BANK BGŻ BNP PARIBAS S.A.
Warsaw, 26 August 2015

Consolidated Interim Report of the Capital Group of Bank BGŻ BNP Paribas S.A. for the period of six months

ended 30 June 2015

BGŻ BNP PARIBAS

Bank zmieniającego się świata

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- figures in thousand PLN

I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of profit or loss

	Note	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Interest income	9	498 964	901 581	438 336	864 176
Interest expense	9	(161 929)	(310 860)	(162 091)	(317 351)
Net interest income		**337 035**	**590 721**	**276 245**	**546 825**
Fee and commission income	10	127 610	209 877	92 295	176 588
Fee and commission expense	10	(16 863)	(27 268)	(11 058)	(22 799)
Net fee and commission income		**110 747**	**182 609**	**81 237**	**153 789**
Dividend income		5 230	5 230	3 302	3 302
Net trading income	11	47 809	67 864	11 153	24 874
Result on investing activities		12 167	35 200	2 307	5 476
Result on hedge accounting		-	-	(21)	(156)
Other operating income	13	10 501	16 858	10 758	16 390
Net impairment losses on financial assets and contingent liabilities	16	(79 137)	(133 896)	(53 377)	(111 153)
General administrative expenses	12	(372 971)	(632 773)	(220 858)	(444 867)
Amortization and depreciation	14	(35 740)	(63 057)	(25 227)	(49 835)
Other operating expenses	15	(31 701)	(43 227)	(5 506)	(10 822)
Operating result		**3 940**	**25 529**	**80 013**	**133 823**
Share in profit (loss) of associates		-	-	842	2 096
Profit before income tax		**3 940**	**25 529**	**80 855**	**135 919**
Income tax expense	17	(653)	(7 726)	(16 995)	(27 421)
Net profit for the period		**3 287**	**17 803**	**63 860**	**108 498**
attributable to equity holders of the Group		3 287	17 803	63 860	108 498
Earnings per share (in PLN per share)					
Basic		0.04	0.27	1.23	2.11
Diluted		0.04	0.27	1.23	2.11

- figures in thousand PLN

Interim condensed consolidated statement of other comprehensive income

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Net profit for the period	**3 287**	**17 803**	**63 860**	**108 498**
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss	***(115 581)***	***(117 855)***	***88 991***	***88 268***
Net change in valuation of available for sale financial assets	(142 692)	(145 499)	110 993	117 373
Net change in valuation of derivative instruments designated as cash flow hedges	-	-	(1 128)	(8 400)
Deferred tax	27 111	27 644	(20 874)	(20 705)
Items that will not be reclassified subsequently to profit or loss	***2 982***	***3 048***	***(1 933)***	***(2 121)***
Actuarial valuation of employee benefits	3 682	3 763	(2 387)	(2 619)
Deferred tax	(700)	(715)	454	498
Other comprehensive income (net of tax)	**(112 599)**	**(114 807)**	**87 058**	**86 147**
Total comprehensive income for the period	**(109 312)**	**(97 004)**	**150 918**	**194 645**
attributable to equity holders of the Group	(109 312)	(97 004)	150 918	194 645

- figures in thousand PLN

Interim condensed consolidated statement of financial position

	Note	30.06.2015	31.12.2014
ASSETS			
Cash and balances with the Central Bank	18	2 472 825	1 790 160
Loans and advances to banks	19	308 917	404 724
Reverse repo transactions	20	-	100 668
Debt securities held for trading	21	260	199 404
Derivative financial instruments	22	357 102	420 152
Hedging instruments	23	6 459	-
Loans and advances to customers	24	49 534 661	29 631 923
Available for sale financial assets	25	8 432 095	7 084 017
Investment property		54 627	54 627
Intangible assets	26	265 983	165 307
Property, plant and equipment	27	490 236	411 063
Provision for deferred tax		438 027	173 828
Other assets	28	241 051	60 702
TOTAL ASSETS		**62 602 243**	**40 496 575**

- figures in thousand PLN

Interim condensed consolidated statement of financial position (continued)

	Note	30.06.2015	31.12.2014
LIABILITIES			
Amounts due to banks	29	9 528 844	1 546 739
Repo transactions	30	-	45 364
Differences resulting from fair value hedges against interest rate risk attributable to hedged items		5 442	-
Derivative financial instruments	22	357 215	448 908
Amounts due to customers	31	44 176 712	32 804 444
Debt securities issued	32	469 276	762 311
Subordinated liabilities	33	859 333	320 951
Other liabilities	34	832 664	325 751
Current tax liabilities		38 155	9 639
Provision for deferred tax		8 052	8 052
Provisions	35	198 986	68 112
TOTAL LIABILITIES		**56 474 679**	**36 340 271**
EQUITY			
Share capital	42	84 238	56 139
Other supplementary capital		5 092 196	3 430 785
Other reserve capital		780 875	271 859
Revaluation reserve		142 234	255 362
Retained earnings:		28 021	142 159
retained profit		10 218	4 128
net profit for the period		17 803	138 031
TOTAL EQUITY		**6 127 564**	**4 156 304**
TOTAL LIABILITIES AND EQUITY		**62 602 243**	**40 496 575**

- figures in thousand PLN

Interim condensed consolidated statement of changes in equity

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2015	56 139	3 430 785	271 859	255 362	4 128	138 031	4 156 304
Total comprehensive income for the period	**-**	**-**	**-**	**(114 807)**	**-**	**17 803**	**(97 004)**
Net profit for the period	-	-	-	-	-	17 803	17 803
Other comprehensive income for the period	-	-	-	(114 807)	-	-	(114 807)
Approportion of retained earnings	**-**	**7 730**	**130 000**	**-**	**301**	**(138 031)**	**-**
Approportion of retained earnings	-	7 730	130 000	-	301	(138 031)	-
Merge	**28 099**	**1 653 681**	**379 016**	**1 122**	**-**	**-**	**2 061 918**
Issued shares of I series	28 099	-	-	-	-	-	28 099
Equity resulting from merger	-	1 653 681	379 016	1 122	-	-	2 033 819
Other	**-**	**-**	**-**	**557**	**5 789**	**-**	**6 346**
Balance as at 30 June 2015	84 238	5 092 196	780 875	142 234	10 218	17 803	6 127 564

- figures in thousand PLN

Interim condensed consolidated statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2014	**51 137**	**3 085 059**	**115 001**	**91 462**	**6 387**	**160 144**	**3 509 190**
Total comprehensive income for the period	**-**	**-**	**-**	**163 900**	**-**	**138 031**	**301 931**
Net profit for the period	-	-	-	-	-	138 031	138 031
Other comprehensive income for the period	-	-	-	163 900	-	-	163 900
Approportion of retained earnings	**-**	**162 403**	**-**	**-**	**(2 259)**	**(160 144)**	**-**
Approportion of retained earnings to other supplementary capital	-	162 403	-	-	(2 259)	(160 144)	-
Merge	**5 002**	**183 323**	**156 858**	-	-	-	**345 183**
Issued shares of H series	5 002	-	-	-	-	-	5 002
Equity resulting from merger	-	183 323	156 858	-	-	-	340 181
Balance as at 31 December 2014	**56 139**	**3 430 785**	**271 859**	**255 362**	**4 128**	**138 031**	**4 156 304**

- figures in thousand PLN

Interim condensed consolidated statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Retained profit	Retained earnings: Net for the period	Total
Balance as at 1 January 2014	**51 137**	**3 085 059**	**115 001**	**91 462**	**6 387**	**160 144**	**3 509 190**
Total comprehensive income for the period	**-**	**-**	**-**	**86 147**	**-**	**108 498**	**194 645**
Net profit for the period	-	-	-	-	-	108 498	108 498
Other comprehensive income for the period	-	-	-	86 147	-	-	86 147
Approportion of retained earnings	**-**	**162 403**	**-**	**-**	**(2 259)**	**(160 144)**	**-**
Approportion of retained earnings to other supplementary capital	-	162 403	-	-	(2 259)	(160 144)	-
Merge	**5 002**	**183 323**	**156 858**	**-**	**-**	**-**	**345 183**
Issued shares of H series	5 002	-	-	-	-	-	5 002
Equity arising from merger	-	183 323	156 858	-	-	-	340 181
Other	**-**	**-**	**-**	**-**	**(11)**	**-**	**(11)**
Balance as at 30 June 2014	**56 139**	**3 430 785**	**271 859**	**177 609**	**4 117**	**108 498**	**4 049 007**

- figures in thousand PLN

Interim condensed consolidated statement of cash flows

	Note	1st half 2015 from 01.01.2015 to 30.06.2015	1st half 2014 from 01.01.2014 to 30.06.2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit for the period		**17 803**	**108 498**
Adjustments for:		**2 637 275**	**1 824 053**
Income tax expense		7 726	27 421
Depreciation and amortization		63 057	49 835
Dividend income		(5 230)	(3 302)
Interest income		(901 581)	(864 176)
Interest expense		310 860	317 351
Change in provisions		134 637	(3 745)
Change in loans and advances from banks		(91 758)	(76)
Change in reverse repo transactions		100 662	247 886
Change in debt securities held for trading		198 269	706 620
Change in derivative financial instruments (assets)		56 591	115 795
Change in loans and advances to customers		(19 889 156)	(2 605 269)
Change in amounts due to banks		8 356 668	1 201 849
Change in repo transactions		(45 357)	159 105
Change in financial liabilities held for trading		-	(218 205)
Change in derivative financial instruments (liabilities)		(91 693)	(43 447)
Change in amounts due to customers		11 526 647	1 741 329
Change in otherer assets and current tax assets		(417 634)	(4 187)
Change in other liabilities and deferred tax liability		535 429	168 518
Other adjustments	37	2 325 525	348 132
Interest received		778 062	829 760
Interest paid		(314 449)	(295 764)
Income tax paid		-	(51 377)
NET CASH FROM OPERATING ACTIVITIES		**2 655 078**	**1 932 551**

- figures in thousand PLN

Interim condensed consolidated statement of cash flows (continued)

	Note	1st half 2015 from 01.01.2015 to 30.06.2015	1st half 2014 from 01.01.2014 to 30.06.2014
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investing activities inflows		**89 489 883**	**64 526 293**
Sale of available for sale financial assets		89 470 411	64 523 111
Sale of intangible assets and property, plant and equipment		14 242	(120)
Dividends income and other investing activities inflows		5 230	3 302
Investing activities outflows		**(90 821 623)**	**(66 064 233)**
Purchase of available for sale financial assets		(90 735 012)	(66 041 333)
Purchase of intangible assets and property, plant and equipment		(86 611)	(22 900)
NET CASH FROM INVESTING ACTIVITIES		**(1 331 740)**	**(1 537 940)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Financing activities inflows		**723 252**	**-**
Long-term loans received		723 252	-
Financing activities outlows		**(1 544 275)**	**(577 166)**
Repayment of long-term loans and advances to banks		(1 248 663)	(191 078)
Redemption of debt securities issued		(294 775)	(386 088)
Dividends and other payments to shareholders		(837)	-
NET CASH FROM FINANCING ACTIVITIES		**(821 023)**	**(577 166)**
TOTAL NET CASH		**502 315**	**(182 555)**
Cash and cash equivalents at the beginning of the period		**2 180 981**	**1 881 640**
Cash and cash equivalents at the end of the period, of which:	**36**	**2 683 296**	**1 699 085**
effect of exchange rate fluctuations on cash and cash equivalents held		17 401	1 811
of restricted use		3 914	1 669

EXPLANATORY INFORMATION TO THE INTERIM CONDENSED 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 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 of the Capital Group

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

As at 30 June 2015, 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 and 100% of votes at the General Meeting.

2.2. Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. ("TFI") with its registered office at Pl. Marszałka Józefa Piłsudskiego 1 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.

As from 13 July 2015, TFI BNP Paribas Polska S.A. has been operating under the business name of Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A.

2.3. Fortis Lease Polska Sp. z o.o. in liquidation ("FLP") 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.

Pursuant to a Resolution of the Extraordinary Shareholders' Meeting of FLP dated 30 June 2014, the liquidation procedure was opened for Fortis Polska Sp. z o.o. on 1 July 2014. As at 30 June 2015 and the date of approval hereof, i.e. 26 August 2015, the liquidation procedure had not been closed.

2.4. BNP Paribas Factor Sp. z o.o. ("Factor") 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.

In accordance with the principles laid down in IFRS, the interim condensed consolidated financial statements cover all subsidiaries as at 30 June 2015.

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 2015, 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 2015 do not differ from the principles used in 2014, which were presented in detail in the Consolidated Financial Statements of the Capital Group of Bank Gospodarki Żywnościowej for the year ended 31 December 2014.

As the interim condensed consolidated financial statements do not contain all the information and disclosures required for the annual consolidated financial statements, they should be read together with the Consolidated Financial Statements of the Capital Group of Bank Gospodarki Żywnościowej for the year ended 31 December 2014.

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

Standards and interpretations awaiting endorsement by the EU:

- IFRS 9 *Financial instruments* (applicable to annual periods beginning on or after 1 January 2018);
- IFRS 14 *Regulatory Deferral Accounts* (applicable to annual periods beginning on or after 1 January 2016);
- IFRS 15 *Revenue from Contracts with Customers* (applicable to annual periods beginning on or after 1 January 2017);
- Revised IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual periods beginning on or after 1 January 2016);
- Revised IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures* – Investment Entities: Applying the Consolidation Exception (applicable to annual periods beginning on or after 1 January 2016);
- Revised IFRS 11 *Joint Arrangements* – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual periods beginning on or after 1 January 2016);
- Revised IAS 1 *Presentation of Financial Statements* – Disclosure Initiative (applicable to annual periods beginning on or after 1 January 2016);
- Revised IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* – Clarification of Acceptable Methods of Depreciation and Amortization (applicable to annual periods beginning on or after 1 January 2016);
- Revised IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* – Agriculture: Bearer Plants (applicable to annual periods beginning on or after 1 January 2016);
- Revised IAS 27 *Separate Financial Statements* – Equity Method in Separate Financial Statements (applicable to annual periods beginning on or after 1 January 2016);
- Revised standards *IFRS Improvements (2012-2014)* – amendments to standards resulting from the annual improvements process (IFRS 5, IFRS 7, IAS 19 and IAS 34), primarily with a view to removing inconsistencies and clarifying wording (applicable to annual periods beginning on or after 1 January 2016).

Standards and interpretations which have been endorsed by the EU but not entered into force yet

- Revised standards *IFRS Improvements (2010-2012)* – amendments to standards resulting from the annual improvements process (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), primarily with a view to removing inconsistencies and clarifying wording, endorsed by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015);
- Revised IAS 19 *Employee Benefits* – Defined Benefit Plans: Employee Contributions, endorsed by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015).

The Management Board does not believe that the implementation of the aforesaid standards and interpretations could have a significant effect on the accounting principles (policy) adopted by the Group, except for the changes introduced by IFRS 9.

Recognition of jointly controlled operations

Business combinations of jointly-controlled entities do not fall within the scope of IFRS regulations. In the absence of detailed IFRS regulations in this regard, in line with the guidelines laid down in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, Bank BGŻ BNP Paribas S.A. adopted an accounting policy generally applied to any business combinations of jointly-controlled entities in the Bank's Group, whereby such transactions are recognized at book value.

In accordance with the adopted accounting principles, the acquirer recognizes the assets, equity and liabilities of the acquiree at their present book value adjusted only for purposes of bringing the accounting principles of the acquiree into line with those of the acquirer. Goodwill and negative goodwill are not recognized.

The difference between the book value of the acquired net assets and the fair value of the payment is recognized in the Bank's equity. As a method based on book values is used, the comparative data is not restated.

If the business combinations of jointly-controlled entities transaction involves acquisition of minority interests, the Group shows it separately.

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 2015 was approved by the Management Board for publication
on 26 August 2015.

6 Seasonality or cyclicality of business

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

7 Estimates

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

a) Impairment of loans and advances

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

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

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

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

<u>Impairment tests for assets which are individually material</u>

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

<u>Collective (group) tests</u>

Collective tests are performed for assets:

- classified as individually immaterial, for which an objective indication of impairment has been identified; and
- classified as individually material and individually immaterial, for which no objective indication of impairment has been identified.

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

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

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

When classifying exposures into those with objective indications of impairment identified and those without objective indications of impairment identified, the Bank takes into account a quarantine period, where a credit exposure with an objective indication of impairment identified may be again classified as an exposure without an objective indication of impairment identified only if the Bank's receivables from the customer have been paid on time, i.e. without a delinquency of more than 30 days, for a specific number of months. The required quarantine period differs depending on the customer type and the type of the credit exposure. Its length is determined by the Bank on the basis of historical observations which are sufficient to determine the time after which the customer is able to again repay its debt on time permanently.

Impairment losses on financial assets estimated using statistical models in a collective impairment test is back-tested periodically. The parameters used for purposes of estimating impairment losses and the statistical models are covered by the model management process, which involves laying down the principles of their development, approval, monitoring and validation as well as model back-testing. The models and parameters are validated and impairment losses/provisions determined using the collective method are back-tested at least on an annual basis. Additionally, the process of estimating impairment losses is subject to periodic functional control and verified independently by the Bank's internal audit.

b) Fair value of derivative financial instruments

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

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

c) Securities

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

d) Impairment of property, plant and equipment

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

e) Provision for retirement benefits

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

f) Leases – the Group as a lessor

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

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

8 Business combinations

Merger of BGŻ S.A. and BNP Paribas Bank Polska S.A.

On 9 April 2015, the Polish Financial Supervision Authority (PFSA) issued the following authorizations and decisions related to the merger of Bank Gospodarki Żywnościowej S.A. (BGŻ) and BNP Paribas Bank Polska S.A. (BNPP Polska):

1. a consent for the merger of BGŻ (as the acquirer) and BNPP Polska (as the acquiree) through the transfer of all assets of BNPP Polska onto BGŻ (Merger); and
2. a decision that there are no grounds for voicing an objection against the intention of BGŻ to purchase directly the shares in Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A., the number of which is sufficient to exceed the threshold of 50% of votes at the General Meeting.

On 10 April 2015, BNP Paribas Fortis SA/NV obtained the decision of the European Central Bank, issued as part of the Single Supervisory Mechanism, whereby a consent for the planned merger of BGŻ and BNPP Polska was granted.

On 23 April 2015, the Polish Financial Supervision Authority granted its consent for amendments to the Statute of Bank Gospodarki Żywnościowej S.A. made in relation to the Merger.

On 30 April 2015, the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, recorded the Merger in the National Court Register. Upon the entry of the Merger in the National Court Register, the Bank's name was changed from Bank Gospodarki Żywnościowej S.A. to Bank BGŻ BNP Paribas S.A.

In relation to the Merger, the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, registered also the amendments to the Statute, as adopted by the Extraordinary Shareholders' Meeting of BGŻ on 25 February 2015.

The Merger was effected in accordance with Article 492.1.1 of the Code of Commercial Companies by transferring all the assets, equity and liabilities of BNPP Polska (the acquiree) onto BGŻ (the acquirer), which was accompanied by an entry of the increase in the share capital of BGŻ from PLN 56,138,764 to PLN 84,238,318 through the issue of 28,099,554 shares of BGŻ with the par value of PLN 1.00 each, to be acquired by the existing shareholders of BNPP Polska

(Merger Shares). The shareholders of BNPP Polska received 5 Merger Shares in exchange for 6 shares in BNPP Polska.
As a result of the Merger, BGŻ assumed all the rights and obligations of BNP Paribas Bank Polska SA, which was wound up without a liquidation procedure.

Accounting principles adopted in relation to the transaction

- Bank BGŻ and BNPP Polska were both subsidiaries in the Group, jointly controlled by BNP PARIBAS.
- The financial statements of Bank BGŻ and BNPP Polska were prepared in conformity with IFRS as endorsed by the EU ("IFRS").

The business combination transaction was accounted for using the book value method. Bank BGŻ recognized the assets, equity and liabilities of BNPP Polska at their book value measured as at the merger date, i.e. 30 April 2015, which were adjusted only in order to ensure consistency of the accounting principles adopted by Bank BGŻ. As at 30 April 2015, the book value of the assets held by BNPP Polska was PLN 23,349,411 thousand.

As the book value method was used, no goodwill or surplus of the fair value of the net assets over the business combination cost was recognized in relation to the transaction.

The difference between the carrying amount of the net assets of BNPP Polska, which were transferred, in the amount of PLN 2,033,941 thousand, and the par value of the shares issued by Bank BGŻ, totaling PLN 28,099 thousand, was recognized in the Bank's equity.

The results of the operations of BNPP Polska were recognized in the consolidated financial statements of the BGŻ Group prospectively, as from 30 April 2015.

The Bank's comparative data for the preceding periods was not restated.

Shareholders' equity instruments issued for the transaction

At the merger date, Bank BGŻ issued ordinary shares, which were acquired by the existing shareholders of BNPP Polska. As a result of the aforesaid transaction, the share capital of Bank BGŻ was increased from PLN 56,138,764 to PLN 84,238,318, i.e. by PLN 28,099,554, and is now divided into 84,238,318 registered shares and bearer shares with the par value of PLN 1.00 each.

The difference between the carrying amount of the net assets of BNPP Polska, which were transferred, and the par value of the shares issued, totaling PLN 2,033,941 thousand, was recognized in the Bank's equity.

- figures in thousand PLN

Assets and liabilities recognized as at the merger date

The following assets and liabilities were transferred from BNP Paribas Polska to Bank BGŻ on 30 April 2015:

	30.04.2015
ASSETS	unaudited
Cash and balances at Central Bank	2 745 280
Loans and advances to banks	504 402
Debt securities held for trading	167 463
Hedging instruments	6 500
Loans and advances to customers	18 138 127
Available for sale financial assets	1 238 010
Investments in associates	21 067
Intangible assets	73 271
Property, plant and equipment	97 266
Deferred tax asset	213 610
Other assets	144 415
TOTAL ASSETS	**23 349 411**
LIABILITIES	
Amounts due to banks	595 093
Financial liabilities held for trading	176 832
Differences resulting from fair value hedges against interest rate risk attributable to hedged items	5 872
Amounts due to customers	12 392 905
Loans and advances received	6 706 454
Subordinated liabilities	474 016
Current tax liability	14 176
Provision for deferred tax liabilities	263
Other liabilities	835 199
Provision	86 561
TOTAL LIABILITIES	**21 287 371**
TOTAL EQUITY	**2 062 040**
TOTAL LIABILITIES AND EQUITY	**23 349 411**

- figures in thousand PLN

Statement of profit or loss for the period of the six months ended 30 June 2015

The following table presents information on the profit of Bank BGŻ merged with BNP Paribas Polska. The combined figures have been calculated by adding the profit generated by Bank BGŻ BNP Paribas during the period of six months ended 30 June 2015 to the profit generated by BNP Paribas Polska between 1 January and 30 April 2015, adjusted only by eliminating transactions between these two entities in the aforesaid period.

Interim condensed statement of profit or loss	Period from 01.01.2015 to 30.06.2015 unaudited
Interest income	1 161 911
Interest expense	(394 697)
Net interest income	**767 214**
Fee and commission income	263 224
Fee and commission expense	(37 389)
Net fee and commission income	**225 835**
Dividend income	5 230
Net trading income	100 749
Result on investment activities	46 928
Result on hedge accounting	-
Other operating income	33 110
Net impairment losses on financial assets and contingent liabilities	(201 634)
General administrative expenses	(883 595)
Depreciation and amortization	(78 066)
Other operating expenses	(52 613)
Operating result	**(36 842)**
Share in profit (loss) of associates	-
Profit before income tax for the period	**(36 842)**
Income tax expenses	5 397
Net profit for the period	**(31 445)**

The combined figures for the period of six months ended 30 June 2015 have been prepared for illustrative purposes only as they present the profit generated by BNP Paribas Polska when it operated as an independent bank. Consequently, the figures may not be regarded as reflecting the actual performance or financial condition of the former BNP Paribas Polska as if its operations were integrated with those carried out by BGŻ as from 1 January 2015, as they do not reflect the strategy and organizational structure of the Bank as from the merger date.

- figures in thousand PLN

9 Net interest income

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Interest income				
Loans and advances to banks	5 657	11 178	7 427	14 132
Loans and advances to customers in current accounts	79 911	146 669	69 704	134 124
Loans and advances to customers, in this:	358 403	630 483	291 530	572 064
corporate	98 567	171 142	77 572	155 107
households	246 231	443 760	210 731	410 414
budget entities	1 458	3 094	2 167	4 371
other entities	12 147	12 487	1 060	2 172
Hedging instruments and hedged items	396	396	1 214	9 024
Reverse repo transactions	1 439	7 559	11 707	23 533
Debt securities, in this:	53 158	105 296	56 754	111 299
held for trading	685	1 956	1 428	7 826
available for sale	52 473	103 340	55 326	103 473
	498 964	**901 581**	**438 336**	**864 176**
Interest expense				
Amounts due to banks	(14 787)	(22 876)	(14 722)	(29 679)
Debt securities issued	(3 810)	(9 975)	(7 940)	(17 639)
Amounts due to customers:	(141 861)	(270 427)	(126 651)	(244 699)
corporate	(25 597)	(45 528)	(25 697)	(51 017)
households	(92 018)	(178 634)	(82 983)	(162 177)
budget entities	(3 284)	(5 953)	(3 941)	(7 153)
other entities	(20 962)	(40 312)	(14 030)	(24 352)
Hedging instruments and hedged items	(1)	(1)	-	-
Repo transactions	(1 470)	(7 581)	(12 778)	(25 334)
	(161 929)	**(310 860)**	**(162 091)**	**(317 351)**
Net interest income	**337 035**	**590 721**	**276 245**	**546 825**

- figures in thousand PLN

10 Net fee and commission income

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Fee and commission income:				
loans and advances	36 340	63 272	25 254	49 737
settlements	11 436	15 511	4 279	8 274
account maintenance	27 872	53 163	27 931	51 999
guarantee commitments	5 246	7 260	1 938	3 952
brokerage operations	6 448	11 800	4 508	9 508
payment cards	16 891	30 426	22 943	43 619
insurance activity	7 543	11 430	4 066	7 018
asset management	1 612	1 612	-	-
other	14 222	15 403	1 376	2 481
	127 610	**209 877**	**92 295**	**176 588**
Fee and commission expense:				
loans and advances	(988)	(2 003)	(419)	(758)
payment cards	(11 520)	(19 332)	(8 409)	(17 344)
insurance activity	(342)	(443)	(58)	(128)
related to partners' network	(962)	(962)	-	-
other	(3 051)	(4 528)	(2 172)	(4 569)
	(16 863)	**(27 268)**	**(11 058)**	**(22 799)**
Net fee and commission income	**110 747**	**182 609**	**81 237**	**153 789**

11 Net trading income

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Debt instruments	(109)	205	(11)	(3 028)
Derivative financial instruments and foreign currency exchange result	47 918	67 659	11 164	27 902
Net trading income	**47 809**	**67 864**	**11 153**	**24 874**

- figures in thousand PLN

12 General administrative expenses

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Personnel expenses	(217 712)	(353 355)	(122 803)	(252 735)
Marketing	(13 122)	(19 755)	(12 467)	(21 523)
IT and telecom costs	(28 567)	(49 174)	(19 322)	(38 792)
Rental expenses	(36 544)	(58 942)	(22 814)	(45 908)
Other non-personnel expenses	(17 192)	(24 796)	(11 430)	(21 307)
Other external services	(27 104)	(74 167)	(20 165)	(40 957)
Business travels	(974)	(1 502)	(451)	(862)
ATM and cash handling costs	(935)	(1 162)	(225)	(533)
Costs of outsourcing services related to leasing operations	(2 643)	(2 643)	-	-
Bank Guarantee Fund fee	(25 296)	(42 262)	(9 244)	(18 424)
Polish Financial Supervision Authority fee	(2 882)	(5 015)	(1 937)	(3 826)
Total general administrative expenses	**(372 971)**	**(632 773)**	**(220 858)**	**(444 867)**

Following the entry into force of Interpretation 21 issued by the International Financial Reporting Interpretations Committee (IFRIC 21) on 1 January 2015, doubts have arisen over the application of IFRIC 21 requirements in the financial reporting of the Bank with respect to the fees paid to the Bank Guarantee Fund.

Considering the position adopted by the Ministry of Finance and the Polish Financial Supervision Authority, the Bank decided to amortize the costs incurred for the benefit of the Bank Guarantee Fund throughout 2015, i.e. a similar approach to that taken in the preceding years was adopted.

Had the aforesaid costs been recognized by the Bank on a one-off basis, the operating expenses in the consolidated financial statements of the Group and the separate financial statements of the Bank would have been higher by the remaining recognized portion of the annual fee paid to the Bank Guarantee Fund in the amount of PLN 55,727 thousand.

13 Other operating income

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Sale or liquidation of property, plant and equipment and intangible assets	769	956	-	-
Sale of goods and services	1 455	2 618	2 264	3 975
Release of provisions for litigation and claims and other liabilities	142	172	664	749
Recovery of debt collection costs	1 035	1 811	709	1 383
Recovery of overdue debts, redeemed receivables, noncollectible debts and payment of receivables that were excluded from the consolidated statement of financial position	561	3 273	2 043	3 114
Income from leasing operations	3 073	3 073	-	-
Other	3 466	4 955	5 078	7 169
Total other operating income	**10 501**	**16 858**	**10 758**	**16 390**

- figures in thousand PLN

14 Amortization and depreciation

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Property, plant and equipment	(16 909)	(29 447)	(13 015)	(25 793)
Intangible assets	(18 885)	(33 664)	(12 212)	(24 042)
Impairment allowances on intangible assets	(3)	(3)	-	-
Impairment allowances on investments	57	57	-	-
Total amortization and depreciation	**(35 740)**	**(63 057)**	**(25 227)**	**(49 835)**

15 Other operating expenses

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Loss on sale or liquidation of property, plant and equipment, intangible assets	(13 938)	(14 092)	(610)	(739)
Impairment charges on other receivables	35	(222)	(542)	(1 112)
Provisions for restructuring of assets, litigation and claim, and other liabilities	(8 880)	(10 606)	(212)	(474)
Debt collection	(3 566)	(5 529)	(2 511)	(5 683)
Donations made	(14)	(23)	(657)	(1 287)
Costs of leasing operations	(2 935)	(2 935)	-	-
Other operating expenses	(2 403)	(9 820)	(974)	(1 527)
Total other operating expenses	**(31 701)**	**(43 227)**	**(5 506)**	**(10 822)**

16 Net impairment losses on financial assets and contingent liabilities

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Loans and advances to banks	(376)	(370)	7	78
Loans and advances to customers	(89 326)	(143 453)	(54 838)	(114 037)
Contingent commitments granted	11 022	10 384	1 454	2 806
Other	(457)	(457)	-	-
Total net impairment losses on financial assets and contingent liabilities	**(79 137)**	**(133 896)**	**(53 377)**	**(111 153)**

- figures in thousand PLN

17 Income tax expenses

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Current income tax	(32 573)	(32 573)	(33 266)	(56 239)
Deferred income tax	31 920	24 847	16 271	28 818
Total income taxes	**(653)**	**(7 726)**	**(16 995)**	**(27 421)**
Profit before income tax	3 940	25 529	80 855	135 919
Statutory tax rate	19%	19%	19%	19%
Income tax on gross profit	**(749)**	**(4 851)**	**(15 363)**	**(25 825)**
Receivables write-off	(629)	(738)	(1 733)	(1 975)
Non-tax-deductible overheads/income	(73)	(164)	1 274	1 169
PFRON	(245)	(433)	(196)	(378)
Prudential fee to the Bank Guarantee Fund	(1 006)	(1 680)	(474)	(945)
Purchased receivables write-offs	(107)	(135)	(159)	(214)
Impairment allowance for receivables	1 329	213	(870)	506
Other differences	827	62	526	241
Total income tax charge on gross profit	**(653)**	**(7 726)**	**(16 995)**	**(27 421)**

18 Cash and balances with the Central Bank

	30.06.2015	31.12.2014
Cash	988 167	696 292
Balances at the Central Bank	1 484 658	1 093 868
Total cash and balances at Central Bank	**2 472 825**	**1 790 160**

19 Loans and advances to banks

	30.06.2015	31.12.2014
Current accounts	182 120	334 295
Interbank placements	70 688	60 043
Loans and advances	50 589	10 873
Other	6 399	-
Total loans and advances to banks (gross)	**309 796**	**405 211**
Impairment allowances on on loans and advances to banks	(879)	(487)
Total loans and advances to banks (net)	**308 917**	**404 724**

	6 months ended 30 June 2015	12 months ended 31 December 2014
Impairment allowances on loans and advances to banks at the beginning of the period	**487**	**584**
Impairment charges	442	117
Release of impairment charges	(72)	(216)
Provision acquired as a result of merger	79	-
Other changes	(57)	2
Impairment allowances on loans and advances to banks at the end of the period	**879**	**487**

- figures in thousand PLN

20 Reverse repo transactions

	30.06.2015	31.12.2014
Receivables from customers	-	100 668
Total reverse repo transactions	**-**	**100 668**

21 Debt securities held for trading

	30.06.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
Securities issued by government:				
T-bonds	260	-	199 404	-
Total debt securities held for trading	**260**		**199 404**	**-**
of which: valued using the market quotation method	*260*	*-*	*199 404*	*-*

22 Derivative financial instruments

30.06.2015	Nominal value	Fair value	
		Assets	Liabilities
Trading derivatives			
Currency derivatives:			
Non-deliverable Forward (NDF)	975 039	10 725	(2 317)
Foreign Exchange Forward (FX Forward)	5 631 789	37 439	(37 921)
Currency Swaps (FX Swap)	4 655 074	11 125	(29 634)
Currency Interest Rate Swaps (CIRS)	95 624	432	(329)
OTC currency options	8 188 312	16 274	(16 113)
Total OTC currency derivatives	**19 545 838**	**75 995**	**(86 314)**
Interest rate derivatives:			
Interest Rate Swap (IRS)	43 562 800	265 600	(257 473)
Currency Interest Rate Swaps (CIRS)	1 230	283	-
Forward Rate Agreements (FRA)	8 800 000	-	-
OTC interest rate options	434 793	1 900	(1 722)
Other	48 000	20	-
Total OTC interest rate derivatives	**52 846 823**	**267 803**	**(259 195)**
OTC options	515 763	10 552	(10 067)
Total OTC derivatives based on equity securities	**515 763**	**10 552**	**(10 067)**
OTC commodity swap	99 640	1 673	(1 638)
OTC commodity derivatives	**99 640**	**1 673**	**(1 638)**
Other options	**-**	**962**	**-**
Foreign Exchange Spot (FX Spot)	625 797	117	(1)
Total current currency derivatives	**625 797**	**117**	**(1)**
TOTAL	**73 633 861**	**357 102**	**(357 215)**
of which: valued using the market quotation method			
valued using model-based method	*73 633 861*	*357 102*	*(357 215)*

- figures in thousand PLN

31.12.2014	Nominal value	Fair value	
		Assets	Liabilities
Trading derivatives			
Currency derivatives:			
Non-deliverable Forward (NDF)	841 374	9 177	(430)
Foreign Exchange Forward (FX Forward)	537 120	2 454	(3 826)
Currency Swaps (FX Swap)	11 427 943	94 871	(145 844)
OTC currency options	389 790	2 884	(1 492)
Total OTC currency derivatives:	**13 196 227**	**109 386**	**(151 592)**
Interest rate derivatives:			
Interest Rate Swap (IRS)	19 876 888	288 944	(276 630)
Currency Interest Rate Swaps (CIRS)	152 243	1 848	(440)
Forward Rate Agreements (FRA)	7 950 000	9 733	(12 028)
OTC interest rate options	167 657	1 091	(1 193)
Other	243 535	66	(38)
Total OTC interest rate derivatives:	**28 390 323**	**301 682**	**(290 329)**
OTC options	433 628	7 898	(6 215)
Total OTC derivatives based on equity securities	**433 628**	**7 898**	**(6 215)**
OTC commodity swap	25 528	688	(581)
OTC commodity derivatives:	**25 528**	**688**	**(581)**
Foreign Exchange Spot (FX Spot)	190 396	498	(191)
Total current currency derivatives	**190 396**	**498**	**(191)**
TOTAL:	**42 236 102**	**420 152**	**(448 908)**
of which: valued using the market quotation method	-	-	-
valued using model-based method	*42 236 102*	*420 152*	*(448 908)*

- figures in thousand PLN

23 Hedge accounting

Between 2012 and April 2014, the Group used cash flow hedges against changes in cash flows related to interest on preferential loans granted.

<table>
<tr><td>Hedging relationship</td><td colspan="4">Hedging a portion of interest rate risk related to interest on preferential loans subsidized by the Agency for Restructuring and Modernization of Agriculture (ARiMR) over the rediscount rate of the National Bank of Poland, resulting from the application of the multiplier mechanism for determining the interest rate.</td></tr>
<tr><td>Hedged items</td><td colspan="4">Highly probable future cash flows related to a portion of the preferential loan portfolio.</td></tr>
<tr><td rowspan="4">Hedging instruments</td><td rowspan="2">PLN IRS</td><td rowspan="2">Nominal value</td><td colspan="2">Fair value</td></tr>
<tr><td>Assets</td><td>Liabilities</td></tr>
<tr><td>30.06.2015</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>31.12.2014</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Presentation of the result on the hedged and hedging transactions</td><td colspan="4">The effective portion of the change in the fair value of the hedging instruments is recognized in the Revaluation Reserve (Other reserve capital), while the ineffective portion is presented in the Result on hedge accounting. Interest on the IRS transaction and the hedged items is recognized in the net I5nterest income.</td></tr>
</table>

Amounts recognized in the statement of profit or loss and Revaluation reserve in relation to cash flow hedge accounting:

	30.06.2015	31.12.2014
Net interest income on hedging derivatives	-	9 024
Ineffective part of the change in fair value of hedging transactions recognized in Result on hedge accounting	-	(156)

As at 30 June 2015, the Group used fair value hedges.

<table>
<tr><td>Hedging relationship</td><td colspan="4">The hedges are used against interest rate risk, specifically changes in the fair value of fixed-rate assets and liabilities resulting from changes in a specific reference rate.</td></tr>
<tr><td>Hedged items</td><td colspan="4">Fixed-rate EUR current accounts are the hedged items.</td></tr>
<tr><td rowspan="4">Hedging instruments</td><td colspan="4">Standard IRS transactions, i.e. plain vanilla IRS in the euro, where the Group receives a fixed interest rate and pays a floating rate based on EURIBOR 3M, are the hedging instruments.</td></tr>
<tr><td rowspan="2">USD IRS</td><td rowspan="2">Nominal value</td><td colspan="2">Fair value</td></tr>
<tr><td>Assets</td><td>Liabilities</td></tr>
<tr><td>30.06.2015</td><td>79 694</td><td>6 459</td><td>-</td></tr>
<tr><td>Presentation of result on the hedged and hedging transactions</td><td colspan="4">The change in fair value of hedging instrument is recognized in the Result on hedge accounting. Interest on the IRS transaction and the hedged items is recognized in Interest income.</td></tr>
</table>

- figures in thousand PLN

Amounts recognized in the statement of profit or loss in relation to fair value hedges:

	30.06.2015	31.12.2014
Net interest income on hedging derivatives	394	-
Change in fair value of hedging transactions recognized in the Result on hedge accounting	-	-

The tables below present hedging instruments by nominal value as at 30 June 2015, broken down by residual maturity:

Hedging instruments	30.06.2015							
	Fair value		Nominal value					
	positive	negative	up to 1 month	1 - 3 months	3 months - 1 year	1-5 years	> 5 years	Total
Interest rate contracts	6 459	-	-	-	16 778	50 333	12 583	79 694
Swap (IRS)	6 459	-	-	-	16 778	50 333	12 583	79 694
Total hedging instruments	**6 459**	**-**	**-**	**-**	**16 778**	**50 333**	**12 583**	**79 694**

- figures in thousand PLN

24 Loans and advances to customers

	30.06.2015	31.12.2014
Current accounts:	**8 058 836**	**5 268 652**
corporate	4 271 391	2 118 862
households:	3 730 875	3 144 797
individual customers	199 969	106 328
individual entrepreneurs	498 515	375 241
farmers	3 032 391	2 663 228
budget entities	14 163	617
other entities	42 407	4 376
Non-current loans and advances:	**44 135 746**	**25 793 660**
corporate:	13 569 318	7 970 809
investment loans	6 307 689	4 622 665
revolving loans	3 450 405	2 222 940
other	3 811 224	1 125 204
households:	28 232 397	17 533 570
individual customers, in this:	19 457 605	10 087 819
mortgage loans	14 820 881	8 340 820
individual entrepreneurs	2 313 295	1 414 479
farmers	6 461 497	6 031 272
budget entities	198 848	215 802
other entities	193 689	73 479
lease receivables	1 941 494	-
Total loans and advances to customers (gross)	**52 194 582**	**31 062 312**
Impairment allowances	(2 659 921)	(1 430 389)
Total loans and advances to customers (net)	**49 534 661**	**29 631 923**

- figures in thousand PLN

Impairment allowances on loans and advance to customers

	30.06.2015	31.12.2014
Current accounts:	**418 195**	**256 124**
corporate	287 731	163 515
households:	129 869	92 483
individual customers	23 563	7 271
individual entrepreneurs	73 095	54 925
farmers	33 211	30 287
budget entities	4	-
other entities	591	126
Non-current loans and advances:	**2 241 726**	**1 174 265**
corporate:	983 075	585 301
investment loans	191 686	140 369
revolving loans	414 808	328 322
other	376 581	116 610
households:	1 165 208	587 507
Individual customers, in this:	782 793	312 821
mortgage loans	328 036	157 257
Individual entrepreneurs	220 705	129 195
farmers	161 710	145 491
budget entities	222	215
other entities	6 067	1 242
lease receivables	87 154	-
Total impairment allowances	**2 659 921**	**1 430 389**

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

	30.06.2015	31.12.2014
Impaired exposures		
Gross carrying exposure	4 436 174	2 270 336
Impairment allowances	(2 353 192)	(1 275 538)
Net exposure	**2 082 982**	**994 798**
Non-impaired exposures with indications of impairment		
Gross carrying amount, in this:	-	182 631
exposures where the value of the hedge is included in the discounted expected future cash flows, including:	-	*182 631*
past-due exposures	-	*106 219*
IBNR provision	-	(3 327)
Net exposure	**-**	**179 304**
Exposures without indications of impairment		
Gross exposure	47 758 408	28 609 345
IBNR provision	(306 729)	(151 524)
Total loans and advances to customers (net)	**47 451 679**	**28 457 821**

- figures in thousand PLN

	30.06.2015	31.12.2014
Impairment allowances – opening balance	**1 430 389**	**1 215 969**
Impairment charges*	964 395	1 456 856
Release of impairment charges*	(820 702)	(1 149 805)
Write-off	(21 870)	(148 095)
Impairment acquired as a result of merger	1 085 452	46 228
Other changes (including exchange differences)	22 257	9 236
Impairment allowances - closing balance	**2 659 921**	**1 430 389**

*Creation and release of impairment charges on loans and advances are presented by turnover due to functional system limitations.
This presentation does not impact the financial results of the Group.

In the first half of 2015, the Group did not sell its loan portfolio.

In the first half of 2014, the Group entered into an agreement for sale of its loan portfolio. The receivables sold under the agreement, the major part of which had been covered with impairment allowances or derecognized in whole, totaled PLN 35,135 thousand (principal, interest and other accompanying receivables). The contractual portfolio sale price was PLN 3,004 thousand The net effect of the portfolio sale on the profit generated by the Bank was PLN 1,001 thousand and it was presented in the lines “impairment charges” and “release of impairment charges”.

25 Available for sale financial assets

	30.06.2015	31.12.2014
Debt securities available for sale:	8 390 019	7 078 943
issued by central banks – NBP bills	1 899 770	3 199 654
issued by governments – T- bonds	6 394 969	3 860 027
issued by non-financial entities – bonds	75 814	-
issued by budget entities – municipal bonds	19 466	19 262
Available for sale equity instruments	4 232	4 160
Stock and shares	33 584	-
Share units	4 636	914
Total available for sale financial assets	**8 432 471**	**7 084 017**
of which:		
valued using the market quotation method	*6 398 696*	*3 863 688*
valued using model - based method	*2 033 775*	*3 220 329*
Impairment allowances on available for sale assets	**(376)**	**-**
impairment allowances on shares	(376)	-
Net available for sale financial assets	**8 432 095**	**7 084 017**

26 Intangible assets

	30.06.2015	31.12.2014
Licenses	228 622	136 872
Other intangible assets	6 776	599
Expenditure on intangible assets	30 585	27 836
Total intangible assets	**265 983**	**165 307**

- figures in thousand PLN

In the first half of 2015, the gross book value of intangible assets purchased by the Group was PLN 31,424 thousand (vs. PLN 17,695 thousand in the first half of 2014), while the net amount of assets sold and liquidated amounted to PLN 13,091 thousand (as compared to PLN 0.00 in in the first half of 2014).

27 Property, plant and equipment

	30.06.2015	31.12.2014
Non-current assets, in this:	480 962	404 471
land and buildings	305 032	254 379
leasehold improvements	64 966	63 027
IT equipment	52 488	36 140
office equipment	54 688	50 060
equipment and vehicles	3 788	865
Assets under construction	9 274	6 592
Total property, plant and equipment	**490 236**	**411 063**

In the first half of 2015, the gross book value of property, plant and equipment purchased by the Group was PLN 8,976 thousand (vs. PLN 5,205 thousand in the first half of 2014), while the net amount of Property, plant and equipment items sold and liquidated was PLN 2,117 thousand (as compared to PLN 4,410 thousand in the first half of 2014).

28 Other assets

	30.06.2015	31.12.2014
Other assets:		
other debtors	60 461	73 958
prepaid expanses	85 970	9 761
accrued income	31 888	6 789
cards settlements	12 113	2 554
tax and other regulatory receivables	64 361	10
insurance receivables	1 428	-
other lease receivables	18 719	-
other	14 763	1 146
Total other assets (gross)	**289 703**	**94 218**
Impairment allowances on other receivables	(48 652)	(33 516)
Total other assets (net)	**241 051**	**60 702**

29 Amounts due to banks

	30.06.2015	31.12.2014
Current accounts	385 223	108 994
Interbank deposits	1 092 567	15 208
Loans and advances received	8 005 361	1 327 121
Other liabilities	45 693	95 416
Total amounts due to banks	**9 528 844**	**1 546 739**

Changes in the balance of loans and advances received	6 months ended 30 June 2015	12 months ended 31 December 2014
Opening balance	**3 618 690**	**2 860 839**
Increase	4 391 322	1 099 088
loans received	4 391 322	1 099 088
Decrease	(6 255)	(311 408)
loans repaid	(6 255)	(311 408)
Change in the balance of interest	1 574	(4 405)
Other*	-	(2 316 993)
Closing balance	**8 005 361**	**1 327 121**

*Under an agreement signed by the Bank on 19 September 2014 with Societe Anonyme De Gestion D´Investissements Et De Participations ("Sagip"), BNP Paribas SA and Rabobank, Sagip acquired receivables under the aforesaid agreement representing the outstanding principal and interest accrued as at 23 September 2014, i.e. CHF 669,535 thousand, from Rabobank. As Sagip is a financial institution, the above mentioned loan obtained is presented in "Amounts due to customers".

Group loans disbursed as at 30 June 2015:

Currency	Amount (PLN million)	Maturity
CHF	285	2015
CHF	230	2016
CHF	225	2017
CHF	80	2021
CHF	140	2022
CHF	80	2023
CHF	90	2024
EUR	136.7	2015
EUR	7.6	2016
EUR	7	2017
EUR	5.1	2018
EUR	2	2019
EUR	4.5	2020
EUR	63	2022
EUR	60.5	2023
EUR	7	2024
PLN	1 366.1	2015
PLN	1.8	2016
PLN	27.8	2017
PLN	20	2018
PLN	20	2019
PLN	10	2020
PLN	8	2021
PLN	30	2022
PLN	97	2023

- figures in thousand PLN

30 Repo transactions

	30.06.2015	31.12.2014
Due to banks	-	45 364
Total repo transactions	**-**	**45 364**

31 Amounts due to customers

	30.06.2015	31.12.2014
Other financial institutions:	**4 449 799**	**4 222 120**
Current accounts	231 048	24 015
Term deposits	1 731 083	1 906 525
Loans and advances received	2 454 764	2 291 569
Other liabilities, in this:	32 904	11
other	32 904	11
Individual customers:	**23 350 308**	**18 539 420**
Current accounts	13 502 078	9 670 397
Term deposits	9 761 476	8 811 831
Other liabilities, in this:	86 754	57 192
cash collaterals	42 216	10 766
other	44 538	46 426
Corporate:	**15 372 446**	**9 448 772**
Current accounts	8 460 027	4 847 839
Term deposits	6 647 000	4 471 291
Other liabilities, in this:	265 419	129 642
cash collaterals	242 791	128 084
other	22 628	1 558
Including farmers:	**1 224 225**	**1 195 840**
Current accounts	1 081 482	882 206
Term deposits	137 386	307 626
Other liabilities, in this:	5 357	6 008
cash collaterals	5 280	5 920
other	77	88
Budget entities:	**1 004 159**	**594 132**
Current accounts	483 198	384 526
Term deposits	519 329	209 475
Other liabilities, in this:	1 632	131
cash collaterals	1 632	131
Total amounts due to customers	**44 176 712**	**32 804 444**

- figures in thousand PLN

32 Debt securities issued

Changes in the balance of debt securities issued

	6 months ended 30 June 2015	12 months ended 31 December 2014
Balance at beginning of the period	**762 311**	**1 191 158**
Issuance of certificates of deposit	-	-
Redemption of certificates of deposit	(294 775)	(431 433)
Changes in discount from certificates of deposit, interests, commission and other fees on certificates of deposit amortized using EIR, foreign currency exchange differences	1 740	2 586
Balance of debt securities issued at the end of the period	**469 276**	**762 311**

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 3,500,000. 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 Bank.

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 2015, the par value of certificates of deposit issued was PLN 465,000 thousand as compared to PLN 755,000 thousand as at 31 December 2014.

33 Subordinated liabilities

Change in the balance of subordinated liabilities	**6 months ended 30 June 2015**	**12 months ended 31 December 2014**
Balance at beginning of the period	**320 951**	**304 817**
Decreases	-	-
loans repayments	-	-
Exchange differences	66 171	14 679
Loan acquired as a result of merger	474 016	-
Change in the balance of interests	(1 805)	1 455
Balance of subordinated liabilities at the end of the period	**859 333**	**320 951**

- figures in thousand PLN

34 Other liabilities

	30.06.2015	31.12.2014
Interbank and intersystem settlements	345 715	67 322
Other creditors	64 428	63 718
Card settlements	31 700	13 776
Provisions for non-personnel expenses	72 573	34 812
Provisions for other employees-related liabilities	73 230	80 630
Provision for unused holidays	29 843	19 544
Deferred income	45 282	12 789
Trust account liabilities	11 991	-
Other regulatory liabilities	74 804	26 862
Insurance liabilities	9 587	-
Other lease liabilities	14 545	-
Brokerage house liabilities	16 213	-
Other	42 753	6 298
Total other liabilities	**832 664**	**325 751**

35 Provisions

	30.06.2015	31.12.2014
Provision for restructuring	95 507	-
Provision for retirement benefits and similar obligations	27 044	26 859
Provisions for guarantees, surety ships and undrawn credit facilities	49 650	23 200
Provision for litigation and claims	20 797	16 457
Other provisions	5 988	1 596
Total provisions	**198 986**	**68 112**

Provision fo restructing	**6 months ended 30 June 2015**	**12 months ended 31 December 2014**
Opening balance	**-**	**4 310**
Provisions charges	57 944	-
Provisions utilization	(11 516)	(2 424)
Provisions release	(5)	(1 886)
Provision acquired as a result of merger	49 084	-
Closing balance	**95 507**	**-**

Provision for retirement benefits and similar obligations	**6 months ended 30 June 2015**	**12 months ended 31 December 2014**
Opening balance	**26 859**	**19 966**
Provisions charges	716	6 968
Provisions release	(4 402)	(75)
Provision acquired as a result of merger	3 871	-
Closing balance	**27 044**	**26 859**

- figures in thousand PLN

Provisions for guarantees, surety ships and undrawn credit facilities	**6 months ended 30 June 2015**	**12 months ended 31 December 2014**
Opening balance	**23 200**	**18 338**
Provisions charges	19 034	33 189
Provisions release	(29 417)	(29 175)
Provision acquired as a result of merger	36 759	1 977
Other changes	74	(1 129)
Closing balance	**49 650**	**23 200**

Provisions for litigation and claims	**6 months ended 30 June 2015**	**12 months ended 31 December 2014**
Opening balance	**16 457**	**18 845**
Provisions charges	481	2 866
Provisions utilizations	(297)	(545)
Provisions release	(447)	(4 709)
Provision acquired as a result of merger	4 599	-
Other changes	4	-
Closing balance	**20 797**	**16 457**

Other provisions	**6 months ended 30 June 2015**	**12 months ended 31 December 2014**
Opening balance	**1 596**	**2 556**
Provisions charges	1 761	-
Provisions release	(167)	(960)
Provision acquired as a result of merger	2 798	-
Closing balance	**5 988**	**1 596**

36 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 original maturity shorter than three months:

	30.06.2015	**31.12.2014**
Cash and balances at Central Bank	2 472 825	1 790 160
Current accounts and other receivables	190 417	335 821
Interbank placements	20 054	55 000
Total cash and cash equivalents	**2 683 296**	**2 180 981**

- figures in thousand PLN

37 Additional information regarding the statement of cash flows

Other adjustments in the statement of cash flows	6 months ended 30 June 2015	6 months ended 30 June 2014
Changes resulting from changes in balances as a result of merger:	2 062 040	346 722
Cash and cash equivalents	*2 745 280*	*99 698*
Loans and advances to banks	*504 402*	*2 290*
Derivative financial instruments	*-*	*14 587*
Debt securities held for trading	*167 463*	*-*
Hedging instruments	*6 500*	*-*
Loans and advances to customers	*18 138 127*	*2 097 157*
Available for sale financial assets	*1 238 010*	*1 095 175*
Investments in associates	*21 067*	*-*
Intangible assets	*73 271*	*1 348*
Property, plant and equipment	*97 266*	*2 910*
Deferred tax assets	*213 610*	*8 250*
Current tax assets	*-*	*3 295*
Other assets	*144 415*	*3 909*
Amounts due to banks	*(595 093)*	*(2 592 364)*
Derivative financial instruments	*-*	*(17 702)*
Financial liabilities held for trading	*(176 832)*	*-*
Differences resulting from fair value hedges against interest rate risk attributable to hedged items	*(5 872)*	*-*
Amounts due to customers	*(12 392 905)*	*(339 034)*
Loans and advances received	*(6 706 454)*	*-*
Subordinated liabilities	*(474 016)*	*-*
Current tax liabilities	*(14 176)*	*-*
Provision for deferred tax	*(263)*	*-*
Other liabilities	*(835 199)*	*(22 735)*
Provisions	*(86 561)*	*(10 062)*
Valuation change of the company consolidated by the equity method	-	(2 096)
FX differences from subordinated loans	66 171	3 870
Changes in hedge accounting	(389)	-
Balance of property, plant and equipment and intangible assets	170 537	-
Equity of subsidiaries from merger	6 102	-
Investments in associates from merger	21 067	-
Other adjustments	(3)	(364)
Total other adjustments	**2 325 525**	**348 132**

- figures in thousand PLN

38 Contingent liabilities

	30.06.2015	31.12.2014
Contingent commitments granted	**15 491 302**	**5 694 336**
financial commitments	11 718 119	4 999 624
guarantees	3 773 183	694 712
Contingent commitments received	**4 075 566**	**1 573 710**
financial commitments	2 611 210	942 883
guarantees	1 464 356	630 827

39 Fair value of financial assets and liabilities

At the end of second quarter of 2015, instruments were allocated to the following measurement levels:

- level 1: treasury bonds; WSE-listed shares (fair value determined directly by reference to published active market quotations);
- level 2: interest rate options in EUR, FX options, base interest rate and FX swaps, FRA, FX Forward and FX swaps maturing within 1 year, commodity swaps, OIS, interest rate swaps maturing within 10 years (fair value determined using measurement techniques which are based on available, verifiable market data); money bills, CATALYST-listed corporate bonds (fair value determined using measurement techniques (models) 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 and FX swaps maturing over 1 year, interest rate swaps with residual maturity exceeding 10 years (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 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:

30.06.2015	Level 1	Level 2	Level 3	Total
Assets re-measured to fair value:	**6 403 096**	**2 312 004**	**135 443**	**8 850 543**
Debt securities held for trading	260	-	-	260
Derivative financial instruments	-	340 854	16 248	357 102
Hedging instruments	-	6 459	-	6 459
Available for sale financial assets	6 402 836	1 964 691	64 568	8 432 095
Investment property	-	-	54 627	54 627
Liabilities re-measured at fair value:	**-**	**(340 836)**	**(16 379)**	**(357 215)**
Derivative financial instruments	-	(340 836)	(16 379)	(357 215)
31.12.2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets re-measured to fair value:	**4 063 092**	**3 611 523**	**83 585**	**7 758 200**
Debt securities held for trading	199 404	-	-	199 404
Derivative financial instruments	-	411 869	8 283	420 152
Available for sale financial assets	3 863 688	3 199 654	20 675	7 084 017
Investment property	-	-	54 627	54 627
Liabilities re-measured to fair value:	**-**	**(442 677)**	**(6 231)**	**(448 908)**
Derivative financial instruments	-	(442 677)	(6 231)	(448 908)

The fair value of level 2 and 3 financial instruments is determined using valuation techniques (e.g. models) described in Note 8.

- figures in thousand PLN

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 and 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 real property, the actual transaction prices as well as 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 2015 were used, the measurement of the investment property could change considerably. However, the Group does not have access to reliable estimates concerning their effect on the fair value of the real property.

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

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

	Derivative financial instruments – assets	Available for sale financial assets	Investment property	Derivative financial instruments – liabilities
Balance as at 1 January 2015	**8 283**	**20 675**	**54 627**	**(6 231)**
Total gains/losses recognized in:	(2 504)	2 597	-	(5 994)
net interest income	-	*367*	-	-
net trading income	*(2 504)*	-	-	*(5 994)*
other operating income/expenses	-	-	-	-
statement of other comprehensive income	-	*2 230*	-	-
Purchase	2 803	19 894	-	1 705
Settlement	(1 549)	-	-	(1 549)
Transfers	(985)	-	-	(112)
Merge	10 200	(21 402)	-	10 200
Balance as at 30 June 2015	**16 248**	**64 568**	**54 627**	**(1 981)**
Unrealized gains/losses recognized in profit or loss relating to assets and liabilities held at the end of the period, in this:	**(2 504)**	**288**	**-**	**(5 994)**
Net interest income	-	288	-	-
Net trading income	(2 504)	-	-	(5 994)

	Derivative financial	Available for sale	Investment property	Derivative financial

	instruments – assets	financial assets		instruments – liabilities
Balance as at 1 January 2014	**9 823**	**24 889**	**62 524**	**(7 159)**
Total gains/losses recognized in:	(9 579)	587	(7 897)	3 872
net interest income	-	*797*	-	-
net trading income	*(9 579)*	-	-	*3 872*
other operating income/expenses	-	-	*(7 897)*	-
statement of other comprehensive income	-	*(210)*	-	-
Purchase	8 039	-	-	(2 944)
Settlement	-	(4 801)		-
Balance as at 31 December 2014	**8 283**	**20 675**	**54 627**	**(6 231)**
Unrealized gains/losses recognized in profit or loss relating to assets and liabilities held at the end of the period, in this:	**(9 579)**	**6**	**(7 897)**	**3 872**
Net interest income	-	6	-	-
Net trading income	(9 579)	-	-	3 872
Other operating income	-	-	(7 897)	-

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

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

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

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

At the end of second quarter of 2015, receivables and liabilities were allocated to the following measurement levels:

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

The table below presents the measurement hierarchy for receivables from and liabilities to banks and non-bank customers as at 30 June 2015, including comparative data.

30.06.2015	Book value	Fair value	Level
Financial assets			

- figures in thousand PLN

Loans and advances to banks	308 917	302 896	2,3
Loans and advances to customers	49 534 661	48 181 054	3
Financial liabilities			
Amounts due to banks	9 528 844	9 538 239	2,3
Amounts due to customers	44 176 712	44 302 618	3
Debt securities issued	469 276	472 383	3
Subordinated liabilities	859 333	974 976	2

31.12.2014	Book value	Fair value	Level
Financial assets			
Loans and advances to banks	404 724	402 216	3
Reverse repo transactions	100 668	100 668	3
Loans and advances to customers	29 631 923	29 619 745	3
Financial liabilities			
Amounts due to banks	1 546 739	1 536 443	3
Repo transactions	45 364	45 364	
Amounts due to customers	32 804 444	32 865 106	3
Debt securities issued	762 311	764 634	3
Subordinated liabilities	320 951	322 250	3

40 Related party transactions

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

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

As at 30 June 2015, 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 and 100% of votes at the General Meeting.
2. Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. ("TFI") with its registered office at Pl. Marszałka Józefa Piłsudskiego 1 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. Fortis Lease Polska Sp. z o.o. in liquidation ("FLP") 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. BNP Paribas Factor Sp. z o.o. ("Factor") 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.

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 transactions as well as income and expenses related to advisory and financial intermediation services.

- figures in thousand PLN

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

30.06.2015	BNP PARIBAS SA	BNP PARIBAS FORTIS SA/NV	OTHER ENTITIES FROM THE CAPITAL GROUP OF BANK BNP PARIBAS SA	KEY PERSONNEL	TOTAL
Assets	**30 896**	**92 736**	**39 432**	**1 556**	**164 620**
Current accounts, interbank placements and loans and advances	260	78 256	38 596	1 556	118 668
Derivative financial instruments	29 495	11 093	31	-	40 619
Other assets	1 141	3 387	805	-	5 333
Liabilities	**6 089 224**	**232 804**	**4 094 148**	**3 414**	**10 419 590**
Loans and advances received	4 996 901	-	2 946 246	-	7 943 147
Interbank deposits and current accounts	206 640	232 344	1 142 604	3 414	1 585 002
Subordinated liabilities	859 533	-	-	-	859 533
Derivative financial instruments	24 988	415	1 346	-	26 749
Other liabilities	1 162	45	3 952	-	5 159
Contingent liabilities					
Financial commitments granted	-	-	72 129	254	72 383
Guarantees granted	9 849	57 540	236 721	-	304 110
Commitments received	88 323	73 074	2 240 745	-	2 402 142
Derivative financial instruments (face value)	16 671 616	1 467 300	41 343	-	18 180 259
1st half of 2015 from 01.01.2015 to 30.06.2015					
Statement of profit or loss	**23 102**	**5 199**	**(15 294)**	**-**	**13 007**
Interest income	10	437	63	6	516
Interest expense	(8 131)	(109)	(11 571)	(6)	(19 817)
Fee and commission income	2	10 463	800	-	11 265
Fee and commission expense	(1)	(31)	(53)	-	(85)
Net trading income	31 222	(4 886)	(3 005)	-	23 331
Result on hedge accounting	-	(660)	-	-	(660)
Other operating income	-	(15)	-	-	(15)
General administrative expenses	-	-	(1 528)	-	(1 528)

- figures in thousand PLN

31.12.2014	THE CAPITAL GROUP OF BANK BNP PARIBAS S. A	KEY PERSONNEL	COöPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.*	SUBSIDIARIES OF RABOBANK*	TOTAL
Assets	**8 243**	**19**	**-**	**-**	**8 262**
Current accounts, interbank placements and loans and advances	105	19	-	-	124
Derivative financial instruments	8 115	-	-	-	8 115
Other assets	23	-	-	-	23
Liabilities	**2 620 901**	**3 283**	**-**	**-**	**2 624 184**
Loans and advances received	2 291 561	-	-	-	2 291 561
Interbank deposits and current accounts	554	3 283	-	-	3 837
Subordinated liabilities	320 944	-	-	-	320 944
Derivative financial instruments	7 839	-	-	-	7 839
Other liabilities	3	-	-	-	3
Contingent liabilities					
Financial commitments granted	-	31	-	-	31
Guarantees granted	-	-	-	-	-
Commitments received	-	-	-	-	-
Derivative financial instruments (face value)	851 851	-	-	-	851 851
1st half of 2014 from 01.01.2014 to 30.06.2014		**-**			
Statement of profit or loss	**-**	**(35)**	**(20 179)**	**18**	**(20 196)**
Interest income	-	-	776	15	791
Interest expense	-	(35)	(21 247)	(5)	(21 287)
Fee and commission income	-	-	-	8	8
Fee and commission expense	-	-	(1 161)	-	(1 161)
Net trading income	-	-	11 206	-	11 206
Other operating income	-	-	220	-	220
General administrative expenses	-	-	(9 973)	-	(9 973)

* Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. has not been a related party since 27 October 2014. Therefore, the figures concerning related-party transactions apply to the period from 1 January 2014 to 27 October 2014.

- figures in thousand PLN

Remuneration of the Management Board and Supervisory Board

Management Board	30.06.2015	31.12.2014
Short-term employee benefits	7 263	14 476
Long-term benefits	1 462	1 251
Benefits due to termination of employment	3 224	-
Share-based payments	1 374	1 251
TOTAL	**13 323**	**16 978**

Supervisory Board	30.06.2015	31.12.2014
Short-term employee benefits	143	574
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
TOTAL	**143**	**574**

41 Operating segments

Segment reporting

The Group has identified the following operating segments for reporting purposes and allocated income and expenses as well as assets and liabilities thereto: Retail and Business Banking, Small and Medium – sized Enterprises ('SME') and Agro, Corporate Banking, Corporate and Institutional Banking (CIB) as well as Other Operations, including the Assets and Liability Management Division 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, they are 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 Group, which are based on such criteria as the entity, finances and type of business activity. Enterprises are segmented on the basis of activity classification codes.

The Group's management performance is monitored by considering all items of the statement of profit loss of the particular segment, to the level of gross profit, i.e. the 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 – such information is assigned to the Bank's customers.

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 Group'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 Polska costs are presented in the Other Operations segment. Considering the profile of the Group'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 Bank's credit exposure to a customer of less than PLN 2 million;
- farmers, where the Bank's credit exposure to a customer is less than PLN 1 million and 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 50 thousand.

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 mortgages 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 direct banking (BGŻ Optima), performance of brokerage services and distribution of investment fund units.

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

Personal Finance is responsible for development of product offering and management of financial services provided to consumers, with three major products, i.e. cash advances, car 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 revenue and increasing profitability.

The SME and Agro Segment comprises services to institutional customers (other than retail customers) with annual net **revenue** for the preceding financial year of PLN 10-60 million and the Bank's credit exposure of less than PLN 25 million, or the Bank's credit exposure of PLN 2-25 million and the customer's net revenue for the preceding financial year of less than PLN 60 million; farmers with the Bank's credit exposure of PLN 1-25 million or the Standard Output (parameter describing the economic size of farms in accordance with the Community Typology for Agricultural Holdings) in the preceding financial year of EUR 50 thousand or more as well as Agro entrepreneurs.

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

The Corporate Banking Segment focuses on provision of services to medium-sized and large enterprises, offering them a wide range of financial solutions. Corporate Banking customers are corporations and institutions with annual sales revenue exceeding PLN 60 million. They are divided into four key groups:

- Polish mid-caps (with annual revenue of PLN 60-600 million);
- multinational customers (companies operating in multinational capital groups);
- large Polish corporations (with annual turnover of more than PLN 600 million and an investment banking potential);
- public sector and institutions.

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

Services are provided by 9 Business Centers located in large cities across Poland, which are separate from the Bank's branch network. Operating services are provided to all institutional segment customers by the Bank's Branches, via telephone (TeleBGŻ) and online (eBGŻ Firma, Biznes Planet and Connexis). Selected products are also sold by financial intermediaries active at the country and local level.

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 on account of customers, lease and factoring products as well as specialized services such as financing real property, 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 and international institutions dedicated to the largest Polish enterprises. It offers world-class quality expertise to customers by combining the knowledge of the Polish markets 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 **Asset Liability Management Division**, the main objective of which is ensuring an appropriate and stable level of funding to ensure security of the Bank's operations and compliance with the standards defined in the applicable laws.

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

The presentation of data in the segment reporting note as at 30 June 2014 and for the period then ended has been changed as compared to the presentation in the interim consolidated financial statements prepared as at 30 June 2014 and for the period then ended, with a view to ensuring their full comparability with the relevant financial information as at 30 June 2015 and for the period then ended.

- figures in thousand PLN

1st half 2015*	Retail and Business Banking	SME and AGRO	Corporate Banking	CIB	Other Operations	Total	including Agro customers*	including Personal Finance
Statement of profit or loss								
Net interest income	360 080	86 655	58 639	1 815	83 531	**590 721**	150 015	99 762
external interest income	488 165	185 663	110 200	-	117 553	**901 581**	311 643	142 507
external interest expense	(188 532)	(22 996)	(46 016)	-	(53 316)	**(310 860)**	(25 912)	-
internal interest income	315 307	47 577	62 636	-	460 546	**886 066**	(192 386)	(42 751)
internal interest expense	(254 859)	(123 589)	(68 180)	1 815	(441 252)	**(886 066)**	56 670	6
Net fee and commission income	113 866	39 477	27 838	37	1 391	**182 609**	58 208	4 063
Dividend income	834	2	2	-	4 393	**5 230**	-	-
Net trading income	18 560	14 704	19 343	6 414	8 844	**67 864**	11 820	376
Result on investment activities	-	-	-	-	35 200	**35 200**	-	-
Result on hedge accounting	-	-	-	-	-	**-**	-	-
Share in profit (loss) of associates	-	-	-	-	-	**-**	-	-
Other operating income and expenses	(906)	1 131	471	-	(27 065)	**(26 369)**	(97)	(882)
Net impairment losses on financial assets and contingent liabilities	(133 591)	(23 440)	24 130	-	(996)	**(133 896)**	(32 578)	(27 790)
General administrative expanses	(268 026)	(27 675)	(32 067)	(3 747)	(301 258)	**(632 773)**	(4 716)	(12 163)
Depreciation and amortization	(30 133)	(451)	(3 241)	(264)	(28 968)	**(63 057)**	(153)	(2 570)
Expense allocation (internal)	(74 001)	(21 128)	(15 281)	(1 246)	111 657	**-**	(33 167)	(15 580)
Segment result	**(13 318)**	**69 276**	**79 834**	**3 009**	**(113 272)**	**25 529**	**149 333**	**45 215**
Profit (loss) before income tax	**-**	**-**	**-**	**-**	**-**	**25 529**	**-**	**-**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(7 726)**	**-**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**17 803**	**-**	**-**
Statement of financial position as at 30 June 2015								
Segment assets	27 268 765	10 815 589	11 074 708	-	13 443 181	**62 602 243**	14 989 841	4 923 782
Segment liabilities	27 325 314	5 162 294	9 528 340	-	14 458 730	**56 474 679**	5 051 756	-

1st half 2014*	Retail and Business Banking	SME and AGRO	Corporate Banking	CIB	Other Operations	Total	including Agro customers*	including Personal Finance
Statement of profit or loss								
Net interest income	327 713	83 603	28 686	690	106 134	**546 825**	137 250	69 905
external interest income	433 468	201 041	81 546	-	148 121	**864 176**	329 144	94 513
external interest expense	(173 776)	(33 386)	(38 875)	-	(71 314)	**(317 351)**	(36 606)	-
internal interest income	318 578	56 864	39 655	-	444 588	**859 685**	68 454	6
internal interest expense	(250 557)	(140 917)	(53 641)	690	(415 261)	**(859 685)**	(223 742)	(24 614)
Net fee and commission income	102 039	34 418	15 507	(178)	2 003	**153 789**	54 093	(1 813)
Dividend income	-	-	-	-	3 303	**3 302**	-	-
Net trading income	19 475	11 820	5 521	643	(12 585)	**24 874**	11 059	373
Result on investment activities	-	-	-	-	5 476	**5 476**	-	-
Result on hedge accounting	-	-	-	-	(156)	**(156)**	-	-
Share in profit (loss) of associates	-	-	-	-	2 096	**2 096**	-	-
Other operating income and expenses	(842)	2 499	(38)	-	3 948	**5 567**	1 576	(16)
Net impairment losses on financial assets and contingent liabilities	(69 974)	(28 511)	(13 775)	-	1 107	**(111 153)**	(26 714)	(17 327)
General administrative expenses	(253 679)	(19 563)	(16 637)	-	(154 987)	**(444 867)**	(4 550)	-
Depreciation and amortization	(26 239)	(300)	(2 282)	-	(21 014)	**(49 835)**	(172)	-
Expense allocation (internal)	(101 437)	(29 939)	(11 238)	(261)	142 875	**-**	(46 145)	(15 485)
Segment result	**(2 944)**	**54 027**	**5 744**	**894**	**78 199**	**135 919**	**126 396**	**35 637**
Profit (loss) before income tax	**-**	**-**	**-**	**-**	**-**	**135 919**	**-**	**-**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(27 421)**	**-**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**108 498**	**-**	**-**
Statement of financial position as at 31 December 2014								
Segment assets	16 576 471	8 419 119	4 200 740	-	11 300 245	**40 496 575**	14 243 059	1 352 490
Segment liabilities	22 042 225	3 536 701	4 806 638	-	5 954 708	**36 340 271**	4 695 766	-

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

- figures in thousand PLN

42 The Shareholders' structure of Bank BGŻ BNP Paribas S.A.

As at 30 June 2015 and the date of Board's approval of the report for the period of 6 months ended 30 June 2015, i.e. 26 August 2015, 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:

30.06.2015 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%**

*Rabobank Group

31.12.2014 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	49 952 737	88.98%	49 952 737	88.98%
Rabobank International Holding B.V.*	5 613 875	9.99%	5 613 875	9.99%
Other shareholders	572 152	1.03%	572 152	1.03%
Total:	**56 138 764**	**100.00%**	**56 138 764**	**100.00%**

*Rabobank Group

As at 30 June 2015, the Bank's share capital amounted to PLN 84,238 thousand and was divided into 84,238,318 shares with the par value of PLN 1.00, including: 15,088,100 A series shares, 7,807,300 B series shares, 247,329 C series shares, 3,220,932 D series shares, 10,640,643 E series shares, 6,132,460 F series shares, 8,000,000 G series shares, 5,002,000 H series shares and 28,099,554 I series shares.

The Bank's shares are ordinary bearer and registered shares (as at 30 June 2015, there were 13,024,915 registered shares, including 4 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 has not introduced any limitations as to transferring the title to the securities issued by the Bank.

As at 30 June 2015 and the date of Board's approval of the report for the period of 6 months ended 30 June 2015, i.e. 26 August 2015, no shares issued by the Bank were held by members of the Management Board, Supervisory Board or the key executives.

As declared by BNP Paribas SA to the Polish Financial Supervision Authority, the number of the Bank's shares that are traded freely should be 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, in accordance with the specific conditions laid down in the aforesaid declarations.

Changes in the shareholder structure in the first half of 2015

Squeeze-out

On 3 December 2014, BNP Paribas SA and Rabobank International Holding B.V. entered into an agreement, as referred to in Article 87.1.5 of the Act on Public Offering, concerning the purchase of the Bank's shares by demanding that all remaining shareholders sell all the Bank's shares which they hold in accordance with Article 82 of the Act on Public Offering ("squeeze-out").

On 13 January 2015, Bank BGŻ was notified that BNP Paribas and Rabobank, acting in agreement concerning the purchase of the shares in Bank BGŻ through squeeze-out, hold 56,129,200 shares in the Bank in total, which represent 56,129,200 votes at the Bank's General Meeting, thus ca. 99.98% interest in the share capital as well as ca. 99.98% of the total number of votes at the General Meeting.

On 19 January 2015, the squeeze-out procedure was closed by BNP Paribas. At the same time, the agreement of 3 December 2014 made by BNP Paribas and Rabobank with respect to the purchase of shares in Bank BGŻ through squeeze-out expired.

Consequently, on 23 January 2015, the Bank was notified that following the squeeze-out BNP Paribas SA with its registered office in Paris holds 50,524,889 shares in the Bank, which represent 50,524,889 votes at the Bank's General Meeting, thus ca. 90.0000025% interest in the share capital as well as ca. 90.0000025% of the total number of votes at the General Meeting. The shareholding of Rabobank International Holding B.V. remained unchanged, i.e. 5,613,875 shares representing 9.9999975% of the total number of shares.

Issue of I series merger shares

Pursuant to a resolution of the Extraordinary Shareholders' Meeting of 25 February 2015, the Bank issued a public offering of 28,099,554 I series merger shares.

Following the registration of an increase in the share capital from PLN 56,138,764.00 to PLN 84,238,318.00 through the issue of 28,099,554 I series merger shares, on 30 April 2015, the merger shares were acquired by the existing shareholders of BNPP Polska. The shareholders of BNPP Polska received 5 Merger Shares in exchange for 6 shares in BNPP Polska. The fractional shares, i.e. those which were not issued to the shareholders of BNPP Polska as a result of approximation, were acquired by BNPP Fortis.

As a result, the percentage share of the existing shareholders of Bank BGŻ in the total number of votes at the General Meeting of the Bank has changed. The share of BNP Paribas in the total number of votes at the General Meeting of the Bank has decreased below the threshold of 90%. At the same time, BNP Paribas Fortis SA/NV (BNPP Fortis), which did not hold any shares in Bank BGŻ before the merger, exceeded the threshold of 25% of the total number of votes.

Following the merger and acquisition of the fractional shares by BNPP Fortis, the BNP Paribas Group holds the total of 74,409,864 shares in the Bank representing 88.33% of the share capital, which corresponds to 74,409,864 votes and 88.33% of the total number of votes, where:

a) 50,524,889 shares in the Bank representing 59.98% of the share capital as well as 50,524,889 votes and 59.98% of the total number of votes are held by BNP PARIBAS directly; and

b) 23,884,975 shares in the Bank representing 28.35% of the share capital as well as 23,884,975 votes and 28.35% of the total number of votes are held by BNP PARIBAS indirectly through BNPP Fortis, a subsidiary.

The share of the Rabobank Group has decreased from 9.99% to 6.66%. Rabobank International Holding B.V. holds the total of 5,613,875 shares in the Bank representing 6.66% of the share capital as well as 5,613,875 votes and 6.66% of the total number of votes at the Bank.

43 Dividends paid

Pursuant to a Resolution of the General Shareholders' Meeting of Bank BGŻ BNP Paribas of 19 June 2015, the net profit for 2014, in the amount of PLN 137,730 thousand, was allocated to the unidentified banking risk reserve (PLN 130,000, thousand) and to the Bank's supplementary capital (PLN 7,730 thousand).

44 Litigation

As at 30 June 2015, the total value of the proceedings with the Bank as the defendant was PLN 129,575 thousand and of those with the Bank as the plaintiff was PLN 110,123 thousand. As at 31 December 2014, the total value of the proceedings with the Bank as the defendant was PLN 40,735 thousand and of those with the Bank as the plaintiff was PLN 75,744 thousand.

The shareholders of Bank BGŻ BNP Paribas Spółka Akcyjna or other Group companies are not parties 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.

45 Risk management

Presented below are the major changes in the approach to credit risk management, basic market, liquidity, counterparty and country risk measures as well as changes in the approach to operational risk management, as introduced in the first half of 2015.

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 more than 70% share in the total economic capital estimated by the Group for purposes of covering major risks involved in the Group's operations, in addition to its 90% share in the total value of regulatory capital.

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

Credit risk management principles adopted by the Group:

- each credit transaction requires comprehensive credit risk assessment expressed in internal rating or scoring;
- in-depth and careful financial analysis serves as the basis for regarding the customer's financial information and collateral-related data as reliable; prudential analyses performed by the Group always take into account a margin of safety;
- 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 personnel, independent of the business;
- the pricing terms of a credit transaction have to account for the risk involved in such transaction;

- credit risk is diversified on such dimensions as geographical regions, industries, products and customers;
- credit decisions may only be taken by competent employees;
- the Group enters into credit transactions only with customers it knows and long-term relationships are the basis for cooperation with customers;
- the customer and the transactions made with the customer are monitored transparently from the perspective of the customer, in a manner that strengthens the relationship between the Bank and the customer.

Forbearance practices

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

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

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

A material economic loss is defined by the Bank as:

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

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

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

FINANCIAL RISK

Liquidity, currency and interest rate risk

Liquidity risk is defined as the inability to discharge liabilities where the costs in a specific currency and location remain acceptable.
Currency risk is the risk of adverse changes in the Bank’s financial performance, driven by changes in market foreign exchange rates.

Interest rate risk is the risk of adverse changes in the Bank’s financial performance or equity, driven by one of the following factors:

- changes in the repricing dates of the Bank's assets and the liabilities used for purposes of their financing (mismatch risk);
- changes in basis rates serving as the basis for determining the interest rate for items with the same repricing dates (basis risk);
- changes in market rates of interest which affect the fair value of the Bank's open positions (interest rate risk); or
- customers exercising options embedded in banking products, which may be exercised as a result of changes in the market rates of interest (option risk).

Liquidity, currency and interest rate risk is monitored using a formal system of limits and reports. The system of limits comprises the majority of liquidity, currency and interest rate risk parameters analyzed by the Bank. The limits are defined with a view to ensuring that:

- the desirable market risk level, as defined in the strategy adopted by the Bank, is maintained;
- the limits defined by the Bank do not exceed the risk level acceptable to the BNP Paribas Group.

If a limit is exceeded, the unit responsible for maintaining the reported values below the limit is obliged to employ measures enabling reduction of the risk value in accordance with the procedures in place at the Bank.
The information system used for purposes of risk management ensures collection of data concerning interest rate operations and transactions, market interest rate levels and the risk measures applied by the Bank.
In its market risk analyses, the Bank relies on scenario analysis and stress tests. The said analyses are based both on theoretical changes in market parameters and actual market changes in the past.

The risk management policy of the Bank is aimed at ensuring that the employees in charge of risk management process supervision and handling have high morale in addition to extensive practical expertise and theoretical knowledge about the tasks performed. The procedures in place at the Bank enable control over correctness of task fulfilment.
The Bank's policy is based on the principle that the business (direct entry into transactions), operations (transaction booking and clearing) and control functions (risk measurement and monitoring) forming part of the currency, interest rate and liquidity risk management process are fulfilled by separate, organizationally independent units. The scopes of their responsibilities are clearly defined to determine their role and accountability in the risk management process.
This enables separation of the business functions from risk control, operations from risk control and operations from business functions in order to guarantee appropriate quality of risk control and operational processes in addition to ensuring that the results of control indicating that the risk level is too high generate appropriate response of the Bank's management.

The Bank has adopted risk control and management policies that determine the measures to be employed in crisis situations. They define the principles of crisis identification, the scope of measures to be employed as well as responsibilities necessary to mitigate the related risk and to implement corrective actions.

<u>Liquidity risk</u>

The Bank's liquidity risk comprises:

- financing liquidity risk, i.e. the risk that expected or unexpected withdrawal instructions will not be performed without incurring unacceptable losses or without running a risk to the Bank's ability to carry out its business;
- market liquidity risk, i.e. the inability to realize assets due to inappropriate market depth or market disruptions. Thus, the said risk is related to market risk to a certain extent. Market liquidity risk reflects the changes in the liquidation value of the portfolio as a result

of changes in its value expressed by market valuation. Liquidity risk involves uncertainty as to the time necessary to liquidate assets.

The following types of liquidity are distinguished by the Bank:

- immediate liquidity – the present day;
- future liquidity – beyond the present day, broken down into:
- current liquidity – within 7 days;
- short-term liquidity – more than 7 days to 1 month;
- medium- and long-term liquidity – over 1 month.

Liquidity risk is defined as the risk of the Bank losing its ability to:

- fulfil its payment obligations on a timely basis;
- secure alternative funding;
- generate a positive balance of cash flows within a defined time horizon.

The Bank's strategy focuses on:

- sustainable, organic growth of the statement of financial position (an increase in the value of assets has to be linked with a corresponding rise in the level of financing) as well as off-balance sheet transactions and liabilities;
- limitation of the Bank's dependence on market volatility and ensuring that in a market crisis the Bank will quickly be able to discharge its liabilities without reducing the range of its services or initiating changes in its core business profile. If a crisis situation continues in the longer term, the Bank's strategy focuses on maintenance of liquidity with possible changes in growth directions and introduction of costly business profile change processes;
- active limitation of the probability of adverse events which may have an effect on the Bank's liquidity. In particular, this concerns events which may affect reputation risk. In such case, the Bank will employ measures aimed at restoring confidence of both customers and financial institutions as soon as practicable;
- ensuring high quality liquidity management standards. Actions aimed at improving the quality of liquidity management at the Bank are its top priority.

Amounts due to customers, medium- and long-term lines of credit and equity are the major sources of funding used by the Bank. Medium- and long-term lines of credit, including subordinated loans, are provided mainly by the BNP Paribas Group, the European Bank for Reconstruction and Development and the European Investment Bank.

The BNP Paribas Group guarantees stable sources of funding in foreign currencies (such as CHF and EUR) and in PLN. The policy adopted by the Bank allows it to use other sources of funding, to include debt issue or structured transactions (securitization).

Loan financing structure

The Bank's loans in PLN are financed mainly with the use of current and term deposits made by customers and it is the Bank's intention to maintain a stable relationship between these items.
The Bank's loans in foreign currencies are financed mainly with the use of medium- and long-term loans provided by the BNP Paribas Group. This concerns, in particular, mortgages loans in CHF portfolio, for which a stable level of funding has been secured by the Bank.

Group loans disbursed as at 30 June 2015:

in million currency units		
currency	**amount**	**maturity**
CHF	215	2015
CHF	230	2016
CHF	225	2017
CHF	13.25	2019
CHF	80	2021
CHF	140	2022
CHF	673.25	2023
CHF	180	2024
EUR	9.39	2015
EUR	7.28	2016
EUR	7	2017
EUR	4.71	2018
EUR	2	2019
EUR	4.5	2020
EUR	63	2022
EUR	58.35	2023
EUR	7	2024
PLN	802.84	2015
PLN	0.96	2016
PLN	26.93	2017
PLN	20	2018
PLN	20	2019
PLN	10	2020
PLN	5	2021
PLN	30	2022
PLN	95.85	2023

As at 30 June 2015, the following loans had been received from EBRD and EIB:

in million currency units		
currency	**amount**	**maturity**
EUR	7.14	2015
EUR	32.55	2016
EUR	6.7	2018
EUR	30	2019
PLN	150	2015
PLN	179.11	2016
PLN	92.5	2017
PLN	5.98	2018
PLN	212.3	2022

As at 30 June 2015, the following loans had been received from Rabobank:

in million currency units		
currency	amount	maturity
CZK	68	2018
EUR	34.5	2015
EUR	0.39	2016
EUR	25.52	2018
EUR	25	2020
PLN	246.72	2015
PLN	130	2016
PLN	38.93	2017
PLN	58.28	2018
PLN	37.11	2023
USD	14.5	2015
USD	17.67	2021

Currency risk

The Bank's operations result in the occurrence of currency positions which are sensitive to changes in foreign exchange rates. At the same time, it is the Bank's intention to limit its exposure to currency risk resulting from the FX products offered to customers. The Bank's activity on the foreign exchange market is limited with a view to generating a profit on short-term arbitrage positions.
The Bank's exposure to market currency risk is reduced through a system of limits. In accordance with the Bank's policy, the level of market currency risk is managed by the Financial Markets Division, which focuses on the intraday position and the end of day position. In order to ensure effective and precise currency position management, the Bank relies on an information system which provides up-to-date information concerning:

- the currency position;
- the global currency position;
- Value at Risk (VaR);
- daily gains/losses on currency position management.

The global currency position and VaR are limited and reported at day-end by the Financial and Counterparty Risk Department.
The Bank's currency risk is measured using the Value at Risk (VaR), which denotes the change in the market value of an asset or an asset portfolio with specific assumptions concerning the market parameters, at a specific time and with defined probability. For purposes of currency risk monitoring, it is assumed that VaR is determined with a 99% confidence level. VaR calculation for currency risk is based on the assumption that currency positions are held for one day. The quality of the VaR methodology is analyzed on a quarterly basis. The test involves a comparison of the forecast figures and those determined on the basis of actual changes in foreign exchange rates, assuming that the currency position is maintained (back-testing). The comparative period covers the last 250 business days. The VaR model was back-tested in the first half of 2015 and the verification did not identify the necessity to make any adjustments.

- figures in thousand PLN

Currency risk exposure:

30.06.2015	limit	Use of limits exposure	use
VaR	PLN 0.5 million	PLN 0.042 million	9%
Global currency position	PLN 50 million	PLN 5.2 million	10%

No currency risk limits had been exceeded as at 30 June 2015.

Interest rate risk

The operations carried out by the Bank result in open interest rate positions.
The market interest rate risk is concentrated in two separate portfolios, namely the portfolio of the Asset Liability Management Division ('ALM') and the portfolio of the Financial Markets Division. The said portfolios were separated considering the characteristics of the positions contained therein. The structural interest rate risk and liquidity are managed as part of the portfolio of the Asset Liability Management Division. The portfolio of the Financial Markets Division is a trading portfolio. A position is opened as a result of sale of financial instruments on account of customers as well as transactions entered into on the Bank's account.
As the scope of the Bank's trading operations is wide, a banking portfolio and a trading portfolio, as defined in Resolution 76/2010 (as amended) of the Polish Financial Supervision Authority, have been identified.
In accordance with the Bank's policy, interest rate risk is analyzed both collectively and separately for each of the aforesaid portfolios. The banking portfolio comprises the total portfolio of the Asset Liability Management Division.
Banking portfolio operations which are not carried out by the Asset Liability Management Division but result from the operations of the business lines offering deposit and credit products to the Bank's customers represent a major part of the ALM portfolio.
The portfolio managed by the Financial Markets Division is a trading portfolio.

The following basic types of interest rate risk analyses are defined in the policy adopted by the Bank:

- Value at Risk (VaR), determined with a 99% confidence level for various periods over which positions are held in the banking and trading portfolio;
- Earnings at Risk (EaR) – simulations of future net interest income (within the next one year) assuming different yield curve scenarios;
- interest rate gap – a mismatch between the repricing dates of interest-bearing items;
- PV'01 – a measure of sensitivity of interest-bearing items to changes in the rates of interest;
- sensitivity to a parallel shift in the yield curve.

The aforesaid analyses are the major component of the system used for purposes of mitigating interest rate risk at the Bank. The analyses are performed for the relevant portfolios on a daily, monthly or quarterly basis, depending on the type of analysis and the portfolio.
Additionally, the Bank conducts sensitivity analyses for its banking portfolio, where the changes in interest rates are more considerable than those typically observed (stress tests).

Exposure to interest rate risk

Presented below are interest rate risk measures for the Financial Markets Division portfolio and the Asset Liability Management Division portfolio as at 30 June 2015.

PLN '000	Limit use for the Financial Markets Division portfolio: VaR		
	limit	exposure	use
	1 000	363.1	36%

PLN '000	Limit use for the Financial Markets Division portfolio: PV'01				
		PLN	EUR	USD	Other
3M	exposure	-4.8	1.2	0	0.2
	limit	125	25	20	5
12M	exposure	58.9	-5.5	0.2	1.6
	limit	125	25	20	5
2Y	exposure	-70.2	3.7	0.4	0
	limit	125	25	20	5
5Y	exposure	-6.2	-7.5	0.1	-0.3
	limit	125	25	20	5
10Y	exposure	3.4	15.9	0	0
	limit	125	25	20	5
20Y	exposure	16.3	-10.1	0	0
	limit	125	25	20	5
>20	exposure	0	0	0	0
	limit	0	0	0	0
Total	exposure	-2.6	-2.2	0.7	1.6
	limit	125	25	20	5

Limit use for the Asset Liability Management Division portfolio: gap

	ON	1W	2W	1M	2M	3M	4M	5M	6M	7M	8M
Exposure	-3 579	-8 229	-918	3 070	6 682	8 149	10 121	10 131	6 731	8 858	8 059
Max. limit	11 102	11 102	11 102	11 102	11 961	13 319	14 177	14 535	14 344	14 077	13 735
Min. limit	-6 000	-6 000	-6 000	-6 000	-9 379	-11 181	-12 483	-13 282	-13 573	-13 714	-13 817

	9M	10M	11M	12M	13M	14M	15M	16M	17M	18M	19M
Exposure	7 539	7 266	6 401	6 682	6 731	6 360	5 973	5 626	5 219	5 313	4 979
Max. limit	13 318	12 827	12 355	11 843	11 351	10 860	10 368	9 976	9 585	9 193	8 801
Min. limit	-13 844	-13 797	-13 750	-13 703	-13 656	-13 609	-13 563	-13 616	-13 670	-13 724	-13 778

	20M	21M	22M	23M	24M	2,5Y	3Y	3,5Y	4Y	4,5Y	5Y
Exposure	4 420	4 024	3 767	3 386	3 316	2 831	1 684	1 394	1 074	1 102	778
Max. limit	8 409	8 018	7 626	7 234	6 992	5 567	4 267	3 675	3 375	3 074	2 922
Min. limit	-13 832	-13 886	-13 941	-13 995	-14 200	-15 050	-15 948	-12 103	-10 364	-8 624	-7 032

	6Y	7Y	8Y	9Y	10Y	11Y	12Y	13Y	14Y	15Y	>15Y
Exposure	521	685	578	809	495	351	230	132	64	13	13
Max. limit	2 690	2 523	2 397	2 299	2 220	2 220	2 220	2 220	2 220	2 220	2 220
Min. limit	-4 601	-3 855	-3 292	-3 130	-3 021	-3 021	-3 021	-3 021	-3 021	-3 021	-3 021

No limits had been exceeded as at 30 June 2015.

Counterparty 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. Thus, counterparty risk is related to transactions involving instruments the value of which may change in time depending on such factors as interest rates or foreign exchange rates. The varying exposure may affect the customer's solvency and is of crucial importance to the customer's ability to discharge its liabilities when the transaction is settled.
The exposure is determined by the Bank on the basis of the current measurement of contracts as well as the potential future changes in the exposure, depending on the transaction type, customer type and the settlement dates.

At the end of June 2015, 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.

Counterparty risk measures by business lines as at 30 June 2015 (PLN '000)	**Corporate and Transaction Banking, Retail Banking**	**Interbank transactions**	**Total**
On-balance sheet equivalent of derivative transactions	169 582.11	453 051.50	622 633.62
Capital requirement related to derivative transactions (total trading and banking portfolio)	13 345.49	15 525.84	28 871.33

Counterparty credit risk for transactions which generate counterparty risk is assessed using the same methodology as the one applied to loans. This denotes that in the credit process transactions are subject to limits, the value of which results directly from assessment of customer creditworthiness performed in the same way as in the process of credit product offering. However, the assessment also takes into account the specific nature of transactions, in particular their changing value in time or direct dependence on market parameters.

The principles applicable to foreign exchange transactions, derivative transactions as well as credit limit granting, use and monitoring for transactions subject to counterparty risk limits have been laid down in dedicated procedures. According to the policy in place at the Bank, all transactions are entered into considering individual limits and knowledge of the customer. The Bank has defined group of products offered to customers depending on their expertise and experience.

Country risk

Country risk comprises all risks related to conclusion of financial agreements with foreign parties, where it is possible that economic, social or political events will have an adverse effect on creditworthiness of the Bank's obligors in that country or where intervention of a foreign government could prevent the obligor (which could also be the government itself) from discharging its liabilities.

The Bank's policy concerning country risk has been conservative. Country limits have been reviewed periodically and the limit level modified to match precisely the anticipated business needs and risk appetite of the Bank.
As at 30 June 2015, foreign lending operations of the Bank represented a half, international trade transactions accounted for 36%, treasury transactions for 13% and derivative transactions entered into with foreign corporate customers represented 0.2% of the Bank's country risk

exposure. France accounted for 22%, Germany for 21% and the Netherlands for 18% of the exposure. The remaining exposure was related to the Czech Republic, Belgium and UK.

Risk appetite structure and actual exposure of the Bank:

Exposure by countries (PLN '000)

country risk classification*	limit	exposure	use
low	7 010 000	903 168	13%
moderate	546 000	154 999	28%
elevated	192 000	66 286	35%
high	10 000	8 496	85%

*based on internal country risk ratings

OPERATIONAL RISK

The Group's operational risk is defined in accordance with the resolution of the Polish Financial Supervision Authority (PFSA) 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 includes legal risk but not strategic risk. Operational risk is inherent in any types of banking operations.

It 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 Group in addition to security and compliance of the Group'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 within the Group. 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 Group's operations in addition to defining the Group'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 Group'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 Group 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 Administration Department, while the Information Security and Continuity of Business Department ('COB') 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 common laws and their effect on the Group's operations, in addition to court and administrative proceedings which affect the Bank. The Compliance Department is responsible for day-to-day compliance risk analysis as well as development of appropriate risk control techniques and their improvement.

Considering the elevated level of external and internal risks related to fraud and offence against the assets of the Bank and its customers, the Bank has extended the scope 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), expressed in structural dimensions selected by the Bank (key process areas) and the scale (residual risk level). 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 analysis of and monitoring operational risk. 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 the Bank*, which was approved by the Management Board of the Bank and accepted by the Supervisory Board. The document lays down the key principles, defines the organizational framework and establishes the standards of the Bank's internal control environment. The Bank's internal control objectives are, in particular, improvement of efficiency of controls as part

of a uniform, effective internal control system based on three control levels, as well as improvement of the process of the Bank's response to identified internal control deficiencies 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. Control over the operational risk management system is overseen and its appropriateness and efficiency are assessed by the Supervisory Board.

The Bank has been collecting information on losses driven by operational risk for more than ten years. The information on losses and operational risk collected by the Bank is used for purposes of estimating the economic capital necessary to cover the operational risk, which corresponds closely to the business profile of the Bank. The economic capital is estimated based on the principles developed and implemented by the Bank as well as a statistical model, while the results of calculations are verified in stress tests. In addition, the Bank estimates its regulatory capital necessary to cover operational risk in accordance with the applicable regulations. The said calculation is performed using the basic indicator approach (BIA).

46 Changes in the governing bodies of the Bank

At its meeting on 20 March 2015, the Supervisory Board adopted a resolution on appointment of Mr. Bartosz Urbaniak to the position of Member of the Management Board of the Bank as of 1 April 2015.

On 20 March 2015, resignations were submitted by:

- Ms. Monika Nachyła, Vice-President of the Management Board, as of 30 April 2015;
- Mr. Gerardus Embrechts, First Vice-President of the Management Board, as of 31 March 2015;
- Mr. Dariusz Odzioba, Vice-President of the Management Board, as of 31 March 2015;
- Mr. Witold Okarma, Vice-President of the Management Board, as of the date of the merger of BGŻ S.A. and Bank BNP Paribas Polska S.A.;
- Mr. Andrzej Sieradz, Vice-President of the Management Board, as of 31 March 2015.

On 30 April 2015, Mr. Józef Wancer resigned from the position of President of the Management Board. The resignation will be effective at the later of 17 September 2015 and the date of the PFSA's consent for appointment of a new President of the Management Board in accordance with Article 22b of the Banking Law. At the same time, the Bank was informed by BNP PARIBAS that following expiry of the term of office of Mr. Józef Wancer, BNP PARIBAS intends to vote for his appointment to the Supervisory Board at the General Meeting.

Additionally, on 30 April 2015, the Supervisory Board appointed Mr. Tomasz Bogus to the position of President of the Management Board. The aforesaid resolution will enter into force as at the date of the consent of the PFSA, under Article 22b of the Banking Law, for appointment of Mr. Tomasz Bogus to the position of President of the Management Board, not earlier, though, than on 17 September 2015.

The resignations submitted before by Ms. Monika Nachyła, Vice-President of the Management Board, and Mr. Witold Okarma, Vice-President of the Management Board, became effective as of the Merger date.

Composition of the Management Board of BGŻ BNP Paribas since 1 May 2015:

1. Józef Wancer – President of the Management Board;
2. Daniel Astraud – Vice-President of the Management Board;
3. Francois Benaroya – Vice-President of the Management Board;
4. Blagoy Bochev – Vice-President of the Management Board;
5. Jan Bujak – Vice-President of the Management Board;
6. Wojciech Kembłowski – Vice-President of the Management Board;
7. Magdalena Legęć – Vice-President of the Management Board;
8. Jaromir Pelczarski – Vice-President of the Management Board;
9. Jean-Philippe Stephane Rodes – Vice-President of the Management Board;
10. Wojciech Sass – Vice-President of the Management Board;
11. Michel Thebault – Vice-President of the Management Board;
12. Bartosz Urbaniak – Member of the Management Board.

47 Major events in the first half of 2015

16.02.2015 **The Polish Financial Supervision Authority** approved the **Information Memorandum** of Bank Gospodarki Żywnościowej S.A. prepared in connection with the merger of Bank BGŻ and BNP Paribas Bank Polska S.A.

25.02.2015 **The Extraordinary Shareholders' Meetings** of Bank BGŻ and BNP Paribas Bank Polska SA adopted **resolutions on the banks' merger**, increase in the share capital of Bank BGŻ through the issue of 28,099,554 I series shares and consent for the proposed amendments to the Statute of Bank BGŻ. The post-merger consolidated text of the Bank's Statute was adopted by the Extraordinary Shareholders' Meeting of Bank BGŻ.

5.03.2015 **An agreement with the trade unions** active at Bank BGŻ and one of the two trade unions active at BNP Paribas Bank Polska S.A. was made, whereby the procedures related to the group dismissal process were defined.

9.04.2015 **The Polish Financial Supervision Authority granted its consent for the merger of Bank Gospodarki Żywnościowej S.A. and BNP Paribas Bank Polska S.A. (BNPP Polska):**

- the PFSA granted its consent for the merger of Bank BGŻ (as the acquirer) and BNPP Polska (as the acquiree) through the transfer of all assets of BNPP Polska onto Bank BGŻ; and
- the PFSA adopted a decision that there are no grounds for voicing an objection against the intention of Bank BGŻ to purchase directly the shares in Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A., the number of which is sufficient to exceed the threshold of 50% of votes at the General Shareholders' Meeting.

10.04.2015 **BNP Paribas Fortis SA/NV obtained the decision of the European Central Bank** issued as part of the Single Supervisory Mechanism, whereby a consent for the planned merger of the banks was granted.

23.04.2015 **The Polish Financial Supervision Authority** granted its consent for **amendments to the Statute of Bank Gospodarki Żywnościowej S.A.** made in relation to the banks' merger.

29.04.2015 Bank BGŻ recognized a **restructuring provision** totaling PLN 49.3 million and a provision for winding up the branches of Bank BGŻ S.A. in the amount of PLN 6.9 million. The said provisions were recognized as part of the restructuring process planned in connection with the merger of the banks.

30.04.2015 **Legal merger of Bank BGŻ and BNP Paribas Bank Polska**
The District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, recorded the banks' merger, an increase in the share capital and amendments to the Statute in the National Court Register. Upon the entry of the merger in the National Court Register, the Bank's name was changed from Bank Gospodarki Żywnościowej S.A. to Bank BGŻ BNP Paribas S.A.
The merger was effected in accordance with Article 492.1.1 of the Code of Commercial Companies by transferring all the assets, equity and liabilities of BNPP Polska (the acquiree) onto BGŻ (the acquirer), which was accompanied by an entry of the increase in the share capital of BGŻ from PLN 56,138,764 to PLN 84,238,318 through the issue of 28,099,554 shares of BGŻ with the par value of PLN 1.00 each, which were acquired by the existing shareholders of BNPP Polska (merger shares). The shareholders of BNPP Polska received 5 Merger Shares in exchange for 6 shares in BNPP Polska.
As a result of the merger, Bank BGŻ assumed all the rights and obligations of BNP Paribas Bank Polska S.A., which was wound up without a liquidation procedure.

6.05.2015 **The Bank was notified** by BNP Paribas SA and BNP Paribas Fortis SA/NV of their shareholding in the merged Bank BGŻ BNP Paribas S.A. as a result of acquisition of the I series merger shares issued.
The share of BNP Paribas in the total number of votes at the Bank's General Shareholders' Meeting dropped below the threshold of 90% to 88.33%, including 59.98% held directly and 28.35% held through BNP Paribas Fortis SA/NV.
BNP Paribas Fortis SA/NV (BNPP Fortis), which did not hold any shares in Bank BGŻ before the merger, exceeded the threshold of 25% of the total number of votes. Detailed information concerning the parties holding more than 5% of the total number of votes has been presented in Section 41 of the Report.

18.05.2015 **The new I series merger shares were registered with the National Depository for Securities** under code ISIN PLBGZ0000010 and introduced to trading on the Main Market of the Warsaw Stock Exchange.
The shares in Bank BGŻ BNP Paribas were reintroduced to trading on the Main Market of the Warsaw Stock Exchange.

11.06.2015 The Supervisory Board of the Bank appointed **Deloitte Polska** Spółka z ograniczoną odpowiedzialnością Spółka komandytowa as the entity authorized to audit the separate financial statements of Bank BGŻ BNP Paribas S.A. and the consolidated financial statements of the Capital Group of Bank BGŻ BNP Paribas S.A. for 2015-2017.

29.06.2015 **A single brand and logo of BGŻ BNP Paribas were introduced.**

48 Subsequent events

Mortgages loans in foreign currencies

On 5 August 2015, the Polish National Parliament (the Sejm) adopted the *Act laying down specific principles of foreign currency mortgages loan restructuring due to changes in foreign exchange rates relative to the Polish currency*. The Act stipulates that by 30 June 2020, at the request of the borrower, the Bank would be obliged to restructure the loan if the following conditions were met:

- the customer took out a loan indexed to or denominated in a foreign currency, provided that it is denominated in or indexed to a currency other than that in which the borrower earns income;
- the financed property is used by the borrower to meet his/her own housing needs;
- the borrower has no other flat or single-family house;
- the usable area of the property does not exceed 100 m^2 for a flat and 150 m^2 for a single-family house, unless the borrower is raising three or more children at the loan restructuring application date;
- LTV is higher than 80%.

According to the Act, the Bank would have to cancel 9/10 of the difference between the outstanding principal of the foreign currency mortgages loan in the Polish currency and the principal of the mortgages loan in the Polish currency which would remain outstanding at the foreign currency mortgages loan restructuring application date (in accordance with the aforementioned Act) if the borrower entered into a PLN loan agreement with the same bank at the date of the foreign currency mortgages loan agreement (provided that the conditions and the debt repayment schedule are the same as in the foreign currency mortgages loan agreement concluded by the borrower).

At the time of signing these financial statements, the final shape of the abovementioned Act is not known, and its entry into force is conditional on its adoption by the Senate and being signed by the President of the Republic of Poland.

The Bank has made a preliminary estimate of the impact of the abovementioned bill on its financial performance and capital position. According to the Bank's assessment, the entry into force of the Act, in a shape similar to the one adopted by the Polish Sejm, should not result in the Bank's non-compliance with the applicable capital requirements. The abovementioned assessment, due to the unknown final shape of the Act, as well as its implications for foreign exchange markets and, consequently, the action taken by customers, may change substantially and the ultimate impact of the proposed solutions on the Bank is unknown.

*Mortgages loans to individuals in currency (in PLN **thousand**)*

Loans by currency	30.06.2015	31.12.2014
CHF	7 346 433	2 882 295
EUR	83 226	16 751
PLN	7 386 089	5 438 868
USD	5 133	2 906
Total	**14 820 881**	**8 340 820**

- figures in thousand PLN

CHF loan portfolio value

	30.06.2015		31.12.2014	
	Total portfolio	Including exposures in CHF	Total portfolio	Including exposures in CHF
(Gross) loan portfolio, in this:				
Current accounts:	**8 240 956**	**14 338**	**5 602 947**	**-**
banks	182 120	14 338	334 295	-
corporates	4 271 391	-	2 118 862	-
households:	3 730 875	-	3 144 797	-
individual customers	199 969	-	106 328	-
individual entrepreneurs	498 515	-	375 241	-
farmers	3 032 391	-	2 663 228	-
budget entities	14 163	-	617	-
other entities	42 407	-	4 376	-
Loans and advances:	**44 263 422**	**7 793 544**	**25 864 576**	**3 084 764**
banks	127 676	-	70 916	-
corporate:	13 569 318	133 931	7 970 809	100 606
investment loans	6 307 689	34 355	4 622 665	36 206
revolving loans	3 450 405	13 298	2 222 940	10 490
other	3 811 224	86 278	1 125 204	53 910
households:	28 232 397	7 551 532	17 533 570	2 981 299
Individual customers, in this:	19 457 605	7 468 362	10 087 819	2 902 576
mortgage loans	14 820 881	7 346 433	8 340 820	2 882 295
individual entrepreneurs	2 313 295	70 984	1 414 479	67 503
farmers	6 461 497	12 186	6 031 272	11 220
budget entities	198 848	-	215 802	-
other entities	193 689	4 605	73 479	2 859
lease receivables	1 941 494	103 476	-	-
Total gross loans and advances	**52 504 378**	**7 807 882**	**31 467 523**	**3 084 764**

- figures in thousand PLN

Impairment losses on CHF loans

	30.06.2015		31.12.2014	
	Total portfolio	Including exposures in CHF	Total portfolio	Including exposures in CHF
(Gross) loan portfolio, including:				
Current accounts:	**418 605**	**-**	**256 124**	**-**
banks	410	-	-	-
corporates	287 731	-	163 515	-
households:	129 869	-	92 483	-
individual customers	23 563	-	7 271	-
individual entrepreneurs	73 095	-	54 925	-
farmers	33 211	-	30 287	-
budget entities	4	-	-	-
other entities	591	-	126	-
Loans and advances:	**2 242 195**	**276 023**	**1 174 752**	**93 169**
banks	469	-	487	-
corporate:	983 075	17 421	585 301	10 188
investment loans	191 686	286	140 369	212
revolvingl loans	414 808	677	328 322	604
other	376 581	16 458	116 610	9 372
households:	1 165 208	244 728	587 507	82 974
individual customers, in this:	782 793	235 829	312 821	74 855
mortgage loans	328 036	220 927	157 257	71 784
individual entrepreneurs	220 705	7 880	129 195	7 012
farmers	161 710	1 019	145 491	1 107
budget entities	222	-	215	-
other entities	6 067	8	1 242	7
lease receivables	87 154	13 866	-	-
Total gross loans and advances	**2 660 800**	**276 023**	**1 430 876**	**93 169**

Structure of CHF exposures by impairment and overdue

	30.06.2015		
		Average PD	LTV
Net carrying amount of exposures without indications of impairment, including:	**7 307 732**	**X**	**X**
0 days	6 944 633	0.9%	103.5%
1-30 days	324 620	9.5%	109.5%
31-60 days	28 164	41.2%	114.0%
61-90 days	9 704	71.9%	114.6%
more than 90 days	611	-	-
Net carrying amount of impaired exposures	**500 150**	**X**	**X**
0 days	55 448	-	119.9%
1-30 days	61 791	-	109.0%
31-60 days	26 141	-	109.4%
61-90 days	16 325	-	111.9%
more than 90 days	340 445	-	135.2%
Total net carrying amount	**7 807 882**	**-**	**-**

- figures in thousand PLN

Mortgages loans to individuals in CHF

	30.06.2015
LTV	**Individuals**
0-50%	764 240
50%-80%	1 685 108
80%-100%	1 241 168
100%-120%	1 051 971
>120%	2 603 946
Total	**7 346 433**

Mortgages loans to individuals according to years of involvement in CHF

	30.06.2015
Years of involvement	**Individuals**
1999 - 2005	618 196
2006	1 777 024
2007	2 297 461
2008	2 423 648
2009	230 104
Total	**7 346 433**

Other events after the end of the reporting period

13.07.2015 Following registration of changes in the National Court Register, Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. changed its business name to **Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A.**

27.07.2015 Mr. **Wojciech Sass** submitted a statement of resignation from the position of Vice-President of the Management Board of the Bank, as of 31 August 2015.

28.07.2015 Bank BGŻ BNP Paribas S.A. signed the following agreements with Sygma Banque SA with its registered office in Paris:

- *a preliminary share purchase agreement*, whereby the Bank and Sygma Banque are obliged to enter into a final share purchase agreement under which BGŻ BNPP will acquire 1,000 (one thousand) registered shares in Sygma Bank Polska Spółka Akcyjna with its registered office in Warsaw ("Sygma Bank Polska"), representing 100% of the shares in Sygma Bank Polska and 100% of votes at the General Meeting of Sygma Bank Polska, from Sygma Banque (or its legal successor), at the total price of PLN 200 million.

  The final agreement for the purchase of shares in Sygma Bank Polska will be signed after the following conditions precedent have been satisfied: (i) registration of Sygma Bank Polska in the Register of Entrepreneurs of the National Court Register; (ii) the Polish Financial Supervision Authority granting the authorizations and issuing the decisions required under the

Banking Law (as defined below); and (iii) the entry of the Resolution of the Supervisory Board of BGŻ BNPP concerning the consent for acquisition of the shares in Sygma Bank Polska by BGŻ BNPP into force.

- *a preliminary share purchase agreement*, whereby the Bank and Sygma Banque are obliged to enter into a final share purchase agreement under which BGŻ BNPP will acquire 100% of the shares in Laser Services Polska Spółka Akcyjna with its registered office in Warsaw ("LSP") at the total price of PLN 11 million from Sygma Banque (or its legal successor).

  The final agreement for the purchase of LSP shares will be signed after the following conditions precedent have been satisfied: (i) acquisition of 100% of shares in Sygma Bank Polska by BGŻ BNPP; and (ii) the entry of the Resolution of the Supervisory Board of BGŻ BNPP concerning the consent for acquisition of LSP shares by BGŻ BNPP into force.

30.07.2015 Mr. **Józef Wancer** submitted a statement, whereby the effective date of his resignation from the position of President of the Management Board of the Bank was changed. In accordance with the aforesaid statement, Mr. Wancer will hold the office of President of the Management Board until 31 August 2015.
The Supervisory Board of the Bank adopted a resolution amending the resolution on conditional appointment of President of the Management Board of Bank BGŻ BNP Paribas S.A. The aforesaid change concerned the date of appointment of Mr. **Tomasz Bogus** to the position of President of the Management Board of Bank BGŻ BNP Paribas S.A. The aforesaid resolution on appointment will enter into force as of the date of the consent of the Polish Financial Supervision Authority for the appointment, under Article 22b of the Banking Law, not earlier, though, than on 1 September 2015.

3.08.2015 **Registration of Sygma Bank Polska Spółka Akcyjna** with its registered office in Warsaw in the Register of Entrepreneurs of the National Court Register. Thus, the first condition precedent necessary for conclusion of the final agreement for the purchase of shares in Sygma Bank Polska by BGŻ BNPP from Sygma Banque SA with its registered office in Paris, France (or the legal successor of Sygma Banque SA) was satisfied.

25.08.2015 The Polish Financial Supervision Authority, acting under art. 22 b of the Banking Law Act, issued its consent for an appointment of Mr. **Tomasz Bogus** as President of the Management Board of Bank.
Therefore, the condition precedent, specified in the Bank's Supervisory Board resolution on conditional appointment of the President of the Bank's Management Board has been satisfied.
Considering that the said resolution has come into force, Mr. Bogus will assume the post of the President of the Management Board of Bank BGŻ BNP Paribas S.A. on 1 September 2015.

- figures in thousand PLN

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Interest income	494 251	897 157	438 852	865 046
Interest expense	(159 614)	(308 545)	(162 092)	(317 197)
Net interest income	**334 637**	**588 612**	**276 760**	**547 849**
Fee and commission income	120 300	202 567	92 296	176 589
Fee and commission expense	(15 780)	(26 185)	(11 059)	(22 800)
Net fee and commission income	**104 520**	**176 382**	**81 237**	**153 789**
Dividend income	5 230	5 230	3 302	3 302
Net trading income	47 809	67 864	11 153	24 874
Result on investing activities	12 167	35 200	2 307	5 476
Result on hedge accounting	-	-	(21)	(156)
Other operating income	10 656	17 010	9 360	14 995
Net impairment losses on financial assets and contingent liabilities	(78 925)	(133 514)	(53 456)	(111 008)
General administrative expenses	(367 050)	(626 798)	(220 787)	(444 689)
Depreciation and amortization	(35 535)	(62 852)	(25 226)	(49 834)
Other operating expenses	(31 458)	(42 984)	(5 506)	(10 822)
Operating result	**2 051**	**24 150**	**79 123**	**133 776**
Profit before income tax	**2 051**	**24 150**	**79 123**	**133 776**
Income tax expense	(290)	(7 363)	(16 995)	(27 421)
Net profit for the period	**1 761**	**16 787**	**62 128**	**106 355**
attributable to equity holders of the Bank	1 761	16 787	62 128	106 355
Earnings per share (in PLN per share)				
Basic	0.02	0.26	1.20	2.07
Diluted	0.02	0.26	1.20	2.07

- figures in thousand PLN

Interim condensed separate statement of other comprehensive income

	2nd quarter 2015 from 01.04.2015 to 30.06.2015	1st half 2015 from 01.01.2015 to 30.06.2015	2nd quarter 2014 from 01.04.2014 to 30.06.2014	1st half 2014 from 01.01.2014 to 30.06.2014
Net profit for the period	**1 761**	**16 787**	**62 128**	**106 355**
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss	***(115 516)***	***(117 790)***	***88 991***	***88 268***
Net change in valuation of available for sale financial assets	(142 612)	(145 419)	110 993	117 373
Net change in valuation of cash flow hedges	-	-	(1 128)	(8 400)
Deferred tax	27 096	27 629	(20 874)	(20 705)
Items that will not be reclassified subsequently to profit or loss	***2 982***	***3 048***	***(1 933)***	***(2 121)***
Actuary valuation of employee benefits	3 682	3 763	(2 387)	(2 619)
Deferred tax	(700)	(715)	454	498
Other comprehensive income (net of tax)	**(112 534)**	**(114 742)**	**87 058**	**86 147**
Total comprehensive income for the period	**(110 773)**	**(97 955)**	**149 186**	**192 502**
attributable to equity holders of the Bank	(110 773)	(97 955)	149 186	192 502

Interim condensed separate statement of financial position

	30.06.2015	31.12.2014
ASSETS		
Cash and balances with the Central Bank	2 472 825	1 790 160
Loans and advances to banks	304 889	404 724
Reverse repo transactions	-	100 668
Debt securities held for trading	260	199 404
Derivative financial instruments	357 102	420 152
Hedging instruments	6 459	-
Loans and advances to customers	49 029 060	29 657 523
Available for sale financial assets	8 428 366	7 084 017
Investments in subsidiaries and associates	37 799	16 732
Intangible assets	264 948	165 307
Property, plant and equipment	490 066	411 063
Deferred tax asset	438 937	173 828
Other assets	241 806	60 626
TOTAL ASSETS	**62 072 517**	**40 484 204**

- figures in thousand PLN

Interim condensed separate statement of financial position (continued)

	30.06.2015	31.12.2014
LIABILITIES		
Amounts due to banks	8 974 496	1 546 739
Repo transactions	-	45 364
Differences resulting from fair value hedges against interest rate risk attributable to hedged items	5 442	-
Derivative financial instruments	357 215	448 908
Amounts due to customers	44 225 524	32 804 752
Debt securities issued	469 030	762 142
Subordinated liabilities	859 333	320 951
Other liabilities	828 600	325 722
Income tax liabilities	38 155	9 639
Provisions	198 884	68 112
TOTAL LIABILITIES	**55 956 679**	**36 332 329**
EQUITY		
Share capital	84 238	56 139
Other supplementary capital	5 092 196	3 430 785
Other reserve capital	780 875	271 859
Revaluation reserve	141 742	255 362
Retained earnings:	16 787	137 730
net profit for the period	16 787	137 730
TOTAL EQUITY	**6 115 838**	**4 151 875**
TOTAL LIABILITIES AND EQUITY	**62 072 517**	**40 484 204**

- figures in thousand PLN

Interim condensed separate statement of changes in equity

	Share capital	Other supplementary capital	Other reserve capital	Retained earnings: Revaluation reserve	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2015	**56 139**	**3 430 785**	**271 859**	**255 362**	**137 730**	**4 151 875**
Total comprehensive income for the period	**-**	**-**	**-**	**(114 742)**	**16 787**	**(97 955)**
Net profit for the period	-	-	-	-	16 787	16 787
Other comprehensive income for the period	-	-	-	(114 742)	-	(114 742)
Appropriation of retained earnings	**-**	**7 730**	**130 000**	**-**	**(137 730)**	**-**
Appropriation of retained earnings to other supplementary capital	-	7 730	130 000	-	(137 730)	-
Merge	**28 099**	**1 653 681**	**379 016**	**1 122**	**-**	**2 061 918**
Issued shares of I series	28 099	-	-	-	-	28 099
Equity resulting from merger	-	1 653 681	379 016	1 122	-	2 033 819
Balance as at 30 June 2015	**84 238**	**5 092 196**	**780 875**	**141 742**	**16 787**	**6 115 838**

- figures in thousand PLN

Interim condensed separate statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2014	**51 137**	**3 085 059**	**115 001**	**91 462**	**162 403**	**3 505 062**
Total comprehensive income for the period	**-**	**-**	**-**	**163 900**	**137 730**	**301 630**
Net profit for the period	-	-	-	-	137 730	137 730
Other comprehensive income for the period	-	-	-	163 900	-	163 900
Appropriation of retained earnings	**-**	**162 403**	**-**	**-**	**(162 403)**	**-**
Appropriation of retained earnings to other supplementary capital	-	162 403	-	-	(162 403)	-
Merge	**5 002**	**183 323**	**156 858**	**-**	**-**	**345 183**
Issued shares of H series	5 002	-	-	-	-	5 002
Equity resulting from merger	-	183 323	156 858	-	-	340 181
Balance as at 31 December 2014	**56 139**	**3 430 785**	**271 859**	**255 362**	**137 730**	**4 151 875**

- figures in thousand PLN

Interim condensed separate statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings: Net profit for the period	Total
Balance as at 1 January 2014	**51 137**	**3 085 059**	**115 001**	**91 462**	**162 403**	**3 505 062**
Total comprehensive income for the period	**-**	**-**	**-**	**86 147**	**106 355**	**192 502**
Net profit/loss for the period	-	-	-	-	106 355	106 355
Other comprehensive income for the period	-	-	-	86 147	-	86 147
Appropriation of retained earnings	**-**	**162 403**	**-**	**-**	**(162 403)**	**-**
Appropriation of retained earnings to other supplementary capital	-	162 403	-	-	(162 403)	-
Merge	**5 002**	**183 323**	**156 858**	**-**	**-**	**345 183**
Issued shares of H series	5 002	-	-	-	-	5 002
Equity resulting from merger	-	183 323	156 858	-	-	340 181
Balance as at 30 June 2014	**56 139**	**3 430 785**	**271 859**	**177 609**	**106 355**	**4 042 747**

- figures in thousand PLN

Interim condensed separate statement of cash flows

	1st half 2015 from 01.01.2015 to 30.06.2015	1st half 2014 from 01.01.2014 to 30.06.2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the period	**16 787**	**106 355**
Adjustments for:	**2 636 043**	**1 826 335**
Income tax expense	7 363	27 421
Depreciation and amortization	62 852	49 834
Dividend income	(5 230)	(3 302)
Interest income	(897 157)	(865 046)
Interest expense	308 545	317 197
Change in provisions	134 535	(3 745)
Change in loans and advances to banks	(87 730)	(76)
Change in reverse repo transactions	100 662	247 886
Change in securities held for trading	198 269	706 620
Change in derivative financial instruments (assets)	56 591	115 795
Change in loans and advances to customers	(19 357 469)	(2 605 416)
Change in amounts due to banks	7 802 320	1 201 849
Change in repo transactions	(45 357)	159 105
Change in financial liabilities held for trading	-	(218 205)
Change in derivative financial instruments (liabilities)	(91 693)	(43 447)
Change in the amounts due to customers	11 575 151	1 741 284
Change in current assets and current tax assets	(419 375)	(2 622)
Change in other liabilities and deferred tax liabilities	531 394	168 389
Other adjustments	2 297 990	350 039
Interest received	773 152	829 762
Interest paid	(308 770)	(295 610)
Income tax paid	-	(51 377)
NET CASH FROM OPERATING ACTIVITIES	**2 652 830**	**1 932 690**

- figures in thousand PLN

Interim condensed separate statement of cash flows (continued)

	1st half 2015 from 01.01.2015 to 30.06.2015	1st half 2014 from 01.01.2014 to 30.06.2014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investing activities inflows	**89 489 883**	**64 526 293**
Sale of available for sale financial assets	89 470 411	64 523 111
Sale of intangible assets and property, plant and equipment	14 242	(120)
Dividends received and other investing activities inflows	5 230	3 302
Investing activities outflows	**(90 820 212)**	**(66 064 372)**
Purchase of available for sale financial assets	(90 735 011)	(66 041 333)
Purchase of intangible assets and property, plant and equipment	(85 201)	(22 900)
Other investment expenses	-	(139)
NET CASH FROM INVESTING ACTIVITIES	**(1 330 329)**	**(1 538 079)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing activities inflows	**723 252**	**-**
Long-term loans received	723 252	-
Financing activities outflows	**(1 543 438)**	**(577 166)**
Repayment of long-term loans and advances to banks	(1 248 663)	(191 078)
Redemption of debt securities	(294 775)	(386 088)
NET CASH FROM FINANCING ACTIVITIES	**(820 186)**	**(577 166)**
TOTAL NET CASH	**502 315**	**(182 555)**
Cash and cash equivalents at the beginning of the period	**2 180 981**	**1 881 640**
Cash and cash equivalents at the end of the period, of which:	**2 683 296**	**1 699 085**
effect of exchange rate fluctuations on cash and cash equivalents held	17 401	1 811
to restricted use	3 914	1 669

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 the year, ended 30 June 2015, 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 2015 and the Separate Financial Statements of BGŻ S.A. for the year ended 31 December 2014, which were approved by the Management Board of the Bank on 2 March 2015.

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

2 Related-party transactions

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

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

As at 30 June 2015, 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 and 100% of votes at the General Meeting.
2. Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. ("TFI") with its registered office at Pl. Marszałka Józefa Piłsudskiego 1 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. Fortis Lease Polska Sp. z o.o. in liquidation ("FLP") 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. BNP Paribas Factor Sp. z o.o. ("Factor") 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.

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.

- figures in thousand PLN

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

30.06.2015	BNP PARIBAS SA	BNP PARIBAS FORTIS SA/NV	OTHER ENTITIES FROM THE CAPITAL GROUP OF BANK BNP PARIBAS S A	KEY PERSONNEL	SUBSIDIARIES	TOTAL
Assets	**30 896**	**92 736**	**39 432**	**1 556**	**39 309**	**203 929**
Current accounts, interbank placements and loans and advances	260	78 256	38 596	1 556	37 218	155 886
Derivative financial instruments	29 495	11 093	31	-	-	40 619
Other assets	1 141	3 387	805	-	2 091	7 424
Liabilities	**6 089 224**	**232 804**	**4 094 148**	**3 414**	**49 253**	**10 468 843**
Loans and advances received	4 996 901	-	2 946 246	-	-	7 943 147
Interbank deposits and current accounts	206 640	232 344	1 142 604	3 414	49 253	1 634 255
Subordinated liabilities	859 533	-	-	-	-	859 533
Derivative financial instruments	24 988	415	1 346	-	-	26 749
Other liabilities	1 162	45	3 952	-	-	5 159
Contingent liabilities						
Financial commitments granted	-	-	72 129	254	8	72 391
Guarantee commitments	9 849	57 540	236 721	-	-	304 110
Commitments received	88 323	73 074	2 240 745	-	-	2 402 142
Derivative financial instruments (face value)	16 671 616	1 467 300	41 343	-	-	18 180 259
1st half of 2015 from 01.01.2015 to 30.06.2015						
Statement of profit or loss	**23 102**	**5 199**	**(15 294)**	**-**	**982**	**13 989**
Interest income	10	437	63	6	486	1 002
Interest expense	(8 131)	(109)	(11 571)	(6)	(64)	(19 881)
Fee and commission income	2	10 463	800	-	391	11 656
Fee and commission expense	(1)	(31)	(53)	-	-	(85)
Net trading income	31 222	(4 886)	(3 005)	-	-	23 331
Result on hedge accounting	-	(660)	-	-	-	(660)
Other operating income	-	(15)	-	-	169	154
General administrative expenses	-	-	(1 528)	-	-	(1 528)

- figures in thousand PLN

31.12.2014	THE CAPITAL GROUP OF BANK BNP PARIBAS SA	KEY PERSONNEL	ACTUS SP Z O.O.	BGŻ LEASING SP Z O.O.	COöPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.*	SUBSIDIARIES OF RABOBANK*	TOTAL
Assets	**8 243**	**19**	**36 732**	**-**	**-**	**-**	**44 994**
Current accounts, interbank placements and loans and advances	105	19	36 732	-	-	-	36 856
Derivative financial instruments	8 115	-	-	-	-	-	8 115
Other assets	23	-	-	-	-	-	23
Liabilities	**2 620 901**	**3 283**	**309**	**-**	**-**	**-**	**2 624 493**
Loans and advances received	2 291 561	-	-	-	-	-	2 291 561
Interbank deposits and current accounts	554	3 283	309	-	-	-	4 146
Subordinated liabilities	320 944	-	-	-	-	-	320 944
Derivative financial instruments	7 839	-	-	-	-	-	7 839
Other liabilities	3	-	-	-	-	-	3
Contingent liabilities							
Financial commitments granted	-	31	-	-	-	-	31
Guarantees granted	-	-	-	-	-	-	-
Commitments received	-	-	-	-	-	-	-
Derivative financial instruments (face value)	851 851	-	-	-	-	-	851 851
1st half of 2014 from 01.01.2014 to 30.06.2014							
Statement of profit or loss	**-**	**(35)**	**876**	**1 712**	**(20 179)**	**18**	**(17 608)**
Interest income	-	-	869	1 580	776	15	3 240
Interest expense	-	(35)	-	(938)	(21 247)	(5)	(22 225)
Fee and commission income	-	-	-	1 157	-	8	1 165
Fee and commission expense	-	-	-	(127)	(1 161)	-	(1 288)
Net trading income	-	-	-	25	11 206	-	11 231
Other operating income	-	-	7	15	220	-	242
General administrative expenses	-	-	-	-	(9 973)	-	(9 973)

* Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. has not been a related party since 27 October 2014. Therefore, the figures concerning related-party transactions apply to the period from 1 January 2014 to 27 October 2014.

- figures in thousand PLN

Remuneration of the Management Board and Supervisory Board

Management Board	30.06.2015	31.12.2014
Short-term employee benefits	7 263	14 476
Long-term benefits	1 462	1 251
Benefits due to termination of employment	3 224	-
Share-based payments	1 374	1 251
TOTAL	**13 323**	**16 978**

Supervisory Board	30.06.2015	31.12.2014
Short-term employee benefits	143	574
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
TOTAL	**143**	**574**

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 debt securities have been described in Section 32 of the Interim Consolidated Financial Statements for the first half of 2015.

5 Dividends paid

Pursuant to a Resolution of the General Shareholders' Meeting of BGŻ BNP Paribas of 19 June 2015, the net profit for 2014, in the amount of PLN 137,730 thousand, was allocated to the unidentified banking risk reserve (PLN 130,000 thousand) and to the Bank's supplementary capital (PLN 7,730 thousand).

6 Contingent liabilities

	30.06.2015	31.12.2014
Contingent commitments granted	**15 491 310**	**5 694 336**
financial commitments	11 718 127	4 999 624
guarantees	3 773 183	694 712
Contingent commitments received	**4 075 566**	**1 573 710**
financial commitments	2 611 210	942 883
guarantees	1 464 356	630 827

7 Events after the end of the reporting period

13.07.2015 Following registration of changes in the National Court Register, Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. changed its business name to **Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A.**

27.07.2015 Mr. **Wojciech Sass** submitted a statement of resignation from the position of Vice-President of the Management Board of the Bank, as of 31 August 2015.

28.07.2015 Bank BGŻ BNP Paribas S.A. signed the following agreements with Sygma Banque SA with its registered office in Paris:

- *a preliminary share purchase agreement,* whereby the Bank and Sygma Banque are obliged to enter into a final share purchase agreement under which BGŻ BNPP will acquire 1,000 (one thousand) registered shares in Sygma Bank Polska Spółka Akcyjna with its registered office in Warsaw ("Sygma Bank Polska"), representing 100% of the shares in Sygma Bank Polska and 100% of votes at the General Meeting of Sygma Bank Polska, from Sygma Banque (or its legal successor), at the total price of PLN 200 million.

  The final agreement for the purchase of shares in Sygma Bank Polska will be signed after the following conditions precedent have been satisfied: (i) registration of Sygma Bank Polska in the Register of Entrepreneurs of the National Court Register; (ii) the Polish Financial Supervision Authority granting the authorizations and issuing the decisions required under the Banking Law (as defined below); and (iii) the entry of the Resolution of the Supervisory Board of BGŻ BNPP concerning the consent for acquisition of the shares in Sygma Bank Polska by BGŻ BNPP into force.

- *a preliminary share purchase agreement*, whereby the Bank and Sygma Banque are obliged to enter into a final share purchase agreement under which BGŻ BNPP will acquire 100% of the shares in Laser Services Polska Spółka Akcyjna with its registered office in Warsaw ("LSP") at the total price of PLN 11 million from Sygma Banque (or its legal successor).

  The final agreement for the purchase of LSP shares will be signed after the following conditions precedent have been satisfied: (i) acquisition of 100% of shares in Sygma Bank Polska by BGŻ BNPP; and (ii) the entry of the Resolution of the Supervisory Board of BGŻ BNPP concerning the consent for acquisition of LSP shares by BGŻ BNPP into force.

30.07.2015 Mr. **Józef Wancer** submitted a statement, whereby the effective date of his resignation from the position of President of the Management Board of the Bank was changed. In accordance with the aforesaid statement, Mr. Wancer will hold the office of President of the Management Board until 31 August 2015.

The Supervisory Board of the Bank adopted a resolution amending the resolution on conditional appointment of President of the Management Board of Bank BGŻ BNP Paribas S.A. The aforesaid change concerned the date of appointment of Mr. **Tomasz Bogus** to the position of President of the Management Board of Bank BGŻ BNP Paribas S.A. The aforesaid resolution on appointment will enter into force as of the date of the consent of the Polish Financial Supervision Authority for the appointment, under Article 22b of the Banking Law, not earlier, though, than on 1 September 2015.

3.08.2015 **Registration of Sygma Bank Polska Spółka Akcyjna** with its registered office in Warsaw in the Register of Entrepreneurs of the National Court Register. Thus, the first condition precedent necessary for conclusion of the final agreement for the purchase of shares in Sygma Bank Polska by BGŻ BNPP from Sygma Banque SA with its registered office in Paris, France (or the legal successor of Sygma Banque SA) was satisfied.

25.08.2015 The Polish Financial Supervision Authority, acting under art. 22 b of the Banking Law Act, issued its consent for an appointment of Mr. **Tomasz Bogus** as President of the Management Board of Bank.
Therefore, the condition precedent, specified in the Bank's Supervisory Board resolution on conditional appointment of the President of the Bank's Management Board has been satisfied.
Considering that the said resolution has come into force, Mr. Bogus will assume the post of the President of the Management Board of Bank BGŻ BNP Paribas S.A. on 1 September 2015.

....
Józef Wancer
President of the Board

....
Daniel Astraud
Vice-President of the Management Board

....
Francois Benaroya
Vice-President of the Management Board

....
Blagoy Bochev
Vice-President of the Management Board

....
Jan Bujak
Vice-President of the Management Board

....
Wojciech Kembłowski
Vice-President of the Management Board

....
Magdalena Legęć
Vice-President of the Management Board

....
Jaromir Pelczarski
Vice-President of the Management Board

....
Stephane Rodes
Vice-President of the Management Board

....
Wojciech Sass
Vice-President of the Management Board

....
Michel Thebault
Vice-President of the Management Board

....
Bartosz Urbaniak
Member of the Management Board

....
Katarzyna Romaszewska-Rosiak
Managing Director
Financial Accounting Division

Warsaw, 26 August 2015