Annual Consolidated Financial Statements of BNP Paribas Bank Polska SA Group for 2012

BNP PARIBAS | Bank zmieniającego się świata

BNP Paribas Bank Polska SA with its registered office at ul. Suwak 3, registered with the District Court for the capital city of Warsaw, XIII Commercial Division, under no. KRS 6421, VAT PL: 6760078301 (NIP), holding paid-up share capital of PLN 1,434,646,300 | www.bnpparibas.pl

Contents

1. Financial Highlights

CONSOLIDATED FINANCIAL HIGHLIGHTS	in PLN thousand		in EUR thousand	
Profit & Loss Account	**31 Dec 2012 (YTD)**	**31 Dec 2011 (YTD)**	**31 Dec 2012 (YTD)**	**31 Dec 2011 (YTD)**
Net interest income	544,776	573,303	130,529	138,476
Net fee and commission income	145,851	140,459	34,946	33,926
Net banking income	815,768	784,135	195,459	189,400
Profit/loss before taxation	53,565	73,099	12,834	17,656
Profit/loss after taxation	30,841	39,442	7,390	9,527
Ratios				
Weighted average number of shares	26,508,094	24,123,506	-	-
Basic earnings/loss per share (in PLN/EUR)	1.16	1.64	0.28	0.39
Diluted earnings/loss per share (in PLN/EUR)	1.16	1.64	0.28	0.39
Cash flow statement				
Net cash provided by operating activities	713,478	-733,915	170,950	-177,270
Net cash provided by investing activities	1,832,615	-171,058	439,097	-41,317
Net cash provided by (used in) financing activities	-1,681,939	848,701	-402,995	204,995
Total net cash flow	864,154	-56,272	207,052	-13,592
Account Balance	**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	20,830,812	22,479,304	5,095,351	5,089,500
Loans to customers	16,152,687	16,646,927	3,952,763	3,769,002
Due to banks	382,358	1,032,031	93,527	233,660
Due to customers	10,064,950	8,882,232	2,461,951	2,011,011
Loans and credit facilities received	7,589,758	10,038,767	1,856,504	2,272,860
Own equity	1,730,945	1,403,922	423,400	317,860
Ratios				
Number of shares held	28,692,926	24,123,506	-	-
Book value per share (in PLN/EUR)	60.33	58.20	14.76	13.18
Diluted book value per share (in PLN/EUR)	60.33	58.20	14.76	13.18
Capital adequacy				
Capital adequacy ratio	13.80%	11.52%	-	-
Tier 1 (core) capital	1,638,085	1,314,045	400,686	297,511
Tier 2 (supplementary) capital	725,388	595,512	177,435	134,829
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 binding 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 binding as at 31

December 2011, published by the National Bank of Poland on 30 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. Consolidated Financial Statements of BNP Paribas Bank Polska SA Group

BNP Paribas Bank Polska SA Group presents the results of Fortis Lease Polska Sp. z o.o. (FLP) from the acquisition of the company, i.e. from 1 July 2011, and the results of BNP Paribas Factor Sp. z o.o. from the acquisition of the company, i.e. from 2 April 2012. The net profit/loss of FLP for the reporting period since 1 January 2011 through 30 June 2011 is not included in the Group's consolidated financial result for 2011. Whereas the consolidated financial result for 2012 does not include the net profit/loss of BNP Paribas Factor Sp. z o.o. for the first quarter. Acquisition of the above-mentioned companies and consolidation of their results have an impact on the amount of ratios calculated and comparisons made.

Consolidated Income Statement (in PLN thousand)	**Notes**	**1 Jan 2012 - 31 Dec 2012**	**1 Jan 2011 - 31 Dec 2011**
Interest income	7.1	1,018,956	997,862
Interest expense	7.2	-474,180	-424,559
Net interest income		**544,776**	**573,303**
Fee and commission income	7.3	185,845	183,640
Fee and commission expense	7.4	-39,994	-43,181
Net fee and commission income		**145,851**	**140,459**
Net trading income	7.6	109,244	67,476
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	7.7	17,022	-661
Dividends	7.5	18	20
Other revenues	7.8	22,226	19,330
Other operating expenses	7.9	-23,369	-15,792
Net banking income		**815,768**	**784,135**
General expenses		**-544,833**	**-533,693**
Personnel expenses	7.10	-292,209	-267,788
Other expenses	7.11	-252,624	-265,905
Depreciation	**7.12**	**-58,542**	**-65,288**
Gross operating profit/loss		**212,393**	**185,154**
Cost of risk	7.13	-158,095	-108,985
Net operating profit/loss		**56,298**	**76,169**
Net profit/loss from disposal of assets, shares and interest		-2,733	-3,070
Profit/loss before taxation		**53,565**	**73,099**
Income tax expense	7.14	-22,724	-33,657
Profit/loss after taxation		**30,841**	**39,442**
Consolidated Earnings Per Share	7.15		
Profit/loss after taxation (in PLN thousand)		**30,841**	**39,442**
Weighted average number of ordinary shares		26,508,094	24,123,506
EPS ratio (in PLN)		1.16	1.64
Weighted average diluted number of ordinary shares		26,508,094	24,123,506
Diluted earnings per ordinary share (in PLN)		1.16	1.64

Consolidated report of total income (in PLN thousand)	**1 Jan 2012 - 31 Dec 2012**	**1 Jan 2011 - 31 Dec 2011**
Profit/loss after taxation	**30,841**	**39,442**
Profits/losses not recognised in the income statement (investments available for sale)	45,054	3,052
Deferred tax - Profits/losses not recognised in the income statement (investments available for sale)	-8,560	-580
Profits/losses not recognised in the income statement (investments available for sale) - net	**36,494**	**2,472**
Total income	**67,335**	**41,914**

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

As at 31 December 2011, the comparative data do not contain relevant items of BNP Paribas Factor Sp. z o.o.

Consolidated balance sheet (in PLN thousand)	**Notes**	**31 Dec 2012**	**31 Dec 2011**
ASSETS			
Cash and cash equivalents	8	1,980,588	1,116,422
Financial assets held for trading	9	145,838	175,761
Due from banks	10	208,045	359,239
Loans to customers	10	16,159,687	16,646,927
Hedging instruments		11,179	17,759
Investments – available for sale	11	1,825,430	3,658,899
Property, plant and equipment	11	123,598	148,948
Intangible assets	12	29,909	31,011
Non-current assets held for sale	13	32,100	5,254
Settlements on account of income tax		4,423	-
Deferred tax assets	14	233,373	246,207
Other assets		76,642	72,877
Total assets		**20,830,812**	**22,479,304**
LIABILITIES			
Financial liabilities held for trading	9	86,718	126,034
Due to banks	17	382,358	1,032,031
Due to customers	17	10,064,950	8,882,232
Loans and credit facilities received	17	7,589,758	10,038,767
Differences from the fair value hedge against interest rate risk falling on hedged items		8,800	13,132
Subordinated liabilities		694,251	592,628
Income tax liabilities	18	-	24,043
Deferred tax liabilities		7,416	-
Other liabilities	19	226,475	319,223
Provisions	20	39,141	47,292
Total liabilities		**19,099,867**	**21,075,382**
EQUITY CAPITAL			
Share Capital		1,434,646	1,206,175
Additional capital		172,401	127,099
Transfer from BNP Paribas SA Branch		-	15,161
Other capital		26,269	6,919
Revaluation reserve		32,110	-4,384
Consolidation adjustment		833	12,805
Retained earnings		33,845	705
+ Net profit (loss) for the year		30,841	39,442
Total equity	21	**1,730,945**	**1,403,922**
Total liabilities and equity		**20,830,812**	**22,479,304**

Consolidated 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	Consolidation adjustment	Total capital
Balance as at 1 Jan 2011	1,206,175	124,810	-78,010	42,279	-	45,685	-6,856	-	1,334,083
Consolidation adjustment	-	-	-	-	-	-	-	12,805	12,805
Total income in 2011	-	-	-	-	39,442	-	2,472	-	41,914
Distribution of retained earnings	-	2,289	-	-41,574	-	39,244	-	-	-41
Others	-	-	93,171	-	-	-78,010	-	-	15,161
Balance as at 31 Dec 2011	1,206,175	127,099	15,161	705	39,442	6,919	-4,384	12,805	1,403,922

Consolidated 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	Consolidation adjustment	Total capital
Balance as at 1 Jan 2012	1,206,175	127,099	15,161	40,147	-	6,919	-4,384	12,805	1,403,922
Consolidation adjustment	-	-	-	12,805	-	-	-	-11,972	833
Total income in 2012	-	-	-	-	30,841	-	36,494	-	67,335
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	-	-243	-	-19,107	-	19,350	-	-	-
Others	-	-1,145	-	-	-	-	-	-	-1,145
Balance as at 31 Dec 2012	1,434,646	172,401	-	33,845	30,841	26,269	32,110	833	1,730,945

* 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 organized 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.

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

Consolidated 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	**1,117,534**	**1,173,737**
OPERATING ACTIVITY		
Gross profit/loss	53,565	73,099
Adjustments for:	**659,913**	**-807,014**
Depreciation	58,542	65,872
Change of reserves and provisions	-149,784	-15,213
Profits/losses on account of FX rate differences	-72,424	-94,348
Profits/losses on investing activities	8,928	7,241
Changes in operational assets and liabilities:	842,605	-848,323
- financial assets and liabilities held for trading	-9,393	47,574
- due from banks, gross	151,204	-216,073
- loans to customers, gross	732,933	-1,584,180
- assets and liabilities on account of applying fair value hedge accounting	2,248	-4,627
- investments available for sale, gross	9,816	-8,376
- due to banks	-668,179	280,509
- due to customers	1,204,527	904,344
- liabilities due on account of credit facilities and loans received	-410,076	-255,435
- liabilities due on account of a subordinated loan	-37,346	-1,791
- other assets and liabilities	-128,018	-10,268
Tax paid	-32,591	77,757
Other adjustments	-9	-
Net operating cash flows	**713,478**	**-733,915**
INVESTING ACTIVITY		
Acquisition of shares and investments in subsidiaries	-7,653	-94,800
Cash held by the acquired unit	8,591	380,618
Purchase of available-for-sale investments	-23,259,420	-65,183,412
Purchase of property, plant and equipment and intangible fixed assets	-42,314	-69,163
Proceeds from sales of shares in a subsidiary	-	12
Proceeds from sales of available-for-sale investments	25,131,999	64,796,322
Proceeds from sales of property, plant and equipment	1,936	1,280
Other investment expenses	-524	-1,915
Net cash provided by investing activities	**1,832,615**	**-171,058**
FINANCING ACTIVITY		
Subordinated loans drawdown	446,586	133,986
Subordinated loans repayment	-320,647	-139,206
Drawdown of loans and credit facilities received	3,907,953	4,338,602
Repayment of loans and credit facilities received	-5,987,718	-3,484,681
Share issue	260,000	-
Other financial gains	13,030	-
Other financial expenses	-1,143	-
Net cash provided by (used in) financing activities	**-1,681,939**	**848,701**
Cash and cash equivalents, gross, ending balance	**1,981,688**	**1,117,465**
Change in gross cash and cash equivalents	**864,154**	**-56,272**

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

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

Additional Notes to the Consolidated Financial Statements of the Group

3. Information on BNP Paribas Bank Polska SA Group

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.

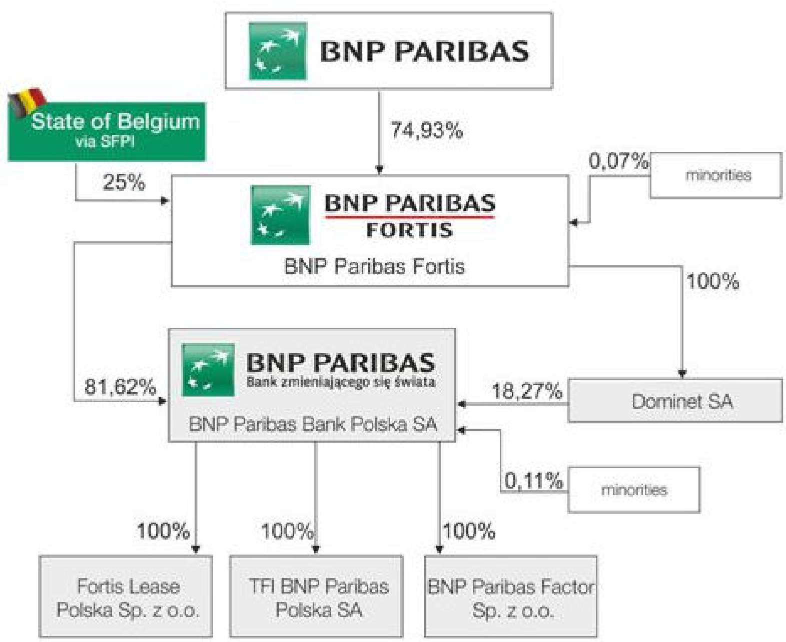
The consolidated financial statements of BNP Paribas Bank Polska SA Group for 2012 contain the data of the Bank and its subsidiaries: Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A., Fortis Lease Polska Sp. z o.o. and BNP Paribas Factor Sp. z o.o. (jointly referred to as the Group).

Structure of the Group

BNP Paribas Bank Polska SA Group 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.



As at 31 December 2012, the BNP Paribas Bank Polska SA Group included:

- BNP Paribas Bank Polska SA (hereinafter referred to as "the Bank");
- Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (investment fund company) (hereinafter: "TFI BNP") - the Bank's subsidiary in which it holds 100% shares;
- Fortis Lease Polska Sp. z o.o. (hereinafter referred to as "FLP") - a wholly-owned subsidiary of the Bank;
- BNP Paribas Factor Sp. z o.o. (hereinafter referred to as "Factor") - a wholly-owned subsidiary of the Bank;

Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. with its registered office in Warsaw, at Pl. Marszałka Józefa Piłsudskiego 2, is registered with the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register (KRS) under KRS Entry No. 0000031121. The company was assigned statistical number (REGON): 012557199, and tax identification number (NIP): 526-02-10-808.

Fortis Lease Polska Sp. z o. o. with its registered office in Warsaw at ul. Suwak 3, is registered with the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register (KRS) under KRS Entry No. 0000098813. The company was assigned statistical number (REGON): 016425425, and tax identification number (NIP): 521-31-10-063.

BNP Paribas Factor Sp. z o. o. with its registered office in Warsaw at ul. Cybernetyki 19B, is registered with the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register (KRS) under KSR Entry no. 0000225155. The company was assigned statistical number (REGON): 052255107, and tax identification number (NIP): 966-17-67-430.

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	Warszawa	100%	100%
Fortis Lease Polska Sp. z o.o.	subsidiary	full consolidation	Warszawa	100%	100%
BNP Paribas Factor Sp. z o.o.	subsidiary	full consolidation	Warszawa	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.

Field of the Group's business activity

The Group's business activity includes banking transactions both in Polish zlotys and foreign currencies for domestic and foreign private individuals and legal persons and other 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 at 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 cheque and bill-of-exchange operations and warrant transactions,
- purchasing and selling cash debts,
- purchasing and selling foreign currencies,
- safekeeping valuables and securities, likewise providing safe-deposit boxes,
- providing the following financial services:
    - consulting services on financial issues,
    - custody services,
    - leasing services,
    - brokerage services,
- conducting customer acquisition activity for 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,
- insurance brokerage services in the scope of personal insurance, including life insurance,
- rendering certification services under the regulations governing electronic signatures, except for issuing qualified certificates used by banks with regard to actions to which they are parties,
- acting as an agent in making money transfers and FX settlements,
- issuance of electronic money instrument.

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

- establishment of investment funds and their management;
- intermediation in distribution and redemption of participation units in investment funds and participation titles to foreign investment funds;
- management of portfolios that consist of one or more financial instruments;
- offering lease of fixed assets, including real property, means of transport, building machinery and specialised equipment for industry.
- providing factoring services, both non-recourse and recourse factoring.

4. Accounting Policies

4.1. Basis of Presentation

4.1.1. Statement on consistency with the IFRS

The present consolidated 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).

This financial report was approved for publishing by the Bank's Board of Executives on 8 March 2013.

4.1.2 New standards and interpretations, likewise amendments to standards or interpretations, which have not been effective yet and have not been applied earlier.

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 01 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 01 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 consolidated financial statements of the Group for the year ended 31 December 2012 were prepared assuming the continuation of the Group's business in the foreseeable future.
The Bank's Board of Executives is not aware of any circumstances indicating any risk to the business continuation by the Group in the foreseeable future.
The consolidated financial statements of the Group were prepared based on the historical cost principle, except for derivative financial instruments, financial assets and liabilities measured at fair value through profit or loss, available-for-sale financial assets which were measured at fair value, and available-for-sale assets measured at the amount that is the lower of their balance sheet value and fair value less cost to sell.

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

4.3. Comparative Data

The consolidated financial statements present consolidated data of BNP Paribas Bank Polska SA and its subsidiaries: Fortis Lease Polska Sp. z o.o., Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. for the period from 1 January 2012 through 31 December 2012 and as at 31 December 2012, and BNP Paribas Factor Sp. z o.o for the period from 1 April 2012 through 31 December 2012 (form the acquisition date) and as at 31 December 2012, likewise consolidated comparative data for the period from 1 January 2011 through 31 December 2011 and as at 31 December 2011, including the financial result of Fortis Lease Polska Sp. z o.o. since the date of shares acquisition in this subsidiary, i.e. from 1 July 2011 through 31 December 2011 and as at 31 December 2011. It means that in the statements, the Group presents comparative data for the period from 1 January 2011 through 30 December 2011 and as at 31 December 2011 which do not contain relevant items of BNP Paribas Factor Sp. z o.o.

4.4. Consolidation basis

Subsidiaries are enterprises that are controlled by BNP Paribas Bank Polska SA (which is the parent entity). The control exists when the Bank, either directly or indirectly, has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
The control also exists when the Bank owns one half or less of voting rights of an enterprise, and if:
- it has more than one half of the voting rights by virtue of an agreement with other investors,
- it has power to govern the financial and operating policies of the enterprise under a statute or an agreement,
- it has power to appoint or dismiss the majority of the members of the management board or equivalent governing body, where such board or body controls the enterprise.

The full consolidation method is applied to the subsidiary. Such full consolidation consists in adding together specific items of financial statements of the Bank and of the subsidiaries in full amount, and making relevant adjustments and consolidation eliminations.
In the full consolidation of balance sheets, all items of assets and liabilities of both the subsidiary and the parent are aggregated in their full amounts, irrespective of the parent's actual interest in the subsidiary.
In the consolidation process, the carrying amount of the parent's investment in the subsidiary and the parent's portion of equity of the subsidiary are eliminated.
Intragroup receivables and payables and intragroup transactions, unrealised gains and expenses resulting from transactions with the subsidiary are eliminated in the preparation of consolidated financial statements.
The Group's entities apply the uniform accounting standards.
Under IAS 27, in the consolidated financial statements of BNP Paribas Bank Polska SA Group for the year ended 31 December 2012, the full consolidation is applied to the following subsidiaries: Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A., Fortis Lease Sp. z o. o. and BNP Paribas Factor Sp. z o.o. (since the control effective date, i.e. since 2 April 2012).

4.5. Accounting Estimates

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

4.5.1 Fair value

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

4.5.2 Provisions for impaired financial assets

In the estimation of impairment provisions, the Group assesses whether there is any evidence of impairment for specific financial asset or group of financial assets. A catalogue of impairment indicators includes events determined both in terms of quantity and quality[2].
A write-down on that account is estimated on the basis of historical loss patterns that characterise the given part of the portfolio. Statistical models and parameters they use are subject to periodical reviews and the results obtained are validated by comparison to actual losses.

4.5.3 Provisions for impaired 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 Group's estimation of future cash flows, expected to arise from continuing use of an asset, and discounting those values.

4.5.4 Useful lives and residual values

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

4.5.5 Other accounting estimates

The Group made provisions on account of long-term employee benefits on the basis of an actuarial valuation.
Legal risk provisions are calculated on the basis of an estimated amount of the Group's liabilities should a court case end unfavourably, or should a case be likely to end unfavourably for the Bank.
In addition to the above estimates, the Group makes also other subjective assessments during the accounting policy implementation process (e.g. as regards the classification of financial assets into a category required under IAS 39). Assessments made by the Group affect the presentation in the financial statements and financial results.

4.6 Foreign Currencies

Foreign currency transactions are accounted for using the exchange rate at the date of the transaction settlement. Outstanding balances in foreign currencies as at the end of a reporting period are translated at the exchange rates prevailing as 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.

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[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."

4.7 Financial Assets and Liabilities

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

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

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 currency transactions, deposits and placements likewise to purchases and sales of securities, where it is customary that two business days elapse between the trade date and settlement date, exclusive of repurchase agreements.

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

4.7.2 Classification and measurement

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

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

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

4.7.3 The Group classifies financial instruments into the following categories:

Loans and receivables

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

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

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

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

Into the category of loans and receivables, the Group 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 Group does not intend to sell the securities immediately or in the near term.

Investments held to maturity

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

Financial assets measured to fair value through profit or loss

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

a) classified at initial recognition as held for trading if they were acquired, mainly, to be sold in the near term, i.e. within six months of the acquisition date;
b) that are part of a portfolio of identified financial instruments that are managed together and for short-term profit taking,
c) that are derivative instruments (excluding derivative instruments that constitute effective hedging instruments); or
d) classified at the initial recognition as measured to fair value through profit or loss.

The Group did not classify assets at their initial recognition as measured to fair value through profit or loss.
The Group classifies held-for-trading financial assets into the category of financial assets, in particular:

a) securities held for trading;
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 the 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 Group classifies held-for-trading financial liabilities into the category of financial liabilities, in particular:

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

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 Group 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 cash loans received.

4.7.4 Fair value of financial instruments

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

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

- fair values for securities are determined using market prices in active markets. If quoted prices are not available in 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, accordingly, 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,
- carrying values are recognized as approximate fair values for other financial assets and liabilities, such as short-term payables and receivables.

The Group classifies fair value measurements using the fair value hierarchy to reflect materiality of the input data to be measured. 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 other than quoted prices classified into level 1, which are observable for an asset or liability either directly (i.e. as prices) or indirectly (i.e. based on prices),
- Level 3 – input data for the measurement of an asset or liability which are not based on market observables.

In the measurement of financial instruments, the Group takes into consideration customer credit risk using a developed methodology of adjustment of the measurement to fair value on that account.
In order to adjust the measurement of the fair value of financial instruments, the Group applies an approach based on the assessment of customer natural exposure taking into account contracts signed with other banks, likewise on the assessment of cash flows generated by customers which cash flows could cover the measurement of derivative transactions that do not hedge cash flows in foreign currencies.
In the analysis, a possibility is considered of taking additional financing by customers to cover unsettled transactions that do not hedge their contracts settled in foreign currencies.
An estimation of the measurement adjustment is determined using dedicated analytical tools taking into account a materiality criterion.
Receivables arising out of terminated derivative instruments that were not paid by customers, at maturity are transferred at fair value (taking into account adjustments for credit risk) to the "Loans to customers" item where they are subsequently maintained and measured under the rules applicable to the "loans and receivables" category.

4.7.5 Reclassification of financial instruments

a) Derivative instruments, from their initial recognition and classification into the category of instruments measured at fair value through profit or loss, are not subject to reclassification into another category;
b) Financial instruments that at their initial recognition were classified as loans and receivables are not subject to reclassification into another category;
c) Financial instruments that at their initial recognition have been classified as measured at fair value through profit or loss, different from the ones referred to in subsection a) above:
- may be reclassified into the category of loans and receivables provided that they are not held by the Group for sale or repurchase in the near future and that the Group intends and is able to hold them in the foreseeable future or until maturity,

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

4.8 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount recognised in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.
The Group made no set-off referred to above.

4.9 Sale and Repurchase Agreements and Securities Lending/Borrowing

Securities being object of a repurchase agreement (‘repos’, ‘sell buy backs’) are not derecognised in the balance sheet. The liability resulting from the obligation to repurchase the assets is included in 'due to banks' or 'due to customers' items, depending on the type of a 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 considered as interest, which accrues over the life of the agreement using the effective interest rate method.
If securities acquired under agreements to resell (‘reverse repos,’ ‘buy sell backs’) are sold to third parties, the Group records proceeds from the sale and a liability for the obligation to return the collateral (liability for the short sale of securities). The obligation to return the collateral is measured at fair value through profit or loss and is classified as a held-for-trading liability.
Repurchase agreements or agreements to resell are recognised at the transaction settlement date which is the asset delivery date.

4.10 Derivative Instruments

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

<u>IRS Contracts</u>
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 financial instruments held-for-trading.

<u>FX Forward Contracts</u>
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 financial instruments held-for-trading.

FX Swap Contracts
The purpose of FX Swap contracts is to regulate liquidity and hedge against FX rate risk of the Group's currency loan portfolio, likewise to obtain gains as a result of short-term price changes.
FX Swap contracts are measured to fair value using the discounted cash flow method. The fair value is established by comparing present cash flows translated into PLN equivalents. The measurement result is recognised in the net profit/loss on transactions in financial instruments held-for-trading.

Interest Rate Options
The purpose of such contracts is to hedge against interest rate risk and also to obtain gains as a result of short-term price changes.
Interest rate options are measured to fair value based on the modified Black-Scholes model. The volatility parameter, which is required when using the above model, is assumed in the form of the so-called implied volatility parameter what ensures consistency of the price obtained with the actual market price. The measurement result is recognised in the income statement in the item net profit/loss on transactions in financial instruments held-for-trading.

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 the item net profit/loss on transactions in financial instruments held-for-trading.

FRA Contracts
FRA contracts are measured at 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 financial instruments held-for-trading.

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 at 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 financial instruments held-for-trading.

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 at 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 financial instruments held-for-trading.

Futures contracts
The purpose of entering into contract is to hedge against the FX rate risk.
The futures contracts are measured at 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 financial instruments held-for-trading.
As at 31 December 2012, the Bank did not hold any futures transactions.

4.11 Embedded Derivatives

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

4.12 Fair Value Hedge Accounting

The Group applies a model of fair value hedging against interest rate risk to a part of the portfolio of financial assets or financial liabilities. The hedge accounting implemented is to ensure an appropriate recognition of the net profit (loss) on the interest rate management which is a part of the risk management process. Within the interest rate management, the Group enters into derivative instruments to minimise the interest rate gap.
The instruments concluded, such as Interest Rates Swaps (IRS), are designated as instruments hedging the fair value of portfolios of specific assets or liabilities with a fixed interest rate.
The risk hedged is the interest rate risk, and in particular, changes in the fair value of assets and liabilities bearing a fixed interest rate due to changes in a specific reference rate. The designated interest rate will be binding for the hedging instrument, thanks to which any fair value changes of the hedged item on account of credit risk that is inherent to the hedging instrument, will be excluded from the risk hedged.
The hedging instruments are basic interest rate swap transactions made at the market rate, prevailing at a given moment, with a counterparty that is external from the Group'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 Group 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 Group recognizes 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 Group 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.

4.13 Asset Impairment

4.13.1 Financial assets

A financial asset (or a group of financial assets) is considered impaired if there are objective indicators of such impairment as a result of one or more events, occurring after the initial recognition of the asset, that affect the future cash flow of the given financial instrument (or a group of financial instruments) if such cash flow can be reliably estimated.
As at each balance sheet date, the Group makes an assessment whether there are any objective indicators of impairment of a financial asset (or group of financial assets) or not.
When objective indicators of impairment of loans and receivables are found, the Group estimates a write-down amount as a difference between the carrying value and present value of expected future cash flows (discounted by an original effective interest rate of the instrument) and recognises it in the income statement, likewise reduces loans and receivables using the provision account.
Impairment provisions 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 realization (portfolio analysis of future cash flows).
The Group 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. Impairment provisions for IBNR losses are estimated based upon historical patterns of losses in each portfolio component, reflecting the current economic climate in which the borrowers operate.
As regards non-collectible loans and receivables, in the event legal and procedural ways of their repayment enforcement have been exhausted, the Group writes down such loans and receivables into the related impairment provisions.
Any amounts subsequently recovered are recognized in the item 'Risk costs' in the income statement.
When objective indicators of an available-for-sale financial asset impairment are found - cumulated losses recognised so far in the equity capital are derecognised in 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 in 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.

4.13.2 Non-financial assets
A non-financial asset is impaired when its carrying value exceeds its recoverable amount.
As at each balance sheet date, the Group makes an assessment whether there is any indicator of a non-financial asset impairment and in the event any such indicators are identified, the Bank estimates the asset's recoverable value.
The recoverable value is the higher of the following:

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

Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between willing and well-informed 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.

4.14 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.

4.15 Due from Banks and Loans to Customers

The items 'due from banks' and 'loans to customers' include loans originated by the Group by providing funds directly to a borrower and loans acquired from third parties that are carried at amortised cost, allowing for impairment provisions.
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.

4.16 Property, Plant and Equipment

Property, plant and equipment include assets of foreseeable useful life longer than one (1) year, that are complete and used by the Group in order to provide services.
Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and impairment provisions. 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 other assets given in order to acquire a specific asset at the time of its acquisition.
Depreciation is calculated using the straight-line method to write down the value, which is subject to depreciation over the asset estimated useful life.
Repairs and maintenance expenses of a property, plant and equipment component are recognised in the income statement when such expenses are 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 booked as one-time expenses in the month they are made available for use. In the event of a total material value of low-value assets purchased, they are capitalised by the Group.

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

No.	Specification	Useful life (in years)
1.	Own buildings	40
2.	Leasehold improvements	10
3.	Structural cabling Structural cabling (including lighting and air-conditioning)	5
4.	PC 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 room 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 equipment	5
18.	Operating software	5

4.17 Non-current Assets Held for Sale

Non-current assets held for sale are such assets or a group of assets for which the Group will recover the carrying amount through a sale transaction, and not through their further use. Such assets are carried at the lower of the following:

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

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

4.18 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 in the future they generate financial benefits and can be reliably measured.
The Group 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 Group regularly assesses if an intangible asset is subject to impairment.
Intangible assets include assets with definite useful lives, such as trademarks and licenses. They are amortised over their useful lives using the straight-line method.
The Group does not have any intangible assets of indefinite useful life.
Intangibles are recorded in the balance sheet at acquisition cost less any amortisation and 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,
- system software, i.e. other than operating system software – 3 or 5 years,
- development work costs – 3 or 5 years.

4.19 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.

4.20 Employee Benefits

4.20.1 Long-term employee benefits
The Group measures reserves established for one-time retirement benefit, disability benefits and post-death benefits due to eligible employees under the Labour Code provisions, 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.

4.20.2 Long-term employee benefits
Employee entitlements to a 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.

4.20.3 Benefits on account of employment relationship termination
The Group recognises benefits on account of employment relationship termination as a liability and expense when it has decided (in a provable manner) to:

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

4.21 Provisions

Provisions are liabilities with uncertainties as to the amount or timing of payments.
The Group recognises provisions in the balance sheet, when:

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

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

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

The Group recognises as contingent liabilities such off-balance sheet commitments that do not meet the balance sheet recognition criteria as assets or liabilities, in particular:
- contingent liabilities granted on account of credit lines extended by the Group – in the amount unused by customers;
- contingent liabilities granted on account of guarantees issued by the Group in favour of customers – in the amount specified in agreements;
- contingent liabilities on account of export and import letters of credit;
- contingent liabilities on account of financial and guarantee master agreements concluded – in the amount unutilised by the customer;
- contingent liabilities on account of credit lines obtained by the Group – in the amount available for use by the Group;
- contingent liabilities on account of guarantees received by the Group – in the amount specified in agreements.

4.23 Equity Capital

<u>4.23.1 Definition</u>
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. Capital funds are recognised in the nominal value, except for revaluation reserve, which is recognised taking into account the deferred tax impact.

<u>4.23.2 Equity capital items</u>
Share Capital
Share capital is recognised in the nominal value and may be increased through new share issue or through increase in par value of existing shares.

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

Other capital
Reserve capital is established for the purposes defined in the statute from profit deductions.
General risk reserve is established pursuant to the Banking Law Act dated 29 August 1997 from after-tax profit.

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

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

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

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

4.23.4 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.

4.24 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.

4.25 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.
With regard to financial assets for which impairment provisions have been established, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of estimating the write-down for impairment.

4.26 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 Group recognises upfront fees, origination fees or other preliminary fees for such actions as an assessment of borrower's financial standing, likewise 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.

4.27 Net Profit/Loss on Transactions in Financial Instruments

Net profit/loss on transactions in financial instruments includes:

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

4.28 Current and Deferred Income Tax

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

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

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

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

4.29. 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.

4.30 Lease – the Group as a Lessee

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

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

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

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

4.31 Lease – the Group as the Lessor

Lease agreements under which substantially all the risks and rewards incident to ownership of assets is transferred over to the lessee are classified as finance lease agreements. In the balance sheet statement, the value of receivables is recognised in the amount equal to the net investment in the lease. Income on account of finance lease agreements is recognised in the manner that reflects a constant periodical rate of return on the net investment in the lease made by the Group in respect of the finance lease.

The Group does not offer products of operational lease, that is, a lease without transferring substantially all the risks and rewards incident to ownership of assets over to the lessee.

4.32 Segment Reporting

4.32.1 Operating segments

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

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

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

4.32.2 Geographical segments

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

Information on changes in the segment structure is 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.

Consolidated 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	Change description: Description
Interest expense	-424,773	214	-424,559	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	192,893	-9,253	183,640	-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	-41,172	-2,009	-43,181	-2,009	Change in the presentation of provisions for fees and commissions
Net trading income	55,726	11,750	67,476	11,454	Change in the presentation of fees and commissions related to derivative instrument buy/sell transactions
				296	Change in the presentation of net FX income - a subsidiary
Net profit/loss on available-for-sale financial assets	10,922	-11,583	-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
				-296	Change in the presentation of net FX income - a subsidiary
Other income	37,164	-17,834	19,330	-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
				-16,502	Change in the presentation of other income and expenses
Other operating expenses	-	-15,792	-15,792	-15,792	Separation of an item from «Other expenses»
Personnel expenses	-266,723	-1,065	-267,788	-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	-309,785	43,880	-265,905	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 expenses»
				6,302	Change in the presentation of other expenses
				16,502	Change in the presentation of other income and expenses
Depreciation	-65,872	584	-65,288	584	Change in the presentation of provisions for investments
Cost of risk	-113,163	4,178	-108,985	-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

Consolidated 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	1,113,667	2,755	1,116,422	2,755	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	417	359,239	417	Change in the presentation of accrued interest
Loans to customers	16,591,353	55,574	16,646,927	55,571	Change in the presentation of accrued interest
				3	Others
Investments available for sale	3,624,921	33,978	3,658,899	33,978	Change in the presentation of accrued interest
Other assets	166,124	-93,247	72,877	-93,244	Change in the presentation of accrued interest
				-3	Other
Due to banks	1,042,630	-10,599	1,032,031	5,863	Change in the presentation of accrued interest
				-16,462	Change in the presentation of customers
Due to customers	8,828,685	53,547	8,882,232	37,083	Change in the presentation of accrued interest
				16,462	Change in the presentation of customers
				2	Others
Loans and credit facilities received	10,014,560	24,207	10,038,767	24,207	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	391,369	-72,146	319,223	-2,468	Change in the presentation of reserves for employee benefits
				-69,765	Change in the presentation of accrued interest
				87	Others
Provisions	44,824	2,468	47,292	2,468	Change in the presentation of reserves for employee benefits

<table>
<tr><th colspan="6">Consolidated cash flow statement for the period from 1 January 2011 through 31 December 2011
(in PLN thousand)</th></tr>
<tr><th>Item</th><th>before the adjustment</th><th>adjustment</th><th>after the adjustment</th><th colspan="2">Change description</th></tr>
<tr><td>Cash and cash equivalents (gross), opening balance</td><td>1,173,607</td><td>130</td><td>1,173,737</td><td colspan="2">Change in the presentation of accrued interest</td></tr>
<tr><td>Impairment provisions</td><td>-15,464</td><td>251</td><td>-15,213</td><td colspan="2">Change in the presentation of a reserve for employee benefits</td></tr>
<tr><td colspan="6">Adjustments on account of operating activity</td></tr>
<tr><td>Financial assets and liabilities held for trading</td><td>47,387</td><td>187</td><td>47,574</td><td colspan="2">Change in the presentation of accrued interest</td></tr>
<tr><td>Due from banks</td><td>-216,239</td><td>166</td><td>-216,073</td><td colspan="2">Change in the presentation of accrued interest</td></tr>
<tr><td>Loans to customers</td><td>-1,576,657</td><td>-7,523</td><td>-1,584,180</td><td colspan="2">Change in the presentation of accrued interest</td></tr>
<tr><td rowspan="2">Investments available for sale, gross</td><td rowspan="2">-2,260</td><td rowspan="2">-6,116</td><td rowspan="2">-8,376</td><td>578</td><td>Change in the presentation of a deferred tax on investments available for sale</td></tr>
<tr><td>-6,694</td><td>Change in the presentation of accrued interest</td></tr>
<tr><td>Due to banks</td><td>296,855</td><td>-16,346</td><td>280,509</td><td colspan="2" rowspan="2">Change in the presentation of accrued interest and change in the presentation of customers</td></tr>
<tr><td>Due to customers</td><td>887,687</td><td>16,657</td><td>904,344</td></tr>
<tr><td>Liabilities due on account of credits and loans received</td><td>-272,686</td><td>17,251</td><td>-255,435</td><td colspan="2">Change in the presentation of accrued interest</td></tr>
<tr><td rowspan="2">Liabilities due on account of subordinated loans</td><td rowspan="2">-79,206</td><td rowspan="2">77,415</td><td rowspan="2">-1,791</td><td>79,206</td><td>Change in the presentation of repayment</td></tr>
<tr><td>-1,791</td><td>Change in the presentation of accrued interest</td></tr>
<tr><td rowspan="2">Other assets and liabilities</td><td rowspan="2">-10,667</td><td rowspan="2">399</td><td rowspan="2">-10,268</td><td>251</td><td>Change in the presentation of a reserve for employee benefits</td></tr>
<tr><td>148</td><td>Change in the presentation of accrued interest</td></tr>
<tr><td>Tax paid</td><td>78,335</td><td>-578</td><td>77,757</td><td colspan="2">Change in the presentation of a deferred tax on investments available for sale</td></tr>
<tr><td colspan="6">Net cash provided by (used in) financing activities</td></tr>
<tr><td>Payment of subordinated liabilities</td><td>-60,000</td><td>-79,206</td><td>-139,206</td><td colspan="2">Change in the presentation of repayment</td></tr>
</table>

6. Segment Reporting

On 2 April 2012, the Bank acquired 100% shares in BNP Paribas Factor Sp. z o.o., a subsidiary. In these statements, the Group presents comparative data without taking into account relevant items of BNP Paribas Factor Sp. z o.o. for 2011. The results of BNP Paribas Factor Sp. z o.o. are included in the Group's results since 2 April 2012.
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.

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.

Primary segmentation

The main business profile of the Group 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 specialises in the service of small enterprises and private individuals, by providing financial services for retail customers, professionals (liberal professions) and small enterprises. 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 Group runs its business in Poland as the only geographical area, therefore all revenues earned, costs incurred and assets pertain to one geographical area – Poland.

Consolidated Income Statement by Business Segments

1 Jan 2012 - 31 Dec 2012 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Interest income (external)	582,799	294,960	141,197	**1,018,956**
Transfer prices expense (internal)	-351,603	-167,008	-479,081	**-997,692**
Interest expense (external)	-206,253	-163,771	-104,156	**-474,180**
Transfer prices income (internal)	243,453	179,367	574,872	**997,692**
Net interest income	**268,396**	**143,548**	**132,832**	**544,776**
Fee and commission income	122,967	62,333	545	**185,845**
Fee and commission expense	-37,069	-2,253	-672	**-39,994**
Net fee and commission income	**85,898**	**60,080**	**-127**	**145,851**
Net trading income	27,277	69,504	12,463	**109,244**
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	44	61	16,917	**17,022**
Dividends	18	-	-	**18**
Other income	14,032	8,187	7	**22,226**
Other operating expenses	-13,521	-9,848	-	**-23,369**
Net banking income	**382,144**	**271,532**	**162,092**	**815,768**
General expenses	**-296,633**	**-51,917**	**-196,283**	**-544,833**
Personnel expenses	-147,430	-31,516	-113,263	**-292,209**
Other expenses	-149,203	-20,401	-83,020	**-252,624**
Depreciation	**-31,451**	**-3,181**	**-23,910**	**-58,542**
Cost allocation (internal)	-164,450	-36,092	200,542	**-**
Gross operating profit/loss	**-110,390**	**180,342**	**142,441**	**212,393**
Cost of risk	-185,438	29,332	11	**-156,095**
Net operating profit/loss	**-295,828**	**207,674**	**142,452**	**56,298**
Net profit/loss from disposal of assets, shares and interest	-2,514	-219	-	**-2,733**
Profit/loss before taxation	**-298,342**	**209,455**	**142,452**	**53,565**
Income tax	104,063	-76,413	-50,374	**-22,724**
Profit/loss after taxation	**-194,279**	**133,042**	**92,078**	**30,841**

1 Jan 2011 - 31 Dec 2011 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Interest income (external)	540,910	258,650	198,302	**997,862**
Transfer prices expense (internal)	-307,894	-164,773	-412,152	**-884,819**
Interest expense (external)	-158,294	-110,668	-155,597	**-424,559**
Transfer prices income (internal)	208,937	147,617	528,265	**884,819**
Net interest income	**283,659**	**130,826**	**158,818**	**573,303**
Fee and commission income	128,235	53,478	1,927	**183,640**
Fee and commission expense	-40,396	-895	-1,890	**-43,181**
Net fee and commission income	**87,839**	**52,583**	**37**	**140,459**
Net trading income	27,120	70,825	-30,469	**67,476**
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**
Dividends	20	-	-	**20**
Other income	14,219	5,105	6	**19,330**
Other operating expenses	-9,820	-5,970	-2	**-15,792**
Net banking income	**403,037**	**242,070**	**139,028**	**784,135**

General expenses	**-286,691**	**-42,667**	**-204,335**	**-533,693**
Personnel expenses	-131,105	-26,870	-109,813	**-267,788**
Other expenses	-155,586	-15,797	-94,522	**-265,905**
Depreciation	**-31,221**	**-3,314**	**-30,753**	**-65,288**
Cost allocation (internal)	-198,677	-30,027	228,704	**-**
Gross operating profit/loss	**-113,552**	**166,062**	**132,644**	**185,154**
Cost of risk	-118,161	9,550	-374	**-108,985**
Net operating profit/loss	**-231,713**	**175,612**	**132,270**	**76,169**
Net profit/loss from disposal of assets, shares and interest	-2,842	-228	-	**-3,070**
Profit/loss before taxation	**-234,555**	**175,384**	**132,270**	**73,099**
Income tax	134,836	-93,309	-75,184	**-33,657**
Profit/loss after taxation	**-99,719**	**82,075**	**57,086**	**39,442**

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

Consolidated total assets (in PLN thousand)	Balance as at:	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Assets	**31 Dec 2012**	11,487,025	5,696,533	3,645,627	**20,830,812**
	31 Dec 2011	11,794,380	6,113,721	4,571,203	**22,479,304**
Liabilities	**31 Dec 2012**	5,696,513	5,710,499	9,422,173	**20,830,812**
	31 Dec 2011	5,301,543	5,642,411	11,535,350	**22,479,304**

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

(in PLN thousand)	For period:	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Non-monetary expenses	**1 Jan 2012 - 31 Dec 2012**	-287,641	-17,408	142,535	**-162,514**
	1 Jan 2011 - 31 Dec 2011	27,687	-85,128	-214,502	**-271,943**

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)	Balance as at:	Retail Banking	Corporate and Transaction Banking	Other Banking Activity	Total
Asset acquisition costs	**31 Dec 2012**	57	-	41,482	**41,539**
	31 Dec 2011	23	-	64,859	**64,882**

7. Additional Notes to Consolidated Income Statement

On 1 July 2011, the Bank acquired 100% shares in Fortis Lease Polska Sp. z o.o. in these statements, the Group presents comparative data without taking into account relevant items of Fortis Lease Polska Sp. z o.o. for the first half 2011. The results of Fortis Lease Polska Sp. z o.o. are included in the Group's results since 1 July 2011.
On 2 April 2012, the Bank acquired 100% shares in BNP Paribas Factor Sp. z o.o., a subsidiary. In these statements, the Group presents comparative data without taking into account relevant items of BNP Paribas Factor Sp. z o.o. for the period from 1 January to 2 April 2012. The results of BNP Paribas Factor Sp. z o.o. are included in the Group's results since 2 April 2012.

Below there is detailed information on revenues and expenses of the Group 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	20,282	14,376
Due from banks	14,692	7,631
Loans to customers	872,467	794,745
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	**1,018,956**	**997,862**

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	-44,686
Due to customers	-307,877	-218,604
Loans and credit facilities received	-133,811	-133,516
Liabilities related to issuance of debt securities	-	-311
Subordinated liabilities	-1,102	-22,631
Derivative hedging instruments	-747	-2,126
Other	-3,570	-2,685
Total interest expense	**-474,180**	**-424,559**

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	64,837	61,229
Guarantees and contingent liabilities	21,407	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)	11,583	8,481
Income on account of agency in customer acquisition	1,505	1,508
Card related income	22,766	20,517
Insurance product sales revenues	23,286	28,623
Income on asset management	2,816	3,583
Other	21,093	23,321
Total fee and commission income	**185,845**	**183,640**

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	-352	-273
Settlements	-1,351	-1,464
Fee and commission expenses related to the franchise branch network	-8,706	-10,209
Fees and commissions related to sale of insurance products	-2,484	-2,436
Other	-15,837	-17,834
Total fee and commission expenses	**-39,994**	**-43,181**

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

Dividends (in PLN thousand)	1 Jan 2012 - 31 Dec 2012	1 Jan 2011 - 31 Dec 2011
Dividends	18	20
Total dividends	**18**	**20**

Note 7.6

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 of credit risk of derivative instruments	8,915	4,752
Foreign exchange transactions	93,852	100,935
Total net trading income	**109,244**	**67,476**

Note 7.7

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	15,632	10,626
Shares and holdings, including:	1,390	-11,287
- impairment provisions	3,870	-11,299
Total net profit (loss) on transactions in available-for-sale financial assets	**17,022**	**-661**

Note 7.8

Other income (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	5,825	5,403
Rental and lease income	7,579	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	7,939	5,714
Total other income	**22,226**	**19,330**

Note 7.9

Other operating expenses (in PLN thousand)	1 Jan 2012 - 31 Dec 2012	1 Jan 2011 - 31 Dec 2011
Compensation, penalties and fines	-4,750	-393
BGF costs	-14,817	-13,316
Other expenses	-3,802	-2,083
Total other operating costs	**-23,369**	**-15,792**

Note 7.10

Personnel expenses (in PLN thousand)	1 Jan 2012 - 31 Dec 2012	1 Jan 2011 - 31 Dec 2011
Remuneration	-221,783	-215,079
Surcharges on remuneration	-40,019	-36,843
Provisions on severance pay related to retirement, unused vacation leaves and other employee benefits, including:	-30,265	-15,722
provision for employment restructuring	-13,000	-
Other remuneration components	-142	-144
Total personnel costs	**-292,209**	**-267,788**

Note 7.11

Other expenses (in PLN thousand)	1 Jan 2012 - 31 Dec 2012	1 Jan 2011 - 31 Dec 2011
Rents	-73,491	-70,139
Information technologies and systems	-40,155	-38,987
Marketing and advertising	-30,304	-40,810
Postal and telecommunication services	-13,040	-17,220
Municipal services	-16,675	-20,776
Expenditure related to RE use	-2,799	-6,913
Advisory services and consulting	-10,635	-10,448
Business travel	-3,733	-4,179
Training	-17,030	-17,251
Security services	-2,870	-1,461
Office materials	-4,200	-5,447
KNF costs	-3,151	-4,330
Capital expenditures	-2,126	-2,976
Costs of receivables recovery	-7,607	-8,111
Costs related to ATMs and cash service	-4,917	-5,717
Other	-19,891	-11,140
Total other costs	**-252,624**	**-265,905**

Note 7.12

Depreciation (in PLN thousand)	1 Jan 2012 - 31 Dec 2012	1 Jan 2011 - 31 Dec 2011
Fixed assets, including:	-43,942	-54,476
- own real estate	-137	-136
- leasehold improvements	-10,978	-11,048
- computer hardware	-24,006	-33,416
- other fixed assets	-8,821	-9,876
Intangible assets	-14,664	-11,396
Provision for intangible assets	-133	-
Provision for investments	197	584
Total depreciation	**-58,542**	**-65,288**

Note 7.13

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:	-166,144	-70,416
- provisions credit receivables	-196,792	-83,418
- provisions for Incurred But Not Reported losses (IBNR)	-7,261	-1,577
- income on account of receivables recovered	2,380	666
- income on account of receivables written-down to provisions	35,529	13,913
Investments available for sale	-	-3,888
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
Other assets, net	-7,433	-14,161
Total cost of risk	**-156,095**	**-108,985**

The major components of the income tax expense:

Note 7.14.1

Income tax (in PLN thousand)	**1 Jan 2012 - 31 Dec 2012**	**1 Jan 2011 - 31 Dec 2011**
Current tax	-8,727	-24,685
Current tax for the previous year	-2,308	1,410
Deferred tax for the previous year	2,287	-1,157
Deferred tax	-13,976	-9,225
Total income tax	**-22,724**	**-33,657**

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 7.14.2

Tax burden (in PLN thousand)	**1 Jan 2012 - 31 Dec 2012**	**1 Jan 2011 - 31 Dec 2011**
Profit before income tax	53,565	73,099
Binding tax rate in %	19 %	19 %
Tax computed at the rate	-14,386	-13,888
Tax increases / decreases on account of:	-8,338	-19,769
Tax effects of book revenues recognised as current tax assets, pursuant to the Corporate Income Tax Act:	4,770	-1,060
- tax-exempt interest	-5	11
- taxable revenues on account of the sale of receivables	-	-1,590
- non-tax deductible income on securitisation	540	457
- non-taxable dividends from subsidiaries	4,209	-
- other	26	62
Tax effects of non-tax-deductible accounting costs	-3,333	-7,568
Tax effect of recognition of previous year costs	-56	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
Other	-209	-366
Total tax burden	**-22,724**	**-33,657**

Note 7.14

Consolidated Earnings Per Share	1 Jan 2012 - 31 Dec 2012	1 Jan 2011 - 31 Dec 2011
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/loss of the period in PLN thousand	30,841	39,442
Earnings/loss per ordinary share in PLN	1.16	1.64
Weighted average diluted number of potential ordinary shares	26,508,094	24,123,506
Diluted consolidated Earnings/Loss Per Share (PLN per share)	**1.16**	**1.64**

The basic earnings per share are computed as a quotient of the profit attributable to the Bank's shareholders and a weighted average number of ordinary shares during the period.
The diluted earnings per share are computed as a quotient of the profit attributable to the Bank's shareholders and a weighted average number of ordinary shares adjusted to take into consideration the impact of all potential ordinary shares that cause the EPS dilution.
As at the reporting date, there occurred no factors resulting in the dilution of potential ordinary shares.

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:	**1,262,785**	**936,174**
- Nostro accounts	978,854	37,918
- short-term deposits from banks	283,931	898,256
Interest	489	2,755
Cash and cash equivalents, gross	**1,981,688**	**1,117,533**
Impairment provisions	**-1,100**	**-1,111**
- for Incurred But Not Reported losses (IBNR)	-1,100	-1,111
Total cash and cash equivalents, net	**1,980,588**	**1,116,422**

Note 8.2

Changes to impairment provisions (in PLN thousand)	31 Dec 2012		31 Dec 2011	
	Impairment provisions	IBNR	Impairment provisions	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	69,382	61,279
Total financial assets held for trading	**145,838**	**175,761**

As at 31 December 2012 and 31 December 2011, in the Group'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**	**62,867**	**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**
a) 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
b) 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	-	-	-	-
- 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	-	-	-	-
- 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	-	-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	9,448	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	-	-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/Credits	60,049	60,063
Deposits	102,205	101,586
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) at the trade date	38,689	193,028
Other receivables	6,601	4,229
Interest	575	417
Total due from banks, gross	**208,119**	**359,323**
Impairment provisions:	**-74**	**-84**
- for Incurred But Not Reported losses (IBNR)	-74	-84
Total due from banks, net	**208,045**	**359,239**

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	7,323,821	7,757,909
Receivables on account of recognition of financial instruments (FX spot and FX swap transactions) at the trade date	930	393
Finance lease receivables	1,714,936	1,899,785
Other receivables	130,094	7,521
Interest	57,087	55,571
Total loans to customers, gross	**17,361,683**	**17,987,412**
Impairment provisions:	**-1,201,996**	**-1,340,485**
- for incurred, reported losses	-1,099,143	-1,245,058
- for Incurred But Not Reported losses (IBNR)	-102,853	-95,427
Total loans to customers, net	**16,159,687**	**16,646,927**

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**
Consolidation adjustment	-	-137,532	-12,168
Increases	-56	-396,256	-28,021
Decreases	77	263,764	26,445
Write-downs to provisions	-	151,210	-
FX rate differences	-	27,610	-
Balance as at 31 Dec 2011	**-84**	**-1,245,058**	**-95,427**
Balance as at 1 Jan 2012	**-84**	**-1,245,058**	**-95,427**
Consolidation adjustment	-	-	-87

Increases	-21	-468,481	-27,030
Decreases	31	279,878	19,691
Write-downs to provisions	-	298,420	-
FX rate differences	-	36,098	-
Balance as at 31 Dec 2012	**-74**	**-1,099,143**	**-102,853**

11. Investments

Note 11.1

Investments Available for Sale, at fair value (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-financial entities	10,223	10,000
Cash bills	-	1,569,391
Shares and holdings	17,764	22,240
Other	7,350	3,200
Interest	34,840	33,978
Total investments available for sale, gross	**1,836,747**	**3,674,086**
Write-downs for impairment of investments available for sale	**-11,317**	**-15,187**
write-downs for bonds issued by non-financial entities	-3,888	-3,888
write-downs for shares	-7,429	-11,299
Total investments available for sale, net	**1,825,430**	**3,658,899**

Note 11.2

Change in the balance of available-for-sale investments (in PLN thousand)	Debt securities	Shares, holdings and other	Total
Balance as at 1 Jan 2011	**3,223,877**	**24,416**	**3,248,293**
Increases	65,181,100	3,000	65,184,100
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	-2,066	3,051
Others	12,209	90	12,299
Balance as at 31 Dec 2011	**3,610,780**	**14,141**	**3,624,921**

Balance as at 1 Jan 2012	**3,610,780**	**14,141**	**3,624,921**
Increases	23,253,420	6,000	23,259,420
Decreases (sale and maturity)	-25,122,740	-9,215	25,131,955
Increases related to the release of provisions	-	3,870	3,870
Measurement to fair value	37,162	2,894	40,056
Others	-5,717	-5	-5,722
Balance as at 31 Dec 2012	**1,772,905**	**17,685**	**1,790,590**

The table below presents profits and losses on available-for-sale investments, which in the given period were recognised directly in the equity, and then were derecognised from the equity 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 11.3

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 11.4

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-financial entities	-	-	6,112	6,112
NBP cash bills	-	-	1,569,391	1,569,391
Shares	10,310	-	-	10,310

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-financial entities	-	-	6,335	6,335
Shares	10,038	-	-	10,038

At level 1, the Group classifies available-for-sale debt securities whose fair value is determined using market prices.
At level 3, the Group classifies available-for-sale debt securities whose fair value is determined using measurement techniques in which any material inputs are not based on available and verifiable market data.

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

Note 11.5

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**	**-**	**1,039,746**	**3,247,473**
- 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**	**-**	**1,575,503**	**3,621,090**

Balance as at 1 Jan 2012	**2,045,587**	**-**	**1,575,503**	**3,621,090**
- 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**	**-**	**6,383**	**1,782,991**

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	58,737	59,646
Machines and equipment and means of transport	21,887	29,586
Computer hardware	39,642	56,256
Total Property, Plant and Equipment	**123,598**	**148,948**

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**	**141,631**	**84,734**	**234,182**	**465,426**
- consolidation adjustment	-	-	-	2,535	964	**3,499**
- balance increase (incl. purchase)	-	-	15,397	8,265	22,080	**45,742**
- balance increase - non-financial non-current assets not delivered for use as at the balance sheet date	-	-	-	194	4,752	**4,946**
- balance decrease (sale, liquidation)	-	-	-11,704	-9,613	-37,534	**-58,851**
- recognition investments in costs	-	-	-621	-210	-13	**-844**
- donation	-	-	-	-33	-332	**-365**
- other	-	19	-	-	-2	**17**
Gross value as at 31 Dec 2011	**-**	**4,898**	**144,703**	**85,872**	**224,097**	**459,570**
Amortisation as at 1 Jan 2011	**-**	**-1,302**	**-82,007**	**-51,556**	**-171,029**	**-305,894**
- consolidation adjustment	-	-	-	-1,049	-864	**-1,913**
- depreciation	-	-136	-11,048	-9,605	-33,360	**-54,149**
- balance decrease (sale, liquidation)	-	-	9,169	5,616	37,097	**51,882**
- donation	-	-	-	308	330	**638**
- other	-	-	12	-	-	**12**
Amortisation as at 31 Dec 2011	**-**	**-1,438**	**-83,874**	**-56,286**	**-167,826**	**-309,424**
Provisions as at 1 Jan 2011	**-**	**-**	**-1,546**	**-**	**-21**	**-1,567**
- created	-	-	-2,420	-	-	**-2,420**
- released	-	-	2,783	-	6	**2,789**
- amortisation against write-downs	-	-	-	-	-	-
Provisions as at 31 Dec 2011	**-**	**-**	**-1,183**	**-**	**-15**	**-1,198**
Fixed assets net as at 31 Dec 2011	**-**	**3,460**	**59,646**	**29,586**	**56,256**	**148,948**

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**	**144,703**	**85,872**	**224,097**	**459,570**
- consolidation adjustment	-	-	16	86	50	**152**
- balance increase (incl. purchase)	-	-	12,631	2,766	11,972	**27,369**
- 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)	-	-	-9,271	-5,764	-9,057	**-24,092**
- recognition of investments in costs	-	-	-79	-110	-350	**-539**
- donation	-	-	-	-186	-176	**-362**
- other	-	9	-	-1	-	**8**
Gross value as at 31 Dec 2012	**-**	**4,907**	**148,000**	**82,640**	**222,468**	**458,015**
Amortisation as at 1 Jan 2012	**-**	**-1,438**	**-83,874**	**-56,286**	**-167,826**	**-309,424**
- consolidation adjustment	-	-	-1	-53	-37	**-91**
- depreciation	-	-137	-10,973	-8,664	-24,008	**-43,782**
- balance decrease (sale, liquidation)	-	-	7,087	4,111	9,011	**20,209**
- donation	-	-	-	138	176	**314**
- other		-	-	1	-2	**-1**
Amortisation as at 31 Dec 2012	**-**	**-1,575**	**-87,761**	**-60,753**	**-182,686**	**-332,775**
Provisions as at 31 Dec 2010	**-**	**-**	**-1,183**	**-**	**-15**	**-1,198**
- created	-	-	-683	-	-130	**-813**
- released	-	-	167	-	5	**172**
- releases against write-downs			197	-	-	**197**
- decreases on account of held-for-sale assets classified as fixed assets	-	-	-	-	-	**-**
Provisions as at 31 Dec 2012	**-**	**-**	**-1,502**	**-**	**-140**	**-1,642**
Fixed assets net as at 31 Dec 2012	**-**	**3,332**	**58,737**	**21,887**	**39,642**	**123,598**

Property, plant and equipment held by the Group 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

Intangible assets (in PLN thousand)	**1 Jan 2012 - 31 Dec 2012**	**1 Jan 2011 - 31 Dec 2011**
Opening balance, gross	**83,555**	**83,934**
- consolidation adjustment	-	995
- balance increase (incl. purchase)	11,508	16,931
- liquidation	-118	-19,949
- recognition of investments in costs	-538	-86
- increase in development works balance	2,783	1,730
- other	-	-
Ending balance, gross	**97,190**	**83,555**
Amortisation opening balance	**-52,544**	**-60,261**
- consolidation adjustment	-	-875
- amortisation costs of development works	-535	-38
- other amortisation costs	-14,187	-11,348
- balance decrease (sale and liquidation)	118	19,978
Amortisation ending balance	**-67,148**	**-52,544**
Provisions opening balance	**-**	**-**
- created	-140	-
- released	7	-
Provisions ending balance	**-133**	**-**
Total net intangible assets ending balance	**29,909**	**31,011**

Intangible assets held by the Group 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 at 31 December 2012 and comparative data as at 31 December 2011:

Note 14

in PLN thousand	31 Dec 2012	31 Dec 2011
Land (including perpetual usufruct of land)	5,686	250
Buildings and premises	23,768	4,535
Means of transport	1,611	313
Construction machines	24	156
Others	1,011	-
Total non-current assets held for sale	**32,100**	**5,254**

In accordance with IFRS5 "Non-current Assets Held for Sale and Discontinued Operations", in the "Non-current assets held for sale" balance sheet position, BNP Paribas Bank Polska SA recognised the real estate which fulfils relevant IFRS5 requirements concerning classification of assets as non-current assets held for sale.
The Bank entered into a preliminary conditional sale agreement of real estate, with its finalisation planned for the first quarter of 2013.

In accordance with IFRS5 "Non-current Assets Held for Sale and Discontinued Operations", Fortis Lease Polska Sp. z o.o. recognized in the balance sheet position "Non-current assets held for sale" the following assets:

- 29 vehicles,
- 74 specialist machines,
- 1 construction machine,
- 1 production line,
- 2 real properties with land,
- 2 cranes,

that meet the relevant IFRS5 requirements applicable to non-current assets held for sale, as at 31 December 2012.

The aforesaid assets were taken over from lessees through debt recovery actions and earmarked for sale pursuant to the debt recovery procedure applied in the FLP.

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

in PLN thousand	31 Dec 2012	31 Dec 2011
Deferred tax assets	282,266	299,480
Deferred tax liabilities	56,309	53,273
Net deferred tax	**225,957**	**246,207**

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 2011	Consolidation adjustment	Increases / decreases recognised in income statement	Increases/ decreases recognised in capital	Closing balance 31 Dec 2011
Interest accrued to be paid	8,890	-	1,607	-	10,497
Negative fair value - hedged items and hedging instruments	-	-	2,495	-	2,495
Provisions for credit exposure impairment	178,182	37,624	-12,326	-	203,480
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	4,145	-	-490	-	3,655
Expenses calculated for payment, which are not tax-deductible expenses	3,430	-	-341	-	3,089
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	1,587	516	-	4,875
Difference between balance sheet depreciation and tax depreciation	21	-	3	-	24
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 a subsidiary	-	-	180	-	180
Provision for impairment - bonds, shares	-	-	2,886	-	2,886
Others	218	839	-79	-	978
Total deferred tax assets	**257,469**	**40,050**	**-12,543**	**14,504**	**299,480**

Deferred tax liabilities (in PLN thousand)	**Opening balance 1 Jan 2011**	**Consolidation adjustment**	**Increases / decreases recognised in income statement**	**Increases/ decreases recognised in capital**	**Closing balance 31 Dec 2011**
Interest accrued to be received	24,123	350	4,907	-	29,380
Difference between balance sheet depreciation and tax depreciation	4,748	112	465	-	5,325
Measurement of financial instruments held for trading	8,193	-	-2,015	-	6,178
Measurement of available-for-sale investments	348	-	-	-77	271
Commissions and fees settled in time	2,711	479	2,693	-	5,883
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	12,382	-10,261	-	2,151
Total deferred tax liabilities	**42,189**	**13,323**	**-2,162**	**-77**	**53,273**
Net deferred tax	**215,280**	**26,727**	**-10,381**	**14,581**	**246,207**

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	10,497	388	-	10,885
Negative fair value - hedged items and hedging instruments	2,495	-823	-	1,672
Provisions for credit exposure impairment	203,480	-4,414	-	199,066
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	3,655	-85	-	3,570
Expenses calculated for payment, which are not tax-deductible expenses	3,089	514	-	3,603
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	-7,965	-	6,972
Measurement of available-for-sale investments	1,295	-	-1,295	-
Commissions and fees settled in time	4,875	2,067	-	6,942
Difference between balance sheet depreciation and tax depreciation	24	-24	-	-
Difference between the market price and shares 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	978	1,254	-	2,232
Total deferred tax assets	**299,480**	**-15,919**	**-1,295**	**282,266**

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	29,380	217	-	29,597
Difference between balance sheet depreciation and tax depreciation	5,325	500	-	5,825
Measurement of financial instruments held for trading	6,178	-3,053	-	3,125
Measurement of available-for-sale investments	271	-	7,266	7,537
Commissions and fees settled in time	5,883	-611	-	5,272
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	2,151	-438	-	1,713
Total deferred tax liabilities	**53,273**	**-4,230**	**7,266**	**56,309**
Net deferred tax	**246,207**	**-11,689**	**-8,561**	**225,957**

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
Deferred acquisition cost	-	11
Financial assets recognised at the trade date	22,270	18,781
Interbank settlements	9,796	11,539
Income to be received	28,803	29,757
Receivables due from counterparties	54	161
Settlements (on account) of credit cards	13,177	6,958
Others	23,137	26,073
Total other assets	**97,237**	**93,280**
Impairment provisions	-20,595	-20,403
Total other assets, net	**76,642**	**72,877**

17. Liabilities

Note 17.1

Due to banks (in PLN thousand)	31 Dec 2012	31 Dec 2011
Banks' deposits	342,290	833,095
- Current	58,938	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	5,863
Total due to banks	**382,358**	**1,032,031**

Note 17.2

Due to customers (in PLN thousand)	31 Dec 2012	31 Dec 2011
Current deposits	3,579,775	3,339,883
Term deposits	6,288,320	5,330,428
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
Others	11,823	18,950
Interest	42,167	37,083
Total due to customers	**10,064,950**	**8,882,232**

Note 17.3

Loans and credit facilities received (in PLN thousand)	31 Dec 2012	31 Dec 2011
Loans and credit facilities received from banks	7,577,240	10,014,560
Interest	12,518	24,207
Total loans and credit facilities received	**7,589,758**	**10,038,767**

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	13,029	-
Others (interest)	-2,153	-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	20,347	20,355
Expenses to be paid	18,539	16,273
Taxes to be paid	37,733	19,885
Employee benefits	19,831	20,569
Liabilities due to counterparties	12,786	33,326
Settlement on account of credit debt	36,495	36,507
Interbank settlements	63,986	159,057
Others	16,758	13,251
Total other liabilities	**226,475**	**319,223**

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 reserve – off-balance sheet commitments	8,624	6,180
Legal risk provisions	9,592	5,267
Reserves for future obligations	3,977	2,973
Provisions for employee benefits (including the restructuring provision)	7,249	2,468
Provisions for office sub-lease	1,789	2,118
Total provisions	**39,141**	**47,292**

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	**12,826**	**9,464**
Increases	29,026	5,511
- for legal risk	8,898	1,131
- for office sub-lease	1,128	1,156
- for future obligations	5,552	2,973
- employee benefits	13,448	251
Decreases	-19,245	-2,149
- for legal risk	-4,573	-426
- for office sub-lease	-1,457	-1,723
- for future obligations	-4,548	-
- employee benefits	-8,667	-
Ending balance	**22,607**	**12,826**

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	172,401	127,099
Transfer from BNP Paribas SA Branch	-	15,161
Other capital	26,269	6,919
Revaluation reserve	32,110	-4,384
Consolidation adjustment	833	12,805
Retained earnings	33,845	705
Net profit (loss) for the year	30,841	39,442
Total equity capital	**1,730,945**	**1,403,922**

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 1,434,646,300.00 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	Value of share series / issue as per 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	04 Jun 1998	625,000	31,250,000
G	04 Jun 1998	740,000	37,000,000
H	08 Oct 1999	761,500	38,075,000
I	03 Jul 2000	1,675,300	83,765,000
J	28 Jun 2001	5,025,900	251,295,000
F	02 Jan 2007	1,693,480	84,674,000
L	31 Jul 2009	5,243,532	262,176,600
M	14 Sep 2009	2,108,794	105,439,700
N	23 Jun 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 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	1,037	1,037
Total other capital	**26,269**	**6,919**

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
- bonds issued by non-finance entities	223	-
- shares and holdings	1,616	-722
Deferred tax	-7,536	1,025
Other	868	313
Total revaluation reserve	**32,110**	**-4,384**

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					
	positive	negative	up to 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest Rate Contracts	**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					
	positive	negative	up to 1 month	from 1 to 3 months	from 3 months to 1 year	1-5 years	> 5 years	Total
Interest Rate Contracts	**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 comparative data.

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 - receivables

The Group runs lease activity through its subsidiary, Fortis Lease Polska Sp. z o.o., by concluding, as a lessor, finance lease transactions primarily concerning means of transport, technical equipment and real estate.

Note 23.1

Finance lease receivables (in PLN thousand)	31 Dec 2012	31 Dec 2011
(Gross) finance lease receivables	1,718,790	1,904,395
Unrealised financial income	-3,827	-4,610
Current value of minimum lease charges	**1,714,963**	**1,899,785**

Note 23.2

Finance lease receivables by maturity (in PLN thousand)	31 Dec 2012	31 Dec 2011
up to 1 year	447,038	556,495
from 1 up to 5 years	690,529	718,578
above 5 years	551,223	629,322
(Gross) finance lease receivables	**1,718,790**	**1,904,395**
impairment losses	-133,594	-140,248
Total finance lease receivables	**1,585,196**	**1,764,147**

Note 23.3

Current value of minimum lease charges (in PLN thousand)	31 Dec 2012	31 Dec 2011
up to 1 year	477,038	551,885
from 1 up to 5 years	690,529	718,578
above 5 years	551,223	629,322
Current value of minimum lease charges, gross	**1,714,963**	**1,899,785**
impairment losses	-133,594	-140,248
Total current value of minimum lease charges, net	**1,581,369**	**1,759,537**

Finance lease - liabilities

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 23.4

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 23.5

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 23.6

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 Group incurred expenses related to rent for the above real estate of PLN 73,491 thousand, as compared to PLN 70,139 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 23.7

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 lease 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 is required to restore the premises to the technical condition that existed before the lease period.
Pursuant to lease agreements, the Bank leases office premises.

Note 23.8

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 lease 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 23.9

Future minimum lease charges on account of perpetual usufruct of land by payment dates (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	**-1,199,607**	**-1,214,820**
Decreases	151,701	51,457
- provisions for cash and cash equivalents	11	-
- provisions for due from banks	10	21
- provisions for loans to customers	138,655	44,610
- provisions for investments available for sale	3,870	-
- provisions for fixed assets	-	369
- provisions for other assets	-	6,457
- reserves	9,155	-
Increases	-1,916	-36,243
- provisions for cash and cash equivalents	-	-374
- provisions for due from banks	-	-
- provisions for loans to customers	-79	-
- provisions for investments available for sale	-	-15,187
- provisions for fixed assets	-641	-
- provisions for other assets	-192	-
- reserves	-1,004	-20,682
Other	-1	-1
Ending balance	-1,049,823	-1,199,607
Change	**-149,784**	**-15,213**

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 a prepayment of a 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 dues	**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 Protection Fund of Guaranteed Deposits under 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					
	positive	negative	up to 1 month	1-3 months	3 months-1 year	1-5 years	>5 years	Total
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 purchased	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 purchased	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 Group 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 Group's contingent liabilities as at 31 December 2012 and comparative data for the previous year.

Note 27

Contingent liabilities granted and received (in PLN thousand)	31 Dec 2012	31 Dec 2011
Contingent liabilities granted		
- items related to financing	4,930,129	3,777,003
- guarantees	1,921,582	1,925,227
Total contingent liabilities granted	**6,851,711**	**5,702,230**
Contingent liabilities received		
- items related to financing	1,462,000	3,290,922
- guarantees	490,046	378,134
Total contingent liabilities received	**1,952,046**	**3,669,056**

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

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	755,311	736,036	414,325	2,666,060	**4,930,129**
	guarantees	73,972	235,872	934 ,625	593,147	78,771	5,195	**1,921,582**
31 Dec 2011	items related to financing	101,270	140, 499	646,080	693,056	389,024	1,807,074	**3,777,003**
	guarantees	122,480	187,327	776,159	757,343	77,413	4,505	**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	3,070,082	-	**3,290,922**
	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 4,802,962 thousand or 97% of the Group's financial off-balance sheet commitments granted, and, respectively, PLN 3,598,670 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 Group 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 Group'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 Group was an unused credit line granted by the NBP, which as at 31 December 2012 made up PLN 1,462,000 thousand, and PLN 3,290,922 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 Group, 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, respective 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 ceased to provide custody services.

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 Group with its parent company and entities affiliated by management is presented below. These transactions concern bank operations made as part of a regular business activity. Terms of such transactions correspond to market conditions.

Note 29.1

31 Dec 2012 (in PLN thousand)	**Parent entity**	**Affiliated entities**	**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	42,371	145,829
Hedging instruments	11,179	-	11,179
Other assets	9,207	6,695	15,902
Total assets	**1,088,318**	**270,615**	**1,358,933**
Liabilities			
Financial liabilities held for trading	63,037	8,288	71,325
Due to banks and customers	27,220	162,002	189,222
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	15,528	16,187
Total liabilities	**345,015**	**6,130,664**	**6,475,679**

31 Dec 2011 (in PLN thousand)	**Parent entity**	**Affiliated entities**	**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	182,597	327,820
Hedging instruments	17,759	-	17,759
Other assets	7,816	5,387	13,203
Total assets	**386,137**	**868,281**	**1,254,418**
Liabilities			
Financial liabilities held for trading	75,600	34,118	109,718
Due to banks and customers	354,382	252,408	606,790
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	24,023	27,240
Total liabilities	**1,036,347**	**8,173,292**	**9,209,639**

Note 29.2

Income Statement 1 Jan 2012 - 31 Dec 2012 (in PLN thousand)	**Parent entity**	**Affiliated entities**	**Total**
Interest income	6,162	8,602	14,764
Interest expense	-2,727	-86,736	-89,463
Fee and commission income	641	1,366	2,007
Fee and commission expense	-1,205	-318	-1,523
Net trading income	42,941	-4,916	38,025
Net profit (loss) on hedging transactions	-3,755	-	-3,755
Other revenues	-8	250	242
Other operating expenses	-	-6	-6
Other general expenses	-	-2,852	-2,852
Cost of risk	-102	-220	-322

Income Statement 1 Jan 2011 - 31 Dec 2011 (in PLN thousand)	**Parent entity**	**Affiliated entities**	**Total**
Interest income	6,766	4,551	11,318
Interest expense	-24,129	-129,079	-153,207
Fee and commission income	1,717	722	2,439
Fee and commission expense	-1,223	-95	-1,318
Net trading income	-9,717	57,251	47,532
Net profit (loss) on hedging transactions	12,353	-	12,353
Other revenues	836	-225	611
Other expenses	-	-2,110	-2,110
Other general expenses	-	-1,891	-1,891

Note 29.3

Contingent liabilities and transactions in derivative instruments 31 Dec 2012 (in PLN thousand)	**Parent entity**	**Affiliated entities**	**Total**
Contingent liabilities granted:	**7,513**	**367,228**	**374,741**
- items related to financing	-	27,467	27,467
- 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**	**Affiliated entities**	**Total**
Contingent liabilities granted:	**11,186**	**313,397**	**324,583**
- items related to financing	-	34,845	34,845
- guarantees	11,186	278,552	289,738
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 grating 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 grating 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

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

* The "Other" item includes expenses related to medical care, company car (lump sum), accommodation, equivalent for holiday leave, bonuses and remuneration for the Board of Executives' meetings.
**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

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 FC loans in the total amount equivalent to PLN 4,232 thousand with original maturity from 3 months to over 30 years;
- 9 (nine) 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 FC 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;
- 29 credit card limits totalling PLN 212 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 (ZFŚS)

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 (ZFŚS).

Note 30.3

Employee indebtedness on account of cash loans granted from the Company Social Benefits Fund (ZFŚS)	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 Group was as follows:

Note 31.1

Employment:	**31 Dec 2012**	**31 Dec 2011**
FTEs	2,815	3,011
of which, having education:		
- higher	82%	83%
- BA	6%	4%
- secondary	12%	13%

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	13,495	15,838
Reserve for unused vacation leaves	5,673	3,633
Company Social Benefit Fund (ZFŚS)	1,012	1,449
restructuring provision (benefits on account of work relationship termination)	4,370	-
Others	113	60
Total short-term employee benefits	**24,663**	**20,980**

The Group does not finance employee pension schemes.
Long-term employee benefits include the Group's liabilities on account of retirement severance pay, disability benefits and post-death benefits. The benefits are specific benefit programs that are not financed by assets. The Group 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	2,966	2,633
Annual bonuses for employees on managerial positions	526	-
Total long-term employee benefits	**3,492**	**2,633**
Liabilities recognised in the balance sheet	**3,492**	**2,633**

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

Note 31.4

Retirement severance pay, disability benefits and post-death benefits (in PLN thousand)	**31 Dec 2012**	**31 Dec 2011**
Present value of liabilities – opening balance	**2,633**	**2,355**
Current employment costs	833	267
Interest expense	141	120
Past employment costs	-116	-
Actuarial Profits (+) / Losses (+)	4	-39
Benefits paid out (-)	-3	-70
Current value of liabilities – ending balance	**3,492**	**2,633**

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 a risk for the Bank of incurring losses 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 comprises both 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 that use, among other things, data from the Credit Information Bureau, is applied to individuals 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 a 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 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,
- initiated composition proceedings,
- economic crime,
- termination of loan agreements by other banks,
- payments of a loan principal and/or interest that are more than 90 days past due, occurring on a continued basis 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, measures are applied 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 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	**1,760,143**	**949,370**
- receivables without impairment	1,760,754	947,726
- provisions for impairment of IBNR losses	-1,100	-1,111
- interest	489	2,755
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**	**359,239**
- receivables without impairment	207,544	358,906
- provisions for impairment of IBNR losses	-74	-84
- interest	575	417
Loans to customers	**16,159,687**	**16,646,924**
- receivables without impairment	15,362,216	15,687,490
- receivables impaired, including where the impairment is:	1,942,379	2,244,351
determined on a case-by-case basis	1,256,652	1,405,511
determined using a collective method	685,727	838,840
- provisions for impairment for incurred and reported losses	-1,099,143	-1,245,061
determined on a case-by-case basis	-613,164	-723,022

determined using a collective method	-485,979	-522,039
- provisions for impairment of IBNR losses	-102,853	-95,427
- interest	57,087	55,571
Investments - Available for Sale	**1,825,430**	**3,658,899**
- receivables without impairment	1,774,571	3,609,727
- receivables impaired	27,336	30,381
- provisions for impairment of incurred and reported losses	-11,317	-15,187
- interest	34,840	33,978
Other investments	-	-
Off-balance sheet commitments granted	**6,835,176**	**5,667,764**
- off-balance sheet commitments without impairment	6,755,807	5,609,578
- off-balance sheet commitments 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
- provisions 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	15,052,196	15,302,476
Non-performing receivables without impairment	310,020	385,014
Receivables with impairment determined on a case-by-case basis (with a provision)	1,170,739	1,350,152
Receivables with impairment determined on a case-by-case basis (without a provision)	85,913	55,359
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	**17,304,595**	**17,931,841**

The table below presents the FC 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 (in PLN thousand)	31 Dec 2012	31 Dec 2011
CHF	4,235,758	4,756,527
EUR	2,159,037	2,677,158
PLN	8,168,695	7,567,933
USD	482,634	300,858
Other	6,072	-
Total	**15,045,837**	**15,302,476**

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	1,303,202	1,574,655
8-10	2,025,782	2,009,171
11-12	2,512,344	2,371,540
13-17	1,394,778	1,784,470
No rating assigned	7,816,090	7,562,640
- of which mortgage loans	5,561,786	5,987,367
Total	**15,052,196**	**15,302,476**

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	1,256,652	1,405,511
18	1,542	169
19	872,343	896,512
20	346,617	483,095
No rating assigned	36,150	25,735
- 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	**1,942,379**	**2,244,351**

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 Group, 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, except business entities that use car loans only.

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

Past-due periods of non-performing receivables, without impairment (in PLN thousand)	31 Dec 2012	31 Dec 2011
from 1 to 30 days	241,219	264,209
from 31 to 60 days	50,163	54,416
from 61 to 90 days	14,612	58,142
from 91 days up	4,026	8,247
Total non-performing receivables without impairment	**310,020**	**385,014**

The table below presents types of collateral 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.

The table below presents 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	11,509,843	5,673,000	17,182,843
Off-balance sheet credit exposures	939,140	5,518,954	6,458,094
Total credit exposures, gross	**12,448,983**	**11,191,954**	**23,640,937**
Write-downs for impairment of incurred and reported losses	-670,363	-429,539	-1,099,902
Provisions for off-balance sheet commitments	-772	-7,138	-7,910
Write-downs for Incurred But Not Reported losses (IBNR)	-79,347	-32,130	-111,477
- balance sheet receivables	-76,054	-26,799	-102,853
- off-balance sheet commitments	-3,293	-5,331	-8,624
Total credit exposures, net	**11,698,501**	**10,723,147**	**22,421,648**

Credit exposures broken by business lines 31 Dec 2011 (in PLN thousand)	Retail Banking	Corporate and Transaction Banking	Total
Balance sheet credit exposures	11,770,030	6,161,811	17,931,841
Off-balance sheet credit exposures	860,508	4,308,220	5,168,728
Total credit exposures, gross	**12,630,538**	**10,470,031**	**23,100,569**
Write-downs for impairment of incurred and reported losses	-721,311	-523,750	-1,245,061
Provisions for off-balance sheet commitments	-1,549	-26,737	-28,286
Write-downs for Incurred But Not Reported losses (IBNR)	-65,406	-36,201	-101,607
- balance sheet receivables	-63,822	-31,605	-95,427

- off-balance sheet commitments	-1,584	-4,596	-6,180
Total credit exposures, net	**11,842,272**	**9,883,343**	**21,725,615**

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	11,350,086	91	10,507,577	92	21,857,663
With impairment:	1,098,947	9	939,538	8	2,038,485
- determined on a case-by-case basis	409,080	3	911,840	8	1,320,920
- determined using a collective (portfolio) method	689,867	6	27,698	0	717,565
Total credit exposures, gross	**12,449,033**	**100**	**11,447,115**	**100**	**23,889,148**
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	10,970,327	87	9,417,936	90	20,388,263
With impairment:	1,660,210	13	1,052,095	10	2,712,305
- determined on a case-by-case basis	480,757	4	986,988	9	1,467,745
- determined using a collective (portfolio) method	1,179,453	9	65,107	1	1,244,560
Total credit exposures, gross	**12,630,537**	**100**	**10,470,031**	**100**	**23,100,568**

The table below presents an analysis of mortgage loans to 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 to 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 to 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 mortgage loans portfolio, gross (in PLN thousand)	31 Dec 2012	31 Dec 2011
Performing receivables without impairment	5,561,786	5,736,757
Należności zaległe bez utraty wartości	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 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 as per currencies (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 (excl. 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 %**
Construction and activity related to real estate market service	3,517,186	14.78	3,446,133	14.92
Water supply, sewage and waste management and rehabilitation-related activity	225,149	0.95	309,754	1.34
Activity related to accommodation and catering services	254,751	1.07	196,869	0.85
Financial and insurance activity	583,150	2.45	568.546	2.46
Mining and extraction	595,695	2.50	69,506	0.30
Wholesale and retail trade. Repair of vehicles, except motorcycles	3,852,168	16.19	3,363,582	14.56
Individuals	8,343,727	35.06	8,470,994	36.67
Other services	929,602	3.91	1,275,760	5.52
Industrial processing	3,889,803	16.34	3,718,695	16.10
Transport and warehouse management	827,022	3.47	1,025,236	4.44
Production and supply of electricity, gas, steam and air to air conditioning systems	240,504	1.01	39,314	0.17
Other industries	541,353	2,27	616,240	2.67
Total credit portfolio by sectors	**23,800,110**	**100.00**	**23,100,629**	**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. 1 of the Banking Law Act, as at 31 December 2012 the limit of the Bank's exposures bearing risk of one entity or affiliated entities amounted to PLN 590,868 thousand on a consolidated basis (pursuant to law, 25% of the Bank's own funds).
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 another 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 said limit amounted to PLN 613,230 thousand on a consolidated basis and was not exceeded.

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 response 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 response 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 assessment, the liquidity risk is divided into:

- financing liquidity risk, understood as the risk of a failure to fulfil the expected or unexpected requests for payment of funds, without incurring unacceptable losses or without putting the business activity at risk.
- market liquidity risk refers to an impossibility of selling assets due to inadequate market depth or occurrence of market disruptions. Such risk is therefore to some extent related 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, measures aimed at improving the quality 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 December2022.

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.

Fortis Lease Polska Sp. z o.o.

Fortis Lease Polska Sp. z o.o. finances its agreements mainly using 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 46 million – maturity in November 2013,
- EUR 144 million – maturity in August 2024,
- PLN 686 million – maturity in December 2023.

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

- EUR 21 million – maturity in March 2018,
- PLN 84 million – maturity in December 2022.

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 determined**	**up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 3 years**	**3 - 5 years**	**> 5 years**	**Total**
Cash and cash equivalents	-	-	-	-	-	-	-	**1,980,588**
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	747,944	2,291,325	427,568	1,708,047	3,183,363	1,881,275	5,913,046	**16,152,568**
Investments available for sale	17,705	174,641	-	6,335	524,320	478,106	624,323	**1,825,430**
Other assets	-	-	-	-	-	-	-	**516,716**
Long position	**766,150**	**2,520,498**	**544,149**	**1,772,414**	**3,731,901**	**2,438,310**	**6,565,578**	**20,830,812**
Financial liabilities held for trading	-	3,215	9,453	11,285	7,623	27,337	27,804	**86,717**
Due to banks	1,314	155,953	8,657	51,944	124,089	40,401	-	**382,358**
Due to customers	37,002	7,531,291	823,393	1,433,230	239,621	413	-	**10,064,950**
Loans and credit facilities received	10,640	276,006	134,246	1,697,685	2,974,987	2,074,006	422,189	**7,589,758**
Subordinated liabilities	459	245,292					448,500	**694,251**
Other liabilities	-	-	-	-	-	-	-	**2,011,150**
Short position	**49,415**	**8,211,757**	**975,749**	**3,194,145**	**3,346,320**	**2,142,157**	**898,493**	**20,830,812**
Gap – balance sheet	**716,735**	**-5,691,259**	**-431,600**	**-1,421,731**	**385,581**	**296,153**	**5,667,085**	**-**

Balance sheet items broken down by residual maturity								
31 Dec 2011 (in PLN thousand)	**Without any maturity determined**	**up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 3 years**	**3 - 5 years**	**> 5 years**	**Total**
Cash and cash equivalents	-	-	-	-	-	-	-	**1,116,422**
Financial assets held for trading	523	23,171	16,620	44,084	9,349	39,159	42,855	**175,761**
Due from banks	305	195,140	103,794	-	60,000	-	-	**359,239**
Loans to customers	923,202	2,178,975	543,646	1,822,769	3,036,373	1,838,837	6,303,125	**16,646,927**
Investments available for sale	44,231	1,569,391	-	215,048	176,966	589,440	1,063,823	**3,658,899**
Other assets	-	-	-	-	-	-	-	**522,056**
Long position	**968,261**	**3,966,677**	**664,060**	**2,081,901**	**3,282,688**	**2,467,436**	**7,409,803**	**22,479,304**
Financial liabilities held for trading	-	34,227	12,546	16,971	9,113	35,428	17,749	**126,034**
Due to banks	1,905	491,054	9,353	55,719	371,114	90,415	12,471	**1,032,031**
Due to customers	51,375	7,109,177	860,791	601,870	255,912	70	3,037	**8,882,232**
Loans and credit facilities received	20,496	61,334	55,138	4,441,963	4,042,614	824,200	593,022	**10,038,767**
Subordinated liabilities	2,612	-	-	-	-	-	590,016	**592,628**

Other liabilities	-	-	-	-	-	-	-	**1,807,612**
Short position	**76,388**	**7,695,792**	**937,828**	**5,116,523**	**4,678,753**	**950,113**	**1,216,295**	**22,479,304**
Gap – balance sheet	**891,873**	**-3,729,115**	**-273,768**	**-3,034,622**	**-1,396,065**	**1,517,323**	**6,193,508**	**-**

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, and the global FX position managed by the Treasury Department, including FX position of consolidated entities, amounted to PLN 10,656 thousand. VaR stood at PLN 57 thousand (on the Bank's level, respectively: PLN 11,147 thousand and PLN 30 thousand).
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 Group 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	223,655	394,989	326,100	454,024
GBP	17,672	17,264	23,016	24,577
CHF	4,705,004	4,705,864	5,203,075	5,202,706
EUR	3,141,149	3,170,690	3,631,908	4,578,818
PLN	12,723,883	12,511,770	13,279,042	12,201,311
Other convertible currencies	19,449	30,235	16,163	17,868
Total	**20,830,812**	**20,830,812**	**22,479,304**	**22,479,304**

Interest Rate Risk

The Bank carries out operations that result in open interest rate risk positions.
The market interest rate risk is concentrated in two separate portfolios: ALM portfolio and Treasury portfolio managed by the ALM/Treasury Line. The above portfolios were divided considering re-pricing dates of items which they comprise. The ALM portfolio contains items with longer re-pricing terms than the Treasury portfolio and consists of two separate portfolios: ALM Commercial (including e.g. deposits and loans granted to and accepted from bank customers, long-term loans and securities portfolio) and ALM Equity (including e.g. the Bank's equity, securities investment 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 said books. The banking book comprises the entire ALM portfolio and some part of the Treasury portfolio which does not belong to the trading book.
An essential part of the ALM portfolio consists of banking book transactions which are not made by the ALM/Treasury Line but result from the activity of business lines offering deposit and credit products to the Bank's customers.
The ALM portfolio also includes transactions that hedge the interest rate risk generated by products offered to the Bank's customers and the securities portfolio maintained.

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

- Value at Risk (VaR), computed with the 99% confidence level for various periods of keeping a position for the banking and trading books;
- interest earnings at risk (EaR) - simulations of future (within the next year) net interest earnings assuming diverse interest rate curve scenarios,
- 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 liabilities in this portfolio ,
- 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 that includes positions of consolidated entities (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	2,446	4,826	-
Position sensitivity to the interest rate curve shift by +100 bps	23,710	33,159	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

Consolidated entities conduct no business activity eligible for the trading book.

The utilisation of interest rate limits for the portfolio since the beginning of 2012, and in the comparative period of 2011, was as follows:

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 liquidity 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 contract-related transaction flows using interest rates curves characteristic for each group of transactions. Prepayments are not included in the fair value calculation. In the case of products with no repayment schedule, it is assumed that the fair value is equal to the transaction balance sheet value.
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.

In order to structure the yield curve for determining fair value of loans, loans are divided into sub-portfolios depending on 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; however, if in this period no such loans were granted, 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	1,980,588	1,980,550	1,116,422	1,118,027
Due from banks	208,045	208,865	359,239	359,460
Loans to customers	16,159,687	16,229,612	16,646,927	15,992,900
Due to banks	382,358	396,993	1,032,031	1,049,071
Due to customers	10,064,950	10,115,919	8,882,232	8,918,835
Loans and credit facilities received	7,589,758	7,704,886	10,038,767	10,080,604
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	7,323,821	7,441,388	7,757,909	7,798,727
Receivables from financial instruments recognition (FX spot and FX swap transactions) on the transaction date	930	930	393	393
Finance lease receivables	1,714,963	1,714,963	1,899,785	1,899,785
Other receivables	130,094	130,035	7,521	7,400
Interest	57,087	57,054	55,571	55,527
Total loans to customers, gross	**17,361,683**	**17,431,608**	**17,987,412**	**17,333,385**
Impairment provisions:	**-1,201,996**	**-1,201,996**	**-1,340,485**	**-1,340,485**
- for incurred, reported losses	-1,099,143	-1,099,143	-1,245,058	-1,245,058
- for Incurred But Not Reported losses (IBNR)	-102,853	-102,853	-95,427	-95,427
Total loans to customers, net	**16,159,687**	**16,229,612**	**16,646,927**	**15,992,900**

Operational risk

BNP Paribas Bank Polska SA

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. 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.

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. A cause-and-effect analysis of an event is the basis for operational risk management.

- Internal processes can include issues related to IT systems applied at the Bank and human resources management.
- External events comprise floods, fires, earthquakes or terrorist attacks.

Operational risk includes in particular legal risk and compliance risk.

The Bank's policy is to introduce and maintain a high level of operational risk management and assessment standards that will guarantee the safety of customers' deposits and capital and stability of the Bank's financial result, likewise to implement and use an operational risk management and assessment system that meets legal requirements consistent with recommendations and resolutions adopted by the local financial supervisory authority regarding 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 (Conformite). 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 Risk Transfer Group in the Administration and Physical Security Department is responsible for 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 losses, as well as monitoring, mitigation and reporting of the operational risk level.

Recording operational losses enables effective analysis and monitoring of operational risk. The policy applied by the Bank as regards the manner of recording operational losses is to enable efficient and error-free registration of all operational losses. The loss 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. Therefore, each operational loss is classified taking into account operational incident type, reasons why operational risk has arisen, existence of an affiliated risk, accounting consequences and a claim lodged, if any, by third parties.
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 permanent controls defined for the essential areas of the Bank's business. The operational permanent control system is now in its implementation phase. Furthermore, Risk Self-Assessment (RSA) sessions regarding operational risk are carried out every year.

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 Department monitors, analyses and notifies the Compliance Department and the Audit Department 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.

The Bank's subsidiaries

For the needs of operational risk management, the Bank's subsidiaries, i.e. Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. (TFI BNP), BNP Paribas Factor Sp. z o.o. (Factor) and Fortis Lease Polska Sp. z o.o. (FLP) have adopted the definition of risks consistent with the definitions applied at the Bank.

Under the regulatory requirements, the Bank shall evidence operational losses of its subordinated entities. Operational losses suffered by TFI BNP, Factor and FLP are evidenced in a database kept by the Bank on the basis of information provided by these entities.

TFI BNP, Factor and FLP, as companies to which the banking law requirements are not applicable, do not have to calculate the capital requirement for operational risk. Still, as the Bank's subsidiaries, they shall provide financial data with a view to computing the capital requirement for further reporting by the Bank. In order to calculate the capital requirement for operational risk, TFI BNP, Factor and FLP provide financial data consistent with regulatory recommendations to the capital requirement calculation for operational risk according to the Basic Indicator Approach.

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 BNP Paribas Bank Polska SA Group in line with guidelines specified in the Banking Law Act and KNF resolutions.

Pursuant to the aforesaid guidelines, the Group's capital adequacy is managed under the following 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 III 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 Group assumes maintaining the capital adequacy ratio and the Tier 1 capital ratio at a level exceeding the regulatory requirements.

The Group 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 business activity.

Note 32.7

Capital adequacy (in PLN thousand)	**31 Dec 2012**	**31 Dec 2011**
Risk-weighted off-balance sheet assets and liabilities	**15,659,407**	**15,118,629**
Share capital	1,434,646	1,206,175
Additional capital	172,401	127,099
Reserve capital together with retained earnings	35,715	29,708
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	31,596	-17,776
Gross own funds, total	**2,393,382**	**1,941,104**
Deductions		
Capital shares in financial entities	-	-
Net intangible assets	-29,909	-31,011
Total deductions	**-29,909**	**-31,011**
Net own funds	**2,363,473**	**1,910,093**
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	**2,374,575**	**1,922,327**
Capital requirement for:		
Credit risk	1,263,007	1,224,593
Market risk	3,622	1,558
Operational risk	109,654	107,957
Total capital requirement	**1,376,283**	**1,334,108**
Capital adequacy ratio	**13.80%**	**11.52%**

As at 31 December 2012, the Bank's consolidated capital adequacy ratio stood at 13.80% in comparison to 11.52% as at the end of 2011.

The total capital requirement as at the end of 2012 reached PLN 1,376 million and was by 3.2% 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 Group's own funds with short-term capital as at the end of 2012 increased by 23.5% compared to December 2011, and amounted to PLN 2,375 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 BNP Paribas Bank Polska SA Group's capital situation in 2012 remained stable, which allowed the Group to safely continue its business activity and carry out plans.

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 S.A.	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 structure of shareholders changed 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 offer to subscribe the Series N shares was addressed to the main shareholder of the Bank i.e. Fortis Bank SA/NV (currently, BNP Paribas Fortis). 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 irrecoverable debt portfolio classified into the "lost" category (loans granted to business entities and individual customers), with a debt principal value arising from the 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 the economic situation and 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 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 impairment of 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 substantial purchase and sale transactions of tangible fixed assets and a material commitment on account of a purchase of tangible fixed assets

In 2012 or 2011, the Group did not make any substantial 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 Group 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.

33.12Other 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.	François Benaroya	Supervisory Board member
6.	Jean Deullin	Supervisory Board member
7.	Hélène 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:

- François Benaroya,
- Filip Dierckx,
- Hélène Dubourg.

Mr. Mark Selles, in connection with taking up new duties in the BNP Paribas SA Group, resigned from 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. Stéphane 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 consolidated financial statements of BNP Paribas Bank Polska SA Group 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’s Group and its net profit in all material aspects.
- The Board of Executives’ report on the activity of BNP Paribas Bank Polska SA Group in 2012 contains the true picture of the Bank Group’s development and achievements, including a description of basic risks and threats.

Selection of an entity authorised to audit the financial statements

The Board of Executives of BNP Paribas Bank Polska SA hereby represents that 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 review the consolidated financial statements of BNP Paribas Bank Polska SA for 2012 and that the above entity and statutory auditors employed to perform the review, meet the conditions to issue an impartial and independent audit report, in accordance with the respective provisions of Polish law.

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 Kembłowski 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	Stéphane Rodes Member of the Board of Executives	.... signature