BNP PARIBAS | Bank zmieniającego się świata

Interim Abbreviated Consolidated Financial Statements of BNP Paribas Bank Polska SA Group for the first half of 2014

BNP Paribas Bank Polska SA with its registered office at ul. Suwak 3, 02-676 Warszawa, registered with the District Court for the capital city of Warsaw, XIII Commercial Division, under no. KRS 6421, VAT PL: 6760078301 (NIP), holding paid-up share capital of PLN 1,532,886,878.90 | www.bnpparibas.pl

Table of Contents

1. Financial Highlights

CONSOLIDATED FINANCIAL HIGHLIGHTS	in PLN thousand		in EUR thousand	
Income Statement	**30 June 2014 (YTD)**	**30 June 2013 (YTD)**	**30 June 2014 (YTD)**	**30 June 2013 (YTD)**
Net interest income	278,307	266,840	66,606	63,322
Net fee and commission income	70,772	71,844	16,937	17,049
Net banking income	404,109	410,289	96,714	97,363
General expenses (including depreciation)	-283,700	-284,315	-67,897	-67,469
Cost of risk and net result on provisions	-50,054	-55,452	-11,979	-13,159
Profit/loss before taxation	69,389	70,246	16,606	16,670
Profit/loss after taxation	49,775	51,506	11,912	12,223
Ratios				
Weighted average number of shares	29,664,909	28,692,926	-	-
Basic earnings/loss per share (PLN/EUR)	1.68	1.80	0.40	0.43
Diluted earnings/loss per share (PLN/EUR)	1.68	1.80	0.40	0.43
Cash Flow Statement				
Net cash provided by operating activities	-638,247	172,147	-152,749	40,851
Net cash provided by investing activities	375,866	-925,061	89,954	-219,521
Net cash provided by (used in) financing activities	681,415	-813,816	163,080	-193,122
Total gross cash flow	419,034	-1,566,730	100,285	-371,792
Balance Sheet	**Balance as at 30 June 2014**	**Balance as at 31 Dec 2013**	**Balance as at 30 June 2014**	**Balance as at 31 Dec 2013**
Total assets	22,481,094	21,117,256	5,402,940	5,091,931
Loans to customers	17,870,492	16,582,614	4,294,862	3,998,508
Liabilities due to banks	699,261	424,273	168,055	102,303
Liabilities due to customers	11,408,284	10,894,299	2,741,783	2,626,905
Loans and credit facilities received	7,275,639	7,050,920	1,748,573	1,700,164
Equity capital	2,065,857	1,804,841	496,493	435,195
Ratios				
Number of shares	33,719,465	28,692,926		
Book value per share (PLN/EUR)	61.27	62.90	14.72	15.17
Diluted book value per share (PLN/EUR)	61,27	62.90	14.72	15.17

Capital adequacy*	Balance as at 31 Dec 2013 in PLN thousand	Balance as at 31 Dec 2013 in EUR thousand
Capital adequacy ratio	12,36%	-
Tier 1 (core) capital	1,704,294	410,951
Tier 2 (supplementary) capital	459,557	110,811
Tier 3 (short term) capital	10,228	2,466

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

Capital adequacy **	Balance as at 30 June 2014 in PLN thousand	Balance as at 30 June 2014 in EUR thousand
Total capital adequacy ratio	12,58%	-
Tier 1 capital adequacy ratio	10,16%	-
Total amount of exposure to risk	18 849 160	4 530 068
Common Equity Tier 1 (CET 1)	1 915 262	460 300
Additional Tier 1 capital	-	-
Tier 2 capital	455 130	109 383

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

Rates adopted for conversion of the financial data into EURO

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

- particular assets and liabilities items in the balance sheet and book value per share as at the end of the first half of 2014 have been converted into EUR at the mid-rate binding as at 30 June 2014 published by the National Bank of Poland on 30 June 2014, i.e. EUR 1 = PLN 4.1609; comparative financial figures as at the end of 2013 have been converted into EUR at the mid-rate binding as at 31 December 2013, published by the National Bank of Poland on 31 December 2013, i.e. EUR 1 = PLN 4.1472;

- particular items in the income statement and cash flow statement, and earnings per share as at the end of the first half of 2014 were converted into EUR at the rate based on the arithmetic mean of mid-rates determined by the National Bank of Poland as at the last days of the months from January through June 2014, i.e. EUR 1 = PLN 4.1784, whereas comparative data as at the end of the first half of 2013 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as at the last days of the months from January through June 2013, i.e. EUR 1 = PLN 4.2140.

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

Consolidated Income Statement (in PLN thousand)	Notes	1 April 2014 - 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Interest income	7.1	221,646	437,035	221,958	455,376
Interest expense	7.2	-82,889	-158,728	-98,573	-188,536
Net interest income		**138,757**	**278,307**	**123,385**	**266,840**
Fee and commission income	7.3	44,420	87,125	44,485	86,607
Fee and commission expense	7.4	-8,021	-16,353	-7,647	-14,763
Net fee and commission income		**36,399**	**70,772**	**36,838**	**71,844**
Net trading income	7.5	23,323	41,116	26,573	49,961
Net profit/loss on hedging transactions		269	774	-1,524	-2,228
Net profit/loss on the hedged item		-269	-774	1,524	2,228
Net profit/loss on transactions in financial assets available for sale	7.6	11,120	16,850	4,580	18,670
Dividends		6	6	11	11
Other revenues	7.7	8,559	21,639	13,939	26,407
Other operating expenses	7.8	-11,664	-24,581	-12,099	-23,444
Net banking income		**206,520**	**404,109**	**193,227**	**410,289**
General expenses		**-129,881**	**-261,729**	**-132,130**	**-261,606**
Personnel expenses	7.9	-71,982	-143,486	-69,191	-137,591
Other general expenses	7.10	-57,899	-118,243	-62,939	-124,015
Depreciation	7.11	**-11,616**	**-21,971**	**-11,266**	**-22,709**
Gross operating profit/loss		**65,023**	**120,409**	**49,831**	**125,974**
Cost of risk and net result on provisions		**-28,864**	**-50,054**	**-20,850**	**-55,452**
Cost of risk	7.12	-32,558	-54,048	-20,021	-51,485
Net result on provisions	7.13	3,694	3,994	-829	-3,967
Net operating profit/loss		**36,159**	**70,355**	**28,981**	**70,522**
Net profit/loss from disposal of assets, shares and interest		-126	-966	-118	-276
Profit/loss before taxation		**36,033**	**69,389**	**28,863**	**70,246**
Income tax		-10,900	-19,614	-8,151	-18,740
Profit/loss after taxation		**25,133**	**49,775**	**20,712**	**51,506**

Consolidated Earnings Per Share	7.14				
Profit/loss after taxation (in PLN thousand)			49,775		51,506
Weighted average number of ordinary shares			29,664,909		28,692,926
Earnings per ordinary share (in PLN)			**1.68**		**1.80**
Weighted average diluted number of ordinary shares			29,664,909		28,692,926
Diluted earnings per ordinary share ratio (in PLN)			**1.68**		**1.80**

Consolidated report of total income (in PLN thousand)	1 April 2014 - 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Net profit/loss for the year	**25,133**	**49,775**	**20,712**	**51,506**
Profits/losses not recognised in the income statement (investments available for sale)	92	2,268	-23,954	-46,469
Deferred tax - profits/losses not recognised in the income statement (investments available for sale)	-18	-431	4,552	8,830
Profits/losses not recognised in the income statement (investments available for sale) - net	**74**	**1,837**	**-19,402**	**-37,639**
Total consolidated income	**25,207**	**51,612**	**1,310**	**13,867**

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

Consolidated balance sheet (in PLN thousand)	Notes	30 June 2014	31 Dec 2013	30 June 2013
ASSETS				
Cash and cash equivalents	8	1,708,962	1,290,247	414,688
Financial assets held for trading	9.1	73,767	70,118	92,658
Due from banks	10.1	51,890	79,201	125,711
Loans to customers	10.2	17,870,492	16,582,614	17,062,278
Hedging instruments	17	7,994	8,503	8,119
Investments available for sale	11	2,193,906	2,607,870	2,660,754
Property, plant and equipment		160,183	125,728	127,267
Intangible assets		43,844	37,044	35,182
Non-current assets held for sale	12	570	18,243	23,571
Settlements on account of income tax		-	19,841	17,568
Deferred tax assets	13	186,444	196,830	212,532
Other assets		183,042	81,017	95,974
Total assets		**22,481,094**	**21,117,256**	**20,876,302**
LIABILITIES				
Financial liabilities held for trading	9.2	80,698	69,790	85,738
Liabilities due to banks	14.1	699,261	424,273	1,414,543
Liabilities due to customers	14.2	11,408,284	10,894,299	9,578,611
Loans and credit facilities received	14.3	7,275,639	7,050,920	7,227,385
Differences from hedging fair value of hedged items against interest rate risk		6,886	6,097	6,960
Subordinated liabilities	15	455,552	452,192	470,656
Income tax liabilities		7,657	128	-
Deferred tax liabilities	13	1,211	808	6
Other liabilities	14.4	427,088	353,378	290,793
Provisions	16	52,961	60,530	56,826
Total liabilities		**20,415,237**	**19,312,415**	**19,131,518**
EQUITY CAPITAL				
Share capital		1,532,887	1,304,380	1,304,380
Additional capital		178,428	172,921	172,921
Other capital		253,057	183,480	183,480
Revaluation reserve		5,588	3,751	-5,529
Retained earnings		46,122	38,026	38,026
Net profit/loss for the year		49,775	102,283	51,506
Total equity capital		**2,065,857**	**1,804,841**	**1,744,784**
Total liabilities and equity		**22,481,094**	**21,117,256**	**20,876,302**

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

Consolidated Statement of Changes in Shareholders' Equity for the first half of 2013 (in PLN thousand)

	Share capital	Additional capital	Retained earnings	Net profit/loss for the year	Other capital	Revaluation reserve	Consolidation adjustment	Total capital
Balance as at 31 Dec 2012	**1,434,646**	**172,401**	**33,845**	**30,841**	**26,269**	**32,110**	**833**	**1,730,945**
Net profit/loss for the year	-	-	30,841	30,841	-	-	-	-
Consolidation adjustment	-	-	833	-	-	-	-833	-
Balance as at 1 Jan 2013	**1,434,646**	**172,401**	**65,519**	**-**	**26,269**	**32,110**	**-**	**1,730,945**
Total income for the first half of 2013	-	-	-	51,506	-	-37,639	-	13,867
Share value decrease	-130,266	-	-	-	130,266	-	-	-
Distribution of retained earnings	-	520	-27,465	-	26,945	-	-	-
Other	-	-	-28*	-	-	-	-	-28
Balance as at 30 June 2013	**1,304,380**	**172,921**	**38,026**	**51,506**	**183,480**	**-5,529**	**-**	**1,744,784**

Consolidated Statement of Changes in Shareholders' Equity in 2013 (in PLN thousand)

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

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

Consolidated Statement of Changes in Shareholders' Equity for the first half of 2014 (in PLN thousand)

	Share capital	Additional capital	Retained earnings	Net profit/loss for the year	Other capital	Revaluation reserve	Consolidation adjustment	Total capital
Balance as at 31 Dec 2013	**1,304,380**	**172,921**	**38,026**	**102,283**	**183,480**	**3,751**	**-**	**1,804,841**
Net profit/loss for the year	**-**	**-**	**102,283**	**-102,283**	**-**	**-**	**-**	**-**
Balance as at 1 Jan 2014	**1,304,380**	**172,921**	**140,309**	**-**	**183,480**	**3,751**	**-**	**1,804,841**
Total income for the first half of 2014	-	-	-	49,775	-	1,837	-	51,612
Share issue	228,507	-	-	-	-9,768	-	-	218,739
Distribution of retained earnings	-	7,101	-86,446	-	79,345	-	-	-
Other	-	-1,594	-7,741	-		-	-	-9,335
Balance as at 30 June 2014	**1,532,887**	**178,428**	**46,122**	**49,775**	**253,057**	**5,588**	**-**	**2,065,857**

Consolidated Cash Flow Statement (in PLN thousand)		**1 Jan 2014-30 June 2014**	**1 Jan 2013-30 June 2013**
Cash and cash equivalents, gross Opening balance		**1,290,864**	**1,981,688**
OPERATING ACTIVITY			
Gross profit/loss		69,389	70,246
Adjustments for:		**-707,636**	**101,901**
Depreciation		21,984	22,709
Change of reserves and provisions		-71,668	-61,021
Profits/losses on account of FX rate differences		783	38,316
Profits/losses on investing activities		4,129	3,316
Changes in operational assets and liabilities:		-674,782	108,199
- financial assets and liabilities held for trading		7,259	52,200
- due from banks, gross		27,469	82,334
- loans to customers, gross		155,914	-827,487
- change in the balance of available-for-sale investments, gross		-7,611	14,602
- liabilities due to banks		274,989	1,032,183
- liabilities due to customers		514,026	-486,339
- change in the balance of assets and liabilities on account of applying fair value hedge accounting		1,298	1,220
- liabilities due on account of loans and credit facilities received		-1,587,116	167,157
- liabilities due on account of a subordinated loan		3,360	23,893
- change in the balance of assets held for sale and discontinued operations		21,838	-
- other assets and liabilities		-86,208	48,436
Tax paid		11,918	-9,618
Net operating cash flows		**-638,247**	**172,147**
INVESTING ACTIVITIES			
Purchase of available-for-sale investments		-19,963,401	-12,693,963
Purchase of property, plant and equipment and intangible fixed assets		-48,917	-28,991
Proceeds from sales of available-for-sale investments		20,387,244	11,797,976
Proceeds from sales of property, plant and equipment		1,639	523
Other investment expenses	Note 20.1	-699	-606
Net cash provided by investing activities		**375,866**	**-925,061**
FINANCING ACTIVITY			
Subordinated loans repayment		-	-267,092
Drawdown of loans and credit facilities received		2,662,803	1,077,031
Repayment of loans and credit facilities received		-2,200,127	-1,643,359
Share issue		228,507	-
Other financial gains	Note 20.2	-	19,604
Other financial expenses	Note 20.2	-9,768	-
Net cash provided by (used in) financing activities		**681,415**	**-813,816**
Cash and cash equivalents, gross Ending balance		**1,709,898**	**414,958**
Change in gross cash and cash equivalents		**419,034**	**-1,566,730**

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

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

3. Information on BNP Paribas Bank Polska SA Group

Basic data on the Issuer

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

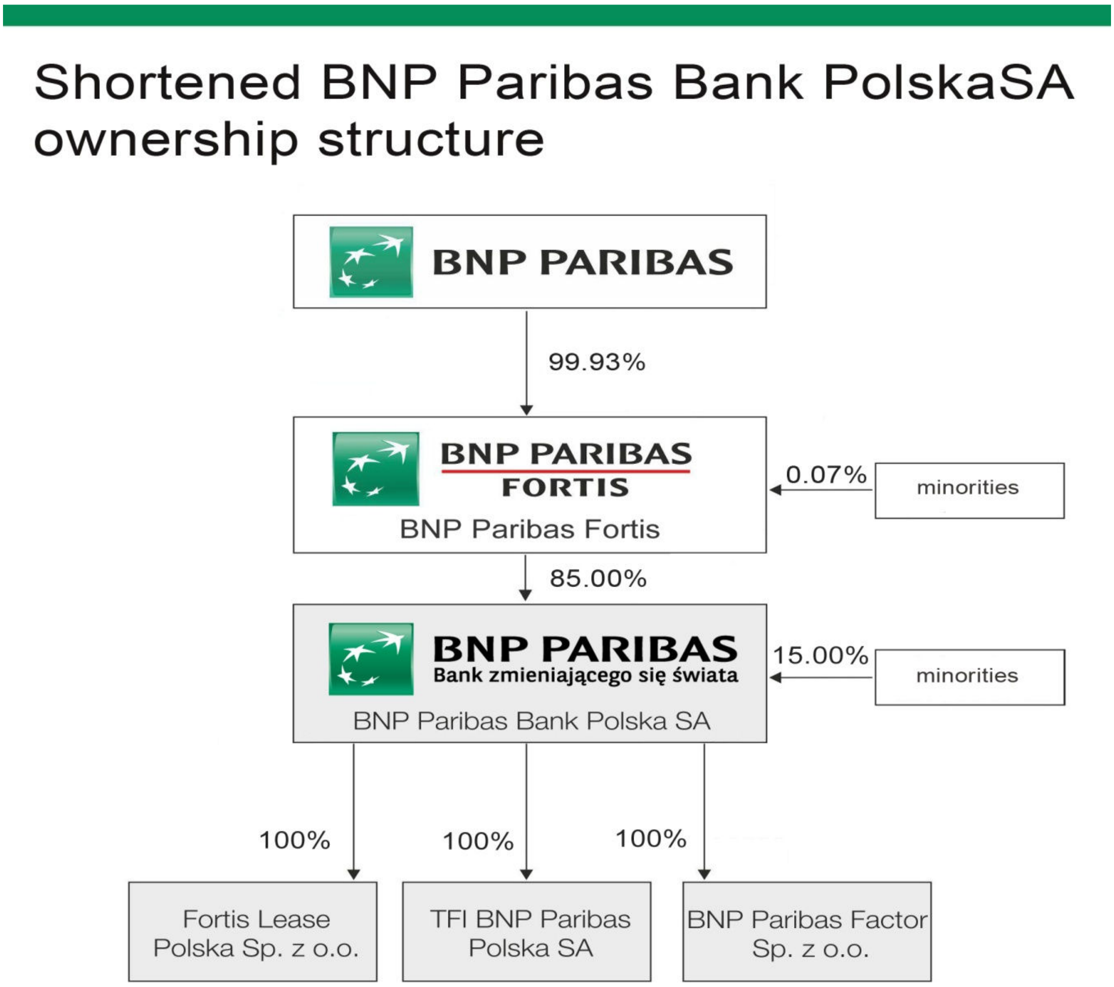
Explanations regarding Seasonal or Periodical Nature of the Interim Business

The activity pursued by BNP Paribas Bank Polska SA Group has no materially seasonal or periodical nature.

Structure of the Group

BNP Paribas Bank Polska SA Group is part of BNP Paribas SA, an international financial institution based in Paris.
As at 30 June 2014, the direct parent entity of BNP Paribas Bank Polska SA was BNP Paribas Fortis based in Brussels which held 85% of the Bank's shares, the remaining 15% were held by other shareholders.

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



Composition of the BNP Paribas Bank Polska SA Group as at 30 June 2014

As at 30 June 2014, the BNP Paribas Bank Polska SA Group included:

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

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

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

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

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

Field of the Group's business activity

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

1. The scope of the Bank's business shall include:
    1) accepting deposits due on demand and/or in fixed date, and maintaining bank accounts for such deposits,
    2) maintaining other bank accounts,
    3) granting credits and loans, including consumer credits and loans,
    4) carrying out bank pecuniary settlements, including payment card settlements, likewise payment card issuance,
    5) issuing and confirming bank guarantees, granting sureties, likewise opening and confirming L/Cs,
    6) issuing securities, including convertible bonds and banking securities, likewise carrying out commissioned tasks, and assuming obligations related to the issuance of securities,
    7) participating in trading in financial instruments, including maintaining securities custody accounts,

8) conducting operations on money and FX markets including forward and derivative instrument transactions,
9) conducting check and bill-of-exchange operations and warrant transactions,
10) purchasing and selling cash debts,
11) purchasing and selling foreign currencies,
12) safekeeping valuables and securities, likewise rendering safe-deposit boxes available,
13) providing the following financial services:
    a) consulting services on financial issues,
    b) custody services,
    c) leasing services,
    d) brokerage activity,
14) conducting commission sale in favour of open pension funds and safekeeping pension funds' assets,
15) providing agency services related to the distribution of participation units, investment certificates or participation titles to investment funds, likewise agency services related to their sale and redemption, or safekeeping of investment funds' assets,
16) providing agency services related to property insurance,
17) intermediating within the scope of personal insurance, including life insurance,
18) rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by the Bank with regard to actions to which it is a party,
19) acting as an agent in making money transfers and FX settlements,
20) issuance of electronic money instrument.

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

4. Accounting Policies

4.1. Basis of Presentation

Statement on consistency with the IFRS

The interim abbreviated consolidated financial statements of the BNP Paribas Bank Polska SA Group have been prepared pursuant to the International Accounting Standard 34 "Interim Financial Reporting" (IAS 34), approved by the EU, and other applicable regulations. These financial statements do not contain all information required for the annual consolidated financial statements and therefore, it should be read together with the consolidated financial statements of BNP Paribas Bank Polska SA Group for the year ended 31 December 2013. The Consolidated Financial Statements of the BNP Paribas Bank Polska SA Group for the year ended 31 December 2013 is available on the Bank's website: www.bnpparibas.pl.

Pursuant to the Ministry of Finance Ordinance dated 19 February 2009 regarding current and periodical information submitted by issuers of securities and conditions of recognising as equivalent the information required by law provisions of a country that is not a EU Member State (Journal of Laws No. 33/2009, item 259, as amended), the Bank shall publish its financial performance for the period of 6 months ended 30 June 2014, which is considered a current interim reporting period.

These financial statements of the Bank were approved for publishing by the Bank Board of Executives on 27 August 2014.

The Accounting Policies adopted to prepare the interim abbreviated financial statements of the BNP Paribas Bank Polska SA Group are consistent with the rules applied in the annual financial statements for the fiscal year ended on 31 December 2013.

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

- IFRS 10 "Consolidated Financial Statements," approved in the EU on 11 December 2012 (applies to annual periods beginning on or after 1 January 2014),

- IFRS 11 "Joint Arrangements," approved in the EU on 11 December 2012 (applies to annual periods beginning on or after 1 January 2014),

- IFRS 12 "Disclosure of Interests in Other Entities," approved in the EU on 11 December 2012 (applies to annual periods beginning on or after 1 January 2014),

- IAS 27 (as amended in 2011) "Separate Financial Statements," approved in the EU on 11 December 2012 (applies to annual periods beginning on or after 1 January 2014),

- IAS 28 (as amended in 2011) "Investments in Associates and Joint Ventures," approved in the EU on 11 December 2012 (applies to annual periods beginning on or after 1 January 2014),

- Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" - Transition Guidance, approved in the European Union on 4 April 2013 (apply to annual periods beginning on or after 1 January 2014),

- Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities, approved in the European Union on 20 November 2013 (apply to annual periods beginning on or after 1 January 2014),

- Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities, approved in the EU on 13 December 2012 (apply to annual periods beginning on or after 1 January 2014),

- Amendments to IAS 36 "Impairment of Assets" - Recoverable Amount Disclosures for Non-Financial Assets, approved in the EU on 19 December 2013 (apply to annual periods beginning on or after 1 January 2014),

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting, approved in the EU on 19 December 2013 (apply to annual periods beginning on or after 1 January 2014),

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

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

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

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

- IFRS 9 "Financial Instruments" (applies to annual periods beginning on or after 1 January 2018),

- IFRS 14 "Regulatory Deferral Accounts" (applies to annual periods beginning on or after 1 January 2016),

- IFRS 15 "Revenue from Contracts with Customers" (applies to annual periods beginning on or after 1 January 2017),

- Amendments to IFRS 11 "Joint Arrangements" - Accounting for Acquisitions of Interests in Joint Operations (applies to annual periods beginning on or after 1 January 2016),

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (applies 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 (applies to annual periods beginning on or after 1 January 2016),

- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (applies to annual periods beginning on or after 1 July 2014),

- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (applies to annual periods beginning on or after 1 January 2016),

- Amendments to various standards: "Annual Improvements to IFRSs (2010–2012 Cycle)" - made by introducing annual improvements to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) chiefly to remove inconsistencies and clarify wording (applies to annual periods beginning on or after 1 July 2014),

- Amendments to various standards: "Annual Improvements to IFRSs (2011-2013 Cycle)" - made by introducing annual improvements to IFRSs (IFRS 1, IFRS 3, IFRS 13 and IAS 40) chiefly to remove inconsistencies and clarify wording (applies to annual periods beginning on or after 1 July 2014).

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

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

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

4.2 . Consolidation basis

Subsidiaries are enterprises that are controlled by BNP Paribas Bank Polska SA (which is the parent entity). The control exists when the Bank, either directly or indirectly, has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
The control also exists when the Bank owns one half or less of voting rights of an enterprise, and if:

- it has more than one half of the voting rights by virtue of an agreement with other investors,
- it has power to govern the financial and operating policies of the enterprise under a statute or an agreement,
- it has power to appoint or dismiss the majority of the members of the management board or equivalent governing body, where such board or body controls the enterprise.

The full consolidation method is applied to the subsidiary. Such full consolidation consists in adding together specific items of financial statements of the Bank and of the subsidiaries in full amount, and making relevant adjustments and consolidation eliminations.

In the full consolidation of balance sheets, all items of assets and liabilities of both the subsidiary and the parent are aggregated in their full amounts, irrespective of the parent's actual interest in the subsidiary.

In the consolidation process, the carrying amount of the parent's investment in the subsidiary and the parent's portion of equity of the subsidiary are eliminated.

Intragroup receivables and payables and intragroup transactions, unrealised gains and expenses resulting from transactions with the subsidiary are eliminated in the preparation of consolidated financial statements.

The Group's entities apply the uniform accounting standards.

In the interim consolidated financial statements of the BNP Paribas Bank Polska SA Group for the first half of 2014, the full consolidation is applied to the following subsidiaries: Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA, Fortis Lease Polska Sp. z o. o. and BNP Paribas Factor Sp. z o.o.

4.3 Basic assumptions

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

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

The functional currency is Polish zloty (PLN)

4.4. Embedded derivatives

Financial assets or liabilities can include embedded derivatives. If the host contract for such an instrument is not measured at fair value through profit or loss, and the embedded instrument's economic characteristics and risk are not closely related to those of the host contract, the embedded instrument shall be separated and presented independently, to be measured to fair value. Changes in fair value of a separated derivative instrument are recognised in the income statement. The host contracts are measured pursuant to the rules applicable to their respective category of financial assets or liabilities.
The separated embedded derivatives are reported as hedging or held-for-trading derivatives, as appropriate.
As at 31 December 2013, the Group did not separate embedded derivatives.

4.5. Accounting Estimates

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

4.5.1 Fair value

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

4.5.2 Impairment losses on financial assets

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

4.5.3 Impairment losses of non-financial assets

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

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

4.5.4 Useful lives and residual values

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

4.5.5 Other accounting estimates

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

4.6. Comparative Data

The consolidated financial statements present consolidated data of BNP Paribas Bank Polska SA and its subsidiaries: Fortis Lease Polska Sp. z o.o., Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA and BNP Paribas Factor Sp. z o.o. for the periods from 1 January 2014 until 30 June 2014, and as at 30 June 2014, and consolidated comparative data for the periods from 1 January 2013 until 30 June 2013, and as at 30 June 2013 and 31 December 2013.

5. Comparability with Previously Published Reports

There have been changes made with respect to the manner of presentation of the data, published in the report for the first half of 2013 as at 30 June 2013 to ensure data comparability. The data are presented in PLN thousand.

<table>
<tr><th colspan="6">Consolidated Income Statement
for the period from 1 Jan 2013 to 30 June 2013</th></tr>
<tr><th rowspan="2">Item</th><th rowspan="2">Before the adjustment</th><th rowspan="2">Adjustment</th><th rowspan="2">After the adjustment</th><th colspan="2">Change description</th></tr>
<tr><th>Amount</th><th>Description</th></tr>
<tr><td>Fee and commission income</td><td>94,966</td><td>-8,359</td><td>86,607</td><td>-8,359</td><td rowspan="2">Change in the presentation of provisions for fees and commissions</td></tr>
<tr><td>Fee and commission expense</td><td>-23,122</td><td>8,359</td><td>-14,763</td><td>8,359</td></tr>
<tr><td>Other revenues</td><td>14,037</td><td>-200</td><td>13,837</td><td>-200</td><td>Change in the presentation of income on disposal of assets by a subsidiary</td></tr>
<tr><td>Other operating expenses</td><td>-11,601</td><td>727</td><td>-10,874</td><td>727</td><td>Separation of a new item, "Net result on provisions", where provisions for legal risk are recognised</td></tr>
<tr><td rowspan="2">Other general expenses</td><td rowspan="2">-127,370</td><td rowspan="2">3,355</td><td rowspan="2">-124,015</td><td>3,240</td><td>Separation of a new item, "Net result on provisions", where provisions for legal risk are recognised</td></tr>
<tr><td>115</td><td>Change in the presentation of income on disposal of assets by a subsidiary</td></tr>
<tr><td rowspan="2">Net profit/loss from disposal of assets, shares and interest</td><td rowspan="2">-361</td><td rowspan="2">85</td><td rowspan="2">-276</td><td>-115</td><td rowspan="2">Change in the presentation of income on disposal of assets by a subsidiary</td></tr>
<tr><td>200</td></tr>
<tr><td>Net result on provisions</td><td>-</td><td>-3,967</td><td>-3,967</td><td>-727</td><td>Separation of a new item, "Net result on provisions", where provisions for legal risk are recognised</td></tr>
</table>

6. Segment Reporting

Information on segments

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

Primary segmentation

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

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

Accounting principles for specific segments are the same as the ones described in the accounting principles. Income and expenses assigned to the given segment are generated by the sale and service of products for customers of the specific segment. They are recognised in the Group's income statement and are allocated to the given segment either directly or based on reasonable evidence.

The internal transfer of funds between the Bank's segments is based on transfer prices related to market rates. Transfer prices are defined according to the same rules for all organisational units of the Bank, and their diversification results only from the currency and maturity structure of assets and liabilities. Internal settlements related to the internal measurement of the funds transfer are accounted for in the profit or loss of each segment.

In the income statement, costs are at first presented as direct costs in all business lines and support units (horizontal functions). The Cost allocation (internal) item contains the allocation of indirect costs to specific business lines.

Activity segments

- Retail Banking

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

- Corporate and Transaction Banking

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

- Other Banking Activity

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

Geographical segment

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

Consolidated Income Statement by Business Segments

1 Jan 2014 - 30 June 2014 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Interest income (external)	263,631	128,000	45,404	**437,035**
Transfer prices expense (internal)	-127,955	-77,034	-167,298	**-372,287**
Interest expense (external)	-54,368	-45,982	-58,378	**-158,728**
Transfer prices income (internal)	79,783	65,164	227,340	**372,287**
Net interest income	**161,091**	**70,148**	**47,068**	**278,307**
Fee and commission income (external)	52,967	34,082	76	**87,125**
Fee and commission expense (external)	-15,038	-1,212	-103	**-16,353**
Net fee and commission income	**37,929**	**32,870**	**-27**	**70,772**
Net trading income	12,849	29,500	-1,233	**41,116**
Net profit/loss on hedging transactions	-	-	774	**774**
Net profit/loss on the hedged item	-	-	-774	**-774**
Net result on available-for-sale financial assets	-	-	16,850	**16,850**
Dividends	6	-	-	**6**
Other revenues	10,755	10,884	-	**21,639**
Other operating expenses	-13,175	-11,406	-	**-24,581**
Net banking income	**209,455**	**131,996**	**62,658**	**404,109**
Operating costs	**-142,576**	**-24,755**	**-94,398**	**-261,729**
Personnel expenses	-69,580	-20,333	-53,573	**-143,486**
Other general expenses	-72,996	-4,422	-40,825	**-118,243**
Depreciation	-12,556	-6,767	-2,648	**-21,971**
Cost allocation (internal)	-70,293	-21,003	91,296	**-**
Gross operating profit/loss	**-15,970**	**79,471**	**56,908**	**120,409**
Cost of risk and net result on provisions	**-39,142**	**-10,593**	**-319**	**-50,054**
Cost of risk	-42,836	-10,893	-319	**-54,048**
Net result on provisions	3,694	300	-	**3,994**
Net operating profit/loss	**-55,112**	**68,878**	**56,589**	**70,355**
Net profit/loss from disposal of assets, shares and interest	-1,010	44	-	**-966**
Profit/loss before taxation	**-56,122**	**68,922**	**56,589**	**69,389**
Income tax	**-**	**-**	**-**	**-19 614**
Profit/loss after taxation	**-**	**-**	**-**	**49 775**

1 Jan 2013 - 30 June 2013 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Interest income (external)	275,086	125,924	54,366	**455,376**
Transfer prices expense (internal)	-150,504	-71,679	-200,264	**-422,447**
Interest expense (external)	-88,442	-59,136	-40,958	**-188,536**
Transfer prices income (internal)	103,137	71,372	247,938	**422,447**
Net interest income	**139,277**	**66,481**	**61,082**	**266,840**
Fee and commission income (external)	55,192	31,342	73	**86,607**
Fee and commission expense (external)	-13,247	-1,385	-131	**-14,763**
Net fee and commission income	**41,945**	**29,957**	**-58**	**71,844**
Net trading income	14,646	31,903	3,412	**49,961**
Net profit/loss on hedging transactions	-	-	-2,228	**-2,228**
Net profit/loss on the hedged item	-	-	2,228	**2,228**
Net result on available-for-sale financial assets	328	444	17,898	**18,670**
Dividends	11	-	-	11
Other revenues	10,365	16,042	-	26,407
Other operating expenses	-10,926	-12,518	-	-23,444
Net banking income	**195,646**	**132,309**	**82,334**	**410,289**
Operating costs	**-142,509**	**-29,155**	**-89,942**	**-261,606**
Personnel expenses	-70,951	-18,167	-48,473	**-137,591**
Other general expenses	-71,558	-10,988	-41,469	**-124,015**
Depreciation	-11,785	-1,662	-9,262	**-22,709**
Cost allocation (internal)	-74,962	-17,918	92,880	**-**
Gross operating profit/loss	**-33,610**	**83,574**	**76,010**	**125,974**
Cost of risk and net result on provisions	**-62,467**	**6,191**	**824**	**-55,452**
Cost of risk	-58,517	6,202	830	**-51,485**
Net result on provisions	-3,950	-11	-6	**-3,967**
Net operating profit/loss	**-96,077**	**89,765**	**76,834**	**70,522**
Net profit/loss from disposal of assets, shares and interest	-313	37	-	**-276**
Profit/loss before taxation	**-96,390**	**89,802**	**76,834**	**70,246**
Income tax	**-**	**-**	**-**	**-18 740**
Profit/loss after taxation	**-**	**-**	**-**	**51 506**

Consolidated total assets (in PLN thousand)	As at:	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Assets*	30 June 2014	10,904,601	6,951,006	4,625,487	**22,481,094**
	31 Dec 2013	10,866,641	5,671,083	4,579,532	**21,117,256**
	30 June 2013	11,101,957	5,913,337	3,861,008	**20,876,302**
Loans to customers, gross	30 June 2014	11,611,021	7,269,360	-	**18,880,381**
	31 Dec 2013	11,551,489	6,119,732	-	**17,671,221**
	30 June 2013	11,770,160	6,419,157	-	**18,189,317**
Loans to customers, net	30 June 2014	10,910,538	6,959,954	-	**17,870,492**
	31 Dec 2013	10,840,152	5,742,462	-	**16,582,614**
	30 June 2013	11,058,971	6,003,307	-	**17,062,278**

Liabilities	30 June 2014	6,160,142	5,623,188	10,697,764	**22,481,094**
	31 Dec 2013	6,535,010	5,900,309	8,681,937	**21,117,256**
	30 June 2013	6,127,865	4,867,260	9,881,177	**20,876,302**

Liabilities due to customers	30 June 2014	6,057,631	5,350,653	-	**11,408,284**
	31 Dec 2013	5,949,746	4,944,553	-	**10,894,299**
	30 June 2013	5,616,601	3,962,010	-	**9,578,611**

** For segments: Retail Banking and Corporate & Transaction Banking net loans to customers constitute the main component of the assets.*

7. Additional Notes to Consolidated Income Statement

Below there is selected information on consolidated revenues and expenses of the Group in the first half of 2014 and comparative data for the first half of 2013.

Note 7.1

Interest income (in PLN thousand)	1 April 2014 – 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Cash and cash equivalents	4,167	6,991	3,531	9,415
Due from banks	327	733	650	1,392
Loans to customers	197,036	390,509	197,363	403,592
Investments available for sale	19,467	37,489	19,679	39,300
Securities held for trading	-	-	40	331
Hedging derivative instruments	649	1,313	695	1,346
Total interest income	**221,646**	**437,035**	**221,958**	**455,376**

Note 7.2

Interest expense (in PLN thousand)	1 April 2014 – 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Due to banks	-5,693	-9,476	-8,280	-13,396
Due to customers	-47,797	-92,140	-59,062	-127,705
Loans and credit facilities received	-25,719	-49,809	-27,396	-58,882
Subordinated loans	-3,539	-7,057	-3626	12,538*
Hedging derivative instruments	-78	-145	-51	-100
Other	-63	-101	-158	-991
Total interest expense	**-82,889**	**-158,728**	**-98,573**	**-188,536**

**in this item, the settlement of a prepaid portion of subordinated loans was recognised, with a positive mark to market*

Note 7.3

Fee and commission income (in PLN thousand)	1 April 2014 – 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Securities trading	61	120	169	549
Cash settlements services	14,287	28,257	14,585	28,948
Guarantees and contingent liabilities	4,588	9,270	4,910	9,507
Loan origination fees and commissions(recognised on a straight-line basis)	5,304	9,931	4,046	7,528
Loan origination fees and commissions (one-off items)	2,382	5,033	2,591	5,551
Income on account of agency in customer acquisition	683	1,403	1,366	1,800
Card related income	6,405	12,382	5,735	11,286
Insurance product sales revenues	4,795	9,260	5,581	10,161
Other	5,915	11,469	5,502	11,277
Total fee and commission income	**44,420**	**87,125**	**44,485**	**86,607**

Note 7.4

Fee and commission expense (in PLN thousand)	1 April 2014 - 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Securities trading	-18	-49	-21	-43
Card related expenses	-4,098	-7,606	-3,636	-6,605
Cash transactions expenses	-97	-170	-97	-165
Settlements	-183	-374	-187	-385
Fee and commission expenses related to the franchise branch network	-2,117	-5,076	-2,341	-4,456
Expenses related to the sale of insurance products	-530	-1,108	-623	-1,328
Other fee and commission expenses	-978	-1,970	-742	-1,781
Total fee and commission expenses	**-8,021**	**-16,353**	**-7,647**	**-14,763**

Note 7.5

Net trading income (in PLN thousand)	1 April 2014- 30 June 2014	1 Jan 2014 - 30June2014	1 April 2013- 30 June 2013	1 Jan 2013 - 30 June 2013
Securities	-	-	86	-14
Derivative instruments, including:	2,601	-1,121	1,901	2,817
- fair value adjustment on account of credit risk of derivative instruments	2,440	-691	94	950
Embedded derivatives: share options	-34	-34	-	-
Currency exchange transactions, including:	20,756	42,271	24,586	47,158
- Credit value adjustment	-313	-313	-	-
Total net trading income	**23,323**	**41,116**	**26,573**	**49,961**

Note 7.6

Net profit/loss on available-for-sale financial assets (in PLN thousand)	1 April 2014 - 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Securities	11,120	16,850	4,252	18,342
Participation units	-	-	328	328
Total net profit/loss on transactions in available-for-sale financial instruments	**11,120**	**16,850**	**4,580**	**18,670**

Note 7.7

Other income (in PLN thousand)	1 April 2014 - 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Income on account of covering mandatory annual fee for BGF	2,341	4,473	1,869	2,251
Rental and lease income	1,877	3,680	2,079	4,151
Income on investing activities	529	2,012	640	1,567
Income on leasing activity	4,462	8,673	6,371	13,264
Other	-650	2,801	2,980	5,174
Total other income	**8,559**	**21,639**	**13,939**	**26,407**

Note 7.8

Other operating expenses (in PLN thousand)	1 April 2014 - 30 June 2014	1 Jan 2013 - 30 June 2013	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Compensation, penalties and fines	-709	-806	-852	-1,016
BGF - annual fee costs	-3,941	-7,881	-3,843	-7,686
BGF - prudential fee costs	-1,457	-4,334	-	-
Leasing activity expenses	-4,310	-8,473	-6,189	-12,570
Other expenses	-1,227	-3,087	-1,215	-2,172
Total other operating expenses	**-11,644**	**-24,581**	**-12,099**	**-23,444**

Note 7.9

Personnel expenses (in PLN thousand)	1 April 2014 - 30 June 2014	1 Jan 2013 - 30 June 2013	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Remuneration	-55,283	-105,799	-54,723	-105,247
Surcharges on remuneration	-9,568	-22,188	-9,592	-21,171
Provisions on severance pay related to retirement, unused vacation leaves and other employee benefits, including:	-7,096	-15,438	-4,856	-11,129
- restructuring provisions	-	-	2,706	3,981
Other remuneration components	-35	-61	-20	-44
Total personnel costs	**-71,982**	**-143,486**	**-69,191**	**-137,591**

Note 7.10

Other general expenses (in PLN thousand)	1 April 2014 – 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
- rents	-16,228	-33,597	-17,613	-34,259
- information technologies and systems	-10,310	-19,934	-9,714	-18,996
- marketing and advertising	-8,041	-14,968	-8,413	-16,832
- expenditure related to RE use	-2,719	-5,129	-2,770	-5,543
- postal and telecommunication services	-2,832	-5,616	-3,800	-7,486
- advisory services and consulting	-1,219	-2,269	-1,252	-1,972
- business travels	-4,418	-8,272	-3,305	-7,008
- training	-1,442	-2,619	-1,306	-2,653
- municipal services	-3,635	-7,155	-3,820	-8,281
- KNF costs	-32	-1,064	-968	-1,978
- costs of receivables recovery	-1,688	-2,999	-2,910	-3,853
- costs related to ATMs and cash service	-1,056	-2,043	-1,510	-2,858
- outsourcing cost in the lease business	-3,792	-5,378	-2,783	-2,783
- other*	-487	-7,200	-2,775	-9,513
Total other general expenses	**-57,899**	**-118,243**	**-62,939**	**-124,015**

**"other"- the item includes a provision for debt recovery costs and provision for other administration costs, investment expenditures, security, stationery.*

Note 7.11

Depreciation (in PLN thousand)	1 April 2014 - 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Fixed assets, including:	-8,891	-16,477	-9,317	-18,868
- own real estate	-66	-131	-357	-391
- leasehold improvements	-3,175	-6,298	-3,037	-5,633
- computer hardware	-4,206	-8,132	-4,341	-9,337
- other fixed assets	-1,444	-1,916	-1,582	-3,507
Intangible assets	-2,948	-5,604	-2,100	-4,048
Provisions for impairment of intangible assets	20	39	20	39
Provisions for impairment of investments	203	71	131	168
Total depreciation	**-11,616**	**-21,971**	**-11,266**	**-22,709**

Note 7.12

Cost of risk (in PLN thousand)	1 April 2014 - 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Net cash and cash equivalents, including:	-639	-319	42	831
- provisions for Incurred But Not Reported losses (IBNR)	-639	-319	42	831
Liabilities due from banks, net, including:	3	49	-	-
- provisions for Incurred But Not Reported losses (IBNR)	3	49	-	-
Loans to customers, net, including:	-30,972	-50,198	-21,723	-33,814
- provisions for credit receivables	-38,778	-58,149	-33,317	-45,215
- provisions for Incurred But Not Reported losses (IBNR)	1,115	-2,283	-3,330	-6,209
- income on account of receivables written-down to provisions	-24	3,519	577	3,263
- income on account of receivables recovered	6,715	6,715	14,347	14,347
Off-balance sheet liabilities, net, including:	-1,261	-2,713	2,621	-16,939
- provisions for off-balance sheet commitments	888	-774	2,891	-16,649
- provisions for Incurred But Not Reported losses (IBNR)	-2,149	-1,939	-270	-290
Other assets, net	311	-867	-961	-1,563
Total cost of risk	**-32,558**	**-54,048**	**-20,021**	**-51,485**

Note 7.13

Net result on provisions (in PLN thousand)	1 April 2014 - 30 June 2014	1 Jan 2014 - 30 June 2014	1 April 2013 - 30 June 2013	1 Jan 2013 - 30 June 2013
Provisions for legal risk related to financial instruments	4,000	4,300	-	-
Provisions for legal risk - other	-306	-306	-829	-3,967
Total net result on provisions	**3,694**	**3,994**	**-829**	**-3,967**

Note 7.14

Consolidated Earnings Per Share	1 Jan 2014 - 30 June 2014	1 Jan 2013 - 30 June 2013
Weighted average number of ordinary shares	29,664,909	28,692,926
Profit/loss after taxation (in PLN thousand)	49,775	51,506
Earnings/loss per ordinary share ratio in PLN	1.68	1.80
Weighted average diluted number of potential ordinary shares	29,664,909	28,692,926
Diluted consolidated Earnings/Loss Per Share (PLN per share)	**1.68**	**1.80**

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

8. Cash and cash equivalents

Note 8

Cash and cash equivalents (in PLN thousand)	**30 June 2014**	**31 Dec 2013**	**30 June 2013**
Cash at hand	172,244	182,201	143,095
Due from the Central Bank	417,224	377,416	9,245
Short-term liabilities due from banks, including:	1,120,398	731,199	261,781
- Nostro accounts	904,381	374,133	162,049
- short-term deposits from banks	216,017	357,066	99,732
Interest	32	48	837
Cash and cash equivalents, gross	**1,709,898**	**1,290,864**	**414,958**
Impairment provisions:	**-936**	**-617**	**-270**
- for Incurred But Not Reported losses (IBNR)	-936	-617	-270
Total cash and cash equivalents, net	**1,708,962**	**1,290,247**	**414,688**

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

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

9. Financial Assets and Liabilities Held for Trading

Note 9.1

Financial assets held for trading (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Derivative financial instruments, including:	**73,767**	**70,118**	**92,658**
- foreign currency contracts, including:	17,160	17,685	32,887
- fair value adjustment for credit risk	-2,819	-417	-484
- interest rate contracts	56,605	52,433	59,771
- Other options	2	-	-
Total financial assets held for trading	**73,767**	**70,118**	**92,658**

The table below presents fair values of derivative financial instruments.

Financial assets held for trading (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Foreign currency contracts:	**17,160**	**17,685**	**32,887**
- Forward (including the forward leg of a swap contract)	14,492	15,328	19,410
- Options	1,880	1,208	5,609
- CIRS	788	1,149	7,868
Interest Rate contracts:	**56,605**	**52,433**	**59,771**
- FRA	-	13	-
- IRS	52,960	46,333	52,458
- OIS	225	86	331
- Options	3,420	6,001	6,982
Other options	**2**	**-**	**-**
Total derivative financial instruments held for trading	**73,767**	**70,118**	**92,658**

Either as at 30 June 2014 or in the periods compared, the Group's balance sheet included no buy-sell-back repo securities held for trading.

Note 9.2

Financial liabilities held for trading (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Derivative financial instruments, including:	**80,698**	**69,790**	**85,738**
- foreign currency contracts	17,952	18,669	25,889
- interest rate contracts	62,746	51,121	59,849
Total financial liabilities held for trading	**80,698**	**69,790**	**85,738**

The table below presents fair values of derivative financial instruments.

Liabilities held for trading (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Foreign currency contracts:	**17,952**	**18,669**	**25,889**
- Forward (including the forward leg of a swap contract)	14,843	16,697	19,379
- Options	2,749	1,626	6,093
- CIRS	360	346	417
Interest Rate contracts:	**62,746**	**51,121**	**59,849**
- FRA	187	-	263
- IRS	59,139	45,120	51,471
- OIS	-	-	1,133
- Options	3,420	6,001	6,982
Total derivative financial instruments held for trading	**80,698**	**69,790**	**85,738**

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

- level 2: interest rate options in EUR, FX options, interest rate and FX base swaps, FRA contracts, FX Forward transactions maturing within one year, FX swaps, OIS, interest rate swaps maturing within 10 years (the fair value is determined using measurement techniques [models] based on verifiable market data available);

- level 3: interest rate options in PLN, FX options maturing within a period longer than one year, FX Forward transactions maturing within a period longer than one year, (the fair value is determined using measurement techniques [models] not based on verifiable market data available).

The table below shows a hierarchy of measurement methods of held-for-trading financial instruments measured to fair value, as at 30 June 2014 and comparative data.

Hierarchy of measurement methods as at 30 June 2014	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments				
- positive valuation	-	70,670	3,097	**73,767**
foreign currency contracts	-	14,331	2,829	**17,160**
interest rate contracts	-	56,339	266	**56,605**
Other options	-	-	2	**2**
- negative valuation	-	77,604	3,094	**80,698**
foreign currency contracts	-	15,123	2,829	**17,952**
interest rate contracts	-	62,481	265	**62,746**

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

Hierarchy of measurement methods as at 30 June 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative Financial Instruments				
- positive valuation	-	89,560	3,098	**92,658**
foreign currency contracts	-	30,279	2,608	**32,887**
interest rate contracts	-	59,281	490	**59,771**
- negative valuation	-	82,641	3,097	**85,738**
foreign currency contracts	-	23,282	2,607	**25,889**
interest rate contracts	-	59,359	490	**59,849**

10. Receivables

Note 10.1

Due from banks (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Loans	37,042	62,054	60,038
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) at the trade date	11,928	3,407	51,606
Other receivables	2,886	13,667	13,964
Interest	62	150	177
Total liabilities due from banks, gross	**51,918**	**79,278**	**125,785**
Impairment provisions:	**-28**	**-77**	**-74**
- for Incurred But Not Reported losses (IBNR)	-28	-77	-74
Total liabilities due from banks, net	**51,890**	**79,201**	**125,711**

Note 10.2

Loans to customers (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Loans to State-owned entities	20,032	37	45
Mortgage loans	5,619,063	5,692,723	5,944,137
Consumer loans and credit facilities	2,534,737	2,442,003	2,404,117
Commercial loans	8,465,382	7,565,244	7,942,773
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) at the trade date	2,577	-	2,297
Finance lease receivables	1,816,816	1,762,775	1,707,372
Other receivables	370,777	158,077	137,464
Interest	50,997	50,362	51,112
Total loans to customers, gross	**18,880,381**	**17,671,221**	**18,189,317**
Impairment provisions:	**-1,009,889**	**-1,088,607**	**-1,127,039**
- for incurred, reported losses	-892,718	-974,610	-1,017,977
- for Incurred But Not Reported losses (IBNR)	-117,171	-113,997	-109,062
Total loans to customers, net	**17,870,492**	**16,582,614**	**17,062,278**

Note 10.3

Changes in impairment provisions (in PLN thousand)	Liabilities due from banks	Loans to customers	
	Provisions for Incurred But Not Reported losses (IBNR)	Impairment provision	Provisions for Incurred But Not Reported losses (IBNR)
Balance as at 1 Jan 2013	**-74**	**-1,099,281**	**-102,853**
Increases	-	-251,093	-16,543
Decreases	-	206,153	10,334
Write-downs to provisions	-	132,574	-
FX rate differences	-	-6,330	-
Balance as at 30 June 2013	**-74**	**-1,017,977**	**-109,062**

Balance as at 01 Jan 2013	**-74**	**-1,099,281**	**-102,853**
Increases	-28	-536,216	-39,103
Decreases	25	453,728	27,959
Write-downs to provisions	-	208,012	-
FX rate differences	-	-853	-
Balance as at 31 Dec 2013	**-77**	**-974,610**	**-113,997**
Balance as at 01 Jan 2014	**-77**	**-974,610**	**-113,997**
Increases	-	-239,950	-64,470
Decreases	49	180,050	61,296
Write-downs to provisions	-	142,090	-
FX rate differences	-	-298	-
Balance as at 30 June 2014	**-28**	**-892,718**	**-117,171**

11. Investments

Note 11.1

Investments available for sale (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Treasury bonds	1,830,082	1,814,477	1,817,284
Bonds issued by banks	59,400	61,414	-
Bonds issued by non-financial entities	63,794	-	11,666
NBP cash bills	199,945	699,847	789,651
Shares and holdings	11,332	5,148	14,728
Participation units	3,644	3,491	3,467
Interest	26,085	23,493	33,730
Total investments available for sale, gross	**2,194,282**	**2,607,870**	**2,670,526**
Write-downs for investments available for sale	**-376**	**-**	**-9,772**
- for bonds issued by non-financial entities	-	-	-3,888
- for shares	-376	-	-5,884
Total investments available for sale, net	**2,193,906**	**2,607,870**	**2,660,754**

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

- level 1: Treasury bonds, shares quoted on the WSE (the fair value is determined directly by reference to active market quotations published);
- level 2: bonds issued by Bank Gospodarstwa Krajowego (BGK), cash bills (the fair value is determined using measurement techniques [models] based on verifiable market data available);
- level 3: corporate bonds except the ones issued by BGK, shares not quoted on the WSE (the fair value is determined using measurement techniques [models] not based on verifiable market data available, i.e. in cases other than the ones described in items 1 and 2).

The table below shows a hierarchy of measurement methods of available-for-sale investments measured at fair value as at 30 June 2014 and comparative data.

Note 11.2

Hierarchy of measurement methods as at 30 June 2014 (in PLN thousand)	Level 1	Level 2	Level 3	Total
Treasury bonds	1,830,082	-	-	**1,830,082**
Bonds issued by banks	-	59,400	-	**59,400**
NBP cash bills	-	199,945	-	**199,945**
Bonds issued by non-financial entities	-	-	63,794	**63,794**
Shares	4,531	-	6,425	**10,956**
Participation units	3,644		-	**3,644**

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

Hierarchy of measurement methods as at 30 June 2013 (in PLN thousand)	Level 1	Level 2	Level 3	Total
Treasury bonds	1,817,284	-	-	**1,817,284**
NBP cash bills	-	789,651		**789,651**
Bonds issued by non-financial entities	-	-	7,778	**7,778**
Shares	8,262	-	582	**8,844**
Participation units	3,467		-	**3,467**

12. Non-current assets held for sale

The table below presents a specification of non-current assets held for sale as at 30 June 2014 as well as comparative data:

Note 12

in PLN thousand	30 June 2014	31 Dec 2013	30 June 2013
Land (including perpetual usufruct of land)	-	3,984	4,935
Buildings and premises	-	13,577	17,715
Means of transport	557	682	705
Construction machines	-	-	26
Other	13	-	190
Total non-current assets held for sale	**570**	**18,243**	**23,571**

13. Deferred tax assets and liabilities

The table below presents deferred tax assets and liabilities as at 30 June 2014 and comparative data.

Note 13.1

in PLN thousand	30 June 2014	31 Dec 2013	30 June 2013
Deferred tax assets	224,690	245,230	258,190
Deferred tax assets recognised in the revaluation reserve	-	-	1,405
Deferred tax liabilities	38,246	48,400	47,063
Total deferred tax assets, net - recognised in assets	**186,444**	**196,830**	**212,532**
Deferred tax liabilities - recognised in correspondence with revaluation reserve	1,211	762	-
Deferred tax liabilities related to actuarial profits and losses	-	46	6
Total deferred tax liabilities - recognised in liabilities	**1,211**	**808**	**6**
Net deferred tax	**185,233**	**196,022**	**212,526**

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

Note 13.2

Deferred tax assets (in PLN thousand)	Opening balance 1 Jan 2014	Opening balance (including incorporation of Fortis Lease Polska into the Bank's structure) as at 15 Feb 2014	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 30 June 2014
Interest accrued to be paid	5,255	132	1,240	-304	6,323
Negative fair value - hedged and hedging items	1,158	-	150	-	1,308
Provisions for credit exposure impairment	149,652	-	-3,841	-	145,811
Fair value adjustment on account of credit risk of matured derivative instruments	21,367	-	-4,876	-	16,491
Reserves for employee benefits	4,862	-	-1,510	-	3,352
Expenses calculated for payment, which are not tax-deductible expenses	3,957	172	-616	4	3,517
Provisions for impairment - other assets	25,011	-	-205	-23,351	1,455
Provisions that are not tax-deductible expenses	4,925	-	-1,237	-	3,688
Measurement of financial instruments held for trading	3,061	-	1,037	-	4,098
Measurement of available-for-sale investments	72	-	-	-72	-
Commissions and fees settled in time	8,174	-	1,391	-4,690	4,875
Difference between the market price and shares acquisition price	404	-	-	-	404
Provisions for impairment - fixed assets, intangible assets	288	-	-36	-	252

Tax value of the company	6,823	-	-1,516	-	5,307
Compensation notes paid	-	2,576	-415	-	2,161
Write-offs for leasing receivables impairment	-	14,905	-85	-	14,820
Write-downs for impairment of assets held for sale related to leasing activity	-	3,029	-1,503	-	1,526
Surplus of basic value of leased fixed assets over book value of receivables	-	9,593	5,788	-9,552	5,829
Up-front fees for leasing agreements	-	580	248	-	828
Income settled in time related to leasing activity	-	2,150	58	-	2,208
Civil law transaction tax on account of acquisition of shares in a subsidiary	194	-	-	-180	14
Provisions for impairment - bonds, shares	-	72	-	-	72
Other	10,027	-	44	9,720	351
Total deferred tax assets	**245,230**	**33,209**	**-5,884**	**-47,865**	**224,690**

Deferred tax liabilities (in PLN thousand)					
Interest accrued to be received	28,820	-	-116	-630	28,074
Difference between balance sheet depreciation and tax depreciation	5,573	-	-756	-	4,817
Measurement of financial instruments held for trading	917	-	-405	-	512
Measurement of available-for-sale investments	837	-	-	430	1,267
Commissions and fees settled in time	3,055	-	-907	-2,148	-
Income to be received	554	-	106	-	660
Development work costs	876	-	110	-	986
Negative fair value - hedged and hedging items	1,615	-	-97	-	1,518
Costs settled in time related to leasing activity	-	1,520	-781	-171	568
Surplus of positive unrealised FX differences over negative unrealised FX differences related to leasing activity	-	6,852	-	-6,852	-
Actuarial profits or losses on account of retirement severance pay, disability benefits and post-death benefits	46	-	-	-	46
Other	6,915	-	997	-6,903	1,009
Total deferred tax liabilities	**49,208**	**8,372**	**-1,849**	**-16,274**	**39,457**
Net deferred tax	**196,022**	**24,837**	**-4,035**	**-31,591**	**185,233**

Deferred tax assets (in PLN thousand)	Opening balance 1 Jan 2013	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 31 Dec 2013
Interest accrued to be paid	10,885	-5,630	-	5,255
Negative fair value - hedged and hedging items	1,672	-514	-	1,158
Provisions for credit exposure impairment	173,939	-24,287	-	149,652
Fair value adjustment on account of credit risk of matured derivative instruments	26,873	-5,506	-	21,367
Reserves for employee benefits	3,532	1,330	-	4,862
Expenses calculated for payment, which are not tax-deductible expenses	3,594	363	-	3,957
Provisions for impairment - other assets	26,887	-1,876	-	25,011
Provisions that are not tax-deductible expenses	2,989	1,930	6	4,925
Measurement of financial instruments held for trading	6,900	-3,839	-	3,061
Measurement of available-for-sale investments	72	-	-	72
Commissions and fees settled in time	6,942	1,232	-	8,174
Difference between the market price and shares acquisition price	3,155	-2,751	-	404
Provisions for impairment - fixed assets, intangible assets	347	-59	-	288
Tax value of the company	9,855	-3,032	-	6,823
Civil law transaction tax on account of acquisition of shares in a subsidiary	194	-	-	194
Provisions for impairment - bonds, shares	2,151	-2,151	-	-
Other	2,153	7,874	-	10,027
Tax loss	-	-		-
Total deferred tax assets	**282,140**	**-36,916**	**6**	**245,230**

Deferred tax liabilities (in PLN thousand)				
Interest accrued to be received	29,597	-777	-	28,820
Difference between balance sheet depreciation and tax depreciation	5,825	-252	-	5,573
Measurement of held-for-trading securities	3,125	-2,208	-	917
Measurement of available-for-sale investments	7,537	-	-6,700	837
Commissions and fees settled in time	5,272	-2,217	-	3,055
Income to be received	390	164	-	554
Development work costs	726	150	-	876
Negative fair value - hedged and hedging items	2,124	-509	-	1,615
Actuarial profits or losses on account of retirement severance pay, disability benefits and post-death benefits	-	-	46	46
Other	1,587	5,328	-	6,915
Total deferred tax liabilities	**56,183**	**-321**	**-6,654**	**49,208**
Net deferred tax	**225,957**	**-36,595**	**6,660**	**196,022**

Deferred tax assets (in PLN thousand)	Opening balance 1 Jan 2013	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 30 June 2013
Interest accrued to be paid	10,885	-2,746	-	8,139
Negative fair value - hedged and hedging items	1,672	-349	-	1,323
Provisions for credit exposure impairment	173,939	-19,042	-	154,897
Fair value adjustment on account of credit risk of matured derivative instruments	26,873	-152	-	26,721
Reserves for employee benefits	3,532	-746	-	2,786
Expenses calculated for payment, which are not tax-deductible expenses	3,594	-253	-	3,341
Provisions for impairment - other assets	26,887	-2,444	-	24,443
Provisions that are not tax-deductible expenses	2,989	317	6	3,312
Measurement of financial instruments held for trading	6,900	-2,656	-	4,244
Measurement of available-for-sale investments	72	-	1,405	1,477
Commissions and fees settled in time	6,942	1,870	-	8,812
Difference between the market price and shares acquisition price	3,155	-572	-	2,583
Provisions for impairment - fixed assets, intangible assets	347	-27	-	320
Tax value of the company	9,855	-1,516	-	8,339
Civil law transaction tax on account of acquisition of shares in a subsidiary	194	-	-	194
Provisions for impairment - bonds, shares	2,151	-293	-	1,858
Other	2,153	4,103	-	6,256
Tax loss	-	550	-	550
Total deferred tax assets	**282,140**	**-23,956**	**1,411**	**259,595**

Deferred tax liabilities (in PLN thousand)				
Interest accrued to be received	29,597	-4,610	-	24,987
Difference between balance sheet depreciation and tax depreciation	5,825	-80	-	5,745
Measurement of held-for-trading securities	3,125	-2,123	-	1,002
Measurement of available-for-sale investments	7,537	-	-7,431	106
Commissions and fees settled in time	5,272	-1,467	-	3,805
Income to be received	390	-	-	390
Development work costs	726	163	-	889
Negative fair value - hedged and hedging items	2,124	-581	-	1,543
Actuarial profits or losses on account of retirement severance pay, disability benefits and post-death benefits	-	-	6	6
Other	1,587	7,009	-	8,596
Total deferred tax liabilities	**56,183**	**-1,689**	**-7,425**	**47,069**
Net deferred tax	**225,957**	**-22,267**	**8,836**	**212,526**

14. Liabilities

Note 14.1

Liabilities due to banks (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Current deposits	123,299	92,569	67,702
Term deposits	500,000	160,000	1,080,674
Cash collateral	61,679	166,864	210,857
Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) at the trade date	11,936	3,402	51,600
Interest	2,347	1,438	3,710
Total liabilities due to banks	**699,261**	**424,273**	**1,414,543**

Note 14.2

Liabilities due to customers (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Current deposits	4,499,539	4,473,505	4,160,631
Term deposits	6,741,375	6,239,465	5,240,945
Cash collateral	144,721	152,052	136,857
Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) at the trade date	2,575	-	2,309
Other	1,620	15,167	9,149
Interest	18,454	14,110	28,720
Total liabilities due to customers	**11,408,284**	**10,894,299**	**9,578,611**

Note 14.3

Loans and credit facilities received (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Loans and credit facilities received from banks	7,266,602	7,042,355	7,218,257
Interest	9,037	8,565	9,128
Total loans and credit facilities received	**7,275,639**	**7,050,920**	**7,227,385**

Note 14.4

Other liabilities (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Accrued interest and expenses	28,106	20,589	25,624
Expenses to be paid	19,307	20,244	17,428
Taxes to be paid	46,162	11,899	30,710
Employee benefits	19,993	27,394	17,233
Liabilities due to counterparties	4,670	35,000	26,026
Settlement on account of credit debt	47,114	37,132	48,794
Interbank settlements	127,781	118,552	64,052
Settlement on account of trust agreements	48,276	55,333	41,883
Other	85,679	27,235	19,043
Total	**427,088**	**353,378**	**290,793**

15. Subordinated liabilities

The table below presents the change in the subordinated liabilities as at 30 June 2014 and comparative data.

Note 15

Change in subordinated liabilities (in PLN thousand)	**1 Jan 2014 - 30 June 2014**	**1 Jan 2013 - 31 Dec 2013**	**1 Jan 2013 - 30 June 2013**
Opening balance	**452,192**	**694,251**	**694,251**
Increases	-	-	-
- on account of loan contracting	-	-	-
Decreases	-	-267,092	-267,287
- on account of loan repayment	-	-267,092	-267,287
FX rate differences	3,402	5,424	23,916
Net profit/loss on a loan prepayment	-	19,604	19,799
Other	-42	5	-23
Ending balance	**455,552**	**452,192**	**470,656**

16. Provisions

Note 16.1

Provisions by titles (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Provisions for off-balance sheet commitments	22,047	21,238	24,906
Provision for Incurred But Not Reported losses - off-balance sheet commitments (IBNR)	12,337	10,398	8,914
Legal risk provisions	9,985	19,482	13,612
Reserves for liabilities	40	3,162	2,708
Reserves for employee benefits	5,759	4,831	4,843
Provisions for office sub-lease	2,793	1,419	1,843
Total provisions	**52,961**	**60,530**	**56,826**

The notes below present changes in the balance of provisions:

Note 16.2

Change in provisions for off-balance sheet commitments (in PLN thousand)	1 Jan 2014 - 30 June 2014	1 Jan 2013 - 31 Dec 2013	1 Jan 2013 - 30 June 2013
Opening balance	**31,636**	**16,534**	**16,534**
Increases	8,139	26,963	25,533
- for off-balance sheet commitments	3,726	21,271	23,366
- for IBNR losses – off-balance sheet commitments	4,413	5,692	2,167
Decreases	-5,426	-11,861	-8,594
- for off-balance sheet commitments	-2,952	-7,943	-6,717
- for IBNR losses – off-balance sheet commitments	-2,474	-3,918	-1,877
FX rate differences	35	-	347
Ending balance	**34,384**	**31,636**	**33,820**

Note 16.3

Changes in other provisions (in PLN thousand)	1 Jan 2014 - 30 June 2014	1 Jan 2013 – 31 Dec 2013	1 Jan 2013 - 30 June 2013
Opening balance	**28,894**	**23,133**	**23,133**
Increases	5,297	57,441	12,603
- for legal risk	1,811	43,360	6,536
- for office sub-lease	1,809	917	572
- for future commitments	-	10,434	4,386
- for employee benefits	1,677	2,730	1,109
Decreases	-15,614	-51,680	-12,783
- for legal risk	-11,309	-33,470	-2,569
- for office sub-lease	-435	-1,287	-518
- for future commitments	-	-11,249	-5,655
- for employee benefits	-3,870	-5,674	-4,041
FX rate differences	-	-	53
Ending balance	**18,577**	**28,894**	**23,006**

17. Hedge Accounting

As at 30 June 2014 and in the periods compared, the Group applies the fair value hedge. The risk hedged is the interest rate risk, and in particular, changes in the fair value of assets and liabilities bearing a fixed interest rate due to changes in a specific reference rate.

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

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

The tables below present the breakdown of hedging derivative instruments at nominal value as at 30 June 2014 and in periods compared, broken down by residual maturity:

Note 17.1

Hedging derivative instruments (in PLN thousand)	30 June 2014							
	Fair value		Nominal value					
	positive	negative	up to 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest Rate Contracts	7,994	-	-	-	16,644	66,574	12,482	95,700
- Swaps (IRS)	7,994	-	-	-	16,644	66,574	12,482	95,700
Total hedging derivative instruments	7,994	-	-	-	16,644	66,574	12,482	95,700

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

Hedging derivative instruments (in PLN thousand)	30 June 2013							
	Fair value		Nominal value					
	positive	negative	up to 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest Rate Contracts	8,119	-	-	-	-	69,268	30,304	99,572
- Swaps (IRS)	8,119	-	-	-	-	69,268	30,304	99,572
Total hedging derivative instruments	8,119	-	-	-	-	69,268	30,304	99,572

The table below presents a change of the fair value of a hedging instrument as at 30 June 2014 and comparative data.

Note 17.2

Hierarchy of measurement methods of hedging derivative instruments as at 30 June 2014 (in PLN thousand)	Level 1	Level 2	Level 3	Total
Positive valuation	-	7,994	-	7,994

Hierarchy of measurement methods of hedging derivative instruments as at 31 December 2013 (in PLN thousand)	Level 1	Level 2	Level 3	Total
Positive valuation	-	8,503	-	8,503

Hierarchy of measurement methods of hedging derivative instruments as at 30 June 2013 (in PLN thousand)	Level 1	Level 2	Level 3	Total
Positive valuation	-	8,119	-	8,119

18. Leasing

Until 14 February 2014, the Group conducted lease activity through its subsidiary, Fortis Lease Polska Sp. z o.o., by concluding, as a lessor, finance lease transactions primarily concerning means of transport, machines, technical equipment and real estate.
On 15 February 2014, the lease activity was included into the Bank's organizational structures.

Note 18.1

Finance lease receivables (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
(Gross) finance lease receivables	2,056,837	1,998,848	1,940,770
Unrealised financial income	-240,021	-236,073	-233,398
Current value of minimum lease charges	**1,816,816**	**1,762,775**	**1,707,372**
provisions for impairment	-107,404	-115,370	-122,082
Total finance lease receivables	**1,709,412**	**1,647,405**	**1,585,290**

Note 18.2

Finance lease receivables by maturity (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
up to 1 year	515,227	528,057	512,310
from 1 up to 5 years	971,700	914,183	838,037
above 5 years	569,910	556,608	590,423
(Gross) finance lease receivables	**2,056,837**	**1,998,848**	**1,940,770**

Note 18.3

Current value of minimum lease charges (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
up to 1 year	452,660	463,125	452,825
from 1 up to 5 years	842,068	791,720	704,616
above 5 years	522,088	507,930	549,931
Current value of minimum lease charges, gross	**1,816,816**	**1,762,775**	**1,707,372**

Finance lease - liabilities

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

Note 18.4

Liabilities under finance lease (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Total amount of minimum lease charges	1,596	1,580	1,346
Unrealised financial costs	-755	-757	-677
Current value of minimum lease charges	**841**	**823**	**669**

Note 18.5

Total amount of minimum lease charges by maturity (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
up to 1 year	595	528	413
above 5 years	1,001	1,052	933
Total	**1,596**	**1,580**	**1,346**

Note 18.6

Current value of minimum lease charges by maturity (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
up to 1 year	299	259	191
above 5 years	542	564	478
Total	**841**	**823**	**669**

Perpetual usufruct right to land

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

Note 18.7

Future minimum lease charges on account of perpetual usufruct of land by payment dates (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
up to 1 year	9	9	9
from 1 up to 5 years	34	34	34
more than 5 years	617	621	625
Total	**660**	**664**	**668**

19. Information on Related Party Transactions

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

Note 19.1

30 June 2014 (in PLN thousand)	Direct parent entity (BNP Paribas Fortis)	Ultimate parent entity (BNP Paribas)	Other entities of the BNP Paribas group	Total
Assets				
Cash and cash equivalents	128,547	1	991,744	1,120,292
Financial assets held for trading	2,832	15,313	-	18,145
Due from banks and Loans to customers	-	12,154	28,420	40,574
Hedging instruments	7,994	-	-	7,994
Other assets	3,211	473	223	3,907
Total assets	**142,584**	**27,941**	**1,020,387**	**1,190,912**
Liabilities				
Financial liabilities held for trading	1,336	3,081	72	4,489
Liabilities due to banks and customers	91,776	25,946	550,647	668,369
Loans and credit facilities received	-	5,165,734	1,094,854	6,260,588
Subordinated liabilities	-	455,552	-	455,552
Other liabilities	128	1	4,121	4,250
Total liabilities	**93,240**	**5,650,314**	**1,649,694**	**7,393,248**

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

30 June 2013 (in PLN thousand)	**Direct parent entity (BNP Paribas Fortis)**	**Ultimate parent entity (BNP Paribas)**	**Other entities of the BNP Paribas group**	**Total**
Assets				
Cash and cash equivalents	256,233	20	2,008	258,261
Financial assets held for trading	13,596	38,148	187	51,931
Due from banks and Loans to customers	-	50,843	3,723	54,566
Hedging instruments	8,119	-	-	8,119
Other assets	12,130	1	113	12,244
Total assets	**290,078**	**89,012**	**6,031**	**385,121**
Liabilities				
Financial liabilities held for trading	53,180	17,524	761	71,465
Liabilities due to banks and customers	310,832	57,648	894,608	1,263,088
Loans and credit facilities received	-	5,353,806	-	5,353,806
Subordinated liabilities	-	470,656	-	470,656
Other liabilities	4,576	29,322	5,927	39,825
Total liabilities	**368,588**	**5,928,956**	**901,296**	**7,198,840**

Note 19.2

1 Jan 2014 - 30 June 2014 (in PLN thousand)	**Direct parent entity (BNP Paribas Fortis)**	**Ultimate parent entity (BNP Paribas)**	**Other entities of the BNP Paribas group**	**Total**
Income Statement				
Interest income	1,598	16	1,118	2,732
Interest expense	-492	-36,047	-15,857	-52,396
Fee and commission income	8	6	857	871
Fee and commission expense	-311	-6	-140	-457
Net trading income	-12,887	15,159	-71	2,201
Net profit/loss on hedging transactions	774	-	-	774
Other income	-	-	2	2
Other general expenses	-	426	-1,865	-1,439
Cost of risk	-	-154	-	-154

1 Jan 2013 - 30 June 2013 (in PLN thousand)	**Direct parent entity (BNP Paribas Fortis)**	**Ultimate parent entity (BNP Paribas)**	**Other entities of the BNP Paribas group**	**Total**
Income Statement				
Interest income	1,670	187	3,257	5,114
Interest expense	19,056	-42,781	-10,032	-33,757
Fee and commission income	86	8	576	670
Fee and commission expense	-351	-20	-186	-557
Net trading income	6,843	8,332	-	15,175
Net profit/loss on hedging transactions	-1,925	-	-	-1,925
Other income	-	-	85	85
Other general expenses	-	43	-1,738	-1,695
Cost of risk	-	-	-1	-1

Note 19.3

Contingent liabilities and transactions in derivative instruments as at 30 June 2014 (in PLN thousand)	Direct parent entity (BNP Paribas Fortis)	Ultimate parent entity (BNP Paribas)	Other entities of the BNP Paribas group	Total
Contingent liabilities granted:	**21,610**	**6,271**	**229,108**	**256,989**
- financial	-	-	19,758	19,758
- guarantees	21,610	6,271	209,350	237,231
Contingent liabilities received:	**35,201**	**109,834**	**592,578**	**737,613**
- guarantees	35,201	109,834	592,578	737,613
Transactions in derivative instruments*	**3,857,441**	**7,892,113**	**1,544,883**	**13,294,437**

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

Contingent liabilities and transactions in derivative instruments as at 30 June 2013 (in PLN thousand)	Direct parent entity (BNP Paribas Fortis)	Ultimate parent entity (BNP Paribas)	Other entities of the BNP Paribas group	Total
Contingent liabilities granted:	**15,940**	**44,924**	**250,980**	**311,844**
- financial	-	-	29,261	29,261
- guarantees	15,940	44,924	221,719	282,583
Contingent liabilities received:	**41,378**	**107,266**	**325,788**	**474,432**
- guarantees	41,378	107,266	325,788	474,432
Transactions in derivative instruments*	**1,910,995**	**7,262,607**	**-**	**9,173,602**

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

Material agreements with affiliated entities

Agreement with BNP Paribas

Under an agreement signed on 22 January 2014 by and between the BNP Paribas Group an the Bank, the BNP Paribas Group granted the Bank a secured credit line up to CHF 810 million to replace the existing financing of mortgage loans denominated in CHF under the terms and conditions that would ensure a better maturity match.

Agreement with Fortis Lease Polska Sp. z o.o.

On 15 February 2014, under an agreement signed by and between Fortis Lease Polska Sp. z o.o. (FLP) and the Bank, the FLP enterprise was transferred to the Bank in exchange of FLP redeemed shares which accounted for 99.98% of FLP share capital. Thus, the FLP lease activity was incorporated into the Bank's structures.

The lease enterprise transfer in favour of the Bank is an element of consolidating and reducing the number of the BNP PARIBAS group entities in Poland. The integration of the lease business is primarily intended to improve the business and cost efficiency.

On 1 July 2014, liquidation of the Bank's subsidiary, Fortis Lease Polska Sp. z o.o. was opened. The subsidiary's leasing operations were transferred to the Bank in February 2014.

Transactions with the Board of Executives, Supervisory Board and Managing Directors

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

Note 19.4

in PLN thousand	1 Jan 2014 - 30 June 2014	1 Jan 2013 - 30 June 2013
Board of Executives, including:	4,417	4,297
- remuneration	3,196	3,325
- other*	1,221	972
Supervisory Board	443	441
Managing Directors**	10,561	9,302

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

In 2013, for the first time, a portion of variable compensation awarded for 2012 to employees covered by the "*Variable Compensation Policy for Executives and Other Individuals Who Have a Significant Influence on the Risk Profile at BNP Paribas Bank Polska SA*" was deferred for payment in future periods. Pursuant to this Policy, payment of a portion of variable compensation for 2013 awarded in 2014 was deferred and will be paid over subsequent years, whereas the first portion of the deferred compensation for 2012 was paid (in 2014).
The Bank and the managing persons entered into no agreements providing for any compensation in the event such people resign or are dismissed from their job position without an important reason, or when they are discharged or dismissed due to the Bank's merger by acquisition.
Members of the Bank's Board of Executives who are members of Supervisory Boards of subsidiaries, received no remuneration on that account, either in 2014 or 2013.

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

As at 30 June 2014, the Bank granted:

<u>to the Supervisory Board's Members:</u>
- no debt with the Bank;

<u>to the Board of Executives' Members:</u>
- 10 credit card limits totalling PLN 133 thousand, of which PLN 37 thousand was utilised as at the end of the first half year of 2014;
- 3 foreign currency loans in the amount equivalent to PLN 2,076 thousand;
- 3 debit limits in the savings and checking accounts (ROR) in the total amount of PLN 165 thousand, of which PLN 19 thousand was utilised as at the end of the first half year of 2014;

<u>to Managing Directors:</u>
- 27 loans totalling PLN 5,624 thousand, including 13 foreign currency loans in the total amount equivalent to PLN 3,333 thousand;
- 18 debit limits in the savings and checking accounts (ROR) in the amount of PLN 254 thousand, of which PLN 3 thousand was utilised as at the end of the first half year of 2014;
- 30 credit card limits totalling PLN 218 thousand, of which PLN 70 thousand was utilised as at the end of the first half year of 2014;

to persons related to managing and supervising persons:

- 4 loans totalling PLN 114 thousand, including 1 foreign currency loan in the amount equivalent to PLN 74 thousand;
- 4 debit limits in the savings and checking accounts (ROR) totalling PLN 22 thousand, of which PLN 8 thousand was utilised as at the end of the first half year of 2014;
- 5 credit card limits totalling PLN 18 thousand, of which PLN 11 thousand was utilised as at the end of the first half year of 2014;

As at 31 December 2013, the Bank granted:

to the Supervisory Board's Members:

- no debt with the Bank;

to the Board of Executives' Members:

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

to Managing Directors:

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

to persons related to managing and supervising persons:

- 11 loans, of which 4 in a foreign currency, in the total amount equivalent to PLN 840 thousand;
- 2 debit limits in the savings and credit account in the total amount of PLN 7 thousand;
- 3 credit card limits totalling PLN 56 thousand, of which PLN 2 thousand were utilised as at the end of 2013.

As at 30 June 2013, the Bank granted:

to the Supervisory Board's Members:

- no debt with the Bank;

to the Board of Executives' Members:

- 8 credit card limits totalling PLN 115 thousand, of which PLN 23 thousand was utilised as at the end of the first half year of 2013;
- 1 foreign currency loan in the amount equivalent to PLN 995 thousand;
- 3 debit limits in the savings and checking account in the aggregate amount of PLN 180 thousand;

to Managing Directors:

- 33 loans totalling PLN 9,426 thousand, including 11 foreign currency loans in the total amount equivalent to PLN 5,701 thousand;
- 16 debit limits in the savings and checking accounts (ROR) in the amount of PLN 267 thousand, of which PLN 72 thousand was utilised as at the end of the first half year of 2013;
- 20 credit card limits totalling PLN 144 thousand, of which PLN 45 thousand was utilised as at the end of the first half year of 2013;

to persons related to managing and supervising persons:

- 7 loans totalling PLN 314 thousand, including 1 foreign currency loan in the amount equivalent to PLN 200 thousand;
- 2 debit limits in the savings and checking account in the total amount of PLN 7 thousand;
- 2 credit card limits totalling PLN 6 thousand, of which PLN 1 thousand was utilised as at the end of the first half year of 2013.

20. Additional Notes to Cash Flow Statement

Note 20.1

Other investment expenses (in PLN thousand)	1 Jan 2014- 30 June 2014	1 Jan 2013- 30 June 2013
Acquisition of low value fixed assets	-699	-606
Total other investment expenses	**-699**	**-606**

Note 20.2

Other financial gains and expenses (in PLN thousand)	1 Jan 2014- 30 June 2014	1 Jan 2013- 30 June 2013
Net profit on a loan prepayment	-	19,604
Costs related to share capital increase	-9,768	-
Total other financial gains and expenses	**-9,768**	**19,604**

21. Risk Management

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

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

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

Credit risk

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

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

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

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

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

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

The operational dimension consists of the following activities:

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

An organisationally separate Risk Area, headed by a Member of the Board of Executives in the function of the Chief Risk Officer - performs the key role in the credit risk management. The Risk Committee and Retail Banking/Personal Finance Risk Committees participate in the strategic risk management.

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

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

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

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

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

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

To ensure effectiveness of the decision-making process, some authority to make credit decisions is delegated to lower decision-making levels. The decision-making authority delegation model takes into consideration the business lines’ structure, defines the number of decision-making levels, the scope of their authorisation powers, likewise the rules, criteria and conditions of making credit decisions. Amount limits of decision-making authorisations depend on the following criteria: customer segment, customer risk profile and financing term.

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

In the first quarter of 2014, in connection with inclusion of business entities financing in the form of lease, earlier performed by a subsidiary, Fortis Lease Polska Sp. z o.o., into the Bank's activity, the rules of making credit decisions with respect to lease facilities were specified in the internal regulations "Credit Decision Making Rules at BNP Paribas Bank Polska SA".

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

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

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

Borrowers with reference to which there is a probability that the Bank will not recover all the receivables due unless collateral is used, or which are in default for over 90 days regarding any material credit liability due to the Bank, are assigned rating between 11 and 12 and the default status. The default status is assigned in accordance with the risk classification system adopted by the Bank, based on IFRS.

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

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

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

Credit risk measurement

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

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

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

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

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

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

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

Risk management in subsidiaries

In the risk management the Bank's subsidiaries apply the assumptions and rules stipulated in the *Risk Management Strategy at BNP Paribas Bank Polska SA*.
The rules of the Bank's supervision over the credit risk generated by the activity of subsidiaries were stipulated in the *Credit Policy at BNP Paribas Bank Polska SA.*

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

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

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

Credit risk analysis

The tables below present maximum exposure of financial assets and off-balance sheet items to credit risk, the level of provisions for impairment and provisions for off-balance sheet commitments as at 30 June 2014 and comparative data.

Note 21.1

Information on exposure quality (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Cash and cash equivalents (excluding cash at hand)	**1,536,718**	**1,108,046**	**271,593**
- receivables without impairment	1,537,654	1,108,663	271,863
- provisions for impairment of IBNR losses	-936	-617	-270
Financial assets held for trading	**73,767**	**70,118**	**92,658**
- derivative financial instruments	73,767	70,118	92,658
measurement to fair value, including:	76,586	70,535	93,142
- fair value adjustment for credit risk	-2,819	-417	-484
Due from banks	**51,890**	**79,201**	**125,711**
- receivables without impairment	51,918	79,278	125,785
- provisions for impairment of IBNR losses	-28	-77	-74
Loans to customers	**17,870,492**	**16,582,614**	**17,062,278**
- receivables without impairment	17,558,382	16,192,082	16,472,370
- receivables impaired, including where the impairment is:	1,321,999	1,479,139	1,716,947
determined on a case-by-case basis	652,647	918,276	1,103,419
determined using a collective method	669,352	560,863	613,528
- provisions for impairment for incurred and reported losses	-892,718	-974,610	-1,017,977
determined on a case-by-case basis	-427,895	-579,876	-593,284
determined using a collective method	-464,823	-394,734	-424,693
- provisions for impairment of IBNR losses	-117,171	-113,997	-109,062

Investments available for sale	**2,193,906**	**2,607,870**	**2,660,754**
- receivables without impairment	2,194,282	2,607,870	2,644,713
- receivables impaired, including where the impairment is:	-	-	25,813
- provisions for impairment for incurred and reported losses	-376	-	-9,772
Off-balance sheet commitments granted	**9,288,920**	**7,725,182**	**7,491,147**
- off-balance sheet commitments without impairment	9,277,060	7,675,370	7,426,193
- off-balance sheet commitments impaired, including where the impairment is:	46,244	81,448	98,774
determined on a case-by-case basis	33,977	44,849	65,083
determined using a collective method	12,267	36,599	33,691
- provisions for off-balance sheet commitments	-22,047	-21,238	-24,906
determined on a case-by-case basis	-21,646	-20,556	-24,101
determined using a collective method	-401	-682	-805
- provisions for impairment of IBNR losses – off-balance sheet commitments	-12,337	-10,398	-8,914

Note 21.2

Analysis of gross receivables from customers (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
Performing receivables without impairment	17,050,666	15,903,642	16,137,957
Non-performing receivables without impairment	507,716	288,440	334,413
Impaired receivables with impairment determined on a case-by-case basis with a write-down	652,647	897,455	1,055,297
Impaired receivables with impairment determined on a case-by-case basis with no write-down	-	20,821	48,122
Impaired receivables with impairment determined on a collective basis with a write-down	664,282	560,854	588,662
Impaired receivables with impairment determined on a collective basis with no write-down	5,070	9	24,866
Total	**18,880,381**	**17,671,221**	**18,189,317**

The analysis of loans to customers which are neither past-due nor impaired, broken down by rating classes as at 30 June 2014, along with comparative data, is presented in the tables below.

Note 21.3

Performing receivables without impairment according to the BNNP rating (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
1+ to 6+	1,733,883	958,531	1,047,385
6 to 7+	3,440,739	3,284,052	3,055,316
7 to 7-	2,500,897	2,417,359	1,897,372
8+ to 10-	1,577,499	1,429,677	1,377,648
No rating assigned, including:	7,797,648	7,814,023	8,760,236
mortgage loans	5,356,735	5,436,275	5,652,137
Total	**17,050,666**	**15,903,642**	**16,137,957**

The following tables present receivables from customers which have been impaired, broken down into rating classes as at 30 June 2014 along with comparative data.

Note 21.4

Receivables impaired according to the BNNP rating (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
- determined on a case-by-case basis	652,647	918,276	1,103,419
11	339,212	500,826	688,552
12	265,388	368,976	356,379
No rating assigned	48,047	48,474	58,488
- determined using a collective method	669,352	560,863	613,528
11	101,195	22,419	13,566
12	100,387	78,892	74,057
No rating assigned	467,770	459,552	525,905
Total	**1,321,999**	**1,479,139**	**1,716,947**

The “no rating assigned” category covers customers who have not been assigned any credit rating or whose rating has expired. Pursuant to rating rules binding in the Group, the rating assignment procedure is applied to all commercial customers.

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

Note 21.5

Past-due periods of non-performing receivables without impairment (in PLN thousand)	30 June 2014	31 Dec 2013	30 June 2013
from 1 to 30 days	347,618	232,327	268,940
from 31 to 60 days	116,915	42,583	36,555
from 61 to 90 days	34,253	12,221	24,186
from 91 days up	8,930	1,309	4,732
Total	**507,716**	**288,440**	**334,413**

Below there is an analysis of credit exposures (excl. banks) broken by business lines as at 30 June 2014 and comparative data.

Note 21.6

Credit exposures broken by business lines 30 June 2014 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Total
Balance sheet credit exposures	11,611,021	7,269,360	18,880,381
Off-balance sheet credit exposures	1,016,169	7,990,262	9,006,431
Total credit exposures, gross	**12,627,190**	**15,259,622**	**27,886,812**
Provisions for impairment of incurred and reported losses	-619,095	-273,623	-892,718
Provisions for off-balance sheet commitments	-574	-21,473	-22,047
Provisions for Incurred But Not Reported losses (IBNR)	-85,563	-43,945	-129,508
- balance sheet receivables	-81,388	-35,783	-117,171
- off-balance sheet commitments	-4,175	-8,162	-12,337
Total credit exposures, net	**11,921,958**	**14,920,581**	**26,842,539**

Credit exposures broken by business lines 31 Dec 2013 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Total
Balance sheet credit exposures	11,542,043	6,129,178	17,671,221
Off-balance sheet credit exposures	971,019	6,482,957	7,453,976
Total credit exposures, gross	**12,513,062**	**12,612,135**	**25,125,197**
Provisions for impairment for incurred and reported losses	-627,630	-346,980	-974,610
Provisions for off-balance sheet commitments	-830	-20,408	-21,238
Provisions for Incurred But Not Reported losses (IBNR)	-87,276	-37,119	-124,395
- balance sheet receivables	-83,707	-30,290	-113,997
- off-balance sheet commitments	-3,569	-6,829	-10,398
Total credit exposures, net	**11,797,326**	**12,207,628**	**24,004,954**

Credit exposures broken by business lines 30 June 2013 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Total
Balance sheet credit exposures	11,770,157	6,419,160	18,189,317
Off-balance sheet credit exposures	943,766	6,236,841	7,180,607
Total credit exposures, gross	**12,713,923**	**12,656,001**	**25,369,924**
Provisions for impairment for incurred and reported losses	-629,879	-388,098	-1,017,977
Provisions for off-balance sheet commitments	-1,311	-23,595	-24,906
Provisions for Incurred But Not Reported losses (IBNR)	-85,127	-32,849	-117,976
- balance sheet receivables	-81,310	-27,752	-109,062
- off-balance sheet commitments	-3,817	-5,097	-8,914
Total credit exposures, net	**11,997,606**	**12,211,459**	**24,209,065**

The tables below present an analysis of mortgage loans for individuals, through the relation of disbursed mortgage loans to the value of collateral for repayment of the loans, as at 30 June 2014 along with comparative data.

Note 21.7

Mortgage loans to individuals 30 June 2014	PLN	FC	Total
Balance sheet value (in PLN thousand)	1,787,207	3,831,856	5,619,063
Average maturity (years)	23.5	21.5	22.1
Average LTV (%)	78%	94%	89%

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

Mortgage loans to individuals 30 June 2013	PLN	FC	Total
Balance sheet value (in PLN thousand)	1,774,703	4,169,434	5,944,137
Average maturity (years)	24.2	22.3	22.9
Average LTV (%)	79%	99%	93%

The table below presents credit portfolio concentration, gross, for balance sheet and off-balance sheet exposures (excl. banks) broken by sectors, as at 30 June 2014 and comparative data.

Note 21.8

Credit portfolio by sectors	30 June 2014		31 Dec 2013		30 June 2013	
	in PLN thousand	in %	in PLN thousand	in %	in PLN thousand	in %
Construction and real estate activities	3,377,621	12.11	3,485,677	13.87	3,275,841	12.91
Water supply, sewerage, waste management and remediation activities	761,385	2.73	294,002	1.17	481,790	1.90
Accommodation and food service activities	138,730	0.50	203,471	0.81	247,122	0.97
Financial and insurance activities	483,499	1.73	299,805	1.19	543,356	2.14
Mining and quarrying	799,573	2.87	758,752	3.02	729,298	2.87
Wholesale and retail trade Repair of motor vehicles and motorcycles	4,933,186	17.69	3,720,593	14.81	3,731,667	14.71
Individual clients	8,377,181	30.04	8,334,671	33.17	8,552,760	33.71
Other service activities	952,892	3.42	946,768	3.77	992,426	3.91
Manufacturing	4,905,606	17.59	4,274,066	17.01	4,973,128	19.60
Transportation and storage	627,405	2.25	960,216	3.82	836,723	3.30
Electricity, gas, steam and air conditioning supply	677,860	2.43	249,681	0.99	233,525	0.92
Other sectors	1,851,874	6.64	1,597,495	6.37	772,288	3.06
Total loan portfolio by sectors	**27,886,812**	**100.00**	**25,125,197**	**100.00**	**25,369,924**	**100**

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

Credit risk concentration

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

Under Article 71 para. 1 of the Banking Law Act, as at 30 June 2014 the limit of the Bank's exposures bearing risk of one entity or affiliated entities amounted to PLN 592,598 thousand on a consolidated basis (pursuant to law, 25% of the Bank's own funds) and was not exceeded.

Under Article 71 para. 1a-1c of the Banking Law Act, the Bank's Board of Executives set forth a limit for the Bank's exposures towards another bank or credit institution or a group of affiliated entities, comprising at least one bank or credit institution, at the level of 35% of the Bank's own funds, however not exceeding the equivalent of EUR 150 million. As at 30 June 2014, the said limit amounted to PLN 624,135 thousand on a consolidated basis and was not exceeded.

Liquidity Risk

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

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

portfolio value represented by the mark-to market valuation. The liquidity risk involves uncertainty as the time needed to liquidate assets.

The Bank identifies the following liquidity types:

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

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

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

The Bank's strategy consists in the following:

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

Structure of Loan Financing

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

As at 30 June 2014, the structure of disbursed loans from the group was as follows:

- CHF 285 million – maturity in 2015;
- CHF 230 million – maturity in 2016;
- CHF 225 million – maturity in 2017;
- CHF 80 million – maturity in 2021;
- CHF 140 million – maturity in 2022;
- CHF 80 million – maturity in 2023;
- CHF 90 million – maturity in 2024;
- EUR 6.6 million – maturity in 2014;
- EUR 137.1 million – maturity in 2015;
- EUR 7.8 million – maturity in 2016;
- EUR 7 million – maturity in 2017;
- EUR 5.4 million – maturity in 2018;

- EUR 2 million – maturity in 2019;
- EUR 4.5 million – maturity in 2020;
- EUR 63 million – maturity in 2022;
- EUR 60.5 million – maturity in 2023;
- EUR 7 million – maturity in 2024;
- PLN 1371.2 million – maturity in 2015;
- PLN 2.7 million – maturity in 2016;
- PLN 28.9 million – maturity in 2017;
- PLN 20 million – maturity in 2018;
- PLN 20 million – maturity in 2019;
- PLN 10 million – maturity in 2020;
- PLN 5 million – maturity in June 2021;
- PLN 30 million – maturity in 2022;
- PLN 97.9 million – maturity in 2023.

Additionally, as at 30 June 2014, the Bank disbursed the following credit facilities from the EBRD and EIB:

- EUR 34.8 million – maturity in 2016;
- EUR 9.1 million – maturity in 2018;
- PLN 150 million – maturity in 2015;
- PLN 182.6 million – maturity in 2016;
- PLN 97.5 million – maturity in 2017;
- PLN 8.2 million – maturity in 2018;
- PLN 28.9 million – maturity in 2022.

BNP Paribas Factor Sp. z o. o.

As at 30 June 2014, the structure of financing of BNP Paribas Factor Sp. z o.o. was the following:

- PLN 201 million,
- EUR 38.5 million,
- RUB 11 million,
- USD 0.5 million.

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

The table below presents an analysis of the Group's balance sheet items broken down by residual maturity as at 30 June 2014, and comparative data.

Note 21.9

Balance sheet items broken down into residual maturity

30 June 2014 (in PLN thousand)	Without any maturity determined	up to 1 month	1 - 3 months	3 - 12 months	1 - 3 years	3 - 5 years	> 5 years	Total
Cash and cash equivalents	1,708,962	-	-	-	-	-	-	**1,708,962**
Financial assets held for trading	-	2,700	3,146	11,238	20,167	5,066	31,450	**73,767**
Due from banks	34	12,844	869	705	37,438	-	-	**51,890**
Loans to customers	249,214	3,319,395	523,240	1,580,260	3,771,724	2,607,983	5,818,676	**17,870,492**
Investments available for sale	40,684	199,945	-	269,568	423,363	819,980	440,366	**2,193,906**
Other assets	582,077	-	-	-	-	-	-	**582,077**
Long position	**2,580,971**	**3,534,884**	**527,255**	**1,861,771**	**4,252,692**	**3,433,029**	**6,290,492**	**22,481,094**
Financial liabilities held for trading	-	3,818	3,075	10,440	23,287	7,168	32,910	**80,698**
Liabilities due to banks	2,299	496,962	200,000	-	-	-	-	**699,261**
Liabilities due to customers	20,073	8,552,511	1,942,809	367,754	518,979	2,229	3,929	**11,408,284**
Loans and credit facilities received	9,037	364,598	237	1,252,580	3,610,699	396,112	1,642,376	**7,275,639**
Subordinated liabilities	422	-	-	-	-	-	455,130	**455,552**
Other liabilities	2,561,660	-	-	-	-	-	-	**2,561,660**
Short position	**2,593,491**	**9,417,889**	**2,146,121**	**1,630,774**	**4,152,965**	**405,509**	**2,134,345**	**22,481,094**
Gap – balance sheet	**-12,520**	**-5,883,005**	**-1,618,866**	**230,997**	**99,727**	**3,027,520**	**4,156,147**	**-**

Balance sheet items broken down into residual maturity

31 Dec 2013 (in PLN thousand)	Without any maturity determined	up to 1 month	1 - 3 months	3 - 12 months	1 - 3 years	3 – 5 years	> 5 years	Total
Cash and cash equivalents	1,290,247	-	-	-	-	-	-	**1,290,247**
Financial assets held for trading	-	5,343	4,450	8,294	26,783	2,765	22,483	**70,118**
Due from banks	73	31,429	5,699	5,000	37,000	-	-	**79,201**
Loans to customers	403,821	2,519,377	469,489	1,843,769	3,301,736	2,390,137	5,654,285	**16,582,614**
Investments available for sale	32,132	699,847	-	71,520	493,225	1,067,371	243,775	**2,607,870**
Other assets	487,206	-	-	-	-	-	-	**487,206**
Long position	**2,213,479**	**3,255,996**	**479,638**	**1,928,583**	**3,858,744**	**3,460,273**	**5,920,543**	**21,117,256**
Financial liabilities held for trading	-	5,304	6,233	8,157	24,940	2,967	22,189	**69,790**
Liabilities due to banks	1,438	264,753	8,782	52,694	84,896	11,710	-	**424,273**
Liabilities due to customers	14,123	8,884,184	1,266,462	413,941	310,626	1,395	3,568	**10,894,299**
Loans and credit facilities received	7,429	531,487	816,535	1,200,581	2,998,787	1,099,969	396,132	**7,050,920**
Subordinated liabilities	464	-	-	-	-	-	451,728	**452,192**
Other liabilities	2,225,782	-	-	-	-	-	-	**2,225,782**
Short position	**2,249,236**	**9,685,728**	**2,098,012**	**1,675,373**	**3,419,249**	**1,116,041**	**873,617**	**21,117,256**
Gap – balance sheet	**-35,757**	**-6,429,732**	**-1,618,374**	**253,210**	**439,495**	**2,344,232**	**5,046,926**	**-**

Balance sheet items broken down into residual maturity								
30 June 2013 (in PLN thousand)	**Without any maturity determined**	**up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 3 years**	**3 - 5 years**	**> 5 years**	**Total**
Cash and cash equivalents	414,688	-	-	-	-	-	-	**414,688**
Financial assets held for trading	-	5,266	6,244	14,677	31,699	8,081	26,691	**92,658**
Due from banks	101	57,509	25,074	43,027	-	-	-	**125,711**
Loans to customers	593,823	2,620,404	538,977	1,812,039	3,344,112	2,076,672	6,076,251	**17,062,278**
Investments available for sale	12,312	789,651	-	18,262	507,435	931,074	402,020	**2,660,754**
Other assets	520,213	-	-	-	-	-	-	**520,213**
Long position	**1,541,137**	**3,472,830**	**570,295**	**1,888,005**	**3,883,246**	**3,015,827**	**6,504,962**	**20,876,302**
Financial liabilities held for trading	-	5,794	6,617	15,275	31,374	631	26,047	**85,738**
Liabilities due to banks	3,710	1,006,087	209,168	58,062	113,069	24,447	-	**1,414,543**
Liabilities due to customers	24,823	7,995,409	742,973	671,271	140,485	150	3,500	**9,578,611**
Loans and credit facilities received	8,021	343,031	154,169	2,327,788	2,650,340	1,311,692	432,344	**7,227,385**
Subordinated liabilities	436	-	-	-	-	-	470,220	**470,656**
Other liabilities	2,099,369	-	-	-	-	-	-	**2,099,369**
Short position	**2,136,359**	**9,350,321**	**1,112,927**	**3,072,396**	**2,935,268**	**1,336,920**	**932,111**	**20,876,302**
Gap – balance sheet	**-595,222**	**-5,877,491**	**-542,632**	**-1,184,391**	**947,978**	**1,678,907**	**5,572,851**	**-**

Foreign Exchange Risk

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

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

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

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

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

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

Note 21.10

1 Jan 2014-30 June 2014	Limit utilisation		
	minimum	medium	maximum
VaR	1%	12%	25%
Global FX position	14%	48%	93%

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

1 Jan 2013 - 30 June 2013	Limit utilisation		
	minimum	medium	maximum
VaR	1%	15%	46%
Global FX position	15%	51%	103%

As at 30 June 2014, no FX risk limits were exceeded and the global FX position amounted to PLN 20,858 thousand. VaR stood at PLN 143 thousand.

The table below presents a currency structure of the Group's assets and liabilities in PLN equivalent as at 30 June 2014 and comparative data.

Note 21.11

FX position components (in PLN thousand)	30 June 2014		31 Dec 2013		30 June 2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
CHF	3,908,533	3,897,598	4,013,320	4,014,227	4,430,795	4,433,023
EUR	3,079,320	3,045,266	2,949,690	3,070,441	2,899,176	3,034,643
PLN	14,379,175	15,179,384	13,899,295	13,686,690	13,271,561	13,135,294
USD	1,029,608	310,877	206,130	297,966	239,493	240,745
Other convertible currencies	84,458	47,969	48,821	47,932	35,277	32,597
Total	**22,481,094**	**22,481,094**	**21,117,256**	**21,117,256**	**20,876,302**	**20,876,302**

Counterparty Risk

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

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

For all derivative transaction types the Bank determines Credit Value Adjustment (CVA). The CVA reflects valuation of the counterparty credit risk incurred. Its computation aims at estimating an impact of a potential loss of the customer creditworthiness on the value of derivative transactions concluded with that customer. CVA value mainly depends on transaction parameters and assessment of the counterparty creditworthiness.

Note 21.12

Counterparty risk measures by business lines as at 30 June 2014 (in PLN thousand)	**Corporate and Transaction Banking, Retail Banking**	**Interbank transactions**	**Total**
Balance sheet equivalent on account of derivative transactions	168,221.35	56,194.45	224,415.80
Capital charge for derivative transactions (total trade and banking book)	10,804.17	1,427.97	12,232.14

Interest Rate Risk

The Bank carries out operations that result in open interest rate risk positions.
The market interest rate risk is concentrated in two separate portfolios: ALM portfolio and Treasury portfolio managed by the ALM/Treasury Line. The above portfolios were divided considering re-pricing dates of items which they comprise. The ALM portfolio contains items of longer re-pricing terms than the Treasury portfolio.
The Bank, with a significant scale of its trading activity, holds a banking book and a trading book, within the meaning of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No 648/2012 Exposure value calculation method.
According to the Bank's policy, the interest rate risk is analysed both jointly and separately for each of the said books. The banking book comprises the entire ALM portfolio and some part of the Treasury portfolio which does not belong to the trading book.
An essential part of the ALM portfolio consists of banking book transactions which are not made by the ALM/Treasury Line but result from the activity of business lines offering deposit and credit products to the Bank's customers.
The ALM portfolio also includes transactions that hedge the interest rate risk generated by products offered to the Bank's customers and the securities portfolio maintained.

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

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

These analyses are a core element of the system of limiting the interest rate risk in the Bank. The individual analyses are made for the relevant portfolios on a daily, monthly or quarterly basis, depending on the type of analysis and the portfolio concerned.
Moreover, the Bank carries out analyses of the banking book sensitivity to extreme interest rate changes, using significantly higher interest rate changes than usually observed (stress tests).
Consolidated entities conduct no business activity eligible for the trading book.

Fair value

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

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

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

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

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

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

Note 21.13

Fair value table	30 June 2014		31 Dec 2013		30 June 2013	
(in PLN thousand)	Balance sheet value	Fair value	Balance sheet value	Fair value	Balance sheet value	Fair value
Cash and cash equivalents	1,708,962	1,708,964	1,290,247	1,290,254	414,688	414,688
Due from banks	51,890	51,660	79,201	79,137	125,711	125,752
Loans to customers	17,870,492	17,671,006	16,582,614	16,059,992	17,062,278	16,444,191
Liabilities due to banks	699,261	701,699	424,273	433,332	1,414,543	1,428,026
Liabilities due to customers	11,408,284	11,435,726	10,894,299	10,914,058	9,578,611	9,613,662
Loans and credit facilities received	7,275,639	7,294,006	7,050,920	7,119,413	7,227,385	7,278,420
Subordinated liabilities	455,552	539,765	452,192	506,396	470,656	513,389

Operational risk

For the needs of the operational risk management, the Bank adopted a definition binding in the BNP Paribas group, according to which operational risk is understood as the risk of incurring economic loss resulting from an application of inappropriate or ineffective internal processes or from external events, irrespective of whether the events were intentional, accidental or driven by natural causes. Internal processes may include issues related to IT systems applied at the Bank and human resources management. External events are understood to include floods, fires, earthquakes or terrorist attacks.

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

- **Operational Risk Management Strategy**

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

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

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

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

The Bank's Board of Executives periodically verifies implementation of the Bank's operational risk management policy assumptions and, if necessary, orders introduction of adjustments indispensable to improve the system. With this end in view, the Bank's Board of Executives is kept informed on an on-going basis on the scale and types of operational risk the Bank is exposed to, and also its consequences and operational risk management methods.

- **Internal Environment**

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

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

In view of growing external and internal threats that bear signs of fraud or offence against assets of the Bank or its customers, likewise continuously improved modus operandi of such incidents, the Bank has extended and enhanced the process of counteracting, detecting and examining such instances. Its implementation is the responsibility of the Fraud Prevention Department.

- **Risk Identification and Assessment**

The Bank is particularly committed to identification and assessment of reasons for current exposure to operational risk related to banking products, reduction of operational risk by improving internal processes and mitigation of operational risk that accompanies the introduction of new products and services and also outsourcing.

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

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

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

- **Risk Prevention**

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

- **Business continuity management**

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

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

- **Control and Monitoring**

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

- **Capital adequacy**

The Bank, having ensured fulfilment of the conditions qualifying for using the Standardised Approach (STA) to calculate the capital requirement for the operational risk, decided to change, in the first quarter of 2014, the capital requirement calculation method from the Basic Indicator Approach (BIA), applied by the end of 2013, into STA. The Bank divided its operations into business lines pursuant to regulatory requirements set for the standardised approach. Irrespective of the fact that the standardised approach was adopted, the capital requirement for the Bank's subsidiaries will continue to be calculated based on the basic indicator approach.

- **The Bank's subsidiaries**

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

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

Within the strategy and policy of operational risk management, the subsidiaries specifically introduce the operational risk management rules and establish organisational units (or individual positions) responsible for the operational risk management, which cooperate to this effect with the Operational Risk Department, which ensures supervision over the operational risk management processes. Furthermore, the Bank's subsidiaries adopted definitions of risks conforming to the definitions in force in the Bank for the purposes of managing operational risk.

Other risks

The process of management and methods of measurement of other risks have not materially changed as compared to the ones presented in the consolidated financial statements of BNP Paribas Bank Polska SA Group for the year ended 31 December 2013.

Capital management

Rules applied in the capital adequacy account

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

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

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

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

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

The Bank also monitors the level of the exposure concentration.

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

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

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

The Bank observes the minimum level of the leverage ratio.

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

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

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

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

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

Current situation with respect to capital adequacy

The primary capital adequacy principle is to keep own funds at the level not lower than the regulatory capital requirement, and assessment of internal capital needs.
Ensuring an adequate level of capital and maintenance the capital adequacy ratios at a given level is one of the main tasks of managing the Bank's balance sheet.
BNP Paribas Bank Polska SA Group actively manages its capital position. It refers to actions aimed at increasing own funds and ensuring their proper structure and cost effectiveness, likewise to actions leading to limitation of risk generated while conducting its activity.

Note 21.14

Capital adequacy* (in PLN thousand)	**31 Dec 2013**	**30 June 2013**
Total own funds plus short-term capital, including:	**2,174,079**	**2,138,775**
- Tier 1 (core) capital	1,704,294	1,649,796
- Tier 2 (supplementary) capital	459,557	476,081
Total capital requirement	**1,407,042**	**1,446,299**
Capital adequacy ratio	**12.36%**	**11.83%**

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

Note 21.15

Capital adequacy** (in PLN thousand)	30 June 2014
Total capital adequacy ratio	12.58%
Tier 1 capital adequacy ratio	10.16%
Total amount of exposure to risk	18,849,160
Own funds	2,370,392
Common Equity Tier 1 (CET 1)	1,915,262
Additional Tier 1 capital	-
Tier 2 capital	455,130

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

The total amount of exposure to risk as at the end of the first half of 2014 reached PLN 18,849 million and was by 7.2% higher than as at the end of 2013. The growth was attributable primarily to the increase in the loan balance.

The Group's own funds as at the end of June 2014 amounted to PLN 2,370 million and were higher by 9.0% than the funds as at the end of December 2013. The increase in the funds level was achieved owing to the share issue (the own funds increase on account of the share issue amounted to PLN 219 million) and inclusion of the profit of 2013 into own funds.

As at 30 June 2014, the Group's total capital adequacy ratio stood at 12.58% in comparison to 12.36% as at the end of December 2013 while the Tier 1 ratio was 10.16% and 9.69%, accordingly. As at the end of the first half of 2014, values of both ratios exceeded the required minimum.

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

22. Other Material Information

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

In the first half of 2014, no factors or atypical events occurred that might have any material effect on the financial results generated.

22.2 Factors that in the issuer's opinion will affect the results generated at least in the subsequent quarter

Factors that may affect the Group's future performance include the following:

- The Polish economy is showing signs of recovery which results in a more optimistic outlook for the evolution of the Polish GDP. The European Commission forecasts that the Polish GDP will rise by 3.2% in 2014 and 3.4% in 2015 as compared to growth by 1.6% and 2.0%, accordingly, in the entire European Union.
- However, geopolitical instability (e.g. the Ukrainian crisis) and still uncertain outlook for the EU economy can unfavourably affect the macroeconomic situation, which in turn may have an adverse impact on the Group's financial situation and performance.
- Stabilisation of the NBP interest rates at the low level and the room for their further reduction could result in lower costs of financing of individual customers and enterprises, which should translate into growth of demand for loans. On the other hand, low interest rates can discourage households from investing their savings in bank deposits and has negative impact on profitability of non-interest bearing deposits.
- Most banks in Poland keep increasing their focus on consumer loans in view of shorter repayment terms, improved margins, and stabilization of the NPL ratio thanks to improved methods of assessing credit risk and sale of the non-performing loans portfolio. This increased competition might hinder the Group capacity to reach its targeted level of the Group's consumer loan sales, however on the other hand overall strong growth of loan demand will support the achievement of the Group goals.
- As overall financing activity is expected to grow in line with economic revival, liquidity requirements of banks are expected to grow as well, which might lead to the increased competition for collection of deposits and decreasing margins.
- On 24 June 2014, the Polish Financial Supervision Authority (KNF) resolved the final wording of Recommendation U governing bancassurance, to become effective on 31 March 2015. One of the main assumptions of Recommendation U is to limit opportunities for banks to earn income on offering insurance products in the form of group insurance agreements. The Bank has already started a project to adjust its bancassurance business to requirements of the expected regulation.
- As the amendment to the Payment Services Act (passed by the Sejm, the lower chamber of the Polish Parliament, on 30 August 2013) became effective on 1 January 2014, on 1 June 2014 interchange fees went down. Pursuant to the amendment, the fee was reduced to 0.5% of the turnover for all types of cards, down from the average level of 1.1% for individual cards and 1.8% for business cards. The above changes will contribute to the card profitability reduction, as the interchange fee is one of the basic card-related income items, however this will have a very limited impact on the Group as card fees represent a small part of the Group's revenues.

22.3 Information regarding the issue, redemption and reimbursement of non-equity and equity securities

In the first half of 2014, there were no such events apart from the ones described in Note 22.4.

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

As at 30 June 2014 shareholders' structure specifying the major shareholders with at least 5% of the total number of votes at the General Meeting was as follows:

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

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

Series O shares issue

Within the BNP PARIBAS group's commitment towards the Polish Financial Supervision Authority ("KNF") to increase the free float of the Bank's shares up to at least 15% - the Bank resumed in 2014 the work on the new offering of shares, which was suspended in December 2013 due to a disclosure of information about the planned acquisition of a 98.5% shareholding of Bank Gospodarki Żywnościowej SA by the BNP PARIBAS group.

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

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

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

After disclosing the issue prospectus on 23 April 2014, the Bank initiated the public offering. The offering included up to 5,026,539 shares of new series O shares issue.

Under the Offering the Bank issued the maximum number of the offered shares i.e. 5,026,539 shares at a price of PLN 46 each. The gross proceeds from the share issue were PLN 231.2 million. Under the subscription in the public offering, all the offered shares were allotted, of which 166,093 shares were allotted to retail investors and 4,860,446 shares - to institutional investors.

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

Increase of the share capital

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

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

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

As at 30 June 2014, and as at the publication date of the report for the first half of 2014, i.e. 29 August 2014, none of the Members of the Board of Executives or Members of the Supervisory Board held any shares issued by BNP Paribas Bank Polska SA or any other related financial instruments, which means that no change occurred from the date of submitting the report for the first quarter of 2014, i.e. 13 May 2014.

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

Legal, Administrative and Arbitration Proceedings

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

To the best knowledge of the Bank, as at 30 June 2014, the total value of lawsuits pending before the courts, involving the Group's entities, either as a plaintiff or defendant, was PLN 206.8 million. As at 30 June 2014, the total value of lawsuits, in which entities of the Group appeared as a plaintiff, amounted to PLN 86.3 million (excluding interest), while the total value of lawsuits, in which the entities of the Group appeared as a defendant, was PLN 120.5 million (excluding interest).

As at 30 June 2014, in the aforementioned lawsuits the total value of disputes currently pending before the courts, which involve the Bank as a plaintiff or defendant was PLN 198.1 million (excluding interest). As at 30 June 2014, the total value of lawsuits in which the Bank appears as a plaintiff was PLN 77.6 million (excluding interest), while the total value of lawsuits in which the Bank appears as a defendant was PLN 120.5 million (excluding interest).

As at 30 June 2014, the Bank’s provision for legal risk was PLN 10 million. In the opinion of the Bank's Board of Executives, the provisions created for the legal risk as at 30 June 2014 were adequate to the risk level.

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

As at 30 June 2014 the nominal value of claims related to transactions in derivative instruments, including currency options, that were filed to a court, totalled PLN 48.9 million (excluding interest), the total of which constitutes the value in dispute of nine cases brought before courts against the Bank. As at 30 June 2014, the highest nominal value claim against the Bank amounts to approx. PLN 24 million. The lawsuit in this case was served on the Bank on 5 June 2014. The Bank should submit a response to the lawsuit by 5 August 2014. In the Bank's opinion there are very strong arguments to effectively resist the claim. In the above case, along with the response to the lawsuit, the Bank will make a counterclaim regarding amounts of transactions still unsettled by the customer. The case is now in the course of the proceedings at first instance.

As at the end of June 2014, the total amount of provisions created by the Bank for legal risk in court proceedings related to derivative instruments (concerning transactions entered into with customers in the years 2007-2008) is approx. PLN 3.5 million. The amount of provisions for legal risk has substantially decreased as compared to March 2014. It results from a partial provision release in one of the court cases of the highest claim amount. Considering the fact that the customer who is a party to these court proceedings obtained a legally valid court decision unfavourable for him in the litigation of a similar nature with another bank, and also the present jurisprudence trends in cases concerning transactions in derivative instruments (including a court's decision favourable for the Bank in another case related to transactions in derivative instruments), in the Bank's opinion, it is not justified to keep the existing level of the provision for legal risk related to the above case.

In 2013 the proceedings before the Anti-monopoly Court relating to the fine imposed in 2006 by the President of the Office of Competition and Consumer Protection (UOKiK) in connection with anticompetitive practices consisting in joint determination of interchange fee rates on transactions performed using Visa and MasterCard systems in Poland were closed. The Bank is one of 20 Polish banks involved in these proceedings. The fine imposed on the Bank in 2006 by the President of the Office of Competition and Consumer Protection was PLN 2.9 million. Following an appeal filed by the banks in 2008, the Anti-monopoly Court reversed the decision of the President of the Office of Competition and Consumer

Protection. In 2010, following an appeal of the President of the Office of Competition and Consumer Protection, the Appellate Court reversed the judgement of the Anti-monopoly Court and remanded the case back to the Anti-monopoly Court for a new trial. In case the proceedings result in an unfavourable outcome, the Bank established a provision of PLN 2.9 million. On 21 November 2013, the Anti-monopoly Court (the first instance), upon retrial, substantially decreased the amounts of pecuniary fines imposed on the banks, and in the case of the Bank the amount of the pecuniary fine was determined at the level of PLN 59,748. The banks' appeal against the decision of the President of the Office of Competition and Consumer Protection with respect to the remaining scope was dismissed by the Court. In December 2013 the provision for legal risk was reduced to the amount of the pecuniary fine imposed on the Bank by the court verdict. The decision in the aforementioned case is not final and enforceable.

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

As at 30 June 2014, the Bank Supervisory Board’s composition was as follows:

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

Changes in the composition of the Bank's Supervisory Board on 7 April 2014

The Annual General Meeting of the Bank has appointed a new member of the Supervisory Board - Mr Jean-Marc Buresi, representing the BNP PARIBAS group, CEO of the Personal Finance Inside (France).

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

Changes in the composition of the Bank's Supervisory Board on 26 June 2014 (effective date 1 July 2014)

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

22.8 As at 30 June 2014, the composition of the Bank's Board of Executives was as follows:

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

In the first half of 2014, there were no changes in the composition of the Board of Executives.

22.9 Information on changes to contingent liabilities

The tables below present changes to contingent liabilities granted and received.

Contingent liabilities granted (in PLN thousand)	30 June 2014	31 Dec 2013	Change (%)
Financial liabilities granted	6,839,588	5,747,843	19%
Guarantee liabilities granted	2,483,716	2,008,975	24%
Total contingent liabilities granted	**9,323,304**	**7,756,818**	

Contingent liabilities received (in PLN thousand)	30 June 2014	31 Dec 2013	Change (%)
Financial liabilities received	1,912,027	2,125,000	-10%
Guarantee liabilities received	846,786	514,690	65%
Total contingent liabilities received	**2,758,813**	**2,639,690**	

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

On 7 April 2014, the Bank's Annual General Meeting of Shareholders was held which adopted resolutions concerning the approval of separate and consolidated financial statements for 2013, the Board of Executives' Report on the business activity in 2013 and the Supervisory Board's Report for 2013, the approval of the discharge of duties of the Bank's authorities for 2013 and distribution of the 2013 profit.

Moreover, the Annual General Meeting of Shareholders of BNP Paribas Bank Polska SA made the decision on the planned increase of the Bank's equity capital by issuing series O shares, with pre-emptive rights excluded.

22.11 Significant agreements with entities not affiliated with the Bank

Guarantee credit line agreement of 20 January 2014

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

Multi-option credit line agreement of 27 February 2014

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

Multi-option credit line agreement of 5 March 2014

On 5 March 2014, the Bank concluded an agreement on a multi-option credit line up to the maximum amount of PLN 250 million with customers not affiliated with the Bank.
Under the agreement, the Bank grants to customers an overdraft facility in PLN or EUR, likewise a revolving working capital loan in PLN or EUR. The financing term lasts until 30 March 2016.

Non-revolving loan agreement of 21 May 2014

On 21 May 2014, the Bank concluded an agreement on a non-revolving loan up to the maximum amount of PLN 200 million with a customer not affiliated with the Bank. The financing term lasts until 19 May 2017. The funds made available under the loan agreement will be earmarked for financing the current business activity of the customer. The non-revolving loan interest rate is variable and determined on the basis of WIBOR 3M increased by the Bank's margin. The financing conditions stipulated in the Agreement correspond to market conditions.

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

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

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

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

Loan agreement of 24 June 2014 with the European Bank for Reconstruction and Development

On 24 June 2014, a loan agreement was signed between the European Bank for Reconstruction and Development and the Bank under which EBRD granted the Bank a loan up to EUR 50 million. The Bank will obtain funds allocated for financing investment projects of small and medium-sized enterprises under the Sustainable Energy Financing Facility Programme (PolSEFFII).

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

On 20 January 2014, the Bank signed a guarantee credit line agreement with not affiliated entities (the Ordering Party and Surety) and annex no. 1 to the guarantee credit line agreement ("the Guarantee Credit Line Agreement"
Under the Guarantee Credit Line Agreement, the Bank made available to the Ordering Party the guarantee limit up to PLN 424.8 million ("the Guarantee Limit").
On 28 January 2014 within the limit set, the Bank granted Guarantee I up to the amount of approximately PLN 216.7 million.

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

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

22.14 Unpaid credit facilities or default on provisions of a credit facility agreement with respect to which no remedial measures were undertaken by the end of the reporting period

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

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

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

The CVA reflects the market value of the counterparty credit risk. The CVA is calculated to factor in the situation where insolvency of the counterparty makes it impossible to recover the market value of derivative transactions concluded with the counterparty.

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

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

In the first half of 2014, there were no changes in the manner of classification of financial instruments due to a change of the purpose or utilisation of such assets.

22.17 Information about provisions for impairment of financial assets, tangible fixed assets, intangible assets or other assets, and reversal of such provisions

As at 30 June 2014 and 30 June 2013, apart from provisions presented in the notes to the balance sheet, the Group did not make any other material provisions.

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

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

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

On 7 April 2014, the Annual General Meeting decided to pay no dividends for 2013.

22.20 Corrections of prior period errors

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

22.21 Statements of the Bank's Board of Executives

Correctness and reliability of reports presented

To the best knowledge of the Board of Executives of the Bank, the interim financial data and comparative data presented in the abbreviated interim consolidated financial statements of BNP Paribas Bank Polska SA Group for the period ending on 30 June 2014 were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the property and financial situation of the Group and its profit.

Selection of an entity authorised to audit the financial statements

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa based in Warsaw, an entity authorised to audit financial statements, reviewing the abbreviated interim consolidated financial statements of the BNP Paribas Bank Polska SA Group for the period ending on 30 June 2014, has been chosen pursuant to the provisions of law. The above entity and statutory auditors meet the conditions to issue an impartial and independent review report, in accordance with the respective provisions of Polish law.

22.22 Post-Balance Sheet Events

Instituting liquidation proceedings towards Fortis Lease Polska Sp. z o.o.

In consequence of completion of the project of transferring Fortis Lease Polska Sp. z o.o. (hereinafter: "FLP") to the Bank and incorporation of the lease business into the Bank's structures, on 1 July 2014 FLP liquidation proceedings were instituted.

FLP liquidation was initiated upon a resolution on FLP liquidation taken by the FLP extraordinary meeting of shareholders on 30 June 2014. The resolution became effective on 1 July 2014.

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

27 August 2014	Frédéric Amoudru President of the Board of Executives	.... signature
27 August 2014	Jan Bujak Senior Vice-President of the Board of Executives Chief Financial Officer	.... signature
27 August 2014	Jaromir Pelczarski Vice-President of the Board of Executives	.... signature
27 August 2014	Michel Thebault Vice-President of the Board of Executives	.... signature
27 August 2014	Wojciech Kembłowski Member of the Board of Executives	.... signature
27 August 2014	Marta Oracz Member of the Board of Executives	.... signature
27 August 2014	Adam Parfiniewicz Member of the Board of Executives	.... signature
27 August 2014	Stephane Rodes Member of the Board of Executives	.... signature