2017

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

for the first quarter ended 31 March 2017

BGŻ BNP PARIBAS

The bank for a changing world

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SELECTED FINANCIAL DATA

Selected consolidated financial data

	in PLN '000		in EUR '000	
STATEMENT OF PROFIT OR LOSS	**31.03.2017 (YTD)**	31.03.2016 (YTD)	**31.03.2017 (YTD)**	31.03.2016 (YTD)
Net interest income	**466 815**	435 421	**108 838**	99 960
Net fee and commission income	**127 825**	123 037	**29 802**	28 246
Profit before income tax	**79 455**	57 317	**18 525**	13 158
Profit after income tax	**39 563**	31 265	**9 224**	7 178
Total comprehensive income for the period	**113 859**	93 289	**26 546**	21 417
Net cash flows, total	**(132 340)**	(1 159 093)	**(30 855)**	(266 095)
INDICATORS				
Number of shares	**84 238 318**	84 238 318	**84 238 318**	84 238 318
Earnings per share	**0.47**	0.37	**0.11**	0.09
BALANCE SHEET	**31.03.2017**	31.12.2016	**31.03.2017**	31.12.2016
Total assets	**71 598 515**	72 304 999	**16 967 277**	16 343 806
Loans and advances to customers	**55 884 822**	55 075 871	**13 243 476**	12 449 338
Total liabilities	**65 337 835**	66 158 178	**15 483 633**	14 954 380
Amounts due to customers	**55 894 690**	55 155 014	**13 245 815**	12 467 227
Share capital	**84 238**	84 238	**19 963**	19 041
Total equity	**6 260 680**	6 146 821	**1 483 644**	1 389 426
CAPITAL ADEQUACY				
Total equity	**7 627 353**	7 619 694	**1 807 515**	1 722 354
Total risk exposure	**53 430 800**	52 913 987	**12 661 927**	11 960 666
Total capital requirement	**14.28%**	14.40%	**14.28%**	14.40%
Tier 1 ratio	**11.08%**	11.06%	**11.08%**	11.06%

Selected separate financial data

	in PLN '000		in EUR '000	
STATEMENT OF PROFIT OR LOSS	**31.03.2017 (YTD)**	31.03.2016 (YTD)	**31.03.2017 (YTD)**	31.03.2016 (YTD)
Net interest income	**462 348**	402 094	**107 796**	92 309
Net fee and commission income	**116 342**	108 000	**27 125**	24 794
Profit before income tax	**94 663**	59 329	**22 071**	13 620
Profit after income tax	**55 874**	35 596	**13 027**	8 172
Total comprehensive income for the period	**130 168**	97 623	**30 349**	22 412
Net cash flows, total	**(112 253)**	(1 311 428)	**(26 172)**	(301 067)
INDICATORS				
Number of shares	**84 238 318**	84 238 318	**84 238 318**	84 238 318
Earnings per share	**0.66**	0.42	**0.15**	0.10
BALANCE SHEET	**31.03.2017**	31.12.2016	**31.03.2017**	31.12.2016
Total assets	**69 727 570**	70 381 933	**16 523 904**	15 909 117
Loans and advances to customers	**54 047 739**	53 179 717	**12 808 128**	12 020 732
Total liabilities	**63 476 188**	64 260 719	**15 042 464**	14 525 479
Amounts due to customers	**56 123 981**	55 297 324	**13 300 152**	12 499 395
Share capital	**84 238**	84 238	**19 963**	19 041
Total equity	**6 251 382**	6 121 214	**1 481 440**	1 383 638
CAPITAL ADEQUACY				
Total equity	**7 642 302**	7 634 483	**1 811 058**	1 725 697
Total risk exposure	**51 745 724**	51 098 527	**12 262 601**	11 550 300
Total capital requirement	**14.77%**	14.94%	**14.77%**	14.94%
Tier 1 ratio	**11.47%**	11.49%	**11.47%**	11.49%

For the purpose of translating the data into EUR, the following exchange rates are applied:

For the statement of financial position, the following rate of the National Bank of Poland:
- as at 31 March 2017 - EUR 1 = PLN 4.2198
- as at 31 December 2016 - EUR 1 = PLN 4.4240

For items of the statement of profit or loss and the statement of cash flows, the EUR exchange rate is calculated as the arithmetic mean of the rates published by the National Bank of Poland as at the last day of each month in the 3-month period:
- for the period from 1 January 2017 to 31 March 2017 EUR 1 = PLN 4.2891
- for the period from 1 January 2016 to 31 March 2016 - EUR 1 = PLN 4.3559

I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of profit or loss

	Note	Q1 2017 from 01.01.2017 to 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Interest income	8	652 353	622 538
Interest expense	8	(185 538)	(187 117)
Net interest income		**466 815**	**435 421**
Fee and commission income	9	151 883	146 553
Fee and commission expense	9	(24 058)	(23 516)
Net fee and commission income		**127 825**	**123 037**
Dividend income		23	-
Net trading income	10	65 661	52 035
Result on investing activities	11	984	474
Other operating income	12	23 797	31 073
Other operating expenses	13	(31 547)	(22 760)
Result on hedge accounting – fair value measurement		821	361
Net impairment losses on financial assets and contingent liabilities	14	(85 999)	(77 282)
General administrative expenses	15	(388 959)	(410 220)
Amortization and depreciation	16	(47 891)	(43 087)
Operating result		**131 530**	**89 052**
Tax on financial institutions		(52 075)	(31 735)
Profit before income tax		**79 455**	**57 317**
Income tax expense	17	(39 892)	(26 052)
Net profit for the period		**39 563**	**31 265**
attributable to equity holders of the Bank		39 563	31 265
EARNINGS PER SHARE (IN PLN PER SHARE)			
Basic		0.47	0.37
Diluted		0.47	0.37

Interim condensed consolidated statement of other comprehensive income

	Q1 2017 period from 01.01.2017 to 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Net profit for the period	**39 563**	**31 265**
OTHER COMPREHENSIVE INCOME		
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS WHEN SPECIFIC CONDITIONS ARE MET	**74 607**	**63 304**
Net change in valuation of available for sale financial assets	92 108	78 155
Deferred tax	(17 501)	(14 851)
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**(311)**	**1 280)**
Actuarial valuation of employee benefits	210	(1 580)
Deferred tax	(521)	300
OTHER COMPREHENSIVE INCOME (NET OF TAX)	**74 296**	**62 024**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**113 859**	**93 289**
attributable to equity holders of the Group	113 859	93 289

The financial information of the Bank BGŻ BNP Paribas S.A. Capital Group pertains to the following companies:

- as at 31 March 2017: Bank BGŻ BNP Paribas S.A TFI BGZ BNP Paribas S.A., BGZ BNP Paribas Faktoring Sp. z o.o., Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o., BNP Paribas Leasing Services Sp. z o.o. (formerly: Fortis Lease Polska Sp. z o.o. in liquidation) and BNP Paribas Group Service Center S.A. (formerly: Laser Services Polska S.A.),
- as at 31 March 2016: also Sygma Bank Polska S.A., which was included in the structures of the Bank's Capital Group on 1 December 2015, but from the legal perspective the combination with Bank BGŻ BNP Paribas took place on 31 May 2016.

The Group's comprehensive income in Q1 2017 was PLN 113 859 thousand, up by PLN 20 570 thousand compared to the same period in 2016.

The increase was mainly the effect of: higher valuation of the available-for-sale financial assets (by PLN 13 953 thousand, i.e. by 17.9% YoY) and higher net profit (up by PLN 8 298 thousand, i.e. by 26.5% YoY), resulting primarily from the visible improvement in the banking income (up by 5.6% YoY) and lower general expenses.

Interim condensed consolidated statement of financial position

ASSETS	Note	31.03.2017	31.12.2016
Cash and balances with the Central Bank	18	2 035 492	1 302 847
Loans and advances to banks	19	376 364	1 233 592
Derivative financial instruments	20	419 433	324 005
Hedging instruments	21	29 062	18 671
Loans and advances to customers	22	55 884 822	55 075 871
Available for sale financial assets	23	11 018 172	12 497 855
Investment property		54 466	54 466
Intangible assets	24	237 592	246 552
Property, plant and equipment	25	529 818	546 002
Deferred tax asset		499 021	529 824
Other assets	26	514 273	475 314
Total assets		**71 598 515**	**72 304 999**

As at the end of March 2017, the balance sheet total of the Group amounted to PLN 71 598 515 thousand, down by PLN 706 484 thousand, i.e. 1.0% compared to the end of December 2016. The decrease pertained mainly to the available-for-sale financial assets and loans and advances to banks.

Loans and advances to customers, which accounted for 78.1% of total assets as at the end of March 2017 vs. 76.2% at the end of 2016, were the key item in the structure of assets. In terms of value, net loans and advances increased by PLN 808 951 thousand, i.e. by 1.5%.

Another significant asset (15.4%) were available-for-sale financial assets with their nominal value down by PLN 1 479 683 thousand, i.e. 11.8%, as the portfolio of NBP's money bills was not renewed (down by 999 959 thousand) and the portfolio of treasury bonds issued by central government institutions was reduced (down by PLN 479 490 thousand).

LIABILITIES	Note	31.03.2017	31.12.2016
Amounts due to banks	27	5 880 408	7 308 814
Hedged items	21	1 783	(4 080)
Derivative financial instruments	20	345 337	271 757
Amounts due to customers	28	55 894 690	55 155 014
Debt securities issued	29	394 153	398 059
Subordinated liabilities	30	1 708 282	1 768 458
Other liabilities	31	984 672	1 122 780
Current tax liabilities		8 147	8 313
Provision for deferred tax		8 063	8 022
Provisions	32	112 300	121 041
Total liabilities		**65 337 835**	**66 158 178**

EQUITY	Note	31.03.2017	31.12.2016
Share capital	40	84 238	84 238
Other supplementary capital	40	5 108 418	5 108 418
Other reserve capital	40	860 241	860 241
Revaluation reserve	40	73 799	(497)
Retained earnings		133 984	94 421
retained profit		94 421	17 561
net profit for the period		39 563	76 860
Total equity		**6 260 680**	**6 146 821**
Total liabilities and equity		**71 598 515**	**72 304 999**

As at the end of March 2017, the Group's total liabilities amounted to PLN 65 337 835 thousand, down by PLN 820 343 thousand, i.e. 1.2% compared to the end of 2016.

The major factors which contributed to the change in the value of liabilities as at the end of Q1 2017 compared to the end of 2016 were:

- decrease in the amounts due to banks (by PLN 1 428 406 thousand, i.e. by 19.5%) to PLN 5 880 408 thousand as at the end of March 2017, mainly as a result of a decrease in the volume of received loans and advances. The share of the amounts due to banks in total liabilities was 9.0% as compared to 11.0% as at the end of the last year;
- increase in the amounts due to customers (by PLN 739 676 thousand, i.e. 1.3% as compared to the end of December 2016) to PLN 55 894 690 thousand. Their share in total liabilities was 85.5%, as compared to 83.4% as at the end of 2016.

The Group's equity as at the end of March 2017 totaled PLN 6 260 680 thousand, up by PLN 113 859 thousand, i.e. 1.9% compared to the end of 2016, mainly as a result in the increase in revaluation reserve and improvement in financial performance.

Interim condensed consolidated statement of changes in equity

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2017	**84 238**	**5 108 418**	**860 241**	**(497)**	**17 561**	**76 860**	**6 146 821**
Total comprehensive income for the period	**-**	**-**	**-**	**74 296**	**-**	**39 563**	**113 859**
Net profit for the period	-	-	-	-	-	39 563	39 563
Other comprehensive income for the period	-	-	-	74 296	-	-	74 296
Appropriation of retained earnings	**-**	**-**	**-**	**-**	**76 860**	**(76 860)**	**-**
Appropriation of retained earnings to other supplementary capital	-	-	-	-	76 860	(76 860)	-
Balance as at 31 March 2017	**84 238**	**5 108 418**	**860 241**	**73 799**	**94 421**	**39 563**	**6 260 680**

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2016	**84 238**	**5 092 196**	**780 874**	**198 090**	**99 663**	**13 293**	**6 268 354**
Total comprehensive income for the period	**-**	**-**	**-**	**(198 587)**	**-**	**76 860**	**(121 727)**
Net profit for the period	-	-	-	-	-	76 860	76 860
Other comprehensive income for the period	-	-	-	(198 587)	-	-	(198 587)
Appropriation of retained earnings	**-**	**-**	**8 263**	**-**	**5 030**	**(13 293)**	**-**
Appropriation of retained earnings to other supplementary capital	-	-	8 263	-	5 030	(13 293)	-
Merger	**-**	**16 222**	**71 104**	**-**	**(87 326)**	**-**	**-**
Equity resulting from merger	-	16 222	71 104	-	(87 326)	-	-
Other (equity of subsidiaries)	**-**	**-**	**-**	**-**	**194**	**-**	**194**
Balance as at 31 December 2016	**84 238**	**5 108 418**	**860 241**	**(497)**	**17 561**	**76 860**	**6 146 821**

Interim condensed consolidated statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2016	**84 238**	**5 092 196**	**780 874**	**198 090**	**99 663**	**13 293**	**6 268 354**
Total comprehensive income for the period	**-**	**-**	**-**	**62 024**	**-**	**31 265**	**93 289**
Net profit for the period	-	-	-	-	-	31 265	31 265
Other comprehensive income for the period	-	-	-	62 024	-	-	62 024
Appropriation of retained earnings	**-**	**-**	**-**	**-**	**13 293**	**(13 293)**	**-**
Reclassification to retained earnings	-	-	-	-	13 293	(13 293)	-
Balance as at 31 March 2016	**84 238**	**5 092 196**	**780 874**	**260 114**	**112 956**	**31 265**	**6 361 643**

Interim condensed consolidated statement of cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	Q1 2017 from 01.01.2017 do 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Net profit for the period		**39 563**	**31 265**
ADJUSTMENTS FOR:		**(362 731)**	**643 744**
Income tax expense		39 892	26 052
Amortization and depreciation		47 891	43 087
Dividend income		(23)	-
Interest income		(652 353)	(622 538)
Interest expense		185 538	187 117
Change in provisions		(8 531)	(5 103)
Change in loans and advances to banks		13 791	158 365
Change in derivative financial instruments (assets)		(95 428)	(86 099)
Change in loans and advances to customers		(1 001 319)	(445 164)
Change in amounts due to banks		(58 573)	(459 154)
Change in derivative financial instruments (liabilities)		73 580	46 351
Change in amounts due to customers		812 658	1 345 099
Change in other assets and current tax assets		9 865	(77 173)
Change in other liabilities and deferred tax liability		(138 234)	167 258
Other adjustments	34	(35 448)	(18 815)
Interest received		653 108	587 459
Interest paid		(209 145)	(202 998)
Net cash from operating activities		**(323 168)**	**675 009**

CASH FLOWS FROM INVESTING ACTIVITIES:	Note	Q1 2017 from 01.01.2017 do 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
INVESTING ACTIVITIES INFLOWS		**8 848 818**	**10 066 240**
Sale of available for sale financial assets	23	8 841 694	10 066 240
Sale of intangible assets and property, plant and equipment		7 101	-
Dividend income and other investing activities inflows		23	-
INVESTING ACTIVITIES OUTFLOWS		**(7 233 052)**	**(11 616 140)**
Purchase of available for sale securities		(7 208 079)	(11 582 226)
Purchase of intangible assets and property, plant and equipment		(24 973)	(33 914)
Net cash from investing activities		**1 615 766**	**(1 549 900)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
FINANCING ACTIVITIES INFLOWS		**26 977**	**1 046 417**
Long-term loans received		26 977	432 517
Increase in subordinated liabilities		-	613 900
FINANCING ACTIVITIES OUTFLOWS		**(1 451 915)**	**(1 330 619)**
Repayment of long-term loans and advances to banks		(1 449 377)	(1 297 183)
Redemption of debt securities issued		(2 538)	(33 436)
Net cash from financing activities		**(1 424 938)**	**(284 202)**
TOTAL NET CASH		**(132 340)**	**(1 159 093)**
Cash and cash equivalents at the beginning of the period		**2 483 623**	**3 262 335**
Cash and cash equivalents at the end of the period, of which:	**33**	**2 351 283**	**2 103 242**
effect of exchange rate fluctuations on cash and cash equivalents held		(22 297)	(4 768)
of restricted use		2 798	8 277

EXPLANATORY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

2 GENERAL INFORMATION ON THE CAPITAL GROUP

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

As at 31 March 2017, the Group comprised Bank BGŻ BNP Paribas S.A., the parent, and its subsidiaries:

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

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

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

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

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

In accordance with the principles laid down in IFRS, the interim condensed consolidated financial statements cover all subsidiaries as at 31 March 2017.

3 ACCOUNTING PRINCIPLES APPLIED FOR PURPOSES OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements for the first quarter ended 31 March 2017 have been prepared in conformity with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”), as endorsed by the European Union, and other applicable regulations. The accounting principles applied in the first quarter of 2017 do not differ from the principles used in 2016, which were presented in detail in the Consolidated Financial Statements of the Capital Group of Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2016.

As the interim condensed consolidated financial statements do not contain all the information and disclosures required for the annual consolidated financial statements, they should be read together with the Consolidated Financial Statements of the Capital Group of Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2016.

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

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

- **IFRS 9 “Financial instruments”**(applicable to annual periods beginning on or after 1 January 2018);
- **IFRS 15 “Revenue from Contracts with Customers”** with subsequent amendments (applicable to annual periods beginning on or after 1 January 2018).

The above standards and amendments to the existing standards have not significantly affected the financial statements for the first quarter of 2017.

3.2 New standards and amendments to the existing standards issued by IASB but not endorsed by the EU

- **IFRS 16 “Leases”** (applicable to annual periods beginning on or after 1 January 2019);
- **Revised IFRS 2 “Share-based Payment”** – Classification and Measurement of Share-based Payment Transactions (applicable to annual periods beginning on or after 1 January 2018);
- **Revised IFRS 4 “Insurance Contracts”** – Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (applicable to annual periods beginning on or after 1 January 2018 or upon first-time application of IFRS 9 “Financial Instruments)”;
- **Revised IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** – Sale or Contribution of Assets between an Investor and an Associate or Joint Venture, with subsequent amendments (the effective date has been deferred until the moment of completion of research regarding the equity method);
- **Revised IAS 7 “Statement of Cash Flows”** – Disclosure Initiative (applicable to annual periods beginning on or after 1 January 2017);
- **Revised IAS 12 “Income Taxes”** – Recognition of Deferred Tax Assets for Unrealized Losses (applicable to annual periods beginning on or after 1 January 2017).
- **IFRS 14 “Regulatory Deferral Accounts”** (applicable to annual periods beginning on or after 1 January 2016), the European Commission has decided to postpone the procedure of endorsing the draft version of the Standard until the issue of its final version;

- **Revised IFRS 15 "Revenue from Contracts with Customers"** – Clarifications to IFRS 15 "Revenue from Contracts with Customers" (applicable to annual periods beginning on or after 1 January 2018);
- **Revised IAS 40 "Investment Property"** – Transfers of Investment Property (applicable to annual periods beginning on or after 1 January 2018);
- **Amendments to standards "IFRS Improvements (2014-2016)"** − amendments to standards resulting from the annual improvements process (IFRS 1, IFRS 12 and IAS 28), primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are applicable to annual periods beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 − to annual periods beginning on or after 1 January 2018);
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (applicable to annual periods beginning on or after 1 January 2018).

3.3 Implementation of IFRS 9

IFRS 9 "Financial Instruments"

International Financial Reporting Standard 9 "Financial Instruments" (henceforth: IFRS 9) will become effective and be applied by the Bank as of 1 January 2018.
The Bank has not early applied IFRS 9 and will apply its requirements retrospectively to annual periods beginning after 1 January 2018.
Differences in the carrying amounts of financial assets and financial liabilities arising from the application of IFRS 9 will be recognized within "Retained profit".
The implementation of IFRS 9 will affect the accounting policies of the Bank mainly with regard to the classification and measurement of financial assets as well as recognition and calculation of their impairment. Its effect on hedge accounting principles have not been assessed yet.

Additionally, in the context of the changes arising from the implementation of IFRS 9 from the accounting perspective and a lack of information regarding the planned changes in tax regulations, according to the Bank, there is substantial uncertainty as to future changes in tax regulations, which will have to be brought into line with the new standard and which may affect the value of the deferred tax asset at the Bank, arising from costs of impairment losses.

The Bank will classify its financial assets as measured at amortized cost or at fair value depending on:

- the business model for management of financial assets, as used by the Bank; and
- the resulting characteristics of the contractual cash flows relating to financial assets.

Based on project work performed so far with regard to the implementation of IFRS 9 it may be assumed that the majority of debt instruments held by the Bank and classified in accordance with IAS 39 as loans and advances will be classified as measured at amortized cost in accordance with IFRS 9. Instruments with multipliers embedded in their interest calculation formulas or contract clauses whereby the Bank may change fixed interest rates at its discretion will be an exception. Such instruments will be measured at fair value through profit or loss.
The Bank will not classify equity instruments as "measured at fair value through other comprehensive income".
As regards financial liabilities, it is not expected that IFRS 9 will have an effect on the financial statements of the Bank.
Changes in the classification and measurement of financial instruments may affect the Bank's equity as of the date of adoption of the new standard.

The classification of financial liabilities of the Bank will remain substantially unchanged. Financial liabilities will continue to be measured at amortized cost or at fair value through profit or loss.

4 GOING CONCERN

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, i.e. within at least 12 months of the date of the end of the reporting period, in substantially the same scope.

5 APPROVAL FOR PUBLICATION

The interim consolidated report of the Capital Group of Bank BGŻ BNP Paribas S.A. for the first quarter ended 31 March 2017 was approved by the Management Board for publication on 9 May 2017.

6 SEASONALITY OR CYCLICALITY OF BUSINESS

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

7 ESTIMATES

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

a) Impairment of loans and advances

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

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

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

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

Impairment tests for assets which are individually material

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

Collective (group) tests

Collective tests are performed for assets:

- classified as individually immaterial;
- classified as individually material, for which no impairment has been identified.

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

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

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

When classifying exposures into those with objective indications of impairment identified and those without objective indications of impairment identified, the Bank takes into account a quarantine period, where a credit exposure with an objective indication of impairment identified may be again classified as an exposure without an objective indication of impairment identified only if the Bank's receivables from the customer have been paid on time, i.e. without a delinquency of more than 30 days, for a specific number of months. The required quarantine period differs depending on the customer type. Its length is determined by the Bank on the basis of historical observations which allow for determining the period after which the probability of default drops to the level comparable to that of other exposures classified to the portfolio with no indications of impairment.

Impairment losses on financial assets estimated using a collective impairment test is back-tested periodically. The risk parameter models used for purposes of estimating impairment losses are also covered by the model management process, which involves laying down the principles of their development, approval and monitoring (as well as model back-testing). The risk parameters and impairment losses/provisions determined using the collective method are back-tested at least on an annual basis. Additionally, the Bank has a validation unit which is independent from the owners and users and which assumes responsibility for annual validation of material risk parameters. The validation includes both the quantitative and the qualitative approach. The process of estimating impairment losses is subject to periodic functional control and verified independently by the Bank's internal audit.

b) Fair value of derivative financial instruments

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

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

c) Securities

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

d) Impairment of property, plant and equipment

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

e) Provision for retirement benefits

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

f) Leases – the Group as a lessor

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

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

8 NET INTEREST INCOME

	Q1 2017 from 01.01.2017 do 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Loans and advances to banks	7 106	6 378
Loans and advances to customers in current accounts	88 353	87 660
Loans and advances to customers, in this:	468 013	455 148
corporate	109 629	109 197
households	332 017	326 287
budget entities	1 307	1 248
other entities	25 060	18 416
Hedging instruments	13 676	14 234
Debt securities, in this:	75 205	59 118
available for sale	75 205	59 118
INTEREST INCOME	**652 353**	**622 538**
Amounts due to banks	(23 129)	(31 924)
Debt securities issued	(2 959)	(3 489)
Amounts due to customers, in this:	(145 585)	(133 138)
corporate	(48 389)	(33 114)
households	(78 948)	(76 552)
budget entities	(4 419)	(4 301)
other entities	(13 829)	(19 171)
Hedged items	(13 865)	(18 509)
Repo transactions	-	(57)
INTEREST EXPENSE	**(185 538)**	**(187 117)**
Net interest income	**466 815**	**435 421**

The net interest income in the analyzed period was subject to external factors: mainly long-term stabilization in interest rates and internal factors: commercial volumes growth rate and changes in their structure.

In Q1 2017, the net interest income, which is the main source of revenue for the Group, went up by PLN 31 394 thousand, i.e. by 7.2% compared to the same period last year. This was the effect of an increase in interest income by PLN 29 815 thousand, i.e. by 4.8% YoY accompanied by a drop in interest expense (by PLN 1 579 thousand YoY, i.e. by 0.8%).

The structure of the Group's interest income is dominated (85.3%) by interest income on loans and advances to customers (together with income from loans and advances to customers in current accounts) which increased by

PLN 13 558 thousand (i.e. 2.5%) compared to the same period in 2016. Another significant item, next to interest on loans and advances, is interest income on debt securities which went up by PLN 16 087 thousand, i.e. by 27.2% YoY.
This was a consequence of a significant increase in the scale of operations possible thanks to good acquisition of deposits. The net loan portfolio grew by 6.0% YoY and the portfolio of available-for-sale financial assets (securities) grew by 16.2% over the same period.

The drop in the interest expense was mainly the effect of replacement of a portion of wholesale funding (loans and advances from banks) with funding acquired from customers. Interest expense related to the amounts due to banks in Q1 2017 went down compared to Q1 2016 by PLN 8 795 thousand (i.e. by 27.5%).

As at the end of March 2017 the Group was applying hedge accounting with respect to fixed-interest rate EUR current accounts. The hedging instruments were standard IRS transactions, i.e. plain vanilla IRS in EUR. The change in the fair value of hedging transactions is recognized in the result on hedge accounting; interest on IRS transactions and hedged items is recognized in the net interest income.
In Q1 2017, the net interest income on hedging relationships (the sum of interest income on hedging instruments and interest expense on hedged items) compared to Q1 2016 was higher by PLN 4 086 thousand (PLN -189 thousand vs PLN - 4 275 thousand).

The drop in the interest expense relating to the amounts due to banks and hedged items was faster than the increase in the interest expense relating to the amounts due to customers (up by PLN 12 447 thousand, i.e. by 9.3%). The amounts due to customers went up by 16.8% YoY and helped replace more expensive wholesale funding by customer deposits.

The net interest margin (defined as the quotient of the net interest income and the average value of assets) in Q1 2017 totaled 2.6% which was close to the levels recorded in Q1 2016.

9 NET FEE AND COMMISSION INCOME

	Q1 2017 from 01.01.2017 do 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
loans and advances	55 853	44 545
account maintenance and settlements	38 082	47 410
guarantee commitments	6 674	6 789
brokerage operations	5 588	5 631
payment cards	19 216	19 411
insurance activity	10 238	12 463
asset management	4 011	902
other	12 221	9 402
FEE AND COMMISSION INCOME	**151 883**	**146 553**
loans and advances	(1 343)	(161)
payment cards	(11 116)	(14 499)
insurance activity	(6 353)	(1 491)
related to partners' network	(1 147)	(2 658)
other	(4 099)	(4 707)
FEE AND COMMISSION EXPENSE	**(24 058)**	**(23 516)**
Net fee and commission income	**127 825**	**123 037**

In the period from 1 January 2017 to 31 March 2017, the net fee and commission income went up by PLN 4 788 thousand, i.e. by 3.9% YoY, which was driven by a rise in fee and commission income of PLN 5 330 thousand, i.e. 3.6% YoY, accompanied by an increase in the commission-related costs by PLN 542 thousand, i.e. 2.3%.

The increase in the fee and commission income recorded mainly in commission on loans and advances (by PLN 11 308 thousand, i.e. by 25.4%) was partially offset by lower commissions on account maintenance and settlements (by PLN 9 328 thousand, i.e. by 19.7%).

The increase in the fee and commission expense was mainly the effect of higher commission-related costs attributable to insurance activity.

10 NET TRADING INCOME

	Q1 2017 from 01.01.2017 do 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Derivative financial instruments and foreign currency exchange result	65 661	52 035
Net trading income	**65 661**	**52 035**

The net trading income generated in Q1 2017 was higher by PLN 13 626 thousand, i.e. by 26.2% YoY. The level of and changes in the net trading income were mainly shaped by the valuation of the Bank's derivative financial instruments and foreign currency exchange results.

11 RESULT ON INVESTING ACTIVITIES

During the year, the Group did not reclassify any financial assets measured at amortized cost to financial assets measured at fair value.

	Q1 2017 from 01.01.2017 to 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Available for sale assets	984	474
Total	**984**	**474**

12 OTHER OPERATING INCOME

	Q1 2017 from 01.01.2017 do 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Sale or liquidation of property, plant and equipment and intangible assets	363	1 483
Sale of goods and services	3 113	1 370
Release of provisions for litigation and claims and other liabilities	557	2 556
Recovery of debt collection costs	3 446	1 475
Recovery of overdue debts, redeemed receivables, non-collectible debts and payment of receivables that were excluded from the consolidated statement of financial position	1 825	3 326
Income from investing activities	-	566
Income from leasing operations	6 067	7 065
Other	8 426	13 232
Total other operating income	**23 797**	**31 073**

In Q1 2017 other operating income went down by PLN 7 276 thousand compared to the same period of 2016.

Factors which contributed to the above mentioned change were i.a.:

- partial release of the provision for a penalty imposed by UOKiK on the Bank in 2012 for using a certain template of an agreement on maintaining individual pension accounts which was deemed to be in breach of collective consumer interests in Q1 2016,
- higher annual adjustment to the input VAT for 2015 in the amount of PLN 8.8 million vs. PLN 7.9 million for 2016.

13 OTHER OPERATING EXPENSES

	Q1 2017 from 01.01.2017 do 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Loss on sale or liquidation of property, plant and equipment, intangible assets	(1 661)	(2 769)
Impairment charges on other receivables	(9 589)	(430)
Provisions for litigation and claims, and other liabilities	(202)	(457)
Debt collection	(8 313)	(4 946)
Donations made	(635)	(1 029)
Costs of leasing operations	(7 492)	(6 749)
Costs of claims, damages and fines	-	-
Other operating expenses	(3 655)	(6 380)
Total other operating expenses	**(31 547)**	**(22 760)**

Other operating expenses in Q1 2017 totaled PLN 31 547 thousand, up by PLN 8 787 thousand, i.e. 38.6% compared to the same period of the prior year. Other operating expenses in the analyzed period were mostly affected by recognized provisions for the unsettled balances of payment card transactions resulting from the migration process.

14 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTINGENT LIABILITIES

	Q1 2017 from 01.01.2017 do 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Loans and advances to banks	1 050	(751)
Loans and advances to customers*	(87 769)	(74 187)
Contingent commitments granted	720	(2 344)
Total net impairment losses on financial assets and contingent liabilities	**(85 999)**	**(77 282)**

In Q1 2017 the annualized cost of credit risk, i.e. net impairment losses on financial assets and contingent liabilities to the average net balance of loans and advances to customers (calculated on the basis of quarter-end balances) did not change materially compared to Q1 2016 and was 0.62%.

Total net impairment losses on financial assets and contingent liabilities in Q1 2017 were higher compared to Q1 2016 by PLN 8 717 thousand (i.e. by 11.3%). This was partially the effect of an increase in the loan portfolio whose gross amount went up by 5.3% compared to the balance as at 31 March 2016.

This category presents the result on four sales of loan portfolios carried out in Q1 2017. The net effect of the portfolio sale on the profit generated by the Bank was PLN 16 154 thousand (more details have been given in note 22 Loans and advances to customers). In Q1 2016 the impact of one-off transactions was higher.

15 GENERAL ADMINISTRATIVE EXPENSES

	Q1 2017 from 01.01.2017 do 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Personnel expenses	(216 103)	(219 923)
Marketing	(15 664)	(22 734)
IT and telecom costs	(26 652)	(28 837)
Rental expenses	(37 459)	(44 597)
Other non-personnel expenses	(42 685)	(50 424)
Business travels	(2 513)	(1 731)
ATM and cash handling costs	(663)	(1 474)
Costs of outsourcing services related to leasing operations	(4 631)	(6 479)
Bank Guarantee Fund fee	(41 421)	(30 594)
Polish Financial Supervision Authority fee	(1 168)	(3 427)
Total general administrative expenses	**(388 959)**	**(410 220)**

The Group's general administrative expenses from 1 January to 31 March 2017 totaled PLN 388 959 thousand, down by PLN 21 261 thousand, i.e. by 5.2% compared to the same period last year.

The rise in expenses due to the fee to BGF of PLN 10.8 million is the effect of changes in the method of recognition of costs in the Bank's profit or loss. Total contributions for BGF recognized by the Bank in the costs of Q1 2017 amounted to PLN 41.4 million, including:

- PLN 30 million – provision for the annual contribution to the compulsory bank resolution fund for 2017 (the amount of the annual contribution to the compulsory bank resolution fund for 2017 amount to PLN 50.6 million) and
- PLN 11.4 million – contribution to bank guarantee fund for the first quarter 2017.

The above increase of costs was offset by lower levels of other expenses, mainly:

- marketing and promotion − down by PLN 7.1 million; in Q1 2016 the Bank allocated more funds in order to increase the popularity of winter sports (fixed and mobile skating rinks – event organized in cooperation with Radio ZET) and incurred more expenses on the promotion of a cash loan);
- rental expenses − relating to the synergy and plans to close branches.

Total integration expenses incurred by the Bank in Q1 2017 amounted to PLN 16.8 million (vs. PLN 16.3 million in Q1 2016) out of which:

- PLN 17.3 million was recognized in total expenses (PLN 6.1 million relating to amortization/depreciation);
- - PLN 0.5 million - under other operating expenses (release of provision for branch restructuring).

Integration expenses recognized as general administrative expenses and amortization/depreciation comprise mainly:

- integration-related projects − PLN 6.2 million (including integration with Sygma − PLN 2 million; operational combination − PLN 1.3 million; network reorganization project − PLN 1.1 million);
- salaries and wages − PLN 3.4 million, including the costs of retention, relocation and employment restructuring;
- cost of accelerated amortization of systems and liquidation of assets in connection with the merger − PLN 6.1 million (recognized under amortization/depreciation).

16 AMORTIZATION AND DEPRECIATION

	Q1 2017 from 01.01.2017 do 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Property, plant and equipment	(22 182)	(19 756)
Intangible assets	(25 709)	(23 331)
Total amortization and depreciation	**(47 891)**	**(43 087)**

The costs of amortization/depreciation in the analyzed period went up by PLN 4 804 thousand, i.e. 11.1%, compared to Q1 last year, which was the effect of settlement of new investments and accelerated amortization of systems) due to the merger of banks.

17 INCOME TAX EXPENSES

	Q1 2017 from 01.01.2017 do 31.03.2017	Q1 2016 from 01.01.2016 to 31.03.2016
Current income tax	(27 111)	(7 557)
Deferred income tax	(12 781)	(18 495)
Total income taxes	**(39 892)**	**(26 052)**
Profit before income tax	79 455	57 317
Statutory tax rate	19%	19%
Income tax on gross profit	**(15 096)**	**(10 890)**
Receivables write-off	926	(285)
Non-tax-deductible overheads/income	492	(878)
PFRON	(304)	(366)
Prudential fee to the Bank Guarantee Fund	(7 870)	(1 796)
Purchased receivables write-offs	-	159
Impairment allowance for receivables	(1 265)	(2 010)
Tax on financial institutions	(9 909)	(6 030)
Other differences	(6 866)	(3 956)
Total income tax charge on gross profit of the Group	**(39 892)**	**(26 052)**

18 CASH AND BALANCES WITH THE CENTRAL BANK

	31.03.2017	31.12.2016
Cash and other balances	854 473	1 062 599
Account with the National Bank of Poland	1 181 019	240 248
Total cash and balances at Central Bank	**2 035 492**	**1 302 847**

19 LOANS AND ADVANCES TO BANKS

	31.03.2017	31.12.2016
Current accounts	265 989	236 548
Interbank placements	37 182	918 746
Loans and advances	37 077	40 089
Other	37 120	40 262
Total loans and advances to banks (gross)	**377 368**	**1 235 645**
Impairment allowances on loans and advances to banks	(1 004)	(2 053)
Total loans and advances to banks (net)	**376 364**	**1 233 592**

Change in the balance of impairment allowances on loans and advances to banks:

	3 months ended 31.03.2017	12 months ended 31.12.2016
Impairment allowances on loans and advances to banks at the beginning of the period	**(2 053)**	**(1 056)**
Impairment charges	(570)	(3 686)
Release of impairment charges	1 619	2 596
Other changes	-	93
Impairment allowances on loans and advances to banks at the end of the period	**(1 004)**	**(2 053)**

20 DERIVATIVE FINANCIAL INSTRUMENTS

		Fair value	
31.03.2017	Nominal value	Assets	Liabilities
TRADING DERIVATIVES			
CURRENCY DERIVATIVES:			
Foreign Exchange Forward (FX Forward + NDF)	6 346 407	30 202	72 821
Currency Swaps (FX Swap)	11 182 176	100 306	19 614
Currency Interest Rate Swaps (CIRS)	4 656 627	53 386	35 655
OTC currency options	2 360 850	9 572	9 591
Total currency derivatives:	**24 546 060**	**196 466**	**137 681**
INTEREST RATE DERIVATIVES:			
interest rate swap	25 330 072	207 450	192 091
Forward Rate Agreements (FRA)	3 050 000	314	290
OTC interest rate options	2 876 957	10 207	10 233
Total interest rate derivatives:	**31 257 029**	**217 971**	**202 614**
OTHER DERIVATIVES			
OTC options	292 791	3 401	3 415
OTC commodity swaps	261 293	1 595	1 429
Foreign Exchange Spot (FX Spot)	2 416 881	-	198
other options	8 500	-	-
Total other derivatives:	2 979 465	4 996	5 042
TOTAL TRADING DERIVATIVES:	**58 782 554**	**419 433**	**345 337**
of which: – valued using model-based method	*58 782 554*	*419 433*	*345 337*

31.12.2016	Nominal value	Fair value	
		Assets	Liabilities
TRADING DERIVATIVES			
CURRENCY DERIVATIVES:			
Foreign Exchange Forward (FX Forward + NDF)	5 742 464	37 841	25 516
Currency Swaps (FX Swap)	11 940 472	49 927	26 147
Currency Interest Rate Swaps (CIRS)	1 844 744	4 958	5 487
OTC currency options	1 954 720	8 252	8 486
Total currency derivatives:	**21 482 400**	**100 978**	**65 636**
INTEREST RATE DERIVATIVES:			
interest rate swap	23 118 463	204 282	188 685
Currency Interest Rate Swap	-	-	-
Forward Rate Agreements (FRA)	13 700 000	2 166	1 489
OTC interest rate options	3 026 815	12 552	12 508
Total interest rate derivatives:	**39 845 278**	**219 000**	**202 682**
OTHER DERIVATIVES			
OTC options	335 880	3 116	3 129
OTC commodity swaps	67 744	384	310
Foreign Exchange Spot (FX Spot)	1 037 793	527	-
other options	8 500	-	-
Total other derivatives:	1 449 917	4 027	3 439
TOTAL TRADING DERIVATIVES:	**62 777 595**	**324 005**	**271 757**
of which: – valued using model-based method	*62 777 595*	*324 005*	*271 757*

21 HEDGE ACCOUNTING

As at 31 March 2017, the Group used fair value hedges.

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

		Fair value	
EUR IRS	Nominal value	Assets	Liabilities
31.03.2017	4 473 893	29 062	-
31.12.2016	4 019 360	18 671	-

The table below presents hedging derivative instruments by nominal value as at 31 March 2017, broken down by residual maturity:

	31.03.2017							
	Fair value		Nominal value					
Hedging instruments	positive	negative	up to 1 month	1 - 3 months	3 months - 1 year	1-5 years	> 5 years	Total
Interest rate contracts								
Swap (IRS)	29 062	-	1 000 000	460 990	516 879	2 390 529	105 495	4 473 893
Total hedging instruments	**29 062**	**-**	**1 000 000**	**460 990**	**516 879**	**2 390 529**	**105 495**	**4 473 893**

	31.12.2016							
	Fair value		Nominal value					
Hedging instruments	positive	negative	up to 1 month	1 - 3 months	3 months - 1 year	1-5 years	> 5 years	Total
Interest rate contracts								
Swap (IRS)	18 671	-	17 696	-	1 971 200	1 875 624	154 840	4 019 360
Total hedging instruments	**18 671**	**-**	**17 696**	**-**	**1 971 200**	**1 875 624**	**154 840**	**4 019 360**

22 LOANS AND ADVANCES TO CUSTOMERS

	31.03.2017	31.12.2016
CURRENT ACCOUNTS:	**8 617 610**	**8 114 472**
corporate	4 542 297	4 188 362
households:	4 052 624	3 918 198
individual customers	169 173	183 507
individual entrepreneurs	443 473	428 561
farmers	3 439 978	3 306 130
budget entities	1 074	475
other entities	21 615	7 437
LOANS AND ADVANCES:	**50 046 033**	**49 962 755**
corporate:	15 687 866	15 127 379
investment loans	8 192 142	7 198 133
revolving loans	3 398 132	3 557 759
other	4 097 592	4 371 487
households:	30 871 200	31 476 050
individual customers, in this:	21 415 572	21 885 691
mortgage loans	14 584 510	15 005 546
individual entrepreneurs	2 135 029	2 251 724
farmers	7 320 599	7 338 635
budget entities	184 056	185 097
other entities	493 352	392 790
Lease receivables	2 809 559	2 781 439
Total gross loans and advances	**58 663 643**	**58 077 227**
Impairment allowances on loans and advances (negative value)	(2 778 821)	(3 001 356)
Total net loans and advances	**55 884 822**	**55 075 871**

At the end of March 2017, gross loans and advances to customers increased by PLN 586 416 thousand, i.e. 1.0% compared to the end of 2016. This applied to corporate loans (analyzed together with current accounts) and was accompanied by a drop in household loans (resulting largely from the strengthening of the Polish zloty against CHF).

The gross value of corporate loans (together with current accounts) went up by 914 422 thousand, i.e. by 4.7% and accounts for 34.5% of the gross loan portfolio (increase in the share by 1.2 pp. compared to the end of 2016). The biggest increase was recorded for investment loans (by PLN 994 009 thousand, i.e. by 13.8%).

The gross value of household loans (together with current accounts) dropped by PLN 470 424 thousand, i.e. by 1.3% and it accounts for 59.5% of the gross loan portfolio (the share down by 1.4 pp. compared to the end of 2016). It was mainly the effect of the depreciation of CHF against PLN (the exchange rate dropped from 4.1173 as at 31 December 2016 to 3.9461 as at 31 March 2017). The value of mortgage loans in CHF to individual customers dropped in the analyzed period by PLN 424 326 thousand, i.e. by 6.3%.

41.8% of household loans are mortgage loans to individual customers that total PLN 14 584 510 thousand: 56.7% are loans in PLN and 43.3% in CHF (the share of CHF loans dropped by 1.6 pp.).

Over 4.8% of the gross credit exposure are lease receivables which following the merger of Bank BGŻ and BNPP Polska in April 2015, have been included in the structures of the Bank.

At the end of March 2017, the share of impaired exposures in gross loans and advances to the Bank's customers amounted to 7.2% vs. 7.7% at the end of 2016.

Impairment allowances on loans and advances to customers

	31.03.2017	31.12.2016
CURRENT ACCOUNTS:	**(401 176)**	**(433 071)**
corporate	(274 455)	(292 401)
households:	(125 902)	(140 033)
individual customers	(13 971)	(21 068)
individual entrepreneurs	(59 221)	(66 233)
farmers	(52 710)	(52 732)
budget entities	(1)	-
other entities	(818)	(637)
LOANS AND ADVANCES:	**(2 377 645)**	**(2 568 285)**
corporate:	(947 527)	(943 480)
investment loans	(292 348)	(284 646)
revolving loans	(475 843)	(481 415)
other	(179 336)	(177 419)
households:	(1 328 973)	(1 525 360)
individual customers, in this:	(884 011)	(1 084 337)
mortgage loans	(327 259)	(364 406)
individual entrepreneurs	(225 044)	(235 033)
farmers	(219 918)	(205 990)
budget entities	(214)	(215)
other entities	(4 155)	(3 933)
Lease receivables	(96 776)	(95 297)
Total impairment allowances	**(2 778 821)**	**(3 001 356)**

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

IMPAIRED EXPOSURES	31.03.2017	31.12.2016
Gross carrying exposure	4 201 876	4 484 357
Impairment allowances	(2 453 020)	(2 686 095)
Net exposure	**1 748 856**	**1 798 262**
EXPOSURES WITHOUT INDICATIONS OF IMPAIRMENT		
Gross carrying exposure	54 461 767	53 592 870
IBNR provision	(325 801)	(315 261)
Net exposure	**54 135 966**	**53 277 609**

Change in the balance of impairment allowances on loans and advances to customers:

	3 months ended 31.03.2017	12 months ended 31.12.2016
Impairment allowances – opening balance	**(3 001 356)**	**(3 006 099)**
Impairment charges	(243 472)	(1 959 065)
Release of impairment charges	155 703	1 556 918
Write-off	302 009	415 495
Impairment acquired as a result of merger	-	29 988
Other changes (including exchange differences)	8 295	(38 593)
Impairment allowances – closing balance	**(2 778 821)**	**(3 001 356)**

Mortgage loans to individuals in foreign currencies (in PLN '000)

Loans by currency	31.03.2017	31.12.2016
CHF	6 309 669	6 733 995
EUR	70 868	76 696
PLN	8 199 623	8 190 068
USD	4 350	4 787
Total	**14 584 510**	**15 005 546**

CHF loan portfolio value

(Gross) loan portfolio, in this:	31.03.2017 Total portfolio	31.03.2017 including exposures in CHF	31.12.2016 Total portfolio	31.12.2016 including exposures in CHF
CURRENT ACCOUNTS:	**8 617 610**	**3**	**8 114 472**	**4**
corporates	4 542 297	-	4 188 362	-
households:	4 052 624	3	3 918 198	4
individual customers	169 173	3	183 507	4
individual entrepreneurs	443 473	-	428 561	-
farmers	3 439 978	-	3 306 130	-
budget entities	1 074	-	475	-
other entities	21 615	-	7 437	-
LOANS AND ADVANCES:	**50 046 033**	**6 624 336**	**49 962 755**	**7 090 253**
corporate:	15 687 866	80 338	15 127 379	89 739
investment loans	8 192 142	17 224	7 198 133	20 551
revolving loans	3 398 132	49 178	3 557 759	53 984
other	4 097 592	13 936	4 371 487	15 204
households:	30 871 200	6 450 131	31 476 050	6 901 923
individual customers, in this:	21 415 572	6 395 124	21 885 691	6 837 907
mortgage loans	14 584 510	6 309 669	15 005 546	6 733 995
individual entrepreneurs	2 135 029	45 654	2 251 724	53 782
farmers	7 320 599	9 353	7 338 635	10 234
budget entities	184 056	-	185 097	-
other entities	493 352	2 394	392 790	2 593
Lease receivables	2 809 559	91 473	2 781 439	95 998
Total gross loans and advances	**58 663 643**	**6 624 339**	**58 077 227**	**7 090 257**

Impairment losses on CHF loans

(Gross) loan portfolio, including:	31.03.2017 Total portfolio	31.03.2017 including exposures in CHF	31.12.2016 Total portfolio	31.12.2016 including exposures in CHF
CURRENT ACCOUNTS:	**(401 176)**	**(2)**	**(433 071)**	**-**
corporates	(274 455)	-	(292 401)	-
households:	(125 902)	(2)	(140 033)	-
individual customers	(13 971)	(2)	(21 068)	-
individual entrepreneurs	(59 221)	-	(66 233)	-
farmers	(52 710)	-	(52 732)	-
budget entities	(1)	-	-	-
other entities	(818)	-	(637)	-
LOANS AND ADVANCES:	**(2 377 645)**	**(270 074)**	**(2 568 285)**	**(306 212)**
corporate:	(947 527)	(10 992)	(943 480)	(12 553)
investment loans	(292 348)	(728)	(284 646)	(797)
revolving loans	(475 843)	(6 806)	(481 415)	(8 145)
other	(179 336)	(3 458)	(177 419)	(3 611)
households:	(1 328 973)	(240 281)	(1 525 360)	(279 004)
individual customers, in this:	(884 011)	(229 905)	(1 084 337)	(267 181)
mortgage loans	(327 259)	(221 006)	(364 406)	(254 577)
individual entrepreneurs	(225 044)	(8 753)	(235 033)	(9 985)
farmers	(219 918)	(1 623)	(205 990)	(1 838)
budget entities	(214)	-	(215)	-
other entities	(4 155)	-	(3 933)	-
lease receivables	(96 776)	(18 801)	(95 297)	(14 655)
Total gross loans and advances	**(2 778 821)**	**(270 076)**	**(3 001 356)**	**(306 212)**

In Q1 2017, the Bank entered into four agreements to sell its loan portfolio. The receivables sold under the agreement, the major part of which had been covered with impairment allowances or derecognized in whole, totaled PLN 431 085 thousand (principal, interest and other accompanying receivables). The contractual portfolio sale price was PLN 55 107 thousand. The net effect of the portfolio sale on the profit generated by the Bank was PLN 16 154 thousand and it was presented in the lines “impairment charges” and “release of impairment charges”.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.03.2017	31.12.2016
Debt securities available for sale:	10 970 052	12 448 691
issued by central banks – NBP bills	-	999 959
issued by governments – T-bonds	10 894 183	11 373 673
issued by non-financial entities – bonds	70 857	70 072
issued by budget entities – municipal bonds	5 012	4 987
Available-for-sale equity instruments (stock and shares)	47 496	47 603
Share units	624	1 561
Total available-for-sale financial assets	**11 018 172**	**12 497 855**
of which:		
valued using the market quotation method	*10 894 183*	*11 374 313*
valued using model-based method	*123 365*	*1 123 542*

24 INTANGIBLE ASSETS

	31.03.2017	31.12.2016
Licenses	205 477	195 934
Other intangible assets	4 031	6 153
Expenditure on intangible assets	28 084	44 465
Total intangible assets	**237 592**	**246 552**

In Q1 2017, the gross carrying amount of intangible assets purchased by the Group was PLN 16 415 thousand (vs. PLN 19 841 thousand in Q1 2016), while the net carrying amount of assets sold and liquidated amounted to PLN 5 444 thousand (as compared to PLN 0.00 in Q1 2016).

25 Property, plant and equipment

	31.03.2017	31.12.2016
Non-current assets, in this:	521 999	528 009
land and buildings	240 166	242 622
IT equipment	128 531	130 732
office equipment	29 210	30 102
equipment and vehicles	124 092	124 553
Assets under construction	7 819	17 993
Total property, plant and equipment	**529 818**	**546 002**

In Q1 2017, the gross carrying amount of property, plant and equipment purchased by the Group was PLN 8 558 thousand (vs. PLN 15 434 thousand in Q1 2016), while the net carrying amount of property, plant and equipment items sold and liquidated was PLN 1 657 thousand (as compared to PLN 0.00 in Q1 2016).

26 OTHER ASSETS

OTHER ASSETS:	31.03.2017	31.12.2016
other debtors	213 457	214 630
interbank and intersystem settlements	5 390	17 240
prepaid expenses	54 510	45 605
accrued income	71 901	64 192
card settlements	88 255	9 780
tax and other regulatory receivables	83 038	147 606
insurance receivables	7 364	5 474
other lease receivables	35 886	22 936
other	9 305	3 019
Total other assets (gross)	**569 106**	**530 482**
Impairment allowances on other receivables	(54 833)	(55 168)
Total other assets (net)	**514 273**	**475 314**

27 AMOUNTS DUE TO BANKS

	31.03.2017	31.12.2016
Current accounts	151 007	199 895
Interbank deposits	141 888	127 507
Loans and advances received	5 459 310	6 957 003
Other liabilities	128 203	24 409
Total amounts due to banks	**5 880 408**	**7 308 814**

28 AMOUNTS DUE TO CUSTOMERS

	31.03.2017	31.12.2016
OTHER FINANCIAL INSTITUTIONS:	**3 725 764**	**3 990 812**
Current accounts	145 059	212 503
Term deposits	1 710 041	1 754 338
Loans and advances received	1 870 632	2 023 662
Other liabilities, in this:	32	309
cash collaterals	1	266
other	31	43
INDIVIDUAL CUSTOMERS:	**27 988 379**	**27 527 173**
Current accounts	15 457 346	14 725 418
Term deposits	12 408 380	12 680 228
Other liabilities, in this:	122 653	121 527
cash collaterals	40 737	45 511
other	81 916	76 016
CORPORATE:	**22 568 752**	**22 819 005**
Current accounts	11 948 837	12 090 445
Term deposits	10 333 217	10 451 327
Other liabilities, in this:	286 698	277 233
cash collaterals	247 893	245 867
other	38 805	31 366
INCLUDING FARMERS:	**1 552 801**	**1 630 880**
Current accounts	1 360 879	1 423 807
Term deposits	183 371	198 073
Other liabilities, in this:	8 551	9 000
cash collaterals	3 384	3 521
other	5 167	5 479
BUDGET ENTITIES:	**1 611 795**	**818 024**
Current accounts	663 900	585 195
Term deposits	945 873	229 848
Other liabilities, in this:	2 022	2 981
cash collaterals	23	23
other	1 999	2 958
Total amounts due to customers	**55 894 690**	**55 155 014**

At the end of March 2017, amounts due to customers increased by PLN 739 676 thousand, i.e. by 1.3% compared to December 2016.

This applied mainly to amounts due to budget entities which, over the analyzed period, went up by 793 771 thousand, i.e. by 97.0% Their share in total amounts due to customers increased to 2.9% as at the end of March 2017 (by 1.4 pp.).

Amounts due to individual customers went up by PLN 461 206 thousand, i.e. by 1.7% and account for 50.1% of all amounts due to customers at the end of March 2017 (share up by 0.2 pp. compared to the end of December 2016).

Amounts due to corporate customers went down over the analyzed period by PLN 250 253 thousand, i.e. by 1.1%. Their share in total amounts due to customers dropped slightly from 41.4% as at the end of December 2016 to 40.4% as at the end of March 2017.

Over the analyzed period the share of current accounts in total amounts due to customers went up to 50.5% as at the end of March 2017, compared to 50.1% as at the end of December 2016. In money terms, cash deposited on current accounts went up by PLN 601 581 thousand, i.e. by 2.2% (this applied mainly to individual customers). The share of term deposits in total amounts due to customers dropped slightly from 45.5% as at the end of December 2016 to 45.4% as at the end of March 2017. In money terms, term deposits increased by PLN 281 770 thousand, i.e. by 1.1. % compared to December 2016.

The value of loans and advanced received went down by PLN 153 030 thousand (i.e. by 7.6%) compared to the end of December 2016. Their share in total amounts due to customers as at the end of March 2017 was 3.3%.

29 DEBT SECURITIES ISSUED

Changes in the balance of debt securities issued

	3 months ended 31.03.2017	12 months ended 31.12.2016
Balance at the beginning of the period	**398 059**	**469 083**
Redemption of certificates of deposit	(2 538)	(71 996)
Changes in discount from certificates of deposit, interests, commission and other fees on certificates of deposit amortized using EIR, foreign currency exchange differences	(1 368)	972
Balance of debt securities issued at the end of the period	**394 003**	**398 059**

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

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

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

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

As at 31 March 2017, the par value of certificates of deposit issued was PLN 391 500 thousand as compared to PLN 394 000 thousand as at 31 December 2016.

30 SUBORDINATED LIABILITIES

As at 31 March 2017, the carrying amount of subordinated liabilities was PLN 1 708 282 thousand as compared to PLN 1 768 458 thousand as at 31 December 2016).

Change in subordinated liabilities	3 months ended 31.03.2017	12 months do 31.12.2016
Balance at the beginning of the period	**1 768 458**	**847 568**
Loans taken out	-	882 400
Change in the balance of interest	(1 824)	2 029
Exchange differences	(58 352)	36 461
Balance at the end of the period	**1 708 282**	**1 768 458**

31 OTHER LIABILITIES

	31.03.2017	31.12.2016
Interbank and intersystem settlements	229 122	345 720
Other creditors	138 597	140 144
Card settlements	88 053	42 922
Provisions for non-personnel expenses	162 018	139 959
Provisions for other employees-related liabilities	78 640	131 665
Provision for unused holidays	33 430	29 653
Deferred income	77 091	83 187
Trust account liabilities	22 234	63 098
Other regulatory liabilities	88 535	103 973
Insurance liabilities	29 781	17 577
Other lease liabilities	21 488	16 233
Other	15 683	8 649
Total other liabilities	**984 672**	**1 122 780**

32 PROVISIONS

	31.12.2016	31.12.2016
Provision for restructuring	20 506	29 523
Provision for retirement benefits and similar obligations	13 341	13 332
Provision for guarantees, suretyships and undrawn credit facilities	41 934	42 659
Provisions for litigation and claims	18 225	26 687
Other provisions	18 294	8 840
Total provisions	**112 300**	**121 041**

Provisions for restructuring	3 months ended 31.03.2017	12 months ended 31.12.2016
Opening balance	**29 523**	**60 824**
Provisions charges	-	29 867
Provisions utilization	(9 017)	(59 674)
Provisions release	-	(2 080)
Other changes	-	586
Closing balance	**20 506**	**29 523**

Provision for retirement benefits and similar obligations	3 months ended 31.03.2017	12 months ended 31.12.2016
Opening balance	**13 332**	**25 879**
Provisions charges	417	5 205
Provisions release	(408)	(17 752)
Closing balance	**13 341**	**13 332**

Provisions for guarantees, suretyships and undrawn credit facilities	3 months ended 31.03.2017	12 months ended 31.12.2016
Opening balance	**42 659**	**46 784**
Provisions charges	4 631	53 981
Provisions release	(5 352)	(52 820)
Other changes	(4)	(5 286)
Closing balance	**41 934**	**42 659**

Provisions for litigation and claims	3 months ended 31.03.2017	12 months ended 31.12.2016
Opening balance	**26 687**	**20 913**
Provisions charges	920	11 455
Provisions utilization	(7 893)	(4 945)
Provisions release	(1 489)	(1 772)
Other changes	-	1 036
Closing balance	**18 294**	**26 687**

Other provisions	3 months ended 31.03.2017	12 months ended 31.12.2016
Opening balance	**8 840**	**9 754**
Provisions charges	9 968	6 146
Provisions release	(807)	(5 668)
Other changes	293	(1 392)
Closing balance	**18 294**	**8 840**

33 CASH AND CASH EQUIVALENTS

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

	31.03.2017	31.12.2016
Cash and balances at Central Bank (Note 18)	2 035 481	1 302 847
Current accounts and other receivables	265 153	264 176
Interbank placements	45 649	913 600
Loans and advances	5 000	3 000
Total cash and cash equivalents	**2 351 283**	**2 483 623**

34 ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOWS

Other adjustments in the statement of cash flows	3 months ended 31.03.2017	3 months ended 31.03.2016
FX differences from subordinated loans	(58 352)	(4 974)
Change in hedge accounting	(4 528)	(11 341)
Tax on financial institutions	52 075	-
Other adjustments	(24 643)	(2 500)
Total other adjustments in the statement of cash flows	**(35 448)**	**(18 815)**

35 CONTINGENT LIABILITIES

The following table presents the value of liabilities granted and received.

	31.03.2017	31.12.2016
CONTINGENT COMMITMENTS GRANTED	**20 051 104**	**18 766 871**
financial commitments	16 401 328	14 998 032
guarantees	3 649 776	3 768 839
CONTINGENT COMMITMENTS RECEIVED	**14 017 421**	**12 308 059**
financial commitments	11 930 018	10 994 815
guarantees	2 087 403	1 313 244

36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

In Q1 2017, instruments were allocated to the following measurement levels:

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

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

31.03.2017	Level 1	Level 2	Level 3	Total
ASSETS RE-MEASURED TO FAIR VALUE:	**10 894 806**	**482 667**	**143 660**	**11 521 133**
Derivative financial instruments	-	392 008	27 425	419 433
Hedging instruments	-	29 062	-	29 062
Available-for-sale financial assets	10 894 806	61 597	61 769	11 018 172
Investment property	-	-	54 466	54 466
LIABILITIES RE-MEASURED TO FAIR VALUE:	**-**	**310 196**	**35 141**	**345 337**
Derivative financial instruments	-	310 196	35 141	345 337

31.12.2016	Level 1	Level 2	Level 3	Total
ASSETS RE-MEASURED TO FAIR VALUE:	**11 375 253**	**1 385 860**	**133 884**	**12 894 997**
Derivative financial instruments	-	300 753	23 252	324 005
Hedging instruments	-	18 671	-	18 671
Available-for-sale financial assets	11 375 253	1 066 436	56 166	12 497 855
Investment property	-	-	54 466	54 466
LIABILITIES RE-MEASURED TO FAIR VALUE:	**-**	**257 076**	**14 681**	**271 757**
Derivative financial instruments	-	257 076	14 681	271 757

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

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

As regards level 3 municipal bonds, the credit risk margin is a non-observable parameter corresponding to the market margin for instruments within similar characteristics. The effect of changes in the credit margin on changes in the fair value is considered immaterial.
As regards the investment property, bid prices for comparable property, the actual transaction prices and other data concerning specific aspects of the real property market in a specific area are input data used for purposes of measurement. If estimates other than those made as at 31 December 2016 were used, the measurement of the investment property could change considerably. However, the Group does not have access to reliable estimates concerning their effect on the fair value of the real property.

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

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

	Derivative financial instruments – assets	Available-for-sale financial assets	Investment property	Derivative financial instruments – liabilities
Balance as at 1 January 2017	**23 252**	**56 166**	**54 466**	**(14 681)**
Total gains/losses recognized in:	4 173	4	-	(20 460)
statement of profit or loss	*4 173*	*73*	-	*(20 460)*
statement of other comprehensive income	-	*(69)*	-	-
Purchase	-	-	-	-
Settlement	-	-	-	-
Transfers	-	5 599	-	-
Balance as at 31 March 2017	**27 425**	**61 769**	**54 466**	**(35 141)**
Unrealized gains/losses recognized in profit or loss relating to assets and liabilities held at the end of the period	**4 173**	**73**	**-**	**(20 460)**

	Derivative financial instruments – assets	Available-for-sale financial assets	Investment property	Derivative financial instruments – liabilities
Balance as at 1 January 2016	**6 684**	**174 893**	**54 627**	**(6 545)**
Total gains/losses recognized in:	16 568	(31 598)	(161)	(8 136)
statement of profit or loss	*16 568*	*286*	*(161)*	*(8 136)*
statement of other comprehensive income	-	*(31 884)*	-	-
Purchase	-	32 135	-	-
Settlement	-	(114 264)	-	-
Transfers	-	(5 000)	-	-
Balance as at 31 December 2016	**23 252**	**56 166**	**54 466**	**(14 681)**
Unrealized gains/losses recognized in profit or loss relating to assets and liabilities held at the end of the period	**16 568**	**286**	**(161)**	**(8 136)**

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

The yield curve used for fair value measurement of liabilities (such as customer and interbank deposits) and receivables (such as loans to customers and interbank deposits) comprises:

- the credit risk free yield curve;
- the cost of obtaining financing above the credit risk free yield curve;
- the market margin that reflects credit risk for receivables.

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

At the end of Q1 2017, receivables and liabilities were allocated to the following measurement levels:
- level 2, which denotes that the fair value is measured using techniques based on available, verifiable market data, without any discretionary adjustments that would have a considerable effect on the results of measurement;
- level 3, which denotes that the fair value is measured using available market data adjusted by parameters resulting from the Bank's own assumptions based on expertise and experience as well as the perceived behavior of other market participants.

The table below presents the book and fair values of those financial assets and liabilities which have not been presented in the Group's statement of financial position at fair value, along with the measurement classification level. The current credit risk margin and the current liquidity margin, the values of which are not quoted on an active market, are the non-observable parameters for all the categories.

31.03.2017	Book value	Fair value	Level
FINANCIAL ASSETS			
Loans and advances to banks	376 364	372 649	3
Loans and advances to customers	55 884 822	48 454 425	3
FINANCIAL LIABILITIES			
Amounts due to banks	5 880 408	5 920 649	3
Amounts due to customers	55 894 690	56 024 926	3
Liabilities due to subordinated loan	1 708 282	1 947 419	3

31.12.2016	Book value	Fair value	Level
FINANCIAL ASSETS			
Loans and advances to banks	1 233 592	1 231 401	3
Loans and advances to customers	55 075 871	49 538 010	3
FINANCIAL LIABILITIES			
Amounts due to banks	7 308 814	7 411 904	3
Amounts due to customers	55 155 014	55 318 603	3
Liabilities due to subordinated loan	1 768 458	2 069 547	3

37 RELATED PARTY TRANSACTIONS

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

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

As at 31 March 2017, the Group comprised Bank BGŻ BNP Paribas S.A., the parent, and its subsidiaries:

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

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

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

31.03.2017	BNP Paribas S.A.	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
ASSETS	**437 360**	**65 551**	**51 363**	**110**	**554 384**
Current accounts, interbank placements and loans and advances	196 056	62 066	48 828	110	307 060
Derivative financial instruments	218 150	231	-	-	218 381
Hedging instruments	22 559	3 254	-	-	25 813
Other assets	595	-	2 535	-	3 130
LIABILITIES	**3 632 912**	**1 878 404**	**2 683 455**	**2 265**	**8 197 036**
Loans and advances received	1 953 311	1 871 422	2 353 772	-	6 178 505
Current accounts, deposits	109 549	6 794	70 161	2 265	188 769
Subordinated liabilities	1 459 465	-	253 188	-	1 712 653
Derivative financial instruments	103 591	188	-	-	103 779
Hedged items	4 295	-	-	-	4 295
Other liabilities	2 701	-	6 334	-	
CONTINGENT LIABILITIES				**-**	
Financial commitments granted	-	-	101 879	117	101 996
Guarantees granted	832 769	-	-	-	832 769
Commitments received	-	272 119	1 874 598	-	2 146 717
Derivative financial instruments (face value)	53 529 575	1 060 797	-	-	54 590 372
3 months ended 31.03.2017					
STATEMENT OF PROFIT OR LOSS	**15 666**	**104**	**11 681**	**(20)**	**27 431**
Interest income	24	139	220	1	384
Interest expense	(11 597)	(478)	(5 330)	(22)	(17 427)
Fee and commission income	-	-	60	1	61
Fee and commission expense	(233)	(19)	-	-	(252)
Net trading income	27 472	462	20 545	-	48 479
Other operating income	-	-	338	-	338
Other operating expenses	-	-	(4 152)	-	(4 152)
General administrative expenses	-	-	-	-	-

31.12.2016	BNP Paribas S.A.	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S.A.	Key personnel	Total
ASSETS	**791 066**	**370 497**	**13 156**	**14**	**1 174 733**
Current accounts, interbank placements and loans and advances	688 121	339 267	9 321	14	**1 036 723**
Derivative financial instruments	100 986	14 737	-	-	**115 723**
Hedging instruments	-	16 493	1 990	-	**18 483**
Other assets	1 959	-	1 845	-	**3 804**
LIABILITIES	**4 967 275**	**1 984 342**	**3 128 819**	**2 160**	**10 082 596**
Loans and advances received	3 302 143	1 963 291	2 808 755	-	**8 074 189**
Current accounts, deposits	91 615	20 093	51 636	2 160	**165 504**
Subordinated liabilities	1 507 179	-	265 400	-	**1 772 579**
Derivative financial instruments	66 287	958	-	-	**67 245**
Other liabilities	51	-	3 028	-	**3 079**
CONTINGENT LIABILITIES					
Financial commitments granted	-	-	104 826	113	**104 939**
Guarantees granted	-	-	-	-	**-**
Commitments received	105 078	282 550	1 864 501	-	**2 252 129**
Derivative financial instruments (face value)	56 908 449	1 885 846	16 880	-	**58 811 175**

12 months ended 31.12.2016					
STATEMENT OF PROFIT OR LOSS	**(34 132)**	**36 798**	**(14 528)**	**24**	**(11 838)**
Interest income	10	613	3 780	1	**4 404**
Interest expense	(57 539)	(1 063)	(36 120)	22	**(94 700)**
Fee and commission income	1 552	165	22 912	1	**24 630**
Fee and commission expense	(99)	(1 868)	(395)	-	**(2 362)**
Net trading income	18 197	38 916	8 759	-	**65 872**
Other operating income	3 603	36	67	-	**3 706**
Other operating expenses	-	(1)	(13 783)	-	**(13 784)**
General administrative expenses	144	-	252	-	**396**

Remuneration of the Management Board and Supervisory Board

Management Board	31.03.2017	31.12.2016
Short-term employee benefits	5 191	18 970
Long-term benefits	2 719	5 264
Benefits due to termination of employment	-	-
Share-based payments	852	748
TOTAL	**8 762**	**24 982**

Supervisory Board	31.03.2017	31.12.2016
Short-term employee benefits	503	1 695
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
TOTAL	**503**	**1 695**

38 CONSOLIDATED CAPITAL ADEQUACY RATIO

	31.03.2017	31.12.2016
Total equity	7 627 353	7 619 694
Total risk exposure	53 430 800	52 913 987
Total capital ratio	14,28%	14,40%
Tier 1 ratio	11,08%	11,06%

39 OPERATING SEGMENTS

Segment reporting

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

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

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

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

Description of operating segments

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

- entrepreneurs whose annual net revenue for the preceding financial year is below PLN 10 million and the Group's credit exposure to a customer is less than PLN 2 million;
- farmers, where the Bank's credit exposure to a customer is less than PLN 2 million and the Standard Output (parameter describing the economic size of farms in accordance with the Community Typology for Agricultural Holdings) in the preceding financial year was less than EUR 75 thousand or EUR 100 thousand (depending on the region).

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

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

Personal Finance is responsible for development of product offering and management of financial services provided to consumers, with major products, i.e. cash advances, car loans, instalment loans and credit cards. The aforesaid products are distributed through the Retail and Business Banking branch network as well as external distribution channels.

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

SME Banking provides services to:

- institutional customers (other than retail customers) with annual net revenue for the preceding financial year of PLN 10-60 million or the Bank's credit exposure to one customer of PLN 2-25 million;
- farmers, where the Bank's credit exposure to a customer is PLN 2-25 million and the Standard Output (parameter describing the economic size of farms in accordance with the Community Typology for Agricultural Holdings) in the preceding financial year was at least EUR 75 thousand or EUR 100 thousand (depending on the region);
- Agro entrepreneurs with full financial reporting and sales revenue of PLN 10-60 million or the Bank's credit exposure of PLN 2-25 million, including agricultural producer groups.

The SME sales network has been divided into 7 SME Regions with 44 SME Business Centers dedicated solely to provision of services to Small and Medium-Sized Enterprises.

Corporate Banking offers a wide variety of financial services to large and medium-sized enterprises as well as local government entities with annual turnover exceeding PLN 60 million or the Bank's exposure to a customer of PLN 25 million or more, in addition to entities operating in multinational capital groups.

Corporate Banking customers are classified into 4 key groups:

- Polish mid-caps (with annual income of PLN 60-600 million);
- multinational customers (companies operating in multinational capital groups);

- top Polish corporations;
- public sector and institutions.

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

Services are provided by 9 Business Centers located in large cities across Poland, which are separate from the Bank's branch network. Operating services are provided to all institutional segment customers by the Bank's Branches, via telephone and online.

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

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

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

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

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

31.03.2017*	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
STATEMENT OF PROFIT OR LOSS								
Net interest income	290 126	57 074	65 659	1 337	52 620	**466 815**	89 560	120 913
external interest income	353 342	105 715	94 528	3 893	94 876	**652 353**	162 788	168 226
external interest expense	(90 246)	(15 554)	(41 047)	-	(38 690)	**(185 538)**	(13 176)	(1 526)
internal interest income	178 095	28 879	65 424)	-	279 871	**552 269**	29 872	-
internal interest expense	(151 066)	(61 966)	(53 245)	(2 556)	(283 437)	**(552 269)**	(89 924)	(45 787)
Net fee and commission income	73 163	23 425	31 375	468	(607)	**127 825**	36 643	15 345
Dividend income	-	-	-	-	23	**23**	842	-
Net trading income	9 115	5 663	19 798	17 217	13 867	**65 661**	5 547	(15)
Result on investment activities	98	-	-	-	886	**984**	-	-
Result on hedge accounting	-	-	-	-	822	**821**	-	-
Other operating income and expenses	(9 548)	(611)	1 025	182	1 203	**(7 750)**	(1 894)	(1 604)
Net impairment losses on financial assets and contingent liabilities	(42 774)	(42 870)	(1 395)	-	1 039	**(85 999)**	(27 781)	(20 921)
General administrative expenses	(189 394)	(29 290)	(39 089)	(7 692)	(123 493)	**(388 959)**	(2 669)	(63 289)
Depreciation and amortization	(15 520)	(289)	(1 617)	(251)	(30 215)	**(47 891)**	(68)	1 688
Expense allocation (internal)	(81 547)	(21 320)	(19 666)	(1 970)	124 502	**-**	-	(17 210)
Segment result	**33 719**	**(8 217)**	**56 092**	**9 291**	**40 646**	**131 530**	**100 180**	**34 907**
Tax on financial institutions	(27 602)	(10 285)	(11 338)	(302)	(2 548)	**(52 075)**	-	(6 956)
Profit (loss) before income tax	**6 118**	**(18 502)**	**44 753**	**8 989**	**38 098**	**79 455**	**100 180**	**27 952**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(39 892)**	**-**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**39 563**	**-**	**-**
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017								
Segment assets	29 292 775	11 413 453	14 144 921	1 002 127	15 745 240	**71 598 515**	15 486 436	7 428 107
Segment liabilities	33 669 807	6 458 256	15 820 831	-	9 388 939	**65 337 835**	6 000 836	-

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

31.03.2016 *	Retail and Business Banking	SME Banking	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
STATEMENT OF PROFIT OR LOSS								
Net interest income	270 035	57 540	54 730	500	52 616	**435 421**	86 764	115 384
external interest income	347 111	109 434	86 402	1 270	78 322	**622 538**	162 668	162 406
external interest expense	(94 447)	(14 952)	(32 856)	-	(44 862)	**(187 117)**	(10 528)	(11 367)
internal interest income	156 337	25 473	49 830	-	266 739	**498 380**	(88 356)	(35 658)
internal interest expense	(138 966)	(62 415)	(48 645)	(770)	(247 584)	**(498 380)**	22 980	3
Net fee and commission income	76 752	21 285	25 125	41	(166)	**123 037**	30 623	15 525
Dividend income	-	-	-	-	-	**-**	-	-
Net trading income	8 751	5 809	17 075	13 913	6 486	**52 035**	6 772	139
Result on investment activities	303	-	2	-	169	**474**	-	-
Result on hedge accounting	-	-	-	-	-	**-**	-	-
Other operating income and expenses	7 427	1 055	1 547	145	(1 499)	**8 674**	1 772	457
Net impairment losses on financial assets and contingent liabilities	(61 958)	(22 932)	8 571	90	(1 052)	**(77 282)**	(4 953)	(24 230)
General administrative expenses	(212 692)	(27 735)	(36 438)	(7 505)	(125 849)	**(410 220)**	(1 658)	(65 762)
Depreciation and amortization	(20 107)	(317)	(1 919)	(292)	(20 452)	**(43 087)**	(84)	(3 393)
Expense allocation (internal)	(82 446)	(25 726)	(16 179)	(1 193)	125 544	**-**	-	(14 344)
Segment result	**(13 935)**	**8 979**	**52 513**	**5 698**	**35 797**	**89 052**	**119 235**	**23 777**
Tax on financial institutions	(17 261)	(6 923)	(7 382)	(169)	**-**	**(31 735)**	**-**	(3 625)
Profit (loss) before income tax						**57 317**		
Income tax expense	-	-	-	-	-	**(26 052)**	-	-
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**31 265**	**-**	**-**
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016								
Segment assets	29 366 671	11 478 459	13 721 127	310 656	17 428 084	**72 304 999**	15 058 445	7 369 495
Segment liabilities	32 879 814	6 016 195	15 894 510	-	11 367 656	**66 158 178**	5 631 607	-

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

40 THE SHAREHOLDERS' STRUCTURE OF BANK BGŻ BNP PARIBAS S.A.

As at 31 December 2017 and the date of the Board's approval of the report for Q1 2017, i.e. 9 May 2017, the structure of the shareholders of Bank BGŻ BNP Paribas S.A., including those holding at least 5% of the total number of votes at the General Shareholders' Meeting, was as follows:

SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE INTEREST IN SHARE CAPITAL	NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS' MEETING	PERCENTAGE SHARE IN THE TOTAL NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS' MEETING
BNP Paribas, total:	74 409 864	88.33%	74 409 864	88.33%
BNP Paribas directly	50 524 889	59.98%	50 524 889	59.98%
BNP Paribas Fortis SA/NV directly	23 884 975	28.35%	23 884 975	28.35%
Rabobank International Holding B.V.	5 613 875	6.66%	5 613 875	6.66%
Other shareholders	4 214 579	5.01%	4 214 579	5.01%
Total	**84 238 318**	**100.00%**	**84 238 318**	**100.00%**

In Q1 2017 there were no changes in the shareholding structure.
As at 31 March 2017, the Bank's share capital totaled PLN 84 238 thousand
and was divided into 84 238 318 shares with the par value of PLN 1.00, including: 15 088 100 A series shares, 7 807 300 B series shares, 247 329 C series shares, 3 220 932 D series shares, 10 640 643 E series shares, 6 132 460 F series shares, 8 000 000 G series shares, 5 002 000 H series shares and 28 099 554 I series shares.
The Bank's shares are ordinary bearer and registered shares (as at 31 March 2017, there were 13 024 915 registered shares, including 4 B series shares).
No special control rights are attached to the ordinary bearer shares.
Four B series registered shares in the Bank are preference shares with respect to payment of the full par value per share in the event of the Bank's liquidation, once the creditors' claims have been satisfied, with priority over payments per ordinary shares, which, after the rights attached to the preference shares have been exercised, may be insufficient to cover the total par value of those shares.
The Bank's Statute does not impose any limitations as to exercising the voting rights or set forth any provisions whereby the equity rights attached to securities would be separated from the holding itself. One right to vote at the General Shareholders' Meeting of the Bank is attached to each share. The Bank's Statute does not impose any limitations as to transferring the title to the securities issued by the Bank.
As at 31 March 2017, no shares of Bank BGŻ BNP Paribas were held by the members of the Management Board or Supervisory Board, and there were no changes in this respect from the date of submission of the report for 2016, i.e. from 16 March 2017.

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

On 31 May 2016 the Management Board of Bank BGŻ BNP Paribas S.A. was informed that during a meeting held on

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

41 DIVIDENDS PAID

The Group did not pay any dividends for 2016.

42 APPROPRIATION OF RETAINED EARNINGS

By the date of preparing these Interim Condensed Consolidated Financial Statements for Q1 2017, decisions regarding proposed distribution of the profit for 2016 had not been made. The Management Board of the Bank will not recommend dividend payment for 2016.

43 LITIGATION

As at 31 March 2017 the total disputed amount in pending court cases was PLN 466 701 thousand (as at 31 December 2016 it was PLN 489 228 thousand), and comprised:

- the total disputed amount in the proceedings with the Bank as the defendant (excluding anti-enforcement proceedings, proceedings to annul an act in law) was PLN 108 698 thousand (as at 31 December 2016 it was PLN 137 318 thousand),
- the total disputed amount in the proceedings with the Bank as the plaintiff was PLN 358 002 thousand (as at 31 December 2016 it was PLN 320 438 thousand).

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

Court decision regarding calculation of the interchange fee

On 6 October 2015, the Court of Appeals issued a decision regarding calculation of the interchange fee by banks acting in agreement. Thus, the decision of the 1st instance (Regional) Court of 2013 was changed by dismissing the banks' appeals in whole, while upholding the appeal brought by the Office of Competition and Consumer Protection (UOKiK), which had questioned a considerable reduction in the fines by the 1st instance court. This denotes that the penalty imposed under the first decision of the President of UOKiK of 29 December 2006 was upheld. It involved a fine levied on 20 banks, including Bank BGŻ S.A. and Fortis Bank Polska S.A., for practices limiting competition by calculating interchange fees on Visa and MasterCard transactions in Poland in agreement. The total fine levied on Bank BGŻ BNP Paribas amounted to PLN 12 544 thousand and included: i) a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9 650 thousand; and ii) a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2 895 thousand. The penalty was paid by the Bank on 19 October 2015. The Bank brought a last resort appeal against the aforesaid court decision on 25 April 2016 and on 4 April 2017 the Supreme Court agreed to hear the case.

Corporate claims against the Bank (interchange fee)

By 31 March 2017 the Bank received 26 calls for settlement from companies using payment cards. The total amount of these claims was PLN 986.06 million, including PLN 975.99 million where the Bank had joint and several responsibility with other banks. The claims were related to the interchange fees determined under agreements for restricting competition and the Bank executed the decision of the President of UOKiK referred to above.

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

As at 31 December 2017, the Bank was a defendant in sixty three (63) court cases (*) regarding annulment of mortgage loan agreements denominated in CHF in the form of a statement that the Bank had granted a PLN loan without the denomination in foreign currency or claiming damages for the Bank's abuse of its rights, to include principles of community life and misinforming customers or disallowing enforcement of the writ of execution. The total amount claimed is PLN 30.78 million. It should also be emphasized that in two similar cases against the Bank, which have already been closed, the petitions filed by the customers have been dismissed by courts with the force of law.

(*) in January 2017 in one case with 79 petitioners, the court decided to hear the claims of the above persons in 48 separate proceedings). The list does not include anti-enforcement proceedings.

44 RISK MANAGEMENT

Described below are key changes in credit risk management approach, key measures of market, liquidity, counterparty and country risk and changes in the operational risk management approach, introduced in the first half of 2017.

CREDIT RISK

Credit risk is inherent in the core financial operations of the Bank, the scope of which includes both lending and provision of funding with the use of capital market products. Consequently, credit risk is identified as the risk with the highest potential to affect the present and future profits and equity of Bank BGŻ BNP Paribas. The materiality of credit risk is confirmed by its 70% share in the total economic capital estimated by the Bank for the purposes of covering major risks involved in the Bank's operations, in addition to its 90% share in the total value of regulatory capital.

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

Credit risk management principles adopted by the Group:

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

Forbearance practices

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

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

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

A material economic loss is defined by the Bank as:

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

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

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

FINANCIAL RISK

Market risk in the banking book

In Q1 2017 the use of sensitivity limits for the interest position in each time period was medium. The interest rate risk increased compared to Q4 of the prior year and as at the end of March its average level was 55%.
The currency risk of the banking book is transferred to the trading book.

Market risk in the trading book

The market risk measured using VaR in Q1 2017 was higher compared to Q4 2016 − the average use of the VaR limit for the trading book was 53%. Interest rate exposures were the main source of risk in the trading book (with the major share of interest rate swaps and forward rate agreements). Currency risk exposures had a very limited impact on the Bank’s market risk as end-of-day positions in each currency were reduced to minimum levels.

Liquidity risk

In Q1 2017 the Bank maintained the regulatory short- and long-term liquidity measures above the regulatory and internal limits. There were no indications that the Bank’s liquidity might be at risk.
Amounts due to customers, medium- and long-term lines of credit and equity are the major sources of funding used by the Bank. Short- and long-term lines of credit, including subordinated loans, were mainly extended by the BNP Paribas group.

Counterparty and country risk

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

In Q1 2017, the Bank's exposure to counterparty risk in the corporate segment went up by 82% while the exposure to banks − by 31%.

In Q1 2017, foreign lending operations of the Bank represented 52.7%, international trade transactions accounted for 28.7%, interbank treasury transactions − for 18.5% and derivative transactions entered into with foreign corporate customers represented 0.1% of the Bank’s country risk exposure.

France accounted for 31.6% of exposure, Germany − 14.8%, the Netherlands − 14%, Switzerland − 11.1% and Belgium − 8.5%. Other exposure was related to Great Britain, Luxembourg and Turkey and accounted for 4% and Senegal, Italy, Czech Republic and Cyprus at not more than 1% for each country.

OPERATIONAL RISK

The Bank’s operational risk is defined in accordance with the resolution of the Polish Financial Supervision Authority and the requirements of Recommendation M of the PFSA as the possibility of incurring a loss or an unreasonable cost through the fault of inappropriate or unreliable internal processes, people, technical systems or as a result of external factors. It comprises legal, but not strategic risk. Operational risk as such is inherent in any banking operations.
Operational risk is managed with a view to reducing the losses and costs resulting from the aforesaid risk, ensuring top quality of the services provided by the Bank in addition to security and compliance of the Bank’s operations with the applicable laws and standards.

Procedures

Operational risk management consists in employment of measures aimed at operational risk identification, analysis, monitoring, control, reporting and mitigating in addition to implementation of corrective actions. Such measures take into account the structures, processes, resources and scopes of responsibilities for the said processes at various organizational levels. The operational risk management strategy has been described in the “Operational Risk

Management Strategy of Bank BGŻ BNP Paribas S.A.", which was approved by the Management Board of the Bank and accepted by the Supervisory Board. "The Operational Risk Policy of Bank BGŻ BNP Paribas S.A.", adopted by the Management Board of the Bank, is another document of key importance. It addresses all aspects of the Bank's operations in addition to defining the Bank's objectives and the methods of their achievement as regards the quality of operational risk management as well as compliance with legal requirements set out in the recommendations and resolutions issued by local banking supervision authorities. The Bank's operational risk management objectives include, in particular, compliance with high operational risk management and assessment standards that guarantee security of customer deposits, the Bank's equity, stability of its financial performance as well as maintenance of the operational risk level within the range of the operational risk appetite and tolerance defined by the Bank. When developing the operational risk management and assessment system, the Bank complies with the applicable legal requirements, in particular the recommendations and resolutions of the national financial supervision authorities and the standards adopted by the Group.

In accordance with the Policy, the Bank's operational risk management instruments include:

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

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

Internal environment

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

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

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

Risk Management

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

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

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

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

Internal control system

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

Functional control is exercised in accordance with the functional control rules.

Monitoring and reporting

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

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

45 GOVERNING BODIES OF BANK BGŻ BNP PARIBAS S.A.

Composition of the Supervisory Board of Bank as at 31 March 2017:

FULL NAME	POSITION HELD IN THE SUPERVISORY BOARD OF THE BANK
Józef Wancer	Chairman of the Supervisory Board
Jarosław Bauc	Vice-Chairman of the Supervisory Board Independent Member of the Supervisory Board
Jean-Paul Sabet	Vice-Chairman of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Jacques d'Estais	Member of the Supervisory Board
Alain Van Groenendael	Member of the Supervisory Board
Thomas Mennicken	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Monika Nachyła	Member of the Supervisory Board
Mariusz Warych	Independent Member of the Supervisory Board

Composition of the Management Board of Bank as at 31 March 2017:

FULL NAME	POSITION HELD IN THE MANAGEMENT BOARD OF THE BANK
Tomasz Bogus	President of the Management Board
Daniel Astraud	Vice-President of the Management Board
François Benaroya	Vice-President of the Management Board
Philippe Paul Bézieau	Vice-President of the Management Board
Blagoy Bochev	Vice-President of the Management Board
Jan Bujak	Vice-President of the Management Board
Wojciech Kembłowski	Vice-President of the Management Board
Magdalena Legęć	Vice-President of the Management Board
Jaromir Pelczarski	Vice-President of the Management Board
Jerzy Śledziewski	Vice-President of the Management Board
Bartosz Urbaniak	Member of the Management Board

Changes in the Management Board after the end of the reporting period:

- On 5 April 2017 Mr. Jan Bujak submitted his resignation from the position of Vice-President of the Management Board for personal reasons, with the effect as of 5 April 2017.
- During a meeting on 5 April 2016, the Supervisory Board of the Bank appointed Mr. Jean-Charles Aranda Member of the Management Board of Bank BNP Paribas S.A. effective from 5 April 2017, until the end of the existing three-year joint office of the members of the Management Board.

46 FACTORS WHICH, ACCORDING TO THE BANK, WILL AFFECT THE CAPITAL GROUP'S PERFORMANCE WITHIN AT LEAST THE UPCOMING QUARTER

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

- **Situation in the Polish economy.** Economic activity in the first quarter of 2017 with a strong GDP growth in the fourth quarter of 2016 (up by 1.7% QoQ) correspond to the higher economic growth rate in Poland of approx. 3.7% YoY in the first quarter of 2017 (up from 2.7% YoY in the fourth quarter of 2016). Leading indicators for the entire Polish economy improved gradually, which signals positive outlook for Poland in the coming months. We predict that the annual average GDP increase in Poland in 2017 will be 3.2% as compared to 2.8% in 2016 and that its structure will be more balanced as a result of the expected investment rebound and continuing strong consumer demand. We also expect that the rate of economic growth will slow down in the second half of this year due to growing inflation which will reduce the households' available income.
- **Inflation rate faster than expected.** We expect that the CPI inflation in Poland will reach the level of the National Bank of Poland already in the middle of 2017 and will remain at a stable level in the second half of the year. We believe that the supply factors such as more expensive fuel and food accompanied by the growing pay and demand pressure and expected rise in gas prices and fees for waste removal will contribute to the growth in the inflation rate in the coming months. Rising inflation may indirectly increase the yields on the domestic bonds and arouse the expectations for tightening of the Polish monetary policy.

- **Interest rate hike by the Poland's Monetary Policy Council.** A combination of external (higher interest rates abroad) and internal factors (stronger GDP growth, higher inflation and good condition of the labor market) may encourage the members of the Monetary Policy Council to tighten the monetary policy in Poland over the next months. We expect the Monetary Policy Council to increase the rate by the total of 50 bps in the second half of 2017.
- **Increased volatility in PLN exchange rates.** Global factors (higher market interest rates and uncertainty caused by elections in the EU member states and Brexit negotiations) and the domestic ones (rising inflation, expected interest rate hike by the Monetary Policy Council and possible deterioration in the fiscal position) may lead to an increased volatility in the domestic currency exchange rate over the coming months.
- **Deterioration in the Poland's fiscal position.** Lowering of the retirement age and higher social expenditure increase the risk that the budget deficit will exceed 3% of GDP in the coming quarters. If the EU thresholds are exceeded, Poland's international rating may be lowered which in turn may lead to higher bond yields and depreciation of the Polish zloty following a decrease in portfolio investments.
- **Protectionist practices in the USA** Potential changes in the American commercial policy may bring about trade barriers and a drop in the volume of global trading. Poland, highly dependent on EU exports, may as a result suffer economic losses (smaller GDP increase and higher inflation) due to growing protectionism.
- **Brexit and its impact on the economic condition of the Eurozone.** A slowdown in the economic activity in the UK once the leaving process begins and its negative impact on the Eurozone economy may contribute to the worsening of the economic situation in Poland as well.
- **Growing uncertainty in the macroeconomic environment.** If the mood in the European financial markets darkens following the results of elections in the biggest EU and Eurozone countries (France, Germany, Italy), the risk appetite among investors may fall and thus contribute to the higher yields on domestic bonds and IRS rates and depreciation of the Polish zloty.
- **Problems with foreign currency mortgage loans.** Solving this problem remains the key source of uncertainty for the banking sector and the economy as a whole. In order to encourage banks to sign voluntary agreements with clients and convert their portfolios of foreign currency mortgage loans, on 13 January 2017 the Financial Stability Committee presented a recommendation to increase the risk weight and the minimum value of the LGD parameter, setting a systemic risk buffer, and accounting for the risk of foreign exchange mortgage loans in the method of setting payments to the BGF's guarantee fund and in the PFSA's supervisory assessment (BION).
- **Increase** in the **amount of required down-payment** for mortgage loans from 15% to 20% of the value of purchased property effective as of January 2017 and resulting from recommendation S. Though banks may have lower requirements if an up-to-10-percent down-payment is covered with insurance, the change may have an adverse impact on the demand for mortgage loans in 2017.
- **Exhausted funds** for subsidies **under the "Mieszkanie dla młodych" scheme** for 2017, both from the 2017 budget and 50% of the 2018 budget may have a negative impact on the demand for mortgage loans in 2017.

47 MAJOR EVENTS IN Q1 2017

10.03.2017

PFSA'a individual dividend recommendation for 2016 and recommendation of the Bank's Management Board to not pay out dividend for 2016.

The Management Board of Bank BGŻ BNP Paribas S.A. said that it had received a letter from the Polish Financial Supervision Authority with an individual recommendation to increase the amount of equity by retaining the entire profit generated by Bank BGŻ BNP Paribas S.A. over the period from 1 January to 31 December 2016.

Therefore on 10 March 2017 the Management Board of the Bank passed a resolution to recommend that the General Meeting decides to allocate the entire net profit for 2016 to the Bank's equity.

The Bank's Management Board included the information that it would not recommend a dividend payout for 2016 in current report No. 36/2016 published on 30 November 2016.

48 EVENTS AFTER THE END OF THE REPORTING PERIOD

5.04.2017

Changes in the Management Board

- On 5 April 2017 Mr. Jan Bujak submitted his resignation from the position of Vice-President of the Management Board for personal reasons, with the effect as of 5 April 2017.
- During a meeting on 5 April 2017, the Supervisory Board of the Bank appointed Mr. Jean-Charles Aranda Member of the Management Board of Bank BNP Paribas S.A. effective from 5 April 2017, until the end of the existing three-year joint office of the members of the Management Board.

26.04.2017

Information about the amount of annual payment to the mandatory restructuring fund calculated by BGF for Bank BGŻ BNP Paribas S.A. for 2017 totaling PLN 50 618 228.16.

Total payments to BGF charged by the Bank to the costs of Q1 2017 are PLN 41 420 774.12 (provision for the annual payment to the mandatory restructuring fund for 2017 totaling PLN 30 000 000.00 and payment to the bank guarantee fund due for Q1 2017 totaling PLN 11 420 774.12).

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	1st quarter of 2017 from 01.01.2017 to 31.03.2017	1st quarter of 2016 from 01.01.2016 to 31.03.2016
Interest income	641 742	575 408
Interest expense	(179 394)	(173 314)
Net interest income	**462 348**	**402 094**
Fee and commission income	140 047	129 700
Fee and commission expense	(23 705)	(21 700)
Net fee and commission income	**116 342**	**108 000**
Dividend income	20 568	8 759
Net trading income	65 675	52 081
Net investment income	984	171
Result on hedge accounting	821	-
Other operating income	29 639	29 363
Other operating expenses	(31 634)	(21 562)
Net impairment losses on financial assets and contingent liabilities	(85 830)	(75 088)
General administrative expenses	(384 598)	(372 050)
Depreciation and amortization	(47 577)	(40 704)
Operating result	**146 738**	**91 064**
Tax on financial institutions	(52 075)	(31 735)
Profit before income tax	**94 663**	**59 329**
Income tax expense	(38 789)	(23 733)
Net profit for the period	**55 874**	**35 596**
attributable to equity holders of the Bank	55 874	35 596
EARNINGS PER SHARE (IN PLN PER ONE SHARE)		
Basic	0,66	0,42
Diluted	0,66	0,42

Interim condensed separate statement of other comprehensive income

	1st quarter of 2017 from 01.01.2017 to 31.03.2017	1st quarter of 2016 from 01.01.2016 to 31.03.2016
Net profit for the period	**55 874**	**35 596**
OTHER COMPREHENSIVE INCOME		
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**74 605**	**63 307**
Net change in valuation of available-for-sale financial assets	92 105	78 157
Deferred income tax	(17 500)	(14 850)
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**(311)**	**(1 280)**
Actuarial valuation of employee benefits	210	(1 580)
Deferred income tax	(521)	300
OTHER COMPREHENSIVE INCOME (NET OF TAX)	**74 294**	**62 027**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**130 168**	**97 623**

Interim condensed separate statement of financial position

ASSETS	31.03.2017	31.12.2016
Cash and balances at Central Bank	2 035 492	1 302 847
Loans and advances to banks	373 873	1 225 912
Derivative financial instruments	419 433	324 005
Hedging instruments	29 062	18 671
Loans and advances to customers	54 047 739	53 179 717
Available-for-sale financial assets	11 017 548	12 497 233
Investments in subsidiaries	70 828	70 828
Intangible assets	235 566	244 571
Property, plant and equipment	529 430	545 480
Deferred tax assets	483 651	522 392
Other assets	484 948	450 277
Total assets	**69 727 570**	**70 381 933**

LIABILITIES	31.03.2017	31.12.2016
Amounts due to banks	3 819 718	5 291 459
Hedged items	1 783	(4 080)
Derivative financial instruments	345 337	271 757
Amounts due to customers	56 123 981	55 297 324
Debt securities issued	394 003	397 909
Subordinated liabilities	1 708 282	1 768 458
Other liabilities	978 359	1 116 905
Current tax liabilities	4 671	4 593
Provisions	100 054	116 394
Total liabilities	**63 476 188**	**64 260 719**

EQUITY	31.03.2017	31.12.2016
Share capital	84 238	84 238
Supplementary capital	5 127 899	5 127 899
Other reserve capital	860 241	860 241
Revaluation reserve	73 742	(552)
Retained earnings	105 262	49 388
retained profit	49 388	-
net profit for the period	55 874	49 388
Total equity	**6 251 382**	**6 121 214**
Total liabilities and equity	**69 727 570**	**70 381 933**

Interim condensed separate statement of changes in equity

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained earnings and undistributed profit for the period	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2017	**84 238**	**5 127 899**	**860 241**	**(552)**	-	**49 388**	**6 121 214**
Total comprehensive income for the period	**-**	**-**	**-**	**74 294**	-	**55 874**	**130 168**
Net profit for the period	-	-	-	-	-	55 874	55 874
Other comprehensive income for the period	-	-	-	74 294	-	-	74 294
Distribution of prior year's profit	**-**	**-**	**-**	**-**	49 388	**(49 388)**	**-**
Appropriation of retained earnings	-	-	-	-	49 388	(49 388)	-
Balance as at 31 March 2017	**84 238**	**5 127 899**	**860 241**	**73 742**	49 388	**55 874**	**6 251 382**

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2016	**84 238**	**5 092 196**	**780 874**	**197 607**	**8 263**	**6 163 178**
Total comprehensive income for the period	**-**	**-**	**-**	**(198 159)**	**49 388**	**(148 771)**
Net profit for the period	-	-	-	-	49 388	49 388
Other comprehensive income for the period	-	-	-	(198 159)	-	(198 159)
Distribution of prior year's profit	**-**	**-**	**8 263**	**-**	**(8 263)**	**-**
Appropriation of retained earnings	-	-	8 263	-	(8 263)	-
Merger	**-**	**35 703**	**71 104**	**-**	**-**	**106 807**
Equity resulting from merger	-	35 703	71 104	-	-	106 807
Balance as at 31 December 2016	**84 238**	**5 127 899**	**860 241**	**(552)**	**49 388**	**6 121 214**

	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained earnings and undistributed profit for the period	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2016	**84 238**	**5 092 196**	**780 874**	**197 607**		**8 263**	**6 163 178**
Total comprehensive income for the period	**-**	**-**	**-**	**62 027**	-	**35 596**	**97 623**
Net profit for the period	-	-	-	-	-	35 596	35 596
Other comprehensive income for the period	-	-	-	62 027	-	-	62 027
Distribution of prior year's profit	**-**	**-**	**-**	**-**	**8 263**	**(8 263)**	**-**
Reclassification to retained earnings	-	-	-	-	8 263	(8 263)	-
Balance as at 31 March 2016	**84 238**	**5 092 196**	**780 874**	**259 634**	**8 263**	**35 596**	**6 260 801**

Interim condensed separate statement of cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	1st quarter of 2017 from 01.01.2017 to 31.03.2017	1st quarter of 2016 from 01.01.2016 to 31.03.2016
Net profit for the period	**55 874**	**35 596**
ADJUSTMENTS FOR:	**(352 746)**	**474 094**
Income tax expense	38 789	23 733
Depreciation and amortization	47 577	40 704
Dividend income	(20 568)	(8 759)
Interest income	(641 742)	(575 408)
Interest expense	179 394	173 314
Change in provisions	(16 130)	(3 912)
Change in loans and advances to banks	8 602	(791)
Change in derivative financial instruments (assets)	(95 428)	(86 108)
Change in loans and advances to customers	(1 060 390)	(166 995)
Change in amounts due to banks	(107 911)	(751 332)
Change in derivative financial instruments (liabilities)	73 580	46 351
Change in amounts due to customers	891 789	1 384 315
Change in other assets and current tax assets	22 091	(89 049)
Change in other liabilities and deferred tax liability	(138 468)	181 919
Other adjustments	(15 249)	(16 889)
Interest received	640 835	521 729
Interest paid	(159 517)	(198 728)
Net cash from operating activities	**(296 872)**	**509 690**

CASH FLOWS FROM INVESTING ACTIVITIES:	1st quarter of 2017 from 01.01.2017 to 31.03.2017	1st quarter of 2016 from 01.01.2016 to 31.03.2016
INVESTING ACTIVITIES INFLOWS	**8 869 363**	**10 074 999**
Sale of available for sale financial assets	8 841 694	10 066 240
Sale of intangible assets and property, plant and equipment	7 101	-
Dividends and other inflows from investing activities	20 568	8 759
INVESTING ACTIVITIES OUTFLOWS	**(7 232 829)**	**(11 614 015)**
Purchase of available-for-sale financial assets	(7 208 079)	(11 581 779)
Purchase of intangible assets and property, plant and equipment	(24 750)	(32 236)
Net cash from investing activities	**1 636 534**	**(1 539 016)**

CASH FLOWS FROM FINANCING ACTIVITIES:		
FINANCING ACTIVITIES INFLOWS	**-**	**1 046 417**
Long-term loans received	-	432 517
Increase in subordinated loans	-	613 900
OUTFLOWS	**(1 451 915)**	**(1 328 519)**
Repayment of long-term loans and advances to banks	(1 449 377)	(1 295 083)
Redemption of debt securities issued	(2 538)	(33 436)
Net cash from financing activities	**(1 451 915)**	**(282 102)**
TOTAL NET CASH	**(112 253)**	**(1 311 428)**
Cash and cash equivalents at the beginning of the period	**2 452 735**	**3 252 873**
Cash and cash equivalents at the end of the period, of which:	**2 340 482**	**1 941 445**
effect of exchange rate fluctuations on cash and cash equivalents held	(22 297)	(4 768)
of restricted use	2 798	8 277

EXPLANATORY INFORMATION TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES APPLIED FOR PURPOSES OF PREPARATION OF THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

These interim condensed separate financial statements for the first quarter ended 31 March 2017, have been prepared in conformity with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"), as endorsed by the European Union, and other applicable regulations.

As the interim condensed separate financial statements do not contain all the information and disclosures required for the annual financial statements, they should be read together with the interim condensed consolidated financial statements for the first quarter of 2017 and the Separate Financial Statements of Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2016 approved by the Management Board of the Bank on 14 March 2017.

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

2 RELATED PARTY TRANSACTIONS

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

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

As at 31 March 2017, the Group comprised Bank BGŻ BNP Paribas S.A., the parent, and its subsidiaries:

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

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

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

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

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

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

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

31.03.2017	BNP Paribas S.A.	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S. A.	Key personnel	Subsidiaries	Total
ASSETS	**437 360**	**65 551**	**51 363**	**110**	**2 563**	**556 947**
Current accounts, interbank placements, loans and advances	196 056	62 066	48 828	110	5	**307 065**
Derivative financial instruments	218 150	231	-	-	-	**218 381**
Hedging instruments	22 559	3 254	-	-	-	**25 813**
Other assets	595	-	2 535	-	2 558	**5 688**
LIABILITIES	**3 632 912**	**94 655**	**2 683 455**	**2 265**	**232 955**	**6 646 242**
Loans and advances received	1 953 311	87 673	2 353 772	-	-	**4 394 756**
Interbank deposits and current accounts	109 549	6 794	70 161	2 265	232 812	**421 581**
Subordinated liabilities	1 459 465	-	253 188	-	-	**1 712 653**
Derivative financial instruments	103 591	188	-	-	-	**103 779**
Hedged items	4 295	-	-	-	-	**4 295**
Other liabilities	2 701	-	6 334	-	143	**9 178**
CONTINGENT COMMITMENTS						
Financial commitments granted	-	-	101 879	117	30 054	**132 050**
Guarantees granted	832 769	-	-	-	60 000	**892 769**
Commitments received	-	272 119	1 874 598	-	-	**2 146 717**
Derivative financial instruments (face value)	53 529 575	1 060 797	-	-	-	**54 590 372**
3 months ended 31.03.2017						
STATEMENT OF PROFIT OR LOSS	**15 666**	**104**	**11 681**	**(20)**	**28 844**	**56 275**
Interest income	24	139	220	1	1	**385**
Interest expense	(11 597)	(478)	(5 330)	(22)	(89)	**(17 516)**
Fee and commission income	-	-	60	1	2 172	**2 233**
Fee and commission expense	(233)	(19)	-	-	-	**(252)**
Net trading income	27 472	462	20 545	-	-	**48 479**
Other operating income	-	-	338	-	28 052	**28 390**
Other operating expenses	-	-	(4 152)	-	(1 292)	**(5 444)**

31.12.2016	BNP Paribas S.A.	BNP Paribas Fortis S.A.	Other entities from the capital group of BNP Paribas S. A.	Key personnel	Subsidiaries	Total
ASSETS	**773 559**	**370 497**	**11 311**	**14**	**2 305**	**1 157 686**
Current accounts, interbank placements, loans and advances	672 511	339 267	9 321	14	10	**1 021 123**
Derivative financial instruments	100 986	14 737	-	-	-	**115 723**
Hedging instruments	-	16 493	1 990	-	-	**18 483**
Other assets	62	-	-	-	2 295	**2 357**
LIABILITIES	**4 967 263**	**103 868**	**2 992 664**	**2 160**	**148 291**	**8 214 246**
Loans and advances received	3 302 143	82 817	2 672 621	-	-	**6 057 581**
Interbank deposits and current accounts	91 615	20 093	51 636	2 160	146 379	**311 883**
Subordinated liabilities	1 507 179	-	265 400	-	-	**1 772 579**
Derivative financial instruments	66 287	958	-	-	-	**67 245**
Other liabilities	39	-	3 007	-	1 912	**4 958**
CONTINGENT COMMITMENTS						
Financial commitments granted	-	-	104 826	113	30 050	**134 989**
Guarantees granted	-	-	-	-	60 000	**60 000**
Commitments received	105 078	282 550	1 864 501	-	-	**2 252 129**
Derivative financial instruments (face value)	56 908 449	1 885 846	16 880	-	-	**58 811 175**

12 months ended 31.12.2016						
STATEMENT OF PROFIT OR LOSS	**(37 889)**	**36 798**	**(33 152)**	**24**	**13 378**	**(20 841)**
Interest income	-	613	3 780	1	669	**5 063**
Interest expense	(57 539)	(1 063)	(36 120)	22	(343)	**(95 043)**
Fee and commission income	1 552	165	4 590	1	76	**6 384**
Fee and commission expense	(99)	(1 868)	(395)	-	-	**(2 362)**
Net trading income	18 197	38 916	8 759	-	-	**65 872**
Other operating income	-	36	17	-	16 438	**16 491**
Other operating expenses	-	(1)	(13 783)	-	(3 462)	**(17 246)**

Remuneration of the Management Board and Supervisory Board

Management Board	31.03.2017	31.12.2016
Short-term employee benefits	5 191	18 970
Long-term benefits	2 719	5 264
Benefits due to termination of employment	-	-
Share-based payments	852	748
TOTAL	**8 762**	**24 982**

Supervisory Board	31.03.2017	31.12.2016
Short-term employee benefits	503	1 695
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
TOTAL	**503**	**1 695**

3 SEPARATE CAPITAL ADEQUACY RATIO

	31.03.2017	31.12.2016
Total equity	7 642 302	7 634 483
Total risk exposure	51 745 724	51 098 527
Total capital requirement	14,77%	14,94%
Tier 1 ratio	11,47%	11,49%

4 SEASONALITY AND CYCLICALITY OF OPERATIONS

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

5 DEBT SECURITIES ISSUED AND REDEEMED

Issue and redemption of securities have been described in Section 29 of the interim consolidated financial statements for the first quarter of 2017.

6 DIVIDENDS PAID

The Bank did not pay any dividends for 2016.

7 APPROPRIATION OF RETAINED EARNINGS

By the date of preparing the Interim Condensed Consolidated Financial Statements for the first quarter of 2017, decisions regarding proposed distribution of the profit for 2016 had not been made. The Management Board will not recommend dividend payment for 2016.

8 CONTINGENT COMMITMENTS

The following table presents the value of commitments granted and received.

	31.03.2017	31.12.2016
CONTINGENT COMMITMENTS GRANTED	**20 126 867**	**18 846 626**
financial commitments	16 417 091	15 017 787
guarantees	3 709 776	3 828 839
CONTINGENT COMMITMENTS RECEIVED	**14 017 421**	**12 308 051**
financial commitments	11 930 018	10 994 807
guarantees	2 087 403	1 313 244

9 EVENTS AFTER THE END OF THE REPORTING PERIOD

5.04.2017

Changes in the Management Board

- On 5 April 2017 Mr. Jan Bujak submitted his resignation from the position of Vice-President of the Management Board for personal reasons, with the effect as of 5 April 2017.
- During a meeting on 5 April 2016, the Supervisory Board of the Bank appointed Mr. Jean-Charles Aranda Member of the Management Board of Bank BNP Paribas S.A. effective from 5 April 2017, until the end of the existing three-year joint office of the members of the Management Board.

26.04.2017

Information about the amount of annual payment to the mandatory restructuring fund calculated by BGF for Bank BGŻ BNP Paribas S.A. for 2017 totaling PLN 50 618 228.16.

Total payments to BGF charged by the Bank to the costs of Q1 2017 are PLN 41 420 774.12 (provision for the annual payment to the mandatory restructuring fund for 2017 totaling PLN 30 000 000.00 and payment to the bank guarantee fund due for Q1 2017 totaling PLN 11 420 774.12).

SIGNATURES OF COMPANY REPRESENTATIVES

Tomasz Bogus *President of the Management Board*	.... signature
Jean-Charles Aranda *Member of the Management Board*	.... signature
Katarzyna Romaszewska-Rosiak *Managing Director, Financial Accounting Department*	.... signature

Warsaw, 9 May 2017