BNP PARIBAS

Interim Abbreviated Consolidated Financial Statements of the Group of BNP Paribas Bank Polska SA for the First Half of 2011

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1. Financial Highlights

CONSOLIDATED FINANCIAL HIGHLIGHTS	in PLN thousand		in EUR thousand	
Income Statement	**30 June 2011 (YTD)**	**30 June 2010 (YTD)**	**30 June 2011 (YTD)**	**30 June 2010 (YTD)**
Interest income	458,563	453,927	115,586	113,363
Fee and commission income	90,530	106,600	22,819	26,622
Total income, net	378,625	427,502	95,436	106,763
Gross profit/loss	14,545	21,932	3,666	5,477
Net profit/loss	9,570	14,787	2,412	3,693
Ratios				
Number of shares	24,123,506	24,123,506	-	-
Basic Earnings/Loss Per Share (PLN/EUR)	0.40	0.61	0.10	0.15
Diluted Earnings/Loss Per Share (PLN/EUR)	0.40	0.61	0.10	0.15
Cash Flow Statement				
Net cash provided by operating activities	-65,349	-1,035,631	-16,472	-258,636
Net cash provided by investing activities	-1,002,919	87,435	-252,796	21,836
Net cash provided by (used in) financing activities	251,270	568,666	63,335	142,017
Total net cash flow	-816,998	-379,530	-205,933	-94,783
Balance Sheet	**Balance as at 30 June 2011**	**Balance as at 31 Dec 2010**	**Balance as at 30 June 2011**	**Balance as at 31 Dec 2010**
Total assets	19,751,270	18,539,070	4,954,415	4,681,229
Loans to customers	14,243,526	13,151,131	3,572,851	3,320,741
Due to banks	2,201,464	745,774	552,216	188,313
Due to customers	7,598,181	8,195,268	1,905,930	2,069,355
Loans and credit facilities received	7,635,046	7,163,459	1,915,177	1,808,817
Own equity	1,364,339	1,334,083	342,231	336,864
Ratios				
Number of shares	24,123,506	24,123,506	-	**-**
Book value per share (in PLN / EUR)	56.56	55.30	14.19	13.96
Diluted book value per share (in PLN / EUR)	56.56	55.30	14.19	13.96
Capital adequacy				
Capital adequacy ratio	12.97%	13.64%	-	-

Key items in the balance sheet, income statement and cash flow statement in the financial statements for the first half of 2011 and the corresponding financial figures for the first half of 2010 and for 2010 have been converted into EUR according to the following rules:

- particular assets and liabilities items in the balance sheet and book value per share as at the end of the first half of 2011 have been converted into EUR at the mid-rate binding as at 30 June 2011 published by the National Bank of Poland on 30 June 2011, i.e. EUR 1 = PLN 3.9866; comparative financial figures as at the end of 2010 have been converted into EUR at the mid-rate binding as at 31 December 2010, published by the National Bank of Poland on 31 December 2010, i.e. EUR 1 = PLN 3.9603;
- particular items in the income statement and cash flow statement, and earnings per share as at the end of the first half of 2010 were converted into EUR at the rate based on the arithmetic mean of mid rates determined

by the National Bank of Poland as at the last days of the months from January through June 2011, i.e. EUR 1 = PLN 3.9673, whereas comparative data as at the end of the first half of 2010 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as at the last days of the months from January through June 2010, i.e. EUR 1 = PLN 4.0042.

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

Consolidated Income Statement (in PLN thousand)	**Notes**	**1 January 2011 - 30 June 2011**	**1 January 2010 - 30 June 2010**
Interest income	7.1	458,563	453,927
Interest expense	7.2	-179,231	-163,048
Net interest income		**279,332**	**290,879**
Fee and commission income	7.3	90,530	106,600
Fee and commission expense	7.4	-20,746	-28,397
Net fee and commission income		**69,784**	**78,203**
Dividend and other investment income		-	68
Net trading income	7.5	20,396	49,129
Net profit (loss) on hedging transactions		-596	-
Net profit/loss on the hedged item		596	-
Net profit/loss on available-for-sale financial assets		-439	1,310
Other revenues		9,552	7,913
Total income, net		**378,625**	**427,502**
Personnel expenses		-133,916	-118,370
Depreciation of fixed assets and intangible fixed assets		-33,120	-40,204
Other expenses	7.6	-144,676	-136,708
Net impairment losses	7.7	-52,368	-110,288
Gross profit/loss		**14,545**	**21,932**
Income tax expense		-4,975	-7,145
Net profit/loss		**9,570**	**14,787**
Consolidated Earnings Per Share	7.8		
Net profit/loss (in PLN thousand)		9,570	14,787
Weighted average number of ordinary shares		24,123,506	24,123,506
EPS ratio (in PLN)		0.40	0.61
Weighted average diluted number of ordinary shares		24,123,506	24,123,506
Diluted earnings per ordinary share (in PLN)		0.40	0.61

Consolidated report of total income (in PLN thousand)	**1 Jan 2011 - 30 June 2011**	**1 Jan 2010 - 30 June 2010**
Net profit (loss) for the year	**9,570**	**14,787**
Including:		
Profits/losses recognised in the income statement (investments available for sale) - net	499	-1,284
Profits / losses not recognised in the income statement (investments available for sale)	6,871	10,390
Deferred tax - profits/losses not recognised in the income statement (investments available for sale)	-1,305	-1,975
Profits/losses not recognised in the income statement (investments available for sale) - net	**5,566**	**8,415**
Total consolidated income	**15,136**	**23,202**

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

Consolidated balance sheet (in PLN thousand)	Notes	30 June 2011	31 Dec 2010	30 June 2010
ASSETS				
Cash and cash equivalents	8	356,038	1,172,870	454,021
Financial assets held for trading	9.1	166,808	194,290	494,806
Due from banks	10.1	157,334	159,013	602,977
Loans to customers	10.2	14,243,526	13,151,131	13,814,460
Hedging instruments	15	1,355	-	-
Investments - available for sale	11.1	4,237,847	3,248,293	2,687,057
Other investments	11.2	12	12	12
Property, plant and equipment		151,835	157,965	179,397
Intangible assets		23,719	23,673	28,439
Non-current assets held for sale	12	4,785	4,785	-
Settlements on account of income tax		715	84,015	22,772
Deferred tax assets		222,749	215,280	232,629
Other assets		184,547	127,743	143,468
Total assets		**19,751,270**	**18,539,070**	**18,660,038**
LIABILITIES				
Financial liabilities held for trading	9.2	74,913	97,699	135,178
Due to banks	13.1	2,201,464	745,774	1,597,582
Due to customers	13.2	7,598,181	8,195,268	7,467,961
Loans and credit facilities received	13.3	7,635,046	7,163,459	7,084,114
Hedging instruments	15	74	-	-
Adjustment of the hedged item to fair value		-532	-	-
Liabilities related to issuance of debt securities		-	30,000	30,000
Subordinated liabilities	14	538,392	565,236	587,496
Current tax liabilities		110	92	131
Other liabilities		316,315	386,040	304,432
Provisions		22,968	21,419	61,308
Total liabilities		**18,386,931**	**17,204,987**	**17,268,202**
EQUITY CAPITAL				
Share capital		1,206,175	1,206,175	1,206,175
Additional capital		127,099	124,810	124,810
Transfer from BNP Paribas SA Branch		15,161	-78,010	-
Other capital		6,919	45,685	45,685
Revaluation reserve		-1,290	-6,856	-326
Retained earnings		705	705	705
Net profit (loss) for the year		9,570	41,574	14,787
Total equity		**1,364,339**	**1,334,083**	**1,391,836**
Total liabilities and equity		**19,751,270**	**18,539,070**	**18,660,038**

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

Consolidated Statement of Changes in Shareholders' Equity for the first half of 2010 (in PLN thousand)							
	Share capital	**Additional capital**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 Jan 2010	**1,206,175**	**554,446**	**-428,931**	**-**	**45,685**	**-8,741**	**1,368,634**
Total income for the first half of 2010	-	-	-	14,787	-	8,415	23,202
Distribution of retained earnings	-	-429,636	429,636	-	-	-	-
Balance as at 30 June 2010	**1,206,175**	**124,810**	**705**	**14,787**	**45,685**	**-326**	**1,391,836**

Consolidated Statement of Changes in Shareholders' Equity in 2010 (in PLN thousand)								
	Share capital	**Additional capital**	**Transfer from BNP Paribas SA Branch**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 Jan 2010	**1,206,175**	**554,446**	**-**	**-428,931**	**-**	**45,685**	**-8,741**	**1,368,634**
Total income in 2010	-	-	-	-	41,574	-	1,885	43,459
Distribution of retained earnings	-	- 429,636	-	429,636	-	-	-	-
Others	-	**-**	-78,010	**-**	-	-	-	-78,010
Balance as at 31 Dec 2010	**1,206,175**	**124,810**	**-78,010**	**705**	**41,574**	**45,685**	**-6,856**	**1,334,083**

Consolidated Statement of Changes in Shareholders' Equity for the first half of 2011 (in PLN thousand)								
	Share capital	**Additional capital**	**Transfer from BNP Paribas SA Branch**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 Jan 2011	**1,206,175**	**124,810**	**-78,010**	**42,279**	**-**	**45,685**	**-6,856**	**1,334,083**
Total income for the first half of 2011	**-**	**-**	**-**	**-**	9,570	-	5,566	15,136
Distribution of retained earnings		2,289		-41,574		39,244	-	-41
Others	-	-	93,171	-	-	-78,010	-	15,161
Balance as at 30 June 2011	**1,206,175**	**127,099**	**15,161***	**705**	**9,570**	**6,919**	**-1,290**	**1,364,339**

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

*The amount of PLN 15,161 thousand is the asset value on account of a deferred tax concerning tax goodwill that occurred as a result of the purchase of an organised part of an enterprise of BNP Paribas SA Branch in Poland.
The value of a deferred tax on goodwill was recognised in the Bank's equity; it will be settled according to a five-year depreciation period decreasing the Bank's result.
The tax settlement of the transaction of a purchase of an enterprise organised part took place in March 2011, then the asset on this account was recognised as well.

Consolidated Cash Flow Statement (in PLN thousand)	**1 Jan 2011 - 30 June 2011**	**1 Jan 2010 - 30 June 2010**
Cash and cash equivalents, gross, opening balance	**1,173,607**	**833,802**
Gross profit/loss	**14,545**	**21,932**
Adjustments for:	**-79,894**	**-1,057,563**
Depreciation	33,120	40,204
Impairment losses	53,146	105,550
Profits/losses on investing activities	2,762	14,712
Changes in operational assets and liabilities:	-254,943	-1,231,881
- financial assets and liabilities held for trading	4,696	133,203
- due from banks	1,679	970,277
- loans to customers	-1,142,815	-113,373
- change in the balance of assets and liabilities on account of applying fair value hedge accounting	-1,813	-
- change in the balance of available-for-sale investments	-11,794	-2,425
- change in other investments	-	-
- due to banks	1,455,689	-413,572
- due to customers	-597,087	-1,758,355
- liabilities due on account of credit facilities and loans received	160,317	-45,445
- liabilities due on account of a subordinated loan	3,156	4,512
- other assets and liabilities	-126,971	-6,703
Income tax expense	86,021*	13,852
Net operating cash flows	**-65,349**	**-1,035,631**
Purchase of available-for-sale investments	-35,889,922	-19,837,753
Purchase of property, plant and equipment and intangible fixed assets	-30,677	-21,464
Proceeds from sales of available-for-sale investments	34,917,742	19,947,379
Proceeds from sales of property, plant and equipment	217	193
Other investment expenses	-279	-920
Net cash provided by investing activities	**-1,002,919**	**87,435**
Issuance of subordinated liabilities	-	-
Payment of subordinated liabilities	-60,000	-
Loans and credit facilities taken	2,175,100	5,854,683
Repayment of loans and credit facilities	-1,863,830	-5,286.017
Net cash provided by (used in) financing activities	**251,270**	**568,666**
Cash and cash equivalents, gross Ending balance	**356,609**	**454,272**
Change in cash and cash equivalents, net	**-816,998**	**-379,530**

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

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

*The most significant element in the balance change of the settlements on account of income tax was a refund of excess payment of income tax for 2010, in the amount of PLN 85,426 thousand.

Additional Notes to Financial Statements

3. Information on BNP Paribas Bank Polska SA Group

Basic data on the Issuer

BNP Paribas Bank Polska Spółka Akcyjna ("the Bank") with its registered office in Warsaw, at ul. Suwak 3, entered in the National Court Register (KRS) maintained by the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register under No. KRS 0000006421.

The Bank was assigned statistical number (REGON) 003915970, and tax identification number□(NIP) 676-007-83-01.

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

The consolidated financial statements of BNP Paribas Bank Polska SA Group for the first half of 2011 contains the data of the Bank and of its subsidiary, TFI Fortis Private Investments S.A. (jointly referred to as "the Group").

Structure of the Group

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

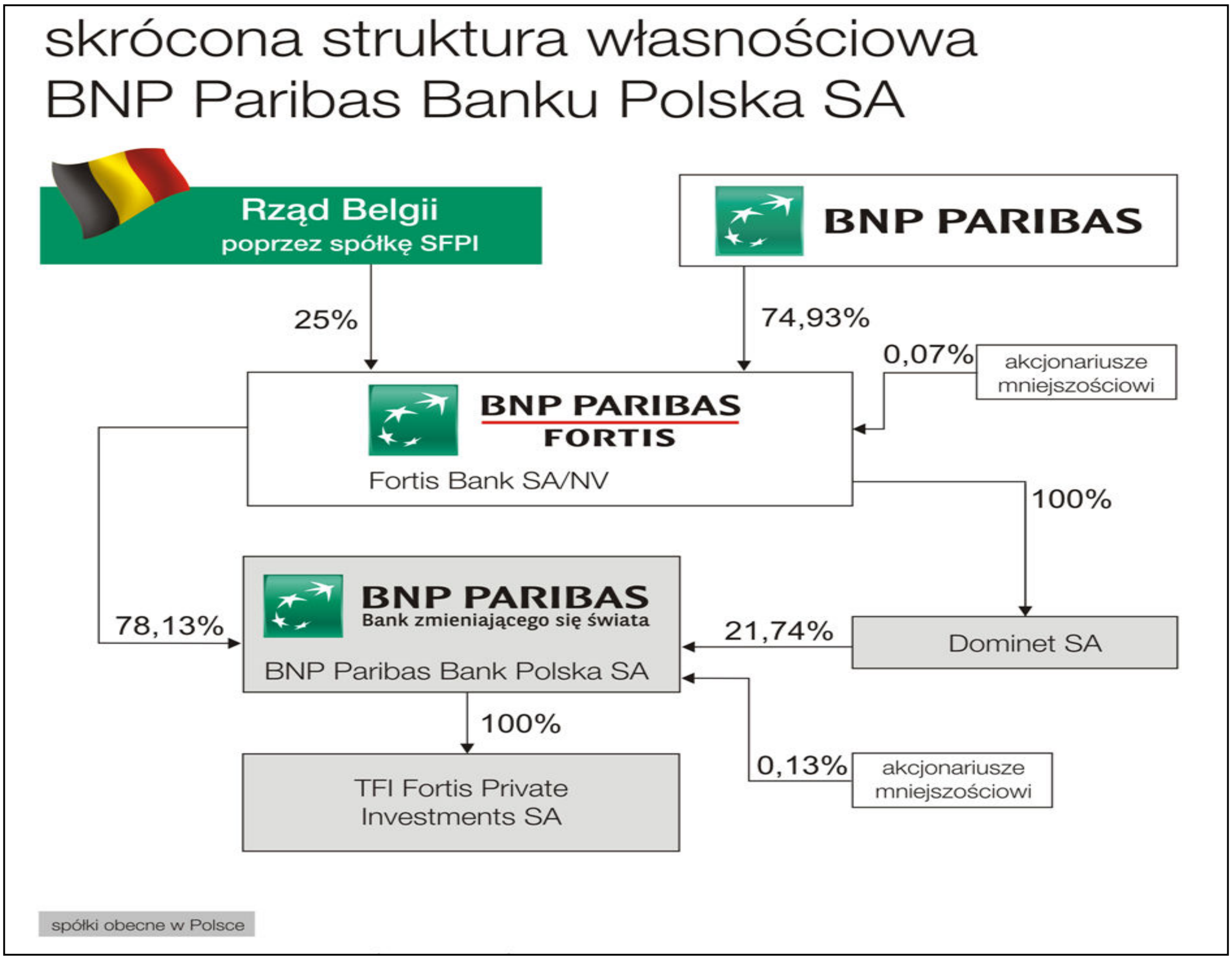
The direct parent entity of the Bank is Fortis Bank SA/NV based in Brussels which holds 99.87% of the Bank's shares, of which 78.13% directly while 21.74% through Dominet SA.

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.

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



BNP Paribas Bank Polska SA is the parent entity of Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments Polska S.A. holding 100% of its shares.

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments S.A. with its registered office in Warsaw, at ul. Fredry 8, is entered in the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register (KRS) under KRS Entry No. 0000031121. The company was assigned statistical number (REGON) 012557199, and tax identification number (NIP) 526-02-10-808.

Furthermore, BNP Paribas Bank Polska SA holds 24.75% shares in Dolnośląska Szkoła Bankowa Sp. z o.o., an associated entity.

Dolnośląska Szkoła Bankowa Sp. z o.o. with its registered office in Lubin, ul. Komisji Edukacji Narodowej 6A, is entered in the District Court for Wrocław - Fabryczna, IX Commercial Division of the National Court Register (KRS) under KRS Entry No. 0000147459. The company was assigned statistical number (REGON) 390555508, and tax identification number (NIP) 692-000-09-58.

The Bank measures shares in the associated entity at acquisition cost.

On 5 July 2011 (after the balance sheet date) the shares in Dolnośląska Szkoła Bankowa were sold. The details concerning the transaction are specified in Chapter *Events after the Balance Sheet Date*.

Field of the Group's business activity has not changed as compared to the end of 2010.

4. Accounting Policies

4.1 Basis of presentation

4.1.1 Statement on consistency with the IFRS

This Abbreviated interim consolidated financial statement of the Bank's Group has been prepared pursuant to the International Accounting Standard 34 Interim Financial Reporting (IAS 34), approved by the EU, and other binding provisions. This financial report does not contain all information required for annual consolidated financial statements and therefore, it should be read together with the consolidated financial statement of Fortis Bank Polska SA Group for the year ended on 31 December 2010. The Consolidated Financial Statement of Fortis Bank Polska SA Group for the year ended on 31 December 2010 is available on the Bank's website: www.bnpparibas.pl.

Pursuant to the Ministry of Finance Ordinance dated 19 February 2009 regarding current and periodical information submitted by issuers of securities and conditions of recognising as equivalent the information required by law provisions of a country that is not a EU Member State (Journal of Laws No. 33/2009, item 259), the Bank shall publish its financial performance for the period of six months ending on 30 June 2011, which is considered a current interim reporting period.

These financial statements of the Bank were approved for publishing by the Bank's Board of Executives on 26 August 2011.

The following standards (interpretations) issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) were not in force yet as at 30 June 2011:

- Amendments to IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 July 2011; as at the date of preparing these financial statements, amendments to IFRS 7 have not been approved by the European Commission;

- IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;

- Amendments to IAS 12 Income Taxes, effective for annual periods beginning on or after 1 January 2012; as at the date of preparing this financial statement, the amendments have not been approved by the European Commission;

- Amendments to IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 July 2012; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;

- IFRS 10 Consolidated Financial Statements, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;

- IFRS 11 Joint Arrangements, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;

- IFRS 12 Disclosure of Interests in Other Entities, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;

- IFRS 13 Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;

- Amendments to IAS 19 Employee Benefits, effective for annual periods beginning on or after 1 January 2013; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission.

Other standards and interpretations that have not become effective yet and have not been mentioned in these financial statements, are not material from the Group's standpoint. The Group now analyses in detail the effect of new standards on the financial statements.

4.2 Basic assumptions

The consolidated financial statements of the Group for the half year ended 30 June 2011 were prepared assuming the continuation of the Group's business in the foreseeable future.

The Bank's Board of Executives is not aware of any circumstances indicating any risk to the business continuation by the Group in the foreseeable future.

The consolidated financial statements of the Group were prepared based on the historical cost principle, except for derivative financial instruments, financial assets and liabilities measured at fair value through profit or loss, available-for-sale financial assets which were measured at fair value, and available-for-sale assets measured at the amount that is the lower of their balance sheet value and fair value less cost to sell.

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

4.3 Comparative data

The consolidated financial statements present consolidated data of BNP Paribas Bank Polska SA and its subsidiary, Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments S.A., for the period from 1 January 2011 through 30 June 2011 and as at 30 June 2011, likewise consolidated comparative data for the period from 1 January 2010 through 30 June 2010, and as at 30 June 2010 and 31 December 2010.

4.4 Consolidation basis

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

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

The full consolidation method is applied to the subsidiary. The full consolidation consists in adding together specific items of financial statements of the Bank and of the subsidiaries in full amount, and making relevant adjustments and consolidation eliminations. In the full consolidation of balance sheets, all items of assets and liabilities of both the subsidiary and parent are aggregated in their full amounts, irrespective of the parent's actual interest in the subsidiary.

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

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

The Group's entities apply the uniform accounting standards.

Under IAS 27, in the consolidated financial statements of BNP Paribas Bank Polska SA Group for the first half of 2011, the full consolidation is applied to the following subsidiary: Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA (investment fund company)

4.5 Accounting Estimates

When preparing the consolidated financial statements pursuant to the IFRS, the management is required to make subjective evaluations, estimations and accept assumptions that affect the assets and liabilities, likewise income and expenses. Estimations and assumptions are made based on available historical data and a number of other factors that are considered appropriate in given circumstances.

The results create the basis for making estimations referring to balance sheet assets and liabilities. Actual results can differ from estimated values. Estimations and assumptions are subject to ongoing reviews. Adjustments to estimations are recognised in the period in which a given estimation was changed provided that the adjustment refers to that period only, or in the period when the change was made and in the future periods if the adjustment affects both the current period and the future ones.

4.5.1 Fair value

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

4.5.2 Impairment losses on financial assets

In the estimation of impairment losses, the Bank assesses whether there is any evidence of impairment for specific financial asset or group of financial assets. A catalogue of impairment indicators includes events determined both in terms of quantity and quality[2] .

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

4.5.3 Impairment losses of non-financial assets

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

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

4.5.4 Useful lives and residual values

The useful life is a time period over which an item of the property, plant and equipment and intangible assets is expected to be used by the Group.

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

4.5.5 Other accounting estimates

The Group made provisions on account of long-term employee benefits on the basis of an actuarial valuation.

Legal risk provisions are calculated on the basis of an estimated amount of the Group's liabilities should a court case end unfavourably, or should a case be likely to end unfavourably for the Bank.

In addition to the above estimates, the Group makes also other subjective assessments during the accounting policy implementation process (e.g. as regards the classification of financial assets into a category required under IAS 39). Assessments made by the Group affect the presentation in the financial statements and financial results.

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

4.6 Foreign currencies

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

4.7 Financial assets and liabilities

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

The Group recognises a financial asset or liability in the balance sheet when the Group becomes a party to such an instrument agreement.

The Group recognises standardised purchase and sale transactions of financial assets in the balance sheet at the trade date which is the date of the Group's commitment to purchase or sell a given financial asset.

Standardised purchase or sale transactions of financial assets constitute transactions whose contractual terms require delivery of an asset in the period established by the binding regulations or conventions in the market place.

Standardised purchase or sale transactions apply in particular to FX spot transactions, deposits and placements likewise to purchases and sales of securities, where it is customary that two business days elapse between the trade date and settlement date, exclusive of repurchase agreements.

The Group derecognises a financial asset from the balance sheet at the moment when contractual rights to cash flows from the financial asset expire or when the Group transfers the contractual rights to receive cash flows from the financial asset in a transaction where the Group basically transfers the entire risk and all benefits related to the financial asset.

4.7.2 Classification and measurement

Financial instruments are initially measured at fair value, adjusted (as regards financial assets or liabilities not classified as measured at fair value through profit or loss) by material transaction costs that can be directly attributed to the acquisition or issue of a financial asset or liability.

Subsequently, financial assets measured at fair value through profit or loss and available for sale are measured at fair value, except for such available-for-sale equity assets that are not quoted on an active market and whose fair value cannot be reliably determined.

Discount, premium, any fees and commissions included in the internal rate of return of an instrument along with incremental transaction costs are recognised in the initial value of the financial instrument and amortised over the economic useful life of the instrument.

4.7.3 The Group classifies financial instruments into the following categories:

Loans and receivables

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

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

b) financial assets that upon initial recognition were designated by the Group as available for sale.

Loans and receivables upon the initial recognition are measured at fair value including transaction costs.

After the initial recognition, the loans and receivables are measured at amortised cost, using the effective interest method, including write-downs for impairment.

In the category of loans and receivables, the Group classifies due from banks and loans to customers.

Investments held to maturity

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

Financial assets measured to fair value through profit or loss

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

a) classified at initial recognition as held for trading if they were acquired mainly to be sold in the near term, i.e. within six months of the acquisition date;

b) that are part of a portfolio of identified financial instruments that are managed together and for short-term profit taking,

c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments), or

d) classified at the initial recognition as measured to fair value through profit or loss.

The Group did not classify assets at their initial recognition as measured to fair value through profit or loss.

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

a) held-for-trading securities,

b) derivative instruments (excluding derivative instruments that constitute effective hedging instruments),

Financial assets available for sale

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

a) loans and receivables,

b) investments held to maturity,

c) financial assets measured to fair value through profit or loss.

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

Interest income on available-for-sale financial assets is computed using the effective interest method and recognised in profit or loss.

Financial liabilities measured to fair value through profit or loss.

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

a) classified at initial recognition as held for trading if they were assumed mainly to be repurchased in the near term, i.e. within 6 months from the acquisition date;

b) that are part of a portfolio of identified financial instruments, which are managed together and for short-term profit taking, or

c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments).

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

a) derivative instruments (excluding derivative instruments that constitute effective hedging instruments),

b) liabilities on account of short sale of securities.

Other financial liabilities.

Other financial liabilities are the liabilities not held for trading and not measured to fair value through profit or loss.

Other financial liabilities are measured at initial recognition at fair value including transaction costs.

After the initial recognition, other financial liabilities are recognised in amounts that require payment at amortised cost including the effective interest rate method.

The Group classifies in particular the following into the category of other financial liabilities:

a) liabilities due to banks;

b) liabilities due to customers;

c) liabilities due on account of own debt securities issued;

d) liabilities due on account of credits and loans received.

4.7.4 Fair value of financial instruments

Fair value of balance sheet and off-balance sheet financial instruments is the price for which a given asset could be exchanged or a liability settled through an arm's length transaction between the willing and knowledgeable parties.

The fair value of financial instruments is determined based on quoted prices in active markets. When quoted prices in active markets are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions accepted, including discount rates and estimates of future cash flows.

Valuation techniques include:

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

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

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

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

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

In the measurement of financial instruments, the Group takes into consideration customer credit risk using a developed methodology of adjustment of the measurement to fair value on that account.

In order to adjust the measurement of the fair value of financial instruments, the Group applies an approach based on the assessment of customer natural exposure taking into account contracts signed with other banks, likewise on the assessment of cash flows generated by customers which cash flows could cover the measurement of derivative transactions that do not hedge cash flows in foreign currencies.

In the analysis, a possibility is considered of taking additional financing by customers to cover unsettled transactions that do not hedge their contracts settled in foreign currencies.

An estimation of the measurement adjustment is determined using dedicated analytical tools taking into account a materiality criterion.

Receivables arising out of terminated derivative instruments that were not paid by customers, at maturity are transferred at fair value (taking into account adjustments for credit risk) to the "Loans to customers" item where they are subsequently maintained and measured pursuant to rules binding for the "loans and receivables" category.

4.7.5 Reclassification of financial instruments

a) derivative instruments, from their initial recognition and classification into the category of instruments measured at fair value through profit or loss, are not subject to reclassification into another category;

b) financial instruments that at their initial recognition were classified as loans and receivables are not subject to reclassification into another category;

c) Financial instruments that at their initial recognition have been classified as measured at fair value through profit or loss, different from the ones referred to in subsection a) above:

- may be reclassified into the category of loans and receivables provided that they are not held by the Bank for sale or repurchase in the near future and that the Bank intends and is able to hold them for a foreseeable future or to maturity,

- may be reclassified into the available-for-sale or held-to-maturity category, provided that they are not already held by the Bank for sale or repurchase in the near future and only in rare cases (i.e. in cases resulting from a single event that is not ordinary, and it is highly unlikely that such event would occur again in the near future);

d) financial instruments that at initial recognition were classified as available for sale and that meet the criteria specified in the definition of loans and receivables (if they are not classified as available for sale), may be reclassified into the category of loans and receivables if the Bank has the intention and is able to hold them in the foreseeable future or till their maturity.

4.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount recognised in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Group made no set-off referred to above.

4.9 Sale and repurchase agreements and lending/borrowing securities

Securities subject to a repurchase agreement ('repos', 'sell buy backs') are not derecognised from the balance sheet. The liability resulting from the obligation to repurchase the assets is included in due to banks or due to customers depending on the type of counterparty. Securities purchased under agreements to resell ('reverse repos', 'buy sell backs') are not recognised in the balance sheet. The right to receive cash from the counterparty is recorded as due from banks or loans to customers depending on the type of counterparty. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

If securities acquired under agreements to resell ('reverse repos,' 'buy sell backs') are sold to third parties, the Group records proceeds from the sale and a liability for the obligation to return the collateral (liability for the short sale of securities). The obligation to return the collateral is measured at fair value through profit or loss and is classified as a held-for-trading liability.

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

4.10 Derivative instruments

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

Derivative instruments in the Group include the following transactions:

<u>IRS Contracts</u>

The purpose of CIRS contracts is to hedge against interest rate risk and to obtain gains as a result of short-term price changes.

IRS contracts are measured to fair value using the Discounted Cash Flow method, based on discount factors estimated on the basis of market yield curve as of the measurement date. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

<u>FX Forward Contracts</u>

The purpose of FX Forward contracts is to hedge against FX rate risk and to maintain liquidity, likewise to obtain gains as a result of short-term price changes.

FX Forward contracts are measured to fair value using the Discounted Cash Flow method. The fair value is established by comparing present cash flows translated into PLN equivalents. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

<u>FX Swap Contracts</u>

The purpose of FX Swap contracts is to regulate liquidity and hedge against FX rate risk of the Group's currency loan portfolio, likewise to obtain gains as a result of short-term price changes.

FX Swap contracts are measured to fair value using the Discounted Cash Flow method. The fair value is established by comparing present cash flows translated into PLN equivalents. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

<u>Interest Rate Options</u>

The purpose of such contracts is to hedge against interest rate risk and also to obtain gains as a result of short-term price changes.

Interest rate options are measured to fair value based on the modified Black-Scholes model. The volatility parameter, which is required when using the above model, is assumed in the form of the so-called implied volatility parameter what ensures consistency of the price obtained with the actual market price. The measurement result is recognised in the income statement in net profit (loss) on transactions in held-for-trading financial instruments.

FX Options

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

FRA Contracts

FRAs are measured at the fair value using the Discounted Cash Flow method based on the market yield curve. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

CIRS Contracts

The purpose of CIRS contracts is to hedge against interest rate risk and to obtain gains as a result of short-term price changes.

CIRS contracts are measured to fair value using the Discounted Cash Flow method based on the market yield curve. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

OIS Contracts

The purpose of OIS contracts is to hedge against interest rate risk and also to obtain gains as a result of short-term price changes.

OIS contracts are measured to fair value using the Discounted Cash Flow method, based on discount factors estimated on the basis of market yield curve as of the measurement date. The measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

Futures contracts

The purpose of entering into contract is to hedge against the FX rate risk.

The futures contracts are measured to the market rate announced by Warszawska Giełda Towarowa SA (Warsaw Commodity Exchange). At the same time, there are daily flows on account of the contract's marking to market. The daily measurement result is recognised in the net profit (loss) on transactions in held-for-trading financial instruments.

4.11 Embedded derivatives

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

The separated embedded derivatives are reported as hedging or held-for-trading derivatives, as appropriate.

4.12 Asset Impairment

4.12.1 Financial assets

A financial asset (or a group of financial assets) is considered impaired if there is objective evidence of impairment as a result of one or more events, occurring after the initial recognition of the asset, that affect the future cash flow of the given financial instrument (or a group of financial instruments) if such cash flow can be reliably estimated.

As at each balance sheet date, the Group makes an assessment whether there is any objective evidence of impairment of a financial asset (or group of financial assets) or not.

When an objective evidence of loans and receivables impairment is found, the Group estimates a write-down amount as a difference between the carrying value and present value of expected future cash flows (discounted by an original effective interest rate of the instrument) recognising it in the income statement and reducing loans and receivables using the provision account.

Impairment losses are determined using an individual method for receivables due from business entities whose total exposure exceeds (for one customer) the equivalent of EUR 50 thousand (individual analysis of future cash flows). For the remaining receivables (private individuals and business entities with exposure up to the tier of EUR 50 thousand), write-downs are set using model recoverability parameters on account of voluntary repayments and collateral value (portfolio analysis of future cash flows).

The Group creates impairment provisions for incurred but not reported losses (IBNR) when there is an objective evidence with respect to loans and receivables that probable losses are present in components of the loan portfolio, without having specifically identified impaired loans and receivables. The write-down for impairment for IBNR losses is estimated based upon historical patterns of losses in each component, reflecting the current economic climate in which the borrowers operate.

As regards non-collectible loans and receivables, in the event legal and procedural ways of their repayment enforcement have been exhausted, the Group writes down such loans and receivables to the related impairment provisions.

Any amounts subsequently recovered are charged to the Net impairment losses in the income statement.

When an objective evidence of an available-for-sale financial asset impairment is found, cumulated losses recognised so far in the equity capital are derecognised from the equity capital and recognised in the income statement, even if the financial asset has not been removed from the balance sheet. The cumulated loss amount, which is derecognised from the equity capital and recognised in the income statement, constitutes the difference between the acquisition cost (net of any principal repayments and depreciation) and the present fair value reduced by any losses on account of impairment of that asset, previously recognised in the income statement.

If the fair value of an available-for-sale debt instrument subsequently increases, and the increase can be objectively determined to result from an event following the recognition of an impairment loss in the income statement, then the reversed provision amount is recognised in the income statement.

Impairment losses for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

4.12.2 Non-financial assets

A non-financial asset is impaired when its carrying value exceeds its recoverable amount.

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

The recoverable value is the higher of the following:

- the fair value less cost to sell, and

- the value in use.

Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, after deducting any direct incremental disposal costs.

Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

4.13 Cash and cash equivalents

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

4.14 Due from banks and loans to customers

Due from banks and loans to customers include loans originated by the Bank by providing money directly to a borrower and loans purchased from third parties that are carried at amortised cost, taking into account write-downs for impairment.

Debt securities not traded on an active market are also recognised as loans.

Costs incurred and loan origination fees earned for granting a loan are deferred and amortised over the life of the loan as an adjustment to the loan effective interest rate.

Rules governing impairment estimation are presented above.

4.15 Property, plant and equipment

Property, plant and equipment include assets of foreseeable useful life longer than one (1) year, that are complete and used by the Group in order to provide services.

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and write-downs for impairment. The residual value and useful life of property, plant and equipment are subject to annual reviews.

Any impairment loss identified is recognised in the income statement.

The acquisition price is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition.

Depreciation is calculated using the straight-line method to write down the value subject to depreciation over the asset estimated useful life.

Repairs and maintenance expenses of a property, plant and equipment component are charged to the income statement when the expenditure is incurred.

Expenditures that enhance or extend the benefits of the property, plant and equipment beyond their original use are capitalised and subsequently depreciated.

Fixed assets of low unit value (low-value assets) are charged to costs as one-time expenses in the month they are made available for use. In the event of a total material value of a purchase of low-value assets, they are capitalised by the Group.

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

No.	Specification	Useful life
1.	Own buildings	40 years
2.	Leasehold improvements	10 years
3.	Structural cabling	5 years
4.	IT equipment	3 - 5 years
5.	Telephone equipment	3 or 5 years
6.	Vehicles	5 years
7.	Furniture	5 years
8.	Cash and vault equipment	5 years
9.	ATMs	5 years
10.	Check processing device	5 years
11.	Conference room equipment	5 years
11.	Cash registers, armoured safes and safes	10 years
12.	Other equipment	5 years
13.	Operating software	5 years

*applicable to fixed assets purchased after 1 January 2010. With respect to fixed assets purchased before that date, useful lives are presented in the Group's financial statement for 2009.

4.16 Non-current assets held for sale

Non-current assets held for sale are such assets or a group of assets for which the Group will recover the carrying amount from a sale transaction instead of through continuing use. Such assets are carried at the lower of the following:

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

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

4.17 Intangible assets

Intangible assets are identifiable assets which are not physical in nature and are recognised at acquisition cost. Intangible assets are recognised in the balance sheet if they generate financial benefits in the future and can be reliably measured. The Group assesses regularly if an intangible asset may be impaired.

Intangible assets include intangible assets with definite useful lives, such as trademarks and licenses. They are amortised over their useful lives using the straight-line method.

The Group does not have any intangible assets of indefinite useful life.

Intangibles are recorded on the balance sheet at acquisition cost less any amortisation and any impairment losses. The residual value and useful life of intangible assets are subject to annual reviews.

Any impairment loss identified is recognised in the income statement.

The useful life of intangible assets is determined for:

- system software, i.e. other than operating system software – 3 or 5 years.

4.18 Due to customers

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

4.19 Employee benefits

4.19.1 Long-term employee benefits

The Group measures reserves established for one-time retirement benefit, disability benefits and post-death benefits due to eligible employees under the Labour Code provisions. The reserve amounts are estimated on the basis of actuarial calculations.

The value of reserves and costs on account of employee benefit obligations is estimated using the projected unit credit method. The value of obligations on account of one-time retirement benefits, disability benefits and post-death benefits is calculated at the present value of the estimated future cash outflows using interest rates determined by reference to market yields.

4.19.2 Long-term employee benefits

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

4.19.3 Benefits on account of work relationship termination

The Group recognises benefits on account of work relationship termination as a liability and expense when it is determined to (and is able to prove it):

- terminate the work relationship with an employee or a group of employees before they reach the retirement age, or

- provide benefits on account of work relationship termination as a result of a proposal made by the Bank which encourage the employees to voluntarily terminate the work relationship.

4.20 Provisions

Provisions are liabilities with uncertainties in the amount or timing of payments.

The Group recognises provisions in the balance sheet, when:

a) there is a present legal or customarily expected obligation as a result of past events;

b) cash outflow is likely to take place in order to perform the obligation;

c) a reliable estimate can be made at the balance sheet date.

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

4.21 Contingent liabilities - off-balance sheet commitments

Contingent liabilities are:

a) a possible obligation arising as a result of past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

b) a present obligation, which arises as a result of past events, however it is not recognised in the balance sheet because it is unlikely that an outflow of economic benefits will be necessary to perform the obligation or the liability amount cannot be reliably estimated.

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

- contingent liabilities granted on account of credit lines extended by the Group – in the amount unused by customers;
- contingent liabilities granted on account of guarantees issued by the Group in favour of customers – in the amount specified in agreements;
- contingent liabilities on account of export and import letters of credit;
- contingent liabilities on account of financial and guarantee master agreements concluded – in the amount unutilised by the customer;
- contingent liabilities on account of credit lines obtained by the Group – in the amount available for use by the Group;
- contingent liabilities on account of guarantees received by the Group – in the amount specified in agreements.

4.22 Equity capital

4.22.1 Definition

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

4.22.2 Equity capital items

Share capital

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

Additional capital

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

Other capital

Reserve capital is established for the purposes defined in the statute from profit deductions.

General risk reserve is established pursuant to the Banking Law Act dated 29 August 1997 from after-tax profit.

Revaluation reserve

Revaluation reserve includes differences from the measurement of available-for-sale financial assets decreased by the related deferred tax deductions. The revaluation reserve is not subject to distribution.

Retained earnings

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

Net profit (loss) for the year

Current year's net profit (loss) is the net profit or loss resulting from the income statement for the period the financial report is prepared. Net profit takes into account income tax.

4.22.3 Costs of transactions related with operations in equity capital

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

4.22.4 Dividends on ordinary shares

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

4.23 Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in the period.

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

4.24 Interest income and expense

Interest income and interest expense are recognised in the income statement for all financial instruments on an accrual basis using the effective interest method based on the acquisition price including direct transaction costs.

For financial assets written-down for impairment, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of estimating the write-down for impairment.

4.25 Fees and transaction costs

Fees related to granting a loan or changing its material conditions, constitute an integral part of the effective interest rate of a financial instrument. Thus, the Bank recognises origination fees, fees for granting a loan or other preliminary fees for such actions as an assessment of borrower's financial standing, collateral assessment and recording. Such fees are deferred and recognised in the interest income as an adjustment to the effective interest rate.

Commissions and fees that do not constitute an integral part of the effective interest rate of a financial instrument are recognised through profit or loss, during the time of providing services or at the moment of performing a significant action.

Commissions and fees regarding receivables with respect to which the effective interest rate calculation cannot be applied (receivables of indefinite term of payment of specific instalments and undetermined interest rate changes) are spread over time using the straight-line method and included into the commission and fee income.

Loan syndication fees are recognised as revenue when the process related to the syndication organisation has been completed.

Transaction costs are included in the initial measurement of financial assets and liabilities other than those measured at fair value through profit or loss. Transaction costs are costs directly attributable to the acquisition or disposal of a financial asset or liability. They include fees and commissions paid to intermediaries, advisers, brokers, and dealers levied by regulatory agencies and securities exchanges, and transaction taxes and duties. Such costs are deferred and recognised as an adjustment to the effective interest rate of financial instruments.

4.26 Net profit/loss on transactions in financial instruments

Net profit/loss on transactions in financial instruments includes:

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

4.27 Current and deferred income tax

Income tax in the income statement includes a current tax and deferred tax. The current tax constitutes the Group's tax liability computed on the basis of relevant tax law provisions.

Deferred tax is recognised using the balance sheet method, based on identification of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In order to determine amounts of deferred tax assets and liabilities, statutory tax rates are applied.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be generated against which the deductible temporary difference can be utilised.

Deferred tax and current tax related to fair value measurement of available-for-sale assets which are charged or credited directly to the revaluation reserve are also directly recognised in the revaluation reserve and subsequently recognised in the income statement together with the gain or loss on such an investment.

4.28 Government subsidies

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

4.29 Leasing

Lease facility is classified as financial lease when, under the loan agreement, basically all potential benefits and risk resulting from the ownership is transferred to the lessee. All other types of lease facilities are regarded as operating lease.

Assets utilised under a financial lease agreement are recognised as the Group's assets and measured to their fair value at the moment of their purchase, however, not higher than the current value of minimum lease payments. The resulting obligation towards the lessor is recognised in the payables on account of financial lease.

Leasing payments are divided into financial (interest) expense and lease liability reduction. Financial costs are directly recognised in the profit and loss account.

Operating lease payments are recognised in the profit and loss account using the straight-line method over the lease term.

4.30 Segment reporting

4.30.1 Operating segments

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

In the Group's business, the following segments exist:

- Retail Banking Business Line (RB BL)
- Corporate and Transaction Banking (CTB)
- Other banking activity

4.30.2 Geographical segments

The Group operates in Poland as the sole geographical segment. All income and costs earned and incurred by the Group come from this geographical segment, likewise all assets held are located in this area.

Information on changes in the segment structure are presented in the Segment reporting section.

4.31 Hedge Accounting

The Group applies a model of fair value hedging against interest rate risk to a part of the portfolio of financial assets or financial liabilities. The hedge accounting implemented is to ensure an appropriate recognition of the net profit (loss) on the interest rate management which is a part of the risk management process. Within the interest rate management, the Group enters into derivative instruments to minimise the interest rate gap.

The instruments entered into, such as Interest Rates Swaps (IRS), are designated as instruments hedging the fair value of portfolios of specific assets or liabilities of a fixed interest rate.

The risk hedged is the interest rate risk, and in particular, changes in the fair value of assets and liabilities bearing a fixed interest rate due to changes in a specific reference rate. The designated interest rate will be binding for the hedging instrument, thanks to which any fair value changes of the hedged item on account of credit risk that is inherent to the hedging instrument, will be excluded from the risk hedged.

The hedging instruments are basic interest rate swap transactions made at the market rate, binding at a given moment, with a counterparty that is external from the Group's perspective.

As at 30 June 2011, a replication model was used to define a hedging relationship for a hedged item that included a portfolio of liabilities related to current accounts.

The Bank measures a change in the hedged item fair value resulting from the risk hedged. If according to the evaluation method documented by the Bank, the hedge efficiency is currently high, the Bank recognizes a change in the fair value of a hedged item as profit or loss in the income statement, and also as an asset or liability in the balance sheet. Changes in the fair value of a hedging instrument are also recognised in the income statement.

5. Comparability with Previously Published Reports

In order to ensure data comparability, there have been changes made with respect to the manner of presentation of the data, published in the report for the first half of 2010 as at 30 June 2010 and the data published in the annual report for 2010 as at 31 December 2010.

Consolidated income statement for the period from 1 January 2010 through 30 June 2010

Item	1st Half of 2011 Report	1st Half of 2010 Report	Difference	Change description
Fee and commission expense	-28,397	-27,305	-1,092	Change in presentation of costs related to the sales of insurance products
Other expenses	-136,708	-137,800	1,092	Change in presentation of costs related to the sales of insurance products
Total changes			-	

Consolidated balance sheet as at 30 June 2010

Item	1st Half of 2011 Report	1st Half of 2010 Report	Difference	Change description
Property, plant and equipment	179,397	178,615	782	Change in presentation of inventory stock
Other assets	143,468	144,294	-782	Change in presentation of inventory stock
			-44	Change in presentation of settlements
Other liabilities	304,432	304,476	-44	Change in presentation of settlements
Total changes			-	

Consolidated balance sheet as at 31 December 2010

Item	1st Half of 2011 Report	2010 Annual Report	Difference	Change description
Property, plant and equipment	157,965	157,499	466	Change in presentation of inventory stock
Other assets	127,743	128,215	-466	Change in presentation of inventory stock
			-6	Change in presentation of settlements
Other liabilities	386,040	386,046	6	Change in presentation of settlements
Total changes			-	

6. Segment Reporting

Information on segments

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

Primary segmentation

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

- Retail Banking
- Corporate and Transaction Banking
- Other Banking Activity

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

Activity segments:

- **Retail Banking**

The Retail Banking business line specialises in the service of small enterprises and private individuals, by providing financial services for retail customers, professionals (liberal professions) and small enterprises. Moreover, the segment offers consulting on all forms of daily banking, savings, investment and lending, likewise providing retail banking services.

- **Corporate and Transaction Banking**

The Corporate and Transaction Banking business line specialises in the service of medium and big enterprises, focusing on customers that operate internationally, by offering them financial solutions based on standard products and banking services as well as specialist financial products.

- **Other Banking Activity**

Units operating under the Other banking activity play an important role in the management of balance-sheet and off-balance sheet items of the Bank and are responsible for risk and capital management, transfer price setting, relations with other banks and liquidity management of the Bank. Costs of support units (horizontal functions), treasury and financial functions as well as other activity not related with the core banking activity are also included in the segment.

Geographical segment

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

Consolidated Income Statement by Business Segments

1 January 2011 - 30 June 2011 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Interest income (external)	247,811	105,361	105,391	458,563
Transfer prices expense (internal)	-140,520	-75,937	-164,415	-380,872
Interest expense (external)	-67,459	-41,850	-69,922	-179,231
Transfer prices income (internal)	97,655	66,760	216,457	380,872
Net interest income	**137,487**	**54,334**	**87,511**	**279,332**
Fee and commission income (external)	61,771	27,909	850	90,530
Fee and commission expense (external)	-19,653	-249	-844	-20,746
Net fee and commission income	**42,118**	**27,660**	**6**	**69,784**
Dividend and other investment income (external)	-	-	-	**-**
Net trading income (external)	13,541	29,903	-23,048	**20,396**
Net profit (loss) on hedging transactions (external)	-	-	-596	**-596**
Net profit/loss on the hedged item (external)	-	-	596	**596**
Net gain/loss on available-for-sale financial assets (external)	-	-	-439	**-439**
Other income (external)	7,372	2,178	2	**9,552**
Total income, net	**200,518**	**114,075**	**64,032**	**378,625**
Personnel expense (external)	-60,961	-11,432	-61,523	**-133,916**
Depreciation of fixed assets and intangible fixed assets (external)	-65	-	-33,055	**-33,120**
Other expenses (external)	-38,947	-4,669	-101,060	**-144,676**
Impairment losses (external)	-47,778	-4,757	167	**-52,368**
Costs allocation - rebilling (internal)	-170,397	-21,966	192,363	**-**
Gross profit/loss	**-117,630**	**71,251**	**60,924**	**14,545**
Income tax expense	37,769	-23,042	-19,702	**-4,975**
Net profit/loss	**-79,861**	**48,209**	**41,222**	**9,570**

1 January 2010 - 30 June 2010 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Interest income (external)	270,676	118,976	64,275	453,927
Transfer prices expense (internal)	-146,320	-72,696	-182,032	-401,048
Interest expense (external)	-91,094	-39,053	-32,901	-163,048
Transfer prices income (internal)	115,062	53,150	232,836	401,048
Net interest income	**148,324**	**60,377**	**82,178**	**290,879**
Fee and commission income (external)	79,273	25,929	1,398	106,600
Fee and commission expense (external)	-27,433	-126	-838	-28,397
Net fee and commission income	**51,840**	**25,803**	**560**	**78,203**
Dividend and other investment income (external)	68	-	-	**68**
Net trading income (external)	18,646	38,916	-8,433	**49,129**
Net gain/loss on available-for-sale financial assets (external)	-	-	1,310	**1,310**
Other income (external)	5,385	2,413	115	**7,913**
Total income, net	**224,263**	**127,509**	**75,730**	**427,502**
Personnel expense (external)	-56,503	-3,144	-58,723	**-118,370**
Depreciation of fixed assets and intangible fixed assets (external)	-108	-	-40,096	**-40,204**
Other expenses (external)	-34,235	-3,031	-99,442	**-136,708**
Impairment losses (external)	-83,101	-28,013	826	**-110,288**
Costs allocation - rebilling (internal)	-172,623	-22,985	195,608	**-**
Gross profit/loss	**-122,307**	**70,336**	**73,903**	**21,932**
Income tax expense	38,907	-22,456	-23,596	**-7,145**
Net profit/loss	**-83,400**	**47,880**	**50,307**	**14,787**

Consolidated total assets (in PLN thousand)	As at:	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Assets	**30 June 2011**	9,876,648	4,495,565	5,379,057	**19,751,270**
	31 Dec 2010	9,549,729	3,726,106	5,263,235	**18,539,070**
	30 June 2010	8,508,602	4,950,438	5,200,998	**18,660,038**

Liabilities	**30 June 2011**	4,606,996	3,661,684	11,482,590	**19,751,270**
	31 Dec 2010	4,720,423	4,269,052	9,549,595	**18,539,070**
	30 June 2010	4,849,602	3,216,125	10,594,311	**18,660,038**

Description of Segment Activity

Retail Banking

In the first half of 2011, the net revenues of the Retail Banking BL amounted to PLN 200.5 million, i.e. less by 11% than in the first half of 2010. Net interest income was PLN 137.5 million in the first half of 2011 and was lower by 7% than the result of the first half of 2010. The net interest income accounted for 69% of the Retail Banking BL net income. Net commission and fee income was PLN 42.1 million and was lower by PLN 9.7 million or 19% than the result of the first half of 2010. The net fee and commission income made up 21% of the Retail Banking BL net income.

In the first half of 2011, net impairment losses amounted to PLN 47.8 million as compared to PLN 83.1 million in the first half of 2010.

The personnel costs for the first half of 2011 equalled PLN 61.0 million in comparison to PLN 56.5 million in the first half of 2010 and accounted for 46% of total personnel expenses of the Group. The "costs allocation (rebilling)" item is the net value of business line costs allocated and transferred from Retail Banking to other units. The costs stood at PLN 170.4 million in the first half of 2011 as compared to PLN 172.6 million in the first half of 2010.

The RB BL gross loss in the first half of 2011 amounted to PLN 117.6 million, i.e. by 4% less that in the first half of 2010.

Corporate and Transaction Banking

The net income of Corporate and Transaction Banking dropped from PLN 127.5 million earned in the first half of 2010 down to PLN 114.1 million in the first half of 2011, or by 11%.

Main reasons of the change in the result include:

- lower net trading income: PLN 29.9 million in the first half of 2011 in comparison to PLN 38.9 million reported in the first half of 2010;
- net interest income drop by 10% from PLN 60.4 million in the first half of 2010 to PLN 54.3 million in the first half of 2011;
- increase in the net fee and commission income by 7%, i.e. PLN 1.9 million.

As at the end of the first half of 2011, the Corporate and Transaction Banking BL recorded a decrease of net write-downs for credit receivables, from PLN 28.0 million after the first half of 2010 down to PLN 4.8 million after the first half of 2011. The decrease in net impairment losses is a result of restructuring actions taken by the Bank and the credit portfolio quality improvement.

Personnel costs increased from PLN 3.1 million as at the end of the first half of 2010 up to PLN 11.4 million after the first half of 2011. The "costs allocation (rebilling)" item represents the net value of business line costs allocated and transferred from Corporate and Transaction Banking to other units. The costs went down from PLN 23.0 million as at the end of the first half of 2010 to PLN 22.0 million as at the end of the first half of 2011.

The above events translated into an increase in gross income from PLN 70.3 million in the first half of 2010 up to PLN 71.3 million in the first half of 2011.

Other Banking Activity

The Other Banking Activity segment presents net income on account of interest rate, liquidity and FX risks. The net income declined from PLN 75.7 million in the first half of 2010 down to PLN 64.0 million in the first half of 2011. The deterioration results primarily from lower net trading income. The expenses include costs generated by support units.

7. Additional Notes to Consolidated Income Statement

Below there is detailed information on consolidated revenues and expenses of the Group for the first half of 2011 and comparative data for the first half of 2010.

Note 7.1

Interest income (in PLN thousand)	**1 Jan 2011 – 30 June 2011**	**1 Jan 2010 – 30 June 2010**
Cash and cash equivalents	6,583	6,616
Due from banks	1,895	2,374
Investments available for sale	94,889	51,184
Loans to customers	351,052	388,046
Securities held for trading	1,905	5,707
Derivative hedging instruments	2,239	-
Total interest income	**458,563**	**453,927**

Note 7.2

Interest expense (in PLN thousand)	**1 Jan 2011 – 30 June 2011**	**1 Jan 2010 – 30 June 2010**
Due to banks	-26,357	-11,228
Due to customers	-101,543	-121,922
Loans and credit facilities received	-38,910	-17,879
Debt securities issue	-311	-775
Subordinated loans	-10,427	-10,458
Derivative hedging instruments	-808	-
Others	-875	-786
Total interest expense	**-179,231**	**-163,048**

Note 7.3

Fee and commission income (in PLN thousand)	**1 Jan 2011 – 30 June 2011**	**1 Jan 2010 – 30 June 2010**
Custody services and securities trading	647	1,033
Cash settlements services	28,809	31,163
Guarantees and contingent liabilities	9,695	8,357
Commissions related to granting credit facilities (amortised using the straight-line method)	7,851	10,858
Loan origination fees and commissions (one-off items)	3,268	2,894
Fees and commissions related to derivative instrument buy/sell transactions	2,997	806
Income on account of agency in customer acquisition	587	1,034
Card related income	8,752	11,496
Insurance product sales revenues	13,869	22,596
Income on asset management	1,934	2,511
Others	12,121	13,852
Total fee and commission income	**90,530**	**106,600**

Note 7.4

Fee and commission expense (in PLN thousand)	1 Jan 2011 – 30 June 2011	1 Jan 2010 – 30 June 2010
Custody services and securities trading	-80	-97
Card related expenses	-5,061	-7,933
Cash transactions expenses	-125	-28
Settlements	-692	-724
Fee and commission income related to the franchisee branch network	-5,113	-8,854
Expenses related to the sale of insurance products:	-1,184	-1,191
Others	-8,491	-9,570
Total fee and commission expenses	**-20,746**	**-28,397**

Note 7.5

Net trading income (in PLN thousand)	1 Jan 2011 – 30 June 2011	1 Jan 2010 – 30 June 2010
Securities	-234	1,631
Derivative instruments, including:	-10,594	-1,560
- fair value adjustment on account for credit risk of derivative instruments	3,114	20,079
Foreign exchange transactions	31,224	49,058
Total net trading income	**20,396**	**49,129**

Note 7.6

Other expenses* (in PLN thousand)	1 Jan 2011 – 30 June 2011	1 Jan 2010 – 30 June 2010
- rents	-33,842	-31,814
- information technologies and systems	-19,104	-20,011
-marketing and advertising	-19,169	-13,675
- expenditure related to RE use	-8,439	-6,987
- postal and telecommunication services	-10,934	-13,458
- advisory services and consulting	-1,411	281
- business travels	-5,189	-4,144
- training	-3,061	-3,041
- municipal services	-8,688	-7,109
- investment expenditures	-888	-1,005
- security	-2,600	-2,376
- stationery	-2,851	-2,714
- Banking Guarantee Fund costs	-6,677	-3,199
- Polish Financial Supervision Authority costs	-1,939	-1,986
- costs of receivables recovery	-7,408	-1,522
- compensation, penalties and fines	-321	-721
- other	-12,155	-23,227
Total other costs	**-144,676**	**-136,708**

*The above note presents general expenses and operating costs.

Note 7.7

Net impairment losses (in PLN thousand)	1 Jan 2011 – 30 June 2011	1 Jan 2010 – 30 June 2010
Net cash and cash equivalents, including:	166	827
- write-downs for Incurred But Not Reported losses (IBNR)	166	827
Due from banks, net, including:	1	12
- write-downs for Incurred But Not Reported losses (IBNR)	1	12
Loans to customers, net, including:	-46,452	-109,162
- write-downs for impaired credit receivables	-46,111	-124,726
- write-downs for Incurred But Not Reported losses (IBNR)	-445	15,456
- income on account of receivables written-down to provisions	104	108
Off-balance sheet liabilities, net, including:	-1,297	-5,076
- provisions for off-balance sheet commitments	-462	-3,525
- write-downs for Incurred But Not Reported losses (IBNR)	-835	-1,551
Property, plant and equipment	-477	1,650
Intangible assets	-	2,202
Other assets, net	-4,063	-2,015
Other provisions, net	-246	1,274
Total impairment losses, net	**-52,368**	**-110,288**

Note 7.8

Consolidated Earnings Per Share	1 Jan 2011 – 30 June 2011	1 Jan 2010 – 30 June 2010
Number of shares as at 30 June	24,123,506	24,123,506
Weighted average number of ordinary shares	24,123,506	24,123,506
Net profit/loss of the period in PLN thousand	9,570	14,787
Earnings/Loss Per Ordinary Share ratio in PLN	0.40	0.61
Weighted average diluted number of potential ordinary shares	24,123,506	24,123,506
Diluted consolidated Earnings/Loss Per Share (PLN per share)	**0.40**	**0.61**

The basic earnings per share are computed as a quotient of the profit attributable to the Bank's shareholders and a weighted average number of ordinary shares during the period.

The diluted earnings per share are computed as a quotient of the profit attributable to the Bank's shareholders and a weighted average number of ordinary shares adjusted to take into consideration the impact of all potential ordinary shares that cause the EPS dilution.

As at the reporting date, there occurred no factors resulting in the dilution of potential ordinary shares.

8. Cash and Cash Equivalents

Note 8

Cash and Cash Equivalents (in PLN thousand)	30 June 2011	31 Dec 2010	30 June 2010
Cash at hand	183,073	174,097	222,138
Due from the Central Bank	119,934	778,929	148,982
Short-term due from banks, including:	53,602	220,581	83,152
- Nostro accounts	23,068	75,340	13,653
- short-term deposits from banks	30,534	145,241	69,499
Cash and cash equivalents, gross	**356,609**	**1,173,607**	**454,272**
Impairment losses:	**-571**	**-737**	**-251**
- for Incurred But Not Reported losses (IBNR)	-571	-737	-251
Total cash and cash equivalents, net	**356,038**	**1,172,870**	**454,021**

The item "Due from the Central Bank" includes the balance on the nostro account and overnight deposits at the National Bank of Poland (NBP). At the nostro account with the NBP, funds that constitute the mandatory reserve are kept, computed on the basis of the arithmetic mean of daily balances on current and term accounts for a given month.

The average balance of the mandatory reserve declared at the end of the first half of 2011 stood at PLN 296,931 thousand, at the end of 2010 it reached PLN 299,166 thousand, while at the end of the first half of 2010 it stood at PLN 262,257 thousand.

9. Financial Assets and Liabilities Held for Trading

Note 9.1

Financial assets held for trading (in PLN thousand)	**30 June 2011**	**31 Dec 2010**	**30 June 2010**
Held-for-trading securities, including:	**82,410**	**91,699**	**281,846**
- treasury bonds	82,410	91,699	160,626
- treasury bills	-	-	121,220
Derivative financial instruments, including:	**84,398**	**102,591**	**212,960**
- foreign currency contracts, including:	44,784	49,614	149,312
- fair value adjustment for credit risk	-2,686	-4,146	-6,287
- interest rate contracts	39,614	52,977	63,648
Total financial assets held for trading	**166,808**	**194,290**	**494,806**

As at 30 June 2011, 31 December 2010 and 30 June 2010, in the Bank's balance sheet there were no buy-sell-back repo securities held for trading.

Note 9.2

Financial liabilities held for trading (in PLN thousand)	**30 June 2011**	**31 Dec 2010**	**30 June 2010**
Derivative financial instruments, including:	**74,913**	**97,699**	**135,178**
- foreign currency contracts	38,168	50,129	76,759
- interest rate contracts	36,745	47,570	58,419
Total financial liabilities held for trading	**74,913**	**97,699**	**135,178**

10. Receivables

Note 10.1

Due from banks (in PLN thousand)	30 June 2011	31 Dec 2010	30 June 2010
Loans	75,066	75,062	75,059
Receivables on account of construction projects:	-	31,539	30,745
Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date	76,446	50,690	492,400
Other receivables	5,928	1,827	4,878
Total due from banks, gross	**157,440**	**159,118**	**603,082**
Impairment losses:	**-106**	**-105**	**-105**
- for Incurred But Not Reported losses (IBNR)	-106	-105	-105
Total due from banks, net	**157,334**	**159,013**	**602,977**

Note 10.2

Loans to customers (in PLN thousand)	30 June 2011	31 Dec 2010	30 June 2010
Loans to budgetary entities	44	44	1,169
Mortgage loans	5,416,563	5,051,494	4,982,329
Consumer loans and credit facilities	2,361,625	2,294,406	2,286,435
Commercial loans	7,742,015	7,030,378	7,656,904
Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date	51	-	2,767
Other receivables	9,185	10,346	10,751
Total loans to customers, gross	**15,529,483**	**14,386,668**	**14,940,355**
Impairment losses:	**-1,285,957**	**-1,235,537**	**-1,125,895**
- for incurred, reported losses	-1,203,829	-1,153,854	-1,036,677
- for Incurred But Not Reported losses (IBNR)	-82,128	-81,683	-89,218
Total loans to customers, net	**14,243,526**	**13,151,131**	**13,814,460**

Note 10.3

Changes to write-downs for impairment (in PLN thousand)	Due from banks	Loans to customers	
	Write-downs for Incurred But Not Reported losses (IBNR)	Write-downs for impairment	Write-downs for Incurred But Not Reported losses (IBNR)
Balance as at 1 Jan 2010	**-117**	**-910,752**	**-104,674**
Increases	-4	-292,560	-7,729
Decreases	16	167,834	23,185
Write-downs to provisions	-	4,499	-
FX rate differences	-	-5,698	-
Balance as at 30 June 2010	**-105**	**-1,036,677**	**-89,218**
Balance as at 1 Jan 2010	**-117**	**-910,752**	**-104,674**
Transfer from BNP Paribas SA Branch	-	-	-8
Increases	-5	-541,029	-12,801
Decreases	17	289,727	35,800
Write-downs to provisions	-	9,693	-
FX rate differences	-	-1,493	-
Balance as at 31 Dec 2010	**-105**	**-1,153,854**	**-81,683**

Balance as at 1 Jan 2011	**-105**	**-1,153,854**	**-81,683**
Increases	-1	-125,880	-12,661
Decreases	-	76,220	12,216
Write-downs to provisions	-	104	-
FX rate differences	-	-419	-
Balance as at 30 June 2011	**-106**	**-1,203,829**	**-82,128**

11. Investments

Note 11.1

Investments available for sale, at fair value (in PLN thousand)	30 June 2011	31 Dec 2010	30 June 2010
Treasury bonds	2,320,693	1,887,461	1,149,639
Treasury bills	184,742	349,699	281,361
Bonds issued by banks	142,728	80,768	81,184
Bonds issued by non-finance entities	7,726	6,474	-
Cash bills	1,560,000	899,475	1,149,888
Shares and stock	18,806	24,316	24,985
Others	3,152	100	-
Total investments available for sale	**4,237,847**	**3,248,293**	**2,687,057**

Note 11.2

Other investments (in PLN thousand)	30 June 2011	31 Dec 2010	30 June 2010
Investments in subsidiaries	-	-	-
Investments in affiliates	12	12	12
Total other investments	**12**	**12**	**12**

12. Non-current assets held for sale

The table below presents a specification of non-current assets held for sale as at 30 June 2011 as well as comparative data:

Note 12

in PLN thousand	30 June 2011	31 Dec 2010	30 June 2010
Land (including perpetual usufruct of land)	250	250	-
Buildings and premises	4,535	4,535	-
Total non-current assets held for sale	**4,785**	**4,785**	**-**

In accordance with IFRS5 "Non-current Assets Held for Sale and Discontinued Operations," in the "Non-current assets held for sale" position of its balance sheet, BNP Paribas Bank Polska SA recognised real estate which fulfils relevant IFRS5 requirements concerning the classification of assets as non-current assets held for sale as at 31 December 2010.
As the existing functions and operations performed by the Head Office in Lubin were transferred to Krakow and Warsaw, the Bank decided to earmark the real estate situated in Lubin at ul. Księcia Ludwika I no. 3 for sale.
The Bank expects the real estate sales plan to be fulfilled in 2011.

13. Liabilities

Due to banks

Note 13.1

Due to banks (in PLN thousand)	30 June 2011	31 Dec 2010	30 June 2010
Banks' deposits	1,860,492	694,924	1,104,588
- Current	137,984	94,496	90,199
- Term	1,214,940	47,722	590,800
- Cash collateral	507,568	552,706	423,589
Sale of securities with the repurchase option	264,474	-	-
Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	76,498	50,850	492,994
Total due to banks	**2,201,464**	**745,774**	**1,597,582**

Due to customers

Note 13.2

Due to customers (in PLN thousand)	30 June 2011	31 Dec 2010	30 June 2010
Current deposits	3,066,773	2,579,374	2,061,985
Term deposits	4,349,326	5,440,993	5,248,661
Cash collateral	182,033	174,901	155,081
Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	49	-	2,234
Total due to customers	**7,598,181**	**8,195,268**	**7,467,961**

Loans and credit facilities received

Note 13.3

Loans and credit facilities received (in PLN thousand)	30 June 2011	31 Dec 2010	30 June 2010
Loans and credit facilities received from banks	7,635,046	6,371,399	6,254,954
Loans and credit facilities received from other institutions	-	792,060	829,160
Total loans and credit facilities received	**7,635,046**	**7,163,459**	**7,084,114**

Liabilities related to issuance of debt securities

On 29 January 2011, Fortis Bank Polska SA redeemed the own issue bonds, acquired as a result of the merger of Fortis Bank Polska SA and Dominet Bank SA on 31 July 2009, in the amount of PLN 30 million. On 22 July 2004 Dominet Bank SA concluded an agreement with BRE Bank S.A. regarding an organisation of Corporate Bonds Issue Programme. Inscribed corporate bonds, with the nominal value of PLN 100,000, were issued by Dominet Bank SA through the agency of BRE Bank SA on 29 July 2004 in the amount of PLN 30 million.

14. Subordinated Liabilities

The table below presents the change in the subordinated liabilities for the first half of 2011 and comparative data:

Note 14

Change in subordinated liabilities (in PLN thousand)	**1 Jan 2011 – 30 June 2011**	**1 Jan 2010 – 31 Dec 2010**	**1 Jan 2010 – 30 June 2010**
Opening balance	**565,236**	**582,984**	**582,984**
Increases	-	-	-
Decreases	-30,000	-	-
- on account of bond issue redemption	-30,000	-	-
FX rate differences	3,156	-17,748	4,512
Ending balance	**538,392**	**565,236**	**587,496**

Redemption of secured bonds

As a result of the merger of Fortis Bank Polska SA and Dominet Bank SA, on 31 July 2009 Fortis Bank Polska SA took over the liabilities related to corporate secured bonds issued with a nominal value of PLN 30 million. The secured bonds were issued by Dominet Bank SA through the agency of BRE Bank SA on 29 July 2004.

The bonds in the amount of PLN 30,709 thousand (nominal value plus interest) were redeemed on 29 January 2011. The security deposit was reimbursed to the Bank.

15. Hedge Accounting

As at 30 June 2011, the Group applies the fair value hedge. The risk hedged is the interest rate risk, and in particular, changes in the fair value of assets and liabilities bearing a fixed interest rate due to changes in a specific reference rate.

Hedging instruments

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

Hedged item

Fixed rate current accounts in EUR and USD are the hedged items.

The table below presents the breakdown of hedging derivative instruments at nominal value as at 30 June 2011, broken down by residual maturity:

Note 15

Hedging derivative instruments (in PLN thousand)	30 June 2011							
	Fair value		Denomination					
	positive	negative	up to 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest Rate Contracts	**1,355**	**74**	**-**	**-**	**-**	**31,892**	**132,122**	**164,014**
- Swaps (IRS)	1,355	74	-	-	-	31,892	132,122	164,014
Total hedging derivative instruments	**1,355**	**74**	**-**	**-**	**-**	**31,892**	**132,122**	**164,014**

In the comparative period, the Group did not apply hedge accounting.

16. Information on Related Party Transactions

Information on transactions of the Group with its parent company and entities affiliated by management is presented below. These transactions refer to banking operations performed within a standard business activity; the terms and conditions of transactions presented correspond to market conditions.

Note 16.1

30 June 2011 (in PLN thousand)	**Parent entity**	**Entities affiliated by management**	**Total**
Cash and cash equivalents	33,641	20,059	53,700
Financial assets held for trading	25,175	14,580	39,755
Due from banks and Loans to customers	57,928	20,250	78,178
Hedging instruments	1,355	-	1,355
Other assets	3,628	1,823	5,451
Total	**121,727**	**56,712**	**178,439**
Financial liabilities held for trading	47,902	16,038	63,940
Due to banks and customers	473,988	1,409,511	1,883,499
Loans and credit facilities received	100,000	7,455,046	7,555,046
Hedging instruments	74	-	74
Adjustment of the hedged item to fair value	-532	-	-532
Subordinated liabilities	60,000	478,392	538,392
Other liabilities	1,899	30,336	32,235
Total	**683,331**	**9,389,323**	**10,072,654**

31 Dec 2010 (in PLN thousand)	**Parent entity**	**Entities affiliated by management**	**Total**
Cash and cash equivalents	181,610	3,565	185,175
Financial assets held for trading	30,418	5,568	35,986
Due from banks and Loans to customers	-	87,876	87,876
Other assets	4,486	2,611	7,097
Total	**216,514**	**99,620**	**316,134**
Financial liabilities held for trading	62,185	10,486	72,671
Due to banks and customers	126,974	340,872	467,846
Loans and credit facilities received	390,000	6,693,459	7,083,459
Subordinated liabilities	60,000	475,236	535,236
Other liabilities	3,864	9,119	12,983
Total	**643,023**	**7,529,172**	**8,172,195**

30 June 2010 (in PLN thousand)	**Parent entity**	**Entities affiliated by management**	**Total**
Cash and cash equivalents	75,348	5,420	80,768
Financial assets held for trading	28,039	61,915	89,954
Due from banks and Loans to customers	256,049	36,863	292,912
Other assets	2,299	2,605	4,904
Total	**361,735**	**106,803**	**468,538**
Financial liabilities held for trading	100,346	1,448	101,794
Due to banks and customers	412,295	1,045,274	1,457,569
Loans and credit facilities received	390,000	6,694,114	7,084,114
Subordinated liabilities	60,000	497,496	557,496
Other liabilities	3,818	3,767	7,585
Total	**966,459**	**8,242,099**	**9,208,558**

Note 16.2

1 Jan 2011 – 30 June 2011 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Income Statement			
Interest income	338	499	837
Interest expense	-11,608	-60,482	-72,090
Fee and commission income	1,609	290	1,899
Fee and commission expense	-524	-12,689	-13,213
Net trading income	3,618	15,826	19,444
Other revenues	701	-101	600
Other expenses	-	-37	-37

1 Jan 2010 – 30 June 2010 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Income Statement			
Interest income	1,471	209	1,680
Interest expense	-12,111	-23,396	-35,507
Fee and commission income	2,163	535	2,698
Fee and commission expense	-594	-16	-610
Net trading income	24,827	111,956	136,783
Other revenues	1,275	6	1,281

Note 16.3

30 June 2011 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Contingent liabilities and transactions in derivative instruments			
Contingent liabilities granted:	10,227	317,997	328,224
- items related to financing	-	212,706	212,706
- guarantees	10,227	105,291	115,518
Contingent liabilities received:	20,621	1,389,037	1,409,658
- items related to financing	-	1,254,152	1,254,152
- guarantees	20,621	134,885	155,506
Transactions in derivative instruments*	9,794,814	4,791,054	14,585,868

31 Dec 2010 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Contingent liabilities and transactions in derivative instruments			
Contingent liabilities granted:	13,441	364,360	377,801
- items related to financing	-	187,054	187,054
- guarantees	13,441	177,306	190,747
Contingent liabilities received:	20,569	141,411	161,980
- items related to financing	-	-	-
- guarantees	20,569	141,411	161,980
Transactions in derivative instruments*	8,358,494	5,355,720	13,714,214

30 June 2010 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Contingent liabilities and transactions in derivative instruments			
Contingent liabilities granted:	24,604	170,752	195,356
- items related to financing	-	160,335	160,335
- guarantees	24,604	10,417	35,021
Contingent liabilities received:	33,604	103	33,707
- items related to financing	-	-	-
- guarantees	33,604	103	33,707
Transactions in derivative instruments*	7,687,824	2,663,906	10,351,730

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

Material agreements with affiliated entities

Agreement with BNP Paribas SA

Under the agreement with BNP Paribas SA with its registered office in Paris:

- on 4 February 2011 the tranche in the amount of PLN 800 million was disbursed. 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 defined based on WIBOR 3M.
- on 4 July 2011 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 04 July 2014;
  - the tranche in the amount of CHF 80 million for 4 years, i.e. until 06 July 2015;

  The tranche interest rate was defined based on LIBOR 3M.

The financing conditions correspond to market conditions.

Credit line agreement with Fortis Lease Polska Sp. z o.o.

On 18 October 2010 the Bank signed another annex to the 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 has not changed and equals PLN 175 million. The financing term was extended to 18 January 2016.

On 30 December 2010, the Bank agreed to extend the credit line for the subsequent current credit term, i.e. till 31 March 2011. On 30 March 2011, the Bank agreed to extend the credit line for the subsequent current credit term, i.e. till 30 April 2011.

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

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

Note 16.4

in PLN thousand	**1 Jan 2011 - 30 June 2011**	**1 Jan 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
Total	**14,452**	**12,175**

* 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.

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

As at 30 June 2011, the Bank granted:

to the Supervisory Board's Members:

- no debt with the Bank;

to the Board of Executives' Members:

- 7 (seven) credit card limits of PLN 55 thousand in total, of which PLN 15 thousand was used;
- 5 (five) foreign currency loans in the equivalent amount of PLN 1,243 thousand with the original maturity from 5 to 30 years, inclusive;
- 3 (three) debit limits in the savings and checking account in the total amount of PLN 180 thousand;

to Managing Directors:

- 19 (nineteen) loans totalling PLN 6,152 thousand, including 10 FC loans of the total equivalent amount of PLN 5,220 thousand with original maturity from 5 to over 30 years;
- 11 (eleven) debit limits in the savings and checking accounts (ROR) of PLN 196 thousand, of which PLN 38 thousand was utilised as at the end of the reporting period;
- 24 (twenty four) credit card limits totalling PLN 101 thousand, of which PLN 23 thousand were utilised as at the end of the reporting period.

to persons related to managing and supervising persons:

- 6 (six) loans, of which one in a foreign currency, in the total amount corresponding to PLN 177 thousand with the original maturity from 2 to 30 years inclusive;
- credit card limit totalling PLN 10 thousand, of which PLN 4 thousand were utilised as at the end of the reporting period.

As at 31 December 2010, the Bank granted:

to the Supervisory Board's Members:

- no debt with the Bank.

to the Board of Executives' Members:

- 6 (six) credit card limits of PLN 46 thousand in total, of which PLN 10 thousand was used;
- 5 (five) foreign currency loans in the amount of PLN 1,243 thousand with the original maturity from 5 to 10 years, inclusive;
- 2 (two) debit limits in the savings and checking account in the total amount of PLN 100 thousand;

to Managing Directors:

- 27 (twenty seven) loans totalling PLN 6,607 thousand, including 14 FC loans of the total of PLN 4,594 thousand with original maturity from 3 to over 30 years;
- 13 (thirteen) debit limits in the savings and checking account (ROR) of PLN 319 thousand, of which PLN 27 thousand was utilised as at the end of 2010;
- 29 (twenty nine) credit card limits totalling PLN 212 thousand, of which PLN 64 thousand were utilised as at the end of 2010;

to persons related to managing and supervising persons:

- 9 (nine) loans, of which three in a foreign currency, in the total amount of PLN 2,357 thousand with the original maturity from 2 to 30 years, inclusive;
- 4 (four) debit limits in the savings and checking accounts (ROR) totalling PLN 78 thousand, of which PLN 24 thousand was utilised as at the end of 2010;
- 4 (four) credit card limits totalling PLN 42 thousand, of which PLN 4 thousand were utilised as at the end of 2010;
- guarantee of EUR 4 thousand issued for the period from 3 months up to 1 year.

As at 30 June 2010, the Bank granted:

to the Supervisory Board's Members:

- no debt with the Bank;

to the Board of Executives' Members:

- 7 (seven) credit card limits totalling PLN 86 thousand, of which PLN 27 thousand was utilised as at the end of the reporting period;
- 5 (five) foreign currency loans in the total amount corresponding to PLN 1,281 thousand with the original maturity from 5 to more than 30 years;
- 3 (three) debit limits in the savings and checking account in the total amount of PLN 105 thousand;

to Managing Directors:

- 17 (seventeen) loans totalling PLN 4,146 thousand, including 7 FC loans, of the total corresponding amount of PLN 2,703 thousand with original maturity from 5 to over 30 years;
- 6 (six) debit limits in the savings and checking accounts (ROR) totalling PLN 284 thousand, of which PLN 67 thousand was utilised as at the end of the reporting period;
- 23 (twenty three) credit card limits totalling PLN 139 thousand, of which PLN 31 thousand was utilised as at the end of the reporting period.

to persons related to managing and supervising persons:

- 2 (two) loans, of which one in a foreign currency, in the total amount corresponding to PLN 109 thousand with the original maturity from 10 to 20 years inclusive;
- 3 (three) debit limits in the savings and checking accounts (ROR) totalling PLN 28 thousand, of which PLN 14 thousand was utilised as at the end of the reporting period;
- 2 (two) credit card limits totalling PLN 22 thousand, of which PLN 4 thousand was utilised as at the end of the reporting period.

17. Risk Management

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

- credit risk
- liquidity risk
- FX risk
- interest rate risk
- counterparty risk
- operational risk
- compliance risk
- business risk (break-even risk), including:
  - strategic risk
  - reputation risk.

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

The Bank risk management process and rules have not changed as compared to the ones presented in the consolidated financial statement of the Group for the year ending 31 December 2010.

Credit risk

Note 17.1.1

Information on exposure quality (in PLN thousand)	30 June 2011	31 Dec 2010	30 June 2010
Cash and cash equivalents	**172,965**	**1,015,280**	**231,883**
- receivables without impairment	173,536	1,016,017	232,134
- write-downs for impairment of IBNR losses	-571	-737	-251
Financial assets held for trading	**166,808**	**194,290**	**494,806**
- securities	82,410	91,699	281,846
- derivative financial instruments	84,398	102,591	212,960
measurement to fair value	87,084	106,737	219,247
fair value adjustment for credit risk	-2,686	-4,146	-6,287
Due from banks	**157,334**	**159,013**	**602,977**
- receivables without impairment	157,440	159,118	603,082
- write-downs for impairment of IBNR losses	-106	-105	-105
Loans to customers	**14,243,526**	**13,151,131**	**13,814,460**
- receivables without impairment	13,320,416	12,149,893	12,606,584
- receivables impaired, including where the impairment is:	2,209,067	2,236,775	2,333,771
determined on a case-by-case basis	1,281,490	1,368,231	1,402,492
determined using a collective method	927,577	868,544	931,279
- write-downs for impairment for incurred and reported losses	-1,203,829	-1,153,854	-1,036,677
determined on a case-by-case basis	-632,522	-633,453	-592,293
determined using a collective method	-571,307	-520,401	-444,384
- write-downs for impairment of IBNR losses	-82,128	-81,683	-89,218
Investments - Available for Sale	**4,237,847**	**3,248,293**	**2,687,057**
Other investments	**12**	**12**	**12**

Off-balance sheet commitments granted	**4,832,292**	**4,380,675**	**3,275,887**
- off-balance sheet commitments without impairment	4,753,847	4,274,010	3,160,080
- off-balance sheet commitments impaired, including where the impairment is:	93,920	120,837	170,011
determined on a case-by-case basis	60,320	83,198	84,393
determined using a collective method	33,600	37,639	85,618
- provisions for off-balance sheet commitments	-6,416	-5,948	-46,517
determined on a case-by-case basis	-4,705	-4,554	-44,500
determined using a collective method	-1,711	-1,394	-2,017
- write-downs for impairment of IBNR losses – off-balance sheet commitments	-9,059	-8,224	-7,687

Note 17.1.2

Analysis of gross receivables from customers (in PLN thousand)	**30 June 2011**	**31 Dec 2010**	**30 June 2010**
Performing receivables without impairment	12,865,504	11,621,128	11,716,668
Non-performing receivables without impairment	454,912	528,765	889,916
Impaired receivables with impairment determined on a case-by-case basis with a write-down	1,185,956	1,202,497	1,330,027
Impaired receivables with impairment determined on a case-by-case basis with no write-down	95,534	165,734	72,465
Impaired receivables with impairment determined on a collective basis with a write-down	920,414	844,154	907,404
Impaired receivables with impairment determined on a collective basis with no write-down	7,163	24,390	23,875
Total loans to customers, gross	**15,529,483**	**14,386,668**	**14,940,355**

Credit risk concentration

The Bank did not exceed the maximum exposure limit towards any customer or group of companies as stipulated under the Banking Law Act, either in the first half of 2011 or in 2010.

Liquidity Risk

The key sources of financing for the Bank are deposits of non-bank customers and loans extended by BNP Paribas. The Bank is provided with a permanent source of financing through long-term loans.

As at 30 June 2011, the structure of loans disbursed was as follows:

- CHF 440 million – maturity in July 2011;
- CHF 734 million – maturity in June 2012;
- EUR 302.5 million – maturity in June 2012;
- CHF 250 million – maturity in October 2013;
- PLN 300 million – maturity in June 2013;
- PLN 800 million – maturity in February 2014;
- PLN 50 million – maturity in March 2014;
- PLN 250 million – maturity in June 2014;
- EUR 50 million – maturity in July 2015;
- EUR 100 million – maturity in September 2017;
- EUR 20 million – maturity in April 2019;
- PLN 60 million – maturity in April 2019;
- PLN 50 million – maturity in March 2029;

Moreover, at the beginning of September 2010 the Bank drew down PLN 80 million (maturity in June 2017) from the credit line at the European Investment Bank.

Foreign Exchange Risk

The table below presents currency structure of assets and liabilities of the Bank in PLN equivalents, as at 30 June 2011 along with comparative data as at 31 December 2010 and 30 June 2010.

Note 17.3.3

FX position components (in PLN thousand)	30 June 2011		31 Dec 2010		30 June 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
CHF	4,483,473	4,761,404	4,456,827	4,576,171	4,501,948	4,658,554
EUR	2,127,055	3,295,703	2,016,663	4,000,563	2,431,272	3,868,338
PLN	12,841,115	10,661,583	11,794,371	9,485,694	11,330,260	9,696,085
USD	289,291	1,009,496	249,887	453,020	373,634	410,166
Other convertible currencies	10,336	23,084	21,322	23,622	22,924	26,895
Total	**19,751,270**	**19,751,270**	**18,539,070**	**18,539,070**	**18,660,038**	**18,660,038**

Counterparty risk

Counterparty risk is the risk of the counterparty's default on its liabilities under contracts 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 transactions can result in a change in the exposure scale over time, thus generating credit risk when a customer is insolvent. Actual exposure depends on contract measurement and surcharge that depends on a transaction type, customer type and settlement dates.

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

- day-to-day foreign exchange contracts

- interest rate swap contracts

- FX options

- interest rate options

The Bank monitors the amounts of adjustments made to the fair value of FX transactions (FX forward) and FX options on account of credit risk. If a need arises, the amounts are corrected.

As at 30 June 2011, balance-sheet equivalent equalled PLN 113,376 thousand, and in the comparative periods as at 31 December 2010, it was PLN 142,916 thousand and as at 30 June 2010 PLN 251,208 thousand.

Other risks

The management process and measurement methods of the other risks i.e.:

- Interest rate risk
- Operational risk
- Compliance risk
- Security policy
- Business risk

have not changed as compared to the ones described in the consolidated financial statement of Fortis Bank Polska SA Group (presently BNP Paribas Bank Polska SA) for the year ended on 31 December 2010.

Capital management

Capital adequacy

The present policy of the Group regarding maintaining adequate level of equity funds refers to the capital adequacy category, solvency ratio and the structure of equity funds described in the Banking Law and its relevant administrative law provisions.

The Bank rules of capital management did not change as compared to the ones presented in the consolidated financial statement of the Bank for the year ended on 31 December 2010.

Note 17.5

Capital adequacy (in PLN thousand)	**30 June 2011**	**31 Dec 2010**	**30 June 2010**
Total equity capital plus short-term capital	1,874,181	1,836,721	1,950,974
Total capital requirement	1,156,454	1,076,942	1,134,134
Capital adequacy ratio	**12.97%**	**13.64%**	**13.76%**

In the first half of 2011, the capital position was maintained on a secure level.

The Bank's equity level remained stable. Capital adequacy ratio at the end of June 2011 was 12.97%. As compared to the corresponding period of the previous period, the Bank's equity decreased by 3.9% down to PLN 1,874.2 million. Partially, the decrease was caused by an earlier redemption of subordinated bonds issued in 2004. The Bank effected the payment on 29 January 2011, after obtaining the consent of the Polish Financial Supervision. In the same period, risk-weighted off-balance sheet assets and liabilities decreased by 2.0% down to PLN 14,455.7 million.

The Bank's equity was maintained on the level higher than the internal capital requirement, necessary to cover all identified material risk types occurring in the Bank's business activity.

18. Other Material Information

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

The Bank has not identified factors with material impact on the financial results generated.

18.2. Information on effects of changes in the Group's structure

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

The direct parent entity of the Bank is Fortis Bank SA/NV based in Brussels which holds 99.87% of the Bank's shares, of which 78.13% directly while 21.74% through Dominet SA.

On 29 April 2011 the process of changing the formal and legal name of the Bank from "Fortis Bank Polska SA" into "BNP Paribas Bank Polska SA" came to an end at the moment of registration of the change in the Bank's Statute in the National Court Register. Earlier, on 18 March 2011 the new name was approved by the Extraordinary General Meeting of Shareholders. The Bank also obtained the consent of the Polish Financial Supervision Authority for the change of the Statute with respect to the change of the Bank's name.

Along with the name change, the Bank also changed the brand under which it offers its products and services, 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.

On 5 July 2011 (after the balance sheet date) the shares in Dolnośląska Szkoła Bankowa were sold. The details concerning the transaction are specified in Chapter *Events after the Balance Sheet Date*.

On 1 July 2011 (after the balance sheet date) the Bank took up 100% of shares in Fortis Lease Polska Sp. z o.o. The details concerning the transaction are specified in Chapter *Events after the Balance Sheet Date*.

18.3. Information on changes to contingent liabilities

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

Note 18.3

Contingent liabilities received (in PLN thousand)	**30 June 2011**	**31 Dec 2010**	**Change (%)**
Financial liabilities received	4,814,030	2,861,841	68%
Guarantee liabilities received	244,532	275,223	-11%
Total contingent liabilities received	**5,058,562**	**3,137,064**	

Contingent liabilities granted (in PLN thousand)	**30 June 2011**	**31 Dec 2010**	**Change (%)**
Financial liabilities granted	3,430,071	3,117,642	10%
Guarantee liabilities granted	1,725,221	1,277,205	35%
Total contingent liabilities granted	**5,155,292**	**4,394,847**	

Since the end of 2010, the commitments under credit lines received have materially changed.

In the first half of 2011, no changes occurred as regards contingent commitments granted.

18.4. Information regarding shareholders holding, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the Annual General Meeting as of the date of submitting the interim consolidated financial report, with the indication of the number of shares held by such entities, their percentage of the share capital, number of votes resulting thereof and their percentage share in the total number of votes at the Annual General Meeting and the indication of any changes to the structure of ownership of the issuer's substantial share packages in the period elapsed from the submission of the consolidated annual report for 2010.

As at 30 June 2011 and the publication date of the report for the first half of 2011, i.e. 30 August 2011, the shareholders' structure specifying the shareholders with at least 5% of the total number of votes at the General Meeting of Shareholders was as follows:

	Number of shares held	% of the share capital	Number of votes at the GM	Share (%) in the total number of votes at the GM
Fortis Bank S.A./N.V.*	18,848,593	78.13%	18,848,593	78.13%
Dominet SA**	5,243,532	21.74%	5,243,532	21.74%
Others	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.

The shareholders' structure has not changed since the date of submitting the annual consolidated report for 2010, i.e. 18 March 2011.

BNP Paribas SA holds, via Fortis Bank SA/NV, 24,092,125 shares that constitute 99.87% of share capital of BNP Paribas Bank Polska SA that entitle to 24,092,125 votes, constituting 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 general meeting. Dominet SA (a subsidiary of Fortis Bank SA/NV) holds 5,243,532, i.e. 21.74% of the share capital.

In the first half of 2011 and as at the report publication date i.e. 30 August 2011 the shareholders' structure has not changed.

In the first half of 2011 and as at the report publication date, i.e. 30 August 2011, the Bank has not taken any 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.

18.5. 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 there were no resolutions 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 interchange 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.

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

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 shall remain 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.

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

The Bank does not identify factors that would affect its financial performance in the subsequent quarter.

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

Update of the Recovery Programme for BNP Paribas Bank Polska SA

On 30 June 2011, the Bank provided the Polish Financial Supervision Authority (KNF) with an update of the Recovery Programme for BNP Paribas Bank Polska SA, approved by KNF on 9 March 2011.

Changes in the composition of the Supervisory Board

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

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.

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

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

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, and since 1 April 2009 he was a member of the Board of Executives of Fortis Bank Polska SA as a Vice-President responsible for the Retail Banking.

The Bank's Supervisory Board, on the meeting held on 10 May 2011, 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.

Effective from 11 May 2011, the Bank's Supervisory Board appointed Mr Wojciech Kembłowski as member of the Board of Executives of BNP Paribas Bank Polska SA until the end of the five-year tenure. Mr Kembłowski has taken up a position of the Director managing the Risk Area (Chief Risk Officer).

18.9. Resolutions of the Annual General Meeting of Shareholders

Resolutions of the Annual 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 more precise provisions on brokerage activity in line with Article 69 of the Trading in Financial Instruments Act, the scope of competence of an audit committee and the internal control system at the Bank.

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.

The shareholders gathered at the Annual General Meeting adopted the resolution regarding distribution of profit for the fiscal year 2010 which amounted to PLN 42.6 million in the following way: the profit portion in the amount of PLN 3.4 million was allocated to the additional capital and the portion in the amount of PLN 39.2 million to the general risk fund. The negative difference in the amount of PLN 78 million, which resulted from the purchase of an organised part of an enterprise BNP Paribas SA Branch in Poland, 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.

18.10. Other important events

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 3 (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 04 July 2014;
    - the tranche in the amount of CHF 80 million for 4 years, i.e. until 06 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, an agreement on opening a current account was signed with BNP Paribas SA Branch in Poland.

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.

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 Fortis Private Investments Polska SA. This Annex no. 2 referred to changes in Lokata ProfitPlus offering (formerly: Lokata Fortis FIO).

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.

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. Maximum repayment term for a credit tranche is 12 years. Fixed or variable interest rate will depend on the currency of a credit tranche to be disbursed (EUR, PLN, GBP or USD): 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 loan agreement with the European Bank for Reconstruction and Development

On 26 January 2011, a loan agreement was concluded by and between the Bank and the European Bank for Reconstruction and Development ("EBRD"), under which EBRD granted the Bank a facility up to the maximum amount EUR 30 million i.e. over PLN 116 million at the NBP mid-rate as of 26 January 2011.

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 the 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.

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 credit facility 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 of 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.

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 along with 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 along with 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.

18.11. Statements of the Bank's Board of Executives

Correctness and reliability of reports presented

To the best knowledge of the Board of Executives of the Bank, the interim financial data and comparative data presented in the abbreviated interim consolidated financial statements of BNP Paribas Bank Polska SA group for the period ending on 30 June 2011 were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the property and financial situation of the Group and its profit.

Selection of an entity authorised to audit the financial statements

Mazars Audyt Sp. z o.o., an entity authorised to audit financial statements, reviewing the abbreviated interim consolidated financial statements of BNP Paribas Bank Polska SA for the period ending on 30 June 2011, has been chosen pursuant to the provisions of law. The above entity and statutory auditors meet the conditions to issue an impartial and independent review report, in accordance with the respective provisions of Polish law.

19. Events after the Balance Sheet Date

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

On 1 July 2011, 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 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.

19.2. Conclusion of significant agreements with customers not affiliated with the Bank

On 20 July 2011, 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 of 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.

19.3. Sale of shares in Dolnośląska Szkoła Bankowa

On 5 July 2011 the Bank entered into an agreement on sale of the entire stake of shares held in Dolnośląska Szkoła Bankowa Sp. z o.o., based in Lubin. The Bank acquired 25 shares in the associated entity, which constituted 24.75% of the share capital of Dolnośląska Szkoła Bankowa Sp. z o.o., as a result of the merger of Fortis Bank Polska SA and Dominet Bank S.A. that took place on 31 July 2009.

19.4. Amendment to a significant agreement with a customer affiliated with the Bank

Under an assignment agreement signed, on 29 August 2011 Fortis Bank SA/NV (BNP Paribas Fortis) assumed the rights and obligations of BGL BNP Paribas that arise from a loan agreement of 23 October 2007 for EUR 100 million concluded with the Bank. Financial conditions regarding the repayment of the Bank's financial obligations have not changed.

Signatures of the 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	Philippe Van Hellemont 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