to 31 December 2015.
30.03.2016	**Extraordinary General Shareholders' Meeting of Bank BGŻ BNP Paribas S.A.**- decision on planned merger of Bank BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A., and approval of Merger Plan.

- figures in PLN '000

13.04.2016	**Announcement of the Revised Strategy of Bank BGŻ BNP Paribas S.A. for the years 2016-2018.** The key strategic goals to be achieved by 2018 (on stable economic growth assumption): • Over five percent share in the loans and deposits market; • An improvement in effectiveness as a result of post-integration cost synergies and increased revenues; • A 14-percent increase in Net Banking Income (NBI) measured as a compound annual growth rate from 2015 to 2018, resulting from implementation of new initiatives in all business lines; • a reduction of the cost/income ratio from 74% in 2015 (less integration costs) to ca. 55% in 2018. • an increase in ROE to ca. 10%. The key to effective implementation of the Strategy will be completion of the operating integration of Bank BGŻ S.A. with BNP Paribas Bank Polska S.A. by the end of 2016, as well as a legal merger of the Bank with Sygma Bank Polska S.A. by the end of 2016. The four pillars of the Strategy are: - Focus on the customer; - Support for international expansion of corporate clients; - Integrated universal bank; - Implementation of digital services in each operating segment.
19.04.2016	**Obtaining a permission of Polish Financial Supervisory Authority** to merge Bank BGŻ BNP Paribas S.A. and Sygma Bank Polska S.A. Pursuant to Art. 124.1 of the Banking Law of 29 August 1997, the Polish Financial Supervision Authority gave its permission for the merger of Bank BGŻ BNP Paribas S.A. ("BGŻ BNPP") (the acquiring bank) and Sygma Bank Polska ("Sygma Bank Polska") (the acquired bank) by way of transferring all the assets and liabilities of Sygma Bank Polska to BGŻ BNPP in line with the conditions set forth in the Merger Plan agreed between the banks on 10 December 2015.
31.05.2016	**Registration of the merger of Bank BGŻ BNP Paribas S.A. and Sygma Bank Polska S.A. in the National Court Register.**
31.05.2016	**The change in the deadline to fulfill the investor obligation of BNP Paribas SA, regarding the improving of liquidity of shares of Bank BGŻ BNP Paribas S.A.,** justified with an unforeseen adverse change in market conditions compared to the date of accepting the obligation, consists in PFSA considering the obligation fulfilled if liquidity of shares of Bank BGŻ BNP Paribas S.A. reaches at least: • 12.5% shares by the end of 2018; and • 25% plus one share by the end of 2020.
09.06.2016	**Ordinary General Shareholders' Meeting of Bank BGŻ BNP Paribas S.A. - part 1,** approving amendments to the Bank's statute. Announcing a break in the meeting until 30 June 2016.
17.06.2016	**Information concerning the effect of the acquisition of Visa Europe by Visa Inc. on the financial performance of Bank BGŻ BNP Paribas S.A.** The share of the Bank as a beneficiary of the transaction: • EUR 6.9 million in cash – the equivalent of PLN 30.5 million (at the average exchange rate of the National Bank of Poland of 20 June 2016); • 2,521 C-series preference shares in Visa Inc. The transactions were settled in the second quarter of 2016. Following an amendment to the terms of the transaction regarding its settlement, as announced in the current report no. 90/2015, the earn-out payment was replaced by an increase in the cash amount payable in the second quarter of 2016 and a deferred cash amount payable in the second quarter of 2019. (Deferred Payment) According to the communication, the Deferred Payment may be adjusted in cases described in

- figures in PLN '000

	Transaction Terms. The total amount of the Deferred Payment assigned to all participants of the Transaction shall be EUR 1.12 billion, 0.0535214433% of which is assigned to the Bank.
30.06.2016	**Ordinary General Shareholders' Meeting of Bank BGŻ BNP Paribas S.A. – part 2** (meeting continued after the break announced on 9 June 2016), • approving Financial Statements for 2015 and Management Board Reports for 2015; • acknowledgement of the fulfilment of duties for 2015 by members of the Management and Supervisory Board; • appointment the Supervisory Board of the Bank for a five year office without changing its composition.
14.07.2016	**Registration of amendments to the Statute of Bank BGŻ BNP Paribas S.A.,** adopted by the Extraordinary Shareholders' Meeting on 9 June 2016 in the National Court Register.
9.08.2016	**Position of the Polish Financial Supervision Authority on the amount of the additional requirement concerning the own funds of Bank BGŻ BNP Paribas in relation to other systemically important institution capital buffer** - based on the assessment of systemic importance of the Bank in accordance with Article 39.1 of the Act on macroprudential supervision over the financial system and crisis management in the financial system of 5 August 2015 and in the course of administrative proceedings with respect to identifying the Bank as other systemically important financial institution, the Polish Financial Supervision Authority requested the Polish Financial Stability Committee for its opinion on identifying the Bank as a systemically important financial institution and imposing on the Bank a capital buffer (on a consolidated and separate basis) equal to 0.25% of the total exposure to risk.
18.08.2016	**Decision of the Financial Stability Committee** confirming the PFSA's classification of Bank BGŻ BNP Paribas as other systemically important institution and imposing other systemically important financial institution capital buffer on Bank BGŻ BNP Paribas.

49 Events after the end of the reporting period

6.10.2016	**The decision of the Polish Financial Supervision Authority on classifying the Bank BGŻ BNP Paribas as other systemically important financial institution** and imposing on the Bank (on a consolidated and individual basis) other systemically important financial institution capital buffer equal to 0.25% of the total exposure to risk, calculated in line with Article 92.3 of EU CRR (No. 575/2013).
19.10.2016	**The decision of the Polish Financial Supervision Authority instructing the Bank to maintain own funds to cover additional capital requirement** in order to hedge the risk resulting from foreign currency mortgage loans granted to households at the level of 0.71 p.p. above the total capital ratio, referred to in Article 92.1(c) of the CRR (No. 575/2013). An additional capital requirement should be composed of at least 75% of Tier 1 capital (which corresponds to the capital requirement of 0.53 p.p. above Tier 1 capital ratio, referred in Article 92.1(b) of Regulation 575/2013) and at least 56% of common equity Tier 1 capital (which corresponds to the capital requirement of 0.40 p.p. above the common equity Tier 1 capital ratio, referred to in Article 92.1(a) of Regulation 575/2013).

- figures in PLN '000

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	3rd quarter 2016 period from 01.07.2016 to 30.09.2016	3 quarters 2016 period from 01.01.2016 to 30.09.2016	3rd quarter 2015 period from 01.07.2015 to 30.09.2015	3 quarters 2015 period from 01.01.2015 to 30.09.2015
Interest income	652 804	1 842 284	562 947	1 460 104
Interest expense	(187 918)	(539 640)	(158 545)	(467 090)
Net interest income	**464 886**	**1 302 644**	**404 402**	**993 014**
Fee and commission income	141 035	406 913	134 318	336 885
Fee and commission expense	(26 895)	(71 658)	(18 987)	(45 172)
Net fee and commission income	**114 140**	**335 255**	**115 331**	**291 713**
Dividend income	19	14 537	1 607	6 837
Net trading income	67 261	177 163	53 242	121 106
Result on investing activities	4	41 984	27	35 227
Result on hedge accounting	117	256	-	-
Other operating income	27 770	77 679	21 609	38 676
Other operating expense	(23 625)	(80 924)	(17 822)	(61 266)
Net impairment losses on financial assets and contingent liabilities	(114 554)	(287 116)	(91 827)	(224 884)
General administrative expenses	(404 542)	(1 185 154)	(386 205)	(1 013 003)
Depreciation and amortization	(52 065)	(144 325)	(41 632)	(104 538)
Operating result	**79 411**	**251 999**	**58 732**	**82 882**
Tax on financial institutions	(51 203)	(133 748)	-	-
Profit (loss) before income tax	**28 208**	**118 251**	**58 732**	**82 882**
Income taxes	(23 716)	(71 619)	(15 695)	(23 058)
Net profit for the period	**4 492**	**46 632**	**43 037**	**59 824**
attributable to equity holders of the Bank	4 492	46 632	43 037	59 824
Earnings (loss) per share (in PLN per one share)				
Basic	0,05	0,55	0,51	0,83
Diluted	0,05	0,55	0,51	0,83

- figures in PLN '000

Interim condensed separate statement of other comprehensive income

	3rd quarter 2016 period from 01.07.2016 to 30.09.2016	3 quarters 2016 period from 01.01.2016 to 30.09.2016	3rd quarter 2015 period from 01.07.2015 to 30.09.2015	3 quarters 2015 period from 01.01.2015 to 30.09.2015
Net profit for the period	**4 492**	**46 632**	**43 037**	**59 824**
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss when specific conditions are met	***(19 772)***	***(24 066)***	***27 688***	***(90 102)***
Net change in valuation of available for sale financial assets	(24 411)	(29 711)	34 182	(111 237)
Net change in valuation of cash flow hedges	-	-	-	-
Deferred tax	4 639	5 645	(6 494)	21 135
Items that will not be reclassified subsequently to profit or loss	***40***	***853***	***1 725***	***4 772***
Actuary valuation of employee benefits	50	1 053	2 129	5 891
Deferred tax	(10)	(200)	(404)	(1 119)
Other comprehensive income (net of tax)	**(19 732)**	**(23 213)**	**29 413**	**(85 330)**
Total comprehensive income for the period	**(15 240)**	**23 419**	**72 450**	**(25 506)**
attributable to equity holders of the Bank	(15 240)	23 419	72 450	(25 506)

- figures in PLN '000

Interim condensed separate statement of financial position

	30.09.2016	31.12.2015
ASSETS		
Cash and balances with the Central Bank	2 021 495	2 826 407
Loans and advances to banks	263 512	544 012
Derivative financial instruments	323 378	368 138
Hedging instruments	49 063	2 711
Loans and advances to customers	52 767 800	49 831 458
Available for sale financial assets	10 459 786	7 762 677
Investments in subsidiaries	48 944	248 848
Intangible assets	240 377	250 691
Property, plant and equipment	536 611	528 230
Deferred tax assets	485 684	428 931
Other assets	412 127	217 026
TOTAL ASSETS	**67 608 777**	**63 009 129**

- figures in PLN '000

Interim condensed separate statement of financial position (continued)

	30.09.2016	31.12.2015
LIABILITIES		
Amounts due to banks	4 885 887	7 617 946
Hedged instruments	8 585	1 605
Derivative financial instruments	291 901	351 539
Amounts due to customers	53 093 678	46 620 848
Debt securities issued	396 427	468 933
Subordinated liabilities	1 470 248	847 568
Other liabilities	999 747	756 161
Current tax liabilities	21 958	37 547
Provisions	142 594	143 804
TOTAL LIABILITIES	**61 311 025**	**56 845 951**
EQUITY		
Share capital	84 238	84 238
Supplementary capital	5 132 247	5 092 196
Other reserve capital	860 241	780 874
Revaluation reserve	174 394	197 607
Retained earnings:	46 632	8 263
net profit for the period	46 632	8 263
TOTAL EQUITY	**6 297 752**	**6 163 178**
TOTAL LIABILITIES AND EQUITY	**67 608 777**	**63 009 129**

- figures in PLN '000

Interim condensed separate statement of changes in equity (continued)

				Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Net profit for the period	Total
Balance as at 1 January 2016	**84 238**	**5 092 196**	**780 874**	**197 607**	**8 263**	**6 163 178**
Total comprehensive income for the period	**-**		**-**	**(23 213)**	**46 632**	**23 419**
Net profit for the period	-		-	-	46 632	46 632
Other comprehensive income for the period	-		-	(23 213)	-	(23 213)
Appropriation of retained earnings	**-**		**8 263**	**-**	**(8 263)**	**-**
Appropriation of retained earnings	-		8 263	-	(8 263)	-
Merger	**-**	**40 051**	**71 104**	**-**	**-**	**111 155**
Equity arising from merger	-	40 051	71 104	-	-	111 155
Balance as at 30 September 2016	**84 238**	**5 132 247**	**860 241**	**174 394**	**46 632**	**6 297 752**

- figures in PLN '000

Interim condensed separate statement of changes in equity (continued)

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2015	**56 139**	**3 430 785**	**271 858**	**255 363**	**137 730**	**4 151 875**
Total comprehensive income for the period	**-**	**-**	**-**	**(58 878)**	**8 263**	**(50 615)**
Net profit for the period	-	-	-	-	8 263	8 263
Other comprehensive income for the period	-	-	-	(58 878)	-	(58 878)
Appropriation of retained earnings	**-**	**7 730**	**130 000**	**-**	**(137 730)**	**-**
Appropriation of retained earnings	-	7 730	130 000	-	(137 730)	-
Merger	**28 099**	**1 653 681**	**379 016**	**1 122**	**-**	**2 061 918**
Issued shares of H series	28 099	-	-	-	-	28 099
Equity arising from merger	-	1 653 681	379 016	1 122	-	2 033 819
Balance as at 31 December 2015	**84 238**	**5 092 196**	**780 874**	**197 607**	**8 263**	**6 163 178**

- figures in PLN '000

Interim condensed separate statement of changes in equity (continued)

				Retained earnings		
	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Net profit for the period	Total
Balance as at 1 January 2015	**56 139**	**3 430 785**	**271 859**	**255 362**	**137 730**	**4 151 875**
Total comprehensive income for the period	**-**	**-**	**-**	**(85 330)**	**59 824**	**(25 506)**
Net profit for the period	-	-	-	-	59 824	59 824
Other comprehensive income for the period	-	-	-	(85 330)	-	(85 330)
Appropriation of retained earnings	**-**	**7 730**	**130 000**	**-**	**(137 730)**	**-**
Appropriation of retained earnings	-	7 730	130 000	-	(137 730)	-
Merger	**28 099**	**1 653 681**	**379 016**	**1 122**	**-**	**2 061 918**
Issued shares of I series	28 099	-	-	-	-	28 099
Equity arising from merger	-	1 653 681	379 016	1 122	-	2 033 819
Balance as at 30 September 2015	**84 238**	**5 092 196**	**780 875**	**171 154**	**59 824**	**6 188 287**

- figures in PLN '000

Interim condensed separate statement of cash flows

	3 quarters 2016 period from 01.01.2016 to 30.09.2016	3 quarters 2015 period from 01.01.2015 to 30.09.2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the period	**46 632**	**59 824**
Adjustments for:	**3 624 867**	**2 127 502**
Income tax expense	71 619	23 058
Depreciation and amortization	144 325	104 538
Dividend income	(14 537)	(6 837)
Interest income	(1 842 284)	(1 460 104)
Interest expense	539 640	467 090
Change in provisions	(2 893)	101 955
Change in loans and advances to banks	75 399	(116 474)
Change in reverse repo transactions	-	100 662
Change in securities held for trading	-	198 528
Change in derivative financial instruments (assets)	(1 592)	40 458
Change in loans and advances to customers	(2 973 655)	(20 002 581)
Change in amounts due to banks	(314 211)	6 558 751
Change in repo transactions	-	(45 357)
Change in derivative financial instruments (liabilities)	(59 638)	(101 198)
Change in amounts due to customers	6 516 090	13 191 101
Change in other assets and current tax assets	(245 713)	(557 675)
Change in other liabilities and deferred tax liabilities	227 997	563 982
Other adjustments	243 595	2 237 632
Interest received	1 844 137	1 322 240
Interest paid	(583 412)	(492 267)
NET CASH FROM OPERATING ACTIVITIES	**3 671 499**	**2 187 326**

- figures in PLN '000

Interim condensed separate statement of cash flows (continued)

	3 quarters 2016 period from 01.01.2016 to 30.09.2016	3 quarters 2015 period from 01.01.2015 to 30.09.2015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investing activities inflows	**15 847 983**	**105 084 908**
Sale of available for sale financial assets	15 809 513	105 057 937
Sale of intangible assets and property, plant and equipment	23 933	20 134
Dividends received and other inflows from investing activities	14 537	6 837
Investing activities outflows	**(18 648 899)**	**(104 955 594)**
Purchase of available for sale financial assets	(18 494 179)	(104 813 001)
Purchase of intangible assets and property, plant and equipment	(154 720)	(142 593)
NET CASH FROM INVESTING ACTIVITIES	**(2 800 916)**	**129 314**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing activities inflows	**1 731 417**	**4 029 646**
Long-term loans received	1 117 517	4 029 646
Increase in subordinated loans	613 900	-
Financing activities outflows	**(3 607 359)**	**(6 109 347)**
Repayment of long-term loans and advances to banks	(3 535 363)	(5 814 572)
Redemption of debt securities	(71 996)	(294 775)
NET CASH FROM FINANCING ACTIVITIES	**(1 875 942)**	**(2 079 701)**
TOTAL NET CASH	**(1 005 359)**	**236 939**
Cash and cash equivalents at the beginning of the period	**3 252 873**	**2 180 981**
Cash and cash equivalents at the end of the period, of which:	**2 247 514**	**2 417 920**
effect of exchange rate fluctuations on cash and cash equivalents held	(2 126)	16 364
of restricted use	1 933	4 228

EXPLANATORY INFORMATION TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1 Accounting principles applied for purposes of preparation of the interim condensed separate financial statements

These interim condensed separate financial statements for the third quarter ended 30 September 2016, have been prepared in conformity with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"), as endorsed by the European Union, and other applicable regulations.

As the interim condensed separate financial statements do not contain all the information and disclosures required for the annual financial statements, they should be read together with the interim condensed consolidated financial statements for the third quarter of 2016 and the Separate Financial Statements of Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2015 approved by the Management Board of the Bank on 15 March 2016.

The accounting principles and the accounting estimate methods adopted for purposes of preparation of the interim condensed separate financial statements of the Bank are consistent with the accounting principles used for the preparation of the interim condensed consolidated financial statements of the Group, as presented in Section 3 and Section 7.

2 Related-party transactions

Bank BGŻ BNP Paribas S.A. operates within the BNP Paribas S.A. Group.

Bank BGŻ BNP Paribas S.A. is the parent in the Capital Group of Bank BGŻ BNP Paribas S.A.

As at 30 September 2016, the Group comprised Bank BGŻ BNP Paribas S.A., the parent, and its subsidiaries:

1. Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. ("Actus") with its registered office at ul. Kasprzaka 10/16 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000023062. The Bank holds 100% interest in the share capital of the Company and 100% of votes at the General Meeting.
2. Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A. ("TFI") with its registered office at ul. Bielańska 12 in Warsaw.The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000031121. The Bank holds 100% of the company's shares.
3. BNP Paribas Leasing Services Sp. z o.o. ("Leasing", formerly: Fortis Lease Polska Sp. z o.o. in liquidation) with the registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000098813. The Bank holds 100% of the Company's shares.
4. BGŻ BNP Paribas Faktoring Sp. z o.o. ("Faktoring") with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000225155. The Bank holds 100% of the Company's shares.
5. BNP Paribas Group Service Center S.A. ("GSC", formerly: Laser Services Polska S.A.), with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000022784. The Bank holds 100% of the Company's shares.

All transactions between the Bank and its related parties were entered into as part of its day-to-day operations and included mainly loans, deposits, transactions in derivative instruments as well as income and expenses related to advisory and financial intermediation services.

- figures in PLN '000

Transactions with shareholders of BGŻ BNP Paribas S.A. and related parties

30.09.2016	BNP PARIBAS SA	BNP PARIBAS FORTIS SA/NV	OTHER ENTITIES FROM THE CAPITAL GROUP OF BANK BNP PARIBAS S.A.	KEY PERSONNEL	SUBSIDIARIES	TOTAL
Assets	**90 887**	**168 621**	**42 040**	**-**	**41 382**	**342 930**
Current accounts, interbank placements, loans and advances	41 809	118 647	16 195	-	38 471	**215 122**
Derivative financial instruments	48 901	3 125	101	-	-	**52 127**
Hedging instruments	-	46 849	-	-	-	**46 849**
Other assets	177	-	25 744	-	2 911	**28 832**
Liabilities	**4 799 564**	**46 900**	**2 843 310**	**88**	**191 832**	**7 881 694**
Loans and advances received	3 276 359	-	2 040 120	-	-	**5 316 479**
Interbank deposits and current accounts	34 561	46 096	759 263	88	191 824	**1 031 832**
Subordinated liabilities	1 474 060	-	-	-	-	**1 474 060**
Derivative financial instruments	14 575	623	272	-	-	**15 470**
Other liabilities	9	181	43 655	-	8	**43 853**
Contingent liabilities						
Financial commitments granted	-	-	100 596	7	43	**100 646**
Guarantees granted	4 969	60 872	203 169	-	-	**269 010**
Commitments received	99 766	290 995	1 763 801	-	-	**2 154 562**
Derivative financial instruments (face value)	50 031 106	723 726	10 070	-	-	**50 764 902**
3 quarters of 2016 from 01.01.2016 to 31.03.2016						
Statement of profit or loss	**11 398**	**10 910**	**(82 456)**	**(24)**	**7 220**	**(52 952)**
Interest income	68 174	6 330	2 860	3	551	**77 918**
Interest expense	(41 310)	9 620	(106 132)	(27)	(278)	**(138 127)**
Fee and commission income	4	-	32 972	-	2 489	**35 465**
Fee and commission expense	(303)	(1 742)	(46)	-	-	**(2 091)**
Net trading income	(22 307)	(2 652)	(2 180)	-	-	**(27 139)**
Result on hedge accounting	7 140	(646)	-	-	-	**6 494**
Other operating income	-	-	229	-	4 519	**4 748**
Other operating expense	-	-	(786)	-	-	**(786)**
General administrative expenses	-	-	(9 373)	-	(61)	**(9 434)**

- figures in PLN '000

31.12.2015	BNP PARIBAS SA	BNP PARIBAS FORTIS SA/NV	OTHER ENTITIES FROM THE CAPITAL GROUP OF BANK BNP PARIBAS S.A.	KEY PERSONNEL	SUBSIDIARIES	TOTAL
Assets	**44 876**	**121 369**	**49 127**	**1 553**	**110 134**	**327 059**
Current accounts, interbank placements, loans and advances	6 097	112 846	41 399	1 553	107 966	**269 861**
Derivative financial instruments	38 772	-	2 951	-	-	**41 723**
Hedging instruments	-	8 523	-	-	-	**8 523**
Other assets	7	-	4 777	-	2 168	**6 952**
Liabilities	**4 969 826**	**494 717**	**3 782 906**	**3 519**	**270 462**	**9 521 430**
Loans and advances received	4 093 896	492 077	3 773 049	-	-	**8 359 022**
Interbank deposits and current accounts	-	16	-	3 519	270 300	**273 835**
Subordinated liabilities	848 360	-	-	-	-	**848 360**
Derivative financial instruments	27 413	2 392	2 413	-	-	**32 218**
Other liabilities	157	232	7 444	-	162	**7 995**
Contingent liabilities						
Financial commitments granted	-	-	103 817	223	35 440	**139 480**
Guarantees granted	7 313	60 316	174 690	-	9 356	**251 675**
Commitments received	87 341	73 743	558 855	-	-	**719 939**
Derivative financial instruments (face value)	36 180 827	848 082	704 829	-	-	**37 733 738**
3 quarters of 2015 from 01.01.2015 to 31.03.2015						
Statement of profit or loss	**(25 959)**	**16 423**	**(17 078)**	**5**	**842**	**(25 767)**
Interest income	12	890	243	16	878	**2 039**
Interest expense	(16 319)	(211)	(26 028)	(11)	(112)	**(42 681)**
Fee and commission income	-	10 441	2 313	-	66	**12 820**
Fee and commission expense	(2)	(74)	(3 487)	-	-	**(3 563)**
Net trading income	(4 327)	55	6 630	-	-	**2 358**
Result on hedge accounting	(5 323)	5 307	-	-	-	**(16)**
Other operating income	-	15	170	-	10	**195**
General administrative expenses	-	-	3 081	-	-	**3 081**

- figures in PLN '000

Remuneration of the Management Board and Supervisory Board

Management Board	30.09.2016	31.12.2015
Short-term employee benefits	15 650	20 992
Long-term benefits	3 020	6 753
Benefits due to termination of employment	-	3 224
Share-based payments	616	2 542
TOTAL	**19 286**	**33 511**

Supervisory Board	30.09.2016	31.12.2015
Short-term employee benefits	1 192	664
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
TOTAL	**1 192**	**664**

3 Separate capital adequacy ratio

	30.09.2016	31.12.2015
Total equity	7 387 977	6 597 941
Total risk exposure	50 138 322	47 868 505
Total capital ratio	**14.74%**	**13.78%**
Tier 1 ratio	**11.81%**	**12.12%**

4 Seasonality and cyclicality of operations

There are no major seasonal or cyclical phenomena in the operations of the Bank.

5 Debt securities issued and redeemed

Debt securities issued and redeemed have been described in Section 30 of the Interim Consolidated Financial Statements for the third quarter of 2016.

6 Dividends paid

The Bank did not pay out dividend for 2015.

7 Dividends paid

Pursuant to a Resolution of the General Shareholders' Meeting of Bank BGŻ BNP Paribas of 30 June 2016, the net profit for 2015, in the amount of PLN 8,263 thousand, was allocated to the unidentified banking risk reserve.

- figures in PLN '000

8 Contingent liabilities

	30.09.2016	31.12.2015
Contingent commitments granted	**16 285 630**	**15 607 484**
financial commitments	12 768 716	11 965 758
guarantees	3 516 914	3 641 726
Contingent commitments received	**3 139 680**	**5 136 758**
financial commitments	2 218 576	3 951 269
guarantees	921 104	1 185 489

9 Events after the end of the reporting period

6.10.2016	**The Decision of the Polish Financial Supervision Authority on classifying Bank BGŻ BNP Paribas as other systemically important financial institution** and imposing other systemically important institutions capital buffer (on a consolidated and separate basis) equivalent to 0.25% of the total exposure to risk, calculated in line with Article 92.3 of the CRR (No. 575/2013).
19.10.2016	**The Decision of the Polish Financial Supervision Authority recommending the Bank to maintain equity necessary to satisfy the additional capital requirement** in order to hedge the risk resulting from foreign currency mortgage loans granted to households at the level of 0.71 p.p. above the total capital ratio referred to in Article 92.1(c) of the CRR (No. 575/2013). The additional capital requirement should be composed of at least 75% of Tier 1 capital (corresponding to the capital requirement of 0.53 p.p. above the Tier 1 capital ratio, referred to in Article 92.1(b) of the CRR No. 575/2013) and at least 56% of common equity Tier 1 capital ratio (corresponding to the capital requirement of 0.40 p.p. above the the common equity Tier 1 capital ratio, referred to in Article 92.1(a) of the CRR, No. 575/2013).

SIGNATURES OF COMPANY REPRESENTATIVES

07.11.2016	**Tomasz Bogus** *President* *of the Management Board*	.... signature
07.11.2016	**Jan Bujak** *Vice-President* *of the Management Board*	.... signature
07.11.2016	**Katarzyna Romaszewska-Rosiak** *Managing Director Financial Accounting Division*	.... signature

Warsaw, 7 November 2016