The Board of Executives' Report on the Business Activity of BNP Paribas Bank Polska Group in the First Half of 2012

BNP PARIBAS | Bank zmieniającego się świata

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

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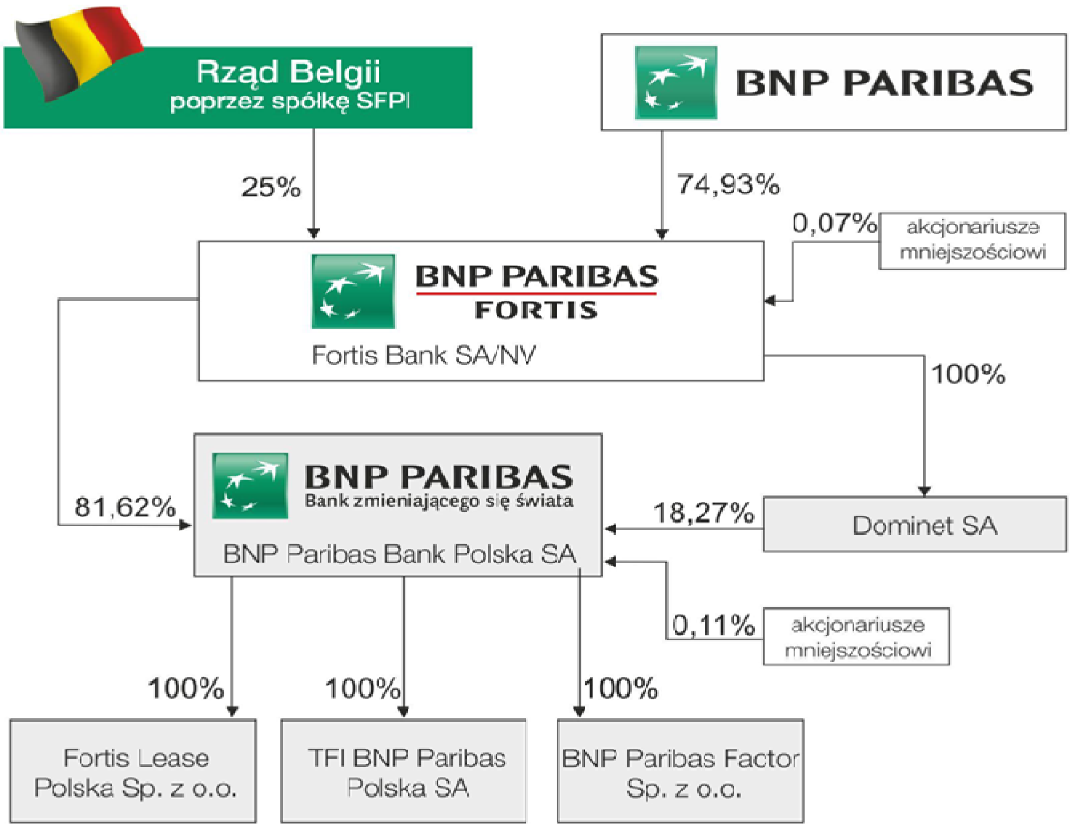
1. SUMMARY OF THE BUSINESS ACTIVITY OF BNP PARIBAS BANK POLSKA GROUP IN THE FIRST HALF OF 2012

BNP Paribas Bank Polska Group (hereinafter referred to as the "Group") is part of BNP Paribas SA, an international financial institution based in Paris.

Mission | **Responsible banking for a changing world**

As at 30 June 2012, the Group comprised the following entities:

- **BNP Paribas Bank Polska SA** (hereinafter referred to as "the Bank");
- **Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA** (hereinafter referred to as "TFI BNP") - the Bank's subsidiary, in which it holds 100% of 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 "BNP Paribas Factor") - the Bank's subsidiary, in which it holds 100% of shares.



1.1. Changes in the Group's structure in the first half of 2012

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 29 June 2012, the company changed its name into BNP Paribas Factor.

BNP Factor supports financing of business activity of the Bank's customers from the small and medium enterprises segment and corporate customers by offering both non-recourse and recourse factoring services. From the Bank's perspective, a factoring company in the Group, 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.

1.2. Key factors and events that most affected the Group’s financial performance in the first half of 2012

The BNP Paribas Bank Polska Group closed the first half of 2012 with a profit before taxation in the amount of PLN 21 million i.e. by 47% higher in comparison to the result for a corresponding period of 2011. Profit after taxation of the Group stood at PLN 13 million.

Key developments for the Group and factors affecting its growth as compared to the end of the first half of 2011:

- The **acquisition of Fortis Lease Polska Sp. z o.o.** (**FLP**) effective 1 July 2011 (as at 30 June 2012, FLP assets equalled PLN 1,895 million) and **acquisition of BNP Paribas Factor Sp. z o.o.** (BNP Paribas Factor) as of 2 April 2012 (as at 30 June 2012, BNP Paribas Factor assets equalled PLN 130 million PLN);
- **17% increase in net loans to customers**, of which 12% is the impact of the acquisition of FLP and BNP Paribas Factor. The remaining increase is attributable to growing sales of loans (PLN mortgage loans and cash loans for individual customers showed the highest growth rate) and rising FX rates affecting mainly CHF

denominated mortgage loans;

- **17% growth of liabilities due to customers** refers chiefly to PLN term deposits as well as deposits in current accounts of corporate customers;
- **Sound capital position of the Group** – capital adequacy ratio is at 11.63%. In June 2012, the Bank's own funds were raised by nearly PLN 260 million thanks to the realisation of a share issue which was fully subscribed by the majority shareholder;
- **4% growth of the Group's total assets** up to PLN 20,469 million as at the end of June 2012, attributable primarily to the acquisition of subsidiaries (+10%) and higher sales of loans by the Bank. Considering its good liquidity situation, the Group decided to prepay some loans from the BNP Paribas group. As a consequence, the portfolio of available-for-sale investments was reduced, partially offsetting the asset growth;
- **6% rise in the number of the Bank's customers,** including the 17% increase in the number of SME customers of the Retail Banking business line and 4% increase in the number of corporate customers of the Corporate and Transaction Banking business line. The number of individual customers grew in comparison to June 2011 by 17,600;
- **12% increase in the Group's net banking income** related to the recognition of revenues generated by FLP (PLN 22 million) and BNP Paribas Factor (PLN 1.5 million) in the consolidated data, as well as the higher net trading income and net investment income of the Bank;
- **17% increase in the Group's personnel costs** incurred mainly as a result of creating one-time provision in the amount of PLN 13 million related to the Bank's redundancy programme, transformation of the franchisee outlets into Bank's own branches, opening of new branches, as well as acquisition of FLP and BNP Paribas Factor;
- **9% drop in depreciation costs;**
- **The Group's other expenses** reached the level close to the previous year figures due to the drop in the Bank's costs balanced with consolidation of FLP and BNP Paribas Factor expenses;
- **Continuation of prudent risk management policy** – a 33% increase in the cost of risk is predominantly linked to additional write-downs of old dated non-performing consumer loans following a final alignment of write-downs rules with the BNP Paribas group policies carried out in the first quarter of 2012. This negative impact was partially offset by: release of provisions due to effective restructuring on specific non–performing corporate loans as well as profitable sale of a portion of old irrecoverable consumer loan portfolio in June 2012;
- **Improved quality of the loan portfolio** - the share of non-performing loans in the total loan portfolio of the Group fell from 14.2% at the end of June 2011 to 12% at the end of June 2012;
- The return on equity (ROE) was at the level of 1.74% as compared to 1.43% in the first half of 2011. The return on assets (ROA) stood at 0.12% as compared to 0.10% noted in the corresponding period of 2011;
- Earnings per share were PLN 0.52.

1.3. Outside factors that influenced the operation and development of the Group in the first half of 2012

1.3.1. Economic and market situation abroad

The World economy growth continued to slow. According to the forecast of the International Monetary Fund (IMF), in 2012 the World economy will grow by 3.5% compared to 3.9% a year before. The weakest GDP growth is expected in the Eurozone, where IMF forecasts a GDP drop of 0.3%. It is expected that this will negatively impact the economies of Central and Eastern Europe, where in 2012 economic growth rate will slow down to 1.9% from 5.3% a year before.

In the first half of 2012, the market situation was rather unstable. Financial markets remained considerably influenced by uncertainties about the economic outlook and the deterioration of the situation of several South European countries affected by crisis. In consequence, the first half of the year was characterised by an increased volatility on the financial markets.

1.3.2. Polish economy in the first half of 2012

GDP – growth rate and components

Since the beginning of 2012, the Polish economy has been slowing down. In the first quarter of this year, the GDP growth rate decreased to 3.5% (from 4.3% registered in the fourth quarter of 2011 and 4.6% in the corresponding period of the previous year). A significant factor that affected the economic growth rate in this period was a weaker domestic demand, to a great extent resulting from weakening in investment activity (investment growth rate fell to 6.7% from 9.7% achieved in the fourth quarter of 2011). The available data on production and sales for the second quarter of 2012 indicate a further slowdown of the growth rate which, according to the Bank's estimates, could fall below 3% in this period.

Labour market

Weakening of the economic growth rate had a material negative influence on the labour market. In the first half of 2012, there was a significant deterioration in labour demand. Employment in the corporate sector increased by 0.5% YoY compared to 3.8% the year before. However, the remuneration growth rate remained at a high level – in the first six months of this year an average remuneration in the corporate sector increased by 4.2% YOY, which was a result close to the first half of 2011 (4.6%). It should be emphasised however, that in both analysed periods high inflation levels significantly decreased the purchasing power.

In the first half of this year there was a considerable increase of an unemployment rate. According to estimates of the Ministry of Labour and Social Policy, in June 2012, the unemployment rate equalled 12.4% i.e. it was by a half percent higher than in June 2011.

Inflation

In the entire half of 2012, the inflation rate exceeded the inflation target determined by the Monetary Policy Council and it remained over the ceiling of permitted fluctuation band for this indicator (2.5% and 3.5%, respectively). In June, the annual growth rate of consumer prices amounted to 4.3%, i.e. it was close to the level noted at the end of 2011 (4.6%).

The main inflation factors remained on the supply side - in the first six months of this year, the average increase in energy prices reached 7.4% and 14.3% for car fuel prices. Another considerable inflation factor were food prices which increased in the analysed period by 3.9% YOY.

At the same time, demand side inflation remained limited. Net inflation (net of food and energy prices) in the first half of 2012 remained close to the inflation target of the central bank – in the analysed period, and stayed within the fluctuation band in a range between 2.3% and 2.7% YOY.

Balance of payments

In the first half of 2012, deterioration in the balance of payments continued. As at the end of May 2012, the cumulated 12-month deficit in this category equalled EUR (32) million which meant a huge deterioration as compared to end of May 2011, when the balance of payments noted a surplus reaching EUR 8.6 billion. In May 2012, the cumulated 12-month current account balance did not change significantly as compared to the corresponding period of the previous year (EUR (17.4) billion and EUR (17.1) billion), whereas one of the most reasons of deterioration of the balance of payments was a weaker performance of the financing party. In the analysed period, the 12-month surplus in the financial result amounted to EUR 10.5 billion, which was almost three times lower than the year before. It was caused mainly by a lower inflow of foreign investments into the Polish T-bonds. Regardless of the above weakening, portfolio investments were the strongest item on the financing side, thus still indicating a strong dependence of the Polish economy on short-term financing.

Public finances

As at the end of the first half of 2012, the central budget deficit stood at PLN (20) billion or 59.8% of the annual budget plan for the entire 2012. The budgetary revenues in this period reached 48.3% of the annual plan while the expenses - 49.5%. Thus, the data for the first quarter of the year did not indicate any significant risk to implementation of the annual fiscal target.

A cautious policy of debt management is also worth mentioning. According to the data of the Ministry of Finance (MF) after the first half of the year, MF financed 80% of lending needs for 2012, while the balance of financial funds held by MF equalled PLN 54 billion. Thus, both the budget implementation and cautious debt management decidedly increased reliability of the domestic fiscal policy, what in turn was an essential factor determining an inflow of foreign portfolio investments into the Polish debt market.

Foreign exchange rate

In the first half of 2012, the Polish FX market remained influenced by external factors. Positive sentiment in the first months of this year boosted the appreciation of the Polish currency. At the end of the first quarter, EUR/PLN rate reached the level of 4.17 which represented a considerable strengthening as compared to the figures from the end of 2011 (4.41).

In the second quarter of 2012, worsening of the fiscal problems in the South of Europe significantly changed the situation in financial markets. In effect, in May the situation on the domestic FX market significantly deteriorated, which translated into an increase of the EUR/PLN rate to approx. 4.40 at the beginning of June 2012. However, growing hopes of investors related to rescue packages and another phase of quantitative easing in the United States and the Eurozone slightly improved the sentiment. Nevertheless, as at the end of the second quarter of 2012, the EUR/PLN rate still remained considerably above this year minimums and amounted to 4.26.

Interest rate

In the first four months of 2012, the central bank interest rates remained unchanged. The reference rate amounted to 4.50% in this period. In May 2012, the Monetary Policy Council (MPC) decided to increase interest rates by 25 basis points. This decision increased market expectations for further tightening of the monetary policy. However, the data for subsequent months – indicating a considerable weakening of the economic trend – significantly eased the MPC's tightening stance while market forecasts for the central bank reference rate stabilised at the level of 4.75%.

1.3.3. The banking sector in the first half of 2012

No major changes were noted as regards the basic trends in the liquidity situation of the banking sector. In the first half of the year high overliquidity continued to characterise the sector. Moreover, as in the previous year, the overliquidity was mainly invested in central bank papers which reflected the low confidence which prevails in the interbank market operation.

The banking sector continued to experience a growth in deposits. In June 2012, the total value of deposits of households and enterprises was by 10% higher than the year before. In the meantime, credit growth was higher with loans for households and enterprises sector growing by 9.8% YOY (in comparison to an increase by 8.6% YOY noted in June 2011). However, fluctuations in zloty exchange rate considerably impacted the nominal growth rate.

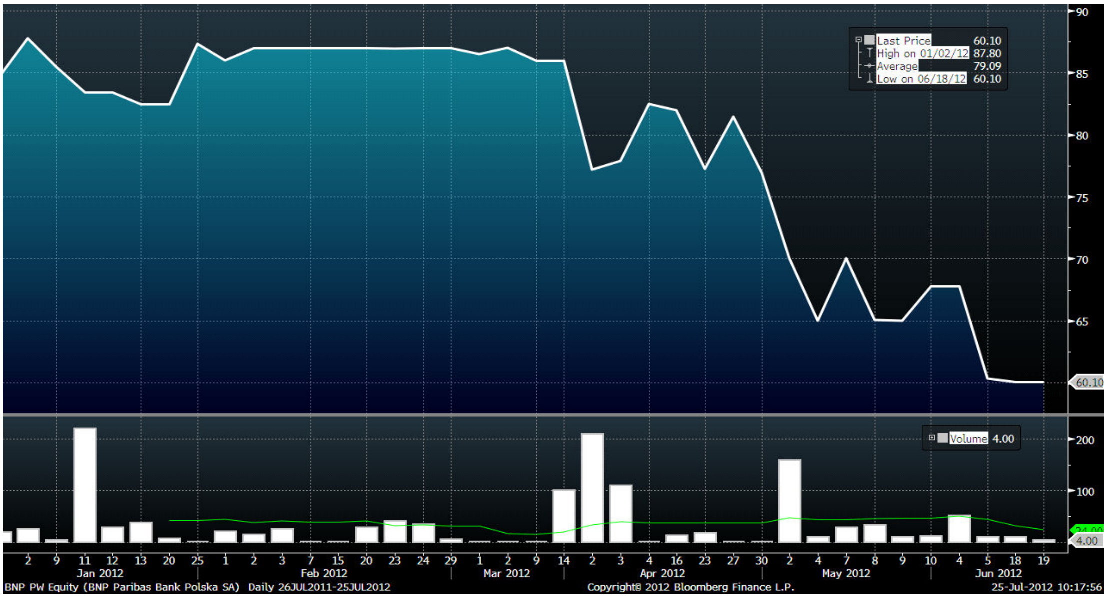
2. STOCK PERFORMANCE ON THE WARSAW STOCK EXCHANGE

The Bank's stock labelled with the ISIN code: PLPPAB000011 has been quoted on the Warsaw Stock Exchange SA in Warsaw (WSE) since 9 November 1994. The Bank's stock quoted under an abbreviated name BNPPL and a ticker BNP is classified in the 250 PLUS segment, yet the limited liquidity of the stock excludes it from any indexes.

At the first session in January 2012, the Bank's stock was traded at PLN 87.80. As at 29 June 2012, the Bank's stock price dropped to PLN 60.10, i.e. by 31.55%. The highest Bank's share price in the first half of 2012 was recorded on 2 January 2012, when it stood at PLN 87.80. The lowest Bank's stock price was recorded between 18 and 30 June 2012, when it was PLN 60.10. The average stock price in the first half of 2012 was PLN 78 compared to the average price of PLN 131 in the first half of 2011.

An average turnover in the Bank's shares exceeded 10 shares per session in the first half of 2012 and was slightly lower in comparison to the average turnover recorded in the first half of 2011 (over 12 shares per session). An average value of the turnover in the Bank's stock per session in the first half of 2012 was PLN 0.8 thousand and was lower than the average value of the stock turnover in the first half of 2011 of PLN 1.3 thousand per session.

Chart 1. Quotations of the Bank's stock from 2 January 2012 to 29 June 2012 *(Source: bloomberg.pl)*



WIG, a stock exchange index, rose from 38,318.26 points noted on 2 January 2012 to 40,810.88 points recorded on 29 June 2012 (increase by 6%).

WIG-Banks, a sector sub-index, also recorded an increase from 5,543.22 points noted on 2 January 2011 to 6,021.14 points recorded on 29 June 2012 (i.e. by 8.6%).

3. SHARE CAPITAL AND SHAREHOLDER STRUCTURE

3.1. Share capital of BNP Paribas Bank Polska SA

As at 30 June 2012 and as at the publication date of the report for the first half of 2012, i.e. 31 August 2012:

- the share capital of BNP Paribas Bank Polska SA was PLN 1,434,646,300 - registered and paid in full;
- total number of shares: 28,692,926 ordinary bearer shares,
- nominal value of 1 share: PLN 50 each.

In the first half of 2012, Series N shares were issued. As a result of this issue, on 23 June 2012, the Bank's share capital was increased from PLN 1,206,175,300 to PLN 1,434,646,300 i.e. by PLN 228,471,000.

All the shares of the Bank are bearer ones and entail no particular rights or limits with respect to any transfer of ownership or exercise of voting rights. Each share entitles its holder to one vote at the Bank's general meeting. Shares are entitled to participate in dividends on equal terms.

In 2012, and as at the publication date of the report for the first half of 2012, i.e. 31 August 2012, the Bank has not taken any actions yet to introduce L, M or N series shares to stock exchange trading. All other shares (series A to K) have been admitted and introduced to public trading.

In agreement with KNF, the timeframe for fulfilling the majority shareholder’s commitment to increase liquidity of the shares and the so called “free float” has been prolonged to 2013.

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

On 23 May 2012, the Annual General Meeting of the Bank made a decision on the Bank's share capital increase through the Series N shares issue 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. Pursuant to the subscription agreement for Series N shares 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 each. The total value of the issue was PLN 260 thousand. The shares were fully paid up.

3.3. 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 30 June 2012 and the publication date of the report for the first half of 2012, i.e. 31 August 2012, the shareholders’ structure specifying the shareholders with at least 5% of the total number of votes at the general meeting was as follows:

Entity name	Number of shares	% of the share capital	Share capital (in PLN)	Number of votes at the general meeting	Share (%) in the total number votes at the GM
BNP Paribas	**28,661,545**	**99.89%**	**1,433,077,250**	**28,661,545**	**99.89%**
Fortis Bank SA/NV	***23,418,013***	***81.62%***	***1,170,900,650***	***23,418,013***	***81.62%***
Dominet SA	***5,243,532***	***18.27%***	***262,176,600***	***5,243,532***	***18.27%***
Minority shareholders	**31,381**	**0.11%**	**1,569,050**	**31,381**	**0.11%**
Total:	**28,692926**	**100.00%**	**1,434,646,300**	**28,692,926**	**100.00%**

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

Fortis Bank SA/NV is the parent entity (100% shares) of Dominet SA.

3.4. Changes in the shareholder structure as a result of Series N shares issue

As a result of acquiring series N shares, the share of Fortis Bank SA/NV changed by 3.49% in the total number of votes at the General Meeting.

- The number of the Bank 's shares held by Fortis Bank SA/NV rose from 18,848,593 shares, which gave the right to exercise 78.13% of the total number of votes at the general meeting, to 23,418,013 shares, which account for 81.62% of the total number of shares and entitle to exercise 23,418,013 voting rights, i.e. 81.62% of the total number of votes.

The share of Dominet SA has changed by 3.47% and dropped below the 20% threshold of the total number of votes at the General Meeting.

- The number of the Bank's shares held by Dominet SA remains unchanged and amounts to 5,243,532 shares. Prior to the share capital increase, the amount accounted for 21.74% of the total number of the shares that entitled to exercise 21.74% of the total number of voting rights at the general meeting. After the change this percentage decreased to 18.27% of the total number of the Bank's shares that entitle to exercise 18.27% of the total number of voting rights.

As a result of the above, the share of BNP Paribas SA (indirectly through Fortis Bank SA/NV and Dominet SA) increased by 0.02%, i.e. from 99.87% to 99.89%.

3.5. Resolutions of the Annual General Meeting of BNP Paribas Bank Polska SA

On 23 May 2012, the Bank's Annual General Meeting of Shareholders was held which adopted resolutions concerning the approval of separate and consolidated financial statements for 2011, the Board of Executives' Reports on the Bank’s and the Group’s activity in 2011 and the Supervisory Board's Report for 2011, the approval of the discharge of duties of the Bank's authorities for 2011 and distribution of the 2011 profit.

The Bank's net profit for the fiscal year 2011 which amounted to PLN 21 million, was earmarked in full for the Bank's equity increase in the following manner: the profit portion of PLN 1.7 million was allocated to the additional capital, and the portion of PLN 19.3 million to the general risk fund.

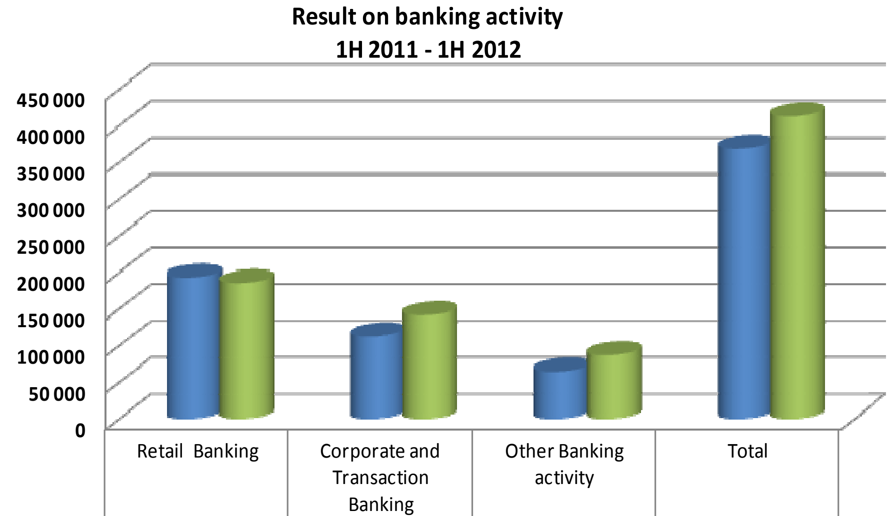
The Bank's shareholders at the Annual General Meeting decided on the increase of the Bank's share capital by PLN 228.5 million through the Series N shares issue with pre-emptive rights excluded, and on the related amendments to the Bank's Statute. Furthermore, amended Regulations of the Supervisory Board of BNP Paribas Bank Polska SA were approved.

4. THE BANK'S PRODUCTS AND SERVICES AND DEVELOPMENT OF BANKING BUSINESS IN THE FIRST HALF OF 2012

BNP Paribas Bank Polska SA is a universal bank that serves the main three market segments:

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

Chart 2. Result on banking activity broken down by activity segments in the first half of 2011 and in the first half of 2012 (in PLN thousand)



	Retail Banking	Corporate and Transaction Banking	Other Banking activity	Total
1H 2011	192 315	112 447	63 973	368 735
1H 2012	185 062	141 052	86 391	412 505

4.1. Retail Banking

Retail Banking

- provides services to individuals and small and medium enterprises that generate a turnover up to PLN 30 million
- 232 own and franchisee branches
- 364,000 individual customers and 30,000 companies
- 1 414 FTEs

Retail Banking, which comprises small enterprises, individual and private banking customers, offers comprehensive services to individuals, affluent customers segment, and enterprises with annual turnover below PLN 30 million. The Bank targets its offering at the following segments:

- Mass Retail segment - customers of monthly net income below PLN 7,500, in particular Mass Retail Aspiring – customers of monthly net income between 2,500 and PLN 7,500;
- Mass Affluent customer segment (MA) – customers of minimum PLN 7,500 net monthly income and/or who invest assets through the Bank in the minimum amount of PLN 100 thousand and no more than PLN 600,000;
- Private Banking segment – customers who invest assets through BNP Paribas Bank Polska SA in the minimum amount of PLN 600,000, including the Ultra-HNWI group of customers holding assets above PLN 5 million;
- Micro enterprises (MICRO) segment – business entities generating annual revenues below PLN 1 million;
- Small and Medium Enterprises (SME) - business entities with annual turnover from minimum PLN 1 million and up to PLN 30 million.

Personal Finance business line provides a comprehensive range of products to the Bank's clients (car loans, cash loans and credit cards).

Products and services offered to Individual Customers

4.1.1. Mass Retail and Mass Affluent segments

The product offering targeted at individual clients in the first half of 2012 was in line with the established strategy of building a lasting relationship with clients and ensuring that it covers adequately their needs.

In fact the Bank built its relations with clients by financing their projects or purchases through cash loans or car loans with preferential conditions for holders of personal accounts.

Personal accounts are a key component of the relationship with clients who are offered 4 types of "packages" S, M, L and XL with varying level of monthly fees and benefits.

- Account with the S Package – aimed at clients with limited requirements;
- Account with the M Package – standard, giving access to a large range of banking transactions;

- Account with the L Package – enhanced functionalities for more demanding customers;
- Account with the XL Package – top of the range, for Mass Affluent and Private Banking clients having very high requirements.

In addition to a personal account (ROR), the following products and services are available to clients:

- overdraft facility within current account (ROR) and Authorised Debit Balance;
- settlement services: standing orders, direct debits, domestic and international transfers;
- debit cards: Visa and MasterCard;
- Pl@net Internet banking system;
- Call Centre;
- assistance insurance (with the exception of the S Package).
- savings accounts including the very popular "Konto Więcej" ("More" in Polish) with a promotional interest rate and a guarantee that this interest rate would remain unchanged for 6 months.

  Interest on saving accounts is compounded daily on business days;
- key term deposits for individual customers are "Deposit 6/6" and "Deposit 6/3", i.e. deposits for 6 and 3 months with a promotional interest rate;
- in April 2012, a modified 12-month rentier deposit "Investor Plus" with payment of interest accrued at the end of each 3-month interest period was introduced to the offering;
- in February 2012, the Bank's offering was expanded with a regular savings programme in the form of a group life insurance combined with insurance capital funds offered in cooperation with AXA Życie TU SA under the name of "Kapitalny Plan" ("Capital Plan" in Polish);
- moreover, in April 2012, the deposit "Profit Plus" product sold along with TFI BNP fund participation units or with a regular savings product "Kapitalny Plan" was modified – the deposit interest rate was increased to 8%,
- the deposit offering was complemented with fully capital guaranteed medium-term investment such as "Euro Stars", offered in two editions at the turn of May and June of 2012. It is a two-and-a half-year structured product in the form of group endowment life insurance based on BNP Paribas Flexible Star Managers index (PLN Hedged), which consists of 4 absolute return investment funds, managed by leading asset managers.
- bank assurance products added to the offering in the first half of 2012:
  - new variants of personal insurance adjusted to a new offer and ongoing promotions of car and cash loans;
  - since March 2012, the holders of personal accounts at the Bank have been offered insurance that protects the customers against an income drop as a result of an unexpected life situation such as a job loss, severe illness, temporary inability to work or hospitalisation caused by an accident. The insurance is offered in cooperation with Cardif ARD SA Branch in Poland in the form of group insurance of the Bank's customers;
  - in April, automotive insurance package was introduced for sale, it includes third party liability insurance and comprehensive automotive insurance offered in cooperation with Liberty Seguros compania de Seguros y Reaseguros SA Branch in Poland. An automotive insurance package is offered along with a car loan;
  - in May, the Bank started offering a GAP insurance, i.e. insurance against financial loss, offered in cooperation with Cardif ARD SA Branch in Poland in the form of group insurance for borrowers. GAP insurance is also offered in a package with a car loan.

In the first half of 2012 the bank continued to offer a large range of mortgage product to its individual customers:

- mortgage loan "Rodzina na swoim" ("Family's Own Home" in Polish), granted under the government programme implemented pursuant to the Act dated 8 September 2006 regarding Financial Support for Families to Purchase Their Own Home; and
- housing loans allocated for financing residential purposes and, to a limited extent, for the consolidation of debts;
- home equity loan to finance any purpose not related to the borrower's business or farming activity.

4.1.2. Private Banking Segment

In addition to products and services available to individual customers of the Bank, in the Private Banking segment BNP Paribas Bank Polska Group provides integrated asset management services and solutions for affluent private individuals. The services offered include:

- savings and investment products;
- credit products;
- daily banking products.

Private Banking customers are also given access to services and products offered by the international BNP Paribas network.

The Bank offers the following savings and investment products to Private Banking customers:

- deposits (in PLN and foreign currencies, for various terms, overnight deposits with negotiated interest rates, rentier deposits);
- savings accounts.
- opportunity to conclude purchase or sale transactions in financial debt instruments;
- the services of the Bank's Brokerage Office which include accepting and forwarding orders to acquire or sell financial instruments and investment consulting services;
- wide range of domestic and foreign external investment funds (183 funds managed by domestic and foreign investment fund companies);

- Luxembourg BNP Paribas L1 funds managed by BNP Paribas Investment Partners;
- periodical subscriptions for international investment funds of BNP Paribas L Fix i.e. term funds, mainly with the principal amount protection, whose profits are related to stock markets or markets of other instruments;
- periodical subscriptions for closed-end funds managed by external investment fund companies;
- periodical subscriptions of structured products prepared inside and outside the Bank, including custom-built instruments.
- asset management offer of TFI BNP Paribas Polska SA which includes:
  - investment portfolios, in which management of particular assets classes is carried out within separated profiles: bond, stable, balanced, dynamic or equity.
  - management of an individual investment portfolio, in which a management style is adjusted to individual needs of each customer;
  - Individual Pension Account - IKE or IKZE BNP Paribas FIO;
  - BNP Paribas FIO funds;
  - ProfitPlus deposit which is a combination of a 6-month term deposit with a selected BNP Paribas FIO sub-fund, BNP Paribas FIO Akcji (Stock) or Sektorowy (Sector);

The Bank offers the following credit products to Private Banking customers:

- mortgage loans - long-term loans for the purchase of an apartment or house on the primary or secondary market, for construction or refurbishment of real estate and land plot purchase;
- short or medium-term cash loans,
- overdrafts available in a current account – the maximum financing term for a credit line is one (1) year with a possibility to extend it,
- other types of loans tailored to individual needs of customers.

Private Banking Customers have access to the following daily banking products and services:

- accounts in PLN and the main convertible currencies;
- foreign exchange transactions executed at negotiated rates;
- Pl@net Internet banking system;
- assistance insurance and AXA MED medical insurance;
- Call Centre;
- Visa and MasterCard debit cards (classic and gold);
- Visa credit cards (in particular Gold and Platinum cards) and MasterCard credit cards (in particular Gold cards and the most prestigious - BNP Paribas World Signia cards). Depending on their type, the cards are offered together with additional services such as: insurance, assistance, concierge and an access to VIP areas at airports all over the world.
- charge cards (American Express) - best customers may apply for "Centurion," a titanium card; holders of the card may take advantage of concierge and insurance services likewise some privileges during their stays in hotels of various chains, and a number of other additional services.

4.1.3. Brokerage Office

On 17 April 2012, the Polish Financial Supervision Authority (KNF) granted a permit for the Bank to render the following brokerage services: accepting and forwarding orders to purchase or sell financial instruments as well as investment consulting.

The Brokerage Office was established within the RB business line and launched its operating activity in June 2012. It addresses its services to customers of the Bank's Private Banking Department.

4.1.4. Personal Finance

Personal Finance

- consumer loans: cash and car loans, credit cards
- debt collection
- 364 FTEs

Personal Finance business line was created 3 years ago as a specialised competence centre responsible for development and collection of consumer loans in the Bank. The main products offered by Personal Finance include:

- cash loans: Classic loan, Extra loan;
- car loans for a purchase of new and used cards;
- credit cards issued within bicontract agreements on cash and car loans, likewise agreements on credit facilities.

Personal Finance products are distributed mainly through the Bank branch network and directly by external distribution channels such as used car brokers, car dealers and independent financial partners. Other distribution channels include: Internet, Call Centre, insurance institutions and financial brokers.

Cash loans:

- To support sales of loans to individuals, a promotional campaign under a campaign slogan *"Make Your Plan Come True" (Zrealizuj swój plan)* was launched in 2012.
  - January - February 2012 – continuation of the promotional offer from autumn 2011;
  - in mid February 2012, the Bank started a promotional offer with attractive conditions depending on client decision to open a personal account at the Bank, and subscribe a life insurance or job loss

insurance;
  - March 2012 – introduction of refinancing loan;
  - June 2012 – introduction of new financial conditions for the Summer period;
- New production of cash loans in the first half of 2012 reached nearly PLN 418 million.

Car loans

- price conditions for standard and promotional credit offer for purchase of new and used vehicles at authorised car dealers were changed;
- promotional activities under one slogan *"Make Your Plan Come True"* were launched:
  - continuation of the special offer from autumn 2011;
  - special spring offer lasting till the end of June 2012 with a car loan interest rate of 7.9% for new vehicles and from 8.9% for used vehicles;
- a new offering of automotive insurance of a direct type was introduced in cooperation with Liberty Direct;
- insurance against financial loss (GAP) was introduced in cooperation with Cardif ARD SA Branch in Poland.

Credit cards:

- automatic proposal of credit cards for cash and car loans clients with good repayment records and with limit of PLN 2,000 coupled with a promotional interest rate;

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

Products and services offered to Enterprises

4.1.5. SME and Micro Enterprises Segment

Retail Banking business line also provides financing, products and services to Micro and SME customers with an annual turnover below PLN 30 million. The Bank's offering for these segments includes:

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

Development of the offer for micro, small and medium enterprises in the first half of 2012:

- In February 2012, the second edition of the promotion of an overdraft facility *(Kredyt pod obroty)* was launched. Maximum loan amount depends on average monthly turnover domiciled with the Bank. Customers can test the scheme for 6 months at no additional costs such as commissions, margin or other fees. In the June ranking of overdrafts for companies prepared by Total Money, BNP Paribas' offer was ranked on the first position;
- In April 2012 the EnergoLeasing scheme was introduced into the existing offering of EU sponsored financing for energy saving projects which enables customers to obtain an investment subsidy when they acquire an energy efficient machinery;
- The Bank organised a series of conferences, devoted to energy saving issues, in cooperation with the 'Gazeta Prawna' daily, also with the support of economic chambers and other organisations associating entrepreneurs. There were 14 meetings organised with almost 500 entrepreneurs' participation;
- In the second quarter of 2012, the offering was expanded with a factoring facility with cooperation with BNP Paribas Factor. The product is a type of working capital financing that additionally disciplines the company's debtors.
- The Bank carried out an image campaign addressed to companies - both small and medium ones, likewise large corporate customers - under the slogan *"Let's talk about your plans"*;
- Both the BiznesPlanet Internet Banking and the platform *'Deal on Planet'* used for FX exchange have been expanded with new functionalities e.g. for bank statements generation.

4.2. Corporate and Transaction Banking

Corporate and Transaction Banking

- provides comprehensive bank services to medium-size companies and corporate businesses generating annual turnover in excess of PLN 30 million, and to companies that are a part of international groups
- 8 Business Centres
- almost 2,700 corporate customers
- 189 FTEs

Corporate and Transaction Banking (CTB) provides a range of comprehensive services through its network of Business Centres. CTB targets corporate customers with an annual turnover of over PLN 30 million. It focuses also on companies that are part of international groups, irrespective of their annual turnover. Thanks to cooperation within the international group of BNP Paribas, CTB offers an access to a rich selection of products and services.

Following the integration of the Bank within BNP Paribas group, in the years 2010-2011 CTB offering has been enriched by a number of specialised solutions introduced and developed owing to the BNP Paribas group's support.

CTB also includes 6 competences centres: Cash Management, Financial Markets, Global Trade Finance, Real Estate financing, Structured Financing and also Public Sector and Institutions.

Cash Management offering includes a wide range of services, from bank accounts to complex cash pooling solutions that enable to manage company's liquidity both at the national and international level.

- housing trust account - meets the need that has arisen on the market due to legal changes resulting from *the Act on Protecting Rights of Buyers of Residential Premises or Single Family Houses* that enables real estate buyers to safely pay funds into the developer's trust account.
- current accounts, foreign currency and auxiliary accounts available to both resident and non-resident companies;
- escrow and trust accounts;
- payroll accounts;
- domestic and cross-border transfers, SEPA credit transfers, Direct Debit;
- Pl@net and Connexis Internet banking systems;
- Visa Business payments cards - debit and charge cards, MasterCard Business - debit and credit cards;
- MBR/RPI system is a SWIFT-based system which enables account management via external electronic banking systems;
- domestic and international Cash Pooling;
- Automated Identification of Payments.

Short-, Mid- and Long-term Financing

Based on agreements signed with the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), the Bank offers investment financing for medium-sized companies.

Moreover, customers may obtain cheaper investment financing with collateral in the form of a surety of the European Investment Fund (EIF).

In addition to loans with EU subsidies, the Bank offers a full range of investment financing and current (working-capital) financing facilities:

- overdraft facility;
- revolving credit;
- investment loan (including also in cooperation with EIB and EBRD);
- multi-option credit line;
- guarantee credit line;
- straight loan;
- fixed interest rate loan;
- general financing agreement.

Trade finance

Our client-centric approach, the continuous development of innovative solutions for exporters and importers and the wide international trade network of the BNP Paribas group guarantee enable the Bank to be one of the top trade finance institutions in Poland. Customers of the Bank may use the following instruments:

- guarantees,
- documentary collection,
- letters of credit;
- purchase of receivables based on invoices/bills of exchange;
- buyer's credit with KUKE SA insurance;
- DOKE programme (Interest-Rate Support for Fixed-Rate Export Credits).

In the first half of 2012, export letters of credit grew both in volume and number. This trend is attributable, to a great extent, to transactions effected within the BNP Paribas group. Use of services offered by banks within the BNP Paribas group benefits both transaction parties considering the fact that it enables better information flow, faster receipt of funds and often cost optimisation.

Structured finance and investment banking

In 2011, a new unit was set up in the Bank that reflects BNP Paribas experience and know-how in the structured finance area and deals with:

- acquisition finance;
- structured investment lines and current financing;
- syndicated facilities;
- investments in minority stakes (up to 40%) of developing companies.

Financial Markets

The Bank offers a complete range of FX and hedging solutions: spot transactions, forward transactions, FX swap, FX options and interest rate options (cap, floor); IRS, FRA, CIRS, structured products. In accordance with BNP Paribas group policy the Bank is very mindful of appropriateness of products and solutions vis-a-vis its client needs.

Leasing

Leasing offer covers a complete range of facilities: operational lease, financial lease, sales & leaseback and lease of assets.

Real estate financing

The Bank finances large investment projects such as office buildings, commercial and logistics centres. The financing is offered without or with recourse to the investor or project sponsor, within a credit or lease facility.

Public sector and institutions service

The Bank offers solutions adjusted to specific financing needs of public administration units and local government bodies, institutional investors as well as associations, foundations and public benefit organisations.

4.3. Other Banking Activity

Other banking activity includes daily treasury transactions (Treasury), financial market products (Fixed Income) and asset and liability management (ALM).

Other Banking Activity

- Treasury
- Fixed Income
- ALM

4.3.1. Offering of products and services rendered by the Fixed Income and Treasury Line and the Financial Markets Sales Department

The Fixed Income and Treasury Line is a business line operating on the financial markets that specialises in servicing banks and other financial institutions. The Line carries out operations on the money market and FX market, it also participates in trading of securities. The Fixed Income and Treasury Line supports other business lines providing a selected group of customers with financial market products and instruments via standard and off-balance sheet transactions. These products are offered by the Financial Markets Sales Department within the CTB BL.

Furthermore, the Bank offers its customers FX transactions and transactions designed to hedge FX risk and interest rate risk.

4.3.2. Money market and debt securities operations

The Bank's activities on the money market and the market of debt securities may be grouped into three categories:

- activity related to liquidity management,
- activity related to the management of interest rate risk,
- activity related to the Bank's investment policy concerning equity funds.

The Bank's investment policy is established by the Asset and Liability Management Committee. Capital is first of all invested in debt securities issued by the State Treasury or NBP.

4.4. Securities custody services

The Bank offers custody services related to maintenance of securities accounts, safekeeping customer assets and settlement of transactions concluded on domestic and international markets. Under the Decision issued by the Securities and Exchange Commission of 14 July 2000 (KPWiG-4042-2/2000), custody services are provided by the Custody Services Group separated from the Bank's structure. The Bank plans to terminate this activity in the second half of 2012.

4.5. Clearing activity

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

The Bank participates in EuroELIXIR system for handling domestic transfer orders in euro. In the first half of 2012, the Domestic Clearing House (KIR) launched the third session of EuroELIXIR. The Bank provides its customers with SEPA credit transfers (both incoming and outgoing ones). The Bank also indirectly participates in TARGET2. In the first half of 2012, the Bank signed an agreement with BNP Oslo on opening a nostro account in Norwegian crown (NOK).

5. ANALYSIS OF PERFORMANCE OF BNP PARIBAS BANK POLSKA GROUP IN THE FIRST HALF OF 2012

BNP Paribas Bank Polska Group consolidates 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. (BNP Paribas Factor) from the acquisition of the company, i.e. from 2 April 2012; thus, the results of both companies are not recognised in the Group's consolidated results for the first half of 2011. The acquisition of the above-mentioned companies and consolidation of their results in the subsequent periods affects the level of comparisons made and indicators calculated.

5.1. Consolidated Income Statement

The Group closed the first half of 2012 with a profit before taxation totalling PLN 21 million, which was by PLN 7 million higher than the result of the first half of 2011. The increase in the Group's consolidated profit was mainly a result of the higher net trading income, net investment income and acquisition of FLP. Simultaneously, the Group recorded higher personnel expenses and risk costs.

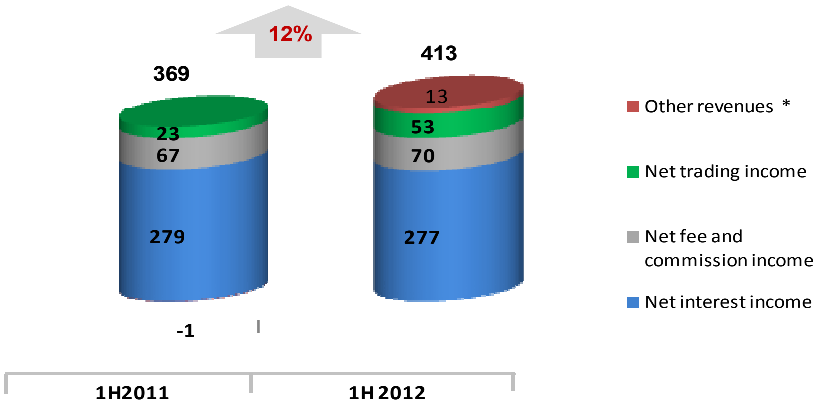
Evolution of key items of the Consolidated Income Statement is presented below.

in PLN million	1H 2011	1H 2012	Δ 1H2012/ 1H 2011
Net banking income	369	413	12%
General expenses	-296	-317	7%
Cost of risk	-55	-74	33%
Net operating profit/loss	**17**	**22**	**29%**
Net profit/loss from disposal of assets, shares and interest	-2	-1	-74%
Profit/loss before taxation	**15**	**21**	**47%**
Income tax	-5	-9	74%
Profit/loss after taxation	**10**	**13**	**33%**

5.1.1. Net banking income

The chart below shows a structure of basic items of the net banking income in the periods compared.

Chart 3. Net banking income in the first half of 2011 and in the first half of 2012 (in PLN million)



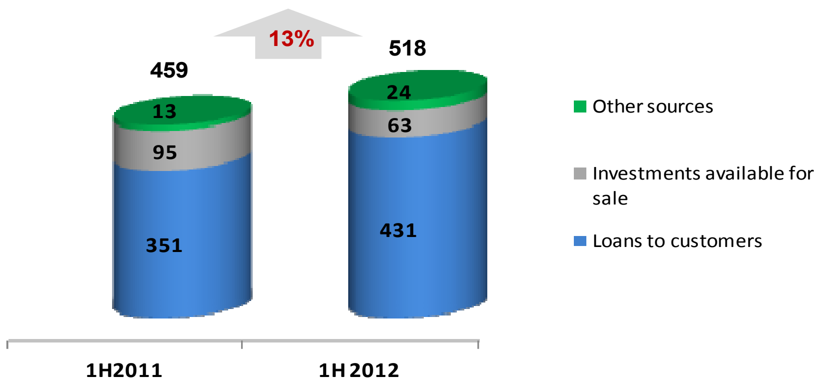
**Other operating income includes: Net investment income, dividends and other investment income, other income and operational expenses*

5.1.1.1. Net interest income

In the Income Statement structure, the net interest income is prevailing.

The interest income structure in the periods compared was the following:

Chart 4. Interest income in the first half of 2011 and in the first half of 2012 (in PLN million)



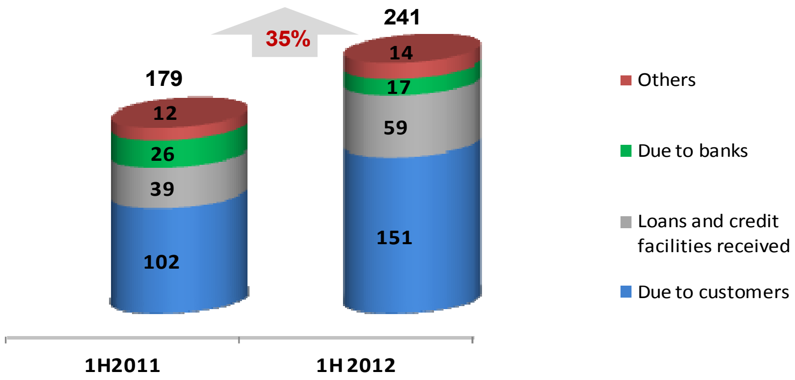
The growth of the interest on loans to customers resulted partly from taking over FLP (interest on loans to customers of this company reached PLN 44 million).

Interest on loans to the Bank's customers grew by PLN 37 million or 10%. As compared to the first half of 2011, average credit volumes increased by 10% mainly due to marketing activity and promotional campaigns. The growth was recorded both in the Corporate and Transaction Banking (CTB) line and the Retail Banking (RB) line.

Interest income on available-for-sale investments fell by 34% as compared to the first half of 2011. This drop results from a lower average value of the Bank's investment portfolio, which includes primarily Treasury bonds and NBP bills.

Interest expenses rose by PLN 62 million. The interest expense structure in the periods compared was the following:

Chart 5. Interest expense in the first half of 2011 and in the first half of 2012 (in PLN million)

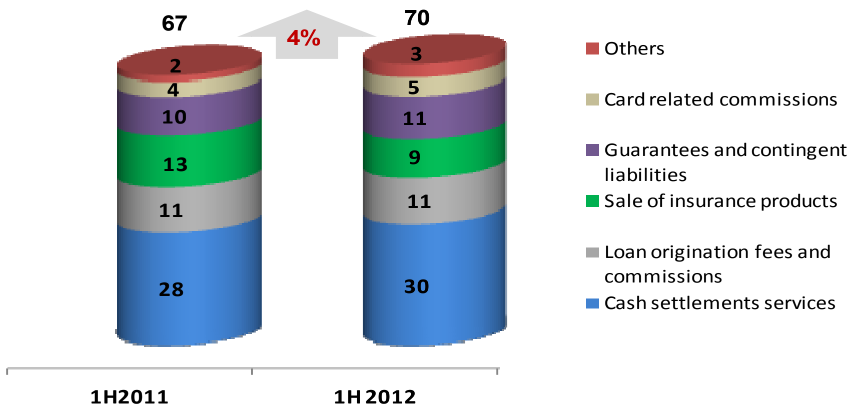


Interest expenses increased primarily due to higher costs of interest on "due to customers", which resulted from an increase in the average deposit balances by 16% as compared to the first half of 2011, higher market interest rates in PLN and promotional deposits at high rates to answer the strong competition for deposits in the market. Expenses on loans and credit facilities received mostly from the BNP Paribas group, but also from EIB and EBRD linked to special financing program for small and medium enterprises, decreased by 6 million at the Bank level but increased by PLN 27 million at the level of FLP, hence on a consolidated basis it grew by PLN 21 million. Interest expenses related to deposits of other banks went down as compared to the first half of 2011 by PLN 9 million due to a drop in the volume of those deposits.

5.1.1.2. Net fee and commission income

The second largest item in the Group's income was net fee and commission income which, in the first half of 2012 accounted for 17% of the result on banking activity and was by PLN 3 million higher than in the first half of 2011.

Chart 6. Net fee and commission income in the first half of 2011 and in the first half of 2012 (in PLN mio)



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

The increase of the net fee and commission income over the level noted in the first half of 2011, results primarily from a higher income related to cash settlement services, cards, guarantees issued and contingent liabilities. Loan origination fees and commissions grew by 3% as compared to the first half of 2011. At the same time, the Bank recorded a lower net fee and commission income on account of the sale of insurance for car and cash loans to individual customers of RB BL (fees and commissions related to the sale of insurance products went down by PLN 3 million).

5.1.1.3. Net trading income

In the first half of 2012, the Group recorded the net trading income of PLN 53 million, which was by 127% higher than in the first half of 2011. This item includes: earnings on FX differences and revaluation, result on options, CIRS, IRS, FRA and OIS, and also fair value adjustments of FX options. The net trading income increased mostly due to:

- positive result on FX swap transactions of PLN 11 million as compared to the cost in the amount of PLN 14 million in the first half of 2011;
- profit in the amount of PLN 8 million generated in the first quarter this year on account of closing some hedging transactions connected with hedging accounting;
- net revenues on releasing fair value adjustments related to FX options of the Bank's customers in the amount of PLN 7 million as compared to PLN 3 million in the first half of 2011.

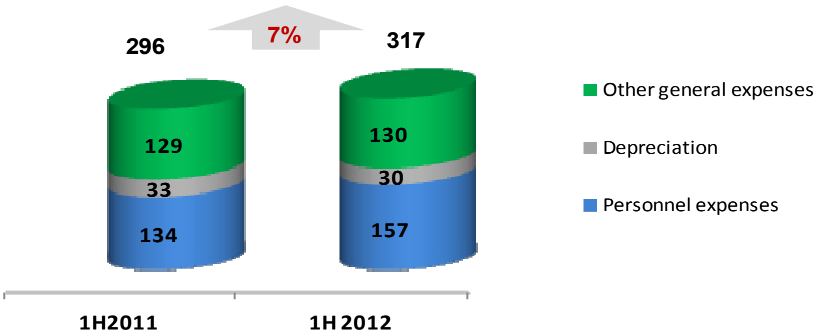
5.1.1.4. Other revenues

Other revenues in the first half of 2012 stood at PLN 13 million and were by PLN 14 million higher than in the previous year. This growth was primarily attributable to an increase in the net investment income by PLN 13 million in connection with the profits obtained on sale of securities.

5.1.2. Costs

Specific cost categories in the periods compared were the following:

Chart 7. Costs in the first half of 2011 and in the first half of 2012 (in PLN million)



In the first half of 2012, the Group's personnel costs were higher by 17% compared to the costs incurred in the first half of 2011. The increase in the Group's personnel costs was attributable to: one-time provision in the amount of PLN 13 million related to the redundancy programme to adjust the cost base and improve the organisational effectiveness of the Bank, staff increase in the RB business line related to the transformation of franchisee outlets into the Bank's own branches, opening of new branches and acquisition of FLP.

Depreciation of fixed and intangible assets was lower by 9% than in the previous year.

Other Group's costs were by 1% higher than the costs incurred in the first half of 2011, which was the effect of new subsidiaries' costs in the amount of PLN 6 million. Other general expenses of the Bank dropped by 3% or PLN 4 million.

Key items of other expenses in the first half of 2012 included: rents (PLN 37 million), IT costs (PLN 21 million), marketing and advertising (PLN 16 million).

5.1.3. Cost of risk

In the first half of 2012 the cost of risk was higher by PLN 18 million as compared to the first half of 2011. It resulted mainly from a one-time creation of additional provisions for consumer loans in consequence of the review of the methodology of creating such provisions, further to lower expected recovery rate for cash loans, credit card receivables, overdrafts in current accounts of individual clients and car loans.

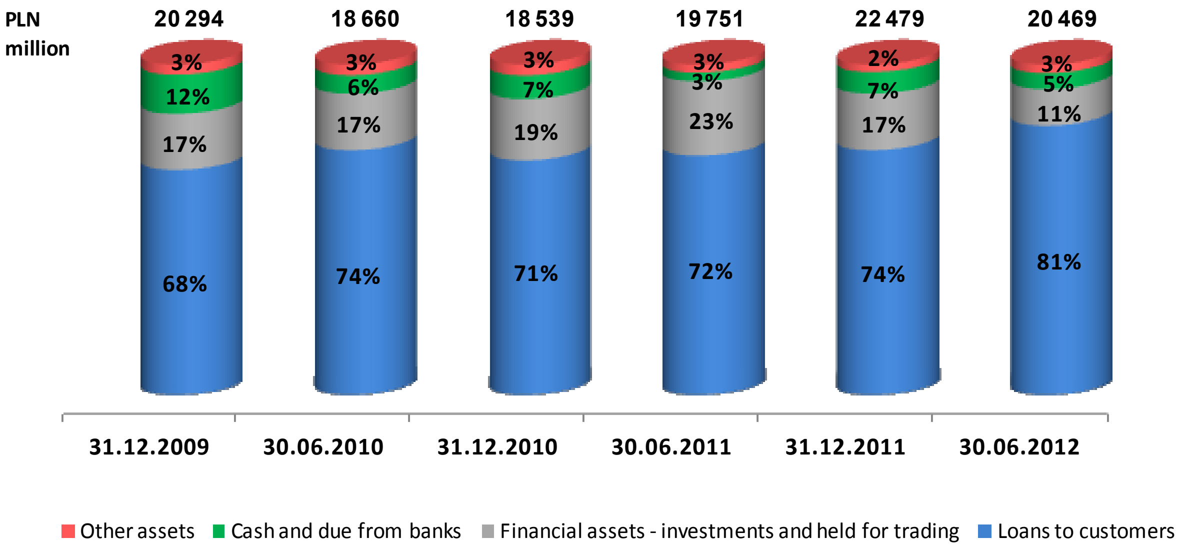
However, the cost of risk was positively affected by revenues in the amount of PLN 19.3 million on account of a sale of the irrecoverable receivables portfolio carried out in June 2012. Simultaneously, CTB line recorded a positive result on account of risk costs in the amount of PLN 7.6 million (in connection with releasing net provisions for customer receivables). Lower CTB risk costs result from an improved quality of the loan portfolio and restructuring measures undertaken by the Group.

5.2. Consolidated balance sheet

5.2.1. Assets

The Group's total assets as at 30 June 2012 were higher than at the end of June 2011 by PLN 718 million or 3.6%. One of the main reasons of this rise was the acquisition of the leasing and factoring companies and recognition of their assets in the Group's consolidated assets (FLP assets as at the end of June 2012 stood at PLN 1,895 million while assets of BNP Paribas Factor were at PLN 130 million). Growth of the Group's assets was also attributable to the increase of the Bank's loan portfolio. At the same time, total assets of the Bank decreased by PLN 1,020 million (5.2%), chiefly due to the reduction of the portfolio of available-for-sale investments in connection with the repayment of some loans taken from the BNP Paribas group.

Chart 8. Group's assets as at 30 June 2012 as compared to earlier periods (in PLN million)



The table below presents the structure and evolution of selected (consolidated) assets of the Group.

in PLN million	30.06.2011	Share (%)	31.12.2011	Share (%)	30.06.2012	Share (%)	Δ 30.06.2012/ 30.06.2011
ASSETS							
Loans to customers	14 292	72%	16 647	74%	16 677	81%	17%
Investments – available for sale and others	4 283	22%	3 659	16%	2 138	10%	-50%
Cash and cash equivalents	356	2%	1 117	5%	627	3%	76%
Due from banks	158	1%	359	2%	359	2%	128%
Financial assets held for trading	168	1%	176	1%	129	1%	-23%
Property, plant and equipment and intangible assets	176	1%	180	1%	171	1%	-3%
Other assets *	320	2%	342	2%	368	2%	15%
TOTAL ASSETS	**19 751**	**100%**	**22 479**	**100%**	**20 469**	**100%**	**4%**

**Other assets include: assets and settlements on account of income tax, hedging instruments, non-current assets held for sale and other assets*

5.2.1.1. Loans to customers - Group credit portfolio profile

Net loans to customers which increased by PLN 2,385 million over the level noted as at the end of June 2011, constitute the main item of the assets structure. The growth is attributable to the following:

- consolidation of subsidiary's net lease receivables of PLN 1,661 million;
- consolidation of subsidiary's net factoring receivables of PLN 120 million;
- higher loan production in the Bank, with the highest growth rate recorded for PLN mortgage and cash loans for individual customers, and
- depreciation of the Polish currency against the foreign currencies of the Bank's foreign currency loan portfolio, which contributed to the nearly 4% growth of the total net loan portfolio.

Consequently, the share of net loans to customers in the structure of assets grew from 72% as at the end of June 2011 up to 81%.

Loan portfolio evolution and structure are the following:

in PLN million	30.06.2011	Share (%)	31.12.2011	Share (%)	30.06.2012	Share (%)	Δ 30.06.2012/ 30.06.2011
Commercial loans	7 742	50%	7 758	43%	7 755	43%	0%
Mortgage loans	5 417	35%	5 987	33%	5 894	33%	9%
Consumer loans and credit facilities	2 362	15%	2 279	13%	2 361	13%	0%
Finance lease receivables	0	0%	1 900	11%	1 793	10%	-
Other receivables and interest *	57	0%	64	0%	188	1%	228%
Total loans to customers, gross	**15 577**	**100%**	**17 987**	**100%**	**17 990**	**100%**	**15%**
Impairment losses and IBNR	-1 286		-1 340		-1 314		2%
Total loans to customers, net	**14 292**		**16 647**		**16 677**		**17%**

**Other receivables and interest include: loans to State-owned entities, receivables from financial instruments (FX spot and FX swaps) recognized at the transaction date, factoring and other receivables, likewise interest to be received*

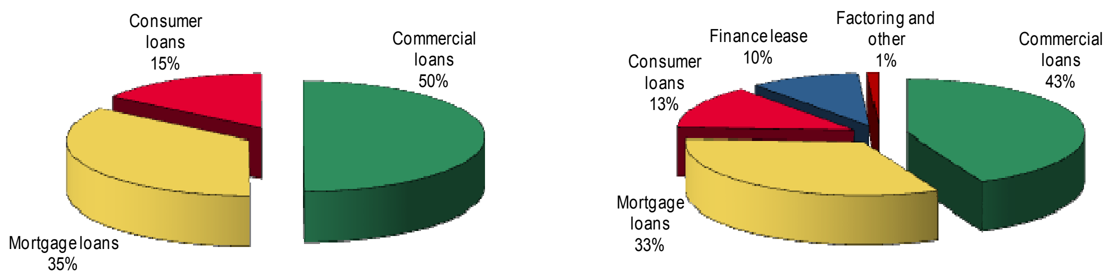
Commercial loans to business entities have the biggest share in the structure of gross loans to customers. The commercial loan portfolio value remained similar to the one recorded the year before. The increase of balances of overdraft credit facilities (by 11.8% as compared to the end of June 2011) and PLN car loans (by 44.8%) was offset by a drop in the balance of investment loans (by 6.3%) attributable to a still limited demand with respect o investment projects of enterprises, as well as by not recognising the leasing subsidiary's debt in the consolidated net loans to customers.

As at the end of June 2012, the balance of loans to individual customers was PLN 8,255 million and exceeded the level noted as at the end of June 2011 by PLN 477 million or 6.1%. In the loans to individuals portfolio, growth of the volume of mortgage loans (by PLN 477 million i.e. 8.8%) was to some extent attributable to the impact of an increase in FX rates, in particular of CHF, exerted on this portfolio. The PLN depreciation caused an increase in the value of foreign currency mortgage loans by PLN 313 million, which translated into growth of the total mortgage loans' portfolio by 5.8%. Excluding the impact of FX rate changes, the FC mortgage loans balance fell by 4.9% as compared to June 2011. Simultaneously, thanks to an attractive offering, the balance of PLN mortgage loans grew by PLN 379 million or 36.9%. Consequently, their share in the total volume of mortgage loans increased from 19% as at the end of June 2011 up to 24%, with the balance of PLN 1,406 million at the end of June 2012.

Consumer loans and credit facilities as at the end of June 2012 remained at the level similar to the one recorded as at the end of the first half of 2011. Thanks to an attractive cash loan offering, sale of those loans grows successively and the number of new cash loans granted in the first half of 2012 was by over 60% higher than in the corresponding period of 2011. A higher sale of cash loans compensated a reduction in the balance of consumer loans which resulted from selling a portion of the irrecoverable receivables portfolio in December 2011 and in June 2012.

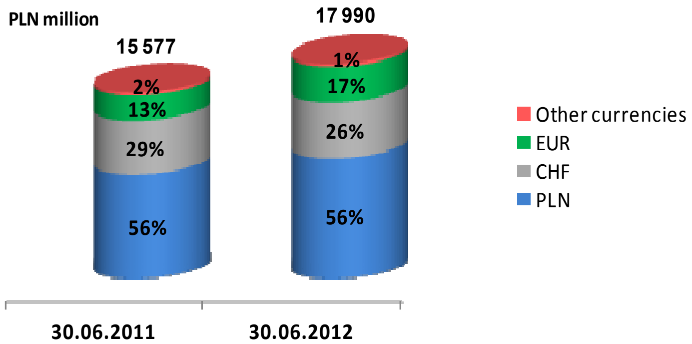
In the consolidated balance sheet of the Group there are gross receivables on account of financial lease that result from the acquisition of the lease company in July 2011; as at the end of June 2012, the said receivables amounted to PLN 1,793 million. FC receivables constitute 47% of the lease receivables portfolio.

Chart 9. Structure of gross loans to customers by product as at 30 June 2011 and 30 June 2012



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

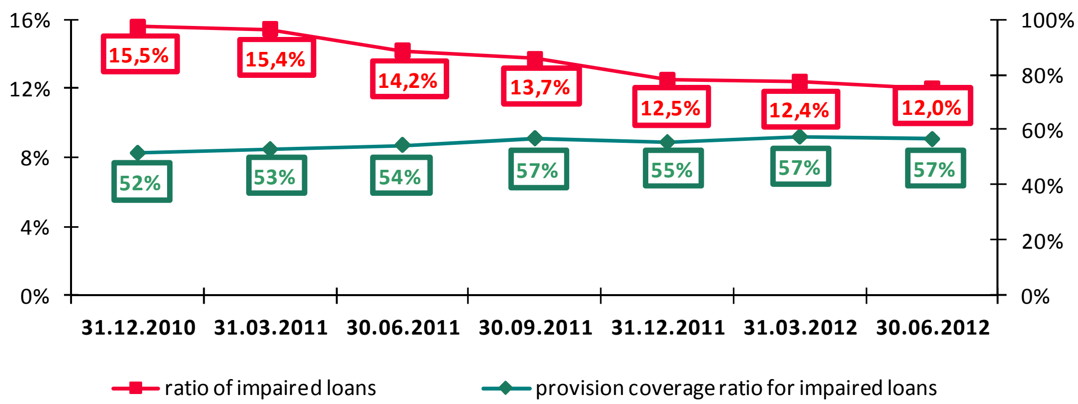
Chart 10. Currency structure of gross loans to customers as at 30 June 2011 and 30 June 2012 (in PLN million)



5.2.1.2. Credit portfolio quality

As at the end of June 2012, the gross value of the portfolio of impaired loans to customers amounted to PLN 2,158 million, which accounted for 12% of the total portfolio. The ratio of impaired (non-performing) loans to the total loan portfolio has been continuously decreasing owing to both the portfolio quality improvement and good efficiency of restructuring and debt collection activities, likewise the sale, in December 2011 and June 2012, of a portion of the irrecoverable receivables portfolio with the total principal value of PLN 199 million, which included consumer loans for individuals and car loans for micro enterprises.

Chart 11. Evolution of the ratios of impaired loans and of the related provisioning as at 30 June 2012 as compared to previous periods

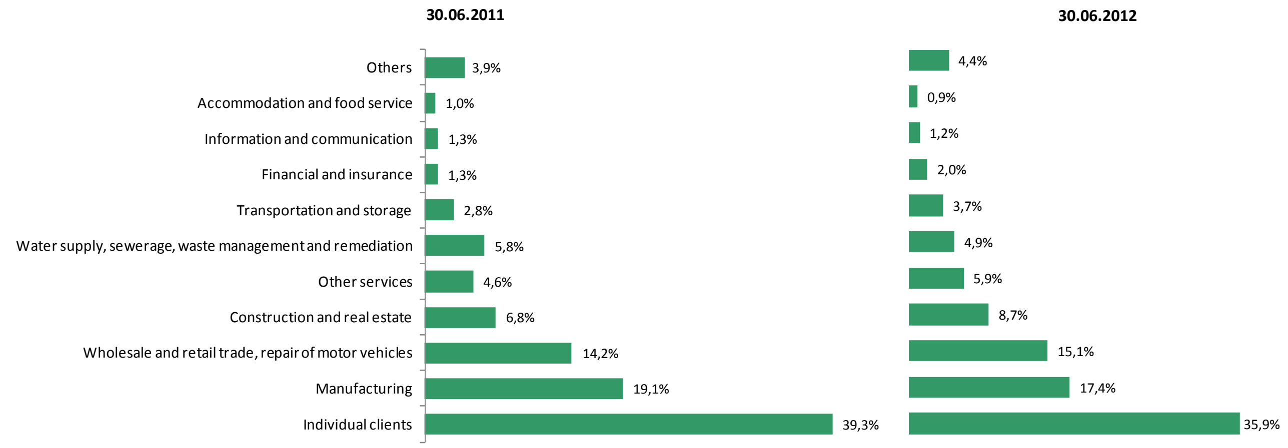


The increase in provisions for impairment and IBNR (by 2.2% or PLN 28 million as compared to the level as at the end of June 2011) was mostly attributable to the recognition of write-downs related to lease receivables of FLP, which as at the end of June 2012 amounted to PLN 136 million, as well as a one-time creation of additional write-downs for non-performing consumer loans in the first quarter of 2012. The above effect was partially offset by a decrease of specific provisions as a result of the sale of a portion of irrecoverable receivables, and also an effective restructuring and debt recovery of non-performing receivables.

5.2.1.3. Credit portfolio by sectors under statistical classification

As at the end of June 2012, the Group's exposure (balance sheet and off-balance sheet credit exposures) stood at PLN 23.5 billion and was concentrated mainly on the financing for individual customers and the following sectors: manufacturing, wholesale and retail trade, construction and real estate activities, water supply, sewerage and waste management and remediation, other services, transportation and storage. Loan portfolio by sectors in the compared periods was the following:

Chart 12. Loan portfolio by sectors as at 30 June 2011 and 30 June 2012



5.2.1.4. Investments available for sale

As compared to June 2011, investments available for sale and other investments fell by PLN 2,145 million (or 50.1%), as a result of the sale of a portion of securities from the Bank's investment portfolio (mainly NBP cash bills, Treasury bonds and bonds issued by other banks) in connection with a decision on prepayment of a portion of the loans from the BNP Paribas group entities. As a consequence, the share of investments available for sale fell to 10% of the Group's total assets (from 22% recorded as at the end of June 2011). At the end of June 2012, Treasury bonds and NBP bills had the biggest share in the Group's investment portfolio (79% and 18%, respectively).

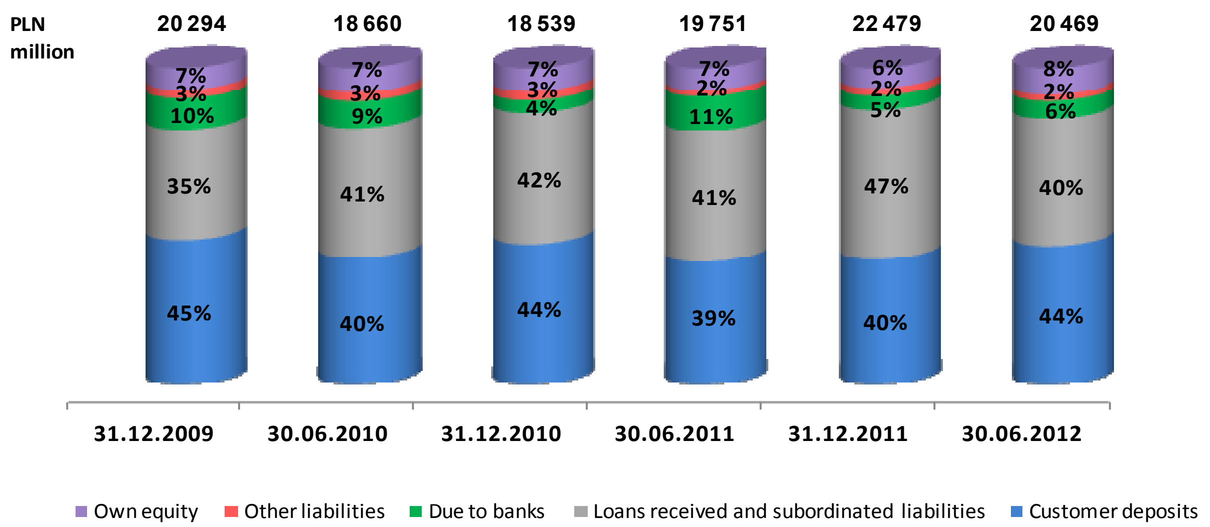
5.2.1.5. Cash and cash equivalents and due from banks

Growth of cash and cash equivalents (by PLN 271 million) and due from banks (by PLN 201 million) resulted chiefly from the increase of funds deposited in other banks, predominantly belonging to BNP Paribas group.

5.2.2. Liabilities

The Group's liabilities structure is as follows:

Chart 13. Liabilities as at 30 June 2012 as compared to previous periods



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

in PLN million	30.06.2011	Share (%)	31.12.2011	Share (%)	30.06.2012	Share (%)	Δ 30.06.2012/ 30.06.2011
LIABILITIES							
Due to customers	7 662	39%	8 882	40%	8 939	44%	17%
Loans and credit facilities received	7 644	39%	10 035	45%	7 851	38%	3%
Due to banks	2 175	11%	1 032	5%	1 155	6%	-47%
Subordinated liabilities	541	3%	593	3%	426	2%	-21%
Financial liabilities held for trading	75	0%	126	1%	110	1%	47%
Other liabilities *	290	1%	407	2%	300	1%	3%
Total equity	**1 364**	**7%**	**1 404**	**6%**	**1 687**	**8%**	**24%**
TOTAL LIABILITIES	**19 751**	**100%**	**22 479**	**100%**	**20 469**	**100%**	**4%**

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

5.2.2.1. Due to customers and institutions

Customer deposits together with loans and credit facilities from the Group or institutions such as EIB or EBRD continue to constitute the main source of financing of the Group.

As compared to the end of June 2011, the value of loans and credit facilities received increased by PLN 207 million or 2.7% as a result of:

- recognition in the consolidation of loans and credit facilities received by subsidiaries: at the end of June 2012, the leasing company's loans stood at PLN 1,739 million, whereas the financing obtained by the factoring company totalled PLN 121 million,
- impact of the FX rate increase on FC loans received, and
- drawdown in the second half of 2011 of additional funds of PLN 119 million from the European Investment Bank and EUR 30 million from the European Bank for Reconstruction and Development to finance investment projects of small and medium-sized enterprises.

The above effect was partially counterbalanced by the decline in the value of loans and credit facilities received by the Bank, prompted by prepayment of the tranches of the credit facilities from BNP Paribas before maturity due to the Bank's good liquidity situation, and by renewal of the maturing credit facilities in slightly lower amounts.

The principal component of loans and credit facilities received are credit facilities granted by the BNP Paribas group; as at the end of June 2012 they constituted 95% of loans received by the Bank.

Due to banks declined (by PLN 1,020 million, i.e. 46.9%) owing to the drop in the value of term deposits of other banks and settlement of transactions involving sale of securities with the repurchase option.

Subordinated liabilities include subordinated credit facilities from the BNP Paribas group. The value of the subordinated liabilities fell (by 21.2% compared to June 2011) due to repayment of two subordinated credit facilities of PLN 60 million and EUR 20 million in May 2012.

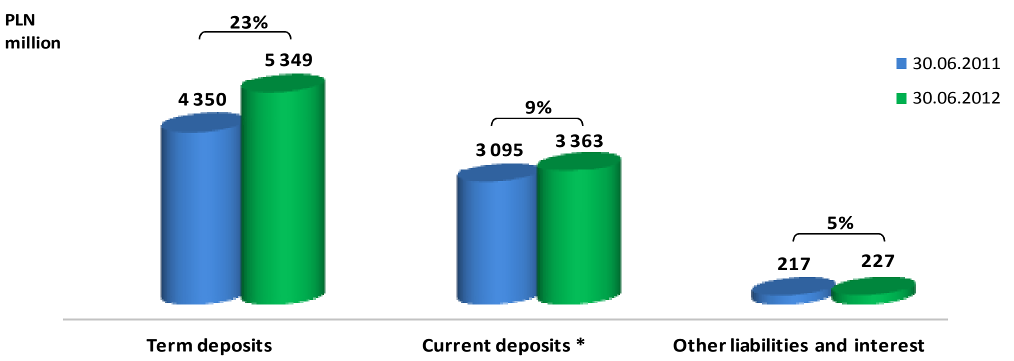
5.2.2.2. Customer deposits

Due to customers grew (by PLN 1,277 million, or 16.7%) fuelled primarily by PLN term deposits and current deposits held by companies. The share of due to customers in total liabilities rose up to 44% at the end of June 2012.

Deposits denominated in PLN represent 87% of total customer deposits. They recorded the growth by PLN 1,173 million or 17.8% as compared to June 2011. The balance of FC deposits rose by 9.6% compared to June 2011, driven mainly by the increase in foreign exchange rates (FC balances remained at the level comparable to the level recorded in the previous year). In the structure of foreign currency deposits, EUR deposits are predominant (82% of foreign currency deposits and 11% of total customer deposits).

Structure of liabilities due to customers, by deposit type:

Chart 14. Structure of liabilities due to customers by deposit type as at 30 June 2011 and 30 June 2012

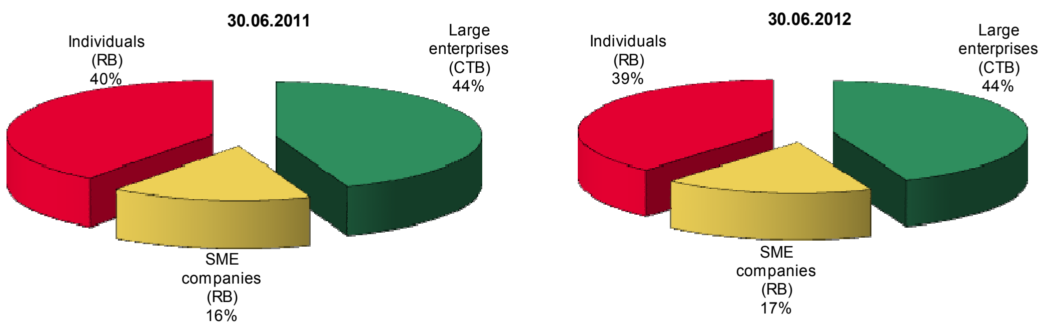


**inclusive of savings accounts, which at the end of June 2012 accounted for 33% of total current deposits*

In the structure of liabilities due to customers, term deposits continue to prevail, which at the end of June 2012 accounted for 60% of the total liabilities due to customers (compared to 57% at the end of June 2011). The YOY growth of term deposits was recorded in PLN deposits, including deposits held by individuals and companies.

Current deposits as at the end of June 2012 accounted for 38% of total liabilities due to customers. The value of current deposits rose as compared to the end of June 2011 mainly with respect to core deposits on current accounts held by large enterprises.

Chart 15. Structure of customer deposits broken down by segments as at 30 June 2011 and 30 June 2012 (based on management data)



5.2.2.3. Own equity

The own equity rose by PLN 323 million (23.7%) compared to June 2011, mainly owing to a new issue of shares subscibed by the majority shareholder of the Bank. As a result of the issue of shares in June 2012, the increase of the share capital by PLN 228.5 million was registered, whereas the reserve capital was additionally augmented by the issue premium of PLN 30.4 million (reduced by the issue costs). The own equity of the Group also grew as a result of settling the purchase of FLP company (the excess of the book value of the company's net assets over the purchase price increased the Group's own equity by PLN 13 million), growth of a revaluation reserve (refers to investments available for sale) and of the net profit generated by the Group in the first half of 2012.

5.2.3. Capital Adequacy Ratio

As at 30 June 2012, the Group's capital adequacy ratio stood at 11.63% in comparison to 11.53% at the end of December 2011 and 12.97% recorded at the end of June 2011.

The ratio decline was mainly triggered by the growth of the capital requirement for credit risk caused by the rise in the credit balances of the Bank, change in the risk weight of retail foreign currency loans (including mortgage loans) from 75% to 100%, likewise by the acquisition of FLP by the Bank in July 2011 and BNP Paribas Factor in April 2012. Depreciation of the Polish zloty against foreign currencies also contributed to the growth of capital requirements.

The aforementioned effect was partially counterbalanced by the increase of the Group's own capital included in the capital adequacy ratio calculation (from PLN 1,874 million at the end of June 2011 to PLN 2,075 million or nearly 11%), and primarily the growth of the core capital after the new issue of shares. Furthermore, early repayment of the subordinated credit facilities of PLN 60 million and EUR 20 million decreased the supplementary capital.

The Group’s capital situation in the first half of 2012 remained stable, thus allowing the Group to safely continue its business activity.

5.2.4. Average interest rate of deposits and loans

Basic variable interest rates applied to loans by the Bank are based on WIBOR rate for PLN loans and LIBOR or EURIBOR rates for foreign currency loans. In the first half of 2012, the Monetary Policy Council intervened once to increase the official NBP interest rates by 25 basis points.

Average nominal interest rate of current and term deposits at the Bank in the first half of 2012, compared to the first half of 2011, was the following:

- PLN deposits: 3.85%, compared to 3.09%;
- FC deposits: 0.92%, compared to 1.03%.

Average nominal interest rate for total loans, both performing and non-performing loans, broken down by currency, was the following:

- PLN loans: 8.28%, versus 8.36% in the first half of 2011;
- EUR loans: 3.15%, versus 3.69% in the first half of 2011;
- USD loans: 1.72% versus 2.19%;
- CHF loans: 1.20% versus 1.33%.

5.3. Contingent Liabilities - Off-balance Sheet Commitments

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

Contingent liabilities granted and received (in PLN million)	30.06.2011	31.12.2011	30.06.2012	Δ 30.06.2012/ 30.06.2011
Total contingent liabilities granted				
items related to financing	3 430	3 777	4 222	23%
guarantees	1 725	1 925	1 847	7%
Total contingent liabilities granted	**5 155**	**5 702**	**6 069**	**18%**
Contingent liabilities received				
items related to financing	4 814	3 291	1 939	-60%
guarantees	245	378	469	92%
Total contingent liabilities received	**5 059**	**3 669**	**2 408**	**-52%**
Total contingent liabilities	**10 214**	**9 371**	**8 477**	**-17%**

Contingent financial commitments increased primarily with respect to unused credit lines (mainly overdraft credit facilities) granted to companies. The above commitments include credit lines granted and unused, credit card limits, unused overdraft credit facilities, loan commitment letters issued, general financing agreements and import letters of credit.

Off-balance sheet guarantee commitments granted include guarantees issued in favour of customers, general guarantee agreements and export letters of credit. Growth in guarantee commitments issued pertained primarily to guarantees issued to companies.

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

Off-balance sheet guarantee commitments obtained by the Group encompass mainly guarantees and sureties that secure the granted loans. Their growth noted in comparison to June 2011 referred in particular to counter-guarantees and stand-by letters of credit received from the banks included in the BNP Paribas group.

5.3. Basic ratios

The consolidated ratios are presented below:

Ratio	30/06/2011	31/12/2011	30/06/2012
Return on Assets (ROA)*	0.10%	0.19%	0.12%
Return on Equity (ROE)*	1.43%	2.86%	1.74%
Earnings (loss) per share	0.40	1.64	0.52
Book value per share	56.56	58.20	58.11

The net book value per share is PLN 58.11. For proper calculation, the share capital, additional capital, revaluation reserve, other reserve capital, retained earnings from the previous years and the consolidated net profit (loss) for the fiscal year were included in the Group's own equity.

*These ratios were calculated per annum as follows:

Return on Assets (ROA)	Net profit (loss) / average assets as at the end of four subsequent quarters in %
Return on Equity (ROE)	Net profit (loss) / average equity as at the end of four subsequent quarters in %

5.4. Enforcement titles and value of collateral

In the first half of 2012, the Bank issued 103 enforcement titles in the enterprises and affluent individual customer segments for the total amount of PLN 73,398 thousand as at 30 June 2012 in comparison to 86 enforcement titles issued in those segments in the first half of 2011 for the amount of PLN 19,265 thousand.

Moreover, in the first half of 2012 the Bank issued 15,358 enforcement titles and lawsuits in electronic writ of payment proceedings in the Mass Retail customers segment, valued in total at PLN 89,334 thousand as compared to 5,814 enforcement titles of the value of PLN 50,237 thousand issued in the first half of 2011.

The nominal value of the collateral established on borrowers' accounts and assets totalled PLN 77,073,467 thousand as at 30 June 2012, as compared to PLN 61,268,593 thousand as at 31 December 2011.

5.5. Management of financing sources

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

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

Structure of financing sources	31/12/2011		30/06/2012		Change semi-annual
	in PLN thousand	in %	in PLN thousand	in %	
Customer deposits	8,865,551	42%	8,900,249	47%	0%
Long-term credit lines and subordinated loans	10,627,684	51%	8,277,496	44%	-22%
Own equity	1,403,922	7%	1,687,490	9%	20%

In the first half of 2012 the balance of deposits held by customers remained stable.

The balance of the long-term credit lines and subordinated loans decreased. In the first half of 2012, the Bank repaid credit lines in the following total amounts: CHF 814 million, EUR 352.5 million and PLN 550 million. In May 2012 the Bank repaid two subordinated loans in the amount of EUR 20 million and PLN 60 million. From January to June 2012 subsequent funding tranches were disbursed by BNP Paribas in the following total amounts: CHF 725 million and EUR 90 million. In addition, as at the end of June 2012 the Bank used one subordinated loan of EUR 100 million maturing on 28 September 2017. The value of medium and long-term financing by the BNP Paribas group (including the subordinated loan) as at the end of June 2012 amounted to PLN 6,133 million.

The share capital increase by PLN 228,5 million was registered on 23 June 2012. The issue premium of PLN 30.4 million additionally contributed to the own equity growth.

The Bank ensures its short-term liquidity through credit lines available on interbank market.

Furthermore, the Bank actively cooperates with European financial institutions, including the European Investment Bank ("EIB") and European Bank for Reconstruction and Development ("EBRD"). At the end of June 2012, the disbursed financing made available by these institutions totalled EUR 50 million and EUR 30 million, respectively.

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

The ambition of BNP Paribas Bank Polska SA for the years 2011-2015 is to build a universal bank which will be the main pillar of BNP Paribas group operations in Poland. The Bank intends to develop its presence and market share in the following segments: individual customers (inclusive of private banking), micro, small and medium enterprises as well as domestic and international corporate customers.

However, the realisation of this ambition will be influenced by the evolution of the domestic macroeconomic situation, evolution of the competitive environment and availability of financial resources for the Bank to develop its strategy.

In the corporate banking activity the Bank closely cooperates with BNP Paribas SA Branch in Poland. As a part of the integration within the BNP Paribas group in Poland, the division of competences between BNP Paribas Bank Polska SA and the Branch has been implemented. The Bank provides the full range of commercial banking credit and services to a large base of corporate clients while the Branch's focuses on the provision of investment banking product to the Group in Poland and manages relationship with the largest corporate and institutional customers of the BNP Paribas group in Poland.

The development strategy for corporate customers segment (CTB) gains strong support through the position in the international environment held by BNP Paribas, which operates as "one bank for corporates in Europe". The strategy is based on introduction of innovative solutions for key products adjusted to the customer needs, competitive price offering and a "one-to-one" relation with a chosen customer advisor, who cooperates with highly qualified product specialists (for products such as cash management, structured products, FX market, trade finance, factoring and lease etc.).

The sales network of the CTB Business Line operates through 8 Business Centres (BC) located in large cities countrywide. By the year 2015, the Bank intends to maintain the existing number of Business Centres, only slightly increasing their staff headcount.

The financing based on leasing and credit facilities, with a growing share of lease products, is treated as a key factor to establish and maintain relations. At the same time, it is accompanied by very active cross-selling of other specialist services. Fortis Lease Polska Sp. z o.o., in cooperation with the Bank, offers lease of fixed assets, including real estate, means of transport, construction machinery and specialist equipment for the industry.

Pursuing the BNP Paribas strategy to offer factoring services in its markets, the Bank acquired Fortis Commercial Finance Sp. z o.o. based in Warsaw (currently named BNP Paribas Factor Sp. z o.o.) from Fortis Commercial Finance Holding in April 2012. Therefore, customers of the Bank have gained access to factoring services. Expansion of the Bank's Group by the factoring company means not only enhancement of business competence of the Bank but also new cross-selling opportunities as regards the offer for companies.

The Bank endeavours to reinforce its position on the retail banking market. The Bank aims at providing to its clients a full range of credit and services including daily banking, consumer loans, investment loans, savings products and investment solutions for individuals, micro, small and medium-sized enterprises (SME) with special emphasis put on responsible lending and innovation.

In the coming years, the Bank will continue intense acquisition in the segment of individual customers. It is assumed that a new multi-channel sale model implemented in the first quarter of 2012, combined with the use and further development of the new tool "Customer Relationship Management", will significantly boost sales of auxiliary products (including personal accounts), as compared to the existing customer base. Acquisition of new customers will be accompanied by loyalty-building activities among the existing customers to enhance the customer retention. In the forthcoming years, the Bank's priority will be to motivate the acquired customers to actively and regularly use the products they have. Honesty and transparency are the foundations on which we build relations with our customers.

As regards the SME segment, the Bank plans to develop a product offering that supports current activity of our customers and their development. This offering includes attractive transaction packages, credit products available at good prices (inclusive of working capital and investment loans) as well as access to cash management, factoring, FX, trade finance and lease facilities. In this segment, the Bank plans intensive, yet sustainable, growth of revenues, balanced development of its credit and deposit side and stronger emphasis put on development of transaction banking in comparison to lending activities. Non-interest income, i.e. income generated by operations on accounts, foreign exchange and trade finance transactions will play a significant role in boosting revenues in the SME segment.

The Bank's strength is expert knowledge of EU funding acquisition and access to loans financed by the EIB and EBRD. Agreements with the EIB and EBRD enable the Bank to finance investment projects of medium enterprises.

The Personal Finance business line operates as a specialised competence centre responsible for managing consumer loans portfolio (cash loans, car loans and credit cards for individual customers). The products distribution is carried out via the Retail Banking branches network and directly through car dealers. The strategy assumes further development of Personal Finance, mainly personal loans and car loans.

Realisation of these ambitious goals are predicated on several actions: development of the sales network, enhancing quality of service, new CRM tools, modernised distribution channels (Multi-Channel Banking), increasing the brand recognition and also strong client acquisition thanks to attractive promotional campaigns of credit and saving products .

As regards the development of the multichannel banking model (MIB), in addition to reinforcement of the Contact Centre, internet and mobile banking, the network of branches will remain the primary distribution channel for Retail Banking. The Bank has been carrying out the plan that assumes modernisation of the existing branches (re-arrangement and aligning with the new model standards) and opening of new outlets.

Implementation of the adopted business strategy through balanced and ambitious development of the activity in the above segments and appropriate risk control system, stepping up effectiveness in the cost management area, boosting of operating revenues, improvement of financial results of the Bank, as well as ensuring high standards of customer service, are the priorities in the management of the Bank in 2012.

Further, these actions are a part of *the Recovery Programme* prepared in accordance with Article 142 of the Banking Law Act and implemented with the consent of the Polish Financial Supervision Authority. 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. The increase of the Bank's own equity in the first half of 2012 supports the planned development of activities. 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.

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 lines. The efficiency improvement program 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 second quarter of 2012.

Implementation of the above-mentioned restructuring programme is essential in order that the Bank strengthens its position in the market and is able to pursue, in a sustainable manner, its long-term development strategy of becoming a universal bank servicing key customer segments, and acting in accordance with the principle of responsible banking, and to the satisfaction of both customers and employees.

However, in view of the crisis in the Eurozone and its potential impact on the Polish economy the Polish regulator has tightened its requirements with respect to capital adequacy ratio and provision of foreign currency loans. In response the Bank's management takes steps to strengthen its capital position and ensure adequate level of liquidity in PLN. The above goals are carried out, among other things, by retaining earnings for 2011, increasing the PLN deposit base and providing capital injection to the Bank by its majority shareholder executed in June 2012.

The Group's capital adequacy ratio stood at 11.63% as at 30 June 2012, thus substantially exceeding the minimum level of 8% required by the Banking Law Act. The capital adequacy ratio rose in the second quarter of 2012 as result of the core capital increase by PLN 260 million (registered on 23 June 2012 after the issue of the N-series shares).

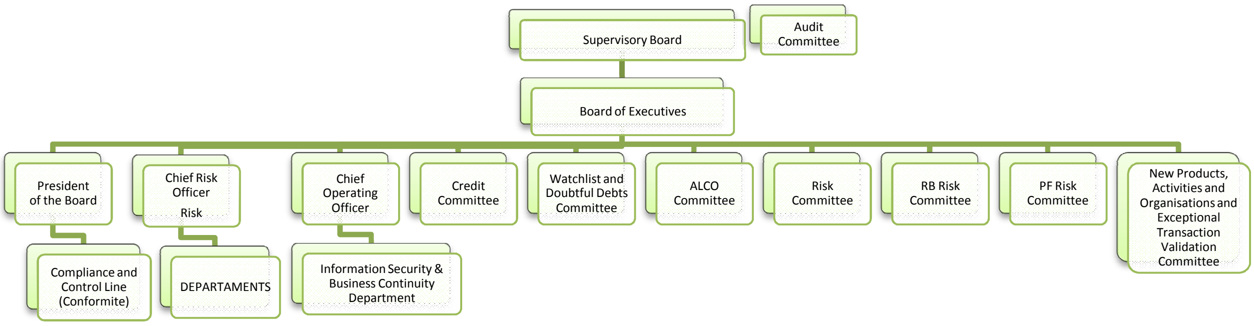
Similarly as in 2011, the Supervisory Board and Board of Executives do not publish the financial performance projections for 2012.

7. BASIC RISK TYPES AND RISK MANAGEMENT

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

- credit and counterparty risks;
- liquidity risk;
- market risk, including:
  - FX risk;
  - interest rate risk;
- operational risk.

To guarantee that the above-mentioned risk categories are identified, defined, as well as appropriately controlled and managed, the Bank observes numerous internal control procedures and risk level limits, which were described in detail in *Note 19 of the Interim Abbreviated Consolidated Financial Statements of the Group of BNP Paribas Bank Polska SA for the First Half of 2012.*



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

The Bank's Board of Executives formulates the risk policy and applies rules of risk management and control, develops the limit setting policy for material risk types as well as risk control procedures.

In the first half of 2012 the Bank's risk management process and rules have not changed significantly as compared to the ones presented in the Annual Consolidated Financial Statements of the Bank's Group for 2011.

7.1. Credit risk

Credit risk is the risk of losses incurred by the Bank on account of granted loans due to the customers' inability to meet their obligations and requirements defined in a loan agreement.

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

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

The credit risk management process is adjusted to the business line structure adopted by the Bank. The functions of acquisition and sale of credit products and credit risk assessment are separated from each other thereby ensuring a clear division of responsibilities in the credit process. 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.

The Bank assesses the borrowers' risk using rating or scoring classification systems and risk classification according to IFRS.

Credit decisions are made according to the decision-making model approved by the Bank's Board of Executives and the Supervisory Board, and adjusted to the standards applicable in the BNP Paribas group. The decision-making model takes into consideration the business lines' structure, determines 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 two basic criteria: customer's rating and financing term.

In the first half of 2012 the Bank adjusted the rules of management of the credit risk of subsidiaries in connection with the Bank's acquisition of 100% of shares in Fortis Commercial Finance, a factoring company, at present BNP Paribas Factor.

The Bank introduced new solutions into the credit process for SME customers, namely: a model of selecting a credit process and new "LIGHT" credit process for customers towards which the Bank's total exposure is up to PLN 0.75 million. These changes are to accelerate and simplify the process of taking decisions within the SME customers' area.

Moreover, the Bank decided to join the AMRON system owned by the Polish Bank Association, i.e. a database that contains information about prices and values of real estate in Poland. The use of this system results from the requirements of Recommendation S issued by KNF and is aimed at enhancing the efficiency of assessing the value of real estate accepted as collateral for credit exposures and monitoring their value throughout the financing term.

7.2. Counterparty risk

Counterparty risk is the risk of the counterparty's default on its liabilities under contracts included in the Bank's trading portfolio. The counterparty risk is related to exposures at risk of such market factors as interest rates or FX rates. The impact of market factors on transactions can result in a change in the exposure scale over time, thus generating credit risk when a customer is insolvent. Actual exposure depends on contract measurement and surcharge that depends on a transaction type, customer type and settlement dates.

The counterparty risk calculation covers the following transaction types included in the Bank's trading portfolio: FX transactions, interest rate swap transactions, FX options, interest rate options.

Counterparty credit risk assessment with respect to transactions generating counterparty risk is similar to the assessment performed for credit granting. 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 instructions. Under the policy adopted, the Bank enters into any transactions based on individually assigned limits and following the knowledge of customer. The Bank defined product groups offered to customers depending on their individual experience and knowledge.

7.3. Liquidity and market risks (interest rate and FX)

The Bank defines liquidity risk as the risk of losing its ability to: meet its payment commitments when due, acquire funds which are alternative to funds currently held or generate a positive cash flow balance within a specified time horizon.

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

- a different way of making interest rate of the Bank's assets and of liabilities financing such assets dependent on market rates (mismatch risk);
- changes in market interest rates that affect fair value of the Bank's open positions (interest rate volatility risk);
- 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).

Market FX risk is linked to adverse changes in the Bank's financial result caused by changes in market FX rates.

The Bank monitors the liquidity risk, FX risk and interest rate risk by means of the multidimensional system of limits and reports. A system of limits is imposed on 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, determined in the Bank's strategies;
- keep limits set by the Bank at or below the risk level accepted by the BNP Paribas group.

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

The information system ensures collecting historical data on interest rate operations and transactions, various risk indicators and market rates.

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 mutually organisationally separate and report to different members of the Board of Executives. Additionally, the Bank has introduced several-level control mechanisms in the risk management process.

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

7.4. Operational risk

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 are understood to include floods, fires, earthquakes or terrorist attacks.

Operational risk includes also in particular legal risk and compliance risk.

The Bank's policy with respect to the operational risk management was described in the following document adopted by the Bank: *Operational Risk Management Policy at BNP Paribas Bank Polska SA.*

The 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 as well as 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 (Conformité). The co-ordination of the process of operational risk management in the organisational units belonging to Technology, Operations and Process Services (TOPS) Area falls within the competence of the Information Security and Business Continuity 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 events, 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 events is to enable efficient and error-free registration of all operational losses. The 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 of exposure to operational risk. To this end, the Bank monitors the operational risk level on the basis of results of regular operational controls defined for the essential areas of the Bank's business. The operational control system is now in its implementation phase. Furthermore, risk assessment 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. TFI, FLP and BNP Paribas Factor have adopted definitions 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, FLP and BNP Paribas Factor are evidenced in a database kept by the Bank on the basis of information provided by these entities.

TFI, FLP and BNP Paribas Factor, 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, FLP and BNP Paribas Factor 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 relationships with its customers, counterparties, shareholders and employees, 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, the *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.

The Bank's subsidiaries

The Internal Compliance Group is responsible for ensuring and control of compliance of the activity of TFI BNP and conduct of its employees, both with the binding legal regulations and internal procedures of the TFI BNP. The Group acts in accordance with the implemented *Regulations on Internal Controls and Supervision of Compliance with the Law.*

Procedures and organisational solutions required under the capital market regulations are systematically implemented in compliance with amendments to law provisions, if any. The Compliance Officer, responsible for supervising compliance of the TFI BNP activity with the law, develops and delivers written reports on the application of supervision of compliance with the law to internal bodies and the Polish Financial Supervision Authority on dates specified by applicable laws.

Similarly as the Bank and TFI BNP, FLP attaches importance to the compliance and reputation risks. To ensure control of compliance of the company's activity and the conduct of its employees with both the binding legal regulations and internal procedures, an independent position of a compliance specialist was created. The specialist performs his/her tasks based on the internal policy that describes the internal control system, operational risk management and compliance risk management.

7.5. Security policy

BNP Paribas Bank Polska SA

Considering that financial services require specialist knowledge and permanent access to data, while reliable information determines the financial entity's market position, the Bank pays particular attention to system solutions that provide continuous and appropriate protection of information against threats.

The system solution that allows for improvement, monitoring and control over the information security at each level of the Bank's management is the Information Security Management System (ISMS). The Information Security Management System covers the areas of data communication security, physical security, compliance risk, personal data security, business continuity and crisis management.

Since 2008, the Bank has got the ISO Information Security certificate which confirms the compliance of the Information Security Management System with requirements of the ISO/IEC 27001 international standard. In 2011, BNP Paribas Bank Polska SA was subject to a recertification audit performed by an external auditor. The audit was successful and resulted in extending the Bank's right to use the ISO/IEC 27001 standard for the subsequent three years.

The system Information Security Management is part of the Bank's strategy and confirms a high quality of the services offered. The ISO certificate obtained proves that the Bank's activity is based on and complies with requirements of the international standard regarding information security, including data communication, physical and business continuity security.

The Bank's subsidiaries

Considering the size of the investment firm and the area of its operations, TFI BNP has introduced the *Information Security Policy at TFI BNP Paribas Polska SA* along with the *Instructions for Management of the IT System for Personal Data Processing at TFI BNP Paribas Polska SA* and applies security measures to ensure confidentiality, reliability and availability of information, pursuant to the binding law provisions and requirements of the owner.

As part of enhancement and control of the security area, there is a security management system applied in FLP. This comprehensive approach consists in a risk analysis, incident management, centralised management and control of access to IT systems and the business continuity process. FLP performs system actions through the policies implemented, regarding data communication security, personal data protection and business continuity management. The data communication security policy includes a description of IT system protection objectives and methods, data processed and transmitted in the IT systems and requirements with respect to data communication security aspects. It covers issues related to responsibility for the IT systems security, management of IT system resources and the internal network, access to IT systems, security of the information processed likewise incidents and security violations. The FLP's system of incident data collection constitutes the source of information to manage the information and data confidentiality, integrity and availability risks, and also contributes to planning and implementing corrective or preventive actions. The business continuity management policy is to ensure continuity of providing financial services as well as security of employees and customers in emergency situations.

Financial data regarding the risk management are described in Note 19 of the Interim Abbreviated Consolidated Financial Statements of the Group of BNP Paribas Bank Polska SA for the First Half of 2012.

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

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

In the first half of 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 30 June 2012, the total value of 15 claims against the Bank regarding the FX derivatives made by the customers amounted to PLN 64 million. The highest claim in this group concerns the amount of PLN 28 million (EUR 7 million) on account of option transactions questioned.

8. AFFILIATED ENTITIES

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

8.1.1. BNP Paribas SA

BNP Paribas SA based in Paris (16 boulevard des Italiens, 75009 Paris, France) is the higher level parent company in relation to BNP Paribas Bank Polska SA. BNP Paribas SA is the parent company of the BNP Paribas group.

BNP Paribas SA is a French joint-stock company (société anonyme) authorised to conduct banking activity under the French Monetary and Financial Code, Book V, Title 1 (Code Monétaire et Financier, Livre V, Titre 1er). It was incorporated under a decree dated 26 May 1966. The company's duration was extended to 99 years as from 17 September 1993. In addition to detailed rules regarding the company's status of an entity operating in the banking sector, BNP Paribas SA is governed by the French Commercial Code (Code de Commerce) which applies to commercial companies and partnerships, and by the provisions of the Statute.

BNP Paribas SA has been registered in the Register of Commerce and Companies in Paris (RCS Paris) under number 662 042 449.

As at 5 July 2012 (after the balance sheet date), the share capital of BNP Paribas SA amounted to EUR 2,507,455,130 and was divided into 1,253,727,565 fully paid up shares, with a nominal value of EUR 2 each. These shares are inscribed or bearer shares, at their owner's discretion, subject to the applicable law provisions.

BNP Paribas SA is a public company. BNP Paribas shares are listed on the NYSE Euronext Paris (Compartment A, ISIN code: FR0000131104). BNP Paribas SA shares are included in: the CAC 40 index (top 40 companies among 100 highest market capitalisations), SBF120/SBF250, EURONEXT100 and others.

BNP Paribas group is a leading European financial institution with global presence, rated AA- by Standard & Poor's. BNP Paribas group operates in over 80 countries worldwide and has 194,400 employees, including over 150 thousand in Europe. The group maintains a leading position in three core businesses:

- Retail Banking (RB) which covers:
  - Domestic Markets include retail banking networks in France (FRB), Italy (BNL banca commerciale), Belgium (BRB) and Luxembourg (LRB), as certain specialised retail banking divisions (Personal Investors, Leasing Solutions and Arval);
  - Personal Finance;
  - International Retail Banking is composed of all BNP Paribas group retail banking businesses out of the Eurozone, including BNP Paribas Bank Polska SA;
- Investment Solutions (IS) which include Wealth Management, Investment Partners - asset management services, Securities Services; Insurance and Real Estate Services;
- Corporate and Investment Banking (CIB) which includes Advisory & Capital Markets and Corporate Banking within Specialised and Structured Financing businesses.

The BNP Paribas group has been operating in Poland through a number of subsidiaries, in particular BNP Paribas Bank Polska SA and BNP Paribas SA Branch in Poland. The following services are also rendered to customers through specialised subsidiaries:

- investment services (BNP Paribas Investment Partners);
- custody services (BNP Paribas Securities Services SA - Branch in Poland);
- insurance (Cardif Towarzystwo Ubezpieczeń na Życie Polska SA - Cardif Assurances Risques Divers SA - Branch in Poland);
- lease (BNP Paribas Leasing Solutions through BNP Paribas Lease Group Sp. z o.o. and Fortis Lease Polska Sp. z o.o.);
- car fleet financing and management (Arval Service Lease Polska Sp. z o.o.);
- factoring (BNP Paribas Factor Sp. z o.o.)
- real property management (BNP Paribas Real Estate Advisory&Property Management Poland Sp. z o.o.).

Financial performance for the first half of 2012 based on unaudited financials:

In the first half of 2012 the BNP Paribas group generated net profit (attributable to equity holders) of EUR 4,715 million (almost at the same level as compared to the first half of 2011) mainly due to one-off income from sale of 20.8% of shares in Klépierre SA. The group made income of EUR 19,984 million, i.e. by 11.8% lower than in the first half of 2011, due to a negative impact of debt revaluation. Despite unfavourable market conditions, operating revenues from business activity were only by 5.2% lower than in the same period of last year. Operating expenses decreased to EUR 13,184 million, i.e. by 1.1%, while gross operating income stood at EUR 6,800 million, i.e. was lower by 27.2% as compared to the first half of 2011.

The group's cost of risk, which amounted to EUR 1,798 million, decreased by 20.8% as compared to the first half of 2011.

Similarly as other large European banks, the BNP Paribas group had to adjust to new capital requirements. By the end of June 2012, i.e. half a year before the deadline, BNP Paribas managed to accomplish the objective under the requirements of Basel 3, i.e. reach the 9% solvency ratio until 1 January 2013. As at 30 June 2012, the capital adequacy ratio of the BNP Paribas group was 8.9% due to the sale of a portion of assets and retaining earnings.

Earnings per share amounted to EUR 3.84, as much as in the first half of 2011. Annualised return on equity (ROE) was 9%. As at 30 June 2012, the net book value per share reached EUR 59.5.

BNP Paribas SA is the parent entity of Fortis Bank SA/NV based in Brussels.

Details regarding the BNP Paribas group and its financial results are available at http://www.bnpparibas.com

8.1.2. BNP Paribas Fortis

Fortis Bank SA/NV based in Brussels (Montagne du Parc 3, B-1000 Brussels) currently operates under the BNP Paribas Fortis brand. Since May 2009 Fortis Bank SA/NV has been part of BNP Paribas group.

Fortis Bank SA/NV is a joint-stock company incorporated under Belgian law on 5 December 1934. In Belgium, the company has been entered into the Register of Legal Persons under number 0403.199.702.

The paid-up share capital of Fortis Bank SA/NV is EUR 9,374,878,367.40. Fortis Bank issued 483,241,153 shares, of which 74.93% is held by BNP Paribas SA, 25% is owned by the Belgian State through the investment entity SFPI (Société Fédérale de Participations et d'Investissement), whereas the remaining 0.07% is held by dispersed shareholders.

8.1.3. Dominet SA

Dominet SA with its registered office in Warsaw (ul. Suwak 3, 02-676 Warsaw) holds share capital of PLN 2,971,349. Through Dominet SA, Fortis Bank SA/NV holds 5,243,532 shares, or 18.27% of the share capital of BNP Paribas Bank Polska SA.

The sole shareholder of Dominet SA is Fortis Bank SA/NV which holds directly 100% of shares and votes at the company's general meeting.

8.2. Subsidiaries

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

Name of the unit	Ownership relation	Consolidation method	Registered office	% of votes at the General Meeting	
				30/06/2011	30/06/2012
Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA	subsidiary	full consolidation	Warsaw	100%	100%
Fortis Lease Polska Sp. z o.o.	subsidiary	full consolidation	Warsaw	0	100%
BNP Paribas Factor Sp. z o.o.	subsidiary	full consolidation	Warsaw	0	100%

8.2.1. Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA (TFI BNP)

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

- setting up investment funds and their management;
- agency services as regards sale and repurchase of participation units;
- management of portfolios of financial instruments of individual customers.

TFI BNP manages the portfolio of BNP Paribas FIO (formerly: Fortis FIO) launched on the Polish market in 2005. BNP Paribas FIO is the first umbrella fund on the Polish market with separated sub-funds. The fund comprises the following sub-funds: BNP Paribas Akcji (stock sub-fund), BNP Paribas Stabilnego Wzrostu (stable-growth sub-fund) and BNP Paribas Papierów Dłużnych (debt securities sub-fund). Additionally, under BNP Paribas FIO, IKE BNP Paribas FIO (Individual Pension Account) is offered.

As part of the financial instrument portfolio management activity conducted by the company since 1996, comprehensive solutions are offered with respect to investments on capital markets, both in Poland and abroad. TFI BNP offers equity, balanced and debt securities portfolios, including also Polish and foreign funds portfolios as well as active allocation portfolios with a defined share of equity. Structured bond portfolios are available within individual portfolios, whereas customers interested in primary market offers may choose an IPO Portfolio.

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

The share capital of TFI BNP amounts to PLN 9,048 thousand and is divided into 377,000 shares with the nominal value of PLN 24 each. The equity level is sufficient for secure current business as well as future development of the company.

TFI BNP obtained KNF approval of amendments to the Statute of BNP Paribas FIO with respect to launching two sub-funds of BNP Paribas FIO - BNP Paribas Komercyjnych Papierów Dłużnych (commercial debt securities sub-fund) and BNP Paribas Sektorowy (sector sub-fund) - a stock sub-fund. The sub-funds were launched in January 2012, when TFI BNP acquired participation units of these sub-funds through subscription.

On 30 April 2012 there was a change in the composition of the Management Board of TFI BNP. The current President of the Management Board, Ms Małgorzata Dominiczak-Zielińska and a member of the Board, Mr Marek Fido resigned their positions. On 30 April 2012 the Supervisory Board appointed Mr Daniel Ścigała, Head of the Private Banking Department at BNP Paribas Bank Polska SA, to the position of the President of the Management Board, and Ms Izabela Stawowa to perform duties of the Board member. Ms Stawowa is also the Compliance Office at TFI BNP.

Since May 2012 TFI BNP has implemented a restructuring process which consists in reducing the headcount, cost optimisation and working out an efficient cooperation model with BNP Paribas Bank Polska SA as regards distribution of investment products offered by TFI BNP.

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

Fortis Lease Polska Sp. z o.o. is a lease firm which specialises in lease solutions tailored to the needs of enterprises. FLP has been in business on the Polish market since 2000. It has been offering lease of real estate and a wide range of fixed assets, including means of transport, construction machines and specialist equipment for industry. At present, it services over 2,600 customers.

FLP holds share capital of PLN 115 million, which is divided into 11,500 shares. As at 30 June 2012, assets of FLP amounted to PLN 1,895 million.

Detailed rules of cooperation between the Bank, Fortis Lease Polska Sp. z o.o. and BNP Paribas Lease Group Sp. z o.o. are set out in the cooperation agreement signed on 1 July 2011.

8.2.3. 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 29 June 2012, the company changed its name into BNP Paribas Factor Sp. z o.o.

Beneficiaries of these changes are customers of BNP Paribas Bank Polska who will get access to factoring services. From the perspective of the Bank, the new structure will not only enhance business competence but also bring new cross-selling opportunities as regards the offering addressed to corporate customers. Ownership changes did not alter anything in relations between the company and its customers.

BNP Paribas Factor is present on the Polish market since 2006. It offers broadly understood factoring services, both non-recourse and recourse factoring. BNP Paribas Factor is a member of the Polish Association of Factors and part of Factors Chain International. Its offering is addressed to small, medium and large manufacturing and trade enterprises as well as service providers which sell their goods or services on deferred payment terms. The company specializes in the service of international corporate customers. An extensive experience in factoring, as well as the fact that BNP Paribas Factor belongs to the BNP Paribas group are its assets that are essential in the service of Polish export-oriented companies. BNP Paribas became a leader on the European market in terms of factoring turnover realised.

BNP Paribas Factor 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 customers.

BNP Paribas Factor holds share capital of PLN 10.4 million, which is divided into 20,820 shares. As at 30 June 2012, assets of BNP Paribas Factor amounted to PLN 130 million.

8.3. Minority interest

As at 30 June 2012, the BNP Paribas Bank Polska Group held interest exceeding 5% of share capital of the following entities:

Vistula Group SA

As at 30 June 2012 the Bank owned 8,247,423 shares of Vistula Group SA, which accounts for 7.39% of the company's share capital. The ordinary bearer shares held enable the Bank to exercise 8,247,423 voting rights at the general meeting of the company, or 7.39% share in the general number of votes at the general meeting. The company’s shares were taken up by the Bank in exchange of the company's obligations in 2009.

Odlewnie Polskie SA

As at 30 June 2012 the Bank owned 1,952,896 shares of Odlewnie Polskie SA, which accounts for 9.45% of the company's share capital. The ordinary bearer shares held enable the Bank to exercise 1,952,896 voting rights at the general meeting of the company, or 9.45% share in the general number of votes at the general meeting. In 2010, the company's shares were acquired by the Bank pursuant to a debt to equity swap as part of a debt restructuring in accordance with Article 294, item 3 of the *Bankruptcy and Rehabilitation Act of 28 February 2003.*

9. AGREEMENTS SIGNIFICANT FOR THE GROUP'S ACTIVITY

9.1. Major agreements signed with the BNP Paribas group entities

9.1.1. Loan agreements

In the first half of 2012 the Bank repaid credit lines in the total amount of CHF 814 million, EUR 352.5 million and PLN 550 million. In May 2012 the Bank repaid two subordinated loans in the amount of EUR 20 million and PLN 60 million. These repayments were partially compensated by new facilities from the Group in the following amounts: CHF 725 million and EUR 90 million. In addition, as at the end of June 2012 the Bank used one subordinated loan of EUR 100 million with the repayment date of 28 September 2017. The value of medium and long-term financing by the group (including the subordinated loan) amounted to PLN 6,133 million as at the end of June 2012.

9.1.2. Agreement on subscription of shares by BNP Paribas Fortis (Fortis Bank SA/NV)

The share subscription agreement was described on page 8.

9.1.3. Agreement on acquisition of BNP Paribas Factor Sp. z o.o. (formerly: Fortis Commercial Finance Sp. z o.o.)

The agreement on purchase of 100% of shares of BNP Paribas Factor is described on page 34.

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

On 7 May 2012 the Bank signed another annex to the multi-option credit line agreement with Fortis Lease Polska Sp. z o.o. dated 17 November 2000. The credit line can be utilised as an overdraft facility, L/C line or guarantee credit line. Under the aforesaid annex, the credit limit amount was reduced from PLN 160 million down to PLN 60 million. Current credit term is until 13 August 2012.

Moreover, on 23 March 2012, the Bank and FLP concluded an agreement on 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.

Details regarding agreements and transactions with affiliated entities for the first half of 2012 and comparative data for the first half of 2012 are presented in Note 17 of the Interim Abbreviated Consolidated Financial Statements of the Group of BNP Paribas Bank Polska SA for the First Half of 2012.

9.2. Conclusion of significant agreements with customers not affiliated with the Bank

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 will finance the customer's current operating activity. The financing term is 24 months. The loan interest rate has been established based on the WIBOR interest rate increased by a margin. The financing conditions correspond to market conditions. The agreement meets the criteria of a significant agreement, because the value of the agreement subject exceeds 10% of the Bank's equity.

9.3. Guarantees and sureties

- On 29 June 2012 the Bank, jointly 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 payment 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 (after the balance sheet date) 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. The total value of guarantees granted under this line exceeds 10% of the Group's equity capital.

9.4. Agreements with the central bank and the regulators

Agreements with the National Bank of Poland. In the first half of 2012, two annexes to the PLN account agreement were concluded. The annexes related to the possibility of opening trust accounts for the instant payments system, and specifying the provisions after closing Sorbnet Euro, as well as changes connected with the centralization of signing cash agreements and the change of the hours between which such orders are accepted.

9.5. Agreement with auditor

On 11 June 2012, the Bank signed an agreement with Mazars Audyt Sp. z o.o., with its registered office at ul. Piękna 18, 00-549 Warsaw, KIBR (Polish National Chamber of Statutory Auditors) register number 186, regarding an audit and review of financial statements for 2012-2017 with an option to terminate this agreement by the Bank after an audit of financial statements for 2013. Total remuneration, determined in the agreement, exclusive of VAT, on account of work performed in 2012 is PLN 576 thousand. Remuneration for work performed in 2013 - 2017 will be determined at a later date, on the basis of annexes to the agreement.

10. CORPORATE SOCIAL RESPONSIBILITY

BNP Paribas Bank Polska SA applies the principle of corporate social responsibility *(CSR)* to its undertakings. In its operations, it focuses on two aspects of the CSR, namely: **sustainable development** and **social involvement**.

1. Sustainable development is understood as generating sustainable economic growth while taking into account expectations of stakeholders and also a responsible approach to social and ecological challenges.

Sustainable development - green office

In everyday operations, the Bank strives to minimise the negative impact of its business on the natural environment. Therefore, projects aimed at implementation of ecological standards are successively carried out.

Saving paper and energy

At the beginning of 2012 an information campaign entitled "Wyłączaj komputer po pracy" (Switch off your computer after work) was conducted among the Bank's employees. Its aim was to increase the employees' awareness of how their work influences the environment. Possible savings in this scope might reach 166 thousand kWh per annum, which would mean not only lower Bank maintenance costs, but also a reduced emission of CO_2.

Further optimisation of the use of electricity is planned, in particular in relation to the signage of the Bank's branches.

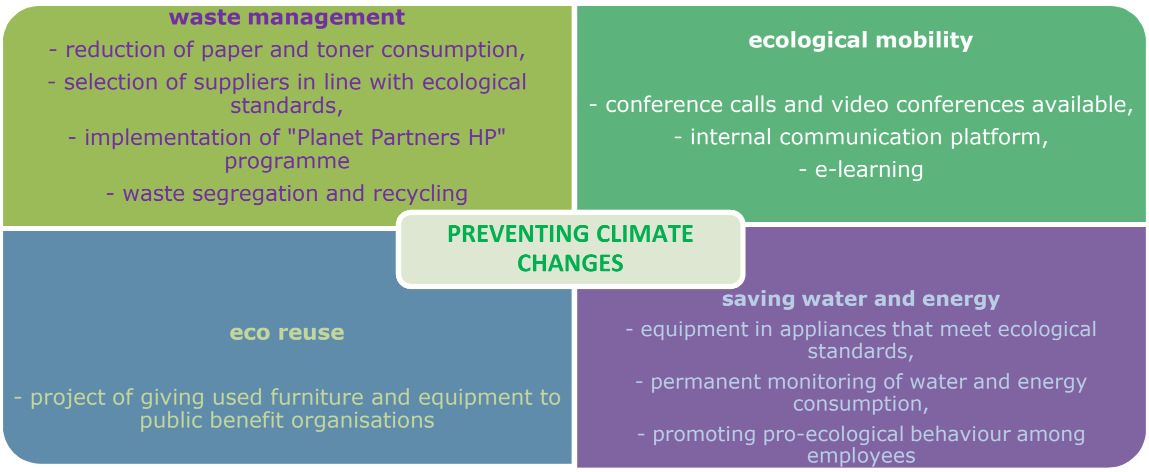
In 2012 the Bank continued its activities aimed at limiting the consumption of paper and toners by encouraging the customers to use documents in an electronic form instead of printouts. The "Follow me printing" system, which allows to manage printouts, is tested in the Bank's Head Offices in Warsaw and Krakow. It has been estimated that the implementation of this system should result in approx. 20% savings in terms of printing materials and paper.

Recycling programmes

Similarly as in previous years, the Bank participated in the Hewlett Packard Planet Partners Return and Recycling programme. Under the programme, the Bank returns used print cartridges to be recycled - about 2 tons annually. Moreover, all documents in paper and recorded on electronic carriers are sent to recycling under cooperation with Rhenus Data Office, following appropriate procedures that ensure data confidentiality - about 22 tons of electronic components annually and 95 tons of paper.

Providing second-hand equipment to public benefit institutions

The Bank supports public benefit institutions, such as foundations, community day rooms for children, hospitals or schools by providing them with equipment which is no longer used by the Bank but considering its good condition it can prove useful for the needy (e.g. furniture from relocated branches). In the first half of 2012, the Bank handed over 327 pieces of furniture.



Responsible business - corporate social responsibility in business processes

Green product

The Bank offers an energy-efficiency loan for companies with a 10% investment bonus. The product is offered in cooperation with the EBRD under PolSEFF, the sustainable energy financing facility programme addressed to small and medium enterprises. In April 2012 EnergoLeasing was introduced into the offering, it allows customers to acquire an investment premium also in the case of lease facilities. EnergoLeasing enables a customer to finance investment projects consisting in replacement of the existing machinery park into a new more energy saving one, or finance a purchase of energy saving machines and equipment.

The Bank organised a series of conferences devoted to energy saving issues, in cooperation with the 'Gazeta Prawna' daily, also with the support of economic chambers and other organisations associating entrepreneurs. There were 14 meetings organised with almost 500 entrepreneurs' participation.

2. Community involvement The community involvement programme is implemented by the entity dedicated to undertake prosocial actions, the BNP Paribas Foundation ("the Foundation").

Basic information and objectives of the Foundation activity

The Foundation's aim is to prevent social exclusion especially among children and the youth. The objectives are accomplished through initiation, support and performance of programmes aimed at financial and material support for institutions of similar goals, and support and promotion of volunteer work and charity ideas.

Main pillars of the Foundation actions

programmes of the foundation		
cooperation with social partners with organisations supporting children and the youth – Children's Friends Association and Caritas Polska	**partnership with local organisations** to aid children and the youth in local communities; implementation of grant projects in cooperation with local business organisations	**voluntary work** promoting ideas of charity and local community involvement

Strategic partnerships

The Foundation is a partner of two nationwide non-governmental organisations. These are: **Towarzystwo Przyjaciół Dzieci** (*Children's Friends Association, TPD*) with which the Foundation has been running programmes to support daycare centres for children and the youth for already four years; and **Caritas Polska** (*Caritas*), with which the Foundation started cooperation under the implementation of the "*Skrzydła*" (Wings) programme.

In cooperation with TPD, the Foundation carried out a grant programme *"Wakacje z Korczakiem" (Summer holidays with Korczak)*, aiming at selecting and financing the best ideas for spending holidays, which referred to education ideas of Janusz Korczak and promoted children's rights. Out of almost 40 contesting local childcare centres and TPD day care rooms from all over Poland, seven most interesting projects were selected. They were awarded grants for organisation of the planned activities.

Additionally, the Bank backed up TPD by supporting the 1% campaign for the benefit of activities run by TPD. TPD was given an opportunity to display its information leaflets in all branches of the Bank and thus address a broad group of potential individual donors.

The "Skrzydła" (Wings) grant programme was run until 30 June 2012, under a partner agreement concluded by and between the Foundation and Caritas in September last year. The programme was addressed to children and the youth at risk of exclusion. Under the programme, the Foundation supported 68 students of primary, middle and secondary schools of seven dioceses. The students covered by the programme were provided with funds to buy their sets of textbooks and workbooks for school as well as clothes, and financing for their private lessons, journey to school and meals in the school year 2011/2012.

Cooperation with local organisations

In the first half of 2012, under the cooperation with local organisations, the Foundation implemented a project in the Łódź region. The project aimed at aiding children and the youth who are at risk of social exclusion, and promoting the corporate social responsibility. *"Łódź - miasto przyszłości" (Łódź - City of the future)* project was carried out together with the BCC Chamber in Łódź. The project was a grant contest for TPD day care rooms. Its final took place on 20 January 2012. Three TDP centres were awarded with grants for organising additional lessons for children.

Support of the volunteer work idea

The Foundation has continued its grant programme *"Zamiast tortu – dzielimy granty" (We give grants instead of a birthday cake)*, which started in December 2011. The project was announced among the Bank's employees on the fifth anniversary of the Foundation, and it was to support employee initiatives for the benefit of the local community. In the contest, the Bank's employees were awarded grants to implement six community projects. The projects were being implemented until the end of March 2012.

11. ORGANISATIONAL STRUCTURE

11.1. Bank authorities

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

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

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

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

Composition, scope of competence and activity of these Committees are specified in the regulations of particular Committees approved under resolutions of the Bank's Board of Executives and/or Supervisory Board respectively (or an appropriate Committee in the case of sub-committees).

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

- Audit Committee,
- Compensation Committee.

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

11.2. Business lines and sales outlets

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

- Head Office;
- operating units.

The Bank's business and organization is structured along customer service lines (business lines) providing comprehensive service to specific customer and/or service market segments. As at 30 June 2012 the following customer service/ business lines were operating at the Bank:

- Retail Banking Business Line, offering comprehensive services to three main customer groups: i) individuals, ii) small companies with the annual turnover not exceeding PLN 30 million and iii) professionals, namely members of liberal professions;
- Personal Finance Business Line – a business line that deals in particular with preparation of product offering and management of consumer loans offered via external distribution channels and the RB branch network,
- Corporate and Transaction Banking - CTB Business Line, providing comprehensive bank services to medium-size companies and corporate businesses, based among other things on the criterion of annual turnover over PLN 30 million, and to companies that are a part of international groups, irrespective of their annual turnover,
- Fixed Income and Treasury Line specialises in providing services to banks and other financial institutions by trading in money and foreign exchange markets as well as securities; it supports other business lines functioning at the Bank by providing a selected group of customers with financial market products.

On 1 January 2012 the branch network was reorganised. The existing 8 regions were replaced with 7 regions (East region was closed). Within a given Region, Microregions, reporting to the Region Director were created and operate together with branches reporting to them. .

The following branches function within the RB sales network:

- own branches - Financial Centres,
- own branches and sub-branches,
- franchisee branches operating under cooperation agreements concluded with the Bank.

The type of customer segment serviced is a criterion according to which the branch type is determined. The customer segment is represented by Relationship Managers dedicated to it. Financial Centres service all RB business line customers, while branches and sub-branches service mainly individual clients.

In the first half of 2012 the Bank opened 6 new full-service branches based on the New Branch Model (NBM) concept. It is a concept based on the ABCD (Attract, Build, Capture, Desire) marketing rule that determines the manner of communication between a customer and a Bank branch at each stage of the customer's visit to a branch.

As at 30 June 2012, the Bank had 232 branches. Number of branches with a breakdown into particular regions:

- Centre Region – 51 branches, including: 6 Financial Centres, 35 own branches and 10 franchisee branches;
- South Region – 35 branches, including: 5 Financial Centres, 23 own branches and 7 franchisee branches;
- Śląsk (Silesia) Region – 31 branches, including: 4 Financial Centres, 23 own branches and 4 franchisee branches;
- West Region – 31 branches, including: 3 Financial Centres, 24 own branches and 4 franchisee branches;
- North Region – 32 branches, including: 5 Financial Centres, 21 own branches and 6 franchisee branches;
- Łódź Region – 23 branches, including: 2 Financial Centres, 17 own branches and 4 franchisee branches;
- Dolny Śląsk Region – 29 branches, including: 3 Financial Centres, 14 own branches and 12 franchisee branches.

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

As at 30 June 2012 there were 8 Business Centres: two in Warsaw and one in Krakow, Gdańsk, Katowice, Poznań, Wrocław and Łódź each.

On 17 April 2012, the Polish Financial Supervision Authority (KNF) granted a permit for the Bank to render the following brokerage services: accepting and forwarding orders to purchase or sell financial instruments as well as investment consulting.

The Brokerage Office was established within the RB business line and launched its operating activity in June 2012. It addresses its services to customers of the Bank's Private Banking Department.

11.3. Staff

As at 30 June 2012, the staff strength at BNP Paribas Bank Polska SA, expressed in full time equivalents (including employees on maternity and parental leaves and on long sick leaves) amounted to 2,969 as compared to 2,958 as at 30 June 2011, which means a net growth by 11 FTEs.

As at 30 June 2012 TFI BNP staff headcount equalled 13.5 FTEs, while staff headcount of Fortis Lease Polska Sp. z o.o. was 8.5 FTEs and 19 FTEs for BNP Paribas Factor.

12. CORPORATE GOVERNANCE

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

On 14 March 2012, the Bank published a *Report on corporate governance rules application at the Bank in 2011* constituting a part of the 2011 annual report, approved by the Annual General Meeting of the Bank on 23 May 2012. All of the Bank's existing Reports on corporate governance rules application are published on the Bank's website.

In 2012 BNP Paribas Bank Polska SA, as a listed company, was subject to corporate governance rules defined in the *Code of Best Practice for WSE Listed Companies (hereinafter "Best Practices")* that constitutes an appendix to Resolution no. 20/1287/2011 adopted by the WSE Supervisory Board on 19 October 2011. The contents of the binding *Best Practices* is available on the Stock Exchange official website dedicated to corporate governance issues http://corp-gov.gpw.pl and on the Bank's website in the Investor Relations tab http://www.bnpparibas.pl/relacje-inwestorskie/lad-korporacyjny.htm The Bank applies the rules specified therein in the scope recommended by its Board of Executives and the Supervisory Board.

On 23 May 2012, the Annual General Meeting approved the new Regulations of the Bank's Supervisory Board to be applied at the Bank. The provisions of the Regulations were organised and supplemented so as to be adjusted to modern standards and practices regarding corporate governance in listed companies, in particular as regards: composition of the supervisory board and criteria for its independent members, rights and duties of the supervisory board's member and the description of the supervisory board's competences, including description of duties of committees that function within the supervisory board. The new Regulations contain also some practical rules for organising supervisory board's meetings, including convened and managed using direct telecommunication means, e.g. participation in a meeting over the phone or via Internet, or meetings in a form of communication between members of the Supervisory Board staying in different places as the same time using telecommunication or audio-visual means.

13. BANK AUTHORITIES

13.1. Composition of the Bank's Board of Executives as at 30 June 2012:

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

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

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 effective 23 May 2012 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.

Presence of the Board of Executives' members in the governing bodies of affiliated entities as at 30 June 2012

Mr Frédéric Amoudru also held the function of:

- Chairman of the Supervisory Board of TFI BNP Paribas Polska SA,
- Chairman of the Supervisory Board of Fortis Lease Polska Sp. z o.o.,
- President of the Board of Executives of Dominet SA,
- Member of the Board of Executives of BNP Paribas Real Estate Advisory&Property Management Poland Sp. z o.o.

Mr Jan Bujak performed the function of:

- Member of the Supervisory Board of TFI BNP Paribas Polska SA,
- Vice Chairman of the Supervisory Board of Dominet SA.

Mr Stephane Rodes performed the function of:

- Vice Chairman of the Supervisory Board of Fortis Lease Polska Sp. z o.o.,
- Member of the Supervisory Board of BNP Paribas Factor Sp. z o.o.

Mr Adam Parfiniewicz performed the function of a Member of the Supervisory Board of TFI BNP Paribas Polska SA,

Mr Wojciech Kembłowski performed the function of a Member of the Supervisory Board of BNP Paribas Factor Sp. z o.o.

13.2. Composition of the Bank's Supervisory Board as at 30 June 2012

	Name and surname	Function in the Bank's Supervisory Board
1.	**Camille Fohl**	Chairman
2.	**Jarosław Bauc**	Vice Chairman, independent
3.	**Filip Dierckx**	Vice Chairman
4.	**Monika Bednarek**	Supervisory Board's member, independent
5.	**Francois Benaroya**	Supervisory Board's member
6.	**Jean Deullin**	Supervisory Board's member
7.	**Helene Dubourg**	Supervisory Board's member
8.	**Andrzej Wojtyna**	Supervisory Board's member, independent

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

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

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

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

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

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

As at 30 June 2012 and as at this first half of 2012 report publication date, i.e. 31 August 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.

13.2.2. Information on the Board of Executives and Supervisory Board Members' remuneration

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

in PLN thousand	1/01/2011 - 30/06/2011	1/01/2012 - 30/06/2012
Board of Executives, including:	5,592	5,170
- remuneration	2,477	2,972
- benefits*	448	276
- other**	2,667	1,922
Supervisory Board	378	351
Managing Directors***	8,482	10,686

* The "benefits" item includes expenses related to medical care, company car (lump sum), accommodation.

** The "other" item includes 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.

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

Details regarding values of remuneration and other benefits of the members of the Bank's Board of Executives and the Supervisory Board for the first half of 2012 and comparative data for the first half of 2011 are presented in Note 17.4 of the Interim Abbreviated Consolidated Financial Statements of the Group of BNP Paribas Bank Polska SA for the First Half of 2012.

14. BOARD OF EXECUTIVES' REPRESENTATIONS

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 Abbreviated Interim Consolidated Financial Statements of the Group of BNP Paribas Bank Polska SA for the First Half of 2012 and the comparative data were prepared pursuant to the binding accounting principles and they accurately, reliably and clearly reflect the property and financial situation of the Bank's Group and its net profit in all material aspects.
- the Board of Executives' Report on the Activity of BNP Paribas Bank Polska Group in the First Half of 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 of 23 May 2012), pursuant to the provisions of law, as the entity to review the consolidated financial statements of BNP Paribas Bank Polska Group for the first half of 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.

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

27/08/2012	Frédéric Amoudru President of the Board of Executives	.... signature
27/08/2012	Jan Bujak Senior Vice President of the Board of Executives Chief Financial Officer	.... signature
27/08/2012	Jaromir Pelczarski Vice President of the Board of Executives	.... signature
27/08/2012	Michel Thebault Vice President of the Board of Executives	.... signature
27/08/2012	Wojciech Kembłowski Member of the Board of Executives	.... signature
27/08/2012	Marta Oracz Member of the Board of Executives	.... signature
27/08/2012	Adam Parfiniewicz Member of the Board of Executives	.... signature
27/08/2012	Stephane Rodes Member of the Board of Executives	.... signature