

Annual Separate Financial Statements of BNP Paribas Bank Polska SA for 2012



BNP PARIBAS | Bank zmieniającego się świata





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1. Financial Highlights

| FINANCIAL HIGHLIGHTS (SEPARATE) | in PLN thousand | | in EUR thousand | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 31 Dec 2012 (YTD) | 31 Dec 2011 (YTD) | 31 Dec 2012 (YTD) | 31 Dec 2011 (YTD) |
| Income Statement | | | | |
| Net interest income | 501,903 | 551,740 | 120,257 | 133,267 |
| Net fee and commission income | 138,513 | 137,119 | 33,188 | 33,120 |
| Net banking income | 787,913 | 759,252 | 188,785 | 183,390 |
| Profit/loss before taxation | 45,311 | 48,734 | 10,857 | 11,771 |
| Profit/loss after taxation | 29,288 | 21,033 | 7,017 | 5,080 |
| Weighted average number of shares | | | | |
| | 26,508,094 | 24,123,506 | - | - |
| Profit per share (in PLN/EUR) | | | | |
| | 1.10 | 0.87 | 0.26 | 0.21 |
| Diluted earnings per share (in PLN/EUR) | | | | |
| | 1.10 | 0.87 | 0.26 | 0.21 |
| Cash Flow Statement | | | | |
| Net cash provided by operating activities | 380,532 | -592,267 | 91,176 | -143,056 |
| Net cash provided by investing activities | 1,827,523 | -548,297 | 437,877 | -132,436 |
| Net cash provided by (used in) financing activities | -1,360,920 | 1,024,320 | -326,078 | 247,414 |
| Total net cash flow | 847,135 | -116,244 | 202,975 | -28,078 |
| Balance Sheet | | | | |
| | Balance as at 31 Dec 2012 | Balance as at 31 Dec 2011 | Balance as at 31 Dec 2012 | Balance as at 31 Dec 2011 |
| Total assets | 19,245,705 | 20,723,168 | 4,707,623 | 4,691,896 |
| Loans to customers | 14,611,837 | 14,883,190 | 3,574,149 | 3,369,677 |
| Due to banks | 382,327 | 1,028,324 | 93,520 | 232,821 |
| Due to customers | 10,113,114 | 9,028,053 | 2,473,733 | 2,044,026 |
| Loans and credit facilities received | 6,023,287 | 8,214,636 | 1,473,335 | 1,859,861 |
| Equity capital | 1,697,954 | 1,373,764 | 415,330 | 311,032 |
| Ratios | | | | |
| Number of shares | 28,692,926 | 24,123,506 | - | - |
| Book value per share (in PLN/EUR) | 59.18 | 56.95 | 14.48 | 12.89 |
| Diluted book value per share (in PLN/EUR) | 59.18 | 56.95 | 14.48 | 12.89 |
| Capital adequacy | | | | |
| Capital adequacy ratio | 14.46 % | 12.01 % | - | - |
| Tier 1 (core) capital | 1,547,208 | 1,246,574 | 378,457 | 282,235 |
| Tier 2 (supplementary) capital | 664,490 | 538,800 | 162,539 | 121,989 |
| Tier 3 (short term) capital | 11,102 | 12,234 | 2,716 | 2,770 |

Key items in the balance sheet, profit and loss account and cash flow statement in the financial statements for 2012 and the corresponding financial figures for 2011 have been converted into EUR according to the following rules:

- particular items of assets and liabilities in the balance sheet and book value per share as at the end of 2012 have been converted into EUR at the mid-rate prevailing as at 31 December 2012 published by the National Bank of Poland on 31 December 2012, i.e. EUR 1 = PLN 4.0882; comparative financial data as at the end of 2011 have been converted into EUR at the mid-rate prevailing as at 31 December 2011, published by the National Bank of Poland on 31 December 2011, i.e. EUR 1 = PLN 4.4168;
- particular items in the income statement and cash flow statement, and earnings per share as at the end of 2012 were converted into EUR at the rate based on the arithmetic mean of mid-rates determined by the National Bank of Poland as at the last days of the months from January through December 2012, i.e. EUR 1 = PLN 4.1736, whereas comparative data as at the end of 2011 were converted into EUR at the rate based on the arithmetic mean of mid-rates determined by the National Bank of Poland as at the last days of the months from January through December 2011, i.e. EUR 1 = PLN 4.1401.



2. Separate Financial Statements of BNP Paribas Bank Polska SA

| Income Statement (in PLN thousand) | Notes | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|--|--------------|---------------------------------|---------------------------------|
| Interest income | 7.1 | 925,699 | 948,920 |
| Interest expense | 7.2 | -423,796 | -397,180 |
| Net interest income | | 501,903 | 551,740 |
| Fee and commission income | 7.3 | 177,564 | 180,123 |
| Fee and commission expense | 7.4 | -39,051 | -43,004 |
| Net fee and commission income | | 138,513 | 137,119 |
| Net trading income | 7.5 | 107,929 | 67,180 |
| Net profit/loss on hedging transactions | | -3,291 | 12,353 |
| Net profit/loss on the hedged item | | 3,291 | -12,353 |
| Net profit/loss on available-for-sale financial assets | 7.6 | 17,434 | -661 |
| Dividends | | 22,153 | - |
| Other revenues | 7.7 | 23,267 | 19,666 |
| Other operating expenses: | 7.8 | -23,286 | -15,792 |
| Net banking income | | 787,913 | 759,252 |
| Operating costs | | -527,562 | -524,383 |
| Personnel expenses | 7.9 | -285,429 | -263,849 |
| Other expenses | 7.10 | -242,133 | -260,534 |
| Depreciation | 7.11 | -57,747 | -64,766 |
| Gross operating profit/loss | | 202,604 | 170,103 |
| Cost of risk | 7.12 | -154,560 | -118,299 |
| Net operating profit/loss | | 48,044 | 51,804 |
| Net profit/loss from disposal of assets, shares and interest | | -2,733 | -3,070 |
| Profit/loss before taxation | | 45,311 | 48,734 |
| Income tax | 7.13 | -16,023 | -27,701 |
| Profit/loss after taxation | | 29,288 | 21,033 |

| Earnings per share | | | |
|---|--|-------------|-------------|
| Number of shares as at 31 December | | 28,692,926 | 24,123,506 |
| Weighted average number of ordinary shares | | 26,508,094 | 24,123,506 |
| Net profit of the period in PLN thousand | | 29,288 | 21,033 |
| Earnings per ordinary share (in PLN) | | 1.10 | 0.87 |
| Weighted average diluted number of ordinary shares | | 26,508,094 | 24,123,506 |
| Diluted earnings per share (PLN per share) | | 1.10 | 0.87 |

| Separate report of total income (in PLN thousand) | | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|--|--|---------------------------------|---------------------------------|
| Net profit (loss) for the year | | 29,288 | 21,033 |
| Profits/losses not recognised in the income statement (investments available for sale) | | 44,500 | 3,048 |
| Deferred tax - profits/losses not recognised in the income statement (investments available for sale) | | -8,455 | -579 |
| Profits/losses not recognised in the income statement (investments available for sale) - net | | 36,045 | 2,469 |
| Total income | | 65,333 | 23,502 |

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



| Balance Sheet (in PLN thousand) | Notes | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------|--------------------|--------------------|
| ASSETS | | | |
| Cash and cash equivalents | 8 | 1,903,463 | 1,056,316 |
| Financial assets held for trading | 9 | 145,838 | 175,761 |
| Due from banks | 10 | 208,045 | 359,211 |
| Loans to customers | 10 | 14,611,837 | 14,883,190 |
| Hedging instruments | 22 | 11,179 | 17,759 |
| Investments – available for sale | 11 | 1,817,783 | 3,655,428 |
| Other investments | 11 | 120,648 | 112,996 |
| Property, plant and equipment | 12 | 122,520 | 147,449 |
| Intangible assets | 13 | 29,725 | 30,756 |
| Non-current assets held for sale | 14 | 4,785 | 4,785 |
| Settlements on account of income tax | | 1,927 | - |
| Deferred tax assets | 15 | 204,890 | 219,627 |
| Other assets | 16 | 63,065 | 59,890 |
| Total assets | | 19,245,705 | 20,723,168 |
| LIABILITIES | | | |
| Financial liabilities held for trading | 9 | 86,718 | 126,034 |
| Due to banks | 17 | 382,327 | 1,028,324 |
| Due to customers | 17 | 10,113,114 | 9,028,053 |
| Loans and credit facilities received | 17 | 6,023,287 | 8,214,636 |
| Differences from measurement to fair value of a hedged item against interest rate risk | | 8,800 | 13,132 |
| Subordinated liabilities | 18 | 694,251 | 592,628 |
| Income tax liabilities | | - | 17,218 |
| Income tax provision | | 7,368 | - |
| Other liabilities | 19 | 196,722 | 285,060 |
| Provisions | 20 | 35,164 | 44,319 |
| Total liabilities | | 17,547,751 | 19,349,404 |
| EQUITY CAPITAL | | | |
| Share capital | | 1,434,646 | 1,206,175 |
| Additional capital | | 176,387 | 129,157 |
| Transfer from BNP Paribas SA Branch | | - | 15,161 |
| Other capital | | 26,223 | 6,873 |
| Revaluation reserve | | 31,410 | -4,635 |
| Net profit (loss) for the year | | 29,288 | 21,033 |
| Total equity | 21 | 1,697,954 | 1,373,764 |
| Total liabilities and equity | | 19,245,705 | 20,723,168 |

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



Statement of Changes in Shareholders' Equity in 2011
(in PLN thousand)

| | Share capital | Additional capital | Transfer from BNP Paribas SA Branch | Retained earnings | Net profit (loss) for the year | Other capital | Revaluation reserve | Total capital |
|-----------------------------------|---------------|--------------------|-------------------------------------|-------------------|--------------------------------|---------------|---------------------|---------------|
| Balance as at 1 Jan 2011 | 1,206,175 | 125,745 | -78,010 | 42,656 | - | 45,639 | -7,104 | 1,335,101 |
| Total income in 2011 | - | - | - | - | 21,033 | - | 2,469 | 23,502 |
| Distribution of retained earnings | - | 3,412 | - | -42,656 | - | 39,244 | - | - |
| Other | - | - | 93,171 | - | - | -78,010 | - | 15,161 |
| Balance as at 31 Dec 2011 | 1,206,175 | 129,157 | 15,161* | - | 21,033 | 6,873 | -4,635 | 1,373,764 |

Statement of Changes in Shareholders' Equity in 2012
(in PLN thousand)

| | Share capital | Additional capital | Transfer from BNP Paribas SA Branch | Retained earnings | Net profit (loss) for the year | Other capital | Revaluation reserve | Total capital |
|---|---------------|--------------------|-------------------------------------|-------------------|--------------------------------|---------------|---------------------|---------------|
| Balance as at 1 Jan 2012 | 1,206,175 | 129,157 | 15,161 | 21,033 | - | 6,873 | -4,635 | 1,373,764 |
| Total income in 2012 | - | - | - | - | 29,288 | - | 36,045 | 65,333 |
| Share issue | 228,471 | 31,529 | - | - | - | - | - | 260,000 |
| Transfer of a positive difference into the additional capital | - | 15,161 | -15,161* | - | - | - | - | - |
| Distribution of retained earnings | - | 1,683 | - | -21,033 | - | 19,350 | - | - |
| Other | - | -1,143 | - | - | - | - | - | -1,143 |
| Balance as at 31 Dec 2012 | 1,434,646 | 176,387 | - | - | 29,288 | 26,223 | 31,410 | 1,697,954 |

* In 2012, the Annual General Meeting decided to transfer a positive difference, in the amount of PLN 15,161 thousand, arising from the tax settlement of the acquisition by BNP Paribas Bank Polska SA of an organised part of BNP Paribas SA Branch in Poland into the additional capital. The tax settlement of the transaction of a purchase of an organised part of the enterprise took place in March 2011, and then the asset on this account was recognised as well.



| Cash Flow Statement (in PLN thousand) | 1 Jan 2012-31 Dec 2012 | 1 Jan 2011-31 Dec 2011 |
|---|------------------------|------------------------|
| Cash and cash equivalents (gross), opening balance | 1,057,428 | 1,173,672 |
| OPERATING ACTIVITY | | |
| Gross profit | 45,311 | 48,734 |
| Adjustments for: | 335,221 | -641,001 |
| Depreciation | 57,747 | 65,350 |
| Change of reserves and provisions | Note 24.1 -144,213 | -5,899 |
| Profit/loss on investing activities | 8,551 | 7,241 |
| Changes in operational assets and liabilities: | 434,657 | -791,403 |
| - financial assets and liabilities held for trading | -9,393 | 47,574 |
| - due from banks, gross | 151,176 | -199,622 |
| - loans to customers, gross | 403,354 | -1,653,320 |
| - assets and liabilities on account of applying fair value hedge accounting | 2,248 | -4,627 |
| - investments available for sale, gross | 9,860 | -8,369 |
| - due to banks | -645,997 | 280,509 |
| - due to customers | 1,085,062 | 779,351 |
| - liabilities due on account of credit facilities and loans received | -432,604 | 18,392 |
| - liabilities due on account of a subordinated loan | -37,346 | -1,791 |
| - other gross assets and other liabilities | -91,703 | -49,500 |
| Tax paid | -21,519 | 83,710 |
| Other adjustments | -2 | - |
| Net operating cash flows | 380,532 | -592,267 |
| INVESTING ACTIVITIES | | |
| Acquisition of shares and investments in subsidiaries | -7,653 | -94,800 |
| Purchase of available-for-sale investments | -23,253,420 | -65,180,412 |
| Purchase of property, plant and equipment and intangible fixed assets | -42,226 | -69,140 |
| Proceeds from sales of shares in a subsidiary | - | 12 |
| Proceeds from sales of available-for-sale investments | 25,129,575 | 64,796,322 |
| Proceeds from sales of property, plant and equipment | 1,771 | 1,636 |
| Other investment expenses | Nota 24.2 -524 | -1,915 |
| Net cash provided by investing activities | 1,827,523 | -548,297 |
| FINANCING ACTIVITY | | |
| Subordinated loans drawdown | 446,586 | 133,986 |
| Subordinated loans repayment | -320,647 | -139,206 |
| Drawdown of loans and credit facilities received | 3,220,362 | 3,890,376 |
| Repayment of loans and credit facilities received | -4,979,108 | -2,860,836 |
| Share issue | 260,000 | - |
| Other financial gains | Note 24.3 13,030 | - |
| Other financial expenses | Note 24.3 -1,143 | - |
| Net cash provided by (used in) financing activities | -1,360,920 | 1,024,320 |
| Cash and cash equivalents, gross | 1,904,563 | 1,057,428 |
| Ending balance | 1,904,563 | 1,057,428 |
| Change in gross cash and cash equivalents | 847,135 | -116,244 |

Cash Flow Statement is prepared using an indirect method.

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



Additional Notes to Financial Statements

3. Information on BNP Paribas Bank Polska SA

Basic data on the Issuer

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

The Bank was assigned statistical number (REGON): 003915970, and tax identification number (NIP): 676-007-83-01.

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

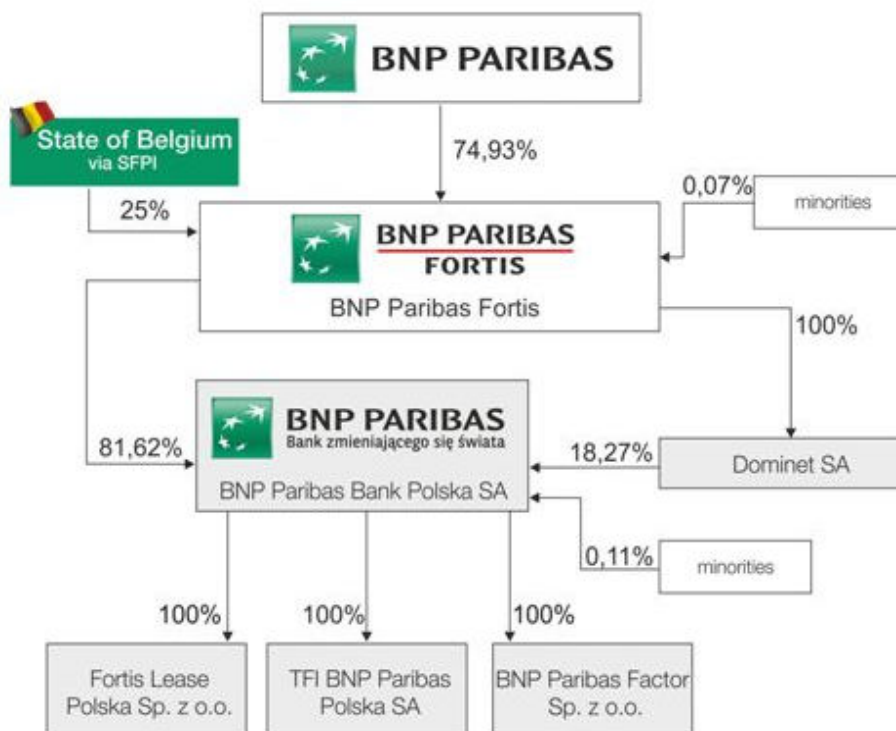
The Bank's shareholders

BNP Paribas Bank Polska SA is part of BNP Paribas SA, an international financial institution based in Paris.

As at 31 December 2012, the direct parent entity of BNP Paribas Bank Polska SA was Fortis Bank SA/NV based in Brussels (presently BNP Paribas Fortis SA/NV) which held 99.89% of the Bank's shares, of which 81.62% directly, while 18.27% through "Dominet Spółka Akcyjna" in liquidation (hereinafter, "Dominet SA").

The remaining 0.11% shares are held by other shareholders.

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





BNP Paribas Bank Polska SA together with its subsidiaries forms the Bank's Group which consists of:

- BNP Paribas Bank Polska SA,
- Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (investment fund company),
- Fortis Lease Polska Sp. z o.o.,
- BNP Paribas Factor Sp. z o.o.

| Name of the unit | Ownership relation | Consolidation method | Registered office | % of votes at the General Meeting | |
|---|--------------------|----------------------|-------------------|-----------------------------------|-------------|
| | | | | 31 Dec 2012 | 31 Dec 2011 |
| Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (investment fund company) | subsidiary | full consolidation | Warsaw | 100% | 100% |
| Fortis Lease Polska Sp. z o.o. | subsidiary | full consolidation | Warsaw | 100% | 100% |
| BNP Paribas Factor Sp. z o.o. | subsidiary | full consolidation | Warsaw | 100% | - |

Acquisition of a subsidiary, BNP Paribas Factor Sp. z o.o. (formerly: Fortis Commercial Finance Sp. z o.o.)

On 2 April 2012, BNP Paribas Bank Polska acquired 100% of shares in Fortis Commercial Finance Sp. z o.o, a company with its registered office in Warsaw, from a Dutch company, Fortis Commercial Finance Holding N.V. On 21 June 2012, the company changed its name into BNP Paribas Factor Sp. z o.o.

BNP Paribas Factor Sp. z o.o. supports the financing of the Bank's customers from the corporate and SME segment, offering factoring services, both with and without assuming the risk of customers' insolvency.

From the Bank's perspective, having a factoring company, besides a possibility to propose an expanded and more integrated financing products offering, also means new cross-selling opportunities with respect to corporate and SME customers.

Scope of the Bank's business

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

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

- accepting deposits due on demand and/or in fixed date and maintaining bank accounts for such deposits,
- maintaining other bank accounts,
- granting credits and loans, including consumer credits and loans,
- carrying out bank pecuniary settlements, including payment card settlements, likewise payment card issuance,
- issuing and confirming bank guarantees, granting sureties, likewise opening and confirming L/Cs,
- issuing securities, including convertible bonds and banking securities, likewise carrying out commissioned tasks, and assuming obligations related to the issuance of securities,
- participating in trading in financial instruments, including maintaining securities custody accounts,
- conducting operations on money and FX markets including forward and derivative instrument transactions,



- conducting check and bill-of-exchange operations and warrant transactions,
- purchasing and selling cash debts,
- purchasing and selling foreign currencies,
- safekeeping valuables and securities, likewise rendering safe-deposit boxes available,
- providing the following financial services:
 - consulting services on financial issues,
 - custody services,
 - leasing services,
 - brokerage activity,
- conducting acquisition activity in favour of open pension funds and safekeeping pension funds' assets,
- providing agency services related to the distribution of participation units, investment certificates or participation titles to investment funds, likewise agency services related to their sale and redemption, or safekeeping of investment funds' assets,
- providing agency services related to property insurance,
- intermediating within the scope of personal insurance, including life insurance,
- rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by the Bank with regard to actions to which it is a party,
- acting as an agent in making money transfers and FX settlements,
- issuance of electronic money instrument.



4. Accounting Policies

4.1. Basis of Presentation

4.1.1. Statement on consistency with the IFRS

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

These financial statements of the Bank were approved for publishing by the Bank's Board of Executives on 8 March 2013.

The following standards (interpretations) issued by the International Accounting Standards Board (International Financial Reporting Interpretations Committee) were not in force yet as at 31 December 2012:

- IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2015; as at the date of preparing these financial statements, the amendments have not been approved by the European Commission;
- Amendments to IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 July 2012; the amendments have been approved by the European Commission;
- IFRS 10 Consolidated Financial Statements, effective for annual periods beginning on or after 1 January 2013; the amendments have been approved by the European Commission;
- IFRS 11 Joint Arrangements, effective for annual periods beginning on or after 1 January 2013; the amendments have been approved by the European Commission;
- IFRS 12 Disclosure of Interests in Other Entities, effective for annual periods beginning on or after 1 January 2013; the amendments have been approved by the European Commission;
- IFRS 13 Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013; the amendments have been approved by the European Commission;
- Amendments to IAS 19 Employee Benefits, effective for annual periods beginning on or after 1 January 2013; the amendments have been approved by the European Commission;
- Amendments to IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2013; the amendments have been approved by the European Commission;
- Amendments to IAS 32 Financial Instruments: Presentation - offsetting financial assets and liabilities, effective for annual periods beginning on or after 1 January 2014; the amendments have been approved by the European Commission.

Other standards and interpretations that have not become effective yet and have not been mentioned in this financial statement, are not material from the Bank's standpoint.

The Bank now analyses in detail the effect of new standards on the financial statements. Bank does not intend to apply any of these standards before they become absolutely required.

4.2. Basic Assumptions

The annual financial statements of the Bank for the year ended 31 December 2012 were prepared assuming the continuation of the Bank's business in the foreseeable future.

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

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

The financial statements have been prepared in Polish zlotys (PLN), and all the values have been given in PLN thousands, unless indicated otherwise.

The functional currency is Polish zloty (PLN).



4.3. Comparative Data

The financial statements present data of BNP Paribas Bank Polska SA for the period from 1 January 2012 through 31 December 2012 and as at 31 December 2012, likewise comparative data for the period from 1 January 2011 through 31 December 2011, and as at 31 December 2011.

4.4. Accounting Estimates

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

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

4.4.1 Fair value

The fair value of financial instruments that are not traded on an active market is measured applying valuation models using the market yield curve. Some variables used in such models require an adoption of expert estimations¹.

4.4.2 Provisions for impairment of financial assets

In the estimation of write-downs for impairment, the Bank assesses whether there is any evidence of impairment for specific financial asset or group of financial assets. A catalogue of impairment indicators includes events determined both in terms of quantity and quality².

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

4.4.3 Provisions for impairment of non-financial assets

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

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

4.4.4 Useful lives and residual values

The useful life is a time period over which an item of tangible and intangible assets is expected to be used by the Bank.

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

4.4.5 Other accounting estimates

The Bank makes provisions on account of long-term employee benefits on the basis of an actuarial valuation. Legal risk provisions are calculated on the basis of an estimated amount of the Bank's liabilities should a court case end unfavourably, or should a case be likely to end unfavourably for the Bank.

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

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

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



4.5 Foreign Currencies

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

4.6 Financial Assets and Liabilities

4.6.1 Rules of balance sheet recognition and de-recognition of financial assets and liabilities

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

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

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

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

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

4.6.2 Classification and measurement

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

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

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

4.6.3 The Bank classifies financial instruments into the following categories:

Loans and receivables

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

- a) financial assets that the Bank intends to sell immediately or in the near term, and those that at initial recognition were designated as measured at fair value through profit or loss;
- b) financial assets that at initial recognition were designated by the Bank as available for sale.

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

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

Into the category of loans and receivables, the Bank classifies 'due from banks' and 'loans to customers', and also debt securities (corporate bonds), provided that the following conditions are met:

- there is regular income and payments set for debt securities,
- debt securities are not traded on an active market,
- the Bank does not intend to sell the securities immediately or in the near term.

Investments held to maturity

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



Financial assets measured to fair value through profit or loss

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

- a) classified at initial recognition as held for trading if they have been acquired with an intention to sell in the near term (not exceeding 3 months from the purchase date) to acquire gains on FX differences;
- b) that are part of a portfolio of identified financial instruments that are managed together and for short-term profit taking,
- c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments), or
- d) classified at initial recognition as measured to fair value through profit or loss.

The Bank does not classify assets at their initial recognition as measured to fair value through profit and loss account.

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

- a) held-for-trading securities,
- b) derivative instruments (excluding derivative instruments that constitute effective hedging instruments).

Financial assets available for sale

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

- a) loans and receivables,
- b) investments held to maturity,
- c) financial assets measured to fair value through profit or loss.

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

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

Financial liabilities measured to fair value through profit or loss.

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

- a) classified at initial recognition as held for trading if they were assumed mainly to be repurchased in the near term, i.e. within 6 months from the acquisition date;
- b) that are part of a portfolio of identified financial instruments, which are managed together and for short-term profit taking, or
- c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments).

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

- a) derivative instruments (excluding derivative instruments that constitute effective hedging instruments),
- b) liabilities on account of short sale of securities.

Other financial liabilities.

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

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

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

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

- a) due to banks,
- b) due to customers,
- c) liabilities due on account of own debt securities issued,
- d) liabilities due on account of credit facilities and loans received.



4.6.4 Fair value of financial instruments

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

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

Valuation techniques include:

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

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

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

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

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

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

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

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

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

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

4.6.5 Reclassification of financial instruments

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

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

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



- may be reclassified into the category of loans and receivables provided that they are not held by the Bank for sale or repurchase in the near term and that the Bank intends and is able to hold them for a foreseeable future or to maturity,
- may be reclassified into the available-for-sale or held-to-maturity category, provided that they are not already held by the Bank for sale or repurchase in the near term and only in rare cases (i.e. in cases resulting from a single event that is not ordinary, and it is highly unlikely that such event would occur again in the near term);
- d) Financial instruments that at their initial recognition were classified as available for sale and that would meet the criteria specified in the definition of loans and receivables (if they were not classified as available for sale), may be reclassified into the category of loans and receivables if the Bank has the intention and is able to hold them in the foreseeable future or till their maturity.

4.7 Offsetting Financial Instruments

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

The Bank has made no offset, referred to above.

4.8 Sale and Repurchase Agreements and Securities Lending/Borrowing

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

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

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

4.9 Derivative Instruments

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

Interest on derivative instruments is recognised in the net interest income.

Derivative instruments in the Bank include the following transactions:

IRS Contracts

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

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

FX Forward Contracts

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



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

FX Swap Contracts

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

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

Interest Rate Options

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

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

FX Options

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

FRA Contracts

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

CIRS Contracts

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

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

OIS Contracts

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

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

Futures contracts

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

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

As at 31 December 2012, the Bank did not hold any futures transactions.



4.10 Embedded Derivatives

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

The separated embedded derivatives are reported as hedging or held-for-trading derivatives, as appropriate. As at 31 December 2012, the Bank did not separate embedded derivatives.

4.11 Fair Value Hedge Accounting

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

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

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

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

As at 31 December 2012, a replication model was used to define a hedging relationship for a hedged item that included a portfolio of liabilities related to current accounts.

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

It means that any ineffectiveness is immediately recognised through profit or loss.

If the Bank ceases to apply the hedge accounting, the adjustment of the hedged item balance sheet value is amortised until the end day of a relevant period of the portfolio re-pricing using the straight-line method.

Income/expenses on account of interest on the hedging instrument are presented in the interest income or interest expense.

4.12 Asset Impairment

4.12.1 Financial assets

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

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

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

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

The Bank creates impairment provisions for incurred but not reported losses (IBNR) when there is an objective indicator, in relation to loans and receivables, that a portion of the loan portfolio is affected by



impairment despite that there are no objective indicators of specific loans and receivables impairment. The impairment provisions for IBNR losses are estimated based upon historical patterns of losses in each component, reflecting the current economic climate in which the borrowers operate.

As regards uncollectible loans and receivables, in the event legal and procedural ways of their repayment enforcement have been exhausted, the Bank writes down such loans and receivables to the related impairment provisions.

Any amounts subsequently recovered are charged to the Cost of risk in the income statement.

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

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

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

4.12.2 Non-financial assets

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

As at each balance sheet date, the Bank makes an assessment whether there are any indicators of a non-financial asset impairment present or not, and in the event any such indicators are identified, the Bank estimates the asset's recoverable value.

The recoverable value is the higher of the following:

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

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

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

4.13 Cash and Cash Equivalents

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

4.14 Due from Banks and Loans to Customers

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

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

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

Rules governing impairment estimation are presented above.

4.15 Property, Plant and Equipment

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

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

Any impairment loss identified is recognised in the income statement.



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

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

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

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

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

Software for computer hardware that cannot operate without that specific software, such as the operating system, is an integral part of the related hardware and it is treated as property, plant and equipment.

Useful lives of fixed assets are as follows:

| No. | Specification | Useful life (in years) |
|-----|--|------------------------|
| 1. | Own buildings | 40 |
| 2. | Leasehold improvements | 10 |
| 3. | Structural cabling (including lighting and air-conditioning) | 5 |
| 4. | Computer sets/ laptops (micro computers) | 4 |
| 5. | Mini computers (servers in branches) | 3 |
| 6. | Central bank system and supplementary systems with a long-term useful life (back office systems not related to products but to business organisation e.g. HR, financial and securities management systems) | 8 |
| 7. | Central IT equipment (servers, memory modules, processors, printers, photocopiers, discs, scanners, switches, routers, matrices, server cabinets, patch cabinets, etc.) | 5 |
| 8. | Fixed-line telephones | 5 |
| 9. | Mobile phones | 3 |
| 10. | Conference rooms equipment (projectors, audio-visual equipment) | 5 |
| 11. | Cash and vault equipment | 5 |
| 12. | ATMs | 5 |
| 13. | Cheque processing device | 5 |
| 14. | Cash registers, strongboxes and safes | 10 |
| 15. | Vehicles | 5 |
| 16. | Office furniture | 5 |
| 17. | Other devices and equipment | 5 |
| 18. | Operating software | 5 |

4.16 Non-current Assets Held for Sale

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

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

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

4.17 Intangible Assets

Intangible assets are identifiable assets which are not physical in nature and are recognised at acquisition cost. Intangible assets are recognised in the balance sheet if they generate financial benefits in the future and may be measured reliably. The Bank activates expenditures for software produced on its own, within formally undertaken projects. The activated expenditures include: costs on account of employee benefits (remuneration, surcharges on remuneration) resulting directly from creation of an item of intangible assets;



outlays for materials and services used to create intangible assets; depreciation of patents and licences used at creation of intangible assets.

The Bank regularly assesses if an intangible asset may be impaired.

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

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

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

Any impairment loss identified is recognised in the income statement.

The useful life of intangible assets is determined for:

- central banking systems and supplementary systems with long-term useful life – 8 years,
- other system software, i.e. other than operating system software – 3 or 5 years,
- development work costs – 3 or 5 years.

4.18 Due to Customers

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

4.19 Employee Benefits

4.19.1 Long-term employee benefits

The Bank measures reserves established for one-time retirement benefit, disability benefits and post-death benefits due to eligible employees under the Labour Code provisions, likewise for liabilities on account of a deferred portion of a bonus for the Bank's senior management. The reserve amounts are estimated on the basis of actuarial calculations.

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

4.19.2 Long-term employee benefits

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

4.19.3 Benefits on account of work relationship termination

The Bank recognises benefits on account of work relationship termination as a liability and expense, only when the Bank is determined (and is able to prove it) to:

- terminate the work relationship with an employee or a group of employees before they reach the retirement age, or
- provide benefits on account of work relationship termination as a result of a proposal made by the Bank which encourage the employees to voluntarily terminate the work relationship.

4.20 Provisions

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

The Bank recognises provisions in the balance sheet, when:

- a) there is a present legal or customarily expected obligation as a result of past events;
- b) cash outflow is likely to take place in order to perform the obligation;
- c) a reliable estimate can be made at the balance sheet date.

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



4.21 Contingent Liabilities - Off-balance Sheet Commitments

Contingent liabilities are:

- a) a possible obligation arising as a result of past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or
- b) a present obligation, which arises as a result of past events, however it is not recognised in the balance sheet because it is unlikely that an outflow of economic benefits will be necessary to perform the obligation or the liability amount cannot be reliably estimated.

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

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

4.22 Equity Capital

4.22.1 Definition

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

4.22.2 Equity capital items

Share capital

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

Additional capital

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

Other capital

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

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

Revaluation reserve

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

Retained earnings

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



Net profit (loss) for the year

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

4.22.3 Costs of transactions related to operations in equity capital

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

4.22.4 Dividends on ordinary shares

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

4.23 Earnings per share

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

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

4.24 Interest Income and Expense

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

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

4.25 Fees and Transaction Costs

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

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

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

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

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



4.26 Net Profit/Loss on Transactions in Financial Instruments

Net profit/loss on transactions in financial instruments includes:

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

4.27 Current and Deferred Income Tax

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

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

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

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

4.28 Government subsidies

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

4.29 Leasing

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

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

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

Operating lease payments are recognised in the income statement using the straight-line method over the lease term.

4.30 Segment Reporting

4.30.1 Operating segments

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

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

- Retail Banking Business Line (RB BL)
- Corporate and Transaction Banking (CTB)
- Other Banking Activity



4.30.2 Geographical segments

The Bank operates in Poland - the only geographical segment. All income and costs earned and incurred by the Bank come from that geographical segment, likewise all assets held are located in that area. Information on changes in the segment structure are presented in the Segment reporting section.



5. Comparability with Previously Published Reports

There have been changes made with respect to the manner of presentation of the data published in the 2011 annual report as at 31 December 2011 to ensure data comparability. The data are presented in PLN thousand.

| Separate income statement for the period from 1 January 2011 through 31 December 2011 (in PLN thousand) | | | | | |
|---|-----------------------|------------|----------------------|--------------------|---|
| Item | before the adjustment | adjustment | after the adjustment | Change description | |
| | | | | Amount | Description |
| Interest expense | -397,394 | 214 | -397,180 | 94 | Change in the presentation of interest on lease |
| | | | | 120 | Change in the presentation of an interest effect on the provision on employee benefits, retirement severance pay, disability benefits and post-death benefits |
| Fee and commission income | 189,376 | -9,253 | 180,123 | -11,454 | Change in the presentation of fees and commissions related to derivative instrument buy/sell transactions |
| | | | | 192 | Change in the presentation of other income |
| | | | | 2,009 | Change in the presentation of provisions for fees and commissions |
| Fee and commission expense | -40,995 | -2,009 | -43,004 | -2,009 | Change in the presentation of provisions for fees and commissions |
| Net trading income | 55,726 | 11,454 | 67,180 | 11,454 | Change in the presentation of fees and commissions related to derivative instrument buy/sell transactions |
| Net profit/loss on available-for-sale financial assets | 10,626 | -11,287 | -661 | -11,299 | Changes in the presentation of provisions for impairment of securities |
| | | | | 12 | Change in the presentation of profits on the sale of investments in affiliates |
| Other revenues | 23,269 | -3,603 | 19,666 | -192 | Change in the presentation of other income |
| | | | | -12 | Change in the presentation of profits on the sale of investments in affiliates |
| | | | | -1,128 | Change in the presentation of recovered receivables |
| | | | | -2,271 | Change in the presentation of other income and expenses |
| Other operating expenses | - | -15,792 | -15,792 | -15,792 | Separation of an item from «Other general expenses» |
| Personnel expenses | -262,784 | -1,065 | -263,849 | -120 | Change in the presentation of an interest effect on the provision on employee benefits, retirement severance pay, disability benefits and post-death benefits |
| | | | | -945 | Change in the presentation of other employee expenses |
| Other expenses | -290,183 | 29,649 | -260,534 | 945 | Change in the presentation of other employee expenses |
| | | | | -94 | Change in the presentation of interest on lease |
| | | | | 4,433 | Separation of an item pertaining to expenses and income related to the sale, liquidation and purchase of fixed assets |
| | | | | 15,792 | Separation of an item from «Other general expenses» |
| | | | | 6,302 | Change in the presentation of other expenses |
| | | | | 2,271 | Change in the presentation of other income and expenses |
| Depreciation | -65,350 | 584 | -64,766 | 584 | Change in the presentation of provisions for investments |
| Cost of risk | -122,477 | 4,178 | -118,299 | -584 | Change in the presentation of provisions for investments |
| | | | | -1,363 | Change in the presentation of provisions for impairment of other fixed assets |
| | | | | 11,299 | Changes in the presentation of provisions for impairment of securities |
| | | | | 1,128 | Change in the presentation of recovered receivables |
| | | | | -6,302 | Change in the presentation of other expenses |
| Net profit/loss from disposal of assets, shares and interest | - | -3,070 | -3,070 | -4,433 | Separation of an item pertaining to expenses and income related to the sale, liquidation and purchase of fixed assets |
| | | | | 1,363 | Change in the presentation of provisions for impairment of other fixed assets |



**Separate balance sheet as at 31 December 2011
(in PLN thousand)**

| Item | before the adjustment | adjustment | after the adjustment | Change description | |
|--------------------------------------|-----------------------|------------|----------------------|--------------------|--|
| | | | | Amount | Description |
| Cash and cash equivalents | 1,053,566 | 2,750 | 1,056,316 | 2,750 | Change in the presentation of accrued interest |
| Assets held for trading | 175,238 | 523 | 175,761 | 523 | Change in the presentation of accrued interest |
| Due from banks | 358,822 | 389 | 359,211 | 389 | Change in the presentation of accrued interest |
| Loans to customers | 14,832,225 | 50,965 | 14,883,190 | 50,962 | Change in the presentation of accrued interest |
| | | | | 3 | Others |
| Investments available for sale | 3,621,450 | 33,978 | 3,655,428 | 33,978 | Change in the presentation of accrued interest |
| Other assets | 148,495 | -88,605 | 59,890 | -88,602 | Change in the presentation of accrued interest |
| | | | | -3 | Others |
| Due to banks | 1,042,630 | -14,306 | 1,028,324 | 2,156 | Change in the presentation of accrued interest |
| | | | | -16,462 | Change in the presentation of customers |
| Due to customers | 8,974,469 | 53,585 | 9,028,053 | 37,122 | Change in the presentation of accrued interest |
| | | | | 16,462 | Change in the presentation of customers |
| | | | | 1 | Others |
| Loans and credit facilities received | 8,194,140 | 20,496 | 8,214,636 | 20,496 | Change in the presentation of accrued interest |
| Subordinated liabilities | 590,016 | 2,612 | 592,628 | 2,612 | Change in the presentation of accrued interest |
| Other liabilities | 349,914 | -64,854 | 285,060 | -2,468 | Change in the presentation of reserves for employee benefits |
| | | | | -62,386 | Change in the presentation of accrued interest |
| Provisions | 41,851 | 2,468 | 44,319 | 2,468 | Change in the presentation of reserves for employee benefits |



**Separate cash flow statement for the period from 1 January 2011 through 31 December 2011
(in PLN thousand)**

| Item | before the adjustment | adjustment | after the adjustment | Change description | |
|--|------------------------------|-------------------|-----------------------------|--|--|
| Cash and cash equivalents (gross), opening balance | 1,173,597 | 75 | 1,173,672 | Change in the presentation of accrued interest | |
| Impairment provisions | -6,150 | 251 | -5,899 | Change in the presentation of a reserve for employee benefits | |
| Adjustments on account of operating activity | | | | | |
| Financial Assets and Liabilities Held for Trading | 47,387 | 187 | 47,574 | Change in the presentation of accrued interest | |
| Due from banks | -199,788 | 166 | -199,622 | Change in the presentation of accrued interest | |
| Loans to customers | -1,645,797 | -7,523 | -1,653,320 | Change in the presentation of accrued interest | |
| Investments available for sale, gross | -2,253 | -6,116 | -8,369 | 578 | Change in the presentation of a deferred tax on investments available for sale |
| | | | | -6,694 | Change in the presentation of accrued interest |
| Due to banks | 296,855 | -16,346 | 280,509 | Change in the presentation of accrued interest and change in the presentation of customers | |
| Due to customers | 762,694 | 16,657 | 779,351 | Change in the presentation of accrued interest | |
| Liabilities due on account of credits and loans received | 1,141 | 17,251 | 18,392 | Change in the presentation of accrued interest | |
| Liabilities due on account of a subordinated loan | -79,206 | 77,415 | -1,791 | 79,206 | Change in the presentation of repayment |
| | | | | -1,791 | Change in the presentation of accrued interest |
| Other assets and liabilities | -50,018 | 518 | -49,500 | -251 | Change in the presentation of a reserve for employee benefits |
| | | | | 769 | Change in the presentation of accrued interest |
| Tax paid | 84,288 | -578 | 83,710 | Change in the presentation of a deferred tax on investments available for sale | |
| Net cash provided by (used in) financing activities | | | | | |
| Payment of subordinated liabilities | -60,000 | -79,206 | -139,206 | Change in the presentation of repayment | |



6. Segment Reporting

Information on segments

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

In January 2012, the Bank changed the methodology of cost division into business segments. Pursuant to the new methodology, costs of a specific segment comprise the costs incurred directly by this segment and costs of support units allocated to this segment on the basis of percentage keys determined for a given year in the budgeting process, presented in the cost allocation item. Total segment costs in comparative data for 2011 were not changed however direct costs were translated according to the new methodology and are comparable with the costs of 2012.

Primary segmentation

The main business profile of the Bank includes financial services rendered within the following segments:

- Retail Banking
- Corporate and Transaction Banking
- Other Banking Activity

Accounting principles for specific segments are the same as the ones described in the accounting principles. In the income statement costs are at first presented as direct costs in all business lines and support units (horizontal functions).

Activity segments:

- Retail Banking

The Retail Banking business line specializes in servicing small enterprises and individual customers, by providing financial services for individual customers, professionals (liberal professions) and small companies. Moreover, the segment offers consulting on all forms of daily banking, savings, investment and lending, likewise providing retail banking services.

- Corporate and Transaction Banking

The Corporate and Transaction Banking business line specialises in the service of medium and big enterprises, by offering them financial solutions based on standard products and banking services as well as specialist financial products.

- Other Banking Activity

Units operating under the Other banking activity play an important role in the management of balance-sheet and off-balance sheet items of the Bank and are responsible for risk and capital management, transfer price setting, relations with other banks and liquidity management of the Bank. Costs of support units (horizontal functions), treasury and financial functions as well as other activity not related with the core banking activity are also included in the segment.

Geographical segment

The Bank runs its business in Poland as the only geographical area, therefore all revenues earned, costs incurred and assets pertain to one geographical area – Poland.



Income statement of BNP Paribas Bank Polska SA as per business segments

| 1 Jan 2012 - 31 Dec 2012 (in PLN thousand) | Retail Banking | Corporate and Transaction Banking | Other Banking Activity | Total |
|--|-----------------|---|---------------------------|-----------------|
| Interest income (external) | 553,632 | 230,870 | 141,197 | 925,699 |
| Transfer prices expense (internal) | -351,603 | -167,008 | -479,081 | -997,692 |
| Interest expense (external) | -192,353 | -127,287 | -104,156 | -423,796 |
| Transfer prices income (internal) | 243,453 | 179,367 | 574,872 | 997,692 |
| Net interest income | 253,129 | 115,942 | 132,832 | 501,903 |
| Fee and commission income | 118,585 | 58,434 | 545 | 177,564 |
| Fee and commission expense | -36,423 | -1,956 | -672 | -39,051 |
| Net fee and commission income | 82,162 | 56,478 | -127 | 138,513 |
| Net trading income | 26,984 | 68,482 | 12,463 | 107,929 |
| Change of the fair value of hedging instruments | - | - | -3,291 | -3,291 |
| Change of the fair value of instruments hedged | - | - | 3,291 | 3,291 |
| Net profit/loss on available-for-sale financial assets | - | 517 | 16,917 | 17,434 |
| Dividends | 5,396 | 16,757 | - | 22,153 |
| Other revenues | 13,793 | 9,467 | 7 | 23,267 |
| Other operating expenses | -13,496 | -9,790 | - | -23,286 |
| Net banking income | 367,968 | 257,853 | 162,092 | 787,913 |
| Operating costs | -289,304 | -41,975 | -196,283 | -527,562 |
| Personnel expenses | -143,447 | -28,719 | -113,263 | -285,429 |
| Other expenses | -145,857 | -13,256 | -83,020 | -242,133 |
| Depreciation | -31,220 | -2,617 | -23,910 | -57,747 |
| Cost allocation (internal) | -164,450 | -36,092 | 200,542 | - |
| Gross operating profit/loss | -117,006 | 177,169 | 142,441 | 202,604 |
| Cost of risk | -180,531 | 25,960 | 11 | -154,560 |
| Net operating profit/loss | -297,537 | 203,129 | 142,452 | 48,044 |
| Net profit/loss from disposal of assets, shares and interest | -2,514 | -219 | - | -2,733 |
| Profit/loss before taxation | -300,051 | 202,910 | 142,452 | 45,311 |
| Income tax expense | 106,105 | -71,754 | -50,374 | -16,023 |
| Profit/loss after taxation | -193,946 | 131,156 | 92,078 | 29,288 |

| 1 Jan 2011 - 31 Dec 2011 (in PLN thousand) | Retail Banking | Corporate and Transaction Banking | Other Banking Activity | Total |
|--|-----------------|---|---------------------------|-----------------|
| Interest income (external) | 523,062 | 227,556 | 198,302 | 948,920 |
| Transfer prices expense (internal) | -307,894 | -164,773 | -412,152 | -884,819 |
| Interest expense (external) | -147,635 | -93,948 | -155,597 | -397,180 |
| Transfer prices income (internal) | 208,937 | 147,617 | 528,265 | 884,819 |
| Net interest income | 276,470 | 116,452 | 158,818 | 551,740 |
| Fee and commission income | 125,698 | 52,498 | 1,927 | 180,123 |
| Fee and commission expense | -40,223 | -891 | -1,890 | -43,004 |
| Net fee and commission income | 85,475 | 51,607 | 37 | 137,119 |
| Net trading income | 27,212 | 70,437 | -30,469 | 67,180 |
| Change of the fair value of hedging instruments | - | - | 12,353 | 12,353 |
| Change of the fair value of instruments hedged | - | - | -12,353 | -12,353 |
| Net profit/loss on available-for-sale financial assets | - | -11,299 | 10,638 | -661 |
| Other revenues | 14,116 | 5,544 | 6 | 19,666 |
| Other operating expenses | -9,820 | -5,970 | -2 | -15,792 |
| Net banking income | 393,453 | 226,771 | 139,028 | 759,252 |
| Operating costs | -280,924 | -39,124 | -204,335 | -524,383 |
| Personnel expenses | -127,913 | -26,123 | -109,813 | -263,849 |
| Other expenses | -153,011 | -13,001 | -94,522 | -260,534 |
| Depreciation | -31,010 | -3,003 | -30,753 | -64,766 |
| Cost allocation (internal) | -198,677 | -30,027 | 228,704 | - |
| Gross operating profit/loss | -117,158 | 154,617 | 132,644 | 170,103 |
| Cost of risk | -120,331 | 2,406 | -374 | -118,299 |
| Net operating profit/loss | -237,489 | 157,023 | 132,270 | 51,804 |
| Net profit/loss from disposal of assets, shares and interest | -2,842 | -228 | - | -3,070 |



| | | | | |
|------------------------------------|-----------------|----------------|----------------|---------------|
| Profit/loss before taxation | -240,331 | 156,795 | 132,270 | 48,734 |
| Income tax expense | 136,607 | -89,124 | -75,184 | -27,701 |
| Profit/loss after taxation | -103,724 | 67,671 | 57,086 | 21,033 |

The table below presents the total of the Bank's assets and liabilities broken down by business lines, as at 31 December 2012 and 31 December 2011.

| Total assets (in PLN thousand) | As at: | Retail Banking | Corporate and Transaction Banking | Other Banking Activity | Total |
|---|--------------------|-----------------------|--|-----------------------------------|-------------------|
| Assets | 31 Dec 2012 | 11,010,274 | 4,582,152 | 3,653,279 | 19,245,705 |
| | 31 Dec 2011 | 11,316,017 | 4,835,948 | 4,571,203 | 20,723,168 |
| Liabilities | 31 Dec 2012 | 5,219,763 | 4,596,117 | 9,429,825 | 19,245,705 |
| | 31 Dec 2011 | 4,823,180 | 4,364,638 | 11,535,350 | 20,723,168 |

The table below presents non-monetary expenses other than depreciation for the reporting periods ended on 31 Dec 2012 and 31 Dec 2011. Non-monetary expenses include: unrealised loss on financial instruments and write-downs for impairment.

| (in PLN thousand) | For period: | Retail Banking | Corporate and Transaction Banking | Other Banking Activity | Total |
|---------------------------|-------------------------------------|-----------------------|--|-----------------------------------|-----------------|
| Non-monetary costs | 1 Jan 2012 - 31 Dec 2012 | -282,547 | -20,226 | 143,540 | -159,233 |
| | 1 Jan 2011 - 31 Dec 2011 | 25,616 | -91,960 | -214,502 | -280,846 |

The table below presents costs incurred to acquire tangible fixed assets and intangible fixed assets for the reporting period ended on 31 December 2012 and comparative data as at 31 December 2011.

| (in PLN thousand) | As at: | Retail Banking | Corporate and Transaction Banking | Other Banking Activity | Total |
|--------------------------------|--------------------|-----------------------|--|-----------------------------------|---------------|
| Asset acquisition costs | 31 Dec 2012 | - | - | 41,408 | 41,408 |
| | 31 Dec 2011 | - | - | 64,188 | 64,188 |



7. Additional Notes to the Separate Income Statement

Below there is detailed information on revenues and expenses of the Bank for 2012 and comparative data for 2011.

Note 7.1

| Interest income (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|--|---------------------------------|---------------------------------|
| Cash and cash equivalents | 16,187 | 14,376 |
| Due from banks | 14,692 | 7,630 |
| Loans to customers | 783,305 | 745,804 |
| Investments available for sale | 107,689 | 173,025 |
| Securities held for trading | 1,233 | 2,920 |
| Derivative hedging instruments | 2,593 | 5,165 |
| Total interest income | 925,699 | 948,920 |

Interest income includes interest accrued on non-performing loans, which in 2012 amounted to PLN 95,233 thousand, while in 2011 - to PLN 109,899 thousand.

Note 7.2

| Interest expense (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Due to banks | -27,073 | -44,247 |
| Due to customers | -309,912 | -225,912 |
| Loans and credit facilities received | -81,392 | -99,268 |
| Debt securities issue | - | -311 |
| Subordinated loans | -1,102 | -22,631 |
| Derivative hedging instruments | -747 | -2,126 |
| Others | -3,570 | -2,685 |
| Total interest expense | -423,796 | -397,180 |

Note 7.3

| Fee and commission income (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|--|---------------------------------|---------------------------------|
| Custody services and securities trading | 1,711 | 1,396 |
| Cash settlements services | 64,862 | 61,239 |
| Guarantees and contingent liabilities | 21,636 | 19,584 |
| Commissions related to granting credit facilities (amortised using the straight-line method) | 14,841 | 15,398 |
| Loan origination fees and commissions (one-off items) | 8,344 | 6,582 |
| Income on account of agency in customer acquisition | 2,060 | 2,660 |
| Card related income | 22,767 | 20,517 |
| Insurance product sales revenues | 23,286 | 28,623 |
| Income on asset management | 434 | 479 |
| Others | 17,623 | 23,645 |
| Total fee and commission income | 177,564 | 180,123 |



Note 7.4

| Fee and commission expense (in PLN thousand) | 1 Jan 2012 – 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Custody services and securities trading | -80 | -123 |
| Card related expenses | -11,184 | -10,842 |
| Expenses related to cash operations and transfers | -1,703 | -1,737 |
| Fee and commission expenses related to the franchise branch network | -8,706 | -10,209 |
| Fees and commissions related to the sale of insurance products | -2,484 | -2,436 |
| Others | -14,894 | -17,657 |
| Total fee and commission expenses | -39,051 | -43,004 |

The net fee and commission income includes fee and commission income and expense (other than the ones covered by the effective interest rate calculation), which refer to assets and liabilities not measured at fair value through profit or loss:

- commission and fee income of PLN 32,296 thousand earned in 2012, and PLN 26,996 thousand earned in 2011;
- fee and commission expense of PLN -920 thousand incurred in 2012, and PLN -834 thousand reported in 2011.

Note 7.5

| Net trading income (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|--|---------------------------------|---------------------------------|
| Securities | 989 | -171 |
| Derivative instruments, including: | 14,403 | -33,288 |
| fair value adjustment on account for credit risk of derivative instruments | 8,915 | 4,752 |
| Foreign exchange transactions | 92,537 | 100,639 |
| Total net trading income | 107,929 | 67,180 |

Note 7.6

| Net profit/loss on available-for-sale financial assets (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Securities | 16,044 | 10,626 |
| Shares and holdings | 1,390 | -11,287 |
| including impairment provisions | 3,870 | -11,299 |
| Total net profit (loss) on transactions in available-for-sale financial assets | 17,434 | -661 |

Note 7.7

| Other revenues (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|--|---------------------------------|---------------------------------|
| Income on account of covering mandatory annual fee for BGF | 5,826 | 5,403 |
| Rental and lease income | 9,159 | 6,372 |
| Income on account of providing financial services | - | 830 |
| Compensation, penalties and fines | 742 | 748 |
| Reimbursement of costs related to agents' activities | 141 | 263 |
| Other | 7,399 | 6,050 |
| Total other income | 23,267 | 19,666 |

Note 7.8

| Other operating expenses (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Compensation, penalties and fines | -4,748 | -393 |
| BGF costs | -14,817 | -13,316 |
| Other expenses | -3,721 | -2,083 |
| Total other operating costs | -23,286 | -15,792 |



Note 7.9

| Personnel expenses (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Remuneration | -216,929 | -211,737 |
| Surcharges on remuneration | -39,384 | -36,247 |
| Provisions on severance pay related to retirement, unused vacation leaves and other employee benefits | -28,974 | -15,721 |
| including a provision for employment restructuring | -13,000 | - |
| Other remuneration components | -142 | -144 |
| Total personnel expenses | -285,429 | -263,849 |

Note 7.10

| Other expenses (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Rents | -73,112 | -69,419 |
| Information technologies and systems | -39,199 | -37,545 |
| Marketing and advertising | -30,248 | -40,765 |
| Postal and telecommunication services | -16,230 | -20,524 |
| Municipal services | -17,007 | -17,237 |
| Expenditure related to RE use | -13,005 | -17,170 |
| Advisory services and consulting | -2,128 | -6,789 |
| Business travel | -10,166 | -10,232 |
| Training | -3,599 | -4,161 |
| Security services | -4,200 | -5,447 |
| Office materials | -2,940 | -4,110 |
| KNF costs | -2,126 | -2,976 |
| Capital expenditures | -2,870 | -1,461 |
| Costs of receivables recovery | -7,099 | -8,037 |
| Costs related to ATMs and cash service | -4,917 | -5,717 |
| Other | -13,287 | -8,944 |
| Total other costs | -242,133 | -260,534 |

Note 7.11

| Depreciation (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Fixed assets, including: | -43,262 | -54,053 |
| - own real estate | -137 | -136 |
| - leasehold improvements | -10,972 | -11,042 |
| - computer hardware | -23,870 | -33,319 |
| - other fixed assets | -8,283 | -9,556 |
| Intangible assets | -14,549 | -11,297 |
| Provision for intangible assets | -133 | - |
| Provision for investments | 197 | 584 |
| Total depreciation | -57,747 | -64,766 |



Note 7.12

| Cost of risk (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Net cash and cash equivalents, including: | 11 | -374 |
| - provisions for Incurred But Not Reported losses (IBNR) | 11 | -374 |
| Due from banks, net, including: | 10 | 21 |
| - provisions for Incurred But Not Reported losses (IBNR) | 10 | 21 |
| Loans to customers, net, including: | -164,609 | -79,730 |
| - provisions for credit receivables | -194,806 | -91,939 |
| - provisions for Incurred But Not Reported losses (IBNR) | -7,712 | -2,370 |
| - income on account of receivables written-down to provisions | 2,380 | 666 |
| - income on account of receivables recovered | 35,529 | 13,913 |
| Off-balance sheet liabilities, net, including: | 17,461 | -20,167 |
| - provisions for off-balance sheet commitments | 19,905 | -22,212 |
| - provisions for Incurred But Not Reported losses (IBNR) | -2,444 | 2,045 |
| Investments available for sale | - | -3,888 |
| Other assets, net | -7,433 | -14,161 |
| Total cost of risk | -154,560 | 118,299 |

The major components of the income tax expense:

Note 7.13.1

| Income tax (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Current tax | -65 | -18,935 |
| Current tax for the previous year | -2,308 | 1,410 |
| Deferred tax for the previous year | 2,287 | -1,157 |
| Deferred tax | -15,937 | -9,019 |
| Total income tax | -16,023 | -27,701 |

The current tax and deferred tax for the previous year refer to the current tax change reported in the annual CIT-8 income tax return for 2011 as compared to the tax amount reported in the Bank's financial statements for 2011, and the deferred tax value, corresponding to that change, on account of temporary differences.

The change was recognised in the net profit/loss of the current year due the item intangibility. Actual income tax expenses as at 31 December 2012 and for comparative data as at 31 December 2011 differ from the amount computed using the binding tax rate due to the following factors (note 7.13.2):



Note 7.13.2

| Tax burden (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Profit before income tax | 45,311 | 48,734 |
| Binding tax rate in % | 19 % | 19 % |
| Tax computed at the rate | -8,609 | -9,259 |
| Tax increases / decreases on account of: | -7,414 | -18,442 |
| - tax effects of book revenues recognised as current tax assets, pursuant to the Corporate Income Tax Act: | 4,816 | -1,071 |
| - taxable revenues on account of the sale of receivables | - | -1,590 |
| - non-taxable dividends from subsidiaries | 4,209 | - |
| - non-tax deductible income on securitisation | 540 | 457 |
| - other | 67 | 62 |
| - tax effects of accounting expenses which are not tax-deductible expenses, pursuant to the Corporate Income Tax Act: | -2,699 | -6,596 |
| - tax effect of recognition of previous year costs | -21 | 254 |
| - permanent differences that increase the real tax rate of the bank due to a recognition of a deferred tax asset in the amount equal to the expected tax to be paid | -10,070 | -11,698 |
| - items that decrease the taxable income under the Income Tax Act (tax credits for new technologies, donations deducted from the taxable income) | 560 | 669 |
| Total tax burden | -16,023 | -27,701 |



8. Cash and cash equivalents

Note 8.1

| Cash and cash equivalents (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Cash at hand | 220,445 | 167,052 |
| Due from the Central Bank | 497,969 | 11,552 |
| Short-term due from banks, including: | 1,186,071 | 876,073 |
| - Nostro accounts | 978,538 | 37,817 |
| - short-term deposits from banks | 207,533 | 838,256 |
| Interest | 78 | 2,750 |
| Cash and cash equivalents, gross | 1,904,563 | 1,057,427 |
| Impairment provisions | -1,100 | -1,111 |
| - for Incurred But Not Reported losses (IBNR) | -1,100 | -1,111 |
| Total cash and cash equivalents, net | 1,903,463 | 1,056,316 |

Note 8.2

| Changes to impairment provisions (in PLN thousand) | 31 Dec 2012 | | 31 Dec 2011 | |
|---|---------------------------------|---------------|---------------------------------|---------------|
| | Impairment provision | IBNR | Impairment provision | IBNR |
| Opening balance | - | -1,111 | - | -737 |
| Increases | - | -2,063 | - | -1,781 |
| Decreases | - | 2,074 | - | 1,407 |
| Ending balance | - | -1,100 | - | -1,111 |

The item "Due from the Central Bank" includes the balance on the nostro account and overnight deposits at the National Bank of Poland (NBP). At the nostro account with the NBP, funds that constitute the mandatory reserve are kept, computed on the basis of the arithmetic mean of daily balances on current and term accounts for a given month.

The average balance of the mandatory reserve declared at the end of 2012 stood at PLN 342,066 thousand, while at the end of 2011, it made up PLN 309,468 thousand.



9. Financial Assets and Liabilities Held for Trading

Note 9.1

| Financial assets held for trading (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Held-for-trading securities, including: | 51,399 | 25,058 |
| - treasury bonds | 50,270 | 24,535 |
| - treasury bills | - | - |
| Interest | 1,129 | 523 |
| Derivative financial instruments, including: | 94,439 | 150,703 |
| - foreign currency contracts, including: | 25,057 | 89,424 |
| - fair value adjustment for credit risk | -635 | -2,945 |
| - interest rate contracts | 69,867 | 61,279 |
| Total financial assets held for trading | 145,838 | 175,761 |

As at 31 December 2012 and 31 December 2011, in the Bank's balance sheet there were no buy-sell-back repo securities held for trading.

Note 9.2

| Financial liabilities held for trading (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Derivative financial instruments, including: | 86,718 | 126,034 |
| - foreign currency contracts | 23,851 | 68,796 |
| - interest rate contracts | 62,867 | 57,238 |
| Total financial liabilities held for trading | 86,718 | 126,034 |

The table below presents fair values of derivative financial instruments.

Note 9.3

| Derivative financial instruments held for trading (in PLN thousand) | 31 Dec 2012 | | 31 Dec 2011 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Foreign currency contracts: | 25,057 | 23,851 | 89,424 | 68,796 |
| - Forward (including the forward leg of a swap contract) | 20,374 | 17,834 | 54,509 | 31,396 |
| - Options | 4,638 | 5,273 | 23,237 | 26,181 |
| - CIRS | 45 | 744 | 11,678 | 11,219 |
| Interest Rate contracts: | 69,382 | 62,387 | 61,279 | 57,238 |
| - FRA | 215 | 442 | - | 2 |
| - IRS | 66,087 | 59,362 | 56,883 | 52,794 |
| OIS | 19 | - | - | 46 |
| - Options | 3,061 | 3,063 | 4,396 | 4,396 |
| Total derivative financial instruments held for trading | 94,439 | 86,718 | 150,703 | 126,034 |



The table below shows nominal values of held-for-trading derivative instruments recognised on off-balance sheet accounts.

Note 9.4

| Held-for-trading derivative instruments by nominal value (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| FX Transactions | 3,943,919 | 8,477,265 |
| - Forward (including the forward leg of a swap contract) – amounts purchased | 1,374,115 | 1,973,637 |
| - Forward (including the forward leg of a swap contract) – amounts sold | 1,372,258 | 1,954,948 |
| - Options - amounts purchased | 475,425 | 927,418 |
| - Options - amounts sold | 475,425 | 927,418 |
| - CIRS – amounts purchased | 122,646 | 1,347,124 |
| - CIRS – amounts sold | 124,050 | 1,346,720 |
| Interest rate transactions | 6,453,470 | 9,320,351 |
| - FRA | 1,077,360 | 544,995 |
| - IRS - amounts purchased | 1,290,055 | 3,699,973 |
| - IRS - amounts sold | 1,290,055 | 3,699,973 |
| - OIS - amounts purchased | 1,000,000 | 200,000 |
| - OIS – amounts sold | 1,000,000 | 200,000 |
| - Options - amounts purchased | 398,000 | 487,705 |
| - Options - amounts sold | 398,000 | 487,705 |
| Total financial instruments | 10,397,389 | 17,797,616 |

The table below shows a hierarchy of measurement methods of held-for-trading financial instruments measured to fair value, as at 31 December 2012 and comparative data as at 31 December 2011.

Note 9.5

| Hierarchy of measurement methods as at 31 Dec 2012 (in PLN thousand) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|--------------|
| Securities | 50,270 | - | - | 50,270 |
| - treasury bonds | 50,270 | - | - | 50,270 |
| - treasury bills | - | - | - | - |
| Derivative Financial Instruments | | | | |
| - positive valuation | - | 68,102 | 26,337 | 94,439 |
| foreign currency contracts | - | 24,815 | 242 | 25,057 |
| interest rate contracts | - | 43,287 | 26,095 | 69,382 |
| - negative valuation | - | 60,206 | 26,512 | 86,718 |
| foreign currency contracts | - | 23,434 | 417 | 23,851 |
| interest rate contracts | - | 36,772 | 26,095 | 62,867 |

| Hierarchy of measurement methods as at 31 Dec 2011 (in PLN thousand) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|--------------|
| Securities | 24,535 | - | - | 24,535 |
| - treasury bonds | 24,535 | - | - | 24,535 |
| - treasury bills | - | - | - | - |
| Derivative Financial Instruments | | | | |
| - positive valuation | - | 124,419 | 26,284 | 150,703 |
| foreign currency contracts | - | 79,510 | 9,914 | 89,424 |
| interest rate contracts | - | 44,909 | 16,370 | 61,279 |
| - negative valuation | - | 103,947 | 22,087 | 126,034 |
| foreign currency contracts | - | 63,030 | 5,766 | 68,796 |
| interest rate contracts | - | 40,917 | 16,321 | 57,238 |



As at the end of 2012, specific instruments were included into the following measurement levels:

- level 1: Treasury bonds, shares;
- level 2: interest rate options, FX options, interest rate and FX base swaps, FRA contracts, FX forward transactions maturing within 1 year, FX swaps, OIS, interest rate swaps maturing within 10 years;
- level 3: FX Forward transactions maturing within a period longer than 1 year, interest rate swaps maturing within a period longer than 10 years, cash bills, corporate bonds.

The table below presents changes in fair value of held-for-trading securities in 2012, and comparative data for 2011.

Note 9.6

| Change in fair value of securities held for trading (in PLN thousand) | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| Balance as at 1 Jan 2011 | 91,699 | - | - | 91,699 |
| - profits/losses recognised in the net profit/loss | - | - | - | - |
| - profits/losses recognised in other total income | -117 | - | - | -117 |
| - purchase | 24,535 | - | - | 24,535 |
| - sale | -91,582 | - | - | -91,582 |
| - issue | - | - | - | - |
| - settlement (matured, expired) | - | - | - | - |
| - transfer between levels 1 and 2 | - | - | - | - |
| - transfer to/from level 3 | - | - | - | - |
| Balance as at 31 Dec 2011 | 24,535 | - | - | 24,535 |

| | | | | |
|--|---------------|---|---|---------------|
| Balance as at 1 Jan 2012 | 24,535 | - | - | 24,535 |
| - profits/losses recognised in the net profit/loss | - | - | - | - |
| - profits/losses recognised in other total income | 71 | - | - | 71 |
| - purchase | 50,270 | - | - | 50,270 |
| - sale | -24,606 | - | - | -24,606 |
| - issue | - | - | - | - |
| - settlement (matured, expired) | - | - | - | - |
| - transfer between levels 1 and 2 | - | - | - | - |
| - transfer to/from level 3 | - | - | - | - |
| Balance as at 31 Dec 2012 | 50,270 | - | - | 50,270 |



The tables below present changes in fair value of held-for-trading derivative instruments in 2012, and comparative data for 2011.

Note 9.7

| Change in fair value of financial assets held for trading – positive valuation (in PLN thousand) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|----------------|
| Balance as at 1 Jan 2011 | - | 101,253 | 1,338 | 102,591 |
| - profits/losses recognised in the net profit/loss | - | 88,682 | -1,087 | 87,595 |
| - profits/losses recognised in other total income | - | - | - | - |
| - purchase | - | 25,743 | - | 25,743 |
| - sale | - | - | - | - |
| - issue | - | - | - | - |
| - settlement (matured, expired) | - | -65,226 | - | - 65,226 |
| - transfer between levels 1 and 2 | - | - | - | - |
| - transfer to/from level 3 | - | -21,887 | 21,887 | - |
| Balance as at 31 Dec 2011 | - | 128,565 | 22,138 | 150,703 |

| | | | | |
|--|---|----------------|---------------|----------------|
| Balance as at 1 Jan 2012 | - | 128,565 | 22,138 | 150,703 |
| - profits/losses recognised in the net profit/loss | - | 16,398 | 9,488 | 25,846 |
| - profits/losses recognised in other total income | - | - | - | - |
| - purchase | - | 10,591 | - | 10,591 |
| - sale | - | - | - | - |
| - issue | - | - | - | - |
| - settlement (matured, expired) | - | -92,701 | - | -92,701 |
| - transfer between levels 1 and 2 | - | - | - | - |
| - transfer to/from level 3 | - | 5,249 | -5,249 | - |
| Balance as at 31 Dec 2012 | - | 68,102 | 26,337 | 94,439 |

Note 9.8

| Change in fair value of financial assets held for trading – negative valuation (in PLN thousand) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|----------------|
| Balance as at 1 Jan 2011 | - | 92,215 | 5,484 | 97,699 |
| - profits/losses recognised in the net profit/loss | - | 8,137 | -830 | 7,307 |
| - profits/losses recognised in other total income | - | - | - | - |
| - purchase | - | 11,944 | - | 11,944 |
| - sale | - | 25,084 | - | 25,084 |
| - issue | - | - | - | - |
| - settlement (matured, expired) | - | -15,742 | - 258 | - 16,000 |
| - transfer between levels 1 and 2 | - | - | - | - |
| - transfer to/from level 3 | - | -17,691 | 17,691 | - |
| Balance as at 31 Dec 2011 | - | 103,947 | 22,087 | 126,034 |

| | | | | |
|--|---|----------------|---------------|----------------|
| Balance as at 1 Jan 2012 | - | 103,947 | 22,087 | 126,034 |
| - profits/losses recognised in the net profit/loss | - | -12,924 | 9,722 | -3,202 |
| - profits/losses recognised in other total income | - | - | - | - |
| - purchase | - | 664 | - | 664 |
| - sale | - | 6,442 | - | 6,442 |
| - issue | - | - | - | - |
| - settlement (matured, expired) | - | -43,220 | - | -43,220 |
| - transfer between levels 1 and 2 | - | 5,297 | -5,297 | - |
| - transfer to/from level 3 | - | - | - | - |
| Balance as at 31 Dec 2012 | - | 60,206 | 26,512 | 86,718 |



10. Receivables

Note 10.1

| Due from banks (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Loans | 60,049 | 60,063 |
| Deposits | 102,205 | 101,586 |
| Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date | 38,689 | 193,028 |
| Other receivables | 6,601 | 4,229 |
| Interest | 575 | 389 |
| Total due from banks, gross | 208,119 | 359,295 |
| Impairment provisions: | -74 | -84 |
| - for Incurred But Not Reported losses (IBNR) | -74 | -84 |
| Total due from banks, net | 208,045 | 359,211 |

Note 10.2

| Loans to customers (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Loans to budgetary entities | 44 | 45 |
| Mortgage loans | 5,804,242 | 5,987,368 |
| Consumer loans and credit facilities | 2,330,502 | 2,278,820 |
| Commercial loans | 7,486,148 | 7,758,318 |
| Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date | 930 | 393 |
| Other receivables | 4,522 | 7,521 |
| Interest | 53,685 | 50,962 |
| Total loans to customers, gross | 15,680,073 | 16,083,427 |
| Impairment provisions: | -1,068,236 | -1,200,237 |
| - for incurred, reported losses | -976,473 | -1,116,185 |
| - for Incurred But Not Reported losses (IBNR) | -91,763 | -84,052 |
| Total loans to customers, net | 14,611,837 | 14,883,190 |

Note 10.3

| Changes to impairment provisions (in PLN thousand) | Due from banks | Loans to customers | |
|---|---|---------------------------------|---|
| | Provisions for Incurred But Not Reported losses (IBNR) | Impairment provision | Provisions for Incurred But Not Reported losses (IBNR) |
| Balance as at 1 Jan 2011 | -105 | -1,153,854 | -81,683 |
| Increases | -56 | -396,256 | -28,021 |
| Decreases | 77 | 255,105 | 25,652 |
| Write-downs to provisions | - | 151,210 | - |
| FX rate differences | - | 27,610 | - |
| Balance as at 31 Dec 2011 | -84 | -1,116,185 | -84,052 |
| Balance as at 1 Jan 2012 | -84 | -1,116,185 | -84,052 |
| Increases | -21 | -468,481 | -26,951 |
| Decreases | 31 | 273,675 | 19,240 |
| Write-downs to provisions | - | 298,420 | - |
| FX rate differences | - | 36,098 | - |
| Balance as at 31 Dec 2012 | -74 | -976,473 | -91,763 |



11. Investments

Note 11.1

| Investments available for sale (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Treasury bonds | 1,766,570 | 1,893,309 |
| Bonds issued by banks | - | 141,968 |
| Bonds issued by non-finance entities | 10,223 | 10,000 |
| NBP bills | - | 1,569,391 |
| Shares and stock | 17,467 | 21,969 |
| Interest | 34,840 | 33,978 |
| Total investments available for sale, gross | 1,829,100 | 3,670,615 |
| Provisions for investments available for sale | -11,317 | -15,187 |
| - provisions for bonds issued by non-finance entities | -3,888 | -3,888 |
| - provisions for shares | -7,429 | -11,299 |
| Total investments available for sale, net | 1,817,783 | 3,655,428 |

Note 11.2

| Other investments (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Investments in subsidiaries | 120,648 | 112,996 |
| Total other investments | 120,648 | 112,996 |

The Bank holds 100% of the share capital and 100% of total votes at the General Meeting of the Bank's subsidiary, Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (TFI BNP). TFI BNP, the subsidiary, runs a brokerage activity in Poland and has been controlled by the Bank since 23 December 1999. The subsidiary is measured at the acquisition cost including provisions for impairment. The value of shares at the acquisition price is PLN 18,196 thousand.

The Bank holds 11,500 shares of Fortis Lease Polska sp. z o.o. (FLP), which constitute 100% of the FLP share capital and entitle the Bank to exercise the same number of votes at the FLP meeting of shareholders. On the basis of an external valuation made, the acquisition price was PLN 94,800 thousand. The subsidiary has been controlled by the Bank since 1 July 2011.

The Bank holds 20,820 shares in Fortis Commercial Finance sp. z o.o. - currently BNP Paribas Factor Sp. z o.o., of the total nominal value of PLN 10,410 thousand. The shares held constitute 100% of the share capital of BNP Paribas Factor Sp. z o.o. and entitle the Bank to exercise the same number of votes at the company's meeting of shareholders. On the basis of an external valuation made, the acquisition price was PLN 7,652 thousand. The subsidiary has been controlled by the Bank since 2 April 2012.



Note 11.3

| Change in the balance of available for sale investments (in PLN thousand) | Debt securities | Shares and holdings | Total |
|--|------------------------|----------------------------|------------------|
| Balance as at 1 Jan 2011 | 3,223,877 | 23,948 | 3,247,825 |
| Increases | 65,181,100 | - | 65,181,100 |
| Decreases (sale and maturity) | -64,807,635 | - | -64,807,635 |
| Decreases related to write-downs made | -3,888 | -11,299 | -15,187 |
| Measurement to fair value | 5,117 | -2,069 | 3,048 |
| Others | 12,209 | 90 | 12,299 |
| Balance as at 31 Dec 2011 | 3,610,780 | 10,670 | 3,621,450 |
| Balance as at 1 Jan 2012 | 3,610,780 | 10,670 | 3,621,450 |
| Increases | 23,256,715 | - | 23,256,715 |
| Decreases (sale and maturity) | -25,141,199 | -6,835 | -25,148,034 |
| Increases related to the release of provisions | - | 3,870 | 3,870 |
| Measurement to fair value | 42,163 | 2,338 | 44,501 |
| Others | 4,446 | -5 | 4,441 |
| Balance as at 31 Dec 2012 | 1,772,905 | 10,038 | 1,782,943 |

The table below presents profits and losses on available-for-sale investments, which in the given period were recognised directly in the equity capital, and then were derecognised from the equity capital and recognised in the net profit/loss of the given period, from 1 January to 31 December 2012 and for the period from 1 January to 31 December 2011.

Note 11.4

| Investments available for sale (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Profits recognised directly in the equity capital, and then moved from the equity capital and recognised in the net profit/loss | 18,458 | 11,313 |
| Losses recognised directly in the equity capital, and then moved from the equity capital and recognised in the net profit/loss | -3,294 | -687 |
| Total | 15,164 | 10,626 |

The table below shows a hierarchy of measurement methods of available-for-sale investments measured to fair value, as at 31 December 2012 and comparative data as at 31 December 2011.

Note 11.5

| Hierarchy of measurement methods as at 31 Dec 2012 (in PLN thousand) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|------------------|
| Treasury bonds | 1,766,570 | - | - | 1,766,570 |
| Bonds issued by non-finance entities | - | - | 6,335 | 6,335 |
| Shares | 10,038 | - | - | 10,038 |

| Hierarchy of measurement methods as at 31 Dec 2011 (in PLN thousand) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|------------------|
| Treasury bonds | 1,893,309 | - | - | 1,893,309 |
| Bonds issued by banks | 141,968 | - | - | 141,968 |
| Bonds issued by non-finance entities | - | - | 6,112 | 6,112 |
| NBP bills | - | - | 1,569,391 | 1,569,391 |
| Shares | 10,310 | - | - | 10,310 |



At level 1, the Bank classifies available-for-sale debt securities whose fair value is determined using market prices.

At level 3, the Bank classifies available-for-sale debt securities whose fair value is determined using measurement techniques in which any material input data are not based on available verifiable market data.

The table below presents changes in fair value of available-for-sale investments in 2012, and comparative data for 2011.

Note 11.6

| Change in the fair value of available-for-sale investments (in PLN thousand) | Level 1 | Level 2 | Level 3 | Total |
|---|------------------|----------------|------------------|------------------|
| Balance as at 1 Jan 2011 | 2,207,727 | - | 1,039,698 | 3,247,425 |
| - profits/losses recognised in the net profit/loss | -1,625 | - | - | -1,625 |
| - profits/losses recognised in other total income | -2,072 | - | -410 | -2,482 |
| - purchase | 929,675 | - | 1,569,391 | 2,499,066 |
| - sale | -538,543 | - | -49,295 | -587,838 |
| - issue | - | - | - | - |
| - settlement (matured) | -549,575 | - | -983,929 | -1,533,504 |
| - transfer between levels 1 and 2 | - | - | - | - |
| - transfer to/from level 3 | - | - | - | - |
| Balance as at 31 Dec 2011 | 2,045,587 | - | 1,575,455 | 3,621,042 |

| | | | | |
|--|------------------|---|------------------|------------------|
| Balance as at 1 Jan 2012 | 2,045,587 | - | 1,575,455 | 3,621,042 |
| - profits/losses recognised in the net profit/loss | 16,579 | - | - | 16,579 |
| - profits/losses recognised in other total income | 25,789 | - | 223 | 26,012 |
| - purchase | 1,007,752 | - | - | 1,007,752 |
| - sale | -1,114,049 | - | - | -1,114,049 |
| - issue | - | - | - | - |
| - settlement (matured) | -205,050 | - | -1,569,343 | -1,774,393 |
| - transfer between levels 1 and 2 | - | - | - | - |
| - transfer to/from level 3 | - | - | - | - |
| Balance as at 31 Dec 2012 | 1,776,608 | - | 6,335 | 1,782,943 |



12. Property, plant and equipment

Note 12.1

| Property, Plant and Equipment by groups (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|----------------|----------------|
| Own real estate | 3,332 | 3,460 |
| Leasehold improvements | 58,711 | 59,646 |
| Machines and equipment and means of transport | 21,058 | 28,384 |
| Computer hardware | 39,419 | 55,959 |
| Total Property, Plant and Equipment | 122,520 | 147,449 |

The table below presents changes in tangible fixed assets in 2012, and comparative data for 2011.

Note 12.2

| Changes in the property, plant and equipment (in PLN thousand) | Land and land perpetual usufruct right | Own real estate | Leasehold improvements | Machines and equipment and means of transport | Computer hardware | Total |
|---|--|-----------------|------------------------|---|-------------------|-----------------|
| Gross value as at 1 Jan 2011 | - | 4,879 | 141,356 | 84,157 | 233,721 | 464,113 |
| - balance increase (incl. purchase) | - | - | 15,397 | 8,248 | 22,074 | 45,719 |
| - balance increase related to inventory stock | - | - | - | 33 | 4,453 | 4,486 |
| - balance decrease (sale, liquidation) | - | - | -11,704 | -9,156 | -37,388 | -58,248 |
| - recognition of investments in costs | - | - | -621 | -210 | -13 | -844 |
| - donation | - | - | - | -33 | -332 | -365 |
| - other | - | 19 | - | - | -2 | 17 |
| Gross value as at 31 Dec 2011 | - | 4,898 | 144,428 | 83,039 | 222,513 | 454,878 |
| Amortisation as at 1 Jan 2011 | - | -1,302 | -81,738 | -51,088 | -170,604 | -304,732 |
| - depreciation | - | -136 | -11,042 | -9,552 | -33,323 | -54,053 |
| - balance decrease (sale, liquidation) | - | - | 9,169 | 5,952 | 37,058 | 52,179 |
| - donation | - | - | - | 33 | 330 | 363 |
| - other | - | - | 12 | - | - | 12 |
| Amortisation as at 31 Dec 2011 | - | -1,438 | -83,599 | -54,655 | -166,539 | -306,231 |
| Provisions as at 1 Jan 2011 | - | - | -1,546 | - | -21 | -1,567 |
| - created | - | - | -2,420 | - | - | -2,420 |
| - released | - | - | 2,783 | - | 6 | 2,789 |
| - amortisation against provisions | - | - | - | - | - | - |
| Provisions as at 31 Dec 2011 | - | - | -1,183 | - | -15 | -1,198 |
| Fixed assets net as at 31 Dec 2011 | - | 3,460 | 59,646 | 28,384 | 55,959 | 147,449 |



| Changes in the property, plant and equipment (in PLN thousand) | Land and land perpetual usufruct right | Own real estate | Leasehold improvements | Machines and equipment and means of transport | Computer hardware | Total |
|--|---|------------------------|-------------------------------|--|--------------------------|-----------------|
| Gross value as at 1 Jan 2012 | - | 4,898 | 144,428 | 83,039 | 222,513 | 454,878 |
| - balance increase (incl. purchase) | - | - | 12,619 | 2,764 | 11,923 | 27,306 |
| - balance increase - non-financial non-current assets not delivered for use as at the balance sheet date | - | - | - | - | 723 | 723 |
| - balance decrease - non-financial non-current assets not delivered for use as at the balance sheet date | - | - | - | -23 | -4,791 | -4,814 |
| - balance decrease (sale, liquidation) | - | - | -8,995 | -5,245 | -8,903 | -23,143 |
| - recognition of investments in costs | - | - | -79 | -110 | -350 | -539 |
| - donation | - | - | - | -186 | -176 | -362 |
| - other | - | 9 | - | - | - | 9 |
| Gross value as at 31 Dec 2012 | - | 4,907 | 147,973 | 80,239 | 220,939 | 454,058 |
| Amortisation as at 1 Jan 2012 | - | -1,438 | -83,599 | -54,655 | -166,539 | -306,231 |
| - depreciation | - | -137 | -10,972 | -8,280 | -23,874 | -43,263 |
| - balance decrease (sale, liquidation) | - | - | 6,811 | 3,616 | 8,857 | 19,284 |
| - donation | - | - | - | 138 | 176 | 314 |
| Amortisation as at 31 Dec 2012 | - | -1,575 | -87,760 | -59,181 | -181,380 | -329,896 |
| Provisions as at 31 Dec 2010 | - | - | -1,183 | - | -15 | -1,198 |
| - created | - | - | -683 | - | -130 | -813 |
| - released | - | - | 167 | - | 5 | 172 |
| - amortisation against provisions | - | - | 197 | - | - | 197 |
| Provisions as at 31 Dec 2012 | - | - | -1,502 | - | -140 | -1,642 |
| Fixed assets net as at 31 Dec 2012 | - | 3,332 | 58,711 | 21,058 | 39,419 | 122,520 |

Property, plant and equipment held by the Bank are neither restricted nor pledged as security for liabilities.



13. Intangible assets

The table below presents a statement of changes in intangible assets:

Note 13

| Changes of intangible assets (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Opening balance, gross | 81,992 | 83,576 |
| - balance increase (incl. purchase) | 11,406 | 16,721 |
| - liquidation | - | -19,949 |
| - recognition of investments in costs | -538 | -86 |
| - increase in development works balance | 2,783 | 1,730 |
| - other | | |
| Ending balance, gross | 95,643 | 81,992 |
| Amortisation opening balance | -51,236 | -59,917 |
| - amortisation costs of development works | -535 | -38 |
| - other amortisation costs | -14,014 | -11,259 |
| - balance decrease (sale and liquidation) | - | 19,978 |
| Amortisation ending balance | -65,785 | -51,236 |
| Provisions opening balance | - | - |
| - created | -140 | - |
| - released | 7 | - |
| Provisions ending balance | -133 | - |
| Total net intangible assets ending balance | 29,725 | 30,756 |

Intangible assets held by the Bank are neither restricted nor pledged as security for liabilities.



14. Non-current Assets Held for Sale

The table below presents a specification of non-current assets held for sale as per their type.

Note 14

| Non-current assets held for sale (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Land (including perpetual usufruct of land) | 250 | 250 |
| Buildings and premises | 4,535 | 4,535 |
| Total non-current assets held for sale | 4,785 | 4,785 |

In accordance with IFRS5 "Non-current Assets Held for Sale and Discontinued Operations," in the "Non-current assets held for sale" position of its balance sheet, BNP Paribas Bank Polska SA recognised real estate which fulfils relevant IFRS5 requirements concerning the classification of assets as non-current assets held for sale as at 31 December 2012.

As the existing functions and operations performed by the Head Office in Lubin were transferred to Krakow and Warsaw, the Bank decided to earmark the real estate situated in Lubin at ul. Księcia Ludwika I no. 3 for sale.

The Bank entered into a preliminary conditional sale agreement of real estate, with its finalisation planned for the first quarter of 2013.



15. Deferred Tax Assets and Liabilities

The table below presents deferred tax assets and liabilities as at 31 December 2012 and comparative data as at 31 December 2011.

Note 15.1

| Net deferred tax (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Deferred tax assets | 250,843 | 269,643 |
| Deferred tax liabilities | 53,321 | 50,016 |
| Net deferred tax | 197,522 | 219,627 |

Deferred tax is computed on all temporary differences using the balance sheet liability method at nominal tax rates which will be binding at the date of reversal of such differences.

Note 15.2

| Deferred tax assets (in PLN thousand) | Opening balance 1 Jan 2012 | Increases / decreases recognised in income statement | Increases/ decreases recognised in capital | Closing balance 31 Dec 2012 |
|---|---|---|---|--|
| Interest accrued to be paid | 9,792 | 655 | - | 10,447 |
| Negative fair value - hedged items and hedging instruments | 2,495 | -823 | - | 1,672 |
| Provisions for credit exposure impairment | 176,918 | -2,979 | - | 173,939 |
| Fair value adjustment on account of credit risk of matured derivative instruments | 29,577 | -2,704 | - | 26,873 |
| Employee benefits that are not tax-deductible expenses | 3,608 | -76 | - | 3,532 |
| Expenses calculated for payment, which are not tax-deductible expenses | 3,068 | 526 | - | 3,594 |
| Impairment provisions | 2,483 | -723 | - | 1,760 |
| Provisions that are not tax-deductible expenses | 1,321 | 1,668 | - | 2,989 |
| Measurement of financial instruments held for trading | 14,937 | -8,037 | - | 6,900 |
| Measurement of available-for-sale investments | 1,295 | - | -1,295 | - |
| Commissions and fees settled in time | 3,293 | 31 | - | 3,324 |
| Difference between the market price and share acquisition price | 4,588 | -1,433 | - | 3,155 |
| Provisions for impairment - fixed assets, intangible assets | 233 | 114 | - | 347 |
| Tax value of the company | 12,887 | -3,032 | - | 9,855 |
| Civil law transaction tax on account of acquisition of shares in a subsidiary | 180 | 14 | - | 194 |
| Provision for impairment - bonds, shares | 2,886 | -735 | - | 2,151 |
| Others | 82 | 29 | - | 111 |
| Total deferred tax assets | 269,643 | -17,505 | -1,295 | 250,843 |
| | | | | |
| Deferred tax liabilities (in PLN thousand) | Opening balance 1 Jan 2012 | Increases / decreases recognised in income statement | Increases/ decreases recognised in capital | Closing balance 31 Dec 2012 |
| Interest accrued to be received | 28,490 | 291 | - | 28,781 |
| Difference between balance sheet depreciation and tax depreciation | 5,233 | 592 | - | 5,825 |
| Measurement of financial instruments held for trading | 6,178 | -3,053 | - | 3,125 |
| Measurement of available-for-sale investments | 208 | - | 7,160 | 7,368 |
| Commissions and fees settled in time | 5,769 | -988 | - | 4,781 |
| Income to be received | 390 | - | - | 390 |
| Development work costs | 321 | 405 | - | 726 |
| Negative fair value - hedged items and hedging instruments | 3,374 | -1,250 | - | 2,124 |
| Others | 53 | 148 | - | 201 |
| Total deferred tax liabilities | 50,016 | -3,855 | 7,160 | 53,321 |
| | | | | |
| Net deferred tax | 219,627 | -13,650 | -8,455 | 197,522 |



| Deferred tax assets (in PLN thousand) | Opening balance 1 Jan 2011 | Increases / decreases recognised in income statement | Increases/ decreases recognised in capital | Closing balance 31 Dec 2011 |
|---|---|---|---|--|
| Interest accrued to be paid | 8,890 | 902 | - | 9,792 |
| Negative fair value - hedged items and hedging instruments | - | 2,495 | - | 2,495 |
| Provisions for credit exposure impairment | 178,182 | -1,264 | - | 176,918 |
| Fair value adjustment on account of credit risk of matured derivative instruments | 30,607 | -1,030 | - | 29,577 |
| Employee benefits that are not tax-deductible expenses | 4,107 | -499 | - | 3,608 |
| Expenses calculated for payment, which are not tax-deductible expenses | 3,410 | -342 | - | 3,068 |
| Impairment provisions | 5,034 | -2,551 | - | 2,483 |
| Provisions which are not tax-deductible expenses | 1,238 | 83 | - | 1,321 |
| Measurement of financial instruments held for trading | 16,088 | -1,151 | - | 14,937 |
| Measurement of available-for-sale investments | 1,952 | - | -657 | 1,295 |
| Commissions and fees settled in time | 2,772 | 521 | - | 3,293 |
| Difference between the market price and shares acquisition price | 4,588 | - | - | 4,588 |
| Provisions for impairment - fixed assets, intangible assets | 304 | -71 | - | 233 |
| Tax value of the company | - | -2,274 | 15,161 | 12,887 |
| Civil law transaction tax on account of acquisition of shares in Fortis Lease | - | 180 | - | 180 |
| Provision for impairment - bonds, shares | - | 2,886 | - | 2,886 |
| Others | 164 | -82 | - | 82 |
| Total deferred tax assets | 257,336 | -2,197 | 14,504 | 269,643 |
| | | | | |
| Deferred tax liabilities (in PLN thousand) | Opening balance 1 Jan 2011 | Increases / decreases recognised in income statement | Increases/ decreases recognised in capital | Closing balance 31 Dec 2011 |
| Interest accrued to be received | 24,111 | 4,379 | - | 28,490 |
| Difference between balance sheet depreciation and tax depreciation | 4,748 | 485 | - | 5,233 |
| Measurement of financial instruments held for trading | 8,193 | -2,015 | - | 6,178 |
| Measurement of available-for-sale investments | 286 | - | -78 | 208 |
| Commissions and fees settled in time | 2,711 | 3,058 | - | 5,769 |
| Income to be received | 392 | -2 | - | 390 |
| Goodwill under the Corporate Income Tax Act | 865 | -865 | - | - |
| Repurchase of receivables | 779 | -779 | - | - |
| Development work costs | - | 321 | - | 321 |
| Negative fair value - hedged items and hedging instruments | - | 3,374 | - | 3,374 |
| Others | 30 | 23 | - | 53 |
| Total deferred tax liabilities | 42,115 | 7,979 | -78 | 50,016 |
| | | | | |
| Net deferred tax | 215,221 | -10,176 | 14,582 | 219,627 |

The change in net deferred tax does not equal the deferred tax expense because deferred tax on unrealised gains and losses on available for sale financial assets is recognised directly in the revaluation reserve.

As at 31 December 2012, the total current and deferred tax liabilities related to items decreasing or increasing the equity capital stood at PLN -8,455 thousand, while as at 31 December 2011 it was PLN 14,582 thousand.



16. Other assets

Note 16

| Other assets (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Financial assets recognised at the trade date | - | 11 |
| Receivables due from counterparties | 15,993 | 14,630 |
| Deferred acquisition cost | 8,713 | 10,700 |
| Income to be received | 28,837 | 29,817 |
| Interbank settlements | 54 | 161 |
| Settlements (on account) of credit cards | 13,177 | 6,958 |
| Others | 16,886 | 18,016 |
| Total other assets, gross | 83,660 | 80,293 |
| Impairment provisions | -20,595 | -20,403 |
| Total other assets, net | 63,065 | 59,890 |



17. Liabilities

Note 17.1

| Due to banks (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Deposits | 342,259 | 833,095 |
| - current | 58,907 | 269,270 |
| - term | - | 15,000 |
| - cash collateral | 283,352 | 548,825 |
| Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date | 38,754 | 193,073 |
| Interest | 1,314 | 2,156 |
| Total due to banks | 382,327 | 1,028,324 |

Note 17.2

| Due to customers (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Current deposits | 3,587,779 | 3,340,269 |
| Term deposits | 6,340,274 | 5,494,774 |
| Cash collateral | 141,920 | 155,500 |
| Liabilities on account of recognition of financial instruments (FX spot and FX swap transactions) on the transaction date | 945 | 388 |
| Interest | 42,196 | 37,122 |
| Total due to customers | 10,113,114 | 9,028,053 |

Note 17.3

| Loans and credit facilities received (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Loans and credit facilities received from banks | 6,012,647 | 8,194,140 |
| Interest | 10,640 | 20,496 |
| Total loans and credit facilities received | 6,023,287 | 8,214,636 |



18. Subordinated liabilities

The table below presents the change in the subordinated liabilities as at 31 December 2012 and comparative data for the previous year.

Note 18

| Change in subordinated liabilities (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Opening balance | 592,628 | 569,639 |
| Increases | 446,586 | 133,986 |
| - on account of loan contracting | 446,586 | 133,986 |
| Decreases | -320,647 | -109,206 |
| - on account of loans repayment | -320,647 | -109,206 |
| FX rate differences | -35,192 | - |
| Net profit/loss on a loan prepayment | 13,030 | - |
| Others (interest) | -2,154 | -1,791 |
| Ending balance | 694,251 | 592,628 |



19. Other liabilities

Note 19

| Other liabilities (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Accrued interest and expenses | 17,769 | 17,713 |
| Expenses to be paid | 18,086 | 16,003 |
| Taxes to be paid | 12,289 | 11,469 |
| Employee benefits | 19,630 | 20,400 |
| Liabilities due to counterparties | 12,676 | 10,677 |
| Settlement on account of credit debt | 36,495 | 36,507 |
| Interbank settlements | 63,986 | 159,057 |
| Others | 15,791 | 13,234 |
| Total other liabilities | 196,722 | 285,060 |



20. Provisions

Note 20.1

| Provisions by titles (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Provisions for off-balance sheet commitments | 7,910 | 28,286 |
| IBNR provision – off-balance sheet commitments | 8,624 | 6,180 |
| Legal risk provisions | 9,592 | 5,267 |
| Reserve for employee benefits (including the restructuring provision) | 7,249 | 2,468 |
| Provisions for office sub-lease | 1,789 | 2,118 |
| Total provisions | 35,164 | 44,319 |

Legal risk provisions include amounts related to the court proceedings with the Bank's participation (in particular, as regards claims on account of FX derivative instruments and others e.g. the proceedings before the Office for Competition and Consumer Protection (UOKiK) -Details in Note 33.2).

Provisions for employee benefits include the restructuring provision created in the first half of 2012 in the amount of PLN 13 million, whose balance as at the end of 2012 reached PLN 4.37 million (Details in Note 33.13).

The notes below present changes in the balance of provisions:

Note 20.2.1

| Change in provisions for off-balance sheet commitments (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|---|---------------------------------|---------------------------------|
| Opening balance | 34,466 | 14,172 |
| Increases | 13,830 | 32,125 |
| - for off-balance sheet commitments | 7,562 | 27,733 |
| - for IBNR losses – off-balance sheet commitments | 6,268 | 4,392 |
| Decreases | -31,291 | -11,957 |
| - for off-balance sheet commitments | -27,467 | -5,521 |
| - for IBNR losses – off-balance sheet commitments | -3,824 | -6,436 |
| FX rate differences | -471 | 126 |
| Ending balance | 16,534 | 34,466 |

Note 20.2.2

| Changes in other provisions (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|--|---------------------------------|---------------------------------|
| Opening balance | 9,853 | 9,464 |
| Increases | 23,474 | 2,538 |
| - for legal risk | 8,898 | 1,131 |
| - for office sub-lease | 1,128 | 1,156 |
| - for employee benefits | 13,448 | 251 |
| Decreases | -14,697 | -2,149 |
| - for legal risk | -4,573 | -426 |
| - for office sub-lease | -1,457 | -1,723 |
| - employee benefits | -8,667 | - |
| Ending balance | 18,630 | 9,853 |



21. Equity capital

Note 21.1

| Equity capital (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Share capital | 1,434,646 | 1,206,175 |
| Additional capital | 176,387 | 129,157 |
| Transfer from BNP Paribas SA Branch | - | 15,161 |
| Other capital | 26,223 | 6,873 |
| Revaluation reserve | 31,410 | -4,635 |
| Net profit (loss) for the year | 29,288 | 21,033 |
| Total equity capital | 1,697,954 | 1,373,764 |

The share capital is recognised in the nominal value pursuant to the Bank's Statute and entries in the National Court Register.

The share capital of the Bank is PLN 1,434,646 thousand and is divided into 28,692,926 shares with a nominal value of PLN 50.00 each.

The Bank's shares are bearer shares of equal nominal value that entitle to equal voting rights and participation in profit at the same rules. There are no preferences or restrictions related to any group of shares. The shares were paid for in cash.

Note 21.2

| Series / issue | Registration date | Number of shares | Series / issue value at nominal value |
|---------------------------|--------------------------|-------------------------|--|
| A | 19 Dec 1990 | 634,060 | 31,703,000 |
| B | 30 Apr 1991 | 1,115,940 | 55,797,000 |
| C | 14 July 1994 | 2,000,000 | 100,000,000 |
| D | 11 July 1996 | 1,250,000 | 62,500,000 |
| E | 11 Apr 1997 | 1,250,000 | 62,500,000 |
| F | 4 June 1998 | 625,000 | 31,250,000 |
| G | 4 June 1998 | 740,000 | 37,000,000 |
| H | 8 Oct 1999 | 761,500 | 38,075,000 |
| I | 3 July 2000 | 1,675,300 | 83,765,000 |
| J | 28 June 2001 | 5,025,900 | 251,295,000 |
| F | 2 Jan 2007 | 1,693,480 | 84,674,000 |
| L | 31 July 2009 | 5,243,532 | 262,176,600 |
| M | 14 Sept 2009 | 2,108,794 | 105,439,700 |
| N | 23 June 2012 | 4,569,420 | 228,471,000 |
| Total | | 28,692,926 | 1,434,646,300 |



The shareholding structure as at 31 December 2012 and in the comparative period was as follows:

Note 21.3

| Balance as at 31 Dec 2012 | Number of shares held | % of the share capital | Number of votes at the AGM | Share (%) in the total number of votes at the GM |
|--|-----------------------|------------------------|----------------------------|--|
| BNP Paribas Fortis (former Fortis Bank SA/NV) | 23,418,013 | 81.62 % | 23,418,013 | 81.62 % |
| Dominet S.A. | 5,243,532 | 18.27 % | 5,243,532 | 18.27 % |
| Others | 31,381 | 0.11 % | 31,381 | 0.11 % |
| Total: | 28,692,926 | 100.00% | 28,692,926 | 100.00% |

| Balance as at 31 Dec 2011 | Number of shares held | % of the share capital | Number of votes at the AGM | Share (%) in the total number of votes at the GM |
|---------------------------|-----------------------|------------------------|----------------------------|--|
| Fortis Bank SA/NV | 18,848,593 | 78.13 % | 18,848,593 | 78.13 % |
| Dominet S.A. | 5,243,532 | 21.74 % | 5,243,532 | 21.74 % |
| Others | 31,381 | 0.13 % | 31,381 | 0.13 % |
| Total: | 24,123,506 | 100.00% | 24,123,506 | 100.00% |

Another equity capital component is the additional capital which is established from net profit deductions, amounting to the level to be decided upon at the General Meeting of Shareholders.

The additional capital shall also accommodate differences between the issue and nominal price of the Bank shares. Net profit deductions to replenish the additional capital make up at least 8% and are made until the additional capital reaches no less than one third of the Bank's share capital.

The other capital types are basically established from annual net profit deductions approved by the General Meeting of Shareholders.

Reserve capital is earmarked for the coverage of specific losses and expenses, while the general risk fund is allocated to cover unidentified risks related to banking activity. Decisions on using other capital are made by the General meeting of Shareholders.

Note 21.4

| Other capital (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| General risk fund | 25,232 | 5,882 |
| Reserve capital | 991 | 991 |
| Total other capital | 26,223 | 6,873 |



Revaluation reserve as at 31 December 2012 and in the comparative period stood at:

Note 21.5

| Revaluation reserve (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Measurement of available-for-sale financial assets, including: | 38,778 | -5,722 |
| - Treasury bonds | 36,939 | -5,487 |
| - bonds issued by banks | - | 487 |
| - corporate bonds | 223 | - |
| - shares | 1,616 | -722 |
| Deferred tax | -7,368 | 1,087 |
| Total revaluation reserve | 31,410 | -4,635 |

The revaluation reserve includes changes in fair value on account of measurement of available-for-sale investments. The amount of the write-down made will increase or decrease, respectively, the value of available-for-sale investments.

As at the derecognition date of a financial asset available-for-sale from accounting books, the total effects of a fair value change in a given period recognised in the revaluation reserve are derecognised and recognised in the income statement. When available-for-sale financial assets are found impaired, the cumulated profits or losses recognised previously in the revaluation reserve are recognised in the income statement.

The revaluation reserve is not subject to distribution.

Information on planned allocation of net profit/loss and dividend payment

The Board of Executives intends to recommend that the Annual General Shareholders' Meeting should resolve to pay no dividend and allocate the entire 2012 net profit to increase the Bank's own funds.



22. Hedge Accounting

As at 31 December 2012, the Bank applies the fair value hedge. The risk hedged is the interest rate risk, and in particular, changes in the fair value of assets and liabilities bearing a fixed interest rate due to changes in a specific reference rate.

In connection with a material variability of volumes of USD current accounts, hedging relationships of such accounts with hedging transactions (IRS) were terminated.

Hedging transactions were closed on the interbank market. The market valuation of hedging transactions at their closing date (January 2012) amounted to USD +622 thousand (PLN +2,182 thousand).

Additionally, in connection with the observed variability of volumes of EUR current accounts, in February 2012 some hedging transactions related to those accounts were closed on the interbank market. The market valuation of hedging transactions at their closing date (February 2012) amounted to EUR 1,365 thousand (PLN +5,707 thousand).

Hedging instruments

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

Hedged item

Fixed rate current accounts in EUR are the hedged items.

The table below presents the breakdown of hedging derivative instruments at nominal value as at 31 December 2012 and as at 31 December 2011, broken down by residual maturity:

Note 22.1

| Hedging derivative instruments (in PLN thousand) | 31 Dec 2012 | | | | | | | |
|---|---------------|----------|------------------|---------------|-----------------------|---------------|---------------|---------------|
| | Fair value | | Nominal value | | | | | Total |
| | positive | negative | up to 1 month | 1-3 months | 3 months to 1 year | 1-5 years | > 5 years | |
| Interest Rate Contracts | 11,179 | - | - | - | - | 49,058 | 44,970 | 94,028 |
| - Swaps (IRS) | 11,179 | - | - | - | - | 49,058 | 44,970 | 94,028 |
| Total hedging derivative instruments | 11,179 | - | - | - | - | 49,058 | 44,970 | 94,028 |

| Hedging derivative instruments (in PLN thousand) | 31 Dec 2011 | | | | | | | |
|---|---------------|----------|------------------|---------------|-----------------------|---------------|----------------|----------------|
| | Fair value | | Nominal value | | | | | Total |
| | positive | negative | up to 1 month | 1-3 months | 3 months to 1 year | 1-5 years | > 5 years | |
| Interest Rate Contracts | 17,759 | - | - | - | - | 35,334 | 148,592 | 183,926 |
| - Swaps (IRS) | 17,759 | - | - | - | - | 35,334 | 148,592 | 183,926 |
| Total hedging derivative instruments | 17,759 | - | - | - | - | 35,334 | 148,592 | 183,926 |



The table below presents a change of the fair value of a hedging instrument as at 31 December 2012 and as at 31 December 2011.

Note 22.2

| Change of the fair value of derivative hedging instruments (in PLN thousand) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|---------------|
| Balance as at 1 Jan 2011 | - | - | - | - |
| - profits/losses recognised in the net profit/loss | - | - | - | - |
| - profits/losses recognised in other total income | - | - | - | - |
| - purchase | - | 17,759 | - | 17,759 |
| - sale | - | - | - | - |
| - issue | - | - | - | - |
| - settlement | - | - | - | - |
| - transfer between levels 1 and 2 | - | - | - | - |
| - transfer to/from level 3 | - | - | - | - |
| Balance as at 31 Dec 2011 | - | 17,759 | - | 17,759 |

| Change of the fair value of derivative hedging instruments (in PLN thousand) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|---------------|
| Balance as at 1 Jan 2012 | - | 17,759 | - | 17,759 |
| - profits/losses recognised in the net profit/loss (dirty FV) | - | 3,409 | - | 3,409 |
| - profits/losses recognised in other total income | - | - | - | - |
| - purchase | - | - | - | - |
| - sale | - | - | - | - |
| - issue | - | - | - | - |
| - settlement | - | -9,989 | - | -9,989 |
| - transfer between levels 1 and 2 | - | - | - | - |
| - transfer to/from level 3 | - | - | - | - |
| Balance as at 31 Dec 2012 | - | 11,179 | - | 11,179 |



23. Lease facility

Finance lease

The Bank is a lessee involved in finance lease agreements regarding alarm systems and branch equipment. The Bank recognises funds related to finance lease as non-current assets.

Note 23.1

| Liabilities under finance lease (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Total amount of minimum lease charges | 959 | 840 |
| Unrealised financial costs | 382 | -63 |
| Current value of minimum lease charges | 577 | 777 |

Note 23.2

| Total amount of minimum lease charges by maturity (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| up to 1 year | 494 | 551 |
| from 1 up to 5 years | 465 | 289 |
| Total | 959 | 840 |

Note 23.3

| Current value of minimum lease charges by maturity (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| up to 1 year | 354 | 512 |
| from 1 up to 5 years | 223 | 265 |
| Total | 577 | 777 |

Operating lease

Payments related to Lease Agreements

BNP Paribas Bank Polska SA, pursuant to lease agreements occupies mainly office premises and storehouses. The major agreements concern buildings in Warsaw and Krakow.

In 2012, the Bank incurred expenses related to rent for the above real estate of PLN 73,112 thousand, as compared to PLN 69,419 thousand incurred in the comparable period, i.e. in 2011. The above expenses were recognised in the income statement in the Note "Other costs."

Note 23.4

| Future liabilities (gross) under lease agreements by payment dates (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| up to 1 year | 54,376 | 62,592 |
| from 1 up to 5 years | 143,931 | 173,010 |
| more than 5 years | 30,595 | 40,955 |
| Total | 228,902 | 276,557 |



Some sublease agreements have been concluded for an unlimited period of time. For agreements concluded for an unspecified period of time, future liabilities have been determined based on the contractual notice period.

Lease agreements are entered into both in PLN and in foreign currencies. The notice period is usually 1, 3 or 6 months.

When the lease period ends, pursuant to the contractual provisions the Bank shall restore the premises to the technical condition that existed before the lease period.

Pursuant to lease agreements, the Bank leases office premises.

Note 23.5

| Future receivables (gross) under lease agreements by payment dates (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| up to 1 year | 6,330 | 6,021 |
| from 1 up to 5 years | 7,750 | 14,781 |
| more than 5 years | 780 | 1,054 |
| Total | 14,860 | 21,856 |

Some sublease agreements have been concluded for an unlimited period of time. For agreements concluded for an unspecified period of time, future receivables have been determined based on the contractual notice period. The notice period is usually 3, 6 or 12 months.

Perpetual usufruct right to land

The Bank is a perpetual usufructuary of land. The perpetual usufruct right to land is recognised in the Bank's books as operating lease. Annual fees paid by the Bank for the perpetual usufruct right to land, computed at rates applicable in a given year, are settled through an account of accrued expenses and deferred income.

Note 23.6

| Future minimum lease charges on account of perpetual usufruct of land (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| up to 1 year | 9 | 9 |
| from 1 up to 5 years | 34 | 34 |
| more than 5 years | 630 | 638 |
| Total | 673 | 681 |



24. Additional Notes to Cash Flow Statement

The note below shows changes of reserves and provisions:

Note 24.1

| Change of reserves and provisions (in PLN thousand) | 1 Jan 2012-31 Dec 2012 | 1 Jan 2011-31 Dec 2011 |
|--|-------------------------------|-------------------------------|
| Opening balance | -1,208,921 | -1,214,820 |
| Decreases | 145,047 | 42,143 |
| - provisions for cash and cash equivalents | 11 | - |
| - provisions for due from banks | 10 | 21 |
| - provisions for loans to customers | 132,001 | 35,296 |
| - provisions for investments available for sale | 3,870 | - |
| - provisions for fixed assets | - | 369 |
| - provisions for other assets | - | 6,457 |
| - reserves | 9,155 | - |
| Increases | -833 | -36,243 |
| - provisions for cash and cash equivalents | - | -374 |
| - provisions for investments available for sale | - | -15,187 |
| - provisions for fixed assets | -641 | - |
| - provisions for other assets | -192 | - |
| - reserves | - | -20,682 |
| Other | -1 | -1 |
| Ending balance | -1,064,708 | -1,208,921 |
| Change | -144,213 | -5,899 |

Note 24.2

| Other investment expenses (in PLN thousand) | 1 Jan 2012-31 Dec 2012 | 1 Jan 2011-31 Dec 2011 |
|--|-------------------------------|-------------------------------|
| Acquisition of low value fixed assets | -524 | -1,905 |
| Others | - | -10 |
| Total other investment expenses | -524 | -1,915 |

Note 24.3

| Other financial gains and expenses (in PLN thousand) | 1 Jan 2012-31 Dec 2012 | 1 Jan 2011-31 Dec 2011 |
|---|-------------------------------|-------------------------------|
| Net profit earned on an prepayment of a subordinated loan | 13,030 | - |
| Expenses related to a share issue | -1,143 | - |



The table below presents acquired assets and liabilities of BNP Paribas Factor Sp. z o.o. as at the acquisition date.

Note 24.4

| Assets (in PLN thousand) | 2 April 2012 |
|--|---------------------|
| Cash and cash equivalents | 8,591 |
| Loans to customers | 106,617 |
| Other assets | 226 |
| Total assets | 115,434 |
| Liabilities (in PLN thousand) | 2 April 2012 |
| Loans and credit facilities received | 106,003 |
| Provisions | 88 |
| Other liabilities | 858 |
| Total liabilities | 106,949 |
| Net assets | 8,485 |
| Acquisition price paid in cash | -7,652 |
| Cash and cash equivalents of the acquired unit | 8,591 |
| Acquisition of a subsidiary, net of cash acquired | 939 |



25. Assets that Secure Own Commitments

Pursuant to the rules of guaranteed deposit protection fund under the Bank Guarantee Fund Act dated 14 December 1994, as amended, as at 31 December 2012 the Bank's books contained Treasury bonds in the nominal value of PLN 60,000, which were separated from assets, to secure the BGF. Type of assets and their amount registered in the Bank's books earmarked for the coverage of the BGF is consistent with conditions defined in particular in Article 26 para. 1 and 2 and Article 13 of the said Act.

Note 25

| Available-for-sale securities that constitute collateral for the Guaranteed Deposits Protection Fund under the Bank Guarantee Fund (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| - Treasury bonds at nominal value | 60,000 | 55,000 |
| - Treasury bonds at balance sheet value | 60,250 | 54,787 |
| Total available for sale securities at balance sheet value | 60,250 | 54,787 |

As at 31 December 2012 and as at 31 December 2011, the Bank did not use the lombard loan.



26. Derivative Financial Instruments

The table below presents the breakdown of held-for-trading derivative instruments at nominal value as at 31 December 2012 and for a comparative period, broken down by residual maturity.

Note 26.1

| Derivative instruments 31 Dec 2012 (in PLN thousand) | up to 1 month | 1-3 months | 3 months- 1 year | 1-3 years | 3-5 years | >5 years | Total |
|--|------------------|---------------|---------------------|-----------|-----------|----------|------------|
| Amounts purchased | 1,378,272 | 823,096 | 1,009,453 | 450,395 | 602,419 | 396,605 | 4,660,240 |
| Amounts sold | 1,373,759 | 825,449 | 1,687,117 | 850,394 | 603,823 | 396,605 | 5,737,147 |
| Gap – off-balance sheet | 4,513 | -2,353 | -677,664 | -399,999 | -1,404 | - | -1,076,907 |

| Derivative instruments 31 Dec 2011 (in PLN thousand) | up to 1 month | 1-3 months | 3 months- 1 year | 1-3 years | 3-5 years | >5 years | Total |
|--|------------------|---------------|---------------------|-----------|-----------|----------|-----------|
| Amounts purchased | 2,178,120 | 2,238,582 | 2,716,540 | 588,687 | 1,008,317 | 450,606 | 9,180,852 |
| Amounts sold | 1,640,468 | 2,232,735 | 2,697,028 | 588,686 | 1,007,240 | 450,606 | 8,616,763 |
| Gap – off-balance sheet | 537,652 | 5,847 | 19,512 | 1 | 1,077 | - | 564,089 |

Note 26.2

| Derivative instruments held for trading (in PLN thousand) | 31 Dec 2012 | | | | | | | |
|---|---------------|---------------|--|------------------|---------------------|------------------|----------------|-------------------|
| | Fair value | | Nominal value by residual broken down/maturity | | | | | Total |
| | positive | negative | up to 1 month | 1-3 months | 3 months- 1 year | 1-5 years | >5 years | |
| Foreign currency contracts: | 25,057 | 23,851 | 735,391 | 1,439,823 | 1,490,964 | 277,741 | - | 3,943,919 |
| - Forward (including the forward leg of a FX swap contract) - amounts bought | 20,374 | 17,834 | 359,401 | 534,595 | 464,596 | 15,523 | - | 1,374,115 |
| - Forward (including the forward leg of a FX swap contract) - amounts sold | | | 354,888 | 536,948 | 464,900 | 15,522 | - | 1,372,258 |
| - Options – amounts purchased | 4,638 | 5,273 | 10,551 | 184,140 | 280,734 | - | - | 475,425 |
| - Options – amounts sold | | | 10,551 | 184,140 | 280,734 | - | - | 475,425 |
| - CIRS – amounts purchased | 45 | 744 | - | - | - | 122,646 | - | 122,646 |
| - CIRS – amounts sold | | | - | - | - | 124,050 | - | 124,050 |
| Interest Rate Contracts | 69,382 | 62,867 | 2,016,640 | 208,722 | 1,205,606 | 2,229,292 | 793,210 | 6,453,470 |
| - FRA | 215 | 442 | - | - | 677,360 | 400,000 | - | 1,077,360 |
| -IRS – amounts purchased | 66,087 | 59,362 | 8,320 | 104,361 | 64,123 | 716,646 | 396,605 | 1,290,055 |
| - IRS – amounts sold | | | 8,320 | 104,361 | 64,123 | 716,646 | 396,605 | 1,290,055 |
| - OIS - amounts purchased | 19 | - | 1,000,000 | - | - | - | - | 1,000,000 |
| - OIS – amounts sold | | | 1,000,000 | - | - | - | - | 1,000,000 |
| - Options – amounts purchased | 3,061 | 3,063 | - | - | 200,000 | 198,000 | - | 398,000 |
| - Options – amounts sold | | | - | - | 200,000 | 198,000 | - | 398,000 |
| Total derivative instruments held for trading | 94,439 | 86,718 | 2,752,031 | 1,648,545 | 2,696,570 | 2,507,033 | 793,210 | 10,397,389 |
| Not traded on regulated markets | 94,439 | 86,718 | 2,752,031 | 1,648,545 | 2,696,570 | 2,507,033 | 793,210 | 10,397,389 |
| Total | 94,439 | 86,718 | 2,752,031 | 1,648,545 | 2,696,570 | 2,507,033 | 793,210 | 10,397,389 |



| Derivative instruments held for trading (in PLN thousand) | 31 Dec 2011 | | | | | | | |
|--|----------------|----------------|--|------------------|------------------|------------------|----------------|-------------------|
| | Fair value | | Nominal value by residual broken down/maturity | | | | | |
| | positive | negative | up to 1 month | 1-3 months | 3 months-1 year | 1-5 years | >5 years | Total |
| Foreign currency contracts: | 89,424 | 68,796 | 2,718,898 | 2,131,607 | 3,134,283 | 492,477 | - | 8,477,265 |
| - Forward (including the forward leg of a FX swap contract) - amounts bought | 54,509 | 31,396 | 1,235,390 | 379,893 | 345,983 | 12,371 | - | 1,973,637 |
| - Forward (including the forward leg of a FX swap contract) - amounts sold | | | 1,242,734 | 368,826 | 331,019 | 12,369 | - | 1,954,948 |
| - Options – amounts purchased | 23,237 | 26,181 | 120,387 | 247,154 | 457,974 | 101,903 | - | 927,418 |
| - Options – amounts sold | | | 120,387 | 247,154 | 457,974 | 101,903 | - | 927,418 |
| - CIRS – amounts purchased | 11,678 | 11,219 | - | 441,680 | 772,940 | 132,504 | - | 1,347,124 |
| - CIRS – amounts sold | | | - | 446,900 | 768,393 | 131,427 | - | 1,346,720 |
| Interest Rate Contracts | 61,279 | 57,238 | 1,099,691 | 2,339,710 | 2,279,286 | 2,700,452 | 901,212 | 9,320,351 |
| - FRA | - | 2 | 544,995 | - | - | - | - | 544,995 |
| -IRS – amounts purchased | 56,883 | 52,794 | 77,348 | 1,169,855 | 1,130,293 | 871,871 | 450,606 | 3,699,973 |
| - IRS – amounts sold | | | 77,348 | 1,169,855 | 1,130,293 | 871,871 | 450,606 | 3,699,973 |
| - OIS - amounts purchased | - | 46 | 200,000 | - | - | - | - | 200,000 |
| - OIS – amounts sold | | | 200,000 | - | - | - | - | 200,000 |
| - Options – amounts purchased | 4,396 | 4,396 | - | - | 9,350 | 478,355 | - | 487,705 |
| - Options – amounts sold | | | - | - | 9,350 | 478,355 | - | 487,705 |
| Total derivative instruments held for trading | 150,703 | 126,034 | 3,818,589 | 4,471,317 | 5,413,569 | 3,192,929 | 901,212 | 17,797,616 |
| Not traded on regulated markets | 150,703 | 126,034 | 3,818,589 | 4,471,317 | 5,413,569 | 3,192,929 | 901,212 | 17,797,616 |
| Total | 150,703 | 126,034 | 3,818,589 | 4,471,317 | 5,413,569 | 3,192,929 | 901,212 | 17,797,616 |



27. Contingent Liabilities - Off-balance Sheet Commitments

The Bank recognises as contingent liabilities such off-balance sheet commitments that do not meet the balance sheet recognition criteria as assets or liabilities.

The tables below present the Bank's contingent liabilities as at 31 December 2012 and comparative data for the previous year.

Note 27.1

| Contingencies and Commitments (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|------------------|------------------|
| Contingent liabilities granted | | |
| - items related to financing | 5,022,341 | 3,935,071 |
| - guarantees | 1,922,255 | 1,925,227 |
| Total contingent liabilities granted | 6,944,596 | 5,860,298 |
| Contingent liabilities received | | |
| - items related to financing | 1,462,000 | 3,288,000 |
| - guarantees | 490,046 | 378,134 |
| Total contingent liabilities received | 1,952,046 | 3,666,134 |

Off-balance sheet liabilities broken by residual maturity as at 31 December 2012 and comparative data as at 31 December 2011.

Note 27.2

| Contingent liabilities granted (in PLN thousand) | | up to 1 month | 1-3 months | 3-12 months | 1 - 5 years | > 5 years | Without any maturity determined | Total |
|--|----------------------------|---------------|------------|-------------|-------------|-----------|---------------------------------|------------------|
| 31 Dec 2012 | items related to financing | 124,721 | 233,676 | 809,792 | 736,036 | 452,056 | 2,666,061 | 5,022,341 |
| | guarantees | 73,972 | 235,872 | 934,638 | 593,807 | 78,773 | 5,193 | 1,922,255 |
| 31 Dec 2011 | items related to financing | 101,270 | 140,499 | 704,148 | 693,056 | 489,025 | 1,807,073 | 3 935,071 |
| | guarantees | 122,480 | 187,327 | 776,159 | 757,343 | 77,412 | 4,506 | 1,925,227 |
| Contingent liabilities received (in PLN thousand) | | up to 1 month | 1-3 months | 3-12 months | 1 - 5 years | > 5 years | Without any maturity determined | Total |
| 31 Dec 2012 | items related to financing | - | - | - | - | 1,462,000 | - | 1,462,000 |
| | guarantees | 17,640 | 81,674 | 100,288 | 246,320 | 44,124 | - | 490,046 |
| 31 Dec 2011 | items related to financing | - | - | - | 220,840 | 3,067,160 | - | 3,288,000 |
| | guarantees | 27,255 | 15,102 | 95,663 | 209,763 | 30,351 | - | 378,134 |



The major item of off-balance sheet commitments granted constitute commitments to extend loans which as at 31 December 2012 made up PLN 4,895,166 thousand or 97% of the Bank's financial off-balance sheet commitments granted, and, respectively, PLN 3,756,738 thousand as at 31 December 2011 (95%). Commitments to extend loans include credit lines granted (unutilised), credit card limits, unused overdraft credit facilities and general financing agreements.

The off-balance sheet financial commitments granted include also import letters of credit issued.

Off-balance sheet guarantee commitments granted result from guarantees issued in favour of customers and pertain chiefly to contract performance bonds and receivables repayment guarantees. The Bank offers its customers the issuance of guarantees under the standard credit offering addressed mainly to corporate customers. Commission and fee income related to guarantees issued are settled using the straight-line method and recognised in the commission and fee income in the Bank's income statement.

Off-balance sheet guarantee commitments granted include also export letters of credit issued and general guarantee agreements.

The major item of off-balance sheet commitments received by the Bank was an unused credit line granted by the NBP, which as at 31 December 2012 made up PLN 1,462,000 thousand, and PLN 3,067,160 thousand as at 31 December 2011, respectively.

Off-balance sheet guarantee commitments received include guarantees and suretyships to secure loans granted; such commitments totalled PLN 490,046 thousand as at 31 December 2012 and PLN 378 134 thousand as at 31 December 2011.

According to the existing experience of the Bank, performance dates of contingent financial commitments are identical with contractual validity dates of such commitments.

The financial effect of off-balance sheet contingent commitments is presented in the table above.



28. Custody Activity and Other Functions in Favour of Investment Funds

Custody Activity

Under the custody activity, the Bank offered its customers a banking product including:

- maintenance of securities accounts used to register assets, in particular shares, bonds, treasury bills and commercial papers;
- settlement of transactions in securities entered into on domestic and international markets,
- performing operations on securities (dividend payment, payment of interest on bonds, debt securities redemption),
- acting as an intermediary in Stock Exchange and interbank market transactions,
- generation of reports tailored to customer needs,
- providing information on market events.

Under Resolution no. 54/2012 dated 19 July 2012, the Board of Executives of BNP Paribas Bank Polska SA decided to discontinue the activity regarding the maintenance of securities accounts by BNP Paribas Bank Polska SA. In order to end the provision of the services in question, the Bank undertook relevant steps. In particular, all customer instructions regarding transfers of financial instruments from securities accounts maintained within the custody activity were executed. Furthermore, all securities account maintenance agreements in favour of customers of BNP Paribas Bank Polska SA were terminated. Also, relevant applications were filed to supervisory authorities for undertaking appropriate formal measures related to the withdrawal of a permit under which the Bank carried out its custody activity.

Effective 31 December 2012, BNP Paribas Bank Polska SA stopped providing custody services.

The Bank maintained securities accounts in favour of customers.

Other functions performed in favour of investment funds

Under relevant agreements entered into with the following Luxembourg investment funds: BNP Paribas L1, BNP Paribas L Fix and Parvest, the Bank performs a number of functions in their favour, which consist in particular in the following:

- representation of funds before their participants and the Polish Financial Supervision Authority,
- acceptance of complaints from fund participants,
- providing information on funds to fund participants,
- verification of customer orders and forwarding them to the Transfer Agent,
- making pecuniary settlements with customers in connection with investments in participation titles,
- making pecuniary settlements with funds,
- sending reports to customers,
- service of investment fund distributors other than BNP Paribas Bank Polska SA,
- distribution of fund participation units.



29. Information on Related Party Transactions

Information on transactions of the Bank with its parent company, its subsidiaries and affiliated entities is presented below. These transactions refer to banking operations performed within a standard business activity; the terms and conditions of transactions presented correspond to market conditions.

Note 29.1

| 31 Dec 2012 (in PLN thousand) | Parent entity | Subsidiaries | Other entities of the BNP Paribas Group | Total |
|--|----------------------|---------------------|--|------------------|
| Assets | | | | |
| Cash and cash equivalents | 956,258 | - | 200,455 | 1,156,713 |
| Financial assets held for trading | 8,216 | - | 21,094 | 29,310 |
| Due from banks and Loans to customers | 103,458 | 162,759 | 42,371 | 308,588 |
| Hedging instruments | 11,179 | - | - | 11,179 |
| Other assets | 9,207 | 9 | 6,695 | 15,911 |
| Total assets | 1,088,318 | 162,768 | 270,615 | 1,521,701 |
| Liabilities | | | | |
| Financial liabilities held for trading | 63,037 | - | 8,288 | 71,325 |
| Due to banks and customers | 27,220 | 59,988 | 162,002 | 249,210 |
| Loans and credit facilities received | - | - | 5,495,895 | 5,495,895 |
| Differences from measurement to fair value of a hedged item against interest rate risk | 8,799 | - | - | 8,799 |
| Subordinated liabilities | 245,300 | - | 448,951 | 694,251 |
| Other liabilities | 659 | 1,947 | 15,528 | 18,134 |
| Total liabilities | 345,015 | 61,935 | 6,130,664 | 6,537,614 |

| 31 Dec 2011 (in PLN thousand) | Parent entity | Subsidiaries | Other entities of the BNP Paribas Group | Total |
|--|----------------------|---------------------|--|------------------|
| Assets | | | | |
| Cash and cash equivalents | 200,276 | - | 644,142 | 844,418 |
| Financial assets held for trading | 15,063 | - | 36,155 | 51,218 |
| Due from banks and Loans to customers | 145,223 | 410 | 182,597 | 328,230 |
| Hedging instruments | 17,759 | - | - | 17,759 |
| Other assets | 7,816 | 110 | 5,387 | 13,313 |
| Total assets | 386,137 | 520 | 868,281 | 1,254,938 |
| Liabilities | | | | |
| Financial liabilities held for trading | 75,600 | - | 34,118 | 109,718 |
| Due to banks and customers | 354,382 | 164,732 | 252,408 | 771,522 |
| Loans and credit facilities received | - | - | 7,862,743 | 7,862,743 |
| Differences from measurement to fair value of a hedged item against interest rate risk | 13,132 | - | - | 13,132 |
| Subordinated liabilities | 590,016 | - | - | 590,016 |
| Other liabilities | 3,217 | 336 | 24,023 | 25,576 |
| Total liabilities | 1,036,347 | 165,068 | 8,173,292 | 9,374,707 |



Note 29.2

| Income Statement 1 Jan 2012 - 31 Dec 2012 (in PLN thousand) | Parent entity | Subsidiaries | Other entities of the BNP Paribas Group | Total |
|--|----------------------|---------------------|--|--------------|
| Interest income | 6,162 | 3,769 | 8,602 | 18,533 |
| Interest expense | -2,727 | -3,795 | -186,736 | -93,258 |
| Fee and commission income | 641 | 1,369 | 1,366 | 3,376 |
| Fee and commission expense | -1,205 | - | -318 | -1,523 |
| Net trading income | 941 | - | -4,916 | -3,975 |
| Net profit (loss) on hedging transactions | -3,755 | - | - | -3,755 |
| Other revenues | -8 | 1,141 | 250 | 1,383 |
| Other operating expenses | - | - | -6 | -6 |
| Other expenses | - | - | -2,852 | -2,852 |
| Cost of risk | -102 | -1 | -220 | -323 |

| Income Statement 1 Jan 2011 - 31 Dec 2011 (in PLN thousand) | Parent entity | Subsidiaries | Other entities of the BNP Paribas Group | Total |
|--|----------------------|---------------------|--|--------------|
| Interest income | 6,766 | 31 | 4,551 | 11,348 |
| Interest expense | -24,129 | -7,842 | -129,079 | -161,050 |
| Fee and commission income | 1,717 | 1,320 | 722 | 3,759 |
| Fee and commission expense | -1,223 | - | -95 | -1,318 |
| Net trading income | -9,717 | 748 | 57,251 | 48,282 |
| Net profit (loss) on hedging transactions | 12,353 | - | - | 12,353 |
| Other revenues | 836 | 715 | -225 | 1,326 |
| Other operating expenses | - | - | -74 | -74 |
| Other expenses | - | - | -1,891 | -1,891 |

Note 29.3

| Contingent liabilities and transactions in derivative instruments 31 Dec 2012 (in PLN thousand) | Parent entity | Subsidiaries | Other entities of the BNP Paribas Group | Total |
|--|----------------------|---------------------|--|----------------|
| Contingent liabilities granted: | 7,513 | 69,748 | 367,228 | 444,489 |
| - items related to financing | - | 69,748 | 27,467 | 97,215 |
| - guarantees | 7,513 | - | 339,761 | 347,274 |
| Contingent liabilities received: | 29,036 | - | 442,813 | 471,849 |
| - items related to financing | - | - | - | - |
| - guarantees | 29,036 | - | 442,813 | 471,849 |
| Transactions in derivative instruments* | 2,791,378 | - | 4,841,363 | 7,632,741 |

| Contingent liabilities and transactions in derivative instruments 31 Dec 2011 (in PLN thousand) | Parent entity | Subsidiaries | Other entities of the BNP Paribas Group | Total |
|--|----------------------|---------------------|--|----------------|
| Contingent liabilities granted: | 11,186 | 159,465 | 313,397 | 484,048 |
| - items related to financing | - | 158,066 | 34,845 | 192,911 |
| - guarantees | 11,186 | 1,399 | 278,552 | 291,137 |
| Contingent liabilities received: | 19,625 | - | 338,104 | 357,729 |
| - items related to financing | - | - | - | - |
| - guarantees | 19,625 | - | 338,104 | 357,729 |
| Transactions in derivative instruments* | 8,292,687 | - | 6,248,518 | 14,541,205 |

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



The outstanding balance of subordinated loans as at 31 December 2012 was as follows:

Note 29.4

| Agreement date | Agreement party | Amount | Repayment date |
|----------------|-------------------|-----------------|----------------|
| 2007-10-23 | Fortis Bank SA/NV | EUR 60 million* | 2017-09-28 |
| 2012-12-15 | BNP Paribas Paris | EUR 60 million | 2022-12-20 |
| 2012-12-15 | BNP Paribas Paris | CHF 60 million | 2022-12-20 |

Agreements with the BNP Paribas Group entities

Loan agreements - subordinated loans

On 15 November 2012, the Bank and BNP Paribas based in Paris signed (i) an agreement on granting the Bank a non-revolving subordinated loan amounting to CHF 60 million, which is the equivalent of PLN 207.8 million at the NBP mid rate of 15 November 2012. The financing term is 10 years counted from the drawdown date. The loan interest rate was determined on the basis of the LIBOR 3M for CHF increased by a margin; and (ii) an agreement on granting the Bank a non-revolving subordinated loan amounting to EUR 60 million, which is the equivalent of PLN 250.3 million at the NBP mid rate of 15 November 2012. The financing term is 10 years counted from the drawdown date. The loan interest rate was established based on EURIBOR 3M increased by a margin.

In December 2012, the Bank received consent of the Polish Financial Supervision Authority to include funds in the amount of CHF 60 million and EUR 60 million, arising under the aforesaid agreements, in the Bank's Tier 2 capital as subordinated liabilities.

Furthermore, the Polish Financial Supervision Authority agreed that the Bank could prepay EUR 100 million received under the subordinated loan agreement concluded on 23 October 2007 by and between the Bank and Fortis Bank (Nederland) NV, later transferred to Fortis Bank SA/NV based in Brussels, which were included into the Bank's own funds (Tier 2 capital) as subordinated liabilities*.

Multi-option credit line agreement with Fortis Lease Polska Sp. z o.o.

On 7 September 2012, the Bank signed an annex to the multi-option credit line agreement with Fortis Lease Polska Sp. z o.o. dated 17 November 2000. The credit line granted thereunder can be utilised as an overdraft facility, L/C line or guarantee credit line with the limit of PLN 60 million. Pursuant to this annex, the credit facility was rendered available for a subsequent current term, namely until 13 September 2013. In January 2013 (after the balance sheet date), that term was extended until 5 December 2013.

Moreover, on 23 March 2012, the Bank and FLP concluded an agreement on an uncommitted credit line up to the maximum amount of PLN 200 million. Under the credit line, FLP may draw down tranches denominated in EUR, CHF or PLN for the period from 12 months to maximum 10 years.



30. Transactions with the Board of Executives, Supervisory Board, Managers and Employees

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:

Note 30.1

| Remuneration for key managers (in PLN thousand) | 1 Jan 2012 - 31 Dec 2012 | 1 Jan 2011 - 31 Dec 2011 |
|--|---------------------------------|---------------------------------|
| Board of Executives, including: | 8,546 | 8,634 |
| - remuneration | 5,936 | 5,161 |
| - other* | 2,610 | 3,473 |
| Supervisory Board | 771 | 756 |
| Managing Directors** | 15,260 | 16,310 |

* in the "other" item, the Bank recognises costs related to medical care, company cars (lump sum), 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.

Members of the Bank's Board of Executives who are members of Supervisory Boards of subsidiaries, received no remuneration on that account, either in 2012 or 2011.

Provisions for employee benefits for key managers of the Bank

The table below presents provisions for employee benefits for key managers as at 31 December 2012 and comparative data as at 31 December 2011:

Note 30.2

| Provisions for employee benefits for key managers, by groups (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Short-term, including: | 4,058 | 4,584 |
| - Board of Executives | 1,806 | 1,882 |
| - Managing Directors | 2,252 | 2,702 |
| Long-term, including: | 941 | 346 |
| - Board of Executives | 566 | 116 |
| - Managing Directors | 375 | 230 |
| Total provisions for employee benefits for key managers | 4,999 | 4,930 |



Information on loans, credit facilities, guarantees and sureties granted by the Bank to: Managing Directors, Members of the Board of Executives and Supervisory Board of BNP Paribas Bank Polska SA.

As at 31 December 2012, the Bank granted:

to the Supervisory Board's Members:

- no debt with the Bank;

to the Board of Executives' Members:

- 6 credit card limits totalling PLN 90 thousand, of which PLN 18 thousand was used;
- 4 foreign currency loans in the amount of PLN 1,128 thousand with the original maturity from 5 to 10 years, inclusive;
- 3 debit limits in the savings and checking account in the total amount of PLN 180 thousand;

to Managing Directors:

- 25 loans totalling PLN 6,490 thousand, including 7 foreign currency loans in the total amount equivalent to PLN 4,232 thousand with original maturity from 3 months to over 30 years;
- 9 debit limits in the savings and checking account of PLN 166 thousand, of which PLN 78 thousand was utilised as at the end of 2012;
- 15 credit card limits totalling PLN 104 thousand, of which PLN 29 thousand were utilised as at the end of 2012;

to persons related to managing and supervising persons:

- 8 loans, of which one in a foreign currency, in the total amount of PLN 164 thousand with the original maturity from 2 to 30 years, inclusive;
- 1 debit limit in the savings and credit account in the total amount of PLN 4 thousand;
- 2 credit card limits totalling PLN 11 thousand, of which PLN 1 thousand were utilised as at the end of 2011.

As at 31 December 2011, the Bank granted:

to the Supervisory Board's Members:

- no debt with the Bank;

to the Board of Executives' Members:

- 7 credit card limits totalling PLN 35 thousand, of which PLN 11 thousand was used;
- 5 foreign currency loans in the amount equivalent to PLN 1,311 thousand with the original maturity from 5 to 10 years, inclusive;
- 2 debit limits in the savings and checking account in the total amount of PLN 80 thousand;

to Managing Directors:

- 34 loans totalling PLN 8,555 thousand, including 13 foreign currency loans in the total amount equivalent to PLN 6,833 thousand with original maturity from 3 months to over 30 years;
- 11 debit limits in the savings and checking account of PLN 231 thousand, of which PLN 27 thousand was utilised as at the end of 2011;
- 15 credit card limits totalling PLN 112 thousand, of which PLN 54 thousand were utilised as at the end of 2011;

to persons related to managing and supervising persons:

- 8 loans, of which one in a foreign currency, in the total amount of PLN 259 thousand with the original maturity from 2 to 30 years, inclusive;
- 1 debit limit in the savings and credit account in the total amount of PLN 8 thousand;
- 2 credit card limits totalling PLN 11 thousand, of which PLN 7 thousand were utilised as at the end of 2011.



Information on indebtedness of employees related to loans granted from the Company Social Benefit Fund (ZFSS)

The table below presents the level indebtedness of employees of BNP Paribas Bank Polska SA related to loans granted from the Company Social Benefit Fund (ZFSS).

Note 30.3

| Employee indebtedness on account of cash loans granted from the Company Social Benefits Fund (ZFSS) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| in PLN thousand | 693 | 745 |

Employee loans

Moreover, the Bank's employees are entitled to use employee loans. The outstanding balance of such loans is shown in the table below:

Note 30.4

| Employee loans granted | 31 Dec 2012 | 31 Dec 2011 |
|--------------------------------------|--------------------|--------------------|
| in PLN thousand | 153,808 | 205,722 |
| According to the number of employees | 1,371 | 1,657 |

General terms and conditions of loans, credit facilities, guarantees and sureties received by employees, Managing Directors, Members of the Bank's Board of Executives and Supervisory Board do not differ from the applied market conditions.



31. Employee benefits

The number of full-time equivalents (FTEs) in the Bank was as follows:

Note 31.1

| Employment: | 31 Dec 2012 | 31 Dec 2011 |
|-----------------------------|--------------------|--------------------|
| FTEs | 2,773 | 2,984 |
| of which, having education: | | |
| - higher | 65 % | 64 % |
| - BA | 13 % | 13 % |
| - secondary | 22 % | 23 % |

Employee benefits consist of:

- Short-term employee benefits, including:
 - reserve for bonuses
 - reserve for unused vacation leaves
 - Company Social Benefit Fund (ZFŚS)
 - others
- Long-term employee benefits, including:
 - reserve for pension benefits
 - provision for a deferred cash portion of the variable compensation for the executives and other individuals who have a significant influence on the risk profile.

Details regarding reserves for short-term employee benefits broken by titles:

Note 31.2

| Short-term employee benefits by titles (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Reserve for employee bonuses | 13,313 | 15,555 |
| Reserve for unused vacation leaves | 5,230 | 3,420 |
| Company Social Benefit Fund (ZFŚS) | 1,008 | 1,413 |
| restructuring provision (benefits on account of work relationship termination) | 4,370 | - |
| Others | 79 | 12 |
| Total short-term employee benefits | 24,000 | 20,400 |

The Bank does not finance employee pension schemes.

Under long-term employee benefits, the Bank recognises liabilities related to retirement severance pay, disability benefits and post-death benefits, likewise related to the deferred payment of a part of variable compensation of executives and other individuals who have a significant influence on the risk profile. The benefits are specific benefit programs that are not financed by assets.

The Bank applies the rule of full recognition of actuarial profits and losses in the income statement. Retirement severance pay, disability benefits and post-death benefits are governed by the relevant Labour Code provisions and are obligatory.



In the table below, a breakdown of long-term employee benefits by programmes is presented:

Note 31.3

| Current value of liabilities (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Retirement severance pay, disability benefits and post-death benefits | 2,878 | 2,467 |
| Annual bonuses for employees on managerial positions | 526 | - |
| Total long-term employee benefits | 3,404 | 2,467 |
| Liabilities recognised in the balance sheet | 3,404 | 2,467 |

The tables below present opening and ending balances of the present value of long-term employee benefits:

Note 31.4

| Long-term obligations to employees (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Present value of liabilities – opening balance | 2,467 | 2,216 |
| Current employment costs | 833 | 267 |
| Interest expense | 141 | 120 |
| Actuarial Profits (+) / Losses (+) | -34 | -66 |
| Benefits paid out (-) | -3 | -70 |
| Present value of liabilities – ending balance | 3,404 | 2,467 |

In the table below, a discount rate is presented along with the expected remuneration growth rate accounted for in the benefit valuation.

Note 31.5

| Actuarial assumptions for measurement | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Discount rate | 4.95 % | 5.90 % |
| Expected remuneration growth rate | 5.00 % | 5.00 % |



32. 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
- FX risk
- interest rate risk
- counterparty risk
- operational risk
- compliance risk.

The Bank's Board of Executives defines the risk policy and applies rules of risk management and control, determines the limit setting policy for all relevant risk types as well as risk control procedures.

Credit risk

Credit risk is the risk of losses incurred by the Bank on account of granted loans due to the customer inability to meet its obligations within the predefined contractual date.

In its business, the Bank grants loans and credit facilities likewise issues guarantees to its customers, and also develops other forms of financing. This type of activity results in the Bank's exposure to risk that a loan or another form of financing granted by the Bank is not repaid by a borrower at a contractual date.

The credit risk management is based on an integrated approach that covers both operational and strategic dimensions.

Further to that, in the strategic dimension the Bank defines its risk profile and adjusts business assumptions to it. The strategic credit risk management is related with such aspects of the Bank's activity as the management of the Bank's capital and goodwill, pricing policy, planning or budgeting. Such an approach is to maintain the capital adequacy and the assumed level of risk costs while generating an optimum asset profitability.

The strategic dimension focuses on the portfolio risk and covers the following activities:

- implementation of the rules and objectives of the Bank's credit policy,
- creation and development of credit systems and tools (credit engineering),
- setting limits, monitoring and management of the portfolio credit risk,
- management reporting.

The credit risk operational management focuses on the management on the level of a borrower or even a single exposure. The operational dimension consists of the following activities:

- credit analysis and credit decisions,
- credit administration,
- monitoring of risk related to individual credit exposures,
- restructuring,
- debt recovery.

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 dedicated committees of the Bank.

The basic rules concerning credit risk assessment, measurement, acceptance, hedging, control and reporting, have been specified in the Bank's *Credit Risk Management Policy* which is consistent with the risk management strategy at BNP Paribas Bank Polska SA and supports the achievement of objectives laid down in the strategy. The above policy determines risk management rules related to retail credit exposures, exposures that finance real estate and are secured by mortgages - to implement requirements of Recommendations T and S issued by the Polish Financial Supervision Authority - and risk management rules concerning subsidiaries.

Detailed financing rules and criteria regarding a product offering of a given business line, types of loans available, financing objectives, its terms and conditions or limits, rules of risk identification, measurement and acceptance, securing the loan repayment and customer monitoring over the life of a loan agreement, are defined in credit policies for specific business lines.



Credit risk assessment is either individualised or standard, depending on the level of complexity of a credit product offered and customer segment assessed. An individual credit risk assessment is applied in the event of a comprehensive financing tailored to the needs of a customer of a significant scale of business activity. On the other hand, a standard credit risk assessment is used for homogeneous products granted to borrowers of a similar risk profile and for similar purposes.

The credit risk assessment process in the Bank includes both the quantitative and qualitative components. The quantitative part refers to an analysis of the borrower's economic and financial situation, the investment project business plan and macroeconomic environment forecast. The qualitative assessment focuses on "soft" business competence, knowledge of the market and its members as well as trends that affect the demand and supply of credit products, combined with expertise on a specific nature of borrowers' businesses in individual economic sectors.

The superior bodies authorised to make credit decisions at the Bank are the Credit Committee and the Watch-list and Doubtful Debts Committee, which act under the Bank's *Credit Decision Making Regulations* approved by the Bank's Supervisory Board.

To ensure effectiveness of the decision-making process, some authority to make credit decisions is delegated to lower decision-making levels. The decision-making authority delegation 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. Amount limits of decision-making authorisations depend on the following criteria: 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 Retail Risk Committee, credit decisions can be made by one person - by business line representatives.

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

Ratings are assigned to commercial customers towards which the Bank's total credit exposure exceeds EUR 1,000, except business entities that use car loans only.

The risk assessment based on scoring models using e.g. the data from the Credit Information Bureau, is applied to individual customers as well as business entities that use car loans only. The creditworthiness of business entities is estimated based on Fortis Masterscale, a rating system that contains 17 rating classes to assess entities that fulfil the payment obligations ($PD < 1$) and 3 rating classes for defaults.

Borrowers with reference to which there is a probability that the Bank will not recover all the receivables due unless collateral is used, or which are in default for over 90 days regarding any material credit liability due to the Bank, are assigned rating between 11 and 12 and the default status. The default status is assigned in accordance with the risk classification system, adopted by the Bank, based on the IFRS.

The catalogue of objective indicators (events of default) includes quantitative and qualitative data, such as the following:

- significant financial difficulties or bankruptcy risk,
- composition settlement,
- composition proceedings initiated,
- economic crime,
- termination of loan agreements by other banks,
- delinquent payments longer than 90 days of a loan principal and/or interest that have been continued in any account of the customer, or a credit limit granted to the customer that has been exceeded.

The Bank's commercial customers subject to the rating process who have no Fortis Masterscale credit rating assigned, or whose rating has expired, are presented in the "no rating assigned" group.

Credit risk measurement

During the credit risk identification and measurement, the Bank uses measures that illustrate expected, unexpected and incurred credit losses (represented by loan provisions), generated by the credit portfolio. These are:

- incurred but not reported losses, for which an impairment provision is created (IBNR),
- impairment provisions for incurred and reported losses (loan specific provisions),



- expected losses - basic risk costs characteristic for a given product,
- unexpected losses - additional risk costs for which a capital buffer is created.

The calculation of the Incurred But Not Reported losses (IBNR) is based on the likelihood that a given credit exposure is reclassified from the performing portfolio into the portfolio of individually impaired assets in a given period of time, referred to as a loss identification period (LIP). Provisions for impairment related to IBNR losses are computed and posted on a monthly basis.

Provisions for impairment related to incurred and reported losses (for default exposures) are computed and posted monthly, based on the loan portfolio balance (balance sheet and off-balance sheet items) as at the end of a month, in which they were posted. Such provisions are created either on a case-by-case basis, taking into account a customer financial flow analysis, or using a collective (portfolio) method.

From the point of view of a financial institution, expected losses are considered a cost of its lending activity. They are an estimated average level of expected losses, considering the credit exposure amount. Such losses are managed by, among others, diversification and adequate valuation of credit products. Expected losses are calculated using parameters which describe credit risk, namely a probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Unexpected losses are covered using the Bank's equity capital.

Credit risk analysis

The tables below present maximum exposure of financial assets and off-balance sheet items to credit risk, the level of write-downs for impairment and provisions for off-balance sheet commitments as at 31 December 2012 and comparative data as at 31 December 2011.

Note 32.1.1

| Information on exposure quality (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| Cash and cash equivalents | 1,683,018 | 889,264 |
| - receivables without impairment | 1,684,040 | 887,625 |
| - write-downs for impairment of IBNR losses | -1,100 | - 1,111 |
| - interest | 78 | 2,750 |
| Financial assets held for trading | 145,838 | 175,761 |
| - securities | 50,270 | 24,535 |
| - derivative financial instruments | 94,439 | 150,703 |
| measurement to fair value | 95,074 | 153,648 |
| fair value adjustment for credit risk | -635 | -2,945 |
| - interest | 1,129 | 523 |
| Due from banks | 208,045 | 359,211 |
| - receivables without impairment | 207,544 | 358,906 |
| - write-downs for impairment of IBNR losses | -74 | -84 |
| - interest | 575 | 389 |
| Loans to customers | 14,611,836 | 14,883,187 |
| - receivables without impairment | 13,861,105 | 13,988,812 |
| - receivables impaired, including where the impairment is: | 1,765,282 | 2,043,653 |
| determined on a case-by-case basis | 1,079,555 | 1,204,813 |
| determined using a collective method | 685,727 | 838,840 |
| - write-downs for impairment for incurred and reported losses | -976,473 | -1,116,188 |
| determined on a case-by-case basis | -490,494 | -594,149 |
| determined using a collective method | -485,979 | -522,039 |
| - write-downs for impairment of IBNR losses | -91,763 | -84,052 |
| - interest | 53,685 | 50,962 |
| Investments - Available for Sale | 1,817,783 | 3,655,428 |
| - receivables without impairment | 1,766,924 | 3,606,256 |
| - receivables impaired | 27,336 | 30,381 |
| - write-downs for impairment for incurred and reported losses | -11,317 | -15,187 |



| | | |
|--|------------------|------------------|
| - interest | 34,840 | 33,978 |
| Other investments | 120,648 | 112,996 |
| Off-balance sheet commitments granted | 6,928,061 | 5,825,832 |
| - off-balance sheet commitments without impairment | 6,848,692 | 5,767,646 |
| - off-balance sheet liabilities impaired, including where the impairment is: | 95,903 | 92,652 |
| determined on a case-by-case basis | 64,066 | 62,235 |
| determined using a collective method | 31,837 | 30,417 |
| - provisions for off-balance sheet commitments | -7,910 | -28,286 |
| determined on a case-by-case basis | -7,220 | -26,741 |
| determined using a collective method | -690 | -1,545 |
| - write-downs for impairment of IBNR losses – off-balance sheet commitments | -8,624 | -6,180 |

Note 32.1.2

| Analysis of gross receivables from customers (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Performing receivables without impairment | 13,566,921 | 13,617,645 |
| Non-performing receivables without impairment | 294,184 | 371,167 |
| Receivables with impairment determined on a case-by-case basis (with a provision) | 1,001,962 | 1,160,363 |
| Receivables with impairment determined on a case-by-case basis (without a provision) | 77,593 | 44,450 |
| Receivables with impairment determined collectively (with a provision) | 658,787 | 816,837 |
| Receivables with impairment determined collectively (without a provision) | 26,940 | 22,003 |
| Total loans to customers, gross | 15,626,387 | 16,032,465 |

The table below presents a currency analysis of loans to customers, which are neither past-due nor impaired as at 31 December 2012, along with comparative data as at 31 December 2011.

Note 32.1.3

| Performing receivables without impairment as per currencies (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| CHF | 4,025,390 | 4,604,051 |
| EUR | 1,703,156 | 2,034,082 |
| PLN | 7,664,337 | 6,678,731 |
| USD | 174,038 | 300,781 |
| Total | 13,566,921 | 13,617,645 |

The analysis of loans to customers which are neither past-due nor impaired, broken down by rating classes as at 31 December 2012, along with comparative data as at 31 December 2011, is presented in the table below.

Note 32.1.4

| Performing receivables without impairment (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| 1-7 | 1,086,475 | 1,165,970 |
| 8-10 | 1,593,797 | 1,526,671 |
| 11-12 | 1,948,622 | 1,993,921 |
| 13-17 | 1,090,737 | 1,372,772 |
| No rating assigned | 7,847,290 | 7,558,311 |
| - of which mortgage loans | 5,561,786 | 5,987,367 |
| Total | 13,566,921 | 13,617,645 |



The following table presents receivables from customers which have been impaired, broken down by rating classes as at 31 December 2012 along with comparative data as at 31 December 2011.

Note 32.1.5

| Receivables impaired (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| - determined on a case-by-case basis | 1,079,555 | 1,204,813 |
| 18 | - | - |
| 19 | 768,085 | 754,321 |
| 20 | 275,320 | 425,508 |
| No rating assigned | 36,150 | 24,984 |
| - determined using a collective method | 685,727 | 838,840 |
| 18 | - | - |
| 19 | 20,488 | 2,520 |
| 20 | 68,039 | 48,864 |
| No rating assigned | 597,200 | 787,456 |
| Total | 1,765,282 | 2,043,653 |

The "no rating assigned" category covers the Bank's customers that were not assigned the Fortis Masterscale credit rating or had an expired rating. Under the rules of the Fortis Masterscale system, which is in force at the Bank, rating assignment procedure is applied only to commercial customers (business entities) with respect to which the Bank's TOO exceeds EUR 1,000 per customer.

The table below presents an analysis, by delinquency periods, of financial assets that are past-due but not impaired as at the reporting date.

Note 32.1.6

| Delinquency periods of non-performing receivables, without impairment (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| from 1 to 30 days | 238,569 | 258,279 |
| from 31 to 60 days | 38,822 | 49,716 |
| from 61 to 90 days | 14,238 | 57,295 |
| from 91 days up | 2,555 | 5,877 |
| Total non-performing receivables without impairment | 294,184 | 371,167 |

The table below presents types of collateral accepted by the Bank to secure credits and loans granted to customers as at 31 December 2012 and comparative data as at 31 December 2011.

Note 32.1.7

| Nominal value of collateral established in favour of the Bank (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Financial collateral - cash and cash equivalents | 5,939,893 | 722,730 |
| Financial collateral - other | 2,797,044 | 1,555,225 |
| Non-financial collateral - tangible | 30,704,495 | 30,920,761 |
| Guarantees and sureties | 3,948,007 | 3,642,323 |
| Total collateral received | 43,389,439 | 36,841,039 |



The collateral presented above includes the following collateral types:

- financial collateral – cash and cash equivalents – collateral established on cash or securities in the form of a guaranty deposit, hold on a bank account or on securities account;
- financial collateral – other – collateral established on investment fund participation units in the form of a hold on an account, transfer of receivables;
- non-financial collateral – tangible – established as a registered pledge, ordinary pledge, ownership transfer, mortgage;
- guarantees and suretyships.

The portfolio of customer loans that became impaired include receivables of renegotiated terms and conditions, of PLN 164,582 thousand as at 31 December 2012 and PLN 163,799 thousand as at 31 December 2011.

The value of assets taken over for debts in 2012 reached PLN 3,150 thousand. In the first half of 2012, the sale of these assets was maintained at a satisfactory level. However, in the second half of the year a downward trend in sales was observed which resulted from a diminished interest of customer in purchasing used vehicles.

Below there is an analysis of credit exposures (excl. banks) broken by business lines as at 31 December 2012 and comparative data as at 31 December 2011.

Note 32.1.8

| Credit exposures broken by business lines 31 Dec 2012 (in PLN thousand) | Retail Banking | Corporate and Transaction Banking | Total |
|--|-----------------------|--|-------------------|
| Balance sheet credit exposures | 11,028,320 | 4,598,067 | 15,626,387 |
| Off-balance sheet credit exposures | 939,190 | 5,611,781 | 6,550,971 |
| Total credit exposures, gross | 11,967,510 | 10,209,848 | 22,177,358 |
| Write-downs for impairment for incurred and reported losses | -635,387 | -341,085 | -976,472 |
| Provisions for off-balance sheet commitments | -772 | -7,138 | -7,910 |
| Write-downs for Incurred But Not Reported losses (IBNR) | -75,253 | -25,300 | -100,553 |
| - balance sheet receivables | -71,960 | -19,969 | -91,929 |
| - off-balance sheet commitments | -3,293 | -5,331 | -8,624 |
| Total credit exposures, net | 11,256,098 | 9,836,325 | 21,092,423 |

| Credit exposures broken by business lines 31 Dec 2011 (in PLN thousand) | Retail Banking | Corporate and Transaction Banking | Total |
|--|-----------------------|--|-------------------|
| Balance sheet credit exposures | 11,304,925 | 4,727,540 | 16,032,465 |
| Off-balance sheet credit exposures | 860,558 | 4,466,238 | 5,326,796 |
| Total credit exposures, gross | 12,165,483 | 9,193,778 | 21,359,261 |
| Write-downs for impairment for incurred and reported losses | -721,311 | - 394,877 | - 1,116,188 |
| Provisions for off-balance sheet commitments | -1,549 | - 26,737 | -28,286 |
| Write-downs for Incurred But Not Reported losses (IBNR) | -65,406 | -24,826 | -90,232 |
| - balance sheet receivables | -63,822 | -20,230 | -84,052 |
| - off-balance sheet commitments | -1,584 | - 4,596 | -6,180 |
| Total credit exposures, net | 11,377,217 | 8,747,338 | 20,124,555 |



Note 32.1.9

| Segment / Risk category 31 Dec 2012 | Credit exposure value | | | | Total |
|--|-----------------------|------------|-----------------------------------|------------|-------------------|
| | Retail Banking | | Corporate and Transaction Banking | | |
| | in PLN thousand | in % | in PLN thousand | in % | |
| Without impairment | 10,927,055 | 91 | 9,389,118 | 92 | 20,316,173 |
| With impairment: | 1,040,455 | 9 | 820,730 | 8 | 1,861,185 |
| - determined on a case-by-case basis | 350,588 | - | 793,032 | - | 1,143,620 |
| - determined using a collective (portfolio) method | 689,867 | - | 27,698 | - | 717,565 |
| Total credit exposures, gross | 11,967,510 | 100 | 10,209,848 | 100 | 22,177,358 |

| Segment / Risk category 31 Dec 2011 | Credit exposure value | | | | Total |
|--|-----------------------|------------|-----------------------------------|------------|-------------------|
| | Retail Banking | | Corporate and Transaction Banking | | |
| | in PLN thousand | in % | in PLN thousand | in % | |
| Without impairment | 10,560,318 | 87 | 8,287,336 | 90 | 18,847,654 |
| With impairment: | 1,605,165 | 13 | 906,442 | 10 | 2,511,607 |
| - determined on a case-by-case basis | 425,712 | - | 841,335 | - | 1,267,047 |
| - determined using a collective (portfolio) method | 1,179,453 | - | 65,107 | - | 1,244,560 |
| Total credit exposures, gross | 12,165,483 | 100 | 9,193,778 | 100 | 21,359,261 |

The table below presents an analysis of mortgage loans for individuals, through the relation of disbursed mortgage loans to the value of collateral for repayment of the loans, as at 31 December 2012 along with comparative data as at 31 December 2011.

Note 32.1.10

| Mortgage loans for private individuals 31 Dec 2012 | PLN | FC | Total |
|---|-----------|-----------|-----------|
| Balance sheet value (in PLN thousand) | 1,654,463 | 4,149,779 | 5,804,242 |
| Average maturity (years) | 24.4 | 22.7 | 23.2 |
| Average LTV (%) | 74 % | 90 % | 86 % |

| Mortgage loans for private individuals 31 Dec 2011 | PLN | FC | Total |
|---|-----------|-----------|-----------|
| Balance sheet value (in PLN thousand) | 1,267,733 | 4,719,635 | 5,987,368 |
| Average maturity (years) | 24.7 | 23.5 | 23.7 |
| Average LTV (%) | 76 % | 114 % | 106 % |

Note 32.1.11

| Analysis of gross mortgage loan portfolio (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|------------------|------------------|
| Performing receivables without impairment | 5,561,786 | 5,736,757 |
| Past-due receivables without impairment | 110,494 | 112,378 |
| Receivables with impairment determined on a case-by-case basis (with a provision) | 11,690 | 14,816 |
| Receivables with impairment determined on a case-by-case basis (without a provision) | - | - |
| Receivables with impairment determined collectively (with a provision) | 106,294 | 114,203 |
| Receivables with impairment determined collectively (without a provision) | 13,978 | 9,213 |
| Total mortgage loans, gross | 5,804,242 | 5,987,367 |



The table below presents an analysis of mortgage loans that are past-due but not impaired as at a reporting date.

Note 32.1.12

| Delinquency periods of past-due mortgage loans, without impairment (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| from 1 to 30 days | 93,007 | 93,418 |
| from 31 to 60 days | 14,773 | 16,175 |
| from 61 to 90 days | 2,714 | 2,785 |
| Total of past-due mortgage loans, without impairment | 110,494 | 112,378 |

The table below presents currency analysis of mortgage loans as at 31 December 2012 and comparative data as at 31 December 2011.

Note 32.1.13

| Mortgage loans by currency (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|---|--------------------|--------------------|
| CHF | 4,066,840 | 4,623,555 |
| EUR | 78,670 | 89,248 |
| PLN | 1,654,463 | 1,267,733 |
| USD | 4,269 | 6,831 |
| Total mortgage loans | 5,804,242 | 5,987,367 |

The table below presents credit portfolio concentration, gross, for balance sheet and off-balance sheet exposures (excluding banks) broken by sectors, as at 31 December 2012 and comparative data as at 31 December 2011.

Note 32.1.14

| Credit portfolio by sectors | 31 Dec 2012 | | 31 Dec 2011 | |
|--|----------------------------|---------------|----------------------------|---------------|
| | in PLN thousand | in % | in PLN thousand | in % |
| Natural persons | 8,342,660 | 37.62 | 8,470,597 | 39.66 |
| Industrial processing | 3,625,684 | 16.35 | 3,453,527 | 16.17 |
| Wholesale and retail trade. Repair of vehicles, including motorcycles | 3,522,179 | 15.88 | 3,111,971 | 14.57 |
| Construction and activity related to real estate market service | 3,023,555 | 13.63 | 2,925,596 | 13.70 |
| Other services | 820,671 | 3.70 | 1,134,832 | 5.31 |
| Financial and insurance activity | 663,915 | 2.99 | 560,462 | 2.62 |
| Mining and extraction | 595,695 | 2.69 | 69,506 | 0.33 |
| Transport and warehouse management | 445,034 | 2.01 | 539,188 | 2.52 |
| Production and supply of electricity, gas, steam and air to air conditioning systems | 240,504 | 1.08 | 39,314 | 0.18 |
| Water supply, sewage and waste management and rehabilitation-related activity | 225,149 | 1.02 | 309,754 | 1.45 |
| Other industries | 672,312 | 3.03 | 744,514 | 3.49 |
| Total credit portfolio by sectors | 22,177,358 | 100.00 | 21,359,261 | 100.00 |

The Bank applies an internal procedure on the exposure concentration management, under which e.g. limits for credit exposures towards specific economy sectors have been established along with rules of monitoring the limit current utilisation. The monitoring results are submitted quarterly to the Board of Executives and the Risk Committee. Furthermore, the Bank annually verifies the limits to reflect changes in the risk level for specific sectors.

In 2012, the Bank noted growth of non-performing receivables due from the construction sector customers. In order to mitigate the risk, the Bank made an additional review of that sector's credit exposures. As a result



of the review, the Bank decided to initiate restructuring measures towards selected customers, and verified amounts of provisions created for receivables due from that sector.

Credit risk concentration

The Bank fully complies with and monitors limits under the Banking Law Act that define levels of receivables concentrations bearing risk of one entity or affiliated entities.

Under Article 71 para. 1a-1c of the Banking Law Act, the Bank's Board of Executives set forth a limit for the Bank's exposures towards a bank or credit institution or a group of affiliated entities, comprising at least one bank or credit institution, at the level of 35% of the Bank's own funds, however not exceeding the equivalent of EUR 150 million.

As at 31 December 2012, the limit stood at PLN 613,230 thousand and was not exceeded with respect to any customer or a group of affiliated entities.

In 2012, the Bank determined a set of internal concentration limits to be applied both in the Bank and its subsidiaries. The system of internal limits supports maintenance of the accepted risk profile by ensuring an optimum diversification of the credit portfolio structure. The limit system has been developed by the Bank in particular to implement rules and requirements set forth in Resolution 384/2008, Recommendations T and S and other requirements issued by the Polish Financial Supervision Authority. None of the internal concentration limits defined was exceeded in 2012.



Liquidity, FX 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.

FX risk is the risk of adverse changes in the Bank's financial result caused by changes in market FX 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);
- changes in market interest rates that affect fair value of the Bank's open positions (interest rate volatility risk), or
- exercise by customers of options built in the bank products which may be exercised as a result of changes in market interest rates (customer option risk).

The Bank monitors the liquidity risk, FX 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, FX and interest rate risks. The limits are set in such a way so as to:

- keep 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.

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 and 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 booking, transaction 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.

The policy that consists in a plain separation of:

- business functions from the risk level control functions - is to ensure that the quality of FX and interest rate risk level control would not deteriorate as a result of an internal conflict of interest, and that any control results that show an excessive FX risk would trigger an appropriate reaction of the Bank's management,
- operating functions from the risk control function - is to ensure that the quality of risk level control would not worsen as a result of an internal conflict of interest, and that any control results that show an excessive risk level would trigger an appropriate reaction of the Bank's management,
- operating functions from business functions - is to ensure that the quality of operating processes would not decrease as a result of an internal conflict of interest.

The Bank has developed policies on risk control and management including the procedure in the event of crisis situations. The said policies refer also to FX and interest rate risk management processes.

Liquidity Risk

In the Bank's opinion, 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 with 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 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 by 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:

- settle its payment obligations timely,
- acquire funds alternative to the funds currently held,
- generate positive cash flow balance within a specified time horizon.

The Bank's strategy consists in the following:

- Ensuring high quality standards for the liquidity management processes. Under the strategy, steps towards quality improvement of the liquidity management processes have been assigned the top priority at the Bank;
- Striving to ensure that the Bank's dependence on market conditions is limited to such an extent that in a market crisis the Bank will be able to keep its liquidity for one month, without limiting the range of services or initiating changes in the core business. In the event of a market crisis lasting for a longer period, the Bank's strategy provides that liquidity would be sustained, however, the previous development direction might be changed in this situation, and the Bank would allow for costly changes in the business profile;
- Minimisation, in an active way, of the prospect for the occurrence of unfavourable events for the Bank. Since, however, the probability that such factors occur may not be completely eliminated, the Bank's strategy consists also in ensuring that, should such factors occur, the Bank will sustain its financial liquidity at minimum own costs (measurable and immeasurable) and take efficient steps to regain the confidence of customers and financial institutions as soon as possible.

Structure of Credit Financing

The Bank finances its PLN loans mainly by means of Customers' funds accumulated as current or term deposits.

The Bank finances its FC loans mainly by means of funds originating from medium- and long-term loans from the BNP Paribas Group.

As at 31 December 2012, the structure of disbursed loans from the Group was as follows:

- CHF 25 million – maturity in July 2013,
- CHF 250 million – maturity in October 2013,
- EUR 90 million – maturity in December 2013,
- PLN 800 million – maturity in February 2014,
- CHF 40 million – maturity in June 2014,
- CHF 275 million – maturity in July 2014,
- CHF 230 million – maturity in June 2015,
- CHF 30 million – maturity in March 2016,
- CHF 169 million – maturity in June 2016,
- CHF 31 million – maturity in September 2016,
- CHF 75 million – maturity in March 2017,
- CHF 75 million – maturity in June 2017,
- EUR 60 million – maturity in September 2017,
- CHF 75 million – maturity in September 2017,
- CHF 60 million – maturity in December 2022,
- EUR 60 million – maturity in December 2022.
-



Additionally, as at 31 December 2012, the Bank disbursed the following credit facilities from the EBRD and EIB:

- PLN 150 million – maturity in December 2015,
- EUR 30 million – maturity in January 2016,
- PLN 119 million – maturity in July 2016,
- PLN 55 million – maturity in December 2016,
- PLN 80 million – maturity in June 2017.

The table below presents an analysis of balance sheet items broken by residual maturity as at 31 December 2012 and comparative data as at 31 December 2011.

An analysis regarding derivative instruments is presented in Note 26.

Note 32.2

| Balance sheet items broken down by residual maturity | | | | | | | | |
|---|---|--------------------------|-------------------------|--------------------------|------------------------|------------------------|-------------------------|-------------------|
| 31 Dec 2012 (in PLN thousand) | Without any maturity determine d | up to 1 month | 1-3 months | 3-12 months | 1 - 3 years | 3 - 5 years | > 5 years | Total |
| Cash and cash equivalents | - | - | - | - | - | - | - | 1,903,463 |
| Financial assets held for trading | - | 6,809 | 10,978 | 11,695 | 9,218 | 78,929 | 28,209 | 145,838 |
| Due from banks | 501 | 40,604 | 105,603 | 46,337 | 15,000 | - | - | 208,045 |
| Loans to customers | 748,117 | 2,149,659 | 349,685 | 1,469,034 | 2,840,199 | 1,693,320 | 5,361,823 | 14,611,837 |
| Investments available for sale | 10,058 | 174,641 | - | 6,335 | 524,320 | 478,106 | 624,323 | 1,817,783 |
| Other investments | 120,648 | - | - | - | - | - | - | 120,648 |
| Other assets | - | - | - | - | - | - | - | 438,091 |
| Long position | 879,324 | 2,371,713 | 466,266 | 1,533,401 | 3,388,737 | 2,250,355 | 6,014,355 | 19,245,705 |
| Financial liabilities held for trading | - | 3,215 | 9,453 | 11,286 | 7,623 | 27,337 | 27,804 | 86,718 |
| Due to banks | 1,314 | 155,922 | 8,657 | 51,944 | 124,089 | 40,401 | - | 382,327 |
| Due to customers | 45,267 | 7,571,190 | 823,393 | 1,433,230 | 239,621 | 413 | - | 10,113,114 |
| Loans and credit facilities received | 10,640 | - | - | 1,299,308 | 2,795,806 | 1,917,533 | - | 6,023,287 |
| Subordinated liabilities | 459 | 245,292 | - | - | - | - | 448,500 | 694,251 |
| Other liabilities | - | - | - | - | - | - | - | 1,946,008 |
| Short position | 57,680 | 7,975,619 | 841,503 | 2,795,768 | 3,167,139 | 1,985,684 | 476,304 | 19,245,705 |
| Gap – balance sheet | 821,644 | -5,603,906 | -375,237 | -1,262,367 | 221,598 | 264,671 | 5,538,051 | - |
| Balance sheet items broken down by residual maturity | | | | | | | | |
| 31 Dec 2011 (in PLN thousand) | Without any maturity determine d | up to 1 month | 1 - 3 months | 3 - 12 months | 1 - 3 years | 3 - 5 years | > 5 years | Total |
| Cash and cash equivalents | - | - | - | - | - | - | - | 1,056,316 |
| Financial assets held for trading | 523 | 23,171 | 16,620 | 44,084 | 9,349 | 39,159 | 42,855 | 175,761 |
| Due from banks | 305 | 195,112 | 103,794 | - | 60,000 | - | - | 359,211 |



| | | | | | | | | |
|---|------------------|-------------------|-----------------|-------------------|-------------------|------------------|------------------|-------------------|
| Loans to customers | 923,203 | 2,168,529 | 459,660 | 1,507,141 | 2,534,042 | 1,619,510 | 5,671,105 | 14,883,190 |
| Investments available for sale | 40,760 | 1,569,391 | - | 215,048 | 176,966 | 589,440 | 1,063,823 | 3,655,428 |
| Other investments | 112,996 | - | - | - | - | - | - | 112,996 |
| Other assets | - | - | - | - | - | - | - | 480,266 |
| Long position | 1,077,787 | 3,956,203 | 580,074 | 1,766,273 | 2,780,357 | 2,248,109 | 6,777,783 | 20,723,168 |
| Financial liabilities held for trading | - | 34,227 | 12,546 | 16,971 | 9,113 | 35,428 | 17,749 | 126,034 |
| Due to banks | 1,905 | 487,347 | 9,353 | 55,719 | 371,114 | 90,415 | 12,471 | 1,028,324 |
| Due to customers | 51,375 | 7,254,998 | 860,791 | 601,870 | 255,912 | 70 | 3,037 | 9,028,053 |
| Loans and credit facilities received | 20,496 | - | - | 4,002,924 | 3,348,315 | 762,901 | 80,000 | 8,214,636 |
| Subordinated liabilities | 2,612 | - | - | - | - | - | 590,016 | 592,628 |
| Other liabilities | - | - | - | - | - | - | - | 1,733,493 |
| Short position | 76,388 | 7,776,572 | 882,690 | 4,677,484 | 3,984,454 | 888,814 | 703,273 | 20,723,168 |
| Gap – balance sheet | 1,001,399 | -3,820,369 | -302,616 | -2,911,211 | -1,204,097 | 1,359,295 | 6,074,510 | - |

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 FX market to earn financial result on short-term arbitrage positions.

The Bank's exposure to the market FX 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 FX position and end-of-day FX position. In order to effectively and precisely manage the FX position, an information system is used which provides up-to-date information on the following:

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

FX position and VAR are limited and reported as 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 FX risk monitoring needs, the VaR is determined with the 99% confidence level. The VaR calculation for F/X risk includes the one-day term for keeping FX 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 as at the end of the first quarter, demonstrated the need to revise the model. The revised model has been applied since 2 May 2012.



The utilisation of limits for FX risk portfolio was as follows:

Note 32.3.1

| 1 Jan 2012 - 31 Dec 2012 | Limit utilisation | | |
|---------------------------|-------------------|--------|---------|
| | minimum | medium | maximum |
| VaR | 2 % | 35 % | 174 % |
| Global FX position | 16 % | 45 % | 114 % |

| 1 Jan 2011 - 31 Dec 2011 | Limit utilisation | | |
|---------------------------|-------------------|--------|---------|
| | minimum | medium | maximum |
| VaR | 0 % | 25 % | 101 % |
| Global FX position | 0 % | 34 % | 71 % |

As at 31 December 2012, no FX risk limits were exceeded.

Considering a small value of the limits and a conservative method of their determination (i.e. the VaR at PLN 200 thousand and FX position at PLN 25 million), the cases noted when the limits were exceeded did not mean any significant growth of risk assumed by the Bank.

On 1 August 2012, the VaR limit was changed to PLN 700 thousand.

The table below presents currency structure of assets and liabilities of the Bank in PLN equivalents, as at 31 December 2012 along with comparative data as at 31 December 2011.

Note 32.3.2

| FX position components (in PLN thousand) | 31 Dec 2012 | | 31 Dec 2011 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Assets | Liabilities | Assets | Liabilities |
| USD | 219,100 | 395,000 | 326,100 | 454,024 |
| GBP | 17,227 | 16,835 | 23,016 | 24,577 |
| CHF | 4,575,061 | 4,575,703 | 5,023,019 | 5,022,613 |
| EUR | 2,450,134 | 2,488,146 | 2,901,938 | 3,850,806 |
| PLN | 11,964,817 | 11,739,768 | 12,432,932 | 11,353,280 |
| Other convertible currencies | 19,366 | 30,235 | 16,163 | 17,868 |
| Total | 19,245,705 | 19,245,705 | 20,723,168 | 20,723,168 |

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: the ALM portfolio and the 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.

According to the Bank's policy, the interest rate risk is analysed both jointly, and separately for each of the portfolios. 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 book;
- interest earnings at risk (EaR) - simulations of future (within the next year) net interest earnings assuming diverse interest rate curve scenarios,



- Duration of Equity – assigning the Bank’s capital position a hypothetical time limit in such a way that an average weighted duration of assets of a given portfolio is equal to the average weighted duration of this portfolio liabilities,
- sensitivity to the parallel shift of the interest rate curve,
- Modified Duration - determination of sensitivity of the present value of a position or a portfolio to the interest rate level change.

The analyses constitute the basic part of the system of limiting the interest rate risk at the Bank. Particular analyses are carried out for relevant portfolios on a daily, monthly or quarterly basis, depending on an analysis type and portfolio, for which they are performed.

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).

Information on interest rate risk

The note below presents interest rate risk measures for the Treasury portfolio (short-term positions) and the banking book (pursuant to KNF Resolution no. 76/2010 as amended) in the years 2012 and 2011:

Note 32.4.1

| PLN thousand | Limit utilisation for the Treasury portfolio | | |
|-------------------|--|-------------|---------|
| | 31 Dec 2012 | 31 Dec 2011 | Limit |
| Modified Duration | 47,230 | 72,541 | 650,000 |
| VaR | 67.7 | 87.1 | 700.0 |

| PLN thousand | Limit utilisation for the banking book | | |
|---|--|-------------|--------|
| | 31 Dec 2012 | 31 Dec 2011 | Limit |
| VaR | 2,492 | 5,154 | - |
| Position sensitivity to the interest rate curve shift by +100 bps | 24,036 | 32,803 | 61,100 |
| EaR | 3.45 % | 6.22 % | 10 % |

| | Limit utilisation for the ALM Equity portfolio | | |
|--------------------|--|-------------|---------|
| | 31 Dec 2012 | 31 Dec 2011 | Limit |
| Duration of Equity | 1.92 years | 3.59 years | 5 years |

The utilisation of interest rate limits for the Treasury portfolio in 2012 as compared to 2011 is presented below:

Note 32.4.2

| 1 Jan 2012 - 31 Dec 2012 | Limit utilisation | | |
|-------------------------------|-------------------|--------|---------|
| | Minimum | medium | maximum |
| VaR | 0 % | 9 % | 26 % |
| Global interest rate position | 2 % | 18 % | 42 % |

| 1 Jan 2011 - 31 Dec 2011 | Limit utilisation | | |
|-------------------------------|-------------------|--------|---------|
| | Minimum | medium | maximum |
| VaR | 0 % | 12 % | 23 % |
| Global interest rate position | 0 % | 25 % | 48 % |

As at 31 December 2012, no established limits were exceeded.



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 can change over time depending on such factors as the level of interest rates or FX 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. As at the end of December 2012, the counterparty risk calculation included the following transactions recognised in the Bank's trading book: FX transactions, interest rate swap transactions, FX options and interest rate options.

Note 32.5

| Counterparty risk measures broken down by business lines as at 31 Dec 2012 (in PLN thousand) | Corporate and Transaction Banking, Retail Banking | Interbank transactions | Total |
|---|--|-------------------------------|--------------|
| Balance sheet equivalent of derivative transactions | 85,819 | 120,027 | 205,846 |
| Capital requirement for derivative transactions (total trading and banking book) | 6,865 | 3,389 | 10,254 |

Counterparty credit risk assessment with respect to transactions generating counterparty risk is similar to the assessment performed for lending. Rules of entering into FX and derivative transactions, likewise granting, using and monitoring credit limits for such transactions with customers are regulated at the Bank in dedicated procedures. Under the policy adopted, the Bank enters into any transactions based on individually assigned limits and following the knowledge of customer. The Bank has defined product groups offered to customers depending on their individual knowledge and experience.

Fair value

The Bank calculates fair values of transactions not measured through the balance sheet by discounting all transaction flows using interest rates curves characteristic for each group of transactions.

An interest rate curve used to calculate the fair value of the Bank's liabilities (e.g. customer deposits, interbank deposits) and receivables (e.g. loans to customers, interbank placements) consists of:

- interest rate curve free of credit risk,
- cost of acquisition of financing sources above an interest rate curve free of credit risk,
- market margin reflecting credit risk in the case of receivables.

For instruments where future cash flows cannot be determined it is assumed that their fair value equals the carrying value.

In order to structure the yield curve to determine the loan fair value, loans are divided into sub-portfolios depending on the product type and currency. For each separated sub-portfolio, a margin is set that takes into account the credit risk. The margin is established on the basis of margins applied to loans of a given type that were granted within the past three months, and if no such loans were granted in this period, then a six-month period is analysed. In the event no new transactions have been concluded for the past six months, the margin for the entire portfolio of the relevant loan type is taken as the basis. In particular, with respect to mortgage loans denominated in foreign currencies, due to the lack of new transactions, the margin for the entire portfolio of the given mortgage loan type shall be the basis for setting a margin that reflects credit risk.



Note 32.6.1

| Fair value table (in PLN thousand) | 31 Dec 2012 | | 31 Dec 2011 | |
|---|--------------------------------|-------------------|--------------------------------|-------------------|
| | Balance sheet value | Fair value | Balance sheet value | Fair value |
| Cash and cash equivalents | 1,903,463 | 1,903,425 | 1,056,316 | 1,057,921 |
| Due from banks | 208,045 | 208,865 | 359,211 | 359,432 |
| Loans to customers | 14,611,837 | 14,681,762 | 14,883,190 | 14,229,163 |
| Due to banks | 382,327 | 396,962 | 1,028,324 | 1,045,364 |
| Due to customers | 10,113,114 | 10,164,083 | 9,028,053 | 9,064,656 |
| Loans and credit facilities received | 6,023,287 | 6,138,415 | 8,214,636 | 8,256,473 |
| Subordinated liabilities | 694,251 | 747,020 | 592,628 | 645,155 |



Note 32.6.2

| Table showing the fair value of loans to customers (in PLN thousand) | 31 Dec 2012 | | 31 Dec 2011 | |
|--|---------------------|-------------------|---------------------|-------------------|
| | Balance sheet value | Fair value | Balance sheet value | Fair value |
| Loans to budgetary entities | 44 | 44 | 45 | 45 |
| Mortgage loans | 5,804,242 | 5,701,852 | 5,987,368 | 5,251,399 |
| Consumer loans and credit facilities | 2,330,502 | 2,385,342 | 2,278,820 | 2,320,109 |
| Commercial loans | 7,486,148 | 7,603,715 | 7,758,318 | 7,799,136 |
| Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date | 930 | 930 | 393 | 393 |
| Other receivables | 4,522 | 4,463 | 7,521 | 7,400 |
| Interest | 53,685 | 53,652 | 50,962 | 50,918 |
| Total loans to customers, gross | 15,680,073 | 15,749,998 | 16,083,427 | 15,429,400 |
| Impairment provisions: | -1,068,236 | -1,068,236 | -1,200,237 | -1,200,237 |
| - for incurred, reported losses | -976,473 | -976,473 | -1,116,185 | -1,116,185 |
| - for Incurred But Not Reported losses (IBNR) | -91,763 | -91,763 | -84,052 | -84,052 |
| Total loans to customers, net | 14,611,837 | 14,681,762 | 14,883,190 | 14,229,163 |

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 can include issues related to IT systems applied at the Bank and human resources management, while 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 organisation, systems applied likewise products and services offered. Operational risk includes also in particular legal risk and compliance risk.

The Bank's operational risk profile constitutes the assessment of the risk level of concern, understood as the level of exposure to operational losses. It 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.

The operational risk management consists in continuous operational risk identification, analysis, monitoring, control and mitigation processes, including determination of relevant scopes of responsibility for the above processes at different organisational levels of the Bank. A cause-and-effect analysis of an event is the basis for operational risk management. The Bank's policy with respect to the operational risk management was described in the following document adopted by the Bank: *Operational Risk Management Policy at BNP Paribas Bank Polska SA*.

The Operational Risk Management Policy determines the Bank's objectives and methods of their accomplishment as regards the quality of operational risk management, likewise the Bank's adaptation to legal requirements arising from recommendations and resolutions issued by the local banking supervisory authorities.

With respect to the operational risk management quality, the Bank's objective is to introduce and maintain a high level of operational risk management and assessment that will guarantee the safety of customers' deposits and capital and stability of the Bank's financial result. As regards the Bank's adaptation to the legal requirements concerning operational risk, the Bank's aim is to implement and apply an operational risk management and assessment system that meets legal requirements consistent with recommendations and resolutions of the local banking supervisory authority, concerning the operational risk management and assessment.

The Bank's Board of Executives makes a periodic assessment of how the Bank's operational risk management policy assumptions are put into practice. 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.

Ongoing examination of operational risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit, Oversight of Operational Permanent Control Department of the Compliance, Control and Fraud Prevention Line (Conformité). The co-ordination of the process of operational risk management in the units belonging to Technology, Operations and Process Services (TOPS) Line falls within the competence of the Information Security & BCP Department. The Real-Estate Contracts and Insurance Group in the Facility Management and Administration Department is responsible for a definition and implementation of the Bank's strategy in terms of Bank insurance, as a risk mitigation method.

The Bank precisely divides duties related to operational risk management, adjusted to the existing organisational structure of the Bank, taking into account recording operational events, as well as monitoring, mitigation and reporting of the operational risk level.

Recording operational events enables an effective analysis and monitoring of operational risk. The operational event recording process is supervised by the Oversight of Operational Permanent Control Department which also keeps content-related documentation of the data recorded and is responsible for data quality and completeness.

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.

Operational risk management instruments include:

- IT application to record operational events along with the rules of their recording, allocation and reporting,
- analysis, monitoring and daily control of operational risk,
- mitigation and transfer of operational risk,
- calculation of a capital requirement for operational risk.

Under the Bank's policy, operational losses are allocated to business lines. The principal idea of allocation is to ensure that the business line management is directly interested in the control quality and efficiency of mitigation of operational risk accompanying the service of specific products.

Risk areas that are vital for products offered by the Bank are subject to ongoing monitoring with the view to their exposure to operational risk. To this end, the Bank monitors the operational risk level on the basis of results of regular operational controls defined for the essential areas of the Bank's business. The operational permanent control system is now in its implementation phase. Furthermore, every year operational risk mapping sessions are held to determine the Bank's operational risk profile through the operational risk assessment for the main operational risk factors and the Bank's key processes. One of effects of the above analysis are remedial actions formulated when shortcomings of increased exposure to operational risk are identified.

The Bank periodically verifies efficiency of the implemented operational risk management system and its adequacy to the Bank's current risk profile. The operational risk management system is supervised and regularly reviewed by the Audit Department, which is operationally independent and employs competent and appropriately trained staff. The Bank's Supervisory Board oversees the control of the operational risk management system and assesses its adequacy and efficiency.

In order to compute the capital requirement for covering the operational risk, the Bank uses the Basic Indicator Approach.

As part of legal risk management, the Legal and Organisation Department monitors, analyses and notifies about any risks or irregularities identified. Ongoing examination of the compliance risk along with development and improvement of adequate risk control techniques are the tasks of the dedicated organisational unit, 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 counteraction, detection and examination of such cases. There is a specialised unit, the Fraud Protection Department that sees to accomplishment of these objectives.



Compliance risk

The Bank considers its image and trust, which is systematically built in relationship with its customers, counterparties, shareholders and employee, one of the primary factors that conditions efficient operation and implementation of the Bank's mission and business strategy. The Bank's and its employees' failure to comply with governing law provisions or internal regulations is considered one of the greatest threats to the Bank's good reputation and image.

Therefore, in order to ensure security and stability of the Bank's business, especially through elimination or mitigation of compliance risk and the related risk of legal sanctions, financial losses or reputation loss, essential for the present and future position of the Bank in relation to its competitors and the public, a Compliance Risk Management Policy at BNP Paribas Bank Polska SA has been implemented. At the same time, processes of monitoring, identification and analysis of compliance of the Bank's internal regulations, banking practice and the conduct of Bank's employees with the binding regulations have been introduced. The said processes are the responsibility of the Compliance Department.

The Bank developed an internal Customer Acceptance Policy, thus implementing necessary IT software to verify whether customers serviced were recorded on sanctioned entities lists or not, and adjusting the Bank's operation to the requirements of the Anti-Money Laundering and Counter-Terrorism Financing Act, as amended, which is a part of the compliance risk management.

Additionally, the Bank has implemented internal regulations of an ethical nature, i.e. Code of Conduct of Employees, Regulations regarding Employees' Personal Transactions or Rules for Managing Conflict of Interests, which are presently applicable. With respect to ensuring compliance, the regulations related to acting in the interest of customers, in particular arising under the law provisions such as the financial instrument trading act, which is a transposition of the EU MiFID, play an important role.



Capital management

Rules applied in the capital adequacy account

Duties related to the capital management and capital adequacy are performed by the Bank in line with guidelines specified in the Banking Law Act and resolutions of the Polish Banking Supervision Authority. Pursuant to the aforesaid guidelines, the Bank's capital adequacy is managed under three pillars:

- Pillar 1 – calculation of capital requirements for credit risk, market risk and operational risk,
- Pillar 2 - internal capital assessment process and determination of the optimal level of capital funds consistent with the bank's risk profile,
- Pillar 3 - disclosure of information about the bank's risk profile and capital adequacy level.

Under Pillar 1 (regulatory approach) the scope and detailed rules of determination of capital requirements on account of specific risk types are stipulated in Resolution No. 76/2010 of the Financial Supervision Authority dated 10 March 2010 regarding the scope and specific rules of determination of capital requirements on account of particular risk types, as amended.

BNP Paribas Bank Polska SA fulfils duties related to the computation of the capital requirement for credit risk by using a standardized approach. According to this approach, the Bank computes requirements using the regulatory division into risk classes. The Bank calculates also capital requirements for counterparty credit risk likewise for the settlement and delivery risk.

To determine capital requirement for market risk, the capital requirement for interest rate risk and FX risk are calculated first. The capital requirement for interest rate risk comprises the following: capital requirement for general interest rate risk (calculated for original positions by maturities) and the capital requirement for specific risk of debt instrument prices (calculated using the Basic Indicator Approach). The capital requirement for foreign exchange risk is calculated using the Basic Indicator Approach (BIA).

The Bank does not calculate requirements for the price risk of equity securities or the price risk of commodities, as the Bank holds no equity securities or commodities in its trading book.

The requirement for operational risk is computed using the Basic Indicator Approach (BIA) as the percentage of the net income generated.

The Bank monitors also the level of concentration of exposures and large exposures and the level of capital concentration.

Under Pillar 2, the Bank fulfils duties related to the internal capital computation pursuant to KNF Resolution No. 258/2011 dated 4 October 2011 regarding detailed rules governing risk management system and internal controls and detailed conditions of estimation by banks of internal capital and review of the internal capital estimation and maintenance process, and rules of determination of the policy governing variable components of remuneration paid to bank managers. For all risks that have been considered material, internal capital estimation methodologies have been developed. They are used by the Bank to make monthly internal assessments of the internal capital needs.

Duties under Pillar 3 are governed by KNF Resolution no. 385/2008 dated 17 December 2008 regarding detailed rules and manner of public disclosure of qualitative and quantitative information on capital adequacy and scope of the information subject to disclosure, as amended. The Bank fulfils these duties by publishing information, on the Bank's website, on measurement of risks identified in the Bank's activity, and on own funds required to cover those risks.

Calculation of own funds used in the capital adequacy ratio computation is governed by the Banking Law Act and Resolution no. 325/2011 of the Financial Supervision Authority dated 20 December 2011 regarding other reductions of Tier 1 funds, their amount, scope and conditions of decreasing bank's Tier 1 funds by such reductions, other bank's balance sheet items included into Tier 2 capital, their amount, scope and conditions of including them into bank's Tier 2 capital, reductions of Tier 2 capital, their amount, scope and conditions of decreasing bank's Tier 2 capital by such reductions; likewise the scope and manner of taking into account bank's business in holdings in the calculation of own funds capital.

Current situation with respect to capital adequacy

The primary capital adequacy principle is to keep own funds at the level not lower than the regulatory capital requirement, and assessment of internal capital needs.

Ensuring an adequate level of capital and maintenance the capital adequacy ratio at a given level is one of the main tasks of managing the Bank's balance sheet. The Bank assumes maintaining the capital adequacy ratio and the Tier 1 capital ratio at a level exceeding the regulatory requirements.



The Bank actively manages its capital position. It refers to actions aimed at increasing own funds and ensuring their proper structure and cost effectiveness, likewise to actions leading to limitation of risk generated while conducting its activity.

Note 32.7

| Capital adequacy (in PLN thousand) | 31 Dec 2012 | 31 Dec 2011 |
|--|--------------------|--------------------|
| Risk-weighted off-balance sheet assets and liabilities | 13,856 220 | 13,415,658 |
| Share capital | 1,434,646 | 1,206,175 |
| Additional capital | 176,387 | 129,157 |
| Reserve capital together with retained earnings | 991 | 16,152 |
| General risk fund for unidentified risk related to banking operations | 25,232 | 5,882 |
| Subordinated liabilities included in own funds | 693,792 | 590,016 |
| Other elements of own funds included in the capital adequacy ratio calculation | 31,022 | -18,256 |
| Gross own funds, total | 2,362,070 | 1,929,126 |
| Deductions | | |
| Capital shares in financial entities | -120,648 | -112,996 |
| Net intangible assets | -29,725 | -30,756 |
| Total deductions | -150,373 | -143,752 |
| Net own funds | 2,211,697 | 1,785,374 |
| Short-term capital | 11,102 | 12,234 |
| including current profit on the trading book | 11,102 | 12,234 |
| Total own funds plus short-term capital | 2,222,799 | 1,797,608 |
| Capital charge for: | | |
| Credit risk | 1,118,751 | 1,088,356 |
| Market risk | 3,622 | 1,558 |
| Operational risk | 107,432 | 107,439 |
| Total capital requirement | 1,229,806 | 1,197,353 |
| Capital adequacy ratio | 14.46% | 12.01% |

As at 31 December 2012, the capital adequacy ratio of the Bank was 14.46% in comparison to 12.01% as at the end of 2011.

The total capital requirement as at the end of 2012 reached PLN 1,230 million and was by 2.7% higher than as at the end of 2011. Risk-weighted assets changed mostly due to a change in the risk weight of retail FX loans (including mortgage loans) from 75% to 100%. Fluctuations in FX rates (i.e. a substantial appreciation of the Polish currency over the end of 2011) were an additional factor affecting the changes in the capital requirement level.

The Bank's own funds with short-term capital as at the end of 2012 increased by 23.7% compared to December 2011, and amounted to PLN 2,223 million. Changes in own funds were impacted by the following: repayment of subordinated loans of PLN 60 million and EUR 20 million (in May 2012), capital increase in consequence of recapitalisation (increase of the Bank's core funds by PLN 258.9 million in June 2012), repayment of a subordinated loan of EUR 40 million and taking new subordinated loans of CHF 60 million and EUR 60 million (in December 2012). Thanks to the steps undertaken, the capital adequacy ratio resistance to FX rate fluctuations was increased.

The Bank's capital situation in 2012 remained stable what allowed the Bank to continue its business activity and carry out plans in a safe manner.



33. Other Material Information

33.1 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 2012, the structure of shareholders of BNP Paribas Bank Polska SA, specifying the major shareholders with at least 5% of the total number of votes at the Bank's 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 votes at the GM |
|--|-------------------|------------------------|------------------------|--|---|
| BNP Paribas | 28,661,545 | 99.89% | 1,433,077,250 | 28,661,545 | 99.89% |
| BNP Paribas Fortis (former Fortis Bank SA/NV) | 23,418,013 | 81.62% | 1,170,900,650 | 23,418,013 | 81.62% |
| Dominet SA | 5,243,532 | 18.27% | 262,176,600 | 5,243,532 | 18.27% |
| Minority shareholders | 31,381 | 0.11% | 1,569,050 | 31,381 | 0.11% |
| Total: | 28,692,926 | 100.00% | 1,434,646,300 | 28,692,926 | 100.00% |

The previous change in the structure of shareholders took place on 23 June 2012 in connection with the registration of the Bank's share capital increase in effect of the series N share issue under private placement. On 4 October 2012, the Bank was notified about a seizure of Dominet SA's property rights related to the series L shares held, to secure a claim against a shareholder in arbitration proceedings. The Bank was informed that a complaint lodged by Dominet SA had already been considered by the Court of Appeal which repealed the Regional Court decision on the seizure of Dominet SA's property rights related to series L shares held.

Series N shares issue under private placement with pre-emptive rights excluded

On 23 May 2012 the Annual General Meeting decided on increasing the Bank's share capital by issuing series N new shares under private placement with pre-emptive rights excluded. The offering to subscribe for series N shares was addressed to the Bank's main shareholder, i.e. Fortis Bank SA/NV. Under the series N shares subscription agreement signed on 24 May 2012, Fortis Bank SA/NV subscribed for all 4,569,420 series N ordinary bearer shares at an issue price of PLN 56.90 per each share. The total value of the issue was PLN 260 thousand. The shares were fully paid up.

As a result of the series N share issue, on 23 June 2012 the Bank's share capital increased from PLN 1,206,175,300 up to PLN 1,434,646,300, i.e. by the amount of PLN 228,471,000.

Planned increase of the share free float in 2013

As at 31 December 2012, the Bank did not undertake any steps to introduce the series L, M or N shares into stock exchange trading yet. It is due to the Bank's intention to combine the introduction of those shares into stock exchange trading with the share free float increase planned for 2013.

The Polish Financial Supervision Authority, taking into account an application filed by the BNP Paribas Group, agreed to extend, until the end of 2013, the term for fulfilment of BNP Paribas commitment to increase shares of BNP Paribas Bank Polska SA in free float to at least 15%.

33.2 Pending Proceedings before Court, Relevant Arbitration Body or Public Administration Body

The Bank acts as a defendant and plaintiff in court and administrative proceedings in the course of conducting its regular banking activity. In no case the value in dispute exceeds 10% of the Bank's equity capital.

As at 31 December 2012, there were no resolutions in the proceedings pending since 2001 before the Office of Competition and Consumer Protection (the Office) as regards the issue of using practices that limit competition on the payment cards market by VISA and MasterCard as well as 20 banks, including BNP Paribas



Bank Polska SA. To secure against an unfavourable outcome of the case, in 2007 the Bank created a provision of PLN 2.9 million.

As at 31 December 2012, the total value of 13 customer claims (including summons to a conciliatory settlement) against the Bank regarding FX derivative instruments amounted to PLN 140 million (principal amount). The claims are primarily based on the questioning of the validity of the transactions concluded. The highest claim in this group concerns a summons to a conciliatory settlement for PLN 54 million (principal amount) on account of FX option transactions questioned. The conciliation proceedings resulted in reaching no settlement; however, the Bank has not yet received a lawsuit in this case. The Bank assesses the risk of losing potential litigation as low.

33.3 Sale of a portfolio of uncollectible consumer and corporate loans

In June 2012, the Bank sold a portion of its uncollectible debt portfolio, classified into the "lost" category (car loans, cash loans and credit cards), with a debt principal value under loan agreements signed with the debtors amounting to PLN 89.96 million. The price obtained was PLN 19.3 million.

In August 2012, the Bank sold a portion of its uncollectible debt portfolio classified into the "lost" category (loans granted to business entities and individual customers), with a debt principal value under loan agreements signed with debtors amounting to PLN 98.8 million. The price obtained was PLN 5.8 million.

In November 2012, the Bank sold a portion of its uncollectible debt portfolio, classified into the "lost" category (car loans, cash loans, credit cards, mortgage loans, loans granted to business entities), with a debt principal value under loan agreements signed with the debtors amounting to PLN 82.3 million. The price obtained was PLN 10.6 million.

33.4 Changes in an economic situation and operating conditions for conducting business that materially affect the fair value of financial assets and liabilities of the entity, irrespective of whether such assets and liabilities are recognised at the fair value or at amortised cost

In the reporting period, there were no changes in the economic situation or operating conditions for conducting business which would materially affect the fair value of financial assets and liabilities of the entity.

33.5 Failure to repay a credit facility or default on provisions of the credit facility agreement with respect to which no remedial measures were undertaken by the end of the reporting period

In the reporting period, there was no default on the credit facility agreement.

33.6 Changes in the manner of determination of measurement of financial instruments measured at fair value.

In the reporting period, there were no changes in the manner of determination of measurement of financial instruments measured at fair value.

33.7 Changes in the classification of financial instruments due to a change of a purpose or utilisation of such assets

In the reporting period, there were no changes in the manner of classification of financial instruments due to a change of the purpose or utilisation of such assets.

33.8 Information about provisions for impaired financial assets, tangible fixed assets, intangible assets or other assets, and reversal of such provisions

As at 31 December 2012 and 31 December 2011, apart from provisions presented in the notes to the balance sheet, the bank did not make any other material provisions.

33.9 Information about material purchase and sale transactions of tangible fixed assets and a material commitment on account of a purchase of tangible fixed assets



In either 2012 or 2011, the Bank did not make any material sale or purchase of tangible fixed assets. There were no material commitments, either, on account of any purchase of tangible fixed assets.

33.10 Information on write-downs of inventories to net realisable value and reversals of such write-downs.

In the reporting period, the Bank made no write-downs of inventories to net realisable value or reversals of such write-downs.

33.11 Corrections of prior period errors

In 2012, no corrections were made of prior period errors.

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

As at 31 December 2012, the Bank Supervisory Board's composition was as follows:

- | | |
|----------------------|--------------------------|
| 1. Camille Fohl | Chairman |
| 2. Jarosław Bauc | Vice Chairman |
| 3. Filip Dierckx | Vice Chairman |
| 4. Monika Bednarek | Supervisory Board Member |
| 5. Francois Benaroya | Supervisory Board member |
| 6. Jean Deullin | Supervisory Board member |
| 7. Helene Dubourg | Supervisory Board Member |
| 8. Andrzej Wojtyna | Supervisory Board Member |

On 1 February 2012 Mr Lars Machenil resigned from membership in the Bank's Supervisory Board.

The Annual General Meeting of the Bank held on 23 May 2012, appointed three new members of the Supervisory Board:

- Francois Benaroya,
- Filip Dierckx,
- Helene Dubourg.

Mr Mark Selles, in connection with taking up new duties in the BNP Paribas SA Group, resigned his membership in the Supervisory Board on 23 May 2012, i.e. the date at which the Bank's Annual General Meeting was held. Mr. Selles has served on the Supervisory Board since 30 April 2010.

At the Supervisory Board meeting held on 23 May 2012 after adjournment of the Annual General Meeting, Mr Filip Dierckx was appointed to the following positions: Vice Chairman of the Bank's Supervisory Board, Chairman of the Audit Committee and a member of the Remuneration Committee.

As at 31 December 2012, the composition of the Bank's Board of Executives was as follows:

- | | |
|------------------------|--|
| 1. Frédéric Amoudru | President of the Board of Executives |
| 2. Jan Bujak | Senior Vice-President of the Board of Executives |
| 3. Jaromir Pelczarski | Vice-President |
| 4. Michel Thebault | Vice President |
| 5. Wojciech Kembłowski | Member of the Board of Executives |
| 6. Marta Oracz | Member of the Board of Executives |
| 7. Adam Parfiniewicz | Member of the Board of Executives |
| 8. Stephane Rodes | Member of the Board of Executives |

In 2012, there were the following changes in the composition of the Board of Executives:



On 23 May 2012 the Bank's Supervisory Board appointed Mr Adam Parfiniewicz to the position of the member of the Board of Executives of BNP Paribas Bank Polska SA until the end of the current five-years' tenure of the Board of Executives ending on the date of the Bank's Annual General Meeting approving financial statements for fiscal year 2014.

Changes in the number of the issuer's shares, or share options, owned by the members of the management or supervisory bodies

As at 31 December 2012, 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.

Update of the Recovery Programme

On 17 April 2012, the Polish Financial Supervision Authority approved the revised *Recovery Programme for BNP Paribas Bank Polska SA*.

In the approved revised version of the Programme, its implementation date was postponed until 2014, and amended assumptions regarding income, expenses, provisions and capital adequacy were adopted. An increase of the Bank's own funds scheduled for 2012 (finalized in June this year) is to support the planned business development. As a result of the *Recovery Programme* implementation, the Bank expects an improvement of the cost/income ratio and general profitability, while keeping an adequate risk profile.

Project of the Bank's Operational Efficiency Optimization

On 9 May 2012 the Bank started to implement its project to further optimize the Bank's operational efficiency, mainly in central and back office organization, whilst simultaneously continuing to grow its revenue base and activities through investment in its sales network and business capabilities.

The programme of improving the Bank's operational efficiency will require a reduction of headcount by a maximum of 410 employees across the Bank, spread between June 2012 and mid-2013. Costs of such restructuring associated with a support scheme for employees affected by redundancies, were charged to the financial results of the first half of 2012 (a restructuring provision of PLN 13 million was created).

Implementation of the above-mentioned restructuring programme is essential for the Bank to strengthen its position in the market and be able to pursue, in a balanced manner, long-term development strategy for a universal bank servicing all customer segments, and acting in accordance with the principle of responsible banking, and to the satisfaction of both customers and employees.

33.13 Dividends paid (or declared), in total and per one share, broken by ordinary and preference shares

On 23 May 2012, the Annual General meeting resolved to not pay any dividends for 2011.

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

- On 10 January 2012, the Bank concluded an agreement on a multi-option credit line up to the maximum amount of PLN 200 million with a customer not affiliated with the Bank. The credit facility financed the customer's current operating activity. The financing term was 24 months. The loan interest rate was established based on the WIBOR interest rate increased by a margin. The financing conditions correspond to market conditions.
- On 29 June 2012, the Bank, together with other banks within a syndicate, concluded an underwriting agreement, agency agreement and depository agreement with a customer not affiliated with the Bank. Under the agreements, the Bank will act as one of Paying Sub-agents and Sub-depositories and will co-underwrite two tranches of bonds issued by the client. The Bank has committed to underwrite the bonds' issue up to the maximum PLN 200 million in total.
- On 30 July 2012, an annex to the multi-option guarantee credit line agreement of 25 April 2008



concluded with a customer not affiliated with the Bank, was signed. Under this annex, the credit limit was reduced from PLN 205.8 million to PLN 176 million, and the credit line current term was extended until 1 September 2012. Other terms and conditions of the agreement remained unchanged.

- On 29 August 2012, the Bank signed an agreement on a revolving guarantee credit line with a customer not affiliated with the Bank. Under the agreement, the Bank will issue, in favour of the customer, a bid bond and performance bond for agreements related to import and export licenses, for maximum periods of 36 months up to EUR 50 million, i.e. the equivalent of PLN 207.7 million at the NBP mid rate of 29 August 2012. The financing term is 12 months. The guarantee granting terms and conditions are not different from market conditions.
- On 29 August 2012, the Bank, together with other banks within a syndicate, concluded an underwriting agreement, agency agreement and depository agreement with a customer not affiliated with the Bank. Under the agreements, the Bank will act as one of Paying Sub-agents and Sub-depositories and will co-underwrite two tranches of bonds issued by the client, up to PLN 1,025 million; the Bank's underwriting commitments regarding the acquisition of bonds may total maximum PLN 200 million. The bond issue program will last for five years and will be completed on 31 October 2017 at the latest. The bonds will not be offered to the public or introduced into an organised trading system. The issue underwriting terms and conditions under those agreements do not differ from market conditions.

The agreements meet the criteria of significant agreements, because the value of the agreement subjects for the Bank exceeds 10% of the Bank's equity capital.



34. Statements of the Bank's Board of Executives

Correctness and reliability of reports presented

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

- The separate financial statements of BNP Paribas Bank Polska SA for 2012 and the comparative data were prepared pursuant to the binding accounting policies and they accurately, reliably and clearly reflect the property and financial situation of the Bank and its net profit in all material aspects.
- The Board of Executives' report on the activity of BNP Paribas Bank Polska SA in 2012 contains the true picture of the Bank'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 Mazars Audyt Sp. z o.o. 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. 24/2012 dated 23 May 2012 as amended by Resolution no. 41/2012 of 31 August 2012), pursuant to the provisions of law, as the entity to audit the separate financial statements of BNP Paribas Bank Polska SA for 2012 and that the above entity and statutory auditors employed to perform the audit, meet the conditions to issue an impartial and independent audit report, in accordance with the respective provisions of Polish law.



35. Events after the Balance Sheet Date

On 11 February 2013, (after the balance date), the Bank entered with customers not affiliated with the Bank, into a multi-option credit line agreement up to EUR 50 million, which constitute the equivalent of approximately PLN 208 million at the NBP mid-rate of 11 February 2013. The credit funds will finance the current activity of the customers. Each disbursement requires the Bank's approval. The financing term is 12 months. The credit interest rate has been established based on the WIBOR and EURIBOR rate increased by a margin. The financing conditions correspond to market conditions.



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

8 March 2013 Frédéric Amoudru
President of the Board of
Executives
signature

8 March 2013 Jan Bujak Senior Vice-President
of the Board of Executives
Chief Financial Officer
signature

8 March 2013 Jaromir Pelczarski
Vice President of the Board of
Executives
signature

8 March 2013 Michel Thebault
Vice President of the Board of
Executives
signature

8 March 2013 Wojciech Kemblowski
Member of the Board of
Executives
signature

8 March 2013 Marta Oracz
Member of the Board of
Executives
signature

8 March 2013 Adam Parfiniewicz
Member of the Board of
Executives
signature

8 March 2013 Stephane Rodes
Member of the Board of
Executives
signature
