2017

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

for the 6 months ended 30 June 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	**30.06.2017 (YTD)**	30.06.2016 (YTD)	**30.06.2017 (YTD)**	30.06.2016 (YTD)
Net interest income	**948 290**	895 939	**223 264**	204 528
Net fee and commission income	**252 039**	244 927	**59 340**	55 913
Profit before income tax	**208 124**	122 466	**49 000**	27 957
Profit after income tax	**120 779**	64 638	**28 436**	14 756
Total comprehensive income for the period	**234 197**	60 701	**55 139**	13 857
Total net cash flows	**69 000**	566 445	**16 245**	129 310
INDICATORS	**30.06.2017 (YTD)**	30.06.2016 (YTD)	**30.06.2017 (YTD)**	30.06.2016 (YTD)
Number of shares (items)	**84 238 318**	84 238 318	**84 238 318**	84 238 318
Earnings per share	**1.43**	0.77	**0.34**	0.18
BALANCE SHEET	**30.06.2017**	31.12.2016	**30.06.2017**	31.12.2016
Total assets	**71 975 471**	72 304 999	**17 029 568**	16 343 806
Loans and advances to customers	**56 040 582**	55 075 871	**13 259 336**	12 449 338
Total liabilities	**65 594 453**	66 158 178	**15 519 804**	14 954 380
Amounts due to customers	**55 064 772**	55 155 014	**13 028 457**	12 467 227
Share capital	**84 238**	84 238	**19 931**	19 041
Total equity	**6 381 018**	6 146 821	**1 509 764**	1 389 426
CAPITAL ADEQUACY	**30.06.2017**	31.12.2016	**30.06.2017**	31.12.2016
Total equity	**7 662 187**	7 619 694	**1 812 892**	1 722 354
Total risk exposure	**54 697 160**	52 913 987	**12 941 479**	11 960 666
Total capital ratio	**14.01%**	14.40%	**14.01%**	14.40%
Tier 1 ratio	**10.91%**	11.06%	**10.91%**	11.06%

Selected separate financial data

	in PLN '000		in EUR '000	
STATEMENT OF PROFIT OR LOSS	**30.06.2017 (YTD)**	30.06.2016 (YTD)	**30.06.2017 (YTD)**	30.06.2016 (YTD)
Net interest income	**938 512**	837 758	**220 962**	191 246
Net fee and commission income	**228 685**	221 115	**53 841**	50 477
Profit before income tax	**214 979**	90 043	**50 614**	20 555
Profit after income tax	**130 029**	42 140	**30 614**	9 620
Total comprehensive income for the period	**243 443**	38 659	**57 316**	8 825
Total net cash flows	**86 787**	572 951	**20 433**	130 795
INDICATORS	**30.06.2017 (YTD)**	30.06.2016 (YTD)	**30.06.2017 (YTD)**	30.06.2016 (YTD)
Number of shares (items)	**84 238 318**	84 238 318	**84 238 318**	84 238 318
Earnings per share	**1.54**	0.50	**0.36**	0.11
BALANCE SHEET	**30.06.2017**	31.12.2016	**30.06.2017**	31.12.2016
Total assets	**69 606 115**	70 381 933	**16 468 973**	15 909 117
Loans and advances to customers	**53 779 374**	53 179 717	**12 724 328**	12 020 732
Total liabilities	**63 241 458**	64 260 719	**14 963 080**	14 525 479
Amounts due to customers	**55 253 486**	55 297 324	**13 073 107**	12 499 395
Share capital	**84 238**	84 238	**19 931**	19 041
Total equity	**6 364 657**	6 121 214	**1 505 893**	1 383 638
CAPITAL ADEQUACY	**30.06.2017**	31.12.2016	**30.06.2017**	31.12.2016
Total equity	**7 659 674**	7 634 483	**1 812 297**	1 725 697
Total risk exposure	**52 517 604**	51 098 527	**12 425 791**	11 550 300
Total capital ratio	**14.58%**	14.94%	**14.58%**	14.94%
Tier 1 ratio	**11.36%**	11.49%	**11.36%**	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 30 June 2017 — EUR 1 = PLN 4,2265
— as at 31 December 2016 — EUR 1 = PLN 4.4240

For 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 six-month period:
— for the period from 01 January 2017 to 30 June 2017 — EUR 1 = PLN 4,2474
— for the period from 01 January 2016 to 30 June 2016 — EUR 1 = PLN 4.3805

I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of profit or loss

	Note	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Interest income	8	665 207	1 317 560	648 069	1 270 607
Interest expense	8	(183 732)	(369 270)	(187 551)	(374 668)
Net interest income		**481 475**	**948 290**	**460 518**	**895 939**
Fee and commission income	9	162 070	313 953	147 120	293 673
Fee and commission expense	9	(37 856)	(61 914)	(25 230)	(48 746)
Net fee and commission income		**124 214**	**252 039**	**121 890**	**244 927**
Dividend income		4 670	4 693	5 758	5 758
Net trading income	10	60 797	126 458	57 820	109 855
Result on investment activities	11	20 111	21 095	41 959	42 433
Result on hedge accounting		822	1 643	(221)	140
Other operating income	12	41 919	65 716	52 707	83 780
Other operating expenses	13	(33 549)	(65 096)	(36 749)	(59 509)
Net impairment losses on financial assets and contingent liabilities	14	(92 024)	(178 023)	(88 533)	(165 815)
General administrative expenses	15	(384 193)	(773 152)	(445 891)	(856 111)
Depreciation and amortization	16	(44 093)	(91 984)	(53 299)	(96 386)
Operating result		**180 149**	**311 679**	**115 959**	**205 011**
Tax on financial institutions		(51 480)	(103 555)	(50 810)	(82 545)
Profit before income tax		**128 669**	**208 124**	**65 149**	**122 466**
Income tax expense	17	(47 453)	(87 345)	(31 776)	(57 828)
Net profit		**81 216**	**120 779**	**33 373**	**64 638**
attributable to equity holders of the Bank		81 216	120 779	33 373	64 638
EARNINGS PER SHARE (IN PLN PER ONE SHARE)					
Basic		0.96	1.43	0.40	0.77
Diluted		0.96	1.43	0.40	0.77

Interim condensed consolidated statement of comprehensive income

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Net profit for the period	**81 216**	**120 779**	**33 373**	**64 638**
OTHER COMPREHENSIVE INCOME				
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**38 979**	**113 586**	***(68 053)***	***(4 749)***
Net change in valuation of available-for-sale financial assets	48 122	140 230	(84 017)	(5 862)
Deferred tax	(9 143)	(26 644)	15 964	1 113
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**143**	**(168)**	***2 092***	***812***
Actuarial valuation of employee benefits	226	436	2 583	1 003
Deferred tax	(83)	(604)	(491)	(191)
OTHER COMPREHENSIVE INCOME (NET OF TAX)	**39 122**	**113 418**	**(65 961)**	**(3 937)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**120 338**	**234 197**	**(32 588)**	**60 701**
attributable to equity holders of the Group	120 338	234 197	(32 588)	60 701

Interim condensed consolidated statement of financial position

ASSETS	Note	30.06.2017	31.12.2016
Cash and balances with the Central Bank	18	2 136 821	1 302 847
Loans and advances to banks	19	520 270	1 233 592
Derivative financial instruments	20	394 177	324 005
Hedging instruments	21	9 682	18 671
Loans and advances to customers	22	56 040 582	55 075 871
Available-for-sale financial assets	23	11 098 211	12 497 855
Investment property		54 466	54 466
Intangible assets	24	245 367	246 552
Property, plant and equipment	25	518 260	546 002
Deferred tax asset		504 291	529 824
Other assets	26	453 344	475 314
Total assets		**71 975 471**	**72 304 999**

LIABILITIES	Note	30.06.2017	31.12.2016
Amounts due to banks	27	6 890 764	7 308 814
Hedged items	21	(2 455)	(4 080)
Derivative financial instruments	20	394 994	271 757
Amounts due to customers	28	55 064 772	55 155 014
Debt securities issued	29	387 914	398 059
Subordinated liabilities	30	1 698 941	1 768 458
Other liabilities	31	1 006 120	1 122 780
Current tax liabilities		59 276	8 313
Provision for deferred tax		8 064	8 022
Provisions	32	86 063	121 041
Total liabilities		**65 594 453**	**66 158 178**

EQUITY	Note	30.06.2017	31.12.2016
Share capital	39	84 238	84 238
Supplementary capital		5 127 899	5 108 418
Other reserve capital		909 629	860 241
Revaluation reserve		112 921	(497)
Retained earnings		146 331	94 421
retained profit		25 552	17 561
net profit for the period		120 779	76 860
Total equity		**6 381 018**	**6 146 821**
Total liabilities and equity		**71 975 471**	**72 304 999**

Interim condensed consolidated statement of changes in equity

					Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Prior year profit/(loss)	Net profit/(loss) 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	**-**	**-**	**-**	**113 418**	**-**	**120 779**	**234 197**
Net profit for the period	-	-	-	**-**	**-**	**120 779**	**120 779**
Other comprehensive income for the period	-	-	-	113 418	-	**-**	**113 418**
Appropriation of retained earnings	**-**	**-**	**49 388**	**-**	**27 472**	**(76 860)**	**-**
Appropriation of profit to equity	-	-	49 388	**-**	27 472	(76 860)	**-**
Other (equity of subsidiaries)	**-**	**19 481**	**-**	**-**	**(19 481)**	**-**	**-**
Balance as at 30 June 2017	**84 238**	**5 127 899**	**909 629**	**112 921**	**25 552**	**120 779**	**6 381 018**

					Retained earnings		
	Share capital	Supplementary capital	Other reserve capital	Revaluation reserve	Prior year profit/(loss)	Net profit/(loss) 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 profit to equity	-	-	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	Supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Prior year profit/(loss)	Retained earnings: Net profit/(loss) 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	**-**	**-**	**-**	**(3 937)**	**-**	**64 638**	**60 701**
Net profit for the period	-	-	-	-	-	64 638	64 638
Other comprehensive income for the period	-	-	-	(3 937)	-	-	(3 937)
Appropriation of retained earnings	**-**	**-**	**8 263**	**-**	**5 030**	**(13 293)**	**-**
Appropriation of profit to equity	-	-	8 263	-	5 030	(13 293)	-
Merger	**-**	**16 222**	**71 104**	**-**	**(87 326)**	**-**	**-**
Equity resulting from merger	-	16 222	71 104	-	(87 326)	-	-
Other (equity of subsidiaries)	**-**	**-**	**-**	**-**	**195**	**-**	**195**
Balance as at 30 June 2016	**84 238**	**5 108 418**	**860 241**	**194 153**	**17 562**	**64 638**	**6 329 250**

Interim condensed consolidated statement of cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	1st half 2017 from 01.01.2017 to 30.06.2017	1st half 2016 from 01.01.2016 to 30.06.2016
Net profit for the period		**120 779**	**64 638**
ADJUSTMENTS FOR:		**449 557**	**3 212 951**
Income tax expense		87 345	57 828
Depreciation and amortization		91 984	96 386
Dividend income		(4 693)	(5 758)
Interest income		(1 317 560)	(1 270 607)
Interest expense		369 270	374 668
Change in provisions		(34 542)	(4 235)
Change in loans and advances from banks		(32 416)	2 824
Change in derivative financial instruments (assets)		(70 172)	2 442
Change in loans and advances to customers		(1 027 079)	(1 398 332)
Change in amounts due to banks		1 419 473	(736 316)
Change in derivative financial instruments (liabilities)		123 237	6 594
Change in amounts due to customers		(56 090)	5 366 994
Change in other assets and current tax assets		74 750	(280 831)
Change in other liabilities and deferred tax liability		(65 655)	307 406
Other adjustments	34	(217 176)	(97 380)
Interest received		1 346 028	1 206 871
Interest paid		(349 327)	(415 603)
Net cash from operating activities		**570 336**	**3 277 589**

CASH FLOWS FROM INVESTING ACTIVITIES:	Note	1st half 2017 from 01.01.2017 to 30.06.2017	1st half 2016 from 01.01.2016 to 30.06.2016
INVESTING ACTIVITIES INFLOWS		**12 882 199**	**13 777 671**
Sale of available-for-sale financial assets		12 867 017	13 752 939
Sale of intangible assets and property, plant and equipment		10 489	18 974
Dividends income and other investing activities inflows		4 693	5 758
INVESTING ACTIVITIES OUTFLOWS		**(11 369 265)**	**(15 904 688)**
Purchase of available-for-sale securities		(11 295 719)	(15 808 935)
Purchase of intangible assets and property, plant and equipment		(73 546)	(95 753)
Net cash from investing activities		**1 512 934**	**(2 127 017)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
FINANCING ACTIVITIES INFLOWS		**-**	**1 731 417**
Long-term loans received		-	1 117 517
Increase in subordinated loans		-	613 900
FINANCING ACTIVITIES OUTFLOWS		**(2 014 270)**	**(2 315 544)**
Repayment of long-term loans and advances to banks		(2 004 270)	(2 243 548)
Redemption of debt securities issued		(10 000)	(71 996)
Net cash from financing activities		**(2 014 270)**	**(584 127)**
TOTAL NET CASH		**69 000**	**566 445**
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**	**2 552 623**	**3 828 780**
effect of exchange rate fluctuations on cash and cash equivalents held		(35 151)	8 822
of restricted use		1 302	1 225

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 its registered office in Paris.

As at 30 June 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 30 June 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 half of the year ended 30 June 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 half of 2017 do not differ from the principles applied in 2016, which were described in detail the consolidated financial statements of the Bank BGŻ BNP Paribas S.A. Capital Group for the year ended 31 December 2016.

As these 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 for 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 revisions (applicable to annual periods beginning on or after 1 January 2018).
- **IFRS 16 "Leases"** (applicable to annual periods beginning on or after 1 January 2019);
- **IFRS 17 "Insurance Contracts"** (applicable to annual periods beginning on or after 1 January 2021);
- **Revised IFRS 2 "Share Based-Payments"** — Classification and Measurement of Share-Based Payments (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 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, and subsequent revisions (the effective date has been postponed until inquiry into the equity method is completed);
- **Revised IAS 40 "Investment Property"** — Transfers of Investment Property (applicable to annual period beginning on or after 1 January 2018);
- **Amendments to IFRS 1 and IAS 28 following "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 1 and IAS 28 apply to annual periods beginning on or after 1 January 2018).
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (applicable to annual period beginning on or after 1 January 2018);

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (applicable to annual periods beginning on or after 1 January 2019).

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

3.2 Implementation of IFRS 9

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments", published by the International Accounting Standards Board on 24 July 2014 and endorsed by the European Union on 22 November 2016 is the final version of the standard which replaces the earlier published versions of IFRS 9 and ends the project of the International Accounting Standards Board aimed at replacing IAS 39 "Financial Instruments: Recognition and Measurement"
The new IFRS 9 amends the following three areas: classification and measurement of financial instruments, recognition and calculation of their impairment and hedge accounting.

Summary of the key assumptions of IFRS 9

Classification and measurement

In line with IFRS 9, at initial recognition financial assets are classified to the following measurement categories:

— financial assets measured at amortized cost,

— financial assets measured at fair value through other comprehensive income,

— financial assets measured at fair value through profit or loss.

Classification of financial assets in line with IFRS 9 depends on:

— the business model for managing the financial assets, and

— the contractual cash flow characteristics, i.e. whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

The Bank BGŻ BNP Paribas Group, based on analyses of cash flows and the initially assumed financial models, does not expect any material changes in the classification and measurement of financial assets, i.e.:

— financial assets classified to "Loans and receivables" under IAS 39 will still be measured at amortized cost, provided that the requirements of the cash flow analysis test will be satisfied;

— debt instruments classified to the "available for sale" category will be divided into those measured at amortized cost and those still measured at fair value through other total income;

— available-for-sale equity instruments without a quoted price measured at cost less impairment loss will be measured at fair value through profit or loss or other comprehensive income depending on the type of investment; the Group has not yet made any final and irrevocable decision whether to recognize changes in the fair value of equity instruments in other comprehensive income;

— financial instruments currently measured at fair value through profit or loss will still be measured this way.

The analyses carried out by the Bank BGŻ BNP Paribas Group based on the results of the tests of contractual cash flows and evaluation of the business model revealed that potential changes in the classification and measurement of assets will primarily apply to the portfolio of loans in which the structure of interest rate is based on financial leverage.
IFRS 9 does not introduce any material changes in the classification and measurement of financial liabilities compared to the principles introduced by IAS 39, which means that when financial liabilities are incurred they are classified to the following categories:

— financial liabilities at fair value through profit or loss;

— other financial liabilities (measured at amortized cost).

Hedge accounting

Based on the provisions of IFRS 9.7.2.21, the Group intends to decide to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9. This decision will apply to all hedging relationships for which the Group has been applying and will continue to apply hedge accounting.
Therefore, as far as hedge accounting is concerned, the implementation of IFRS 9 will not affect the financial position of the Group.

Impairment

Impairment requirements of IFRS 9 are based on the expected credit loss model, which replaces the incurred loss model adopted by IAS 39.

The Group applies a three-stage approach to the measurement of expected credit losses on debt instruments measured at amortized cost or at fair value through other comprehensive income. Following the credit quality changes since the initial recognition, financial assets go through the three stages as presented below:

i) Stage 1: Impairment loss arising from expected credit losses within a 12-month period
If credit risk has not increased significantly since initial recognition and no credit impairment has been observed since its origination, the Group recognizes a loss allowance for expected credit losses related to the probability of default in the subsequent 12 months ;

ii) Stage 2: Lifetime expected credit loss —no impairment of financial assets observed

For exposures whose credit risk has significantly increased, but no financial asset impairment has been observed, a lifetime expected credit loss is recognized.

iii) Stage 3: Lifetime expected credit loss — impairment of financial assets

Financial assets are classified as impaired instruments, if there is objective indication of impairment following an event (events) that occurred after the initial recognition of a given asset (“impairment recognition indications”). Since the Group will use the same impairment indications to calculate impairment in line with IFRS 9 as those used in the calculation in line with IAS 39, the methodology of recognizing individual provisions remains substantially the same. Lifetime expected credit losses are recognized for financial assets with impairment observed, while interest income is recognized on the net carrying amount of such financial instruments (less impairment) using the effective interest rate.

As at the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. To make that assessment, the Groups compares the risk of a default as at the reporting date with the risk of a default as at the date of initial recognition using e.g. an internal credit risk rating, external credit ratings, information about payment delays and information from internal credit risk control system such as warning letters and information about restructuring.

The expected credit loss is measured as the current value of all cash shortfalls over the lifetime of a financial asset, probability-weighted and discounted using the effective interest rate. A cash shortfall is the difference between all the contractual cash flows due to the Group and all the cash flows the Group expects to receive. The value of the expected credit loss is recognized in profit or loss under impairment losses.

The Group assesses that the impairment loss calculated in line with IFRS 9 will lead to earlier recognition of credit losses compared to the requirements of IAS 39.

Disclosures and comparative information

The new requirements of IFRS 9 lead to a significant change in the presentation and scope of disclosures as regards financial instruments, especially during the first year of application of the new standard.

The Group intends to apply the provisions of IFRS 9 whereby comparative information for prior periods does not need to be restated with respect to changes resulting from classification and measurement (including impairment). Differences between the carrying amount of financial assets and liabilities arising from application of IFRS 9 will be recognized under “Prior year profit” as at 1 January 2018.

Implementation schedule

In mid-2016 the BGŻ BNP Paribas Bank Group, in cooperation with an external advisor, launched a project aimed at implementation of IFRS 9. At the BGŻ BNP Paribas Bank Group the project involves departments responsible for risk management, accounting policy, reporting, IT systems as well as business and operating departments.

The project is intended to include:

— analysis (identification) of differences between IAS 39 and IFRS 9 and analysis of steps which need to be taken to ensure compliance with the new standard;

— implementation of necessary solutions to meet individual requirements of the new standard.

The Group focuses on:

— developing and implementing models to calculate impairment losses;

— developing and implementing solutions in IT systems;

— modifying/developing new processes and internal regulations related to the implementation of the new standard.

Currently, the Group is testing and implementing solutions necessary for the individual requirements based on the analysis and defined methodological assumptions. As expected, the Group intends to complete the implementation of IFRS 9 by the end of 2017.

Potential impact of IFRS 9 on the financial position and equity

As at 30 June 2017 it is impossible to estimate the overall impact of implementation of IFRS 9 on the financial position and equity of the Group. In the opinion of the Group, the disclosure of quantitative information which does not reflect the potential impact of all aspects of IFRS 9 on the Group's financial position and equity could have a negative impact on the informative value of the financial statements for its readers.

Therefore, the Group decided to disclose only quantitative information about the Group's approach to the way the requirements of IFRS 9 are implemented, which — in the opinion of the Group — will help the recipients understand the impact of IFRS 9 on the financial position of the Group and equity management. A reliable assessment of the final effects of the changes will be possible only at a later time.

Additionally, in relation to changes arising from the implementation of IFRS 9 and the lack of current information regarding planned changes in tax regulations, the Group believes there is substantial uncertainty regarding tax regulations, which will have to be adjusted to the new standard and which may affect the deferred tax asset in the Group, derived from impairment-related costs.

3.3 Implementation of IFRS 15

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" was published by the International Accounting Standards Board on 28 May 2014 and applies to annual periods beginning on or after 1 January 2018. The terms and conditions provided for in IFRS 15 will apply to all contracts generating revenue except for the contracts covered by other standards. The core principle of the new standard is that revenue is recognized when goods and services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new principles will be delivered in a five-step model framework:

a) Identify the contract with a customer which may provide the Bank with the right to recognize revenue;
b) Identify the performance obligations in the contract;
c) Determine the transaction price;
d) Allocate the transaction price to the performance obligations in the contract;
e) Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue from sales of goods or services offered to customers in bundles should be distinct and accounted for separately, unless the bundle of goods /services delivered to the customer has been considered a single performance obligation.

Additionally all discounts and rebates as well as refunds or payments to the customer adjust the transaction price, and hence the amount of recognized revenue, unless the payment to the customer is consideration in exchange for distinct services provided by the customer.

In the case of payments to the customer, the revenue should be recognized at net amounts (adjusted by the amount to be returned to the customer).

If the revenue is variable, in line with the new standard, the variable amount is classified to revenue only to the extent that it is highly probable that a significant reversal in the amount will not occur.

Moreover, in line with IFRS 15, the costs incurred to obtain and secure a contract with a customer should be recognized as an asset and settled over time throughout the period of consumption of the benefits derived from the contract, if the Bank expects that the costs will be recovered.

The Bank may recognize the incremental costs of obtaining a contract as an expense when incurred, if the amortization period of the asset that the Bank otherwise would have recognized is one year or less.

Bank BGŻ BNP Paribas Group will apply IFRS 15 as of 1 January 2018.

In 2017 the Company initiated a project to analyse the impact of the implementation of IFRS 15 on revenue recognition.

The analysis revealed the following types of revenue which as a rule should be recognized in line with IFRS 15:

• consideration under contracts in which the Bank is an agent;

• additional consideration paid by clearing institutions;

• loyalty schemes and interchange revenue received from clearing institutions;
success fee contracts understood as contracts in which the Bank BGŻ BNP Paribas Group has not been guaranteed consideration or in which consideration is minimum throughout the performance of the contract until a condition arises that gives the Bank BGŻ BNP Paribas Group a considerable fee enough to pay for the performance of the contract over an extensive preceding period;

• revenue from asset management.

The Bank BGŻ BNP Paribas Group has been conducting an analysis to determine whether the current way in which revenue is recognized under applied contractual provisions, will change following the implementation of IFRS 15.

Since the analysis is pending, the impact on the financial performance has not been disclosed. However, since the Bank BGŻ BNP Paribas Group offers financial instruments such as credit facilities, loans and leases and the resulting revenue is recognized based on the effective interest rate, the Group estimates that income will not be material to ensure a clear and reliable picture of the financial and economic position and its profit or loss.

3.4 Payments to the Bank Guarantee Fund

Following the amendment of the Act on the Bank Guarantee Fund (BGF) introduced in 2016, the contribution to the Banks' restructuring fund (previous prudential fee) will be calculated and payable on an annual, not quarterly, basis (contributions to the guarantee fund will still be calculated on a quarterly basis). The method of calculating both contributions has also changed and BGF calculates and informs the banks about the final amount of contribution for 2017. Consequently, in line with the requirements of IFRIC 21, the Bank recognized the entire cost of the contribution to the restructuring fund when the payment obligation arose.

Cost of BGF recognized in the first half of 2017 and in the comparative period (in PLN million)

	30.06.2017	30.06.2016
Contribution to the guarantee fund	22.8	41.7
Contribution to the restructuring fund (previously: prudential fee)	50.6	19.7

In 2017 both contributions did not qualify as tax-deductible expenses, however, in the prior year the contribution to the guarantee fund was classified to tax-deductible expenses.

4 GOING CONCERN

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

5 APPROVAL FOR PUBLICATION

The consolidated interim report of the Capital Group of Bank BGŻ BNP Paribas S.A. for the period of six months ended 30 June 2017 was approved by the Management Board for publication on 30 August 2017.

6 SEASONALITY AND CYCLICALITY OF OPERATIONS

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 of 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 significant.

Impairment tests for individually significant assets

The individual test is performed by the Bank for individually significant financial assets. 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 collateral are taken into account for purposes of estimating future cash flows.

Collective (group) tests

The following assets are tested collectively:

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

The Bank recognizes a collective impairment allowance for exposures with identified objective indication of impairment. The value of the impairment allowance depends on the type of the credit exposure, delinquency period and collateral value (for selected portfolios). IBNR (incurred but not reported loss) is recognized for exposures for which an objective indication of impairment has not been identified. 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 collective impairment allowances, both for exposures which are individually insignificant with an objective indication of impairment identified and exposures which are individually significant and insignificant 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 allowances on financial assets as objectively and adequately as possible.

The PD parameters are updated twice a year, in line with the value estimation principles adopted by the Bank. The aforesaid parameters are determined based on statistical analyses of historical data as well as observable monthly migration of credit exposures. LGD, CCF and LIP are reviewed and updated annually. 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 allowance in relation to the obligor and 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. In selected portfolios, LGD is determined for each exposure individually, based on its type and collateral value. 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 (no amounts overdue over 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 allowances on financial assets estimated in a collective impairment test are back-tested on a regular basis. The risk parameter models used to estimate the impairment allowances are also covered by the model management process, which involves laying down the principles of their development, approval and monitoring (including back testing) of the models. The risk parameters and impairment allowances/provisions determined using the collective method are back-tested at least once a year. Additionally, the Bank has a validation unit independent of the owners and model users which once a year validates the risk parameters of significant models. The validation applies both to the quantity and quality approach. The process of estimating impairment allowances is subject to periodic functional control and verified independently by the Bank's internal audit.

b) fair value of derivative instruments

The fair value of derivative instruments which are not quoted in 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 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 with 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 a non-current asset requires the Group to make assumptions as to the estimated amounts, dates of future cash flows that may be generated by the Group on the item of 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 contracts whereby substantially all risks and rewards of ownership of the assets are transferred onto the lessee are classified as finance leases. The balance sheet discloses receivables in the amount of net investment in the lease. Revenue from finance lease contracts is recognized to reflect the constant periodic rate of return on the net investment in the lease 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

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Loans and advances to banks	7 346	14 452	6 577	12 955
Overdrafts to customers	91 914	180 267	89 568	177 228
Loans and advances to customers, including:	477 158	945 171	464 190	919 338
corporate	115 497	225 126	109 300	218 497
households	332 921	664 938	334 020	660 307
budget entities	1 286	2 593	1 229	2 477
other entities	27 454	52 514	19 641	38 057
Hedging instruments	13 866	27 542	25 413	39 647
Debt securities, including:	74 923	150 128	62 321	121 439
available-for-sale financial assets	74 923	150 128	62 321	121 439
INTEREST INCOME	**665 207**	**1 317 560**	**648 069**	**1 270 607**

Amounts due to banks	(21 278)	(44 407)	(22 996)	(54 920)
Debt securities issued	(2 960)	(5 919)	(3 132)	(6 621)
Amounts due to customers, including:	(146 637)	(292 222)	(139 607)	(272 745)
corporate	(49 831)	(98 220)	(42 750)	(75 864)
households	(76 222)	(155 170)	(75 753)	(152 305)
budget entities	(6 021)	(10 440)	(4 274)	(8 575)
other entities	(14 563)	(28 392)	(16 830)	(36 001)
Hedged items	(12 857)	(26 722)	(21 756)	(40 265)
Repo transactions	-	-	(60)	(117)
INTEREST EXPENSE	**(183 732)**	**(369 270)**	**(187 551)**	**(374 668)**
Net interest income	**481 475**	**948 290**	**460 518**	**895 939**

9 NET FEE AND COMMISSION INCOME

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
loans and advances	56 585	112 438	45 525	90 070
account maintenance and settlements	34 665	72 747	46 550	93 960
guarantee commitments	6 926	13 600	6 557	13 346
brokerage operations	10 173	15 761	6 032	11 663
payment cards	25 637	44 853	18 622	38 033
insurance activity	11 418	21 656	5 734	18 197
asset management	2 794	6 805	1 213	2 115
other	13 872	26 093	16 887	26 289
FEE AND COMMISSION INCOME	**162 070**	**313 953**	**147 120**	**293 673**
loans and advances	(1 517)	(2 860)	(55)	(216)
payment cards	(17 442)	(27 593)	(9 192)	(23 691)
insurance activity	(5 761)	(12 114)	(1 793)	(3 284)
related to partners' network	(1 827)	(2 974)	(4 880)	(7 538)
other	(11 309)	(16 373)	(9 310)	(14 017)
FEE AND COMMISSION EXPENSE	**(37 856)**	**(61 914)**	**(25 230)**	**(48 746)**
Net fee and commission income	**124 214**	**252 039**	**121 890**	**244 927**

10 NET TRADING INCOME

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Derivative instruments and foreign currency exchange result	60 797	126 458	57 820	109 855
Net trading income	**60 797**	**126 458**	**57 820**	**109 855**

11 NET INVESTMENT INCOME

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

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Available-for-sale assets	20 111	21 095	41 959	42 433
Total	**20 111**	**21 095**	**41 959**	**42 433**

12 OTHER OPERATING INCOME

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Sale or liquidation of property, plant and equipment and intangible assets	9 041	9 404	1 672	3 155
Sale of goods and services	3 849	6 962	10 539	11 909
Release of provisions for litigation and claims and other liabilities	622	1 179	903	3 459
Recovery of debt collection costs	2 444	5 890	1 848	3 323
Recovery of overdue debts, redeemed receivables, noncollectible debts and payment of receivables that were excluded from the consolidated statement of financial position	201	2 026	21 601	24 927
Income from leasing operations	7 820	13 887	5 307	12 372
Other*	17 942	26 368	10 837	24 635
Total other operating income	**41 919**	**65 716**	**52 707**	**83 780**

* In the first half of 2017 the item „Other" includes among other things: the annual adjustment of the value added tax paid in 2016 amounted to PLN 7 873 000.

13 OTHER OPERATING EXPENSES

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Loss on sale or liquidation of property, plant and equipment and intangible assets	(10 885)	(12 546)	(10 662)	(13 431)
Impairment charges on other receivables	(482)	(10 071)	(39)	(439)
Provisions for restructuring of assets, litigation and claim and other liabilities	(1 832)	(2 034)	(293)	(750)
Debt collection	(7 998)	(16 311)	(7 146)	(12 092)
Donations made	(645)	(1 280)	(1 092)	(2 121)
Costs of leasing operations	(4 983)	(12 475)	(4 758)	(11 507)
Other operating expenses	(6 724)	(10 379)	(12 759)	(19 169)
Total other operating expenses	**(33 549)**	**(65 096)**	**(36 749)**	**(59 509)**

14 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTINGENT LIABILITIES

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Loans and advances to banks	(876)	174	165	(586)
Loans and advances to customers	(90 034)	(177 803)	(93 189)	(167 376)
Contingent commitments granted	(1 114)	(394)	4 491	2 147
Total net impairment losses on financial assets and contingent liabilities	**(92 024)**	**(178 023)**	**(88 533)**	**(165 815)**

15 GENERAL ADMINISTRATIVE EXPENSES

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Personnel expenses	(206 108)	(422 211)	(257 213)	(477 136)
Marketing expenses	(20 900)	(36 564)	(21 926)	(44 660)
IT and telecom costs	(28 091)	(54 743)	(35 812)	(64 649)
Rental expenses	(43 316)	(80 775)	(44 501)	(89 098)
Other non-personnel expenses	(43 200)	(85 885)	(43 230)	(93 654)
Business travels	(3 209)	(5 722)	(2 802)	(4 533)
ATM and cash handling costs	(849)	(1 512)	(384)	(1 858)
Costs of outsourcing in leasing operations	(5 343)	(9 974)	(5 647)	(12 126)
Bank Guarantee Fund fee	(31 972)	(73 393)	(30 742)	(61 336)
Polish Financial Supervision Authority fee	(1 205)	(2 373)	(3 634)	(7 061)
Total general administrative expenses	**(384 193)**	**(773 152)**	**(445 891)**	**(856 111)**

16 DEPRECIATION AND AMORTIZATION

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Property, plant and equipment	(21 601)	(43 783)	(20 535)	(40 291)
Intangible assets	(22 492)	(48 201)	(32 764)	(56 095)
Total amortization and depreciation	**(44 093)**	**(91 984)**	**(53 299)**	**(96 386)**

17 INCOME TAX EXPENSES

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Current income tax	(60 539)	(87 650)	(46 855)	(54 412)
Deferred income tax	13 086	305	15 079	(3 416)
Income tax expense	**(47 453)**	**(87 345)**	**(31 776)**	**(57 828)**
Profit before income tax	128 669	208 124	65 159	122 476
Statutory tax rate	19%	19%	19%	19%
Income tax on gross profit	**(24 449)**	**(39 544)**	**(12 380)**	**(23 270)**
Receivables write-off	(106)	820	(3 963)	(4 248)
Non-tax-deductible overheads/income	(71)	421	158	(720)
PFRON	(240)	(544)	(300)	(666)
Prudential fee to the Bank Guarantee Fund	(6 075)	(13 945)	(1 947)	(3 743)
Purchased receivables write-offs	-	-	(3)	156
Impairment allowance for receivables	566	(699)	(6 662)	(8 672)
Tax on financial institutions	(9 777)	(19 686)	(6 383)	(12 413)
Other differences	(7 301)	(14 168)	(296)	(4 252)
Total income tax charge on gross profit of the Group	**(47 453)**	**(87 345)**	**(31 776)**	**(57 828)**

18 CASH AND BALANCES WITH THE CENTRAL BANK

	30.06.2017	31.12.2016
Cash and other balances	825 382	1 062 599
Account with the National Bank of Poland	1 311 439	240 248
Total cash and balances at Central Bank	**2 136 821**	**1 302 847**

19 LOANS AND ADVANCES TO BANKS

	30.06.2017	31.12.2016
Current accounts	369 528	236 548
Interbank placements	37 574	918 746
Non-current loans and advances	32 064	40 089
Other	82 983	40 262
Total loans and advances to banks (gross)	**522 149**	**1 235 645**
Impairment allowances on loans and advances to banks	(1 879)	(2 053)
Total loans and advances to banks (net)	**520 270**	**1 233 592**

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

	6 months ended 30.06.2017	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 allowances	(1 580)	(3 686)
Release of impairment allowances	1 754	2 596
Other changes	-	93
Impairment allowances on loans and advances to banks at the end of the period	**(1 879)**	**(2 053)**

20 DERIVATIVE FINANCIAL INSTRUMENTS

30.06.2017	Nominal value	Fair value Assets	 Liabilities
TRADING DERIVATIVES			
CURRENCY DERIVATIVES:			
Foreign Exchange Forward (FX Forward + NDF)	3 079 725	33 890	57 272
Currency Swaps (FX Swap)	5 843 673	63 940	53 173
Currency Interest Rate Swaps (CIRS)	2 508 734	69 431	72 608
OTC currency options	968 259	7 704	7 722
Total currency derivatives:	**12 400 391**	**174 965**	**190 775**
INTEREST RATE DERIVATIVES:			
interest rate swap	29 865 716	204 443	189 323
Forward Rate Agreements (FRA)	1 700 000	52	97
OTC interest rate options	2 941 036	10 297	10 328
Total interest rate derivatives:	**34 506 752**	**214 792**	**199 748**
OTHER DERIVATIVES			
OTC options	257 754	3 672	3 687
OTC commodity swaps	68 497	748	660
Foreign Exchange Spot (FX Spot)	2 897 535	-	124
other options	8 500	-	-
Total other derivatives:	3 232 286	4 420	4 471
TOTAL TRADING DERIVATIVES:	**50 139 429**	**394 177**	**394 994**
of which: – valued using model-based method	*50 139 429*	*394 117*	*394 994*

		Fair value	
31.12.2016	Nominal 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
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 30 June 2017, the Group used macro 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 PLN, EUR and USD current accounts.
Hedging instruments	Standard IRS transactions, i.e. plain vanilla IRS in PLN, EUR and USD, for which the Group receives a fixed interest rate and pays a floating rate based on WIBOR 6M, WIBOR 3M, EURIBOR 3M, EURIBOR 1M, USD LIBOR 1M.

IRS	Nominal value	Fair value Assets	Fair value Liabilities
30.06.2017	5 582 764	8 782	-
31.12.2016	4 019 360	18 671	-

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.

The table below presents hedging derivative instruments by nominal value as at 30 June 2017, broken down by residual maturity:

	30.06.2017							
	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)	8 782	-	-	-	1 416 906	2 676 221	1 489 637	5 582 764
Total hedging instruments	**8 782**	**-**	**-**	**-**	**1 416 906**	**2 676 221**	**1 489 637**	**5 582 764**

	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**

Additionally, as at 30 June 2017, the Group used micro 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 coupon bonds
Hedging instruments	Standard IRS transaction, i.e. plain vanilla IRS in PLN, for which the Group pays a fixed interest rate and receives a floating rate based on WIBOR 6M.
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	
IRS	Nominal value	Assets	Liabilities
30.06.2017	750 000	900	-

The table below presents hedging derivative instruments by nominal value as at 30 June 2017, broken down by residual maturity:

	30.06.2017							
	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)	900	-	-	-	-	750 000	-	750 000
Total hedging instruments	**900**	**-**	**-**	**-**	**-**	**750 000**	**-**	**750 000**

22 LOANS AND ADVANCES TO CUSTOMERS

	30.06.2017	31.12.2016
CURRENT ACCOUNTS:	**8 847 151**	**8 114 472**
corporate	4 656 646	4 188 362
households:	4 159 228	3 918 198
individual customers	173 773	183 507
individual entrepreneurs	429 023	428 561
farmers	3 556 432	3 306 130
budget entities	4 014	475
other entities	27 263	7 437
NON-CURRENT LOANS AND ADVANCES:	**50 011 071**	**49 962 755**
corporate:	15 449 246	15 127 379
investment loans	7 814 948	7 198 133
revolving loans	3 436 139	3 557 759
other	4 198 159	4 371 487
households:	30 922 399	31 476 050
individual customers, in this:	21 446 464	21 885 691
mortgage loans	14 359 794	15 005 546
individual entrepreneurs	2 031 545	2 251 724
farmers	7 444 390	7 338 635
budget entities	178 412	185 097
other entities	807 140	392 790
lease receivables	2 653 874	2 781 439
Total gross loans and advances	**58 858 222**	**58 077 227**
Impairment allowances on loans and advances (negative value)	(2 817 640)	(3 001 356)
Total net loans and advances	**56 040 582**	**55 075 871**

Impairment allowances on loans and advances to customers

	30.06.2017	31.12.2016
CURRENT ACCOUNTS:	**(413 023)**	**(433 071)**
corporate	(275 601)	(292 401)
households:	(136 791)	(140 033)
individual customers	(14 680)	(21 068)
individual entrepreneurs	(60 883)	(66 233)
farmers	(61 228)	(52 732)
budget entities	(5)	-
other entities	(626)	(637)
NON-CURRENT LOANS AND ADVANCES:	**(2 404 617)**	**(2 568 285)**
corporate:	(935 867)	(943 480)
investment loans	(276 007)	(284 646)
revolving loans	(480 899)	(481 415)
other	(178 961)	(177 419)
households:	(1 371 281)	(1 525 360)
individual customers, in this:	(905 327)	(1 084 337)
mortgage loans	(326 594)	(364 406)
individual entrepreneurs	(231 937)	(235 033)
farmers	(234 017)	(205 990)
budget entities	(198)	(215)
other entities	(4 156)	(3 933)
lease receivables	(93 115)	(95 297)
Total impairment allowances	**(2 817 640)**	**(3 001 356)**

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

IMPAIRED EXPOSURES	30.06.2017	31.12.2016
Gross carrying exposure	4 246 291	4 484 357
Impairment allowances	(2 512 437)	(2 686 095)
Net exposure	**1 733 854**	**1 798 262**
EXPOSURES WITHOUT INDICATIONS OF IMPAIRMENT		
Gross carrying exposure	54 611 931	53 592 870
IBNR provision	(305 203)	(315 261)
Net exposure	**54 306 728**	**53 277 609**

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

	6 months ended 30.06.2017	12 months ended 31.12.2016
Impairment allowances − opening balance	**(3 001 356)**	**(3 006 099)**
Impairment allowances*	(454 270)	(1 959 065)
Release of impairment allowances*	276 468	1 556 918
Write-off	342 045	415 495
Impairment charges acquired as a result of merger	-	29 988
Other changes (including exchange differences)	19 473	(38 593)
Impairment charges − closing balance	**(2 817 640)**	**(3 001 356)**

* In 2016, the creation and reversal of impairment losses on loans and credits was presented to turnover due to functional system limitations. The above presentation does not affect the Bank's financial result.

Due to the merger of the systems in November 2016 in the Consolidated Report of 30 June 2017, the disclosure of the creation and reversal of impairment losses on loans and credits has been eliminated

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

Loans by currency	30.06.2017	31.12.2016
CHF	6 052 034	6 733 995
EUR	69 082	76 696
PLN	8 234 707	8 190 068
USD	3 971	4 787
Total	**14 359 794**	**15 005 546**

CHF loan portfolio value

	30.06.2017		31.12.2016	
(Gross) loan portfolio, in this:	Total portfolio	including exposures in CHF	Total portfolio	including exposures in CHF
CURRENT ACCOUNTS:	**8 847 151**	**3**	**8 114 472**	**4**
corporate	4 656 646	-	4 188 362	-
households:	4 159 228	3	3 918 198	4
individual customers	173 773	3	183 507	4
individual entrepreneurs	429 023	-	428 561	-
farmers	3 556 432	-	3 306 130	-
budget entities	4 014	-	475	-
other entities	27 263	-	7 437	-
NON-CURRENT LOANS AND ADVANCES:	**50 011 071**	**6 351 550**	**49 962 755**	**7 090 253**
corporate:	15 449 246	67 502	15 127 379	89 739
investment loans	7 814 948	14 529	7 198 133	20 551
revolving loans	3 436 139	40 031	3 557 759	53 984
other	4 198 159	12 942	4 371 487	15 204
households:	30 922 399	6 194 190	31 476 050	6 901 923
individual customers, in this:	21 446 464	6 145 114	21 885 691	6 837 907
mortgage loans	14 359 794	6 052 034	15 005 546	6 733 995
individual entrepreneurs	2 031 545	41 546	2 251 724	53 782
farmers	7 444 390	7 530	7 338 635	10 234
budget entities	178 412	-	185 097	-
other entities	807 140	2 255	392 790	2 593
lease receivables	2 653 874	87 603	2 781 439	95 998
Total gross loans and advances	**58 858 222**	**6 351 553**	**58 077 227**	**7 090 257**

Impairment losses on CHF loans

	30.06.2017		31.12.2016	
(Gross) loan portfolio, including:	Total portfolio	including exposures in CHF	Total portfolio	including exposures in CHF
CURRENT ACCOUNTS:	**(413 023)**	**(3)**	**(433 071)**	**-**
corporate	(275 601)	-	(292 401)	-
households:	(136 791)	(3)	(140 033)	-
individual customers	(14 680)	(3)	(21 068)	-
individual entrepreneurs	(60 883)	-	(66 233)	-
farmers	(61 228)	-	(52 732)	-
budget entities	(5)	-	-	-
other entities	(626)	-	(637)	-
NON-CURRENT LOANS AND ADVANCES:	**(2 404 617)**	**(264 855)**	**(2 568 285)**	**(306 212)**
corporate:	(935 867)	(4 922)	(943 480)	(12 553)
investment loans	(276 007)	(1 092)	(284 646)	(797)
revolving loans	(480 899)	(443)	(481 415)	(8 145)
other	(178 961)	(3 387)	(177 419)	(3 611)
households:	(1 371 281)	(242 835)	(1 525 360)	(279 004)
individual customers, in this:	(905 327)	(233 656)	(1 084 337)	(267 181)
mortgage loans	(326 594)	(220 398)	(364 406)	(254 577)
individual entrepreneurs	(231 937)	(8 075)	(235 033)	(9 985)
farmers	(234 017)	(1 104)	(205 990)	(1 838)
budget entities	(198)	-	(215)	-
other entities	(4 156)	-	(3 933)	-
lease receivables	(93 115)	(17 098)	(95 297)	(14 655)
Total gross loans and advances	**(2 817 640)**	**(264 858)**	**(3 001 356)**	**(306 212)**

In the first half of 2017, the Bank entered into agreements for sale of 5 loan portfolios. The receivables sold under the agreement, the major part of which had been covered with impairment allowances or derecognized in whole, totalled PLN 505 048 thousand (principal, interest and other accompanying receivables). The contractual portfolio sale price was PLN 70 146 thousand. The net effect of the portfolio sale on the profit generated by the Bank was PLN 17 793 thousand and it was presented in the lines “impairment charges” and “release of impairment charges”.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2017	31.12.2016
Debt securities available for sale:	11 055 629	12 448 691
issued by central banks – NBP bills	-	999 959
issued by governments – T-bonds	10 995 273	11 373 673
issued by non-financial entities – bonds	55 311	70 072
issued by budget entities – municipal bonds	5 045	4 987
Available-for-sale equity instruments (stock and shares)	41 955	47 603
Share units	627	1 561
Total available-for-sale financial assets	**11 098 211**	**12 497 855**
of which:		
valued using the market quotation method	*10 995 900*	*11 374 313*
valued using model-based method	*102 311*	*1 123 542*

24 INTANGIBLE ASSETS

	30.06.2017	31.12.2016
Licenses	187 765	195 934
Other intangible assets	5 338	6 153
Intangible assets	52 264	44 465
Total intangible assets	**245 367**	**246 552**

In the first half of 2017, the gross carrying amount of intangible assets purchased by the Group was PLN 48 257 thousand (vs. PLN 51 370 thousand in the first half of 2016), while the net carrying amount of assets sold and liquidated amounted to PLN 2 116 thousand (as compared to PLN 16 033 thousand in the first half of 2016).

25 PROPERTY, PLANT AND EQUIPMENT

	30.06.2017	31.12.2016
Non-current assets, in this:	509 166	528 009
land and buildings	239 092	242 622
IT equipment	121 596	130 732
office equipment	28 754	30 102
other, including investments in foreign fixed assets	119 724	124 553
Assets under construction	9 094	17 993
Total property, plant and equipment	**518 260**	**546 002**

In the first half of 2017, the gross carrying amount of property, plant and equipment purchased by the Group was PLN 24 453 thousand (vs. PLN 44 383 thousand in the first half of 2016), while the net carrying amount of property, plant and equipment items sold and liquidated was PLN 8 373 thousand (as compared to PLN 2 941 thousand in the first half of 2016).

26 OTHER ASSETS

OTHER ASSETS:	30.06.2017	31.12.2016
other debtors	232 261	214 630
interbank and intersystem settlements	1 994	17 240
prepaid expenses	47 425	45 605
accrued income	77 496	64 192
card settlements	1 154	9 780
tax and other regulatory receivables	86 386	147 606
insurance receivables	5 188	5 474
other lease receivables	45 208	22 936
other	13 944	3 019
Total other assets (gross)	**511 056**	**530 482**
Impairment allowances on other receivables	(57 712)	(55 168)
Total other assets (net)	**453 344**	**475 314**

27 AMOUNTS DUE TO BANKS

	30.06.2017	31.12.2016
Current accounts	588 239	199 895
Interbank deposits	866 037	127 507
Loans and advances received	5 371 915	6 957 003
Other liabilities	64 573	24 409
Total amounts due to banks	**6 890 764**	**7 308 814**

28 AMOUNTS DUE TO CUSTOMERS

	30.06.2017	31.12.2016
OTHER FINANCIAL INSTITUTIONS:	**3 593 419**	**3 990 812**
Current accounts	163 948	212 503
Term deposits	1 677 633	1 754 338
Loans and advances received	1 751 225	2 023 662
Other liabilities, in this:	613	309
cash collaterals	582	266
other	31	43
INDIVIDUAL CUSTOMERS:	**27 481 970**	**27 527 173**
Current accounts	15 455 932	14 725 418
Term deposits	11 903 133	12 680 228
Other liabilities, in this:	122 905	121 527
cash collaterals	37 961	45 511
other	84 944	76 016
CORPORATE:	**22 412 479**	**22 819 005**
Current accounts	12 498 567	12 090 445
Term deposits	9 623 300	10 451 327
Other liabilities, in this:	290 612	277 233
cash collaterals	258 360	245 867
other	32 252	31 366
INCLUDING FARMERS:	**1 562 834**	**1 630 880**
Current accounts	1 388 901	1 423 807
Term deposits	165 151	198 073
Other liabilities, in this:	8 782	9 000
cash collaterals	3 985	3 521
other	4 797	5 479
BUDGET ENTITIES:	**1 576 904**	**818 024**
Current accounts	681 377	585 195
Term deposits	893 211	229 848
Other liabilities, in this:	2 316	2 981
cash collaterals	23	23
other	2 293	2 958
Total amounts due to customers	**55 064 772**	**55 155 014**

29 DEBT SECURITIES ISSUED

Changes in the balance of debt securities issued

	6 months ended 30.06.2017	12 months ended 31.12.2016
Opening balance	**398 059**	**469 083**
Redemption of certificates of deposit	(10 000)	(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	(145)	972
Balance of debt securities issued at the end of the period	**387 914**	**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 30 June 2017, the par value of certificates of deposit issued was PLN 384 000 thousand as compared to PLN 394 000 thousand as at 31 December 2016.

30 SUBORDINATED LIABILITIES

As at 30 June 2017, the carrying amount of subordinated liabilities was PLN 1 698 941 thousand as compared to PLN 1 768 458 thousand as at 31 December 2016.

Change in subordinated liabilities	6 months ended 30.06.2017	12 months ended 31.12.2016
Opening balance	**1 768 458**	**847 568**
Loans taken out	-	882 400
Change in the balance of interest	(320)	2 029
Exchange differences	(69 197)	36 461
Balance at the end of the period	**1 698 941**	**1 768 458**

31 OTHER LIABILITIES

	30.06.2017	31.12.2016
Interbank and intersystem settlements	203 186	345 720
Other creditors	139 623	140 144
Card settlements	43 822	42 922
Provisions for non-personnel expenses	202 424	139 959
Provisions for other employees-related liabilities	85 664	131 665
Provision for unused holidays	31 223	29 653
Deferred income	78 209	83 187
Trust account liabilities	28 711	63 098
Other regulatory liabilities	65 912	103 973
Insurance liabilities	18 736	17 577
Other lease liabilities	20 320	16 233
Other	88 290	8 649
Total other liabilities	**1 006 120**	**1 122 780**

32 PROVISIONS

	30.06.2017	31.12.2016
Provision for restructuring	14 644	29 523
Provision for retirement benefits and similar obligations	13 527	13 332
Provision for guarantees, suretyships and undrawn credit facilities	43 048	42 659
Provisions for litigation and claims	8 451	26 687
Other provisions	6 393	8 840
Total provisions	**86 063**	**121 041**

Provisions for restructuring	6 months ended 30.06.2017	12 months ended 31.12.2016
Opening balance	29 523	60 824
Provisions charges	-	29 867
Provisions utilization	(14 879)	(59 674)
Provisions release	-	(2 080)
Other changes	-	586
Closing balance	14 644	29 523

Provision for retirement benefits and similar obligations	6 months ended 30.06.2017	12 months ended 31.12.2016
Opening balance	13 332	25 879
Provisions charges	842	5 205
Provisions release	(647)	(17 752)
Closing balance	13 527	13 332

Provisions for guarantees, suretyships and undrawn credit facilities	6 months ended 30.06.2017	12 months ended 31.12.2016
Opening balance	**42 659**	**46 784**
Provisions charges	9 084	53 981
Provisions release	(8 690)	(52 820)
Other changes	(5)	(5 286)
Closing balance	**43 048**	**42 659**

Provisions for litigation and claims	6 months ended 30.06.2017	12 months ended 31.12.2016
Opening balance	**26 687**	**20 913**
Provisions charges	2 238	11 455
Provisions utilization	(10 450)	(4 945)
Provisions release	(9 892)	(1 772)
Other changes	(132)	1 036
Closing balance	**8 451**	**26 687**

Other provisions	6 months ended 30.06.2017	12 months ended 31.12.2016
Opening balance	**8 840**	**9 754**
Provisions charges	2 339	6 146
Provisions release	(834)	(5 668)
Other changes	(3 952)	(1 392)
Closing balance	**6 393**	**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 period shorter than three months:

	30.06.2017	30.06.2016
Cash and balances at Central Bank (Note 18)	2 136 821	2 998 185
Current accounts and other receivables	369 228	461 888
Interbank placements	37 574	368 707
Non-current loans and advances	9 000	-
Total cash and cash equivalents	**2 552 623**	**3 828 780**

34 ADDITIONAL INFORMATION REGARDING THE STATEMENT OF CASH FLOWS

Other adjustments in the statement of cash flows	6 months ended 30.06.2017	6 months ended 30.06.2016
FX differences from subordinated loans	(69 190)	35 405
Change in hedge accounting	10 614	(20 838)
Equity of subsidiaries arising from business combination	-	(87 325)
Other adjustments	(158 600)	(24 622)
Total other adjustments in the statement of cash flows	**(217 176)**	**(97 380)**

35 CONTINGENT LIABILITIES

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

	30.06.2017	31.12.2016
CONTINGENT COMMITMENTS GRANTED	**18 167 918**	**18 766 871**
financial commitments	14 638 914	14 998 032
guarantees	3 529 004	3 768 839
CONTINGENT COMMITMENTS RECEIVED	**12 011 713**	**12 308 059**
financial commitments	10 486 210	10 994 815
guarantees	1 525 503	1 313 244

36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

In the first half of 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 maturing within 1 year, 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), 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:

30.06.2017	Level 1	Level 2	Level 3	Total
ASSETS RE-MEASURED TO FAIR VALUE:	**10 898 074**	**515 067**	**143 395**	**11 556 536**
Derivative financial instruments	-	361 612	32 565	394 177
Hedging instruments	-	9 682	-	9 682
Available-for-sale financial assets	10 995 273	46 574	56 364	11 098 211
Investment property	-	-	54 466	54 466
LIABILITIES RE-MEASURED TO FAIR VALUE:	**-**	**356 150**	**38 844**	**394 994**
Derivative financial instruments	-	356 150	38 844	394 994

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 30 June 2017 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 an independent property appraiser using the combined approach (residual method).

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

	Derivative financial instruments – assets	Available-for-sale financial assets	Investment property	Derivative financial instruments – liabilities
Balance as at 01.01.2017	**23 252**	**56 166**	**54 466**	**(14 681)**
Total gains/losses recognized in:	9 313	(4 802)	-	(24 163)
statement of profit or loss	*9 313*	*551*	-	*(24 163)*
statement of other comprehensive income	-	*(5 353)*	-	-
Purchase	-	-	-	-
Settlement	-	-	-	-
Transfers	-	5 000	-	-
Balance as at 30.06.2017	**32 565**	**56 364**	**54 466**	**(38 844)**
Unrealized gains/losses recognized in profit or loss relating to assets and liabilities held at the end of the period	**9 313**	**551**	**-**	**(24 163)**

	Derivative financial instruments – assets	Available-for-sale financial assets	Investment property	Derivative financial instruments – liabilities
Balance as at 01.01.2016	**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 31.12.2016	**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 analysed. 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.

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.

30.06.2017	Book value	Fair value	Level
FINANCIAL ASSETS			
Loans and advances to banks	520 270	516 403	3
Loans and advances to customers	56 040 582	48 603 295	3
FINANCIAL LIABILITIES			
Amounts due to banks	6 890 764	6 930 832	3
Amounts due to customers	55 064 772	55 174 033	3
Liabilities due to subordinated loan	1 698 941	1 929 453	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. Capital Group.

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

As at 30 June 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 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.

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

30.06.2017	BNP Paribas S.A.	BNP Paribas Fortis S.A.	Other entities from the capital group of Bank BNP Paribas S.A.	Key personnel	Total
ASSETS	**528 905**	**59 349**	**13 609**	**96**	**601 959**
Current accounts, interbank placements and loans and advances	310 518	55 518	9 542	96	375 674
Derivative financial instruments	217 827	3 831	-	-	221 658
Other assets	560	-	4 067	-	4 627
LIABILITIES	**3 806 863**	**2 351 368**	**3 067 255**	**2 052**	**9 227 538**
Loans and advances received	2 141 427	2 330 731	2 657 071	-	7 129 229
Interbank deposits and current accounts	57 990	16 986	149 592	2 052	226 620
Subordinated liabilities	1 445 167	-	253 590	-	1 698 757
Derivative financial instruments	162 279	-	-	-	162 279
Other liabilities	-	3 651	7 002	-	10 653
CONTINGENT LIABILITIES					
Financial commitments granted	305 601	500 000	104 680	47	910 328
Commitments received	590 012	558 183	425 988	-	1 574 183
Derivative financial instruments (face value)	65 510 980	2 366 863	-	-	67 877 843
6 months ended 30.06.2017					
STATEMENT OF PROFIT OR LOSS	**1 934**	**(7 133)**	**16 395**	**(28)**	**11 168**
Interest income	24	139	220	3	386
Interest expense	(11 597)	(9 591)	(5 330)	(32)	(26 550)
Fee and commission income	-	-	10 425	1	10 426
Fee and commission expense	(233)	(61)	-	-	(294)
Net trading income	13 766	2 722	20 545	-	37 033
Other operating income	-	-	1 167	-	1 167
Other operating expenses	-	-	(10 147)	-	(10 147)
General administrative expenses	(26)	(342)	(485)	-	(853)

31.12.2016	BNP Paribas S.A.	BNP Paribas Fortis S.A.	Other entities from the capital group of Bank 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**
Interbank deposits and current accounts	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	30.06.2017	31.12.2016
Short-term employee benefits	9 234	18 970
Long-term benefits	3 988	5 264
Benefits due to termination of employment	1 292	-
Share-based payments	1 079	748
TOTAL	**15 593**	**24 982**

Supervisory Board	30.06.2017	31.12.2016
Short-term employee benefits	1 005	1 695
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
TOTAL	**1 005**	**1 695**

38 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), 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 Group applies consistent, detailed principles to all identified segments. As regards revenue, in addition to standard items, components of the net interest income of the segments have been identified, to include external and internal revenue and expenses. As regards operating expenses, the Group's indirect expenses are allocated to each segment in the Expense allocation (internal) item. Total integration 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 offers 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 Group'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 online banking (BGŻOptima), 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, the online banking channel (BGŻOptima) and the Premium 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 such major products as 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 the 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 Centres dedicated solely to provision of services to Small and Medium-Sized Enterprises.

Corporate Banking Segment 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 revenue 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 Centres located in large cities across Poland, which are separate from the Bank's branch network. Transaction 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 Group'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).

30.06.2017*	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	587 268	115 162	135 148	5 901	104 810	**948 290**	179 591	241 802
external interest income	711 283	211 129	193 462	12 397	189 289	**1 317 560**	325 207	340 191
external interest expense	(180 363)	(34 481)	(81 800)	-	(72 627)	**(369 270)**	(27 489)	(5 404)
internal interest income	361 433	62 417	131 048	-	564 192	**1 119 090**	61 281	-
internal interest expense	(305 084)	(123 903)	(107 562)	(6 496)	(576 045)	**(1 119 090)**	(179 407)	(92 985)
Net fee and commission income	144 037	47 283	61 236	1 071	(1 589)	**252 039**	71 062	29 426
Dividend income	-	-	-	-	4 693	**4 693**	-	-
Net trading income	18 665	11 457	38 884	39 161	18 292	**126 458**	11 700	60
Result on investment activities	98	-	-	-	20 997	**21 095**	-	-
Result on hedge accounting	-	-	-	-	1 643	**1 643**	-	-
Other operating income and expenses	1 512	(1 571)	857	182	(360)	**620**	(4 130)	2 141
Net impairment losses on financial assets and contingent liabilities	(110 414)	(59 407)	(8 056)	-	(146)	**(178 023)**	(71 004)	(39 977)
General administrative expenses	(393 176)	(57 298)	(71 553)	(15 142)	(235 983)	**(773 152)**	(5 070)	(117 998)
Depreciation and amortization	(30 345)	(608)	(3 151)	(488)	(57 391)	**91 984**	(135)	(3 048)
Expense allocation (internal)	(163 730)	(42 473)	(40 043)	(4 111)	250 357	**-**	-	(34 590)
Segment result	**53 709**	**12 664**	**113 401**	**26 574**	**105 332**	**311 679**	**183 014**	**73 533**
Tax on financial institutions	(54 839)	(20 437)	(22 674)	(601)	(5 004)	**(103 555)**	-	(13 807)
Profit (loss) before income tax	**(1 131)**	**(7 772)**	**90 727**	**25 973**	**100 328**	**208 124**	**183 014**	**59 726**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(87 345)**	**-**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**120 779**	**-**	**-**
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017								
Segment assets	29 551 048	11 482 618	14 591 161	433 868	15 916 777	**71 975 471**	15 219 075	7 604 058
Segment liabilities	33 284 347	7 072 470	15 405 338	-	9 832 297	**65 594 453**	6 140 209	-

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

31.06.2016 *	Retail and	SME Banking	Corporate Banking	CIB	Other	Total	including	including

	Business Banking				Operations		Agro customers	Personal Finance
STATEMENT OF PROFIT OR LOSS								
Net interest income	552 510	115 570	114 246	1 401	112 211	**895 939**	171 556	231 401
external interest income	702 712	216 940	176 768	3 524	170 663	**1 270 607**	315 349	327 300
external interest expense	(185 094)	(29 658)	(66 814)	-	(93 102)	**(374 668)**	(19 423)	(20 012)
internal interest income	315 081	52 071	102 659	-	532 986	**1 002 797**	(168 220)	(75 886)
internal interest expense	(280 189)	(123 782)	(98 366)	(2 123)	(498 337)	**(1 002 797)**	43 850	-
Net fee and commission income	142 770	46 966	56 015	72	(895)	**244 927**	60 057	23 544
Dividend income	-	796	851	-	4 112	**5 758**	119	-
Net trading income	18 498	13 476	35 398	32 325	10 158	**109 855**	14 523	324
Result on investment activities	453	-	(7)	-	41 987	**42 433**	-	-
Result on hedge accounting	-	-	-	-	140	**140**	-	-
Other operating income and expenses	36 560	695	2 869	145	(15 998)	**24 271**	1 342	31 229
Net impairment losses on financial assets and contingent liabilities	(119 914)	(39 138)	(5 785)	90	(1 069)	**(165 815)**	(42 600)	(35 583)
General administrative expenses	(421 019)	(58 463)	(72 612)	(14 449)	(289 568)	**(856 111)**	(5 449)	(136 119)
Depreciation and amortization	(38 596)	(649)	(3 531)	(583)	(53 027)	**(96 386)**	(168)	(6 283)
Expense allocation (internal)	(162 096)	(48 774)	(30 831)	(2 189)	243 890	**-**	-	(26 865)
Segment result	**9 164**	**30 479**	**96 615**	**16 813**	**51 939**	**205 011**	**199 379**	**81 647**
Tax on financial institutions	**(43 995)**	**(17 377)**	**(18 796)**	**(214)**	**(2 163)**	**(82 545)**	**-**	**(9 020)**
Profit (loss) before income tax	**(34 831)**	**13 103**	**77 818**	**16 599**	**49 777**	**122 466**	**199 379**	**72 627**
Income tax expense	-	-	-	-	-	**(57 828)**	-	-
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**64 638**	**-**	**-**
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.

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

As at 30 June 2017 and the date of the Board's approval of the report for the first half of 2017, i.e. 30 August 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%**

There were no changes in shareholding structure in the first half of 2017.

As at 30 June 2017, the Bank's share capital totalled PLN 84 238 thousand and was divided into 84 238 318 shares with the par value of PLN 1.00 each, including: 15,088,100 A series shares, 7,807,300 B series shares, 247,329 C series shares, 3,220,932 D series shares, 10,640,643 E series shares, 6,132,460 F series shares, 8,000,000 G series shares, 5,002,000 H series shares and 28,099,554 I series shares.

The Bank's shares are ordinary bearer and registered shares (as at 30 June 2017, there were 13,024,915 registered shares, including four B series shares).

No special control rights are attached to the ordinary bearer shares. Four registered B series shares of 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, once the rights attached to the preference shares have been exercised, may be insufficient to cover the total par value of those shares.

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

As at 30 June 2017, none of the members of the Management Board or Supervisory Board of the Bank declared holding any shares of Bank BGŻ BNP Paribas S.A., and there had been no changes in this respect since the date of presenting the report for the first quarter of 2017, i.e. 11 May 2017.

Investor obligation of BNP Paribas concerning liquidity of the Bank's shares

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 fulfil the investor obligation of BNP Paribas SA with its registered office in Paris regarding improvement in liquidity of the Bank's shares on the Warsaw Stock Exchange. The change in the deadline to fulfil 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 obligation fulfilled if liquidity of the 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.

40 DIVIDENDS PAID

The Group did not pay any dividends for 2016.

41 APPROPRIATION OF RETAINED EARNINGS

Pursuant to a Resolution of the General Shareholders' Meeting of Bank BGŻ BNP Paribas of 22 June 2017, the net profit for 2016, in the amount of PLN 49 388 thousand, was allocated to the unidentified banking risk reserve.

42 LITIGATION

As at 30 June 2017, the total disputed amount in pending court cases was PLN 553 088 thousand (as at 31 December 2016 it was PLN 489 228 thousand), and comprised:

- the disputed amount in claims for payment filed against the Bank (i.e. except adverse claims and proceedings to annul legal transactions) of PLN 159 747 thousand (versus PLN 137 318 thousand as at 31 December 2016);
- the disputed amount in proceedings to annul legal transactions, instituted against the Bank, of 0 (versus PLN 31 472 thousand as at 31 December 2016);
- the disputed amount in the proceedings with the Bank as the plaintiff of PLN 393 341 thousand (versus PLN 320 438 thousand as at 31 December 2016).

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 fine 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 30 June 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 indexed and/or denominated loan agreements
As at 30 June 2017, the Bank was a defendant in **sixty** (60) cases (*) filed by customers to annul CHF indexed or denominated mortgage loan agreements by means of a statement that the Bank granted loans in PLN without denomination in a foreign currency or to claim damages for the Bank's abuse of subjective rights, to include principles of community life, and misinforming customers. The total value of the claims is PLN 27.9 million. The number of claims filed by customers in relation to CHF loans has increased considerably since January 2017.

(*) Excluding adverse claims.

43 RISK MANAGEMENT

Described below are the key changes in the credit risk management approach, the 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 73% share in the total economic capital estimated by the Group for purposes of covering major risks involved in its operations, in addition to its 91% 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, for economic reasons (financial difficulties) 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;
- provision of a new loan to repay the existing debt;

only in the period of the customer's 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 the second quarter of 2017, the use of sensitivity limits for the interest position in each time range was limited. The interest rate risk measured by the average use of the technical interest rate gap limits did not change as compared to the preceding quarter and totalled 7% at the end of March.

The currency risk from the banking book is transferred to the trading book.

Market risk in the trading book

The market risk measured by VaR in the second quarter of 2017 was lower as compared to the first quarter − the average use of the VaR limit for the trading book was 41%. 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 the second quarter of 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 the second quarter of 2017, the Bank's exposure to counterparty risk in the corporate segment went down by 11% while the exposure to banks decreased by 10%.

As at 30 June 2017, foreign lending operations of the Bank accounted for 59.1%, international trade transactions for 31.5%, treasury transactions (including deposits and derivatives) represented 9.3% and derivative transactions entered into with foreign corporate customers represented 0.1% of the Bank's country risk exposure. France accounted for 26%, the Netherlands for 15%, Germany for 13% and Switzerland for 9% of the exposure. The remaining exposure was related to the UK, Belgium, Luxembourg and Turkey.

OPERATIONAL RISK

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

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

Procedures

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

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

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

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

Internal environment

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

As part of the legal risk management process, the Legal Division monitors, identifies and performs analyses of changes to laws of general application and their effect on the operations, in addition to court and administrative proceedings which affect the Group. 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 the responsibility of the Fraud Management Department.

Risk management

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

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

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

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

Internal control system

The internal control system principles have been formulated in the "Internal Control Policy of Bank BGŻ BNP Paribas SA", which was approved by the Management Board of the Bank. 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 standardized approach (STA). Requirements for the Bank's subsidiaries, at the consolidated level, are determined using the basic indicator approach (BIA).

Subsidiaries

At the subsidiaries, operational risk is managed by dedicated units/designated employees. Operational risk management at the subsidiaries (methods and procedures) is organized considering the entity's scope of business as well as its business profile, in compliance with the Group policies.

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

Composition of the Supervisory Board as at 30 June 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
Yvan De Cock	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

Changes in the Management Board of the Bank between 1 January and 30 June 2017:

- On 18 May 2017, Mr. Thomas Mennicken resigned from the office of Member of the Supervisory Board of Bank BGŻ BNP Paribas S.A. as of the date of the General Shareholders' Meeting of the Bank which was held on 22 June 2017.
- On 22 June 2017, Mr. Yvan De Cock was appointed Member of the Supervisory Board by the General Shareholders' Meeting.

Composition of the Management Board of the Bank as at 30 June 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
Jean-Charles Aranda	Member 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
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 of the Bank between 1 January and 30 June 2017:

- on 5 April 2017, Mr. Jan Bujak submitted his resignation from the position of Vice-President of the Management Board as of 5 April 2017.
- during its meeting on 5 April 2017, the Supervisory Board of the Bank appointed Mr. Jean-Charles Aranda Member of the Management Board effective from 5 April 2017.
- on 2 June 2017, Mr. François Benaroya submitted his resignation from the position of Vice-President of the Management Board as of 30 September 2017.
- during its meeting on 2 June 2017, the Supervisory Board of the Bank appointed Mr. Przemysław Furlepa Vice-President of the Management Board effective from 1 October 2017.

45 MAJOR EVENTS IN THE FIRST HALF OF 2017

10.03.2017	**PFSA's 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. announced 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 Shareholders' 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.
15.03.2017	**Recommendation of the Bank's Supervisory Board not to pay out dividend for 2016.** As announced by the Management Board of Bank BGŻ BNP Paribas S.A., on 15 March 2017,

	the Supervisory Board of Bank BGŻ BNP Paribas S.A. adopted a resolution formulating a recommendation as to distribution of the Bank's profit for 2016. According to the recommendation, which was presented to the General Shareholders' Meeting, the Bank's profit after tax (net profit) for the 2016 financial year should be allocated in whole to the unidentified banking risk reserve.
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 totalling PLN 50 618 228.16.**
29.05.2017	**Capital ratios of Bank BGŻ BNP Paribas S.A. and the Capital Group of Bank BGŻ BNP Paribas S.A.** As announced by the Management Board of Bank BGŻ BNP Paribas S.A., on 29 May 2017, the Board was informed that the consolidated Tier 1 capital ratio of the Capital Group of Bank BGŻ BNP Paribas S.A. as at the end of April 2017, calculated on 29 May 2017 on the basis of the available real data received from the Group companies and verified in the internal reporting process, was 10.90%, i.e. 0.11 p.p. less than specified in the letter of the PFSA of 23 October 2015 and in administrative decisions issued by the PFSA in 2016 (11.01%). The consolidated TCR calculated in accordance with the aforementioned principles was 14.02%, i.e. 0.16 p.p. less than the ratio required at the consolidated level (14.18%). Estimated equity (as at the end of April 2017) that is necessary to achieve the recommended consolidated Tier 1 ratio is ca. PLN 61.1 million (EUR 14.6 million) and ca. PLN 85.5 million (EUR 20.4 million) for the consolidated TCR. The Tier 1 ratio and TCR at the separate level as at the end of April 2017 exceeded the values recommended by the PFSA in its letter of 23 October 2015 as well as the administrative decisions issued by the PFSA in 2016, and amounted to 11.26%, i.e. 0.23 p.p. more than the recommended level of 11.03%, and 14.49%, i.e. 0.28 p.p. more than the recommended level of 14.21%, respectively. At the same time, Tier 1 ratio and TCR at the separate and consolidated level (after four months of 2017) exceeded the levels defined in Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. Under the said Regulation, the consolidated Tier 1 ratio and the consolidated TCR should be 8.01% and 10.18%, respectively, as compared to 8.03% and 10.21%, respectively, at the separate level. Additionally, the Bank satisfies the combined buffer requirement set out in Article 60 of the Act on Macroprudential Supervision of the Financial System and Crisis Management in the Financial Sector of 5 August 2015, both at the consolidated and the separate level.
22.06.2017	**General Shareholders' Meeting of Bank BGŻ BNP Paribas S.A.** • approval of the financial statements for 2016 and Management Reports on the Activities of the Bank in 2016; • acknowledgement of the fulfilment of duties by Members of the Management Board and the Supervisory Board in 2016; • approval of amendments to the Bank's Statute; • adoption of a resolution to distribute the Bank's profit generated in 2016 – allocation of the net profit to the unidentified banking risk reserve.

46 SUBSEQUENT EVENTS

As of 30 August 2017, there were no material events after the balance sheet date that were not reported.

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Interest income	651 580	1 293 322	614 072	1 189 480
Interest expense	(175 416)	(354 810)	(178 408)	(351 722)
Net interest income	476 164	938 512	**435 664**	**837 758**
Fee and commission income	145 686	285 733	136 178	265 878
Fee and commission expense	(33 343)	(57 048)	(23 063)	(44 763)
Net fee and commission income	**112 343**	**228 685**	**113 115**	**221 115**
Dividend income	4 670	25 238	5 759	14 518
Net trading income	59 870	125 545	57 821	109 902
Result on investment activities	20 111	21 095	41 809	41 980
Result on hedge accounting	822	1 643	139	139
Other operating income	37 419	67 058	20 546	49 909
Other operating expenses	(32 035)	(63 669)	(35 737)	(57 299)
Net impairment losses on financial assets and contingent liabilities	(91 903)	(177 733)	(97 474)	(172 562)
General administrative expenses	(371 819)	(756 417)	(408 562)	(780 612)
Depreciation and amortization	(43 846)	(91 423)	(51 556)	(92 260)
Operating result	**171 796**	**318 534**	**81 524**	**172 588**
Tax on financial institutions	(51 480)	(103 555)	(50 810)	(82 545)
Profit before income tax	**120 316**	**214 979**	**30 714**	**90 043**
Income tax expense	(46 161)	(84 950)	(24 170)	(47 903)
Net profit for the period	**74 155**	**130 029**	**6 544**	**42 140**
attributable to equity holders of the Bank	74 155	130 029	6 544	42 140
EARNINGS PER SHARE (IN PLN PER SHARE)				
Basic	0,88	1,54	0,08	0,50
Diluted	0,88	1,54	0,08	0,50

Interim condensed separate statement of other comprehensive income

	2nd quarter 2017 from 01.04.2017 to 30.06.2017	1st half 2017 from 01.01.2017 to 30.06.2017	2nd quarter 2016 from 01.04.2016 to 30.06.2016	1st half 2016 from 01.01.2016 to 30.06.2016
Net profit for the period	**74 155**	**130 029**	**6 544**	**42 140**
OTHER COMPREHENSIVE INCOME				
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**38 977**	**113 582**	**(67 601)**	**(4 294)**
Net change in valuation of available for sale financial assets	48 120	140 225	(83 457)	(5 300)
Deferred tax	(9 143)	(26 643)	15 856	1 006
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**143**	**(168)**	**2 093**	**813**
Actuarial valuation of employee benefits	226	436	2 583	1 003
Deferred tax	(83)	(604)	(490)	(190)
OTHER COMPREHENSIVE INCOME (NET OF TAX)	**39 120**	**113 414**	**(65 508)**	**(3 481)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**113 275**	**243 443**	**(58 964)**	**38 659**
attributable to equity holders of the Bank	**113 275**	**243 443**	(58 964)	38 659

Interim condensed separate statement of financial position

ASSETS	30.06.2017	31.12.2016
Cash and balances with the Central Bank	2 136 821	1 302 847
Loans and advances to banks	468 685	1 225 912
Derivative financial instruments	394 177	324 005
Hedging instruments	9 682	18 671
Loans and advances to customers	53 779 374	53 179 717
Available for sale financial assets	11 097 584	12 497 233
Investments in subsidiaries	70 828	70 828
Intangible assets	243 098	244 571
Property, plant and equipment	517 896	545 480
Deferred tax asset	478 566	522 392
Other assets	409 404	450 277
Total assets	**69 606 115**	**70 381 933**

LIABILITIES	30.06.2017	31.12.2016
Amounts due to banks	4 405 533	5 291 459
Hedged items	(2 455)	(4 080)
Derivative financial instruments	394 994	271 757
Amounts due to customers	55 253 486	55 297 324
Debt securities issued	387 764	397 909
Subordinated liabilities	1 698 941	1 768 458
Other liabilities	962 437	1 116 905
Current tax liabilities	54 814	4 593
Provisions	85 944	116 394
Total liabilities	**63 241 458**	**64 260 719**

EQUITY	30.06.2017	31.12.2016
Share capital	84 238	84 238
Other supplementary capital	5 127 899	5 127 899
Other reserve capital	909 629	860 241
Revaluation reserve	112 862	(552)
Retained earnings	130 029	49 388
retained profit	-	-
net profit for the period	130 029	49 388
Total equity	**6 364 657**	**6 121 214**
Total liabilities and equity	**69 606 115**	**70 381 933**

Interim condensed separate statement of changes in equity

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	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	**-**	**-**	**-**	**113 414**	**130 029**	**243 443**
Net profit for the period	-	-	**-**	**-**	**130 029**	**130 029**
Other comprehensive income for the period	-	-	**-**	**113 414**	**-**	**113 414**
Appropriation of retained earnings	**-**	**-**	**49 388**	**-**	**(49 388)**	**-**
Appropriation of profit	-	-	49 388	**-**	**(49 388)**	**-**
Balance as at 30 June 2017	**84 238**	**5 127 899**	**909 629**	**112 862**	**130 029**	**6 364 657**

	Share capital	Other 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)
Appropriation of retained earnings	**-**	**-**	**8 263**	**-**	**(8 263)**	**-**
Appropriation of profit	-	-	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	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings	Total
					Net profit for the period	
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	**-**	**-**	**-**	**(3 481)**	**42 140**	**38 659**
Net profit for the period	-	-	-	-	42 140	42 140
Other comprehensive income for the period	-	-	-	(3 481)	-	(3 481)
Appropriation of retained earnings	**-**	**-**	**8 263**	**-**	**(8 263)**	**-**
Appropriation of profit	-	-	8 263	-	(8 263)	-
Merger	**-**	**40 051**	**71 104**	**-**	**-**	**111 155**
Equity resulting from merger	-	40 051	71 104	-	-	111 155
Balance as at 30 June 2016	**84 238**	**5 132 247**	**860 241**	**194 126**	**42 140**	**6 312 992**

Interim condensed separate statement of cash flows

CASH FLOWS FROM OPERATING ACTIVITIES:	1st half 2017 from 01.01.2017 to 30.06.2017	1st half 2016 from 01.01.2016 to 30.06.2016
Net profit for the period	**130 029**	**42 140**
ADJUSTMENTS FOR:	**436 712**	**3 116 049**
Income tax expense	84 950	47 903
Depreciation and amortization	91 423	92 260
Dividend income	(25 238)	(14 518)
Interest income	(1 293 322)	(1 189 480)
Interest expense	354 810	351 722
Change in provisions	(30 014)	15 587
Change in loans and advances to banks	11 489	68 659
Change in derivative financial instruments (assets)	(70 172)	2 433
Change in loans and advances to customers	(662 025)	(2 415 781)
Change in amounts due to banks	951 597	(204 952)
Change in derivative financial instruments (liabilities)	123 237	6 593
Change in amounts due to customers	102 494	5 408 531
Change in other assets and current tax assets	(111 946)	(345 529)
Change in other liabilities and deferred tax liabilities	(104 247)	367 416
Other adjustments	(197 144)	212 329
Interest received	1 321 795	1 127 822
Interest paid	(334 867)	(414 946)
Net cash from operating activities	**566 741**	**3 158 189**

CASH FLOWS FROM INVESTING ACTIVITIES:	1st half 2017 from 01.01.2017 to 30.06.2017	1st half 2016 from 01.01.2016 to 30.06.2016
INVESTING ACTIVITIES INFLOWS	**12 902 744**	**13 703 448**
Sale of available for sale financial assets	12 867 017	13 669 947
Sale of intangible assets and property, plant and equipment	10 489	18 983
Dividends received and other investing activities inflows	25 238	14 518
INVESTING ACTIVITIES OUTFLOWS	**(11 368 429)**	**(15 894 559)**
Purchase of available for sale financial assets	(11 295 719)	(15 802 983)
Purchase of intangible assets and property, plant and equipment	(72 710)	(91 576)
Net cash from investing activities	**1 534 315**	**(2 191 111)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
FINANCING ACTIVITIES INFLOWS	**-**	**1 731 417**
Long-term loans received	-	1 117 517
Increase in subordinated liabilities	-	613 900
FINANCING ACTIVITIES OUTFLOWS	**(2 014 270)**	**(2 125 544)**
Repayment of long-term loans and advances to banks	(2 004 270)	(2 053 548)
Redemption of debt securities	(10 000)	(71 996)
Net cash from financing activities	**(2 014 270)**	**(394 127)**
TOTAL NET CASH	**86 786**	**572 951**
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:	**2 539 521**	**3 825 824**
effect of exchange rate fluctuations on cash and cash equivalents held	(35 151)	8 822
of restricted use	1 302	1 225

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 half of 2017 ended 30 June 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 half 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. Capital Group.

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

As at 30 June 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 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.

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

30.06.2017	BNP Paribas S.A.	BNP Paribas Fortis S.A.	Other entities from the capital group of Bank BNP Paribas S.A.	Key personnel	Subsidiaries	Total
ASSETS	**528 867**	**48 135**	**9 542**	**96**	**6 346**	**592 986**
Current accounts, interbank placements and loans and advances	310 480	44 304	9 542	96	3 548	**367 970**
Derivative financial instruments	217 827	3 831	-	-	-	**221 658**
Other assets	560	-	-	-	2 798	**3 358**
LIABILITIES	**3 806 863**	**357 692**	**2 630 269**	**2 052**	**193 933**	**6 990 809**
Loans and advances received	2 141 427	337 603	2 225 521	-	-	**4 704 551**
Interbank deposits and current accounts	57 990	16 438	149 592	2 052	193 797	**419 869**
Subordinated liabilities	1 445 167	-	253 590	-	-	**1 698 757**
Derivative financial instruments	162 279	-	-	-	-	**162 279**
Other liabilities		3 651	1 566	-	136	**5 353**
CONTINGENT LIABILITIES						
Financial commitments granted	305 601	500 000	104 680	47	26 403	**936 731**
Guarantee commitments	-	-	-	-	60 000	**60 000**
Commitments received	590 012	558 183	425 988	-	-	**1 574 183**
Derivative financial instruments (face value)	65 510 980	2 366 863	-	-	-	**67 877 843**

6 months ended 30.06.2017	BNP Paribas S.A.	BNP Paribas Fortis S.A.	Other entities from the capital group of Bank BNP Paribas S.A.	Key personnel	Subsidiaries	Total
STATEMENT OF PROFIT OR LOSS	**1 960**	**2 364**	**11 681**	**(28)**	**23 092**	**39 069**
Interest income	24	139	220	3	4	**390**
Interest expense	(11 597)	(478)	(5 330)	(32)	(147)	**(17 584)**
Fee and commission income	-	-	60	1	106	**167**
Fee and commission costs	(233)	(19)	-	-	-	**(252)**
Net trading income	13 766	2 722	20 545	-	-	**37 033**
Other operating income	-	-	338	-	26 343	**26 581**
Other operating expenses	-	-	(4 152)	-	(3 114)	**(7 266)**

31.12.2016	BNP Paribas S.A.	BNP Paribas Fortis S.A.	Other entities from the capital group of Bank 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 and 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 LIABILITIES						
Financial commitments granted	-	-	104 826	113	30 050	**134 989**
Guarantee commitments	-	-	-	-	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	30.06.2017	31.12.2016
Short-term employee benefits	9 234	18 970
Long-term benefits	3 988	5 264
Benefits due to termination of employment	1 292	-
Share-based payments	1 079	748
TOTAL	**15 593**	**24 982**

Supervisory Board	30.06.2017	31.12.2016
Short-term employee benefits	1 005	1 695
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
TOTAL	**1 005**	**1 695**

3 SEASONALITY AND CYCLICALITY OF OPERATIONS

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

4 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 half of 2017.

5 DIVIDENDS PAID

The Bank did not pay any dividends for 2016.

6 APPROPRIATION OF PROFIT

Pursuant to a Resolution of the General Shareholders' Meeting of Bank BGŻ BNP Paribas of 22 June 2017, the net profit for 2016, in the amount of PLN 49 388 thousand, was allocated to the unidentified banking risk reserve.

7 CONTINGENT LIABILITIES

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

	30.06.2017	31.12.2016
CONTINGENT COMMITMENTS GRANTED	**18 251 015**	**18 846 626**
financial commitments	14 662 011	15 017 787
guarantees	3 589 004	3 828 839
CONTINGENT COMMITMENTS RECEIVED	**12 011 606**	**12 308 051**
financial commitments	10 486 103	10 994 807
guarantees	1 525 503	1 313 244

8 SUBSEQUENT EVENTS

As of 30 August 2017, there were no material events after the balance sheet date that were not reported.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD OF BANK BGŻ BNP PARIBAS S.A.

30 August 2017	Tomasz Bogus President of the Management Board	signature
30 August 2017	Jean-Charles Aranda Member of the Management Board	signature
30 August 2017	Daniel Astraud Vice-President of the Management Board	signature
30 August 2017	François Benaroya Vice-President of the Management Board	signature
30 August 2017	Philippe Paul Bézieau Vice-President of the Management Board	signature
30 August 2017	Blagoy Bochev Vice-President of the Management Board	signature
30 August 2017	Wojciech Kembłowski Vice-President of the Management Board	signature
30 August 2017	Magdalena Legęć Vice-President of the Management Board	signature
30 August 2017	Jaromir Pelczarski Vice-President of the Management Board	signature
30 August 2017	Jerzy Śledziewski Vice-President of the Management Board	signature
30 August 2017	Bartosz Urbaniak Vice-President of the Management Board	signature
30 August 2017	Katarzyna Romaszewska-Rosiak Managing Director, Financial Accounting Department	signature

Warsaw, 30 August 2017