

**INTERIM CONSOLIDATED REPORT
OF THE CAPITAL GROUP
OF BANK BGŻ BNP PARIBAS S.A.
for the period of six months
ended
30 June 2016**



BGZ BNP PARIBAS

Bank zmieniającego się świata

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SELECTED FINANCIAL DATA AND RATIOS

Selected consolidated financial data	In PLN '000		In EUR '000	
Statement of profit or loss	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	(YTD)	(YTD)	(YTD)	(YTD)
Net interest income	895 939	590 721	204 528	142 889
Net fee and commission income	244 927	182 609	55 913	44 171
Profit before income tax	122 466	25 529	27 957	6 175
Profit after income tax	64 638	17 803	14 756	4 306
Total comprehensive income for the period	60 701	(97 004)	13 857	(23 464)
Total net cash	566 445	502 315	129 310	121 504
Ratios	30.06.2016	30.06.2015		
Number of shares (items)	84 238 318	84 238 318		
Earnings (loss) per share	0,77	0,27	0,18	0,07
Balance sheet	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Total assets	69 717 354	65 372 338	15 753 554	15 340 218
Amounts due to customers	51 852 581	46 527 391	11 716 773	10 918 078
Total liabilities	63 388 104	59 103 984	14 323 377	13 869 291
Share capital	84 238	84 238	19 035	19 767
Total equity	6 329 250	6 268 354	1 430 177	1 470 927
Capital adequacy ratio	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Total equity	7 409 745	6 735 562	1 674 329	1 580 561
Total risk exposure	50 894 595	50 095 752	11 500 304	11 755 427
Total capital requirement	14,56%	13,45%		
Total capital ratio Tier 1	11,63%	11,76%		



Selected separate financial data	In PLN '000		In EUR '000	
	30.06.2016 (YTD)	30.06.2015 (YTD)	30.06.2016 (YTD)	30.06.2015 (YTD)
Statement of profit or loss				
Net interest income	837 758	588 612	191 246	142 379
Net fee and commission income	221 115	176 382	50 477	42 665
Profit before income tax	90 043	24 150	20 555	5 842
Profit after income tax	42 140	16 787	9 620	4 061
Total comprehensive income for the period	38 659	(97 955)	8 825	(23 694)
Total net cash	572 951	502 315	130 795	121 504
Indicators	30.06.2016	30.06.2015		
Number of shares	84 238 318	84 238 318		
Earnings per share	0,50	0,26	0,11	0,06
Balance sheet	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Total assets	68 263 657	63 009 129	15 425 072	14 785 669
Amounts due to customers	51 965 436	46 620 848	11 742 275	10 940 009
Total liabilities	61 950 665	56 845 951	13 998 569	13 339 423
Share capital	84 238	84 238	19 035	19 767
Total equity	6 312 992	6 163 178	1 426 504	1 446 246
Capital adequacy ratio	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Total equity	7 429 180	6 597 941	1 678 721	1 548 267
Total risk exposure	49 494 107	47 868 505	11 183 845	11 232 783
Total capital requirement	15,01%	13,78%		
Total capital ratio Tier1	11,99%	12,12%		

For the purpose of translating the data into EUR, the following exchange rates are applied:

For the statement of financial position, the following rate of the National Bank of Poland:

- as at 30 June 2016 - EUR 1 = PLN 4.4255
- as at 31 December 2015 - EUR 1 = PLN 4.2615

For the statement of profit or loss and statement of cash flows, the EUR exchange rate calculated as the arithmetic average of the rates announced by the National Bank of Poland as at the last day of each month in the quarter:

- for the period from 1 January 2016 to 30 June 2016 - EUR 1 = PLN 4.3805
- for the period from 1 January 2015 to 30 June 2015 - EUR 1 = PLN 4.1341



I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of profit or loss

	Note	2 nd quarter 2016 Period from 1.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Interest income	9	648 069	1 270 607	498 964	901 581
Interest expenses	9	(187 551)	(374 668)	(161 929)	(310 860)
Net interest income		460 518	895 939	337 035	590 721
Fee income	10	147 120	293 673	127 610	209 877
Fee expenses	10	(25 230)	(48 746)	(16 863)	(27 268)
Net fee and commission income		121 890	244 927	110 747	182 609
Dividend income		5 758	5 758	5 230	5 230
Net trading income	11	57 820	109 855	47 809	67 864
Result on investment activities	12	41 959	42 433	12 167	35 200
Result on hedge accounting	22	(221)	140	-	-
Other operating income	13	52 707	83 780	10 501	16 858
Other operating expenses	14	(36 749)	(59 509)	(31 701)	(43 227)
Net impairment losses on financial assets and provisions for contingent liabilities	15	(88 533)	(165 815)	(79 137)	(133 896)
General administrative expenses	16	(445 891)	(856 111)	(372 971)	(632 773)
Amortization and depreciation	17	(53 299)	(96 386)	(35 740)	(63 057)
Operating result		115 959	205 011	3 940	25 529
Tax on certain financial institutions		(50 810)	(82 545)	-	-
Gross profit		65 149	122 466	3 940	25 529
Income taxes	18	(31 776)	(57 828)	(653)	(7 726)
Net profit		33 373	64 638	3 287	17 803
attributable to equity holders of the Group		33 373	64 638	3 287	17 803
Earnings per share (in PLN per share)					
Basic		0.40	0.77	0.04	0.27
Diluted		0.40	0.77	0.04	0.27



Interim condensed consolidated statement of comprehensive income

	2 nd quarter 2016 Period from 01.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Net profit for the period	33 373	64 638	3 287	17 803
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss when specific conditions are met</i>	<i>(68 053)</i>	<i>(4 749)</i>	<i>(115 581)</i>	<i>(117 855)</i>
Net change in valuation of available for sale financial assets	(84 017)	(5 862)	(142 692)	(145 499)
Net change in valuation of derivative instruments designated as cash flow hedges	-	-	-	-
Deferred tax	15 964	1 113	27 111	27 644
<i>Items that will not be reclassified subsequently to profit or loss</i>	<i>2 092</i>	<i>812</i>	<i>2 982</i>	<i>3 048</i>
Actuarial valuation of employee benefits	2 583	1 003	3 682	3 763
Deferred tax	(491)	(191)	(700)	(715)
Other comprehensive income (net of tax)	(65 961)	(3 937)	(112 599)	(114 807)
Total comprehensive income for the period	(32 588)	60 701	(109 312)	(97 004)
attributable to equity holders of the Group	(32 588)	60 701	(109 312)	(97 004)



Interim condensed consolidated statement of financial position

	Note	30.06.2016	31.12.2015
ASSETS			
Cash in hand and balances with the Central Bank	19	2 998 185	2 826 416
Loans and advances to banks	20	881 471	495 431
Derivative financial instruments	21	365 705	368 147
Hedging instruments	22	35 692	2 711
Loans and advances to customers	23	53 675 770	52 269 544
Available for sale financial assets	24	10 011 272	7 845 074
Investment property		54 487	54 627
Intangible assets	25	236 462	256 455
Property, plant and equipment	26	537 587	537 201
Deferred tax asset		459 761	465 211
Other assets	27	460 962	251 521
TOTAL ASSETS		69 717 354	65 372 338

**Interim condensed consolidated statement of financial position
(continued)**

	Note	30.06.2016	31.12.2015
LIABILITIES			
Amounts due to banks	28	8 014 535	9 876 892
Hedged items		13 748	1 605
Derivative financial instruments	21	358 133	351 539
Amounts due to customers	29	51 852 581	46 527 391
Debt securities issued	30	397 816	469 083
Subordinated liabilities	31	1 496 873	847 568
Other liabilities	32	1 083 466	816 984
Current tax liabilities		4 010	40 716
Provision for deferred tax		8 026	8 052
Provisions	33	158 916	164 154
TOTAL LIABILITIES		63 388 104	59 103 984
EQUITY			
Share capital	40	84 238	84 238
Other supplementary capital		5 108 418	5 092 196
Other reserve capital		860 241	780 874
Revaluation reserve		194 153	198 090
Retained earnings:		82 200	112 956
- retained profit		17 562	99 663
- net profit for the period		64 638	13 293
TOTAL EQUITY		6 329 250	6 268 354
TOTAL LIABILITIES AND EQUITY		69 717 354	65 372 338



Interim condensed consolidated statement of changes in equity

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2016	84 238	5 092 196	780 874	198 090	99 663	13 293	6 268 354
Total comprehensive income for the period	-	-	-	(3 937)	-	64 638	60 701
Net profit for the period	-	-	-	-	-	64 638	64 638
Other comprehensive income for the period	-	-	-	(3 937)	-	-	(3 937)
Appropriation of retained earnings	-	-	8 263	-	5 030	(13 293)	-
Appropriation of retained earnings to other supplementary capital	-	-	8 263	-	5 030	(13 293)	-
Merge	-	16 222	71 104	-	(87 326)	-	-
Equity resulting from merger	-	16 222	71 104	-	(87 326)	-	-
Other (equity of subsidiaries)	-	-	-	-	195	-	195
Balance as at 30 June 2016	84 238	5 108 418	860 241	194 153	17 562	64 638	6 329 250



Interim condensed consolidated statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2015	56 139	3 430 785	271 858	255 363	4 128	138 031	4 156 304
Total comprehensive income for the period	-	-	-	(58 881)	-	13 293	(45 588)
Net profit for the period	-	-	-	-	-	13 293	13 293
Other comprehensive income for the period	-	-	-	(58 881)	-	-	(58 881)
Appropriation of retained earnings	-	7 730	130 000	-	301	(138 031)	-
Appropriation of retained earnings to other supplementary capital	-	7 730	130 000	-	301	(138 031)	-
Merge	28 099	1 653 681	379 016	1 122	-	-	2 061 918
Issued shares of I series	28 099	-	-	-	-	-	28 099
Equity resulting from merger	-	1 653 681	379 016	1 122	-	-	2 033 819
Other (equity of subsidiaries)	-	-	-	486	95 234	-	95 720
Balance as at 31 December 2015	84 238	5 092 196	780 874	198 090	99 663	13 293	6 268 354



Interim condensed consolidated statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
					Retained profit	Net profit for the period	
Balance as at 1 January 2015	56 139	3 430 785	271 858	255 363	4 128	138 031	4 156 304
Total comprehensive income for the period	-	-	-	(114 807)	-	17 803	(97 004)
Net profit for the period	-	-	-	-	-	17 803	17 803
Other comprehensive income for the period	-	-	-	(114 807)	-	-	(114 807)
Appropriation of retained earnings	-	7 730	130 000	-	301	(138 031)	-
Appropriation of retained earnings to other supplementary capital	-	7 730	130 000	-	301	(138 031)	-
Merge	28 099	1 653 681	379 016	1 122	-	-	2 061 918
Issued shares of I series	28 099	-	-	-	-	-	28 099
Equity resulting from merger	-	1 653 681	379 016	1 122	-	-	2 033 819
Other (equity of subsidiaries)	-	-	-	557	5 789	-	6 346
Balance as at 30 June 2015	84 238	5 092 196	780 874	142 235	10 218	17 803	6 127 564



Interim condensed consolidated statement of cash flows

	1 st half 2016 Period from 01.01.2016 to 30.06.2016	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Note		

CASH FLOWS FROM OPERATING ACTIVITIES:

Net profit (loss) for the period	64 638	17 803
Adjustments for:	3 212 951	2 637 275
Income tax expense	57 828	7 726
Amortization and depreciation	96 386	63 057
Dividend income	(5 758)	(5 230)
Interest income	(1 270 607)	(901 581)
Interest expenses	374 668	310 860
Change in provisions	(4 235)	134 637
Change in loans and advances from banks	2 824	(91 758)
Change in reverse repo transactions	-	100 662
Change in debt securities held for trading	-	198 269
Change in derivative financial instruments (assets)	2 442	56 591
Change in loans and advances to customers	(1 398 332)	(19 889 156)
Change in amounts due to banks	(736 316)	8 356 668
Change in repo transactions	-	(45 357)
Change in financial liabilities held for trading	-	-
Change in derivative financial instruments (liabilities)	6 594	(91 693)
Change in amounts due to customers	5 366 994	11 526 647
Change in other assets and current tax assets	(280 831)	(417 634)
Change in other liabilities and deferred tax liability	307 406	535 429
Other adjustments	35 (97 380)	2 325 525
Interest received	1 206 871	778 062
Interest paid	(415 603)	(314 449)
NET CASH FROM OPERATING ACTIVITIES	3 277 589	2 655 078

**Interim condensed consolidated statement of cash flows (continued)**

	1 st half 2016 Period from 01.01.2016 Note to 30.06.2016	1 st half 2015 Period from 01.01.2015 to 30.06.2015
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CASH FLOWS**FROM INVESTING ACTIVITIES:**

Financing activities inflows	13 777 671	89 489 883
Sale of available for sale financial assets	13 752 939	89 470 411
Sale of intangible assets and property, plant and equipment	18 974	14 242
Dividends and other inflows from investing activities	5 758	5 230
Financing activities outflows	(15 904 688)	(90 821 623)
Purchase of available for sale financial assets	(15 808 935)	(90 735 012)
Purchase of intangible assets and property, plant and equipment	(95 753)	(86 611)
NET CASH FROM INVESTING ACTIVITIES	(2 127 017)	(1 331 740)

CASH FLOWS**FROM FINANCING ACTIVITIES:**

Financing activities inflows	1 731 417	723 252
Long-term loans received	1 117 517	723 252
Change in the balance of subordinated liabilities	613 900	-
Financing activities outflows	(2 315 544)	(1 544 275)
Repayment of long-term loans and advances to banks	(2 243 548)	(1 248 663)
Redemption of debt securities issued	(71 996)	(294 775)
Dividends and other payments to shareholders	-	(837)
NET CASH FROM FINANCING ACTIVITIES	(584 127)	(821 023)
TOTAL NET CASH	566 445	502 315
Cash and cash equivalents at the beginning of the period	3 262 335	2 180 981
Cash and cash equivalents at the end of the period, of which:	34	2 683 296
effect of exchange rate fluctuations on cash and cash equivalents held	8 822	17 401
of restricted use	1 225	3 914



EXPLANATORY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Bank BGŻ BNP Paribas S.A. is the parent in the Capital Group of Bank BGŻ BNP Paribas S.A. (the "Group").

The registered office of Bank BGŻ BNP Paribas S.A. (the "Bank" or "BGŻ BNP Paribas") is located at ul. Kasprzaka 10/16 in Warsaw. The Bank is registered in Poland, with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000011571. The duration of the parent and the Group companies is unlimited.

2 General information on the Capital Group

Bank BGŻ BNP Paribas S.A. operates within the BNP PARIBAS SA Group with its registered office in Paris.

As at 30 June 2016, the Group comprised BGŻ BNP Paribas S.A., the parent, and its subsidiaries:

- 2.1. Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. ("Actus") with its registered office at 10/16 Kasprzaka Street in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000023062. The Bank holds 100% interest in the share capital of the Company and 100% of votes at the General Meeting.
- 2.2. Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. ("TFI") with its registered office at 12 Bielańska Street in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000031121. The Bank holds 100% of the company's shares.
- 2.3. Fortis Lease Polska Sp. z o.o., in liquidation ("FLP"), with its registered office at 3 Suwak Street in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000098813. The Bank holds 100% of the Company's shares.
- 2.4. BNP Paribas Faktoring Sp. z o.o. ("Faktoring") with its registered office at 3 Suwak Street in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000225155. The Bank holds 100% of the Company's shares.
- 2.5. Laser Services Polska S.A. with its registered office at 3 Suwak Street in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000022784. The Bank holds 100% of the Company's shares.

In accordance with the principles laid down in IFRS, the interim condensed consolidated financial statements cover all subsidiaries as at 30 June 2016.



3 Accounting principles applied for purposes of preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements for the first half of the year, ended 30 June 2016, have been prepared in conformity with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"), as endorsed by the European Union, and other applicable regulations. The accounting principles applied in the first half of 2016 do not differ from the principles used in 2015, which were presented in detail in the Consolidated Financial Statements of the Capital Group of Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2015.

As these interim condensed consolidated financial statements do not contain all the information and disclosures required for the annual consolidated financial statements, they should be read together with the Consolidated Financial Statements of the Capital Group of Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2015.

The consolidated financial statements have been prepared in conformity with the requirements set out in all International Accounting Standards ("IAS") and International Financial Reporting Standards endorsed by the European Union ("IFRS EU"), as well as the related interpretations, except for the standards and interpretations listed below, which are awaiting endorsement by the European Union or have already been endorsed by the European Union but entered or will enter into force after the end of the reporting period.

Amendments to the existing standards applied for the first time in the financial statements of the Group for 2016

- **IFRS 14 *Regulatory Deferral Accounts*** (applicable to annual periods beginning on or after 1 January 2016);
- **Revised IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*** – Investment Entities: Applying the Consolidation Exception (applicable to annual periods beginning on or after 1 January 2016);
- **Revised IFRS 11 *Joint Arrangements*** – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual periods beginning on or after 1 January 2016);
- **Revised IAS 1 *Presentation of Financial Statements*** – Disclosure Initiative (applicable to annual periods beginning on or after 1 January 2016);
- **Revised IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*** – Clarification of Acceptable Methods of Depreciation and Amortization (applicable to annual periods beginning on or after 1 January 2016);
Revised IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* – Agriculture: Bearer Plants (applicable to annual periods beginning on or after 1 January 2016);
- **Revised IAS 27 *Separate Financial Statements*** – Equity Method in Separate Financial Statements (applicable to annual periods beginning on or after 1 January 2016);
- **Revised standards *IFRS Improvements (2012-2014)*** – changes to standards resulting from the annual improvements to IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (applicable to annual periods beginning on or after 1 January 2016).

**New standards and amendments to the existing standards published by IASB but not yet effective**

- **IFRS 9 *Financial instruments*** (applicable to annual periods beginning on or after 1 January 2018);
- **IFRS 15 *Revenue from Contracts with Customers*** with subsequent amendments (applicable to annual periods beginning on or after 1 January 2018);
- **IFRS 16 *Leases*** (applicable to annual periods beginning on or after 1 January 2019);
- **Revised IFRS 2 *Share-Based Payment*** – Classification and Measurement of Share-Based Payment (applicable to annual periods beginning on or after 1 January 2018);
- **Revised IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture with subsequent amendments (the effective date has been postponed until the moment of completing research into the equity method);
- **Revised IAS 7 *Statement of Cash Flows*** – Disclosure Initiative (applicable to annual periods beginning on or after 1 January 2017);
- **Revised IAS 12 *Income Tax*** – Recognition of Deferred Tax Assets for Unrealized Losses (applicable to annual periods beginning on or after 1 January 2017).

Recognition of jointly controlled operations

Business combinations of jointly-controlled entities do not fall within the scope of IFRS regulations. In the absence of detailed IFRS regulations in this regard, in line with the guidelines laid down in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, Bank BGŻ BNP Paribas S.A. adopted an accounting policy generally applied to any business combinations of jointly-controlled entities in the Bank's Group, whereby such transactions are recognized at book value.

In accordance with the adopted accounting principles, the acquirer recognizes the assets, liabilities and equity of the acquiree at their present book value adjusted only for purposes of bringing the accounting principles of the acquiree into line with those of the acquirer. Goodwill and negative goodwill are not recognized.

The difference between the book value of the acquired net assets and the fair value of the payment is recognized in the Bank's equity. As a method based on book values is used, the comparative data is not restated.

If the business combination of jointly-controlled entities transaction involves acquisition of minority interests, the Group recognizes it separately.

4 Going concern

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, i.e. within at least 12 months of the end of the reporting period, in substantially the same scope.



5 Approval for publication

The consolidated interim report of the Capital Group of Bank BGŻ BNP Paribas S.A. for the period of six months ended 30 June 2016 was approved by the Management Board for publication on 29 August 2016.

6 Seasonality or cyclicity of business

There are no major seasonal or cyclical phenomena in the operations of the Group.

7 Estimates

The Group makes estimates and assumptions which affect the value of its assets and liabilities in the subsequent period. The estimates and assumptions, which are reviewed on an ongoing basis, are made based on prior experience and considering other factors, including expectations as to future events, which appear reasonable in specific circumstances.

a) Impairment of loans and advances

In accordance with IFRS, the Bank's financial assets measured at amortized cost and available for sale financial assets which are not measured at fair value are tested for impairment. Financial assets are tested so as to verify whether any objective indications of their impairment exist.

As regards business entities with integrated accounts, the Bank has compiled a list of indications if impairment, such as considerable financial difficulties of the customer, substantial deterioration of the customer's rating or delinquency exceeding 90 days (or 30 days for restructured exposures).

As regards individuals and micro enterprises with simplified accounts, delinquency by more than 90 days (or more than 30 days for exposures with forbearance granted to obligors) is the key indication of impairment. Other indications include debt restructuring or a suspicion of fraud.

For exposures with objective indications of impairment identified, individual or collective (group) tests are performed by the Bank. Individual tests are performed for assets considered by the Bank to be individually significant.

Impairment tests for individually significant assets

The individual test is performed by the Bank's employees for individually significant financial assets. It consists in case-by-case verification of financial assets for impairment. The individual test determines expected future cash flows and impairment is calculated as the difference between the present value (carrying amount) of a financial asset which is individually significant and the value of future cash flows generated by that asset, discounted using the effective interest method. Cash flows from collateral are taken into account for purposes of estimating future cash flows.

Collective (group) tests

Collective tests are performed for assets:

- classified as individually insignificant,
- classified as individually significant.

For exposures with objective indications of impairment identified, the Bank recognizes a collective impairment loss (provision). The value of the aforesaid impairment loss depends on the type of the credit exposure, the delinquency period as well as the type and value of collateral (applicable to selected portfolios). For the group of assets with no objective indications of impairment identified, an IBNR (incurred but not reported) loss is recognized by the Bank. The amount of the IBNR loss depends on the probability of default (PD), loss given default (LGD), credit conversion factor (CCF) and the loss identification period (LIP).

The amount of impairment losses estimated using the collective method, both for exposures which are individually insignificant with an objective indication of impairment identified and exposures which are individually significant and insignificant without an objective indication of impairment identified, is determined with the application of statistical methods for defined



exposure portfolios which are homogenous from the perspective of credit risk. Homogeneous exposure portfolios are defined based on customer segment, type of credit products and, for purposes of IBNR estimates, exposure delinquency classes which do not exceed 90 days and, for institutional customers with a rating assigned by the Bank internally, the credit rating assigned to the customer. The criteria applied by the Bank to define homogeneous portfolios are aimed at grouping exposures so that the credit risk profile is reflected as accurately as practicable and, consequently, so as to estimate the level of impairment losses on financial assets as objectively and adequately as possible.

In line with the Bank's impairment testing methodology, the PD parameters are updated twice a year. The aforesaid parameters are determined based on statistical analyses of historical data as well as observable monthly migration of credit exposures. The value of LGD, CCF and LIP are verified and updated on an annual basis as part of a regular review carried out in line with the Bank's policy. As regards CCF, the Bank's analysis focuses on the percentage of off-balance sheet liabilities converted into on-balance sheet exposures during the loss identification period (LIP). LIP parameters are determined based on analyses of the period between the occurrence of an event causing the impairment loss in relation to the obligor to the date when the impairment status is actually assigned to the debtor. The length of LIP depends on the characteristics of the product as well as effectiveness and frequency of the credit exposure monitoring process carried out by the Bank.

When classifying exposures into those with objective indications of impairment identified and those without objective indications of impairment identified, the Bank takes into account a quarantine period, where a credit exposure with an objective indication of impairment identified may be again classified as an exposure without an objective indication of impairment identified only if the Bank's receivables from the customer have been paid on time (no amounts overdue over 30 days) for a specific number of months. The required quarantine period differs depending on the customer type and the type of the credit exposure. Its length is determined by the Bank on the basis of historical observations which are sufficient to determine the time after which the customer is able to again repay its debt on time permanently.

Impairment losses on financial assets estimated using statistical models in a collective impairment test is back-tested periodically. The parameters used for purposes of estimating impairment losses and the statistical models are covered by the model management process, which involves laying down the principles of their development, approval, monitoring and validation as well as model back-testing. The models and parameters are validated and impairment losses/provisions determined using the collective method are back-tested at least on an annual basis. Additionally, the process of estimating impairment losses is subject to periodic functional control and verified independently by the Bank's internal audit.

b) Fair value of derivative financial instruments

The fair value of derivative financial instruments which are not quoted on active markets is determined using measurement techniques (e.g. models). Such methods are evaluated and verified periodically by qualified independent employees who have not participated in their development. All models require approval before use as well as calibration to ensure that the results reflect actual data and comparable market prices. The models used at present rely on data obtained from Reuters and/or Bloomberg information systems. Derivative financial instruments are measured on the basis of generally acceptable models. Linear instruments are measured using the discounted cash flow method while plain vanilla options using the Black-Scholes model. Other options included in structured deposits are measured either through decomposition into vanilla options or through Monte Carlo simulations.

CVA/DVA is estimated for all derivatives which are active at a specific date. The adjustment is determined based on the projected future exposure resulting from the instrument, counterparty rating and collateral provided/accepted.

c) Securities

Securities with no liquid market are measured using the discounted cash flow model. As regards level 3 securities, the credit risk margin is a non-observable parameter corresponding to the market margin for instruments within similar characteristics.

d) Impairment of property, plant and equipment



At the end of each reporting period, the Group verifies whether there is any objective indication of impairment of its property, plant and equipment. If such indications have been identified, the Group estimates the recoverable amount. Determination of the value in use of property, plant and equipment requires the Bank to make assumptions as to the amounts, dates of future cash flows that may be generated by the Group on the property, plant and equipment as well as other factors. When estimating the fair value less costs to sell, the Group relies on available market data or valuations of independent appraisers, which, as a rule, are also based on estimates.

e) Provision for retirement benefits

Provisions for retirement benefits have been estimated by an independent actuary using actuarial methods. The underlying assumptions are revised at the end of each quarter.

f) Leases – the Group as a lessor

Lease agreements whereby substantially all risks and rewards of ownership of the assets are transferred onto the lessee are classified as finance leases. The receivables representing the net lease investment are recognized on the balance sheet. Revenue from finance lease agreements is recognized to reflect the fixed periodic rate of return on the net lease investment made by the Group in the form of a finance lease.

The Group does not offer operating lease products where substantially all risks and rewards of ownership of the assets are not transferred onto the lessee.

8 Business combinations

Merger of Bank BGŻ BNP S.A. and Sygma Bank Polska S.A.

On 31 May 2016, the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register recorded the merger through acquisition of Bank BGŻ BNP Paribas S.A., with its registered office in Warsaw, and Sygma Bank Polska S.A., with its registered office in Warsaw.

The merger is aimed at a more effective use of the potential of the combined companies and direct and indirect economic and financial synergies, including broadening of the product offering of Bank BGŻ BNP Paribas S.A. on the Polish consumer finance market, which will have a positive effect on the income generated both by the Bank.

Pursuant to Art. 494.1 of the Code of Commercial Companies, as a result of the merger, on 31 May 2016, Bank BGŻ BNP Paribas S.A. – the acquirer acquired all the rights and duties of Sygma Bank Polska S.A. – the acquiree. Pursuant to Art. 494.1 of the Code of Commercial Companies, the company Sygma Bank Polska S.A. was dissolved without any liquidation proceedings on the date of its deletion from the register.

The net assets of Sygma Bank Polska S.A. were taken up for cash amounting to PLN 200 million.

The business combination of Bank BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A. was a business combination of jointly-controlled entities because on the date of business combination both of the companies were subsidiaries of BNP Paribas, with the registered office in Paris.

As a consequence of the accounting for the merger of Bank BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A., on the date of the merger, i.e. 31 May 2016, in its financial statements Bank BGŻ BNP Paribas S.A. recognized the assets of Sygma Bank Polska S.A. with a total value PLN 311,154 thousand. The difference between the amounts of the asset and liabilities in the separate financial statements of the parent after the legal merger and the book value of the investment in the subsidiary before the merger has been posted to equity in accordance with Bank's accounting policies.



Net assets of Sygma Bank Polska S.A. on 31 May 2016:

	31.05.2016
ASSETS	Unaudited
Cash in hand and balances with the Central Bank	37
Loans and advances to banks	244 363
Debt securities held for trading	-
Hedging instruments	-
Loans and advances to customers	1 530 414
Available for sale financial assets	-
Intangible assets	2 569
Property, plant and equipment	9 036
Deferred tax asset	36 550
Other assets	23 650
TOTAL ASSETS	1 846 619
LIABILITIES	
Amounts due to banks	1 390 460
Financial liabilities held for trading	-
Amounts due to customers	5 742
Loans and advances received	-
Subordinated liabilities	70 480
Current tax liabilities	4 775
Other liabilities	41 719
Provisions	22 199
TOTAL LIABILITIES	1 535 375
TOTAL EQUITY	311 244
TOTAL LIABILITIES AND EQUITY	1 846 619

The revenues and expenses of the acquiree have been recognized in the separate financial statements of Bank BGŻ BNP Paribas S.A. since the merger date.

Accounting principles adopted in relation to the transaction

Business combinations of a jointly controlled parent and a subsidiary, where the existing parent company is the entity which continues the business activity, are accounted for using the method whereby the acquired assets and assumed liabilities are recognized in the financial statements of the acquirer at their book value disclosed in the consolidated financial statements of the parent as at the business combination date. The difference between the amount of the asset and liabilities in the separate financial statements of the parent after the legal merger and the book value of the investment in the subsidiary before the merger has been posted to equity in accordance with Bank's accounting policies.

The acquired assets and assumed liabilities are included in the balance sheet of the combined entity at their carrying amounts after bringing their measurement methods to uniformity and following the relevant eliminations.

The business combination is accounted for without any adjustments of comparative data, i.e. the revenues and expenses of the acquiree are recognized in the profit and loss of the combined entity from the merger date.



9 Net interest income

	2 nd quarter 2016 Period from 01.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Interest income				
Loans and advances to banks	6 577	12 955	5 657	11 178
Loans and advances to customers in current accounts	89 568	177 228	79 911	146 669
Loans and advances to customers, in this:	464 190	919 338	358 403	630 483
corporate	109 300	218 497	98 567	171 142
households	334 020	660 307	246 231	443 760
budget entities	1 229	2 477	1 458	3 094
other entities	19 641	38 057	12 147	12 487
Hedging instruments	25 413	39 647	396	396
Reverse repo transactions	-	-	1 439	7 559
Debt securities, in this:	62 321	121 439	53 158	105 296
held for trading	-	-	685	1 956
available for sale	62 321	121 439	52 473	103 340
	648 069	1 270 607	498 964	901 581
Interest expenses				
Amounts due to banks	(22 996)	(54 920)	(14 787)	(22 876)
Debt securities issued	(3 132)	(6 621)	(3 810)	(9 975)
Amounts due to customers, in this:	(139 607)	(272 745)	(141 861)	(270 427)
corporate	(42 750)	(75 864)	(25 597)	(45 528)
households	(75 753)	(152 305)	(92 018)	(178 634)
budget entities	(4 274)	(8 575)	(3 284)	(5 953)
other entities	(16 830)	(36 001)	(20 962)	(40 312)
Hedged items	(21 756)	(40 265)	(1)	(1)
Repo transactions	(60)	(117)	(1 470)	(7 581)
	(187 551)	(374 668)	(161 929)	(310 860)
Net interest income	460 518	895 939	337 035	590 721



10 Net fee and commission income

	2 nd quarter 2016 Period from 01.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Fee and commission income:				
loans and advances	45 525	90 070	36 340	63 272
settlements	15 917	31 501	11 436	15 511
account maintenance	30 633	62 459	27 872	53 163
guarantee commitments	6 557	13 346	5 246	7 260
brokerage operations	6 032	11 663	6 448	11 800
payment cards	18 622	38 033	16 891	30 426
insurance activity	5 734	18 197	7 543	11 430
asset management	1 213	2 115	1 612	1 612
other	16 887	26 289	14 222	15 403
	147 120	293 673	127 610	209 877
Fee and commission expenses:				
loans and advances	(55)	(216)	(988)	(2 003)
payment cards	(9 192)	(23 691)	(11 520)	(19 332)
insurance activity	(1 793)	(3 284)	(342)	(443)
related to partners' network	(4 880)	(7 538)	(962)	(962)
other	(9 310)	(14 017)	(3 051)	(4 528)
	(25 230)	(48 746)	(16 863)	(27 268)
Net fee and commission income	121 890	244 927	110 747	182 609

11 Net trading income

	2 nd quarter 2016 Period from 01.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Debt instruments	-	-	(109)	205
Derivative financial instruments and foreign currency exchange result	57 820	109 855	47 918	67 659
Net trading income	57 820	109 855	47 809	67 864



12 Result on investment activities

	2 nd quarter 2016 Period from 01.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Available for sale assets	41 959	42 433	12 167	35 200
Result on investment activities	41 959	42 433	12 167	35 200

On 21 June 2016 the Bank carried out settlement of the transaction of acquiring Visa Europe Limited. As a result, the Bank BGŻ BNP Group received:

- EUR 6.945 thousand in cash (30,518 thousand PLN at the EUR rate 4.3945 of 20 June 2016);
- 2.521 Preference Visa Inc. C series shares.

Furthermore, the settlement included a deferred cash payment of EUR 1.12 billion payable to all participants in the transaction; Bank BGŻ BNP Paribas' share in the aforesaid amount is 0.0535214433%. The deferred cash payment payable to the Group can be adjusted within three years from the transaction date should events described in the agreement occur.

As at 30 June 2016, Bank BGŻ BNP Paribas' total earnings from the aforesaid transaction amounted to PLN 41.817 thousand and they were recognized in the profit and loss account under *Result on investment activities*.

13 Other operating income

	2 nd quarter 2016 Period from 01.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Sale and liquidation of property, plant and equipment and intangible assets	1 672	3 155	769	956
Sale of goods and services	10 539	11 909	1 455	2 618
Release of provisions for litigation and claims and other liabilities	903	3 459	142	172
Recovery of debt collection costs	1 848	3 323	1 035	1 811
Recovery of overdue debts, redeemed receivables, non-collectible debts and payment of receivables that were excluded from the consolidated statement of financial position	21 601	24 927	561	3 273
Income from leasing operations	5 307	12 372	3 073	3 073
Other*	10 837	24 635	3 466	4 955
Total other operating income	52 707	83 780	10 501	16 858

* 'Other' in the first half of 2016 includes among others annual VAT adjustment for 2015 in the amount of PLN 8.820 thousand.



14 Other operating expenses

	2 nd quarter 2016 Period from 01.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Loss on sale or liquidation of property, plant and equipment and intangible assets	(10 662)	(13 431)	(13 938)	(14 092)
Provisions for restructuring of assets, litigation and claim and other liabilities	(293)	(750)	(8 880)	(10 606)
Debt collection	(7 146)	(12 092)	(3 566)	(5 529)
Donations made	(1 092)	(2 121)	(14)	(23)
Costs of leasing operations	(4 758)	(11 507)	(2 935)	(2 935)
Other operating expenses*	(12 798)	(19 608)	(2 368)	(10 042)
Total other operating expenses	(36 749)	(59 509)	(31 701)	(43 227)

* 'Other operating expenses' in the first half of 2016 includes among others compensation cost in the amount of PLN 7.428 thousand.

15 Net impairment losses on financial assets and provisions for contingent liabilities

	2 nd quarter 2016 Period from 01.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Loans and advances to banks	165	(586)	(376)	(370)
Loans and advances to customers	(93 189)	(167 376)	(89 783)	(143 910)
Contingent commitments granted	4 491	2 147	11 022	10 384
Total net impairment losses on financial assets and provisions for contingent liabilities	(88 533)	(165 815)	(79 137)	(133 896)

16 General administrative expenses

	2 nd quarter 2016 Period from 01.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Personnel expenses	(257 213)	(477 136)	(217 712)	(353 355)
Marketing	(21 926)	(44 660)	(13 122)	(19 755)
IT and telecom costs	(35 812)	(64 649)	(28 567)	(49 174)
Rental expenses	(44 501)	(89 098)	(36 544)	(58 942)
Other non-personnel expenses	(43 230)	(93 654)	(44 296)	(98 963)
Business travels	(2 802)	(4 533)	(974)	(1 502)
ATM and cash handling costs	(384)	(1 858)	(935)	(1 162)
Costs of outsourcing services related to leasing operations	(5 647)	(12 126)	(2 643)	(2 643)
Payment to the Bank Guarantee Fund	(30 742)	(61 336)	(25 296)	(42 262)
Polish Financial Supervision Authority fee	(3 634)	(7 061)	(2 882)	(5 015)
Total general administrative expenses	(445 891)	(856 111)	(372 971)	(632 773)



17 Amortization and depreciation

	2 nd quarter 2016 Period from 01.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Property, plant and equipment	(20 535)	(40 291)	(16 855)	(29 393)
Intangible assets	(32 764)	(56 095)	(18 885)	(33 664)
Total amortization and depreciation	(53 299)	(96 386)	(35 740)	(63 057)

18 Income tax expenses

	2 nd quarter 2016 Period from 01.04.2016 to 30.06.2016	1 st half 2016 Period from 01.01.2016 to 30.06.2016	2 nd quarter 2015 Period from 01.04.2015 to 30.06.2015	1 st half 2015 Period from 01.01.2015 to 30.06.2015
Current tax	(46 855)	(54 412)	(32 573)	(32 573)
Deferred tax	15 079	(3 416)	31 920	24 847
Income taxes	(31 776)	(57 828)	(653)	(7 726)
Profit/loss before tax	65 159	122 476	3 940	25 529
Statutory tax rate	19%	19%	19%	19%
Income taxes on gross profit	(12 380)	(23 270)	(749)	(4 851)
Receivables write-off	(3 963)	(4 248)	(629)	(738)
Non-tax deductible overheads/income	158	(720)	(73)	(164)
PFRON (National Fund for Rehabilitation of the Disabled)	(300)	(666)	(245)	(433)
Prudential fee to the Bank Guarantee Fund	(1 947)	(3 743)	(1 006)	(1 680)
Purchased receivables write-offs	(3)	156	(107)	(135)
Impairment allowance for receivables	(6 662)	(8 672)	1 329	213
Tax from certain financial institutions	(6 383)	(12 413)	-	-
Other differences	(296)	(4 252)	827	62
Total income tax charge on gross profit	(31 776)	(57 828)	(653)	(7 726)

19 Cash and balances with the Central Bank

	30.06.2016	31.12.2015
Cash and other balances	952 463	1 128 335
Consolidated account with the National Bank of Poland	2 045 722	1 698 081
Total cash and balances at Central Bank	2 998 185	2 826 416

**20 Loans and advances to banks**

	30.06.2016	31.12.2015
Current accounts	457 627	163 914
Interbank placements	375 024	280 775
Loans and advances	48 951	49 947
Other receivables	1 487	1 851
Total loans and advances to banks (gross)	883 089	496 487
Impairment allowances on loans and advances to banks	(1 618)	(1 056)
Total loans and advances to banks (net)	881 471	495 431

	6 months ended 30.06.2016	12 months ended 31.12.2015
Impairment allowances on loans and advances at the beginning of the period	(1 056)	(487)
Impairment charges	(1 932)	(1 438)
Release of impairment charges	1 346	500
Provision acquired as a result of merger	-	(79)
Write-off	-	352
Other changes	24	96
Impairment allowances on loans and advances at the end of the period	(1 618)	(1 056)



21 Derivative financial instruments

30.06.2016	Nominal value	Fair value	
		Assets	Liabilities
Trading derivatives			
Currency derivatives:			
Non-deliverable Forward (NDF)	1 015 822	10 728	1 475
Foreign Exchange Forward (FX Forward)	4 483 656	29 489	23 568
Currency Swap (FX Swap)	8 556 041	30 123	21 936
Currency Interest Rate Swaps (CIRS)	1 271 760	1 356	5 580
OTC currency options	1 697 579	7 668	6 701
Total OTC currency derivatives	17 024 858	79 364	59 260
Interest rate derivatives:			
Interest rate swap	42 672 450	265 406	282 426
Currency Interest Rate Swap (CIRS)	903	306	-
Forward Rate Agreements (FRA)	22 358 462	4 471	4 932
OTC interest rate options	2 400 950	8 527	8 221
Other	-	-	-
Total OTC interest rate derivatives	67 432 765	278 710	295 579
OTC options	413 004	6 010	1 907
Total OTC derivatives based on equity securities	413 004	6 010	1 907
OTC commodity swap	51 020	1 405	1 354
Total OTC commodity derivatives	51 020	1 405	1 354
Other options	(6 500)	-	-
Foreign Exchange Spot (FX Spot)	1 635 215	216	33
Total currency spot transactions	1 635 215	216	33
TOTAL	86 550 362	365 705	358 133
<i>of which: measured using model-based method</i>	86 550 362	365 705	358 133



31.12.2015	Nominal value	Fair value	
		Assets	Liabilities
Trading derivatives			
Currency derivatives:			
Non-deliverable Forward (NDF)	953 099	6 310	2 297
Foreign Exchange Forward (FX Forward)	4 846 974	20 828	23 867
Currency Swap (FX Swap)	4 850 365	25 838	17 174
Currency Interest Rate Swaps (CIRS)	879 953	5 090	(3)
OTC currency options	2 832 716	10 459	8 515
Total OTC currency derivatives:	14 363 107	68 525	51 850
Interest rate derivatives:			
Interest rate swap	43 458 255	279 779	281 084
Currency Interest Rate Swap (CIRS)	1 037	262	-
Forward Rate Agreements (FRA)	25 300 000	3 469	5 003
OTC interest rate options	1 230 627	5 783	5 180
Other	24 003	-	169
Total OTC interest rate derivatives :	70 013 922	289 293	291 436
OTC options	384 577	4 751	2 904
Total OTC derivatives based on equity securities:	384 577	4 751	2 904
OTC commodity swap	188 789	5 566	5 188
Total OTC commodity derivatives:	188 789	5 566	5 188
Other options	(6 500)	-	-
Foreign Exchange Spot (FX Spot)	842 933	12	161
Total currency spot transactions	842 933	12	161
TOTAL:	85 786 828	368 147	351 539
<i>of which: - measured using model-based method</i>	<i>85 786 828</i>	<i>368 147</i>	<i>351 539</i>



22 Hedge accounting

As at 30 June 2016, the Group used fair value hedges.

Hedging relationship	The hedges are used against interest rate risk, specifically changes in the fair value of fixed-rate assets and liabilities resulting from changes in a specific reference rate.										
Hedged items	Hedged items are fixed-rate EUR and PLN current accounts.										
Hedging instruments	The hedging instruments are standard IRS transactions, i.e. plain vanilla IRS in EUR and PLN, where the Bank receives a fixed interest rate and pays a floating rate based on 1M and 3M EURIBOR, and 3M and 6M WIBOR for PLN.										
	<table border="1"> <thead> <tr> <th rowspan="2">IRS</th> <th rowspan="2">Nominal value</th> <th colspan="2">Fair value</th> </tr> <tr> <th>Assets</th> <th>Liabilities</th> </tr> </thead> <tbody> <tr> <td>30.06.2016</td> <td>5 519 570</td> <td>35 692</td> <td>-</td> </tr> </tbody> </table>	IRS	Nominal value	Fair value		Assets	Liabilities	30.06.2016	5 519 570	35 692	-
IRS	Nominal value			Fair value							
		Assets	Liabilities								
30.06.2016	5 519 570	35 692	-								
Presentation of result on the hedged and hedging transactions	The change in fair value measurement of hedging instrument is recognized in the Result on hedge accounting. Interest on the IRS transaction and the hedged items is recognized in Interest income.										

Amounts recognized in the statement of profit or loss and the revaluation reserve in relation to fair value hedge:

	30.06.2016	31.12.2015
Interest income on hedging derivatives	39 647	15 197
Interest expense on hedged items	(40 265)	(12 206)
Change in fair value of hedging transactions recognized in the Result on hedge accounting	140	-
<i>of which: change in fair value of hedging transactions</i>	12 123	(4 582)
<i>change in fair value of hedged transactions</i>	(11 983)	4 582

The table below presents hedging derivative instruments by nominal value as at 30 June 2016, broken down by residual maturity:

Hedging instruments	30.06.2016								
	Fair value		Nominal value						Total
	Positive	Negative	Up to 1 month	1 - 3 months	3 months - 1 year	1-5 years	Over 5 years		
Interest rate contracts	35 692	-	-	-	2 988 977	2 375 701	154 892	5 519 570	
Swap (IRS)	35 692	-	-	-	2 988 977	2 375 701	154 892	5 519 570	
Total hedging instruments	35 692	-	-	-	2 988 977	2 375 701	154 892	5 519 570	

**23 Loans and advances to customers**

	30.06.2016	31.12.2015
Current accounts:	8 399 579	7 944 880
corporate	4 325 874	3 906 021
households	4 046 191	3 967 365
individual customers	191 571	207 899
individual entrepreneurs	474 850	497 868
farmers	3 379 770	3 261 598
budget entities	584	526
other entities	26 930	70 968
Loans and advances:	48 201 734	47 330 763
corporate:	14 203 450	14 152 769
investment loans	6 889 285	6 154 067
revolving capital loans	2 964 429	3 778 853
other	4 349 736	4 219 849
households:	31 055 146	30 371 955
individual customers, including:	21 679 049	21 148 995
mortgage loans	15 004 469	14 722 641
individual entrepreneurs	2 220 268	2 352 245
farmers	7 155 829	6 870 715
budget entities	175 898	180 339
other entities	281 772	387 008
Lease receivables	2 485 468	2 238 692
Total loans and advances to customers (gross)	56 601 313	55 275 643
Impairment allowances (negative value)	(2 925 543)	(3 006 099)
Total loans and advances to customers (net)	53 675 770	52 269 544

*Impairment allowances on loans and advances to customers*

	30.06.2016	31.12.2015
Current accounts:	(431 393)	(427 738)
corporate	(287 404)	(286 390)
households	(143 450)	(140 770)
individual customers	(25 270)	(24 384)
individual entrepreneurs	(70 799)	(74 438)
farmers	(47 381)	(41 948)
budget entities	(1)	-
other entities	(538)	(578)
Loans and advances:	(2 494 150)	(2 578 361)
corporate:	(979 359)	(1 009 631)
investment loans	(237 338)	(231 727)
revolving capital loans	(437 401)	(443 234)
other	(304 620)	(334 670)
households:	(1 420 399)	(1 473 521)
individual customers, including:	(1 012 689)	(1 048 463)
mortgage loans	(348 420)	(347 082)
individual entrepreneurs	(216 485)	(242 403)
farmers	(191 225)	(182 655)
budget entities	(214)	(219)
other entities	(3 409)	(4 027)
lease receivables	(90 769)	(90 963)
Total impairment allowances	(2 925 543)	(3 006 099)



The Bank's credit risk exposure related to loans and advances to customers by indications of impairment

	30.06.2016	31.12.2015
Impaired exposures		
Gross carrying exposure	4 309 815	4 202 122
Impairment allowance	(2 622 146)	(2 687 616)
Net exposure	1 687 669	1 514 506
Exposures without indications of impairment		
Gross carrying amount	52 291 498	51 073 521
IBNR provision	(303 397)	(318 483)
Net exposure	51 988 101	50 755 038

	6 months ended 30.06.2016	12 months ended 31.12.2015
Opening balance of impairment allowances	(3 006 099)	(1 430 389)
Impairment charges *	(941 831)	(2 010 656)
Release of impairment charges	769 354	1 682 423
Write-off	265 637	140 954
Impairment acquired as a result of merger	-	(1 377 356)
Other changes (including exchange differences)	(12 604)	(11 075)
Closing balance of impairment allowances	(2 925 543)	(3 006 099)

* Recognition and release of impairment allowances on loans and advances presented as revenue owing to functional limitations of the system.

The presentation above does not have any effect on the Group's financial profit or loss.

In the first half of 2016, the Bank entered into 3 agreements for sale of its loan portfolio. The receivables sold under the agreements, the major part of which had been covered with impairment losses or derecognized in whole, totalled PLN 545.133 thousand (principal, interest and other accompanying receivables). The contractual portfolio sale price was PLN 75.604 thousand. The net effect of the portfolio sale on the profit generated by the Bank was PLN 53.160 thousand and it was presented as recognition and derecognition of impairment losses on loans and advances in the amount of PLN 32.960 and as other operating income in the amount of PLN 20.200 (Note 13).

Home loans to individual customers – by currency (in PLN '000)

Loans by currency	30.06.2016	31.12.2015
CHF	6 889 623	6 924 155
EUR	80 459	82 704
PLN	8 029 575	7 710 797
USD	4 812	4 985
Total	15 004 469	14 722 641

*CHF portfolio*

	30.06.2016		31.12.2015	
	Total portfolio	including CHF exposures	Total portfolio	including CHF exposures
(Gross) loan portfolio, including:				
Current accounts:	8 399 579	3	7 944 880	-
corporate:	4 325 874	1	3 906 021	-
households:	4 046 191	2	3 967 365	-
individual customers	191 571	1	207 899	-
individual entrepreneurs	474 850	1	497 868	-
farmers	3 379 770	-	3 261 598	-
budget entities	584	-	526	-
other entities	26 930	-	70 968	-
Loans and advances to customers:	48 201 734	7 268 017	47 330 763	7 310 324
corporate:	14 203 450	107 519	14 152 769	116 457
investment loans	6 889 285	24 515	6 154 067	27 867
revolving capital loans	2 964 429	11 534	3 778 853	11 761
other	4 349 736	71 470	4 219 849	76 829
households:	31 055 146	7 060 236	30 371 955	7 104 798
individual customers, including:	21 679 049	6 991 701	21 148 995	7 030 204
mortgage loans	15 004 469	6 889 623	14 722 641	6 924 155
individual entrepreneurs	2 220 268	57 914	2 352 245	63 593
farmers	7 155 829	10 621	6 870 715	11 001
budget entities	175 898	-	180 339	-
other entities	281 772	2 713	387 008	2 811
lease receivables	2 485 468	97 549	2 238 692	86 258
Total loans and advances to customers (gross)	56 601 313	7 268 020	55 275 643	7 310 324


Impairment allowances on CHF loans

	30.06.2016		31.12.2015	
	Total portfolio	including CHF exposures	Total portfolio	including CHF exposures
(Gross) loan portfolio, including:				
Current accounts:	(431 393)	(2)	(427 738)	-
corporate:	(287 404)	(1)	(286 390)	-
households:	(143 450)	(1)	(140 770)	-
individual customers	(25 270)	-	(24 384)	-
individual entrepreneurs	(70 799)	(1)	(74 438)	-
farmers	(47 381)	-	(41 948)	-
budget entities	(1)	-	-	-
other entities	(538)	-	(578)	-
Loans and advances to customers:	(2 494 150)	(274 948)	(2 578 361)	(258 775)
corporate:	(979 359)	(17 095)	(1 009 631)	(16 734)
investment loans	(237 338)	(133)	(231 727)	(98)
revolving capital loans	(437 401)	(689)	(443 234)	(668)
other	(304 620)	(16 273)	(334 670)	(15 968)
households:	(1 420 399)	(244 253)	(1 473 521)	(239 929)
individual customers, including:	(1 012 689)	(235 455)	(1 048 463)	(230 132)
mortgage loans	(348 420)	(223 068)	(347 082)	(217 322)
individual entrepreneurs	(216 485)	(7 384)	(242 403)	(8 438)
farmers	(191 225)	(1 414)	(182 655)	(1 359)
budget entities	(214)	-	(219)	-
other entities	(3 409)	(5)	(4 027)	(6)
Lease receivables	(90 769)	(13 595)	(90 963)	(2 106)
Total loans and advances to customers (gross)	(2 925 543)	(274 950)	(3 006 099)	(258 775)

The key domestic risk to the Bank and the banking sector are the authorities' plans in terms of currency conversion of denominated and indexed in foreign currencies mortgages. The last project of so-called Act on francs from August 2016, provides for reimbursement of foreign exchange spreads and implementing regulations encouraging banks to the gradual currency conversion of foreign currency mortgages and indexed in Polish zlotys. The full cost of the new proposal is difficult to estimate, while the cost of the same spreads for the Polish banking sector was estimated at PLN 3.6-4.0 billion by the Office of the President of the Republic of Poland.



24 Available for sale financial assets

	30.06.2016	31.12.2015
Debt securities available for sale :	9 969 081	7 792 947
issued by governments – T-bonds	9 874 089	7 685 676
issued by local governments – bonds	82 772	95 144
issued by local governments – municipal bonds	12 220	12 127
Available for sale equity instruments (Stock and shares)	37 013	48 592
Share units	5 178	3 535
Total available for sale financial assets	10 011 272	7 845 074
<i>of which:</i>		
<i>measured using the market quotation method</i>	9 879 286	7 689 232
<i>measured using model-based method</i>	131 986	155 842

25 Intangible assets

	30.06.2016	31.12.2015
Licenses	177 390	218 004
Other intangible assets	7 182	6 447
Expenditure on intangible assets	51 890	32 004
Total intangible assets	236 462	256 455

In the first half of 2016 the Group bought intangible assets with a gross carrying amount of PLN 51,370 thousand (PLN 31,424 thousand in the first half of 2015) whereas the gross carrying amount of intangible assets sold and liquidated was PLN 16,033 thousand (PLN 13,091 thousand in the first half of 2015).

26 Property, plant and equipment

	30.06.2016	31.12.2015
Non-current assets, in this:	483 869	495 458
land and buildings	249 661	252 157
leasehold improvements	94 483	102 067
IT equipment	84 188	84 740
office equipment	24 128	49 262
equipment and vehicles	31 409	7 232
Fixed assets under construction	53 718	41 743
Total property, plant and equipment	537 587	537 201

In the first half of 2016 the Group bought property, plant and equipment with a gross carrying amount of PLN 44,383 thousand (PLN 8,976 thousand in the first half of 2015) whereas the gross carrying amount of property, plant and equipment sold and liquidated was PLN 2,941 thousand (PLN 2,117 thousand in the first half of 2015).

**27 Other assets**

	30.06.2016	31.12.2015
Other assets		
Other debtors	108 713	61 261
Interbank and intersystem settlements	42 395	500
Prepaid expenses	48 396	38 126
Accrued income	45 952	47 835
Card settlements	15 430	12 633
Tax and other regulatory receivables	178 337	108 542
Insurance liabilities	3 468	930
Other lease liabilities	52 350	20 667
Other	18 383	10 863
Total other assets (gross)	513 424	301 357
Impairment allowances on other receivables	(52 462)	(49 836)
Total other assets (net)	460 962	251 521

*Due to amendments made to the Act on the Bank Guarantee Fund (Journal o Laws of 2016) in March 2016, the method for determination of the obligatory and prudential fee to the Bank Guarantee Fund changed from monthly to quarterly.

As a consequence, the Group paid its liabilities for Q1 and Q2 2016 in this respect at the end of March and June 2016, respectively, therefore there are no items concerning the Bank Guarantee Fund under *Prepaid expenses*.

28 Amounts due to banks

	30.06.2016	31.12.2015
Current accounts	146 260	120 628
Interbank deposits	241 279	1 288 942
Loans and advances received	7 622 211	8 447 998
Other liabilities	4 785	19 324
Total amounts due to banks	8 014 535	9 876 892



29 Amounts due to customers

	30.06.2016	31.12.2015
Other financial institutions:	3 874 171	4 935 155
Current accounts	340 567	622 755
Term deposits	1 376 378	2 028 453
Loans and advances received	2 156 906	2 240 934
Other liabilities, in this:	320	43 013
cash collaterals	262	43 002
other	58	11
Individual customers	25 702 856	24 079 361
Current accounts	14 353 906	13 398 459
Term deposits	11 228 989	10 595 406
Other liabilities, in this:	119 961	85 496
cash collaterals	33 591	36 017
other	86 370	49 479
Corporate :	20 868 635	16 817 438
Current accounts	10 126 729	9 888 534
Term deposits	10 502 895	6 695 150
Other liabilities, in this:	239 011	233 754
cash collaterals	205 170	208 568
other	33 841	25 186
Including farmers:	1 423 915	1 309 339
Current accounts	1 235 355	1 133 901
Term deposits	185 992	171 893
Other liabilities, in this:	2 568	3 545
cash collaterals	2 523	3 500
other	45	45
Public sector customers:	1 406 919	695 437
Current accounts	598 044	502 878
Term deposits	808 786	192 425
Other liabilities, in this:	89	134
cash collaterals	23	134
other	66	-
Total amounts due to customers	51 852 581	46 527 391

30 Debt securities issued

Changes in the balance of debt securities issued

	6 months ended 30.06.2016	12 months ended 31.12.2015
Balance at the beginning of the period	469 083	762 311
Issuance of certificates of deposit	-	-
Redemption of certificates of deposit	(71 996)	(294 775)
Changes in discount from certificates of deposit, interests, commission and other fees on certificates of deposit amortized using EIR, foreign currency exchange differences	729	1 547
Balance of debt securities issued at the end of the period	397 816	469 083



In 2008, the Bank entered into several agreements with three financing banks, concerning the issue of bearer, materialized bank securities (Certificates of Deposit) denominated in PLN. The Bank, as the issuer of debt securities, signed a Dealer Agreement and an Underwriting Agreement for purposes of the Debt Securities Issue Program ("Program") with Bank Handlowy S.A. w Warszawie S.A., Bank Pekao S.A., BRE Bank S.A. (currently: mBank) and ING Bank Śląski S.A., acting as the Program Dealers. The scope of the Program includes multiple issues of Certificates of Deposit ("CDs") and the Bank's Bonds ("bonds") denominated in PLN, with a total par value of no more than PLN 3,500,000. The Bank will issue zero-coupon and coupon CDs for a maximum term of 5 years as well as zero-coupon and coupon bonds for a maximum term of 10 years. The aforesaid agreements were signed for an indefinite term.

The Debt Securities Issue Program is aimed at financing the day-to-day lending operations of the Bank.

The agreements renew and extend the scope of the previous Debt Securities Issue Program of 14 March 2008, to include bonds.

As at 30 June 2016, the par value of certificates of deposit issued was PLN 394,000 thousand (nominal value) as compared to PLN 465,000 thousand as at 31 December 2015 (nominal value).

31 Subordinated liabilities

Change in balances of subordinated liabilities	6 months ended 30.06.2016	12 months ended 31.12.2015
Balance at the beginning of the period	847 568	320 951
Increases	613 900	-
<i>loan received</i>	613 900	-
Decreases	-	-
<i>loan repayment</i>	-	-
Loan acquired as a result of merger	-	474 016
Change in the balance of interest	3 200	(1 779)
Exchange differences	32 205	54 380
Balance of subordinated loans at the end of the period	1 496 873	847 568



32 Other liabilities

	30.06.2016	31.12.2015
Interbank and intersystem settlements	213 482	165 646
Other creditors	108 222	64 860
Card settlements	38 975	37 929
Provisions for non-personnel expenses	144 104	157 340
Provisions for other employees-related liabilities	102 126	113 929
Provision for unused holidays	37 970	31 125
Deferred income	52 585	42 596
Trust account liabilities	154 571	8 429
Other regulatory liabilities	155 555	108 093
Insurance liabilities	10 837	6 851
Other lease liabilities	16 185	15 521
Brokerage house liabilities	5 504	15 114
Other	43 350	49 551
Total other liabilities	1 083 466	816 984

33 Provisions

	30.06.2016	31.12.2015
Provision for restructuring	62 166	60 824
Provision for retirement benefits and similar obligations	25 779	25 879
Provision for guarantees, suretyships and undrawn credit facilities	44 705	46 784
Provisions for litigation and claims	19 850	20 913
Other provisions	6 416	9 754
Total provisions	158 916	164 154

Provision for restructuring	6 months ended 30.06.2016	12 months ended 31.12.2015
Opening balance	60 824	-
Provisions charges	29 867	66 666
Provisions utilization	(28 525)	(61 869)
Provisions release	-	(49)
Provision acquired as a result of merger	-	56 076
Closing balance	62 166	60 824

Provision for retirement benefits and similar obligations	6 months ended 30.06.2016	12 months ended 31.12.2015
Opening balance	25 879	26 859
Provisions charges	3 494	1 938
Provisions release	(3 931)	(7 077)
Provision acquired as a result of merger	337	4 159
Closing balance	25 779	25 879



Provision for guarantees, suretyships and undrawn credit facilities	6 months ended 30.06.2016	12 months ended 31.12.2015
Opening balance	46 784	23 200
Provisions charges	24 270	50 386
Provisions release	(24 386)	(68 366)
Provision acquired as a result of merger	-	41 260
Other changes	(1 963)	304
Closing balance	44 705	46 784

Provisions for litigation and claims	6 months ended 30.06.2016	12 months ended 31.12.2015
Opening balance	20 913	16 457
Provisions charges	847	9 734
Provisions utilization	(3 096)	(10 080)
Provisions release	(1 752)	(1 011)
Provision acquired as a result of merger	2 937	5 809
Other changes	1	4
Closing balance	19 850	20 913

Other provisions	6 months ended 30.06.2016	12 months ended 31.12.2015
Opening balance	9 755	1 596
Provisions charges	718	2 137
Provisions release	(847)	(2 985)
Provision acquired as a result of merger	(3 210)	9 006
Closing balance	6 416	9 754

34 Cash and cash equivalents

For purposes of preparation of the statement of cash flows, the balance of cash and cash equivalents comprises the following balances with maturity shorter than three months:

	30.06.2016	31.12.2015
Cash and balances at the Central Bank	2 998 185	2 826 416
Current accounts of banks and other receivables	461 888	163 957
Interbank placements	368 707	270 973
Loans and advances	-	989
Total cash and cash equivalents	3 828 780	3 262 335



35 Additional information regarding the statement of cash flows

Other adjustments in the statement of cash flows	6 months ended 30.06.2016	6 months ended 30.06.2015
Changes resulting from changes in balance sheet as a result of merger:	-	2 062 040
<i>Cash and cash equivalents</i>	-	2 745 280
<i>Loans and advances from banks</i>	-	504 402
<i>Derivative financial instruments</i>	-	-
<i>Debt securities held for trading</i>	-	167 463
<i>Hedging instruments</i>	-	6 500
<i>Loans and advances to customers</i>	-	18 138 127
<i>Available for sale financial assets</i>	-	1 238 010
<i>Investments in subsidiaries and associates</i>	-	21 067
<i>Intangible assets</i>	-	73 271
<i>Property, plant and equipment</i>	-	97 266
<i>Deferred tax assets</i>	-	213 610
<i>Current tax assets</i>	-	-
<i>Other assets</i>	-	144 415
<i>Amounts due to banks</i>	-	(595 093)
<i>Derivative financial instruments</i>	-	-
<i>Financial liabilities held for trading</i>	-	(176 832)
<i>Differences resulting from fair value hedges against interest rate risk attributable to hedged items</i>	-	(5 872)
<i>Amounts due to customers</i>	-	(12 392 905)
<i>Loans and advances received</i>	-	(6 706 454)
<i>Subordinated liabilities</i>	-	(474 016)
<i>Current tax liabilities</i>	-	(14 176)
<i>Deferred tax liability</i>	-	(263)
<i>Other liabilities</i>	-	(835 199)
<i>Provisions</i>	-	(86 561)
FX differences from subordinated loans	35 405	66 171
Change resulting from hedge accounting	(20 838)	(389)
Balance of property, plant and equipment and intangible assets	-	170 537
Equity of subsidiaries resulting from merger	(87 325)	6 102
Investments in subsidiaries resulting from merger	-	21 067
Other adjustments	(24 622)	(3)
Other adjustments	(97 380)	2 325 525

**36 Contingent liabilities**

	30.06.2016	31.12.2015
Contingent commitments granted	16 874 672	16 898 723
financial commitments	13 310 293	13 256 997
guarantees	3 564 379	3 641 726
Contingent commitments received	2 022 229	5 372 144
financial commitments	1 038 964	4 186 655
guarantees	983 265	1 185 489

37 Fair value of financial assets and liabilities

At the end of the first half 2016, instruments were allocated to the following measurement levels:

- level 1: treasury bonds, WSE-listed shares (fair value determined directly by reference to published active market quotations);
- level 2: interest rate options in EUR, FX options, base interest rate and FX swaps, FRA, FX Forward and FX swaps maturing within 1 year, commodity swaps, OIS, interest rate swaps maturing within 10 years (fair value determined using measurement techniques which are based on available, verifiable market data), money bills, CATALYST-listed corporate bonds (fair value determined using measurement techniques which are based on available, verifiable market data or based on prices available on a limited-liquidity market);
- level 3: interest rate options in PLN, FX options maturing over 1 year, FX Forward and FX swaps maturing over 1 year, interest rate swaps with residual maturity exceeding 10 years (fair value determined using measurement techniques (models) which are not based on available, verifiable market data), corporate bonds other than CATALYST-listed ones, shares which are not listed on the WSE (fair value determined using measurement techniques (models) which are not based on available, verifiable market data, i.e. in cases other than those described in 1 and 2).



The table below presents classification of assets and liabilities re-measured to fair value in the consolidated financial statements into three categories:

30.06.2016	Level 1	Level 2	Level 3	Total
Assets re-measured to fair value:	9 962 058	392 008	113 090	10 467 156
Derivative financial instruments	-	356 316	9 389	365 705
Hedging instruments	-	35 692	-	35 692
Available for sale financial assets	9 962 058	-	49 214	10 011 272
Investment property	-	-	54 487	54 487
Liabilities re-measured to fair value:	-	(349 015)	(9 118)	(358 133)
Derivative financial instruments	-	(349 015)	(9 118)	(358 133)

31.12.2015	Level 1	Level 2	Level 3	Total
Assets re-measured to fair value:	7 686 599	424 800	156 449	8 267 848
Derivative financial instruments	-	361 454	6 693	368 147
Available for sale financial assets	7 686 599	63 346	95 129	7 845 074
Investment property	-	-	54 627	54 627
Liabilities re-measured to fair value:	-	(344 994)	(6 545)	(351 539)
Derivative financial instruments	-	(344 994)	(6 545)	(351 539)

The fair value of level 2 and 3 financial instruments is determined using the measurement techniques (e.g. models).

The input data used for purposes of valuation of level 2 and 3 instruments includes foreign exchange rates, yield curves, reference rates, changes in foreign exchange rates, reference rates, stock market indices and stock prices, swap points, basis spreads, stock market index values and futures prices.

As regards level 3 municipal bonds, the credit risk margin is a non-observable parameter corresponding to the market margin for instruments within similar characteristics. The effect of changes in the credit margin on changes in the fair value is considered immaterial.

For investment property, offer prices for comparable property, actual transaction prices and other information concerning the conditions on a specific regional real estate market are the input data used for purposes of valuation. Adoption of estimates other than those used as at 30 June 2016 could lead to a material change in the valuation of investment property. However, the Group is not able to estimate their effect on the fair value of real property reliably.

The measurement was carried out by a third-party property appraiser using the combined approach (residual method).



Presented below are changes in the measurement of level 3 assets and liabilities as well as amounts charged to profit or loss and statement of comprehensive income.

	Derivative financial instruments – assets	Available for sale financial assets	Investment property	Derivative financial instruments – liabilities
Balance as at 1.01.2016	6 693	95 129	54 627	(6 545)
Total gains/losses recognized in:	2 687	(53 887)	(140)	(2 498)
<i>statement of profit or loss</i>	2 687	(23 846)	(140)	(2 498)
<i>statement of other comprehensive income</i>	-	(30 041)	-	-
Purchase	18	10 000	-	(75)
Settlement	(9)	(2 028)	-	-
Transfers	-	-	-	-
Merger	-	-	-	-
Balance as at 30.06.2016	9 389	49 214	54 487	(9 118)
Unrealized gains/losses recognized in profit or loss related to assets and liabilities held at the end of the period	2 687	(26 070)	(140)	(2 498)

	Derivative financial instruments – assets	Available for sale financial assets	Investment property	Derivative financial instruments – liabilities
Balance as at 1.01.2015	8 283	20 675	54 627	(6 231)
Total gains/losses recognized in:	(15 491)	21 848	-	(7 337)
<i>statement of profit or loss</i>	(15 491)	371	-	(7 337)
<i>statement of other comprehensive income</i>	-	21 477	-	-
Purchase	3 924	80 337	-	2 121
Settlement	229	(20 753)	-	229
Transfers	(469)	-	-	147
Merger	10 217	72 786	-	10 200
Balance as at 31.12.2015	6 693	174 893	54 627	(871)
Unrealized gains/losses recognized in profit or loss related to assets and liabilities held at the end of the period	(5 131)	77	-	2 632

The Bank measures the fair value by discounting all contractual cash flows related to transactions, with the use of yield curves characteristic of each transaction group. Where no repayment schedule is agreed for a product, it is assumed that the fair value is equal to the carrying amount of the transaction.



The yield curve used for fair value measurement of liabilities (such as customer and interbank deposits) and receivables (such as loans to customers and interbank deposits) comprises:

- the credit risk free yield curve;
- the cost of obtaining financing above the credit risk free yield curve;
- the market margin that reflects credit risk for receivables.

The yield curve for fair value measurement of loans is constructed through classification of loans into sub-portfolios depending on the product type and currency as well as customer segmentation. A margin is determined for each sub-portfolio taking into account credit risk. The margin is determined by reference to margins used for each type of loan granted over the past three months and if no such loans were granted over such period, a period of six months is analysed. If no new transaction was entered into during the past six months, the margin for the whole portfolio of specific type loans is used as the basis. In particular, for foreign currency mortgage loans, the margin for the whole portfolio of a specific type of mortgage loans serves as the basis for determination of a margin reflecting credit risk as no new transactions are concluded.

At the end of the first half 2016, receivables and liabilities were allocated to the following measurement levels:

- level 2, which denotes that the fair value is measured using techniques based on available, verifiable market data, without any discretionary adjustments that would have a considerable effect on the results of measurement;
- level 3, which denotes that the fair value is measured using available market data adjusted by parameters resulting from the Bank's own assumptions based on expertise and experience as well as the perceived behaviour of other market participants.

The following table presents the hierarchy of measurement of loans and advances from and amounts due to banks and customers as at 30 June 2016, and comparative data:

30.06.2016	Book value	Fair value	Level
Financial assets			
Loans and advances from banks	881 471	983 530	2,3
Loans and advances to customers	53 675 770	53 286 470	3
Financial liabilities			
Amounts due to banks	8 014 535	8 138 124	2,3
Amounts due to customers	51 852 581	51 935 133	3
Debt securities issued	397 816	399 537	3
Subordinated liabilities	1 496 873	1 739 580	2

31.12.2015	Book value	Fair value	Level
Financial assets			
Loans and advances from banks	495 431	466 773	2,3
Loans and advances to customers	52 269 544	52 030 012	3
Financial liabilities			
Amounts due to banks	9 876 892	9 951 761	2,3
Amounts due to customers	46 527 391	46 584 000	3
Debt securities issued	469 083	469 690	3
Subordinated liabilities	847 568	972 970	2,3



38 Related party transactions

Bank BGŻ BNP Paribas S.A. operates within the BNP Paribas S.A. Group with its registered office in Paris.

Bank BGŻ BNP Paribas S.A. is the parent in the Capital Group of Bank BGŻ BNP Paribas S.A.

As at 30 June 2016, the Group comprised Bank BGŻ BNP Paribas S.A., the parent, and its subsidiaries:

1. Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. ("Actus") with its registered office at ul. Kasprzaka 10/16 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000023062. The Bank holds 100% interest in the share capital of the Company and 100% of votes at the Shareholders' Meeting.
2. Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas Polska S.A. ("TFI") with its registered office at Bielańska 12 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000031121. The Bank holds 100% of the company's shares.
3. Fortis Lease Polska Sp. z o.o. in liquidation ("FLP") with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000098813. The Bank holds 100% of the Company's shares.
4. BNP Paribas Faktoring Sp. z o.o. ("Faktoring") with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000225155. The Bank holds 100% of the Company's shares.
5. Laser Services Polska S.A., with its registered office at ul. Suwak 3 in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000022784. The Bank holds 100% of the Company's shares.

All transactions between the Bank and its related parties were entered into as part of its day-to-day operations and included mainly loans, deposits, transactions in derivative instruments as well as income and expenses related to advisory and financial intermediation services.



Transactions with shareholders of BGŻ BNP Paribas S.A. and related parties

30.06.2016	BNP PARIBAS SA	BNP PARIBAS FORTIS SA/NV	OTHER ENTITIES FROM THE CAPITAL GROUP OF BANK BNP PARIBAS SA	KEY PERSONNEL	TOTAL
Assets	100 663	462 814	256 503	1 548	821 528
Current accounts, interbank placements and loans and advances	58 134	423 028	251 457	1 548	734 167
Derivative financial instruments	42 374	3 167	4	-	45 545
Hedging instruments	-	36 619	-	-	36 619
Other assets	155	-	5 042	-	5 197
Liabilities	5 331 486	63 035	3 905 613	3 725	9 303 859
Loans and advances received	3 610 964	-	3 803 438	-	7 414 402
Deposits and current accounts	187 624	61 797	84 730	3 725	337 876
Subordinated liabilities	1 499 747	-	-	-	1 499 747
Derivative financial instruments	33 132	88	1 354	-	34 574
Other liabilities	19	1 150	16 091	-	17 260
Contingent liabilities					
Financial commitments granted	-	-	91 718	177	91 895
Guarantees granted	10 730	89 249	201 721	-	301 700
Commitments received	125 061	325 262	826 900	-	1 277 223
Derivative financial instruments (face value)	57 154 722	300 012	25 023	-	57 479 757
First half of 2016 from 01.01.2016 to 30.06.2016					
Statement of profit or loss	(229 541)	20 055	(88 505)	70	(297 921)
Interest income	52 260	20 590	1 521	103	74 474
Interest expense	(195 319)	-	(96 077)	(33)	(291 429)
Fee and commission income	-	-	4 345	-	4 345
Fee and commission expense	(18 842)	(268)	(20)	-	(19 130)
Net trading income	(77 176)	(2 138)	3 221	-	(76 093)
Result on hedge accounting	9 536	1 871	(18)	-	11 389
Other operating income	-	-	6 798	-	6 798
Other operating expenses	-	-	(8 153)	-	(8 153)
General administrative expenses	-	-	(122)	-	(122)

31.12.2015	BNP PARIBAS SA	BNP PARIBAS FORTIS SA/NV	OTHER ENTITIES FROM THE CAPITAL GROUP OF BANK BNP PARIBAS SA	KEY PERSONNEL	TOTAL
Assets	44 885	121 369	49 127	1 553	216 934
Current accounts, interbank placements and loans and advances	6 097	112 846	41 399	1 553	161 895
Derivative financial instruments	38 781	-	2 951	-	41 732
Hedging instruments	-	8 523	-	-	8 523
Other assets	7	-	4 777	-	4 784
Liabilities	6 410 337	1 483 770	3 785 558	3 519	11 683 184
Loans and advances received	5 533 980	1 481 130	3 773 049	-	10 788 159
Deposits and current accounts	-	16	-	3 519	3 535
Subordinated liabilities	848 360	-	-	-	848 360
Derivative financial instruments	27 413	2 392	2 413	-	32 218
Other liabilities	584	232	10 096	-	10 912
Contingent liabilities					
Financial commitments granted	-	-	103 817	223	104 040
Guarantees granted	7 313	60 316	174 690	-	242 319
Commitments received	287 341	73 743	558 855	-	919 939
Derivative financial instruments (face value)	36 200 827	848 082	704 829	-	37 753 738
First half of 2015 from 01.01.2015 to 30.06.2015					
Statement of profit or loss	23 102	5 199	(15 294)	-	13 007
Interest income	10	437	63	6	516
Interest expense	(8 131)	(109)	(11 571)	(6)	(19 817)
Fee and commission income	2	10 463	800	-	11 265
Fee and commission expense	(1)	(31)	(53)	-	(85)
Net trading income	31 222	(4 886)	(3 005)	-	23 331
Result on hedge accounting	-	(660)	-	-	(660)
Other operating income	-	(15)	-	-	(15)
Other operating expenses	-	-	(1 528)	-	(1 528)

Remuneration of the Management Board and Supervisory Board

Management Board	30.06.2016	31.12.2015
Short-term employee benefits	9 328	20 992
Long-term benefits	2 202	6 753
Benefits due to termination of employment	-	3 224
Share-based payments	2 885	2 542
TOTAL	14 415	33 511

Supervisory Board	30.06.2016	31.12.2015
Short-term employee benefits	734	664
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
TOTAL	734	664

39 Operating segments

Segment reporting

The Group has identified the following operating segments for reporting purposes and allocated income and expenses as well as assets and liabilities thereto: Retail and Business Banking, Small and Medium-Sized Enterprises (SME) and Agro, Corporate Banking, Corporate and Institutional Banking (CIB) as well as Other Operations, including ALM Treasury and the Corporate Centre. Additionally, performance related to Agro customers, i.e. individual farmers and agri-food sector enterprises, as well as the Personal Finance segment has been presented. Although the aforesaid segment performance overlaps with that of the basic operating segments, it is additionally monitored separately for purposes of the Group's management reporting. The abovementioned segmentation reflects the principles of customer classification to each segment in line with the business model adopted by the Group, which are based on such criteria as the entity, finances and type of business activity. Enterprises are segmented on the basis of activity classification codes.

The Group's management performance is monitored by considering all items of the statement of profit or loss of the particular segment, to the level of gross profit, i.e. for each segment revenue, expenses and net impairment losses are reported. Management revenue takes into account cash flows between customer segments and the asset liability management unit, measured by reference to internal transfer prices of funds based on market prices and liquidity margins for each maturity and currency. Management expenses of the segments include direct operating expenses and expenses allocated using the allocation model adopted by the Group. Additionally, the management performance of the segments may take into account amounts due to each business line for services between such lines – such information is assigned to the Bank's customers.

The Group's operations are carried out in Poland only. As no considerable differences in the risks, which might be affected by the geographical location of the Group's branches, can be identified, no geographical disclosures have been presented.

The Group applies consistent, detailed principles to all identified segments. As regards revenue, in addition to standard items, components of the net interest income of the segments have been identified, to include external and internal revenue and expenses. As regards operating expenses, the Group's indirect expenses are allocated to each segment in the Expense allocation (internal) item. Total integration costs of banks BGŻ, BNP Paribas Bank Polska and Sygma Bank Polska are presented in the Other Operations segment. Considering the profile of the Group's business, no material seasonal or cyclical phenomena are identified. The Group provides financial services, the demand for which is stable, and the effect of seasonality is immaterial.



Description of operating segments

The Retail and Business Banking Segment offers comprehensive services to individuals, also private banking customers, as well as businesses (microenterprises), including:

- entrepreneurs whose annual net revenue for the preceding financial year is below PLN 10 million and the Bank's credit exposure to a customer is less than PLN 2 million;
- farmers, where the Bank's credit exposure to a customer is less than PLN 1 million and the Standard Output (parameter describing the economic size of farms in accordance with the Community Typology for Agricultural Holdings) in the preceding financial year was less than EUR 50 thousand.

The scope of financial services offered by the Retail and Business Banking Segment includes maintenance of current and deposit accounts, acceptance of term deposits, granting home loans, cash loans, instalment loans, mortgage loans, overdrafts, loans to microenterprises, issuing debit and credit cards, cross-border cash transfers, foreign exchange transactions, sale of insurance products as well as other services of lesser importance to the Group's income. Additionally, the performance of the Retail and Business Banking Segment includes: balances and performance of direct banking (BGŻ Optima), performance of brokerage services and distribution of investment fund units.

The Retail and Business Banking customers are served by the Bank's Branches and alternative channels, i.e. online banking (eBGŻ, PI@net), mobile banking and telephone banking (TeleBGŻ), indirect banking channel (BGŻ Optima) and the Personal Banking channel. Selected products are also sold by financial intermediaries active at the country and local level.

Personal Finance is responsible for development of product offering and management of financial services provided to consumers, offering five key product groups, i.e. cash loans, instalment loans, car loans, leases and credit cards. These products are distributed via Retail and Business Banking branches, Bank's loan outlets located in trading centres, external distribution channels, Internet and Contact Centre.

Personal Finance provides strong support in acquisition of individual customers, generating income and increasing profitability.

The SME and Agro Segment provides services to institutional customers (other than retail customers) with annual net revenue for the preceding financial year of PLN 10-60 million and the Bank's credit exposure of less than PLN 25 million, or the Bank's credit exposure of PLN 2-25 million and the customer's net revenue for the preceding financial year of less than PLN 60 million; farmers with the Bank's credit exposure of PLN 1-25 million or the Standard Output (parameter describing the economic size of farms in accordance with the Community Typology for Agricultural Holdings) in the preceding financial year of EUR 50 thousand or more as well as Agro entrepreneurs.

The SME sales network has been divided into 7 SME Regions with 44 SME Business Centres dedicated solely to provision of services to Small and Medium-Sized Enterprises.

The Corporate Banking Segment focuses on provision of services to medium-sized and large enterprises, offering them a wide range of financial solutions. Corporate Banking customers are corporations and institutions with annual sales revenue exceeding PLN 60 million. They are divided into four key groups:

- Polish mid-caps (with annual revenue of PLN 60-600 million);
- multinational customers (companies operating in multinational capital groups);
- large Polish corporations (with annual turnover of more than PLN 600 million and an investment banking potential);
- public sector and institutions.

Additionally, an agro sub-segment and a non-agro sub-segment have been identified in the aforesaid segments.

Services are provided by 9 Business Centres located in large cities across Poland, which are separate from the Bank's branch network. Operating services are provided to all institutional segment customers by the Bank's Branches, via telephone (TeleBGŻ) and online (eBGŻ Firma,



Biznes Planet and Connexis). Selected products are also sold by financial intermediaries active at the country and local level.

The basic products and services provided to Corporate Customers include cash management and global trade finance services – comprehensive services related to import and export LCs, bank guarantees and documentary collection, supply chain and exports financing, acceptance of deposits (from overnight to term deposits), corporate finance services which involve provision of overdraft facilities, revolving and investment loans as well as agro-business loans), financial market products, to include foreign exchange and derivative transactions for the account of customers, lease and factoring products as well as specialized services such as financing real property, structured finance services to mid-caps and investment banking.

The Corporate and Institutional Banking (CIB) Segment supports sales of products of the BNP Paribas Group, an international institution, dedicated to the largest Polish enterprises. It offers world-class quality expertise to customers by combining the knowledge of the Polish market with experience gained on international markets as well as top-class industry experts' competence. It supports development of Polish enterprises and implementation of projects of strategic importance to Poland, to include construction of power plants, green energy or fuel sector funding or securing financing for cross-border acquisitions of listed companies. In addition to the Strategic Customer Department, the organizational structure of CIB comprises the Financial Markets Division.

Other Operations of the Group are carried out mainly through **the ALM Treasury**, the main objective of which is ensuring an appropriate and stable level of funding to guarantee security of the Bank's operations and compliance with the standards defined in the applicable laws.

The Asset Liability Management Division assumes responsibility for liquidity management at the Bank, setting internal and external reference prices, management of the interest rate risk inherent in the Bank's balance sheet as well as the operational and structural currency risk. The Asset Liability Management Division focuses on both prudential (compliance with external and internal regulations) and optimization aspects (financing cost management and generating profit on management of the Bank's balance sheet items).

The **Other Operations** segment includes also direct costs of the support functions, which have been allocated to segments in the Expense allocation (internal) item, as well as results that may not be assigned to any of the aforementioned segments (to include equity investment, gains/losses on own accounts and customer accounts not allocated to a specific segment).

The presentation of data in the segment reporting note as at 30 June 2016 and for the period then ended has been changed as compared to the presentation in the mid-year consolidated financial statements prepared as at 30 June 2015 and for the period then ended, with a view to ensuring their full comparability with the relevant financial information as at 30 June 2016 and for the period then ended.



First half of 2016*	Retail and Business Banking	SME and AGRO	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss								
Net interest income	552 510	115 570	114 246	1 401	112 211	895 939	171 556	231 401
external interest income	702 712	216 940	176 768	3 524	170 663	1 270 607	315 349	327 300
external interest expense	(185 094)	(29 658)	(66 814)	-	(93 102)	(374 668)	(19 423)	(20 012)
internal interest income	315 081	52 071	102 659	-	532 986	1 002 797	(168 220)	(75 886)
internal interest expense	(280 189)	(123 782)	(98 366)	(2 123)	(498 337)	(1 002 797)	43 850	-
Net fee and commission income	142 770	46 966	56 015	72	(895)	244 927	60 057	23 544
Dividend income	-	796	851	-	4 112	5 758	119	-
Net trading income	18 498	13 476	35 398	32 325	10 158	109 855	14 523	324
Result on investing activities	453	-	(7)	-	41 987	42 433	-	-
Result on hedge accounting	-	-	-	-	140	140	-	-
Share in profit (loss) of associates	-	-	-	-	-	-	-	-
Other operating income and expenses	36 560	695	2 869	145	(15 998)	24 271	1 342	31 229
Net impairment losses on financial assets and contingent liabilities	(119 914)	(39 138)	(5 785)	90	(1 069)	(165 815)	(42 600)	(35 583)
General administrative expenses	(421 019)	(58 463)	(72 612)	(14 449)	(289 568)	(856 111)	(5 449)	(136 119)
Depreciation and amortization	(38 596)	(649)	(3 531)	(583)	(53 027)	(96 386)	(168)	(6 283)
Expense allocation (internal)	(162 096)	(48 774)	(30 831)	(2 189)	243 890	-	-	(26 865)
Operating result	9 164	30 479	96 615	16 813	51 939	205 011	199 379	81 647
Tax on certain financial institutions	(43 995)	(17 377)	(18 796)	(214)	(2 163)	(82 545)	-	(9 020)
Segment profit (loss) before income tax	(34 831)	13 103	77 818	16 599	49 777	122 466	199 379	72 627
Income tax expense	-	-	-	-	-	(57 828)	-	-
Net profit (loss) for the period	-	-	-	-	-	64 638	-	-
Statement of financial position as at 30.06.2016								
Segment assets	29 419 485	11 335 322	12 604 615	318 204	16 039 729	69 717 354	14 578 054	5 707 562
Segment liabilities	30 373 533	5 858 479	14 886 739	-	12 269 353	63 388 104	4 686 964	1 758



First half of 2015*	Retail and Business Banking	SME and AGRO	Corporate Banking	CIB	Other Operations	Total	including Agro customers	including Personal Finance
Statement of profit or loss								
Net interest income	360 080	86 655	58 639	1 815	83 531	590 721	150 015	99 762
external interest income	488 165	185 663	110 200	-	117 553	901 581	311 643	142 507
external interest expense	(188 532)	(22 996)	(46 016)	-	(53 316)	(310 860)	(25 912)	-
internal interest income	315 307	47 577	62 636	-	460 546	886 066	(192 386)	(42 751)
internal interest expense	(254 859)	(123 589)	(68 180)	1 815	(441 252)	(886 066)	56 670	6
Net fee and commission income	113 866	39 477	27 838	37	1 391	182 609	58 208	4 063
Dividend income	834	2	2	-	4 393	5 230	-	-
Net trading income	18 560	14 704	19 343	6 414	8 844	67 864	11 820	376
Result on investing activities	-	-	-	-	35 200	35 200	-	-
Result on hedge accounting	-	-	-	-	-	-	-	-
Share in profit (loss) of associates	-	-	-	-	-	-	-	-
Other operating and expenses	(906)	1 131	471	-	(27 065)	(26 369)	(97)	(882)
Net impairment losses on financial assets and contingent liabilities	(133 591)	(23 440)	24 130	-	(996)	(133 896)	(32 578)	(27 790)
General administrative expenses	(268 026)	(27 675)	(32 067)	(3 747)	(301 258)	(632 773)	(4 716)	(12 163)
Depreciation and amortization	(30 133)	(451)	(3 241)	(264)	(28 968)	(63 057)	(153)	(2 570)
Expense allocation (internal)	(74 001)	(21 128)	(15 281)	(1 246)	111 657	-	(33 167)	(15 580)
Segment result	(13 318)	69 276	79 834	3 009	(113 272)	25 529	149 333	45 215
Profit (loss) before income tax	-	-	-	-	-	25 529	-	-
Income tax expense	-	-	-	-	-	(7 726)	-	-
Net profit (loss) for the period	-	-	-	-	-	17 803	-	-
Statement of financial position as at 31.12.2015								
Segment assets	29 082 102	11 056 056	11 873 872	128 144	13 232 162	65 372 338	14 817 940	4 697 762
Segment liabilities	29 753 756	6 285 391	10 689 816	-	12 375 018	59 103 984	5 311 070	-

*As the figures have been rounded and presented in PLN '000, in some cases their total may not correspond to the exact grand total.



40 The shareholders' structure of Bank BGŻ BNP Paribas S.A.

As at 30 June 2016 and the date of submission of the report for the first half 2016, i.e. 29 August 2016, the structure of the shareholders of Bank BGŻ BNP Paribas S.A., including those holding at least 5% of the total number of votes at the General Meeting, was as follows:

30.06.2016				
Shareholders	Number of shares	Percentage interest in share capital	Number of votes at the General Shareholders' Meeting	Percentage share in the total number of votes at the General Shareholders' Meeting
BNP PARIBAS total:	74 409 864	88.33%	74 409 864	88.33%
<i>BNP Paribas directly</i>	50 524 889	59.98%	50 524 889	59.98%
<i>BNP Paribas Fortis SA/NV directly</i>	23 884 975	28.35%	23 884 975	28.35%
Rabobank International Holding B.V.*	5 613 875	6.66%	5 613 875	6.66%
Other shareholders	4 214 579	5.01%	4 214 579	5.01%
Total:	84 238 318	100.00%	84 238 318	100.00%

*Rabobank Group

There were no changes in shareholding structure in the first half of 2016.

As at 30 June 2016, the Bank's share capital amounted to PLN 84,238 thousand and was divided into 84,238,318 shares with the par value of PLN 1.00, including: 15,088,100 A series shares, 7,807,300 B series shares, 247,329 C series shares, 3,220,932 D series shares, 10,640,643 E series shares, 6,132,460 F series shares, 8,000,000 G series shares, 5,002,000 H series shares and 28,099,554 I series shares.

The Bank's shares are ordinary bearer and registered shares (as at 30 June 2016, there were 13,024,915 registered shares, including 4 B series shares).

No special control rights are attached to the ordinary bearer shares.

Four B series registered shares in the Bank are preference shares with respect to payment of the full par value per share in the event of the Bank's liquidation, once the creditors' claims have been satisfied, with priority over payments per ordinary shares, which, after the rights attached to the preference shares have been exercised, may be insufficient to cover the total par value of those shares.

The Bank's Statute does not impose any limitations as to exercising the voting rights or set forth any provisions whereby the equity rights attached to securities would be separated from the holding itself. One right to vote at the General Shareholders' Meeting of the Bank is attached to each share. The Bank's Statute does not impose any limitations as to transferring the title to the securities issued by the Bank.

As at 30 June 2016 and the date of submission of the report for the first half of 2016, i.e. 31 August 2016, no shares issued by the Bank were held by members of the Management Board, Supervisory Board or the key executives.

As declared by BNP Paribas SA to the Polish Financial Supervision Authority (PFSA) in September 2014, the number of the Bank's shares that are traded freely should have been increased to at least 12.5% by 30 June 2016 and to at least 25% plus one share by the end of 2018 at the latest, provided that had the reaching the assumed percentage of freely traded shares within the declared deadline been unreasonable due to unforeseen or exceptional market conditions, or would it expose the BNP Paribas Group to unjustified financial losses, BNP Paribas should immediately commence negotiations with PFSA to agree a modified schedule of reaching the assumed percentage of freely traded shares.



On 31 May 2016 the Management Board of Bank BGŻ BNP Paribas S.A. was informed that during a meeting held on 31 May 2016, PFSA unanimously accepted a change in the deadline to fulfil the investor obligation of BNP Paribas SA with the registered office in Paris regarding improvement in liquidity of the Bank's shares at Warsaw Stock Exchange. The change in the deadline to fulfil the investor obligation of BNP Paribas SA, justified with an unforeseen adverse change in market conditions compared to the date of accepting the obligation, consists in PFSA considering the obligation fulfilled if liquidity of shares of Bank BGŻ BNP Paribas S.A. reaches at least 12.5% shares by the end of 2018 and 25% plus one share by the end of 2020.

As at 31 December 2015, the structure of the shareholders of Bank BGŻ S.A., including those holding at least 5% of the total number of votes at the General Shareholders' Meeting, was as follows:

31.12.2015 Shareholders	Number of shares	Percentage interest in share capital	Number of votes at the General Shareholders' Meeting	Percentage share in the total number of votes at the General Shareholders' Meeting
BNP PARIBAS total:	74 409 864	88.33%	74 409 864	88.33%
<i>BNP Paribas directly</i>	50 524 889	59.98%	50 524 889	59.98%
<i>BNP Paribas Fortis SA/NV directly</i>	23 884 975	28.35%	23 884 975	28.35%
Rabobank International Holding B.V.*	5 613 875	6.66%	5 613 875	6.66%
Other shareholders	4 214 579	5.01%	4 214 579	5.01%
Total:	84 238 318	100.00%	84 238 318	100.00%

*Rabobank Group

41 Dividends paid

The Group did not pay a dividend for 2015.

42 Distribution of profit

Pursuant to a Resolution of the General Shareholders' Meeting of Bank BGŻ BNP Paribas of 30 June 2016, the net profit for 2015, in the amount of PLN 8,263 thousand, was allocated to the unidentified banking risk reserve.

43 Litigation

As at 30 June 2016, the total value of the proceedings with the Bank as the defendant was PLN 114,033 thousand and of those with the Bank as the plaintiff amounted to PLN 302,917 thousand. As at 31 December 2015, the total value of the proceedings with the Bank as the defendant was PLN 113,395 thousand and of those with the Bank as the plaintiff amounted to PLN 169,552 thousand.

Shareholders of Bank BGŻ BNP Paribas S.A. or any other Group companies are not parties to any proceedings before courts, arbitration or public administration bodies, the value of which would account for at least 10% of the Bank's equity.

Court decision regarding calculation of the interchange fee

On 6 October 2015, the Court of Appeals issued a decision regarding calculation of the interchange fee by banks acting in agreement. Thus, the decision of the 1st instance (Regional) Court of 2013 was changed by dismissing the banks' appeals in whole, while



upholding the appeal brought by the Office of Competition and Consumer Protection (UOKiK), which had questioned a considerable reduction in the fines by the 1st instance court. This denotes that the penalty imposed under the first decision of the President of UOKiK of 29 December 2006 was upheld. It involved a fine levied on 20 banks, including Bank BGŻ S.A. and Fortis Bank Polska S.A. for practices limiting competition by calculating interchange fees on Visa and MasterCard transactions in Poland in agreement. The total fine levied on Bank BGŻ BNP Paribas amounted to PLN 12,544 thousand and included: i) a fine for the practice of Bank Gospodarki Żywnościowej in the amount of PLN 9,650 thousand; and ii) a fine for the practice of Fortis Bank Polska S.A. (FBP) in the amount of PLN 2,895 thousand. The Bank paid the fine on 19 October 2015. On 25 April 2016 the Bank prepared and filed a cassation appeal against the decision.

Proceedings instigated by Bank's customers who had concluded loan agreements denominated in CHF

As at 30 June 2016, the Bank was a defendant in eight (8) cases filed by the total of 86 people and regarding action of annulment of mortgage loan agreements denominated in CHF in the form of a statement that the Bank has granted a PLN loan without the denomination in foreign currency or claiming damages for the Bank's abuse of the legal rights, to include principles of community life and misinforming customers. The claimants maintain that representatives of the Bank had not been informed about the forex risk prior to concluding the loan agreements denominated in CHF.

The total value of the related claims is PLN 27.8 million. Additionally, please note that two similar cases filed against the Bank have been lately closed with valid dismissal of the action instigated by customers.

44 Risk management

Key changes in credit risk management approach, key measures of market, liquidity, counterparty and country risk and changes in the operational risk management approach, introduced in the first half of 2016 are described below.

CREDIT RISK

Credit risk is inherent in the core financial operations of the Bank, the scope of which includes both lending and provision of funding with the use of capital market products. Consequently, credit risk is identified as the risk with the highest potential to affect the present and future profits and equity of Bank BGŻ BNP Paribas. The materiality of credit risk is confirmed by its 77% share in the total economic capital estimated by the Bank for purposes of covering major risks involved in the Bank's operations, in addition to its 90% share in the total value of regulatory capital.

Credit risk management is primarily aimed at implementation of the Group's strategy through a harmonious increase in the loan portfolio, accompanied by maintenance of the credit risk appetite at an acceptable level.

Credit risk management principles adopted by the Group:

- each credit transaction requires comprehensive credit risk assessment expressed in internal rating or scoring;
- in-depth and careful financial analysis serves as the basis for regarding the customer's financial information and collateral-related data as reliable; prudential analyses performed by the Group always take into account a margin of safety;
- as a rule, financing is provided to the customer based on its ability to generate cash flows that ensure payment of its liabilities to the Group;
- the credit risk assessment is additionally verified by credit risk assessment personnel, independent of the business;
- the pricing terms of a credit transaction have to account for the risk involved in such a transaction;
- credit risk is diversified on such dimensions as geographical regions, industries, products and customers;



- credit decisions may only be taken by competent employees;
- the Group enters into credit transactions only with customers it knows and long-term relationships are the basis for cooperation with customers;
- the customer and the transactions made with the customer are monitored transparently from the perspective of the customer, in a manner that strengthens the relationship between the Bank and the customer.

Forbearance practices

The Bank treats its exposures as forbore if the obligor is provided with a facility which results in a material economic loss or any facility for exposures with indications of impairment.

A facility is understood as the occurrence of at least one of the following events:

- a change to the repayment schedule;
- cancellation of the past due amount (e.g. capitalization of the past due amount, which may be repaid at a later date);
- cancellation of principal, interest or fees;
- granting a new loan for purposes of repayment of the existing debt only when the customer is faced with financial difficulties. i.e.:
 - the exposure is subject to debt collection; or
 - the exposure is not subject to debt collection but there is evidence (provided by the customer or obtained in the decision-making process) that the customer is facing financial difficulties.

A material economic loss is defined by the Bank as:

- margin reduction by more than 50%; or
- cancellation of receivables by more than 5% of the total amount due (principal, interest, fees, charges); or
- a combination of the aforementioned elements, provided that they represent at least 100% of the loss materiality threshold.

The “forborne” status is no longer assigned if the following conditions have been satisfied:

- the exposure has not been considered impaired for 24 months in a row;
- none of the exposures to the customer are past due by more than 30 days;
- the obligor has been making regular and considerable payments for at least a half of the trial period.

FINANCIAL RISK

Market risk in the banking book

The use of sensitivity limits for the interest position in each time period was low in the second quarter of 2016. The interest rate risk was slightly reduced compared to the first quarter and reached the average of 16% at the end of June.

The currency risk of the banking book is transferred to the trading book.

Market risk in the trading book

In the second quarter of 2016, the market risk measured by VaR was lower than in the first quarter, with the average use of the VaR limit for the trading book at 26%. Interest rate exposures were the main source of risk in the trading book (with the major share of interest rate swaps and forward rate agreements). Currency risk exposures had a very limited impact on the Bank's market risk as end-of-day positions in each currency were reduced to minimum levels.



Liquidity risk

In the second quarter of 2016 the Bank maintained supervisory short- and longterm liquidity measures above regulatory constraint and internal regulations. There were no risk signs of liquidity safety of the Bank.

Amounts due to customers, medium- and long-term lines of credit and equity are the major sources of funding used by the Bank. Medium- and long-term lines of credit, including subordinated loans, are provided mainly by the BNP Paribas Group.

Counterparty and country risk

Counterparty risk is the credit risk concerning the counterparty to transactions where the amount of liability may change in time depending on market parameters.

The counterparty risk was calculated for the following types of transactions contained in the trading portfolio of the Bank: foreign exchange transactions, interest rate swap transactions, FX options, interest rate options and commodity derivatives.

In the second quarter of 2016, the Bank saw an increase in exposure to the corporate customer risk (up 17%) and a decrease in exposure to banks of 27%.

As at 30 June 2016, treasury transactions of the Bank represented 36.1%, foreign lending operations accounted for 34.6%, international trade transactions for 29% and derivative transactions entered into with foreign corporate customers represented 0.3% of the Bank's country risk exposure.

France accounted for 42%, Belgium for 20% and the Netherlands and Germany for 11% each of the exposure. The remaining exposure was related to the UK, Senegal and Switzerland.

OPERATIONAL RISK

The Bank's operational risk is defined, in accordance with a resolution of the Polish Financial Supervision Authority and the requirements of Recommendation M of the PFSA, as the possibility of incurring a loss or an unreasonable cost through the fault of inappropriate or unreliable internal processes, people, technical systems or as a result of external factors. It comprises legal but not strategic risk. Operational risk as such is inherent in any banking operations.

Operational risk is managed with a view to reducing the losses and costs resulting from the aforesaid risk, ensuring top quality of the services provided by the Bank in addition to security and compliance of the Bank's operations with the applicable laws and standards.

Procedures

Operational risk management consists in employment of measures aimed at operational risk identification, analysis, monitoring, control, reporting and mitigating in addition to implementation of corrective actions. Such measures take into account the structures, processes, resources and scopes of responsibilities for the said processes at various organizational levels. The operational risk management strategy has been described in the Operational Risk Management Strategy of Bank BGŻ BNP Paribas S.A., which was approved by the Management Board of the Bank and accepted by the Supervisory Board. The Operational Risk Policy of Bank BGŻ BNP Paribas S.A., adopted by the Management Board of the Bank, is another document of key importance. It addresses all aspects of the Bank's operations in addition to defining the Bank's objectives and the methods of their achievement as regards the quality of operational risk management as well as compliance with legal requirements set out in the recommendations and resolutions issued by local banking supervision authorities. The Bank's operational risk management objectives include, in particular, compliance with high operational risk management and assessment standards that guarantee security of customer deposits, the Bank's equity, stability of its financial performance as well as maintenance of the operational risk level within the range of the operational risk appetite and tolerance defined by the Bank. When developing the operational risk management and assessment system, the Bank complies with the applicable legal requirements, in particular the recommendations and resolutions of the national financial supervision authorities and the standards adopted by the Group.



In accordance with the Policy, the Bank's operational risk management instruments include:

- tools used for purposes of recording operational events, together with the principles of their recording, allocation and reporting;
- operational risk analysis, its monitoring and day-to-day control;
- counteracting an elevated level of operational risk, to include risk transfer;
- calculation of the capital requirement related to operational risk.

Compliance with the operational risk policy is verified by the Bank's Management Board periodically and, if necessary, the required adjustments are made in order to improve the system. To this end, the Management Board of the Bank is regularly provided with information concerning the scale and types of operational risk to which the Bank is exposed, its effects and management methods.

Internal environment

The Bank precisely defines the roles and responsibilities in the operational risk management process, considering its organizational structure. The Operational Risk Department is responsible for day-to-day operational risk analysis in addition to development of appropriate risk control and mitigation techniques and their improvement. Development and implementation of the Bank's strategy with respect to insurance as a risk mitigation technique is the responsibility of the Administration Department, while the Security and Continuity of Business Department (CoB) focuses on management of continuity of business.

As part of the legal risk management process, the Legal Division monitors, identifies and performs analyses of changes to common laws and their effect on the Group's operations, in addition to court and administrative proceedings which affect the Bank. The Compliance Monitoring Department is responsible for day-to-day non-compliance risk analysis in addition to development of appropriate risk controls and their improvement.

Considering the elevated level of external and internal risks related to fraud and offence against the assets of the Bank and its customers, the Bank has extended the scope of and improved its processes aimed at counteracting, detecting and examining such cases, which is the responsibility of the Fraud Management Department.

Risk management

The Bank places a strong focus on identification and assessment of the factors that trigger its present exposure to operational risk in relation to banking products. It is the Bank's objective to reduce the operational risk level through improvement of its internal processes as well as mitigating the risk inherent in the process of launching new products and services and outsourcing operations to third parties.

In accordance with the operational risk management policy, operational risk analysis is aimed at acquiring an understanding of the interdependence between the risk generating factors and operational event types, and it is performed primarily with the objective to define the operational risk profile.

The operational risk profile is the assessment of materiality of the risk, which is understood as the scale and structure of the operational risk exposure, defining the degree of exposure to the operational risk (operational losses), expressed in structural dimensions selected by the Bank (key process areas) and the scale (residual risk level). It is determined in the course of annual operational risk mapping sessions, which involve operational risk assessment for the major operational risk factors (people, processes, systems and external events) as well as the key process areas at the Bank.

Keeping a track record of operational events enables efficient operational risk analysis and monitoring. The process of operational event recording is overseen by the Operational Risk Department, which assumes responsibility for verification of the quality and completeness of data concerning operational events recorded in dedicated tools available to all organizational units of the Bank.

**Internal control system**

The internal control system principles have been formulated in the Internal Control Policy of the Bank BGŻ BNP Paribas SA, which was approved by the Management Board of the Bank and accepted by the Supervisory Board. The document lays down the key principles, defines the organizational framework and establishes the standards of the Bank's internal control environment. The Bank's internal control objectives are, in particular, improvement of efficiency of controls as part of a uniform, effective internal control system based on three control levels, as well as improvement of the process of the Bank responding to identified internal control inefficiencies and raising the risk awareness in the organization. The Bank's management is involved in the process of ensuring and confirming the efficiency of the key processes and controls (management sign-off).

Functional control is exercised in accordance with the Functional Control Rules.

Monitoring and reporting

The Bank monitors periodically the efficiency of the operational risk management system and its appropriateness for its current risk profile. The organization of the operational risk management system is reviewed as part of periodic control exercised by the Internal Audit Division, which is not directly involved in the operational risk management process but provides professional and unbiased opinions supporting achievement of the Bank's objectives. The operational risk management system is overseen and its appropriateness and efficiency are assessed by the Supervisory Board.

The Bank has been collecting information on losses driven by operational risk for more than ten years. In addition, the Bank estimates its regulatory capital necessary to cover operational risk in accordance with the applicable regulations. The said calculation is performed using the standard approach (STA). Requirements regarding Bank's subsidiaries, to be disclosed in the consolidated financial statements, are determined in accordance with the basic indicator approach (BIA).

The Bank's subsidiaries

At the subsidiaries, operational risk is managed by dedicated units/designated employees. Operational risk management at the subsidiaries (methods and procedures) is organized considering the entity's scope of business as well as its business profile, in compliance with the Group policies.

45 Governing bodies of Bank BGŻ BNP Paribas S.A.**COMPOSITION OF THE SUPERVISORY BOARD OF BANK BGŻ BNP PARIBAS S.A.**

Composition of the Supervisory Board of Bank BGŻ BNPP as at 30 June 2016:

Full name	Office held in the Supervisory Board of the Bank
Józef Wancer	Chairman of the Supervisory Board
Jarosław Bauc	Vice-Chairman, Independent Member of the Supervisory Board
Jean-Paul Sabet	Vice-Chairman of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Jacques d'Estais	Member of the Supervisory Board
Alain Van Groenendael	Member of the Supervisory Board
Thomas Mennicken	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Monika Nachyła	Member of the Supervisory Board
Mariusz Warych	Independent Member of the Supervisory Board



The composition of the Supervisory Board of Bank BGŻ BNP Paribas S.A. did not change in the first half of 2016.

On 30 June 2016, the General Meeting of the Bank determined the number of the Supervisory Board members of the new office term for ten people and re-appointed the former members for the new five-year office term.

COMPOSITION OF THE MANAGEMENT BOARD OF BANK BGŻ BNP PARIBAS S.A.

As at 30 June 2016 the composition of the Management Board of Bank BGŻ BNPP did not change compared to the end of 2015 and was as follows:

Full name	Office held in the Management Board of the Bank
Tomasz Bogus	President of the Management Board
Daniel Astraud	Vice-President of the Management Board
François Benaroya	Vice-President of the Management Board
Blagoy Bochev	Vice-President of the Management Board
Jan Bujak	Vice-President of the Management Board
Wojciech Kembłowski	Vice-President of the Management Board
Magdalena Legęć	Vice-President of the Management Board
Jaromir Pelczarski	Vice-President of the Management Board
Stephane Rodes	Vice-President of the Management Board
Michel Thebault	Vice-President of the Management Board
Bartosz Urbaniak	Member of the Management Board

Changes in the composition of the Management Board of the Bank after 30 June 2016:

- On 21 April 2016, Mr. Jean-Philippe Stephane Rodes submitted a resignation from the position of Vice-President and Member of the Management Board of the Bank with effect from 31 July 2016. On 16 June 2016 Mr. Jean-Philippe Stephane Rodes submitted a representation, whereby the effective date of his resignation from the position of President of the Management Board of the Bank was changed to 18 July 2016.
- During a meeting on 21 April 2016, the Supervisory Board of the Bank appointed Mr. Jerzy Śledziewski Vice-President of the Management Board effective from 1 August 2016, until the end of the existing three-year joint office of the members of the Management Board.
- On 16 June 2016 Mr. Michel Thebault submitted a statement of resignation from the position of Vice-President of the Management Board of the Bank effective as of 30 June 2016.
- During a meeting on 16 June 2016, the Supervisory Board of the Bank appointed Mr. Philippe Paul Bézieau Vice-President of the Management Board effective from 1 July 2016, until the end of the existing three-year joint office of the members of the Management Board.

As at 30 June 2016, none of the Management Board and Supervisory Board member did declare ownership of the BGZ BNP Paribas S.A. shares, which has not changed since the date of submitting the report for the first quarter of 2016, i.e. since 9 May 2016.



46 Major events in the first half of 2016

8.01.2016	Payment of a contribution to the Borrowers' Support Fund – pursuant to a decision of the Board of the Borrowers' Support Fund of 5 January 2016 regarding the actual amount and due date of the contribution to the Borrowers' Support Fund (the "Fund"), the Bank was obliged to pay a contribution of PLN 38,167,677.50 by 18 February 2016. In the fourth quarter of 2015, the Bank recognized a provision for the aforesaid contribution.
19.01.2016	The estimated effect of the Act (of 15 January 2016, Journal of Laws, item 68, which came into force as of 1 February 2016) on Tax on Certain Financial Institutions on the performance of Bank BGŻ BNP Paribas S.A. in 2016 – the Management Board of the Bank estimated that the related reduction of the Bank's net profit would be ca. PLN 200 million.
29.01.2016	PFSA decisions granting consent for classification of subordinated loans (of PLN 440 million and EUR 40 million) as the Bank's Tier 2 capital, issued on 28 January 2016 , received by the Bank on 29 January 2016. The Bank obtained the aforesaid funds from subordinated loans from Bank BNP Paribas S.A. of 29 December 2015. Once the aforesaid subordinated loans have been classified as Tier 2 capital, the Bank's equity will be sufficient to satisfy the capital requirements recommended by PFSA.
26.02.2016	Announcement of the draft terms of merger of Bank BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A.
14.03.2016	Recording in the National Court Register amendments to the Statute of Bank BGŻ BNP Paribas S.A. as adopted by Extraordinary Shareholders' Meeting on 15 December 2015.
21.03.2016	Second announcement of the draft terms of merger of Bank BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A.
23.03.2016	The Management Board of Bank BGŻ BNP Paribas supporting the merger of Bank BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A.
24.03.2016	Recommendations of PFSA regarding an additional capital requirement for the Bank to be included in the consolidated financial statements and an increase in its capital through retaining its whole profit generated in 2015. PFSA has recommended the Bank's Capital Group to maintain the equity level to cover the additional capital requirement of 0.72 p.p., at least 75% of which should originate from Tier 1 funds (corresponding to 0.54 p.p.). Effective from 1 January 2016, the Bank's minimum capital ratios taking into account the additional capital requirement recommended by PFSA should have been as follows: <ul style="list-style-type: none">• Separate presentation: Tier 1 – 10.78%; TCR – 13.96%;• Consolidated presentation: Tier 1 – 10.79%; TCR – 13.97%. Furthermore, the Bank received a recommendation to increase its capital through retaining its whole profit for the period from 1 January to 31 December 2015.
30.03.2016	The Extraordinary Shareholders' Meeting of Bank BGŻ BNP Paribas S.A. - a decision to merge Bank BGŻ BNP Paribas S.A. with Sygma Bank Polska S.A. and accepting the Merger Plan.
13.04.2016	Announcement of updated strategy of Bank BGŻ BNP Paribas S.A. for 2016-2018 The key strategic goals to be achieved by 2018 on the stable economic growth assumption: <ul style="list-style-type: none">• Over five percent share in the loans and deposits market;



- An improvement in effectiveness as a result of post-integration cost synergies and increased revenues;
- A 14-percent increase in Net Banking Income (NBI) measured as a compound annual growth rate from 2015 to 2018, resulting from implementation of new initiatives in all business lines;
- A decrease in the cost/income ratio from 74% (excluding integration cost) to about 55% by 2018;
- An increase in ROE to about 10%.

The key to effective implementation of the Strategy will be completion of the operating integration of Bank BGŻ S.A. with BNP Paribas Bank Polska S.A. by the end of 2016, as well as a legal merger of the Bank with Sygma Bank Polska S.A.

The four pillars of the Strategy are:

- Focus on the customer;
- Support for international expansion of corporate clients;
- Integrated universal bank;
- Implementation of digital services in each operating segment.

19.04.2016 Obtaining a permission of Polish Financial Supervisory Authority to merge Bank BGŻ S.A. and BNP Paribas Bank Polska S.A.

- pursuant to Art. 124.1 of the Banking Law of 29 August 1997, the Polish Financial Supervision Authority gave its permission for the merger of Bank BGŻ BNP Paribas S.A. ("BGŻ BNPP") (the acquiring bank) and Sygma Bank Polska ("Sygma Bank Polska") (the acquired bank) by way of transferring all the assets and liabilities of Sygma Bank Polska to BGŻ BNPP in line with the conditions set forth in the Merger Plan agreed between the banks on 10 December 2015.

31.05.2016 Registration of the merger of Bank BGŻ BNP Paribas S.A. and Sygma Bank Polska S.A. in the National Court Register

- 31.05.2016 The change in the deadline to fulfil the investor obligation of BNP Paribas SA, regarding the improving of liquidity of shares of Bank BGŻ BNP Paribas S.A.,** justified with an unforeseen adverse change in market conditions compared to the date of accepting the obligation, consists in PFSA considering the obligation fulfilled if liquidity of shares of Bank BGŻ BNP Paribas S.A. reaches at least:
- 12.5% shares by the end of 2018 and;
 - 25% plus one share by the end of 2020

09.06.2016 General Meeting of BGŻ BNP Paribas S.A. – part 1, approving amendments to the Bank's Statute. Announcing a break in the meeting until 30 June 2016.

17.06.2016 Information concerning the effect of the acquisition of Visa Europe by Visa Inc. on the financial performance of Bank BGŻ BNP Paribas S.A. - update

The share of the Bank as a beneficiary of the transaction:

- EUR 6.9 million in cash – the equivalent of PLN 30.5 million (at the average exchange rate of the National Bank of Poland of 20 June 2016);
- 2.521 preference Visa Inc. C series shares.

The transactions were settled in the second quarter of 2016.

Following an amendment to the terms of the transaction regarding its settlement, as announced in the current report no. 90/2015, the earn-out payment was replaced by an increase in the cash amount payable in the second quarter of 2016 and a deferred cash amount payable in the second quarter of 2019 (Deferred Payment). According to the communication, the Deferred Payment may be adjusted in cases described in Transaction Terms.

The total amount of the Deferred Payment assigned to all participants of the Transaction shall be EUR 1.12 billion, out of which 0.0535214433% is assigned to the Bank.

30.06.2016 General Meeting of BGŻ BNP Paribas S.A. – part 2 (continuation after the break announced on 9 June 2016):



-
- approving Financial Statements for 2015 and Management Board Reports for 2015;
 - acknowledgement of the fulfilment of duties by members of the Management and Supervisory Board;
 - re-appointing the Supervisory Board of the Bank for the new five-year office term.
-

14.07.2016 Amendments made to the Statute of the Bank adopted by the Extraordinary Shareholders' Meeting of Bank BGŻ on 6 June 20 **entered in the National Court Register.**

47 Events after the end of the reporting period

14.07.2016 Registration of the amendment to the Articles of Association of Bank BGŻ BNP Paribas S.A. in the National Court Register, adopted by the General Meeting of the Bank on 9 June 2016, was delivered to the Bank.

9.08.2016 The stand of the Financial Supervision Authority (KNF) on the additional requirement regarding the own funds of Bank BGŻ BNP Paribas S.A. with respect to the capital buffer for other systemically important institution. Under the ongoing administrative proceedings conducted to identify the Bank as other systemically-important institution and impose on the Bank (based on consolidated and standalone principle) a buffer for other systemically-important institution, based on the performed evaluation of the Bank's systemic importance, pursuant to Article 39, item 1 of the Act on Macroprudential Supervision over the Financial System and Crisis Management in the Financial System of 5 August 2015, KNF has decided to request the opinion of the Financial Stability Committee on identification of the Bank as other systemically-important institution, and on imposing on the Bank a buffer (based on consolidated and standalone principle) equal to 0.25% of the total risk exposure amount.

18.08.2016 Decision of the Financial Stability Committee on issuance of a positive opinion on identification of Bank BGŻ BNP Paribas S.A. by the Polish Financial Supervision Authority as other systemically-important institution and on imposing a buffer of other systemically-important institution on Bank BGŻ BNP Paribas S.A.



II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	2nd quarter 2016 period from 01.04.2016 to 30.06.2016	First half of 2016 period from 01.01.2016 to 30.06.2016	2nd quarter 2015 period from 01.04.2015 to 30.06.2015	First half of 2015 period from 01.01.2015 to 30.06.2015
Interest income	614 072	1 189 480	494 251	897 157
Interest expense	(178 408)	(351 722)	(159 614)	(308 545)
Net interest income	435 664	837 758	334 637	588 612
Fee and commission income	136 178	265 878	120 300	202 567
Fee and commission expense	(23 063)	(44 763)	(15 780)	(26 185)
Net fee and commission income	113 115	221 115	104 520	176 382
Dividend income	5 759	14 518	5 230	5 230
Net trading income	57 821	109 902	47 809	67 864
Result on investing activities	41 809	41 980	12 167	35 200
Result on hedge accounting	139	139	-	-
Other operating income	20 546	49 909	10 656	17 010
Other operating expenses	(35 737)	(57 299)	(31 458)	(42 984)
Net impairment losses on financial assets and provision for contingent liabilities	(97 474)	(172 562)	(78 925)	(133 514)
General administrative expenses	(408 562)	(780 612)	(367 050)	(626 798)
Depreciation and amortization	(51 556)	(92 260)	(35 535)	(62 852)
Operating result	81 524	172 588	2 051	24 150
Tax on certain financial institutions	(50 810)	(82 545)	-	-
Profit (loss) before income tax	30 714	90 043	2 051	24 150
Income tax expense	(24 710)	(47 903)	(290)	(7 363)
Net profit for the period	6 544	42 140	1 761	16 787
attributable to equity holders of the Bank	6 544	42 140	1 761	16 787
Earnings per share (in PLN per share)				
Basic	0.08	0.50	0.02	0.26
Diluted	0.08	0.50	0.02	0.26



Interim condensed separate statement of comprehensive income

	2nd quarter 2016 period from 01.04.2016 to 30.06.2016	First half of 2016 period from 01.01.2016 to 30.06.2016	2nd quarter 2015 period from 01.04.2015 to 30.06.2015	First half of 2015 period from 01.01.2015 to 30.06.2015
Net profit for the period	6 544	42 140	1 761	16 787
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss when specific conditions are met</i>	<i>(67 601)</i>	<i>(4 294)</i>	<i>(115 516)</i>	<i>(117 790)</i>
Net change in valuation of available for sale financial assets	(83 457)	(5 300)	(142 612)	(145 419)
Net change in valuation of derivative instruments designated as cash flow hedges	-	-	-	-
Deferred income tax	15 856	1 006	27 096	27 629
<i>Items that will not be reclassified subsequently to profit or loss</i>	<i>2 093</i>	<i>813</i>	<i>2 982</i>	<i>3 048</i>
Actuary valuation of employee benefits	2 583	1 003	3 682	3 763
Deferred income tax	(490)	(190)	(700)	(715)
Other comprehensive income (net of tax)	(65 508)	(3 481)	(112 534)	(114 742)
Total comprehensive income for the period	(58 964)	38 659	(110 773)	(97 955)
attributable to equity holders of the Bank	(58 964)	38 659	(110 773)	(97 955)



Interim condensed separate statement of financial position

	30.06.2016	31.12.2015
ASSETS		
Cash in hand and balances with the Central Bank	2 998 186	2 826 407
Loans and advances from banks	870 714	544 012
Derivative financial instruments	365 705	368 138
Hedging instruments	35 692	2 711
Loans and advances to customers	52 251 995	49 831 458
Available for sale financial assets	10 006 975	7 762 677
Investments in subsidiaries	48 886	248 848
Intangible assets	234 226	250 691
Property, plant and equipment	536 632	528 230
Deferred tax assets	460 152	428 931
Other assets	454 494	217 026
TOTAL ASSETS	68 263 657	63 009 129

**Interim condensed separate statement of financial position (continued)**

	30.06.2016	31.12.2015
LIABILITIES		
Amounts due to banks	6 476 953	7 617 946
Hedged items	13 749	1 605
Derivative financial instruments	358 132	351 539
Amounts due to customers	51 965 436	46 620 848
Debt securities issued	397 666	468 933
Subordinated liabilities	1 496 873	847 568
Other liabilities	1 079 704	756 161
Current tax liabilities	3 764	37 547
Provisions	158 388	143 804
TOTAL LIABILITIES	61 950 665	56 845 951
EQUITY		
Share capital	84 238	84 238
Other supplementary capital	5 132 247	5 092 196
Other reserve capital	860 241	780 874
Revaluation reserve	194 126	197 607
Retained earnings:	42 140	8 263
net profit for the period	42 140	8 263
TOTAL EQUITY	6 312 992	6 163 178
TOTAL LIABILITIES AND EQUITY	68 263 657	63 009 129



Interim condensed separate statement of changes in equity

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings		Total
						Net profit for the period	
Balance as at 1 January 2016	84 238	5 092 196	780 874	197 607	8 263		6 163 178
Total comprehensive income for the period	-	-	-	(3 481)	42 140		38 659
Net profit for the period	-	-	-	-	42 140		42 140
Other comprehensive income for the period	-	-	-	(3 481)	-		(3 481)
Appropriation of retained earnings	-	-	8 263	-	(8 263)		-
Appropriation of retained earnings	-	-	8 263	-	(8 263)		-
Merge	-	40 051	71 104	-	-		111 155
Equity resulting from merger	-	40 051	71 104	-	-		111 155
Balance as at 30 June 2016	84 238	5 132 247	860 241	194 126	42 140		6 312 992



Interim condensed separate statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Revaluation reserve	Retained earnings	
					Net profit for the period	Total
Balance as at 1 January 2015	56 139	3 430 785	271 858	255 363	137 730	4 151 875
Total comprehensive income for the period	-	-	-	(58 878)	8 263	(50 615)
Net profit for the period	-	-	-	-	8 263	8 263
Other comprehensive income for the period	-	-	-	(58 878)	-	(58 878)
Appropriation of retained earnings	-	7 730	130 000	-	(137 730)	-
Appropriation of retained earnings	-	7 730	130 000	-	(137 730)	-
Merge	28 099	1 653 681	379 016	1 122	-	2 061 918
Issued shares of I series	28 099	-	-	-	-	28 099
Equity resulting from merger	-	1 653 681	379 016	1 122	-	2 033 819
Balance as at 31 December 2015	84 238	5 092 196	780 874	197 607	8 263	6 163 178



Interim condensed separate statement of changes in equity (continued)

	Share capital	Other Supplementa ry capital	Other reserve capital	Revaluation reserve	Retained earnings	
					Net profit for the period	Total
Balance as at 1 January 2015	56 139	3 430 785	271 858	255 363	137 730	4 151 875
Total comprehensive income for the period	-	-	-	(114 742)	16 787	(97 955)
Net profit for the period	-	-	-	-	16 787	16 787
Other comprehensive income for the period	-	-	-	(114 742)	-	(114 742)
Appropriation of retained earnings	-	7 730	130 000	-	(137 730)	-
Appropriation of retained earnings	-	7 730	130 000	-	(137 730)	-
Merge	28 099	1 653 681	379 016	1 122	-	2 061 918
Issued shares of I series	28 099	-	-	-	-	28 099
Equity resulting from merger	-	1 653 681	379 016	1 122	-	2 033 819
Balance as at 30 June 2015	84 238	5 092 196	780 874	141 743	16 787	6 115 838


Interim condensed separate statement of cash flows

First half of 2016 period from 01.01.2016 to 30.06.2016	First half of 2015 period from 01.01.2015 to 30.06.2015
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CASH FLOWS
FROM OPERATING ACTIVITIES:

Net profit for the period	42 140	16 787
Adjustments for:	3 116 049	2 636 043
Income tax expense	47 903	7 363
Depreciation and amortization	92 260	62 852
Dividend income	(14 518)	(5 230)
Interest income	(1 189 480)	(897 157)
Interest expense	351 722	308 545
Change in provisions	15 587	134 535
Change in loans and advances from banks	68 659	(87 730)
Change in reverse repo transactions	-	100 662
Change in debt securities held for trading	-	198 269
Change in derivative financial instruments	2 433	56 591
Change in loans and advances to customers	(2 415 781)	(19 357 469)
Change in amounts due to banks	(204 952)	7 802 320
Change in repo transactions	-	(45 357)
Change in financial liabilities held for trading	-	-
Change in derivative financial instruments (liabilities)	6 593	(91 693)
Change in amounts due to customers	5 408 531	11 575 151
Change in other assets and current tax assets	(345 529)	(419 375)
Change in other liabilities and deferred tax liability	367 416	531 394
Other adjustments	212 329	2 297 990
Interest received	1 127 822	773 152
Interest paid	(414 946)	(308 770)
NET CASH FROM OPERATING ACTIVITIES	3 158 189	2 652 830

**Interim condensed separate statement of cash flows (continued)**

	First half of 2016 period from 01.01.2016 to 30.06.2016	First half of 2015 period from 01.01.2015 to 30.06.2015
CASH FLOWS		
FROM INVESTING ACTIVITIES:		
Financing activities inflows	13 703 448	89 489 883
Sale of available for sale financial assets	13 669 947	89 470 411
Sale of intangible assets and property, plant and equipment	18 983	14 242
Dividends and other inflows from investing activities	14 518	5 230
Financing activities outflows	(15 894 559)	(90 820 212)
Purchase of available for sale securities	(15 802 983)	(90 735 011)
Purchase of intangible assets and property, plant and equipment	(91 576)	(85 201)
NET CASH FROM INVESTING ACTIVITIES	(2 191 111)	(1 330 329)
CASH FLOWS		
FROM FINANCING ACTIVITIES:		
Financing activities inflows	1 731 417	723 252
Long-term loans received	1 117 517	723 252
Increase in the balance of subordinated liabilities	613 900	-
Financing activities outflows	(2 125 544)	(1 543 438)
Repayment of long-term loans to banks	(2 053 548)	(1 248 663)
Redemption of debt securities issued	(71 996)	(294 775)
NET CASH FROM FINANCING ACTIVITIES	(394 127)	(820 186)
TOTAL NET CASH	572 951	502 315
Cash and cash equivalents at the beginning of the period	3 252 873	2 180 981
Cash and cash equivalents at the end of the period, of which:	3 825 824	2 683 296
effect of exchange rate fluctuations on cash and cash equivalents held	8 822	17 401
of restricted use	1 225	3 914



EXPLANATORY INFORMATION TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1 Accounting principles applied for purposes of preparation of the interim condensed separate financial statements

These interim condensed separate financial statements for the first half of the year ended 30 June 2016 have been prepared in conformity with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed by the European Union, and other applicable regulations.

As the interim condensed separate financial statements do not contain all the information and disclosures required for the annual financial statements, they should be read together with the interim condensed consolidated financial statements for the first half of 2016 and the Separate Financial Statements of Bank BGŻ BNP Paribas S.A. for the year ended 31 December 2015 approved by the Management Board of the Bank on 15 March 2016.

The accounting principles and the accounting estimate methods adopted for purposes of preparation of the interim condensed separate financial statements of the Bank are consistent with the accounting principles used for the preparation of the interim condensed consolidated financial statements of the Group, as presented in Section 3 and Section 7.

2 Related party transactions

Bank BGŻ BNP Paribas S.A. operates within the BNP Paribas S.A. Group with its registered office in Paris.

Bank BGŻ BNP Paribas S.A. is the parent in the Capital Group of Bank BGŻ BNP Paribas S.A.

As at 30 June 2016, the Group comprised Bank BGŻ BNP Paribas S.A., the parent, and its subsidiaries:

1. Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. ("Actus") with its registered office at 10/16 Kasprzaka Street in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000023062. The Bank holds 100% interest in the share capital of the Company and 100% of votes at the Shareholders' Meeting.
2. Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. ("TFI") with its registered office at 12 Bielańska Street in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, under number KRS 0000031121. The Bank holds 100% of the company's shares.
3. Fortis Lease Polska Sp. z o.o. in liquidation ("FLP") with its registered office at 3 Suwak Street in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000098813. The Bank holds 100% of the Company's shares.
4. BNP Paribas Faktoring Sp. z o.o. ("Faktoring") with its registered office at 3 Suwak Street in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000225155. The Bank holds 100% of the Company's shares.
5. Laser Services Polska S.A., with its registered office at 3 Suwak Street in Warsaw. The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, under number KRS 0000022784. The Bank holds 100% of the Company's shares.

All transactions between the Bank and its related parties were entered into as part of its day-to-day operations and included mainly loans, deposits, transactions in derivative instruments as well as income and expenses related to advisory and financial intermediation services.



Transactions with shareholders of BGŻ PNB Paribas S.A. and related parties

30.06.2016	BNP PARIBAS SA	BNP PARIBAS FORTIS SA/NV	OTHER ENTITIES FROM THE CAPITAL GROUP OF BANK BNP PARIBAS SA	KEY PERSONNEL	SUBSIDIARIES	TOTAL
Assets	100 663	462 814	256 503	1 548	40 257	861 785
Current accounts, interbank placements and loans and advances	58 134	423 028	251 457	1 548	38 290	772 457
Derivative financial instruments	42 374	3 167	4	-	-	45 545
Hedging instruments	-	36 619	-	-	-	36 619
Other assets	155	-	5 042	-	1 967	7 164
Liabilities	5 331 486	63 035	3 905 613	3 725	113 849	9 417 708
Loans and advances received	3 610 964	-	3 803 438	-	-	7 414 402
Deposits and current accounts	187 624	61 797	84 730	3 725	113 264	451 140
Subordinated liabilities	1 499 747	-	-	-	-	1 499 747
Derivative financial instruments	33 132	1 354	1 354	-	-	34 574
Other liabilities	19	1 150	16 091	-	585	17 845
Contingent liabilities						
Financial commitments granted	-	-	91 718	177	19	91 914
Guarantees granted	10 730	89 249	201 721	-	-	301 700
Commitments received	125 061	325 262	826 900	-	-	1 277 223
Derivative financial instruments (face value)	57 154 722	300 012	25 023	-	-	57 479 757
First half of 2016 from 01.01.2016 to 30.06.2016						
Statement of profit or loss	(229 541)	20 055	(88 505)	70	(527)	(298 448)
Interest income	52 260	20 590	1 521	103	366	74 840
Interest expense	(195 319)	-	(96 077)	(33)	(494)	(291 923)
Fee and commission income	-	-	4 345	-	32	4 377
Fee and commission expense	(18 842)	(268)	(20)	-	-	(19 130)
Net trading income	(77 176)	(2 138)	3 221	-	-	(76 093)
Result on hedge accounting	9 536	1 871	(18)	-	-	11 389
Other operating income	-	-	6 798	-	6	6 804
Other operating expenses	-	-	(8 153)	-	(437)	(8 590)
General administrative expenses	-	-	(122)	-	-	(122)



31.12.2015	BNP PARIBAS SA	BNP PARIBAS FORTIS SA/NV	OTHER ENTITIES FROM THE CAPITAL GROUP OF BANK BNP PARIBAS SA	KEY PERSONNEL	SUBSIDIARIES	TOTAL
Assets	44 876	121 369	49 127	1 553	110 134	327 059
Current accounts, interbank placements and loans and advances	6 097	112 846	41 399	1 553	107 966	269 861
Derivative financial instruments	38 772	-	2 951	-	-	41 723
Hedging instruments	-	8 523	-	-	-	8 523
Other assets	7	-	4 777	-	2 168	6 952
Liabilities	4 969 826	494 717	3 782 906	3 519	270 462	9 521 430
Loans and advances received	4 093 896	492 077	3 773 049	-	-	8 359 022
Deposits and current accounts	-	16	-	3 519	270 300	273 835
Subordinated liabilities	848 360	-	-	-	-	848 360
Derivative financial instruments	27 413	2 392	2 413	-	-	32 218
Other liabilities	157	232	7 444	-	162	7 995
Contingent liabilities						
Financial commitments granted	-	-	103 817	223	35 440	139 480
Guarantees granted	7 313	60 316	174 690	-	9 356	251 675
Commitments received	87 341	73 743	558 855	-	-	719 939
Derivative financial instruments (face value)	36 180 827	848 082	704 829	-	-	37 733 738
First half of 2015 from 01.01.2015 to 30.06.2015						
Statement of profit or loss	23 102	5 199	(15 294)	-	982	13 989
Interest income	10	437	63	6	486	1 002
Interest expense	(8 131)	(109)	(11 571)	(6)	(64)	(19 881)
Fee and commission income	2	10 463	800	-	391	11 656
Fee and commission expense	(1)	(31)	(53)	-	-	(85)
Net trading income	31 222	(4 886)	(3 005)	-	-	23 331
Result on hedge accounting	-	(660)	-	-	-	(660)
Other operating income	-	(15)	-	-	169	154
General administrative expenses	-	-	(1 528)	-	-	(1 528)

Remuneration of the Management Board and Supervisory Board

Management Board	30.06.2016	31.12.2015
Short-term employee benefits	9 328	20 992
Long-term benefits	2 202	6 753
Benefits due to termination of employment	-	3 224
Share-based payments	2 885	2 542
TOTAL	14 415	33 511

Supervisory Board	30.06.2016	31.12.2015
Short-term employee benefits	734	664
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
TOTAL	734	664

3 Seasonality or cyclicity of business

There are no major seasonal or cyclical phenomena in the operations of the Bank.

4 Debt securities issued and redeemed

Issue and redemption of securities have been described in Section 30 of the interim consolidated financial statements for the first half of 2016.

5 Dividends paid

The Bank did not pay a dividend for 2015.

6 Distribution of profit

Pursuant to a Resolution of the General Shareholders' Meeting of Bank BGŻ BNP Paribas of 30 June 2016, the net profit for 2015, in the amount of PLN 8,263 thousand, was allocated to the unidentified banking risk reserve.

7 Contingent liabilities

	30.06.2016	31.12.2015
Contingent commitments granted	16 874 714	15 607 484
financial commitments	13 310 335	11 965 758
guarantees	3 564 379	3 641 726
Contingent commitments received	2 022 229	5 136 758
financial commitments	1 038 964	3 951 269
guarantees	983 265	1 185 489



8 Events after the end of the reporting period

14.07.2016	Registration of the amendment to the Articles of Association of Bank BGŻ BNP Paribas S.A. in the National Court Register , adopted by the General Meeting of the Bank on 9 June 2016, was delivered to the Bank.
9.08.2016	The stand of the Financial Supervision Authority (KNF) on the additional requirement regarding the own funds of Bank BGŻ BNP Paribas S.A. with respect to the capital buffer for other systemically important institution. Under the ongoing administrative proceedings conducted to identify the Bank as other systemically-important institution and impose on the Bank (based on consolidated and standalone principle) a buffer for other systemically-important institution, based on the performed evaluation of the Bank's systemic importance, pursuant to Article 39, item 1 of the Act on Macroprudential Supervision over the Financial System and Crisis Management in the Financial System of 5 August 2015, KNF has decided to request the opinion of the Financial Stability Committee on identification of the Bank as other systemically-important institution, and on imposing on the Bank a buffer (based on consolidated and standalone principle) equal to 0.25% of the total risk exposure amount.
18.08.2016	Decision of the Financial Stability Committee on issuance of a positive opinion on identification of Bank BGŻ BNP Paribas S.A. by the Polish Financial Supervision Authority as other systemically-important institution and on imposing a buffer of other systemically-important institution on Bank BGŻ BNP Paribas S.A.

29.08.2016	Tomasz Bogus <i>President of the Management Board</i>	..... signature
29.08.2016	Daniel Astraud <i>Vice-President of the Management Board</i>	..... signature
29.08.2016	François Benaroya <i>Vice-President of the Management Board</i>	..... signature
29.08.2016	Philippe Paul Bézieau <i>Vice-President of the Management Board</i>	..... signature
29.08.2016	Blagoy Bochev <i>Vice-President of the Management Board</i>	..... signature
29.08.2016	Jan Bujak <i>Vice-President of the Management Board</i>	..... signature
29.08.2016	Wojciech Kemblowski <i>Vice-President of the Management Board</i>	..... signature
29.08.2016	Magdalena Legęć <i>Vice-President of the Management Board</i>	..... signature



29.08.2016	Jaromir Pelczarski <i>Vice-President of the Management Board</i>	..... signature
29.08.2016	Stephane Rodes <i>Vice-President of the Management Board</i>	..... signature
29.08.2016	Michel Thebault <i>Vice-President of the Management Board</i>	..... signature
29.08.2016	Bartosz Urbaniak <i>Member of the Management Board</i>	..... signature
29.08.2016	Katarzyna Romaszewska-Rosiak <i>Managing Director, Financial Accounting Division</i>	..... signature

Warsaw, 29 August 2016