The Board of Executives' Report on the Business Activity of BNP Paribas Bank Polska SA Group in the First Half of 2014

BNP PARIBAS | Bank zmieniającego się świata

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1. SUMMARY OF THE BUSINESS ACTIVITY OF BNP PARIBAS BANK POLSKA SA GROUP IN THE FIRST HALF OF 2014

BNP Paribas Bank Polska SA Group (hereinafter: "the Group") is the member of the BNP PARIBAS group, the leading European financial institution operating at the international level.

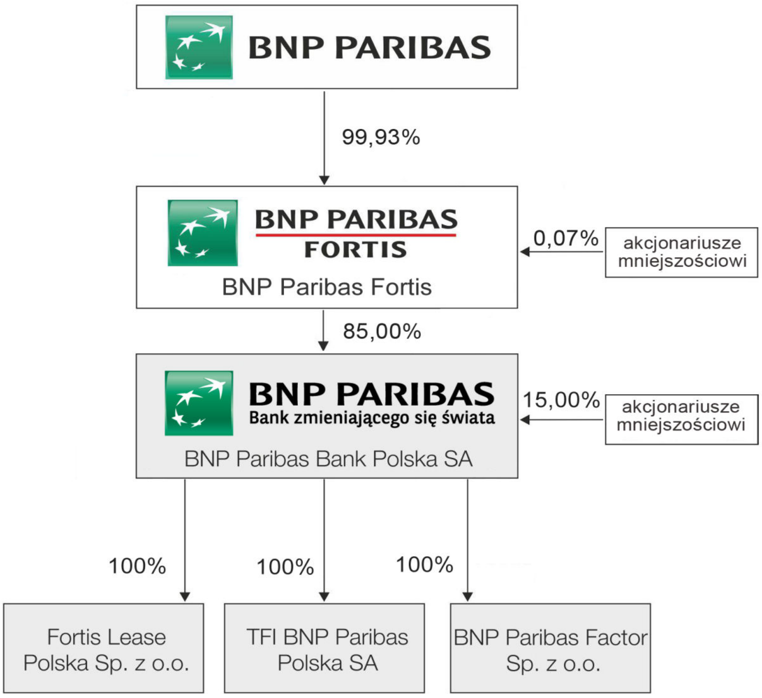
Mission statement — **Responsible banking for a changing world**

As at 30 June 2014, the Group comprised the following entities:

- **BNP Paribas Bank Polska SA** (hereinafter referred to as "the Bank") – parent company

  and three subsidiaries:
  - **Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA** (hereinafter: "TFI BNP"),
  - **Fortis Lease Polska Sp. z o.o.** (hereinafter: "FLP"):
  - **BNP Paribas Factor Sp. z o.o.** (hereinafter: "BNP Paribas Factor").

The Bank is the Group's parent company and holds 100% of shares in the subsidiaries' share capital, which entitle to exercise 100% of votes at the general meeting/ meeting of shareholders. All subsidiaries are covered by consolidation. The Group's ownership structure is presented below:



1.1. Changes in the Group's structure

On 27 May 2014, following registration of the series O shares, issued with pre-emptive rights excluded and subscribed by investors in the public offering, the share of BNP PARIBAS group decreased from 99.89% to 85.00% of the total number of votes at the Bank's general meeting, while the free float of shares held by minority shareholders increased to 15.00%.

As a result of a division of the liquidation property of Dominet SA, the former shareholder of the Bank holding directly 5,243,532 shares accounting for 15.55% of the Bank's share capital, which entitled Dominet SA to exercise 15.55% votes at the Bank's general meeting, on 25 June 2014 all these 5,243,532 shares were acquired directly by BNP Paribas Fortis, while the share of Dominet SA in liquidation in the total number of votes in the Bank went down to zero. As a consequence, Dominet SA was liquidated and deleted from the register of entrepreneurs.

On 1 July 2014, liquidation of the Bank's subsidiary, Fortis Lease Polska Sp. z o.o. was opened. The subsidiary's leasing operations were transferred to the Bank in February 2014.

1.2. Financial and business highlights

The Group of BNP Paribas Bank Polska SA closed the first half of 2014 with the **after-tax profit** of **PLN 49.8 million**, i.e. lower by 3.4% than the result earned in the first half of 2013. Excluding the impact of a one-off income item, which significantly increased the result of H1 2013, the after-tax profit would be higher by PLN 13.7 million (38.1%).

Development of the Group in the first half of 2014 and conditions underlying its growth:

- **6.8% increase in gross loans to customers** as compared to the end of 2013 was mainly caused by **an increase in the loan portfolio of large enterprises, growth of factoring receivables, higher balances of loans to finance dealership activities** thanks to cooperation started with KIA Motors Polska and Hyundai Motor Poland, and **active sale of consumer loans;**
- **4.7% growth of customer deposits**, as compared to 2013, arising mostly from the increase of deposits held by large enterprises and individual customers;
- **Stable capital situation of the Group** – the total capital adequacy ratio at 12.6% and Tier 1 at 10.2%; In May 2014, the Group finalised the public share issue project thanks to which the commitment to increase the free float on the stock exchange to 15% was fulfilled and the Bank's own funds went up by PLN 218.7 million, after factoring in the share issue costs;
- **The Group's net banking income** fell by PLN 6.2 million (1.5%), predominantly due to the impact exerted by the one-off income item on the net profit of H1 2013 (PLN 19.1 million), and lower non-interest income. Excluding the effect of the one-off item, the net banking income would rise by PLN 12.9 million (3.3%). Despite a material drop of market interest rates and no impact of one-off items, **the net interest income grew by 4.3%**;
- **0.2% decrease of the Group's general expenses and depreciation** - continued focus on the strict cost control allows the Group to invest in business development while avoiding any significant cost increase.
- **Continuation of the prudent risk management policy** – the cost of risk ratio (computed as the quotient of the cost of risk and the average balance of gross loans to customers as at the end of the four subsequent quarters) stood at 0.6% in both periods compared.
- **Improved quality of the loan portfolio** - the share of non-performing loans in the total loan portfolio of the Group fell from 8.4% recorded at the end 2013 to **7.0%** at the end of June 2014.

1.3. External factors that influenced the operation and development of the Group in the first half of 2014

1.3.1. Market and economic situation abroad

In H1 2014, leading indicators in high income economies were gaining momentum. It was not reflected in the Q1 GDP data, however. During January-March, the economy in the eurozone expanded by a timid 0.2% q/q, below market expectations. Still, the modest rise allowed pushing the year-on-year growth rate to 0.9% from 0.6% in Q4 2013. Activity data suggested that economic growth in the eurozone accelerated in Q2. The released data surprised to the downside, however, as the GDP during April-June remained unchanged compared to the first three months of the year. Furthermore, the year-on-year growth slightly decelerated to 0.7% y/y. The tense situation between the EU and Russia will certainly be a risk for growth in the eurozone in the quarters ahead (bilateral sanctions have been imposed). According to the European Commission calculations the ban imposed on Russia by the EU may shave off the growth rate in EU by 0.3 pp this year and by 0.4 pp next year. The US economy noted an even weaker start of the year as the economy shrunk by a marked 2.9% q/q (annualised). The fall in the GDP stemmed chiefly from unfavourable weather conditions in early 2014, which contributed to lower pace of growth of household consumption. In Q2, the economy expanded by 4% q/q (annualised), offsetting the meagre dynamics in early 2014. The key drivers supporting growth in the US during April-June were households' consumption and business investment. Stocks also contributed heavily to the headline GDP figure. The data on the labour market chime well with our expectations for a rebound in growth in Q2 as unemployment rate has fallen and employment has been on a firm footing over the last few months, which bodes particularly well for the consumption dynamics.

In the first six months of the year the central banks in high income economies continued their expansionary monetary policy. While the FED decided to continue tapering asset purchases (QE), the European Central Bank delivered a number of instruments aimed at the economy stimulation and fight against a stubbornly low inflation. At its June meeting, the Governing Council lowered its main policy refi rate by 10 bp to 0.15% from 0.25%. The council decided also to cut the deposit rate by 10 bp, pushing it below 0% (-0.10%). Aside from tweaks in interest rates the Council decided also to run four-year targeted long-term refinancing operations (TLTRO) worth in total EUR 400 billion. TLTRO are intended to support credit growth in the eurozone which in turn should boost economic growth and allow the inflation to get closer to the ECB target. To a similar end, the Council suspended SMP sterilization to add some extra liquidity to the market.

Meanwhile, at its June meeting FED continued tapering and confined its asset purchases by USD 10 billion to USD 35 billion (originally FED was buying assets totalling USD 85 billion on a monthly basis). We expect that FED will successively limit the pace of purchases and cease the QE3 programme in October. At the same time, the Bank of Japan carried on their program of doubling its balance sheet, which should allow Japan to escape the deflation trap and secure decent economic growth in the years ahead.

During January-June, emerging markets economies showed signs of further weakness. The conflict between Ukraine and Russia, which ended with the Russian annexation of Crimea, strongly affected the market situation. The ongoing hostilities between the Ukrainian army and pro-Russian separatists pose a risk of the conflict re-escalation. The lingering tensions prompted a significant RUB weakening coupled with a strong capital outflow which amounted to roughly USD 60 billion in Q1. Consequently, the Russian economy rose by a mere 0.9% y/y in the first half of the year. A fall in investments, in the wake of capital ebb, in conjunction with high inflation (result of RUB weakening) which can hinder consumption growth, may result in a recession or just a marginal economic growth in Russia this year, especially in light of sanctions imposed by the EU which according to the European Commission should dent growth by 1.5 pp this year and by a hefty 4.8 pp next year. Other emerging markets economies also show signs of a slowdown. The Chinese economy, which has been based on strong investments growth for years, faces structural reforms which will translate into at least temporary deceleration in GDP growth. Meanwhile, Brazil is coping with low GDP growth which is accompanied by high inflation. Soft demand from emerging markets underpinned lower pressure on commodity prices. However, the uncertain geopolitical situation has offset this downward pressure. As a result, energy commodity prices rose mildly by the end of H1 2014. Food prices also went up, however in this case the upward move stemmed chiefly from supply-side factors.

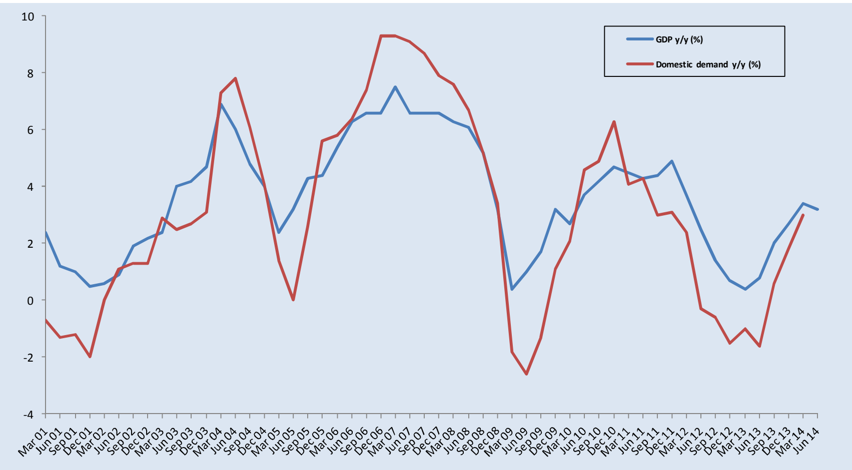
1.3.2. Polish economy in H1 2014

GDP – growth rate and components

In the first months of 2014, the Polish economy accelerated markedly. The GDP rose by3.4% y/y in Q1 2014 well above the 2.7% y/y growth noted in the final months of 2013. The key driver supporting economic growth in early 2014 was private consumption, while net exports' growth contribution notably fell. Households' consumption rose by 2.6% y/y during January-March which added 2.2 pp to the GDP reading. Investments were also a strong contributor to growth in Q1 2014 as they unexpectedly surged by 10.7% y/y, adding 1.4 pp to the GDP growth rate. The upbeat data on investments stemmed chiefly from favourable weather conditions in the first months of the year which supported activity in the construction sector coupled with a strong corporates' demand on cars due to the VAT deductions which were available in Q1. While investments growth was mainly boosted by one-off factors, we expect a strong carry-over in the coming quarters, though the reading will probably be somewhat weaker than in the first months of 2014. Net exports remained a positive growth contributor, but its role in the growth pattern has decreased. Meanwhile, inventories were a drag on growth. In Q2, the pace of GDP growth lost some momentum and slowed down to 3.2% y/y chiefly due to ongoing hostilities in Eastern Ukraine and tensions between EU and Russia which hit the condition of Polish exports. Given the bilateral sanctions we expect that in H2 the economic situation will aggravate further, but we envisage that the yearly average GDP growth rate should remain near 3%.

An ongoing economic recovery has also been reflected in monthly activity data, though the growth dynamics softened in Q2. Still, both industrial production and nominal retail sales confirmed the rebound in growth in Poland. Industrial production rose on average by 4.4% y/y in H1 2014, as compared to average 2.4% y/y in 2013. In the first six months of the year, nominal retail sales rose on average by 4.7% y/y as compared to a moderate 2.4% y/y growth last year. Meanwhile, the construction output expanded by 9.7% y/y against the 11.4% y/y fall in 2013. The figures tie in well with the ongoing recovery in the sector which was also reflected in data on investments in Q1. The leading indicators have been hovering on solid levels suggesting that activity in the Polish economy should remain on a firm footing in H2, though the sanctions will obviously be a drag on the growth pattern over the coming months.

Chart 1. GDP and domestic demand growth rate in 2001-2014 ***(Source: Reuters EcoWin)***



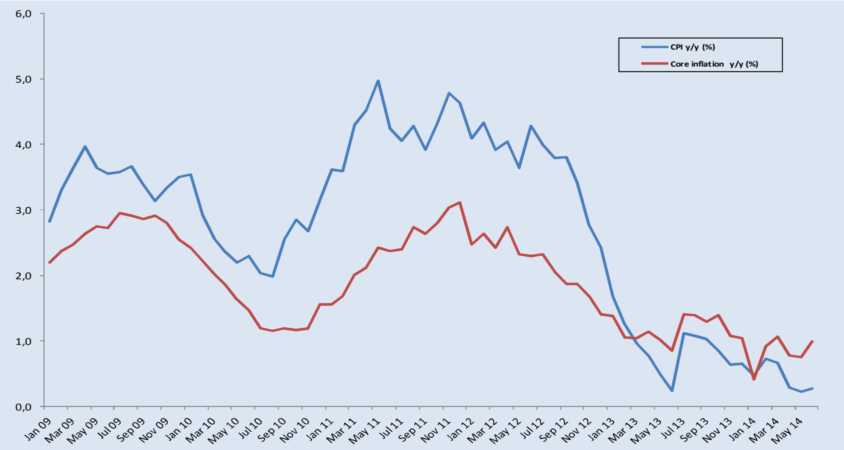
Labour market

Accelerating growth translated also into an improving situation on the Polish labour market. After reaching this year maximum at 14.0% in January, the unemployment gradually fell to 12.1% in June. Compared to June 2013, the rate was lower by 1.1 pp. We expect that over the coming months the rate will slip to roughly 11.9%-12.0%. Corporate sector employment also visibly rose, on average by 0.4% y/y in H1 2014 compared to the 0.9% y/y fall in H1 2013 and 0.5% y/y decrease in the entire last year. The employment data in H1 2014 reflected stronger corporate demand for labour, which bodes well for the economy in the next months. Meanwhile, during January-June 2014, corporate wages growth discernibly rose to 4.2% y/y from 2.6% y/y in 2013 (annual average). Higher labour demand should support employees bargaining power and underpin faster wages dynamics in the second half of the year.

Inflation

In January 2014 CPI inflation was 0.5% y/y. After a mild pick-up to 0.7% y/y in February, inflation started to gradually decelerate reaching 0.3% y/y in June 2014. As a result it averaged 0.4% y/y in H1 2014. Falling food prices were the key factor which supported the disinflationary trend in Poland. Furthermore, low oil prices translated into stable fuel prices inflation. Core inflation was also stable and hovered in the 0.8%-1.0% y/y range in H1 2014. The core inflation prints were pushed up by a hike in excise tax on alcohol and tobacco products but on the other hand were suppressed by lower prices in the telecom sector. Inflation has remained below the lower-band of the target (1.5%) since February 2013 and has been gradually slowing down since that time. Last year CPI inflation averaged at just 0.9% y/y. In July, the CPI inflation dipped into negative territory and hit -0.2% y/y on the back of fading base effect on waste collection costs (in July 2013 the waste collection prices were sizably up). Over the coming months we expect CPI inflation to remain below 0% due to falling food prices. The period of negative inflation should be short-lived, however. We envisage that from Q4 inflation should start to steadily accelerate and fluctuate at 0.2-0.3% y/y by the year-end. However, the downward pressure on food prices, stemming from Russian ban on food imports from EU can suppress the already lower price pressure in the months ahead. Next year we expect further gradual pick-up in prices and believe that inflation can get close to the lower bound of the inflation target in mid-2015.

Chart 2. CPI inflation and core inflation (excluding food and energy prices) growth rate 2009-2014 (*Source: Reuters EcoWin*)



Balance of payments

In early 2014 official reserves amounted to EUR 78.5 billion. In the first half of the year they were falling and reached EUR 74.7 billion in June. In the first six months of the year the deficit on the current account amounted to EUR 0.1 billion as compared to EUR 1.8 billion deficit in the corresponding period of 2013. The improvement was mainly driven by a surplus in trade of goods and services. Despite the conflict in Ukraine, in H1 Polish exports noted a decent start of the year as higher exports to the eurozone compensated for lower demand from Russia and Ukraine. By the end of Q2 the symptoms of exports weakness emerged, however. Furthermore, imports dynamics accelerated on the back of the recovery in the domestic demand, though the pace of the rebound remained moderate. Consequently, trade surplus amounted to EUR 2.2 billion during January-June vs. EUR 1.1 billion deficit in the corresponding period of last year. We expect that the trade balance will remain positive in the months to come. Still, weaker exports to Russia and Ukraine coupled with rising households' consumption may prompt a narrowing in trade surplus. The positive balance on the services account amounted to EUR 2.8 billion in H1 2014 and was marginally lower than in the corresponding period of the previous year (EUR 3.0 billion). Meanwhile, the income account balance improved slightly as in the first six months of 2014, the deficit hit EUR 8.0 billion vs EUR 8.3 billion in 2013.

In early 2014 the capital account surplus amounted to EUR 5.4 billion and was higher than in the first six months of 2013 when it amounted to EUR 4.1 billion. The higher surplus was boosted by stronger EU funds inflow. The deficit on the financial account amounted to EUR 6.2 billion during January-June, while in the corresponding period of the previous year the surplus on the account hit EUR 3.7 billion. The deficit was chiefly fuelled by negative balance on "other foreign investments" which amounted to EUR -8.6 billion against EUR +2.7 billion in 2013. The weaker balance stemmed primarily from domestic entities' investments in foreign assets, chiefly bank deposits. Meanwhile, the FDI balance in the first six months of the year was stronger than in the corresponding period of 2013 and amounted to EUR 1.6 billion vs EUR 0.8 billion. At the same time, the portfolio investment balance hit EUR 0.4 billion in H1 compared to EUR 25 million in the corresponding period of 2013. Decent portfolio investment balance was driven by robust demand for Polish debt instruments, as foreign inflows rose to EUR 2.2 billion from EUR 0.1 billion in 2013. Still, in the first six months of the year the outflow of domestic capital on foreign equity markets amounted to EUR 2.8 billion, up from EUR 1.3 billion noted in the corresponding period of 2013.

Public finances

Although inflation was slightly lower than assumed in the 2014 budget, tax revenues in the first half of the year were on a strong footing. Thus it poses no risk for this year budget (the budget deficit assumed in the bill is PLN 47.5 billion). Robust revenues stemmed mainly from decent VAT revenues which were bolstered by the firming up of private consumption. As a result of the pension system reform and phasing out of government bonds that were held by Open Pension Funds, Poland gained a one-off revenue of roughly PLN 120 billion. Against this backdrop we expect the general government surplus to amount this year to approximately 4.5% of the GDP. According to the ESA-2010 methodology, which does not classify the assets move from private pension funds to the state system as the budget revenue, the general government deficit will exceed 3% of the GDP, however. The Ministry of Finance assumes that the deficit should fall below the 3% threshold in 2015 which should incline the European Commission to lift the excessive deficit procedure on Poland. The pension system reform should also imply a fall in public debt which in relation to GDP should decrease by over 7pp to approx. 49.5%.

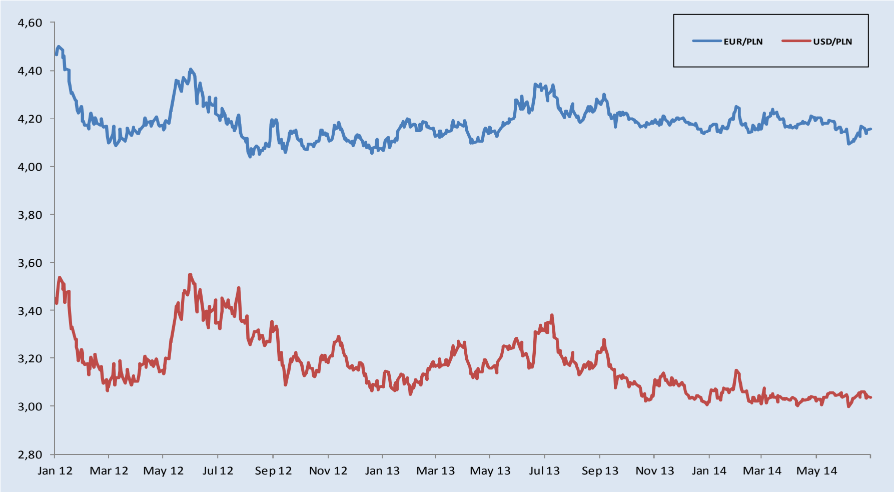
In December the lawmakers approved a new spending rule, under which government spending growth rate is contingent on the average eight-year GDP growth rate. The counter-cyclical nature of this rule should stimulate the economy in times of slowdown, and ward off a threat of expansionary fiscal policy during recoveries. Furthermore, in June 2014 the President signed the amendment to the public finance law, reforming the precautionary thresholds. The amended law removed the threshold at 50% of the GDP and added two new thresholds at 43% and 48% of the GDP (related to the new spending rule). The threshold at 55% of GDP and the threshold at 60% of the GDP, which is included in the constitution, were left unchanged.

Exchange rate

In the first half of the year the exchange rate was fairly stable and was primarily driven by the geopolitical situation. By the end of January, there was an ephemeral zloty weakening which was fuelled by an unexpected interest rate hike delivered by the Turkish central bank. In the following months the zloty was slightly affected by the situation in Ukraine. Despite the risk of an escalation of the conflict between Russia and Ukraine, the zloty exchange rate remained relatively stable, though its volatility increased. In the first six months of the year, EUR/PLN fluctuated in the 4.15-4.25 range and stood at 4.16 by the end of June.

USD/PLN rate was also fairly volatile and moved in the 3.00-3.15 range, reaching 3.04 by the end of H1. Meanwhile, CHF/PLN hovered between 3.35 and 3.50, touching 3.42 by the end of June. Over the coming months, stable Polish economic growth should in our opinion support moderate zloty strengthening.

Chart 3. USD/PLN and EUR/PLN rates since 2012 (Source: *Reuters EcoWin*)



Interest rate

After finishing the easing cycle in July 2013, during which rates were lowered by 225 bp and the main policy rate reached its lowest level history (2.50%), the Monetary Policy Council (MPC) have kept the rates on hold. In March 2014, the MPC announced that rates would remain unchanged until the end of Q3. In Q2, lack of inflationary pressure coupled with a mild activity slowdown implied expectations for monetary policy easing, however. The market pencilled in a 25 bp cut. On the July sitting the Council gave up its forward guidance, however stressed that keeping interest rates unchanged over the coming months was still the most likely scenario. In light of softer economic situation coupled with subdued inflation pressure we expect the MPC to ease the monetary policy in Q4. In our view, the most likely scenario for the MPC is to deliver two 25 bp cuts, lowering the main policy rate to 2%.

In H1 bond yields fell across the curve and the curve flattened out, which reflected lower expectations for interest rate hikes in Poland in the months ahead. Yields dropped also on the back on monetary policy easing delivered by the ECB. A spike in yields was noted only in January when the Turkish central bank's decision resulted in an outflow of portfolio capital from the Polish debt market and a short-term rate hike. In the first six months of the year yields on the 10y and 5y bonds fell by 100bp and 75bp to 3.5% and 3%, respectively. The yields on the short-end of the curve declined by roughly 50 bp to approximately 2.5% for 2y bonds.

1.3.3. Banking sector in H1 2014

In H1 2014, the situation of Polish banks remained favourable. The NPL ratio in the corporate sector fell by 0.6 pp to 10.9% in June from 11.5% in January. The overall ratio, including households, slipped by 0.2 pp to 7.5% in June from 7.7% in January. The Loan-to-Deposit ratio dropped slightly to 113.5% in June from 113.7% in January.

Lower interest rates in conjunction with economic recovery supported stronger credit dynamics. In June corporate credits rose by 5.9% y/y compared to a modest 2.3% y/y growth in June 2013. Meanwhile households' credits increased by 4.6% y/y, above the 2.3% y/y growth 12 months earlier.

Consumer credits were up by 4.3% y/y in June while housing loans dynamics remained negative over the whole H1 2014. The share of FX-denominated housing loans decreased to 47.8% in June from 50.2% in January. Lower rates reduced the attractiveness of deposits, which was mirrored in the falling growth rate of deposits among corporates and households. Still, the pace of growth remained solid and hovered around 5% y/y.

Banks' financial results

In May, the capital adequacy ratio slipped to 15.3% from 15.4% in January. Compared to the previous year, the ratio was on the same level, however. The Tier 1 ratio edged down to 13.8% in May from 13.9% in January, while the liquidity conditions remained solid. The net financial result amounted to PLN 7 billion and was PLN 90,3 million higher than in May 2013. As at the end of Q1, ROE and ROA declined to 10.2% and 1.12%, respectively, from 10.9% and 1.2% noted in Q1 2013.

Chart 4. Credit facilities and deposits to enterprises in the years 2009-2014 (*Source:* Reuters EcoWin)

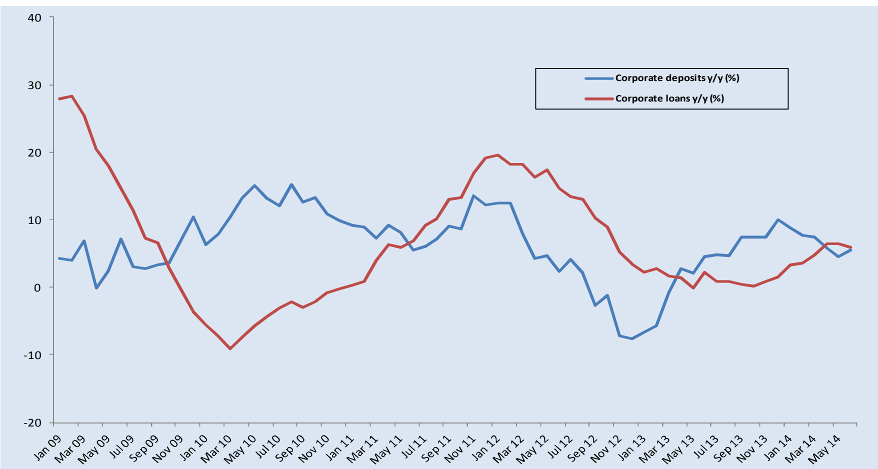
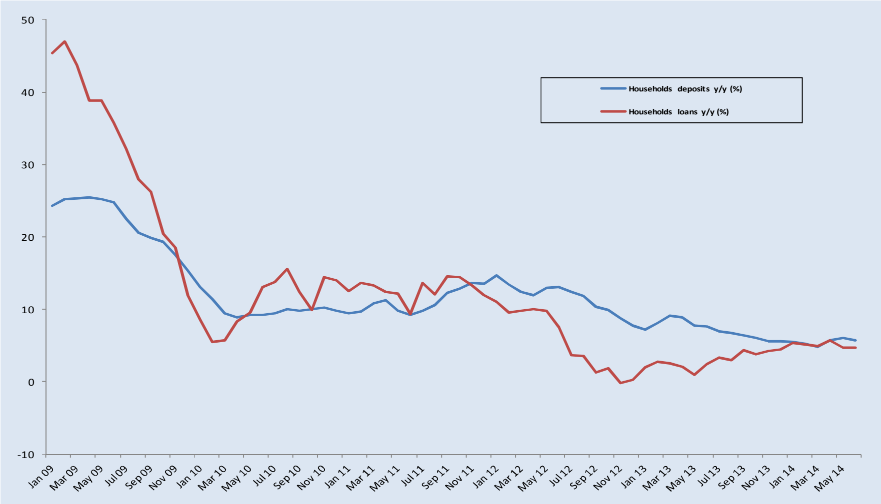


Chart 5. Credit facilities and deposits to households in the years 2009-2014 (*Source:* Reuters EcoWin)



1.4. Factors that in the issuer's opinion will affect the results generated at least in the subsequent quarter

Key factors that may affect the Group's future performance include the following:

- The Polish economy is showing signs of recovery which results in a more optimistic outlook for the evolution of the Polish GDP. The European Commission forecasts that the Polish GDP will rise by 3.2% in 2014 and 3.4% in 2015 as compared to growth by 1.6% and 2.0%, accordingly, in the entire European Union.
- However, geopolitical instability (e.g. the Ukrainian crisis) and still uncertain outlook for the EU economy can unfavourably affect the macroeconomic situation, which in turn may have an adverse impact on the Group's financial situation and performance.
- Stabilisation of the NBP interest rates at the low level and the room for their further reduction could result in lower costs of financing of individual customers and enterprises, which should translate into growth of demand for loans. On the other hand, low interest rates can discourage households from investing their savings in bank deposits and has negative impact on profitability of non-interest bearing deposits.
- Most banks in Poland keep increasing their focus on consumer loans in view of shorter repayment terms, improved margins, and stabilization of the NPL ratio thanks to improved methods of assessing credit risk and sale of the non-performing loans portfolio. This increased competition might hinder the Group capacity to reach its targeted level of the Group's consumer loan sales, however on the other hand overall strong growth of loan demand will support the achievement of the Group goals.
- As overall financing activity is expected to grow in line with economic revival, liquidity requirements of banks are expected to grow as well, which might lead to the increased competition for collection of deposits and decreasing margins.
- On 24 June 2014, the Polish Financial Supervision Authority (KNF) resolved the final wording of Recommendation U governing bancassurance, to become effective on 31 March 2015. One of the main assumptions of Recommendation U is to limit opportunities for banks to earn income on offering insurance products in the form of group insurance agreements. The Bank has already started a project to adjust its bancassurance business to requirements of the expected regulation.
- As the amendment to the Payment Services Act (passed by the Sejm, the lower chamber of the Polish Parliament, on 30 August 2013) became effective on 1 January 2014, on 1 June 2014 interchange fees went down. Pursuant to the amendment, the fee was reduced to 0.5% of the turnover for all types of cards, down from the average level of 1.1% for individual cards and 1.8% for business cards. The above changes will contribute to the card profitability reduction, as the interchange fee is one of the basic card-related income items, however this will have a very limited impact on the Group as card fees represent a small part of the Group's revenues.

2. STOCK PERFORMANCE ON THE WARSAW STOCK EXCHANGE

The Bank's stock labelled with the ISIN code: PLPPAB000011 has been quoted on the Warsaw Stock Exchange SA in Warsaw (WSE) since 9 November 1994. The Bank's stock quoted under an abbreviated name: BNPPL and a ticker symbol: BNP - is classified in the 250 PLUS segment. The stock is not included in any of the stock exchange indices, except for the InvestorMS index.

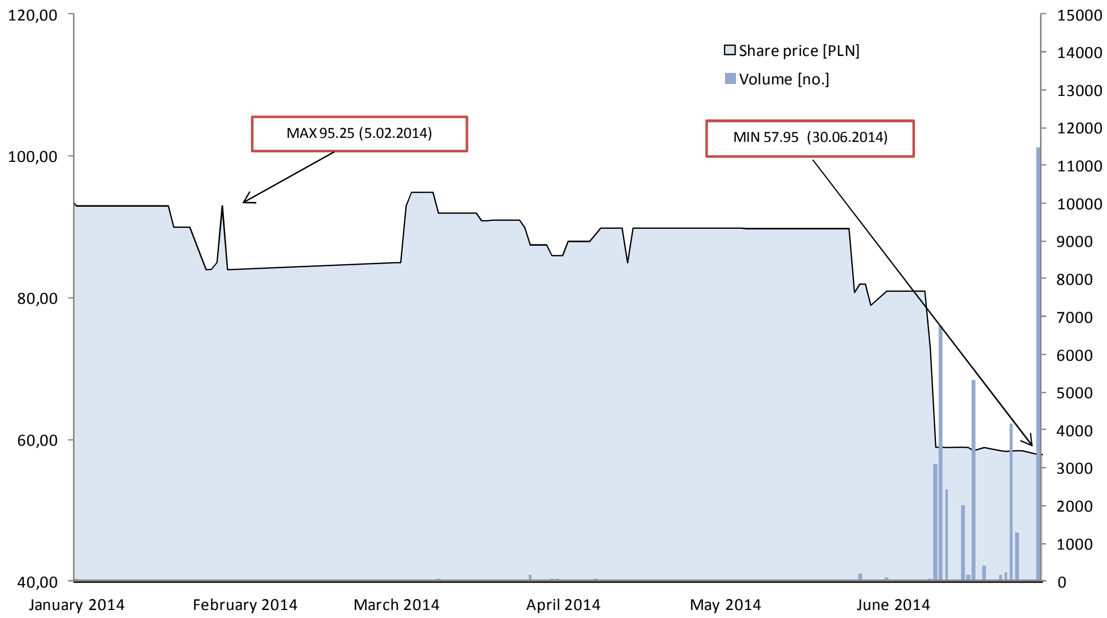
In June 2014 the free float of shares significantly increased, alike liquidity of the Bank's stock. As many as 5,026,539 shares of new series "O" issue were introduced to public trading and acquired by retail and institutional investors, as well as all the shares of previous issues owned by BNP PARIBAS.

At the first session in January 2014, the Bank's stock was traded at PLN 94.00. As at 30 June 2014 the Bank's share price fell to PLN 57.95, and it was also the lowest share price level during the first half year. Fall of the share price resulted, however, from the change in valuation due to the increased number of shares in free float from the level 0.11% up to 15%.

The highest Bank's share price in the first half of 2014 was recorded on 5 February 2014, when it stood at PLN 95.25. The average share price in the first half of 2014 amounted to PLN 86.58, and was lowered compared to the average share price of PLN 90.19 in the first half of 2013.

An average turnover in the Bank's shares was nearly 315 shares per session in the first half of 2014, and was higher in comparison to the average turnover recorded in the first half of 2013 (over 50 shares per session). An average value of the turnover in the Bank's stock per session was PLN 18.5 thousand in the first half of 2014, and was higher than the average value of the stock turnover of PLN 5.4 thousand per session in the first half of 2013.

Chart 6. Quotations of the Bank's stock from 3 January 2014 until 30 June 2014



WIG, a stock exchange index, rose from 51,865.89 points noted on 2 January 2014 up to 51,934.94 points recorded on 30 June 2014 (increase by 0.1%).

WIG-Banks, a sector sub-index, also recorded a slight increase from 8,052.27 points noted on 2 January 2014 up to 8,125.78 points recorded on 30 June 2014 (i.e. by 0.9%).

3. SHARE CAPITAL AND SHAREHOLDER STRUCTURE

3.1. Share capital of BNP Paribas Bank Polska SA

As at 30 June 2014 and as at the publication date of the report for the first half of 2014, i.e. 29 August 2014:

- the share capital of the Bank amounts to PLN 1,532,886,878.90 - registered and fully paid up;
- total number of shares: 33,719,465 ordinary bearer shares (series A to O), which entitle their holders to 33,719,465 votes at the Bank's general meeting of shareholders, all shares are dematerialised and quoted on the regulated market operated by the WSE.
- nominal value of 1 share: PLN 45.46 each.

All the Bank’s shares are bearer shares that entitle to equal voting rights and participation in profit under the same rules. There are no preferences or restrictions related to any group of shares.

3.2. Issue of series O shares and changes in the share capital structure

Within the BNP PARIBAS group's commitment towards the Polish Financial Supervision Authority ("KNF") to increase the free float of the Bank's shares up to at least 15% - the Bank resumed in 2014 the work on the new offering of shares, which was suspended in December 2013 due to a disclosure of information about the planned acquisition of a 98.5% shareholding of Bank Gospodarki Żywnościowej SA by the BNP PARIBAS group.

On 7 April 2014, the Bank's Annual General Meeting was held which resolved to increase the share capital by the amount not higher than PLN 228.5 million through a new issue of up to 5,026,539 series O shares, with pre-emptive rights of the existing shareholders excluded.

On 11 April 2014, the Bank confirmed its intention to increase the share capital through a public offering of shares, and to increase the free float of the Bank's shares at the Warsaw Stock Exchange.

On 22 April 2014, KNF approved the issue prospectus of the Bank. An underwriting agreement was concluded under the terms and conditions set out in the prospectus, whereas the Bank and BNP Paribas Fortis SA/NV and "Dominet" S.A. w likwidacji made the lock-up commitment.

After disclosing the issue prospectus on 23 April 2014, the Bank initiated the public offering. The offering included up to 5,026,539 shares of new series O shares issue.

Under the public offering the Bank issued the maximum number of offered shares i.e. 5,026,539 shares at an issue price of PLN 46 each. The gross proceeds from the share issue were PLN 231.2 million. Under the subscription in the public offering, all the offered shares were allotted, of which 166,093 shares were allotted to retail investors and 4,860,446 shares - to institutional investors.

In addition to the issue of series O shares, on 11 June 2014 the Bank's shares of the previous issues were introduced to public trading on the primary market: 5,243,532 series L shares, 2,108,794 series M shares and 4,569,420 series N shares.

3.3. Increase of the share capital

On 27 May 2014, the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register registered the Bank's share capital increase from the amount of PLN 1,304,380,415.96 up to the amount of PLN 1,532,886,878.90, i.e. by PLN 228,506,462.94 as a result of the issue of 5,026,539 ordinary bearer series O shares.

After registration of the capital increase, the Bank's share capital amounts to PLN 1,532,886,878.90 and is divided into 33,719,465 ordinary bearer shares with a nominal value of PLN 45.46 each, which entitle their holders to 33,719,465 votes at the Bank's general meeting of shareholders.

3.4. Information on shareholders holding, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the issuer’s general meeting

As at 31 December 2013 and the 2013 annual report publication date, i.e. 11 March 2014, shareholders’ structure specifying the shareholders with at least 5% of the total number of votes at the General Meeting was as follows:

Entity name	Number of shares	% of the share capital	Share capital (in PLN)	Number of votes at the general meeting	Share (%) in the total number of votes at the GM
BNP PARIBAS indirectly through	**28,661,545**	**99.89%**	**1,302,953,835.70**	**28,661,545**	**99.89%**
BNP Paribas Fortis SA/NV	*23,418,013*	*81.62%*	*1,064,582,870.98*	*23,418,013*	*81.62%*
Dominet SA (in liquidation)	*5,243,532*	*18.27%*	*238,370,964.72*	*5,243,532*	*18.27%*
Minority shareholders	**31,381**	**0.11%**	**1,426,580.26**	**31,381**	**0.11%**
Total:	**28,692,926**	**100.00%**	**1,304,380,415.96**	**28,692,926**	**100.00%**

BNP Paribas Fortis SA/NV based in Brussels was the parent entity (100% shares) of Dominet Spółka Akcyjna w likwidacji (in liquidation).

As at 30 June 2014 and the publication date of the report for the first half of 2014, i.e. 29 August 2014, the shareholders’ structure specifying the shareholders with at least 5% of the total number of votes at the General Meeting of Shareholders was as follows:

Entity name	Number of shares	% of the share capital	Share capital (in PLN)	Number of votes at the general meeting	Share (%) in the total number of votes at the GM
BNP PARIBAS indirectly through:	28,661,545	85.00%	1,302,953,835.70	28,661,545	85.00%
BNP Paribas Fortis SA/NV directly	*28,661,545*	*85.00%*	*1,302,953,835.70*	*28,661,545*	*85.00%*
Minority shareholders	5,057,920	15.00%	227,933,043.20	5,057,920	15.00%
Total:	**33,719,465**	**100.00%**	**1,532,886,878.90**	**33,719,465**	**100.00%**

BNP PARIBAS based in Paris is the parent entity (holder of 99.93% shares) of BNP Paribas Fortis SA/NV based in Brussels.

3.5. Changes in the shareholder structure

On 27 May 2014, following registration of the series O shares issue with pre-emptive rights excluded, which were subscribed by investors in the public offering, the share of BNP PARIBAS group decreased from 99.89% to 85.00% of the total number of votes at the Bank's general meeting, while the free float of shares held by minority shareholders increased to 15.00%.

As a result of a division of the liquidation property of Dominet SA, the former shareholder of the Bank holding directly 5,243,532 shares accounting for 15.55% of the Bank's share capital, which entitled Dominet SA to exercise 5,243,532 votes at the Bank's general meeting - on 25 June 2014 all these 5,243,532 shares were acquired directly by BNP Paribas Fortis, while the share of Dominet SA w likwidacji in the total number of votes in the Bank went down to zero.

3.6. The Annual General Meeting of 7 April 2014

On 7 April 2014, the Bank's Annual General Meeting of Shareholders was held, which adopted resolutions concerning the approval of separate and consolidated financial statements for 2013, the Board of Executives' Report on the business activity in 2013 and the Supervisory Board's Report for 2013, the approval of the discharge of duties of the Bank's authorities for 2013 and distribution of the 2013 profit. The Bank's net profit for the fiscal year 2013 which amounted to nearly PLN 86.3 million, was earmarked in full for the increase of the Bank’s own capital funds in the following manner: the profit portion of nearly PLN 79.2 million was allocated to the general risk fund, PLN 7 million to the additional capital, and the remainder to the retained earnings.

The Annual General Meeting of the Bank has decided to increase the share capital by issuing the series "O" shares with pre-emptive rights of the existing shareholders excluded, and to amendment the Bank's Statute accordingly.

4. THE GROUP'S PRODUCTS AND SERVICES AND BUSINESS DEVELOPMENT IN THE FIRST HALF OF 2014

The operations of the BNP Paribas Bank Polska SA Group are divided into three business segments:

- Retail Banking (RB), including Personal Finance responsible for consumer lending activities (PF);
- Corporate and Transaction Banking (CTB);
- Other banking activity.

4.1. Retail Banking (RB)

- provides services to individuals and small and medium enterprises that generate a turnover up to PLN 60 million;
- 223 own and franchise branches and 27 SME financial centres;
- 375,500 individual customers as at 30 June 2014, compared to 365,689 as at 31 December 2013;
- Personal Finance (PF) provides its services to 152,400 Retail Banking customers (since June 2014, PF has been offering car loans and stock financing for car dealers);
- 36,821 enterprises (SME & Micro) as at 30 June 2014 compared to 33,810 as at 31 December 2013.
- 1,392 FTEs.

The Retail Banking segment specialises in providing financial services to individual customers, private banking services, likewise services intended for small and micro enterprises. The segment offers also advisory services as regards all forms of daily banking, savings, investment and financing products. Within the Retail Banking, the Bank provides services to the following customer segments:

- **Mass Market** Individual Customers segment – customers with net monthly income / incomings to accounts held at the Bank up to PLN 2.5 thousand, or customers investing assets through the Bank up to PLN 7.5 thousand;
- **Aspiring** Individual Customers segment – customers with net monthly income / incomings to accounts held at the Bank between PLN 2.5 thousand and PLN 7.5 thousand, or customers investing assets through the Bank between PLN 7.5 thousand and PLN 45 thousand;
- **Affluent** Individual Customers segment – customers with net monthly income / incomings to accounts held at the Bank between PLN 7.5 thousand and PLN 30 thousand, or customers investing assets through the Bank between PLN 45 thousand and PLN 250 thousand;
- **Prestige** Individual Customers segment – customers with net monthly income / incomings to accounts held at the Bank at minimum PLN 30 thousand, or customers investing assets through the Bank in the minimum amount of PLN 250 thousand;
- **Private Banking** segment - the Private Banking group of customers who invest assets through the Bank in the minimum amount of PLN 600 thousand, and the **Wealth Management** group of customers holding assets above PLN 5 million;
- SME customers including two segments:
  - **Medium Enterprises** segment (**ME**) - business customers with an annual turnover between PLN 8 million and PLN 60 million;
  - **Small Enterprises** segment (**SE**) - business customers with an annual turnover between EUR 1.2 million and PLN 8 million or with a lower turnover but keeping full accounting books;
- Micro business customers including three segments:
  - **Professionals** segment – business customers with an annual turnover up to EUR 1.2 million who keep simplified accounting and perform a specific profession consistent with the entrepreneur's competence: lawyer, pharmacist, architect, statutory auditor, investment consultant, tax advisor, surveyor, accountant, doctor, notary, property appraiser, dentist, veterinarian, sworn translator;
  - **Upper Micro** segment - business customers with an annual turnover between PLN 0.5 million and EUR 1.2 million who keep simplified accounting;
  - **Mass Micro** segment - business customers with an annual turnover up to PLN 0.5 million who keep simplified accounting.

4.1.1. Individual Customers Segments

In the first half of 2014, the Bank developed its product offering for individual customers in order to enhance the activity of existing customers and acquire new ones. Acquisition of new customers was carried out mainly on the basis of cash loans on preferential terms.

In order to enhance the activity of existing customers and acquire new ones, in the first quarter of 2014, a new offer of a personal account was introduced under the name *Konto Dobrze Dobrane* (Well-Suited Account), replacing the existing offering of S, M, L and XL packages. The respective offer reflects the current market trends and customer requirements, simultaneously rewarding active use of the personal account. Great flexibility is a distinctive feature of the offer that enables any customer to tailor a personal account to his/her personal needs. Under the offer of *Konto Dobrze Dobrane*, in addition to a savings and checking account (ROR), the following products and services are available to the account holders:

- free-of-charge savings account with a promotional interest rate of up to PLN 50 thousand, representing an interesting alternative to term deposits;
- *MasterCard* debit card;
- access to the Pl@net internet banking system;

and in addition:

- overdraft facility with the option of 0% interest rate in exchange for a fixed monthly fee;
- 3 variants of assistance insurance packages;
- Money Back programme dedicated to a debit card.

In June 2014, the new personal account was made available for sale through the Internet under the name *iKonto* with a dedicated debit card and the Money Back programme for online payments. The process of opening the account is fully remote and does not require a customer's visit to the branch. This step is part of the Digital Banking development at the Bank.

In addition to debit cards linked to current accounts, the Bank offers:

- credit cards: *MasterCard Classic, MasterCard Sport, MasterCard Gold* and *MasterCard World Elite* offered to customers of Private Banking and individual customers of the Prestige segment;
- *MasterCard* pre-paid cards.

Card sales were supported by the following promotional campaigns:

- since June 2014, a campaign under the slogan "Pay by card - win a bicycle," which promotes active use of BNP PARIBAS payment cards;
- since June 2014, a campaign under the slogan "Gift for MasterCard credit card", to promote sales of credit cards to existing customers of the Bank.

Since April 2014, payment cards issued by BNP PARIBAS have a 4-year validity term, in addition, the Bank has lowered the required minimum repayment for credit cards to 3% (i.e. PLN 30).

Persistently low market interest rates, and hence low interest rates of term deposits resulted in customers' interest in improving yields on their savings. In order to satisfy the above need, the Bank offered to its customers the following investment products:

- in February 2014, foreign sub-fund *Global Partners PL KBC Point Capped 4*. The sub-fund is based on a basket of companies which operate in the most developed regions of the world, and its strategy is to protect the principal amount at the level of 95% at maturity, with a chance to gain 25% within one year and a half of the investment term,
- in April 2014, in collaboration with Open Life Towarzystwo Ubezpieczeń Życie S.A. - the Bank offered a two-year structured product in the form of a group life insurance and endowment with Insurance Capital Fund WiborProfit 2014, where profits of investors are dependent on the WIBOR 3M index.

Investment products supplement the deposit offering. The Bank in the first half of 2014 promoted deposits for customers who chose to deposit new funds in the Bank using the following deposit products:

- *Prosta Lokata* - 1-month renewable deposit, with promotional interest rate for the first interest period;
- *Naj Lokata* - 3-month renewable deposit, with promotional interest rate for the first interest period; this product is also available through the Call Centre;
- *Lokata Dobrze Procentująca* - 3-month non-renewable deposit, which at maturity is transferred into a customer's savings account.

In the first half of 2014, a further increase in sales of bank products for individual customers could be observed.

- sales of cash loans during the first six months of 2014 remained at a comparatively high level as in the first half of 2013, and amounted to PLN 521.4 million compared to PLN 507.5 million in the same period of 2013. Additionally, in the first half of 2014 the Bank sold PLN 81.4 million cash loans for micro businesses;
- sale of credit cards significantly increased - in the first half of 2014 it amounted to 11,088 cards with credit limits exceeding PLN 30.1 million, which represents an increase of over 110% compared to the first half of 2013, when the Bank sold 5,192 cards with credit limits of PLN 14.4 million;
- the number of newly concluded agreements on overdraft facility in ROR accounts, in the first half of 2014, amounted to 9,953 for the total amount of PLN 37 million, compared to 8,670 agreements, signed in the same period of 2013, for the total amount of PLN 21 million, which accounts for over 76% growth in the value of credit limits granted;
- as at the end of the first half of 2014, the balance of total deposits from individual customers of the following segments: Mass Market, Aspiring, Affluent and Prestige - increased by 8.3% compared to the balance as at the end of 2013;
- in the first half of 2014, sales of investment products increased by 12% and exceeded PLN 122.7 million, while in the first half of 2013 the sales amounted to PLN 109.3 million;
- product penetration rate of individual customers (calculated as the number of products per one customer) is maintained at a high level, and as at the end of the first half of 2014 it amounted to 3.61.

4.1.2. Personal Finance

The Personal Finance division is responsible for the Bank’s consumer finance activities, featuring three key products:

- cash loans — mainly distributed through the branch network but also sold over the internet, the call centre and by independent financial partners;
- car loans for new and used cars; financing is mainly initiated by used car dealers and authorised dealers;
- credit cards — mainly cross-sold to existing customers holding current accounts or car loans.

Personal Finance is the driving force behind retail customer acquisition, income earning and boosting profitability.

Since June 2014, PF has been offering car loans and stock financing for car dealers.

The Personal Finance is also in charge of the following key processes:

- signing-off applications for loans to consumers and micro-businesses, approving loans based on certain acceptance criteria;
- collection and recovery;

- telephone customer service provided by the Contact Centre, CRM (cross-selling) actions and loan sales by phone.

Cash and car loans were ranked first in the rankings of Internet portals - Comperia.pl, TotalMoney.pl and Bankier.pl.

Cash loans

In the first half of 2014, a promotional offer for cash loans *Wiosna 2014 with the Guarantee of the lowest total cost of a loan* was launched, with attractive financial conditions dependent on opening a personal account at the Bank (*Konto Dobrze Dobrane*) along with life insurance for a borrower or job loss insurance. The promotional offer guarantees obtaining by a customer a cash loan offer with a lower total cost of the loan compared to the loan offer received from another bank, for identical parameters of the loan (amount, currency, financing term, borrower's identity).

Car loans

In the first half of 2014 in the car loans offering:

- a promotional offer *"Wiosna 2014 with the Guarantee of the lowest total cost of a loan"* was introduced for loans intended for car purchases or refinancing of car loans and vehicle purchases;
- new products were introduced for Volvo dealers;
- thanks to agreements concluded with Hyundai Motor Poland Sp. z o.o. and Kia Motors Polska Sp. z o.o. - the Bank put in place a financing program for their dealers in Poland;
- products involving subsidies were introduced in the offer for financing purchases of Triumph and Ducati motorcycles.

Credit Cards

New option of a fast-track delivery of 'bicontract' cards (i.e. cards issued along with a cash loan or car loan) has been offered. The fast-track card is delivered the next day after the loan disbursement. Customers are also offered new, higher card limits of PLN 3, 4 and 6 thousand.

4.1.3. Private Banking Segment

The Private Banking business line serves the Bank's most affluent individual customers (or their investment entities), with liquid assets exceeding PLN 600,000, who expect an exceptionally high level of services and specialised investment advice.

In the Private Banking segment the Bank provides integrated asset management services and solutions for affluent individuals and companies established for investment purposes. The services offered include:

- daily banking,
- services of the Brokerage Office,
- investment products and also investment and insurance solutions;
- wealth planning,
- loans,
- alternative investments.

All the rendered services are carefully selected and offered in accordance with the MIFID regulations implemented into the Polish legislation.

The Private Banking customers have full access to the Retail Banking range of products and an array of prestigious debit, credit and charge cards dedicated to the Private Banking segment. The cards provide access to concierge, assistance services and travel insurance. The selection of cards on offer includes MasterCard BNP Paribas World Elite. For the most demanding clients the Bank offers a charge type titanium card, American Express Centurion.

The Brokerage Office dedicates its services only to customers of the Bank's Private Banking Department. The services offered include:

- accepting and forwarding orders to acquire or sell financial instruments (in cooperation with Dom Maklerski mBank S.A.), and
- investment advice service under which personalised investment recommendations are formulated for customers for a fee.

Thanks to the services of the Brokerage Office, Private Banking customers receive recommendations and analyses that take into account individual needs and risk profile of the customers, in line with the global strategy of the BNP PARIBAS and the rules for selection of financial instruments applied by the BNP Paribas Wealth Management business line. The Brokerage Office has provided the Private Banking customers with the possibility of investing in the majority of financial instruments available on regulated markets in Poland and chosen foreign markets, including EU and USA. Those instruments include e.g. shares, bonds, futures contracts, options, index units and exchange traded funds (ETF).

Moreover, customers may participate in initial public offerings as regards shares and other financial instruments allotted through the Warsaw Stock Exchange.

Customers are ensured access to a specialised asset management offer of TFI BNP Paribas Polska SA.

The service is rendered on the basis of an estimated customer risk profile (conservative, defensive, balanced or dynamic) and the following investment strategies may be pursued: participatory portfolio, domestic and foreign funds portfolios, likewise portfolios of domestic financial instruments.

On 10 June 2014, the Financial Supervision Authority granted a permit to the Brokerage Office for management of portfolios, which include one or more financial instruments. Obtaining a license for this activity will allow the Bank to enhance the offering addressed to the Private Banking customers.

In addition, the Private Banking offering includes structured products, sold as insurance policies or Luxembourg investment funds, which are tailored to customer needs, likewise debt financial instruments and a wide range of domestic and foreign investment funds.

In January 2014, the offering of foreign funds was expanded by Parvest funds, managed by BNP Paribas Investment Partners, and in March 2014 by BlackRock funds.

The Private Banking customers have access to bank experts on wealth and inheritance planning.

The Bank's offering comprises loans to Private Banking customers, including individuals and special purpose vehicles established to optimise wealth management. Customers may use such products as mortgage loans (also to finance real estate for lease), cash loans and overdraft limits, all denominated in PLN, EUR and USD. Other types of loans are tailored to individual customer needs.

4.1.4. SME and MICRO Enterprises Segments

The Retail Banking business line also provides products and services to Microcompanies/Professionals and SME customers with an annual turnover below PLN 60 million. The offering for these segments includes:

- accounts and packages;
- deposits and placement account;
- payment cards;
- credit products;
- liquidity management - transaction banking;
- trade finance;
- currency and interest rate risk management;
- other financial services (lease facilities, factoring, cash collection, financing agreement, purchase/sale of foreign currencies);
- a loan offering linked with the European Union financing programmes.

With regard to <u>the customers of the Micro segment, in the first half of 2014:</u>

- the previous promotion of a cash loan at a fixed rate was replaced by a promotional offer of a loan with variable rate; loans in the new promotion have a very attractive margin (from 2.49%) and, as in the previous promotion, mandatory life and serious illness insurance; the promotion is accompanied by a marketing campaign in which, among others, the Bank's experts voice their opinions on the issues related to small business finance in professional magazines;
- the maximum term of the unsecured cash loan for the Mass Micro segment was extended from 3 to 7 years for amounts not exceeding PLN 50,000;
- a number of measures were taken to support the sale of loans in the Micro segment: cooperation with Practical Medicine (acquisition of leads from a prominent organizer of medical conferences and publisher of medical magazines), the action "Sąsiad" (Neighbour) - special price offering for companies operating within a radius of 8 km from the Bank's location), „rekomendujesz-zyskujesz" (you recommend-you gain) programme (tablets for recommending customers and special pricing terms to recommended customers);
- a change in the organizational structure occurred - Micro customers are currently served outside the Financial Centres (location of branches has not changed).

In addition, with regard to <u>the SME segment customers, in the first half of 2014:</u>

- Foreign exchange (FX) specialists were appointed in every SME region;
- currency and interest rate options were made available to customers where the customer pays an option premium on the transaction conclusion date;
- credit process was modified to improve Time to Yes and Time to Cash ;
- introduction into the Bank of the "De Minimis" government supported program which support lending to small and medium size business;
- a series of marketing and relationship events were implemented: continuation of the "Business Academy" programme, a promotional campaign addressed to managers of companies from "Puls Biznesu's Ranking of 500 Managers", the "you recommend-you gain" programme, which is to reward customers recommending SME customers with tablets and ensuring more favourable financing conditions for recommended customers, a series of publications (advertisements and experts' opinions) in the press (*Dziennik Gazeta Prawna*);

4.2. Corporate and Transaction Banking (CTB)

- provides a comprehensive range of financing services to large and medium-size companies generating annual turnover exceeding PLN 60 million, and to companies that belong to international groups;
- 9 Business Centres;
- 3,656 corporate customers as at 30 June 2014 compared to 2,975 ones as at 31 December 2013;
- 218 full time equivalents (FTEs).

The **Corporate and Transaction Banking segment** focuses on medium and large enterprises, offering them a wide range of financial solutions. The Corporate and Transaction Banking customers are corporate entities and institutions whose annual sales revenues exceed PLN 60 million.

They can be divided into four basic groups:

- Polish "mid-caps" (annual revenues between PLN 60 million and PLN 600 million);
- multinationals (companies belonging to multinational business groups);
- Polish large corporates (annual turnover above PLN 600 million and offering potential for investment banking services);
- public sector and institutions.

Among Corporate and Transaction Banking customers: Polish large corporations accounted for 5%, Polish mid-caps - 34%, and multinationals - 54%, while the remaining group included public sector companies and institutional customers.

In 2014, an initiative to increase the Bank's share in the segment of Polish mid-caps was continued. Effects of an intense customers acquisition strategy in this segment are noticeable through the increase of such enterprises' share in the entire CTB portfolio.

Distribution channels

The Corporate and Transaction Banking segment operates through Business Centres located across the country in large cities, which operate separately from the Bank's retail network. Presently, the Bank has nine Business Centres (BC): three in Warsaw, and one each in Kraków, Gdańsk, Katowice, Poznań, Wrocław and Łódź. In addition to the existing BCs, relationship managers have been appointed in: Szczecin, Bydgoszcz, Toruń, Lublin, Kielce and Rzeszów to handle local clients.

Internet banking

The Bank offers enhanced online banking services through its "*BiznesPl@net*" and "*Connexis*" Internet banking platforms, tailored to the needs of its corporate customers (CTB and SME). "*BiznesPl@net*" enables users to customise the authorisation to access their account and it can be integrated with corporate accounting systems. In addition to the features available through "*Pl@net*", the "*BiznesPl@net*" system allows customers to process all their transactions online, including opening and amending letters of credit and executing currency transactions (using the "*Deal on Pl@net*" platform).

Products and services

The Bank provides a number of transactional banking and financing products for its corporate customers, supported by the BNP PARIBAS group's expertise. The Bank's core corporate competencies include:

- **global trade services** – full service of import and export letters of credit, guarantees and documentary collection, supply chain financing and export finance solutions. The Trade Finance Department offers speedy and reliable service including dedicated IT tools;
- **deposits** - overnight to term deposits indexed on WIBOR rates;
- **cash management** - an integrated approach to a group of products designed to cater both domestic and international cash flows of our customers, including competitively priced tools to support the management of receivables inflow and payment processing as well as comprehensive cash services, cash pooling schemes and advanced card solutions for business clients.

  In the second quarter of 2013, a new innovative model of transaction communication for corporate customers has been implemented that integrates the customer's financial and accounting system with the Bank's servers ("host to host"). What makes this solution unique is that after integration of a customer system, the Bank becomes in fact a transaction centre which enables a customer to make payments by debiting accounts also held with other banks (in Poland) and to receive bank statements from other banks.
- **corporate financing** - overdrafts, revolving credit facilities, investment loans and EBRD/EIB programmes;
- **structured finance for mid-caps** - financing for acquisitions, large capital expenditures, structured bilateral or syndicated facilities in the PLN 20–200 million range;
- **real estate finance** - for office, retail and logistic projects addressed to customers who:
  - plan a construction or extension of commercial real estate using a construction loan;
  - plan purchasing or refinancing commercial real estate through either an investment loan or leasing;
- **investment banking expertise** - services provided by the Corporate and Transaction Banking experts, including M&A advisory, project finance, equity and debt capital markets expertise;
- **financial markets products** - including FX spot and forward transactions either carried out by the Bank dealing room or through a competitively priced FX internet platform ("*Deal on Pl@net*") as well as FX options, FX swaps, interest rate swaps and other derivative products, which are offered in conjunction with the *Fixed Income* platform of Corporate and Investment Banking of BNP PARIBAS Branch in Warsaw;
- **leasing and factoring services** offered, respectively, through FLP (from 15 February 2014 by the Leasing Department of the Bank) and BNP Paribas Factor.

In the second quarter of 2014, prepaid MasterCard business cards intended for business customers were introduced to the Bank's offering. The cards allow, among others, making cash and non-cash payments at all points of sale worldwide marked with the MasterCard logo, without the need to have foreign currency funds on the respective account, likewise making contactless payments using the "PayPass" technology. It is also possible to issue of any number of cards to employees within one corporate account. In addition, prepaid cards may be issued to beneficiaries of municipalities, offices and public institutions in order to provide social benefits, as well as provide a convenient tool for making benefit payments to employees. These cards are also available for the SME segment customers.

4.3. Other Banking Activity

Operationally, the other banking activity is run by the ALM/Treasury Line. The Line's primary purpose is to ensure an adequate and stable level of funding to support the Bank’s activities in a secure manner while adhering to legal and regulatory norms.

The ALM/Treasury Line manages the Bank's liquidity and determines internal and external reference prices. It manages the Bank's balance sheet interest rate risk, operational and structural FX risks. The above tasks cover both a prudential aspect (observance of external regulations and internal procedures) and an optimisation purpose (funding cost management and generation of the net income on the management of the bank's balance sheet items). The activity of the ALM/Treasury Line is pursued within three profit centres: the Treasury Department, Assets and Liabilities Management (ALM) and Corporate Centre.

The main responsibilities of the Treasury Department include ensuring a balanced short-term liquidity position while optimising the cost of funding, ensuring a proper structure of assets and liabilities, including sensitivity to interest rates changes, likewise formulating and pursuing the FX policy. The assigned duties include managing short term liquidity positions in all currencies and managing short term interest rate risk and managing FX risk by concluding transactions in financial markets (such as money market cash transactions, FX transactions, FX swaps, FX spot and forward, IR derivatives, buying and selling State Treasury bonds and NBP bills).

ALM is mainly responsible for ensuring a balanced medium and long-term liquidity position, while optimising the cost of funding, acquiring stable funding sources, managing the internal fund transfer pricing system, managing medium and long term IR risk, managing the bonds portfolio and investing the equity.

The third profit centre is the Corporate Centre. Financial result of the Corporate Centre reflects transfer for management of own equity (at the internal reference price).

4.4. Clearing activity

Outgoing PLN payments to domestic banks are settled electronically only, through the ELIXIR and SORBNET2 systems.

The Bank also pursues a clearing activity. The Bank participates in the EuroELIXIR system for handling domestic transfer orders in EUR. It also offers SEPA credit transfers and indirectly participates in TARGET2.

5. ANALYSIS OF BNP PARIBAS BANK POLSKA GROUP PERFORMANCE IN THE FIRST HALF OF 2014[1]

5.1. Income Statement

The after-tax profit earned by the Group totalled PLN 49.8 million, as compared to PLN 51.5 million generated in the first half of 2013. Excluding the impact of a one-off income item, which significantly increased the result of H1 2013, the after-tax profit would be higher by PLN 13.7 million (38.1%).

in PLN thousand	1H 2013	1H 2014	1H 2013 vs 1H 2014
Net banking income	410,289	404,109	-1.5%
Total operating expenses	-284,315	-283,700	-0.2%
Cost of risk	-51,485	-54,048	5.0%
Net result on provisions	-3,967	3,994	-200.7%
Net operating profit/loss	**70,522**	**70,355**	**-0.2%**
Net profit/loss from disposal of assets, shares and interest	-276	-966	250.0%
Profit/loss before taxation	**70,246**	**69,389**	**-1.2%**
Income tax	-18,740	-19,614	4.7%
Profit/loss after taxation	**51,506**	**49,775**	**-3.4%**

In the first half of 2014, the Group did not record any considerable one-off items.

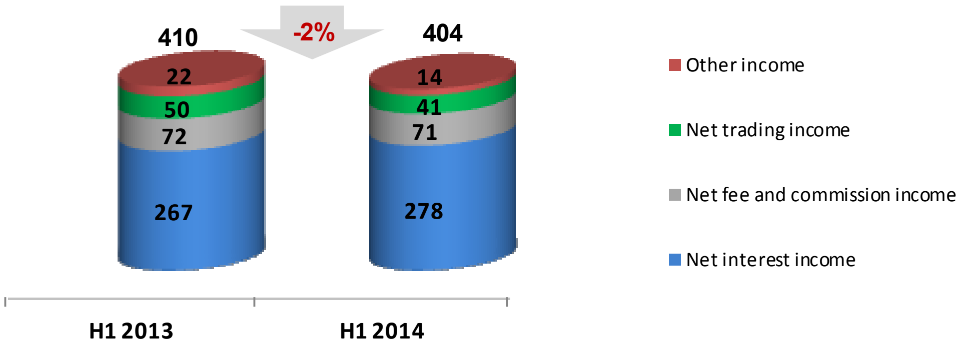
In the first half of 2013, the Group recorded the following one-off item:

- PLN 19.1 million: net income related to the settlement of a prepayment of some credit facilities from the BNP PARIBAS group (primarily a subordinated loan) with the positive mark to market, which affected the net interest income in the Other Banking Activity segment.

5.1.1. Net banking income

The chart below shows the structure of basic items of the net banking income in the periods compared. Excluding the impact of a one-off income item, which significantly increased the income of H1 2013, the NBI would be higher by PLN 12.9 million (3.3%).

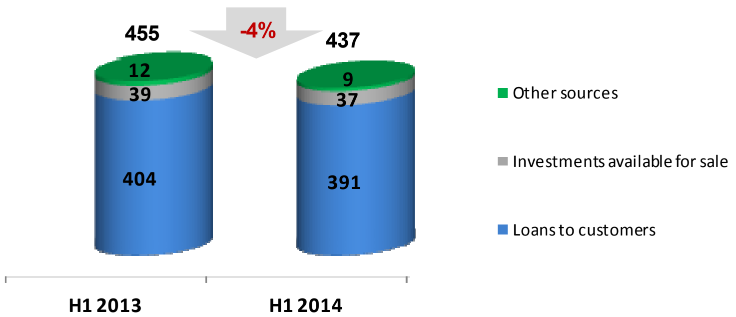
Chart 7. Net banking income structure (in PLN million)



5.1.1.1. Net interest income

Net interest income, accounting for 68.9% of the total net banking income in H1 2014, prevails in the income statement structure. The net interest income was by PLN 11.5 million (4.3%) higher as compared to the first half of 2013 (after excluding the impact of the one-off item, the net interest income would rise by 12.3%); however, both the Group's interest income and expense were affected by materially lower market interest rates. The interest income structure in the periods compared was the following:

Chart 8. Interest income structure (in PLN million)



Interest income amounted to PLN 437.0 million in H1 2014, which represents a drop by 4.0% (PLN 18.3 million) compared to H1 2013. This fall was mainly recorded in:

- interest on loans to the Group's customers (by 3.2% or PLN 13.1 million), which in the analysed period amounted

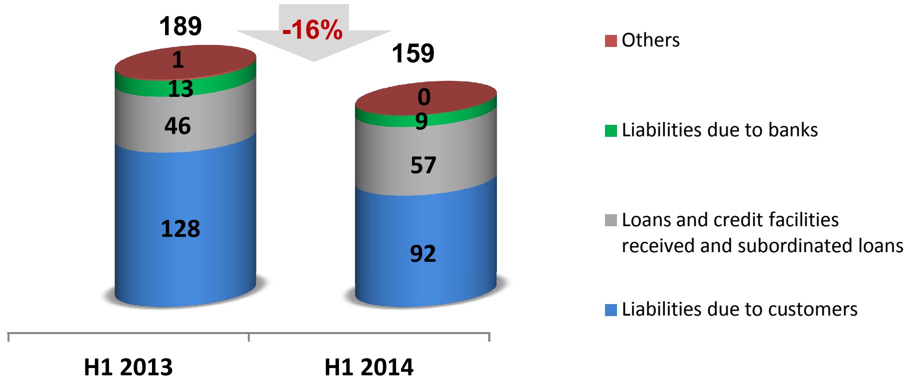
[1] *Some financial data have been rounded and presented in PLN million or PLN billion, not in PLN thousand as in the Financial Statements. Accordingly, in certain instances the sum of numbers in charts may not conform exactly to the total figure. Some percentages in the tables and in charts have also been rounded and therefore they may not add up to 100%. Percentage changes between the periods compared with have been calculated on the basis of original amounts, not the rounded ones.*

to PLN 390.5 million. Decrease in interest on loans to customers derived chiefly from materially lower market interest rates, which resulted in particular in lower average interest rates on commercial loans, finance lease receivables and PLN mortgage loans. The decrease due to the fall in market interest rates was partially counterbalanced by growth in new production of consumer loans and the margin on those loans;

- interest on cash and cash equivalents (by PLN 3.7 million);
- interest on investments available for sale (by 4.6% i.e. PLN 1.8 million).

Interest expense went down by PLN 27.8 million as compared to the first half of 2013. The interest expense structure in the periods compared was the following:

Chart 9. Interest expense structure (in PLN million)



The interest expense decrease was attributable chiefly to the following:

- lower interest expense on customer deposits (by PLN 35.6 million or 27.8%), despite higher average volumes of such deposits, mainly as a result of cutting interest rates of savings accounts and term deposits following the market interest rate decrease;
- lower interest expense on liabilities due to banks (by PLN 3.8 million or 28.6%) mainly in connection with the market interest rate fall.

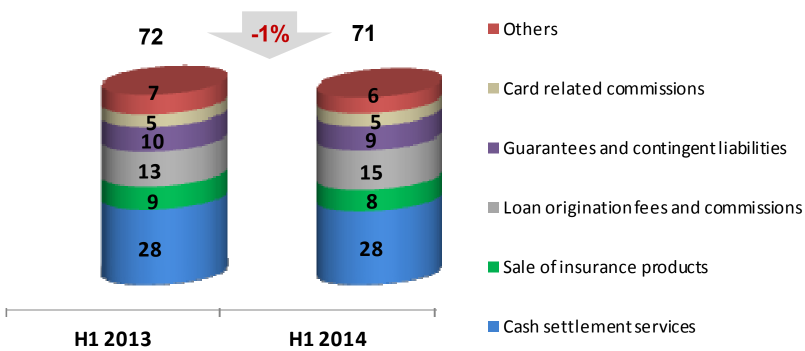
At the same time, interest expense related to subordinated loans as well as loans and credit facilities received increased in total by PLN 10.5 million. The above growth resulted mainly from the impact on interest expense in the first half of 2013 exerted by the net income received by the Bank on account of the settlement of a prepayment of some credit lines granted by the BNP PARIBAS group with the positive mark to market in the amount of PLN 19.1 million. On the other hand, the fall of market interest rates contributed to the decrease in expenses on PLN loans and credit facilities received.

The net interest margin was 2.9% both in H1 2014 and in H1 2013. In the first half of 2013, the interest margin amount was affected by a one-off income item related to the settlement of a prepayment of some credit lines granted by the BNP PARIBAS group (mainly the subordinated loan) with a positive mark to market; excluding the said income, the net interest margin would stand at 2.7% in the analysed period.

5.1.1.2. Net fee and commission income

The second largest item in the Group's net income was the fee and commission income which accounted for 17.5% of the net banking income in H1 2014.

Chart 10. Net fee and commission income structure (in PLN million)



The main sources of the net fee and commission income in the Group were fees and commissions on cash settlement services, commissions related to the sale of insurance products, loan origination, guarantee issuance and payment card-related fees.

In H1 2014, the Group recorded a slight decrease, by 1.5% or PLN 1.1 million, in the net fee and commission income as compared to the corresponding period of 2013.

The item went down mainly due to the following:

- lower net fees and commissions related to the sale of insurance products;
- drop in net fees and commissions for cash settlement services that include primarily account maintenance, cash transaction and bank transfer fees (by 2.4%);
- higher costs of commissions and fees paid to franchisees and intermediaries, chiefly for granting consumer loans (following the higher total volume of such loans).

The decrease was counterbalanced by higher net fees and commissions related to granting loans (by 14.4% or PLN 1.9 million).

5.1.1.3. Net trading income

As at the end of H1 2014, the net trading income amounted to PLN 41.1 million, which in comparison to the result generated in H1 2013 represents a decrease by PLN 8.8 million (17.7%). The net income on derivative transactions dropped by PLN 3.9 million to PLN -1.1 million in H1 2014. The decrease resulted chiefly from a recognition of the Credit Value Adjustment (CVA) at PLN 2.0 million in the market valuation. CVA recognised in the first half of 2014 concerned derivative transactions entered into with customers for which no impairment was recognised. The net FX income dropped as compared to the first half of 2013 by PLN 4.9 million or 10.4% mainly as a result of a lower margin realised on FX transactions made by the Bank's customers (with a parallel increase in the average volume of those transactions).

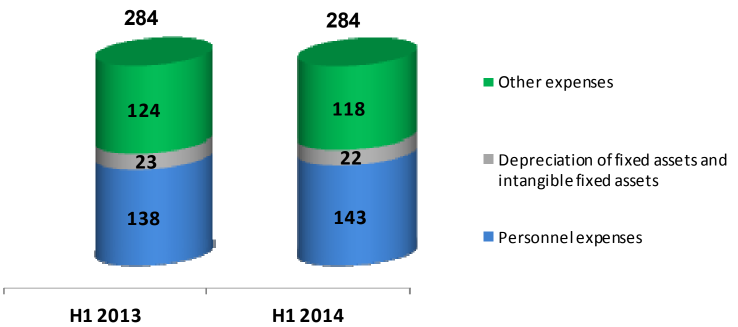
5.1.1.4. Other income[2]

Other income in H1 2014 stood at PLN 13.9 million and was by PLN 7.7 million lower than in the first half of 2013. The decrease was primarily due to the lower net profit/loss on available-for-sale financial assets (by PLN 1.8 million) in connection with lower earnings on the sale of securities; higher net expenses on account of the BGF related chiefly to the introduction of prudential fee (by PLN 2.3 million); a positive impact on the last year's net profit of the reimbursement of costs by the BNP PARIBAS group on account of expenses previously incurred by the Bank for the project carried out in favour of the BNP PARIBAS group, and lower revenues from sub-lease in the current year.

5.1.2. Expenses

Specific cost categories in the periods compared were the following:

Chart 11. Cost structure (in PLN million)



In 2013, the Group completed implementation of the cost optimisation programme called *Triathlon* that created savings at the assumed level. Apart from the Triathlon programme, the Group participates in "Simple & Efficient", the global cost-efficiency project of the BNP PARIBAS group, which aims at reaching additional annual savings of PLN 26 million. The "Simple & Efficient" project will be completed by the end of 2015. The combined effects of both projects and a strict cost control allow the Group to invest in the activity development while avoiding a significant expense increase.
In H1 2014, the Group's general expenses and depreciation were by PLN 0.6 million (0.2%) lower than in H1 2013.

Personnel expenses of the Group stood at PLN 143.5 million in the first half of 2014 and were higher by PLN 5.9 million or 4.3% than in the first half of 2013. The above increase was attributable to provisions on severance pay related to retirement, unused vacation leaves and other employee benefits higher by PLN 4.3 million (chiefly due to the release of one-off provision in the amount of PLN 4.0 million for the employment restructuring in H1 2013), likewise surcharges on remuneration higher by PLN 1.0 million. At the same time, basic remuneration expenses fell by 0.5% as compared to the expenses recorded in the first half of 2013. As at the end of H1 2014, the headcount in the Group was 2,845 FTE as compared to 2,757 FTE as at the end of the H1 2013.

Depreciation of fixed and intangible assets amounted to PLN 22.0 million in the first half of 2014 and was lower by 3.2% than in the corresponding period of 2013.

Other expenses of the Group in H1 2014 amounted to PLN 118.2 million and were by PLN 5.8 million (4.7%) lower than in the corresponding period of 2013. The decrease in other expenses is related to lower marketing costs and savings made within cost optimisation programmes (the considerable portion of the savings made was recorded already in the first half of 2013).

5.1.3. Cost of risk

Continuation of a prudent risk management policy remains the priority for the Group. In H1 2014, cost of risk amounted to PLN 54.0 million, which represents an increase by PLN 2.6 million or 5.0% as compared to the corresponding period of 2013. Further, the annualised cost of risk ratio stood at 0.6% in both periods compared.
As compared to the first half of 2013, the cost of risk increase was attributable to provisions for receivables due from corporate customers, which were higher than last year (in fact in H1 2013, thanks to effective debt restructuring and recovery in this segment a positive cost of risk was recorded) and to provisions on consumer credits. However, provisions for receivables due from small and medium enterprises were materially lower than the year before.

5.1.4. Net result on provisions

In the first half of 2014, the net result on provisions stood at PLN 4.0 million as compared to PLN -4.0 million in the corresponding period of 2013. The result is attributable to the following:

- release of provisions for legal risk related to litigation with the Bank's customers involving derivative instruments, in the amount of PLN 4,3 million;

[2] *Other income includes: net gain/loss on available-for-sale financial assets, net profit/loss on hedging transactions, net profit/loss on the hedged item, dividends and other income, and other operating expenses*

- other costs of provisions for legal risk related chiefly to claims of contractors in the amount PLN -0.3 million as compared to PLN -4.0 million in H1 2013.

5.1.5. Contribution of specific segments to the financial result

	Retail Banking			Corporate and Transaction Banking			Other Banking Activity		
in PLN thousand	**H1 2013**	**H1 2014**	**Δ**	**H1 2013**	**H1 2014**	**Δ**	**H1 2013**	**H1 2014**	**Δ**
Net banking income	195 646	209 455	7.1%	132 309	131 996	-0.2%	82 334	62 658	-23.9%
Total operating expenses	-229 256	-225 425	-1.7%	-48 735	-52 525	7.8%	-6 324	-5 750	-9.1%
Cost of risk	-58 517	-42 836	-26.8%	6 202	-10 893	-275.6%	830	-319	n/a
Net result on provisions	-3 950	3 694	n/a	-11	300	n/a	-6	0	-100.0%
Net operating profit/loss	**-96 077**	**-55 112**	**-42.6%**	**89 765**	**68 878**	**-23.3%**	**76 834**	**56 589**	**-26.3%**
Net profit/loss from disposal of assets, shares and interest	-313	-1 010	222.7%	37	44	18.9%	0	0	-
Profit/loss before taxation	**-96 390**	**-56 122**	**-41.8%**	**89 802**	**68 922**	**-23.3%**	**76 834**	**56 589**	**-26.3%**

Retail Banking

Net banking income in Retail Banking reached PLN 209.5 million and was higher by 7.1% as compared to the first half of 2013. The above result accounts for 51.8% of the entire Group's net banking income.

Key factors which had an impact on the RB net banking income include:

- increase in the net interest income by 15.7%, mainly thanks to the growing consumer credit production and a better margin on such facilities, likewise an improved margin on savings accounts and term deposits held by individual customers;
- decrease in the net fee and commission income by 9.6%.

General expenses and depreciation and the "cost allocation" item, which is the value of costs allocated from support units to the Retail Banking, amounted to PLN 225.4 million and were by 1.7% lower as compared to the cost level for the first half of 2013. Retail Banking personnel expenses, which accounted for 48.5% of the Group's total personnel expenses, decreased by 1.9% as compared to the first half of 2013.

The cost of risk stood at PLN 42.8 million in H1 2014, down by PLN 15.7 million as compared to the corresponding period of last year, mainly because provisions for receivables due from small and medium enterprises were significantly lower than in 2013.

In H1 2014, the net result on provisions was PLN 3.7 million as compared to PLN -4.0 million in H1 2013. The above result includes the income on the release of provisions for legal risk related to litigation with the Bank's customers on account of financial instruments in the amount of PLN 4.0 million, and other cost of provisions for legal risk amounting to PLN -0.3 million.

Gross loss of the Retail Banking segment in the first half of 2014 amounted to PLN 56.1 million and was lower by 41.8% than the loss of PLN 96.4 million suffered in the first half of 2013.

Corporate and Transaction Banking

Net banking income earned by the Corporate and Transaction Banking reached PLN 132.0 million and was lower by 0.2% than in H1 2013. The above result accounts for 32.7% of the entire Group's net banking income.

Key factors which had an impact on the CTB net banking income include:

- net trading income lower by 7.5% or PLN 2.4 million, which was attributable to the Credit Value Adjustment (CVA) of derivative transactions in the amount of PLN -1.5 million;
- decrease of other operating income and expenses by PLN 4.0 million caused chiefly by a positive impact on the last year's net profit of the reimbursement of costs by the BNP PARIBAS group on account of expenses previously incurred by the Bank for the project carried out in favour of the BNP PARIBAS group, and higher net costs on account of the BGF;
- net interest income higher by 5.5% (PLN 3.7 million);
- net fee and commission income higher by 9.7% (PLN 2.9 million);

General expenses and depreciation and the "cost allocation" item, which is the value of costs allocated from support units to the Corporate and Transaction Banking, amounted to PLN 52.5 million in H1 2014, compared to PLN 48.7 million in the first half of 2013. Personnel expenses which accounted for 14.2% of the Group's total personnel expenses, increased by PLN 2.2 million.

In the first half of 2014, cost of risk in the Corporate and Transaction Banking segment amounted to PLN 10.9 million as compared to the positive cost of risk in the first half of 2013 of PLN 6.2 million (related to the income on the release of provisions for customer loan receivables).

The net result on provisions in H1 2014 stood at PLN 0.3 million and was related to the income on the release of provisions for legal risk in litigation with the Bank's customers regarding financial instruments.

The Corporate and Transaction Banking segment's pre-tax profit stood at PLN 68.9 million in the first half of 2014, compared to the pre-tax profit of PLN 89.8 million in the first half of 2013.

Other Banking Activity

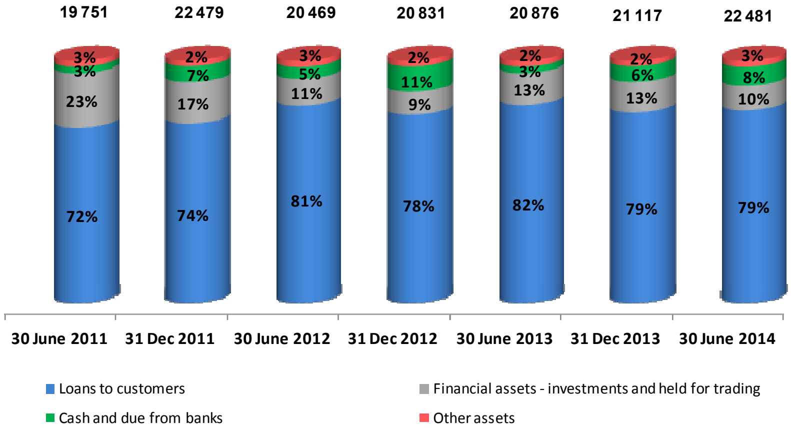
The Other Banking Activity is operationally managed by the ALM/Treasury line. In the first half of 2014, the net banking income of the Other Banking Activity segment amounted to PLN 62.7 million as compared to PLN 82.3 million in the first half of 2013. The above was attributable mainly to a decrease in the net interest income by PLN 14.0 million, resulting chiefly from the impact of the one-off item related to the prepayment of the debt due to the BNP PARIBAS group, at the positive mark to market, on the net profit of H1 2013 (at PLN 19.1 million), and to the net trading income which was lower by PLN 4.6 million.

5.2. Balance Sheet

5.2.1. Assets

The Group's total assets as at 30 June 2014 were higher than the total assets as at the end of December 2013 by PLN 1,363.8 million, or 6.5%. The balance sheet total increase pertained mostly to loans to customers as well as cash and cash equivalents, the growth of which partly counterbalanced the fall in the value of available-for-sale investments.

Chart 12. Group's assets structure as at 30 June 2014 as compared to previous periods (in PLN million)



The table below presents the evolution of selected assets of the Group (consolidated):

in PLN thousand	31 Dec 2013	Share (%)	30 June 2014	Share (%)	30 June 2014 vs 31 Dec 2013
ASSETS					
Loans to customers	16,582,614	78.5%	17,870,492	79.5%	7.8%
Non-impaired loans to customers, gross	16,192,082		17,558,382		8.4%
Impaired loans to customers, gross	1,479,139		1,321,999		-10.6%
Provisions	-1,088,607		-1,009,889		-7.2%
Investments – available for sale and others	2,607,870	12.3%	2,193,906	9.8%	-15.9%
Cash and cash equivalents	1,290,247	6.1%	1,708,962	7.6%	32.5%
Due from banks	79,201	0.4%	51,890	0.2%	-34.5%
Financial assets held for trading	70,118	0.3%	73,767	0.3%	5.2%
Property, plant and equipment and intangible assets	162,772	0.8%	204,027	0.9%	25.3%
Other assets *	324,434	1.5%	378,050	1.7%	16.5%
TOTAL ASSETS	**21,117,256**	**100.0%**	**22,481,094**	**100.0%**	**6.5%**

**Other assets include: settlements on account of income tax, hedging instruments, non-current assets held for sale, deferred tax assets, deferred tax assets recognised in the revaluation reserve and other assets*

5.2.1.1. Loans to customers - Group loan portfolio profile

Net loans to customers, which increased by PLN 1,287.9 million (7.8%) over the level noted as at the end of December 2013, constitute the primary item of the assets structure. This increase was driven by:

- increase in the loan portfolio of large enterprises;
- increase in the balance of factoring receivables;
- active sale of consumer loans to individuals, cash loans in particular, thanks to an attractive offering supported by strong marketing activity;
- active sale of car loans for enterprises - at PLN 127.4 million in the first half of 2014, higher by 8.1% than in the corresponding period of 2013, when its volume stood at PLN 117.8 million; the sale of car loans and car leases, granted by the Personal Finance business line to all the Bank's customers (both enterprises and individual customers) amounted to PLN 220.4 million in H1 2014 as compared to PLN 206.0 million in H1 2013;
- improved quality of the loan portfolio resulting in lower provisions for impairment.

Owing to prudent risk management and efficient restructuring and collection of non-performing receivables, including the sale of a portion of the uncollectible receivables portfolio in May 2014, both the value and share of non-performing receivables in the Group's credit portfolio have been systematically decreasing.

Gross loans to customers grew from PLN 17,671.2 million as at the end of December 2013 (of which PLN 11,551.5 million were gross loans to Retail Banking customers and PLN 6,119.7 million gross loans to Corporate and Transaction Banking customers) to PLN 18,880.4 million (including PLN 11,611.0 million of gross loans to Retail Banking customers and PLN 7,269.4 million of gross loans to Corporate and Transaction Banking customers).

Loan portfolio evolution and structure are the following:

in PLN thousand	31 Dec 2013	Share (%)	30 June 2014	Share (%)	30 June 2014 vs 31 Dec 2013
Commercial loans	7,565,244	43%	8,465,382	45%	11.9%
Mortgage loans in PLN	1,789,026	10%	1,787,207	9%	-0.1%
Mortgage loans in foreign currencies	3,903,697	22%	3,831,856	20%	-1.8%
Consumer loans and credit facilities	2,442,003	14%	2,534,737	13%	3.8%
Finance lease receivables	1,762,775	10%	1,816,816	10%	3.1%
Other receivables*	208,476	1%	444,383	2%	113.2%
Total loans to customers, gross	**17,671,221**	**100%**	**18,880,381**	**100%**	**6.8%**
Provisions for impairment and IBNR	-1,088,607		-1,009,889		-7.2%
Total loans to customers, net	**16,582,614**		**17,870,492**		**7.8%**

**Other receivables include: loans to State-owned entities, receivables on account of financial instruments (FX spots and FX swaps) recognised at the trade date, other receivables (including factoring receivables), and interest to be received*

The highest increase in comparison to December 2013 (by PLN 900.1 million, or 11.9%) was recorded in **commercial loans for business entities**; their share in the structure of gross receivables due from customers remains the greatest. This increase was due primarily to:

- higher utilisation of overdraft limits, mainly by Corporate and Transaction Banking customers;
- disbursement of several major loans for investment projects of large enterprises;
- increase in loan balances financing dealership activities thanks to starting cooperation with KIA Motors Polska and Hyundai Motor Poland (PLN 163 million disbursed in June this year),

Relatively low demand for investment loans from SMEs resulted in a lower balance of such loans as compared to the level recorded as at the end of December last year.

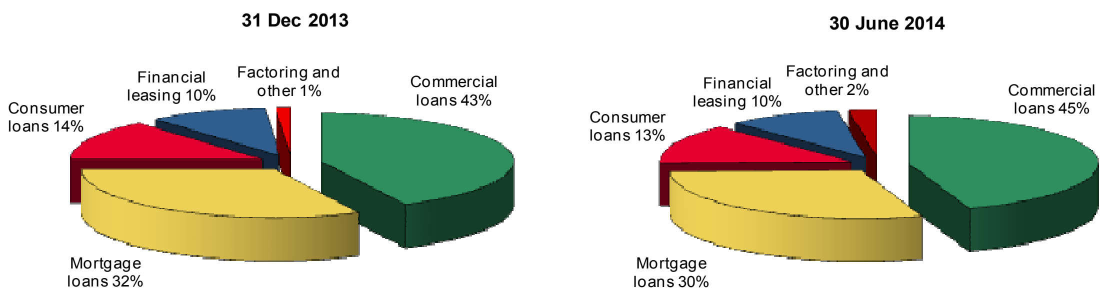
The portfolio of **consumer loans and credit facilities** for individuals as at the end of June 2014 grew by PLN 92.7 million (3.8%) in comparison to the end of December 2013. Thanks to a continued attractive offering of cash loans and their promotion campaign, the sale of cash loans in the first half of 2014 was by 2.7% higher than the year before and reached PLN 521.4 million as compared to PLN 507.5 million in the first half of 2013. At the same time, the sale of cash loans in the second quarter of 2014 amounted to PLN 289.0 million and was by 24.4% higher than in the first quarter when it equalled PLN 232.4 million.

The decrease in the **mortgage loans** balance by PLN 73.7 million (1.3%) was mainly related to the portfolio of foreign currency mortgage loans whose value was reduced by PLN 71.8 million (or 1.8%) as compared to the level as at the end of December 2013. In fact this slight decrease in foreign currency balances is resulting from the discontinuation of granting new foreign currency mortgage loans, however partially counterbalanced by the positive impact of weakening PLN towards CHF. CHF mortgage loans in the amount of PLN 3,757.1 million as at the end of the first half of 2014 accounted for 98.0% of the total balance of foreign currency mortgage loans. Presently, the Group does not focus on the sale of PLN mortgage loans. In consequence, the balance of such loans was similar to the level recorded as at the end of December 2013.

Gross finance lease receivables increased by PLN 54.0 million, or 3.1%, as compared to the level recorded as at the end of December 2013. The growth in the Group's lease portfolio was affected mainly by a higher new lease production, in particular in terms of real estate lease.

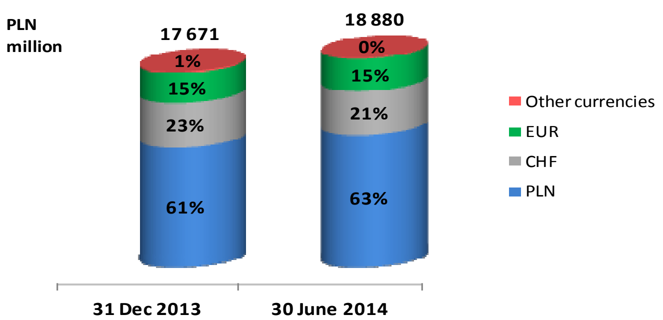
As at the end of the first half of 2014, the gross balance of **factoring receivables** stood at PLN 362.9 million and was higher than as at the end of December 2013 by PLN 211.6 million, or 139.8%, as a result of development of the subsidiary's business.

Chart 13. Structure of gross loans to customers of the Group as at 31 Dec 2013 and 30 June 2014



In the periods compared, the currency structure of gross loans to customers was as follows:

Chart 14. Currency structure of gross loans to customers as at 31 December 2013 and 30 June 2014 (in PLN million)



As at 30 June 2014, foreign currency loans accounted for 36.8% of the gross loans to customers portfolio, with the biggest share of CHF loans in the amount of PLN 3,984.2 million, representing 21.1% of the total portfolio of gross loans to customers. The value of the foreign currency loan portfolio expressed in PLN increased by 1.2% as compared to December 2013.

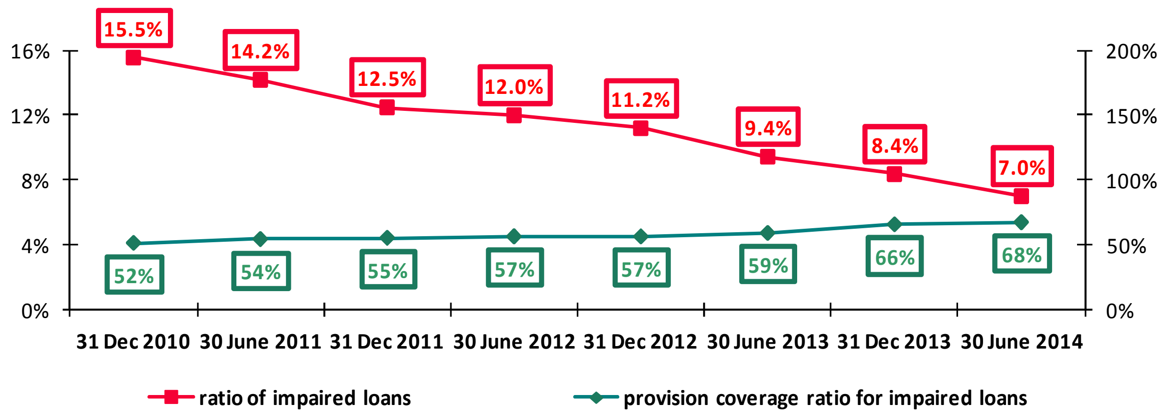
5.2.1.2. Loan portfolio quality

Quality of the loan portfolio is one of the Group's priorities.

As at the end of June 2014, the gross value of the portfolio of impaired loans to customers amounted to PLN 1,322.0 million, hence it decreased by PLN 157.1 million (10.6%) as compared to the end of December 2014. A continued downward trend is observed with respect to the ratio of impaired (non-performing) loans in the total portfolio as a result of:

- keeping a high quality in the new loan production thanks to the consistently applied prudent credit policy;
- effective debt restructuring and recovery with respect to the non-performing portfolio;
- sale of a portion of the uncollectible receivables portfolio.

Chart 15. Evolution of the ratios of impaired loans and of the related provisioning as compared to previous periods



The table below presents values of the ratio of non-performing receivables to the total loan portfolio, broken by segments:

NPL ratio (% of the gross loans to customers)	31 Dec 2010	31 Dec 2013	30 June 2014
Corporate and Transaction Banking (CTB)	23.9%	9.0%	5.9%
SME and Mikro*	15.0%	13.5%	12.9%
Consumer loans*	30.5%	13.2%	11.6%
Mortgage loans	1.7%	2.6%	2.9%
Total loans to customers	**15.5%**	**8.4%**	**7.0%**

**consumer loans include cash loans, car loans and credit card limits, including car loans granted to customers from the SME segment*

A decrease in provisions for impairment and IBNR (by 7.2%, i.e. PLN 78.7 million as compared to the balance as at the end of December 2013) resulted primarily from the following:

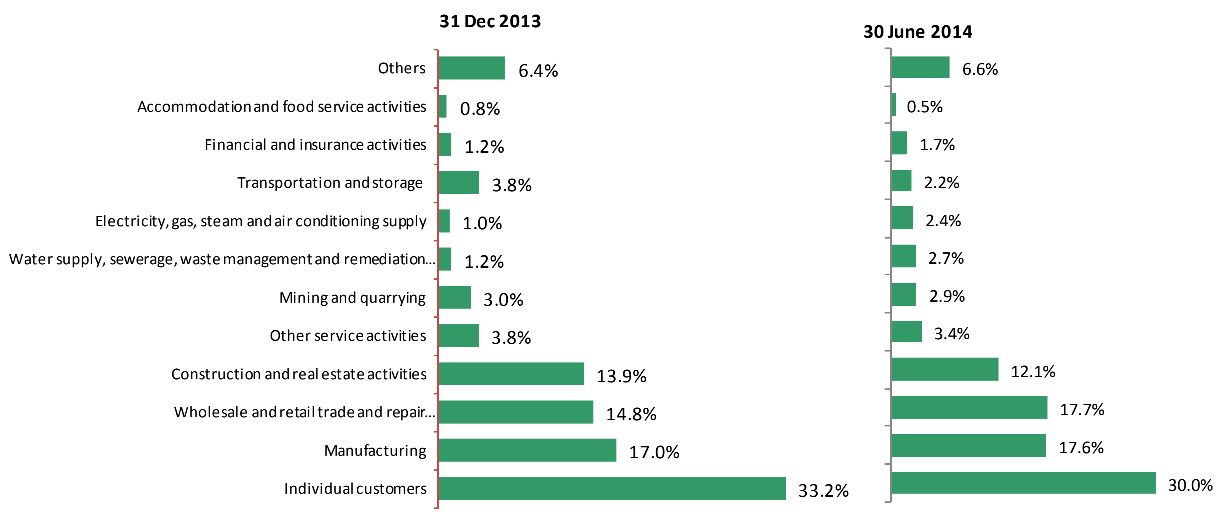
- effective restructuring and recovery of non-performing receivables;
- sale of a portion of the uncollectible receivables portfolio.

5.2.1.3. Loan portfolio by sectors under statistical classification

As at the end of June 2014, the Group's exposure (balance sheet and off-balance sheet credit exposures) stood at PLN 27.9 billion and was concentrated mainly on the financing for individual customers and the following sectors: manufacturing, wholesale and retail trade, construction and real estate activities, other services, as well as mining and quarrying.

Loan portfolio by sectors in the compared periods was the following:

Chart 16. Loan portfolio by sectors as at 31 December 2013 and 30 June 2014



5.2.1.4. Investments available for sale

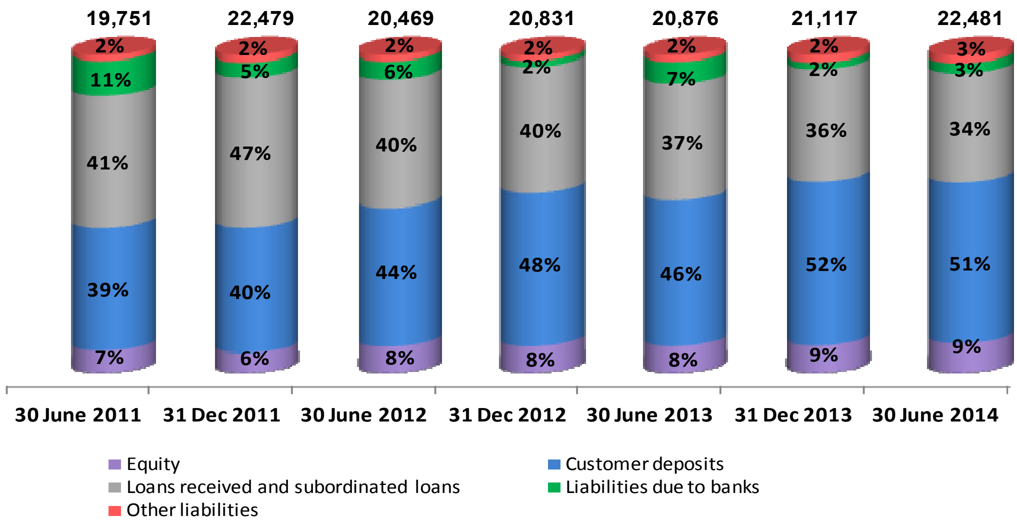
Investments available for sale decreased by PLN 414.0 million (15.9%) as compared to the end of December 2013, chiefly as a result of selling the NBP bills.

At the end of June 2014, Treasury bonds and NBP bills had the biggest share in the Group's investment portfolio (83.4% and 9.1%, respectively).

5.2.2. Liabilities and equity

The Group's liabilities and equity structure is as follows:

Chart 17. Liabilities and equity structure as at 30 June 2014 as compared to previous periods



The table below presents the structure and evolution of the selected liabilities and equity of the Group (consolidated):

in PLN thousand	31 Dec 2013	Share (%)	30 June 2014	Share (%)	30 June 2014 vs 31 Dec 2013
LIABILITIES					
Due to customers	10,894,299	51.6%	11,408,284	50.7%	4.7%
Loans and credit facilities received	7,050,920	33.5%	7,275,639	32.4%	3.2%
Due to banks	424,273	2.0%	699,261	3.1%	64.8%
Subordinated liabilities	452,192	2.1%	455,552	2.0%	0.7%
Financial liabilities held for trading	69,790	0.3%	80,698	0.4%	15.6%
Other liabilities *	420,941	2.0%	495,803	2.2%	17.8%
Total equity	**1,804,841**	**8.5%**	**2,065,857**	**9.2%**	**14.5%**
TOTAL LIABILITIES AND EQUITY	**21,117,256**	**100.0%**	**22,481,094**	**100.0%**	**6.5%**

**Other liabilities include: provisions, hedging instruments, differences from hedging the fair value of hedged items against interest rate risk, liabilities on account of securities issue, deferred tax provision, current tax liabilities and other liabilities.*

5.2.2.1. Liabilities

Customer deposits together with loans and credit facilities received constitute the main source of financing the Group's assets. In H1 2014, the Group continued adjusting its financing structure to current needs.

The balance of **loans and credit facilities** received as at the end of June 2014 amounted to PLN 7,275.6 million and accounted for 35.6% in the Group's structure of liabilities. As compared to the end of December 2013, the value of loans and credit facilities received increased by PLN 224.7 million or 3.2% in connection with the Group's business development.

Furthermore, considering the conclusion of a collateralised loan facility agreement (uncommitted) up to the amount of CHF 810 million between BNP PARIBAS and the Bank in January 2014, BNP PARIBAS has made available to the Bank a credit line, which replaced the previous financing for the majority of the portfolio of CHF mortgage loans granted by the Bank, under the terms and conditions that ensure a better maturity match in relation to the previous financing.

The principal component of loans and credit facilities received are credit facilities granted by the BNP PARIBAS group; as at the end of June 2014 they constituted 91.1% of loans received by the Group. This category includes also credit facilities from the European Investment Bank and the European Bank for Reconstruction and Development earmarked for financing investment projects of small and medium-sized enterprises.

Subordinated loans taken with the BNP PARIBAS group whose balance as at the end of June 2014 amounted to PLN 455.6 million, remain also the stable source of financing. A slight increase in their value (by PLN 3.4 million as compared to December 2013) was a consequence of the FX rates rise.

The balance of **liabilities due to banks** as at the end of June 2014 stood at PLN 699.3 million, which accounted for 3.4% of the Group's total liabilities. Increase in the value of these liabilities (by PLN 275.0 million) as compared to the level at the end of December 2013 resulted primarily from growth in the value of term deposits, mainly deposits of banks from the BNP PARIBAS group, related to the current management of liquidity.

The balance of **liabilities due to the Group's customers** as at the end of June 2014 was PLN 11,408.3 million which represents an increase by 4.7% or PLN 514.0 million as compared to the balance noted as at the end of December 2013.

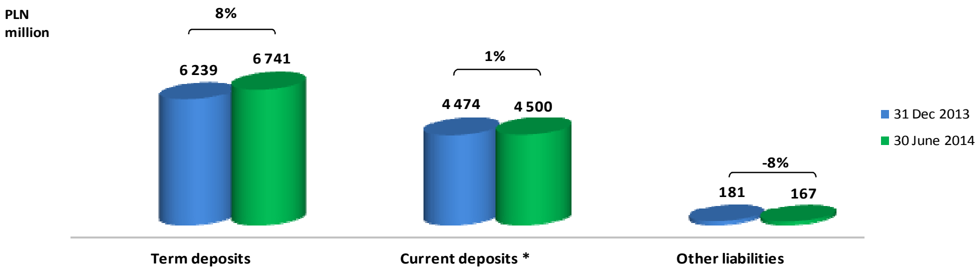
The increase resulted from an active deposit base management and its adjustment to the current liquidity needs, and concerned mostly the following:

- term deposits and core deposits on current accounts of large enterprises;
- term deposits and core deposits on current accounts of individual customers.

The above increase was partly offset by a decrease in balances of deposits held by small and medium enterprises.

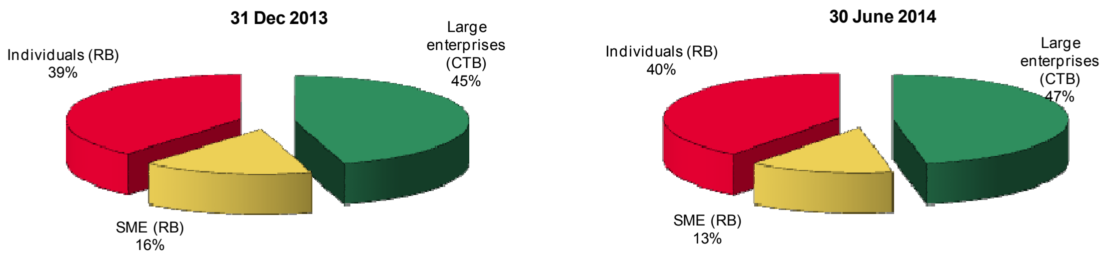
Deposits denominated in foreign currencies account for 13.4% of total customer deposits. Their balances went up in comparison to the end of December 2013 by 0.3%.

Chart 18. Structure of liabilities due to customers, by deposit type



**inclusive of savings accounts, which as at the end of June 2014 accounted for 36% of total current deposits*

Chart 19. Structure of liabilities due to customers, by segments



5.2.2.2. Equity

As at the end of June 2014, the Group's equity amounted to PLN 2,065.9 million which represents growth by 14.5% or PLN 261.0 million over the end of December 2013.

The increase resulted mainly from the finalisation of activities aimed at the free float increase. In May 2014 the Bank issued 5,026,539 ordinary bearer shares with the nominal value of PLN 45.46 and issue price of PLN 46.00. The share capital increase by PLN 228,5 million was registered on 27 May 2014. Increase in the equity on account of the share issue, after factoring in the issue costs, stood at PLN 218.7 million. The equity growth was also affected by the net profit earned by the Group in the first half of 2014.

5.2.2.3. Capital Ratios

The Group's stable capital situation as at the end of the first half of 2014 allowed the Group to safely continue its business activity and carry out plans. As at 30 June 2014 the Group's **total capital adequacy ratio** stood at 12.6% (pursuant to Basel 3 rules) in comparison to 12.4% recorded at the end of December 2013 (pursuant to Basel 2 rules). As at 30 June 2014 the **Tier 1 ratio** stood at 10.2% (pursuant to Basel 3 rules) in comparison to 9.7% recorded at the end of December 2013 (pursuant to Basel 2 rules).

As at the end of June 2014, own funds for the needs of the capital adequacy ratio calculation amounted to PLN 2,370.4 million, up by PLN 9.6% as compared to the end of December 2013.

The total capital requirement as at the end of June 2014 stood at PLN 1,508.2 million and was by 7.2% higher than as at the end of December 2013.

5.3. Contingent Liabilities - Off-balance Sheet Commitments

Contingent off-balance sheet commitments evolution and structure are the following:

Contingent liabilities granted and received (in PLN thousand)	31 Dec 2013	30 June 2014	30 June 2014 vs 31 Dec
Total contingent liabilities granted			
- items related to financing	5,747,843	6,839,588	19.0%
- guarantees	2,008,975	2,483,716	23.6%
Total contingent liabilities granted	**7,756,818**	**9,323,304**	**20.2%**
Contingent liabilities received			
- items related to financing	2,125,000	1,912,027	-10.0%
- guarantees	514,690	846,786	64.5%
Total contingent liabilities received	**2,639,690**	**2,758,813**	**4.5%**
Total contingent liabilities	**10,396,508**	**12,082,117**	**16.2%**

Contingent financial commitments increased (by PLN 1,091.7 million) primarily with respect to unused credit lines (mainly overdraft credit facilities) granted to corporate customers. The above commitments include credit lines granted and not utilised, credit card limits, unused overdraft credit facilities, loan commitment letters issued, general financing agreements and import letters of credit.

Off-balance sheet guarantee commitments granted comprise guarantees issued in favour of customers, general guarantee agreements and export letters of credit. The growth noted in comparison to December 2013 referred in particular to guarantees issued by the order of the Group's business customers.

The decrease in the contingent financial commitments obtained by the Group resulted mainly from reduction of unused funds under the limit made available to the Group by the NBP.

Off-balance sheet guarantee commitments obtained by the Group encompass mainly guarantees, counter-guarantees and sureties that secure the granted loans. Their growth noted in comparison to December 2013 concerned primarily guarantees received from other banks.

5.4. Basic ratios

The consolidated ratios are presented below:

Ratio	30 June 2013	31 Dec 2013	30 June 2014
Profitability Ratios			
Net interest margin (NIM)*	2.9%	2.8%	2.9%
Cost / Income*	69.3%	69.2%	70.2%
Return on assets (ROA)*	0.5%	0.5%	0.5%
Return on Equity (ROE)*	6.0%	5.8%	5.4%
Net fee and commission income / Net banking income	17.5%	18.2%	17.5%
Equity ratios			
Consolidated Tier 1 ratio *	9.1%	9.7%	10.2%
Consolidated total capital adequacy ratio	11.8%	12.4%	12.6%
Loan portfolio quality			
NPL ratio *	9.4%	8.4%	7.0%
Provisioning coverage ratio *	59.3%	65.9%	67.5%
Cost of risk ratio *	0.6%	0.5%	0.6%
Liquidity ratios			
Net loans to deposits ratio	178.1%	152.2%	156.6%
Net PLN loans to PLN deposits ratio	119.1%	105.1%	112.2%
Stock ratios			
Earnings (loss) per share	1.80	3.56	1.68
Book value per share	60.81	62.90	61.27

*These ratios were calculated per annum as follows:

Net interest margin (NIM)	Net interest income / average balance of interest-bearing assets (arithmetic mean of total financial assets held for trading, receivables due from banks, loans to customers, investments available for sale and hedging instruments) as at the end of four subsequent quarters in %
Cost / Income	General expenses and depreciation / net banking income in %
Return on Assets (ROA)	Profit (loss) after taxation / average assets as at the end of four subsequent quarters in %
Return on Equity (ROE)	Profit (loss) after taxation / average total own funds as at the end of four subsequent quarters in %
Tier 1 ratio	Quotient of Tier 1 capital and capital requirements multiplied by 12.5
NPL ratio	Gross value of impaired loans to customers / gross loans to customers in %
Provisioning coverage ratio	Impairment provisions for incurred and reported losses / gross value of impaired loans to customers in %
Cost of risk ratio	Cost of risk / average gross balance of loans to customers as at the end of four subsequent quarters in %
Net loans to deposits ratio	Net loans to customers / Liabilities due to customers

Net PLN loans to PLN deposits ratio	Net PLN loans to customers / PLN liabilities due to customers

5.5. Average interest rate of deposits and loans

Basic variable interest rates applied to loans by the Bank are based on WIBOR rate for PLN loans and LIBOR or EURIBOR rates for foreign currency loans.

Average nominal interest rate of current and term deposits at the Bank in H1 2014, as compared to the average interest rate in H1 2013, was the following:

- PLN deposits: 2.02% versus 3.17%;
- FC deposits: 0.35% compared to 0.59%.

Average nominal interest rates of both performing and non-performing loans in H1 2014, broken down by currencies, as compared to the average interest rate in H1 2013, was the following:

- PLN loans: 6.06% versus 7.21% in the first half of 2013;
- EUR loans: 2.61% versus 2.64% in 2013;
- USD loans: 2.05% versus 1.99% in 2013;
- CHF loans: 1.16% versus 1.17% in 2013.

5.6. Enforcement titles and value of collateral

In the first half of 2014, the Bank issued 157 enforcement titles in the enterprises and affluent individual customer segments for the total amount of PLN 140,699 thousand as at 30 June 2014 in comparison to 80 enforcement titles issued in the first half of 2013 for the amount of PLN 115,943 thousand.

Moreover, in the first half of 2014 the Bank issued 2,194 enforcement titles and lawsuits in electronic writ of payment proceedings (EPU) in the individual customers and micro-enterprises segment, valued in total at PLN 39,542 thousand as compared to 3,931 enforcement titles and lawsuits in electronic writ of payment proceedings (EPU) in the exposure value of PLN 57,925 thousand, issued in the first half of 2013.

The nominal value of collateral established on borrowers' accounts and assets totalled PLN 83,773,332 thousand as at 30 June 2014, as compared to PLN 70,820,574 thousand as at 31 December 2013.

5.7. Management of financing sources

The basic sources of financing for lending activity of the BNP Paribas Bank Polska SA Group include customer deposits from both businesses and individuals, medium and long-term credit facilities granted by financial institutions, including credit lines and subordinated loans from entities that are part of the BNP PARIBAS group, and the Bank's equity. Pursuant to the financing strategy followed by the Bank, the loan portfolio denominated in a foreign currency is financed primarily by credit facilities from the entities included in the BNP PARIBAS group, whereas the loan portfolio in PLN is mainly financed by funds acquired from individual customers and enterprises.

In the Bank’s opinion, the stability of financing sources is satisfactory.

Structure of financing sources	30 June 2013 *in PLN thousand*	31 Dec 2013 *in PLN thousand*	30 June 2014 *in PLN thousand*	Δ 1H2014/2013
Customer deposits	9,578,611	10,894,299	11,408,284	4.7%
Credit lines and subordinated loans	7,698,041	7,503,112	7,731,191	3.0%
Equity	1,744,784	1,804,841	2,065,857	14.5%

As at the end of the first half of 2014, the balance of customer deposits increased, predominantly in PLN. The balance of the medium and long-term credit lines and subordinated loans went up.

In January 2014, the Bank and BNP PARIBAS signed an uncommitted secured credit facility agreement. The funds acquired under the new agreement totalled CHF 790 million, and the debt arising from the existing agreement (unsecured facility) was reduced. The total outstanding debt in CHF remained unchanged, only the nature of financing has been altered. On 4 February 2014, a credit line of PLN 800 million was renewed. The new maturity is set for August 2015. In May 2014, the Bank obtained PLN 300 million under the existing agreements. In June 2014, the following tranches were repaid at maturity: CHF 40 million, EUR 6 million and PLN 32 million. Additionally, as the tranche of CHF 275 million matured in July, its funds were replaced by tranches of longer maturity and the total funds adding to the same amount.

Financing granted by the BNP PARIBAS group to the BNP Paribas Bank Polska SA Group increased in H1 2014 by PLN 245 million. The total value of medium and long-term financing by the BNP PARIBAS group (including subordinated loans) as at the end of June 2014 amounted to PLN 7,081 million.

The BNP Paribas Bank Polska SA Group actively cooperates with the European and international financial institutions such as the European Investment Bank and European Bank for Reconstruction and Development. On 24 June 2014, the Bank signed another agreement with the European Bank for Reconstruction and Development, under which the Bank can receive funds up to EUR 50 million for financing investment projects of small and medium-sized enterprises within the Sustainable Energy Financing Facility Programme (PolSEFF 2). As at the end of June 2014, the disbursed financing made available by these institutions totalled PLN 650 million.

The balance of equity increased as at the end of H1 2014 as a result of the completion in May 2014 of a public share issue which bolstered the equity by 219 million.

6. PROSPECTS FOR ACTIVITY DEVELOPMENT OF BNP PARIBAS BANK POLSKA SA GROUP

The BNP PARIBAS group continues its current growth strategy in Poland, with focus on gradual, sustainable and profitable growth, whilst maintaining a prudent risk profile.

According to the strategy reviewed in 2013, the long-term ambition of BNP Paribas Bank Polska SA is to steadily build a strong, universal bank in the Polish market that would be the pillar of the BNP PARIBAS group's operations in Poland and would rank among the top ten banks in Poland with a market share of approximately 5% in terms of assets. The Bank and its subsidiaries (i.e. the Group), intend to develop the presence and market share in all its main operating segments of individual customers (retail/private banking), micro, small and medium-sized enterprises, as well as domestic and international corporates.

However, the realisation of this ambition will be influenced by the evolution of the domestic macroeconomic situation, evolution of the competitive environment and availability of financial resources for the Bank to develop its strategy. The key external factors that may affect the Group's performance in H2 2014 are presented in Chapter 1.3. of this Report.

The adoption of the strategic plan of organic growth does not exclude development through acquisitions on the Polish market. In December 2013 BNP PARIBAS group has reached the agreement with Rabobank Group for the purchase by BNP PARIBAS of the 98.5% stake held by Rabobank in Bank Gospodarki Żywnościowej S.A. ("Bank BGŻ"), valuing Bank BGŻ at PLN 4.2 billion (approximately EUR 1 billion). The completion of the transaction is subject to obtaining the necessary regulatory approvals.

In the **Corporate and Transaction Banking business line (CTB),** the Group is pursuing its growth strategy with a multi-pronged approach, by continuing to develop and maintain its strong presence among Polish subsidiaries of multinational corporations that are customers of the BNP PARIBAS group on a global scale, fully leveraging the BNP PARIBAS group's "One bank for Corporates in Europe" programme and, in parallel, putting a considerably stronger focus on Polish-owned companies and mid-sized enterprises, which constitute the core of the Polish economy and among which the Group is inadequately represented.

The sales network of the CTB Business Line operates through 9 Business Centres (BC) located in large cities countrywide.

The Bank closely cooperates with BNP PARIBAS Branch in Warsaw. Respecting the division of competences implemented between entities of the BNP PARIBAS group in Poland, the Bank provides a full range of commercial banking services and financing to a large base of corporate customers. By contrast, the Branch focuses on the provision of investment banking products to the Group in Poland and manages relationships with the largest corporate and institutional customers of the BNP PARIBAS group in Poland.

In line with general CTB strategy the corporate banking activity focuses on:

- maintaining a highly diversified revenue mix through a combination of lending and other banking activity, supported by a significant share in niche segments, such as documentary trade;
- financing clients' current and investment needs through a wide range of tools including working capital facilities, investment loans, leasing and factoring, with a focus on structured credit and real estate financing, with a view to promote the stability of net interest margin;
- providing competitive and innovative solutions covering the whole range of clients' needs with respect to daily banking, cash management, trade services, FX and hedging, i.e. cross-selling products;
- active relationship development based on the allocation of a dedicated relationship manager for each client who works with highly qualified product specialists in these product areas;
- constant monitoring of performance of the sales force, with a performance-based HR management system and an incentive policy; and
- maintaining solid underlying profitability, a balanced risk profile of new production and a strong financial condition.

In the **Retail Banking (RB)** business segment, including **Personal Finance (PF)** business line responsible for consumer lending activities (RB/PF), which include 4 customer segments,

- **Individuals,**
- **Micro-enterprise & professionals**
- **SME**
- **Private Banking**

the Bank will continue to focus on increasing its number of clients, financing their current need and investment plans and providing all banking services as well as savings and investment tools through its network of 220 branches, 27 SME Financial Centres, 6 Private Banking Centres, its contact centre and digital channel.

In **Individuals** segment the Bank wants to be perceived as a bank that values customers loyalty and acts fairly by applying the rule of "responsible lending".

The Group's growth strategy is to acquire new customers through competitively priced cash loan products (mainly cash loans with an average ticket value above PLN 20,000 or car loans) 'bundled' with other products, such as current accounts and insurance, or certain requirements such as cash inflow and account usage. This strategy leverages the Group's expertise in the consumer loan business - including very efficient scoring, granting and collection methods - due to the integration of the Personal Finance activity – where BNP PARIBAS is recognized as the leader in Europe.

The Group is also a large participant in the car financing business where it intends to consolidate its leading position in used cars by boosting its distribution network and increase penetration in the new cars' segment through structuring partnerships with car makers/dealers. In respect of this strategy, the Bank concluded cooperation agreements with Hyundai Motor Poland Sp. z o.o. ("HYUNDAI") and Kia Motors Polska Sp. z o.o. ("KIA") in June 2014.

The agreement with HYUNDAI establishes a long-term cooperation under which the Bank will provide retail and wholesale financing to the Polish HYUNDAI network of 56 authorised dealers, operating through 65 sales outlets while the agreement with KIA provides the same range of financing and services to the Polish KIA network consisting of 63 authorised dealers, which comprises 75 points of sale.

In addition to products and services available to individual customers representing *Mass Market, Aspiring, Affluent and Prestige* segments, the Bank also addresses the needs of high-net-worth individuals holding assets worth PLN 600,000 and above through its **Private Banking** Department operating through Private Banking Centers across Poland. The offering to this segment includes services of a Brokerage Office, investment advisory, wealth planning, discretionary portfolio management and execution of clients' orders for the sale and purchase of financial instruments. Private Banking customers also have access to services and products offered by the BNP PARIBAS Wealth Management globally.

In 2014 the Bank continues the implementation of a dedicated offer for **Professionals /Microcompanies** through its retail network and is based mainly on the provision of loans secured or unsecured at promotional rates bundled with insurance and active accounts supported by a quick mainly score-based credit processes.

However taking into account the nature of this segment the Group carefully maintains a balance between risk profile, return on equity (with higher margins than in the SME segment) and adequate collateral.

As regards the **SME** segment, in H1 2014 the Bank developed a new product offering that supports our customers' current business activity and its further growth.

To develop its presence in the SME segment, the Group capitalizes on its network of 27 dedicated branches (SME Financial Centres) and SME client advisers, supported by credit analysts and assistants. The Group provides customers with a broad and competitive offer of financing and banking solutions (loans, cash management, trade finance, FX, leasing and factoring), with special expertise in EU-backed loans. Furthermore, the Bank has implemented steps to improve its credit process aiming at reducing timing of loan approval and drawdown while maintaining a prudent risk approach.

The Bank's strength is its expert knowledge in the field of EU funding and access to loans financed by the EIB and EBRD. The EU programmes in general facilitate granting loans & leasing, and guarantees for RB SME, Micro, CTB, Individuals and Public Sector. Agreements with the EIB and EBRD enable the Bank to finance investment projects of small and medium enterprises. As it is expected that this kind of programmes will intensify, a dedicated unit has been created in January 2014 to effectively manage the Bank's internal ability and capacity of absorbing various EU and public funds that will be available in Poland in the period of 2014-2020.

The **results of the Group in H1 2014** are in line with expectations in view of the high base effect created by a large one-of item in H1 2013. Continuous improvement of results is expected driven by the steady implementation of our growth strategy across the business lines .

The Bank maintained solid capital position and liquidity which was boosted by the issuance of new shares in May 2014.

Similarly as in 2013, the Supervisory Board and Board of Executives do not publish the financial performance projections for 2014 and beyond, however in April 2014, the Board of Executives and Supervisory Board reviewed the strategic goals of the Group. The Board of Executives expects that by pursuing its growth strategy, the Group will improve its cost/income ratio and profitability, whilst keeping an adequate risk profile. Assuming continuing growth in the economy, the Board of Executives aims for the Group to achieve the following targets over the medium term (the next two to three years):

- grow recurring revenues (excluding one-off items) at a Compound Annual Growth Rate of between 6% and 8% over that period;
- reduce the cost income ratio to below 60%, down from 74.4% in 2012 and 69.2% in 2013;
- improve the return on equity to above 10%, up from 1.9% in 2012 and 5.8% in 2013;
- reduce the share of impaired loans in credit portfolio to approximately 8%, down from 11.2% in 2012, and 8.4% in 2013;

whilst maintaining:

- capital adequacy ratio above 12%;
- Tier 1 ratio above 9%;
- ratio of loans to deposits in PLN below 115%.

The end of 2014 will mark completion of the **Recovery Programme** of BNP Paribas Bank Polska SA, pursued under Art. 142 of the Banking Law Act, upon the consent of the Polish Financial Authority Supervision (KNF). The full implementation of the Recovery Programme should allow the Bank to permanently achieve positive financial results and improve the main economic and financial ratios.

The above goals have been adopted for the Bank on a standalone basis. **The planned acquisition of BGŻ by BNP PARIBAS** will undoubtedly affect the future goals of the merged banks.

Based on the statement obtained by the Bank from BNP PARIBAS, BNP PARIBAS upon approval of KNF intends to merge the Bank with BGŻ given the stock purchase is finalised. The source of the information presented below is the aforementioned statement.

BGŻ and the Bank are among smaller medium-sized organisations in the Polish banking sector. The anticipated merger would lead to consolidation of two complementary entities and creation of one, medium bank of a critical size, which would improve earning capacity and market position, making the merged bank more resilient in facing rough competition in the Polish banking sector. The strategy of the merged bank would be based on strategic assumptions laid out by BNP PARIBAS in Poland. The purpose of BNP PARIBAS is to keep competitive advantage of each bank and build a fully developed, universal bank striking a fine balance between its retail and corporate banking activities.

The merged bank will endeavour to provide Polish customers with a wide array of transactional and financing solutions, delivered to the highest standard by drawing on global opportunities offered by BNP PARIBAS and its unique international network of corporate centres. The merged bank's activity will be diversified thanks to acquiring the leading share in the Polish agro-food sector, serving multinational companies operating in Poland and expanding its presence in the mid caps and SME segment.

The merged bank would distinguish itself in the retail banking segment by a comprehensive offer targeted at all the segments and underpinned by extensive consumer finance experience brought by the branch network, digital platform and partnership with external entities. The leading position enjoyed by BNP PARIBAS in Europe in wealth management services will reinforce the development of this segment at the merged bank.

The Bank would aim at self-financing in PLN thanks to its ability to acquire deposits in PLN through the extensive network of branches and significant presence in small and medium-size cities as well as the digital platform.

The medium and long-term purpose of the merged bank would be to further reinforce its market position through sustainable and accelerated growth, coupled with steady improvement in performance that will ensure achievement of ambitious financial objectives.

Both BGŻ and Bank are now implementing their expansion plans to improve profitability.

The ambition of BNP PARIBAS for the merged bank is to substantially improve cost/income ratio so that it reaches average market value for medium-sized banks. It is expected that such improvement will stem from optimization of the merged entity structure and boosted earnings thanks to a highly complementary nature of both entities. At the current stage, the purpose of BNP PARIBAS for the merged bank is to achieve total income synergies at 5% of accumulated income basis and gross cost synergies between 10% and 15% of the accumulated cost basis, within 3 to 4 years after the merger, provided that market conditions remain stable. In consequence, once the total synergies have been achieved, ROE ratio for the merged bank will go up to a two-digit value.

7. BASIC RISK TYPES AND RISK MANAGEMENT

The Bank identifies, measures, monitors and manages all risks that arise in its activity. The Bank divides monitoring, control and risk management processes into the following categories:

- credit risk,
- liquidity risk,
- foreign exchange risk (FX risk),
- interest rate risk,
- counterparty risk,
- operational risk.

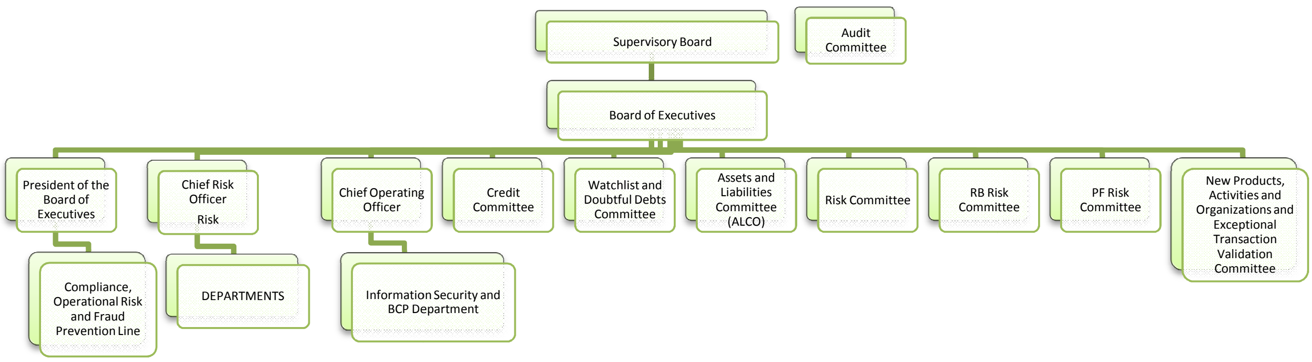
To guarantee that the above-mentioned risk categories are identified, defined, as well as appropriately controlled and managed - the Bank observes numerous internal control procedures and risk level limits, which were described in detail in *Note 21* in the *Interim Abbreviated Consolidated Financial Statements of the BNP Paribas Bank Polska SA Group for the first half of 2014.*

The Bank has developed detailed procedures for all risk categories, both at the level of the Bank and at the level of individual business lines, which describe the risks and the relevant exposure limits. All methods and procedures are subject to periodic reviews to verify their adequacy and accuracy through validation tests, stress tests and back testing. In the case of immeasurable risks, the procedures are analysed and monitored using various quality-based methods.

The organisation of the risk management system at the Bank comprises mainly the Supervisory Board, Board of Executives, dedicated committees (Audit Committee at the Supervisory Board level, Assets and Liabilities Committee (ALCO), Risk Committee, RB Risk Committee, PF Risk Committee, Credit Committee, Watchlist and Doubtful Debts Committee, New Products, Activities and Organisations and Exceptional Transaction Validation Committee), Risk Area Departments, Compliance and Operational Risk and Fraud Prevention Line, and Information Security and Business Continuity Department.

The key role in the risk management system of the Bank is played by the Board of Executives, which determines the risk management policy and adopts the risk management rules, as well as defines the limit setting policy for relevant risks and policy for defining the risk control procedures. The source of the risk management policy is the *Risk Management Strategy* adopted by the Board of Executives and approved by the Supervisory Board.

The following diagram illustrates the essential organisational elements of the risk management structure of the Bank.



7.1. Credit risk

Credit risk is a risk of the Bank incurring losses on account of granted loans due to customers' failure to meet their obligations to the Bank within the predefined contractual date.

The credit risk management system at the Bank has been defined in the *Credit Policy* approved by the Board of Executives. Detailed financing rules and criteria with respect to products offered by a given business line, types of loans available, financing purposes, limits and terms and conditions, are determined in credit policies for specific business lines. Pursuant to the credit policy criteria, the Bank's intention is to cooperate with customers with good reputation and in satisfactory economic and financial situation.

Credit policies specify also detailed rules of risk identification, measurement and acceptance, collateral for loan repayment and monitoring customers over the course of the loan agreement.

The credit risk management process is adjusted to the business line structure adopted by the Bank. An organisationally separate Risk Area, headed by a Member of the Board of Executives in the function of the Chief Risk Officer, performs the key role in the credit risk management. The credit risk management activity is supported by the Risk Committee and Retail Banking and Personal Finance Risk Committees.

The Bank assesses the borrower risk using the rating and scoring classification systems and risk classification according to IFRS.

Credit decisions are made according to the decision-making model approved by the Bank's Board of Executives and the Supervisory Board, and adjusted to the standards applicable in the BNP PARIBAS group. The decision-making authority model takes into consideration the business lines' structure, defines the number of decision-making levels, the scope of their authorisation powers, likewise the rules, criteria and conditions of making credit decisions. Quantitative limits of decision-making authorisations depend on the customer segment, customer risk profile and financing term. On all competence levels, credit decisions are made by two people (under the "four-eyes" principle) by a representative of the business line and a representative of an organisational unit responsible for an assessment, independent of the business line, of the customer and transaction risks. With respect to customers for whom the credit risk is assessed using scoring models approved by the Risk Committee or Retail Banking/Personal Finance Risk Committees, as the case may be, credit decisions can be made by one person - by business line representatives.

The risk assessment based on scoring models that use, among other things, data from the Credit Information Bureau, is applied to individuals and micro companies. The creditworthiness of business entities is estimated based on a rating system that contains ten rating classes to assess entities that fulfil the payment obligations (PD <1) and two rating classes for defaults.

The material changes introduced into the credit risk management system in the first half of 2014 include:

- determination of a credit decision-making model related to lease facilities, as financing of business entities in the form of lease, earlier performed by a subsidiary, Fortis Lease Polska Sp. z o.o., was incorporated into the Bank's activity;
- enhancement of the MARS IT system, which supports risk management at the Bank, with processes of monitoring collateral establishment/ renewal and providing the Bank with financial data by borrowers;
- introduction of a new simplified credit process for SME segment customers in the WENUS application, using qualifiers that take into account an assessment of the customer position in a given sector through a comparison of the customer's financial ratios in the economic sectors in the database of the PONT Info System – Economy – Medium and Big Enterprises Sector.

The Bank's subsidiaries

In the risk management the Bank's subsidiaries apply the assumptions and rules stipulated in the *Risk Management Strategy at BNP Paribas Bank Polska SA*. The rules of the Bank's supervision over the credit risk generated by the activity of subsidiaries were stipulated in the *Credit Policy at BNP Paribas Bank Polska SA*.

The Bank recommends, issues opinions and approves policies, rules and methodologies applied by the subsidiaries in the credit risk management.

Credit risk management methods applied at the Bank and its subsidiaries simultaneously include:

- rating system for CTB and SME customers;
- system of risk classification according to IFRS;
- credit capacity assessment of shared customers of the Bank and its subsidiaries;
- model of making credit decisions,
- system of the Bank's internal limits for concentration risk, which includes limits for receivables portfolio of subsidiaries.

7.2. Liquidity, Foreign Exchange and Interest Rate Risks

Liquidity risk is defined as the risk of being unable to fulfil obligations at an acceptable price in a given place and currency.

Foreign exchange risk is the risk of adverse changes in the Bank's financial result caused by changes in market foreign exchange rates.

Interest rate risk is the risk of unfavourable changes in the Bank's financial result or the Bank's capital, which arises from one of the following reasons:

- differences between dates of interest rate change of the Bank's assets and liabilities that finance them (mismatch risk);
- differences in base rates which are the grounds for determining interest rates of positions of the same re-pricing terms (base risk);
- changes in market interest rates that affect the fair value of the Bank's open positions (interest rate change risk);
- exercise by customers of options embedded in the banking products, which may be exercised as a result of changes in market interest rates (customer option risk).

The Bank monitors the liquidity risk, foreign exchange risk and interest rate risk by means of a formal system of limits and reports.

The system of limits covers the majority of analysed parameters of liquidity, foreign exchange and interest rate risks. The limits are set in such a way so as to:

- maintain the desired market risk profile defined in the Bank's strategy;
- not exceed the risk level acceptable by the BNP PARIBAS group.

In the event a limit is exceeded, the unit responsible for keeping the reported values below a given limit is required to undertake actions to enable reduction of a given risk pursuant to procedures binding in the Bank.

The information system used in the risk management ensures accumulation of data on interest rate operations and transactions, market interest rate levels and the risk measures applied. For its market risk analyses the Bank uses, among others, a scenario analysis and stress testing set. The analyses are based on both theoretical changes in market parameters and on changes that actually occurred at the market in the past.

As regards the risk management, the Bank's policy objective is that employees responsible for the supervision and service of risk management processes have high moral standards likewise long-term expertise and theoretical knowledge required for such duties.

In its policy, the Bank has adopted a rule that business functions (direct transaction conclusion), operating functions (e.g. transaction posting and settlement), control functions (risk level measurements and monitoring), that are part of the FX, interest rate and liquidity risk management, are performed by units that are organisationally separate.

Thanks to this rule, business functions have been separated from risk level control functions, operational functions from risk control functions and operational functions from business functions.

The purpose is to ensure an appropriate quality of the risk level control and operational processes, and also to ensure that the control results indicating an excessive risk level meet with an appropriate response of the Bank's management.

The Bank has developed rules on risk control and management, including the procedure in the event of crisis situations. The rules for identifying crisis phenomena, the scope of actions undertaken and responsibility scope which is indispensable to limit the risk in such cases and to undertake corrective actions have been defined.

Liquidity Risk

In the Bank's assessment, the liquidity risk is divided into:

- financing liquidity risk, understood as the risk of a failure to fulfil the expected or unexpected requests for payment of funds, without incurring unacceptable losses or without putting the business activity at risk.
- market liquidity risk refers to an impossibility of selling assets due to inadequate market depth or occurrence of market disruptions. Such risk is therefore to some extent related to the market risk. The market liquidity risk manifests changes of the portfolio liquidation value due to changes in the portfolio value represented by the mark to market valuation. The liquidity risk involves uncertainty as to the time needed to liquidate assets.

The Bank identifies the following liquidity types:

- immediate liquidity – within a current day,
- future liquidity – for a period exceeding the current day, which may be further broken down into the following:
  - current liquidity – for up to seven (7) days,
  - short-term liquidity – from over seven (7) days up to one (1) month,
  - medium- and long-term liquidity - above one (1) month.

The Bank defines liquidity risk as the risk of losing its ability to:

- meet its payment obligations in a timely manner,
- obtain funds from alternative sources,
- generate a positive balance of cash flows within a specified time span.

The Bank's strategy consists in the following:

- ensuring sources of financing of the Bank's activity that are stable and suited to the needs;
- limiting the Bank's dependence on market conditions volatility and ensuring that in a situation of a market crisis, the Bank, within a short time, will be able to fulfil its obligations without limiting the range of the services provided and initiating changes in the core activity profile. In the case of a crisis situation lasting in a longer time horizon, the Bank's strategy assumes maintaining liquidity, however, allowing changes in the development directions and implementation of costly processes of the activity profile modification;
- limiting, actively, a probability of occurrence of unfavourable events that may affect the Bank's liquidity situation. In particular, it refers to the events that may influence the reputation risk. In such a case, the Bank will take measures to regain the confidence of customers and financial institutions as soon as possible;
- ensuring high quality standards for the liquidity management processes. The actions aimed at improving the quality of the liquidity management processes have been assigned the top priority at the Bank.

Foreign exchange risk

The Bank runs business which results in taking FX positions sensitive to market FX rate changes. At the same time, the Bank strives to limit the exposure to FX risk related to offering FX products to customers. The Bank carries out a limited activity on the foreign exchange market in order to generate a financial result on short-term arbitrage positions.

The Bank's exposure to the market foreign exchange risk is mitigated by a system of limits. Pursuant to the Bank's policy, the market FX risk level is managed by the Treasury Department through the management of an intraday foreign currency position and end-of-day foreign currency position. In order to manage its foreign currency position in an efficient and accurate manner, the Bank uses an IT system supplying up-to-date information concerning:

- foreign currency position,
- global FX position,
- Value at Risk (VaR);
- daily profit/loss on the FX position management.

Global FX position and VAR are limited and reported as at the end of day by the Risk Capital Market Department.

To measure the FX risk, the Bank applies the Value at Risk (VaR) method. It is a change in a market value of an asset or a portfolio of assets, with specific market parameters assumed, within a defined time frame and with a set probability. It is assumed that for the purposes of the FX risk, VaR is determined with a 99% confidence level. The calculation of VaR for FX risk takes into account a one-day term of maintaining foreign currency positions. The VaR methodology is subject to a quarterly quality control by comparing the projected values with the values determined on the basis of actual FX rate changes, assuming that the given FX position is maintained (a historical review or the so-called 'back testing'). The comparative period is the last 250 business days. The VaR back-testing carried out in 2013, demonstrated no need to revise the model.

Interest rate risk

The Bank carries out operations that result in open interest rate risk positions.

The market interest rate risk is concentrated in two separate portfolios: ALM portfolio and Treasury portfolio managed by the ALM/Treasury Line. The above portfolios were divided considering re-pricing dates of items which they comprise. The ALM portfolio contains items of longer re-pricing terms than the Treasury portfolio.

The Bank, with a significant scale of its trading activity, holds a banking book and a trading book, pursuant to Resolution 76/2010 (as amended) of the Polish Financial Supervision Authority (KNF).

According to the Bank's policy, the interest rate risk is analysed both jointly and separately for each of the said books. The banking book comprises the entire ALM portfolio and some part of the Treasury portfolio which does not belong to the trading book.

An essential part of the ALM portfolio consists of banking book transactions which are not made by the ALM/Treasury Line but result from the activity of business lines offering deposit and credit products to the Bank's customers.

The ALM portfolio also includes transactions that hedge the interest rate risk generated by products offered to the Bank's customers and the securities portfolio maintained.

The Bank's policy indicates the following basic analysis types to assess an interest rate risk:

- Value at Risk (VaR), computed with the 99% confidence level for various periods of keeping a position for the banking and trading books;
- interest earnings at risk (EaR) - simulations of future (within the next year) net interest earnings assuming diverse interest rate curve scenarios,
- Periodic Gap (PG) - mismatched re-pricing dates of interest-bearing positions;
- One Year Equivalent (OYE) - a measure of sensitivity of interest-bearing positions to movements in interest rates;
- sensitivity to the parallel shift of the interest rate curve.

These analyses are a core element of the system of limiting the interest rate risk in the Bank. The individual analyses are made for the relevant portfolios on a daily, monthly or quarterly basis, depending on the type of analysis and the portfolio concerned.

Moreover, the Bank carries out analyses of the banking book sensitivity to extreme interest rate changes, using significantly higher interest rate changes than usually observed (stress tests).

7.3. Counterparty risk

Counterparty risk is a credit risk related to the counterparty to transactions with the obligation amount varying over time, depending on market parameters. Thus, the counterparty risk is related to transactions in instruments whose value may change over time depending on such factors as the level of interest rates or foreign exchange rates. A different value of exposure may affect the customer solvency and is fundamental for the customer's ability to meet its obligations at the transaction settlement.

The Bank determines the exposure amount on the basis of the current valuation of contracts and the potential future change in the exposure value, depending on the transaction type, customer type and settlement dates.

The counterparty risk calculation includes the following transactions recognised in the Bank's trading book: foreign exchange transactions, interest rate swap transactions, currency options and interest rate options.

Counterparty credit risk assessment with respect to transactions generating counterparty risk is similar to the assessment performed for lending. It means that in the lending process, the transactions are subject to limits whose value results directly from assessment of creditworthiness of customers, carried out analogously as for the purpose of offering credit products. The assessment also takes into account a specific nature of the transactions and in particular, their changeable value over time or direct dependence on market parameters.

Rules of entering into FX and derivative transactions, likewise granting, using and monitoring credit limits for the transactions subject to limits of the counterparty risk are regulated in dedicated procedures. Under the policy adopted, the Bank enters into any transactions based on individually allocated limits and the knowledge of the customer. The Bank has defined product groups offered to customers depending on their individual knowledge and experience.

7.4. Operational risk

For the needs of the operational risk management, the Bank adopted a definition binding in the BNP PARIBAS group, according to which operational risk is understood as the risk of incurring economic loss resulting from an application of inappropriate or ineffective internal processes or from external events, irrespective of whether the events were intentional, accidental or driven by natural causes. Internal processes may include issues related to IT systems applied at the Bank and human resources management. External events are understood to include floods, fires, earthquakes or terrorist attacks.

Operational risk is the basic risk inherent in the Bank’s business activity, which increases proportionally to the complexity of an organisation, systems applied likewise products and services offered. Operational risk includes in particular legal risk and compliance risk.

- Operational Risk Management Strategy The operational risk management consists in continuous operational risk identification, analysis, monitoring, control, reporting and counteracting processes, including determination of relevant strictures, processes, resources and scopes of responsibility for the above processes at various organisational levels of the Bank. A cause-and-effect analysis of an event is the basis for operational risk management. The Bank's policy in this regard has been determined in the *Operational Risk Management Policy at BNP Paribas Bank Polska SA*, approved by the Board of Executives and accepted by the Bank's Supervisory Board. The Policy covers all areas of the Bank’s business operations. It defines the Bank's objectives and methods of their accomplishment with respect to the operational risk management quality and adjustment to legal requirements resulting from recommendations and resolutions issued by local banking supervision authorities, i.e. keeping high operational risk management and assessment standards to guarantee security of customer deposits and capital as well as stability of the Bank's financial result, by applying the operational risk management and assessment system that meets legal requirements consistent with recommendations and resolutions of the local financial supervision, and keeping operational risk within the appetite and tolerance assumed for the operational risk.

  Pursuant to the *Policy*, the operational risk management instruments include:

  - IT software application to record operational events along with the rules of their recording, allocation and reporting;
  - analysis, monitoring and daily control of operational risk,
  - preventing an increased operational risk level occurrence, including risk transfer;
  - calculation of a capital requirement for operational risk.

  The Bank's Board of Executives periodically verifies implementation of the Bank’s operational risk management policy assumptions and, if necessary, orders introduction of adjustments indispensable to improve the system. With this end in view, the Bank’s Board of Executives is kept informed on an on-going basis on the scale and types of operational risk the Bank is exposed to, and also its consequences and operational risk management methods.
- Internal Environment The Bank precisely defines the division of duties regarding the operational risk management, adjusted to the existing organisational structure. The ongoing analysis of the operational risk along with development and improvement of adequate risk control techniques are tasks of the Operational Risk Department. The Real-Estate Contracts and Insurance Group in the Facility Management and Administration

Department is responsible for the definition and implementation of the Bank's strategy in terms of Bank insurance as a risk mitigation method. Whereas, the business continuity management is the responsibility of the Information Security and Business Continuity Department. As a part of legal risk management, the Legal and Organisation Department monitors, identifies, analyses changes in the common law provisions and their impact on agreements, unilateral declarations and other documentation and internal procedures of the Bank as well as pending (and expected) judicial and administrative proceedings that affect the Bank. Ongoing monitoring of the compliance risk along with development and improvement of adequate risk control techniques are the tasks of the Compliance Department.

In view of growing external and internal threats that bear signs of fraud or offence against assets of the Bank or its customers, likewise continuously improved modus operandi of such incidents, the Bank has extended and enhanced the process of counteracting, detecting and examining such instances. Its implementation is the responsibility of the Fraud Prevention Department.

- Risk Identification and Assessment The Bank is particularly committed to identification and assessment of reasons for current exposure to operational risk related to banking products, reduction of operational risk by improving internal processes and mitigation of operational risk that accompanies the introduction of new products and services and also outsourcing.

  Pursuant to the operational risk management policy, the operational risk analysis aims at understanding dependence between factors that generate this risk and operational events types, and its most important result is determination of an operational risk profile.

  The operational risk profile, which constitutes the assessment of risk severity level, understood as the scale and structure of operational risk exposures, is used to define the level of exposure to operational risk and may be presented in structural dimensions (core process areas) and scale dimensions (residual risk level) selected by the Bank. Risk profile is defined during annual operational risk mapping sessions, at which the operational risk is assessed for the main operational risk factors (people, processes, systems and external events) and the Bank's key processes. Additionally, as a part of the operational risk mapping, stress testing is carried out in the form of scenario analyses of the operational risk.

  Operational losses recording facilitates an effective analysis and monitoring of operational risk. The operational losses recording process is supervised by the Operational Risk Department which verifies quality and completeness of data related to operational losses recorded in a dedicated IT application, available to all the Bank's organisational units.

- Risk Prevention In its preventive actions against an increased operational risk level occurrence the Bank may decide to: reduce the risk (e.g. through a change of the existing processes or/and introduction of new ones), transfer the risk (e.g. through insurance), outsource some actions, avoid the risk (through ceasing a given business activity, withdrawal from a specific market, sale or withdrawal from an investment project) or maintain and accept the increased risk level.

- Business Continuity Management Ensuring business continuity and ability to make quick decision aiming at business recovery to its usual course in crisis situations are of a decisive significance to the Bank. In order to ensure a comprehensive approach to the business continuity issues, the Bank's Board of Executives set out the *Business Continuity Management Policy at BNP Paribas Bank Polska SA*. It specifies standards for functioning of effective business continuity solutions and it is in line with the guidelines of BNP PARIBAS, likewise international standards and best practices on business continuity management.

  The Business Continuity Management includes a Disaster Recovery (DR) that comprises processes, policies and procedures related to restoring operation of a technical infrastructure, critical for the organisation, as well as the issues connected with crisis management at the Bank, described in detail in the *Crisis Management at BNP Paribas Bank Polska SA*.

- Control and Monitoring The Bank periodically verifies functioning of the implemented operational risk management system and its adequacy to the Bank's current risk profile. Reviews of the operational risk management system are carried out within periodic controls by the Audit Department, which does not participate directly in the operational risk management function, however, it provides professional and independent opinion to support the Bank in reaching its objectives. The Supervisory Board oversees the control of the operational risk management system, likewise assesses its adequacy and efficiency.

- Capital Adequacy The Bank, having ensured fulfilment of the conditions qualifying for using the Standardised Approach (STA) to calculate the capital requirement for the operational risk, decided to change, in the first quarter of 2014, the capital requirement calculation method from the Basic Indicator Approach (BIA), applied by the end of 2013, into STA. The Bank divided its operations into business lines pursuant to regulatory requirements set for the standardised approach. Irrespective of the fact that the standardised approach was adopted, the capital requirement for the Bank's subsidiaries will continue to be calculated based on the basic indicator approach.

The Bank's subsidiaries

Pursuant to the regulatory provisions, the Bank exercises supervision over operational risk associated with the activities of its subsidiaries. The supervision is exercised by means of:

- participation of the Bank in development and modification of rules governing operational risk management in subsidiaries;
- substantive support provided by the Bank as regards methods of operational risk management;
- participation of the Bank's representatives in selected activities concerning operational risk management in subsidiaries;
- verification of compliance of the operational risk management in subsidiaries with the strategy and policy of the Bank and the BNP PARIBAS group.

Within the strategy and policy of operational risk management, the subsidiaries specifically introduce the operational risk management rules and establish organisational units (or individual positions) responsible for the operational risk management, which cooperate to this effect with the Operational Risk Department, which ensures supervision over the operational risk management processes. Furthermore, the Bank's subsidiaries adopted definitions of risks conforming to the definitions in force in the Bank for the purposes of managing operational risk.

Financial data regarding the risk management are described in Note 21 of the Interim Abbreviated Consolidated Financial Statements of the BNP Paribas Bank Polska SA Group for the first half of 2014.

7.5. Legal, Administrative and Arbitration Proceedings

In the ordinary course of its business, the Group is involved in various legal proceedings concerning its operating activities. These proceedings mostly include civil, commercial and consumer protection cases. In no case the value in dispute exceeds 10% of the Bank's equity.

To the best knowledge of the Bank, as at 30 June 2014, the total value of lawsuits pending before the courts, involving the Group's entities, either as a plaintiff or defendant, was PLN 206.8 million. As at 30 June 2014, the total value of lawsuits in which entities of the Group appeared as a plaintiff, amounted to PLN 86.3 million (excluding interest), while the total value of lawsuits in which the entities of the Group appeared as a defendant, was PLN 120.5 million (excluding interest).

As at 30 June 2014, in the aforementioned lawsuits the total value of disputes currently pending before the courts, which involve the Bank as a plaintiff or defendant was PLN 198.1 million (excluding interest). As at 30 June 2014, the total value of lawsuits in which the Bank appears as a plaintiff was PLN 77.6 million (excluding interest), while the total value of lawsuits in which the Bank appears as a defendant was PLN 120.5 million (excluding interest).

As at 30 June 2014, the Bank’s provision for legal risk was PLN 10.0 million. In the opinion of the Bank's Board of Executives, the provisions created for the legal risk as at 30 June 2014 were adequate to the risk level.

The largest category of claims are the ones related to currency derivative transactions (including claims concerning currency options) concluded by the Group's customers in 2008 and 2009. Due to the decline of the PLN exchange rate at that time, most of the Group's customers involved in currency derivative instruments and currency options recorded significant losses.

As at 30 June 2014 the nominal value of claims related to transactions in derivative instruments, including currency options, that were filed to a court, totalled PLN 48.9 million (excluding interest), the total of which constitutes the value in dispute of nine cases brought before courts against the Bank. As at 30 June 2014, the highest nominal value claim against the Bank amounted to approx. PLN 24 million. The lawsuit in this case was served on the Bank on 5 June 2014. The Bank should submit a response to the lawsuit by 5 August 2014. In the Bank's opinion there are very strong arguments to effectively resist the claim. In the above case, along with the response to the lawsuit, the Bank will make a counterclaim regarding amounts of transactions still unsettled by the customer. The case is now in the course of the proceedings at first instance.

As at the end of June 2014, the total amount of provisions created by the Bank for legal risk in court proceedings related to derivative instruments (concerning transactions entered into with customers in the years 2007-2008) was approx. PLN 3.5 million. The amount of provisions for legal risk has substantially decreased as compared to March 2014. It results from a partial provision release in one of the court cases of the highest claim amount. Considering the fact that the customer who is a party to these court proceedings obtained a legally valid court decision unfavourable for him in the litigation of a similar nature with another bank, and also the present jurisprudence trends in cases concerning transactions in derivative instruments (including a court's decision favourable for the Bank in another case related to transactions in derivative instruments), in the Bank's opinion, it is not justified to keep the existing level of the provision for legal risk related to the above case.

In 2013 the proceedings before the Anti-monopoly Court relating to the fine imposed in 2006 by the President of the Office of Competition and Consumer Protection (UOKiK) in connection with anticompetitive practices consisting in joint determination of interchange fee rates on transactions performed using Visa and MasterCard systems in Poland were closed. The Bank is one of 20 Polish banks involved in these proceedings. The fine imposed on the Bank in 2006 by the President of the Office of Competition and Consumer Protection was PLN 2.9 million. Following an appeal filed by the banks in 2008, the Anti-monopoly Court reversed the decision of the President of the Office of Competition and Consumer Protection. In 2010, following an appeal of the President of the Office of Competition and Consumer Protection, the Appellate Court reversed the judgement of the Anti-monopoly Court and remanded the case to the Anti-monopoly Court for a new trial. In case the proceedings result in an unfavourable outcome, the Bank established a provision of PLN 2.9 million. On 21 November 2013, the Anti-monopoly Court (the first instance), upon retrial, substantially decreased the amounts of pecuniary fines imposed on the banks, and in the case of the Bank the amount of the pecuniary fine was determined at the level of PLN 59,748. The banks' appeal against the decision of the President of the Office of Competition and Consumer Protection with respect to the remaining scope was dismissed by the Court. In December 2013 the provision for legal risk was reduced to the amount of the pecuniary fine imposed on the Bank by the court verdict. The decision in the aforementioned case is not final and enforceable.

Completion of the proceedings conducted by the General Inspector of Financial Information

As a result of the proceedings, ended in June 2014, initiated by the General Inspector of Financial Information (GIIF) for non-fulfilment of the obligation to register transactions the equivalent of which exceeds EUR 15,000, discovered during the inspection conducted by the Polish Financial Supervision Authority in August 2012, a financial penalty was imposed on the Bank in the amount of PLN 10,000. The maximum amount of penalty that could be imposed by GIIF for this kind of infringement is PLN 750,000. The Bank has not exercised its right to appeal against the GIIF decision.

8. AFFILIATED ENTITIES

8.1. Profile of Shareholders holding over 5% of votes at the General Meeting

8.1.1. BNP PARIBAS

The ultimate parent company of BNP Paribas Bank Polska SA is BNP PARIBAS, which currently holds 28,661,545 shares, which represent 85% of the share capital of the Bank and carry the right to 85% of the votes at the General Meeting.

BNP PARIBAS (16 Boulevard des Italiens, 75009 Paris, France) is a joint-stock company (société anonyme) based in Paris, incorporated under French law and authorised to pursue banking activity in compliance with relevant French law regulations. BNP PARIBAS is registered in the Register of Commerce and Companies in Paris (RCS Paris) under number 662 042 449. BNP PARIBAS is a public company whose shares are listed on the NYSE Euronext Paris (Compartment A, ISIN code: FR0000131104). BNP PARIBAS is not directly or indirectly controlled by any entity.

As at 30 June 2014, the share capital of BNP PARIBAS amounted to EUR 2,490,325,618 and was divided into 1,245,162,809 fully paid up shares, with a nominal value of EUR 2 each.

As at 11 July 2014 (after the balance sheet date), the share capital of BNP PARIBAS amounted to EUR 2,492,414,944 and was divided into 1,246,207,472 fully paid up shares, with a nominal value of EUR 2 each. These shares are inscribed or bearer shares, at their owner's discretion, subject to the applicable law provisions.

The BNP PARIBAS group is one of the leading banking groups in the provision of banking and financial services in Europe that operates in close to 80 countries worldwide and employs almost 190,000 people, including over 140,000 in Europe. The group maintains the leading position in three core businesses, which are complementary to one another:

- *Retail Banking* that includes:
    - Domestic Markets comprising a network of retail banking in France (FRB), Italy (BNL Banca commerciale), Belgium (BRB) and Luxembourg (LRB);
    - International Retail Banking that comprises all retail banks of the BNP PARIBAS group from beyond the euro zone, including BNP Paribas Bank Polska SA;
    - BNP Paribas Personal Finance;
    - *Equipment Solutions* - units that provide assets financing services (BNP Paribas Leasing Solutions, Arval, BNP Paribas Personal Investors);
- *Investment Solutions* comprising Wealth Management - Private Banking and Assets Management services, Investment Partners - asset management services, Securities Services - custody services; Insurance and Real Estate Services - insurance and real estate management services;
- *Corporate and Investment Banking, CIB,* which comprises the Advisory & Capital Markets - investment advisory and capital markets, and Corporate Banking - corporate banking within specialised services or Structured Finance.

BNP PARIBAS is one of the best-capitalised global banking groups in the world. As at the end of June 2014, the BNP PARIBAS group's common equity Tier 1 ratio calculated in accordance with the fully implemented Capital Accord Basel III rules, was 10.0%, and its market capitalisation as at 30 June 2014 amounted to EUR 61.7 billion.

In Poland, the BNP PARIBAS group operates not only through the Bank and its subsidiaries, i.e. TFI BNP, FLP and BNP Paribas Factor, but also via a number of other companies, including BNP PARIBAS Branch in Poland that offers investment banking products and serves the largest corporate and institutional customers of the BNP PARIBAS group in Poland. The specialised entities of the BNP PARIBAS group also provide other services, including:

- custody services (BNP Paribas Securities Services S.K.A. - Branch in Poland);
- insurance (Towarzystwo Ubezpieczeń na Życie "Cardif Polska" S.A., Cardif Assurances Risques Divers SA - Branch in Poland);
- lease (BNP Paribas Leasing Solutions through BNP Paribas Lease Group Sp. z o.o., Claas Financial Services Sas S.A.- Branch in Poland);
- car fleet financing and management (Arval Service Lease Polska Sp. z o.o.);
- real property management (BNP Paribas Real Estate Advisory & Property Management Poland Sp. z o.o.).

In July 2014 (after the balance sheet date), BNP Paribas Personal Finance became an owner of 100% of shares in the LaSer Group. In Poland, the LaSer Group has been present since 1999 and it is an owner of Sygma Bank (a branch of French Sygma Banque Societe Anonyme). Sygma Bank specialises in an active support of retail sales networks through financial and non-financial services earmarked for their clients, in particular credit cards, instalment loans and cash loans.

In Poland, Sygma Bank supports such retail networks as Praktiker, REAL or RTV EuroAGD. Sygma Bank is the leader on the Polish market of credit cards, with almost one million cards.

Financial performance in the first half of 2014 based on unaudited financials:

The results of BNP PARIBAS group in the first half of 2014 include the impact of the settlement with the U.S. authorities regarding the review of certain USD transactions, which includes among other things, the payment by BNP PARIBAS totalling USD 8.97 billion (EUR 6.6 billion) in penalties. Given the amount already provisioned, in the first half of 2014 the group booked a one-off charge for the total amount of EUR 5,950 million related to this settlement. Excluding all one-off items, the total net profit attributable to equity holders reached EUR 3,535 million.

The income amounted to EUR 19,481 million, which represents a slight decrease of 1.4% compared to the result achieved in the first half of 2013. The income includes, in the first half of 2014, EUR -116 million of non-recurring items, compared to EUR +279 million recorded in the first half of the previous year. Excluding exceptional items and at constant scope and exchange rates, the income was higher by 2.7% (+1.9% in business lines).

Operational expenses increased by 1.4% to EUR 12,899 million. The growth equalled 2.3% excluding exceptional items and at constant scope and exchange rates (+2.8% for business lines).

Total gross operating income at EUR 6,582 million was lower by 6.5% as compared to the result generated in the first half of 2013, still higher by 3.4% excluding exceptional items and at constant scope and exchange rates (+0.3% for business lines).

The cost of risk amounted to EUR 1,939 million, which represents a slight decrease of 0.8% compared to the result achieved in the first half of 2013.

Pre-tax losses of BNP PARIBAS group in the first half of 2014 came to EUR -1,053 million (pre-tax income in the amount of EUR 5,358 million in the first half of 2013). Excluding exceptional items and at constant scope and exchange rates, the pre-tax income was up by 6.0% as compared to the corresponding period of last year.

In this half of the year, BNP PARIBAS booked EUR -2,649 million net losses attributable to equity holders (net income in the amount of EUR 3,350 million in the first half of 2013). Excluding the impact of the one-off items, net income would total EUR 3,535 million, i.e. it would be by 12.3% higher as compared to the same period last year.

The balance sheet of BNP PARIBAS group is rock-solid. The BNP PARIBAS group's solvency was in line with the objectives of the 2014-2016 plan with a fully loaded Basel 3 common equity Tier 1 ratio at 10.0% and a fully loaded Basel 3 leverage ratio at 3.5%, which is significantly over the 3% minimum level that will be required by the banking supervision starting from 2018. The immediately available liquidity reserve was EUR 244 billion as compared to EUR 247 billion at the end of 2013, equivalent to over one year of room to manoeuvre in terms of wholesale funding.

The net book value per share as at 30 June 2014 was EUR 59.50 as compared to EUR 63.40 at the end of 2013.

BNP PARIBAS group is implementing major changes to its internal control system.

In order to guarantee their independence and their own separate funding, the supervision and control functions organisation will be aligned with the model of the Risk function and the General Inspection with notably vertical integration of the Compliance and Legal functions. A Group Supervisory and Control Committee chaired by the Chief Executive Officer (CEO) will also be created with the mission to provide cohesion and coordination of supervision and control actions. A Group Conduct Committee, tasked with positioning and monitoring policies in certain sensitive business sectors and countries as well as the Group's Code of Business Conduct, will also be set up. Moreover, resources and procedures for compliance and supervision will be stepped up. All of these measures are on top of the remediation plan unveiled at the time of the comprehensive settlement with the U.S. authorities.

Details related to the BNP PARIBAS group and its financial results are available at:
http://www.bnpparibas.com

8.1.2. BNP Paribas Fortis

BNP PARIBAS holds the Bank's shares via its subsidiary **BNP Paribas Fortis SA/NV**, set up under the laws of Belgium and having its registered office in Brussels (Montagne du Parc 3, B-1000 Brussels, Belgium). BNP Paribas Fortis has been entered into the Register of Legal Persons under number 0403.199.702. The paid-up share capital of BNP Paribas Fortis SA/NV is EUR 9,374,878,367.40.

BNP PARIBAS is the parent company of BNP Paribas Fortis due to holding its shares representing 74.93% of the share capital and carrying the right to exercise 74.93% of votes at its general meeting.

BNP Paribas Fortis shares representing 25% of its share capital and carrying the right to exercise 25% of the votes at its general meeting are held by the government of the Kingdom of Belgium via the investment entity SFPI (Société Fédérale de Participation et d'Investissement).

Presently BNP Paribas Fortis holds 28,661,545 shares representing 85% of the Bank's share capital and carrying the right to exercise 85% of the votes at the General Meeting.

As a result of a division of the liquidation property of Dominet SA, on 25 June 2014 all 5,243,532 shares held by Dominet SA w likwidacji were acquired directly by BNP Paribas Fortis, while the share of Dominet SA w likwidacji in the total number of votes in the Bank went down to zero.

8.2. Subsidiaries

BNP Paribas Bank Polska SA is the controlling entity of the following three subsidiaries: Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A., Fortis Lease Polska Sp. z o.o. and BNP Paribas Factor Sp. z o.o., holding 100% of their shares.

8.2.1. Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (investment fund company)

TFI BNP has been operating in the financial services sector since 1992, earlier functioning on the Polish capital market as a brokerage house. It conducts the following activities: professional investment advisory services, acquisition and redemption of participation units in investment funds, trading in shares and bonds that are not admitted to organised trading, and asset management.

TFI BNP operates on the basis of the permit issued by the Polish Financial Supervision Authority as regards:

- setting up investment funds and their management;
- acting as agent in distribution and redemption of participation units and participation titles to foreign investment funds;
- management of portfolios of financial instruments of individual customers.

TFI BNP manages BNP Paribas FIO launched on the Polish market in 2005. BNP Paribas FIO is the first umbrella fund on the Polish market with separated sub-funds. As at the end of June 2014, the fund comprised the following sub-funds: BNP Paribas Akcji (stock sub-fund), BNP Paribas Stabilnego Wzrostu (stable-growth sub-fund) and BNP Paribas Papierów Dłużnych (debt securities sub-fund). Within the BNP Paribas FIO, the Individual Pension Account - IKE BNP Paribas FIO and Individual Pension Security Account - IKZE BNP Paribas FIO are also available. On 30 April 2014, BNP Paribas Commercial Debt Securities Sub-Fund, separated under BNP Paribas FIO Fund, was merged with BNP Paribas Debt Securities Sub-Fund.

As part of the financial instrument portfolio management activity conducted by the company since 1996, comprehensive solutions are offered with respect to investments on capital markets, both in Poland and abroad.

The present product offering includes:

- portfolios of domestic financial instruments adjusted to five risk profiles that a customer may represent;
- portfolios of Polish funds and foreign funds in stable, balanced or dynamic variants that are based on funds which invest in clear asset classes;
- participation portfolios that realise a co-management idea.

TFI BNP also offers individual investment solutions.

Under the agreement of 5 November 2007, the Bank cooperates with TFI BNP as an agent offering financial instrument portfolio management services. In cooperation with the Private Banking Department, the asset management services of TFI BNP are offered to high net worth individuals who are customers of the Bank.

The share capital of TFI BNP amounts to PLN 9,048 thousand, and is divided into 377,000 shares with the nominal value of PLN 24 each. The own equity level is sufficient for safely conducting current operations.

As at 30 June 2014, TFI BNP had assets totalling PLN 14.8 million and assets under management totalling PLN 232 million.

8.2.2. Fortis Lease Polska Sp. z o.o.

On 15 February 2014, under an agreement signed by and between Fortis Lease Polska Sp. z o.o. (FLP) and the Bank, the FLP enterprise was transferred to the Bank in exchange of FLP redeemed shares, which accounted for 99.98% of FLP share capital. Thus, the FLP lease activity was incorporated into the Bank's structures.

The lease enterprise transfer in favour of the Bank is an element of consolidating and reducing the number of the BNP PARIBAS group entities in Poland. The integration of the lease business is primarily intended to improve the business and cost efficiency.

As at 30 June 2014, after the redemption of shares, the FLP share capital amounted to PLN 20 thousand and was divided into 2 shares. The value of FLP assets stood at PLN 7.8 million.

On 1 July 2014, FLP liquidation was initiated upon a resolution on FLP liquidation taken by the FLP extraordinary meeting of shareholders on 30 June 2014. The resolution became effective on 1 July 2014.

8.2.3. BNP Paribas Factor Sp. z o.o.

BNP Paribas Factor Sp. z o.o. has been operating on the Polish market since 2006. BNP Paribas Factor supports financing of business activities of enterprises, including the BNP PARIBAS group's corporate customers by offering a wide range of factoring services, including non-recourse and recourse factoring. BNP Paribas Factor is a member of the Polish Association of Factors and of Factors Chain International. Its offering is addressed to small, medium and large manufacturing and trade enterprises as well as service providers, which sell their goods or services on deferred payment terms. The company specializes in the service of international corporate customers. In addition to enabling the Group to provide an expanded and integrated range of financing products, it also creates cross-selling opportunities with respect to corporate and SME customers.

On 31 March 2014, the Company changed the address of its registered office to ul. Suwak 3, 02-676 Warszawa.

BNP Paribas Factor holds share capital of PLN 10.4 million, which is divided into 20,820 shares. As at 30 June 2014, assets of BNP Paribas Factor amounted to PLN 378.1 million.

8.3. Minority interest

As at 30 June 2014, the BNP Paribas Bank Polska SA Group held interest exceeding 5% of the share capital in Odlewnie Polskie SA. The Bank owned 1,952,896 shares of Odlewnie Polskie SA, accounting for 9.45% of the company's share capital. The ordinary bearer shares held enable the Bank to exercise 1,952,896 voting rights at the general meeting of the company, i.e. a 9.45% share in the general number of votes at the general meeting. In 2010, the company's shares were acquired by the Bank under a debt composition agreement with the company's creditors, through a conversion of receivables pursuant to Article 274, item 3 of the *Bankruptcy and Rehabilitation Act of 28 February 2003.*

The Bank has also shares of non-public companies held for sale.

9. AGREEMENTS SIGNIFICANT FOR THE GROUP'S ACTIVITY

9.1. Major agreements signed with the BNP PARIBAS group entities

9.1.1. Loan agreements with BNP PARIBAS

- On 22 January 2014, the Bank and BNP PARIBAS group concluded a collateralised uncommitted loan facility agreement. Under the agreement, BNP PARIBAS provided the Bank with a credit line to replace the existing financing of a large part of the portfolio of CHF mortgage loans granted by the Bank, under the terms and conditions that ensure a better maturity match in relation to the existing financing.

  In order to secure the credit line, the conditional receivables assignment agreement was concluded with BNP PARIBAS on the same day. The object of the conditional assignment agreement are receivables under the portfolio of CHF-denominated mortgage loans granted by the Bank. The Bank may be obliged to make an effective transfer, as collateral, of receivables which are the subject-matter of the agreement in the event of a material deterioration of ratios defined in the agreement.

  The funds acquired under the new agreement totalled CHF 790 million, and the debt arising from the existing agreement (facility agreement dated 31 January 2011) was reduced. The total outstanding debt amount in CHF remained unchanged.
- On 4 February 2014, a credit line of PLN 800 million was renewed. The new maturity is set for August 2015.
- On 2 June 2014, a tranche of CHF 40 million was repaid at maturity. Additionally, as the tranche of CHF 275 million matured in July, on 30 June its funds were replaced by tranches of longer maturity (from 2015 to 2024) and of the total funds adding to the same amount.

9.1.2. Enterprise sale and debt takeover agreement concluded with Fortis Lease Polska Sp. z o.o.

- On 15 February 2014, under an agreement signed by and between Fortis Lease Polska Sp. z o.o. (FLP) and the Bank, the FLP enterprise was transferred to the Bank in exchange of FLP redeemed shares, which accounted for 99.98% of FLP share capital. Thus, the FLP lease activity was incorporated into the Bank's structures.

  The lease enterprise transfer in favour of the Bank is an element of consolidating and reducing the number of the BNP PARIBAS group entities in Poland. The integration of the lease business is primarily intended to improve the business and cost efficiency.
- On 1 July 2014, FLP liquidation was initiated upon a resolution on FLP liquidation taken by the FLP extraordinary meeting of shareholders on 30 June 2014.

9.1.3. Financing agreements signed by Fortis Lease Polska Sp. z o.o.

- On 15 February 2014, following the incorporation of the lease business into the Bank (enterprise sale and debt takeover agreement, referred to in item 9.1.2), the Bank entered into rights and obligations of agreements signed by Fortis Lease Polska Sp. z o.o. with BNP PARIBAS group. The agreements include:
  - agreement with BNP Paribas SA dated 1 August 2011;
  - agreement with BNP Paribas SA Branch in Warsaw dated 4 October 2012;
  - agreement with BGL BNP Paribas SA dated 19 August 2012.

  The total debt under the aforesaid agreements as at 15 February 2014 totalled the equivalent of PLN 1,092 million.
- In May 2014, the Bank obtained PLN 300 million under the above agreements. In June 2014, the following tranches were repaid at maturity: EUR 6 million and PLN 32 million.

9.1.4. Cooperation Agreement

- On 2 July 2014, the BNP PARIBAS group (i.e. BNP Paribas SA and BNP Paribas Fortis Sa/NV), BNP Paribas Bank Polska SA, Bank Gospodarki Żywnościowej SA (BGŻ) and the Rabobank group signed an agreement on cooperation and information exchange in connection with the project regarding a potential integration between BGŻ and the Bank. Preparations for the integration process included setting up an Integration Office. The intention to combine two banks is subject to obtaining relevant approvals from regulators for BNP PARIBAS group to acquire the block of 98.5% shares held by Rabobank in BGŻ, and then for the integration of both banks.

9.2. Agreements with international institutions

- On 15 February 2014, following the incorporation of the lease business into the Bank (enterprise sale and debt takeover agreement signed by and between Fortis Lease Polska Sp. z o.o. and BNP Paribas Bank Polska SA), the Bank entered into rights and obligations of the loan agreement dated 30 November 2009 signed by European Investment Bank ("EIB") and Fortis Lease Polska Sp. z o.o. As at 15 February 2014, the outstanding debt under the agreement equalled the equivalent of PLN 137.5 million.
- On 23 May 2014, the Bank and EIB signed an annex to the agreement concluded on 16 December 2011. Under the annex, the Bank can provide additional financing to energy efficiency projects (*SME FF EE Window*) under which enterprises can receive a non-refundable grant. The amount of grants that can be provided with the additional funds received, total EUR 720 thousand.
- On 24 June 2014, the Bank concluded a loan agreement with the European Bank for Reconstruction and Development ("EBRD"), under which the Bank would obtain funds from the EBRD earmarked for financing investment projects of small *and medium-sized enterprises within the Sustainable Energy Financing Facility Programme (PolSEFF 2).* Under the agreement, the Bank may receive the total of up to EUR 50 million in two tranches.

  On 2 July 2014 (after the balance sheet date), the BNP PARIBAS group issued a guarantee for the performance of the Bank's obligations under the said loan agreement.

  On 11 August 2014 (after the balance sheet date), under the *PolSEFF 2 Programme* the cooperation agreement was signed by and between the National Fund for Environmental Protection and Water Management (NFEP&WM) and four banks, among them BNP Paribas Bank Polska SA. NFEP&WM will fund subsidies for the partial repayment of bank credit capital - the budget will amount to PLN 60 million.

Details regarding agreements and transactions with affiliated entities for the first half of 2014 and comparative data for the first half of 2013 are presented in Note 19 of the Interim Abbreviated Consolidated Financial Statements of the Group of BNP Paribas Bank Polska SA for the First Half of 2012.

9.3. Significant agreements with customers not affiliated with the Bank

9.3.1. Guarantee credit line agreement of 20 January 2014

- On 20 January 2014, the Bank signed a guarantee credit line agreement with not affiliated entities (the Ordering Party and Surety) and annex no. 1 to the guarantee credit line agreement ("the Guarantee Credit Line Agreement").
- Under the Guarantee Credit Line Agreement, the Bank made available to the Ordering Party a guarantee limit up to PLN 424.8 million ("the Guarantee Limit") for the period of 67 months from the conclusion date of the Guarantee Credit Line Agreement, and the Guarantee Limit will be systematically reduced whenever the total amount of the guaranteed obligation of the Ordering Party is decreased. The Guarantee Credit Line Agreement provides for granting by the Bank of an irrevocable and unconditional payment guarantee up to PLN 216.7 million ("Guarantee I") (Guarantee I within the limit set was granted on 28 January 2014 up to the amount of PLN 216,7 million), likewise an irrevocable and unconditional payment guarantee up to PLN 424.8 million ("Guarantee II"). If Guarantee II is granted, Guarantee I will automatically expire on the date of the Guarantee II. As of 28 February 2014, the reduced Guarantee Limit amounted to approx. PLN 398.8 million.

9.3.2. Multi-option credit line agreement of 27 February 2014

On 27 February 2014, the Bank concluded an agreement on a multi-option credit line up to the maximum amount of PLN 200 million with customers not affiliated with the Bank.

Under the agreement, the Bank provides customers with an L/C line and grants an uncommitted overdraft facility, likewise a revolving working capital loan. The financing term is 12 months.

9.3.3. Multi-option credit line agreement of 5 March 2014

On 5 March 2014, the Bank concluded an agreement on a multi-option credit line up to the maximum amount of PLN 250 million with customers not affiliated with the Bank.

Under the agreement, the Bank grants to customers an overdraft facility in PLN or EUR, likewise a revolving working capital loan in PLN or EUR. The financing term lasts until 30 March 2016.

9.3.4. Non-revolving loan agreement of 21 May 2014

On 21 May 2014, the Bank concluded an agreement on a non-revolving loan up to the maximum amount of PLN 200 million with a customer not affiliated with the Bank. The financing term lasts until 19 May 2017.

9.3.5. Cooperation agreement of 3 June 2014 with Hyundai Motor Poland sp. z o.o.

On 3 June 2014, the Bank signed a cooperation agreement with Hyundai Motor Poland sp. z o.o. ("HYUNDAI"). The agreement sets out rules of a long-term and exclusive cooperation with respect to provision by the Bank of retail and wholesale financing for the Polish HYUNDAI network consisting of 56 authorised dealers, which comprises 65 points of sale.

In 2013 HYUNDAI sold 16,830 new cars on the Polish market; the company was ranked 7th with the market share of 5.8% (passenger cars up to 3.5 tons).

The strategic partnership established between HYUNDAI and the Bank is based on the rules of long-term and mutually advantageous cooperation. It aims at creating conditions for a sustainable growth of sales of HYUNDAI vehicles thanks to competitive wholesale and retail financing (with credit and lease facilities).

9.3.6. Cooperation agreement of 3 June 2014 with Kia Motors Polska sp. z o.o.

On 4 June 2014, the Bank signed a cooperation agreement with Kia Motors Polska sp. z o.o. ("KIA"). The agreement sets out rules of a long-term and exclusive cooperation with respect to provision by the Bank of retail and wholesale financing for the Polish KIA network consisting of 63 authorised dealers, which comprises 75 points of sale.

In 2013 KIA sold 17,144 new cars on the Polish market; the company was ranked 6th with the market share of 6% (passenger cars up to 3.5 tons).

The strategic partnership established between KIA and the Bank is based on the rules of long-term and mutually advantageous cooperation. It aims at creating conditions for a sustainable growth of sales of KIA vehicles thanks to competitive wholesale and retail financing (with credit and lease facilities).

9.4. Agreements with auditor

Selection of an entity authorised to audit the financial statements for 2014-2017

According to the adopted rule on changing an auditor at least once in five years, on 27 October 2013 the Bank's Supervisory Board selected a new auditor. The Supervisory Board chose Deloitte Polska Spółka z o.o. Spółka Komandytowa based in Warsaw as the entity authorised to audit consolidated financial statements of the Group and separate financial statements of the Bank for the years 2014-2017, and also to review consolidated financial statements of the Group and separate financial statements of the Bank for the first halves of the years 2014-2017.
On 9 May 2014, the Bank and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa based in Warsaw, signed

- an agreement regarding an audit of consolidated financial statements of the Group for the years 2014-2017 and a review of the consolidated financial statements of the Group and separate financial statements of the Bank for the first halves of the years 2014-2017;
- agreement regarding an audit of consolidation packages for the years 2014-2017 and a review of consolidation packages for the first halves of the years 2014-2017.

The remuneration defined in the agreement for the entity authorised to audit financial statements, for the audit and review of the semi-annual and annual financial statements and consolidation packages for the year 2014 amounts to PLN 600 thousand plus VAT. Under the agreements, the remuneration for the above work in the years 2015-2017 will be determined in annexes to the agreements.

10. ORGANISATIONAL STRUCTURE

10.1. Bank authorities

Pursuant to the Bank's Statute, BNP Paribas Bank Polska SA bodies comprise:

- General Meeting;
- Supervisory Board;
- Board of Executives.

Permanent and temporary committees acting as advisory and decision-making bodies are appointed at the Bank. Permanent committees include:

- *Assets and Liabilities Committee (ALCO)* that oversees the management of liquidity, interest rate and FX risks;
- *Risk Committee* that monitors and manages core risks arising from the Bank's business activity. The Risk Committee is a body superior to other committees of the Risk area;
- *RB Risk Committee* acts with an aim to streamline the management of credit products offered by the RB segment;
- *PF Risk Committee* acts with an aim to streamline the management of credit products offered by the PF segment;
- *Credit Committee* that takes credit decisions except for the decisions that fall within the competence of the Watchlist and Doubtful Debts Committee;
- *Watchlist and Doubtful Debts Committee* that takes decisions, on a case by case basis, regarding classification of the Bank's customers to a watchlist or assignment of a default status, or adopting of a specific strategy towards customers and also making necessary write-downs/creating provisions for default customers exposures;
- *Internal Control Coordination Committee*, responsible for the efficient management of the Bank's internal control system;
- *Information Security and Business Continuity Committee,* responsible for oversight and management of the information security and business continuity system;
- *New Products, Activities and Organizations and Exceptional Transaction Validation Committee*, that approves new initiatives regarding various activities, new products, services and non-standard transactions;
- *Investment Committee* that manages the Bank's project portfolio: takes decisions regarding implementation of new projects, accepts material changes in ongoing projects and verifies whether goals of given projects have been achieved;
- *Financial Risk and Compliance Committee* that advises the Board of Executives and Compensation Committee as regards the remuneration policy.

Composition, scope of competence and activity of Committees are defined in the relevant Committee Regulations approved by resolutions adopted by the Bank Board of Executives or Supervisory Board, respectively.

The following bodies operate within the Supervisory Board of BNP Paribas Bank Polska SA:

- Audit Committee,
- Compensation Committee;
- Nomination Committee,

They are appointed under the Bank's Statute and the Supervisory Board Regulations and operate based on separate regulations.

10.2. Business lines and sales outlets

The basic organisational structure of the Bank is made up of:

- Head Office;
- operating units.

The Bank's business and organization is structured along customer service lines (business lines) providing comprehensive service to specific customer and/or service market segments. As at 30 June 2014 the following customer service/ business lines were operating at the Bank:

- Retail Banking Business Line - offers comprehensive services to two customer groups: i) individuals, ii) corporate customers with the annual sales revenues not exceeding PLN 60 million, and also provides brokerage services;
- With regard to customers with annual revenues ranging from PLN 40 million to PLN 60 million, exceptions are possible in assignment of existing customers under mutual arrangements between the RB and CTB business lines;
- Personal Finance Business Line – a business line that deals in particular with preparation of product offering and management of consumer loans offered via external distribution channels and the RB branch network;
- Corporate and Transaction Banking (CTB) Business Line, providing comprehensive bank services to medium-size companies and corporate businesses, based among other things on the criterion of annual turnover over PLN 60 million, and to companies that are a part of international groups, irrespective of their annual turnover.

On 1 April 2014 the branch network was reorganised. A new division of the Poland's territory into 5 Macroregions (instead of 7 Regions) was introduced and the Bank set up:

- 16 Regions dedicated to Individual Customers and Microcompanies (to replace the existing 22 Microregions);
- 5 SME Regions;
- 5 Private Banking Regions.

The number of branches within respective Macroregions and Regions was optimised, primarily in terms of a number of branches, number of customers, NBI generated, number of employees and average Cost to Income ratio. The purpose of the change is to increase focus on sales targets and their achievement.

Furthermore, on 1 April 2014, the Bank singled out 27 Financial Centres dedicated to the SME segment (cashier services excluded). In consequence, 27 new branches were created - SME Financial Centres, managed by SME Financial Centrer Directors, answerable directly to the SME Region Directors.

The above modification put greater emphasis on effectiveness of operations in the SME segment, introduced clear subordination (reporting) principles and full responsibility for fulfilment of financial plans in all the branches of the RB sales network.

Within the RB sales network, organised in 5 regions, operate the following branch types:

- own branches and sub-branches;
- SME Financial Centres;
- franchised branches operating under a franchise agreement.

The type of customer segment serviced is a criterion according to which the branch type is determined. The customer segment is represented by Relationship Managers dedicated to it. Consequently, Financial Centres serve RB BL customers of the SME segment, whilst branches and sub-branches provide services to all RB BL customers, except for the SME segment that is served in these branches only at the operating level.

As a result of new branches opening, relocating and revamping, the Bank's branch network comprised, as at the end of June 2014, 83 branches organised according to the new branch concept (NBC). The concept is based on five key elements: communication of all values the Bank's brand stands for, promotion of products and services offered in branches, interior designed as a customer-friendly place, welcoming to customers, well-organized waiting area, and round-the-clock access to the self-service area.

As at 30 June 2014, the Bank had 250 branches. Number of branches with a breakdown into particular regions:

	SME Financial Centres	Other own branches	Franchise branches	Total
Centre Region	6	47	7	**60**
South Region	5	35	7	**47**
Silesia Region	7	38	6	**51**
West Region	4	35	7	**46**
North Region	5	32	9	**46**
Total	**27**	**187**	**36**	**250**

Moreover, Business Centres are separated within the CTB business line, i.e. operating units dedicated to servicing medium and large enterprises.

As at 30 June 2014 there were 9 Business Centres: three in Warsaw and one each in Krakow, Gdańsk, Katowice, Poznań, Wrocław and Łódź.

The number of ATMs as at the end of H1 2014 amounted to 222.

10.3. Staff

As at the end of June 2014, the employment level at the Group, expressed in full time equivalents (including employees on maternity and parental leaves and on long sick leaves) amounted to 2,845. At the Bank, the staff headcount amounted to 2,807 FTEs compared to 2,718 as at 30 June 2013, which means net growth by 89 FTEs.

The table below presents information on the number of employees expressed in full-time equivalents as at the dates specified below.

	Balance as at 30 June 2013	Balance as at 31 December 2013	Balance as at 30 June 2014
The Bank, including:	2,718	2,754	2,807
Head Office	1,401	1,401	1,454
Branches	1,229	1,262	1,270
Mobile relationship managers	88	91	83
Subsidiaries	39	40	38
Total	**2,757**	**2,794**	**2,845**

As at 30 June 2014, about 81% of employees in the Group had a higher education degree, whereas about 19% had secondary education.

The majority of the Group's staff are employed on the basis of an employment contract. However, certain services, especially those related to IT support, marketing campaigns and acquisition of selected Personal Finance products, are provided in favour of the Group under civil-law agreements. As at 30 June 2014, the total of 334 persons provided services in favour of the Group under civil law agreements, whereas as at 30 June 2013, it was 140 persons. As at 30 June 2014, over 98% of civil law agreements pertained to acquisition of Personal Finance BL products.

11. BANK AUTHORITIES

11.1. As at 30 June 2014, the composition of the Bank's Board of Executives was as follows:

	Name and surname	Position in the Bank's Board of Executives	Area
1.	Frédéric Amoudru	President of the Board of Executives	Chief Executive Officer
2.	Jan Bujak	Senior Vice President of the Board of Executives	Chief Financial Officer, Finance and Legal
3.	Jaromir Pelczarski	Vice President of the Board of Executives	Technology, Operations & Process Services
4.	Michel Thebault	Vice President of the Board of Executives	Personal Finance Business Line
5.	Wojciech Kembłowski	Member of the Board of Executives	Risk
6.	Marta Oracz	Member of the Board of Executives	Human Resources
7.	Adam Parfiniewicz	Member of the Board of Executives	Retail Banking
8.	Stephane Rodes	Member of the Board of Executives	Corporate and Transaction Banking

Changes in the composition of the Board of Executives of BNP Paribas Bank Polska SA

In the first half of 2014, no changes in the personal composition of the Board of Executives took place.

Presence of the Board of Executives' members in the governing bodies of affiliated entities as at 30 June 2014

- Frédéric Amoudru held also the position of Chairman of the Supervisory Board of TFI BNP Paribas Polska SA; Chairman of the Supervisory Board of Fortis Lease Polska sp. z o.o. (until 30 June 2014); Chairman of the Supervisory Board of BNP Paribas Factor sp. z o.o.; Member of the Board of Executives of BNP Paribas Real Estate Advisory and Property Management Poland sp. z o.o. and Deputy Chairman of BNP Paribas Foundation Council;
- Jan Bujak performed the function of a Member of the Supervisory Board of TFI BNP Paribas Polska SA, Chairman of the Supervisory Board of Fortis Lease Polska sp. z o.o. in liquidation (since 1 July 2014); Member of BNP Paribas Foundation Council.
- Stephane Rodes performed the function of the Deputy Chairman of the Supervisory Board of Fortis Lease Polska Sp. z o.o. (until 30 June 2014), Member of the Supervisory Board of BNP Paribas Factor Sp. z o.o.;
- Adam Parfiniewicz performed the function of a Member of the Supervisory Board of TFI BNP Paribas Polska SA;
- Wojciech Kembłowski performed the function of a Member of the Supervisory Board of BNP Paribas Factor Sp. z o.o.
- Marta Oracz performed the function of Chairperson of BNP Paribas Foundation Council.

11.2. As at 30 June 2014, the composition of the Supervisory Board of BNP Paribas Bank Polska SA was as follows:

	Name and surname	Function in the Bank's Supervisory Board
1.	Jean-Paul Sabet	Chairman
2.	Jarosław Bauc	Vice Chairman, independent
3.	Filip Dierckx	Vice Chairman
4.	Monika Bednarek	Supervisory Board's member, independent
5.	Francois Benaroya	Supervisory Board's member
6.	Jean-Marc Buresi	Supervisory Board's member
7.	Yvan De Cock	Supervisory Board's member
8.	Andrzej Wojtyna	Supervisory Board's member, independent

Changes in the composition of the Bank's Supervisory Board on 7 April 2014

The Annual General Meeting of the Bank, has appointed a new member of the Supervisory Board - Mr. Jean-Marc Buresi, representing the BNP PARIBAS group, CEO of the Personal Finance Inside (France).

Concurrently, on the day of the Annual General Meeting, Mr Jean Deullin and Ms Helene Dubourg resigned from their functions in the Bank's Supervisory Board, effective at the date of the Annual General Meeting. The reason for the resignation was the appointment of Mr Jean Deullin and Ms Helene Dubourg to other positions in the BNP PARIBAS group.

Changes in the composition of the Bank's Supervisory Board on 26 June 2014 (effective date 1 July 2014)

On 26 June 2014, Mr Francois Benaroya resigned from his membership in the Bank's Supervisory Board, effective from 30 June 2014. The resignation resulted from the fact that Mr Francois Benaroya was employed at the Bank.

Effective 1 July 2014, the Bank's Supervisory Board composition is as follows:

	Name and surname	Function in the Bank's Supervisory Board
1.	Jean-Paul Sabet	Chairman
2.	Jarosław Bauc	Vice Chairman, independent

3.	Filip Dierckx	Vice Chairman
4.	Monika Bednarek	Supervisory Board’s member, independent
5.	Jean-Marc Buresi	Supervisory Board’s member
6.	Yvan De Cock	Supervisory Board’s member
7.	Andrzej Wojtyna	Supervisory Board’s member, independent

11.3. Information on shares of the Bank held by members of the Board of Executives and the Supervisory Board

As at 30 June 2014 and as at this first half of 2014 report publication date, i.e. 29 August 2014, none of the Board of Executives and Supervisory Board’s members held any shares issued by BNP Paribas Bank Polska SA or other financial instruments related to them.

11.4. Information on the Board of Executives and Supervisory Board Members’ remuneration

The total remuneration and the value of benefits obtained by the members of the Board of Executives, Supervisory Board and Managing Directors of BNP Paribas Bank Polska SA are specified in the table below:

(in PLN thousand) PLN	01 January 2013 - 30 June 2013	01 January 2014 - 30 June 2014
Board of Executives, including:	4,297	4,417
- remuneration	3,325	3,196
- other*	972	1,221
Supervisory Board	441	443
Managing Directors**	9,302	10,561

** in the "Other" item, the Bank recognises costs related to medical care, apartment expenses, equivalents for holiday leave, bonuses and remuneration for meetings of the Board of Executives.*
***Gross remuneration paid out of the salary fund, including ZUS (Social Security) contributions for Directors directly reporting to the Board of Executives.*

In 2013, for the first time, a portion of variable compensation awarded for 2012 to employees covered by the "*Variable Compensation Policy for Executives and Other Individuals Who Have a Significant Influence on the Risk Profile at BNP Paribas Bank Polska SA*" was deferred for payment in future periods. Pursuant to this Policy, payment of a portion of variable compensation for 2013 awarded in 2014 was deferred and will be paid over subsequent years; whereas the first portion of the deferred compensation for 2012 was paid in 2014.

The Bank and the managing persons entered into no agreements providing for any compensation in the event such people resign or are dismissed from their job position without an important reason, or when they are discharged or dismissed due to the Bank’s merger by acquisition.

Members of the Bank's Board of Executives who are members of Supervisory Boards of subsidiaries, received no remuneration on that account, either in 2014 or 2013.

Details regarding values of remuneration and other benefits of the members of the Bank's Board of Executives and the Supervisory Board for the first half of 2014 and comparative data for the first half of 2013 are presented in Note 19.4 of the Interim Abbreviated Consolidated Financial Statements of the Group of BNP Paribas Bank Polska SA for the First Half of 2014.

12. CORPORATE GOVERNANCE

The Bank observes corporate governance rules and internally promotes the application of the best practices in the Bank as well as monitors their functioning.

In 2014 BNP Paribas Bank Polska SA, as a listed company, was subject to corporate governance rules defined in the *Code of Best Practice for WSE Listed Companies* (hereinafter "Best Practices”) that constitutes an appendix to Resolution No. 19/1307/2012 adopted by the WSE Supervisory Board on 21 November 2012. The Bank applies the rules established in it to the extent recommended by the Board of Executives and the Supervisory Board of the Bank.

The Bank gives information on any permanent or incidental breach of corporate governance rules or other incidents related to fulfilment of Best Practices provisions in a form of current reports published on the Bank's website and through EBI system (electronic database). Once a year, the Bank prepares a report on corporate governance observance, which is attached to the annual report.

On 11 March 2014, the Bank published a Report on corporate governance rules application at the Bank in 2013 constituting a part of the 2013 annual report, approved by the Annual General Meeting of the Bank on 07 April 2014. All of the Bank's existing Corporate Governance Reports are published on the Bank's website.

13. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The BNP Paribas Bank Polska SA Group is committed to corporate social responsibility (CSR) and follows four main guiding principles in this regard:

1. ECONOMIC responsibility: financing the economy in an ethical manner;
2. Responsibility for NATURAL ENVIRONMENT: counteracting climate changes;
3. CITIZENSHIP responsibility: fight against exclusion, promotion of education and culture;
4. SOCIAL responsibility: observing a committed and fair personnel policy.

The Group, while pursuing its statutory activity and business objectives, being aware of its environmental impact, accommodates social, ethical and ecological aspects of its operations in the business strategy and strives to strike a balance between effectiveness and profitability of its organisation and social interest. Our activities are guided by adherence to binding laws and regulations, and by broadly-understood public welfare.

Therefore, the Group aims to pursue its business objectives in a transparent, consistent and sustainable manner, with the emphasis on accommodating the interests and needs of its customers, shareholders, business partners, employees and the communities in which it operates.

The Bank meets its CSR commitments based on the applicable Corporate Social Responsibility Policy (CSR).

Under the CSR measures, the Bank introduced the Employee Volunteer Day, which gives each employee of the Bank one calendar day that may be used for volunteer assistance initiative.

The Bank also adheres to the "citizenship responsibility" rule. As a partner, it joined the "Bankers for Financial Education for Youth - BAKCYL" scheme in 2014, organised by the Warsaw Banking Institute. The purpose of the scheme is provide pupils of lower secondary schools with practical and necessary knowledge about banking and to build the positive image of banks as public trust institutions.

14. BOARD OF EXECUTIVES' REPRESENTATIONS

Correctness and reliability of reports presented

The Board of Executives of BNP Paribas Bank Polska SA represent that, to the best of their knowledge:

- the Abbreviated Interim Consolidated Financial Statements of the Group of BNP Paribas Bank Polska SA for the First Half of 2014 and the comparative data were prepared pursuant to the binding accounting principles and they accurately, reliably and clearly reflect the property and financial situation of the Bank's Group and its net profit in all material aspects.
- the Board of Executives' Report on the Activity of BNP Paribas Bank Polska SA Group in the First Half of 2014 contains the true picture of the Bank Group's development and achievements, including a description of basic risks and threats.

Selection of an entity authorised to audit the financial statements

The Board of Executives of BNP Paribas Bank Polska SA hereby represents that Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa based in Warsaw, an entity authorised to audit financial statements, was chosen, under Article 15, Section 3, item 8) of the Statute of BNP Paribas Bank Polska SA by the Supervisory Board based on a recommendation given by the Board of Executives and the Audit Committee (Resolution no. 41/2013 of 29 October 2013), pursuant to the provisions of law, as the entity to review the consolidated financial statements of BNP Paribas Bank Polska SA Group for the first half of 2014, and that the above entity and statutory auditors employed to perform the review, meet the conditions to issue an impartial and independent audit report, in accordance with the respective provisions of Polish law.

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

27 August 2014	Frédéric Amoudru President of the Board of Executives	.... signature
27 August 2014	Jan Bujak Senior Vice President of the Board of Executives Chief Financial Officer	.... signature
27 August 2014	Jaromir Pelczarski Vice President of the Board of Executives	.... signature
27 August 2014	Michel Thebault Vice President of the Board of Executives	.... signature
27 August 2014	Wojciech Kembłowski Member of the Board of Executives	.... signature
27 August 2014	Marta Oracz Member of the Board of Executives	.... signature
27 August 2014	Adam Parfiniewicz Member of the Board of Executives	.... signature
27 August 2014	Stéphane Rodes Member of the Board of Executives	.... signature