Interim Abbreviated Consolidated Financial Statements of the Group of BNP Paribas Bank Polska Spółka Akcyjna for Quarter 1 of 2011

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1. Financial Highlights

CONSOLIDATED FINANCIAL HIGHLIGHTS	in PLN thousand		in EUR thousand	
Income statement	**31 March 2011 (YTD)**	**31 March 2010 (YTD)**	**31 March 2011 (YTD)**	**31 March 2010 (YTD)**
Interest income	221 450	229 282	55 722	57 799
Fee and commission income	44 377	52 740	11 166	13 295
Total income, net	187 712	222 300	47 233	56 039
Gross profit/loss	11 286	3 667	2 840	924
Net profit/loss	8 968	1 456	2 257	367
Ratios				
Weighted average number of shares	24 123 506	24 123 506	-	-
Basic Earnings/Loss Per Share (PLN/EUR)	0,37	0,06	0,09	0,02
Diluted Earnings/Loss Per Share (PLN/EUR)	0,37	0,06	0,09	0,02
Cash Flow Statement				
Net cash provided by operating activities	-198 765	-323 406	-50 014	-81 526
Net cash provided by investing activities	-675 863	783 318	-170 063	197 464
Net cash provided by (used in) financing activities	-54 350	-156 272	-13 676	-39 394
Total net cash flow	-928 978	303 640	-233 753	76 544
Balance Sheet	**Balance as at 31/03/2011**	**Balance as at 31/12/2010**	**Balance as at 31/03/2011**	**Balance as at 31/12/2010**
Total assets	18 354 027	18 539 076	4 574 896	4 681 230
Due to banks	1 575 877	745 774	392 801	188 313
Due to customers	7 364 736	8 195 268	1 835 723	2 069 355
Loans and credit facilities received	7 073 675	7 163 459	1 763 173	1 808 817
Own equity	1 354 018	1 334 083	337 500	336 864
Ratios				
Liczba akcji	24 123 506	24 123 506	**-**	**-**
Book value per share (in PLN / EUR)	56,13	55,30	13,99	13,96
Diluted book value per share (in PLN / EUR)	56,13	55,30	13,99	13,96
Capital adequacy				
Capital adequacy ratio	13,87%	13,64%	-	-

FINANCIAL HIGHLIGHTS (SEPARATE)	in PLN thousand		in EUR thousand	
Income statement	**31 March 2011 (YTD)**	**31 March 2010 (YTD)**	**31 March 2011 (YTD)**	**31 March 2010 (YTD)**
Interest income	221 450	229 282	55 722	57 799
Fee and commission income	43 760	52 085	11 011	13 130
Total income, net	186 981	221 591	47 049	55 860
Gross profit/loss	11 716	3 952	2 948	996
Net profit/loss	9 398	1 726	2 365	435
Cash Flow Statement				
Net cash provided by operating activities	-201 794	-323 406	-50 776	-81 526
Net cash provided by investing activities	-672 844	783 318	-169 303	197 464
Net cash provided by (used in) financing activities	-54 350	-156 272	-13 676	-39 394
Total net cash flow	-928 988	303 640	-233 755	76 544
Balance Sheet	**Balance as at 31/03/2011**	**Balance as at 31/12/2010**	**Balance as at 31/03/2011**	**Balance as at 31/12/2010**
Total assets	18 368 200	18 556 235	4 578 429	4 685 563
Due to banks	1 575 877	745 774	392 801	188 313
Due to customers	7 377 922	8 211 775	1 839 009	2 073 523
Loans and credit facilities received	7 073 675	7 163 459	1 763 173	1 808 817
Own equity	1 355 460	1 335 101	337 860	337 121
Ratios				
Number of shares	24 123 506	24 123 506	-	-
Book value per share (in PLN / EUR)	56,19	55,34	14,01	13,97
Diluted book value per share (w PLN / EUR)	56,19	55,34	14,01	13,97
Capital adequacy				
Capital adequacy ratio	13,76%	13,52%	-	-

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

- particular assets and liabilities items in the balance sheet and book value per share as at the end of the first quarter of 2011 have been converted into EUR at the mid-rate binding as at 31 March 2011 published by the National Bank of Poland on 31 March 2011, i.e. EUR 1 = PLN 4.0119; comparative financial data as at the end of 2010 have been converted into EUR at the mid-rate binding as at 31 December 2010, i.e., PLN 3.9835, published by the National Bank of Poland on 31 December 2010, i.e. EUR 1 = PLN 3.9603;
- particular items in the income statement and cash flows, and earnings per share for the first quarter of 2011 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as at the last days of the months from January through March 2011, i.e. EUR 1 = PLN 3.9742, whereas comparative data for the end of the first quarter of 2010 were converted into EUR at the rate based on the arithmetic mean of mid rates determined by the National Bank of Poland as of the last days of the months from January through March 2010, i.e. EUR 1 = PLN 3.9669.

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

Consolidated Income Statement (in PLN thousand)	Notes	1.01.2011-31.03.2011	1.01.2010-31.03.2010
Interest income	Note 9.1	221 450	229 282
Interest expense	Nota 9.2	-82 751	-86 438
Net interest income		**138 699**	**142 844**
Fee and commission income	Note 9.3	44 377	52 740
Fee and commission expense	Nota 9.4	-10 563	-13 811
Net fee and commission income		**33 814**	**38 929**
Dividend and other investment income		-	68
Net trading income	Note 9.5	9 842	34 965
Net profit (loss) on hedging transactions	Note 9.6.1	-3 762	-
Net profit/loss on the hedged item	Note 9.6.2	3 762	-
Net gain/loss on available-for-sale financial assets		21	1 272
Other revenues		5 336	4 222
Total income, net		**187 712**	**222 300**
Personnel expenses		-62 849	-57 842
Depreciation of fixed assets and intangible fixed assets		-16 686	-20 773
Other expenses		-65 751	-67 564
Net impairment losses	Nota 9.7	-31 140	-72 454
Gross profit/loss		**11 286**	**3 667**
Income tax expense		-2 318	-2 211
Net profit/loss		**8 968**	**1 456**

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

Consolidated Earnings Per Share (in PLN)	Note 9.8		
Net profit/loss (in PLN thousand)		8 968	1 456
Weighted average number of ordinary shares		24 123 506	24 123 506
EPS ratio (in PLN)		0,37	0,06
Diluted weighted average number of ordinary shares		24 123 506	24 123 506
Diluted EPS ratio (in PLN)		0,37	0,06

Consolidated report of total income (in PLN thousand)	1.01.2011-31.03.2011	1.01.2010-31.03.2010
Net profit (loss) for the year	**8 968**	**1 456**
Profits / losses not recognised in income statement (investments available for sale)	-5 096	21 456
Deferred tax - profits/losses not recognised in the income statement (investments available for sale)	968	-4 077
Profits / losses not recognised in income statement (investments available for sale) - net	**-4 128**	**17 379**
Net profits / losses recognised in income statement (investments available for sale)	-83	-1 576
Deferred tax – net profits/losses recognised in the income statement (investments available for sale)	16	299
Profits / losses recognised in income statement (investments available for sale) - net	**-67**	**-1 277**
Total income	**4 773**	**17 558**

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

Consolidated balance sheet (in PLN thousand)	Notes	31 March 2011	31 December 2010	31 March 2010
ASSETS				
Cash and cash equivalents	10.1.	243 708	1 172 870	1 137 042
Financial assets held for trading	10.2.1.	164 050	194 290	175 208
Due from banks	10.3.1.	191 735	159 013	232 653
Loans to customers	10.3.2.	13 186 173	13 151 131	13 282 983
Hedging instruments	11	14	-	-
Investments Available for Sale	10.4.	3 913 451	3 248 293	2 002 042
Other investments	10.5.	12	12	12
Property, Plant and Equipment		153 648	157 499	187 388
Intangible assets		23 470	23 673	31 201
Non-current assets held for sale		4 785	4 785	-
Settlements on account of income tax		81 729	84 015	45 358
Deferred tax assets		231 679	215 280	239 627
Other assets	10.6.	159 573	128 215	174 728
Total assets		**18 354 027**	**18 539 076**	**17 508 242**
LIABILITIES				
Financial liabilities held for trading	10.2.2.	71 652	97 699	182 172
Due to banks	10.7.1.	1 575 877	745 774	603 157
Due to customers	10.7.2.	7 364 736	8 195 268	8 079 699
Loans and credit facilities received	10.7.3.	7 073 675	7 163 459	6 302 455
Hedging instruments	11	3 055	-	-
Differences from the fair value hedge against interest rate risk falling on hedged items	11	-3 762	-	-
Liabilities related to issuance of debt securities		-	30 000	30 000
Subordinated liabilities		541 428	565 236	553 464
Current tax liabilities		137	92	112
Other liabilities	10.8.	351 334	386 046	308 043
Rezerwy		21 877	21 419	62 948
Total liabilities		**17 000 009**	**17 204 993**	**16 122 050**
EQUITY CAPITAL				
Share capital		1 206 175	1 206 175	1 206 175
Additional capital		124 810	124 810	554 446
Transfer from BNP Paribas SA Branch		-62 848	-78 010	-
Other capital		45 685	45 685	45 685
Revaluation reserve		-11 051	-6 856	7 361
Retained earnings		42 279	705	-428 931
Net profit (loss) for the year		8 968	41 574	1 456
Total equity		**1 354 018**	**1 334 083**	**1 386 192**
Total liabilities and equity		**18 354 027**	**18 539 076**	**17 508 242**

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

Consolidated Statement of Changes in Shareholders' Equity for the first quarter of 2010 (in PLN thousand)							
	Share capital	**Additional capital**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 Jan 2010	**1 206 175**	**554 446**	**-428 931**	**-**	**45 685**	**-8 741**	**1 368 634**
Total income for the first quarter of 2010	-	-	-	1 456	-	16 102	17 558
Balance as at 31 March 2010	**1 206 175**	**554 446**	**-428 931**	**1 456**	**45 685**	**7 361**	**1 386 192**

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

Consolidated Statement of Changes in Shareholders' Equity for the first quarter of 2011 (in PLN thousand)								
	Share capital	**Additional capital**	**Transfer from BNP Paribas SA Branch**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 Jan 2011	**1 206 175**	**124 810**	**-78 010**	**42 279**	**-**	**45 685**	**-6 856**	**1 334 083**
Total income in 2011	-	-	-	-	8 968	-	-4 195	4 773
Others	-	-	15 162	-	-	-	-	15 162
Balance as at 31 March 2011	**1 206 175**	**124 810**	**-62 848**	**42 279**	**8 968**	**45 685**	**-11 051**	**1 354 018**

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

Consolidated Cash Flow Statement (in PLN thousand)	**1.01.2011-31.03.2011**	**1.01.2010-31.12.2010**	**1.01.2010-31.03.2010**
Cash and cash equivalents, gross, opening balance	**1 173 607**	**833 802**	**833 802**
Transfer from BNP Paribas SA Branch	-	**-229 861**	-
Total cash and cash equivalents, gross Opening balance	**1 173 607**	**603 941**	**833 802**
Gross profit/loss	**11 286**	**57 463**	**3 667**
Adjustments for:	**-210 051**	**323 089**	**-327 073**
Depreciation	16 686	76 031	20 773
Impairment losses	30 936	177 519	60 176
Profits/losses on investing activities	961	22 290	11 773
Changes in operational assets and liabilities:	-257 416	86 129	-408 977
- financial assets and liabilities held for trading	4 193	396 240	499 795
- due from banks	-32 722	1 414 241	1 340 601
- loans to customers	-62 736	676 668	465 623
- change in the balance of available-for-sale investments	-7 482	-6 485	4 236
- change in the other investments	-	-	-
- due to banks	830 103	-1 271 406	-1 407 998
- due to customers	-830 532	-1 262 562	-1 146 628
- change in the balance of assets and liabilities on account of applying fair value hedge accounting	-720	-	-
- liabilities due on account of credit facilities and loans received	-95 435	-82 915	-102 166
- liabilities due on account of a subordinated loan	6 192	-17 748	-29 520
- other assets and liabilities	-68 277	240 096	-32 920
Income tax	-1 218	-38 880	-10 818
Net operating cash flows	**-198 765**	**380 552**	**-323 406**
Purchase of available-for-sale investments	-16 311 024	-41 327 825	-7 656 890
Purchase of property, plant and equipment and intangible fixed assets	-13 934	-41 971	-12 013
Proceeds from sales of available-for-sale investments	15 649 148	40 873 805	8 452 556
Proceeds from sales of property, plant and equipment	111	1 697	-
Other investment expenses	-164	-2 073	-335
Net cash provided by investing activities	**-675 863**	**-496 367**	**783 318**
Payment of subordinated liabilities	-60 000	-	**-**
Loans and credit facilities taken	797 710	2 257 080	1 158 045
Repayment of loans and credit facilities	-792 060	-1 571 599	-1 314 317
Net cash provided by (used in) financing activities	**-54 350**	**685 481**	**-156 272**
Cash and cash equivalents, gross Ending balance	**244 629**	**1 173 607**	**1 137 442**
Change in cash and cash equivalents, net	**-928 978**	**569 666**	**303 640**

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

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

3. Quarterly Financial Information – Separate Financial Data of BNP Paribas Bank Polska SA

Income statement (in PLN thousand)	**1.01.2011-31.03.2011**	**1.01.2010-31.03.2010**
Interest income	221 450	229 282
Interest expense	-82 889	-86 611
Net interest income	**138 561**	**142 671**
Fee and commission income	43 760	52 085
Fee and commission expense	-10 534	-13 620
Net fee and commission income	**33 226**	**38 465**
Dividend and other investment income	-	-
Net trading income	9 842	34 965
Net profit (loss) on hedging transactions	-3 762	-
Net profit/loss on the hedged item	3 762	-
Net gain/loss on available-for-sale financial assets	21	1 272
Other revenues	5 331	4 218
Total income, net	**186 981**	**221 591**
Personnel expenses	-62 079	-57 169
Depreciation of fixed assets and intangible fixed assets	-16 648	-20 717
Other expenses	-65 398	-67 299
Net impairment losses	-31 140	-72 454
Gross profit/loss	**11 716**	**3 952**
Income tax expense	-2 318	-2 226
Net profit/loss	**9 398**	**1 726**

Consolidated report of total income (in PLN thousand)	**1.01.2011-31.03.2011**	**1.01.2010-31.03.2010**
Net profit (loss) for the year	**9 398**	**1 726**
Profits/losses not recognised in the income statement (investments available for sale)	-5 104	21 456
Deferred tax - Profits/losses not recognised in the income statement (investments available for sale)	970	-4 077
Profits/losses not recognised in the income statement (investments available for sale) - net	**-4 134**	**17 379**
Net profits/losses recognised in the income statement (investments available for sale)	-83	-1 576
Deferred tax - Net profits/losses recognised in the income statement (investments available for sale)	16	299
Profits/losses recognised in the income statement (investments available for sale) - net	**-67**	**-1 277**
Total income	**5 197**	**17 828**

Balance sheet (in PLN thousand)	31 March 2011	31 December 2010	31 March 2010
ASSETS			
Cash and cash equivalents	243 688	1 172 860	1 137 042
Financial assets held for trading	164 050	194 290	175 208
Due from banks	191 735	159 013	232 653
Loans to customers	13 186 173	13 151 131	13 282 984
Hedging instruments	14	-	-
Investments – Available for Sale	3 909 976	3 247 825	2 002 000
Other investments	18 208	18 208	18 208
Property, Plant and Equipment	153 512	157 348	187 131
Intangible assets	23 459	23 659	31 166
Non-current assets held for sale	4 785	4 785	-
Settlements on account of income tax	81 729	84 015	45 358
Deferred tax assets	231 622	215 222	239 492
Other assets	159 249	127 879	174 470
Total assets	**18 368 200**	**18 556 235**	**17 525 712**
LIABILITIES			
Financial liabilities held for trading	71 652	97 699	182 172
Due to banks	1 575 877	745 774	603 157
Due to customers	7 377 922	8 211 775	8 097 336
Loans and credit facilities received	7 073 675	7 163 459	6 302 455
Hedging instruments	3 055	-	-
Differences from the fair value hedge against interest rate risk falling on hedged items	-3 762	-	-
Liabilities related to issuance of debt securities	-	30 000	30 000
Subordinated liabilities	541 428	565 236	553 464
Current tax liabilities	-	-	-
Other liabilities	351 016	385 772	307 518
Provisions	21 877	21 419	62 948
Total liabilities	**17 012 740**	**17 221 134**	**16 139 050**
EQUITY CAPITAL			
Share capital	1 206 175	1 206 175	1 206 175
Additional capital	125 745	125 745	554 415
Transfer from BNP Paribas SA Branch	-62 848	-78 010	-
Other capital	45 639	45 639	45 639
Revaluation reserve	-11 305	-7 104	7 377
Retained earnings	42 656	-	-428 670
Net profit (loss) for the year	9 398	42 656	1 726
Total equity	**1 355 460**	**1 335 101**	**1 386 662**
Total liabilities and equity	**18 368 200**	**18 556 235**	**17 525 712**

Consolidated Statement of Changes in Shareholders' Equity for the first quarter of 2010 (in PLN thousand)							
	Share capital	**Additional capital**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 Jan 2010	**1 206 175**	**554 415**	**-428 670**	**-**	**45 639**	**-8 725**	**1 368 834**
Total income for the first quarter of 2010	-	-	-	1 726	-	16 102	17 828
Balance as at 31/03/2010	**1 206 175**	**554 415**	**-428 670**	**1 726**	**45 639**	**7 377**	**1 386 662**

Statement of Changes in Shareholders' Equity in 2010 (in PLN thousand)								
	Share capital	**Additional capital**	**Transfer from BNP Paribas SA Branch**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 Jan 2010	**1 206 175**	**554 415**	**-**	**-428 670**	**-**	**45 639**	**-8 725**	**1 368 834**
Total income in 2010	-	-	-	-	42 656	-	1 621	44 277
Distribution of retained earnings	-	-428 670	-	428 670	-	-	-	-
Others	-	-	-78 010	-	-	-	-	-78 010
Balance as at 31/12/2010	**1 206 175**	**125 745**	**-78 010**	**-**	**42 656**	**45 639**	**-7 104**	**1 335 101**

Statement of Changes in Shareholders' Equity for the first quarter of 2011 (in PLN thousand)								
	Share capital	**Additional capital**	**Transfer from BNP Paribas SA Branch**	**Retained earnings**	**Net profit (loss) for the year**	**Other capital**	**Revaluation reserve**	**Total capital**
Balance as at 1 Jan 2011	**1 206 175**	**125 745**	**-78 010**	**42 656**	**-**	**45 639**	**-7 104**	**1 335 101**
Total income for the first quarter of 2011	-	-	-	-	9 398	-	-4 201	5 197
Others	-	-	15 162	-	-	-	-	15 162
Balance as at 31/03/2011	**1 206 175**	**125 745**	**-62 848**	**42 656**	**9 398**	**45 639**	**-11 305**	**1 355 460**

Cash Flow Statement (in PLN thousand)	**1.01.2011-31.03.2011**	**1.01.2010-31.12.2010**	**1.01.2010-31.03.2010**
Cash and cash equivalents, gross Opening balance	**1 173 597**	**833 802**	**833 802**
Transfer from BNP Paribas SA Branch	**-**	**-229 861**	**-**
Adjusted cash and cash equivalents, gross, opening balance	**1 173 597**	**603 941**	**833 802**
Gross profit/loss	**11 716**	**58 545**	**3 952**
Adjustments for:	**-213 510**	**321 878**	**-327 358**
Depreciation	16 648	75 829	20 717
Impairment losses	30 936	177 519	60 176
Profits/losses on account of FX rate differences	-	-	-
Profits/losses on investing activities	961	22 290	11 773
Changes in operational assets and liabilities:	-260 784	85 105	-409 201
- financial assets and liabilities held for trading	4 193	396 240	499 795
- due from banks	-32 722	1 414 241	1 340 601
- loans to customers	-62 736	676 668	465 622
- change in the balance of available-for-sale investments	-7 475	-6 485	4 236
- change in the other investments	-	-	-
- due to banks	830 103	-1 271 406	-1 407 997
- due to customers	-833 853	-1 263 824	-1 146 760
- change in the balance of assets and liabilities on account of applying fair value hedge accounting	-720	-	-
- liabilities due on account of credit facilities and loans received	-95 435	-82 915	-102 166
- liabilities due on account of a subordinated loan	6 192	-17 748	-29 520
- other assets and liabilities	-68 331	240 334	-33 012
Income tax	-1 271	-38 865	-10 823
Net operating cash flows	**-201 794**	**380 423**	**-323 406**
Purchase of available-for-sale investments	-16 308 024	-41 327 725	-7 656 890
Purchase of property, plant and equipment and intangible fixed assets	-13 915	-41 952	-12 013
Proceeds from sales of available-for-sale investments	15 649 148	40 873 805	8 452 556
Proceeds from sales of property, plant and equipment	111	1 697	-
Other investment expenses	-164	-2 073	-335
Net cash provided by investing activities	**-672 844**	**-496 248**	**783 318**
Payment of subordinated liabilities	-60 000	-	**-**
Loans and credit facilities taken	797 710	2 257 080	1 158 045
Repayment of loans and credit facilities	-792 060	-1 571 599	-1 314 317
Net cash provided by (used in) financing activities	**-54 350**	**685 481**	**-156 272**
Cash and cash equivalents, gross Ending balance	**244 609**	**1 173 597**	**1 137 442**
Change in cash and cash equivalents, gross	**-928 988**	**569 656**	**303 640**

Cash Flow Statement is prepared using an indirect method.

4. The Key Factors Affecting Consolidated Performance of BNP Paribas Bank Polska SA Group as at the End of the First Quarter of 2011.

Financial Results

Income statement (in PLN thousand)	**1.01.2011-31.03.2011**	**1.01.2010-31.03.2010**	**Change**
Net interest income	138 699	142 844	-3%
Net fee and commission income	33 814	38 929	-17%
Net trading income	9 842	34 965	-72%
Personnel expenses	-62 849	-57 842	9%
Other expenses	-65 751	-67 564	-3%
Gross profit/loss	**11 286**	**3 667**	**208%**
Net profit/loss	**8 968**	**1 456**	**516%**

Financial Highlights

	31 March 2011	**31 December 2010**	**Change**
Total assets (in PLN thousand)	**18 354 027**	**18 539 076**	**-1%**
Loans to customers	13 186 173	13 151 131	0,3%
Due to customers	7 364 736	8 195 268	-10%
Total equity	1 354 018	1 334 083	1,5%

Financial ratios (%)

	31 March 2011	**31 December 2010**	**31 March 2010**
Capital adequacy ratio	13,87%	13.64%	14,06%
Return on assets (ROA)*	0,19	0,23	0,03
Return on equity (ROE)*	2,67	3,04	0,45
Net interest margin*	2,97	3,17	2,82

*These ratios were calculated as follows:

Return on assets (ROA)	Net profit/loss / average assets as at the end of four subsequent quarters
Return on equity (ROE)	Net profit/loss / average equity as at the end of four subsequent quarters
Net interest margin	Net interest income / average assets as at the end of four subsequent quarters

After the first quarter of 2011, the consolidated net profit of the Group of BNP Paribas Bank Polska SA stood at PLN 8,968 thousand, that is, it was higher by PLN 7,512 thousand or 516% than in the first quarter of 2010. The improvement was chiefly attributable to much lower net impairment losses for credit receivables.

The financial statements as at the end of the first quarter of 2011 are consolidated statements that include the data of the Bank and its subsidiary, TFI Fortis Private Investments SA. Through the subsidiary's activity, the Group manages and administers assets maintained in investment funds and in other investment products. The income earned by TFI Fortis Private Investments SA on account of asset management reached PLN 731 thousand after the first quarter of 2011, while its net loss stood at PLN 430 thousand.

As at the end of the first quarter of 2011, the Group's consolidated total assets amounted to PLN 18,354,027 thousand and were lower by PLN 185,049 thousand or 1% than as at the end of the previous year.

Net loans to customers of PLN 13,186,173 thousand, i.e. at the level similar to the one recorded at the end of December 2010, constitute the primary item of the asset structure. As at the end of the first quarter of 2011, their share in total assets was 72%. Foreign currency receivables accounted for 47% of net loans to customers.

Commercial loans granted to enterprises prevailed in the gross loans to customers. As at the end of the first quarter of 2011 their share was 50% compared to 49% as at the end of 2010. The commercial loan value increased over the end of December 2010 by PLN 159,919 thousand or 2% to reach PLN 7,190,297 thousand.

As at the end of the first quarter 2011, mortgage loans amounted to PLN 4,963,344 thousand, which was less by PLN 88,150 thousand or 2% than as at the end of December 2010. The decrease concerned foreign currency loans and was primarily attributable to a PLN appreciation against CHF (CHF mortgage loans made up 82% of the total mortgage loan portfolio as at the end of March 2011). PLN mortgage loans recorded an increase by PLN 69,626 thousand or 9%. The mortgage loan share in the total gross loans to customers was 34% as at the end of March 2011, as compared to 35% recorded as at the end of December 2010.

PLN loans hold the biggest share in the gross loan volume and constitute 56% of the total volume of loans. Their value as at the end of the first quarter of 2011 stood at PLN 8,062,216 thousand and was higher by 3% than the value noted as at the end of 2010.

Loans granted in CHF (in PLN equivalent) as at the end of the first quarter of 2011 reached PLN 4,275,154 thousand and were by lower 4% than at the end of 2010. A significant part of the decrease resulted from changes in the CHF exchange rate. Having excluded the exchange rate changes, the CHF loans decreased by 1% in comparison to the end of 2010. As at the end of the first quarter of 2011, such loans made up 30% of total gross loans, as compared to 31% recorded as at the end of December 2010.

As at the end of the first quarter of 2011, the portfolio of loans granted in EUR (in PLN equivalent) amounted to

PLN 2,039,485 thousand and was at the level similar to the one reported at the end of December 2010. The share of such loans in the total gross loans was 14%.

The value of impairment losses and IBNR totalled PLN 1,263,231 thousand as at the end of the first quarter of 2011, as compared to PLN 1,235,537 thousand recorded at the end of December 2010.

Due from banks increased by PLN 32,722 thousand or 21% as at the end of the first quarter of 2011 in comparison to the balance noted at the end of the previous year (i.e. from PLN 159,013 thousand to PLN 191,735 thousand).

As at the end of the first quarter of 2011, financial assets held-for-trading went down by 16% in comparison to the balance as at the end of 2010, i.e. by PLN 30,240 thousand and reached PLN 164,050 thousand. The decrease concerned derivative financial instruments, whose share in the portfolio of financial assets held for trading went down from 53% reported as at the end of December 2010, to 44%.

Cash and cash equivalents decreased in comparison to the balance as at the end of December 2010 by 79%, i.e. by PLN 929,162 thousand. Their share in the structure of total assets decreased from 6% recorded as at the end of 2010 down to 1% noted at the end of the first quarter of 2011.

As at the end of the first quarter of 2011, available-for-sale investments reached PLN 3,913,451 thousand which means growth by PLN 665,158 thousand or 20% over the balance of the end of December 2010, chiefly due to the Treasury bond portfolio growth by 35%. The share of such investments in the structure of total assets grew from 18% recorded as at the end of 2010 up to 21% at the end of the first quarter of 2011.

In the structure of liabilities, due to customers prevail, whose amount as at the end of the first quarter of 2011 stood at PLN 7,364,736 thousand and decreased by PLN 830,532 thousand or 10% as compared to the end of December 2010. Their share in total liabilities dropped from 44% as at the end of December 2010 to 40%. The decrease was chiefly attributable to an outflow of short-term deposits of several large corporate customers of the Bank, as a result of their business cycle. On the other hand, current deposit balances increased (by PLN 304,916 thousand or 12%), mainly thanks to dynamic growth of savings accounts.

In the structure of due to customers, term deposits continue to prevail and at the end of the first quarter of 2011, they amounted to PLN 4,312,408 thousand, representing 60% of all customer deposits (and 59% of all liabilities due to customers as compared to 66% as at the end of December 2010). Such deposits decreased in comparison to the balance as at the end of December 2010 by 21%, i.e. by PLN 1,128,585 thousand. Current deposits reached PLN 2,884,290 thousand as at the end of the first quarter of 2011, which makes up 39% of the total due to customers (as compared to 31% recorded as at the end of December 2010). 85% of all customer deposits are denominated in PLN.

Loans and credit facilities received are the second biggest item in the structure of liabilities. Their volume stood at PLN 7,073,675 thousand as at the end of the first quarter of 2011 and was lower by 1%, i.e. PLN 89,784 thousand than at the end of December 2010. As at the end of the first quarter of 2011, the share of loans and credit facilities received stood at 39% of total liabilities.

The share of due to banks in total liabilities increased from 4% at the end of December 2010 to 9% at the end of the first quarter of 2011. The value of due to banks amounted to PLN 1,575,877 thousand as at the end of the first quarter, which means growth in comparison to the end of 2010 by PLN 830,103 thousand or 111%, predominantly as a result of an increase in the volume of banks' term deposits.

The share of subordinated liabilities stood at 3% as at the end of the first quarter of 2011, similar as the level reported at the end of December 2010. Their value went down in comparison to the end of 2010 by 4%, i.e. down to PLN 541,428 thousand, in effect of an earlier redemption of subordinated bonds issued in the amount of PLN 30 million.

The share of held-for-trading financial liabilities was less than 1% of total liabilities as at the end of the first quarter of 2011 and remained at the level recorded at the end of December 2010.

As at the end of the first quarter of 2011, the level of provisions was similar to the one recorded as at the end of 2010 and amounted to PLN 21,877 thousand. The item comprises provisions for off-balance sheet commitments, legal risk reserves, office sub-lease reserve and IBNR.

As at the end of the first quarter of 2011, the equity capital of the Group amounted to PLN 1,354,018 thousand, i.e. was higher by 1% than as at the end of December 2010. The equity capital accounted for 7% of total liabilities as at the end of both periods.

A significant item of the income statement is the net interest income which in the first quarter of 2011 reached PLN 138,699 thousand and was lower by 3% or PLN 4,145 thousand than in the first quarter of 2010.

The interest income consists of the interest on account of:

- Cash and cash equivalents: PLN 3,198 thousand,
- Due from banks: PLN 779 thousand,

- Available-for-sale investments: PLN 44,066 thousand,
- Loans to customers: PLN 171,301 thousand,
- Held-for-trading securities: PLN 962 thousand,
- Hedging derivative instruments: PLN 1,037 thousand.

The interest expenses include in particular the interest on account of:

- Due to Customers: PLN 48,999 thousand,
- Loans and credit facilities received: PLN 18,262 thousand,
- Due to banks: PLN 9,232 thousand,
- Subordinated liabilities: PLN 5,057 thousand.

In connection with an introduction of hedge accounting, in the first quarter of 2011, the Group earned net interest income of PLN 706 thousand on hedging and hedged instruments.

In the first quarter of 2011, the Group generated net fee and commission income of PLN 33,814 thousand, i.e. a decrease by 13% as compared to the corresponding period of the previous year.

Fee and commission income stood at PLN 44,377 thousand in the first quarter of 2011 and was lower by PLN 8,363 thousand or 16% than in the first quarter of the previous year. The income includes in particular:

- fees and commissions for cash settlements services: PLN 13,640 thousand,
- Fees and commissions related to the sale of insurance products: PLN 7,346 thousand,
- fees and commissions related to granting loans: PLN 5,422 thousand,
- card transactions income: PLN 4,198 thousand,
- fees and commissions related to guarantees and contingent liabilities: PLN 4,877 thousand.

Fee and commission expenses in the first quarter of 2011 stood at PLN 10,563 thousand and were lower by PLN 3,248 thousand or 24% than in the first quarter of the previous year.

The fee and commission expenses include in particular the following items:

- card related expenses: PLN 2,083 thousand,
- Fee and commission income related to the franchisee branch network: PLN 2,752 thousand.

As at the end of the first quarter of 2011, the net trading income amounted to PLN 9,842 thousand, which in comparison to the result generated in the first quarter of 2010 means a decrease by PLN 25,123 thousand (72%). The net trading income deterioration resulted from a materially lower amount of released fair value adjustments for credit risk related to derivative transactions entered into with the Group's customers (PLN 1,456 thousand versus PLN 19,175 thousand in the first quarter of 2010) due to the fact that the major part of the transactions made in previous years was already settled or restructured. Furthermore, the net profit of the first quarter of 2011 was adversely affected by high negative forward points (higher by approx. PLN 5,950 thousand than in the first quarter of 2010) resulting from higher volumes of foreign currency swaps and a negative result on account of the purchase, sale and measurement of held-for-trading securities, which after the first quarter of 2011 was PLN (170) thousand as compared to PLN 1,984 thousand earned in the corresponding period of 2010.

Personal costs of the Group reached PLN 62,849 thousand in the first quarter of 2011 and were higher by PLN 5,007 thousand or 9% than in the corresponding period of the previous year, both due to a higher average FTE number in 2011 and a positive difference between the released reserve for employment restructuring and the severance pay costs, which reduced the expenses in the first quarter of 2010.

The depreciation of fixed and intangible assets amounted to PLN 16,686 thousand in the first quarter of 2011 which in comparison to the corresponding period of 2010 means a decrease by PLN 4,087 thousand or 20%.

In the first quarter of 2011, net impairment losses amounted to PLN (31,140) thousand as compared to PLN (72,454) thousand in the corresponding period of 2010. Net impairment losses were in 84% attributable to customers of the Retail Banking Business Line. The remaining 16% concerned corporate customers of the Corporate and Transaction Banking BL, whose impairment losses dropped by 89% as compared to the first quarter of 2010.

5. Information on BNP Paribas Bank Polska SA Group

Basic data on the Issuer

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

The Bank was assigned statistical number (REGON) 00391597, and tax identification number□(NIP) 676-007-83-01.

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

The consolidated financial statements of BNP Paribas Bank Polska SA Capital Group for the first quarter of 2010 contains the data of the Bank and of its subsidiary, Fortis Private Investments S.A. (jointly referred to as "the Group").

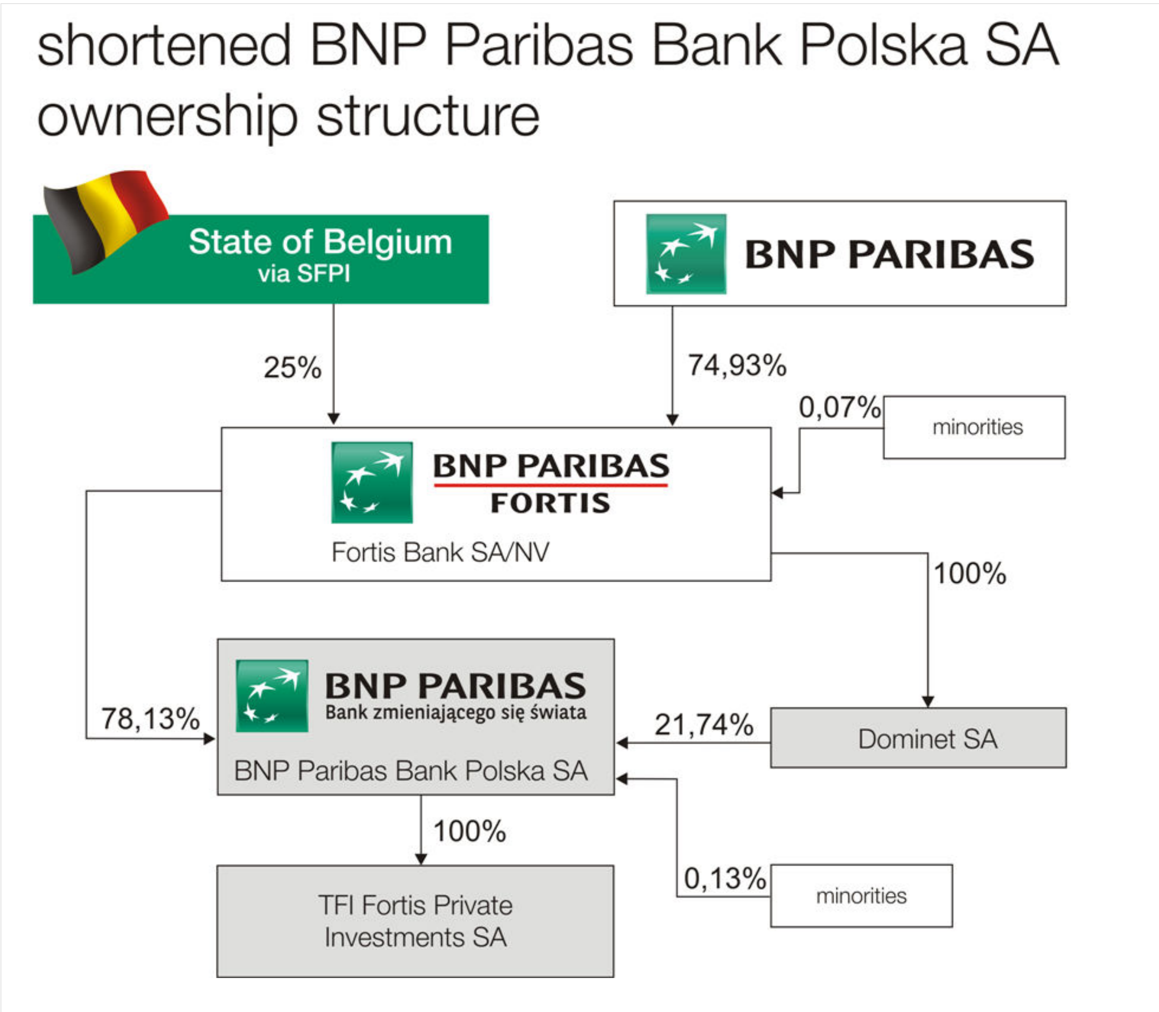
Structure of the Group

In the first quarter of 2011 and as at the report submission date (i.e. 11 May 2011), the structure of BNP Paribas Bank Polska SA Group has not changed.

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

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

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



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

Towarzystwo Funduszy Inwestycyjnych Fortis Private Investments SA with its registered office in Warsaw, ul. Fredry 8, is entered into the National Court Register maintained by the District Court for the capital city of Warsaw, XII Commercial and Registration Department of the National Court Register, under KRS no. 0000031121. The company was assigned statistical number (REGON) 012557199, and tax identification number (NIP) 526-02-10-808.

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

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

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

Field of the Group's business activity:

The Group's business activity includes banking transactions both in Polish zlotys and foreign currencies for domestic and foreign private individuals and legal persons and other organizations without legal personality, likewise brokerage activities.

The Bank's business activity consists, in particular, of the following:

- accepting deposits due on demand and/or in fixed date and maintaining bank accounts for such deposits,
- maintaining other bank accounts,
- granting credits and loans, including consumer credits and loans,
- carrying out bank pecuniary settlements, including payment card settlements, likewise payment card issuance,
- issuing and confirming bank guarantees, granting sureties, likewise opening and confirming L/Cs,
- issuing securities, including convertible bonds and banking securities, likewise carrying out commissioned tasks, and assuming obligations related to the issuance of securities,
- participating in trading in financial instruments, including maintaining securities custody accounts,
- conducting operations on money and FX markets including forward and derivative instrument transactions,
- conducting check and bill-of-exchange operations and warrant transactions,
- purchasing and selling cash debts,
- purchasing and selling foreign currencies,
- safekeeping valuables and securities, likewise rendering safe-deposit boxes available,
- providing the following financial services:
    - consulting services on financial issues,
    - custody services,
    - leasing services,
    - brokerage activity,
- conducting commission sale in favour of open pension funds and safekeeping pension funds' assets,
- providing agency services related to the distribution of participation units, investment certificates or participation titles to investment funds, likewise agency services related to their sale and redemption, or

safekeeping of investment funds' assets,

- providing agency services related to property insurance,
- intermediating within the scope of personal insurance, including life insurance,
- rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by banks with regard to actions to which they are parties to,
- acting as an agent in making money transfers and FX settlements,
- issuance of electronic money instrument.

In addition to the above, the Group runs the following business through its subsidiary:

- establishment of investment funds and their management;
- intermediation in distribution and redemption of participation units in investment funds and participation titles to foreign investment funds;
- management of portfolios that consist of one or more financial instruments.

6. Accounting Policies

6.1 Basis of presentation

6.1.1 Statement on consistency with the IFRS

These consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) published in the Commission Regulation (EC) no. 1725/2003 of 29 September 2003 as amended, and in the scope not regulated by the above standards, pursuant to the Accounting Act of 29 September 1994 (Journal of Laws of 2002 No. 76, item 694, as amended) and administrative acts based thereon, likewise in accordance with requirements set out in the Ministry of Finance Ordinance dated 19 February 2009, regarding current and periodical information submitted by issuers of securities and conditions of recognising as equivalent the information required by law provisions of a country that is not a EU Member State (Journal of Laws of 2009 No. 33, item 260).

These financial statements were approved for publishing by the Bank Board of Executives. New standards and interpretations, likewise amendments to standards or interpretations, which have not been binding yet and have not been applied earlier by the Group.

The following standards (interpretations) issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) were not in force yet as at 31 March 2011:

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

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

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

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

6.2 Basic assumptions

The consolidated financial statements of the Group for the quarter ended 31 March 2011 were prepared assuming the continuation of the Group's business in the foreseeable future.

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

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

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

6.3 Comparative data

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

6.4 Consolidation basis

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

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

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

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

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

The Group's entities apply the uniform accounting standards.

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

6.5 Accounting Estimates

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

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

6.6.1 Fair value

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

[1] Detailed rules of determining fair value are presented in Chapter "Fair value of financial instruments".

6.6.2 Impairment losses

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

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

6.6.3 Impairment losses of non-financial assets

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

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

6.6.4 Useful lives and residual values

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

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

6.6.5 Other accounting estimates

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

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

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

6.6 Foreign currencies

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

6.7 Financial assets and liabilities

6.7.1 Rules of Balance Sheet Recognition and Derecognition of Financial Assets and Liabilities

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

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

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

[2] Detailed rules of determining impairment provisions are included in Chapter "Impairment of assets – financial assets."

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

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

6.7.2 Classification and measurement

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

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

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

6.7.3 The Group classifies financial instruments into the following categories:

Loans and receivables

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

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

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

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

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

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

Investments held to maturity

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

Financial assets measured to fair value through profit or loss

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

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

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

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

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

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

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

a) held-for-trading securities,

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

<u>Financial assets available for sale</u>

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

a) loans and receivables,

b) investments held to maturity,

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

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

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

<u>Financial liabilities measured to fair value through profit or loss.</u>

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

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

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

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

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

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

b) liabilities on account of short sale of securities.

<u>Other financial liabilities.</u>

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

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

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

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

a) liabilities due to banks;

b) liabilities due to customers;

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

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

6.7.4 Fair value of financial instruments

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

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

Valuation techniques include:

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

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

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

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

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

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

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

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

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

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

6.7.5 Reclassification of financial instruments

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

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

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

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

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

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

6.8 Offsetting financial instruments

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

The Group made no setoff referred to above.

6.9 Sale and Repurchase Agreements and Lending/Borrowing Securities

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

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

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

6.10 Derivative Instruments

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

Derivative instruments in the Group include the following transactions:

IRS Contracts

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

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

FX Forward Contracts

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

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

FX Swap Contracts

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

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

Interest Rate Options

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

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

FX Options

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

FRA Contracts

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

CIRS Contracts

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

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

OIS Contracts

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

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

Futures contracts

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

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

6.11 Embedded derivatives

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

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

6.12 Asset Impairment

6.12.1 Financial assets

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

As at each balance sheet date, the Group makes an assessment whether there is any objective evidence of impairment of a financial asset (or group of financial assets).

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

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

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

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

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

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

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

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

6.12.2 Non-financial assets

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

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

The recoverable value is the higher of the following:

- the fair value less cost to sell, and
- the value in use.

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

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

6.13 Cash and cash equivalents

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

6.14 Due from Banks and Loans to Customers

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

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

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

Rules governing impairment estimation are presented above.

6.15 Property, Plant and Equipment

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

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

Any impairment loss identified is recognised in the income statement.

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

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

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

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

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

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

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

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

6.16 Non-current assets held for sale

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

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

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

6.17 Intangible Assets

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

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

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

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

Any impairment loss identified is recognised in the income statement.

The useful life of intangible assets is determined for:

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

6.18 Due to Customers

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

6.19 Employee Benefits

6.19.1 Long-term employee benefits

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

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

6.19.2 Long-term employee benefits

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

6.19.3 Benefits on account of work relationship termination

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

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

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

6.20 Provisions

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

The Group recognises provisions in the balance sheet, when:

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

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

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

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

6.21 Contingent Liabilities - Off-balance Sheet Commitments

Contingent liabilities are:

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

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

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

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

6.22 Equity Capital

6.22.1 Definition

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

6.22.2 Equity capital items

Share capital

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

Additional capital

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

Other capital

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

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

Revaluation reserve

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

Retained earnings

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

Net profit (loss) for the year

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

6.22.3 Costs of transactions related with operations in equity capital

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

6.22.4 Dividends on ordinary shares

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

6.23 Earnings per share

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

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

6.24 Interest Income and Expense

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

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

6.25 Fees and Transaction Costs

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

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

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

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

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

6.26 Net Profit/Loss on Transactions in Financial Instruments

Net profit/loss on transactions in financial instruments includes:

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

6.27 Current And Deferred Income Tax

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

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

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

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

6.28. Government subsidies

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

6.30 Leasing

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

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

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

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

6.31 Segment Reporting

6.31.1 Operating segments

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

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

- Retail Banking Business Line (RB BL)
- Corporate and Transaction Banking (CTB)[3]
- Other banking activity

6.31.2 Geographical segments

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

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

6.32 Hedge accounting

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

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

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

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

As at 31 March 2011, a replication model was used to define a hedging relationship for a hedged item that included a portfolio of liabilities related to current accounts.

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

Changes in the fair value of a hedging instrument are also recognised in the income statement.

[3] Under the decision of the Board of Executives, the segment name was changed from Enterprise and Transaction Banking into Corporate and Transaction Banking.

7. Comparability with Previously Published Reports

There have been changes made with respect to the manner of presentation of the data, published in the report for the first quarter of 2010 as at 31 March 2010 to ensure data comparability. The data are presented in PLN thousand.

Consolidated balance sheet as at 31 March 2010

Item	Report for the first quarter of 2011	Report for the first quarter of 2010	Difference	Change description
Other assets	174 728	174 895	-167	Change in presentation of settlements with customers
Due to customers	8 079 699	8 079 696	3	Current liabilities due to customers
Other liabilities	308 043	308 213	-3	Current liabilities due to customers
			167	Change in presentation of settlements with customers
Total changes			**-**	

Consolidated Cash Flow Statement for the period from 1 January to 31 March 2010

Item	Report for the first quarter of 2011	Report for the first quarter of 2010	Difference	Change description
Operating cash flows				
Due to customers	-1 146 628	-1 146 620	-8	Change in presentation of settlements with customers and current liabilities due to customers
Other assets and liabilities	-32 920	-32 928	8	

Consolidated Income Statement for the period from 1 January to 31 March 2010

Item	Report for the first quarter of 2011	Report for the first quarter of 2010	Difference	Change description
Fee and commission expense	-13 811	-12 886	-925	Transfer of fee and commission expense and costs related to the sale of insurance products from other expenses to fee and commission expense
Net fee and commission income	38 929	39 854	-925	
Total income, net	222 300	223 225	-925	
Other expenses	-67 564	-68 489	925	

8. Segment Reporting

Consolidated Income Statement by Business Segments in the First Quarter of 2010.

1 Jan 2010 - 31 March 2010 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Interest income (external)	136 989	57 917	34 376	229 282
Transfer prices expense (internal)	-74 425	-37 526	-82 461	-194 412
Interest expense (external)	-51 126	-19 477	-15 835	-86 438
Transfer prices income (internal)	63 329	26 974	104 109	194 412
Net interest income	**74 767**	**27 888**	**40 189**	**142 844**
Fee and commission income (external)	39 681	12 273	786	52 740
Fee and commission expense (external)	-13 407	-16	-388	-13 811
Net fee and commission income	**26 274**	**12 257**	**398**	**38 929**
Dividend and other investment income (external)	68	-	-	68
Net trading income (external)	8 561	18 378	8 026	34 965
Net profit /loss on hedging transactions (external)	-	-	-	-
Net profit/loss on the hedged item (external)	-	-	-	-
Net gain/loss on available-for-sale financial assets (external)	-	-	1 272	1 272
Other income (external)	2 948	1 180	94	4 222
Total income, net	**112 618**	**59 703**	**49 979**	**222 300**
Personnel expense (external)	-25 399	-1 779	-30 664	-57 842
Depreciation of fixed assets and intangible fixed assets (external)	-56	-	-20 717	-20 773
Other expenses (external)	-18 205	-1 618	-47 741	-67 564
Net impairment losses (external)	-29 488	-42 781	-185	-72 454
Costs allocation - rebilling (internal)	-88 427	-8 898	97 325	-
Gross profit/loss	**-48 957**	**4 627**	**47 997**	**3 667**
Income tax expense	27 428	-2 606	-27 033	-2 211
Net profit/loss	**-21 529**	**2 021**	**20 964**	**1 456**

Consolidated Income Statement by Business Segments in the First Quarter of 2011.

1 Jan 2010 - 31 March 2011 (in PLN thousand)	**Retail Banking**	**Corporate and Transaction Banking**	**Other Banking Activity**	**Total**
Interest income (external)	120 544	51 758	49 148	221 450
Transfer prices expense (internal)	-66 927	-36 355	-87 414	-190 696
Interest expense (external)	-33 027	-19 918	-29 806	-82 751
Transfer prices income (internal)	47 353	33 338	110 005	190 696
Net interest income	**67 943**	**28 823**	**41 933**	**138 699**
Fee and commission income (external)	28 910	15 134	333	44 377
Fee and commission expense (external)	-9 941	-241	-381	-10 563
Net fee and commission income	**18 969**	**14 893**	**-48**	**33 814**
Dividend and other investment income (external)	-	-	-	-
Net trading income (external)	6 734	14 397	-11 289	9 842
Net profit /loss on hedging transactions (external)	-	-	-3 762	-3 762
Net profit/loss on the hedged item (external)	-	-	3 762	3 762
Net gain/loss on available-for-sale financial assets (external)	-	-	21	21
Other income (external)	4 392	943	1	5 336
Total income, net	**98 038**	**59 056**	**30 618**	**187 712**
Personnel expense (external)	-29 700	-5 012	-28 137	-62 849
Depreciation of fixed assets and intangible fixed assets (external)	-38	-	-16 648	-16 686
Other expenses (external)	-16 119	-2 121	-47 511	-65 751
Net impairment losses (external)	-26 081	-4 875	-184	-31 140
Costs allocation - rebilling (internal)	-78 641	-12 122	90 763	-
Gross profit/loss	**-52 541**	**34 926**	**28 901**	**11 286**
Income tax expense	10 310	-6 910	-5 718	-2 318
Net profit/loss	**-42 231**	**28 016**	**23 183**	**8 968**

9. Additional Notes to Consolidated Income Statement

Below there is selected information on consolidated revenues and expenses of the Group in the first quarter of 2011 and comparative data for the first quarter of 2010.

Note 9.1 Interest income

(in PLN thousand)	1.01.2011-31.03.2011	1.01.2010-31.03.2010
Cash and cash equivalents	3 198	3 147
Due from banks	886	1 175
Investments available for sale	44 066	26 539
Loans to customers	171 301	194 077
Securities held for trading	962	4 344
Derivative hedging instruments	1 037	-
Total interest income	**221 450**	**229 282**

Note 9.2 Interest expense

(in PLN thousand)	1.01.2011-31.03.2011	1.01.2010-31.03.2010
Due to banks	- 9 232	-5 702
Due to customers	-48 999	-66 418
Loans and credit facilities received	-18 262	-8 339
Debt securities issue	-312	-386
Subordinated loans	-5 057	-5 187
Derivative hedging instruments	-331	-
Others	-558	-406
Total interest expense	**-82 751**	**-86 438**

Note 9.3 Fee and commission income

(in PLN thousand)	1.01.2011-31.03.2011	1.01.2010-31.03.2010
Custody services and securities trading	237	513
Cash settlements services	13 640	15 463
Guarantees and contingent liabilities	4 877	4 013
Loan origination fees and commissions (amortised using the straight-line method)	3 873	5 655
Loan origination fees and commissions (one-off items)	1 549	1 275
Fees and commissions related to derivative instrument buy/sell transactions	1 425	687
Income on account of agency in customer acquisition	131	325
Card related income	4 198	5 747
Insurance product sales revenues	7 346	11 764
Income on asset management	970	1 345
Others	6 131	5 953
Total fee and commission income	**44 377**	**52 740**

Note 9.4 Fee and commission expense

(in PLN thousand)	1.01.2011-31.03.2011	1.01.2010-31.03.2010
Custody services and securities trading	-54	-51
Card related expenses	-2 083	-3 759
Cash transactions expenses	-75	-4
Settlements	-339	-334
Fee and commission income related to the franchisee branch network	-2 752	-4 327
Expenses related to the sale of insurance products:	-589	-884
Others	-4 671	-4 452
Total fee and commission expenses	**-10 563**	**-13 811**

Note 9.5 Net trading income

(in PLN thousand)	1.01.2011-31.03.2011	1.01.2010-31.03.2010
Securities	-170	1 984
Derivative instruments	-6 065	-1 181
- fair value adjustment on account for credit risk of derivative instruments	1 456	19 175
Foreign exchange transactions	16 077	34 162
Total net trading income	**9 842**	**34 965**

Note 9.6.1 Net profit (loss) on hedging transactions

(in PLN thousand)	1.01.2011-31.03.2011	1.01.2010-31.03.2010
Change to fair value of hedging instruments	-3 762	-
Total net profit (loss) on hedging transactions	**-3 762**	**-**

Note 9.6.2 Net profit (loss) on hedged transactions

(in PLN thousand)	1.01.2011-31.03.2011	1.01.2010-31.03.2010
Change to fair value of hedged instruments	3 762	-
Total net profit (loss) on hedged transactions	**3 762**	**-**

Note 9.7 Net impairment losses

(in PLN thousand)	1.01.2011-31.03.2011	1.01.2010-31.03.2010
Cash and cash equivalents, net	-183	678
Due from banks, net	-	12
Loans to customers, net	-27 897	-68 362
Off-balance sheet commitments, net	-225	-7 280
Property, Plant and Equipment	-396	657
Intangible assets	-	2 202
Other assets, net	-2 212	-1 381
Other provisions, net	-227	1 020
Total impairment losses, net	**-31 140**	**-72 454**

Note 9.8 Consolidated Earnings/Loss Per Share

	1.01.2011 - 31.03.2011	1.01.2010 -31.03.2010
Number of shares as at 31 March	24 123 506	24 123 506
Weighted average number of ordinary shares	24 123 506	24 123 506
Net profit/loss of the period in PLN thousand	8 968	1 456
Earnings/Loss Per Ordinary Share ratio in PLN	0,37	0,06
Weighted average diluted number of potential ordinary shares	24 123 506	24 123 506
Diluted consolidated EPS ratio (PLN per share)	**0,37**	**0,06**

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

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

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

10. Additional Notes to Consolidated Balance Sheet

Note 10.1 Cash and cash equivalents

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Cash at hand	198 125	174 097	175 554
Due from the Central Bank	17 222	778 929	621 870
Short-term due from banks, including:	29 282	220 851	340 018
- Nostro accounts	29 282	75 340	10 383
- short-term deposits from banks	-	145 241	329 635
Cash and cash equivalents, gross	**244 629**	**1 173 607**	**1 137 442**
Impairment losses:	**-921**	**-737**	**-400**
- for Incurred But Not Reported losses (IBNR)	-921	-737	-400
Total cash and cash equivalents, net	**243 708**	**1 172 870**	**1 137 042**

Financial Assets and Liabilities Held for Trading

Note 10.2.1 Financial assets held for trading

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Held-for-trading securities, including:	**91 986**	**91 699**	**60 907**
- treasury bonds	91 986	91 699	60 907
- treasury bills	-	-	-
Derivative financial instruments, including:	**72 064**	**102 591**	**114 301**
- foreign currency contracts, including:	32 081	49 614	56 865
- fair value adjustment on account for credit risk	-3 724	-4 146	-15 417
- interest rate contracts	39 983	52 977	57 436
Total financial assets held for trading	**164 050**	**194 290**	**175 208**

Note 10.2.2 Financial liabilities held for trading

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Derivative financial instruments, including:	**71 652**	**97 699**	**182 172**
- foreign currency contracts	34 949	50 129	129 678
- interest rate contracts	36 703	47 570	52 494
Total financial liabilities held for trading	**71 652**	**97 699**	**182 172**

Receivables

Note 10.3.1. Due from Banks

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Loans	75 045	75 062	75 033
Receivables on account of construction projects:	-	31 539	37 408
Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date	105 172	50 690	105 638
Other receivables	11 623	1 827	14 679
Total due from banks, gross	**191 840**	**159 118**	**232 758**
Impairment losses:	**-105**	**-105**	**-105**
- for Incurred But Not Reported losses (IBNR)	-105	-105	-105
Total due from banks, net	**191 735**	**159 013**	**232 653**

Note 10.3.2 Loans to customers

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Loans to budgetary entities	44	44	423
Mortgage loans	4 963 344	5 051 494	4 391 217
Consumer loans and credit facilities	2 283 171	2 294 406	2 307 681
Commercial loans	7 190 297	7 030 378	7 644 529
Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date	50	-	3 719
Other receivables	12 498	10 346	13 790
Total loans to customers, gross	**14 449 404**	**14 386 668**	**14 361 359**
Impairment losses:	**-1 263 231**	**-1 235 537**	**-1 078 376**
- for incurred, reported losses	-1 184 309	-1 153 854	-991 214
- for Incurred But Not Reported losses (IBNR)	-78 922	-81 683	-87 162
Total loans to customers, net	**13 186 173**	**13 151 131**	**13 282 983**

Note 10.4 Investments available for sale

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Treasury bonds	2 542 780	1 887 461	1 150 105
Treasury bills	253 529	349 699	276 457
Bonds issued by banks	82 830	80 768	-
Bonds issued by non-finance entities	7 064	6 474	-
NBP cash bills	1 000 000	899 475	549 947
Shares and stock	24 139	24 316	25 533
Others	3 109	100	-
Total investments available for sale	**3 913 451**	**3 248 293**	**2 002 042**

Note 10.5 Other investments

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Investments in subsidiaries	-	-	-
Investments in affiliates	12	12	12
Total other investments	**12**	**12**	**12**

Note 10.6 Other assets

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Financial assets recognised at the trade date	2,000	-	49 837
Interest to be received	87 078	72 066	57 155
Receivables due from counterparties	14 422	12 928	11 545
Deferred acquisition cost	22 345	10 182	19 904
Income to be received	34 564	11 741	12 618
Interbank settlements	1 210	66	1 669
Unpaid fees and commissions	374	7 464	395
Others	26 645	40 627	43 729
Other assets	**188 638**	**155 074**	**196 852**
Impairment losses	-29 065	-26 859	-22 124
Total other assets, net	**159 573**	**128 215**	**174 728**

Liabilities

Note 10.7.1 Due to banks

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Banks' deposits	**1 470 788**	**694 924**	**497 179**
- Current	106 215	94 496	40 279
- Term	833 310	47 722	56 140
- Cash collateral	531 263	552 706	400 760
Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date	105 089	50 850	105 978
Total due to banks	**1 575 877**	**745 774**	**603 157**

Note 10.7.2 Due to customers

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Current deposits	2 884 290	2 579 374	1 883 653
Term deposits	4 312 408	5 440 993	6 037 550
Cash collateral	167 988	174 901	155 306
Others	50	-	3 190
Total due to customers	**7 364 736**	**8 195 268**	**8 079 699**

Note 10.7.3 Loans and credit facilities received

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Loans and credit facilities received from banks	7 073 675	6 371 399	5 530 015
Loans and credit facilities received from other institutions	-	792 060	772 440
Total loans and credit facilities received	**7 073 675**	**7 163 459**	**6 302 455**

Note 10.8 Other liabilities

(in PLN thousand)	31.03.2011	31.12.2010	31.03.2010
Interest to be paid	47 912	46 554	61 369
Liabilities due to counterparties	10 898	11 126	12 954
Expenses to be paid	17 507	18 006	16 851
Accrued interest and expenses	20 058	15 183	20 324
Taxes to be paid	8 066	8 727	9 255
Settlements on account of credit debt	35 724	48 089	35 102
Employee Benefits	30 831	25 210	44 064
Interbank settlements	84 816	87 885	79 886
Settlement with the BNP Paribas Branch on account of the transfer	-	111 334	-
Others	95 522	13 932	28 238
Other liabilities	**351 334**	**386 046**	**308 043**

11. Hedge accounting

As at 31 March 2011, the Group applies the fair value hedge.

Hedging instruments

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

Hedged item

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

The table below presents the breakdown of hedging derivative instruments at nominal value as at 31 March 2011 and as at 31 March 2010, broken down by residual maturity.

Note 11 Hedging derivative instruments

Hedging derivative instruments (in PLN thousand)	31.03.2011							
	Fair value		Denomination					
	positive	negative	Up to 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest Rate contracts	**14**	**3 055**	**8 024**	**-**	**-**	**32 095**	**121 247**	**161 366**
- Swaps (IRS)	14	3 055	8 024	-	-	32 095	121 247	161 366
Total hedging derivative instruments	**14**	**3 055**	**8 024**	**-**	**-**	**32 095**	**121 247**	**161 366**

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

12. Capital adequacy and financial liquidity

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

The Bank rules of capital management did not change as compared to the ones presented in the consolidated financial statement of the Bank for the year ended on 31 December 2009.

Capital adequacy (in PLN thousand)	**31.03.2011**	**31.12.2010**	**31.03.2010**
Total equity capital plus short-term capital	1 867 645	1 836 721	1 898 918
Total capital requirement	1 077 079	1 076 942	1 089 949
Capital adequacy ratio	**13,87%**	**13,64%**	**14,06%**

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

The Bank's equity level remained stable. Capital adequacy ratio at the end of March 2011 was 13.87%. As compared to the corresponding period of the previous year, the Bank's equity decreased by 2.5% down to PLN 1,867.6 million. The drop was partially caused by an earlier redemption of subordinated bonds, in the amount of PLN 24 million, which were included in the Bank's equity. In the same period, risk-weighted off-balance sheet assets and liabilities decreased by 1.2% down to PLN 13,463 million.

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

The Bank's liquidity situation in the first quarter of 2011 was secure. No regulatory liquidity measures were exceeded.

On 26 January 2011, a loan agreement was signed between the European Bank for Reconstruction and Development ("EBRD") and the Bank, under which EBRD granted the Bank a loan up to EUR 30 million earmarked for financing investment projects for small and medium enterprises under the Poland Sustainable Energy Financing Facility programme (PolSEFF). The financing term was set for 5 years (until 2016).

In February 2011, the credit line in the amount of EUR 200 million matured, and it was replaced with a three-year credit facility in the amount of PLN 800 million.

Both the liquidity and capital situation of the Bank should be assessed as stable. The Bank's sources of financing allow the Bank to continue its business activity and carry out plans in a safe manner.

13. Other Material Information

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

In the first quarter of 2011, no factors or atypical events occurred that might have any material effect on the financial results generated.

13.2. Information regarding the issue, redemption and reimbursement of non-equity and equity securities

In the first quarter of 2011, there were no issue, redemption or reimbursement of equity securities.

Redemption of subordinated bonds

As a result of the merger of Fortis Bank Polska SA and Dominet Bank S.A., on 31 July 2009 Fortis Bank Polska SA took over the liabilities on account of subordinated bonds issued with a nominal value of PLN 30 million. The secured bonds were issued by Dominet Bank SA through the agency of BRE Bank SA on 29 July 2004. They were included into Tier 2 funds of Dominet Bank SA and then Fortis Bank Polska SA.

On 20 October 2010, the Polish Financial Supervision Authority (KNF) consented to an earlier reimbursement of funds through redemption of subordinated bonds. The bonds in the amount of PLN 31,662 thousand (nominal value plus interest) were redeemed on 29 January 2011.

Redemption of secured bonds

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

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

13.3. Information on changes to contingent liabilities

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

Contingent liabilities received (in PLN thousand)	31/03/2011	31/12/2010	Change (%)
Financial liabilities received	3 824 133	2 861 891	34%
Guarantee liabilities received	264 970	275 223	-4%
Total contingent liabilities received	**4 089 103**	**3 137 114**	

Contingent liabilities granted (in PLN thousand)	31/03/2011	31/12/2010	Change (%)
Financial liabilities granted	3 060 417	3 117 642	-2%
Guarantee liabilities granted	1 465 573	1 277 205	15%
Total contingent liabilities granted	**4 525 990**	**4 394 847**	

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

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

As at 31 March 2011 and the publication date of the quarterly report for the first quarter of 2011 i.e., 11 May 2011, shareholders' structure specifying the shareholders with at least 5% of the total number of votes at the General Meeting was as follows:

	Number of shares held	% of the share capital	Number of votes at the GM	Share (%) in the total number of votes at the GM
Fortis Bank S.A./N.V.*	18 848 593	78,13%	18 848 593	78,13%
Dominet SA**	5 243 532	21,74%	5 243 532	21,74%
Others	31 381	0,13%	31 381	0,13%
Total:	24 123 506	100,00%	24 123 506	100,00%

* BNP Paribas SA is the parent entity (74.93% shares) of Fortis Bank SA/NV based in Brussels.

**Fortis Bank SA/NV based in Brussels is the parent entity (100% shares) of Dominet S.A.

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

In the first quarter of 2011 and as at report publication date, i.e. 11 May 2011, Bank has not taken any actions to introduce L and M series shares to stock exchange trading. All other shares (series A to K) have been admitted and introduced to public trading.

13.5. Information on the number of the issuer's shares or share options, held by the members of the management or supervisory bodies, as at the date of the submission of the interim abbreviated consolidated financial report, and any changes in the number of such shares or share options held, in the period from the submission of the previous annual report for 2010, indicated separately for each person

As at the date of submitting this report for the first quarter of 2011, i.e. 11 May 2011, none of the Members of the Board of Executives or Members of the Supervisory Board held any shares issued by Fortis Bank Polska S.A. or any other related financial instruments, which means that no change occurred from the date of submitting the previous report for 2010, i.e. 18 March 2011.

13.6. Pending Proceedings before Court, Relevant Arbitration Body or Public Administration Body

Since 2001, proceedings have been continued before the Office for Competition and Consumer Protection ("the Office"), instituted at the request of the Polish Organisation of Commerce and Distribution (POHID in Polish) in Warsaw, as regards practices that limit competition on the payment card market and that are applied by VISA and MasterCard likewise 20 banks, including Fortis Bank Polska SA. The competition limitation charge referred to an agreement signed on collecting intercharge fees. In the opinion of the Office, such fees are charged unduly which in turn affects prices of consumer goods. The Office President issued a decision under which a penalty of PLN 2.9 million was imposed on Fortis Bank Polska SA. The decision was given the order of immediate enforceability. In this respect, the Bank made a complaint on the decision of the Office President. On 13 November 2008, XVII Division of the District Court in Warsaw, the Court of Competition and Consumer Protection issued a decision stating that determination of commissions when accepting card payments did not constitute a practice that would restrict competition. The Office's President made an appeal against the said decision and the Bank applied for a dismissal of the appeal. On 22 April 2010, the Appellate Court overruled the decision of the court of first instance and asked for the reconsideration of the case. To secure against an unfavourable outcome of the case, in 2007 the Bank created a provision of PLN 2.9 million.

As at 28 February 2011, the total value of 12 claims against the Bank regarding the FX derivatives made by the customers amounted to PLN 41 million. The highest claim in this group concerns the amount of PLN 28 million (EUR 7 million) on account of option transactions questioned.

13.7. Information on Related Party Transactions

Information on transactions of the Bank with its parent company and entities affiliated by management is presented below. These transactions concern bank operations made within regular business activity.

31.03.2010 (in PLN thousand)	**Parent entity**	**Entities affiliated by management**	**Total**
Cash and cash equivalents	339 146	-	339 146
Financial assets held for trading	20 694	1 458	22 152
Due from banks and Loans to customers	8 875	10 220	19 095
Other assets	2 455	2 744	5 199
Total	**371 170**	**14 422**	**385 592**
Financial liabilities held for trading	88 396	59 279	147 675
Due to banks and customers	98 308	544 111	642 419
Loans and credit facilities received	390 000	5 912 455	6 302 455
Subordinated liabilities	60 000	463 464	523 464
Other liabilities	3 568	3 658	7 226
Total	**640 272**	**6 982 967**	**7 623 239**

31.12.2010 (in PLN thousand)	**Parent entity**	**Entities affiliated by management**	**Total**
Cash and cash equivalents	181 610	3 565	185 175
Financial assets held for trading	30 418	5 568	35 986
Due from banks and Loans to customers	-	87 876	87 876
Other assets	4 486	2 611	7 097
Total	**216 514**	**99 620**	**316 134**
Financial liabilities held for trading	62 185	10 486	72 671
Due to banks and customers	126 974	340 872	467 846
Loans and credit facilities received	390 000	6 693 459	7 083 459
Subordinated liabilities	60 000	475 236	535 236
Other liabilities	3 864	9 119	12 983
Total	**643 023**	**7 529 172**	**8 172 195**

31.03.2011 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Cash and cash equivalents	2 833	1 512	4 345
Financial assets held for trading	11 272	14 043	25 315
Due from banks and Loans to customers	55 547	85 570	141 117
Hedging instruments	14	-	14
Other assets	4 415	3 251	7 666
Total	**74 081**	**104 376**	**178 457**
Financial liabilities held for trading	48 784	11 374	60 158
Due to banks and customers	161 152	1 268 988	1 430 140
Loans and credit facilities received	390 000	6 603 675	6 993 675
Subordinated liabilities	60 000	481 428	541 428
Hedging instruments	3 055	-	3 055
Other liabilities	4 147	14 302	18 449
Total	**667 138**	**8 379 767**	**9 046 905**

1.01.2010 – 31.03.2010 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Interest income	440	38	478
Interest expense	-6 041	-10 446	-16 487
Fee and commission income	1 410	66	1 476
Fee and commission expense	-287	-	-287
Net trading income	9 978	-109 517	-99 539
Other revenues	603	-	603

1.01.2011 – 31.03.2011 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Interest income	1 281	2 727	4 008
Interest expense	-6 545	-26 320	-32 885
Fee and commission income	866	158	1 024
Fee and commission expense	-250	-22	-272
Net trading income	-10 117	24 670	14 553
Other revenues	395	6	401

31.03.2010 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Contingent liabilities granted:	39 213	176 575	215 788
- items related to financing	-	166 721	166 721
- guarantees	39 213	9 854	49 067
Contingent liabilities received:	39 209	96	39 305
- items related to financing	-	-	-
- guarantees	39 209	96	39 305
Transactions in derivative instruments*	7 196 991	2 147 869	9 344 860

31.12.2010 (in PLN thousand)	Parent entity	Entities affiliated by management	Total
Contingent liabilities granted:	13 441	364 360	377 801
- items related to financing	-	187 054	187 054
- guarantees	13 441	177 306	190 747
Contingent liabilities received:	20 569	141 411	161 980
- items related to financing	-	-	-
- guarantees	20 569	141 411	161 980
Transactions in derivative instruments*	8 358 494	5 355 720	13 714 214

31.03.2011 (in PLN thousand)	**Parent entity**	**Entities affiliated by management**	**Total**
Contingent liabilities granted:	13 759	317 936	331 695
- items related to financing	-	170 368	170 368
- guarantees	13 759	147 567	161 327
Contingent liabilities received:	23 569	153 540	177 109
- items related to financing	-	-	
- guarantees	23 569	153 540	177 109
Transactions in derivative instruments*	9 829 189	4 962 699	14 791 888

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

Agreement with BNP Paribas SA

Under an agreement with BNP Paribas SA based in Paris, on 4 February 2011 a tranche of PLN 800 million was disbursed. The financing period for the aforementioned tranche is three years of the disbursement date, i.e. until 4 February 2014. The tranche interest rate was defined based on WIBOR 3M.

The above-mentioned financing replaced the credit line agreement with Fortis Finance Belgium SCRL/CVBA, based in Brussels, that expired on 4 February 2011.

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

On 18 October 2010 the Bank signed another annex to the multioption credit line agreement with Fortis Lease Polska sp. z o.o. dated 17 November 2000. The credit line can be utilised as an overdraft facility, L/C line or guarantee credit line. The credit limit has not changed and equals PLN 175 million. The financing term was extended to 18 January 2016.

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

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

Annual General Meeting of BNP Paribas Bank Polska SA

On 18 March 2011, the Bank's Extraordinary General Meeting was held which resolved on amendments to the Statute of BNP Paribas Bank Polska SA.

Changes in the Board of Executives

As at 31 March 2011, the Bank Executive Board's composition was as follows:

1. Frédéric Amoudru - President of the Board of Executives
2. Jan Bujak - Senior Vice President
3. Jaromir Pelczarski - Vice President
4. Michel Thebault - Vice President
5. Philippe Van Hellemont - Vice President
6. Marta Oracz - Member of the Executive Board
7. Stéphane Rodes - Member of the Executive Board

In the first quarter of 2011, there was the following change in the composition of the Board of Executives:

The Supervisory Board accepted Mr Jacek Obłękowski's resignation from his function of Vice President of the Board of Executives, effective 18 March 2011. Mr Jacek Obłękowski was the President of the

Management Board of Dominet Bank SA from May 2007 till the merger with Fortis Bank Polska SA, and since 1 April 2009 he was part of the Board of Executives of Fortis Bank Polska SA as Vice-President responsible for Retail Banking.

Conclusion of a significant agreement with a customer not affiliated with the Bank

On 26 January 2011, the Bank signed a syndicated agreement with a customer not affiliated with the Bank; consequently, the value of agreements concluded with this customer within the past 12 months amounts to the total of PLN 200 million.

Under the syndicate, the Bank granted the customer a revolving credit facility up to the maximum amount of PLN 100 million. The financing will be earmarked for the customer’s current operating activity and refinancing previous obligations. The credit facility repayment deadline is fixed for 6 July 2016. The financing terms correspond to market conditions.

The agreement does not provide for any contractual penalties of a cash nature. The agreement has not been concluded subject to any condition or time limit.

Loan agreement with the European Bank for Reconstruction and Development

On 26 January 2011, Fortis Bank Polska SA signed a loan agreement with the European Bank for Reconstruction and Development (EBRD) under which EBRD granted the Bank a loan up to EUR 30 million. The Bank obtained funds allocated for financing investment projects of small and medium-sized enterprises under the Sustainable Energy Financing Facility Programme (PolSEFF).

The financing period will be five years of the agreement signing date, i.e. until 2016. Fortis Bank SA/NV, based in Brussels, granted a guarantee for performance of the Bank’s obligations arising under the credit agreement.

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

In the first quarter of 2011, no suretyships for loans or credit facilities or issuance of guarantees were granted with the total value of existing suretyships and guarantees accounting for at least 10% of the Group’s equity.

13.10. Factors that in the issuer’s opinion will affect the issuer’s results in at least the subsequent quarter

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

13.11. Events that occurred following the date as of which the abbreviated interim financial statements were made, which were not included in such statements and which could have a material effect on the Group’s future results.

Conclusion of a significant agreement with the Customer

On 28 April 2011, the Bank signed a syndicated agreement with a customer not affiliated with the Bank.

Under the syndicate, the Bank granted the customer a revolving credit facility up to the maximum amount of EUR 100 million (denominated in EUR, PLN, USD or CZK), that is, the equivalent of PLN 394 million at the NBP mid rate as of 28 April 2011.

The financing will be earmarked for the customer’s current operating activity and refinancing previous obligations. The financing period is five (5) years with an option of extending it to seven (7) years. The financing terms correspond to market conditions.

The agreement does not provide for any contractual penalties of a cash nature.

13.12. Other Important Events

Change of the formal and legal name of the Bank

The Bank's Extraordinary General Meeting held on 18 March 2011 resolved on amendments to the Statute of BNP Paribas Bank Polska SA, including primarily the change of the Bank's formal and legal name into BNP Paribas Bank Polska SA. The name change became effective upon registration in the National Court Register on 29 April 2011. In consequence, the Bank has also changed the brand under which it offers its products and services, likewise its logo, from BNP Paribas Fortis to BNP Paribas.

Signatures of the Members of the Board of Executives (on the Polish original):

10.05.2011	Frédéric Amoudru President of the Board of Executives	.... signature
10.05.2011	Jan Bujak Senior Vice President of the Board of Executives Chief Financial Officer	.... signature
10.05.2011	Jaromir Pelczarski Vice President of the Board of Executives	.... signature
10.05.2011	Michel Thebault Vice President of the Board of Executives	.... signature
10.05.2011	Philippe Van Hellemont Vice President of the Board of Executives	.... signature
10.05.2011	Marta Oracz Member of the Board of Executives	.... signature
10.05.2011	Stephane Rodes Member of the Board of Executives	.... signature