

2011 Report of the Supervisory Board of BNP Paribas Bank Polska SA



BNP PARIBAS | Bank zmieniającego się świata

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Brief Assessment of BNP Paribas Bank Polska Standing in 2011 and Prospects

The year 2011 marks the 20th anniversary of the Bank.

In the same year the Bank's legal name changed from "Fortis Bank Polska SA" to "BNP Paribas Bank Polska SA". Upon registration of the new name on 29 April 2011, the Bank changed also the brand under which the products and services are offered, and rebranded its branches under the new logo of BNP Paribas.

The above legal name change supports the plans of the BNP Paribas Group to develop its universal banking activity in Poland.

In 2011, the situation on global financial markets remained unstable. Growing concerns over the euro zone stemming from excessive indebtedness of the Southern Europe countries, in particular Greek bankruptcy fears, represented the major risk factor during this period. Consequently, high volatility persisted in financial markets and euro depreciation trend could be clearly observed since the second quarter of 2011.

In this environment, the Polish economy continued to prove its resilience to external factors. With GDP growth rate above 4% in 2011, i.e. slightly better compared to the previous year (3.9%), Poland ranked among the European growth leaders. The economic growth was mainly driven by domestic demand which increased by 3.2% in 2011. Improvement of the economic situation boosted the tendency to invest. Inflationary pressure in the economy remained high. The main inflation rate substantially exceeded the NBP inflation target (2.5%), whereas the average annual inflation rate for this period stood at 4.1%.

In that given context, the performance of the Polish banking sector remained strong in 2011.

BNP Paribas Bank Polska SA (hereinafter, *the Bank*) continued the transformation towards a revised business model as initiated in the years 2009 - 2010 with its main strategic objective of building a strong sizeable universal bank on the Polish market.

- **The Bank's total assets grew by 12% to PLN 20,723 million at the end of 2011.**
- **The net loans to customers increased by 13% to PLN 14,832 million at the end of 2011,**

The growth of loans to customers was attributable to growing volumes of loans granted by the Bank (working capital loans for companies and mortgage loans in PLN showed the highest growth rate) and also impacted by rising FX rates in relation to its FX mortgage portfolio. Net of the FX impact, the loan book increased by 6%. Total gross loans to customers stood at PLN 16 billion, compared to 14,4 billion in 2010.

The first priority has been to reduce consistently the Bank's risk profile to an acceptable level which has been achieved thanks to a clear arbitrage in favour of lower risk clients and lower risk customer segments, accepting a business model to work with lower counterparty margin.

- **Overall a decrease by 36% of the cost of risk versus 2010 with an improved quality of the loan portfolio**

The share of non-performing loans decreased from 15.5% at the end of 2010 to 12.7% end 2011, with a further decrease expected for 2012 and upcoming years.

- **The customers' deposits/due to customers grew by 9 % up to PLN 8,974 million at the end of 2011**

Deposits from customers grew by 9% at the end of 2011, triggered by higher current deposits and savings accounts included (in particular the MORE savings account for individual customers), combined with the increase of PLN denominated term deposits held by corporate and professional customers.

- **The number of the Bank's customers rose by 6%; the number of Corporate and Transaction Banking customers grew by 7% and the Retail Banking Business Line recorded 6% growth of its customer base**

In **Retail Banking**, many initiatives have been taken to strengthen the retail banking activity with the introduction of several products supported by strong communication campaigns. Investments were made in multichannel banking program and in sales network development and restructuring program. In 2011, 12 new operating branches were opened under a New Branch Model concept which offers to its clients well located, attractive and functional environments to meet with advisors and realize transactions.

The Bank proactively promoted its credit offer, increasing the balance of mortgage loans by 19% as compared to 31 December 2010 – 7% net of FX impact - and commercial loans by 10%, chiefly due to higher volumes in working capital loans and overdraft facilities. Last year, the Bank successfully promoted its consumer finance loans which resulted in a higher balance of loans to individual customers by 13% as compared to the end of December 2010.

For its SME customers, in 2011 the Bank promoted in particular energy-saving loans, offered in co-operation

with the European Bank for Reconstruction and Development (EBRD), under the Sustainable Energy Financing Facility Programme in Poland (PolSEFF). Today, the Bank has a very broad offer on the market of investment loans benefiting from the support of organisations such as EBRD, EIB and EIF.

2011 was also the year of strong development in the **Corporate and Transaction Banking (CTB)** business line which services medium and large Polish companies as well as subsidiaries of multinational groups in Poland. CTB focused on a systematic client acquisition program, addressed particularly to European groups present in Poland, by leveraging the Group-wide strategy and program of "One bank for corporate in Europe".

The Bank added specific competencies in structured finance, real estate project finance and in the service coverage of public administration and institutional customers.

Since 1 July 2011 the BNP Paribas Bank Polska Group includes Fortis Lease Polska Sp. z o.o., a lease company which, in cooperation with the Bank, offers lease of fixed assets, including real estate, means of transport, construction machines and specialist equipment for the industry. The financing based on lease 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 accompanied with very active cross-selling of other specialist services.

Due to above mentioned strategy of lowering the Bank's risk profile and targeting customers with a better risk profile within a very competitive environment in these customer segments both for loans as well as for deposits, the Bank had to cope with a temporary drop in the nominal margin income despite higher credit and deposit volumes. The amount of fees booked by the Bank in 2011 were 5% lower compared to 2010, mainly as a result of a change of product mix with related insurance cross selling. The result on transactions in held-for-trading financial instruments was lower by PLN 19 million (or 26%) in 2011 as compared to 2010.

- **Revenues in total dropped by 7%.**

The drop in revenues was to some extent compensated by substantially lower risk costs – as explained above – and mitigated through a stringent cost control program, benefiting from some one-offs. Investment costs in the commercial network – i.e. adding 12 new branches and transforming franchisee branches into the bank-owned sales network were compensated by a drop in depreciation costs and a close to flat evolution in other costs.

- **Total costs of the bank increased by 4%.**

A total commercial staff of over 1,000 FTE, in a network of 229 branches and 10 business centers, serve the Bank's customers. As at 31 December 2011, the total number of employees in the Bank amounted to 2,984, as compared to 2,816 as at 31 December 2010.

In 2011 the Bank generated a gross profit of PLN 48.8 million and a net profit of PLN 21 million.

The Bank's capital and liquidity position remain satisfactory and enabled the Bank to implement its business plans and develop its credit activity for individuals, professionals and corporate customers.

- **Capital adequacy ratio stood at 12.01%. The ratio went down from 13.52% as at the end of December 2010 due to the increased loan volumes as above explained.**
- **Basic ratios: C/I ratio at 78%, ROA at 0.11%, ROE at 1.54% and book value per share at PLN 56.95 as at 31 December 2011.**

On a consolidate base, the Board notes that BNP Paribas Bank Polska Group closed last year with a gross profit totalling PLN 73 million, which was by PLN 16 million higher than in 2010 and a consolidated net profit of PLN 39 million. This result was impacted by the acquisition of Fortis Lease Polska Sp. z o.o., which is consolidated since July 1, 2011.

The Board appreciates the efforts of the Bank's Board of Executives, and of all its employees in pursuing the implementation of the new business strategy, realization of the new projects in 2011, which resulted in reactivation of sales and improved profitability and good control of risk.

The Board takes note of the Bank's sound financial standing, good capital and liquidity position and improved credit risk profile. At the same time the management should continue the efforts to improve cost efficiency and revenue generation, maintaining the sound risk profile.

Having received a request from the Polish Financial Supervision Authority (KNF) to supplement and revise the Recovery Programme for BNP Paribas Bank Polska SA implemented with the consent of KNF in accordance with Article 142 of the Banking Law Act, on March 9th 2012, the Supervisory Board discussed and approved a revised version of the Recovery Programme, including financial projections for the years 2012 – 2014 as presented by the Management Board of the Bank. In particular, the Programme revision concerned an extended time horizon till 2014, revised assumptions regarding revenues and costs evolution, capital adequacy (including the planned increase of the Bank's own funds), and also the Bank efficiency ratios.

The prospects for the Bank's activity development will be materially influenced by the macroeconomic situation, the further implementation of the BNP Paribas Group development strategy on the Polish market, as well as by changing market conditions, the competition terms in the banking sector and by eventual changes in the regulatory environment.

The main challenges for 2012 are implementation of the adopted business strategy, further reorganisation of the sales network and its development through opening new branches, likewise continuation of initiatives aiming at cost control and increasing the Bank's profitability potential within a controlled risk profile.

The Board supports these development plans, which include in particular:

- to reinforce the Bank's position on the retail banking market and further develop Personal Finance activity, mainly personal loans and car loans offering;
- to implement of a multi-channel integrated banking model and tools for credit risk management;
- to develop a factoring activity by taking over in 2012 Fortis Commercial Finance Sp. z o.o., a factoring company;
- to further develop Wealth Management and Investment Fund Company services, among others, on the basis of cooperation with the retail banking area and through an offer of brokerage activity via a dedicated service unit, subject to receiving a due license from the Polish Financial Supervisory Authority;
- to intensify communication and promotional actions with a view of strengthening its brand in the market.

Similarly as in 2011, the Bank does not publish the financial projections for 2012.

Evaluation of Internal Control System and Significant Risk Management

The Supervisory Board positively assesses the Bank's management system, including internal controls system and risk management system.

The internal control system in the Bank operates under the Polish regulatory requirements and is adjusted to the standards of the BNP Paribas Group. The purpose of the internal control system is to support decision processes in the manner that enables prevention of risks or their early detection, in particular by ensuring the following:

- effectiveness and efficiency of the Bank's business;
- reliability of financial reporting;
- compliance of the Bank's business with law provisions and internal regulations;
- security of transactions and assets.

The internal control system of the Bank is composed of two categories of control:

- permanent control (1st and 2nd level controls, including functional control and operational control) and
- institutional control (3rd level control, including internal audit).

The functional control and the permanent operational control are performed in line with the internal control rules binding at the Bank subject to the approval of the Board of Executive and the Supervisory Board.

Internal Control Coordination Committee (ICCC) was set up as an advisory body to support the Board of Executives in effective management of the internal controls at the Bank and also the Audit Committee in monitoring of the effectiveness of internal control system.

In line with the *Compliance Risk Management Policy* and due to local requirements Compliance provides to the Board of Executives and Supervisory Board minimum once a year the report presenting the management summary of all key aspects, events or compliance incidents crucial for the monitoring of compliance risk at the Bank.

The Audit Department (3rd level control) activity is performed with the required independence and objectivity as assured in the Audit Charter approved by the Board of Executives and the Supervisory Board. Pursuant to internal audit regulations binding in the BNP Paribas Group the Audit Department's activity is supervised by the Audit Committee and is performed as part of Inspection Generale, internal audit of the BNP Paribas Group. It applies the audit methodology and the risk analysis, planning and reporting methodology adopted by the Group and it operates in compliance with Polish law.

The Audit Department on regular basis notifies the Audit Committee of the Supervisory Board, and at appropriate intervals the Supervisory Board, of eventual weaknesses identified together with conclusions resulting from the internal audit assignments conducted likewise actions undertaken to remove these weaknesses or fulfil given recommendations.

The Supervisory Board analysed and approved the Annual Compliance Report. The Board positively assessed the level of the effectiveness of the compliance risk management system in the Bank, and approved of suggested correction actions to be taken in 2012.

Having received the Audit Department evaluation of the Internal Control System, and based on the Audit Committee report, the Supervisory Board concludes that the internal controls system at the Bank' is functioning effectively however it needs constant and particular management attention especially in the changing business and regulatory environment.

General Meetings

The Supervisory Board reviewed and presented their opinions on issues subject to resolutions of the General Meeting, including approval of financial statements and profit sharing proposal as well as the proposed changes in the Statute.

The Extraordinary General Meeting held on 18 March 2011 resolved on amendments to the Statute of the Bank, including primarily the change of the Bank's formal and legal name into BNP Paribas Bank Polska SA. The other amendments to the Statute included more precise provisions on the scope of competence of the audit committee and the internal control system at the Bank.

The Annual General Meeting of BNP Paribas Bank Polska SA (AGM) was held on 10 May 2011. The AGM adopted all submitted resolutions in respect to fiscal year 2010. The AGM adopted also the relevant amendments to the Bank's Statute and approved new Rules of Procedure of the General Meeting, which reflected the changes in the amended Code of Commercial Companies and Partnerships, especially as regards organization of general meetings.

Changes in the ownership and capital structure

In 2011, no change took place in the ownership and share capital structure.

As at 31 December 2011, the share capital of the Bank is PLN 1,206,175,300 and is divided into 24,123,506 ordinary bearer shares with a nominal value of PLN 50 each.

BNP Paribas Group, as ultimate controlling shareholder, holds, via Fortis Bank SA/NV, Brussels, Belgium directly 18,848,593 shares in the Bank representing a 78.13% stake in the share capital and giving the right to exercise 18,848,593 of total votes at the general meeting, and indirectly through Dominet SA, a Fortis Bank affiliate, holds further 5,243,532, i.e. 21.74% of the share capital and giving a right to exercise 5.243.532 votes at the general meeting.

The free float, i.e. shares held by minority shareholders included 31,381 shares i.e. 0.13% of all the Bank's shares and the same number of votes.

The Supervisory Board acknowledged that, in 2011, the majority shareholder of BNP Paribas Bank Polska SA agreed with KNF on prolongation of the term of fulfilling the commitment to increase shares in free float up to 15%, partly to the end of 2012 and partly to the end of 2013.

Changes in the composition of the Supervisory Board

During the whole year 2011, the Supervisory Board composition was as follows:

1.	Camille Fohl	Chairman
2.	Jarostaw Bauc	Deputy Chairman, independent
3.	Lars Machenil	Deputy Chairman
4.	Monika Bednarek	Supervisory Board's member, independent
5.	Jean Deullin	Supervisory Board's member
6.	Mark Selles	Supervisory Board's member
7.	Andrzej Wojtyna	Supervisory Board's member, independent

On 1 February 2012, Mr Lars Machenil, in connection with assuming new professional responsibilities within the BNP Paribas Group, handed in a resignation from his membership in the Bank's Supervisory Board.

The candidacy of Mr. Filip Dierckx, the Deputy Chairman and COO of BNP Paribas Fortis, was put forward to replace Mr Machenil in all his previously exercised functions, i.e. as deputy Chairman, Chairman of the Audit Committee and member of the Compensation Committee.

Mr Mark Selles, given new professional assignment within the BNP Paribas Group, declared to resign from the Supervisory Board as from the date of the AGM for the year 2011.

In this respect two candidates were nominated to join the Supervisory Board of the Bank, i.e. Mrs. H  l  ne Dubourg, deputy CFO of International Retail Banking (IRB) of BNP Paribas Group and Mr Francois Benaroya, Head of Retail Individuals of IRB business of BNP Paribas Group.

The Board supports election of these candidates and issues its positive recommendation to formalize changes in the composition of the Bank's Supervisory Board at the AGM in May 2012.

Review of 2011 Supervisory Board meetings

In 2011, the Supervisory Board held eight (8) meetings and adopted 42 resolutions.

Recurring issues discussed at the meetings included financial performance of the Bank and results by business lines, review of financial statements, the balance sheet key equilibriums, evolution of the loan portfolio of the bank, its risk management as well as adopted risk strategy, the human resources evolution, executive remuneration, strategic discussions on financial and business prospects of the Bank and issues and/or reports from the regulator, brought to the attention of the Board by the Audit Committee.

The Board was presented at regular intervals with business development reports of business lines Corporate & Transaction Banking, Retail Banking, Personal Finance and discussed the related business development strategies. These strategies and respective achievements were assessed against market performances and their merits of developing sustainable income growth within a controlled risk profile.

The Board was regularly briefed on developments in economic situation in Poland and the Bank's performance in comparison to competitive banks and the banking sector.

The Board duly debated and approved the transaction of purchase by BNP Paribas Bank Polska SA of the leasing company Fortis Lease Polska Sp. z o.o.

The Board approved changes in the organizational structure of the Bank and respective shifts in the responsibility of the members of the Board of Executives.

The Board confirmed changes on the executive level taking all necessary measures in cases of resignations of Mr. Ob  lkowski, Vice President responsible for Retail Banking and Mr. Van Hellemont responsible for Risk Area.

The Board appointed Mr. Wojciech Kemb  owski as a new member of the Bank's Board of Executives responsible for Risk Area (Chief Risk Officer), effective from 11 May 2011. This appointment was later confirmed by the Polish Financial Supervision Authority (KNF) consent issued in October 2011, as required under Article 17 of the Banking Law Act.

The Board also took note and discussed in several meetings the review of the execution of the Recovery Programme for BNP Paribas Bank Polska SA, as approved by KNF. The Supervisory Board approved of the subsequent updates of the Recovery Program prepared by the management in response to the requests received from the regulator.

The Board paid special attention to monitoring of the risk management and received on monthly basis a summary Risk reporting dashboard for counterparty, market and operational risk.

The Board was presented with detailed overviews of credit risk with focus on the exposures secured by real estate (residential and/or commercial mortgages) and exposures related to financing real estate, monitored under Recommendation S.

During the year the Board also closely monitored the portfolio of loans denominated in CHF, with focus on mortgage loan portfolio and the actions taken to mitigate risk related to this portfolio.

The Board was properly informed on significant agreements signed by the Bank, in particular major credit agreements. The Board took note of loan agreements which exceeded the internal lending limit of PLN 100 million with respect to credit facilities, as duly approved by the acting Credit Committees.

To enhance effectiveness of the risk management system in supporting business functions, and following adjustments related to the integration with the BNP Paribas Group, in 2011 the Board authorized changes in the credit committees' structure and rules of operation. New committees set-up in the Bank include: Watchlist and Doubtful Debts Committee, Retail Banking Risk Committee and Personal Finance Business Risk Committee, while the scope of tasks of the overall Risk Committee and Credit Committee was adjusted.

The Board confirmed the consolidated text of the Statute of BNP Paribas Bank Polska SA based on the formerly binding consolidated text of the Statute including the amendments introduced under resolutions of General Meetings held on March 18, and May 10, 2011.

The Board passed resolutions on approval of new or updated strategies and policies pertaining risk and internal control, as required under Polish law and internal regulations, including:

- new "Principles regarding public disclosure of information on capital adequacy";
- amended "Regulations regarding credit decision making in BNP Paribas Bank Polska SA";
- amended "Operational Risk Management Strategy and Policy of BNP Paribas Bank Polska SA";
- amended "Risk Strategy for BNP Paribas Bank Polska SA";
- amended "Audit Charter";
- updated "Internal Control Rules in BNP Paribas Bank Polska SA".

The Board received and based on Audit Committee's recommendation approved the "Annual Audit Report for 2010" and the "Annual Compliance Report for 2010".

Summary on activity of Board Committees

In accordance with the rules of the Code of Best Practices of WSE Listed Companies, supplemented in 2010, as adopted by the Bank, within the meaning of Article 14 of the Bank's Statute, and in accordance with the requirements of the Act on statutory auditors and their council, entities authorized to audit financial statements, two standing committees are convened within the Supervisory Board, namely: the Compensation Committee and the Audit Committee.

• Summary of Compensation Committee activity in 2011

In the past year, the Committee for Compensation of the Board of Executives' Members was composed of:

1.	Camille Fohl	Chairman
2.	Lars Machenil	Committee Member
3.	Monika Bednarek	Committee Member, independent

The composition and rules of operation of the Compensation Committee are determined in the Regulations of the Supervisory Board and the Regulations of the Committee for Compensation of the Board of Executives' Members of BNP Paribas Bank Polska SA approved by the Supervisory Board.

The Committee normally invites the President of the Board of Executives and the Head of the Human Capital Area and other persons, as it deems necessary, to its meetings.

Under existing Regulations the Committee plays an advisory role to the Supervisory Board in opinionating all issues related to the remuneration policy and motivation programs and also is authorised to make decisions related to compensation packages in favour of the Board of Executives' Members.

In 2011, the Committee's discussed and issued their opinion or decisions on the following issues:

- Proposal to apply the existing Reward Model for the 2010 for assessment and bonus calculation for Board of Executives and to change to a new reward model as from 2011;
- Recommendation to the Supervisory Board on the proposed score for the Bank's performance in 2010 for the purpose of bonus determination;
- Individual Bonus 2010 payments for the members of the Board of Executives;
- Changes in employment conditions for 4 members of the Board of Executives;
- Confirmation of the rights to receive deferred financial rewards for 4 members of the Board of Executives, be it based on employment contracts or motivation programs applied in and decided by BNP Paribas Group;
- Implementation of new remuneration policy in compliance with recommendation of European Union Commission in terms of remuneration policy in line with proper and effective risk management and Recommendation I.5 of the Code of Best Practice for WSE Listed Companies. Considering the new local requirements under Resolutions no. 258/2011 and 259/2011 of the Financial Supervision Authority of 4 October 2011, the Committee recommended implementation in the Bank of the policy governing variable components of remuneration paid to the Board of Executives and other employees whose professional activity has a significant impact on the Bank's risk profile.

Under the new Variable Compensation Policy and resolution of the Supervisory Board on changes in the Regulations of the Compensation Committee, from March 2012, the scope of competence of the Compensation Committee within the Bank's Supervisory Board was extended. The Committee shall issue

opinions on the Variable Compensation Policy functioning, including in particular the remuneration amount and components, and it will monitor and issue opinions about variable components of remuneration paid to bank managers responsible for risk management and also for compliance of the Bank's activity with law and internal regulations.

- **Summary of Audit Committee activity in 2011**

In 2011, the Audit Committee composition was as follows:

1.	Lars Machenil	Chairman
2.	Jarosław Bauc	Committee Member, independent
3.	Mark Selles	Committee Member
4.	Andrzej Wojtyna	Committee Member, independent

The composition and rules of operation of the Audit Committee are determined in the Regulations of the Supervisory Board and the Audit Committee Regulations approved by the Supervisory Board.

The Audit Committee issues recommendations and provides opinions based on a consensus. The recommendations and opinions are presented to the Supervisory Board by the Committee Chairman. The Audit Committee submits annual reports on its activity to the Supervisory Board.

Under its competence, throughout the year 2011, the Audit Committee:

- monitored the effectiveness of the internal audit activity, in particular through supervision of the Bank's Audit Department, discussing at each meeting reporting on audit assignments, issues recommendations, organizational issues and Audit Department's budget;
- approved changes in the Audit Plan for 2011;
- issued recommendation to the Supervisory Board on approval of amendments to the Audit Charter in BNP Paribas Bank Polska SA;
- Issued a positive recommendation to the Supervisory Board on re-appointment of Mazars Audyt Sp. z o. o. as the Bank's external auditor in 2011 and first half 2012;
- Conducted supervision of the work performed by statutory auditor and provided opinion on the audit plan submitted by the statutory auditor, monitored adherence to the policy of the external auditors' independence and objectivity;
- Discussed over the audit of the financial statements for 2010 and review of the financial statements for the 1st half of 2011 by the statutory auditor and issued positive recommendations on approval of these financial statements for publication;
- Discussed the Letter to the Management for 2010 by Mazars' and reviewed of the responsiveness of management to the recommendations made in the external auditor's management letter;
- Review of the Bank's performance and financial standing before publication of the quarterly reports of BNP Paribas Bank Polska SA;
- Advised on issues related to harmonization of local financial reporting standards with Group accounting for consolidation purposes;
- Reviewed implementation of the recommendations issued by the Internal Audit;
- Set up a monitoring process and followed up closely on recommendations issued by the Financial Supervision Authority (KNF) issued after the last audit performed in Q4 2010.
- Discussed necessary improvements of internal controls and risk management, including changes in the Internal Control Rules and Risk Strategy and issued recommendations to the Supervisory Board on approval of amended strategies' documents.

The Audit Committee fulfilled all its duties imposed in the current legal environment.

Having analysed the annual reports of the Internal Audit and Compliance & Control and Audit Assessment of the internal control system in the Bank, the Audit Committee issued positive assessment on the functioning of the Bank's internal control system, as adequate to the identified risks, effective and well developed.

Annual accounts and Board of Executives' Reports

The Supervisory Board reviewed the consolidated Board of Executives' Report on BNP Paribas Bank Polska Group's business activity in 2011 as well as the audited Annual Consolidated Financial Statements of BNP Paribas Bank Polska Group for 2011, comprising:

- 1). Consolidated balance sheet as at 31 December 2011 disclosing total assets and liabilities amounting to PLN **22,479,304** thousand;
- 2). Consolidated profit and loss account for the period from 1 January 2011 to 31 December 2011 disclosing a net profit amounting to PLN **39,442** thousand;
- 3). Consolidated statement of comprehensive income for the period from 1 January 2011 to 31 December 2011 disclosing a comprehensive income of PLN **41,914** thousand;
- 4). Capital adequacy ratio of **11.52%**;
- 5). Consolidated statement of changes in equity for the period from 1 January 2011 to 31 December 2011 disclosing an increase of equity by PLN **69,839** thousand;
- 6). Consolidated cash flow statement for the period from 1 January 2011 to 31 December 2011 disclosing a decrease of cash balance by PLN **58,829** thousand;
- 7). Notes to the consolidated financial statements comprising a summary of significant accounting policies and other explanatory notes.

The Supervisory Board reviewed the separate Board of Executives' Report on BNP Paribas Bank Polska SA business activity in 2011 as well as the audited Annual Separate (Non-consolidated) Financial Statements of BNP Paribas Bank Polska SA for 2011, comprising:

- 1). Separate balance sheet as at 31 December 2011 disclosing total assets and liabilities amounting to PLN **20,723,168** thousand;
- 2). Separate profit and loss account for the period from 1 January 2011 to 31 December 2011 disclosing a net profit amounting to PLN **21,033** thousand;
- 3). Separate statement of comprehensive income for the period from 1 January 2011 to 31 December 2011 disclosing a comprehensive income of PLN **23,502** thousand;
- 4). Capital adequacy ratio of **12.01%**;
- 5). Separate statement of changes in equity for the period from 1 January 2011 to 31 December 2011 disclosing an increase of equity by PLN **38,663** thousand;
- 6). Separate cash flow statement for the period from 1 January 2011 to 31 December 2011 disclosing a decrease of cash balance by PLN **118,920** thousand;
- 7). Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes.

Based on the audit of the consolidated and non-consolidated financial statements as at the year-end (i.e. as at 31 December 2011), Mazars Audyt Sp. z o.o. issued **unqualified opinions** on these financial statements.

Having considered the Audit Committee's positive opinion, the Supervisory Board approved of the Board of Executives' Reports on BNP Paribas Bank Polska SA and its Group's business activity in 2011 and submits the BNP Paribas Bank Polska statutory and Group's Financial Statements for 2011 for the consideration of the Annual General Meeting to be held on 23 May 2012.

Distribution of the net profit for 2011

As a result of its activity in the 2011 fiscal year, the Bank generated on a statutory base a net profit in the amount of PLN **21,032,978.01** (*say: twenty one million thirty two thousand nine hundred seventy eight and 1/100*)

Having considered the Board of Executives' motion, the Supervisory Board submits and recommends to the AGM to adopt a resolution on the distribution of the 2011 profit in the following way:

- the portion of the profit in the amount of PLN 1,682,638.24 to be allocated for additional capital,
- the remaining portion of the profit in the amount of PLN 19,350,339.99 to be allocated to general risk fund,
- the remaining unsettled retained earnings balance of PLN 0.22 to be allocated to general risk fund.

The Supervisory Board has decided to transfer the positive difference of PLN 15,161,024.48 (*say: fifteen million one hundred sixty one thousand twenty four and 48/100*) resulting from the tax settlement of purchase of the organised part of the enterprise of BNP Paribas Branch in Poland to additional capital.

Materials for the Annual General Meeting comprise the audited Consolidated and Separate Financial statements, the Reports of Board of Executives on the Bank's and Group activity in 2011 and this Report of the Supervisory Board.

Warsaw, 27 April 2012