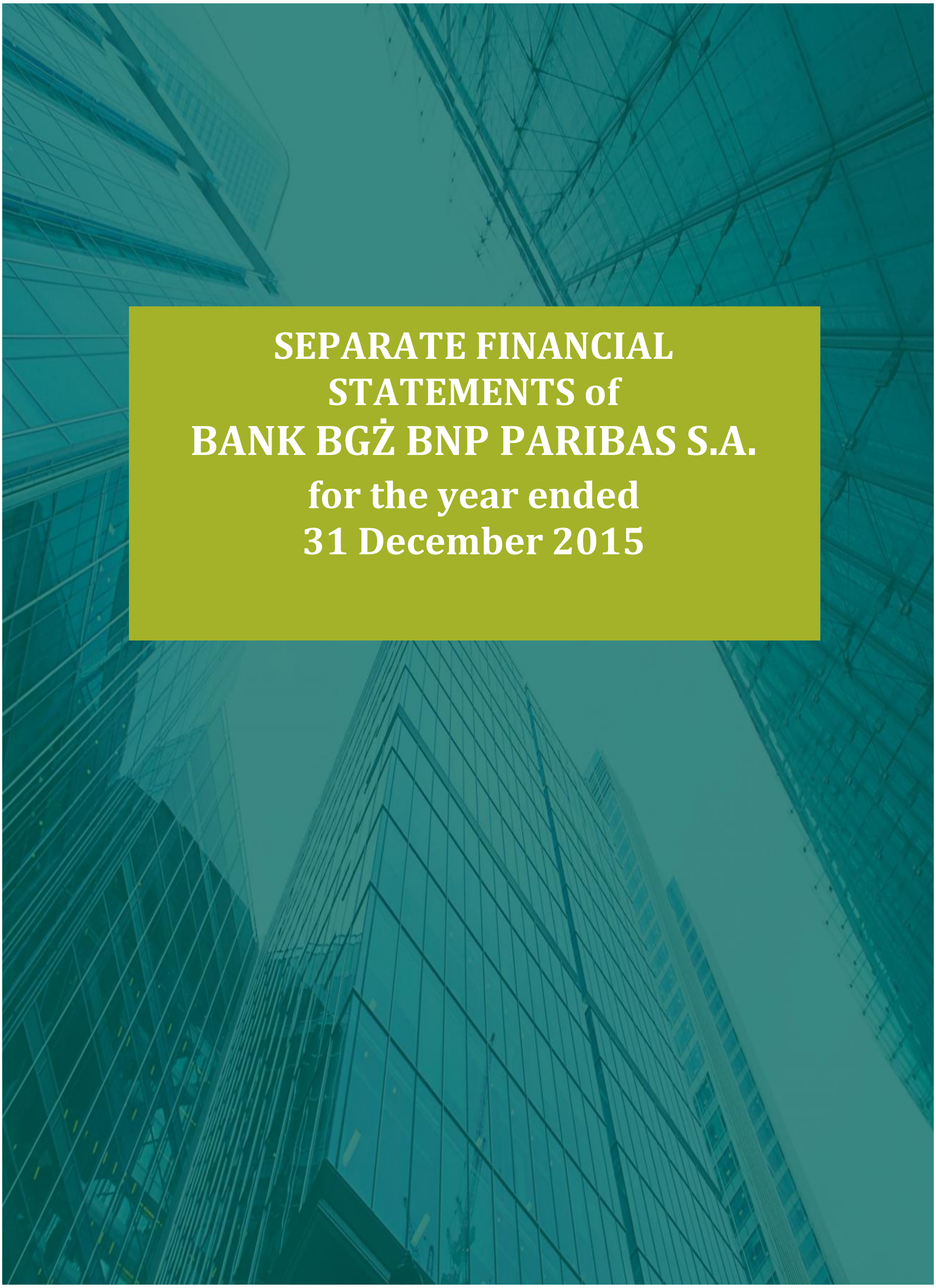

SEPARATE FINANCIAL STATEMENTS of BANK BGŻ BNP PARIBAS S.A. for the year ended 31 December 2015

BGŻ BNP PARIBAS

Bank zmieniającego się świata

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SELECTED FINANCIAL DATA

Selected separate financial data	In PLN '000		in EUR '000	
Statement of profit or loss	**31.12.2015 (YTD)**	**31.12.2014 (YTD)**	**31.12.2015 (YTD)**	**31.12.2014 (YTD)**
Net interest income	**1 405 762**	**1 120 337**	335 921	267 428
Net fee and commission income	**407 241**	**310 499**	97 314	74 117
Profit before income tax	**25 276**	**179 376**	6 040	42 818
Profit after income tax	**8 263**	**137 730**	1 975	32 877
Total comprehensive income	**(50 615)**	**301 630**	(12 095)	72 000
Total net cash	**1 071 892**	**299 341**	256 139	71 454
Indicators				
Number of shares	**84 238 318**	**56 138 764**	**84 238 318**	**56 138 764**
Earnings per share	**0.11**	**2.56**	0.03	0.61
Balance sheet	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Total assets	**63 009 129**	**40 484 204**	13 339 423	8 524 114
Amounts due to customers	**46 620 848**	**32 804 752**	10 940 009	7 696 491
Total liabilities	**56 845 951**	**36 332 329**	13 339 423	8 524 114
Share capital	**84 238**	**56 139**	19 767	13 171
Total equity	**6 163 178**	**4 151 875**	1 446 246	974 093
Capital adequacy ratio	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Total equity	**6 597 941**	**3 912 316**	1 548 267	917 888
Total risk exposure	**47 868 505**	**28 394 598**	11 232 783	6 661 802
Total capital requirement	**13.78%**	**13.78%**	13.78%	13.78%
Total capital ratio Tier1	**12.12%**	**12.65%**	12.12%	12.65%

<u>For the purpose of translating the data into EUR, the following exchange rates are applied:</u>

For statement of financial position, the following rate of the National Bank of Poland:
- as at 31 December 2015 - EUR 1 = PLN 4,2615
- as at 31 December 2014 - EUR 1 = PLN 4.2623

For statement of profit or loss and statement of cash flows, the EUR exchange rate calculated as the arithmetic average of the rates announced by the National Bank of Poland as at the last day of each month in the six-month period:
- for the period from 1 January 2015 to 31 December 2015 - EUR 1 = PLN 4.1848
- for the period from 1 January 2014 to 31 December 2014 - EUR 1 = PLN 4.1893

SEPARATE FINANCIAL STATEMENTS

Separate statement of profit or loss

	Note	12 months ended 31.12.2015	12 months ended 31.12.2014
Interest income	5	2 044 110	1 796 992
Interest expenses	5	(638 348)	(676 655)
Net interest income		**1 405 762**	**1 120 337**
Fee and commission income	6	473 833	357 244
Fee and commission expense	6	(66 592)	(46 745)
Net fee and commission income		**407 241**	**310 499**
Dividend income	7	6 837	3 303
Net trading income	8	184 346	63 723
Result on investing activities	9	47 390	24 465
Result on hedge accounting	23	-	(156)
Other operating income	10	56 862	36 402
Other operating expenses	11	(91 053)	(29 490)
Net impairment losses on financial assets and contingent liabilities	12	(304 220)	(318 503)
General administrative expenses	13,14	(1 540 803)	(930 209)
Amortization and depreciation	15	(147 086)	(100 995)
Operating result		**25 276**	**179 376**
Gross profit		**25 276**	**179 376**
Income tax expense	16	(17 013)	(41 646)
Net profit for the period		**8 263**	**137 730**
attributable to equity holders of the Bank		8 263	137 730
Earnings per share (in PLN per share)	**17**		
Basic		0,11	2,56
Diluted		0,11	2,56

Notes on pages 13-121 constitute an integral part of these financial statements.

Separate statement of other comprehensive income

	12 months ended 31.12.2015	12 months ended 31.12.2014
Net profit for the period	**8 263**	**137 730**
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss when specific conditions are met	**(64 025)**	**167 795**
Net change in valuation of available for sale financial assets	(79 043)	215 554
Net change in valuation of derivative instruments designated as cash flow hedges	-	(8 400)
Deferred tax	15 018	(39 359)
Items that will not be reclassified subsequently to profit or loss	**5 147**	**(3 895)**
Actuarial valuation of employee benefits	6 355	(4 808)
Deferred tax	(1 208)	913
Other comprehensive income (net of tax)	**(58 878)**	**163 900**
Total comprehensive income for the period	**(50 615)**	**301 630**
attributable to equity holders of the Bank	(50 615)	301 630

Notes on pages 13-121 constitute an integral part of these financial statements.

Separate statement of financial position

	Note	31.12.2015	31.12.2014
OTHER ASSETS			
Cash and balances with the Central Bank	18	2 826 407	1 790 160
Loans and advances from banks	19	544 012	404 724
Reverse repo transactions	20	-	100 668
Debt securities held for trading	21	-	199 404
Derivative financial instruments	22	368 138	420 152
Hedging instruments	23	2 711	-
Loans and advances to customers	24	49 831 458	29 657 523
Available for sale financial assets	26	7 762 677	7 084 017
Investments in subsidiaries	27	248 848	16 732
Intangible assets	28	250 691	165 307
Property, plant and equipment	29	528 230	411 063
Deferred tax asset	38	428 931	173 828
Other assets	30	217 026	60 626
TOTAL ASSETS		**63 009 129**	**40 484 204**

Separate statement of financial position (continued)

	Note	31.12.2015	31.12.2014
LIABILITIES			
Amounts due to banks	31	7 617 946	1 546 739
Repo transactions	32	-	45 364
Hedged items	23	1 605	-
Derivative financial instruments	22	351 539	448 908
Amounts due to customers	33	46 620 848	32 804 752
Debt securities issued	34	468 933	762 142
Subordinated liabilities	35	847 568	320 951
Other liabilities	36	756 161	325 722
Current tax liabilities		37 547	9 639
Provisions	37	143 804	68 112
TOTAL LIABILITIES		**56 845 951**	**36 332 329**
EQUITY			
Share capital	45	84 238	56 139
Other supplementary capital	46	5 092 196	3 430 785
Other reserve capital	46	780 874	271 858
Revaluation reserve	46	197 607	255 363
Retained earnings		8 263	137 730
retained profit		-	-
net profit for the period		8 263	137 730
TOTAL EQUITY		**6 163 178**	**4 151 875**
TOTAL LIABILITIES AND EQUITY		**63 009 129**	**40 484 204**

Notes on pages 13-121 constitute an integral part of these financial statements.

Separate statement of changes in equity

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings Net profit for the period	TOTAL
Balance as at 1 January 2015	**56 139**	**3 430 785**	**271 858**	**255 363**	**137 730**	**4 151 875**
Total comprehensive income for the period	**-**	**-**	**-**	**(58 878)**	**8 263**	**(50 615)**
Net profit for the period	-	-	-	-	8 263	8 263
Other comprehensive income for the period	-	-	-	(58 878)	-	(58 878)
Approportion of retained earnings	**-**	**7 730**	**130 000**	**-**	**(137 730)**	**-**
Approportion of retained earnings	-	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 31 December 2015	**84 238**	**5 092 196**	**780 874**	**197 607**	**8 263**	**6 163 178**

	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**	**115 000**	**91 463**	**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
Approportion of retained earnings	**-**	**162 403**	**-**	**-**	**(162 403)**	**-**
Approportion of retained earnings	-	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**	**271 858**	**255 363**	**137 730**	**4 151 875**

Notes on pages 13-121 constitute an integral part of these financial statements.

Separate statement of cash flows

	Note	12 months ended 31.12.2015	12 months ended 31.12.2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit for the period		**8 263**	**137 730**
Adjustments for:		**3 630 129**	**2 983 344**
Income tax expense		17 013	41 646
Depreciation and amortization		147 086	100 995
Dividend income		(6 837)	(3 303)
Interest income		(2 044 110)	(1 796 992)
Interest expenses		638 348	676 655
Change in provisions		82 175	(711)
Change in loans and advances from banks		(110 409)	(5 048)
Change in reverse repo transactions		100 662	208 558
Change in debt securities held for trading		198 528	801 388
Change in derivative financial instruments (assets)		52 014	(56 892)
Change in loans and advances to customers		(20 149 641)	(3 314 612)
Change in amounts due to banks		8 215 726	(1 407 664)
Change in repo transactions		(45 357)	45 357
Change in financial liabilities held for trading		-	(271 288)
Change in derivative financial instruments (liabilities)		(97 369)	111 958
Change in amounts due to customers		14 170 554	6 348 835
Change in other assets and current tax assets		(397 955)	95 676
Change in other liabilities and deferred tax liability		458 347	(293)
Other adjustments	**50**	1 144 580	360 262
Interest received		1 948 075	1 773 863
Interest paid		(691 301)	(635 717)
Income tax paid		-	(89 329)
NET CASH FROM OPERATING ACTIVITIES		**3 638 392**	**3 121 074**

Separate statement of cash flows (cont.)

	Note	12 months ended 31.12.2015	12 months ended 31.12.2014
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investing activities inflows		**117 802 650**	**145 183 381**
Sale of shares in associates		-	35 005
Sale of available for sale financial assets		117 774 963	145 132 659
Sale of intangible assets and property, plant and equipment		20 850	12 414
Dividends and other inflows from investing activities		6 837	3 303
Investing activities outflows		**(117 627 976)**	**(147 182 755)**
Purchase of available for sale financial assets		(117 217 026)	(147 100 570)
Purchase of intangible assets and property, plant and equipment		(199 950)	(82 046)
Purchase of shares in subsidiaries		(211 000)	
Other outflows for investing activities		-	(139)
NET CASH FROM INVESTING ACTIVITIES		**174 674**	**(1 999 374)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Financing activities inflows		**6 200 738**	**-**
Long-term loans received		6 200 738	-
Financing activities outflows		**(8 941 912)**	**(822 359)**
Repayment of long-term loans and advances to banks		(8 647 137)	(390 926)
Redemption of debt securities issued		(294 775)	(431 433)
NET CASH FROM FINANCING ACTIVITIES		**(2 741 174)**	**(822 359)**
TOTAL NET CASH		**1 071 892**	**299 341**
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:	**48**	**3 252 873**	**2 180 981**
effect of exchange rate fluctuations on cash and cash equivalents held		12 165	21 418
of restricted use		6 699	1 524

EXPLANATORY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS

1 General information about the Bank

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

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

Since 27 May 2011, pursuant to a decision of the Management Board of the Warsaw Stock Exchange (WSE) Bank's shares have been listed with WSE and classified as finance: banking sector.

In 2015, the average employment in the Bank was 7,587.67 FTE compared to 5,581.54 FTE in 2014.

The core business operations of the Bank include:

- accepting deposits payable at request or on a defined deadline and maintaining relevant deposit accounts;
- maintaining other bank accounts;
- originating cash loans and advances;
- granting and confirming bank guarantees; opening and confirming letters of credit;
- issuing bank securities;
- carrying out cash transactions;
- transactions on checks, treasury bills and warrants;
- issuing cash cards and performing cash card transactions;
- forwards and futures;
- acquiring and disposing of receivables and liabilities;
- holding deposits of securities and providing strongbox services;
- purchasing and selling foreign currencies and securities;
- granting and confirming sureties;
- performing commissioned operations related to the issue of securities;
- agency in cash transfers and foreign currency transactions;
- issuing e-money;
- assuming and purchasing shares and rights attached to shares, shares of another legal entity or units, certificates and investment certificates of investment funds;
- assuming liabilities related to the issue of securities;
- trading in securities;
- exchanging debt to debtor’s assets on terms agreed with the debtor;
- acquiring and disposing of real estate;
- providing financial advisory services;
- brokerage;
- performing activities not classified as brokerage, involving:
    - accepting and transferring sell and buy orders regarding financial instruments not traded on regulated markets or through multilateral trading facilities and those issued by the State Treasury or National Bank of Poland;
    - performing sell and buy orders regarding financial instruments not traded on regulated markets or through multilateral trading facilities on account client’s account;
    - selling and buying financial instruments not traded on regulated markets or through multilateral trading facilities and those issued by the State Treasury or National Bank of Poland on own account;

  - investment advisory services regarding financial instruments issued by the State Treasury or National Bank of Poland, or other financial instruments not traded on regulated markets or through multilateral trading facilities;
- acquisition as defined by regulations regarding organization and operation of pension funds;
- acting as depositary as defined by regulations regarding organization and operation of pension funds;
- safekeeping of investment fund's assets;
- operating deposit of securities;
- providing settlement and advisory services regarding financial market instruments;
- providing custody and factoring services;
- providing convoy services for transport of cash/valuables;
- providing insurance agency services within the scope allowed by the Insurance Agency Act;
- finance lease;
- trading in fiscal stamps and numismatic items;
- providing certification services as defined by regulations concerning e-signature, except for issue of qualified certificates used by banks in transactions they are parties to.

Composition of the Management Board of the Bank as at 31 December 2015:

1. Tomasz Bogus – 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. Michel Thebault – Vice-President of the Management Board;
11. Bartosz Urbaniak – Member of the Management Board.

Composition of the Supervisory Board of the Bank as at 31 December 2015:

1. Józef Wancer – Chairman of the Supervisory Board;
2. Jarosław Bauc – Vice-Chairman of the Supervisory Board, an independent member;
3. Jean-Paul Sabet – Member of the Supervisory Board (Vice-Chairman since the registration date of amendments to the Bank's Statute arising from Article 1 of Resolution No. 3 of the Extraordinary Shareholders' Meeting of 1 September 2015);
4. Stefaan Decraene – Member of the Supervisory Board;
5. Jacques d'Estais – Member of the Supervisory Board;
6. Alain Van Groenendael – Member of the Supervisory Board;
7. Thomas Mennicken – Member of the Supervisory Board;
8. Piotr Mietkowski – Member of the Supervisory Board;
9. Monika Nachyła – Member of the Supervisory Board;
10. Mariusz Warych – Independent Member of the Supervisory Board.

No changes in the composition of the Management and Supervisory Board occurred between the balance sheet date and the date of these separate financial statements.

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

As at 31 December 2015, the Group comprised 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 Bielańska 12 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 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.

   Pursuant to a Resolution of the Extraordinary Shareholders' Meeting of FLP dated 30 June 2014, the liquidation procedure was opened for Fortis Lease Polska Sp. z o.o. on 1 July 2014. As at 31 December 2015 and the date of approval hereof, i.e. 15 March 2016, the liquidation procedure had not been closed.
4. BNP Paribas Faktoring Sp. z o.o. ("Faktoring") with its registered office at ul. Suwak 3 in Warsaw. The Company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000225155. The Bank holds 100% of the Company's shares.
5. Sygma Bank Polska S.A. with its registered office at ul. Suwak 3 in Warsaw. The Company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000569806. The Bank holds 100% of the Company's shares.
6. Laser Services Polska S.A. with its registered office at ul. Suwak 3 in Warsaw. The Company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000022784. The Bank holds 100% of the Company's shares.

Approval of the financial statements

These separate financial statements have been prepared as at 31 December 2015 and approved for publication by the Management Board of the Bank on 15 March 2016.

Consolidated financial statements of BGŻ BNP PARIBAS S.A. Capital Group been prepared as at 31 December 2015 have been approved for publication by the Management Board of the Bank on 15 March 2016.

Data included in the above financial statements concern the financial year ended 31 December 2015 with comparative data concerning the financial year ended 31 December 2014.

2 Accounting principles applied for purposes of preparation of the separate financial statements

2.1 Basis for preparation of the separate financial statements

These separate financial statements have been based on the following measurement principles:

- at fair value for financial assets available for sale, assets and liabilities classified as measured at fair value through profit or loss and investment property;
- at amortized cost for other financial assets, to include loans, advances and other financial liabilities;
- at historical cost for non-financial assets and liabilities.

2.2 Going concern

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

2.3 Statement of compliance with IFRS

These separate financial statements have been prepared in conformity with International Financial Reporting Standards as endorsed by the European Union ("IFRS EU").

The separate 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.

In the period included in these separate financial statements, the Bank did not early apply standards and interpretations endorsed by the EU, which will enter into force after the balance sheet date.

Amendments to the existing standards and an interpretation first time applied in the financial statements for 2015

The following amendments to the existing standards and an interpretation issued by International Accounting Standards Board (IASB) and endorsed by the EU enter into force and are first time applied in the financial statements for 2015:

- **Revised standards "IFRS Improvements (2011-2013)"** – changes to standards resulting from the Annual Improvements process (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording, endorsed by the EU on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015);
- IFRIC 21 "Levies", endorsed by the EU on 13 June 2014 (applicable to annual periods beginning on or after 17 June 2014).

The above amendments to the existing standards and the interpretation have not significantly affected the financial statements for 2015.

Amendments to the existing standards published by IASB and endorsed by the EU, but not yet effective

When approving these financial statements, the Bank has not applied the following amendments to the existing standards, which have been published by IASB and endorsed by the EU, but have not yet come into effect:

- **Revised IFRS 11 Joint Arrangements –** Accounting for Acquisitions of Interests in Joint Operations, endorsed by the EU on 24 November 2015 (applicable to annual periods beginning on or after 1 January 2016);
- **Revised IAS 1 Presentation of Financial Statements –** Disclosure Initiative, endorsed by the EU on 18 December 2015 (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, endorsed by the EU on 2 December 2015 (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, endorsed by the EU on 23 November 2015 (applicable to annual periods beginning on or after 1 January 2016);
- **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);

- **Revised IAS 27 Separate Financial Statements –** Equity Method in Separate Financial Statements, endorsed by the EU on 18 December 2015 (applicable to annual periods beginning on or after 1 January 2016);
- **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 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, endorsed by the EU on 15 December 2015 (applicable to annual periods beginning on or after 1 January 2016).

New standards and amendments to the existing ones, issued by IASB but not yet endorsed by the EU

IFRS in the form approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards and amendments to the standards, which as at 15 March 2016 had not yet been endorsed 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), the European Commission has decided to postpone the procedure of endorsing the draft version of the Standard until the issue of its final version;
- **IFRS 15 Revenue from Contracts with Customers** with subsequent amendments (applicable to annual periods beginning on or after 1 January 2018);
- **IFRS 16 Leases** (applicable to annual periods beginning on or after 1 January 2019);
- **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 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 with subsequent amendments (the effective date has been postponed until the moment of completing research regarding the equity method);

- **Revised IAS 7 Statement of Cash Flows –** Disclosure Initiative (applicable to annual periods beginning on or after 1 January 2017);
- **Revised IAS 12 Income Tax –** Recognition of Deferred Tax Assets for Unrealized Losses (applicable to annual periods beginning on or after 1 January 2017).

According to the Group's estimates, except for IFRS 9, the above new standards and amendments to the existing standards would not significantly affect the financial statements for 2015 had they been applied by the Group as at the end of the reporting period. The Group is currently analyzing the changes introduced by IFRS 9 and their impact on the financial position and results of operations.

At the same time, macro hedging of financial assets and liabilities has not been endorsed by the EU so far.

According to the Bank, application of macro hedge accounting principles for financial assets or liabilities in accordance with **IAS 39 Financial Instruments: Recognition and Measurement** would not significantly affect the financial statements if adopted as at the balance sheet date.

2.4 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, liabilities and equity 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 combination of jointly-controlled entities transaction involves acquisition of minority interests, The Bank shows it separately.

2.5 Changes to accounting principles (policy) and to presentation of financial data

The Bank has not changed any accounting principles (policy) in these separate financial statements.

2.6 Measurement of items denominated in foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the Bank are measured at the currency of its basic business environment in which it operates (the "functional currency"). The separate financial statements are presented in PLN'000, being both the functional and presentation currency of the Bank.

b) Transactions and balances

Transactions denominated in foreign currencies are translated into the Bank's functional currency at the exchange rate as at the transaction date.

As at the end of the reporting period, monetary assets and liabilities denominated in currencies other than the Polish zloty are translated into PLN by reference to the average exchange rate effective as at the end of the reporting period and determined for the currency by the National Bank of Poland. Exchange differences from translation are recognized in net trading income or, in cases specified in the accounting principles (policy), capitalized in the value of assets. Non-monetary assets and liabilities recognized at historical cost in a foreign currency are recognized at the historical exchange rate effective as at the transaction date. Non-monetary assets and liabilities recognized at fair value in a foreign currency are translated at the exchange rate applicable as at the date of fair value measurement.

Exchange rates of key currencies applied when preparing these financial statements, effective as at 31 December 2015 and 31 December 2014:

	31.12.2015	31.12.2014
EUR 1	4.2615	4.2623
USD 1	3.9011	3.5072
GBP 1	5.7862	5.4648
CHF 1	3.9394	3.5447

2.7 Interest income and expenses

All interest income related to financial instruments measured at amortized cost using the effective interest rate and interest income on financial assets held for trading and available for sale is recognized in the statement of profit or loss.

The effective interest method is a method of calculating the amortized gross value of financial assets or liabilities and allocating interest income or expenses to relevant periods. The effective interest rate is the rate for which discounted future payments or proceeds are equal to the current net carrying amount of a given financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows including all contractual terms of a given financial instrument (e.g. early repayment option) excluding, though, possible future losses arising from default. The calculation includes all due or received fees and cash flows, paid or received by the Bank under a given financial instrument, except for possible future credit losses.

Once an impairment loss is recognized for a financial asset or a group of similar assets, interest income is calculated with the use of the interest rate effective as at the date of the observed impairment loss, with regard to the newly determined value of a given asset, calculated as a difference between the gross value of exposure and the impairment loss (net investment value).

2.8 Net fee and commission income

Fees and commissions, which are not accounted for using the effective interest method but in accordance with the straight-line method or recognized on a one-off basis, are recognized in “Net fee and commission income”.

Income accrued with the straight line method includes commissions on overdraft facilities, credit cards, revolving loans and commitments (guarantees and credit facilities).

Commission income recognized in the statement of profit or loss upon service performance includes fees for maintenance of current accounts, fees on settlement transactions, broker commissions and commissions for distribution of units.

Fees regarding Bank’s commitments to grant a loan or credit facility (commissions on promises issued) are deferred and settled upon occurrence of financial assets using the effective interest or straight-line method.

Net fee and commission income includes also consideration obtained for offering third-party insurance products.

Recognition of bancassurance income and expenses

Cross-selling of a bancassurance product and a financial instrument occurs in particular if at least one of the following conditions is met: the offered financial instrument is always accompanied by the bancassurance product, or the bancassurance product is offered only accompanied by the financial instrument, i.e. the Bank does not offer any bancassurance products with identical legal form, terms and economic contents without the accompanying financial instrument.

Recognition of bancassurance income for cross-selling transactions

For cross-selling transactions including bancassurance products and financial instruments, proceeds from sales of the bancassurance products constitute an integral part of the fee for the offered financial instruments.

Fee for bancassurance products offered in cross-selling transactions with financial instruments measured at amortized cost is accounted for using the effective interest method and recognized in interest income for one-off premium or on a monthly basis for a monthly premium.

Fee for the agency services, whose value is determined based on their economic contents, is recognized in commission income upon sale or renewal of a bancassurance product.

Recognition of bancassurance costs for cross-selling transactions

Costs directly related to sale of a bancassurance product are settled in accordance with the matching principle as an element of amortized cost of a financial instrument if the total income related to the sale of the product is settled with the effective interest method or, respectively, proportionally to the classification of the income as recognized within amortized cost calculation and that recognized on a one-off basis or over time as the fee for the agency services, if such classification has been introduced.

Recognition of income and expenses for transactions not classified as cross-selling

If a financial instrument and a bancassurance product are sold in two separate transactions, the Bank's fee for the sale of the bancassurance product is recognized separately from the fee for the financial instrument.

Fee for the sale of bancassurance products that do not require the Bank to provide any post-sale services is recognized as income as at the effective/renewal date of the relevant insurance policy. The related income is recognized under commission income.

Fee for services provided by the Bank over the life cycle of a bancassurance product is deferred and recognized as income based on the percentage of completion of the provided services. Application of the percentage of completion method as at the balance sheet date is limited to cases when a result of a service transaction can be reliably estimated. If the Bank is unable to precisely determine the number of activities performed within a given time range or a level of returns, income from services or activities performed in relation to a bancassurance product offered by the Bank is recognized on a straight-line basis over the life cycle of the product.

2.9 Dividend income

Dividend income is recognized in the statement of profit or loss once the Bank's right to dividends has been determined.

2.10 Net trading income

Net trading income includes all gains and losses resulting from change in the fair value of financial assets and liabilities classified as measured at fair value through profit or loss, as well as the related dividends, interest income and interest costs on derivatives.

The item includes also gains and losses on translation of assets and liabilities denominated in foreign currencies (revaluation).

2.11 Result on investment activities

Income and expenses generated by financial assets classified as available for sale or held to maturity, except for interest, are presented in result on investment activities.

2.12 Other operating income and expenses

Operating revenue and expenses include items that are not directly related to the core operating activities of the entity.

They include mainly: revenue and expenses arising on sale and liquidation of non-current assets, revaluation of investment property, damages received and paid, revenue and expenses arising from other services unrelated to the core business of the Bank.

2.13 Income tax

Charge on gross financial profit/loss includes current tax payable and debit/credit arising from a value change of the deferred tax asset/liability.

Current tax liabilities and receivables for the current and prior periods are measured at projected amounts payable to tax authorities (reimbursable) using tax rates and regulations valid in law or in fact as at the end of the reporting period.

Deferred income tax

Deferred tax liability is recognized in the full amount in line with the balance sheet method, on taxable temporary differences between tax value and carrying amount of assets and liabilities. Deferred tax assets are recognized with respect to all deductible temporary differences as well as unused tax reliefs and unused tax losses brought forward up to the probable amount of taxable income that will allow the Bank to use the aforementioned difference, assets and losses. Deferred tax is determined using tax rates (and regulations) binding in law or in fact as at the end of the reporting period, which are expected to apply at the moment of realization of deferred tax asset and settlement of deferred tax liability.

If temporary differences result from recognizing an asset or liability upon a transaction not classified as business combination, which at the moment of concluding did not affect taxable or accounting profit, deferred tax is not recognized. Further, deferred tax liability is recognized for taxable temporary differences resulting from investments in subsidiaries or associates and interests in joint ventures – except for situations when the reversal dates of the temporary differences are controlled by the entity and when it is likely that the temporary differences will not be reversed in the foreseeable future; deferred tax asset is recognized for deductible temporary differences on investments in subsidiaries or associates and interests in joint ventures only to extent in which the above differences are likely to reverse in the foreseeable future and a taxable income may be generated to allow deduction of these temporary deductible differences.

The carrying amount of the deferred tax asset is verified as at the end of each reporting period and is reduced as appropriate, provided that it is no longer probable that the taxable income will be sufficient for the realization of the deferred tax asset in part or in whole. An undisclosed deferred tax asset is remeasured as at the end of the reporting period and recognized up to the amount reflecting probable taxable income which will facilitate recovery of the asset. The Bank nets off the deferred tax asset and liability only when it holds an enforceable legal title to net off receivables with liabilities for current tax and the deferred tax relates to the same taxpayer and the same tax authority.

Income tax regarding items included directly in equity is recognized in equity and in the statement of comprehensive income.

In 2015 and 2014 the current income tax and deferred tax liability were calculated using the 19 percent tax rate.

2.14 Classification and measurement of financial assets and liabilities

Financial assets are classified to the following categories: financial assets measured at fair value through profit or loss (FVTPL), loans and receivables, investments held to maturity (HTM) and financial assets available for sale (AFS).

2.14.1 Initial recognition and derecognition of financial assets and liabilities in statement of financial position

Transactions of purchasing and selling FVTPL, HTM and AFS financial assets, as well as transactions on derivatives are recognized as at the transaction settlement date. Loans are recognized once funds are released to the debtor. Financial assets are initially recognized at fair value increased by transaction costs, except for FVTPL financial assets.

Classification of financial assets upon initial recognition depends on the purpose of purchasing and characteristics of a given asset.

If the price paid for an asset on an inactive market is different from the fair value observed for other similar transactions regarding the same asset on an active market, or value estimated based on assumptions derived from the observed market, deferred gains and losses on initial recognition are assessed individually and:

- settled linearly over the term of the transaction or

- deferred until fair value of the instrument can be determined based on observable market output data or

- realized through settlement.

An asset is derecognized from the statement of financial position when the Bank has lost control of contractual rights contained in a financial instrument; usually, this happens when the instrument is sold or when all cash flows assigned to it are transferred to an independent third party.

2.14.2 Financial assets and liabilities measured at fair value through profit or loss (FVTPL)

The class includes two sub-classes:

- Financial assets or liabilities held for trading (including derivatives) and

- Financial assets or liabilities classified as FVTPL upon initial recognition.

Financial assets and liabilities are recognized as “designated as FVTPL upon initial recognition” once the following criteria have been met: (i) such classification eliminates or significantly reduces inconsistency of treatment when both measurement and principles of recognizing gains or losses are subject to separate regulations; (ii) or when these assets belong to a group of financial assets managed and evaluated in accordance with their fair value in line with documented risk management strategy; (iii) or when financial assets include embedded derivatives that should be recognized separately. As at 31 December 2015 and 31 December 2014, as well as in the years then ended, respectively, no financial assets were classified as measured at fair value through profit or loss upon initial recognition.

A financial asset “held for trading” is classified to “financial assets and liabilities measured at fair value through profit or loss” if the key objective of purchasing it has been to resell it in near future or if it is included in this class by the Bank’s Management Board upon meeting certain conditions. Derivatives are also classified as “held for trading”.

At the end of the reporting period, financial assets and liabilities measured at fair value through profit or loss are measured at fair value beginning from the transaction date. Gains and losses arising from fair value changes of FVTPL financial assets and liabilities are recognized in the statement of profit or loss under net trading income in the period of their occurrence. Interest along with the purchased discount or premium are charged over time to net interest income using the effective interest method.

On initial recognition, a financial asset or liability is measured at fair value, increased by transaction costs in case of financial asset or liability not classified as FVTPL, if they are material.

Following initial recognition, the fair value of a financial asset or liability is determined based on active market quotations of instruments, to include recent transaction prices. If a given financial asset (or unquoted security) has no active market, the Group determines its fair value using measurement methods that include the use of recent transactions concluded on arms’ length terms, reference to other basically identical instruments, analysis of discounted cash flows, option measurement models and other approaches commonly used by market participants.

All derivatives with positive fair value are presented in the financial statements as assets, while those with negative fair value are presented as liabilities.

Fair value of derivatives determined based on measurement methods includes credit risk. Changes in the fair value arising from changes in credit risk level related to derivatives are recognized in the statement of profit or loss.

Certain embedded derivatives, such as options embedded in investment deposits, are considered as separate derivatives, if the related risks and their characteristics are not closely related to the nature and risks of the underlying contract and if the underlying contract is not measured at fair value through profit or loss. Such embedded derivatives are measured at fair value, with fair value changes recognized in the statement of profit or loss.

Assessment whether a contract includes an embedded derivative is made upon signing the agreement. Re-assessment is made only when modifications of the underlying contract significantly affect the resultant cash flows or when accounting standards have changed.

2.14.3 Loans and receivables

Loans and receivables are financial assets not classified as derivatives, with determined or determinable payments, not listed in an active market. This class of financial assets includes “Loans and advances to customers" and “Loans and advances to banks”.

They occur when the Bank issues cash directly to a debtor, not planning to trade the resultant receivables immediately or in near future, and these receivables are not classified as “financial assets held for trading”, “financial assets held for sale”, or “financial assets measured at fair value through profit or loss”.

Following initial recognition, loans and receivables are recognized at adjusted cost including impairment (amortized cost). Any differences between their fair value upon initial recognition (less transaction costs), usually corresponding to the transferred amount (less transaction costs), and the redemption value are recognized in the statement of profit or loss for the term of the related agreements using the effective interest method.

2.14.4 Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. These assets do not include:
- the ones measured at fair value through profit or loss on initial recognition;
- the ones available for sale;
- the ones qualifying as loans and receivables.

Should the Bank sell assets held to maturity, the value of which cannot be deemed immaterial, all assets are reclassified from this class to “available for sale” class.

Investments held to maturity are recognized at adjusted (amortized) cost using the effective interest method.

2.14.5 Available for sale financial assets

Financial assets available for sale include non-derivative financial assets designated as available for sale or not included in any other asset class. Financial assets available for sale are recognized at fair value without deducing transaction costs and including their market value as at the end of the reporting period. Financial assets available for sale are measured at acquisition cost less impairment if they are not traded on an active market and their fair value cannot be reliability estimated using alternative methods. Positive and negative differences between the fair value (if there is a market price determined in an active market or if the fair value may be determined in a different reliable manner) and the cost, less deferred tax, are charged to other comprehensive income. Depletion of assets available for sale resulting from impairment is charged to financial expenses.

For interest-bearing assets, interest calculated with the effective interest method is recognized in the statement of profit or loss under interest income. Dividends on equity instruments available for sale are recognized in the statement of profit or loss under result on investment activities when the entity’s right to receive dividend is established.

2.14.6 Offset of financial instruments

Financial assets and liabilities are netted off and presented in the statement of financial position at net amount, if a valid and exercisable netting-off title occurs and the Bank intends to settle a financial asset and a financial liability net or simultaneously.

2.14.7 Repo and reverse repo agreements

Securities sold under repo and sell buy back transactions are not excluded from the statement of financial position. Liabilities to counterparties are recognized as financial liabilities under "Liabilities from repo transactions". Securities purchased under reverse repo and buy sell back transactions are recognized under “Reverse repo transactions”. The difference between the sale and repurchase price is treated as interest and calculated using the effective interest method over the agreement term.

2.14.8 Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost less impairment allowance in the separate financial statements.

2.15 Impairment of financial assets

2.15.1 Financial assets carried at amortized cost

As at each end of the reporting period, the Bank evaluates whether there is any indication of impairment of a financial asset or a group of financial assets. Impairment of a financial asset or a group of financial assets and any resulting losses occur when objective indications of impairment arise from event(s) following initial recognition of these assets ("impairment indications") and when such an event (events) impacts future cash flows related to the asset or asset group that can be reliably estimated. Objective evidence of impairment of a financial asset or a group of assets includes information obtained by the Bank about the following events that result in impairment:

a) default under timely payment of the principal, interest or penalty interest exceeding 90 days;
b) facilities granted to a client by the Bank for economic or legal reasons, resulting from the client's financial difficulties, which would not be granted in any other situation[1];
c) significant financial problems of the client[2];
d) the Bank terminating a credit facility agreement;
e) filing a bankruptcy petition or announcing a client's bankruptcy;
f) a client making a statement regarding commencement of restructuring proceedings;
g) instigating enforcement proceedings against a client;
h) significant deterioration of rating or scoring analysis;
i) disappearance of an active market of a given credit exposure due to financial problems;
j) counterparty questioning the credit exposure at court;
k) unknown residence and undisclosed assets of a counterparty.

The list of indications included in points a to k provides a basis to examine objective impairment indications for each financial asset. Relevant employees of the Bank (credit inspectors and account managers) performing regular evaluation and classification of credit exposure are responsible for correct and full identification of impairment indications. The governing principle is to treat each event that changes the value of future cash flows generated by a given credit exposure compared to contractual terms or latest evaluation as an indication of impairment of the financial asset. Pursuant to IAS 39.59, when identifying objective impairment indications, future events (i.e. events that occur after the reporting date as at which the impairment is calculated) are not considered regardless of probability of their occurrence.

Individually significant financial assets (ISFA) include:

a) exposures with the total of off-balance sheet exposure, balance sheet capital and interest pending on a given account higher than PLN 1 million as at the end of the reporting period for which the impairment is calculated (for foreign currency exposures, PLN equivalents are analyzed with the use of the interest rate as at the end of the reporting period);
b) restructured exposures with the total of off-balance sheet exposure, balance sheet capital and interest pending on a given account higher than PLN 100 thousand (for foreign currency exposures, PLN equivalents are analyzed with the use of the interest rate as at the end of the reporting period);
c) exposures considered individually significant as at the end of the previous reporting period, with impairment indication observed both at the end of the current and previous reporting period; which means that an alternative approach, based on the threshold amount criterion, may be applied only when no impairment has been recognized for a given credit exposure;
d) debt securities (issued by the State Treasury, public sector entities and business entities) classified as held to maturity;
e) credit exposures related to banks and non-banking entities in the financial sector;
f) credit exposures related to central administrative bodies.

The Bank first tests whether objective impairment evidence exists for individual significant financial assets or for groups of individually insignificant assets. If the analysis shows that there is no objective indication that an individually tested financial asset may be impaired, irrespective of whether it is significant or not, the Bank includes the asset in the group

[1] Including debt restructuring resulting in an economic loss incurred by the Bank.
[2] E.g. based on a negative financial evaluation of a client (financial statements or other documents) or related to redundancy, income reduction, debt increase or default on debt contracted from other institutions.

of financial assets with similar credit risk characteristics and collectively tests them for impairment. Financial assets with impairment allowance recognized based on an individual evaluation (first or subsequent) are not included in the collective impairment tests.

If there is objective evidence of impairment of loans and receivables or investments held to maturity, carried at amortized cost, the amount of the loss is calculated as the difference between the carrying amount of a given asset and the present value of the estimated future cash flows discounted at the effective interest rate valid as at the date of impairment recognition for a given financial asset. The carrying amount of an asset is reduced through the revaluation account and the amount of the loss is charged to the statement of profit or loss.

For the purpose of collective impairment testing, financial assets are grouped according to their credit risk characteristics. These characteristics affect the value of future cash flows estimated for certain asset groups, as they indicate debtors' ability to repay their entire liability in accordance with contractual terms regarding the tested assets.

Future cash flows generated by a group of assets collectively tested for impairment are estimated based on contractual cash flows and historical experience regarding losses incurred on assets with similar risk characteristics. If necessary, historical experience regarding losses is adjusted by data derived from current observation in order to include facts and circumstances which did not occur during the period included in the historical experience and to exclude facts and circumstances occurring then but not in the current period.

The Bank reviews the methodology and assumptions adopted to estimate future cash flows on a regular basis to reduce differences between estimated and actual loss value. Additionally, the Bank carries out regular backtesting of risks parameters used to estimate impairment on a collective basis.

Bad debts are fully written off to impairment allowance on loans. Should an amount previously written off be recovered, the amount of allowance on financial assets and the provision for contingent liabilities are reduced appropriately in the statement of profit or loss.

If, in the subsequent period, the value of impairment loss decreases as a result of an event that occurs after the impairment allowance recognition date (e.g. improvement of a debtor's creditworthiness), then the previously recognized impairment allowance is reversed by a relevant adjustment to the impairment account. The amount reversed is recognized in the statement of profit or loss.

2.15.2 Forborne receivables

If forbearance granted does not significantly alter key terms and conditions or future projected cash flows of an existing financial asset, the projected future cash flows generated by the altered financial asset subject to the forbearance are included in the measurement of the existing financial asset based on the expected performance period and amounts discounted by the original effective interest rate for the existing financial asset.

If forbearance granted significantly alters key terms and conditions or future projected cash flows compared to the projected terms and conditions future cash flows generated by an existing financial asset, the existing asset is derecognized from the balance sheet and a new one is recognized instead at fair value as at the initial recognition date, while the difference between the existing and new asset is charged to the statement of profit or loss. The recognition does not depend on a change / absence of change in the legal transaction form and is based on its economic contents.

2.15.3 Financial assets available for sale

As at each end of the reporting period, the Bank evaluates whether there is any indication of impairment of a financial asset or a group of financial assets. For capital instruments classified as available for sale, impairment testing includes significant or prolonged reduction in the value of securities below their initial value. If such indications occur with regard to available for sale financial assets, the total loss, determined as a difference between the cost and current fair value, less impairment of a given asset previously recognized in the statement of profit or loss, is reclassified from equity to the statement of profit or loss. Impairment losses on equity instruments recognized in the statement of profit or loss are not reversed in the statement of profit or loss. If in the subsequent period the fair value of an available for sale debt instrument increases and the increase can be objectively linked to an event that occurred after the impairment allowance had been recognized in the statement of profit or loss, the impairment allowance is reversed through the statement of profit or loss.

2.16 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the following values: carrying amount or fair value, less costs to sell.

Non-current assets and groups of assets are classified as held for sale, if their carrying amount will be recovered as a result of sale. This condition is regarded as met only when the sale is highly probable and the asset (or the disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A discontinued operation is a component of the Bank that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

Non-current assets held for sale include non-current assets seized for debt, meeting the requirements of IFRS 5 as described above.

2.17 Investment property

Investment property includes property treated as a source of revenue from lease and/or maintained due to a potential value increase.

Investment property is recognized in assets when and only when:

– - obtaining economic benefits from this property is probable; and
– its cost can be reliably measured.

Upon initial recognition, investment properties are measured at cost including transaction expenses.

The Bank adopted the principles of measuring investment properties at fair value as at subsequent balance sheet dates.

Gains resulting from changes in fair value of investment property are recognized in the statement of profit or loss as other operating income in the period in which the change has occurred, while losses are charged to other operating expenses in the period in which the change has occurred.

Real property and land seized for debt are reported as investment property, unless they meet the criteria allowing their classification as non-current assets held for sale.

2.18 Intangible assets

Intangible assets acquired in a separate transaction are initially measured at acquisition or manufacturing cost.

The Bank is determining whether the useful life of intangible assets is limited or unlimited. Intangible assets with limited useful life are amortized over their useful life and tested for impairment each time when an indication of impairment occurs. The period and method of amortization for intangible assets with limited useful life are verified at the end of each financial year. Changes in the expected useful life or the manner of consuming economic benefits arising from a given asset are recognized through a change in the amortization period or method, respectively, and treated as estimated value changes. Amortization charges on intangible assets with a limited useful life are recognized in the statement of profit or loss under the category which corresponds to the use of a given asset.

Except for R&D works, internally generated intangible assets are not recognized, and expenditures on their generation are charged to the statement of profit or loss for the year in which they have been incurred.

Intangible assets with unlimited useful life and those not used every year are annually tested for impairment individually or on the level of cash generating unit. Other intangible assets are subject to annual impairment tests.

Purchased software licenses are capitalized up to the amount incurred for the purchase of given software and its preparation for use. Capitalized costs are written off over an estimated useful life of the software. Software development or maintenance costs are charged to expenses when incurred. Expenditure directly related to the production of identifiable and unique computer programs controlled by the Bank, which will probably bring economic benefits exceeding the expenditure within a period exceeding one year, is classified to intangible assets. Direct costs include personnel expenses related to software development and a corresponding portion of general expenses. Costs related to software development, included in the initial value of assets, are amortized over the estimated useful life of these assets.

Amortization of intangible assets is calculated using the straight-line method in order to spread out the initial asset value or its revalued amount less residual value over the useful life, different for each intangible asset group:

- Licenses	14.0 – 50.0%
- Copyrights	20.0 – 50.0%

The residual value and useful lives of intangible assets are verified at the end of each reporting period and adjusted if necessary.

Amortized intangible assets are tested for impairment always when events or circumstances indicate that their carrying amount may be irrecoverable. In such cases, the carrying amount is immediately reduced to the recoverable amount if the former exceeds the estimated level of the latter. The recoverable amount is equal to the fair value less costs to sell or the value in use, whichever is higher. The value in use is determined as estimated future cash flows generated by a given asset, discounted by the market rate.

Gain or loss from disposal of intangible assets is determined by comparison of sales proceeds with their carrying amount and recognized in the statement of profit or loss under other operating income.

2.19 Property, plant and equipment

Property, plant and equipment are recognized at cost less depreciation charges and impairment allowance. The initial amount of fixed assets includes their cost increased by all costs directly related to their purchase and adaptation for use. The cost includes also cost of replacement of parts of plant and machinery when incurred, if the recognition criteria are met. Costs incurred after the date of commissioning, such as costs of maintenance and repair, are charged to profit or loss when incurred.

Upon acquisition, property, plant and equipment items are divided into components of material value to which separate useful life may be assigned. Costs of overhauls are also a component.

Land is not depreciated. Depreciation of property, plant and equipment is calculated using the straight-line method in order to spread out the initial asset value or its revalued amount less residual value over the useful life, different for each asset group:

- Buildings	1.5 – 10.0%
- Machines and equipment	10.0 – 20.0%
- Computer sets	20.0%

The residual value and useful lives of property, plant and equipment are verified at the end of each reporting period and adjusted if necessary.

Depreciated property, plant and equipment are tested for impairment always when events or circumstances indicate that their carrying amount may be irrecoverable. In such cases, their carrying amount is immediately reduced to the recoverable amount if the former exceeds the estimated level of the latter. The recoverable amount is equal to the fair value less costs to sell or the value in use, whichever is higher.

If the recoverable amount is lower than the current carrying amount of an asset, an impairment allowance is charged to the statement of profit or loss.

Gain or loss from disposal of property, plant and equipment is determined by comparison of sales proceeds with their carrying amount and recognized in the statement of profit or loss under other operating income or expenses.

2.20 Hedge accounting

Hedge accounting includes the effects of netting in the fair value of the hedged item and the hedging instrument that impact the statement of profit or loss. Pursuant to the adopted accounting principles, the Bank designates certain derivatives as hedges of fair value and future cash flows of certain assets, provided the criteria determined in IAS 39 are met. Hedge accounting is used to account for hedging relationships if all of the following conditions are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Bank's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Bank will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- The hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Fair value hedges

Changes in the fair value measurement of financial instruments designated as hedged items are charged to the statement of profit or loss in the portion arising from the risk subject to hedge. The remaining portion of the change in the carrying amount is booked in accordance with general principles applicable to the entire class of financial instruments.

Changes in the fair value measurement of derivatives designated as hedging instruments under hedge accounting are in whole recognized in the statement of profit or loss under the same item as results of changes in the value of the hedged items.

Hedges of future cash flows (cash flow hedge) that meet the conditions of hedge accounting are recognized as follows:

- The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity;
- The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

2.21 Financial liabilities measured at amortized cost

Following initial recognition, financial instruments other than liabilities measured at fair value through profit or loss are measured at amortized cost using effective interest rate. If a cash flow schedule cannot be determined for a given financial liability and therefore the effective interest rate cannot be reliably estimated, such a liability is measured at amount due.

2.22 Provisions

Provisions are created when the Bank is subject to an obligation (legal or constructive) resulting from past events and it is probable that the fulfilment of such obligation will create a liability. If the Bank expects reimbursement of the expenditure required to settle the provision (for example, through insurance contracts), the reimbursement is recognized as a separate asset, but only when it is virtually certain that reimbursement will be received. The costs relating to the provision are disclosed in the statement of profit or loss less any reimbursement amount. If the impact of time value of money is material, the provision is determined by discounting projected future cash flows to the present value with a gross discount rate that reflects current market assessment of time value of money and a possible risk pertaining to a liability. An increase in provision over time is recognized as interest expenses.

Restructuring provision is recognized in relation to documented restructuring costs. The provision is based on a detailed, formal and published restructuring plan. The provision does not include future operating expenses.

2.23 Finance leases

Bank as a lessor

Assets under lease agreements that transfer substantially all risks and rewards of ownership of the assets onto the lessee are derecognized from the balance sheet. Instead, an amount receivable, equal to the current value of minimum lease payments, is recognized. Lease payments are split between financial revenue and decrease in the balance of lease receivables in a manner allowing obtaining a fixed return rate on the outstanding amount receivable.
Payments arising from leases that do not satisfy the conditions allowing classification as finance leases are recognized as revenue in the statement of profit or loss in accordance to the straight line method over the lease period.

Bank as a lessee

Assets under lease agreements that transfer substantially all risks and rewards of ownership of the assets onto the Bank are recognized as fixed assets; at the same time, liabilities are recognized in the amount equal to the current value of minimum lease payments determined as at the lease commencement date. Lease payments are split between costs of lease payments and decrease in the balance of lease liabilities in order to obtain a fixed interest rate on the outstanding liability. Finance lease costs are recognized directly in the statement of profit or loss.
Fixed assets used under finance leases are depreciated in the same manner as own fixed assets. If the transfer of ownership of the right-of-use asset is uncertain, though, fixed assets used based on finance leases are depreciated over the expected useful life or the lease term, whichever is shorter.
Payments arising from leases that do not satisfy the conditions allowing classification as finance leases are recognized as expenses in the statement of profit or loss in accordance to the straight line method over the lease period.

2.24 Operating leases

Assets under lease agreements in which the Bank is a lessor are recognized in its balance sheet since substantially all risks and rewards arising from ownership have not been transferred to the lessee.

Assets under lease agreements in which the Bank is a lessee are not recognized in its balance sheet.

Total payments arising from operating leases are recognized as revenue or expenses in the statement of profit or loss in accordance to the straight line method over the lease period.

Upon conclusion, the fact whether an arrangement contains lease is determined based on the essence of the arrangement, which requires assessment whether:

– fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset);
– the arrangement conveys a right to use the asset.

Operating lease involves transfer of investment property for use for a defined period. A lease is classified as an operating lease, if it does not involve transfer of substantially all risks and rewards arising from the asset to the lessee.

So far, the Bank has concluded operating lease agreements. All lease payments made under operating leases are charged to expenses based on the straight-line method over the term of the lease agreement. Should a lease be terminated before its contractual term, contractual penalty payments required by the lessor increase the costs in the period in which the lease has been terminated.

2.25 Financial guarantees

Following the initial recognition, financial guarantees are measured at the higher of the following two amounts:

- amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, where the value of provisions for contingent liabilities arising from guarantees granted refers to the estimated value of future losses equal to the expected current value of future losses due to unpaid receivables resulting from the performance of the guarantee;
- initial value reduced, respectively, by revenue recognized in accordance with IAS 18 Revenue.

2.26 Employee benefits

The Bank creates a provision for future liabilities due to retirement, disability and death benefits, unused annual holiday and for retention programs. Provisions for retirement, disability and death benefits are created using the actuarial method, as described in Note 36 hereof.

Employees of the Bank are entitled to the following benefits:

2.26.1 Retirement, disability and death benefits

Retirement benefits classified as post-employment defined benefit plans are available upon retirement (for pensioners or disability pensioners). The calculated term of employment includes all previously completed periods of employment based on an employment contract.

2.26.2 Liabilities due to unused annual leave

Provisions for unused annual leave are calculated as the product of the average daily pay and the number of outstanding leave days as at the end of the reporting period. Provisions for the unused annual leave are presented in the separate financial statements under “Other liabilities”.

2.26.3 Benefits arising from the variable compensation program

The Bank has implemented the variable compensation program addressed to individuals occupying managerial positions that substantially affect the Bank’s risk profile in line with guidance included in Resolution No. 258/2011 of Polish Financial Supervision Authority.
Performance evaluation of individuals included in the program underlies the calculation of the variable compensation.

Benefits provided under the program have two forms:

- Cash payments accounted for in accordance with IAS 19 Employee Benefits and
- Phantom stock entitling to cash payments whose final amount depends on the price of shares of Bank BGŻ BNP Paribas S.A. (i.e. the median of the closing prices at

Warsaw Stock Exchange over a relevant period) settled in accordance with IFRS 2 Share-based Payment.

The cash compensation is paid:

- in the current portion – directly after completing a year in service subject to performance evaluation;
- in the deferred portion – after the deferral period.

With regard to the first form of benefits, during the deferral period, the variable compensation is verified in accordance with the adopted program assumptions.
The cash payments under the program are recognized in line with the projected unit credit method and settled over the vesting period (i.e. both in the evaluation period understood as the year in service to which the benefit pertains and in the period of deferring relevant portions of the benefit). The benefit value is recognized as a liability to employees in correspondence with the statement of profit or loss.
For benefits granted in the form of phantom shares, the annual share retention term applies to both the portion granted following the annual performance evaluation and to the deferred portion on terms similar to the cash compensation (i.e. one-year, two-year and three-year periods). During the retention period, employees granted with the benefit cannot exercise rights arising from the phantom shares.

The fair value of the phantom shares, determined in line with the adopted principles (i.e. based on estimates including the reduction factor) is allocated over the vesting period. The benefit value is recognized as a liability to employees in correspondence with the statement of profit or loss.

2.26.4 Liabilities arising from the retention programs

Following the combination of Bank BGŻ S.A. and BNP Paribas Polska S.A. retention programs have been implemented to reduce the risk of losing key employees. A provision for long-term liabilities arising from these retention programs is calculated using the actuarial method.

2.27 Share capital

2.27.1 Cost of issue of shares

Costs directly related to the issue of new shares less income tax reduce stock issue proceeds recognized in equity.

2.27.2 Treasury shares

If the Bank purchases its own shares, the amount paid reduces equity as treasury shares until their cancellation. Should these shares be sold or re-allocated, the payment received is recognized in equity.

2.28 Other supplementary capital

Supplementary capital is created from annual appropriations of profit or from other funds.
Supplementary capital is designated to absorb balance sheet losses incurred by the Bank or for other purposes, to include dividend payment to shareholders. The use of the supplementary capital is decided upon by the General Shareholders' Meeting of the Bank.

2.29 Other reserve capital

An unidentified risk reserve may be established in the Bank, using general risk provision in whole or in part. The reserve may be used solely to absorb balance sheet losses incurred by the Bank.

Other reserve capitals include capital arising from revaluation of financial assets available for sale.

2.30 General banking risk reserve created from net profit

The general banking risk reserve has been created from profit after tax pursuant to the Banking Law of 29 August 1997. The reserve may be distributed only upon shareholders' consent expressed in the course of General Shareholders' Meeting. It is presented in the separate financial statements under "Other reserve capital".

2.31 Custody operations

The Bank carries out custody operations with regard to domestic and foreign securities, investment and pension funds.

Biuro Maklerskie BGŻ S.A. carries out custody operations including maintaining of securities accounts of its clients.

Assets managed under the custody services are not included in these financial statements as they do not meet the definition of Bank's assets.

2.32 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include items that mature within three months of their acquisition date, including cash in hand and non-restricted cash at the Central Bank (current account), statutory reserve account and receivables from other banks (including nostro accounts).

3 Estimates

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

a) Impairment of loans and advances

In accordance with IFRS, the Bank's financial assets measured at amortized cost and available for sale financial assets which are not measured at fair value are tested for impairment. The Bank performs individual or collective (group) impairment tests of financial assets. Individual tests are performed for assets considered by the Bank to be individually significant.

<u>Impairment tests for individually significant assets</u>

Financial assets are tested so as to verify whether any objective indications of their impairment exist. The individual test is performed by the Bank's employees for individually significant financial assets. It consists in case-by-case verification of financial assets for impairment. The individual test determines expected future cash flows and impairment is calculated as the difference between the present value (carrying amount) of a financial asset which is individually significant and the value of future cash flows generated by that asset, discounted using the effective interest rate valid as at the impairment date. Cash flows from collateral 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 insignificant, for which an objective indication of impairment has been identified; and
- classified as individually significant and individually insignificant, for which no objective indication of impairment has been identified.

The first group includes exposures with a reversible or irreversible impairment indication identified, e.g. a delay in repayment of a material amount in excess of 90 days or significant financial problems identified in the course of client monitoring/review, respectively. For such exposures, the Bank recognizes a collective impairment allowance. The value of the aforesaid impairment allowance depends on the type of the credit exposure, historical recovery levels observed by the Bank after the impairment indication recognition date and the delinquency period.

The second group subject to the collective impairment tests includes all individually significant and insignificant exposures, for which no objective impairment indication has been identified. IBNR allowance is recognized for this group of exposures. The amount of the IBNR loss depends on the probability of default (PD), recovery rate (RR), credit conversion factor (CCF) and the loss identification period (LIP).

The amount of impairment allowances estimated using the collective method, both for exposures which are individually insignificant with an objective indication of impairment identified and exposures which are individually significant and insignificant without an objective indication of impairment identified, is determined with the application of statistical methods for defined exposure portfolios which are 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 allowances on financial assets as objectively and adequately as possible.

The PD parameters are updated twice a year, in line with the value estimation principles adopted by the Bank, while RR is updated once a year. The aforesaid parameters are determined based on statistical analyses of historical data as well as observable monthly migration of credit exposures. The values of 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 allowance in relation to the obligor and the date when the impairment status is actually assigned to the debtor. The length of LIP depends on the characteristics of the product as well as effectiveness and frequency of the credit exposure monitoring process carried out by the Bank.

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 observation period, where a credit exposure with an objective indication of impairment identified may be again classified as an exposure without an objective indication of impairment identified only if the Bank's receivables from the customer have been paid on time (no overdue amounts) for a specific number of months. The required observation period differs depending on whether a given credit exposure is being restructured or not. 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. In order to reduce the double default risk, i.e. the occurrence of objective impairment indication, the Bank applies sufficiently long, pre-determined observation periods.

The resultant impairment allowances on financial assets estimated using statistical models in a collective impairment test are back-tested on a regular basis. The parameters used for purposes of estimating impairment allowances 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 allowances/provisions determined using the collective method are back-tested at least on an annual basis. Additionally, the process of estimating impairment allowances is subject to periodic functional control and verified independently by the Bank's internal audit.

b) Fair value of derivative instruments

The fair value of derivative instruments which are not quoted 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 instruments are measured on the basis of generally acceptable models. Linear instruments are measured using the discounted cash flow method while plain vanilla options using the Black-Scholes model. Other options included in structured deposits are measured either through decomposition into vanilla options or through Monte Carlo simulations.

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

c) Securities

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

d) Impairment of non-current assets

At the end of each reporting period, the Group verifies whether there is any objective indication of impairment of its non-current assets. If such indications have been identified, the Group estimates the recoverable amount. Determination of the value in use of a non-current asset requires the Bank to make assumptions as to the estimated amounts, dates of future cash flows that may be generated by the Group on the non-current asset 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 Bank 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 Bank does not offer operating lease products where substantially all risks and rewards of ownership of the assets are not transferred onto the lessee.

4 Business combinations

Merger of Bank 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, liabilities and equity 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 the 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, liabilities and equity 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, liabilities and equity 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.

Equity instruments issued in relation to 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 84,238,318.00, 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.

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 with the Central Bank	2 745 280
Loans and advances to banks	504 402
Derivative financial instruments	167 463
Hedging instruments	6 500
Loans and advances to customers	18 138 127
Available for sale financial assets	1 238 010
Investments in subsidiaries and 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
Held for trading financial liabilities	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 taken out	6 706 454
Subordinated liabilities	474 016
Current tax liability	14 176
Deferred tax liability	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**

Statement of profit or loss for the twelve months ended 31 December 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 12 months ended 31 December 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.

Income statement	Period from 01.01.2015 to 31.12.2015 unaudited
Interest income	2 308 754
Interest expenses	(724 390)
Net interest income	**1 584 364**
Fee and commission income	534 489
Fee and commission expense	(77 795)
Net fee and commission income	**456 694**
Dividend income	6 837
Net trading income	217 231
Result on investment activities	59 118
Other operating income	72 962
Other operating expenses	(100 682)
Net impairment losses on financial assets and provisions for contingent liabilities	(372 340)
General administrative expenses	(1 797 600)
Amortization and depreciation	(162 300)
Operating result	**(35 716)**
Profit before income tax for the period	**(35 716)**
Income tax expenses	(4 253)
Net profit for the period	**(39 969)**

The combined figures for the 12 months ended 31 December 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.

5 Net interest income

	12 months ended 31.12.2015	12 months ended 31.12.2014
Interest income		
Loans and advances to banks	24 543	28 790
Loans and advances to customers in current accounts	326 144	285 181
Loans and advances to customers, in this:	1 462 022	1 196 952
corporate	391 606	335 458
households	1 018 738	849 232
budget entities	5 772	8 350
other entities	45 906	3 912
Hedging instruments and hedged items	15 197	9 024
Reverse repo transactions	7 559	55 797
Debt securities, in this:	208 645	221 248
held for trading	1 956	10 716
available for sale	206 689	210 532
	2 044 110	**1 796 992**
Interest expenses		
Amounts due to banks	(57 187)	(59 251)
Debt securities issued	(16 938)	(32 269)
Amounts due to customers, in this:	(544 324)	(529 140)
corporate	(108 768)	(110 402)
households	(340 834)	(336 583)
budget entities	(14 211)	(14 967)
other entities	(80 511)	(67 188)
Hedging instruments and hedged items	(12 206)	-
Repo transactions	(7 693)	(55 995)
	(638 348)	**(676 655)**
Net interest income	**1 405 762**	**1 120 337**

In 2015 the total interest income calculated using effective interest rate with regard to financial assets not measured at fair value through profit or loss was PLN 2,026,957 thousand (PLN 1,777,252 thousand for the 12 months ended 31 December 2014) while interest expenses calculated using effective interest rate with regard to financial liabilities not measured at fair value through profit or loss was PLN 626,142 thousand (PLN 676,655 thousand for the 12 months ended 31 December 2014).

Interest income includes interest on financial assets tested separately and collectively, with identified impairment. The interest amount recognized in the interest income for 2015 is PLN 117,511 thousand vs. PLN 108,010 thousand for 2014.

6 Net fee and commission income

	12 months ended 31.12.2015	12 months ended 31.12.2014
Fee and commission income		
loans and advances	141 513	103 939
settlements	47 059	16 921
account maintenance	112 100	105 790
guarantee commitments	21 876	7 914
brokerage operations	24 992	23 383
payment cards	70 127	79 993
on insurance activity	26 159	11 600
asset management	260	-
other	29 747	7 704
	473 833	**357 244**
Fee and commission expenses		
loans and advances	(3 443)	(4 383)
payment cards	(46 294)	(33 944)
insurance activity	(1 593)	(269)
related to partners' network	(5 054)	-
other	(10 208)	(8 149)
	(66 592)	**(46 745)**
Net fee and commission income	**407 241**	**310 499**

Net commission income for 2015 includes PLN 24,992 thousand generated from custody operations vs. PLN 23,383 thousand for 2014.

Net commission income includes income from commissions related to assets and liabilities not measured at fair value with the measurement effects charged to profit or loss; for 2015 in the amount of PLN 279,772 thousand and for 2014 in the amount of PLN 221,329 thousand, as well as commission expenses for 2015 of PLN 5,036 thousand and for 2014 of PLN 4,652 thousand.

7 Dividend income

	12 months ended 31.12.2015	12 months ended 31.12.2014
Available for sale securities	4 394	3 303
Shares in subsidiaries	2 443	-
Total dividend income	**6 837**	**3 303**

8 Net trading income

	12 months ended 31.12.2015	12 months ended 31.12.2014
Debt instruments	204	(1 705)
Derivative financial instruments and foreign currency exchange result	184 142	65 428
Net trading income	**184 346**	**63 723**

9 Result on investing activities

During the year, the Bank has not reclassified any financial assets measured at amortized cost to financial assets measured at fair value.

	12 months ended 31.12.2015	12 months ended 31.12.2014
Available for sale assets	47 390	24 552
Other securities	-	(40)
Impairment loss on shares in an associate	-	(47)
Total	**47 390**	**24 465**

10 Other operating income

	12 months ended 31.12.2015	12 months ended 31.12.2014
Sale and liquidation of property, plant and equipment and intangible assets	1 952	3 060
Sale of goods and services	5 389	8 163
Release of provisions for litigation and claims and other liabilities	2 949	5 669
Recovery of debt collection costs	4 921	2 624
Recovery of overdue debts, redeemed receivables, noncollectible debts and payment of receivables that were excluded from the separate statement of financial position	9 742	5 502
Income from leasing operations	13 452	-
Other	18 457	11 384
Total other operating income	**56 862**	**36 402**

11 Other operating expenses

	12 months ended 31.12.2015	12 months ended 31.12.2014
Loss on sale or liquidation of property, plant and equipment and intangible assets	(20 149)	(3 368)
Impairment charges on other receivables	(711)	(4 177)
Provisions for restructuring of assets, litigation and claim and other liabilities	(18 075)	(2 866)
Debt collection	(15 917)	(10 749)
Donations made	(2 243)	(3 105)
Costs of leasing operations	(12 816)	-
Other operating expenses	(21 142)	(5 225)
Total other operating expenses	**(91 053)**	**(29 490)**

12 Net impairment losses on financial assets and provisions for contingent liabilities

	12 months ended 31.12.2015	12 months ended 31.12.2014
Loans and advances to banks	(937)	99
Loans and advances to customers	(321 139)	(314 588)
Contingent commitments granted	17 856	(4 014)
Total net impairment losses on financial assets and contingent liabilities	**(304 220)**	**(318 503)**

13 General administrative expenses

	12 months ended 31.12.2015	12 months ended 31.12.2014
Personnel expenses (Note 14)	(724 007)	(522 094)
Marketing	(93 417)	(47 558)
IT and telecom costs	(126 267)	(81 811)
Rental expenses	(145 526)	(90 430)
Other non-personnel expenses	(70 230)	(42 657)
Other external services	(130 343)	(101 359)
Business travels	(4 870)	(1 857)
ATM and cash handling costs	(3 639)	(886)
Costs of outsourcing services related to leasing operations	(11 119)	-
Bank Guarantee Fund fee	(97 987)	(37 731)
Statutory payment from entities included in the guarantee system	(90 214)	-
Polish Financial Supervision Authority fee	(5 016)	(3 826)
Payment to the Borrower Support Fund	(38 168)	-
Total general administrative expenses	**(1 540 803)**	**(930 209)**

14 Costs of employee benefits

	12 months ended 31.12.2015	12 months ended 31.12.2014
Payroll expenses	(561 903)	(434 179)
Payroll charges	(77 094)	(61 819)
Employee benefits	(7 517)	(4 515)
Costs of restructuring provision	(48 488)	1 886
Costs of provision for future liabilities arising from unused annual leave and retirement benefits	(3 673)	(4 852)
Appropriations to Social Benefits Fund	(5 781)	(6 291)
Other	(19 551)	(12 324)
Total costs of employee benefits	**(724 007)**	**(522 094)**

15 Amortization and depreciation

	12 months ended 31.12.2015	12 months ended 31.12.2014
Property, plant and equipment	(67 593)	(51 230)
Intangible assets	(79 493)	(49 765)
Total amortization and depreciation	**(147 086)**	**(100 995)**

16 Income tax expenses

	12 months ended 31.12.2015	12 months ended 31.12.2014
Current income tax	(44 958)	(102 892)
Deferred income tax	27 945	61 246
Total income taxes	**(17 013)**	**(41 646)**
Profit before income tax	25 276	179 376
Statutory tax rate	19%	19%
Income tax on gross profit	**(4 802)**	**(34 081)**
Receivables write-off	(1 250)	(3 336)
Non-tax deductible overheads/ income	(847)	569
PFRON	(1 026)	(765)
Prudential fee to the Bank Guarantee Fund	(3 894)	(1 928)
Purchased receivables write-offs	(115)	(298)
Impairment allowance for receivables	(293)	100
Other differences	(4 786)	(1 907)
Income tax charge on gross profit	**(17 013)**	**(41 646)**

17 Earnings per share

	12 months ended 31.12.2015	12 months ended 31.12.2014
Basic:		
Profit attributable to equity holders of the Bank	8 263	137 730
Weighted average number of ordinary shares (items)	75 077 094	53 836 474
Basic earnings per share (in PLN per share)	0.11	2.56
Diluted earnings per share (in PLN per share)	0.11	2.56

Diluted earnings are equal to the basic earnings per share, since factors that cause dilution are absent.
Basic earnings per share are calculated as a quotient of the earnings attributable to the Bank's equity holders and the weighted average number of ordinary shares during the year, except for ordinary shares acquired by the Bank and recognized as treasury shares.

18 Cash in hand and balances with the Central Bank

	31.12.2015	31.12.2014
Cash	1 128 326	696 292
Balances with the Central Bank	1 698 081	1 093 868
Total cash and balances at Central Bank	**2 826 407**	**1 790 160**

During the day, the Bank may use balances on statutory reserve accounts for current cash settlements based on an order placed at the National Bank of Poland. It has to ensure, though, that the average monthly balance matches the declared reserve amount.

The funds on the statutory reserve account bear interest equal to 0.9 of the rediscount rate charged on bills of exchange. As at 31 December 2015 interest on statutory reserve accounts was 1.35% (2.025% as at 31 December 2014).

The balance of cash in hand and at Central Bank includes the statutory reserve maintained with the National Bank of Poland. The reserve to be maintained in December 2015 (as declared) was PLN 1,553,934 thousand (PLN 1,086,490 thousand in December 2014).

The Bank has to maintain the average monthly balance of cash above the declared statutory reserve level.

19 Loans and advances to banks

	31.12.2015	31.12.2014
Current accounts	155 338	334 295
Interbank placements	268 316	60 043
Loans and advances	119 967	10 873
Other	1 447	-
Total loans and advances to banks (gross)	**545 068**	**405 211**
Impairment allowances on loans and advances to banks	(1 056)	(487)
Total loans and advances to banks (net)	**544 012**	**404 724**

Change in the balance of loans and advances to banks:

	12 months ended 31.12.2015	12 months ended 31.12.2014
Impairment allowances on loans and advances at the beginning of the period	**487**	**584**
Impairment charges	1 438	117
Release of impairment charges	(500)	(216)
Provision acquired as a result of merger	79	-
Write-off	(352)	-
Other changes	(96)	2
Impairment allowances on loans and advances to banks at the end of the period	**1 056**	**487**

On 13 July 2015, an Agreement was signed whereby Bank BGŻ BNP Paribas S.A. (the "Lender") granted a subordinated loan to Sygma Banque Societe Anonyme (Spółka Akcyjna) Branch in Poland (the "Borrower"). Under the said agreement, the loan amount, i.e. PLN 50 million, was disbursed on 27 July 2015, i.e. a day after PFSA had granted an authorization for the establishment of Sygma Bank Polska S.A. by way of a contribution in kind comprising all the assets, equity and liabilities of the Borrower. After PFSA had been granted on 10 August the loan amount was classified as the supplementary capital of Sygma Bank Polska S.A. All the funds will be used by the Borrower for purposes of financing the day-to-day operations of Sygma Bank Polska S.A. The loan will be repaid on a one-off basis 10 years after its disbursement, i.e. on 28 July 2025. The interest rate is equal to WIBOR 3M plus a mark-up of 2.17 p.p.

Loans and advances to banks tested separately and collectively

31.12.2015	**Tested separately including impairment**	**Tested collectively**	**TOTAL**
Current accounts	-	155 338	155 338
Interbank deposits	-	268 316	268 316
Loans and advances	-	119 967	119 967
Other receivables	-	1 447	1 447
Total loans and advances to banks (gross)	**-**	**545 068**	**545 068**
31.12.2014			
Current accounts	-	334 295	334 295
Interbank placements	-	60 043	60 043
Loans and advances	398	10 475	10 873
Total loans and advances to banks (gross)	**398**	**404 813**	**405 211**

Impairment allowances for loans and advances to banks tested separately and collectively

	31.12.2015	31.12.2014
Tested separately	-	(353)
Tested collectively	(1 056)	(134)
Total impairment	**(1 056)**	**(487)**

Gross loans and advances to banks by maturity

	31.12.2015	31.12.2014
Up to 1 month	413 622	394 607
From 1 month to 3 months	6 593	8
From 3 months to 1 year	20 940	451
From 1 year to 5 years	32 723	8 827
Over 5 years	71 006	1 318
Overdue loans	184	-
Total loans and advances to banks by maturity (gross)	**545 068**	**405 211**

20 Reverse repo transactions

	31.12.2015	31.12.2014
Receivables from customers	-	100 668
Total reverse repo transactions	**-**	**100 668**

21 Debt securities held for trading

	31.12.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
Securities issued by government:				
T-bonds	-	-	199 404	-
Total debt securities held for trading	**-**	**-**	**199 404**	**-**
of which: valued using the market quotation method	-	-	*199 404*	-

Change in the balance of financial assets held for trading:

	12 months ended 31.12.2015	12 months ended 31.12.2014
Balance as at 1 January	**199 404**	**1 018 701**
Purchase of securities	2 651 072	25 311 360
Redemption of securities	(11 299)	(263 271)
Sales of securities	(2 841 316)	(25 858 382)
Change in fair value measurement	48	(927)
Change due to: discount, premium, receivable interest, forex differences	2 091	(8 077)
As at 31 December at carrying amount	**-**	**199 404**

Gross financial assets held for trading by maturity

	31.12.2015	31.12.2014
Up to 1 month	-	6 225
From 1 month to 3 months	-	-
From 3 months to 1 year	-	44 771
From 1 year to 5 years	-	145 148
Over 5 years	-	3 260
Total financial assets held for trading	**-**	**199 404**

22 Derivative financial instruments

Fair value of derivatives held is presented below:

31.12.2015	Nominal value	Fair value	
		Assets	Liabilities
Trading derivatives			
Currency derivatives:			
Non-deliverable Forward (NDF)	953 099	6 310	2 297
Currency Forward	4 846 974	20 828	23 867
Currency Swap	4 850 365	25 838	17 174
Currency Interest Rate Swaps (CIRS)	879 953	5 090	(3)
OTC currency options	2 832 716	10 459	8 515
Total OTC currency derivatives	**14 363 107**	**68 525**	**51 850**
Interest rate derivatives:			
Interest Rate Swap (IRS)	43 438 255	279 770	281 084
Currency Interest Rate Swap (CIRS)	1 037	262	-
FRA	25 300 000	3 469	5 003
OTC interest rate options	1 230 627	5 783	5 180
Other	24 003	-	169
Total OTC interest rate derivatives	**69 993 922**	**289 284**	**291 436**
OTC options	384 577	4 751	2 904
Total OTC derivatives based on equity securities	**384 577**	**4 751**	**2 904**
OTC commodity swap	188 789	5 566	5 188
Total OTC commodity derivatives	**188 789**	**5 566**	**5 188**
Other options	**(6 500)**	**-**	**-**
Foreign Exchange Spot (FX Spot)	842 933	12	161
Total current currency derivatives	**842 933**	**12**	**161**
TOTAL	**85 766 828**	**368 138**	**351 539**
of which: - valued using model-based method	*85 766 828*	*368 138*	*351 539*

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 Swap (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 currency 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
Total commodity derivatives from OTC transactions	**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**
including: valued using model-based method	*42 236 102*	*420 152*	*448 908*

Fair value of derivatives by maturity

31.12.2015	Fair value of asset						Fair value of liability					
	Total	<= 1 month	> 1 month <= 3 months	> 3 months <=12 months	> 1 year <= 5 years	> 5 years	Total	<= 1 month	> 1 month <= 3 months	> 3 months <=12	> 1 year <= 5 years	> 5 years
Trading derivatives												
Currency derivatives												
Non-deliverable Forward (NDF)	**6 310**	1 028	1 705	3 445	132	-	**2 297**	454	507	1 336	-	-
Foreign Exchange Forward (FX Forward)	**20 828**	2 924	5 131	10 573	2 200	-	**23 867**	4 115	6 413	11 041	2 298	-
Currency Swap (FX Swap)	**25 838**	7 476	8 137	10 225	-	-	**17 174**	3 707	8 760	4 707	-	-
Currency Interest Rate Swaps (CIRS)	**5 090**	-	-	21	5 069	-	**(3)**	-	-	29	(32)	-
OTC currency options	**10 459**	(40)	4 089	4 354	2 056	-	**8 515**	381	4 242	3 865	27	-
Total OTC currency derivatives	**68 525**	**11 388**	**19 062**	**28 618**	**9 457**	**-**	**51 850**	**8 657**	**19 922**	**20 978**	**2 293**	**-**
Interest rate derivatives:												
interest rate swap	**279 770**	370	25 006	46 697	89 716	117 981	**281 084**	8 577	5 776	54 381	96 341	116 009
Currency Interest Rate Swap (CIRS)	**262**	-	-	-	262	-	**-**	-	-	-	-	-
Forward Rate Agreements (FRA)	**3 469**	-	-	3 298	171	-	**5 003**	-	-	4 875	128	-
OTC interest rate options	**5 783**	10	-	1 341	4 288	144	**5 180**	(1)	-	1 211	3 826	144
Other	**-**	-	-	-	-	-	**169**	169	-	-	-	-
Total OTC interest rate derivatives	**289 284**	**380**	**25 006**	**51 336**	**94 437**	**118 125**	**291 436**	**8 745**	**5 776**	**60 467**	**100 295**	**116 153**
Options purchased and sold on the OTC market	**4 751**	4	519	1 311	2 917	-	**2 904**	-	740	2 012	152	-
Total OTC derivatives based on equity securities	**4 751**	**4**	**519**	**1 311**	**2 917**	**-**	**2 904**	**-**	**740**	**2 012**	**152**	**-**
OTC commodity swap	**5 566**	745	2 113	2 708	-	-	**5 188**	862	1 970	2 356	-	-
Total OTC commodity derivatives	**5 566**	**745**	**2 113**	**2 708**	**-**	**-**	**5 188**	**862**	**1 970**	**2 356**	**-**	**-**
Currency Spot (FX Spot)	**12**	**12**	**-**	**-**	**-**	**-**	**161**	**161**	**-**	**-**	**-**	**-**
Total currency spot transactions	**12**	**12**	**-**	**-**	**-**	**-**	**161**	**161**	**-**	**-**	**-**	**-**
TOTAL	**368 138**	**12 529**	**46 700**	**83 973**	**106 811**	**118 125**	**351 539**	**18 425**	**28 408**	**85 813**	**102 740**	**116 153**

31.12.2014	Fair value of assets						Fair value of liability					
	Total	<= 1 month	> 1 month <= 3 months	> 3 months <=12months	> 1 year <= 5 years	> 5 years	Total	<= 1 month	> 1 month <= 3 months	> 3 months <= 12 months	> 1 year <= 5 years	> 5 years
Trading derivatives)												
Currency derivatives												
Non-deliverable Forward (NDF)	**9 177**	1 325	3 057	4 791	4	-	**430**	270	54	106	-	-
Foreign Exchange Forward (FX Forward)	**2 454**	664	481	225	1 084	-	**3 826**	532	769	1 311	1 214	-
Currency Swap (FX Swap)	**94 871**	70 691	19 931	4 249	-	-	**145 844**	140 160	2 893	2 791	-	-
OTC currency options	**2 884**	210	-	1 629	1 045	-	**1 492**	212	-	1 264	16	-
Total OTC currency derivatives	**109 386**	**72 890**	**23 469**	**10 894**	**2 133**	**-**	**151 592**	**141 174**	**3 716**	**5 472**	**1 230**	**-**
Interest rate derivatives:												
interest rate swap	**288 944**	1 822	29 952	42 382	139 452	75 336	**276 630**	5 205	24 964	14 577	153 934	77 950
Currency Interest Rate Swap (CIRS)	**1 848**	-	-	1 568	280	-	**440**	-	-	-	440	-
Forward Rate Agreements (FRA)	**9 733**	571	2 082	7 080	-	-	**12 028**	2 023	1 671	6 270	2 064	-
OTC interest rate options	**1 091**	-	9	1 082	-	-	**1 193**	-	83	1 110	-	-
Other	**66**	66	-	-	-	-	**38**	38	-	-	-	-
Total OTC interest rate derivatives	**301 682**	**2 459**	**32 043**	**52 112**	**139 732**	**75 336**	**290 329**	**7 266**	**26 718**	**21 957**	**156 438**	**77 950**
OTC options	**7 898**	-	-	5 708	2 190	-	**6 215**	-	-	5 125	1 090	-
Total OTC derivatives based on equity securities	**7 898**	**-**	**-**	**5 708**	**2 190**	**-**	**6 215**	**-**	**-**	**5 125**	**1 090**	**-**
OTC commodity swap	**688**	336	301	51	-	-	**581**	237	294	50	-	-
Total OTC commodity derivatives	**688**	**336**	**301**	**51**	**-**	**-**	**581**	**237**	**294**	**50**	**-**	**-**
Currency Spot (FX Spot)	**498**	498	-	-	-	-	**191**	191	-	-	-	-
Total currency spot transactions	**498**	**498**	**-**	**-**	**-**	**-**	**191**	**191**	**-**	**-**	**-**	**-**
TOTAL	**420 152**	**76 183**	**55 813**	**68 765**	**144 055**	**75 336**	**448 908**	**148 868**	**30 728**	**32 604**	**158 758**	**77 950**

Maturity:
– for NDF, FX forward, FX swap, currency options and indexes, IRS, CIRS calculated as a difference in days between the transaction maturity date and the balance sheet date
– for Fx spot, FRA, off-balance sheet securities calculated as a difference in days between the transaction currency date and the balance sheet date

23 Hedge accounting

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

Hedging relationship	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.
Hedged items	Highly probable future cash flows related to a portion of the preferential loan portfolio.
Hedging instruments	see table below
Presentation of the result on the hedged and hedging transactions	The effective portion of the change in fair value measurement 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 interest income.

PLN IRS	Nominal value	Fair value – Assets	Fair value – Liabilities
31.12.2015	-	-	-
31.12.2014	-	-	-

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

	31.12.2015	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 31 December 2015, the Bank used fair value hedges.

Hedging relationship	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.
Hedged items	Fixed-rate EUR current accounts are the hedged items.
Hedging instruments	Standard IRS transactions, i.e. plain vanilla IRS in the euro, where the Bank receives a fixed interest rate and pays a floating rate based on EURIBOR 3M, are the hedging instruments.
Presentation of result on the hedged and hedging transactions	The change in fair value measurement 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.

EUR IRS	Nominal value	Fair value – Assets	Fair value – Liabilities
31.12.2015	4 714 504	2 711	-

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

	31.12.2015	31.12.2014
Net interest income on hedging derivatives	15 197	-
Change in fair value of hedging transactions recognized in the Result on hedge accounting	-	-
including: change in fair value of hedging instrument	(4 582)	-
change in fair value of hedged items	4 582	-

The table below presents hedging derivative instruments by nominal value as at 31 December 2015, broken down by residual maturity:

Hedging instruments	31.12.2015							
	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	**2 711**	**-**	**17 046**	**-**	**1 500 000**	**3 184 673**	**12 785**	**4 714 504**
Swap (IRS)	2 711	-	17 046	-	1 500 000	3 184 673	12 785	4 714 504
Total hedging instruments	**2 711**	**-**	**17 046**	**-**	**1 500 000**	**3 184 673**	**12 785**	**4 714 504**

24 Loans and advances to customers

	31.12.2015	31.12.2014
Current accounts:	**7 944 884**	**5 268 652**
corporate	3 906 021	2 118 862
households:	3 967 365	3 144 797
individual customers	207 899	106 328
individual entrepreneurs	497 868	375 241
farmers	3 261 598	2 663 228
budget entities	526	617
other entities	70 972	4 376
Loans and advances:	**44 623 766**	**25 830 393**
enterprises:	13 274 824	8 007 542
investment loans	6 154 067	4 622 665
revolving loans	3 778 853	2 222 940
other	3 341 904	1 161 937
households:	28 542 903	17 533 570
individual customers, in this:	19 322 358	10 087 819
real property	14 722 641	8 340 820
individual entrepreneurs	2 349 830	1 414 479
farmers	6 870 715	6 031 272
budget entities	180 339	215 802
other entities	387 008	73 479
lease receivables	2 238 692	-
Total loans and advances to customers (gross)	**52 568 650**	**31 099 045**
Impairment allowances (negative value)	(2 737 192)	(1 441 522)
Total loans and advances to customers (net)	**49 831 458**	**29 657 523**

Impairment allowances on loans and advances to customers

	31.12.2015	31.12.2014
Current accounts:	**(427 738)**	**(256 124)**
corporate	(286 390)	(163 515)
households:	(140 770)	(92 483)
individual customers	(24 384)	(7 271)
individual entrepreneurs	(74 438)	(54 925)
farmers	(41 948)	(30 287)
budget entities	-	-
other entities	(578)	(126)
Loans and advances:	**(2 309 454)**	**(1 185 398)**
corporate:	(1 022 778)	(596 434)
investment loans	(231 727)	(140 369)
revolving loans	(443 234)	(328 322)
other	(347 817)	(127 743)
households:	(1 191 467)	(587 507)
individual customers, in this:	(768 212)	(312 821)
real property	(347 082)	(157 257)
individual entrepreneurs	(240 600)	(129 195)
farmers	(182 655)	(145 491)
budget entities	(219)	(215)
other entities	(4 027)	(1 242)
lease receivables	(90 963)	-
Total impairment allowances	**(2 737 192)**	**(1 441 522)**

Gross loans and advances to customers tested separately and collectively

31.12.2015	Tested separately including impairment	Tested collectively	TOTAL
Current accounts:	**308 711**	**7 636 173**	**7 944 884**
corporate	262 108	3 643 913	3 906 021
households:	46 603	3 920 762	3 967 365
individual customers	12 857	195 042	207 899
individual entrepreneurs	12 543	485 325	497 868
farmers	21 203	3 240 395	3 261 598
budget entities	-	526	526
other entities	-	70 972	70 972
Loans and advances:	**1 799 068**	**42 824 698**	**44 623 766**
corporate	1 324 603	11 950 221	13 274 824
households:	344 592	28 198 311	28 542 903
individual customers	56 268	19 266 090	19 322 358
individual entrepreneurs	116 431	2 233 399	2 349 830
farmers	171 893	6 698 822	6 870 715
budget entities	51	180 288	180 339
other entities	1 960	385 048	387 008
lease receivables	127 862	2 110 830	2 238 692
Total gross loans and advances	**2 107 779**	**50 460 871**	**52 568 650**

31.12.2014			
Current accounts:	**162 964**	**5 105 688**	**5 268 652**
corporate	150 618	1 968 244	2 118 862
households:	12 346	3 132 451	3 144 797
individual customers	-	106 328	106 328
individual entrepreneurs	7 718	367 523	375 241
farmers	4 628	2 658 600	2 663 228
budget entities	-	617	617
other entities	-	4 376	4 376
Loans and advances:	**1 204 120**	**24 626 273**	**25 830 393**
corporate	892 395	7 115 147	8 007 542
households:	310 990	17 222 580	17 533 570
individual customers	99 122	9 988 697	10 087 819
individual entrepreneurs	85 158	1 329 321	1 414 479
farmers	126 710	5 904 562	6 031 272
budget entities	68	215 734	215 802
other entities	667	72 812	73 479
lease receivables	-	-	-
Total loans and advances to customers (gross)	**1 367 084**	**29 731 961**	**31 099 045**

Impairment allowances on loans and advances to customers tested separately and collectively

31.12.2015	Tested separately including impairment	Tested collectively*	TOTAL
Current accounts:	**(216 358)**	**(211 380)**	**(427 738)**
corporate	(191 352)	(95 038)	(286 390)
households:	(25 006)	(115 764)	(140 770)
individual customers	(10 273)	(14 111)	(24 384)
individual entrepreneurs	(7 738)	(66 700)	(74 438)
farmers	(6 995)	(34 953)	(41 948)
budget entities	-	-	-
other entities	-	(578)	(578)
Loans and advances:	**(1 047 441)**	**(1 262 013)**	**(2 309 454)**
corporate	(804 384)	(218 394)	(1 022 778)
households:	(158 307)	(1 033 160)	(1 191 467)
individual customers	(27 646)	(740 566)	(768 212)
individual entrepreneurs	(64 458)	(176 142)	(240 600)
farmers	(66 203)	(116 452)	(182 655)
budget entities	(44)	(175)	(219)
other entities	(1 961)	(2 066)	(4 027)
lease receivables	(82 745)	(8 218)	(90 963)
Total impairment allowances	**(1 263 799)**	**(1 473 393)**	**(2 737 192)**
31.12.2014			
Current accounts:	**(84 412)**	**(171 712)**	**(256 124)**
corporate	(80 601)	(82 914)	(163 515)
households:	(3 811)	(88 672)	(92 483)
individual customers	-	(7 271)	(7 271)
individual entrepreneurs	(3 639)	(51 286)	(54 925)
farmers	(172)	(30 115)	(30 287)
budget entities	-	-	-
other entities	-	(126)	(126)
Loans and advances:	**(578 693)**	**(606 705)**	**(1 185 398)**
corporate	(455 061)	(141 373)	(596 434)
households:	(123 061)	(464 446)	(587 507)
individual customers	(33 267)	(279 554)	(312 821)
individual entrepreneurs	(39 280)	(89 915)	(129 195)
farmers	(50 514)	(94 977)	(145 491)
budget entities	(66)	(149)	(215)
other entities	(505)	(737)	(1 242)
lease receivables	-	-	-
Total impairment allowances	**(663 105)**	**(778 417)**	**(1 441 522)**

*Impairment allowances on loans and advances excluding impairment and tested on a collective basis including impairment.

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

	12 months ended 31.12.2015	12 months ended 31.12.2014
Opening balance of impairment allowances	**1 441 522**	**1 219 565**
Impairment charges*	2 013 317	1 465 083
Release of impairment charges*	(1 682 864)	(1 150 495)
Write-off	(130 099)	(148 095)
Impairment acquired as a result of merger	1 084 241	46 228
Other changes (including exchange differences)	11 075	9 236
Impairment allowances (closing balance)	**2 737 192**	**1 441 522**

* Creation and reversals of loan impairment allowances was presented as turnover due to a functional system limitations. The presentation has no impact on the Bank's financial result.

Gross loans and advances by maturity

	31.12.2015	31.12.2014
Up to 1 month	3 319 219	784 665
From 1 month to 3 months	1 086 252	538 196
From 3 months to 1 year	4 588 005	2 812 180
From 1 year to 5 years	14 063 193	7 196 506
Over 5 years	23 277 227	18 669 334
Overdue loans	6 234 754	1 098 164
Total loans and advances by maturity	**52 568 650**	**31 099 045**

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

	31.12.2015	31.12.2014
Impaired exposures		
Gross carrying exposure	3 923 333	2 489 700
Impairment allowance	(2 439 198)	(1 289 998)
Net exposure	**1 484 135**	**1 199 702**
Exposures without indications of impairment		
Gross exposure	48 645 317	28 609 345
IBNR provision	(297 994)	(151 524)
Total loans and advances to customers (net)	**48 347 323**	**28 457 821**

Home loans to individuals – by currency (in PLN '000)

Loans by currency	31.12.2015	31.12.2014
CHF	6 924 155	2 882 295
EUR	82 704	16 751
PLN	7 710 797	5 438 868
USD	4 985	2 906
Total	**14 722 641**	**8 340 820**

CHF loan portfolio value

	31.12.2015		31.12.2014	
	Total portfolio	including CHF exposures	Total portfolio	including CHF exposures
(Gross) loan portfolio, including:				
Current accounts:	**7 944 884**	**-**	**5 268 652**	**-**
corporate	3 906 021	-	2 118 862	-
households:	3 967 365	-	3 144 797	-
individual customers	207 899	-	106 328	-
individual entrepreneurs	497 868	-	375 241	-
farmers	3 261 598	-	2 663 228	-
budget entities	526	-	617	-
other entities	70 972	-	4 376	-
Loans and advances to customers:	**44 623 766**	**7 310 324**	**25 830 393**	**3 084 764**
corporate:	13 274 824	116 457	8 007 542	100 606
investment loans	6 154 067	27 867	4 622 665	36 206
revolving capital loans	3 778 853	11 761	2 222 940	10 490
other	3 341 904	76 829	1 161 937	53 910
households:	28 542 903	7 104 798	17 533 570	2 981 299
individual customers, in this:	19 322 358	7 030 204	10 087 819	2 902 576
real property	14 722 641	6 924 155	8 340 820	2 882 295
individual entrepreneurs	2 349 830	63 593	1 414 479	67 503
farmers	6 870 715	11 001	6 031 272	11 220
budget entities	180 339	-	215 802	-
other entities	387 008	2 811	73 479	2 859
lease receivables	2 238 692	86 258	-	-
Total gross loans and advances to customers	**52 568 650**	**7 310 324**	**31 099 045**	**3 084 764**

Impairment allowances on CHF loans

	31.12.2015		31.12.2014	
	Total portfolio	including CHF exposures	Total portfolio	including CHF exposures
(Gross) loan portfolio, including:				
Current accounts:	**(427 738)**	**-**	**(256 124)**	**-**
corporate	(286 390)	-	(163 515)	-
households:	(140 770)	-	(92 483)	-
individual customers	(24 384)	-	(7 271)	-
individual entrepreneurs	(74 438)	-	(54 925)	-
farmers	(41 948)	-	(30 287)	-
budget entities	-	-	-	-
other entities	(578)	-	(126)	-
Loans and advances to customers:	**(2 309 454)**	**(258 775)**	**(1 185 398)**	**(93 169)**
corporate:	(1 022 778)	(16 734)	(596 434)	(10 188)
investment loans	(231 727)	(98)	(140 369)	(212)
revolving capital loans	(443 234)	(668)	(328 322)	(604)
other	(347 817)	(15 968)	(127 743)	(9 372)
households:	(1 191 467)	(239 929)	(587 507)	(82 974)
individual customers, including:	(768 212)	(230 132)	(312 821)	(74 855)
real property	(347 082)	(217 322)	(157 257)	(71 784)
individual entrepreneurs	(240 600)	(8 438)	(129 195)	(7 012)
farmers	(182 655)	(1 359)	(145 491)	(1 107)
budget entities	(219)	-	(215)	-
other entities	(4 027)	(6)	(1 242)	(7)
lease receivables	(90 963)	(2 106)	-	-
Total gross loans and advances to customers	**(2 737 192)**	**(258 775)**	**(1 441 522)**	**(93 169)**

In 2015, the Bank 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 losses or derecognized in whole, totaled PLN 125,964 thousand (principal, interest and other accompanying receivables). The contractual portfolio sale price was PLN 11,923 thousand. The net effect of the portfolio sale on the profit generated by the Bank was PLN 35 thousand and it was presented as recognition and derecognition of impairment losses on loans and advances.

25 Finance lease receivables

In 2014, the Bank was not a party to any leases. Following the merger of BGŻ with BNPP Polska in 2015, the Bank has commenced leasing operations as presented below.

Finance lease receivables

	31.12.2015
Gross finance lease receivables	2 446 870
Unrealized financial income	(208 178)
Present value of minimum lease payments	**2 238 692**
Impairment allowances	(90 963)
Total finance lease receivables	**2 147 729**

Gross finance lease receivables by maturity

	31.12.2015
Up to 1 year	648 468
From >1 year to 5 years	1 297 577
> 5 years	500 825
Total gross finance lease receivables	**2 446 870**

Present value of minimum lease payments

	31.12.2015
Up to 1 year	581 186
From >1 year to 5 years	1 182 456
>5 years	475 050
Total present value of minimum lease payments	**2 238 692**

26 Available for sale financial assets

	31.12.2015	31.12.2014
Debt securities available for sale :	7 713 183	7 078 943
issued by central banks – NBP bills	-	3 199 654
issued by governments – T-bonds	7 701 056	3 860 027
issued by local governments – municipal bonds	12 127	19 262
Available for sale equity instruments (Stock and shares)*	48 592	4 160
Share units	902	914
Total available for sale financial assets	**7 762 677**	**7 084 017**
of which:		
valued using the market quotation method	*7 606 835*	*3 863 688*
valued using model-based method	*155 842*	*3 220 329*

* In 2015 the revaluation of Bank's shares in Visa Europe was made. Details of the transaction are described in Note 55.

Change in the balance of available for sale financial assets:

	12 months ended 31.12.2015	12 months ended 31.12.2014
Balance as at 1 January	**7 084 017**	**4 826 073**
Purchase of securities	117 217 026	147 100 570
Redemption of securities	(115 393 606)	(144 796 896)
Sales of securities	(2 381 357)	(335 763)
Change in fair value measurement	(80 802)	215 554
Change in interest receivable due to forex differences, discounts and premiums	79 389	74 479
Financial assets acquired as a result of merger	1 238 010	-
As at 31 December at carrying amount	**7 762 677**	**7 084 017**

In accordance with the Banking Guarantee Fund Act of 14 December 1994, as at 31 December 2015 Bank BGŻ BNP Paribas S.A. held treasury bonds recognized in the statement of financial position in the amount of PLN 265,425 thousand (with the face value of PLN 275,000 thousand), securing the protection of guaranteed funds under BGF, which were deposited on a separate account at the National Bank of Poland (in 2014, in the amount of PLN 198,301 thousand, with the face value of PLN 175,000 thousand).

Gross available for sale financial assets by maturity

	31.12.2015	31.12.2014
Without determined maturity	49 494	5 074
Up to 1 month	-	3 655 230
From 1 month to 3 months	-	-
From 3 months to 1 year	208 790	148 777
From 1 year to 5 years	5 473 229	1 576 180
>5 years	2 031 164	1 698 756
Total available for sale financial assets	**7 762 677**	**7 084 017**

27 Investments in subsidiaries

	31.12.2015	31.12.2014
In financial sector entities	221 067	-
In non-financial sector entities	27 781	16 732
Total investments	**248 848**	**16 732**

Shares in subsidiaries as at 31 December 2015 and 31 December 2014

31.12.2015 Entity's name	Cost of shares	Carrying amount	Interest held by the Bank in the entity's equity (%)
Bankowy Fundusz Nieruchomościowy ACTUS Sp. z o.o.	18 291	16 781	100%
Sygma Bank Polska S.A.	200 000	200 000	100%
Laser Services Polska S.A.	11 000	11 000	100%
Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A.	18 196	13 398	100%
BGŻ BNP Paribas Factoring Sp. z o.o.	7 653	7 653	100%
Fortis Lease Polska Sp. z o.o. in liquidation	94 800	16	100%
Total	**349 940**	**248 848**	**-**
31.12.2014			
Bankowy Fundusz Nieruchomościowy ACTUS Sp. z o.o.	18 242	16 732	100%
Total	**18 242**	**16 732**	**-**

On 1 December 2015, Bank BGŻ BNP Paribas S.A. concluded an agreement on the purchase of shares in Sygma Bank Polska S.A. from BNP Paribas Personal Finance Societe Anonyme ("BNP Paribas PF") with the registered office in Paris.
Pursuant to the agreement, the Bank acquired from BNP Paribas PF 1,000 ordinary registered shares in Sygma Bank Polska, constituting 100% interest in the share capital of Sygma Bank Polska and 100% of votes at its general shareholders' meeting, for PLN 200 million.

At the same time, on 1 December 2015, the Bank and BNP Paribas PF concluded an agreement on the purchase of shares, pursuant to which the Bank acquired 273,438 ordinary registered shares in Laser Services Polska S.A. ("LSP") constituting 100% interest in the share capital of LSP and 100% votes at its general shareholders' meeting, for PLN 11 million.

28 Intangible assets

	31.12.2015	31.12.2014
Licenses	213 223	136 872
Other intangible assets	5 466	599
Expenditure on intangible assets	32 002	27 836
Total intangible assets	**250 691**	**165 307**

12 months ended 31.12.2015	Licenses	Other intangible assets	Expenditure on intangible assets	Total
GROSS BOOK VALUE				
As at 1 January	**465 485**	**4 515**	**27 836**	**497 836**
Increases:	*249 268*	*9 391*	*68 674*	*327 333*
reclassification from expenditure	48 154	284	-	48 438
reclassification from property, plant and equipment	520	-	-	520
purchase	53 698	441	52 744	106 883
acquisition as a result of merger	146 896	8 666	15 930	171 492
Decreases:	*(26 374)*	*(39)*	*(63 951)*	*(90 364)*
reclassification from expenditure	-	-	(48 438)	(48 438)
sale, liquidation, donation, shortage	(26 374)	(39)	-	(26 413)
other	-	-	(15 513)	(15 513)
As at 31 December	**688 379**	**13 867**	**32 559**	**734 805**
ACCUMULATED AMORTIZATION				
As at 1 January	**328 613**	**3 916**	**-**	**332 529**
Balance changes:	*146 543*	*4 485*	-	*151 028*
amortization for the financial year	77 937	1 346	-	79 283
sale, liquidation, donation, shortage	(26 356)	(27)	-	(26 383)
acquired as a result of merger	95 055	3 166	-	98 221
other	(93)	-	-	(93)
As at 31 December	**475 156**	**8 401**	**-**	**483 557**
IMPAIRMENT ALLOWANCES				
As at 1 January	**-**	**-**	**-**	**-**
Balance changes:	-	-	*557*	*557*
impairment charges	-	-	2 167	2 167
release of impairment charges	-	-	(4)	(4)
acquisition as a result of merger	-	-	2	2
other	-	-	(1 608)	(1 608)
As at 31 December	**-**	**-**	**557**	**557**
NET BOOK VALUE				
As at 1 January	**136 872**	**599**	**27 836**	**165 307**
As at 31 December	**213 223**	**5 466**	**32 002**	**250 691**

12 months ended 31.12.2014	Licenses	Other intangible assets	Expenditure on intangible assets	Total
GROSS BOOK VALUE				
As at 1 January	**427 699**	**4 323**	**26 355**	**458 377**
Increases:	*62 688*	*341*	*56 998*	*120 027*
reclassification from expenditure	54 258	253	-	54 511
purchase	-	-	56 998	56 998
acquisition as a result of merger	8 430	88	-	8 518
Decreases:	*(24 902)*	*(149)*	*(55 517)*	*(80 568)*
reclassification from expenditure	-	-	(54 511)	(54 511)
ale, liquidation, donation, shortage	(24 902)	(149)	-	(25 051)
other	-	-	(1 006)	(1 006)
As at 31 December	**465 485**	**4 515**	**27 836**	**497 836**
ACCUMULATED AMORTIZATION				
As at 1 January	**296 048**	**3 740**	**-**	**299 788**
Balance changes:	*32 565*	*176*	-	*32 741*
amortization for the financial year	49 509	256	-	49 765
sale, liquidation, donation, shortage	(24 048)	(148)	-	(24 196)
acquisition as a result of merger	7 104	68	-	7 172
As at 31 December	**328 613**	**3 916**	**-**	**332 529**
NET BOOK VALUE				
As at 1 January	**131 651**	**583**	**26 355**	**158 589**
As at 31 December	**136 872**	**599**	**27 836**	**165 307**

The Bank identifies impairment indications for intangible assets not commissioned yet, i.e. under development, on an ongoing basis.

As at 31 December 2015 and 31 December 2014, the Bank had no material contractual liabilities related to acquisition of intangible assets.

29 Property, plant and equipment

	31.12.2015	31.12.2014
Non-current assets, in this:	486 487	404 471
land and buildings	252 157	254 379
leasehold improvements	101 251	63 027
IT equipment	80 701	36 140
office equipment	47 944	50 060
equipment and vehicles	4 434	865
Assets under construction	41 743	6 592
Total property, plant and equipment	**528 230**	**411 063**

12 months ended 31.12.2015	Land and buildings	Property, plant and equipment	Fixed assets under construction	Total
GROSS BOOK VALUE				
As at 1 January	**428 093**	**532 346**	**6 592**	**967 031**
Increases:	*13 162*	*474 990*	*55 887*	*544 039*
reclassification from fixed assets under construction	2 125	16 531	-	18 656
purchase	-	39 766	53 300	93 066
acquisition as a result of merger	10 639	412 995	2 587	426 221
other	398	5 698	-	6 096
Decreases:	*(2 843)*	*(58 473)*	*(20 736)*	*(82 052)*
reclassified from fixed assets under construction	-	-	(18 656)	(18 656)
reclassification from property, plant and equipment	-	-	(520)	(520)
sale, liquidation, donation, shortage, theft	(2 843)	(58 473)	(77)	(61 393)
other	-	-	(1 483)	(1 483)
As at 31 December	**438 412**	**948 863**	**41 743**	**1 429 018**
ACCUMULATED DEPRECIATION				
As at 1 January	**171 047**	**381 985**	**-**	**553 032**
Balance changes:	*13 143*	*332 040*	-	*345 183*
depreciation for the financial year	10 474	57 328	-	67 802
sale, liquidation, donation, shortage	(695)	(50 432)	-	(51 127)
acquisition as a result of merger	3 364	324 814	-	328 178
other	-	330	-	330
As at 31 December	**184 190**	**714 025**	**-**	**898 215**
IMPAIRMENT ALLOWANCES				
As at 1 January	**2 667**	**269**	**-**	**2 936**
Balance changes:	*(602)*	*239*	-	*(363)*
derecognized impairment loss	-	(539)	-	(539)
acquisition as a result of merger	-	778	-	778
sale	(602)	-	-	(602)
As at 31 December	**2 065**	**508**	**-**	**2 573**
NET BOOK VALUE				
As at 1 January	**254 379**	**150 092**	**6 592**	**411 063**
As at 31 December	**252 157**	**234 330**	**41 743**	**528 230**

12 months ended 31.12.2014	Land and buildings	Property, plant and equipment	Fixed assets under construction	Total
GROSS BOOK VALUE				
As at 1 January	**436 982**	**567 193**	**7 002**	**1 011 177**
Increases:	*3 553*	*22 215*	*20 794*	*46 562*
reclassification from fixed assets under construction	3 553	17 628	-	21 181
purchase	-	-	20 794	20 794
acquisition as a result of merger	-	4 582	-	4 582
other	-	5	-	5
Decreases:	*(12 442)*	*(57 062)*	*(21 204)*	*(90 708)*
reclassification from fixed assets under construction	-	-	(21 181)	(21 181)
sale, liquidation, donation, shortage, theft	(12 442)	(57 062)	-	(69 504)
other	-	-	(23)	(23)
As at 31 December	**428 093**	**532 346**	**6 592**	**967 031**
ACCUMULATED DEPRECIATION				
As at 1 January	**165 906**	**388 271**	**-**	**554 177**
Balance changes:	*5 141*	*(6 286)*	-	*(1 145)*
depreciation for the financial year	10 538	40 692	-	51 230
sale, liquidation, donation, shortage	(5 397)	(48 653)	-	(54 050)
acquisition as a result of merger	-	1 675	-	1 675
As at 31 December	**171 047**	**381 985**	**-**	**553 032**
IMPAIRMENT ALLOWANCES				
As at 1 January	**7 856**	**5**	**-**	**7 861**
Balance changes:	*(5 189)*	*264*	-	*(4 925)*
Impairment allowance	324	270	-	594
sale	(6 472)	(4)	-	(6 476)
other	959	(2)	-	957
As at 31 December	**2 667**	**269**	**-**	**2 936**
NET BOOK VALUE				
As at 1 January	**263 220**	**178 917**	**7 002**	**449 139**
As at 31 December	**254 379**	**150 092**	**6 592**	**411 063**

As at 31 December 2015 and 31 December 2014, the Bank had no material contractual liabilities related to acquisition of property, plant and equipment.

30 Other assets

	31.12.2015	31.12.2014
Other assets:		
other debtors	58 867	73 958
interbank and inter-system settlements	500	-
prepaid expenses	27 810	9 760
accrued income	27 100	6 789
cards settlements	12 615	2 554
tax and other regulatory receivables	108 490	10
insurance receivables	861	-
other lease receivables	20 667	-
other	8 908	1 071
Total other assets (gross)	**265 818**	**94 142**
Impairment allowances on other receivables sundry debtors	(48 792)	(33 516)
Total other assets (net)	**217 026**	**60 626**

31 Amounts due to banks

	31.12.2015	31.12.2014
Current accounts	120 629	108 994
Interbank deposits	1 459 256	15 208
Loans and advances received	6 018 861	1 327 121
Other liabilities	19 200	95 416
Total amounts due to banks	**7 617 946**	**1 546 739**

Amounts due to banks by maturity

	31.12.2015	31.12.2014
Up to 1 month	1 979 948	754 997
From >1 month to 3 months	120 233	48 332
From >3 months to 1 year	903 475	133 264
From >1 year to 5 years	2 602 684	490 492
>5 years	2 011 606	119 654
Total amounts due to banks	**7 617 946**	**1 546 739**

32 Liabilities from repo transactions

	31.12.2015	31.12.2014
Amounts due to banks		45 364
Total repo transactions	**-**	**45 364**

33 Amounts due to customers

	31.12.2015	31.12.2014
Other financial institutions:	**4 946 641**	**4 222 120**
Current accounts	622 755	24 015
Term deposits	2 039 939	1 906 525
Loans and advances received	2 240 934	2 291 569
Other liabilities, in this:	43 013	11
cash collaterals	43 002	-
other	11	11
Individual customers:	**24 072 838**	**18 539 420**
Current accounts	13 398 459	9 670 397
Term deposits	10 595 406	8 811 831
Other liabilities, in this:	78 973	57 192
cash collaterals	36 017	10 766
other	42 956	46 426
Corporate :	**16 905 932**	**9 449 080**
Current accounts	9 936 819	4 847 839
Term deposits	6 735 359	4 471 599
Other liabilities, in this:	233 754	129 642
cash collaterals	208 568	128 084
other	25 186	1 558
Including farmers:	**1 309 339**	**1 195 840**
Current accounts	1 133 901	882 206
Term deposits	171 893	307 626
Other liabilities, in this:	3 545	6 008
cash collaterals	3 500	5 920
other	45	88
Budget entities:	**695 437**	**594 132**
Current accounts	502 878	384 526
Term deposits	192 425	209 475
Other liabilities, in this:	134	131
cash collaterals	134	131
Total amounts due to customers	**46 620 848**	**32 804 752**

Amounts due to customers by maturity

	31.12.2015	31.12.2014
Up to 1 month	33 838 920	19 796 827
From >1 month to 3 months	4 514 838	4 494 182
From >3 months to 1 year	4 985 764	5 792 495
From >1 year to 5 years	1 051 986	1 737 960
>5 years	2 229 340	983 288
Total amounts due to customers	**46 620 848**	**32 804 752**

34 Debt securities issued

Changes in the balance of debt securities issued

	12 months ended 31.12.2015	12 months ended 31.12.2014
Balance at the beginning of the period	**762 142**	**1 191 157**
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	1 566	2 418
Balance at the end of the period	**468 933**	**762 142**

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. and ING Bank Śląski S.A., acting as the Program Dealers. The scope of the Program includes multiple issues of Certificates of Deposit ("CDs") and the Bank's Bonds ("bonds") denominated in PLN, with the total par value of no more than PLN 3,500 million. The Bank will issue zero-coupon and coupon CDs for a maximum term of 5 years as well as zero-coupon and coupon bonds for a maximum term of 10 years. The aforesaid agreements were signed for an indefinite term.

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

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

As at 31 December 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.

35 Subordinated liabilities

As at 31 December 2015, the carrying amount of subordinated liabilities was PLN 847,568 thousand as compared to PLN 320,951 thousand as at 31 December 2014.

Change in the balance of subordinated liabilities	12 months ended 31.12.2015	12 months ended 31.12.2014
Balance at the beginning of the period	**320 951**	**304 817**
Exchange differences	54 380	14 679
Loan acquired as a result of merger	474 016	-
Change in the balance of interest	(1 779)	1 455
Balance of subordinated loans at the end of the period	**847 568**	**320 951**

36 Other liabilities

	31.12.2015	31.12.2014
Interbank and intersystem settlements	165 646	67 322
Other creditors	57 478	63 718
Card settlements	37 790	13 776
Provisions for non-personnel expenses	125 709	34 812
Provisions for other employees-related liabilities	101 883	80 630
Provision for unused holidays	28 459	19 544
Deferred income	39 563	12 760
Trust account liabilities	8 429	-
Other regulatory liabilities	105 499	26 862
Insurance liabilities	6 664	-
Other lease liabilities	15 521	-
Brokerage house liabilities	15 114	-
Other	48 406	6 298
Total other liabilities	**756 161**	**325 722**

37 Provisions

	31.12.2015	31.12.2014
Provision for restructuring	50 452	-
Provision for retirement benefits and similar obligations	25 461	26 859
Provision for guarantees, suretyships and undrawn credit facilities	42 407	23 200
Provisions for litigation and claims	19 703	16 457
Other provisions	5 781	1 596
Total provisions	**143 804**	**68 112**

Provisions for restructuring	12 months ended 31.12.2015	12 months ended 31.12.2014
Opening balance	**-**	**4 310**
Provisions charges	56 294	-
Provisions utilization	(54 877)	(2 424)
Provisions release	(49)	(1 886)
Provision acquired as a result of merger	49 084	-
Closing balance	**50 452**	**-**

Provision for retirement benefits and similar obligations	12 months ended 31.12.2015	12 months ended 31.12.2014
Opening balance	**26 859**	**19 966**
Provisions charges	1 838	6 968
Provisions release	(7 007)	(75)
Provision acquired as a result of merger	3 771	-
Closing balance	**25 461**	**26 859**

Provisions for guarantees, suretyships and undrawn credit facilities	12 months ended 31.12.2015	12 months ended 31.12.2014
Opening balance	**23 200**	**18 338**
Provisions charges	50 386	33 189
Provisions release	(68 242)	(29 175)
Provision acquired as a result of merger	36 759	1 977
Other changes	304	(1 129)
Closing balance	**42 407**	**23 200**

Provisions for litigation and claims	12 months ended 31.12.2015	12 months ended 31.12.2014
Opening balance	**16 457**	**18 845**
Provisions charges	9 734	2 866
Provisions utilization	(10 080)	(545)
Provisions release	(1 011)	(4 709)
Provision acquired as a result of merger	4 599	-
Other changes	4	-
Closing balance	**19 703**	**16 457**

Other provisions	12 months ended 31.12.2015	12 months ended 31.12.2014
Opening balance	**1 596**	**2 556**
Provisions charges	2 135	-
Provisions release	(748)	(960)
Provision acquired as a result of merger	2 798	-
Closing balance	**5 781**	**1 596**

1. As at 31 December 2015, the total value of the proceedings with the Bank as the defendant was PLN 113,395 thousand and of those with the Bank as the plaintiff was PLN 169,552 thousand (proceedings where the value in dispute exceeds PLN 100 thousand and those concerning labor law, except adverse claims).

   BGŻ BNP Paribas S.A. is not a party to any proceedings before courts, arbitration or public administration bodies, the value of which would account for at least 10% of the Bank's equity.

2. Pursuant to a decision of 29 December 2006, the President of the Office of Competition and Consumer Protection (UOKiK) levied a fine of PLN 9,650 thousand on the Bank for setting the fees charged on Visa and MasterCard transactions with other banks, and ordered to discontinue such a practice immediately. The Bank filed an appeal against the said decision with the Court of Competition and Consumer Protection in Warsaw, along with a complaint against the writ of execution In its decision of 21 August 2008, having accepted the petition submitted by BGŻ S.A., the Regional Court in Warsaw – Court of Competition and Consumer Protection suspended enforcement of the decision of 29 December 2006. Consequently, the said court issued a decision on 22 September 2008 to discontinue the proceedings in respect of issuing a writ of execution for the abovementioned decision. During a trial on 12 November 2008, the court issued a judgment amending the decision appealed against and concluded that no practices limiting competition had been adopted (undue penalty). The Office of Competition and Consumer Protection appealed against that decision and the Bank prepared a response to the appeal. Having held a trial on 22 April 2010, the Court of Appeals in Warsaw reversed the judgment of the Regional Court and remanded the case for further consideration. Based on a decision of the Court of Appeals

of 25 October 2012, the decisions of the Regional Court were amended and the petition for suspension of the proceedings, filed by MasterCard, was dismissed.

Following resumption of the proceedings, in its judgment of 21 November 2013 the Court dismissed all the appeals brought by the parties (the banks and MasterCard) and amended the decision issued by the President of UOKiK by reducing the fine levied on the Bank before to PLN 1,861 thousand. The judgment was appealed against by the parties. In its judgment of 6 October 2015, the Court of Appeals upheld the fines levied under the first decision of the President of UOKiK, i.e. the fines for the practice of Bank BGŻ S.A. in the amount of PLN 9,650 thousand and for the practice of Fortis Bank Polska S.A. in the amount of PLN 2,895 thousand. The decision of the President of UOKiK became final. The Bank discharged its obligation on 19 October 2015. The judgment with a statemen of reasons will be analize by the Bank to decide whether a last resort appeal should be filed.

As the amount of the fine exceeds the relevant provisions recognized in 2013 by BGŻ and FBP, the cost of the fine totaling PLN 10.6 million had a direct effect on the Bank's net profit in the fourth quarter of 2015.

3. In its decision of 31 July 2012, the President of UOKiK regarded the Bank's use of a certain standard form contract for individual retirement account maintenance as a practice infringing the group interests of consumers, concluding at the same time that it had been discontinued as of 10 August 2011. The President of UOKiK imposed a fine of PLN 1,374 thousand on the Bank. The decision is not final. The Bank appealed against the decision on 21 August 2012. In the court judgment of 28 October 2014, the Bank's appeal was dismissed in whole. The Bank prepared an appeal and sent it to the court on 22 December 2014. As at 31 December 2015, the related provision amounted to PLN 1,374 thousand.

4. The Bank recognizes provisions for retirement, disability and death benefits ("benefits") in accordance with IAS 19. The provision for benefits is calculated using the projected unit credit method by an independent actuary as the present value of the Bank's future liabilities to employees based on the number of employees and their remuneration as at the valuation date. The said provisions are calculated based on numerous assumptions concerning both macroeconomic conditions and employee turnover, the risk of mortality and other. The estimated amount of the benefits which the Bank undertakes to pay under the Compensation Policy in place at the Bank serves as the basis for calculation of the provision. The estimated amount of the benefits is a product of:
   - the estimated benefit assessment basis, in accordance with the Collective Labor Agreement;
   - the estimated rise in the benefit assessment basis between the valuation date and the payment date;
   - a percentage ratio depending on the length of service (in accordance with the Compensation Policy);
   - the degree to which the vesting conditions have been satisfied, determined separately for each employee and proportional to his/her length of service with the Bank.

   The amount determined in line with the aforementioned methodology is discounted for actuarial purposes as at the end of the year. In compliance with the requirements of IAS 19, the financial discount rate for calculation of the present value of liabilities arising from employee benefits is determined by reference to market rates of return on treasury bonds whose currency and maturity correspond to the currency and estimated maturity of the liabilities arising from employee benefits. The actuarial discount is the product of the financial discount, the probability that an individual will be an employee of the Bank as at the benefit payment date and the probability of benefit payment (i.e. probability of disablement). The annual appropriations and the probability are determined on the basis of models taking into account the following three risks:
   - the risk of the employee leaving the job;
   - the risk of permanent incapacity to work;
   - the risk of mortality.

   The risk of the employee leaving the job is estimated based on probability distribution, considering the statistical data of the Bank. It depends on the employee's age and is fixed during each year of service. The risk of mortality and disablement has been estimated on the basis of an analysis of the latest statistical data from the Polish life expectancy tables for men and women as well as historical data published by the Central Statistical Office and the Social Insurance Institution.

The provision recognized as a result of the actuarial valuation is updated on an annual basis based on an independent actuary's valuation, and on a quarterly basis by reference to quarterly forecasts.

Sensitivity analysis

The following table presents the potential effect of changes in the relevant actuarial assumptions by 1 p.p. on the liabilities arising from retirement, disability ad death benefits as at 31 December 2015.

	increase by 1 p.p.	decrease by 1 p.p.
discount rate	(3 957)	4 979
pay growth rate	4 953	(4 010)

38 Deferred income tax

Changes in deferred income tax in the financial year:

Deferred tax asset

	Deferred tax basis as at 31.12.2015	Changes arising from merger as at 30.04.2015	Deferred tax basis as at 31.12.2014	Charge arising from changes in asset for 2015
Outstanding interest accrued on liabilities, including CD interest and discount	169 063	29 274	185 050	(8 600)
Fair value measurement of derivative instruments and securities	74 670	63 079	582 339	(108 442)
Unrealized liabilities related to hedged items and hedging instruments	1 605	5 872	-	(811)
Impairment losses on financial assets and provisions for contingent liabilities (non-deductible), which are likely to occur	1 627 829	764 422	705 091	30 080
Fair value adjustment due to credit risk of derivative instruments after maturity	41 934	47 834	-	(1 121)
Revenue collected in advance and accounted for based on amortized cost using the effective interest method	352 116	38 348	311 314	466
Provision for retirement benefits and provision for restructuring	67 140	39 608	23 647	739
Other provisions for personnel costs	120 439	24 861	100 220	(882)
Provisions for non-personnel costs	151 392	52 526	35 293	12 079
Difference between market price and share purchase price	-	2 129	-	(404)
Impairment loss on fixed and intangible assets	3 249	778	-	469
Impairment loss on shares in subsidiaries and associates	6 551	4 798	-	333
Goodwill for tax purposes	3 990	14 629	-	(2 021)
Tax on civil law transactions – acquisition of shares in subsidiaries	77	77	-	-
Impairment loss on bonds and shares	-	377	-	(72)
Damages paid	13 926	15 342	-	(269)
Impairment losses on lease receivables	64 918	70 584	-	(1 077)
Impairment losses on available for sale assets related to leasing operations	8 564	7 506	-	201
Surplus of the tax value of leased fixed assets over the book value of receivables	198 380	117 813	-	15 308
Lease down-payments	10 141	3 108	-	1 336

	Deferred tax basis as at 31.12.2015	Changes arising from merger as at 30.04.2015	Deferred tax basis as at 31.12.2014	Charge arising from changes in asset for 2015
Deferred income from leasing operations	4 829	6 095	-	(240)
Impairment losses on other assets	4 190	5 123	-	(177)
Measurement of available for sale securities	15 268	170	4 991	1 920
Other deductible temporary differences	5 775	2 145	4 499	(166)
Total:	**2 946 046**	**1 316 498**	**1 952 444**	**(61 351)**
Asset basis recognized in profit or loss (in the current and preceding years) and charge arising from changes in asset	2 930 778	1 316 328	1 947 453	(63 271)
Basis for assets recognized in correspondence with revaluation reserve and charge arising from changes in asset	15 268	170	4 991	1 920

Unrecognized deferred tax asset is related to impairment losses on loans and advances whose non-recoverability will not become probable in the future. The related unrecognized temporary differences amounted to PLN 119,295 thousand as at 31 December 2015 as compared to PLN 47,512 thousand as at 31 December 2014.

Deferred tax liability

	Deferred tax basis as at 31.12.2015	Changes arising from merger as at 30.04.2015	Deferred tax basis as at 31.12.2014	Charge arising from changes in liability for 2015
Accrued revenue from interest on amounts due	(232 688)	(114 883)	(118 994)	226
Fair value measurement of derivative instruments and securities	(59 411)	(28 794)	(534 040)	95 651
Transaction costs of loans and advances	(73 334)	-	(64 272)	(1 722)
Measurement of available for sale securities	(259 226)	(1 555)	(320 253)	11 891
Difference between accounting and tax depreciation of the Bank's own fixed assets	(46 913)	(26 960)	-	(3 791)
Other accrued revenue	(2 650)	(4 599)	-	370
R&D expenses	(4 746)	(5 706)	-	182
Unrealized liabilities related to hedged items and hedging instruments	(2 711)	(6 500)	-	720
Deferred costs of leasing operations	(6 458)	(4 198)	-	(429)
Other taxable temporary differences	(375)	(423)	-	9
Total:	**(688 512)**	**(193 618)**	**(1 037 559)**	**103 107**
Liability basis recognized in profit or loss (in the current and preceding years) and charge arising from changes in liability	(429 286)	(192 063)	(717 306)	91 216
Basis for liability charged to revaluation reserve and charge arising from changes in liability	(259 226)	(1 555)	(320 253)	11 891

Presented as		
Deferred tax asset	**559 748**	**370 964**
Deferred tax liability	**(130 817)**	**(197 136)**
Total	**428 931**	**173 828**

39 Discontinued operations

The Bank did not discontinue any operations in 2015 or 2014.

40 Share-based payments

The Bank has a Board Member Compensation Policy and an Employee Compensation Policy in place.
The principles and assumptions underlying the aforesaid Policies guarantee the existence of a reasonable, balanced and controllable compensation policy, consistent with the acceptable risk level, the standards and values of BGŻ BNP Paribas S.A. and the applicable laws and regulations, in particular Resolution No. 258/2011 of the Polish Financial Supervision Authority of 4 October 2011 and the recommendations formulated in CRD4.

In accordance with the aforesaid regulations, variable compensation granted to the Bank's employees having a material effect on the risk profile is divided into two portions, namely a financial instrument and cash. Both these portions are deferred for three years.

Variable compensation in the form of phantom shares is paid as a cash equivalent of the number of shares granted to the employee, following the expiry of the retention period.

The cash portion of variable compensation is subject to IAS 19 and the one granted in phantom shares to IFRS 2.

Financial instruments – changes in the plan in 2015

	Financial instrument	
	quantity	value (PLN thousand)
Opening balance	**55 907**	**4 454**
granted as a result of merger	11 543	822
granted in current period	33 179	2 551
exercised in current period	(29 013)	(2 233)
Closing balance	**71 616**	**5 594**

41 Contingent liabilities

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

	31.12.2015	31.12.2014
Contingent commitments granted	**15 607 484**	**5 694 336**
financial commitments	11 965 758	4 999 624
guarantees	3 641 726	694 712
Contingent commitments received	**5 136 758**	**1 573 710**
financial commitments	3 951 269	942 883
guarantees	1 185 489	630 827

Commitments granted and received by the Bank – by maturity

	31.12.2015	31.12.2014
Up to 1 month	7 076 369	3 844 611
From >1 month to 3 months	1 182 002	195 156
From >3 months to 1 year	3 745 663	936 595
From >1 year to 5 years	2 929 449	594 530
>5 years	674 001	123 444
Total commitments granted	**15 607 484**	**5 694 336**
Up to 1 month	216 409	55 102
From >1 month to 3 months	143 769	40
From >3 months to 1 year	339 919	223 495
From >1 year to 5 years	577 505	291 892
>5 years	3 859 156	1 003 181
Total commitments received	**5 136 758**	**1 573 710**

The Bank had the following assets as security for payment of its own and third-party commitments:

Assets securing payment of the Bank's commitments

	31.12.2015
Bank Guarantee Fund – guaranteed amount protection fund	
nominal value of security	275 000
type of security	treasury bonds
maturity	25.01.2024
carrying amount of security	265 425
Security for BM BGŻ BNP Paribas S.A. transactions in securities deposited with the National Depository for Securities as part of the stock exchange guarantee fund	
cash	6 699
Security for derivative transaction settlement	
nominal value of security	69 536
type of security	call deposits (loans and advances to banks)
Security for payment of liabilities arising from sell-buy-back transactions	
treasury bonds	

	31.12.2014
Bank Guarantee Fund – guaranteed amount protection fund	
nominal value of security	175 000
type of security	treasury bonds
maturity	25.10.2023
carrying amount of security	197 181
Security for BM BGŻ BNP Paribas S.A. transactions in securities deposited with the National Depository for Securities as part of the stock exchange guarantee fund	
cash	1 524
Security for derivative transaction settlement	
nominal value of security	90 743
type of security	call deposits (loans and advances to banks)
Security for payment of liabilities arising from sell-buy-back transactions	
treasury bonds	45 322

42 Fair value of financial assets and liabilities

At the end 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 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 not based on available, verifiable market data, i.e. in cases other than those described in 1 and 2).

The Bank reviews periodically (at least on a quarterly basis) the allocation of each asset and liability to the fair value hierarchy levels. Classification to each fair value hierarchy level is based on input data used for purposes of valuation, i.e. market quotations or other information. Classification of an asset or liability to a given hierarchy level depends on the lowest level of input data used for purposes of valuation and having a material effect on determination of the fair value.

Where the input data used is changed to another level data, e.g. as a result of changes in the measurement methodology or the sources of market data, the Bank transfers the asset or liability to the right measurement level in the reporting period when the said change has occurred.

In 2015 and 2014, the Bank did not introduce any changes to the fair value measurement method which would result in a transfer of financial assets or liabilities to different levels.

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

31.12.2015	Level 1	Level 2	Level 3	Total
Assets re-measured to fair value:	**7 606 835**	**422 167**	**101 813**	**8 130 815**
Debt securities held for trading	-	-	-	-
Derivative financial instruments		361 454	6 684	368 138
Hedging instruments	-	-	-	-
Available for sale financial assets	7 606 835	60 713	95 129	7 762 677
Liabilities re-measured to fair value:	**-**	**(344 994)**	**(6 545)**	**(351 539)**
Financial liabilities held for trading	-	-	-	-
Derivative financial instruments		(344 994)	(6 545)	(351 539)
31.12.2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets re-measured to fair value:	**4 063 092**	**3 611 523**	**28 958**	**7 703 573**
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
Liabilities re-measured to fair value:	**-**	**(442 677)**	**(6 231)**	**(448 908)**
Financial liabilities held for trading	-	-	-	-
Derivative financial instruments	-	(442 677)	(6 231)	(448 908)

The fair value of level 2 and 3 financial instruments is determined using the measurement techniques (e.g. models) described in Note 3 *Estimates*.

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

As regards level 3 municipal bonds, the credit risk margin is a non-observable parameter corresponding to the market margin for instruments within similar characteristics. The effect of changes in the credit margin on changes in the fair value is considered immaterial.

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	Derivative financial instruments – liabilities
Balance as at 1.01.2015	**8 283**	**20 675**	**(6 231)**
Total gains/losses recognized in:	(15 483)	21 553	(7 337)
net interest income	-	*291*	-
net trading income	*(15 483)*	-	*(7 337)*
other operating income/expenses	-	-	-
statement of other comprehensive income	-	*21 262*	-
Purchase	3 924	50 337	2 121
Settlement	229	(19 928)	229
Transfers	(469)	-	147
Merge	10 200	22 492	10 200
Balance as at 31.12.2015	**6 684**	**95 129**	**(871)**
Unrealized gains/losses recognized in profit or loss relating to assets and liabilities held at the end of the period, in this:	**(5 123)**	**(3)**	**2 632**
Net interest income	-	(3)	-
Net trading income	(5 123)	-	2 632

	Derivative financial instruments – assets	Available for sale financial assets	Derivative financial instruments – liabilities
Balance as at 01.01.2014	**9 823**	**24 889**	**(7 159)**
Total gains/losses recognized in:	(9 579)	587	3 872
net interest income	-	*797*	-
net trading income	*(9 579)*	-	*3 872*
statement of other comprehensive income	-	*(210)*	-
Purchase	8 039	-	(2 944)
Settlement	-	(4 801)	-
Balance as at 31.12.2014	**8 283**	**20 675**	**(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**	**3 872**
Net interest income	-	6	-
Net trading income	(9 579)	-	3 872

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

31.12.2015	**Book value**	**Fair value**	**Level**
Financial assets			
Loans and advances to banks	544 012	526 725	2,3
Loans and advances to customers	49 831 458	49 516 190	3
Financial liabilities			
Amounts due to banks	7 617 946	7 680 607	2,3
Amounts due to customers	46 620 848	46 677 887	3
Debt securities issued	468 933	469 540	3
Subordinated liabilities	847 568	972 970	2,3
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
Investments in associates	16 732	16 732	3
Loans and advances to customers	29 657 523	29 645 345	3
Financial liabilities			
Amounts due to banks	1 546 739	1 536 443	3
Repo transactions	45 364	45 364	
Amounts due to customers	32 804 752	32 865 414	3
Debt securities issued	762 142	764 465	3
Subordinated liabilities	320 951	322 250	3

a) Loans and advances to banks and amounts due to banks

Loans and advances to banks and amounts due to banks include interbank deposits and interbank settlements. The fair value of fixed and floating rate deposits/placements is based on discounted cash flows determined by reference to money market interest rates for items with similar credit risk and residual maturity.

b) Loans and advances to customers

The estimated fair value of loans and advances is the discounted value of future cash flows to be received, using the current market rates adjusted by actual or estimated margins earned over the past three months for each product group.

c) BSB/SBB receivables and liabilities

The fair value of BSB/SBB receivables/liabilities is equal to the carrying amount as the term of those transactions is short.

d) Investments in subsidiaries and associates

The fair value of investments in subsidiaries and associates is equal to their carrying amounts.

e) Subordinated liabilities

These liabilities comprise the subordinated loans. The fair value of the floating rate loan is based on discounted cash flows determined by reference to money market interest rates for items with similar credit risk and residual maturity.

f) Amounts due to customers

The fair value of fixed and floating rate deposits is based on discounted cash flows determined by reference to money market interest rates adjusted by the actual cost of securing funds over the past three months. For demand deposits, it is assumed that the fair value is equal to their carrying amount.

g) Debt securities issued

The fair value of debt securities issued was estimated using a model discounting future cash flows from the investment, based on the market yield curves adjusted by the issuer's credit risk.

The following table presents information on offsetting financial instruments as at 31 December 2015 and 31 December 2014.

31.12.2015	Gross value presented under financial assets/ liabilities	Gross value for balance sheet offsetting under IAS 32	Net value presented under financial assets/ liabilities	Offsetting value under concluded contracts	Cash collateral value	Net value
Financial assets						
Derivative instruments held for trading	368 139	-	368 139	(205 245)	(19 286)	143 608
BSB, security loans and similar agreements	-	-	-	-	-	-
Total	**368 139**	**-**	**368 139**	**(205 245)**	**(19 286)**	**143 608**
Financial liabilities						
Derivative instruments held for trading	351 539	-	351 539	(205 245)	(68 536)	77 758
SBB, security loans and similar agreements	-	-	-	-	-	-
Total	**351 539**	**-**	**351 539**	**(205 245)**	**(68 536)**	**77 758**

31.12.2014	Gross value presented under financial assets/ liabilities	Gross value for balance sheet offsetting under IAS 32	Net value presented under financial assets/ liabilities	Offsetting value under concluded contracts	Cash collateral value	Net value
Financial assets						
Derivative instruments held for trading	418 961	-	418 961	(293 048)	(100 696)	25 217
BSB, security loans and similar agreements	100 668	-	100 668	(100 668)	-	-
Total	**519 629**	**-**	**519 629**	**(393 716)**	**(100 696)**	**25 217**
Financial liabilities						
Derivative instruments held for trading	435 154	-	435 154	(293 048)	(90 743)	51 363
SBB, security loans and similar agreements	45 364	-	45 364	(45 364)	-	-
Total	**480 518**	**-**	**480 518**	**(338 412)**	**(90 743)**	**51 363**

Receivables and liabilities which are not past due may be offset and the netting arrangement is possible for early contract settlement in accordance with the framework agreements / ISDA concluded with the contracting parties.

43 Leases

Finance leases – liabilities

In 2014, the Bank was not a party to any leases. Following the merger of BGŻ with BNPP Polska in 2015, the Bank became a lessee under finance lease agreements involving branch equipment. The items leased under finance lease agreements are recognized by the Bank as non-current assets.

Finance lease liabilities

	31.12.2015
Total minimum lease payments	768
Unrealized financial expenses	(308)
Present value of minimum lease payments	**460**

Total minimum lease payments by maturity

	31.12.2015
up to 1 year	472
from 1 to 5 years	296
Total	**768**

Present value of minimum lease payments by maturity

	31.12.2015
up to 1 year	284
from 1 to 5 years	176
Total	**460**

Operating leases

Bank as a lessee

The Bank incurs expenses under passenger car and photocopier lease agreements. It also makes office lease payments. The aforesaid transactions are treated as operating leases. The agreements do not provide for any contingent payments on the part of the lessee or impose any restrictions. Under some agreements, the term may be extended, the assets purchased or the price changed.

Lease payments by maturity

	31.12.2015	31.12.2014
up to 1 year	116 625	24 084
from 1 to 5 years	250 050	53 552
over 5 years	20 269	3 561
Total	**386 944**	**81 197**

Bank as a lessor

The Bank earns revenue from office leases. The related agreements are treated as operating lease agreements. The agreements do not provide for any contingent payments on the part of the lessee or impose any restrictions. Under some agreements, the term may be extended or the price changed.

Lease payments by maturity

	31.12.2015	31.12.2014
up to 1 year	2 877	3 204
from 1 to 5 years	159	191
over 5 years	-	89
Total	**3 036**	**3 484**

44 Custody services

The Bank offers custody services, which involve maintenance of securities accounts. As a provider of such services, the Bank records the balances of customers' financial instruments, settles customers' transactions in financial instruments, administers the rights attached to and benefits derived from financial instruments, processes customers' instructions and keeps a record of the financial instruments deposited in customers' securities accounts. Additionally, the Bank acts as an Agent in the issue of municipal and corporate bonds.
The Bank maintains securities accounts under the authorization of the Polish Securities and Exchange Commission of 14 May 2002, pursuant to a resolution of the National Depository for Securities of 8 August 2002 and in accordance with the Bank's internal regulations governing the maintenance of securities accounts and provision of custody services in respect of transactions involving bonds and treasury bills, shares, money bills, non-treasury debt instruments as well as foreign bonds. Trade orders to be executed on the Warsaw Stock Exchange may be placed at Biuro Maklerskie BGŻ BNP Paribas S.A. or a brokerage house, selected by the customer, being a party to an agreement with the Bank setting out the terms of cooperation in processing and settling customer trade orders executed through that brokerage house where customer securities accounts are maintained by the Bank. In 2015, the average monthly value of transactions for the account of and on behalf of customers, involving bonds and non-treasury debt instruments, was PLN 3,415 thousand as compared to PLN 52,931 thousand in 2014, when the transactions involved treasury bills and bonds as well as non-treasury debt instruments.

45 The shareholders' structure of Bank BGŻ BNP Paribas S.A.

31.12..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

As at 31 December 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 31 December 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 B series registered 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, after the rights attached to the preference shares have been exercised, may be insufficient to cover the total par value of those shares.

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

As at 31 December 2015 and the date of the Board's approval of the report for 2015, i.e. 15 March 2016, no shares issued by the Bank were held by members of the Management Board, Supervisory Board or the key executives, which had not changed since the date of publication of the report for the third quarter of 2015, i.e. 12 November 2015.

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 2015

As at 31 December 2014, the structure of the shareholders of Bank BGŻ S.A., including those holding at least 5% of the total number of votes at the General Shareholders' Meeting, was as follows:

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

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 Shareholders' 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 Shareholders' 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 Shareholders' 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 Shareholders' 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 handed over 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 Shareholders' Meeting of the Bank changed. The share of BNP Paribas in the total number of votes at the General Shareholders' Meeting of the Bank 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 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.

46 Other supplementary capital and other capitals

The following table presents changes in reserve capitals:

Other supplementary capital	12 months ended 31.12.2015	12 months ended 31.12.2014
Opening balance	**3 430 785**	**3 085 059**
Appropriation of retained earnings	7 730	162 403
Equity resulting from merger	1 653 681	183 323
Closing balance	**5 092 196**	**3 430 785**

Other reserve capital	12 months ended 31.12.2015	12 months ended 31.12.2014
General banking risk reserve	498 399	120 640
Revaluation reserve	197 607	255 363
Other reserve capital	282 475	151 218
Total	**978 481**	**527 221**

General banking risk reserve created from net profit	12 months ended 31.12.2015	12 months ended 31.12.2014
Opening balance	**120 640**	**90 000**
Equity resulting from merger	377 759	30 640
Closing balance	**498 399**	**120 640**

Revaluation reserve	12 months ended 31.12.2015	12 months ended 31.12.2014
Opening balance	**255 363**	**91 463**
Net gain/loss on changes in fair value	(79 043)	207 154
Actuarial valuation of employee benefits	6 355	(4 808)
Deferred income tax	13 810	(38 446)
Equity resulting from merger	1 122	-
Closing balance	**197 607**	**255 363**

Other reserve capital	12 months ended 31.12.2015	12 months ended 31.12.2014
Opening balance	**151 218**	**25 000**
Equity resulting from merger	1 257	126 218
Appropriation of retained earnings	130 000	-
Closing balance	**282 475**	**151 218**

Changes in revaluation reserve related to available for sale financial assets

	2015		2014	
	Gross value	Deferred tax	Gross value	Deferred tax
Opening balance	**320 070**	**(60 813)**	**104 516**	**(19 858)**
gains/losses on revaluation of available for sale financial assets recognized in equity	(31 653)	6 014	240 106	(45 620)
reclassification due to sale of financial assets from the available for sale portfolio to profit or loss	(47 390)	9 004	(24 552)	4 665
Equity resulting from merger	1 257	(239)	-	-
Closing balance	**242 284**	**(46 034)**	**320 070**	**(60 813)**

Changes in revaluation reserve related to cash flow hedges

	2015		2014	
	Gross value	Deferred tax	Gross value	Deferred tax
Opening balance	**-**	**-**	**8 400**	**(1 596)**
effective portion of hedging relationship in cash flow hedges	-	-	(8 400)	1 596
Closing balance	**-**	**-**	**-**	**-**

47 Dividends paid

The Bank did not pay any dividends for 2014. The Management Board of the Bank will not recommend dividend payment for 2015.

48 Distribution of profit

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 other supplementary capital (PLN 7,730 thousand).

49 Cash and cash equivalents

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

	31.12.2015	31.12.2014
Cash and balances at Central Bank (Note 18)	2 826 407	1 790 160
Current accounts of banks and other receivables	163 036	335 821
Interbank placements	262 441	55 000
Loans and advances	989	-
Total cash and cash equivalents	**3 252 873**	**2 180 981**

50 Additional information regarding the statement of cash flows

Differences between balance sheet changes in items and changes in the same items as part of operating activities:

Change in loans and advances to banks	12 months ended 31.12.2015	12 months ended 31.12.2014
Change arising from the balance sheet	(139 879)	(134 967)
Elimination of change in cash and cash equivalents	29 470	129 919
Total change in loans and advances to banks	**(110 409)**	**(5 048)**

Change in amounts due to banks	12 months ended 31.12.2015	12 months ended 31.12.2014
Change arising from the balance sheet	6 072 794	(1 719 072)
Repayment of long-term loans received	8 343 670	311 408
Long-term loans from other banks	(6 200 738)	
Total change in amounts due to other banks	**8 215 726**	**(1 407 664)**

Change in amounts due to customers	12 months ended 31.12.2015	12 months ended 31.12.2014
Change arising from the balance sheet	13 867 087	6 269 317
Repayment of long-term loans received	303 467	79 518
Total change in amounts due to customers	**14 170 554**	**6 348 835**

Cash flows from operating activities – other adjustments	**12 months ended 31.12.2015**	**12 months ended 31.12.2014**
Changes resulting from changes in balance sheet as a result of merger (see Note 4):	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 subsidiaries	*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)*	*-*
Deferred tax liability	*(263)*	*-*
Other liabilities	*(835 199)*	*(22 735)*
Provisions	*(86 561)*	*(10 062)*
FX differences from subordinated loans	54 380	14 679
Elimination of available for sale financial assets as at the merger date	(1 238 010)	-
Elimination of investments in subsidiaries as at the merger date	(21 067)	-
Elimination of intangible assets as at the merger date	(73 271)	-
Elimination of property, plant and equipment as at the merger date	(97 266)	-
Elimination of subordinated loans as at the merger date	474 016	-
Other adjustments	(16 242)	(1 139)
Cash flows from operating activities – total other adjustments	**1 144 580**	**360 262**

51 Related party transactions

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

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

As at 31 December 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 Shareholders’ Meeting.

2. Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas S.A. ("TFI") with its registered office at ul. Bielańska 12 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000031121. The Bank holds 100% of the company's shares.
3. 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. BGŻ BNP Paribas Faktoring Sp. z o.o. ("Faktoring") with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000225155. The Bank holds 100% of the company's shares.
5. Sygma Bank Polska S.A. with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000569806. The Bank holds 100% of the company's shares.
6. Laser Services Polska S.A. with its registered office at ul. Suwak 3 in Warsaw. The Company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000022784. The Bank holds 100% of the Company's shares.

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

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

31.12.2015	BNP PARIBAS SA	BNP PARIBAS FORTIS SA/NV	OTHER ENTITIES FROM THE CAPITAL GROUP OF BANK BNP PARIBAS SA	KEY PERSONNEL	SUBSIDIARIES	TOTAL
Assets	**44 876**	**121 369**	**49 127**	**1 553**	**110 134**	**327 059**
Current accounts, interbank placements and loans and advances	6 097	112 846	41 399	1 553	107 966	**269 861**
Derivative financial instruments	38 772	-	2 951	-	-	**41 723**
Hedging instruments	-	8 523	-	-	-	**8 523**
Other assets	7	-	4 777	-	2 168	**6 952**
Liabilities	**4 969 826**	**494 717**	**3 782 906**	**3 519**	**270 462**	**9 521 430**
Loans and advances received	4 093 896	492 077	3 773 049	-	-	**8 359 022**
Deposits and current accounts	-	16	-	3 519	270 300	**273 835**
Subordinated liabilities	848 360	-	-	-	-	**848 360**
Derivative financial instruments	27 413	2 392	2 413	-	-	**32 218**
Other liabilities	157	232	7 444	-	162	**7 995**
Contingent liabilities						
Financial commitments granted	-	-	103 817	223	35 440	**139 480**
Guarantees granted	7 313	60 316	174 690	-	9 356	**251 675**
Commitments received	87 341	73 743	558 855	-	-	**719 939**
Derivative financial instruments (face value)	36 180 827	848 082	704 829	-	-	**37 733 738**
12 months ended 31.12.2015						
Statement of profit or loss	**(21 749)**	**(1 050)**	**(43 133)**	**15**	**453**	**(65 464)**
Interest income	11 587	1 543	776	26	1 917	**15 849**
Interest expense	(35 257)	(2 710)	(42 376)	(11)	(1 575)	**(81 929)**
Fee and commission income	5	-	10 372	-	97	**10 474**
Fee and commission expense	-	(196)	(171)	-	-	**(367)**
Net trading income	2 436	(1 728)	(3 603)	-	-	**(2 895)**
Result on fair value measurement – hedge accounting	(402)	2 056	-	-	-	**1 654**
Other operating income	-	-	314	-	14	**328**
Other operating expenses	(118)	(15)	(8 445)	-	-	**(8 578)**

31.12.2014	THE CAPITAL GROUP OF BANK BNP PARIBAS SA	KEY PERSONNEL	ACTUS 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
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
12 months ended 31.12.2014						
Statement of profit or loss	**(21 262)**	**(79)**	**1 899**	**(73 234)**	**19**	**(92 657)**
Interest income	-	-	1 895	2 324	-	4 219
Interest expense	(17 127)	(79)	(11)	(36 737)	(32)	(53 986)
Fee and commission income	-	-	1	540	50	591
Fee and commission expense	-	-	-	(3 116)	-	(3 116)
Net trading income	(4 135)	-	-	(24 425)	-	(28 560)
Other operating income	-	-	14	246	1	261
General administrative expenses	-	-	-	(12 066)	-	(12 066)

* *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.

Remuneration of the Management Board and Supervisory Board

Management Board	31.12.2015	31.12.2014
Short-term employee benefits	20 992	14 476
Long-term benefits	6 753	1 251
Benefits due to termination of employment	3 224	-
Share-based payments	2 542	1 251
TOTAL	**33 511**	**16 978**

Supervisory Board	31.12.2015	31.12.2014
Short-term employee benefits	664	574
Long-term benefits		-
Benefits due to termination of employment		-
Share-based payments		-
TOTAL	**664**	**574**

52 Operating segments

Segment reporting

The Bank 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, it is additionally monitored separately for purposes of the Bank's management reporting. The abovementioned segmentation reflects the principles of customer classification to each segment in line with the business model adopted by the Bank, which are based on such criteria as the entity, finances and type of business activity. Enterprises are segmented on the basis of activity classification codes.

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

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

The Bank applies consistent, detailed principles to all identified segments. As regards revenue, in addition to standard items, components of the net interest income of the segments have been identified, to include external and internal revenue and expenses. As regards operating expenses, the Group's indirect expenses are allocated to each segment in the Expense allocation (internal) item. Total integration costs of banks BGŻ and BNP Paribas Bank Polska are presented in the Other Operations segment. Considering the profile of the Bank's business, no material seasonal or cyclical phenomena are identified. The Bank 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 is less than PLN 2 million;
- farmers, where the Bank's credit exposure to a customer is less than PLN 1 million and the Standard Output (parameter describing the economic size of farms in accordance with the Community Typology for Agricultural Holdings) in the preceding financial year was less than EUR 75 thousand.

The scope of financial services offered by the Retail and Business Banking Segment includes maintenance of current and deposit accounts, acceptance of term deposits, granting home loans, cash advances, mortgage loans, overdrafts, loans to microenterprises, issuing debit and credit cards, cross-border cash transfers, foreign exchange transactions, sale of insurance products as well as other services of lesser importance to the Group's income. Additionally, the performance of the Retail and Business Banking Segment includes: balances and performance of 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 provides 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 for the 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, an international institution, dedicated to the largest Polish enterprises. It offers world-class quality expertise to customers by combining the knowledge of the Polish market with experience gained on international markets as well as top-class industry experts' competence. It supports development of Polish enterprises and implementation of projects of strategic importance to Poland, to include construction of power plants, green energy or fuel sector funding or securing financing for cross-border acquisitions of listed companies. In addition to the Strategic Customer Department, the organizational structure of CIB comprises the Financial Markets Division.

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

The 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 31 December 2015 and for the period then ended has been changed as compared to the presentation in the annual separate financial statements prepared as at 31 December 2014 and for the period then ended, with a view to ensuring their full comparability with the relevant financial information as at 31 December 2015 and for the period then ended.

31.12.2015 *	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	831 645	199 607	158 313	3 057	213 140	**1 405 762**	317 749	268 100
external interest income	1 116 109	401 126	280 979	3 067	242 829	**2 044 110**	642 065	386 151
external interest expense	(362 405)	(50 067)	(104 542)	-	(121 334)	**(638 348)**	(50 969)	-
internal interest income	628 991	104 125	154 546	-	1 008 841	**1 896 503**	(382 064)	(118 064)
internal interest expense	(551 050)	(255 577)	(172 670)	(10)	(917 196)	**(1 896 503)**	108 717	13
Net fee and commission income	243 468	84 837	77 179	51	1 706	**407 241**	121 707	15 372
Dividend income	839	416	1 188	-	4 394	**6 837**	192	-
Net trading income	40 243	30 905	57 046	31 260	24 892	**184 346**	23 176	753
Result on investment activities	-	-	14 218	-	33 171	**47 390**	-	-
Other operating income and expenses	(18 892)	5 032	2 328	-	(22 661)	**(34 191)**	4 248	(4 760)
Net impairment losses on financial assets and contingent liabilities	(274 377)	(47 699)	18 989	574	(1 707)	**(304 220)**	(92 259)	(90 537)
General administrative expenses	(633 333)	(68 475)	(75 889)	(15 302)	(747 804)	**(1 540 803)**	(11 098)	(63 330)
Depreciation and amortization	(67 330)	(1 105)	(6 950)	(1 044)	(70 656)	**(147 086)**	(407)	(3 237)
Expense allocation (internal)	(140 320)	(41 174)	(34 221)	(2 971)	218 686	**-**	(142 383)	(85 224)
Segment result	**(18 057)**	**162 345**	**212 202**	**15 625**	**(346 839)**	**25 276**	**220 925**	**37 137**
Profit (loss) before income tax	**-**	**-**	**-**	**-**	**-**	**25 276**	**-**	**-**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(17 013)**	**-**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**8 263**	**-**	**-**
Statement of financial position as at 31.12.2015								
Segment assets	27 636 998	10 703 979	11 312 416	128 144	13 227 592	**63 009 129**	15 614 438	5 144 121
Segment liabilities	28 398 421	5 938 245	10 128 571	-	12 380 714	**56 845 951**	4 821 835	-

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

31.12.2014 * Statement of profit or loss	Retail and Business Banking	SME and AGRO	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Net interest income	677 410	173 940	73 241	3 039	192 707	**1 120 337**	301 806	149 507
external interest income	905 300	408 054	185 168	-	298 470	**1 796 992**	701 841	201 092
external interest expense	(359 131)	(64 891)	(90 472)	-	(162 161)	**(676 655)**	(76 970)	-
internal interest income	644 173	112 886	103 985	-	947 736	**1 808 780**	(465 251)	(51 597)
internal interest expense	(512 932)	(282 109)	(125 440)	3 039	(891 338)	**(1 808 780)**	142 186	12
Net fee and commission income	210 426	67 463	28 956	(618)	4 272	**310 499**	112 357	(2 764)
Dividend income	-	-	-	-	3 303	**3 303**	-	-
Net trading income	40 773	25 164	12 331	2 780	(17 324)	**63 723**	24 215	784
Result on investment activities	-	-	-	-	24 465	**24 465**	-	-
Result on fair value measurement – hedge accounting	-	-	-	-	(156)	**(156)**	-	-
Other operating income and expenses	(3 055)	3 024	1 184	-	5 758	**6 911**	1 619	(35)
Net impairment losses on financial assets and contingent liabilities	(146 435)	(104 268)	(67 803)	-	3	**(318 503)**	(116 443)	(42 587)
General administrative expenses	(502 423)	(40 753)	(38 262)	-	(348 770)	**(930 209)**	(10 073)	-
Depreciation and amortization	(52 515)	(612)	(4 690)	-	(43 177)	**(100 995)**	(343)	-
Expense allocation (internal)	(212 559)	(61 913)	(26 574)	(1 194)	302 241	**-**	-	-
Segment result	**11 621**	**62 044**	**(21 617)**	**4 006**	**123 322**	**179 376**	**313 137**	**104 905**
Profit (loss) before income tax	**-**	**-**	**-**	**-**	**-**	**179 376**	**-**	**-**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(41 646)**	**-**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**137 730**	**-**	**-**
Statement of financial position as at 31.12.2014								
Segment assets	16 605 495	8 490 473	4 549 200	-	10 839 037	**40 484 204**	14 753 062	1 272 981
Segment liabilities	22 042 225	3 569 924	4 822 291	-	5 897 889	**36 332 329**	5 112 231	-

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

53 Financial risk management

53.1 Financial instrument use strategy

The Bank's core business focuses on financial products offered to customers: individuals, entrepreneurs and enterprises, public sector and budget entities as well as non-bank financial institutions. Short-term fixed rate deposits as well as current and savings accounts are the key items of the Bank's liabilities. On the other hand, the Bank's assets comprise such credit products as home loans, cash advances, credit cards, overdraft facilities, investment and revolving loans, subsidized preferential loans, factoring facilities, leasing, guarantees, international trade finance transactions (e.g. letters of credit), the majority of which are medium- and long-term instruments bearing interest based on short-term market rates.

The Bank uses financial market instruments in the first place to manage the liquidity, interest rate and currency risk inherent in its core business, considering the internal risk appetite as well as market trends in the medium and long term.

Additionally, the Bank offers access to financial market instruments to its customers for purposes of hedging market (currency, interest rate or commodity) risk involved in their core business.

53.2 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 79% share in the total economic capital estimated by the Bank for purposes of covering major risks involved in the Bank's operations, in addition to its 90% share in the total value of regulatory capital.

Credit risk management is primarily aimed at implementation of the Bank'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 Bank:

- 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 Bank 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 Bank;
- the credit risk assessment is additionally verified by credit risk assessment personnel, independent of the business;
- the pricing terms of a credit transaction have to account for the risk involved in such a transaction;
- credit risk is diversified on such dimensions as geographical regions, industries, products and customers;
- credit decisions may only be taken by competent employees;
- the Bank 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.

Credit risk concentration

The Management Board of the Bank determines the concentration of credit risk resulting from the Bank's material exposure to single entities or groups of entities whose ability to repay debt depends on a common risk factor. Concentration risk is analyzed for the largest entities, the largest capital groups, geographical regions and industries.

High concentration of the Bank's credit exposures to each entity or group of entities with equity or organizational relationships is one of the potential sources of credit risk. For purposes of its reduction, the Banking Law sets the Bank's maximum exposure limit. Under Article 71.1 of the Banking Law, the total of the Bank's liabilities, off-balance sheet liabilities of the Bank as well as shares held by the Bank, whether directly or indirectly, in another entity, contributions made to a limited liability company or contributions/commendam sums, whichever is higher, in a limited partnership or a limited joint-stock partnership, exposed to the risk of a single entity or a group of entities with equity or organizational relationships, may not exceed the exposure concentration limit representing 25% of the Bank's equity.

The Bank's concentration limits are monitored in accordance with Article 71 of the Banking Law. The limits defined in Article 71 of the Banking Law had not been exceeded as at the end of 2015. As at the end of December 2015, no exposures exceeding 10% of equity had been identified. As at the end of 2014, the Bank's exposure to customers/groups of customers with equity or organizational relationships had not exceeded the concentration limit. The total of exposures equal to or exceeding 10% of the Bank's equity was 23.9%.

A concentration analysis by industry, conducted by the Bank, focuses on all credit exposures of the Bank to institutional customers. At the Bank, industries are defined in accordance with the Polish Classification of Activities (PKD 2007). An analysis of the Bank's exposure by industry, carried out as at the end of 2015 and as at the end of 2014, revealed concentration in the following industries: Agriculture, Forestry, Hunting and Fishing, Manufacture of Food, Beverages and Tobacco Products. In 2014, they accounted for 57.4% of the Bank's exposure by industry as compared to 41.8% in 2015.

The following table presents the share of impaired loans (with identified impairment) in the portfolio. As at the end of 2015, the Construction of civil engineering facilities and specialized construction industry had the highest share in impaired exposures.

*Share of impaired loans** in exposure by industry (gross carrying amounts)**

Industry	Exposure		Share of impaired loans	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Agriculture, Forestry, Hunting and Fishing, Manufacture of Food, Beverages and Tobacco Products	13,838,506	11,668,730	4.9%	4.8%
Manufacture of motor vehicles, motorcycles, tyres	222,495	59,395	5.6%	6.4%
Construction of civil engineering facilities and specialized construction	794,991	360,444	31.9%	34.3%
Professional, scientific and technical operations; administration and supporting services	1,097,189	658,477	13.3%	17.9%
Manufacture of chemicals and chemistry products	177,945	50,841	3.6%	5.7%
Telecommunications: postal and courier services	53,642	12,837	3.7%	10.5%
Coal and peat mining; crude oil and natural gas extraction; production of gaseous fuel; manufacture of coke and crude oil refining products	627,072	372,206	0.1%	0.1%
Manufacture of machines and equipment (except for computers and electronic appliances)	1,416,734	528,001	8.2%	12.5%
Financing operations	520,395	22,488	2.6%	38.1%
Healthcare; manufacture of basic pharmaceuticals and drugs	402,917	138,696	2.3%	2.3%
Hotels and restaurants; activity related to culture, entertainment and leisure	486,231	369,004	22.6%	16.0%
Manufacture of furniture, household appliances, clothes, fabrics and leather	456,005	189,433	24.6%	38.6%
Activities related to software and IT advisory; information services; manufacture of computers, electronic and optical appliances	224,578	34,527	3.2%	8.4%
Insurance activity	38,318	52,071	5.1%	49.8%
Extraction and production of other materials and ores	1,914,172	600,081	15.5%	21.1%
Editing and typographical operations; activity related to media production	292,605	92,635	4.8%	9.8%
Education, social assistance; other services	152,227	80,545	10.7%	6.6%
Housing and non-housing construction; services provided on real estate market	2,701,118	515,765	9.1%	29.3%
Retail trade	2,274,466	1,044,953	8.6%	10.4%
Public administration, social and economic policy	176,494	192,795	0.0%	0.0%
Transport and warehouse management	1,173,828	363,961	6.0%	8.8%
Editing and typographical operations; activity related to media production	740,774	770,561	7.5%	13.2%
Production and supply of electricity, gas, steam, hot water; water supply; waste and sewage management	489,132	395,686	6.1%	7.1%
Wholesale trade	2,825,461	1,747,582	13.6%	16.5%
Total	**33,097,292**	**20,321,713**	**8.4%**	**9.4%**

*As the figures have been rounded and presented in PLN '000, in some cases their total may not correspond to the exact grand total.
** Loans with identified objective indications of impairment

Amounts due by delinquency

An ageing analysis of non-impaired loans and advances to customers is conducted with a view to determining the level of potential credit losses. The longer the delinquency period, the higher the probability of identification of objective indications of impairment in the future. Although extension of the delinquency period over zero days increases the risk of identification of an indication of impairment, it is not sufficient to assume that such an indication exists. However, for exposures with a delinquency period of less than 91 days, an indication of impairment may be identified on the basis of additional information concerning the economic and financial standing of the customer.

The following tables present the structure of the loan portfolio broken down by impaired and non-impaired exposures, including the delinquency period. For purposes of impairment loss calculation and presentation of data in the tables below, it is assumed that a loan does not mature on the due date of the payment but on the following day.

*Loan portfolio structure by impairment and delinquency as at 31 December 2015 (net carrying amounts)**

31.12.2015	Non-impaired exposures 0 days	1-30 days	31-60 days	61-90 days	Impaired exposures	Total
Car loans	992,793	31,016	3,414	1,081	19,475	1,047,779
Cash loans	3,076,230	118,238	17,560	7,459	110,700	3,330,187
Credit cards	147,635	6,516	1,695	563	7,329	163,738
Leases of movable assets	1,139,125	96,439	7,340	4,715	610	1,248,228
Mortgage loans	114,231	6,076	540	464	5,815	127,126
Investment loans	15,161,594	34,050	67,155	1,991	592,940	15,857,730
Letters of credit - discount	27,806	-	-	-	-	27,806
Home loans	13,725,065	320,705	55,382	11,899	320,370	14,433,422
Other loans	1,098,180	30	52	31	65,637	1,163,929
Overdraft facilities	7,299,180	12,094	20,473	5,315	132,687	7,469,750
Leases of real property	770,116	39,331	28,429	-	44,602	882,478
Purchased receivables	121,723	-	-	-	-	121,723
Loan for financing of inventories	408,605	-	-	-	-	408,605
VISA card charges	6,079	-	3	-	65	6,147
Loans in vostro accounts	24,770	-	-	-	-	24,770
Revolving loans of enterprises	3,401,602	18,824	7,255	1,739	200,861	3,630,282
Total	**47,514,733**	**683,319**	**209,300**	**35,256**	**1,501,092**	**49,943,701**

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

*Loan portfolio structure by impairment and delinquency as at 31 December 2014 (net carrying amounts)**

31.12.2014	Non-impaired exposures 0 days	1-30 days	31-60 days	61-90 days	Impaired exposures	Total
Cash loans	1,123,278	57,826	8,103	2,553	30,105	1,221,865
Credit cards	69,476	2,556	742	529	1,868	75,171
Mortgage loans	88,557	6,822	446	112	4,901	100,838
Investment loans	9,971,029	19,023	15,890	7,232	541,020	10,554,194
Home loans	7,381,363	223,897	27,178	9,085	229,113	7,870,635
Other loans	390,932	262	-	23	133,073	524,290
Overdraft facilities	4,276,592	4,741	7,622	3,619	183,375	4,475,948
Purchased receivables	327,830	-	-	-	41,903	369,733
Revolving loans of enterprises	1,332,338	338	2,234	710	319,333	1,654,953
Total	**24,961,393**	**315,464**	**62,216**	**23,864**	**1,484,691**	**26,847,627**

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

For large enterprises and SMEs with integrated accounts, the Bank determines internal rating classes in accordance with its credit policy. The rating classes are defined using a risk model dedicated to this part of the loan portfolio and they serve as the basis for estimating the IBNR provision. Ratings from 1 (the lowest credit risk identified by the Bank) to 12 (the highest credit risk identified by the Bank) are assigned to the Bank’s customers. Additionally, ratings are assigned on the basis of the annual financial information presented by the customer as well as general qualitative assessment of its market position. The structure of financial assets without identified indications of impairment using the Bank’s internal ratings is presented in the following table.

Structure of the portfolio of credit exposures to enterprises with internal rating, for which no objective indications of impairment have been identified (net carrying amounts)

Internal rating*	31.12.2015 Amount	31.12.2015 Share	31.12.2014 Amount	31.12.2014 Share
1	34,016	0.2%	382	0.0%
2	35,977	0.2%	109	0.0%
3	130,622	0.7%	21,575	0.2%
4	283,815	1.5%	99,554	1.1%
5	1,241,248	6.5%	1,008,387	11.4%
6	6,368,340	33.5%	2,881,543	32.6%
7	8,095,412	42.5%	3,076,129	34.8%
8	2,051,869	10.8%	1,466,746	16.6%
9	322,937	1.7%	165,328	1.9%
10	449,958	2.4%	78,405	0.9%
11-12	20,575	0.1%	39,166	0.4%

* The customer's rating is determined using an internal model in place at the Bank, which enables classification of the Bank's customers based on the criterion of their credit quality by reference to financial information and qualitative data (where 1 represents the best and 11 & 12 the worst ratings).

According to the Bank, a good financial standing of the customer is of key importance for protection of the Bank's interest, while acceptance of collateral or personal guarantees is an additional factor mitigating risk in the event of the customer's insolvency. The Bank accepts standard security for repayment of loans, provided for in the loan agreements, which is in line with the sector practice (i.e. mortgages, alienation, registered pledges, suretyships, guarantees and assignment of receivables).

The legal security accepted by the Bank for loan transactions is monitored by way of its valuation on the basis of documents filed by the obligors. Additionally, the Bank relies on historical information such as statistics on the use of security, when carrying out such valuation.

Forbearance practices

With reference to document 2012/853 issued by the European Securities and Markets Authority (ESMA) and the instructions provided by the European Central Bank in respect of forborne exposure disclosures, the Bank has adopted the following forborne exposure classification 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; or
- cancellation of the past due amount (e.g. capitalization of the past due amount, which may be repaid at a later date); or
- 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:
- 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 (except individuals and micro customers that do not maintain integrated accounts).

Value of forborne exposures

31.12.2015	**Total portfolio**			
		including forbearance exposures		
(Gross) loan portfolio, including:			**including modification of terms**	**including refinancing**
Current accounts:	**7 944 884**	**14 505**	**4 269**	**10 236**
corporate	3 906 021	7 712	1 061	6 651
households:	3 967 365	6 793	3 208	3 585
individual customers	207 899	2 853	2 853	-
individual entrepreneurs	497 868	355	355	-
farmers	3 261 598	3 585	-	3 585
budget entities	526	-	-	-
other entities	70 972	-	-	-
Loans and advances:	**44 623 766**	**713 478**	**349 145**	**364 333**
corporate:	13 274 824	304 389	146 671	157 718
investment loans	6 154 067	66 779	32 604	34 175
revolving loans	3 778 853	186 835	88 439	98 396
other	3 341 904	50 775	25 628	25 147
households:	28 542 903	408 852	202 472	206 380
individual customers, in this:	19 322 358	296 354	183 580	112 774
mortgage loans	14 722 641	191 686	142 714	48 972
individual entrepreneurs	2 349 830	55 660	12 140	43 520
farmers	6 870 715	56 838	6 752	50 086
budget entities	180 339	10	2	8
other entities	387 008	227	-	227
Lease receivables	2 238 692	-	-	-
Total gross loans and advances	**52 568 650**	**727 983**	**353 414**	**374 569**

31.12.2014 **(Gross) loan portfolio, including:**	**Total portfolio**	**including forbearance exposures**	**including modification of terms**	**including refinancing**
Current accounts:	**5 268 652**	**45 117**	**44 628**	**489**
corporate	2 118 862	34 077	33 588	489
households:	3 144 797	10 967	10 967	-
individual customers	106 328	26	26	-
individual entrepreneurs	375 241	208	208	-
farmers	2 663 228	10 733	10 733	-
budget entities	617	73	73	-
other entities	4 376	-	-	-
Loans and advances:	**25 830 393**	**640 268**	**640 268**	**-**
corporate:	8 007 542	367 625	367 625	-
investment loans	4 622 665	183 790	183 790	-
revolving loans	2 222 940	148 755	148 755	-
other	1 161 937	35 080	35 080	-
households:	17 533 570	245 644	245 644	-
individual customers, in this:	10 087 819	101 652	101 652	-
mortgage loans	8 340 820	90 769	90 769	-
individual entrepreneurs	1 414 479	67 684	67 684	-
farmers	6 031 272	76 308	76 308	-
budget entities	215 802	1 466	1 466	-
other entities	73 479	25 533	25 533	-
Total gross loans and advances	**31 099 045**	**685 385**	**684 896**	**489**

Impairment losses on forborne exposures

31.12.2015	Total portfolio	including forbearance exposures		
Impairment loss, including:			including modification of terms	including refinancing
Current accounts:	**(427 738)**	**(7 658)**	**(3 356)**	**(4 302)**
corporate	(286 390)	(2 266)	(158)	(2 108)
households:	(140 770)	(5 392)	(3 198)	(2 194)
individual customers	(24 384)	(2 843)	(2 843)	-
individual entrepreneurs	(74 438)	(355)	(355)	-
farmers	(41 948)	(2 194)	-	(2 194)
budget entities	-	-	-	-
other entities	(578)	-	-	-
Loans and advances:	**(2 309 454)**	**(313 636)**	**(153 103)**	**(160 533)**
corporate:	(1 022 778)	(159 563)	(75 877)	(83 686)
investment loans	(231 727)	(31 613)	(15 802)	(15 811)
revolving loans	(443 234)	(102 273)	(46 507)	(55 766)
other	(347 817)	(25 677)	(13 568)	(12 109)
households:	(1 191 467)	(153 837)	(77 225)	(76 612)
individual customers, in this:	(768 212)	(105 891)	(64 468)	(41 423)
mortgage loans	(347 082)	(75 229)	(46 596)	(28 633)
individual entrepreneurs	(240 600)	(32 838)	(7 982)	(24 856)
farmers	(182 655)	(15 108)	(4 775)	(10 333)
budget entities	(219)	(9)	(1)	(8)
other entities	(4 027)	(227)	-	(227)
Lease receivables	(90 963)	-	-	-
Total impairment losses on receivables	**(2 737 192)**	**(321 294)**	**(156 459)**	**(164 835)**

31.12.2014 Impairment loss, including:	Total portfolio	including forbearance exposures	including modification of terms	including refinancing
Current accounts:	**256 124**	**7 204**	**6 842**	**362**
corporates	163 515	6 172	5 810	362
households:	92 483	1 032	1 032	-
individual customers	7 271	2	2	-
individual entrepreneurs	54 925	163	163	-
farmers	30 287	867	867	-
budget entities	-	-	-	-
other entities	126	-	-	-
Loans and advances:	**1 185 398**	**159 481**	**159 481**	**-**
corporates:	596 434	115 080	115 080	-
investment loans	140 369	35 612	35 612	-
revolving loans	328 322	70 351	70 351	-
other	127 743	9 117	9 117	-
households:	587 507	43 779	43 779	-
individual customers, in this:	312 821	9 151	9 151	-
mortgage loans	157 257	7 089	7 089	-
individual entrepreneurs	129 195	22 667	22 667	-
farmers	145 491	11 961	11 961	-
budget entities	215	70	70	-
other entities	1 242	552	552	-
Total impairment losses on receivables	**1 441 522**	**166 685**	**166 323**	**362**

Structure of forborne exposures by impairment

	31.12.2015		31.12.2014	
	Total	including: forborne exposures	Total	including: forborne exposures
Non-impaired exposures				
Gross carrying amount	48 645 317	52 171	28 609 345	139 832
IBNR provision	(297 994)	(74)	(151 524)	(2 277)
Net carrying amount	**48 347 323**	**52 097**	**28 457 821**	**137 555**
Impaired exposures*:				
Gross carrying amount, including:	3 923 333	675 814	2 489 700	545 553
exposures tested separately	2 107 780	358 118	1 549 715	496 478
exposures tested collectively	1 815 553	317 696	939 985	49 075
Impairment losses, including:	(2 439 198)	(321 220)	(1 289 998)	(164 408)
exposures tested separately	(1 263 799)	(174 991)	(666 432)	(142 709)
exposures tested collectively	(1 175 399)	(146 229)	(623 566)	(21 699)
Net carrying amount	**1 484 135**	**354 594**	**1 199 702**	**381 145**
Total net loans and advances	**49 831 458**	**406 691**	**29 657 523**	**518 700**

* Exposures with identified objective indications of impairment

Structure of forborne exposures by impairment and delinquency

	31.12.2015	31.12.2014
Net carrying amount of non-impaired exposures, including:	**52 097**	**137 555**
0 days	40 554	97 896
1-30 days	11 543	32 205
31-60 days	-	2 821
61-90 days	-	4 633
more than 90 days	-	-
Net carrying amount of impaired exposures*	**354 594**	**381 145**
0 days	113 166	197 621
1-30 days	72 700	75 083
31-60 days	61 028	38 982
61-90 days	8 424	11 374
more than 90 days	99 276	58 085
Total net carrying amount	**406 691**	**518 700**

* Exposures with identified objective indications of impairment

In 2015, interest income on exposures classified as forborne as totaled PLN 29,637 thousand (PLN 31,254 thousand as at 31 December 2014).

The value of the Bank's collateral for forborne exposures was PLN 405,495 thousand as at 31 December 2015 (PLN 630,405 thousand as at 31 December 2014).

53.3 Market risk and ALM (Asset Liability Management)

Market risk management organization

The operations of Bank BGŻ BNP Paribas S.A. are recorded in the trading and in the banking book. Changes in market interest rates, foreign exchange rates, security prices and implied volatility of option instruments lead to changes in the net interest income and the result on measurement of the books' present value. The risk of adverse changes in the value, driven by the aforesaid factors, is recognized by the Bank as market risk. Due to differences in the characteristic features of those books, the risk is monitored and managed with the use of tools and measures appropriate for the nature of the risk in each book.

In order to reflect the characteristics of financial market transactions appropriately, i.e. the intentions of the parties entering into the transactions, the major risks and the accounting treatment, the Bank allocates all on- and off-balance sheet items to the banking or trading book. Detailed allocation criteria are established in the documents ("policies" and "methodologies") adopted by resolutions of the Management Board of the Bank and defining the purpose of keeping each book, the profile and types of risks assumed by the Bank, the measurement and mitigation methods as well as the authorizations and place of each organizational unit of the Bank in the risk generation, measurement, mitigation and reporting process.

The process of transaction conclusion and recording as well as risk level supervision and adoption of risk limits is carried out by independent units. In line with the long-term strategy adopted by the Bank as well as its financial plan, the Supervisory Board determines the Bank's risk tolerance, i.e. an acceptable risk level and profile, which is subsequently allocated, in the form of risk limits, to the books and portfolios by the Asset-Liability Committee (ALCO) and the Risk Management Committee. The Financial Markets Division assumes responsibility for day-to-day operational management of the risk inherent in trading book in line with the defined market risk limits. The structural interest rate and currency risk in the banking book and the market risk of the short-term liquidity position is managed by ALM Treasury. Management of the current operational currency risk position of the Bank is centralized in the trading book. The Financial and Counterparty Risk Department and ALM Treasury Finance and Operations are in charge of measuring and reporting risk and limit overrides. Additionally, the Financial and Counterparty Risk Department ensures that financial instruments are measured properly. The management result is calculated by the Financial Market Transactions Monitoring Unit, while transactions are recorded and settled by the Financial Market Transactions Processing Department. The system of limit override acceptance is hierarchical. It depends on the period of such override and its scale, and is managed by the Department head or Members of the Bank's Management Board exercising supervision of the Risk Function and the function responsible for the risk override. Irrespective of the said process, all limit overrides are reported immediately after they occur and discussed at monthly ALCO or Risk Management Committee meetings.

Interest rate risk in the banking book (ALM Treasury)

The banking book of Bank BGŻ BNP Paribas S.A. is composed of two parts: the ALM portfolio as part of which structural interest rate, currency and liquidity risks resulting from the balance sheet structure determined by the core lending, deposit and investing operations of the Bank, are managed. On the other hand, the Treasury portfolio is where day-to-day and short-term liquidity of the Bank is managed. It is also used by the Bank for purposes of carrying out its investing activities as well as concluding hedging transactions on the financial market.

The ALM portfolio comprises accounts, deposits and loans, strategic items (long-term investments, own debt issues and long-term loans), financial market transactions hedging the portfolio (derivative instruments) and zero-interest items (to include equity, tangible assets, intangible assets, taxes and provisions and profit for the period), transferred under management of ALM Treasury through the Fund Transfer Pricing (FTP) system.

The Treasury portfolio includes liquid securities (liquidity buffer), interbank deposits and placements, nostro and loro accounts as well as financial market transactions hedging the market risk of the portfolio (derivative instruments).

The Bank's policy in respect of the banking book – ALM and Treasury portfolios managed collectively – is to earn additional, stable revenue in excess of the product margin, without any threat to the stability of funds deposited by customers, equity and profit. The said objective is accomplished by the Bank by maintaining or matching its natural exposure generated by the core lending and deposit operations, in line with the adopted risk limits which guarantee limited sensitivity of the Bank's profit to changes in market factors, in addition to bringing the exposure into line with financial market trends forecast in the medium and long term.

The competitive conditions on the local financial market and customer expectations are the major factors affecting the product policy of the Bank, in particular application of floating interest rates for medium- and long-term credit products as well as financing such assets with the use of short-term deposits and non-interest bearing accounts. Introduction of new liquidity requirements in compliance with CRR/CRD4 and PFSA's Recommendation P further intensified the pressure on diversification of the sources of funding and increase in the share of the most stable funds from individuals, while record-low interest rates and anticipation of their further cuts persuaded customers to hold their funds in current and savings accounts and banks to reduce the maturity of deposits.

The realigned interest rate gap and net interest income sensitivity are the key measures of the market risk in the banking book, which comprises the ALM portfolio and the Treasury portfolio. The major assumptions adopted for realignment of the interest rate gap and used subsequently for purposes of determining net interest income sensitivity are as follows:

a) individual assets, liabilities and off-balance sheet transactions are analyzed at their nominal value which is used as the basis for calculation of interest;
b) items and transactions based on floating reference rates, such as WIBOR, LIBOR, EURIBOR, NBP rediscount rate etc. are taken into account for purposes of determining the gap at the nearest repricing date for a given contract;
c) items based on floating reference rates scaled with a multiplier are taken into account for purposes of determining the gap at the nearest repricing date for a given contract at nominal value scaled with a multiplier and the nominal amount scaled with a value (1 – multiplier) is considered at the maturity date or proportionally at the principal payment dates;
d) fixed rate items and transactions are taken into account for purposes of determining the gap at the principal payment dates, at the amounts of the principal paid at a given date or at the full amount at the maturity date for items where the principal is not repaid (e.g. term deposits);
e) items and transactions with unspecified maturity, repricing date or non-interest bearing are taken into account in line with the profile determined as a result of modelling, which is aimed to ensure the best possible reflection of the changes in interest and principal cash flows in response to external factors, in particular the market interest rates, with differences between the models:
   - as at 31 December 2015, the gap for the merged Bank BGŻ BNP Paribas S.A. was determined on the assumption that the interest rate risk profile for non-interest bearing current accounts is similar to the liquidity profile, i.e. extending for the stable part of such accounts to 15 years, which reflects the possibility to reinvest the funds for long periods as the Bank assumes only the risk of opportunity cost as opposed to the market risk in such case;
   - as at 31 December 2014, the gap for Bank BGŻ S.A. was determined on the assumption that the interest rate risk profile for non-interest bearing current accounts is considerably shorter, i.e. the stable part of those accounts is distributed evenly over 12 consecutive months (from 1 month to 1 year).

The following tables present the Bank's realigned interest rate gap as at 31 December 2015 and 31 December 2014 (PLN '000):

Interest rate gap as at 31.12.2015	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances at Central Bank	2 826 407	-	-	-	-	2 826 407
Loans and advances to banks	506 822	32 642	5 000	495	-	544 959
Debt securities held for trading	-	-	-	-	-	-
Loans and advances to customers	23 433 260	18 944 012	5 877 947	1 789 938	-	50 045 157
Investment securities:						
- available for sale	1 455 153	-	220 721	4 527 226	1 723 879	7 926 979
– other debt securities	-	-	-	-	-	-
Other assets	2 004 648	272 494	55 412	-	-	2 332 554
Total assets:	**30 226 290**	**19 249 148**	**6 159 080**	**6 317 659**	**1 723 879**	**63 676 056**
Amounts due to banks	(4 447 092)	(3 690 605)	(106 425)	(217 770)	(13 000)	(8 474 892)
Amounts due to customers	(21 696 724)	(5 856 476)	(8 620 611)	(6 964 134)	(1 208 970)	(44 346 915)
Other borrowings	(665 196)	(920 562)	(837 546)	-	(310 228)	(2 733 532)
Other liabilities	(954 040)	-	-	-	(180 576)	(1 134 616)
Total liabilities:	**(27 763 052)**	**(10 467 643)**	**(9 564 582)**	**(7 181 904)**	**(1 712 774)**	**(56 689 955)**
Net off-balance sheet liabilities	(1 801 997)	(3 692 635)	2 275 000	3 209 673	12 784	2 825
Interest rate gap	**661 241**	**5 088 870**	**(1 130 502)**	**2 345 428**	**23 889**	

Interest rate gap as at 31.12.2014	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances at Central Bank	1 093 868	-	-	-	-	1 093 868
Loans and advances to banks	655 623	-	5 398	-	-	661 021
Debt securities held for trading	163 031	-	42 200	113 000	-	318 231
Loans and advances to customers	16 881 140	10 430 998	3 441 487	-	-	30 753 625
Investment securities:						
- available for sale	3 890 000	-	154 000	1 230 000	1 380 000	6 654 000
– other debt securities	-	-	-	-	-	-
Other assets	1 702 466	248 398	77 081	-	-	2 027 945
Total assets:	**24 386 128**	**10 679 396**	**3 720 166**	**1 343 000**	**1 380 000**	**41 508 690**
Amounts due to banks	(1 658 691)	(46 160)	(10 220)	-	-	(1 715 071)
Amounts due to customers	(9 787 568)	(10 025 642)	(10 014 082)	(552 155)	(40 000)	(30 419 447)
Other borrowings	(1 446 076)	(2 259 016)	(981 171)	-	-	(4 686 263)
Other liabilities	(53 763)	-	-	(230 878)	(885 996)	(1 170 637)
Total liabilities:	**(12 946 098)**	**(12 330 818)**	**(11 005 473)**	**(783 033)**	**(925 996)**	**(37 991 418)**
Net off-balance sheet liabilities	(1 287 869)	(444 366)	1 545 456	94 657	40 000	(52 122)
Interest rate gap	**10 152 161**	**(2 095 788)**	**(5 739 851)**	**654 624**	**494 004**	

Estimated reductions or increases in the net interest income for the banking portfolio between 1 and 3 years, resulting from changes in market interest rates, are the measure of its sensitivity. For management and risk control purposes, the Bank calculates sensitivity to a number of different market parameter change scenarios: immediate shifts and shifts in time, parallel and non-parallel shifts, in normal and stress conditions, varying depending on the currency, market and instrument.

Presented below is sensitivity (in PLN ‘000) of the net interest income to an immediate shift in interest rates by 50 bps within 1 year, on the assumption that non-interest bearing items (e.g. equity, tangible assets, non-interest bearing current accounts) are not sensitive.

	31.12.2015	31.12.2014
Immediate shift in interest rates by 50 bps:		
- up	10 574	23 518
- down	(13 374)	(22 209)

A change in the interest rate risk profile between the aforementioned dates, i.e. a better match between the asset and liability repricing dates, which translates into limitation of sensitivity of the net interest income by more than 50% despite an increase in the Bank’s balance sheet by over 50%, results from:

- an increase in the amount of fixed rate loans and their share in the Bank’s balance sheet;
- an increase in the portfolio of fixed rate debt securities (treasury bonds);
- reduced maturity of term deposits;
- the entry into hedging derivative transactions where the Bank receives fixed interest until their maturity while paying interest determined at the WIBOR rate.

Market risk in the trading book

The Bank’s trading activities are supplementary as they support sales of financial products to corporate customers, non-bank financial customers (directly) and retail customers (through structured products, which are officially classified into the banking book). To this end, the Bank opens its own positions, thus generating income on short-term changes in price parameters (foreign currency rates or interest rates), while maintaining the exposure within the adopted risk limits.

As part of the interest rate risk exposure, which is the key exposure in the trading portfolio, the Bank could enter into IRS, OIS, CIRS, FRA and basis swap transactions. The interest rate risk was also determined by positions resulting from FX swap and FX Forward transactions. The Bank did not maintain an open option position and the risk resulting from its customers’ option transactions was immediately eliminated by offsetting transactions entered into on the interbank market. Hedging the interest rate and the currency risk was the Bank’s priority.

Sensitivity of items to shifts in the yield curve and VaR are the key measures of the interest rate risk in the trading portfolio. Additionally, the Bank conducts sensitivity analyses, where the changes in interest rates are more considerable than those typically observed (stress tests).

In 2015, the interest rate risk for PLN items, measured by sensitivity to shifts in the yield curve in the trading portfolio, was higher (by PLN 26 thousand on average) than in 2014 (PLN 3 thousand), mainly as a result of an increased volume of derivative transactions following the acquisition of BNP Paribas Bank Polska S.A. The following table presents the interest rate risk in the trading book based on BPV (*Basis Point Value*) in PLN ‘000.

	2015		2014	
BPV[1]	PLN	EUR	PLN	EUR
31.12	*-65*	*-9*	*-13*	*8*
average	*-26*	*3*	*-3*	*3*
max	*36*	*23*	*39*	*14*
min	*-126*	*-16*	*-34*	*-6*

[1)] measure of sensitivity of instrument valuation to a shift in the yield curve by 1 bp

The Bank's currency risk is measured using Value at Risk (VaR), which is a measure of 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 and that a position is maintained for one day. The VaR methodology is validated on a quarterly basis by means of an analysis which 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 2015 and the verification did not identify the necessity to make any adjustments.

Foreign currency transactions used for management of the Bank's currency position were characterized by a stable exposure and a low risk. The risk resulting from foreign currency transactions with customers was offset immediately. Therefore, also the intraday foreign currency exposure remained at a low level. Similarly, in line with the policy in place at the Bank, positions in FX options offered to customers were definitely closed immediately on the interbank market. The following table presents the Bank's currency risk based on FX VaR.

	31.12.2015	31.12.2014
FX VaR[1]	**135**	**7**
average	*61*	*48*
max	*443*	*180*
min	*0*	*5*

[1)] The Bank uses a historical method which assumes that the confidence level is 99% and that positions are maintained for 1 day.

The following table presents the currency structure of assets and liabilities at gross carrying amounts in PLN '000.

Currency position items	31.12.2015		31.12.2014	
	Assets	Equity and liabilities	Assets	Equity and liabilities
USD	761 478	1 538 709	388 509	545 054
GBP	187 666	544 511	39 746	29 881
CHF	13 908 577	12 781 662	3 107 748	2 618 814
EUR	9 416 910	12 950 228	2 135 921	1 579 833
Other convertible currencies	111 520	229 697	55 576	49 957
PLN	38 622 978	34 964 322	34 756 704	35 660 665
Total	**63 009 129**	**63 009 129**	**40 484 204**	**40 484 204**

53.4 Liquidity risk

Liquidity risk – risk management organization

The Bank's liquidity management system is comprehensive, i.e. it covers both immediate (intraday) and future (current, short-term as well as structural medium- and long-term) liquidity. Risk is managed by the Bank by building the structure of the balance sheet, transactions and off-balance sheet liabilities to ensure liquidity at any time, taking into consideration the profile of the Bank's business, customer characteristics and behaviors as well as needs that may arise as a result of changes in the financial market. Additionally, the risk identification and measurement methods used by the Bank enable it to forecast future liquidity levels, also in stress conditions.

The Bank ensures separation and independence of its operations, risk management, control and reporting functions. In particular, transactions with contracting parties and customers are entered into by the business, confirmed and processed by Operations, immediate (intraday) and future liquidity is managed by ALM Treasury, day-to-day supervision of the risk level and compliance with risk limits is the responsibility of the Risk Function, while supervisory liquidity measures are reported independently by the Finance Division.

The liquidity risk limits adopted by the Bank reduce its exposure to risk. Risk is monitored and controlled based on documents adopted by resolutions of the Bank's Management Board (risk measurement and monitoring policy and methodologies), developed in compliance with the guidelines formulated in Recommendation P of the Polish Financial Supervision Authority, the provisions of PFSA's Resolution No. 386/2008 establishing liquidity requirements for banks and Commission Delegated Regulation (EU) 2015/61. The Bank has an internal transfer pricing system in place, which reflects accurately the real financing cost for each operation type, and the transfer pricing structure stimulates balance sheet optimization, including diversification of the sources of funding, from the perspective of liquidity risk. LTD limits for each business line are an important additional component of that system, as they facilitate maintenance of a secure level of assets relative to liabilities, which is appropriate considering the characteristics of each line.

The liquidity risk appetite is determined by the Supervisory Board of the Bank and the risk management policy based on that appetite, including definition of general liquidity risk measures, is approved by the Management Board, whereas specific risk limits and their monitoring are the responsibility of ALCO. The Bank's Management Board and Supervisory Board supervise the effectiveness of the liquidity risk management process based on periodic information and current reports.

In compliance with the requirements of PFSA's Recommendation P, the Bank conducts numerous analyses verifying its ability to maintain liquidity in crisis situations, as part of stress tests covering negative scenarios for the banking system, the Bank and the BNP Paribas Group. The Bank also has a comprehensive emergency plan in place. It comprises various scenarios along with action plans for liquidity crisis situations in the Bank and in the banking system as a whole.

Risk measures

The Bank uses external and internal risk measures. The internal measures include, among other things, an analysis of trends and volatility of each source of funding relative to the loan portfolio (LTD), the liquidity gap realigned based on behavioral factors along with mismatch structure limits defined on its basis, an analysis of surplus liquidity and the available sources of funding, an analysis of stability and concentration of the deposit base as well as a review of the structure of funds placed with the Bank by the major depositors by volume and maturity. Additionally, sales plans (covering loans and deposits) are monitored, broken down by each business line, and simulation analyses are performed. Furthermore, the Bank analyzes the costs of the deposit base with a view to optimizing the liquidity buffer and the use of such tools as the liquidity margin or pricing policy.

On the other hand, the external measures include supervisory short- and long-term liquidity ratios introduced by PFSA's Resolution No. 386/2008 as well as LCR, as defined in Commission Delegated Regulation (EU) 2015/61.

Liquidity risk

In 2015, the Bank's liquidity was maintained at a safe level. The Bank's funds were sufficient for payment of all its liabilities upon maturity. The portfolio of the most liquid securities was maintained at a high level, which was sufficient to offset a potential outflow of funds placed with the Bank by the major depositors in whole.

As at the end of 2015, the Bank's surplus liquidity was at the level of PLN 7.05 billion.

	31.12.2015	31.12.2014
Cash at the Central Bank (in excess of the reserve requirement)	110 849	7 458
Cash at other banks up to 30 days	344 977	298 550
Highly-liquid securities	6 597 980	7 127 868
Surplus liquidity up to 30 days	**7 053 806**	**7 433 876**

The surplus liquidity decreased slightly as compared to the end of 2014 despite a more than 50% increase in the Bank's balance sheet, due to a higher share of long-term stable loans from financial institutions (mainly multilateral development banks) and from the BNP Paribas Group in the sources of funding.

Throughout 2015, in particular as at 31 December 2015, the Bank complied with the requirements applicable to the supervisory measures.

	31.12.2015	31.12.2014
M1 (PLN '000)	2 454 459	2 656 051
M2	1.37	1.28
M3	8.48	5.98
M4	1.09	1.12
limit	**1.00**	**1.00**

	31.12.2015	31.12.2014	limit
LCR	100%	134%	**60%**

In 2015, the Bank continued initiatives aimed at optimization of its sources of funding with a view to reducing excessive, costly and not particularly stable surplus funding. Intense activities aimed to obtain stable retail (up by PLN 6.4 billion during the year) and corporate deposits (up by PLN 6.7 billion), increase the share of long-term loans from the BNP Paribas Group and other financial institutions (used mainly for financing foreign currency assets, including the CHF home loan portfolio, a portion of corporate loans in EUR – up by PLN 4.6 billion), enabled the Bank to reduce the level of unstable deposits considerably and replace them with highly stable funds.

The Bank's sources of funding remained highly stable throughout 2015:

	31.12.2015		31.12.2014	
	balance	stable (%)	balance	stable (%)
long-term Group loans	6 783 823	100.0%	3 321 691	100.0%
other long-term loans	1 468 802	99.3%	290 550	100.0%
debt securities issued	465 000	100.0%	755 000	100.0%
retail	28 351 264	94.3%	21 943 787	93.3%
corporate	12 630 896	88.7%	5 924 740	90.3%
budget entities	694 954	78.1%	585 945	78.6%
non-bank financial entities	2 477 767	50.4%	1 439 354	57.3%
banks and other unstable sources	1 683 602	0.0%	771 212	0.0%
Total	**54 556 108**	**88.7%**	**35 032 279**	**89.8%**

Proceeds and payments expected under the agreements concluded by the Bank – contractual liquidity gap:

Contractual liquidity gap 31.12.2015	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Assets					
Retail loans, including:	4 083 584	617 387	2 361 690	8 656 730	13 333 818
home and mortgage loans	*57 490*	*127 631*	*542 881*	*2 844 439*	*10 772 510*
Corporate loans	8 433 735	847 816	2 484 147	4 108 726	3 838 564
Due and payable	1 854 136	-	-	-	-
Debt securities	-	-	208 790	5 378 085	2 145 700
Interbank placements	418 129	5 289	12 352	32 000	-
Cash and balances with the Central Bank	1 239 172	-	-	-	1 590 634
Non-current assets	-	-	-	250 691	528 230
Other assets	77 005	1 536	7 054	65 070	295 232
Off-balance sheet liabilities, including:	6 678 981	1 625 980	2 288 393	672 714	-
derivatives	*2 184 644*	*1 625 980*	*2 288 393*	*672 714*	-
Equity and liabilities					
Retail deposits	26 814 241	513 714	501 885	495 304	26 121
Corporate deposits	13 767 852	1 257 107	654 507	138 384	-
Interbank deposits	1 289 128	-	-	-	-
Loans from financial institutions	381 199	120 232	903 380	2 644 846	4 202 967
Certificates of deposit	-	33 000	38 000	394 000	-
Equity and subordinated debt	-	-	8 263	-	7 002 483
Other liabilities	1 105 993	-	143 804	-	-
Off-balance sheet liabilities, including:	16 451 587	2 955 710	2 281 312	671 539	-
derivatives	*2 174 208*	*1 625 605*	*2 281 312*	*671 539*	-
Total receivables	**22 784 742**	**3 098 008**	**7 362 426**	**19 164 016**	**21 732 178**
Total liabilities	**59 810 000**	**4 879 763**	**4 531 151**	**4 344 073**	**11 231 571**
Liquidity gap	**(37 025 258)**	**(1 781 755)**	**2 831 275**	**14 819 943**	**10 500 607**

Contractual liquidity gap 31.12.2014	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Assets					
Retail loans, including:	255 609	145 559	592 061	2 416 977	6 514 229
home and mortgage loans	*29 892*	*68 406*	*288 313*	*1 539 074*	*6 270 318*
Corporate loans	6 932 025	605 879	1 704 518	5 929 076	4 663 462
Due and payable	1 426 034	-	-	-	-
Debt securities	3 656 149	-	186 350	1 692 061	1 390 936
Interbank placements	55 000	-	5 000	-	-
Cash and balances with the Central Bank	703 663	-	-	-	1 086 490
Non-current assets	-	-	-	182 119	411 063
Other assets	243 552	-	-	-	-
Liabilities received, including:	6 856 882	1 084 293	866 324	231 568	40 000
derivatives	*3 945 618*	*1 084 293*	*866 222*	*21 568*	-
Equity and liabilities					
Retail deposits	10 783 646	2 394 798	4 751 226	450 382	135
Corporate deposits	7 092 487	324 137	406 710	1 105 076	930 484
Interbank deposits	-	10 000	5 000	-	-
SK negotiated deposits	1 932 925	1 881 231	572 423	213 868	40 000
Loans from financial institutions	549 208	38 275	128 281	490 492	119 654
Certificates of deposit	-	280 000	10 000	465 000	-
Equity and subordinated debt	-	-	137 730	-	4 333 168
Other liabilities	56 842	-	-	-	-
Liabilities granted, including:	9 334 118	1 201 597	1 184 217	510 319	4 880
derivatives	*4 013 813*	*1 062 940*	*861 371*	*23 725*	-
Total receivables	**20 128 914**	**1 835 731**	**3 354 253**	**10 451 801**	**14 106 180**
Total liabilities	**29 749 226**	**6 130 038**	**7 195 587**	**3 235 137**	**5 428 321**
Liquidity gap	**(9 620 312)**	**(4 294 307)**	**(3 841 334)**	**7 216 664**	**8 677 859**

53.5 Country and counterparty risk

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 31 December 2015, foreign lending operations of the Bank represented almost a half (44%), international trade transactions (letters of credit and guarantees) accounted for 33%, treasury transactions (including deposits and derivatives) for 22% and derivative transactions entered into with foreign corporate customers represented 0.2% of the Bank's country risk exposure. France accounted for 33%, Germany and Belgium for 16% each and the Czech Republic for 10% of the exposure. The remaining exposure was related to the Netherlands, UK, Senegal and Switzerland.

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 Bank's customers may enter into financial market transactions. 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 December 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 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. 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 diversifies the availability of products offered to customers depending on their expertise and experience. The Bank has in place transparent rules applicable to hedging the counterparty credit risk exposure.

It is an active participant of the interbank market and fixing panelist.

53.6 Operational risk

The Bank's operational risk is defined 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. Operational risk at the Bank comprises also compliance, including legal risk.

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

Procedures

The operational risk management policy adopted by the Bank is consistent with the regulatory framework and the related market practice. Operational risk is managed on the basis of the Bank's Operational Risk Strategy adopted by the Supervisory Board as well as the Operational Risk Policy adopted by the Management Board, which is supplemented with the IT System Operational Risk Policy, the Bank's Security Policy, the Compliance Policy and numerous specific regulations.

Organization

The key role in the organizational structure established to manage operational risk is performed by the Bank's Risk and Balance Sheet Management Committee as well as the Operational Risk, Compliance Risk and Fraud Prevention Subcommittee, through which the Management Board of the Bank exercises supervision of the operational risk management system and the risk level. The Systemic Risk Division includes the Operational Risk Management Department, which is responsible, among other things, for the operational risk management processes and tools. The Department structure comprises Operational Risk

Management Officers in Regional Hubs and operational risk coordinators in each organizational unit of the Bank's Head Office.

Risk management

Early identification of risk, precise assessment of its size as well as rules enabling effective action to mitigate risk are an important element of the operational risk management system in place at the Bank. The operational risk identification and reporting system covers all organizational units of the Bank, which guarantees completeness and accuracy of the data used as the basis for risk assessment and adoption of decisions affecting the size of the risk assumed by the Bank. The Bank's employees are trained in identifying and reporting operational risk events and threats.

Reporting

Operational risk data is fed to a central database, which is used as the basis for regular reports addressed to the Bank's management. The operational risk report management process is carried out with the use of a dedicated application, the access to which is granted to authorized employees of the Bank.

Economic capital and risk assessment

The Bank has been collecting information on losses driven by operational risk for more than ten years. The information on operational risk losses and threats, collected by the Bank, is used for purposes of estimating the economic capital necessary to cover 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).

The operational risk assessment process is carried out with the use of the self-assessment and the Key Operational Risk Indicators methods. The Key Operational Risk Indicators are a tool for monitoring operational risk inherent in selected material internal processes at the Bank, using a three-point scale of risk assessment. Information on the risk level is also derived from the results of functional control exercised by the organizational units of the Bank. To support the operational risk management process in the regions, the Bank relies on a risk scoring tool. The risk assessment process is integrated with the periodic assessment of internal control mechanisms and procedures, which enables consistent management of operational risk at the Bank.

54 Capital adequacy management

Capital adequacy management is aimed to ensure the Bank's compliance with prudential regulations defining capital requirements related to the risks incurred by the Bank, quantified in the form of the capital ratio.

Since 1 January 2014, banks have been subject to new principles applicable to calculation of capital ratios, following the implementation of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

The capital ratios, capital requirements and equity have been calculated in accordance with the aforesaid Regulation with the use of national options in line with the assumptions adopted for purposes of temporary reporting by the Polish Financial Supervision Authority (PFSA).

PFSA recommendation concerning additional capital requirement for the Bank

On 23 October 2015, the Bank received a recommendation from the Polish Financial Supervision Authority concerning the Bank's maintenance of equity necessary to satisfy an additional capital requirement at the level of 0.71 p.p. in order to hedge the risk resulting from foreign currency mortgage loans granted to households, with Tier 1 capital accounting for at least 75% (i.e. 0.53 p.p.) of such equity.

Therefore, the Bank's minimum capital ratios taking into account the additional capital requirement recommended by PFSA should be as follows:

- Tier 1=9.53%
- Total Capital Ratio=12.71%.

The Bank's capital ratios taking into account the additional capital requirement in the context of the dividend policy (criteria for distribution of up to 100% of profit for 2014) are as follows: CET1=9.53% and TCR=13.21%.

The aforesaid recommendation should be respected by the Bank from the date of its receipt until revoked.

As at the date of receipt of PFSA recommendations and until 31 December 2015, the Bank maintained equity sufficient to satisfy the aforesaid capital requirements, i.e. as at 31 December 2015, the Bank's capital ratios were as follows: Tier 1=12.12% and TCR=13.78%.

Additionally, following the introduction of safety buffers as part of the CRDIV/CRR package, banks received a general recommendation from the Polish Financial Supervision Authority to satisfy, as from 1 January 2016, increased capital requirements, i.e. at least at the following level: Tier 1=10.25% and TCR=13.25%.

55 Major events in 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 S.A. 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, equity and liabilities 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 a 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 business 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 56,138,764.00 to PLN 84,238,318.00 through the issue of 28,099,554 shares in BGŻ with the par value of PLN 1.00 each, 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 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 45 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 Sp. k. 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.**

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.**

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

- *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 Shareholders' 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; 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.

03.08.2015 **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.

01.09.2015 **The Extraordinary Shareholders' Meeting of Bank BGŻ BNP Paribas S.A.** adopted resolutions concerning: (i) amendments to the Statute of Bank BGŻ BNP Paribas S.A. and adoption of a consolidated text thereof; (ii) determination of the number of members of the Bank's Supervisory Board; (iii) changes in the composition of the Bank's Supervisory Board; and (iv) amendments to Resolution No. 24 of the Extraordinary Shareholders' Meeting of Bank Gospodarki Żywnościowej S.A. concerning the compensation paid to members of the Supervisory Board of Bank Gospodarki Żywnościowej Spółka Akcyjna, dated 10 January 2005.

07.10.2015 **The entry into force of a Resolution of the Supervisory Board of BGŻ BNPP** concerning the consent for conclusion of agreements for the purchase of 100% of shares in Sygma Bank Polska Spółka Akcyjna (SBP) and 100% of shares in Laser Services Polska Spółka Akcyjna (LSP), between BGŻ BNPP and Sygma Banque ("Resolution of the Supervisory Board"). Thus, the next condition precedent necessary for conclusion of the final agreement for the purchase of shares in Sygma Bank Polska S.A. by BGŻ BNPP from Sygma Banque (or the legal successor of Sygma Banque SA) was satisfied.

At the same time, following the entry into force of the Resolution of the Supervisory Board, one of the conditions precedent necessary for conclusion of the final agreement for the purchase of shares in LSP by BGŻ BNPP from Sygma Banque (or the legal successor of Sygma Banque) was satisfied.

23.10.2015 The Bank received a **recommendation** from the Polish Financial Supervision Authority **concerning the Bank's maintenance of equity necessary to satisfy an additional capital requirement** at the level of 0.71 p.p. in order to hedge the risk resulting from foreign currency mortgage loans granted to households, with Tier 1 capital accounting for at least 75% (i.e. 0.53 p.p.) of such equity. Therefore, the Bank's minimum capital ratios taking into account the additional capital requirement recommended by PFSA should be as follows: Tier 1=9.53% and Total Capital Ratio=12.71%.
As at the date of receipt of PFSA recommendations and until 31 December 2015, the Bank maintained equity sufficient to satisfy the aforesaid capital requirements, i.e. as at 30 September 2015, the Bank's capital ratios were as follows: Tier 1 = 12.12% and TCR = 13.87%, and as at 31 December 2015, the capital ratios were as follows: Tier 1= 12.12% and TCR=13.78%.

04.11.2015 **Recognition of a provision for the Borrowers' Support Fund contribution –** following the close of the legislative process related to the Act of 9 October 2015 on supporting CHF home loan borrowers in a difficult financial condition (the Act on supporting borrowers), in the fourth quarter of 2015 the Bank recognized a provision of PLN 30 million to cover the contribution it will be required to make to the Borrowers' Support Fund (the Fund).

The amount of the provision was estimated in accordance with the Act on supporting borrowers, whereby some categories of lenders, including the Bank, are obliged to make payments to the Fund in proportion to the value of their portfolios of home loans granted to households, where the delinquency in payment of the principal or interest exceeds 90 days.

12.11.2015 **Bank Security and BGŻ BNP Paribas S.A. Bond Issue Program** – the Supervisory Board of the Bank granted its consent for the issue of securities as part of the Bank Security (the "BS") and Bond (the "Bonds") Issue Program in the total amount of PLN 3,500,000,000.00 (the "Program").

The Supervisory Board and the Management Board of the Bank agreed that the Bank may repeatedly assume obligations to each of the future purchasers of the securities issued under the Program where the total par value of such securities with respect to one purchaser exceeds 10% and 5% of the Bank's equity, respectively.

The Management Board is planning to secure funds through the issue of the BS or the Bonds with a view to diversifying the sources of the Bank's stable and long-term financing for its operations. Detailed terms of each series of the BS or Bonds issued under the Program will be set out by the Management Board of the Bank.

18.11.2015 **Satisfaction of the last condition precedent for the entry into the agreement for the purchase of shares in Sygma Bank Polska S.A. by Bank BGŻ BNP Paribas S.A.** – the Polish Financial Supervision Authority granted the authorizations for the sale of the shares in Sygma Bank Polska S.A. to Bank BGŻ BNPP by BNP Paribas Personal Finance Société Anonyme with its registered office in Paris, France (i.e. the legal successor of Sygma Banque SA) under Article 28.1 of the Banking Law of 29 August 1997.

Thus, the last condition precedent necessary for conclusion of the final agreement for the purchase of 100% of shares in Sygma Bank Polska S.A. by the Bank was satisfied.

18.11.2015 **Planned merger of Bank BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A.** – the Management Board of the Bank decided to initiate a procedure aimed to effect the merger of the Bank (as the acquirer) and Sygma Bank Polska S.A. (as the acquiree) under Article 492.1.1 of the Code of Commercial Companies (merger by acquisition).

26.11.2015 **Obligatory contribution to the Bank Guarantee Fund for purposes of payment of guaranteed amounts to the depositors of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin following its bankruptcy petition filed by the Polish Financial Supervision Authority** – pursuant to Resolution No. 87/DGD/2015 of the Management Board of the Bank Guarantee Fund (the "BGF") of 26 November 2015, under Article 26a.2 of the BGF Act of 14 December 1994, the Bank was obliged to make an obligatory contribution for purposes of payment of guaranteed amounts to the depositors of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin, totaling PLN 90,213,529.10 by 30 November 2015. The aforesaid contribution reduced the Bank's net profit in the fourth quarter of 2015 by ca. PLN 73.1 million.

1.12.2015 **Purchase of shares in Sygma Bank Polska S.A. and Laser Services Polska S.A. (LSP) by Bank BGŻ BNP Paribas S.A.** - as all the conditions precedent had been satisfied, the final agreement for the purchase of 100% of shares in Sygma Bank Polska S.A. was signed by the Bank and BNP Paribas Personal Finance Société Anonyme with its registered office in Paris, France ("BNP Paribas PF"), the legal successor of Sygma Banque Société Anonyme, at a price of PLN 200 million.

Upon the Bank's purchase of 100% of the shares in Sygma Bank Polska, the last condition precedent necessary for conclusion of the final agreement for the purchase of 100% of shares in Laser Services Polska by the Bank was satisfied. Thus, the Bank purchased 100% of the shares in LSP from BNP Paribas PF on 1 December 2015 at a price of PLN 11 million.

1.12.2015 **Registration of an amendment to the Statute of Bank BGŻ BNP Paribas S.A. in the National Court Register** – the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, registered the amendment to the Bank's Statute, as adopted by the Extraordinary Shareholders'

Meeting of the Bank on 1 September 2015. The amendment concerned Article 16.2 of the Bank's Statute, which was modified as follows: *16.2. The Supervisory Board shall elect a Chairperson and Deputy Chairpersons out of its members*.

10.12.2015 **Announcement of the draft terms of merger of Bank BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A.** – the Management Board of the Bank and the Management Board of Sygma Bank Polska agreed and signed the draft terms of merger of the Bank with Sygma Bank Polska S.A., prepared under Articles 498 and 499 of the Code of Commercial Companies.

15.12.2015 **The Extraordinary Shareholders' Meeting of Bank BGŻ BNP Paribas S.A.** – adopted resolutions to amend the Statute of Bank BGŻ BNP Paribas S.A. and adopt a consolidated text thereof.

29.12.2015 **Information concerning the potential effect of the acquisition of Visa Europe by Visa Inc. on the financial performance of Bank BGŻ BNP Paribas S.A.** – the Bank received information concerning its potential share in the settlement of a transaction involving the acquisition of Visa Europe Limited (Visa Europe) by Visa Inc. (the "Transaction"). As a member of Visa Europe, Bank BGŻ BNP Paribas S.A. will be one of the beneficiaries of the said Transaction.

According to the information received by the Bank, the potential effect of the settlement of the Transaction on the Bank will be ca. EUR 8.7 million, where the Bank's share in the acquisition price comprises:

- EUR 6.5 million in cash – the equivalent of PLN 27.6 million (at the average exchange rate of the National Bank of Poland of 28 December 2015);
- EUR 2.2 million in shares – the equivalent of PLN 9.3 million (at the average exchange rate of the National Bank of Poland of 28 December 2015).

The aforesaid amounts may be adjusted by the Transaction costs and as a result of accepted requests for adjustment of awarded amounts, which may be filed by members of Visa Europe.

The Transaction will depend on the receipt of the required regulatory authorizations and it is expected to be closed in the second quarter of 2016.

Additionally, a deferred earn-out payment is expected in connection with the Transaction, to be made in cash following the expiry of 16 quarters of the Transaction settlement date. The effect of the earn-out payment on the Bank's performance is not known. The receipt of the earn-out payment depends on satisfaction of the up-front distribution requirements and Visa membership for four years after the Transaction close date.

29.12.2015 The Bank entered into two agreements with BNP Paribas S.A. with its registered office in Paris, whereby it would obtain non-revolving subordinated loans, one of PLN 440 million and the other of EUR 40 million (the equivalent of PLN 169.76 million at the average exchange rate of the National Bank of Poland of 29 December 2015).

56 Subsequent events

8.01.2016 **Payment of a contribution to the Borrowers' Support Fund** – pursuant to a decision of the Board of the Borrowers' Support Fund of 5 January 2016 regarding the actual amount and due date of the contribution to the Borrowers' Support Fund (the "Fund"), the Bank was obliged to pay a contribution of PLN 38,167,677.50 by 18 February 2016.

In the fourth quarter of 2015, the Bank recognized a provision for the said contribution in the amount of PLN 30 million. The difference between the amount of the provision recognized thus far and the actual payment to the Fund, totaling PLN 8,167,677.50, additionally reduced the Bank's profit in the fourth quarter of 2015.

19.01.2016 **The estimated effect of the Act on Tax on Financial Institutions on the performance of Bank BGŻ BNP Paribas S.A.** – following the adoption of the Act of 15 January 2016 on Tax on Certain Financial Institutions (Journal of Laws, item 68) (the "Act"), which was to come into force as of 1 February 2016, the Management Board of the Bank estimated roughly that the reduction in the Bank's net profit for 2016 due to the bank tax imposed under the Act would be ca. PLN 200 million.

29.01.2016 **PFSA decisions granting the consent for classification of subordinated loans as the Bank's Tier 2 capital** – the Bank received PFSA decisions of 28 January 2016 with the consent for classification of the funds obtained by the Bank under subordinated loan agreements concluded with BNP Paribas SA on 29 December 2015 as Tier 2 capital, including:

- PLN 440 million – subordinated liability under a subordinated loan agreement; and
- EUR 40 million – subordinated liability under a subordinated loan agreement.

Once the aforesaid subordinated loans have been classified as Tier 2 capital, the Bank's equity will be sufficient to satisfy the capital requirements recommended by PFSA.

15.03.2016	**Tomasz Bogus** *President of the Management Board*	.... signature
15.03.2016	**Daniel Astraud** *Vice-President of the Management Board*	.... signature
15.03.2016	**François Benaroya** *Vice-President of the Management Board*	.... signature
15.03.2016	**Blagoy Bochev** *Vice-President of the Management Board*	.... signature
15.03.2016	**Jan Bujak** *Vice-President of the Management Board*	.... signature

15.03.2016	**Wojciech Kembłowski** *Vice-President* *of the Management Board*	.... signature
15.03.2016	**Magdalena Legęć** *Vice-President* *of the Management Board*	.... signature
15.03.2016	**Jaromir Pelczarski** *Vice-President* *of the Management Board*	.... signature
15.03.2016	**Stephane Rodes** *Vice-President* *of the Management Board*	.... signature
15.03.2016	**Michel Thebault** *Vice-President* *of the Management Board*	.... signature
15.03.2016	**Bartosz Urbaniak** *Member of the Management Board*	.... signature
15.03.2016	**Katarzyna Romaszewska-Rosiak** *Managing Director,* *Financial Accounting Division*	.... signature

Warsaw, 15 March 2016