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

BNP PARIBAS | Bank zmieniającego się świata

Table of Contents

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

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

As at 30 June 2011 the Group comprised:

- BNP Paribas Bank Polska SA (hereinafter referred to as "the Bank"), and
- Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (hereinafter referred to as "TFI FPI") - the Bank's subsidiary, in which it holds 100% of shares.

On 1 July 2011 (after the balance sheet date), the Bank took up 100% of shares in Fortis Lease Polska Sp. z o.o.

1.1. Key factors and events that affected the Group's financial performance in the first half of 2011

Data in this Board of Executives' Report are presented in a consolidated form.

- As at 30 June 2011, the Group's total assets amounted to PLN 19,751,270 thousand and were higher than the total assets as at the end of December 2010 by PLN 1,212,200 thousand, i.e. 7%.
- Net loans to customers amounted to PLN 14,243,526 thousand as at the end of June 2011 which was by 8% higher than at the end of December 2010, due to a revival of the lending action in the second quarter of 2011. The net loans to customers accounted for 72% of total assets. The increase in volume of loans granted concerned mainly working capital loans for institutional customers and mortgage loans for individuals.
- The balance of gross commercial loans increased by 10% as compared to the end of 2010, i.e. by PLN 711,637 thousand.
- As at the end of June 2011, the gross value of mortgage loans stood at PLN 5,416,563 thousand and was by 7% higher than as at the end of December 2010. Growth of currency loans was mostly an effect of Polish zloty depreciation against CHF. Significant growth was also reported for mortgage loans in PLN, which resulted from an increase in production of these loans.
- As at the end of June 2011, liabilities due to customers went down to PLN 7,598,181 thousand in comparison to PLN 8,195,268 thousand noted at the end of December 2010. This significant decrease resulted mainly from periodical fluctuations of short-term deposits of corporate customers related to their business cycle and the lack of fierce competition on the Bank's part with high interest rate of term deposits. In the structure of liabilities due to customers, term deposits continue to have the biggest share (57%). As at the end of June 2011, they amounted to PLN 4,349,326 thousand, despite a 20% decrease of their value as compared to the end of December 2010. Sight deposits reached PLN 3,066,773 thousand as at the end of June 2011 which means growth by 19% as compared to December 2010 mainly due to a dynamic increase of deposits in savings accounts.
- The Group's net income in the first half of 2011 stood at PLN 378,625 thousand, which represents a 11% decrease compared to the corresponding period of 2010. The Group noted net interest income decline by 4% and net fee and commission income drop by 11% as compared to the first half of 2010. The Group observed a lower net trading income mainly caused by a lower income on release of fair value adjustment for credit risk related to derivative transactions entered into with the Group's customers due to the fact that a significant part of transactions for which the adjustments were made was already settled or restructured. Deterioration of net interest income was mainly a result of higher cost of PLN financing, whose share in the financing structure increased considerably. A decrease in the net fee and commission income resulted primarily from lower revenues on sale of insurance products.
- In the first half of 2011, the Group's personnel costs stood at PLN 133,916 thousand and were higher by 13% compared to costs incurred in the corresponding period of 2010, when they amounted to PLN 118,370 thousand. The increase in personnel costs this year also derives from an increase in an average employment level. Depreciation costs decreased by 18% as a result of the Group's lower investment acquisitions.
- The Group's other expenses reached PLN 144,676 thousand and were higher by 6% compared to the first half of 2011, when they stood at PLN 136,708 thousand. The main items of other expenses are rents (PLN 33,842 thousand), information systems and technologies (PLN 19,104 thousand), marketing and advertising (PLN 19,169 thousand), postal and telecommunication services (PLN 10,934 thousand).

- In the first half of 2011, net impairment losses amounted to PLN 52,368 thousand i.e., they were lower by PLN 57,920 thousand (53%) compared to the corresponding period of 2010. The decrease in net impairment losses is attributable to restructuring activities undertaken by the Group and consistently applied more cautious policy of granting new loans. The above actions resulted in an improvement in the loan portfolio quality, represented by a decreased share of non-performing loans in the entire loan portfolio, i.e. from 15.4% at the end of June 2010 to 14.2% at the end of June 2011. 91% of net impairment losses in the first half of 2011 were attributable to customers of the Retail Banking Business Line.
- The Group's gross profit generated in the first half of 2011 amounted to PLN 14,545 thousand as compared to the gross profit of PLN 21,932 thousand earned in the first half of 2010. The decrease of the Group's consolidated profit was a consequence of lower revenues attributable to lower than expected activity, with simultaneous growth of costs of the Bank's activity. At the same time, a positive result was significantly affected by lower than in the corresponding period of 2010 net write-downs for impairment losses for credit receivables.
- The Group's net profit reached PLN 9,570 thousand as compared to PLN 14,787 thousand in the first half of 2010.
- The return on equity (ROE) decreased to 1.43% as compared to 2.10% noted in the first half of 2010. The return on assets (ROA) stood at 0.10% as compared to 0.15% noted in the first half of 2010. Earnings per share were PLN 0.40.

1.2. Change of the name and brand to BNP Paribas Bank Polska SA

In May 2009, the Bank joined the BNP Paribas Group once BNP Paribas took over the Bank's majority shareholder, i.e. Fortis Bank SA/NV.

Consequently, in the first half of 2011, the Bank changed its formal and legal name from "Fortis Bank Polska SA" to "**BNP Paribas Bank Polska SA"**. Changes in the Statutes regarding the new name were approved by the Extraordinary General Meeting of Shareholders on 18 March 2011 and by the Polish Financial Supervision Authority. The process of changing the name came to an end with registration in the National Court Register on 29 April 2011.

At the same time, the Bank changed also the brand of the products and services offered, likewise its logo, from BNP Paribas Fortis to BNP Paribas. The adoption of a new name and brand did not mean any changes in the Bank's capital structure nor caused any changes in the Bank's relations with customers.

A similar change is planned in the Bank's subsidiary - after the registration in the National Court Register its name will be changed to Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA.

1.3. Outside factors that influenced the operation and development of the Group in the first half of 2011

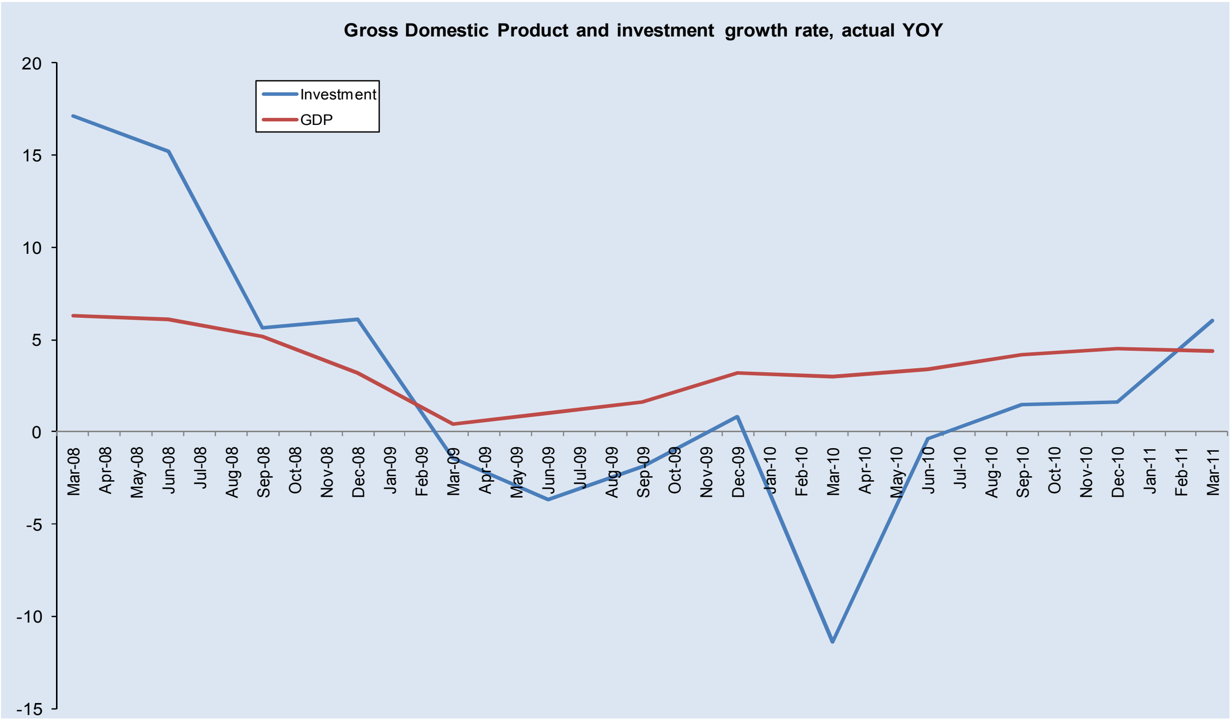
Economy in the first half of 2011

GDP – growth rate and components

At the beginning of 2011, positive economic tendencies from the previous year continued. In the first half of 2011, the GDP growth rate reached 4.4% YOY and was slightly lower than a quarter before (4.5%). Individual consumption remained stable, i.e. it increased by 3.9% YOY as compared to 4% in the previous quarter. At the same time, a significant improvement on the investment side was noted. In the first quarter of 2011 investments grew by 6%, i.e. considerably more than in the fourth quarter of the previous year when the growth rate in this category was only 1.6%.

As regards sectors, in the first quarter the best performance was recorded in the construction industry, where the gross added value grew by 14.1%. The performance was much poorer in industry (increase of the gross added value by 7.8% YOY), and in the sector of market services (3.3%).

Chart 1. Gross Domestic Product and investment growth rate, actual YOY (*Source: Central Statistical Office [GUS]*)



Labour market

In the first half of 2011, signs of a gradual revival on the labour market were still observed. The employment demand was growing. In the first half of 2011, employment in the enterprises sector increased by 3.8% YOY, which was a substantially better result that in the corresponding period of the previous year, when employment decreased by 0.5% YOY. Stronger employment demand was accompanied by a rather moderate improvement of remuneration growth. In the first half of 2011, the remuneration in the enterprises sector increased by 4.6% YOY. Thus, remuneration growth rate was slightly higher than in the first half of 2010 (+3.3% YOY).

Exchange rate and inflation

In the first half of 2011, an upward inflation trend was observed. In this period, it remained slightly above the inflation target set by the Monetary Policy Council (2.5%). In June 2011 the main inflation rate amounted to 4.2% YOY, which was significantly higher than 3.1% recorded at the end of the previous year. Inflation growth was recorded mainly due to factors of a supply nature, i.e. an increase of food and energy prices. At the end of the first half of 2011, the net inflation rate, i.e. inflation net of food and energy prices, was 2.4% YOY.

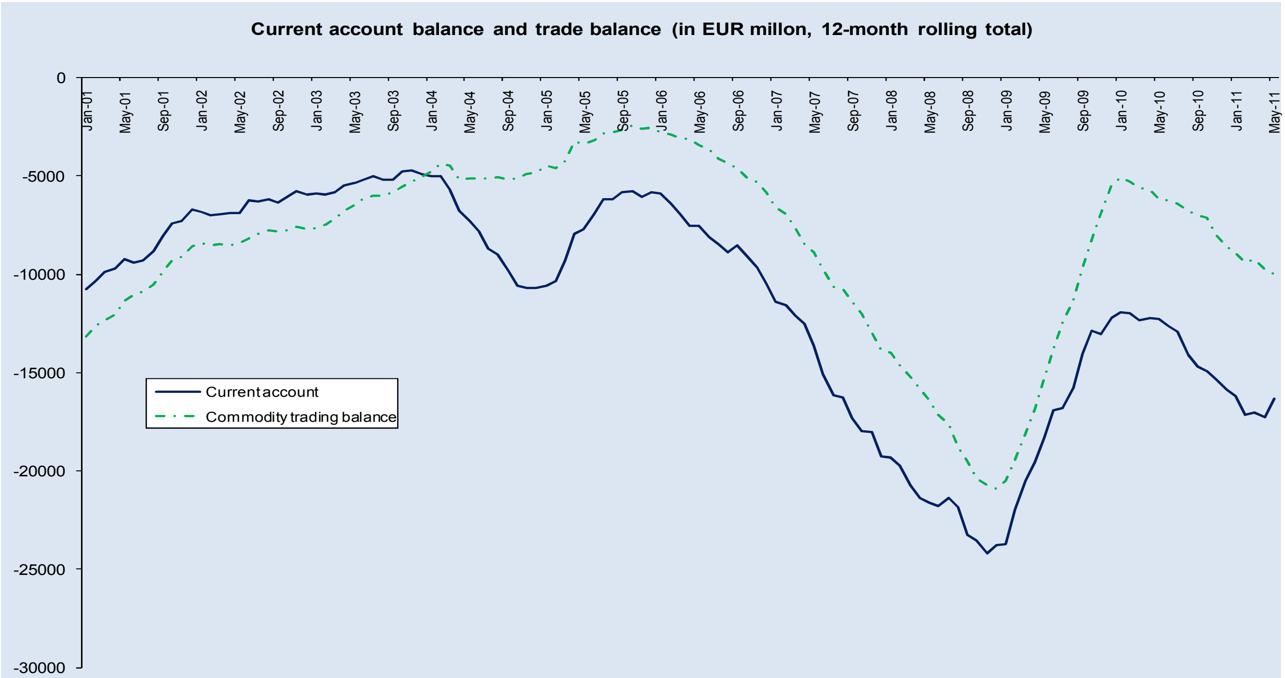
In the first half of the year, the exchange rate of Polish zloty remained influenced by external factors. The main factors affecting fluctuations on the domestic currency market were changes in global and regional risk aversion resulting from anxiety about the fiscal situation of countries in the south of Europe and increasing fiscal problems of the American economy. As at the end of June 2011, the PLN exchange rate in relation to USD was by 7.2% stronger, while in relation to EUR it was lower by 0.7% as compared to the rates from the end of 2010.

Foreign trade and balance of payments

At the beginning of 2011, the current account balance further deteriorated. In June 2011, the cumulated 12-month deficit in this category equalled EUR (16.6) billion and was thus higher than in the previous year, when it stood at EUR (12.6) billion. A gradual increase of trade deficit continued to be the main reason for the gradual increase of the current account deficit. Also the financing side of the balance of payments deteriorated. In June 2011, the surplus in financial account was EUR 27.9 billion, and it was by EUR 4.9 billion lower than the year before.

At the end of the first half of 2011, the foreign currency reserve reached EUR 75.3 billion and was by EUR 5.4 billion higher than in the corresponding period of the previous year.

Chart 2. Current account balance and trade balance *(Source: Central Statistical Office [GUS])*



Public finances

In the first half of 2011, the progress of implementation of fiscal assumptions was smooth. After the first six months of 2011, budgetary revenues reached PLN 134.5 billion (49.2% of the annual plan), while the expenses stood at PLN 154.9 billion (49.4% of the plan). At that time, the budget deficit stood at PLN (20.4) billion or 50.7% of the annual plan assumed in the Budget Act for 2011.

Financial performance of enterprises

In the first quarter of 2011, the results of non-financial enterprises continued to be better than the performance recorded in the corresponding period of the previous year (except for the net profit on financial operations). The total operating income exceeded the tax-deductible costs (increase by 12% and 11.6%, respectively). Net profit totalled PLN 22 billion in this period and was by 20.1% higher than the year before.

The banking sector in the first half of 2011

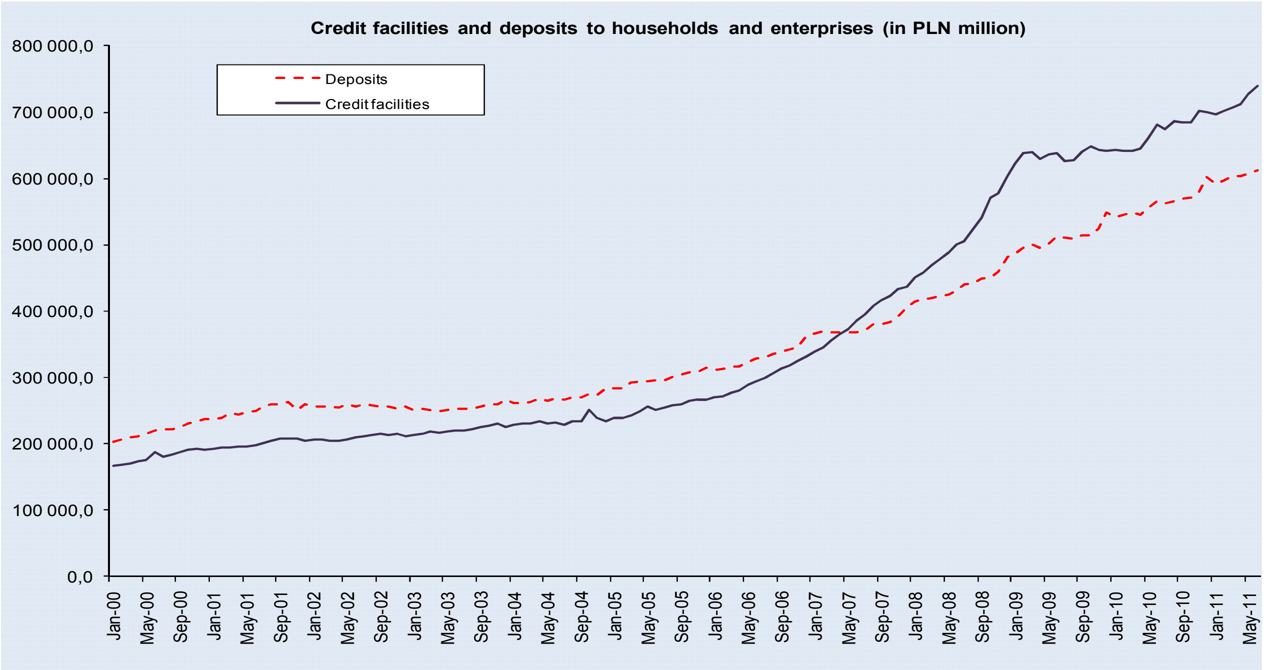
Monetary policy of the NBP and interest rates of commercial banks

At the beginning of 2011, the Monetary Policy Council started a series of interest rate increases. In the first half of the year, the Monetary Policy Council made four interest rate increases of 25 b.p. each, thus raising the reference rate to 4.50%. However, at the end of the first half of the year, the Monetary Policy Council's communication tempered, which in practice eliminated market expectations towards further monetary policy tightening.

Excessive liquidity continued to grow in the banking sector. As at the end of June 2011, the balance of NBP cash bills amounted to PLN 104.7 billion (an increase by PLN 29.1 billion compared to the corresponding period of the last year and by PLN 30 billion as compared to December 2010). At the same time, liquidity of the inter-bank money market remained considerably lower than compared to levels from before the financial crisis.

In the period in question, a high deposit growth rate was maintained. The total value of deposits of households and enterprises in the first half of 2011 grew by 9% YoY, that is at the rate similar to the one recorded in the corresponding period of the previous year. At the same time, the pace of growth of credit facilities increased. Loans to households and enterprises accelerated to 9% YOY from 3%-increase noted in the first half of 2010.

Chart 3. Credit facilities and deposits to households and enterprises *(Source: the NBP)*



<u>Financial performance of banks</u>

The financial situation of the banking sector remains good. For the first half of 2011 the banking sector reported net profit of PLN 7.8 billion. The result mentioned was by 43.5% better than the one generated in the corresponding period of the previous year. The key factor which influenced the results of the banking sector was an increase of interest income, which amounted to PLN 16.8 billion what represents growth by 13.8% YOY.

2. SHAREHOLDERS AND STOCK PERFORMANCE ON THE WARSAW STOCK EXCHANGE

2.1. Share capital of BNP Paribas Bank Polska SA

In the first half of 2011 and as at the semi-annual report submission date (i.e. 30 August 2011), the share capital of BNP Paribas Bank Polska SA has not changed.

The Bank's share capital amounts to PLN 1,206,175,300 and is divided into 24,123,506 ordinary, bearer shares with nominal value of PLN 50 per each share.

All the shares of BNP Paribas Bank Polska SA are bearer ones and entail no particular rights or limits with respect to any transfer of ownership or exercise of voting rights. Limitations, if any, can only be based on specific provisions, such as the Banking Law Act or Public Offering Act. Each share entitles its holder to one vote at the Bank's general meeting of shareholders. Shares are entitled to participate in dividends on equal terms.

In the first half of 2011 and as at the semi-annual report submission date, i.e. 30 August 2011, the Bank has taken no actions to introduce L and M series shares to stock exchange trading. All other shares (series A to K) have been admitted and introduced to public trading.

2.2. Shareholder structure of BNP Paribas Bank Polska SA

In the first half of 2011 and as at the semi-annual report submission date (i.e. 30 August 2011), the shareholder structure of BNP Paribas Bank Polska SA has not changed.

The shareholder structure specifying all shareholders with at least 5% of the total number of votes at the General Meeting was as follows:

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

* BNP Paribas SA is the parent entity (74.93% shares) of Fortis Bank SA/NV based in Brussels.

**Fortis Bank SA/NV based in Brussels is the parent entity (100% shares) of Dominet SA.

BNP Paribas SA based in Paris holds, via Fortis Bank SA/NV based in Brussels, 24,092,125 shares of BNP Paribas Bank Polska SA that constitute 99.87% of the Bank's share capital and entitle to 24,092,125 votes, or 99.87% of the total number of votes at the General Meeting of BNP Paribas Bank Polska SA.

Fortis Bank SA/NV based in Brussels holds directly 18,848,593 shares in the Bank representing a 78.13% stake in the share capital and giving the right to exercise 18,848,593 of total votes at the Bank's general meeting of shareholders.

Dominet SA (a subsidiary of Fortis Bank SA/NV) holds 5,243,532 of the Bank's shares, i.e. 21.74% of the Bank's share capital.

The Bank has not been informed of any agreements that may result in any future changes in the proportions of shares held by the present shareholders.

2.3. Stock performance on the Warsaw Stock Exchange

The Bank's shares have been quoted on the primary market of the Warsaw Stock Exchange in the continuous trading system. In connection with the Bank's name change to BNP Paribas Bank Polska SA, the Bank's shares are listed under the new shortened name of BNPPL and the BNP specification.

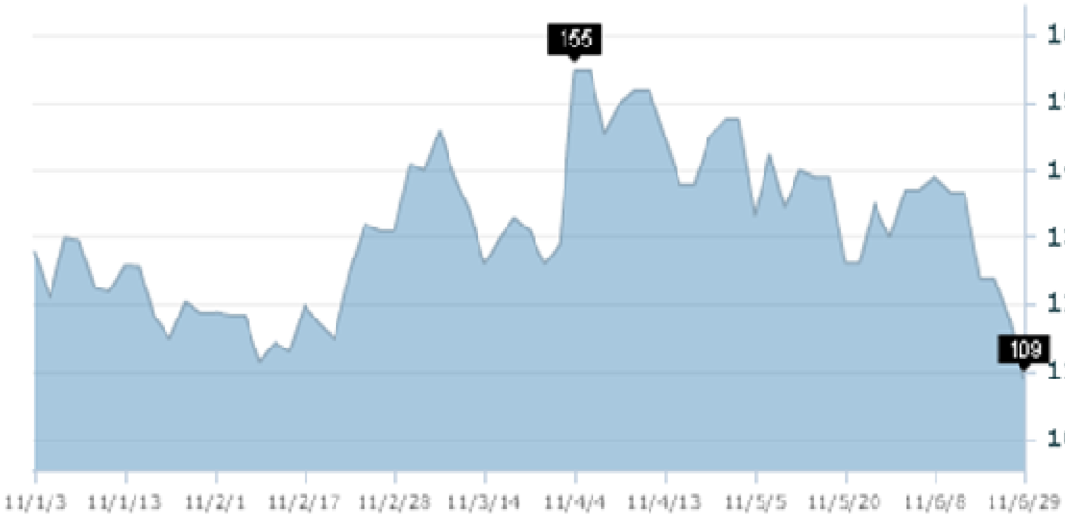
As at 30 June 2011, the free float included 31,381 shares held by minority shareholders, i.e. only 0.13% of all the Bank's shares. The Bank has joined the *Liquidity Support Programme* implemented by GPW SA to increase the liquidity of stock trading.

At the first session in January 2011, the Bank's shares were traded at PLN 128. As at 30 June 2011, the Bank's share price went down to PLN 109, i.e. by 14.84%.

The highest Bank's share price in 2011 was recorded on 4 April 2011, when it stood at PLN 155. The lowest Bank's share price was recorded on 29 and 30 June 2011, when it was PLN 109. The average share price in the first half of 2011 was PLN 131 compared to the average price of PLN 152 in 2010.

An average turnover in the Bank's shares was over 22 shares per session in the first half of 2011 and was higher in comparison to the average turnover recorded in 2010 (over 7 shares per session). An average value of the turnover in the Bank's shares per session in the first half of 2011 was PLN 2.89 thousand and was higher than the average value of the share turnover in 2010 of PLN 1.08 thousand per session.

Chart 4. Quotations of the Bank shares from 3 January 2011 to 30 June 2011*(Source: www.gpwinfostrefa.pl)*



WIG, a stock exchange index, rose from 48,004.74 points noted on 3 January 2011 to 48,414.36 points recorded on 30 June 2011 (increase by 0.85%). The lowest level of WIG index was recorded on 10 January 2011 when the index stood at 46,416.3 points. WIG-Banks, a sector sub-index fell in the first half of 2011 from 6,965.24 points noted on 3 January 2011 to 6,801.48 points recorded on 30 June 2011 (change by 2.35%).

Scant liquidity of the Bank's shares prevents them from being classified to any of the indexes.

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

Ratio	**30 June 2011**	**31 December 2010**	**30 June 2010**
Return on Assets (ROA)*	**0.1**	**0.2**	**0.2**
Return on Equity (ROE)*	**1.4**	**3.0**	**2.1**
Earnings (loss) Per Share	**0.40**	**1.72**	**0.61**
Book value Per Share	**56.56**	**55.30**	**57.70**

The book value per share is PLN 56.56. For proper calculation, the share capital, additional capital, revaluation reserve, other reserve capital, retained earnings from the previous years and the consolidated net profit (loss) for the fiscal year were included in equity capital.

*These ratios were calculated per annum as follows:

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

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

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

Other amendments to the Statute included drawing up more precise provisions regarding the scope of competence of the audit committee and the internal control system at the Bank, likewise specifying brokerage activities to be performed by the Bank.

Under the decision of 18 May 2011, the Polish Financial Supervision Authority (KNF) granted its consent for the Bank to apply for the Statute's amendments; however, KNF abandoned the proceedings on granting a permit for amendments to the Bank's Statute as regards the brokerage activity. Pursuant to the KNF interpretation, the scope of brokerage activities performed by the Bank under the permit stipulated in *Article 111 of the Act on Trading in Financial Instruments* will be specified in a permit issued by KNF and there is no need to list those activities in the Statute. In consideration thereof, the Bank's Statute will not be amended in this regard.

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

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

Distribution of the Bank's profit for the fiscal year 2010 which amounted to PLN 42.7 million, was the following: the profit portion of PLN 3.4 million was allocated to the additional capital and the portion of PLN 39.2 million to the general risk fund.

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

2.6. Dividend

In 2011, no decision regarding dividend payment was taken. At the Annual General Meeting the Bank shareholders resolved to allocate the entire 2010 net profit to increase the Bank's equity funds.

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

3.1. Retail Banking

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

- Mass Retail segment – customers of monthly net income below PLN 7,500, where additionally a sub-segment of Mass Retail Aspiring Customers, with income of over PLN 2,500, has been separated;
- Mass Affluent Customer segment – customers of net monthly income at minimum PLN 7,500 and/or investing assets through BNP Paribas Bank Polska SA in the minimum amount of PLN 100 thousand, up to PLN 1 million;
- Private Banking (HNWI) segment – customers who invest assets through BNP Paribas Bank Polska SA in the minimum amount of PLN 1 million, including the Ultra-HNWI group of customers holding assets above PLN 5 million;
- Micro enterprises (MICRO) segment – business entities generating annual revenues below PLN 500,000;
- Small and Medium Enterprises (SME) segment – business entities with annual turnover from minimum PLN 500,000 up to PLN 30 million.

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

I. Products and services offered to Individuals

Mass Retail and Mass Affluent segments

The product offering for individuals was developed in 2011 according to the strategy adopted for the years 2011-2015. The Bank has been consistently developing its offering in all areas to establish safe customer relations with the Bank and make the offering comprehensive and tailored to customer needs, chiefly in the following target segments: Mass Retail and Mass Affluent segments.

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

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

All packages enable an effective and safe management of funds deposited on savings and checking accounts. In addition to a savings and checking account (ROR), the following products and services are available to Package holders:

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

Furthermore, holders of Packages are offered:

- foreign currency accounts in EUR and USD;

- stock investor's accounts, earmarked for the service of investment portfolios (asset management service); the Bank maintains such accounts for customers using the services of TFI Fortis Private Investments S.A.;
- term deposits with various maturity terms, bearing fixed or variable interest rate, standard and negotiated deposits in PLN, EUR and USD;
- overnight deposits (a surplus of funds is automatically deposited on an overnight deposit).

The offering of savings accounts underwent modifications. New standard accounts "Very" (Bardzo) and promotional accounts "More" (Więcej) were introduced into the offering, with a guarantee that the account interest rate would be kept unchanged for 12 months of the account opening.

As a complement to the savings account offering, in April 2011 the Bank launched SilnaLokata deposit with a promotional interest rate for the first 6 months of the deposit duration.

The Bank confirmed its innovativeness in the product area by introducing, in January 2011, the Pay-Pass technology for debit, credit and pre-paid cards that enable contactless transactions.

In the first half of 2011, in connection with expanding its car and cash loan offering, the Bank started to offer personal insurance variants adjusted to new loans and ongoing promotions.

In 2011, the range of mortgage products dedicated to individuals has remained unchanged. In addition to the new products launched in 2010, namely:

- mortgage loan "Family's Own Home" (Rodzina na swoim), granted under the government programme implemented pursuant to the Act dated 8 September 2006 regarding Financial Support for Families to Purchase Their Own Home; and
- Dual Currency Housing Loan/Dual Currency Re-mortgage, which combine features of a PLN loan and a EUR loan as the financing is granted in both currencies in equal proportions,

the offering includes also:

- Housing Loan allocated for financing housing purposes in a broad sense;
- Re-mortgage intended for repayment of loans taken with other banks for housing purposes;
- MULTI Mortgage Loan that enables the borrower to finance many purposes at the same time: housing, consolidation and consumer purposes;
- Home Equity Loan to finance any purpose not related to the borrower's business or farming activity.

Under the approved strategy, the Bank focuses on developing long-term relations with customers that use our mortgage loan offer by encouraging them to actively use also other products of the Bank, with a particular attention drawn to advantages of holding and using personal account packages.

In 2011, the Bank keeps developing its offering of investment products enabling customers to deposit funds for mid-term periods, where the deposit principal amount is protected in 100% at the end of the investment period. The investment product offering has been extended by WIBOR PROFIT, a 2-year structured product in a form of a group endowment life insurance of TUnŻ Cardif SA, based on WIBOR 3M reference rate. The product structure allows customers to earn profit of 7% p.a. for every day in which WIBOR 3M rate remains between 3.90 and 5.18.

This year, the Bank has undertaken a number of initiatives to build customer relationships and enhance the BNP Paribas brand awareness.

The first campaign under the Bank's new name, BNP Paribas Bank Polska SA, is conducted with the theme "Poczuj moc wsparcia" ("Feel the Power of Support") under the Bank's campaign promoting the "Konto Witalne" account package. The campaign key purpose is to acquire new customers and build the greatest possible awareness of the BNP Paribas brand in the target customer group.

The Konto Witalne offer includes:

- personal account within a S/M/L/XL package with assistance services or a private banking account;
- Pożyczka Witalna - a loan up to the customer's monthly salary amount: 0% origination fee, 0% loan interest rate, loan amount from PLN 2,000 to 7,500, maturity up to 24 months;
- the MORE Savings Account: interest rate of 5.8% p.a. up to PLN 15,000.

The Bank's offering is adjusted to the changing market environment, to meet customer expectations while retaining transparent rules of cooperation with customers. These adjustments are supposed to build long-lasting relations with customers based on transparent offering and friendly service processes.

Private Banking segment

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

- savings and investment products;
- credit products; and
- daily banking products.

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

1. Deposit and investment products

The Bank offers the following savings and investment products:

- deposits (in PLN and in foreign currencies, for various terms, overnight deposits with negotiated interest rates);
- savings account with interest capitalisation on each business day;
- a wide selection of domestic and international external investment funds (207 funds);
- BNP Paribas L1 international funds;
- periodical subscriptions for international investment funds of BNP Paribas L Fix, or term funds, mainly with the principal amount protection, whose profits are related to stock or other instrument markets;
- assets management offer of TFI Fortis Private Investments S.A. which includes:
    - model portfolios and investment strategies tailored to individual customer needs as regards acceptable risk, expected yield and investment horizon;
    - investment fund portfolios actively managed by investment advisors who customise the portfolio structure by selecting the funds they view as the best investments; within portfolios of funds, cooperation has been established with renowned investment companies;
    - Individual Pension Account IKE Fortis FIO;
    - FORTIS FIO umbrella fund;
    - ProfitPlus deposit which is a combination of a 6-month term deposit with a selected Fortis FIO sub-fund, Fortis FIO Stock or Fortis Stable Growth;
- structured products prepared within and outside the Bank, including custom-built instruments.

In addition to investment products, the Bank offers also products combining insurance and investment (actively managed portfolios of selected investment funds sold on the Polish market linked to insurance).

2. Credit products

The following loans are available to customers:

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

3. Daily Banking products

Private Banking customers have access to, among others, the following:

- accounts in PLN and main convertible currencies;
- savings accounts;
- foreign exchange transactions executed at negotiated rates;
- Pl@net Internet banking system;
- assistance insurance;

- AXA MED medical insurance;
- Call Centre;
- Visa and MasterCard payment cards;
- credit cards (Visa, MasterCard), in particular Gold and Platinum cards which give access to insurance services, assistance and concierge services and Traveller Package;
- charge cards (American Express) - best customers may apply for "Centurion," a titanium card; holders of the card may take advantage of concierge and insurance services likewise some privileges during their stays in hotels of various chains, and a number of other additional services.

Personal Finance

Personal Banking business line has been created as a specialised competence centre responsible for development and introduction of consumer loans to the Bank's offering and also for managing the portfolio of such loans.

The main products offered by Personal Finance include:

- cash loans,
- car loans (for the purchase of new and used cars),
- credit cards.

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

1. Cash loans

- Classic loan,
- Extra loan.

Loans are offered primarily to Mass Retail customers through the Bank's branch network.

Activities undertaken to support the cash loan offer included three promotional campaigns organised in 2010 and in the first half of 2011. In February 2011, a spring promotion entitled "*Realise Your Plan*" started and offered attractive terms and conditions: discounted origination fee, nominal interest rate of 9.9% and obligatory insurance for borrowers. This offering structure boosts cross-selling activities.

2. Car Loans

- Flexible Loan (Kredyt Elastyczny) for purchase of new or used vehicles (for own purposes or for the purposes of a business activity);
- Loan for purchase of a vehicle from an authorised car dealer.

In the first half of 2011, in order to support car loans distribution, a new car loan to refinance vehicle purchase price was introduced. Promotions were organised: Spring Promotion that lasted till the end of June 2011 with a 7.9% loan interest rate for new vehicles and 8.9% for used vehicles; the interest rate was additionally lowered if a customer decided to open a personal account. Grace periods up to 2 months in loan repayments were offered with respect to used cars up to 8 years old, and special offers were prepared for selected authorised car dealers.

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

II. Products and services offered to Enterprises

SME and Micro Enterprises Segment

A share of micro companies and small and medium enterprises in generating the Polish GDP amounts to 50% and keeps growing. Considering that these segments are of a strategic importance for the Polish economy, the Bank carefully analyses their needs and in consequence, it gradually develops and modifies its offering.

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

- accounts and packages,
- deposits,

- payment cards,
- credit products,
- liquidity management - cash management,
- trade finance,
- currency and interest rate risk management,
- other financial services (lease facilities, cash collection, financing agreement, purchase/sale of foreign currencies),
- offer related with the European Union financial programmes.

In the first half of 2011, the Bank's offering was extended by a *new MasterCard Business credit card* which could be an alternative source of short-term financing for entrepreneurs. Credit card debt repayment maturity is 28 days, which allows a company to use a non-interest bearing loan for up to 58 days.

In March 2011, the Bank launched *Kredyt pod Obroty* (account turnover financing), which is a kind of overdraft available in three options. Maximum loan amount depends on average monthly revenues from the customer's business activity and declared turnover amount channelled through accounts held with the Bank. The account turnover financing promotional campaign emphasised that entrepreneurs could test the product for 4 months at no additional costs such as commission, margin or other fees.

By the end of March 2011, the Bank launched *Energy Efficiency Loan*, offered in cooperation with the European Bank for Reconstruction and Development (EBRD) under the Sustainable Energy Financing Facility Programme in Poland (PolSEFF). The loan may be used by small and medium-sized enterprises, within the meaning of the EU regulations (European Commission's Recommendation dated 6 May 2003), that is companies that employ up to 249 people, with annual turnover up to EUR 50 million or total assets not exceeding EUR 43 million, which are independent entities. The Energy Efficiency Loan can be used to finance investment projects to reduce energy consumption in an enterprise. Investments financed under the programme are based on a wide range of energy saving technologies, such as: systems of renewable energy supply to buildings, heating and cooling technologies, integrated energy management systems, building thermo-modernisation systems, energy-saving lighting systems and many other technologies available.

Owing to the cooperation with EBRD, entrepreneurs using the Energy Efficiency Loan, after successful completion of their investment project, receive an investment bonus financed by the EU, equal to 10% of the loan amount disbursed.

The Bank's offering includes also EIB *investment loan* for small and medium-sized companies. As a result of cooperation with the European Investment Bank, the loan is offered to customers at a lower margin and for longer financing terms (up to 10 years).

Furthermore, the Bank has continued its cooperation with consulting companies involved in, *inter alia*, preparing applications for customers interested in obtaining EU funding. Under this cooperation, workshops for customer relationship managers were organised to enhance their knowledge of EU funding issues and also to discuss the model of companies' cooperation with the Bank. Additionally, a series of conferences with the participation of the Bank's existing and potential customers have been planned.

In April 2011, the Bank implemented material changes in the loan granting process. A workflow tool improves the efficiency of the loan granting process to customers on the one hand, and additional credit experts, hired under a programme of support to relationship managers, ensure more efficient credit application handling on the other.

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

In January 2011, the Bank extended its offering by a *Placement Account* dedicated to all companies from the SME segment. Within a placement account, customers can make unlimited in number and free-of-charge transfers to a current account through all channels: internet banking, branches as well as Call Centre.

In cooperation with Fortis Lease Polska Sp. z o.o., the Bank offers leasing services: financial lease, operating lease and sale-and-leaseback. Lease assets may include means of transport, machines and equipment as well as real estate.

In the second quarter of 2011, the Bank intensified its local activities by, among other things, starting cooperation with entrepreneurs' organisations. Within promotional activities related to the credit offering, Energy Efficiency Loan in particular, the Bank took part in fairs and sector conferences in Katowice, Cenerg fair in Warsaw and GreenPower fair in Poznań.

3.2. Corporate and Transaction Banking

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

Product offering for medium and large enterprises and international groups

Following the integration with BNP Paribas group, in the years 2010-2011 CTB product offering has been enriched by a number of specialised solutions introduced and developed owing to the group's support.

Cash Management offering includes a wide range of services, from bank accounts to complicated cash pooling solutions that enable customers to manage a company's liquidity at an international level. In 2010, the offering was extended by the Connexis internet banking system, dedicated primarily to groups cooperating with BNP Paribas worldwide. The offering of business payment cards was likewise expanded: in 2010 and in the beginning of 2011, MasterCard Business cards were launched, involving both debit and credit type cards.

- current accounts, foreign currency and auxiliary accounts available to both resident and non-resident companies;
- escrow and trust accounts;
- payroll accounts;
- domestic and cross-border transfers, SEPA credit transfers, Direct Debit;
- BiznesPl@net and Connexis Internet banking systems;
- payment cards: Visa Business Debit, Visa Business Charge, MasterCard Business Debit, MasterCard Business Credit;
- MBR/RPI system is a SWIFT-based system which enables account management via external electronic banking systems;
- domestic and international Cash Pooling;
- Automated Identification of Payments.

Cash Collection

Short-, Mid- and Long-term Financing

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

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

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

Trade finance

Our individual customer approach and continuous development of the offering for exporters and importers guarantee the top quality service. In the years 2010-2011, owing to BNP Paribas group support, international cooperation opportunities opened up for our customers:

- documentary collection;
- letters of credit;

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

Growth has been recorded in export letters of credit, both in terms of volume and number of transactions. This trend is attributable, to a great extent, to transactions effected within BNP Paribas group. Use of services offered by banks within BNP Paribas group benefits both transaction parties since it enables better information flow, faster receipt of funds and often cost optimisation.

Structured Finance & Capital Development

This new organisation unit brings know-how and skills of the BNP Paribas group concerning structured finance. Investment banking includes:

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

Global Markets

In response to the financial crisis in the years 2008-2009, the BNP Paribas group has introduced solutions that guarantee both the security of transactions and top quality service:

- Spot foreign exchange transactions,
- Forward, FX SWAP transaction,
- FX and interest rate options (CAP, FLOOR),
- IRS, FRA, CIRS,
- structured products.

Leasing

Lease offering includes a full scope of most popular solutions, such as:

- operating lease;
- financial lease;
- sales & leaseback;
- lease of assets.

3.3. Other Banking Activity

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

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

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

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

FX transactions include, in particular:

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

Interest rate risk currency transactions include:

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

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

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

Money market and debt securities operations

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

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

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

3.4. Average interest rate of deposits and loans

Basic variable interest rates applied to loans by the Bank are based on LIBOR/EURIBOR rates for foreign currency loans, and WIBOR rate for PLN loans.

In the first half of 2011, the Monetary Policy Council intervened four times to increase the level of official NBP interest rates by the total of 100 basis points.

In the first half of 2011 as compared to the first half of 2010, the average nominal interest rate of current and term deposits at the Bank stood at:

- PLN deposits – 3.09% as compared to 3.46%,
- foreign currency deposits – 1.03% as compared to 1.32%.

Average nominal interest rates for performing and non-performing loans, broken down by currency, were the following in the first half of 2011 as compared to the first half of 2010:

- PLN loans – 8.36% as compared to 8,58%
- EUR loans – 3.69% as compared to 3.57%
- USD loans – 2.19% as compared to 3.27%
- CHF loans – 1.33% as compared to 1.44%.

3.5. Custody services

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

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

3.6. Clearing activity

With regard to domestic and foreign settlements, the Bank's business customers are offered the following services:

- foreign payments: handling incoming and outgoing payment orders in convertible currencies and PLN;
- domestic transfers,
- direct debit,
- day-to-day foreign exchange transactions,
- forward transactions,
- securities accounts,
- documentary import and export letters of credit,
- discount of export letters of credit,
- collection of checks of other banks,
- collection of checks drawn on foreign banks,
- documentary collection.

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

The Bank participates in EuroELIXIR system for handling domestic transfer orders. The Bank handles incoming orders via SORBNET-Euro system, while to clear cross-border transactions the Bank participates in the STEP2 system. The Bank provides its customers with SEPA credit transfers (both incoming and outgoing ones).

4. ANALYSIS OF PERFORMANCE OF BNP PARIBAS BANK POLSKA SA GROUP IN THE FIRST HALF OF 2011

4.1. Consolidated Income Statement

Change of selected Consolidated Income Statement items (in PLN thousand)

Consolidated Income Statement in PLN thousand	1 Jan 2011 - 30 June 2011	1 Jan 2010 - 30 June 2010	Change (%) 1st half of 2011 - 1st half of 2010
Net interest income	279,332	290,879	-4%
Net fee and commission income	69,784	78,203	-11%
Dividend and other investment income	0	68	-100%
Net trading income	20,396	49,129	-58%
Profit (loss) on hedging transactions and hedged item	0	0	-
Net profit/loss on available-for-sale financial assets	-439	1,310	-134%
Other revenues	9,552	7,913	21%
Total income, net	**378,625**	**427,502**	**-11%**
Personnel expenses	-133,916	-118,370	13%
Depreciation of fixed assets and intangible fixed assets	-33,120	-40,204	-18%
Other expenses	-144,676	-136,708	6%
Net impairment losses	-52,368	-110,288	-53%
Gross profit/loss	**14,545**	**21,932**	**-34%**
Income tax expense	-4,975	-7,145	-30%
Net profit/loss	**9,570**	**14,787**	**-35%**

The main item of the income statement is the net interest income which reached PLN 279,332 thousand for the first half of 2011 and was lower by 4% or PLN 11,547 thousand than in the first half of 2010. In the analysed period, average credit volumes remained at a similar level recording a gradual increase in the second quarter of this year mainly due to sales actions and promotional campaigns, likewise an increase of FX rates. The attractive price conditions offered by the Group in this period along with a higher coverage of non-performing loans with specific provisions resulted in a decline of margin, and in consequence interest income on loans. The decrease of the interest income was attributable also to higher costs of credit facilities received from the BNP Paribas group as a result of replacing one of the EUR facilities with a PLN loan bearing higher interest rate, likewise higher costs of interest on deposits of other banks in connection with an increase of their volumes. On the other hand, a positive influence was exerted by the increase in interest income on available-for-sale securities as a result of a higher average value of the Group investment portfolio (mainly treasury bonds and NBP cash bills). Average customer deposit volumes in the first half of 2011 were by 5% lower than in the corresponding period of 2010 what led to a drop of interest costs on this account.

A major income item was the fee and commission income. In the first half of 2011, the Group generated net commission and fee income of PLN 69,784 thousand, i.e. a decrease by 11% as compared to the corresponding period of the previous year. The income deterioration is mainly caused by a drop in revenues on sale of insurance products, as well as lower commission and fee income on account of cash settlements and lower credit commissions. At the same time, commissions related to purchase and sale transactions like FX spot, forward and derivative transactions recorded an increase.

As at the end of June 2011, the number of active business line customers stood at nearly 375 thousand which was more by over 11 thousand than in June 2010. The increase in the number of customers, most noticeable in the individuals segment, was caused to a great extent by the revamped product offering of the Group and intensified sales and promotional actions.

In the first half of 2011, the Group noted a net trading income of PLN 20,396 thousand i.e. by PLN 28,733 thousand (58%) lower than in the corresponding period of 2010. The decline of income on this account was affected mainly by lower (by PLN 16,965 thousand i.e. 84%) income on released fair value adjustments for credit risk related to derivative transactions concluded with the Group customers in the previous years, due to the fact that majority of these transactions was already settled or restructured, negative income on FX swap transactions (as a result of sale of a lower interest currency and purchase of a higher interest currency) and lower income on derivatives measurement, including mainly CIRS. The first half of 2011 brought an increase in the average volume of the Group customers' FX transactions (by 21% as compared to the first half of 2010) with a stable average margin level. In the first half of 2011, the net result on valuation of securities held for trading amounted to PLN (234) thousand which means a decrease by PLN 1,865 thousand as compared to the corresponding period of 2010.

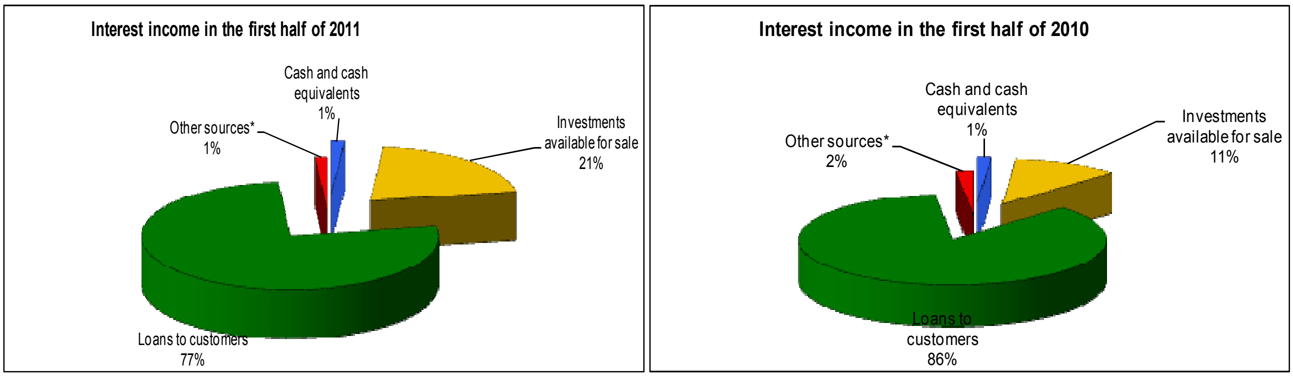
Net income

Net income of the Group decreased from PLN 427,502 thousand in the first half of 2010 to PLN 378,625 thousand in the first half of 2011 (a decrease by 11%).

Interest income increased by 1% (PLN 4,636 thousand). This item stood at PLN 458,563 thousand in the first half of 2011 as compared to PLN 453,927 thousand in the corresponding period of 2010. The main source of interest income included loans, credit facilities and investments. The interest income consists mainly of interest on account of:

- Loans to customers: PLN 351,052 thousand versus PLN 388,046 thousand in the first half of 2010 (decrease by 10%);
- Available-for-sale investments: PLN 94,889 thousand versus PLN 51,184 thousand in the first half of 2010 (increase by 85%);
- Cash and cash equivalents: PLN 6,583 thousand as compared to PLN 6,616 thousand in the first half of 2010;
- Held-for-trading securities: PLN 1,905 thousand versus PLN 5,707 thousand in the first half of 2010 (decrease by 67%);
- Due from banks: PLN 1,895 thousand versus PLN 2,374 thousand in the corresponding period of 2010 (decrease by 20%).

Chart 5. Interest income in the first half of 2011 and in the first half of 2010



* The other sources include: due from banks, securities held for trading and hedging and hedged instruments

The interest expenses increased by 10% in the analysed period from PLN 163,048 thousand in the first half of 2010 to PLN 179,231 thousand in the first half of 2011. The interest expenses include in particular interest on account of:

- Due to customers: PLN (101,543) thousand versus PLN (121,922) thousand in the first half of 2010 (decrease by 17%),
- Loans and credit facilities received: PLN (38,910) thousand versus PLN (17,879) thousand in the corresponding period of 2010 (increase by 118%);
- Due to banks: PLN (26,357) thousand versus PLN (11,228) thousand in the first half 2010 (increase by 135%);
- Subordinated liabilities: PLN (10,427) thousand as compared to PLN (10,458) thousand in the first half of 2010.

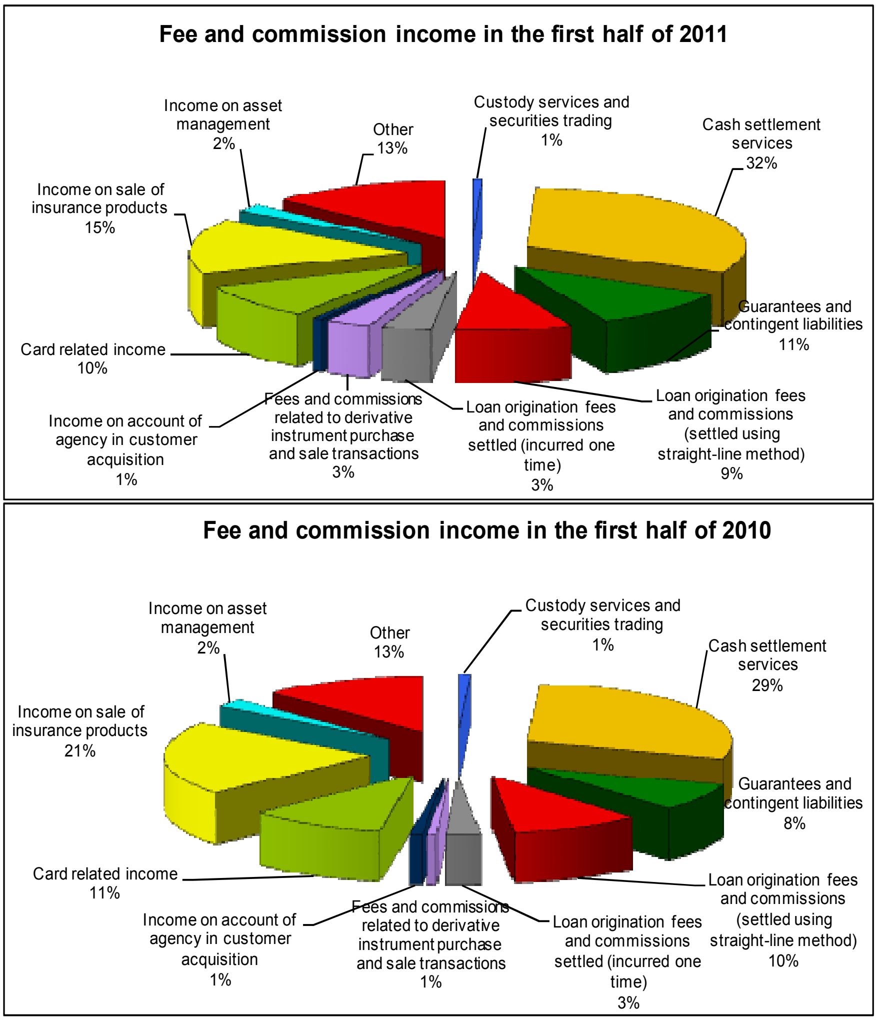
Fee and commission income decreased by 15%. In the first half of 2011, this item stood at PLN 90,530 thousand as compared to PLN 106,600 thousand in the corresponding period of 2010.

The main source of the fee and commission income were fees and commissions on cash settlement services, the ones related to the sale of insurance products, granting loans, issuing guarantees and related to cards.

The commission and fee income includes in particular:

- fees and commissions for cash settlement services: PLN 28,809 thousand versus PLN 31,163 thousand in the first half of 2010 (decrease by 8%);
- fees and commissions related to the sale of insurance products: PLN 13,869 thousand versus PLN 22,596 thousand in the first half of 2010 (decrease by 39%);
- fees and commissions related to granting loans: PLN 11,119 thousand versus PLN 13,752 thousand in the corresponding period of 2010 (decrease by 19%);
- fees and commissions related to issuing guarantees and other contingent liabilities: PLN 9,695 thousand versus PLN 8,357 thousand in the first half of 2010 (increase by 16%);
- card transactions income: PLN 8,752 thousand versus PLN 11,496 thousand in the first half of 2010 (decrease by 24%);
- commissions related to purchase and sale transactions like FX spot, forward and derivative transactions: PLN 2,997 thousand versus PLN 806 thousand in the first half of 2010 (increase by 272%).

Chart 6. Fee and commission income in the first half of 2011 and in the first half of 2010



In the first half of 2011, fee and commission expenses amounted to PLN 20,746 thousand and were lower by 27% than in the first half of 2010 when they equalled PLN 28,397 thousand.

The fee and commission expenses include in particular the following items:

- fee and commission expenses related to the franchisee branch network: PLN (5,113) thousand versus PLN (8,854) thousand in the corresponding period of 2010 (the drop of expenses is related to reduction of the number of franchised branches in connection with their transformation into own branches or liquidation);
- card related expenses: PLN (5,061) thousand versus PLN (7,933) thousand in the first half of 2010 (decrease by 36%);

- expenses related to the sale of insurance products: PLN (1,184) thousand as compared to PLN (1,191) thousand in the corresponding period of 2010;
- settlement commission expenses: PLN (692) thousand versus PLN (724) thousand in the first half of 2010 (decrease by 4%).

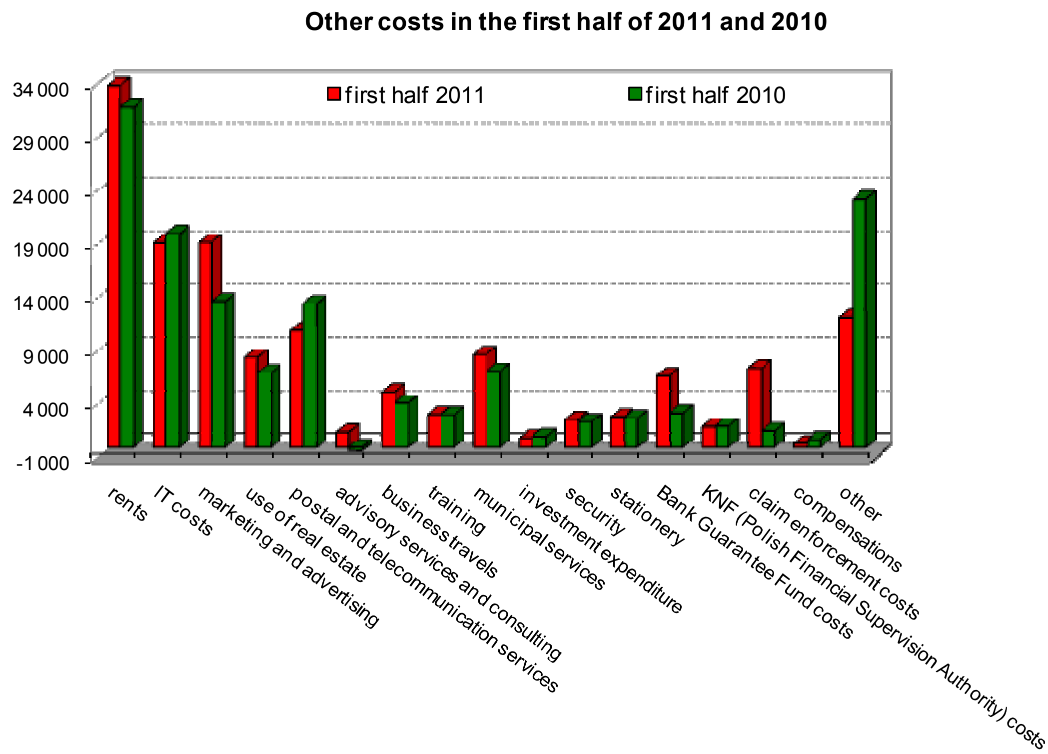
Personnel costs and other administration expenses

For the first half of 2011, the Group's personnel costs stood at PLN 133,916 thousand and were higher by 13% compared to the corresponding period of 2010, when they amounted to PLN 118,370 thousand. The higher personnel costs in the first half of 2011 resulted mainly from the increase in employment related to the transformation of franchised branches into own branches, as well as Personal Finance line development. Another factor that influenced the personnel costs in the first half of 2010 was a release of provisions for restructuring (created in 2009) that exceeded the amount of redundancy payments made in this period.

Depreciation of fixed and intangible assets amounted to PLN 33,120 thousand and was lower by 18% than in the first half of 2010 as a result of lower investment purchases of the Group.

The Group's other expenses reached PLN 144,676 thousand and were higher by 6% compared to the first half of 2010, when they stood at PLN 136,708 thousand. The increase in the other expenses was mainly affected by higher marketing and advertising costs in relation with promotional campaigns conducted, higher debt recovery costs, likewise higher costs of contribution to the Bank Guarantee Fund. The main items of other expenses in the first half of 2011 are rents (PLN 33,842 thousand), information systems and technologies (PLN 19,104 thousand), marketing and advertising (PLN 19,169 thousand), postal and telecommunication services (PLN 10,934 thousand).

Chart 7. Other costs in the first half of 2011 and in the first half of 2010



Net impairment losses

In the first half of 2011, net impairment losses amounted to PLN (52,368) thousand what means a drop by PLN 57,920 thousand (i.e. 53%) as compared to the first half of 2010. The decrease in net impairment losses is attributable to better effectiveness of restructuring and recovery activities undertaken by the Group and a consistently performed cautious policy of granting new loans. The above actions led to an improvement of the portfolio quality expressed in the decrease of the share of non-performing loans in the entire loan portfolio from 15.4% as at the end of June 2010 to 14.2% as at the end of June this year. 91% of net impairment losses related to credit receivables in the first half of 2011 were attributable to customers of the Retail Banking Business Line, of which over 70% concerned individual customers of the Mass Retail segment (consumer loans for natural persons). The remaining 9% refer to corporate customers of the Corporate and Transaction Banking Business Line. The amount of impairment losses in the first half of 2011 included also write-downs for unpaid insurance premiums, commissions and fees - PLN (4,148) thousand.

Result

In the first half of 2011, the Group's gross profit equalled PLN 14,545 thousand, and was by 34% i.e. PLN 7,387 thousand lower than in the first half of 2010, when it reached PLN 21,932 thousand. The decrease in the Group's consolidated profit resulted from the drop of income as a consequence of the business scale lower than expected, with a simultaneous increase in operational costs. At the same time, the positive result was attributable to significantly lower net write-downs for impairment losses for credit receivables than in the corresponding period of 2010.

The Group's net profit equalled PLN 9 570 thousand as compared to PLN 14 787 thousand in the first half of 2010.

4.2. Consolidated balance sheet

As at 30 June 2011, the Group’s total assets amounted to PLN 19,751,270 thousand and were higher than the total assets as at the end of December 2010 by PLN 1,212,200 thousand, i.e. 7%.

Loans to customers constitute the principal item of the assets structure. They increased by PLN 1,092,395 thousand (8%) in comparison to the end of December 2010, as a result of a revival of the lending action in the second quarter of this year. The share of loans to customers in the structure of total assets was 72% as at the end of June 2011 and 71% as at the end of December 2010, accordingly.

Customer deposits together with loans and credit facilities received continue to constitute the main source of asset financing. Customer deposits dropped by 7% as a consequence of periodical fluctuations of short-term deposits of corporate customers related to their business cycles, as well as the Group's policy of not competing with high term deposit interest rates in view of a good liquidity situation and possibility of getting financing from the BNP Paribas group. At the same time, loans and credit facilities received increased by 7% as compared to December 2010 as a result of drawing down the funds in the amount of PLN 550 million from a credit line with BNP Paribas group in June 2011.

Structure and growth rate of selected balance-sheet items (in PLN thousand)

Balance sheet items	**30 June 2011**	**Structure**	**31 Dec 2010**	**Structure**	**Change 30 June 2011 - 31 Dec 2010 (in %)**
ASSETS					
Cash and cash equivalents	356,038	2%	1,172,870	6%	-70%
Financial assets held for trading	166,808	1%	194,290	1%	-14%
Due from banks	157,334	1%	159,013	1%	-1%
Loans to customers	14,243,526	72%	13,151,131	71%	8%
Hedging instruments	1,355	0%	0	0%	-
Investments – available for sale	4,237,847	21%	3,248,293	18%	30%
Other investments	12	0%	12	0%	0%
Property, plant and equipment	151,835	1%	157,965	1%	-4%
Intangible assets	23,719	0%	23,673	0%	0%
Assets held for sale and discontinued operations	4,785	0%	4,785	0%	0%
Settlements on account of income tax	715	0%	84,015	0%	-99%
Deferred tax assets	222,749	1%	215,280	1%	3%
Other assets	184,547	1%	127,743	1%	44%
TOTAL ASSETS	**19,751,270**	**100%**	**18,539,070**	**100%**	**7%**
LIABILITIES					
Financial liabilities held for trading	74,913	0%	97,699	1%	-23%
Due to banks	2,201,464	11%	745,774	4%	195%
Due to customers	7,598,181	38%	8,195,268	44%	-7%
Loans and credit facilities received	7,635,046	39%	7,163,459	39%	7%

Hedging instruments	74	0%	0	0%	-
Adjustment of a hedged item to fair value	-532	0%	0	0%	-
Liabilities related to issuance of debt securities	0	0%	30,000	0%	-100%
Subordinated liabilities	538,392	3%	565,236	3%	-5%
Current tax liabilities	110	0%	92	0%	20%
Other liabilities	316,315	2%	386,040	2%	-18%
Provisions	22,968	0%	21,419	0%	7%
Total equity	**1,364,339**	**7%**	**1,334,083**	**7%**	**2%**
TOTAL LIABILITIES	**19,751,270**	**100%**	**18,539,070**	**100%**	**7%**

As at the end of June 2011, due from banks amounted to PLN 157,334 thousand recording a slight drop (1%) as compared to the end of December 2010, when they equalled PLN 159,013 thousand. Their share in the structure of total assets remained at the level as at the end of December 2010 i.e. 1%.

The value of financial assets held for trading went down from PLN 194,290 thousand as at the end of December 2010 to PLN 166,808 thousand as at the end of June 2011 i.e. 14%. Their share in the total assets amounted to 1%, similarly as at the end of December 2010. The decrease concerned mainly a reduction of the financial derivatives portfolio, including interest rate contracts by PLN 13,363 thousand i.e. 25%. The portfolio of treasury bonds held for trading, constituting 49% of the total portfolio of financial assets held for trading, decreased by PLN 9,289 thousand i.e. 10%.

Cash and cash equivalents decreased in comparison to December 2010 by 70% and their share in total assets dropped from 6% in December 2010 to 2% as at the end of June 2011.

Investments available for sale increased by 30% in the first half of 2011 as compared to the end of December 2010, i.e. by PLN 989,554 thousand, and their share in total assets went up from 18% to 21%. The increase referred mainly to treasury bonds and NBP cash bills.

As at the end of June 2011, the Group held securities issued by the Polish State Treasury, the National Bank of Poland and other entities.

Investments available for sale comprised:

- Treasury bonds: PLN 2,320,693 thousand
- NBP cash bills: PLN 1,560,000 thousand
- Treasury bills: PLN 184,742 thousand
- Bonds issued by banks: PLN 142,728 thousand
- Shares and stock: PLN 18,806 thousand
- Bonds issued by non-finance entities: PLN 7,726 thousand
- Others: PLN 3,152 thousand

As at the end of June 2011, the value of property, plant and equipment declined as compared to the end of December 2010 by 4% (i.e. by PLN 6,130 thousand) and equalled PLN 151,835 thousand.

As at the end of June 2011, the intangible assets amounted to PLN 23,719 thousand and remained at the level similar to the level as at the end of 2010.

Other assets in the amount of PLN 184,547 thousand increased in comparison to the end of December 2010 by 44%, constituting 1% of the total assets structure.

Customer credit portfolio profile

As at the end of June 2011, the net loans to customers increased as compared to the end of December 2010 by PLN 1,092,395 thousand or 8%.

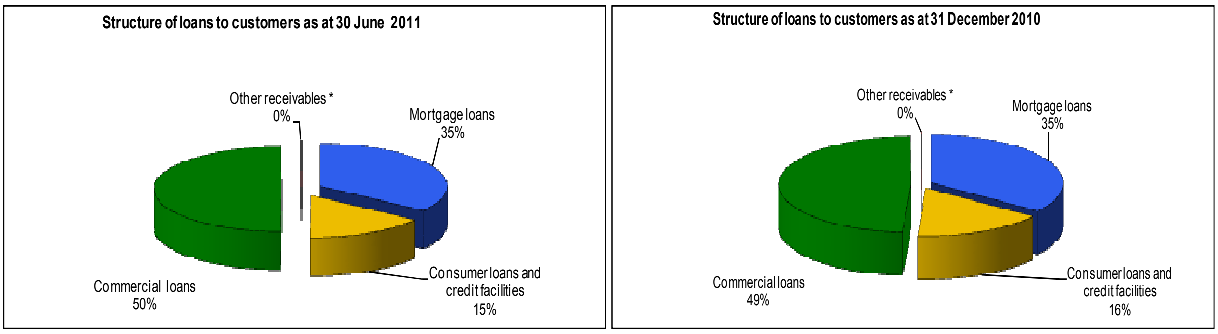
Commercial loans to business entities constituted the major item in the structure of loans to customers. Their share in the total gross loans to customers constituted 50% as at the end of June 2011, compared to 49% recorded as at the end of December 2010. The value of loans to business entities increased by PLN 711,637 thousand or 10% as compared to the end of 2010. This increase was to a great extent a result of granting several working capital loans to customers of the Corporate and Transaction Banking line in the second quarter of 2011, likewise a growth in balances of overdraft facilities (by 28% in comparison to the end of December 2010). Only investment loans among the commercial loans recorded a decline and their balance decreased as compared to December 2010 by 5%.

There was growth by 6% observed in the balance of loans to individuals as compared to the end of December 2010. Consumer loans and credit facilities grew by 3%, including cash loans with an increase of 4%. At the same time, the balance of mortgage loans for individual customers increased by 7% as compared to the balance as at 31 December 2010.

The mortgage loan balance reached PLN 5,416,563 thousand as at the end of June 2011 which means growth by PLN 365,069 thousand or 7% as compared to December 2010 when it stood at PLN 5,051,494 thousand. The growth in their volume was partially caused by an increase of FX rates, in particular CHF (weakening zloty led to an increase in the value of mortgage loans by PLN 178,122 thousand). Excluding the impact of FX rate changes, the FX mortgage loans balance decreased by 2% as compared to December 2010. At the same time, the balance of PLN loans grew (by PLN 289,504 thousand i.e. 39%), and their share in the total mortgage loans portfolio increased from 15% as at the end of December 2010 to 19%. As at the end of June 2011, the share of total mortgage loans in gross loans to customers reached the level similar to the level as at December 2010 i.e. 35%.

The value of impairment losses and IBNR totalled PLN 1,285,957 thousand as at the end of June 2011, as compared to PLN 1,235,537 thousand recorded at the end of December 2010. The increase in the value of losses on impairment of credit receivables (by 4%) referred mainly to the loans to individual customers.

Chart 8. Structure of loans to customers as at 30 June 2011 and as at 31 December 2010



* Other receivables include: loans to budgetary units, receivables on account of unsettled FX spot and FX swap transactions and others

As at 30 June 2011, the gross loans reached PLN 15,529,483 thousand, which means an increase by PLN 1,142,815 thousand or 8% as compared to the end of December 2010. Foreign currency loans accounted for 44% of gross loans to customers. Excluding the impact of FX rate changes, the gross loans increased by 7% as compared to December 2010.

PLN loans hold the biggest share in the gross loan volume and constitute 56% of the total volume. As at the end of June 2011, their value stood at PLN 8,674,959 thousand, which means an increase by PLN 845,125 thousand or 11% as compared to the balance as at 31 December 2010.

Gross loans granted in CHF (in PLN equivalent) at the end of June 2011 reached PLN 4,516,177 thousand and grew by 2% as compared to PLN 4,446,892 thousand at the end of December 2010 (an effect of the weaker zloty against CHF - excluding the impact of FX rate changes, their balance dropped by 3%). As at the end of June 2011, such loans made up 29% of the total gross loans, as compared to 31% recorded as at the end of December 2010.

The balance of loans granted in EUR (in PLN equivalent) increased from PLN 2,033,667 thousand as at the end of December 2010 up to PLN 2,088,090 thousand (growth by 3%, while excluding the impact of FX changes - by 2%). Their share in the total volume of gross loans decreased from 14% recorded as at the end of December 2010 down to 13% noted at the end of June 2011.

Structure and dynamics of loans to customers (in PLN thousand)

Loans to customers	**30 June 2011**	**Structure**	**31 Dec 2010**	**Structure**	**Change 30 June 2011 - 31 Dec 2010 (in %)**
Loans to budgetary entities	44	0%	44	0%	0%
Mortgage loans	5,416,563	35%	5,051,494	35%	7%
Consumer loans and credit facilities	2,361,625	15%	2,294,406	16%	3%
Commercial loans	7,742,015	50%	7,030,378	49%	10%

Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	51	0%	0	0%	-
Other receivables	9,185	0%	10,346	0%	-11%
Total loans to customers, gross	**15,529,483**	**100%**	**14,386,668**	**100%**	**8%**
Impairment losses and IBNR	-1,285,957		-1,235,537		4%
Total loans to customers, net	**14,243,526**		**13,151,131**		**8%**

As at the end of June 2011, the Group's exposure was concentrated mainly in the segment of natural persons and the following sectors: wholesale, commercial construction and engineering, education and medical care as well as machines.

Credit portfolio by sectors	**30 June 2011**		**31 Dec 2010**	
	in PLN thousand	**in %**	**in PLN thousand**	**in %**
Natural persons	8,008,773	39.30%	7,494,280	40.35%
Wholesale	1,983,017	9.73%	1,766,678	9.51%
Commercial construction and engineering	1,384,114	6.79%	1,263,175	6.80%
Education, medical care	1,254,367	6.16%	1,233,412	6.64%
Machines	908,507	4.46%	979,405	5.27%
Other services	967,308	4.75%	851,462	4.59%
Retail trade	792,562	3.89%	791,500	4.26%
Food, tobacco, beverages	772,065	3.79%	599,771	3.23%
Chemicals and plastics	460,902	2.26%	412,477	2.22%
Furniture and electrical industry	499,504	2.45%	366,599	1.97%
Coal and crude oil products	397,673	1.95%	0	0.00%
Motor vehicles	392,521	1.93%	291,205	1.57%
Vessels	329,463	1.62%	361,062	1.95%
Sports, tourism, culture and arts	301,642	1.48%	329,730	1.78%
Wood, woodwork	287,310	1.41%	292,157	1.57%
Communications	259,980	1.28%	260,496	1.40%
Financial institutions	252,438	1.24%	213,096	1.15%
Transport	182,413	0.90%	172,515	0.93%
Ceramics and glass	172,139	0.84%	177,767	0.96%
Textiles, leather articles	106,974	0.52%	95,170	0.51%
Paper and stationery	93,080	0.46%	93,242	0.50%
Administration services	102,452	0.50%	91,766	0.50%
Print shops and publishers	90,351	0.44%	74,128	0.40%
Other means of transport	43,968	0.22%	43,094	0.23%
Production of metals and non-metals	34,312	0.17%	22,231	0.12%
Residential construction	8,259	0.04%	9,235	0.05%
Other production	61,779	0.30%	65,297	0.35%
Others	229,377	1.12%	220,964	1.19%
Total credit portfolio by sectors	**20,377,250**	**100%**	**18,571,914**	**100%**

The credit portfolio for natural persons accounted for 39% of the total credit portfolio as at the end of June 2011. Its value increased by 7% as compared to December 2010.

As at 30 June 2011, the exposure to the wholesale trade reached 10% of the total credit portfolio and it was higher by 12% than as at 31 December 2010. Also the volume of exposure to the commercial construction and engineering grew (by 10%), and maintained 7% share in the total portfolio. The share of exposure to education and medical care and also machines dropped (in both sectors by 1%), while the volume of exposure to machines decreased by 7%.

The share and level of exposure in sectors like coal and crude oil products, food, tobacco and beverages, furniture and electrical industry, motor vehicles and other services increases. The share of other sectors remain at the level similar to the end of December 2010.

Liabilities

Due to customers on account of funds deposited on current accounts, savings accounts and term deposits make up a significant item in the structure of liabilities. As at the end of June 2011, the amount due to customers reached PLN 7,598,181 thousand, which means a decrease by PLN 597,087 thousand or 7% as compared to the end of December 2010. As at the end of June 2011, the share of due to customers accounted for 38% of liabilities and dropped in comparison to the end of December 2010 by 6 percentage points. 86% of all customer deposits are denominated in PLN. The impact of FX rate changes on their level in the first half of 2011 was insignificant.

In the structure of due to customers, term deposits continue to prevail and at the end of June 2011 they amounted to PLN 4,349,326 thousand, whereas their share gradually decreases (as at the end of June 2011 they represented 57% of the total due to customers as compared to 66% as at the end of December 2010). The drop of term deposits balance as compared to the end of December 2010 (by PLN 1,091,667 thousand i.e. 20%) was to a great extent a consequence of an outflow of short-term deposit funds of a few big corporate customers in two first months of 2011 resulting from a settlement cycle characteristic for their activity. The balances of term deposits of individuals also declined as a consequence of not competing aggressively with respect to their interest rates, what resulted in an outflow of funds of those customers, for whom the price is a basic criterion for choosing a bank. However, the Group notes some growth as regards savings accounts (thanks to a favourable offering of such products) and residuals on current accounts. Sight deposits reached PLN 3,066,773 thousand as at the end of June 2011 (which accounted for 40% in total liabilities due to customers). Their share in the total due to customers have been growing (by 9 percentage points as compared to December 2010). Likewise, their value increased by PLN 487,399 thousand or 19%.

The loans and credit facilities received as at the end of June 2011 amounted to PLN 7,635,046 thousand which accounted for 39% of total liabilities. 99% of their value are loans and credit facilities received from the BNP Paribas group which increased by 7% (PLN 471,587 thousand) as compared to the balance reported as at the end of December 2010 as a result of the disbursement of a new credit line (EUR 550 million at the end of June 2011). As at the end of June 2011, the outstanding balance of such loans was PLN 7,555,046 thousand.

The share of subordinated liabilities in total liabilities stood at 3%, similar as the level reported at the end of December 2010. The value of these liabilities dropped by 5% to PLN 538,392 thousand in connection with an earlier redemption of subordinated bonds of a nominal value of PLN 30 million.

The share of due to banks in total liabilities increased from 4% at the end of December 2010 to 11% as at the end of June 2011. In terms of value, the balance of due to banks increased by PLN 1,455,690 thousand or 195% as compared to the end of December 2010, mainly due to the increase in term deposits (their share in total amount due to banks grew from 6% as at the end of December 2010 to 55% - in terms of value an increase by PLN 1,167,218 thousand to PLN 1,214,940 thousand), mainly placements made by the banks of the BNP Paribas group. The sale of securities with the repurchase option led to an increase in the balance of due to banks by PLN 264,474 thousand.

As at 30 June 2011, other liabilities made up 2% of the balance sheet total.

The balance of financial liabilities held for trading dropped by 23% in comparison to the balance as at the end of December 2010. All the financial liabilities held for trading consisted of financial derivative instruments. The balance sheet value of derivative instruments held for trading went down from PLN 97,699 thousand as at the end of December 2010 to PLN 74,913 thousand as at 30 June 2011.

Provisions

The amount of provisions, recognised in the balance sheet, which increased from PLN 21,419 thousand as at the end of December 2010 to PLN 22,968 thousand as at the end of June 2011, included reserves for incurred but not reported losses (IBNR) related to off-balance sheet commitments (PLN 9,059 thousand), provisions for off-balance sheet commitments (PLN 6,416 thousand), legal risk reserve (PLN 4,890 thousand) and office sub-lease reserve (PLN 2,603 thousand). The total provisions grew by 7% as compared to the balance recorded as at 31 December 2010, however the increase concerned mostly the provisions for IBNR and off-balance sheet commitments.

Own equity

As at 30 June 2011, the equity capital of the Group amounted to PLN 1,364,339 thousand, i.e. by 2% more than as at 31 December 2010 (PLN 1,334,083 thousand). The share of equity in total liabilities remained unchanged at 7%.

The General Meeting of Shareholders of BNP Paribas Bank Polska SA on 10 May 2011 decided to allocate the net profit for the ended fiscal year 2010 in the amount of PLN 42.6 million partially to the additional capital (PLN 3.4 million), and partially to supply the general risk fund (PLN 39.2 million). A portion of the general risk fund was transferred to the reserve capital and used to cover a negative difference in the amount of PLN 78 million that arose as a result of an accounting settlement of the transaction of the Bank's purchase of an organised part of an enterprise from BNP Paribas Branch in Poland.

Capital Adequacy Ratio

As at 30 June 2011 the Group’s capital adequacy ratio was 12.97% and was lower in comparison to 13.64% as at the end of December 2010.

A drop of the ratio value resulted from an increase of a capital requirement for credit risk in consequence of loan balances growth. Slight fluctuations of capital equity for the solvency ratio calculation (increase from PLN 1,836,721 thousand as at the end of December 2010 to PLN 1,874,181 thousand) resulted from the changes in FX rates, changes in the short-term capital volume and revaluation of debt and equity instruments available for sale.

As at the end of June 2011, the value of subordinated loans included in Tier 2 capital decreased as compared to the end of December 2010 by PLN 20,844 thousand, i.e., from PLN 559,236 thousand down to PLN 538,392 thousand. It was caused by an earlier redemption of subordinated bonds of a nominal value of PLN 30 million (the amount of PLN 24 million was recognised in Tier 2 capital).

The Group’s capital situation in the first half of 2011 remained stable what allowed the Group to continue its business activity and carry out plans in a safe manner.

4.3. Contingent liabilities - off-balance sheet commitments

As at the end of June 2011, the value of contingent liabilities granted reached PLN 5,155,292 thousand, which means a decrease by 17% as compared to 31 December 2010.

Contingent liabilities granted and received (in PLN thousand)	30 June 2011	31 Dec 2010
Total contingent liabilities granted		
- items related to financing	3,430,071	3,117,642
- guarantees	1,725,221	1,277,205
Total contingent liabilities granted	**5,155,292**	**4,394,847**
Contingent liabilities received		
- items related to financing	4,814,030	2,861,841
- guarantees	244,532	275,223
Total contingent liabilities received	**5,058,562**	**3,137,064**
Total contingent liabilities	**10,213,854**	**7,531,911**

Commitments to extend loans constituted the major item of off-balance sheet commitments granted; as at 30 June 2011, they amounted to PLN 3,258,091 thousand, what made up 95% of the Group's off-balance sheet financial liabilities granted. These liabilities recorded an increase by 10% as compared to the balance as at the end of December 2010. Commitments to extend loans include credit lines granted and not utilised, credit card limits, unused overdraft credit facilities, loan commitment letters issued and general financing agreements.

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

Off-balance sheet guarantee commitments granted include guarantees issued in favour of customers, general guarantee agreements and export letters of credit issued.

As at the end of June 2011, the contingent liabilities received stood at PLN 5,058,562 thousand and were lower by PLN 1,921,498 thousand or 61% in comparison to the balance as at 31 December 2010.

The most significant item among the liabilities received by the Group includes not utilised credit lines granted by NBP, EBRD and entities from the BNP Paribas group, which as at 30 June 2011 amounted to PLN 4,814,030 thousand, what means growth by 68% as compared to the balance as at 31 December 2010.

Off-balance sheet guarantee commitments received include guarantees and suretyships to secure loans granted; such commitments totalled PLN 244,532 thousand as at 30 June 2011 and PLN 275,223 thousand as at 31 December 2010.

Enforcement titles

In the first half of 2011, the Bank issued 86 enforcement titles in the enterprises and affluent individual customer segments for the total amount of PLN 19,625 thousand as at 30 June 2011 in comparison to 73 enforcement titles issued in those segments in the first half of 2010 for the amount of PLN 78,176 thousand.

Moreover, in the first half of 2011 the Bank issued 5,814 enforcement titles in the individual customers segment of the total value of PLN 50,237 thousand as compared to 28,265 of enforcement titles of the value of PLN 161,033 thousand issued in the first half of 2010.

4.4. Management of funds

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

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

Structure of sources of financing (in PLN thousand)	30 June 2011	31 Dec 2010	Change
Customer deposits	7,598,181	8,195,268	-7%
Long-term credit lines and subordinated loans	8,173,438	7,728,695	6%
Equity capital	1,364,339	1,334,083	2%

In the first half of 2011, the Bank noted a decrease in deposit base by PLN 0.59 billion or 7% as compared to the end of 2010. However, there were fluctuations of deposit balances during the analysed period. On one hand, there was observed an outflow of short-term deposits of several large corporate customers resulting from their business cycles. On the other hand, there was an increase on the savings accounts and in residuals on current accounts both of corporate customers and individuals who are closely related to the Bank.

The policy adopted assumes financing a portion of the credit portfolio, in particular foreign currency assets, with the funds coming directly from the group.

The credit lines with maturity falling in the first half of 2011 were renewed under the financing agreement of 31 January 2011 signed with BNP Paribas SA based in Paris. Between January and June 2011 the following funds were drawn down:

- 4 February 2011 – PLN 800 million,
- 30 June 2011 – PLN 300 million,
- 30 June 2011 – PLN 250 million.

On 29 January 2011, upon consent of the Polish Financial Supervision Authority, the Bank redeemed subordinated bonds of a nominal value of PLN 30 million at an earlier date.

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

Agreement date	Party to the Agreement	Amount	Repayment date
23/10/2007	BGL BNP Paribas Luxembourg	EUR 100 million	28/09/2017
21/04/2009	Fortis Finance Belgium SCRL/CVBA	EUR 20 million	22/04/2019
21/04/2009	Fortis Bank SA/NV	PLN 60 million	22/04/2019

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

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

On 26 January 2011, the Bank concluded a loan agreement with the European Bank for Reconstruction and Development, under which EBRD granted the Bank a credit facility up to the maximum amount of EUR 30 million for financing investment projects of small and medium-sized enterprises within the Sustainable Energy Financing Facility Programme (PolSEFF). The financing term was determined for 5 years (until 2016).

In the analysed period, the Bank also agreed on prolongation of the performance period of the agreement concluded in 2009 with the European Investment Bank for financing investment loans for small and medium-sized enterprises in the amount of EUR 50 million.

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

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

At the end of 2010, the Board of Executives and Supervisory Board of the Bank adopted a new *Mission, Vision and Strategy* for the next five years. The ambition of BNP Paribas Bank Polska is to create on the Polish market a strong universal bank which addresses its offering to individual customers (including Private Banking), micro, small and medium-sized enterprises as well as domestic and international corporate customers.

The development strategy for corporate customers segment (CTB) gains strong support through the position in the international environment held by the BNP Paribas group which operates as "one bank for corporates in Europe". The strategy is based on introduction of innovative solutions for key products adjusted to the customer needs, competitive price offering and a "one-to-one" relation with a chosen customer advisor who operates together with highly qualified product specialists (for products such as cash management, structured products, FX market, trade finance, factoring and lease etc.).

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

In the corporate banking activity the Bank closely cooperates with BNP Paribas SA Branch in Poland. Under integration of the BNP Paribas group in Poland, in 2010 an agreement was signed on sale of an organised part of an enterprise and a new division of competence powers between BNP Paribas Bank Polska SA and the Branch was introduced. The Bank focused on rendering services related to daily banking operations for enterprises, including cash management, full credit service, global trade finance and selected forward transactions. The Branch’s priority is to serve the largest corporate and institutional customers of the BNP Paribas group and offer advanced investment banking products.

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

As regards the SME segment, the Bank plans to develop a product offering that supports current activity of our customers and their development. This offering includes attractive transaction packages, credit products available at good prices (inclusive of working capital and investment loans) as well as access to cash management, factoring, FX, trade finance and leasing. The Bank’s strength is expert knowledge about acquisition of EU funding and access to loans financed by the EIB and EBRD.

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

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

In 2010, the process of transforming Fortis Private Investments – the Bank's subsidiary specialising so far in managing individual clients' assets within financial instruments portfolio, into an Investment Fund Company was completed and it enabled the Bank to expand the offering for customers with products and services in this area. The strategy also assumes further development of Private Banking and Investment Fund Company services, among others, on the basis of cooperation with the retail banking area and an access to the portfolio of CTB and SME segment. In particular, the Bank plans an expansion of the brokerage activity in terms of full execution of customer orders.

Balanced and ambitious development of the activity in the above segments and appropriate risk control system, enhancing effectiveness in the cost management area, improvement in operating activity and financial results of the Bank, as well as customer service are the priorities in the management of the Bank in 2011.

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

On 30 June 2011, the Bank provided the Polish Financial Supervision Authority with a revised *Recovery Programme for BNP Paribas Bank Polska SA*.

Since the beginning of May 2011, upon the registration of a new bank name - BNP Paribas Bank Polska SA, a process of changing the brand/ logo, under which the Bank offers its products and services, is underway, in particular re-branding the Bank's outlets and intensified communication actions are undertaken to reinforce the BNP Paribas brand. The change of the Bank's name reflects ambitions of BNP Paribas group to build a strong banking brand in Europe and also confirms the group's plans of expansion on the Polish market.

The main challenge for the second half of 2011 is implementation of the new business strategy, reorganisation of the sales network and its development through opening new branches, likewise continuation of initiatives aiming at increasing the Bank's profitability potential.

The Bank capital adequacy ratio that stood at 12.97% as at 30 June 2011 substantially exceeds the minimum level of 8% required by the Banking Law Act.

Similarly as in 2010, the Supervisory Board and Board of Executives do not publish the financial performance projections for 2011.

6. BASIC RISK TYPES AND RISK MANAGEMENT

The Bank's activity is exposed to a range of risk types such as credit risk, market risk, liquidity risk and operational risk. To guarantee that the above-mentioned risk categories are identified, defined, as well as appropriately controlled and managed, the Bank observes numerous internal control procedures and risk level limits, which were described in detail in Note 32 Risk Management in the Annual Consolidated Financial Statements of the Bank's group for 2010.

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

- credit risk,
- liquidity risk,
- market risk,
- ALM Risk,
- counterparty risk,
- operational risk,
- compliance risk,
- business risk (break-even risk),
- strategic risk,
- reputation risk.

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

6.1. Credit risk

Credit risk is the risk of losses incurred by the Bank on account of granted loans due to the customer failure to meet his obligations and requirements defined in a loan agreement.

Customer financing using various types of loans, credit facilities or credit lines constitutes the main risk source in the Bank's activity as it affects profits and capital of the Bank.

The credit risk management system has been determined by the Bank in the *Credit Risk Management Policy at BNP Paribas Bank Polska SA* approved by the Board of Executives.

BNP Paribas Bank Polska SA is a universal bank that provides services to retail and corporate customers. Retail customers of the Bank are not a homogeneous group as they include mass customers of the Mass Retail business line and wealthy customers served by Mass Affluent and Private Banking business lines. The segment of retail customers also includes customers from the SME sector.

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

Each business line has its own regulations (credit policies), developed in line with the credit risk management policy, that in details define the rules and criteria of financing within the credit offering for a given business line and specify customers not qualified for financing, types of loans available, financing purposes, conditions and limits. Under the credit policy criteria, the Bank's intention is to cooperate with customers with good reputation and satisfactory financial situation (they are the Bank's target market).

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

With respect to retail customers, the accepted credit policies define likewise the following:

- credit products designed for specific entities,
- maximum loan amount,
- credit currency,
- maximum financing period,

- maximum grace period,
- maximum LTV level,
- DTI and DSCR ratios.

The Bank assesses the borrowers' risk using rating or scoring classification systems and risk classification according to IFRS.

Credit decisions are taken following the decision-making model approved by the Board of Executives and the Supervisory Board. The Bank's decision-making model is adjusted to the standards applied at the BNP Paribas group. The decision-making model takes into consideration the business lines' structure, determines the number of decision-making levels, the scope of their authorisation powers, likewise the rules, criteria and conditions of making credit decisions. Amount limits of decision-making authorisations depend on two basic criteria: customer's rating and financing term. The credit process employs IT workflow applications for the portfolio of retail customers likewise IT applications for assessment and monitoring of business customers' financial standing.

6.2. Counterparty risk

Counterparty (credit) risk is the risk of the counterparty's default on its liabilities under transactions included in the Bank's trading portfolio. The counterparty risk is related to exposures at risk of such market factors as interest rates or FX rates. The impact of market factors on such transactions can result in a change in the exposure scale over time, thus affecting the customer insolvency risk. The exposure amount directly depends on a current valuation of transactions concluded. For the counterparty risk assessment, however, in addition to the transaction current valuation, an additional surcharge is taken into consideration depending on the transaction type, settlement date, currency and current volatility of market parameters.

As at 30 June 2011, the counterparty risk calculation covered the following transaction types included in the Bank's trading portfolio:

- day-to-day foreign exchange transactions,
- interest rate swap contracts,
- foreign currency options,
- interest rate options.

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

The Bank defined product groups offered to customers depending on their individual experience and knowledge.

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

The Bank defines liquidity risk as the risk of losing its ability to: meet its payment commitments when due, acquire funds which are alternative to funds currently held, generate a positive cash flow balance within a specified time horizon.

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

- a different way of making interest rate of the Bank's assets and of liabilities financing such assets dependent on market rates (mismatch risk);
- changes in market interest rates that affect fair value of the Bank's open positions (interest rate volatility risk);
- exercise by customers of options built in the bank products which may be exercised as a result of changes in market interest rates (customer option risk).

Market FX risk is linked to adverse changes to the Bank's financial result caused by changes in market Forex spot rates.

The Bank monitors the liquidity risk, FX risk and interest rate risk by means of the multidimensional system of limits and reports.

A system of limits is imposed on the majority of analysed parameters of liquidity, FX and interest rate risks. The limits are set in such a way so as to:

- keep the desired market risk profile, determined in the Bank's strategies;

- keep the limits set out by the Bank within the limits, if any, determined for the same portfolios and risk types by BNP Paribas Group.

In the event a limit is exceeded, the unit responsible for keeping the reported values below a given limit is required to undertake actions to enable reduction of a given risk pursuant to procedures binding in the Bank.

The Bank's IT system is developed so as to enable the Bank to monitor, analyse and report the Bank's liquidity, FX and market interest rate risk level on a daily basis, in a fully automated manner. Furthermore, the IT system ensures collecting (recording) data on interest rate operations and transactions, various risk indicators and market rates.

The Bank adopts the principle of independency of the control functions that make up the process of currency, interest rate and liquidity risk management. Control units are organisationally separated from other units and report to different Executives. Additionally, the Bank has introduced several-level control mechanisms in the risk management process.

The Bank has developed policies on operational risk control and management likewise on the procedure in the event of crisis situations. The said policies naturally refer to FX and interest rate risk management processes.

6.4. Operational risk

The operational risk management consists in continuous operational risk identification, analysis, monitoring, control and mitigation processes, including determination of relevant scopes of responsibility for the above processes at different organisational levels of the Bank. Operational risk is a basic risk inherent in the Bank's business activity which increases proportionally to the complexity of organisation, systems applied and products and services offered.

For the needs of the operational risk management, the Bank has adopted a definition recommended by the Basel Committee for Banking Supervision, according to which operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk and compliance risk.

The Bank's strategy and policy regarding the operational risk management are described in the document adopted by the Bank: "Operational Risk Management Strategy and Policy at BNP Paribas Bank Polska SA." The document also contains provisions specifying the Bank's policy regarding supervision over operational risk related to the activity of subsidiaries.

The Bank's strategy consists in implementing and maintaining high quality standards for the operational risk management to guarantee that customer deposits and the equity are secure and the Bank's financial performance is stable.

The Bank's Board of Executives makes a periodic assessment of how the Bank operational risk management strategy assumptions are put into practice. With this end in view, the Bank's Board of Executives is kept informed on an on-going basis on the scale and types of operational risk the Bank is exposed to, and also its consequences and operational risk management methods.

Ongoing examination of operational risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit, Oversight of Operational Permanent Control Department of the Compliance and Control Line. The co-ordination of the process of operational risk management in the units belonging to Technology, Operations and Process Services (TOPS) Line falls within the competence of the Information Security & BCP Department. Finally, the Risk Transfer Group in the Administration and Security Department defines and implements the Bank's strategy in terms of insurance, as a risk mitigation method.

The Bank precisely divides duties related to operational risk management, adjusted to the existing organisational structure of the Bank, taking into account recording operational losses, as well as monitoring, mitigation and reporting of the operational risk level.

Recording operational losses enables effective analysis and monitoring of operational risk. The policy applied by the Bank as regards the manner of recording operational losses is to enable efficient and error-free registration of all operational losses. The loss recording process is supervised by the Oversight of Operational Permanent Control Department which also keeps content-related documentation of the data recorded and is responsible for data quality and completeness.

The Bank is particularly committed to identification and assessment of reasons for current exposure to operational risk related to banking products, reduction of operational risk by improving internal processes and mitigation of operational risk that accompanies the introduction of new products and services. Therefore, each operational loss is classified taking into account operational incident type, reasons why operational risk has arisen, existence of an affiliated risk, accounting consequences and a claim lodged, if any, by third parties.

The Bank periodically verifies efficiency of the implemented operational risk management system and its adequacy to the Bank's current risk profile. The operational risk management system is supervised and regularly reviewed by the Audit Department, which is operationally independent and employs competent and appropriately trained staff. The Bank's Supervisory Board oversees the control of the operational risk management system and assesses its adequacy and efficiency.

In order to compute the capital requirement for covering the operational risk, the Bank uses the Basic Indicator Approach.

As part of legal risk management, the Legal Department for Corporate Customers and the Legal Department for Retail Customers and Support Functions monitor and analyse the above-mentioned areas and notify the Compliance Department and the Audit Department about any risks or irregularities identified.

In view of growing external and internal threats that bear signs of fraud or offence against assets of the Bank or its customers, likewise continuously improved modus operandi of such incidents, the Bank has extended and enhanced the process of counteraction, detection and examination of such cases. There is a specialised unit, the Fraud Protection Department that sees to accomplishment of these objectives.

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (investment fund company)

For the needs of operational risk management, TFI Fortis Private Investments SA (TFI FPI) has adopted the definition of risks consistent with the definitions applied at the Bank.

Under the New Capital Accord, the Bank shall evidence operational losses of its subordinated entity (TFI FPI). Operational losses suffered by TFI FPI are evidenced in a database kept by the Bank on the basis of information provided by this entity.

TFI FPI, as a company, to which the banking law requirements are not applicable, does not have to calculate capital requirement for operational risk. Still, as the Bank's subsidiary, TFI FPI shall provide financial data with a view to computing the capital requirement for further reporting by the Bank. In order to calculate the capital requirement for operational risk, TFI FPI provides financial data consistent with regulatory recommendations to the capital requirement calculation for operational risk according to the Basic Indicator Approach.

6.5. Compliance risk

The Bank considers its image and trust, which is systematically built in relationship with its customers, counterparties, shareholders and employees, one of the primary factors that conditions efficient operation and implementation of the Bank's mission and business strategy. The Bank's and its employees' failure to comply with governing law provisions or internal regulations is considered one of the greatest threats to the Bank's good reputation and image.

Therefore, in order to ensure security and stability of the Bank's business, especially through elimination or mitigation of compliance risk and the related risk of legal sanctions, financial losses or reputation loss, essential for the present and future position of the Bank in relation to its competitors and the public, a Compliance Risk Management Policy at BNP Paribas Bank Polska SA has been implemented. At the same time, processes of monitoring, identification and analysis of compliance of the Bank's internal regulations, banking practice and the conduct of Bank's employees with the binding regulations have been introduced. The said processes are the responsibility of the Compliance Department.

The Bank developed an internal Customer Acceptance Policy, thus implementing necessary IT software to verify whether customers serviced were recorded on sanctioned entities lists or not, and adjusting the Bank's operation to the requirements of the Act on Countering Introduction of Property Values Derived from Illegal or Undisclosed Sources into Financial Circulation, and on Counter-Terrorism Financing, which is a part of compliance risk management.

Additionally, there have been internal regulations of an ethical nature implemented, i.e. Code of Conduct of Employees, Regulations regarding employees' personal transactions or Rules for managing conflict of interests, which are presently applicable. With respect to ensuring compliance, the regulations related to acting in the interest of customers, in particular arising under the law provisions such as the financial instrument trading act, which is a transposition of the EU MiFID, play an important role.

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (investment fund company)

The Internal Compliance Group is responsible for ensuring and control of compliance of the activity of TFI Fortis Private Investments SA (TFI FPI) and conduct of its employees, both with the binding legal regulations and internal procedures of the TFI FPI. The Group acts in accordance with the implemented *Regulations on Internal Controls and Supervision of Compliance with the Law*.

Procedures and organisational solutions required under the capital market regulations are systematically implemented in compliance with amendments to law provisions, if any. The Compliance Officer, responsible for supervising compliance of the TFI FPI activity with the law, develops and delivers reports on the application of supervision of compliance with the law to internal bodies and the Polish Financial Supervision Authority on dates specified by applicable laws.

6.6. Security policy

BNP Paribas Bank Polska SA

The Bank focuses on risk minimisation and therefore takes into consideration the need to ensure an adequate level of security of assets and information in legal and business aspects. Considering that financial services require specialist knowledge and permanent access to data, while reliable information determines the financial entity's position, the Bank pays particular attention to system solutions that provide continuous and appropriate protection of information against threats.

The system solution that allows for improvement, monitoring and control over the information security at each level of the Bank's management is the Information Security Management System (SZBI in Polish). The system is built on the basis of a process approach with respect to the applied security measures that are driven by a need of a continued improvement of products and services provided to customers. System measures, consisting in a risk analysis, information classification, incident management, centralised management and control of access to IT systems, likewise change management, systematised business continuity process, information exchange and access standards, property security standard, altogether lead to a comprehensive approach to the information security issue. In order to plan and implement corrective and preventive actions, a system of gathering incident data has been put in place by the Bank. The system enables the Bank to develop a database of threats and susceptibilities that affect confidentiality, availability and reliability of information and data processed in the Bank. It is assumed that such actions contribute to mitigating the risk of losing availability, reliability or confidentiality of information, through anticipating and preventing negative factors that are reflected in the quality of products and services offered.

BNP Paribas Bank Polska SA implements a plan of actions under ISMS through its Information Security Policy and area policies that comprise the Information Security Management System, i.e. Data Communication Security Policy, Physical Security Policy, Compliance Risk Management Policy, Personal Data Security Policy, Business Continuity Management Policy, and the Crisis Management Policy. One of the paramount objectives of the Bank is ensuring a continuous operation of financial services, likewise ensuring the security of employees and customers as well as the Bank's tangible and intangible assets in crisis situations. The Business Continuity Management Policy is in line with the guidelines of BNP Paribas, likewise international standards and best practices concerning business continuity management. The Bank carries out analyses of business continuity, develops business continuity plans that precisely describe actions that should be taken to restore business functions before, during and after a critical incident. The Bank makes tests of emergency solutions for critical processes in order to ensure their appropriate quality. The Crisis Management enables the organisation to operate efficiently in crisis conditions and recover the normal business activity.

The above actions are confirmed by the Certificate, held by the Bank, certifying ISMS compliance with the requirements of the international standard, ISO/IEC 27001.

The information security process and business continuity management in the Bank are coordinated by the Information Security and Business Continuity Department, Information Security and Business Continuity Committee and specialised units that perform their tasks in the following specific information security areas: Information Systems and Technology Line, Facility Management and Procurement Line, Compliance and Control Line and Human Resources.

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (investment fund company)

Considering the size of the investment firm and the area of its operations, TFI FPI has introduced the "Information Security Policy at Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA" along with the "Instructions for management of IT system for personal data processing at Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA" and applies security measures to ensure confidentiality, reliability and availability of information, pursuant to the binding law provisions and requirements of the owner.

6.7. Business risk

BNP Paribas Bank Polska SA

The business risk is a risk of obtaining a negative operational income (not considering the impact of other risk categories e.g. market risk or operational risk) caused by inability to match costs and incomes. Such a situation may be caused by changes occurring in the business environment and inflexible structure of costs that makes it impossible to adjust them appropriately.

In the business risk area, the Bank identifies strategic risk and reputation risk.

Strategic risk shall be construed as the risk of negative financial consequences of management decisions on the choice of business strategies and their implementation method, taking into account the ability to efficiently respond to external factors.

The reputation risk is a risk of losing reliability in the eyes of customers, counterparties, suppliers, employees, shareholders, regulatory bodies and other stakeholders, whose trust is a condition indispensable to conduct its current activity by the Bank.

Reputation risk may have a material impact on present and future revenues of the organisation and its ability to acquire capital, which results directly from the negative perception of the institution by public opinion. Moreover, the risk also affects the Bank's possibilities of initiating new relations or continuing to provide services to existing customers.

The Bank makes business risk assessment as part of regular (annual) Control and Risk Self Assessment (CRSA) sessions attended by the members of the Board of Executives and invited representatives of senior management of the Bank. During such sessions, the Bank determines an amount of internal capital for business risk in line with the methodology currently adopted by the Bank.

The Bank manages business risk by continuous monitoring and analysis of business decisions taken with respect to effects of their realisation and changes in market environment. The Bank's strategy consists in implementing and maintaining high quality standards for the operational and business risk management and assessment to guarantee that customer deposits and the equity are secure and the Bank's financial performance is stable.

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (investment fund company)

For the needs of business risk management, TFI FPI has adopted the definition of risks consistent with the definitions applied at the Bank. TFI FPI makes business risk assessment as part of regular (annual) Control and Risk Self Assessment (CRSA) sessions attended by representatives of senior management of TFI FPI. During such sessions, TFI FPI determines an amount of internal capital for business risk in line with the methodology currently adopted.

Financial data regarding risk management in the BNP Paribas Bank Polska SA group are presented in Note 17 of the Abbreviated Interim Consolidated Financial Statements.

6.8. Pending Proceedings before Court, Relevant Arbitration Body or Public Administration Body

The Bank acts as a defendant and plaintiff in court and administrative proceedings while conducting its regular banking activity. In no case the value in dispute exceeds 10% of the Bank's equity capital.

In the first half of 2011, no resolutions were made in the proceedings pending since 2001 before the Office of Competition and Consumer Protection (the Office) as regards the issue of using practices that limit competition on the payment cards market by VISA and MasterCard as well as 20 banks, including BNP Paribas Bank Polska SA. The competition limitation charge referred to an agreement signed on collecting intercharge fees. In the opinion of the Office, such fees are charged unduly which in turn affects prices of consumer goods. The Office President issued a decision under which a penalty of PLN 2.9 million was imposed on BNP Paribas Bank Polska SA. The decision was given the order of immediate enforceability. In this respect, the Bank made a complaint on the decision of the Office President. On 13 November 2008, XVII Division of the District Court in Warsaw, the Court of Competition and Consumer Protection issued a decision stating that determination of commissions when accepting card payments did not constitute a practice that would restrict competition. The Office's President made an appeal against the said decision and the Bank applied for a dismissal of the appeal. On 22 April 2010, the Appellate Court overruled the decision of the court of first instance and asked for the reconsideration of the case. To secure against an unfavourable outcome of the case, in 2007 the Bank created a provision of PLN 2.9 million.

As at 30 June 2011, the total value of 12 claims against the Bank regarding the FX derivatives made by the customers amounted to PLN 62 million. The highest claim in this group concerns the amount of PLN 28 million (EUR 7 million) on account of option transactions questioned.

7. AFFILIATED ENTITIES

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

BNP Paribas SA based in Paris is the higher level parent company in relation to BNP Paribas Bank Polska SA. BNP Paribas SA is the parent company of the BNP Paribas Group.

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

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

As at 30 June 2011, the share capital of BNP Paribas SA amounted to EUR 2,397 million and was divided into 1,198,660,156 shares fully paid up, with a nominal value of EUR 2 each. These shares are inscribed or bearer shares, at their owner's discretion, subject to the applicable law provisions.

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

BNP Paribas Group is a leading European financial institution with global presence and one of the six strongest banks worldwide (rated AA by Standard & Poor's). Present across Europe through all its business lines, the Group has four domestic retail banking markets in France, Italy, Belgium and Luxembourg. BNP Paribas SA Group operates in over 80 countries and has 204,600 employees, including 162,800 in Europe, 15,000 in North America and 12,000 in Asia (as at 30 March 2011). The Group maintains a leading position in three core businesses:

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

The Group has been operating in Poland through a number of subsidiaries, in particular BNP Paribas Bank Polska SA and BNP Paribas SA Branch in Poland.

The following services are also rendered to customers through specialised entities of the BNP Paribas Group:

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

<u>Financial performance for the first half of 2011 based on unaudited financials:</u>

In the first half of 2011, BNP Paribas Group generated net profit (attributable to equity holders) of EUR 4,744 million, which is up by 8.1% over the first half of 2010. Its revenues of EUR 22,666 million were at a level comparable to the one noted in the first half of 2010. Gross operating income stood at EUR 9,336 million and was slightly lower than in the first half of 2010. With respect to its participation in the Greek assistance programme, the BNP Paribas Group has set aside a provision for potential losses related to Greek government bonds. Still, in the first half of 2011 the risk cost decreased by 6.2%.

Tier 1 capital adequacy ratio at the end of June 2011 was 11.9% as compared to 11.4% at the end of December 2010 and 10.6% at the end of June 2010.

Profit per (ordinary) share of EUR 3.8 was by 7.3% higher than in the first half of 2010. Return on equity (ROE) was 13.8%, slightly higher than in the first half of 2010. As at 30 June 2011, net book value per share reached EUR 56.7 (growth by 7.2% as compared to 30 June 2010).

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

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

BNP Paribas Fortis

Fortis Bank SA/NV based in Brussels currently operates under the BNP Paribas Fortis brand. Since May 2009, Fortis Bank SA/NV has been part of BNP Paribas Group.

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

The paid-up share capital of Fortis Bank SA/NV is EUR 9,374,878,367.40. Fortis Bank issued 483,241,153 shares, of which 74.93% is held by BNP Paribas SA, 25% is owned by the Belgian State through the investment entity SFPI (Société Fédérale de Participations et d'Investissement), whereas the remaining 0.07% is held by dispersed shareholders.

In the first half of 2011, BNP Paribas Fortis signed an agreement on taking over business network of Fortis Commercial Finance factoring company.

Dominet SA

Dominet SA based in Warsaw is a company with share capital of PLN 2,971,340. Dominet SA holds 5,243,532, i.e. 21.74% of the Bank's share capital.

The sole shareholder of Dominet SA is Fortis Bank SA/NV which holds directly 100% of shares and votes at the company's general meeting.

7.2. Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (TFI FPI) is an entity wholly owned by BNP Paribas Bank Polska SA. TFI FPI operates on the basis of the permit issued by the Polish Financial Supervision Authority as regards:

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

TFI FPI manages the portfolio of Fortis FIO launched on the Polish market in 2005 in cooperation with SKARBIEC TFI S.A. Fortis FIO is the first umbrella fund on the Polish market with separated subfunds. The fund comprises the following subfunds: Fortis Akcji (stock subfund), Fortis Stabilnego Wzrostu (stable-growth subfund) and Fortis Papierów Dłużnych (debt securities subfund) launched in December 2010. Additionally, under Fortis FIO, IKE Fortis FIO (Individual Pension Accounts) are offered.

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

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

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

On 20 June 2011, the Annual General Meeting adopted a resolution regarding amendments to the company's Statute in relation to the business name change into Towarzystwo Funduszy Inwestycyjnych BNP Paribas Bank Polska SA in order to reflect that the company belongs to the BNP Paribas group. The company will operate under a new name once an amendment to the Statute has been registered in the National Court Register.

7.3. Minority interest

As at 30 June 2011, BNP Paribas Bank Polska SA group held interest exceeding 5% of share capital of the following entities:

Vistula Group SA

As at 30 June 2011 the Bank owned 8,247,423 shares of Vistula Group SA, which accounts for 7.39% of the company's share capital. The ordinary bearer shares held enable the Bank to exercise 8,247,423 voting rights at the general meeting of shareholders of the company, or 7.39% share in the general number of votes at the general meeting of shareholders. The company's shares were taken up by the Bank in exchange of the company's obligations in 2009.

Odlewnie Polskie SA

As at 30 June 2011 the Bank owned 1,952,896 shares of Odlewnie Polskie SA, which accounts for 9.45% of the company's share capital. The ordinary bearer shares held enable the Bank to exercise 1,952,896 voting rights at the general meeting of shareholders of the company, or 9.45% share in the general number of votes at the general meeting of shareholders. In 2010, the company's shares were taken up by the Bank under a composition agreement with the company's creditors, through a conversion of receivables pursuant to Article 294, item 3 of the *Bankruptcy and Rehabilitation Act of 28 February 2003.*

Dolnośląska Szkoła Bankowa Sp. z o. o.

As at 30 June 2011, the Bank owned 24.75% shares in Dolnośląska Szkoła Bankowa Sp. z o.o., based in Lubin, associated entity.
On 5 July 2011 (after the balance sheet date) the Bank entered into an agreement on a sale of the entire stake of shares held in this company.

8. AGREEMENTS SIGNIFICANT FOR THE GROUP'S ACTIVITY

8.1. Agreements with BNP Paribas SA

Financing agreement with BNP Paribas SA

In the first half of 2011, the following financing tranches from BNP Paribas SA with its registered office in Paris, were disbursed:

- on 4 February 2011 the tranche in the amount of PLN 800 million. The financing period for the aforementioned tranche is three years of the disbursement date, i.e. until 4 February 2014. The tranche interest rate was based on WIBOR 3M.
- on 30 June 2011, two credit tranches were disbursed:
  - the tranche in the amount of PLN 300 million for 2 years, i.e. until 28 June 2013;
  - the tranche in the amount of PLN 250 million for 3 years, i.e. until 30 June 2014;

  The tranche interest rate was based on WIBOR 3M.
- on 4 July 2011 (after the balance sheet date) the following credit tranches were disbursed:
  - the tranche in the amount of CHF 25 million for 2 years, i.e. until 4 July 2013;
  - the tranche in the amount of CHF 275 million for 3 years, i.e. until 4 July 2014;
  - the tranche in the amount of CHF 80 million for 4 years, i.e. until 6 July 2015;

  The tranche interest rate was based on LIBOR 3M.

The financing conditions correspond to market conditions.

Agreement with BNP Paribas SA Branch in Poland

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

8.2. Purchase of Fortis Lease Polska Sp. z o.o.

On 1 July 2011 (after the balance sheet date), an agreement on sale of 100% shares in Fortis Lease Polska Sp. z o. o. based in Warsaw (hereinafter "FLP") was concluded by and between the Bank, as a buyer, and BNP Paribas Leasing Solutions SA based in Luxembourg, as a seller.

Under the agreement, the Bank acquired 11,500 of FLP shares, which constitute 100% of the FLP share capital and entitle the Bank to exercise the same number of votes at the FLP meeting of shareholders. On the basis of an external valuation made, the purchase price was PLN 94.8 million.

Fortis Lease Polska Sp z o.o. has been operating on the Polish market since 2000. It offers lease of fixed assets, including real estate, means of transport, construction equipment and specialist machines for the industry. At present, it services over 2,600 customers. As at the end of 2010, FLP assets amounted to PLN 2.3 billion.

Apart from Fortis Lease Polska Sp. z o.o., another lease company from the BNP Paribas Group operates in Poland, under the brand of BNP Paribas Leasing Solutions. It specialises in financing fixed assets such as hardware and telecommunication equipment, industrial devices and vehicles, in particular agricultural machines and vehicles.

On 1 July 2011 the Bank, Fortis Lease Polska Sp. z o.o. and BNP Paribas Lease Group Sp. z o.o. signed a cooperation agreement governing detailed rules of cooperation between these entities.

Multi-option credit line agreement with Fortis Lease Polska Sp. z o.o.

On 18 October 2010, the Bank signed an annex to multi-option credit line agreement with Fortis Lease Polska Sp. z o.o. dated 17 November 2000. The credit line can be utilised as an overdraft facility, L/C line or guarantee credit line. The credit limit equals PLN 175 million. The financing term was extended to 18 January 2016.

In the first half of 2011, the Bank agreed to extend this credit line for the subsequent current credit terms, i.e. till 13 July 2011.

8.3. Agreement with TFI Fortis Private Investments SA

On 7 April 2011, the Bank signed annex no. 2 to Distribution Agreement dated 5 November 2007 with TFI Fortis Private Investments SA regarding acquisition by the Bank of customers interested in using third party's brokerage financial instrument portfolio services provided by TFI FPI. This Annex no. 2 referred to changes in Lokata ProfitPlus offering (formerly: Lokata Fortis FIO).

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

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

Details regarding agreements and transactions with affiliated entities for the first half of 2011 and comparative data for 2010 and the first half of 2010 are presented in Note 16 of the Abbreviated Interim Consolidated Financial Statements.

8.5. Significant agreements with entities unrelated with the BNP Paribas Bank Polska SA group

Credit Agreement with the European Investment Bank

On 30 November 2009, a credit agreement was signed between European Investment Bank (EIB) based in Luxembourg and the Bank under which EIB granted the Bank a credit line up to EUR 50 million. The Bank obtained funds allocated for financing investment projects of small and medium-sized enterprises.

Financing details shall be defined for each credit tranche disbursed separately. The maximum repayment term for a credit tranche is 12 years. The fixed or variable interest rate will depend on the currency of a credit tranche to be disbursed (EUR, PLN, GBP or USD): a relevant reference rate (EURIBOR, WIBOR, LIBOR) plus margin.

Fortis Bank SA/NV, based in Brussels, granted a guarantee for performance of the Bank’s obligations arising under the credit agreement.

The first tranche in the amount of PLN 80 million was disbursed in September 2010. The second tranche in the amount of PLN 119 million was disbursed in July 2011 (after the balance sheet date).

Conclusion of a credit agreement with the European Bank for Reconstruction and Development

On 26 January 2011, a credit agreement was signed between the European Bank for Reconstruction and Development (EBRD) and the Bank under which EBRD granted the Bank a loan up to EUR 30 million. The Bank obtained funds allocated for financing investment projects of small and medium-sized enterprises under the Sustainable Energy Financing Facility Programme (PolSEFF).

The financing period is five years of the agreement signing date, i.e. until 2016. The loan interest rate has been established based on EURIBOR 3M increased by a margin.

On 28 March 2011, Fortis Bank SA/NV, based in Brussels, granted a guarantee for performance of the Bank’s obligations arising under the credit agreement.

Conclusion of significant agreements with customers not affiliated with the Bank

On 26 January 2011 the Bank signed a syndicated agreement with a customer not affiliated with the Bank; consequently, the value of agreements concluded with this customer within the past 12 months amounts to the total of PLN 200 million.

Under the syndicate, the Bank granted the customer a revolving loan up to the maximum amount of PLN 100 million. Funds under the loan will be allocated to the customer’s current operating activity and refinancing previous obligations. The loan repayment deadline is fixed for 6 July 2016. The loan interest rate has been established based on WIBOR increased by a margin. The financing conditions correspond to market conditions.

On 28 April 2011, the Bank signed a syndicated agreement with a customer not affiliated with the Bank.

Under the syndicate, the Bank granted the customer a revolving loan up to the maximum amount of EUR 100 million (denominated in EUR, PLN, USD or CZK), that is, the equivalent of PLN 394 million at the NBP mid rate as at 28 April 2011.

The financing will be earmarked for the customer’s current operating activity and refinancing previous obligations. The financing period is 5 years with an option of extending it to 7 years. The loan interest rate has been established based on WIBOR/ EURIBOR/ LIBOR/ PRIBOR increased by a margin. The financing conditions correspond to market conditions.

On 29 June 2011, the Bank concluded an agreement on a revolving loan up to the maximum amount of PLN 160 million with a customer not affiliated with the Bank. Funds under the loan will be allocated to the customer’s current operating activity. The financing term is 12 months. The loan interest rate has been established based on WIBOR increased by a margin. The financing conditions correspond to market conditions.

On 30 June 2011, the Bank signed an agreement on a non-revolving guarantee credit line with a customer not affiliated with the Bank. Under this agreement the Bank shall provide the customer with a performance bond up to the maximum amount of EUR 50.3 million, i.e. an equivalent of PLN 200.5 million at the NBP mid rate of 30 June 2011. The financing term is 12 months. The guarantee granting terms and conditions are not different from market conditions.

On 20 July 2011 (after the balance sheet date), the Bank concluded agreements on multi-currency credit lines with two customers of the same financial group, not affiliated with the Bank. Under the agreements, the Bank will grant the customers financing up to the maximum amount in one case of EUR 20 million and in the other - EUR 80 million, i.e. the equivalent of PLN 80 and 320 million respectively, at the NBP mid rate as at 20 July 2011. The total exposure towards the group may change by the equivalent of maximum PLN 401 million. Funds under the loans will be allocated to financing the customer's current operating activity. The financing term is 12 months. The financing conditions correspond to market conditions.

Guarantees and sureties

Agreement on multi-option guarantee credit line concluded on 25 April 2008 with a customer not affiliated with the Bank with the credit limit of PLN 205.8 million

On 26 July 2011 (after the balance sheet date), an annex to the aforesaid agreement was signed, under which the agreement validity term was extended till 1 August 2012. Other terms and conditions of the agreement remained unchanged. The total value of guarantees granted under this line exceeds 10% of the Group's equity capital.

Agreement on multi-option guarantee credit line concluded on 25 April 2008 with a customer not affiliated with the Bank with the credit limit of EUR 50.3 million (PLN 200.5 million)

On 30 June 2011, the Bank signed an agreement on a non-revolving guarantee credit line with a customer not affiliated with the Bank. Under this agreement the Bank shall provide the customer with a performance bond up to the maximum amount of EUR 50.3 million, i.e. an equivalent of PLN 200.5 million at the NBP mid rate of 30 June 2011. The financing term is 12 months. The total value of guarantees granted under this line exceeds 10% of the Group's equity capital.

Redemption of subordinated bonds

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

Redemption of secured bonds

On 29 January 2011, the Bank redeemed secured bonds in the amount of PLN 30,709 thousand (of PLN 30 nominal value and interest). The security deposit was reimbursed to the Bank. The bonds were issued by Dominet Bank SA through the agency of BRE Bank SA in 2004. After the merger of the Bank and Dominet Bank SA, the Bank took over the liabilities on account of issuance of these bonds.

8.6. Insurance agreements

Banking risks, electronic and computer crime and professional indemnity insurance for a financial institution

BNP Paribas Bank Polska SA is covered by a corporate insurance programme of BNP Paribas group and its subsidiaries worldwide. The corporate programme (Bankers Blanket Bond for Financial Institution) ensures banking business insurance – bankers blanket bond, electronic and computer crimes (BBB - ECC) and Professional Indemnity (PI) insurance programme. The corporate policy is valid from 1 May 2011 to 1 May 2012.

Directors and Officers Liability insurance

BNP Paribas Bank Polska SA, as a member of the BNP Paribas Group, is covered by the Directors and Officers Insurance Programme. The existing D&O policy is valid from 10 October 2009 to 9 October 2014.

Third party liability insurance on account of agency services

The policy was concluded into pursuant to the obligation resulting from *the Finance Minister's Ordinance dated 23 June 2005 regarding obligatory third party liability insurance on account of agency services (Journal of Laws No. 122, item 1027 of 2005).* The existing policy is valid from 20 February 2011 until 19 February 2012.

Property, electronic equipment and third party liability insurance and CARGO for electronic equipment

The insurance covers property (including insurance of pecuniary values) and electronic equipment owned by BNP Paribas Bank Polska SA. The scope of the insurance programme is based on the so-called All Risk insurance. Moreover, the insurance programme covers the Bank's professional indemnity under property owned and business activity conducted and also a national CARGO insurance for IT hardware. The existing insurance programme is valid from 26 April 2011 to 25 April 2012.

Insurance of risk of incurring financial losses by BNP Paribas Bank Polska SA in relation to transactions effected with valid payment cards issued by BNP Paribas Bank Polska SA under which the Bank is liable towards cardholders on the basis of and to the extent specified in Electronic Payment Instruments Act of 12 September 2003 (Journal of Laws No. 169, item 1385). The insurance covers financial losses incurred by the Bank in connection with unauthorised card use as a result of theft, robbery, loss or skimming. The existing policy is valid from 1 January 2011 until 31 January 2012.

Group insurance programme against personal injury accidents (in Polish: NNW) of BNP Paribas Bank Polska SA employees

The scope of the group insurance coverage against personal injury accidents of BNP Paribas Bank Polska SA employees includes death of the insured and permanent personal injury resulting from NNW. This policy is valid from 1 December 2010 to 30 November 2011.

Programme for group life insurance of BNP Paribas Bank Polska SA Group employees

The programme for group life insurance of BNP Paribas Bank Polska SA employees covers life and health of the Bank's employees and their families. The policy is valid from 1 December 2010 until 30 November 2011.

8.7. Agreements with the central bank and the regulators

Agreements with the National Bank of Poland

Agreement on the maintenance of a securities account and a deposit account in the Securities Register

On 9 March 2011 the Bank concluded a new agreement, under which the National Bank of Poland maintains an account and deposit account of cash bills and T-bills for the Bank.

Annex to agreement on extension of a lombard credit facility and a provision of pledge securing the facility and Annex to agreement on extension of a technical credit facility and transfer of rights under securities

On 9 March 2011, the Bank signed annexes to the agreements concluded on 15 March 2010.

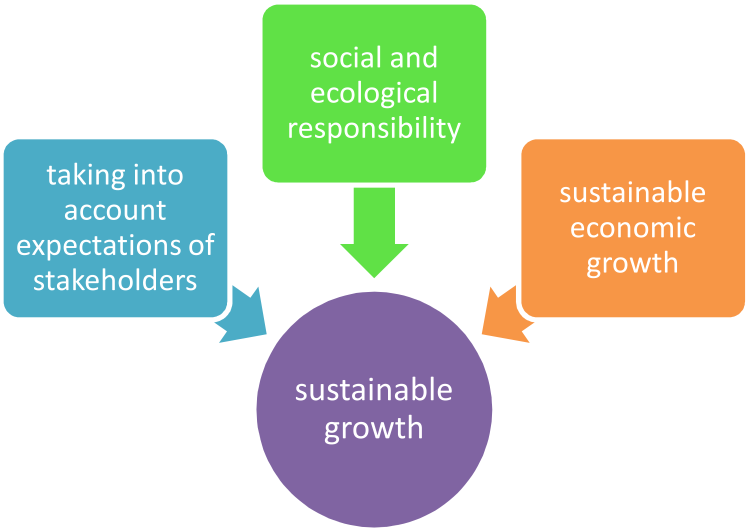
8.8. Agreement with an auditors

On 30 June 2010, the Bank concluded an agreement with Mazars Audyt Sp. z o.o. based in Warsaw on auditing financial statements for 2010 and 2011 and reviewing interim abbreviated financial statements for the first half of 2011.

9. CORPORATE SOCIAL RESPONSIBILITY

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

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



Supply chains

We try to get to know and identify elements of supply chains where we, our customers and our business partners operate. It helps us to promote sustainable development on each of their stages. One of basic management tools of a sustainable supply chain is an adjustment of all products, services and procedures applied in the Bank to ISO/IEC 27001/2005 standards.

We also take care that our business follows guidelines such as "The Best Practices in Companies Listed on Warsaw Stock Exchange." With respect to specific supply chains we try to formulate such policies and internal regulations regarding proper operation that are consistent with the CSR rules.

Eco-sales

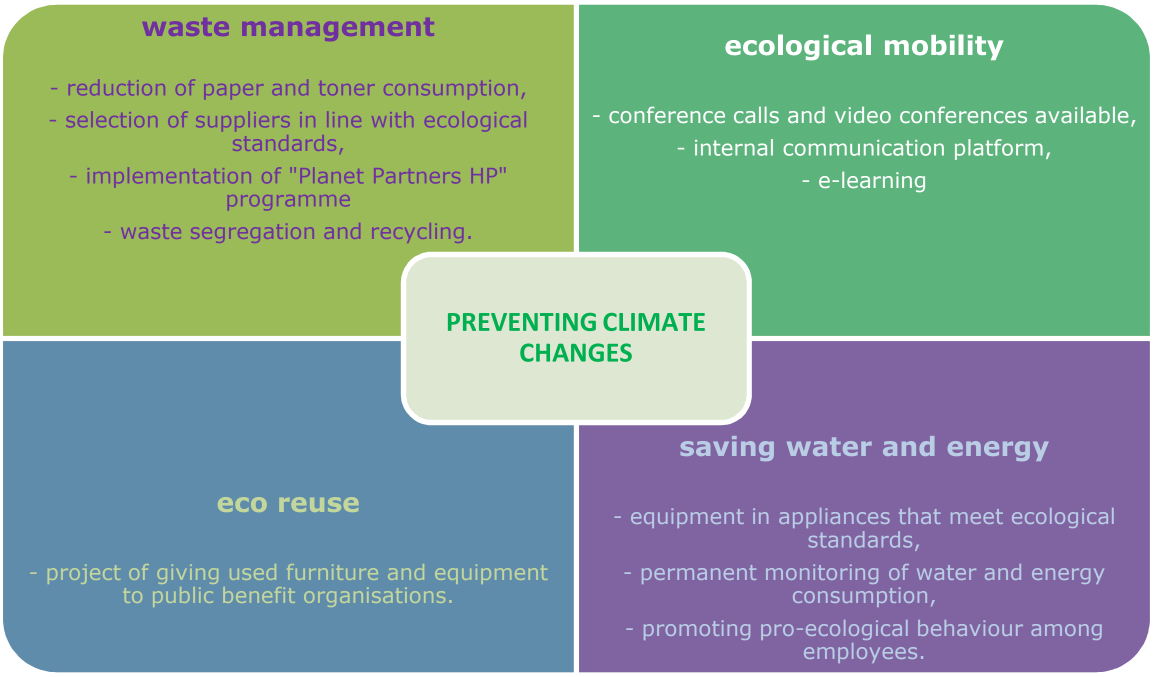
The Bank carries out projects leading to a continued development of alternative customer service channels, i.e. Pl@net and BiznesPl@net, likewise the call centre.

In the first quarter of 2011, a project was launched aiming at encouraging customers to give up paper account statements and start using e-correspondence with the Bank. Moreover, to make the customers interested in this project the Bank started cooperation with Biebrzański Park Narodowy (Biebrza National Park). A part of the amount saved thanks to giving up paper statements will be transferred to the Park to be used for protection of elk species.

The Bank also started to implement the Sustainable Energy Financing Facility Programme in Poland (PolSEFF). Within the cooperation with EBRD, a sale of an energy saving credit facility to be used to finance investments that reduce energy consumption in an enterprise has begun. The investments financed under the programme are based on a wide range of technologies.

Preventing climate changes

In everyday operations of the Bank, we strive to minimise ecological effects of our business. In connection with the above, projects aimed at implementation of ecological standards are successively carried out.



2. For us, **community involvement** means support provided to local communities through volunteer actions in the local environment. The community involvement programme is implemented by the entity dedicated to undertake social actions, the BNP Paribas Fortis Foundation.

Basic information and objectives of the Foundation actions

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

Main pillars of the Foundation actions

Coalitions with social partners

In the first half of 2011, in cooperation with Towarzystwo Przyjaciół Dzieci (Children's Friends Association, TPD), the Foundation carried out a grant programme, "Na tropie niewidzialnej ręki" (On the track of an invisible hand) aiming at selecting and financing the best ideas for this year's vacations, which referred to the European Year of Volunteering. Out of almost 40 contesting centres from all over Poland, 7 the most interesting projects were selected. They were awarded grants for the organisation of the planned activities (nationwide project, started in April 2011).

Additionally, the Bank also provided support to TPD. In the period from January to April 2011, customers visiting the Bank's branches in Poland had an opportunity to get familiar with the scope of a public benefit organisation – Towarzystwo Przyjaciół Dzieci (Children's Friends Association), thanks to information leaflets, and they could decide on allocating 1% of their personal income tax for 2010 to TPD charges - children and young people.

The Bank also provided TPD with material support in the form of a computer equipment. The computer sets went to all TPD day rooms in the Małopolska region.

Partnerships with local organisations

In the first half of 2011, under the cooperation developed with business organisations, the Foundation implemented a project in the Lublin region. The project was carried out in cooperation with Lubelski Klub Biznesu (Lublin Business Club) and aimed at ensuring help for children and young people at risk of social exclusion (support for summer holidays) and promoting a corporate social responsibility.

Moreover, relationships with regional business organisations have been established and some actions have been undertaken to carry out subsequent projects (Poznań, Łódź, Wrocław, Toruń-Bydgoszcz and Kraków) in the second half of 2011.

Support of the concept of volunteering

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

Awards for the Foundation

BNP Paribas Fortis foundation was a semi-finalist of the *Benefactor of the Year 2010* competition in the category of cooperation with a non-governmental organisation. The competition committee appreciated the support granted by the Foundation to its strategic partner – Towarzystwo Przyjaciół Dzieci.

10. CORPORATE GOVERNANCE

BNP Paribas Bank Polska SA, being a listed company, observes corporate governance rules as well as internally promotes and monitors their application.

The Bank gives information on any permanent or incidental breach of corporate governance rules or other incidents related to fulfilment of Best Practices provisions in a form of current reports published on the Bank's website and through EBI system (electronic database). Once a year, pursuant to *the Finance Minister's Ordinance of 19 February 2009 regarding current and periodical information submitted by issuers of securities and the Warsaw Stock Exchange Regulations and Resolution of the Board of Warsaw Stock Exchange SA,* the Bank prepares a report on corporate governance, which is enclosed to the annual report.

The amended version of *The Best Practices of WSE Listed Companies* (attachment to Resolution No. 17/1249/2010 of the WSE Board of 19 May 2010) became effective on 1 July 2010.

On 18 March 2011, the Bank published a *Report on corporate governance rules application at the Bank in 2010* along with the 2010 annual report.

On 10 May 2011, the Bank's Annual General Meeting approved the report and adopted an amended version of *The Best Practices of WSE Listed Companies* to be applied at the Bank to the extent recommended by the Bank's Board of Executives and the Supervisory Board.

In 2008, the Bank joined the Liquidity Support Programme.

11. ORGANISATIONAL STRUCTURE

11.1. Bank authorities

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

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

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

Permanent committees include:

- Assets and Liabilities Committee (ALCO);
- Risk Committee;
- Credit Risk and Provisioning Committee;
- Credit Committee;
- Internal Control Coordination Committee along with the sub-committee - Operational Risk Committee;
- Information Security and Business Continuity Committee;
- New Products, Activities and Organisations and Exceptional Transaction Validation Committee;
- Investment Committee.

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

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

- Audit Committee;
- Compensation Committee.

They are appointed under the Bank's Statute and the Supervisory Board Regulations and operate based on separate regulations.

11.2. Business lines and sales outlets

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

- Head office, which comprises lines, departments, offices, groups, sections and committees;
- Areas - organisational units separated within the Bank structure, under responsibility of a Member of the Board, including organisational units which are all bound by predefined rules of cooperation and subordination and pursue the activities which converge in terms of type or purpose. At present there are eight areas at the Bank;
- Business Lines / Customer Service Lines – vertical structures providing comprehensive services to a given group (segment) of customers or operating on a specific market. There are four business lines at the Bank:
  - RB Business Line, which specialises in providing services to small enterprises and private individuals, and to private banking segment customers;
  - CTB Business Line, which specialises in providing services to medium and big enterprises;
  - The Fixed Income and Treasury Line, which is a business line operating on the financial markets that specialises in servicing banks and other financial institutions, and also a selected group of customers;
  - PF Business Line, which deals in particular with the preparation of product offering and management of consumer loans offered via the Bank's branches and external distribution channels.
- Regions - organisationally separated, according to a geographical key, part of the Bank's operational structure appointed to coordinate activities of organisational units. At present, there are eight regions at the Bank;
- Among branches, sub-branches and franchise branches, there are leading and subordinated branches;
- Business Centres - dedicated to servicing medium and large enterprises.

As at 30 June 2011, BNP Paribas Bank Polska SA structure comprised the following operating units dedicated to customer service:

- 159 full-service branches, including 29 leading branches (four branches in Warsaw, three branches in Kraków, two branches in Poznań, Wrocław and Lublin each and one branch in Bielsko-Biała, Bydoszcz, Częstochowa, Łódź, Gdynia, Gdańsk, Gliwice, Katowice, Kielce, Lubin, Olsztyn, Opole, Rzeszów, Szczecin, Zakopane and Ząbki each);
- 61 franchise branches;
- 8 Business Centres: two in Warsaw and one in Krakow, Gdańsk, Katowice, Poznań, Wrocław and Łódź each.

Leading branches are subject to registration in the Polish National Court Register (KRS). They are responsible for the completion of their own tasks as well as those of the operating units subordinated to them in a given territory (i.e. subordinated own branches, franchise branches and own sub-branches). Current structure of the distribution network takes into account the country's division into eight geographical areas of activity:

- Centre Region – 31 branches;
- South Region – 16 branches;
- Śląsk (Silesia) Region – 23 branches;
- West Region – 23 branches;
- North Region – 24 branches;
- East Region – 19 branches;
- Łódź Region – 11 branches;
- Dolny Śląsk Region – 13 branches.

Additionally, the distribution network is supported by 61 franchise branches that provide services to Bank customers under cooperation agreements signed with the Bank.

12. SUPERVISORY BOARD, BOARD OF EXECUTIVES AND EMPLOYEES

12.1. Changes in the composition of the Supervisory Board of BNP Paribas Bank Polska SA

The composition of the Bank's Supervisory Board as at 1 January 2011 and 30 June 2011:

1. Camille Fohl - Chairman of the Supervisory Board
2. Jarosław Bauc - Vice Chairman of the Supervisory Board
3. Lars Machenil - Vice Chairman of the Supervisory Board
4. Monika Bednarek - Supervisory Board member
5. Jean Deullin - Supervisory Board member
6. Mark Selles - Supervisory Board member
7. Andrzej Wojtyna - Supervisory Board member

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

As at 30 June 2011, Mr Mark Sellers was at the same time the Chairman of the Supervisory Board of Dominet SA.

12.2. Changes in the composition of the Board of Executives of BNP Paribas Bank Polska SA

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

1. Frédéric Amoudru - President of the Board of Executives
2. Jan Bujak - Senior Vice President
3. Jacek Obłękowski - Vice President
4. Jaromir Pelczarski - Vice President
5. Michel Thebault - Vice President
6. Philippe Van Hellemont - Vice President
7. Marta Oracz - Member of the Board of Executives
8. Stephane Rodes - Member of the Board of Executives

In the first half of 2011, there were the following changes in the composition of the Board of Executives:

On the meeting held on 18 March 2011, the Bank's Supervisory Board accepted Mr Jacek Obłękowski's resignation from his function of a Vice President and member of the Board of Executives. Mr Obłękowski was the President of the Management Board of Dominet Bank SA from May 2007 till the merger with Fortis Bank Polska SA (at present BNP Paribas Bank Polska SA), and since 1 April 2009 he was a member of the Bank's Board of Executives as a Vice-President responsible for Retail Banking.

On the meeting held on 10 May 2011, the Bank's Supervisory Board:

- accepted Mr Philippe Van Hellemont's resignation from his function of a Vice President and member of the Board of Executives. Mr Van Hellemont was a member of the Bank's Board of Executives from 16 June 2009, performing the function of the Chief Risk Officer managing the Risk Area.
- appointed Mr Wojciech Kembłowski as a member of the BNP Paribas Bank Polska SA Board of Executives effective from 11 May 2011. Mr Kembłowski has taken up a position of the Director managing the Risk Area (Chief Risk Officer).

As at 30 June 2011, the composition of the Bank's Board of Executives was as follows:

1. Frédéric Amoudru - President of the Board of Executives
2. Jan Bujak - Senior Vice President
3. Jaromir Pelczarski - Vice President
4. Michel Thebault - Vice President
5. Wojciech Kembłowski - Member of the Board of Executives
6. Marta Oracz - Member of the Board of Executives
7. Stephane Rodes - Member of the Board of Executives

<u>Presence of the Bank Board of Executives' members in the governing bodies of affiliated entities.</u>

As at 30 June 2011 two members of BNP Paribas Bank Polska SA Board of Executives (Mr Frédéric Amoudru and Mr Jan Bujak) were members of the Supervisory Board of TFI Fortis Private Investments SA appointed by the Extraordinary General Meeting of TFI FPI on 20 June 2011.

As at 30 June 2011, the President of the Board of Executives of BNP Paribas Bank Polska SA (Mr Frédéric Amoudru) was at the same time the President of the Management Board of Dominet SA, whereas one existing Bank's Executive (Jan Bujak) and one former Bank's Executive (Mr Jacek Obłękowski) were members of the Supervisory Board of Dominet SA.

Mr Frédéric Amoudru is a member of the Management Board of BNP Paribas Real Estate Advisory & Property Management Poland Sp. z o.o.

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

Members of the Board of Executives of BNP Paribas Bank Polska SA are appointed and discharged pursuant to the provisions of the Code of Commercial Companies and Partnerships, the Banking Law Act and the Statute of BNP Paribas Bank Polska SA.

The Board of Executives is composed of three to ten members, including President of the Board of Executives, one or several Vice Presidents of the Board of Executives, and other members of the Board of Executives in the number that is defined by the Supervisory Board. Members of the Board of Executives are appointed for the period of joint five-year tenure by the Supervisory Board. Appointment of two Members of the Board of Executives, including the President of the Board, is made with consent of the Polish Financial Supervision Authority, given upon a request of the Supervisory Board.

The Bank's Board of Executives manages the Bank's operational activity and represents the Bank before external parties. The scope of tasks of the Board includes primarily all the issues that are not reserved for the competence of other bodies of the Bank. The Board of Executives takes decisions by way of resolutions regarding the Bank's operating activity, including decisions regarding assumption of liabilities or disposal of assets, the total amount of which in relation to one entity exceeds 5% of the Bank's equity.

The Board of Executives can delegate specific issues that belong to the scope of the Board of Executives competence to specific Executives or the Bank's employees. Decisions on the assumption of liabilities or disposal of assets whose total value in relation to one entity exceeds 5% of the Bank's equity, can be taken by committees of the Bank or designated people acting under the Board of Executives' resolution that defines the scope of such an authorisation and the decision-taking manner.

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

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. In the case of one person, possible severance pay resulting from the *Act dated 13 March 2003 regarding detailed rules of work relationship termination for reasons independent of employees (Journal of Laws No. 90, item 8447, as amended)* is not dependent upon the job seniority with the employer.

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

in PLN thousand	1 January 2011 - 30 June 2011	1 January 2010 - 30 June 2010
Board of Executives, including:	5,592	4,861
- remuneration	2,477	2,247
- benefits*	448	555
- other**	2,667	2,059
Supervisory Board	378	288
Managing Directors***	8,482	7,026

* The "benefits" item includes expenses related to medical care, company car (lump sum), accommodation.
** The "other" item includes equivalent for holiday leave, bonuses and remuneration for the Board of Executives' meetings.
***Gross remuneration paid out of the salary fund, including ZUS (Social Security) contributions for Directors directly reporting to the Board of Executives.

Two members of the Board of Executives of BNP Paribas Bank Polska SA who as at 30 June 2011 were members of the Supervisory Board of TFI Fortis Private Investments SA, subsidiary of the Bank, were paid no remuneration on this account.

Details on the value of remuneration and other benefits of the Board of Executives and Supervisory Board's members for the first half of 2011 as well as the comparative data for the first half of 2010 are specified in Note 16.4 in the Abbreviated Interim Consolidated Financial Statements.

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

As at 30 June 2011 and as at the report publication date, i.e. 30 August 2011, none of the Board of Executives and Supervisory Board's members held any shares issued by BNP Paribas Bank Polska SA or other financial instruments related to them.

12.4. Staff

As at 30 June 2011, the employment level at BNP Paribas Bank Polska SA, expressed in full time equivalents (including employees on maternity and parental leaves and on long sick leaves) amounted to 2,958 as compared to 2,816 as at 31 December 2010, which means a net growth by 142 FTEs as compared to the end of 2010. As at the end of June 2011, 63% of all employees were university graduates.

As at 30 June 2011 TFI FPI employed 16 persons, which did not change as compared to 31 December 2010.

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

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

13. BOARD OF EXECUTIVES' REPRESENTATIONS

Correctness and reliability of reports presented

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

- The Abbreviated Interim Consolidated Financial Statements of BNP Paribas Bank Polska SA Group for the first half of 2011 and the comparative data were prepared pursuant to the binding accounting rules and they accurately, reliably and clearly reflect the property and financial situation of the Bank's Group and its net profit in all material aspects.
- The Report on the Activity of BNP Paribas Bank Polska SA Group in the first half of 2011 contains the true picture of the Bank group's development and achievements, including a description of basic risks and threats.

Selection of an entity authorised to audit the financial statements

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

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

26 August 2011	Frédéric Amoudru President of the Board of Executives	.... Signature
26 August 2011	Jan Bujak Senior Vice-President of the Board of Executives Chief Financial Officer	.... Signature
26 August 2011	Jaromir Pelczarski Vice-President of the Board of Executives	.... Signature
26 August 2011	Michel Thebault Vice-President of the Board of Executives	.... Signature
26 August 2011	Wojciech Kembłowski Member of the Board of Executives	.... Signature
26 August 2011	Marta Oracz Member of the Board of Executives	.... Signature
26 August 2011	Stephane Rodes Member of the Board of Executives	.... Signature