GETIN NOBLE BANK S.A.

Financial statements

for the year ended 31 December 2013

with the auditor's report

Warsaw, 28 February 2014

SELECTED FINANCIAL DATA

	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 (restated) PLN thousand	01.01.2013-31.12.2013 EUR thousand	01.01.2012-31.12.2012 (restated) EUR thousand
Net interest income	1,254,116	1,296,770	297,819	310,708
Net fee and commission income	341,411	559,588	81,076	134,078
Profit before tax	376,851	322,712	89,492	77,322
Net profit	310,755	273,043	73,796	65,421
Comprehensive income for the period	294,811	125,836	70,010	30,150
Net cash flows	(1,083,629)	730,894	(257,333)	175,123

	31.12.2013 PLN thousand	31.12.2012 (restated) PLN thousand	31.12.2013 EUR thousand	31.12.2012 (restated) EUR thousand
Total assets	63,263,327	58,878,544	15,254,467	14,402,070
Total equity	4,508,854	4,179,287	1,087,204	1,022,280
Share capital	2,650,143	2,650,143	639,020	648,242
Core capital (Tier 1)	4,153,075	4,026,574	1,001,417	984,926
Supplementary funds (Tier 2)	1,658,306	1,112,360	399,862	272,090
Short-term capital (Tier 3)	8,347	562	2,013	137

Number of shares	2,650,143,319	2,650,143,319	2,650,143,319	2,650,143,319
Capital adequacy ratio	12.4%	11.8%	12.4%	11.8%

The selected financial data comprising the basic items of the standalone financial statements have been converted into EUR in accordance with the following principles:

- the individual items of assets, liabilities and equity have been converted in accordance with the average exchange rates announced by the National Bank of Poland as at 31 December 2013, i.e. 1 EUR = 4.1472 PLN and as at 31 December 2012, i.e. 1 EUR = 4.0882 PLN
- the individual items of the income statement as well as the items regarding the statement of cash flows have been converted in accordance with the exchange rates constituting arithmetic means of the average exchange rates established by the National Bank of Poland as at the last day of every month within 12-month period ended 31 December 2013 and 31 December 2012 (1 EUR = 4.2110 PLN and 1 EUR = 4.1736 PLN respectively)

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I. FINANCIAL STATEMENTS

1. INCOME STATEMENT

	Note	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 (restated) PLN thousand
CONTINUED ACTIVITY			
Interest income	II.8	3,824,402	4,356,202
Interest expense	II.8	(2,570,286)	(3,059,432)
Net interest income		**1,254,116**	**1,296,770**
Fee and commission income	II.9	546,852	786,008
Fee and commission expense	II.9	(205,441)	(226,420)
Net fee and commission income		**341,411**	**559,588**
Dividend income	II.10	28,863	41,608
Result on financial instruments measured at fair value through profit or loss	II.11	4,356	(57,430)
Result on other financial instruments	II.12	84,483	128,379
Foreign exchange result	II.13	61,201	86,929
Other operating income	II.14	112,229	70,725
Other operating expenses	II.14	(121,496)	(81,320)
Net other operating income and expense		**(9,267)**	**(10,595)**
Administrative expenses	II.15	(794,605)	(771,409)
Net impairment allowances on financial assets and off-balance sheet provisions	II.16	(593,707)	(951,128)
Operating profit		**376,851**	**322,712**
Profit before tax		**376,851**	**322,712**
Income tax	II.17	(66,096)	(49,669)
Net profit		**310,755**	**273,043**

Discontinued operations did not occur in 2013 nor in 2012.

Details for restatement of comparative data for 2012 are presented in Note II 5.6.

2. STATEMENT OF COMPREHENSIVE INCOME

	Note	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 (restated) PLN thousand
Net profit for the period		**310,755**	**273,043**
Items that will not be reclassified to profit or loss		**(77)**	**(250)**
Actuarial gains /(losses)		(95)	(309)
Income tax on actuarial gains/(losses)		18	59
Items that may be reclassified to profit or loss, of which:		**(15,867)**	**(146,957)**
Valuation of available for sale financial assets		(66,598)	20,210
Income tax on valuation of available for sale financial assets	II.17	12,653	(3,840)
Cash flow hedges	III.7	47,010	(201,638)
Income tax on cash flow hedges	II.17	(8,932)	38,311
Net other comprehensive income		**(15,944)**	**(147,207)**
Total comprehensive income for the period		**294,811**	**125,836**

Details for restatement of comparative data for 2012 are presented in Note II 5.6.

3. STATEMENT OF FINANCIAL POSITION

	Note	31.12.2013 PLN thousand	31.12.2012 (restated) PLN thousand	01.01.2012 (restated) PLN thousand
ASSETS				
Cash, balances with the Central Bank	II.18	2,629,827	2,906,940	2,423,342
Amounts due from banks and financial institutions	II.19	1,131,384	1,966,330	3,275,019
Financial assets held for trading	II.19	-	-	8,045
Derivative financial instruments	II.20	237,623	178,350	88,112
Loans and advances to customers	II.21	48,397,459	44,552,597	42,258,074
Financial assets, of which:		8,741,075	7,454,653	4,541,547
Available for sale	II.22	8,668,804	7,454,653	4,541,547
Held to maturity	II.22	72,271	-	-
Investments in subsidiaries and associates	II.24	391,071	281,349	248,423
Intangible assets	II.25	197,888	118,663	105,139
Property, plant and equipment	II.26	200,168	183,605	153,219
Investment properties	II.27	139,692	32,204	36,008
Assets held for sale	II.30	9,449	4,522	1,036
Income tax assets, of which:	II.17	422,591	490,951	390,209
Receivables relating to current income tax		8	2,547	7,629
Deferred tax assets		422,583	488,404	382,580
Other assets	II.29	765,100	708,380	470,567
TOTAL ASSETS		**63,263,327**	**58,878,544**	**53,998,740**
LIABILITIES AND EQUITY				
Liabilities				
Amounts due to banks and financial institutions	II.31	2,768,477	794,704	579,057
Derivative financial instruments	II.20	481,217	657,427	1,135,356
Amounts due to customers	II.32	52,348,702	51,113,735	47,235,985
Debt securities issued, of which:	II.33	2,670,464	1,674,416	811,673
subortinated liabilities		1,827,154	1,235,938	400,695
Other liabilities	II.34	460,486	439,281	429,755
Provisions	II.35	25,127	19,694	38,698
Total Liabilities		**58,754,473**	**54,699,257**	**50,230,524**
Equity				
Share capital	II.36	2,650,143	2,650,143	103,060
Retained earnings		(362,825)	(829,386)	(158,240)
Net profit		310,755	273,043	-
Other capital	II.37	1,910,781	2,085,487	3,823,396
Total equity		**4,508,854**	**4,179,287**	**3,768,216**
TOTAL LIABILITIES AND EQUITY		**63,263,327**	**58,878,544**	**53,998,740**

Details for restatement of comparative data for 2012 are presented in Note II 5.6.

4. STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Net profit	Other capital					Total equity
				Reserve capital	Repurchased own shares	Revaluation reserve	Share based payments equity component	Other capital reserves	
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
As at 01.01.2013	**2,650,143**	**(193,518)**	**-**	**2,161,631**	**-**	**(120,768)**	**7,381**	**37,493**	**4,542,362**
Changes in accounting policies (principles)	-	(362,825)	-	-	-	(250)			**(363,075)**
As at 01.01.2013	**2,650,143**	**(556,343)**	-	**2,161,631**	**-**	**(121,018)**	**7,381**	**37,493**	**4,179,287**
Comprehensive income for the period	-	-	310,755	-	-	(15,944)	-	-	**294,811**
Appropriation of profit for the previous period	-	193,518	-	(193,518)	-	-	-	-	**-**
Transfer of Management Option Scheme valuation reserve to other capital reserves	-	-	-	-	**-**	-	(7,381)	7,381	**-**
Recognition of capital reserves for purchase of own shares	-	-	-	(126,007)	-	-	-	126,007	**-**
Purchase of own shares	-	-	-	130,000	(130,000)	-	-	(130,000)	**(130,000)**
Sale of own shares	-	-	-	33,966	130,000	-	-	-	**163,966**
Cost of purchase / sale of own shares	-	-	-	(100)	-	-	-	(310)	**(410)**
Refund of share issue costs overpaid in prior years	-	-	-	1,200	**-**	-	-	-	**1,200**
As at 31.12.2013	**2,650,143**	**(362,825)**	**310,755**	**2,007,172**	**-**	**(136,962)**	**-**	**40,571**	**4,508,854**

(restated)	Share capital	Retained earnings	Net profit	Other capital				Total equity
				Reserve capital	Revaluation reserve	Share based payments - equity component	Other capital reserves	
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
As at 01.01.2012	**103,060**	**166,671**	**-**	**3,743,341**	**26,189**	**16,373**	**37,493**	**4,093,127**
Changes in accounting policies (principles)	-	(324,911)	-	-	-	-	-	**(324,911)**
As at 01.01.2012	**103,060**	**(158,240)**	**-**	**3,743,341**	**26,189**	**16,373**	**37,493**	**3,768,216**
Settlement of the banks' merger	-	(114,193)	-	(5,954,662)	-	-	-	**(6,068,855)**
Comprehensive income for the period	-	-	273,043	-	(147,207)	-	-	**125,836**
Appropriation of profit for the previous period	-	(556,953)	-	556,953	-	-	-	**-**
Issue of shares	2,547,083	-	-	3,819,317	-	-	-	**6,366,400**
Share issue costs	-	-	-	(6,591)	-	-	-	**(6,591)**
Sale of own shares	-	-	-	3,273	-	-	-	**3,273**
Valuation of the management options	-	-	-	-	-	3,897	-	**3,897**
Partial execution of the Management Options Scheme	-	-	-	-	-	(3,290)	-	**(3,290)**
Reclassification of the Management Options Scheme	-	-	-	-	-	(9,599)	-	**(9,599)**
As at 31.12.2012	**2,650,143**	**(829,386)**	**273,043**	**2,161,631**	**(121,018)**	**7,381**	**37,493**	**4,179,287**

Details for restatement of comparative data for 2012 are presented in Note II 5.6.

5. STATEMENT OF CASH FLOWS

	Note	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 (restated) PLN thousand
Cash flows from operating activities			
Net profit		310,755	273,043
Total adjustments:		(3,716,115)	(663,704)
Amortization and Depreciation	II.15	68,972	60,702
Foreign exchange (gains)/losses		(16,576)	-
Gain from investing activities		(150,014)	73,530
Interests and dividends		91,114	24,016
Change in amounts due from banks and financial institutions	II.42	28,430	1,555,985
Change in financial asstes held for trading		-	8,045
Change in derivative financial instruments (assets)	II.42	(61,226)	(137,158)
Change in loans and advances to customers		(3,844,862)	(2,294,523)
Change in available for sale financial instruments	II.42	(1,268,096)	(2,896,736)
Change in held to maturity financial assets		(4)	-
Change in deferred tax assets		65,821	(105,824)
Change in other assets		(56,720)	(237,813)
Change in amounts due to banks and financial institutions	II.42	306,638	112,652
Change in derivative financial instruments (liabilities)	II.42	(136,179)	(594,336)
Change in amounts due to customers		1,234,967	3,877,750
Change in debt securities issued	II.42	(4,233)	(58,816)
Change in provisions		5,356	(19,254)
Change in other liabilities		21,205	9,526
Other adjustments		(3,247)	(46,532)
Income tax paid		(1,179)	(115,881)
Current tax expense (IS)	II.17	3,718	120,963
Net cash flows from operating activities		**(3,405,360)**	**(390,661)**
Cash flows from investing activities			
Dividends received	II.10	28,863	41,608
Sale of intangible assets and property, plant and equipment		1,723	2,823
Sale of shares in a subsidiary		155,614	1,032
Purchase of intangible assets and property, plant and equipment		(274,811)	(72,059)
Purchase of shares in a subsidiary		(116,162)	(105,006)
Purchase of investment securities		(72,267)	-
Net cash flows from investing activities		**(277,040)**	**(131,602)**
Cash flows from financing activities			
Proceeds from issuing shares		-	296,000
Proceeds from an issue of debt securities	II.33	3,159,281	2,229,559
Redemption of issued debt securities	II.33	(2,159,000)	(1,308,000)
Sale/(purchase) of own shares		33,966	3,273
Long term loans and advances		1,683,711	102,995
Interes paid		(119,977)	(65,624)
Other financial cash inflows/ (outflows)		790	(5,046)
Net cash flows from financing activities		**2,598,771**	**1,253,157**
Net increase/(decrease) in cash and cash equivalensts		(1,083,629)	730,894
Cash and cash equivalents at the beginning of the period		3,878,637	3,147,743
Cash and cash equivalents at the end of the period	II.42	**2,795,008**	**3,878,637**

(data in PLN thousand)

II. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Getin Noble Bank S.A. ('the Bank', 'the Company', 'the Issuer') with its registered office in Warsaw at Przyokopowa Str. 33, registered pursuant to the decision of the District Court of Warsaw, XII Commercial Department of the National Court Register on 25 April 2008 under entry No. 0000304735. The Company has been granted with statistical number REGON 141334039. The legal basis for the Bank's activity are its Articles of Association drawn up in the form of a notarial deed of 5 March 2008 (as amended).

The ownership structure of significant batches of shares of the Bank as of the date of this financial statements according to the information available to the Bank is as follows:

As at 28 February 2014	Number of shares	Number of votes at AGM	% share in share capital	% share in votes at AGM
LC Corp B.V.	1,011,728,750	1,011,728,750	38.18%	38.18%
Leszek Czarnecki (directly)	264,626,609	264,626,609	9.99%	9.99%
ING Otwarty Fundusz Emerytalny	192,352,805	192,352,805	7.26%	7.26%
Getin Holding S.A.	200,314,774	200,314,774	7.56%	7.56%
Other shareholders	981,120,381	981,120,381	37.01%	37.01%
Total	**2,650,143,319**	**2,650,143,319**	**100.00%**	**100.00%**

The parent company of the Bank is Mr. Leszek Czarnecki, who directly and through his other subordinated entities has 55.86% share in Getin Noble Bank S.A. Data on the shares held by Mr. Leszek Czarnecki and his subordinated entities are presented in the following table:

As at 28 February 2014	Number of shares	Number of votes at AGM	% share in share capital	% share in votes at AGM
LC Corp B.V.	1,011,728,750	1,011,728,750	38.18%	38.18%
Leszek Czarnecki (directly)	264,626,609	264,626,609	9.99%	9.99%
Getin Holding S.A.	200,314,774	200,314,774	7.56%	7.56%
Fundacja Jolanty i Leszka Czarneckich	3,519,273	3,519,273	0.13%	0.13%
RB Investcom sp. z o. o.	101,850	101,850	0.004%	0.004%
Idea Expert S.A.	7,799	7,799	0.0003%	0.0003%
Total	**1,480,299,055**	**1,480,299,055**	**55.86%**	**55.86%**

The main activities of the Company are banking services and the business activities as defined in the Bank's Articles of Association. The Bank operates throughout Poland, and offers its services mainly to individuals, in Polish zloty and in foreign currencies.

Getin Noble Bank is a universal bank offering numerous products in the area of financing, saving and investing

and a wide spectrum of additional services which are provided to clients using a variety of channels, including traditional banking outlets and the Internet platform.

Retail banking is conducted by the Bank under the Getin Bank Brand, which specializes in the sale of cash and mortgage loans and is a leader in the sale of car loans. Getin Bank offers a wide range of investment products and deposits and is an active player in the segment of financial services dedicated to small and medium-sized enterprises and to local governments.

The private banking section, dedicated to wealthy clients, is conducted under Noble Bank Brand. In addition to standard financial products, Noble Bank offers real estate advisory, legal and tax support, art banking, brokerage and concierge services.

2. COMPOSITION OF THE BANK'S MANAGEMENT BOARD AND THE SUPERVISORY BOARD

As of the date of approval of these financial statements composition of the Getin Noble Bank S.A. management and supervisory bodies were as follows:

Management Board of Getin Noble Bank S.A.	
President of the Management Board	Krzysztof Rosiński
Members of the Management Board	Marcin Dec
	Karol Karolkiewicz
	Krzysztof Spyra
	Radosław Stefurak
	Maciej Szczechura
	Grzegorz Tracz

Supervisory Board of Getin Noble Bank S.A.	
President of the Supervisory Board	dr Leszek Czarnecki
Vice-president of the Supervisory Board	Rafał Juszczak
Members of the Supervisory Board	Remigiusz Baliński
	Michał Kowalczewski
	Jacek Lisik

During the 12-month period ended 31 December 2013 and until the date of approval of these financial statements the following changes occurred in the composition of the Bank's Management Board and Supervisory Board:

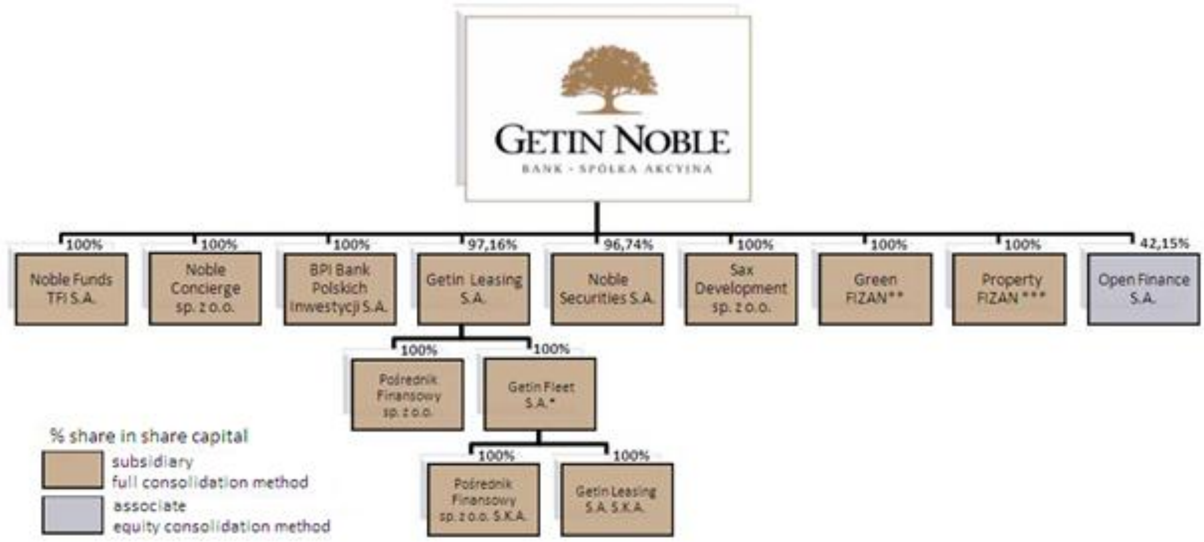
On 29 January 2013 the Polish Financial Supervision Authority approved the appointment of Mr. Krzysztof Rosiński to the President of the Management Board of the Bank.

On 7 November 2013 the Supervisory Board of Getin Noble Bank S.A. appointed Mr. Marcin Dec as a Member of the Bank's Management Board with effect from 1 January 2014.

On 6 December 2013 Mr. Maurycy Kühn resigned from the position of a Member of the Bank's Management Board with effect from 9 December 2013.

3. INVESTMENTS OF THE BANK

The Bank is parent company of the Getin Noble Bank S.A. Capital Group. Presented below is an organizational chart of subsidiaries and associates included in consolidated financial statement of the Getin Noble Bank S.A. Capital Group together with information on the nature of the relationships within the Group as at 31 December 2013:



* former Getin Services S.A.

** Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Non-public assets closed-end investment fund)

*** Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Non-public assets closed-end investment fund); holds 100% share in three special purpose companies: Ettrick Investments sp. z o.o., Redmile Investments sp. z o.o. and Lakeford Investments sp. z o.o.

As of 31 December 2013 and 2012 the Bank's share of the total number of voting rights in its subsidiaries and associates was equal to the Bank's share in the share capital of the those entities, except for Noble Securities S.A. in which the Bank held 97.26% share in votes as of 31 December 2013 and 31 December 2012.

Further particulars on investments in subsidiaries and associates as well as the description of changes that occurred in 2013 in the structure of the Capital Group are presented in note II.24

In 2013, Getin Noble Bank has also acquired an organized part of bank business of DnB Nord Poland SA and an organized part of bank business of DZ Bank Poland SA

Acquisition of the organised part of bank business of DnB Nord Polska S.A

Due to the fulfillment of all conditions precedent in the preliminary purchase agreement of the organised part of bank business of DnB Nord Polska S.A. („DnB") by Getin Noble Bank S.A., on 24 May 2013 Getin Noble Bank S.A. acquired control of the organised part of a bank business including 37 branches of the bank DnB Nord Polska S.A. along with employees and a portfolio of loans, bank accounts and term deposits of individual clients, small and medium-sized enterprises and housing communities. The primary reasons for the transaction was to strengthen the position of Getin Noble Bank S.A. in a segment of financing housing communities and SMEs, further diversification of the loan portfolio and to improve the risk profile. In addition, the acquired branches have been used in the implementation of the new strategy of the Bank and transformed into a modern Getin Up facilities.

The transaction price determined at the date of acquisition of control was PLN 833,878 thousand and establishes fair value of the consideration paid in the calculation of a gain on a bargain purchase. In exchange for liabilities assumed by Getin Noble Bank S.A. in a transaction DnB transferred cash in the amount of PLN 2,230,200 thousand. Mutual claims of Getin Noble Bank S.A. and DnB bank were settled in the net amount as the transfer from DnB of PLN 1,396,322 thousand. The acquired bank branches together with associated in the transaction assets and liabilities meet the definition of the business in light of the provisions of IFRS 3 The transaction was accounted for using the acquisition method.

Getin Noble Bank S.A. reviewed the measured fair value of the acquired assets and liabilities, as well as the completeness of liabilities assumed. Due to the negotiation by the Bank's Management Board of a favorable transaction price, fair value of the acquired business exceeded the price paid for it.

In the final accounting for the transaction, the Bank adjusted the fair value of customer relationships acquired and the fair value of the acquired loan portfolio. As a result of the remeasurement the value of the bargain purchase gain (included in "Other operating income" in the income statement), amounted to PLN 37,844 thousand.

The fair value of the identifiable assets and liabilities of the acquired business at the acquisition date recognised in the Bank's financial statements and the calculation of the gain on bargain purchase are presented in the table below.

Settlement of the acquisition of the organised part of bank business of DnB Nord Polska S.A	PLN thousand
Loans and advances to customers	811,741
Intangible assets	56,707
Property, plant and equipments	10,176
Total assets	**878,624**
Amounts due to customers	2,222,664
Provision for retirement benefits and other employee allowances	1,350
Deferred tax liability	6,902
Other liabilities	6,186
Total liabilities	**2,237,102**
Fair value of the identifiable net assets at the acquisition date	**(1,358,478)**
Net amount transferred (paid by DnB), of which:	**1,396,322**
amount of Cash transfer red by DnB for the liabilities assumed by GNB	2,230,200
fair value of GNB consideration	(833,878)
Gain on a bargain purchase	**37,844**
Total transaction costs related to the acquisition	(9,540)

Transaction costs incurred in 2012 in the amount of PLN 543 thousand and in 2013 in the amount of PLN 8,997 thousand (including PLN 8,422 thousand of tax on civil law transactions) were included in 2012 and 2013 respectively as part of “Other operating expense” and "General administrative expenses" in the income statement and as part of the "Cash flow from operating activities" in the statement of cash flows

The gross contractual amounts of loans and advances to customers amounted to PLN 831,466 thousand. The value of loans and advances to customers as of the acquisition date reflects the value of the expected cash flows made based on the best estimates, in accordance with the accounting policies adopted by the Bank. The Bank is not able to estimate the amount of revenue and profit or loss of acquired business since the acquisition date included in the statement of comprehensive income for the 12-month period ended 31 December 2013 or the impact of the transaction on the income from continuing operations, if the combination had taken place at the beginning of the reporting period, because acquired business have become an integrated part of the Bank and the separation of its performance from the results of the Bank is not feasible in practice

Acquisition of the organised part of a business of DZ Bank Polska S.A.

On 23 August 2013 DZ Bank Polska S.A. and Getin Noble Bank S.A. signed a definite sale agreement of an organised part of a business of DZ Bank Polska S.A. specialising in providing services to the wealthiest individuals to the Getin Noble Bank S.A. Transaction closure took place after fulfillment of all of suspensive conditions, i.a. obtaining the consent of the Polish Financial Supervision Authority, as well as individual customer consents to change the bank. Following the transaction, the Bank took control of the organised part of the bank business comprising mainly assets of private banking customers, including their deposits and current accounts, as well as regularly repaid loans in PLN. The aim of the transaction is to aim at strengthening position of Getin Noble Bank S.A. in the sector of private banking.

The transaction price determined at the date of acquisition of control was PLN 6,154 thousand and establishes fair value of the consideration paid in the calculation of a gain on a bargain purchase. In exchange for liabilities assumed by Getin Noble Bank S.A. in a transaction DZ Bank transferred cash in the amount of PLN 81,054 thousand. Mutual claims of Getin Noble Bank S.A. and DZ Bank were settled in the net amount as the transfer from DZ Bank of PLN 74,900 thousand. The assets acquired in the transaction including receivables, tangible assets and intangible assets as well as liabilities meet the definition of the business in light of the provisions of IFRS 3. The transaction was accounted for using the acquisition metod.

Getin Noble Bank S.A. reviewed the measured fair value of the acquired assets and liabilities, as well as the completeness of liabilities assumed. Due to the negotiation by the Bank’s Management Board of a favorable transaction price, fair value of the acquired business exceeded the price paid for it. The gain on bargain purchase in the amount of PLN 1,257 thousand has been included in "Other operating income" in the income statement.

The fair value of the identifiable assets and liabilities of the acquired business at the acquisition date recognised in the Bank’s financial statements and the calculation of the gain on bargain purchase are presented in the table below:

Settlement of the acquisition of the organised part of bank business of DZ Bank Polska S.A.	PLN thousand
Loans and advances to customers	5,561
Intangible assets	2,125
Property, plant and equipment	5
Total assets	**7,691**
Amounts due to customers	81,034
Proviosions for retirement benefits and other employee allowances	20
Deferred tax liability	280
Total liabilities	**81,334**
Fair value of the identifiable net assets at the acquisition date	**(73,643)**
Net amount transferred (paid by DZ Bank), of which:	**74,900**
Amount of cash transfer red by DZ Bank for the liabilities assumed by GNB	81,054
Fair value of GNB consideration	(6,154)
Gain on a bargain purchase	**1,257**
Total trans action costs related to the acquisition	(852)

Transaction costs incurred in 2013 in the amount of PLN 852 thousand were included as part of “Other operating expense” and "General administrative expenses" in the income statement and as part of the "Cash flow from operating activities" in the statement of cash flows

The gross contractual amounts receivable of loans and advances to customers amounted to PLN 5,561 thousand. The value of loans and advances to customers as of the acquisition date reflects the value of the expected cash flows made based on the best estimates, in accordance with the accounting policies adopted by the Bank. The Bank is not able to estimate the amount of revenue and profit or loss of acquired business since the acquisition date included in the statement of comprehensive income for 12-month period ended 30 December 2013 or the impact of the transaction on the income from continuing operations of the Bank, if the combination had taken place at the beginning of the reporting period, because acquired business have become an integrated part of the Bank and the separation of its performance from the results of the Bank is not feasible in practice

4. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of the Bank on 28 February 2014.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Statement of compliance

These financial statements were prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union, and in areas not regulated by IFRS in accordance with the Accounting Act of 29 September 1994 (“the Act”) as amended and the respective secondary legislation issued on its basis (‘the Polish Accounting Standards’), as well as the requirements relating to issuers of securities registered or applying for registration on an official quotations market. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

The Bank applies ‘carve-out’ to IAS 39 endorsed by the European Commission Regulation as described in these financial statements.

5.2 Basis of preparation

The financial statements have been prepared in accordance with the historical cost principle, except for the financial instruments measured at fair value

The financial statements have been prepared based on the assumption that the Bank will continue its activities in the foreseeable future, i.e. for a period of at least 12 months from the reporting date. As of the date of approval of these financial statements the Management Board did not identify any circumstances indicating threats to the continuity of the Bank’s operations.

The financial statements were subject to the audit of the certified auditor acting on behalf of the authorised entity, Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. The audit was performed in accordance with the Polish law and the National Auditing Standards issued by National Chamber of Statutory Auditors.

5.3 Identification of the consolidated financial statements

The Bank has also prepared the consolidated financial statements of the Getin Noble Bank S.A. Capital Group for the year ended 31 December 2013, covering Getin Noble Bank S.A. and its subsidiaries and associates – in accordance with the International Financial Reporting Standards as adopted by the European Union - which were approved for publication on 28 February 2014. In the consolidated financial statements, the Bank’s subsidiaries and associates were consolidated using the pooling of interests method (entities under common control) or acquisition method (entities not under common control). In these standalone financial statements the investments in subsidiaries and associates are recognised at cost less impairment

5.4 Functional and reporting currency

The financial statements are presented in Polish zloty ('PLN'), and all the figures, unless otherwise stated, are expressed in PLN thousands. The functional currency of the Bank and the reporting currency of the financial statements is the Polish zloty.

5.5 Changes in accounting policies

Standards and interpretations adopted in 2013

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the Bank's financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations applicable for annual periods beginning on or after 1 January 2013, as follows

- Amendments to IFRS 13 *Fair value measurement,* as adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards:* Severe hyperinflation and removal of fixed dates for first-time adopters, as adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards* – Government Loans as adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 *Financial instruments: disclosures* – Offsetting financial assets and financial liabilities, as adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 *Presentation of financial statements* – presentation of items of other comprehensive income, as adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 *Income taxes* - Deferred tax: recovery of underlying assets, as adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 *Employee benefits* – amendments to accounting requirements for post-employment benefits, as adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013).
- Annual Improvements (the 2009-2011 cycle) - collection of amendments to International Financial Reporting Standards (IFRS 1, IAS 1, IAS 16, IAS32 and IAS 34) aims to clarify the inconsistencies and vocabulary, as adopted by the EU on 27 March 2013 (effective for annual periods beginning on or after 1 January 2013).

Application of the above changes to the standards had no significant impact on the accounting policies of the Bank or on its financial position and results of operations.

Standards and interpretations published and adopted by the EU, but are not yet effective

The following standards, amendments to standards and interpretations have been published and adopted by the EU, but are not yet effective:

- IFRS 10 *Consolidated financial statements*, as adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- IFRS 11 *Joint Arrangements*, as adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 *Disclosure of Interest in Other Entities*, as adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (as amended in 2011) *Separate financial statements*, as adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (as amended in 2011) *Investments in Associates and Joint Ventures'*, as adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 *Consolidated financial statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interest in Other Entities* – Transition Guidance as adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 *Consolidated financial statements*, IFRS 12 *Disclosure of Interest in Other Entities and IAS 27 Separate Financial Statements* - investments in subsidiaries, as adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS *32 Financial instruments: presentation - Offsetting financial assets and financial liabilities*, as adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 Impairment of assets - recoverable amount disclosures for non-financial assets, as adopted by EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* - novation of derivatives and continuation of hedge accounting, as adopted by EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014)

In the reporting period, the Bank has not decided to earlier adopt any standard, interpretation or amendment that was issued but is not yet effective. The Bank estimates that the above standards, interpretations and amendments to standards would not have any significant impact on the financial statements, if it has been adopted by the Bank at the reporting date.

5.6 Changes in accounting policies and data presentation – restatement of comperative data

Data for the 12-month period ended 31 December 2012 and as at 31 December 2012 presented in these financial statements have been restated to take account of changes in accounting principles (policies) and changes in presentation implemented in the current reporting period:

1. Starting from 1 January 2013 the Bank has applied the amended IAS 19 *Employee Benefits.* The amended standard requires i.a. recognition of actuarial gains and losses on the remeasurements of defined benefit obligation in other comprehensive income, which were heretofore recognised in the profit or loss. The amendments shall be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* therefore, the Bank had restated the comparative data for 2012 adjusting the income statement under "Other operating expenses" and other comprehensive income by the amount of PLN 309 thousand. Deferred tax is adjusted respectively. Due to the immateriality of the amount of the adjustment, the Bank did recognised this amendment in the statement of changes in equity as at 1 January 2012.
2. In 2013 Getin Noble Bank S.A. modified the accounting policies for the settlement of remuneration for the sale of insurance products combined with lending products.

   In previous years, on account of the voluntary use of bancassurance Getin Noble Bank S.A. recognised these income as separate income not arising from requirements concerning combined products. After analysis of changes in the external environment carried out and consideration of market conditions, in the second quarter of 2013 the Bank decided to change the accounting principles with respect to commissions received from insurance provided under a group insurance contracts, which raise further obligations of the Bank's to an insurance company. The Bank decided to recognise these commissions according to the degree of completion of the service, i.e. the part of the commission is recognised in full at once in revenues, and some settled on a straight line basis for the duration of the insurance contract. The change resulted in a decrease in net fee and commission income for the first half of 2013 by PLN 9,538 thousand and also, due to the retrospective restatement, decrease in retained earnings by PLN 49,879 thousand. In the Bank's opinion these approach is consistent with the concepts and principles of International Accounting Standards.

On 23 December 2013 the Polish Financial Supervision Authority sent to the banks operating in Poland detailed guidance on the approach to accounting principles for recognition of revenue from bancassurance activities, with particular emphasis on the more restrictive definition of related products. Taking into accounts these guidelines, the Bank made a further modification of the revenue recognition method for revenues recognised in 2013, as well as in previous years (since 2009).

Currently, the commission for insurance products sold by the Bank is recognised in income according to the assessment of the connection between insurance and lending product, which is distributed together with the insurance product (as described in note II.5.31)

Due to the changes made, the Bank currently:

- defers part of the commission due to the risk of returns of part of the insurance premiums due to the early termination of insurance contracts

- recognises as upfront revenue upon the sale of the policy from 0% to 14% of commission for sale of insurance product for retail loans (cash loans and instalment loans), from 0% to 25% for mortgages and car loans, and less than 10% for corporate loans. The remaining part of the commission is deferred over the period during which insurance contract is in force and is settled at amortized cost.

The amendments shall be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* therefore, the Bank had restated the comparative data for 2012 adjusting the income statement in 'Interest income' and 'Fee and commission income', and adjusting statement of financial position in 'Loans and advances to customers', 'Retained earnings' and deferred income (recognised in 'Other liabilities'). Deferred tax is adjusted respectively.

Above mentioned changes in accounting principles with respect to commissions received for sale of bancassurance combined with lending product applied in 2013 (both in the first half, and in the fourth quarter) resulted in a decrease in net profit of 2013 by PLN 61,039 thousand, total equity by PLN 362,825 thousand and capital adequacy ratio at the end of 2013 by 0.7 pp.

3. In 2013, the Bank has changed the presentation of impairment allowances on financial instruments by the transfer of impairment allowances on available for sale financial assets from 'Result on other financial instruments' to 'Result on impairment allowances on financial assets and off-balance sheet provisions'. Restatement of comparative data due to the change of presentation had no impact on the net results for the 12-month period ended 31 December 2012.

Total effect of adjustments due to the changes in accounting principles (policies) introduced in 2013 on the comparative figures in the financial statements is presented below:

Income statement	Data for the period 01.01.2012-31.12.2012 PLN thousand	Adjustments PLN thousand		Restated data for the period 01.01.2012-31.12.2012 PLN thousand
CONTINUED ACTIVITY				
Interest income	4,255,213	100,989	1	4,356,202
Interest expense	(3,059,432)	-		(3,059,432)
Net interest income	**1,195,781**	**100,989**		**1,296,770**
Fee and commission income	934,113	(148,105)	2	786,008
Fee and commission expense	(226,420)	-		(226,420)
Net fee and commission income	**707,693**	**(148,105)**		**559,588**
Dividend income	41,608	-		41,608
Result on financial instruments measured at fair value through profit or loss	(57,430)	-		(57,430)
Result on other financial instruments	128,581	(202)	3	128,379
Foreign exchange result	86,929	-		86,929
Other operating income	70,725	-		70,725
Other operating expense	(81,629)	309	4	(81,320)
Net other operating income and expense	**(10,904)**	**309**		**(10,595)**
Administrative expenses	(771,409)	-		(771,409)
Result on impairment allowances on financial assets and off-balance sheet provisions	(951,330)	202	3	(951,128)
Operating profit	**369,519**	**(46,807)**		**322,712**
Profit before tax	**369,519**	**(46,807)**		**322,712**
Income tax	(58,562)	8,893	5	(49,669)
Net profit	**310,957**	**(37,914)**		**273,043**

Statement of comprehensive income	Data for the period 01.01.2012-31.12.2012 PLN thousand	Adjustments PLN thousand		Restated data for the period 01.01.2012-31.12.2012 PLN thousand
Net profit for the period	**310,957**	**(37,914)**		**273,043**
Items that will not be reclassified to profit or loss	**-**	**(250)**		**(250)**
Actuarial gains /(losses)	-	(309)	4	(309)
Income tax on actuarial gains/(losses)	-	59	5	59
Items that may be reclassified to profit or loss:	**(146,957)**	-		**(146,957)**
Valuation of available for sale financial assets	20,210	-		20,210
Income tax on valuation of available for sale financial assets	(3,840)	-		(3,840)
Cash flow hedges	(201,638)	-		(201,638)
Income tax on cash flow hedges	38,311	-		38,311
Net other comprehensive income	**(146,957)**	**(250)**		**(147,207)**
Total comprehensive income for the period	**164,000**	**(38,164)**		**125,836**

Statement of financial position	Data as at 31.12.2012 PLN thousand	Adjustments PLN thousand		Restated data as at 31.12.2012 PLN thousand
ASSETS				
Cash, balances with the Central Bank	2,906,940	-		2,906,940
Amounts due from banks and financial institutions	1,966,330	-		1,966,330
Derivative financial instruments	178,350	-		178,350
Loans and advances to customers	44,947,400	(394,803)	6	44,552,597
Available for sale financial assets	7,454,653	-		7,454,653
Investments in subsidiaries and associates	281,349	-		281,349
Intangible assets	118,663	-		118,663
Property, plant and equipment	183,605	-		183,605
Investment properties	32,204	-		32,204
Assets held for sale	4,522	-		4,522
Income tax assets, of which:	405,785	85,166		490,951
Receivables relating to current income tax	2,547	-		2,547
Deferred tax assets	403,238	85,166	7	488,404
Other assets	708,380	-		708,380
TOTAL ASSETS	**59,188,181**	**(309,637)**		**58,878,544**
LIABILITIES AND EQUITY				
Liabilities				
Amounts due to banks and financial institutions	794,704	-		794,704
Derivative financial instruments	657,427	-		657,427
Amounts due to customers	51,113,735	-		51,113,735
Debt securities issued, of which:	1,674,416	-		1,674,416
subortinated liabilities	1,235,938	-		1,235,938
Other liabilities	385,843	53,438	8	439,281
Provisions	19,694			19,694
Total Liabilities	**54,645,819**	**53,438**		**54,699,257**
Equity				
Share capital	2,650,143	-		2,650,143
Retained earnings	(504,475)	(324,911)	9	(829,386)
Net profit	310,957	(37,914)		273,043
Other capital	2,085,737	(250)	4, 5	2,085,487
Total equity	**4,542,362**	**(363,075)**		**4,179,287**
TOTAL LIABILITIES AND EQUITY	**59,188,181**	**(309,637)**		**58,878,544**

Statement of financial position	Data as at 01.01.2012 PLN thousand	Adjustments PLN thousand		Restated data as at 01.01.2012 PLN thousand
ASSETS				
Cash, balances w ith the Central Bank	2,423,342	-		2,423,342
Amounts due from banks and financial institutions	3,275,019	-		3,275,019
Financial assets held for trading	8,045	-		8,045
Derivative financial instruments	88,112	-		88,112
Loans and advances to customers	42,599,847	(341,773)	6	42,258,074
Available for sale financial assets	4,541,547	-		4,541,547
Investments in subsidiaries and associates	248,423	-		248,423
Intangible assets	105,139	-		105,139
Property, plant and equipment	153,219	-		153,219
Investment properties	36,008	-		36,008
Assets held for sale	1,036	-		1,036
Income tax assets, of w hich:	313,995	76,214		390,209
Receivables relating to current income tax	7,629	-		7,629
Deferred tax assets	306,366	76,214	7	382,580
Other assets	470,567	-		470,567
TOTAL ASSETS	**54,264,299**	**(265,559)**		**53,998,740**
LIABILITIES AND EQUITY				
Liabilities				
Amounts due to banks and financial institutions	579,057	-		579,057
Derivative financial instruments	1,135,356	-		1,135,356
Amounts due to customers	47,235,985	-		47,235,985
Debt securities issued, of w hich:	811,673	-		811,673
subortinated liabilities	400,695	-		400,695
Other liabilities	370,403	59,352	8	429,755
Provisions	38,698			38,698
Total Liabilities	**50,171,172**	**59,352**		**50,230,524**
Equity				
Share capital	103,060	-		103,060
Retained earnings	166,671	(324,911)	9	(158,240)
Net profit	-	-		-
Other capital	3,823,396	-		3,823,396
Total equity	**4,093,127**	**(324,911)**		**3,768,216**
TOTAL LIABILITIES AND EQUITY	**54,264,299**	**(265,559)**		**53,998,740**

Changes in equity for the period 01.01.2012 - 31.12.2012	Total equity as at 1.01.2012 PLN thousand	Net profit 1.01.2012 - 31.12.2012 PLN thousand	Total equity as at 31.12.2012 PLN thousand
Total equity presented in Financial Statements for the year ended 31 December 2012	**4,093,127**	**310,957**	**4,542,362**
adjustment due to the change in accounting policy of commission for the sale of insurance products	(401,125)	(47,116)	(448,241)
deferred tax on the change of accounting policy of commission for the sale of insurance products	76,214	8,952	85,166
adjustment due to the amendment of IAS 19	-	309	-
deferred tax on the amendment of IAS 19	-	(59)	-
Restated total equity reflecting the retrospective changes in accounting principles (policies)	**3,768,216**	**273,043**	**4,179,287**

The following is a detailed description of the adjustments:

1) Adjustment of interest income due to changes in the insurance revenue recognition resulting from recognition of part of the revenue with the effective interest rate method.
2) Adjustment of fee and commission income due to changes in the insurance revenue recognition resulting from deferred part of the revenue because of the potential returns of commissions in the event of early termination of the insurance contract by the customer and resulting from recognition of part of the revenue with the effective interest rate method.
3) Adjustment of result on other financial instruments due to the change of presentation of impairment allowances on financial instruments by the transfer of impairment allowances to 'Result on impairment allowances on financial assets and off-balance sheet provisions'.
4) Adjustment of other operating expenses due to the transfer of actuarial losses from the remeasurement of defined benefit obligation to other comprehensive income.
5) Recognition of income tax in respect of the above adjustments related to changes of recognition of commission for insurance and transfer of actuarial losses.
6) Adjustment of loans and advances to customers due to changes in the insurance revenue recognition resulting from recognition of deferred part of the revenue settled with the effective interest rate method.
7) Recognition of deferred tax assets regarding the part of the insurance revenue settled over time.
8) Adjustment of other liabilities due to changes in the insurance revenue recognition resulting from deferred part of the commission due to the risk associated with the returns of part of insurance premium.
9) Adjustment to retained earnings due to the change in principles for insurance revenue recognition related to the retrospective effect of this change on the result of previous years.

5.7 Foreign currency translation

Transactions expressed in foreign currencies are converted at the exchange rate applicable as at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are converted at average Exchange rate of the National Bank of Poland applicable as at the reporting date. The resulting exchange rate differences are recognised under financial income (expense) or, in the cases provided for in the accounting policies, capitalized at the value of assets. Non-monetary assets and liabilities denominated in foreign currencies and recorded at their historical cost are converted to PLN at the exchange rate applicable at the date of the transaction. The non-monetary assets and liabilities measured at fair value are converted at the average exchange rate applicable as at the date of the measurement at fair value.

5.8 Investments in subsidiaries and associates

Investments in subsidiaries, jointly – controlled entities and associates, not classified as hel-for-sale (or not being part of a group of assets classified as held-for-sale in accordance with IFRS 5) are recognised at cost.

5.9 Business combinations under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

IFRS 3 Business Combinations does not apply to a business combination of entities or businesses under common control. In such a situation, according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; in the absence of an IFRS or interpretation that specifically applies to a transaction, the management must use its judgment in developing and applying an accounting policy, referring to i.a. the most recent regulations and application guidelines developed by other standard-setting bodies that use a similar conceptual framework to the IFRS. The accounting policy developed by the entity's management must not be inconsistent with any of the standards or interpretations under IFRS nor the assumptions of the conceptual framework to these standards.

Based on these principles Getin Noble Bank S.A. adopted the pooling of interests method as the accounting policy for accounting for business combinations under common control. Pooling of interests method consists on adding together individual items of relevant assets, liabilities, equity, revenues and costs of the combined companies, as at the date of merger, having adjusted them using uniform valuation methods and after the following eliminations:

- mutual receivables and liabilities as well as similar items of the combining companies,
- revenue and costs of business transactions between the combining companies, that were carried out in a financial year before the merger,
- profits or losses on business transactions between the combining companies, that were carried out before the merger, included in values of assets, liabilities and equity,
- the share capital of a company whose assets were transferred to another company and non-controlling interest. After this elimination is made, the difference between the remaining equity and its acquisition price is recognised in other capital as reserve capital.

Business combination by the pooling of interests does not lead to the identification and recognition of any goodwill or negative goodwill, nor to identify and recognition of any additional assets and liabilities, except those resulting from the above book values.

5.10 Business combination of entities not under common control

The Bank settles the business combination of entities not under common control under the acquisition method in accordance with IFRS 3.

The Bank as an acquirer recognises and measures the identifiable assets acquired and the liabilities assumed at the fair value as of the acquisition date and then identifies the difference between the consideration transferred measured at fair value and identifiable net assets acquired. The excess of purchase price over the net assets is recognised as a goodwill. If the purchase price is less than the identifiable net assets of the acquiree as of the acquisition date, in accordance with IFRS 3 the Bank reassess the completeness and accuracy and valuation of identified assets acquired and liabilities. Obtaining a reasonable certainty that the measurements appropriately reflect all the aspects of the transaction results in recognition of gain on bargain purchase

Transaction costs directly related to the acquisition are recognised in the profit or loss of the Bank when incurred.

5.11 Financial assets and liabilities

The Bank classifies financial assets to the following categories:

- financial assets held to maturity.
- financial instruments measured at fair value through profit or loss,
- loans and receivables,
- financial assets available for sale,

The Management Board decides on the classification of financial assets and liabilities upon their initial recognition.

Financial assets held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity other than:

- those designated by the Bank upon initial recognition, as at fair value through profit or loss,
- those designated by the Bank as available for sale,
- those that meet the definition of loans and receivables.

Financial instruments at fair value through profit or loss

A financial asset or financial liability measured at fair value through profit or loss is a financial asset or financial liability that meets either of the following conditions

a) It is classified as held for trading. A financial asset or financial liability is classified as held for trading if:
   - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term,
   - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking,
   - it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument),

b) Upon initial recognition it is designated by the entity as at fair value through profit or loss in accordance with IAS 39.

Loans and receivables

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

a) those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss,
b) those that the entity upon initial recognition designates as available for sale,

c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as any other of the previously listed three categories.

Financial assets held for sale are recognised at fair value increased by the transaction costs directly attributable to the purchase or issuance of the financial asset. Results of changes in fair value of financial assets available for sale (if there is a market price available from the active market or the fair value can be reliably measured in other way) are recognised in the other comprehensive income until the asset is derecognised from the statement of financial position or impaired when the cumulative gain or loss recognised previously in other comprehensive income is than recognised in the income statement. Changes in fair value recognised as other comprehensive income are presented in the statement of comprehensive income.

Financial liabilities

Financial liability is any liability that is:

a) a contractual obligation:
   - to deliver cash or another financial asset to another entity,
   - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity,

b) a contract that will or may be settled in the entity's own equity instruments and is:
   - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments,
   - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this reason, the entity's own equity instruments do not include instruments which are contracts concerning future receipt or issue by the entity of its own equity instruments.

Purchase and sale of financial assets is recognised at the transaction date (and not upon cash receipt or payment), and recorded in the books of account and in the financial statements for the period they relate to.

A financial asset is derecognised from the Bank's statement of financial position upon expiry of the contractual rights relating to the financial instruments; usually in case when the instrument is sold or all cash flows assigned to the financial instrument are transferred to an independent third party.

In particular, the Bank writes-off loan receivables from the balance sheet in correspondence with impairment write-downs, if such receivables are non-collectible, i.e.:

- the costs of further debt recovery exceed the expected recoveries,
- the ineffectiveness of the execution with regard to the Bank's receivable has been confirmed by a relevant document issued by the competent enforcement proceedings authority, or the Bank obtained a decision on the conclusion of bankruptcy proceedings or on the dismissal or the bankruptcy petition due to the lack of debtor assets,
- it is impossible to determine the debtor's property that can be used for execution purposes, and the debtor's address in unknown,
- the claims have become prescribed or written off.

A financial liability or part of a financial liability is derecognised by the Bank from its statement of financial position only when the obligation specified in the contract is settled, cancelled or expired.

The value of assets and liabilities and the financial gain (loss) are determined and disclosed in the accounting books in a reliable and clear manner, presenting the Bank's financial and economic standing. Upon initial recognition, the financial asset or liability is measured at fair value plus, in the case of financial assets or liabilities not classified as measured at fair value through financial gain (loss), the transactions costs that can be directly attributed to the acquisition or issue of the financial asset or liability. For the purpose of measurement of a financial asset, after initial recognition it is classified as of the date of acquisition or creation into one of the following categories:

- financial assets held to maturity.
- financial instruments measured at fair value through profit or loss,
- loans and receivables,
- available for sale financial assets.

After initial recognition, the Bank measures financial assets, including derivatives that are assets, at fair value, without deducting the transaction costs that may be incurred upon sale or other method of asset disposal. Exception is made for the following financial assets:

a) loans and receivables measured at amortized costs using the effective interest rate method,
b) investments held to maturity measured at amortized costs using the effective interest rate method,
c) investments in equity instruments not quoted in the active market, whose fair value cannot be reliably measured, as well as related to them derivatives which must be settled by delivering unquoted equity instruments measured at cost.

Financial assets available for sale are measured at fair value. The effects of changes, except for write-downs for impairment losses and foreign exchange differences, in their fair value are recognised in the other comprehensive income until the asset is derecognised from the statement of financial position or impaired, when the cumulative gain or loss recognised previously in other comprehensive income is than recognised in the income statement. Changes in fair value recognised as other comprehensive income are presented in the statement of comprehensive income. Interests are calculated with the effective interest rate method and are recognised in profit or loss.

After initial recognition, the Bank measures all financial liabilities at amortized cost using the effective interest rate method, except for the following:

a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost,
b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies,
c) financial guarantee – after initial recognition, an issuer of such a contract shall measure it at the higher of:

– the amount representing the most appropriate estimate of expense necessary to fulfill the current obligation under the financial guarantee, taking into account the probability of its realization,
– the amount initially recognised less, when appropriate, cumulative amortization recognised in accordance with IAS 18.

The Bank does not offset financial assets against financial liabilities, unless this is required or allowed under a standard or interpretation. Financial assets and financial liabilities are offset and recognised on a net basis only if the Bank holds a valid legal right to offset the recognised amounts and intends to settle the amounts net, or to realize a given asset and settle the liability at the same time.

5.12 Derivative financial instruments

A derivative is a financial instrument with all three of the following characteristics:

a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying'),
b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and
c) it is settled at a future date.

Derivative financial instruments not subject to hedge accounting are recognised as of the date of the transaction and measured at fair value as of the end of the reporting period. The Bank recognises changes in fair value in result on financial instruments measured at fair value through profit or loss or in foreign exchange result (FX swap, FX forward and CIRS transactions), respectively in correspondence to receivables/liabilities arising from derivative financial instruments. The result of the final settlement of derivative transactions is recognised in result on financial instruments measured at fair value through profit or loss or, in the case of foreign currency financial derivatives (FX swap, FX forward and CIRS transactions), in foreign exchange result.

The notional amounts of derivative transactions are recognised in off-balance sheet items as of the date of the transaction and throughout their duration. Revaluation of off-balance sheet items expressed in foreign currencies takes place at the end of the day, at the average exchange rate of the National Bank of Poland (fixing as of the valuation date).

The fair value of financial instruments quoted in a market is the market price of such instruments. In other cases, the fair value is determined based on a measurement model, inputs to which have been obtained from an active market (particularly in the case of IRS and CIRS instruments using the discounted cash flow method).

5.13 Hedge accounting

The Bank has adopted accounting policy for cash flow hedge accounting for hedging interest rate risk in accordance with IAS 39 as endorsed by the Regulation of the European Commission. The “carve out” in accordance with IAS 39 endorsed by the Regulation of the European Commission enables the Bank to establish a group of derivative instruments as a hedging instrument, and cancels certain restrictions resulting from the provisions of IAS 39 in the scope of deposit hedging (with the possibility of payment on request) and adoption of the hedging policy for less than 100% of cash flows. In accordance with IAS 39 endorsed by the Regulation of the European Commission, hedge accounting can be applied to deposits, and a hedging relationship is ineffective only when a re-measured value of cash flows within the given time interval is lower than the value hedged in the given time interval. In accordance with hedge accounting, hedging instruments are classified as:

- fair value hedge, securing against the fair value change risk for a recognised asset or liability, or
- cash flow hedge, securing against cash flow changes which may be attributed to a specific risk related to a recognised asset, liability or forecasted transaction, or
- hedge of a net investment in a foreign entity.

Hedging of the exchange risk for the future liability of increased probability is accounted for as a cash flow.

At the time of designation of the hedging instrument, the Bank formally assigns and documents the hedging relationship as well as the purpose of risk management and the strategy for establishment of the hedging instrument. The documentation comprises identification of the hedging instrument, hedged transaction or item, nature of the risk being hedged as well as the manner of assessing the efficiency of the given hedging instrument in offsetting of the risk by changes of the fair value of the item being hedged or cash flows related to the hedged risk. It is expected that the hedging instrument is to be highly efficient in offsetting changes of the fair value or cash flows resulting from the risk being hedged. Efficiency of the hedge relationship is assessed on a monthly basis in order to verify whether it is highly effective in all reporting periods for which it has been designated.

Fair value hedge

A fair value hedge is a hedge against changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The Bank uses hedge for fair value of deposits portfolio in PLN with fixed interest rate against changes in fair value due to the risk of changes in WIBOR benchmark interest rate. Hedging instrument in this kind of hedge portfolio is all or part of a portfolio of IRS. The Bank designates hedging relationships based on sensitivity analysis of the fair value of the hedged portfolio of deposits and portfolio of hedging instruments on the risk of changes in WIBOR benchmark interest rate. This analysis is based on a measures of "BPV" and "duration". The effectiveness of the hedging relationship is measured on a regular basis, on a monthly basis.

In the portfolio securities of fair value the interest expense on the hedged part of the portfolio of deposits are adjusted for accrued income and interest expense from hedging IRS transaction for a given reporting period. At the same time the change in fair value of derivative instruments designated as hedging instruments during the period is recognised in the income statement under "Result on other financial instruments measured at fair value through profit or loss" - in the same position as the change in the fair value of the hedged item arising from the hedged kind of risk. Change in fair value of part of deposits portfolio in PLN designated in the period as a hedged item adjusts "Amounts due to customers" in the statement of financial position. Adjustment to the hedged portfolio of deposits is amortised linearly started from the month following the adjustment for the time remaining to maturity of the hedged cash flows. The amount of amortization adjusts "Interest expense" in the income statement.

Cash flow hedges

The Bank hedges the volatility of cash flows for mortgage loans denominated in CHF and EUR using specifically identified float-to-fixed CHF/PLN IRS and EUR/PLN portfolio and the volatility of cash flows for the deposits in PLN separated from existing CIRS transactions using a specifically identified portfolio of fixed-to-float IRS. During the hedging period the Bank analyses the hedge relationship effectiveness. Any gains or losses arising from changes in fair value of hedging instruments are recognised in the other comprehensive income, except for the ineffective portion of hedge, which is recognised in the income statement as “the result on financial instruments measured at fair value through profit or loss”. After the date of re-designation of hedge relationship, the effective portion of the hedge is amortized in the income statement according to the schedule prepared by the Bank until the maturity of the original portfolio.

The Bank discontinues hedge accounting if the hedging instrument expires, is sold, terminated or realized, if the hedge no longer meets the criteria for hedge accounting, or when the Bank cancels the hedging relationship.

5.14 Impairment of financial assets

At the end of each reporting period, the Bank estimates whether there is any objective evidence indicating the impairment of any financial asset. If such evidence is identified, the Bank determines the amounts of impairment write-downs. Impairment loss is incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Loans, purchased receivables, other receivables

In Getin Noble Bank S.A. the value of loans granted and receivables is periodically assessed whether any indicators of impairment exist and what is the level of impairment allowances in accordance with IAS 39.

If there is objective of evidence impairment of loans and receivables or held-to-maturity investments measured at amortized cost, the amount of the impairment allowance is the difference between the carrying value of the asset and the current value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted using the original effective interest rate of the financial instrument. The carrying amount of an asset is decreased using the allowance account. The amount of impairment loss is charged to the income statement. The Bank first assesses if there is objective evidence for the impairment of individual financial assets which are considered individually significant and individually or collectively in case of financial assets which are not significant. Where no objective evidence for loan impairment assessed on an individual basis has been identified by the Bank, such exposure is included in the portfolio of items of similar character of credit risk and the collective analysis of the impairment is conducted.

Loans, advances and receivables, which are individually significant, are subject to individual periodical evaluation in order to determine whether impairment losses occurred (the Bank has adopted PLN 1 million threshold for the purpose of identifying individually significant exposure). The impairment of an individual loan, advance or receivable is recognised and, as a consequence, an impairment allowance is made where there is objective evidence for the impairment due to one or more events which shall influence future estimated cash flows from such loans, advances or receivables. Such events include the following:

- lack or delinquent payments of loan interest or principal;
- significant financial difficulties of a borrower resulting in a decrease in credit risk rating;
- permanent lack of contact with customer and unknown place of residence of customer;
- request for an immediate repayment of the entire loan due to termination of the loan contract (an exposure was transferred over to debt recovery);
- the entity has initiated execution proceedings against the debtor or learnt about such proceedings already in progress;
- filing a notion for bankruptcy or commencement of corporate recovery proceedings by the debtor;
- imposed administration has been established or debtor activities has been suspended (in case of banking entities);
- the amount of debt has been questioned by the debtor in legal proceedings;
- loan restructuring (restructuring status - applies to loans that have returned from overdue over 3 months to the best risk category);
- fraud;
- infection of loan/receivables with the impairment of the loan/receivable granted to the same borrower within the specified product groups;

- the conditions for restructuring have not been met.

If impairment was recognised for the assets which are assessed individually but the estimated cash flows do not indicate the need for recording or maintaining impairment allowance, the Bank calculates the allowance for incurred but not reported losses on a collective basis.

An impairment allowance for loans that are subject to individual evaluation is determined as a difference between the carrying amount of the exposure and the present value of estimated future cash flows discounted using the original effective interest rate. In the case of loans for which collateral has been established, the present value of estimated future cash flows includes cash flows that can be obtained through execution of the collateral, less costs of execution and costs to sell, if execution is probable. The carrying amount of loan is decreased by the amount of the corresponding impairment allowance.

Homogeneous groups of loans that are not significant individually and individually significant items for which the individual evaluation showed no impairment, are subject to collective evaluation for impairment, including incurred but not reported credit losses (IBNR). In order to estimate collective impairment allowances, the Bank classifies loans into portfolios with similar credit risk characteristics and assesses if there is objective evidence for impairment. The main impairment indicators are:

- Lack or delinquencies in repayment of loan capital or interest;
- infection of loan/receivables with the impairment of the loan/receivable granted to the same borrower within the specified product groups;
- the conditions for restructuring have not been met.

The collective impairment measurement process consists of two elements:

- estimation of collective impairment allowances for exposures which are not considered individually significant and for which impairment has been identified,
- estimation of allowances for incurred but not reported credit losses (IBNR) – the exposures for which no impairment has been identified;

The present value of estimated future cash flows for exposures assessed on a collective basis is estimated based on:

- the expected future cash flows discounted using the effective interest rate for particular portfolio,
- historical data relating to delinquencies, length of period being impaired and repayments for particular portfolio.

The portfolio parameters i.e. PD (probability of default) – separately for exposures in restructuring and regular, and additionally for exposures infected with impairment and RR (recovery rates), RestrR (successful restructuring rate) and CR (cure rate – transfer from impaired status to restructuring), which are required for the calculation of impairment allowances are determined based on the historical data. The parameters are determined independently for defined product portfolio using statistical methods. Parameters estimates are performed on the historical base of exposures on monthly basis, while reducing the impact of inadequate data to the current risk level of the loan portfolio. For the purpose of estimating the CR and RR the Bank applies time series of length 60 months, while for the purpose of estimation of PD and RestrR Bank applies shorter time series (from 12 to 24 months), which reflect better the current risk of these portfolios. In justified cases, additional manual adjustment is allowed in order to reflect the impact of current circumstances. In accordance with the rules adopted by the Bank , the methodology and the assumptions underlying performance parameters (including recognition of the homogeneous groups of loans) are regularly verified, to reduce discrepancies between estimated and actual values of parameters.

In addition, in order to estimate an IBNR provision for each identified portfolio, the LIP parameter (loss identification period), maximum period of the quarantine for restructured exposures, the conditions of transfer of exposure from impaired status to restructuring and other are determined. To calculate allowances on off-balance sheet positions the Bank calculates the credit conversion factor (CCF) which specifies the outflow of funds which were made available to the Client by the Bank until the recognition of impairment. The Bank estimates the CCF for defined homogeneous groups of product based on historical data.

Held-to-maturity investments

The Bank assesses whether there is objective evidence that an individual, held-to-maturity investment is impaired. If there is objective evidence of impairment, the amount of impairment losses is equal to the difference between the carrying value of an asset and the current value of estimated future cash flows (excluding future credit losses not incurred) discounted using the effective interest rate as at the date on which such evidence occurs for that financial asset.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the impairment loss balance. The amount of the reversal is recognised in the profit or loss.

Available for sale financial assets

At the end of each reporting period, the Bank assesses whether there is any objective evidence that a financial asset and/or a group of financial assets is impaired. Should there be any objective evidence of impairment of a financial assets available for sale, the amount constituting the difference between the acquisition cost of the assets (decreased by all capital repayments and interest) and its current fair value, less any impairment losses for these assets component previously recognised in profit or loss, is removed from equity and recognised in profit or loss. The reversal of impairment write-downs for equity instruments classified as available for sale shall not be reversed through profit or loss. If, in the next period, the fair value of a debt instrument available for sale increases and the increase can be objectively related to an event subsequent to the recognition of the impairment loss in the financial profit or loss, then the amount of the reversals is recognised in the financial profit or loss. .

5.15 Repo/reverse repo transactions

Repo and reverse-repo and sell-buy-back and buy-sell back transactions are sale or purchase of securities with the agreement to repurchase or resale them at an specific future date and price.

Repo and sell-buy back are recognised in ‘Amounts due to banks and financial institutions’ when occur. Reverse-repo and buy-sell back are recognised in ‘Amounts due from banks and financial institutions’.

Repo and reverse repo transactions are measured at amortized cost, and securities which are subject to repo/reverse repo transactions are not derecognised from balance sheet and are measured in accordance with principles applicable for particular securities portfolio. The difference between sale and repurchase price is treated as interest income or cost, respectively and is accrued over the period of the agreement by application of an effective interest rate.

5.16 Contingent liabilities

As part of its operations, the Bank executes transactions that, at the time of execution, are not recognised in the statement of financial position as assets or liabilities, but which result in contingent liabilities. A contingent liability is:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank;

- present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be reliably measured.

Off-balance sheet liabilities that carry the risk of the counterparty's failure to meet the relevant contractual obligations are provided for in accordance with IAS 37.

Financial guarantees are treated and recognised in accordance with IAS 39.

Financial assets and financial liabilities are offset and recognised on a net basis only if the Bank holds a valid legal right to offset the recognised amounts and intends to settle the amounts net, or to realize a given asset and settle the liability at the same time.

5.17 Property, plant and equipment

Tangible fixed assets are recognised at acquisition or manufacturing cost less depreciation and any impairment losses. The initial value of a tangible fixed asset comprises its acquisition price and all the costs directly attributable to the purchase and preparation of an asset to be put into operation. The initial cost also includes the costs of replacement of parts of plant and equipment when incurred if the criteria for recognition are met. Any costs incurred after the date when the fixed asset is put into operation, such as the costs of maintenance and repairs, are recognised in profit or loss when incurred.

Fixed assets, when acquired, are divided into component parts that are items of significant value and to which a separate period of economic life can be attributed. The costs of general overhauls also constitute a component part. Depreciation is provided on a straight-line basis over the estimated useful life of the respective asset:

Type of asset	Estimated economic useful life
Investment in third party assets	rental duration - up to 10 years
Buildings	from 40 to 66.6 years
Machinery	from 4 to 14 years
Computer units	from 2 to 5 years
Means of transport	from 2,5 to 5 years
Of f ice equipment, furniture	from 5 to 7 years

The residual value, economic useful life and method of depreciation of the assets are verified and, if necessary, adjusted as at the end of each financial year.

A tangible fixed asset can be removed from the statement of financial position when the asset is sold or when no economic gains are expected from continuing to use such an asset. All gains or losses resulting from the removal of such an asset from the statement of financial position (calculated as the difference between possible net proceeds from the sale of the asset and the carrying amount of the asset) are recognised in the financial profit or loss for the period in which the asset was removed.

Investments in progress apply to fixed assets under construction or assembly and are recognised at the acquisition or manufacturing cost. Fixed assets under construction are not depreciated until their construction is completed and the assets are put into operation.

When an asset is overhauled, the overhaul cost is recognised in tangible fixed assets in the statement of financial position provided that the criteria for such recognition are met.

5.18 Investment properties

Investment property is real estate (land, buildings or parts of them or both items) which the Bank treats as a source of income from rent or holds due to the related increase in value, or both, and such real estate is not:

a) used during performance of services or other administrative activities, or
b) intended for sale as part of the entity's ordinary business.

Investment property is recognised at cost, including the transaction costs. After initial recognition, the value of investment property is decreased by depreciation and impairment write-downs.

Investment property is derecognised upon disposal or permanent withdrawal from use, if no future economic benefits from its disposal are expected. All profit or loss arising from the derecognition of an investment property are recognised in the income statement in the period of derecognition.

Transfer of assets to investment property is made only when there is a change in use evidenced by end of owneroccupation

or commencement of an operating lease agreement. If a property occupied by the Bank becomes an investment property, the Bank applies rules as described in paragraph Tangible fixed assets up to the date of change in use of property.

5.19 Intangible assets

An intangible asset acquired in a separate transaction is initially measured at acquisition or production cost. The cost of acquisition of an intangible asset in a business combination is equal to its fair value as of the date of the business combination. An initially recognised intangible asset with a definite useful life is recognised at the cost of acquisition or production less amortization and impairment write-downs. Except development work, expenditure on internally generated intangible assets, except for capitalized expenditure on development, is not capitalized and is recognised in the costs of the period in which it was incurre.

The Bank assesses whether the useful life of an intangible asset is definite or indefinite. An intangible asset with a definite useful life is amortized throughout its useful life and subject to impairment tests every time that evidence is identified that the asset is impaired. Estimated useful life of software is 2 to 10 years. The period and method of amortization of intangible assets with a definite useful life are verified at least as of the end of each financial year. Changes in the expected useful life or in the expected method of consuming the economic benefits from an intangible asset are recognised through a change of, respectively, the period or method of depreciation, and treated as changes of estimates. The amortization charges for intangible assets with a definite useful life are recognised in profit and loss, in the respective category for the function of that intangible asset. Intangible assets with an indefinite useful life and those which are not used are, on an annual basis, subject to impairment tests with respect to individual assets or at the level of a cash-generating unit. In case of other intangibles, the Bank assesses annually whether there impairment triggers have been recognised. The economic useful life periods are also subject to verification on an annual basis and, if necessary, adjusted with effect from the beginning of the financial year. Gains or losses arising from the derecognition of an intangible assets in the statement of financial position are measured by the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised

Relationships with customers

According to IFRS 3, identifiable acquired intangible assets must be recognised separately from goodwill, regardless of whether acquiree had recognised the asset prior to the acquisition transaction occurring or no.

As a result of the acquisition of the organised part of business the intangible assets fulfilling the criteria for

separate recognition in statement of financial position of the Bank were identified – relationships with deposit customers ('Core Deposit Intangible'). In the outlook of the Bank they reflect the cheaper source of funding amounting the difference in the cost of funding from the external sources (i.e. interbank market) and the cost of interest rates on current accounts and flow of non-interest income less respective expenses.
Fair value measurement is to determine the present value of future benefits, constituting the difference between the cost of the funding from the external sources (i.e. interbank market) and the cost of interest rates on current accounts estimated for anticipated period of deposit customers retention based on historical customers' behaviour and churn rate.

Relationships with customers are amortised on a straight-line basis over the estimated period during which most of consumption of economic benefits of an intangible asset is expected..

Goodwil

Goodwill arises on the purchase of subsidiaries. Goodwill is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is recognised at cost less any accumulated impairment write-downs. Goodwill is not amortized, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. The impairment loss is determined by estimating the recoverable value of the cash-generating unit to which the goodwill was allocated. If the recoverable value of the cash-generating unit is lower than its carrying amount plus goodwill, the impairment loss is recognised. Profits or losses arising from the derecognition of intangible assets from the statement of financial position are calculated as a difference between net disposal proceeds and the carrying amount of an asset and are recognised in the financial profit or loss when such derecognition is made.

5.20 Assets held for sale and discontinued operations

Assets held for sale include tangible fixed assets, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.
Assets held for sale are recognised at the lower of its carrying amount and fair value less costs to sell. Assets classified as held for sale are not subject to depreciation.
If the criteria for assets held for sale are no longer met, the Bank ceases its recognition as assets held for sale and reclassifies to the proper category of assets. In this case, the asset is measured at the lower of:

- its carrying amount before the asset was classified as held for sale, adjusted for any depreciation or revaluations that would have been recognised had the asset not been classified as held for sale,
- its recoverable amount at the date of the subsequent decision not to sell.

A discontinued operation is a component of the Bank that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The reclassification to the discontinued operations is made when the operation is disposed or when the operation meets the criteria of discontinued operation.

5.21 Impairment of non-financial tangible fixed assets

The carrying amount of particular assets is tested for impairment periodically. If the Bank has identified evidence of impairment, determines whether the current carrying amount of the asset is higher than the amount recoverable through further use or sale, i.e. the recoverable amount of the asset is estimated. If the recoverable amount is lower than the current carrying amount, the asset is impaired and the impairment loss is charged in the profit or loss.

The recoverable amount of an asset is determined as the higher of two amounts: the amount expected to be received from sale less the selling costs and the asset's value in use. An asset's value in use is determined as the future cash flows expected to be derived from the asset, discounted with the current market rate of interest plus a margin against a risk specific to the given class of assets.
The impairment loss of an asset may be reversed only up to the carrying amount of the asset less the accumulated depreciation which would have been determined if the asset had not been impaired.

5.22 Cash and cash equivalents

The Bank recognises the following cash and cash equivalents: cash and balances on current accounts in the Central Bank and balances on current accounts and overnight deposits in other banks.

5.23 Accrued expense and deferred income

Accrued expenses (assets) are particular expenses which will be recognised in the profit or loss in future reporting periods. Accrued expenses (assets) are recognised under "other assets". Accrued expenses (liabilities) are provisions for the goods and services provided to the Bank which are to be paid for in the future reporting periods. These are recognised under "other liabilities". Deferred income includes, i.a. the amounts received during a reporting period for goods and services to be supplied in the future and certain types of income received in advance which will be recognised in the financial profit or loss in the future reporting periods. They are also recognised under "other liabilities".

5.24 Employee benefits

In accordance with the Polish Labor Code and the Compensation Rules, the Bank's employees are entitled to disability/retirement severance pay. Such severance pay is paid as a lump sum to an employee upon termination of his or her employment for retirement or disability and the severance pay amount depends on the number of the employee's years of service and his or her individual pay level. The Bank creates a provision for severance pay to assign the future costs to the periods to which they relate. In accordance with IAS 19 Employee benefits, disability/retirement severance pay is provided under termination benefit plans. The current amount of such liabilities as at each reporting date is determined by an independent actuary. The liabilities are equal to discounted payments to be made in the future, taking into account the employee turnover rate, and they relate to the reporting period. Demographic and employee turnover figures are based on historical data.

5.25 Provisions

A provision is recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Bank creates provisions for:

a) Retirement severance pay

   The Bank creates provisions for retirement severance pay. The amount of provisions is determined according to valuation made by an independent actuary and updated at the end of each reporting period. The amount of the provision is recognised as an expense except for actuarial gains or losses that are recognised in the revaluation reserve. The provision is recognised as a liability in "Provisions".

b) Unused leave

   The Bank creates a provision in the full amount related to unused leave of the Bank's employees at the end of the reporting period on the basis of the unused leave balance. The provision is recognised as a liability in

"Provisions".

c) Other items

The Bank creates provisions for legal obligations or highly probable obligations whose amount can be reliably estimated. Such obligations may result, for instance, from contracts concluded, such as employment agreements, as well as in relation to pending lawsuits.

5.26 Leases

Financial lease agreements which transfer substantially all the risks and rewards incident to ownership of the leased asset on the Bank are recognised in the statement of financial position as at the date of commencement of the lease term at the lower of two values: the fair value of the asset and the present value of the minimum lease payments. Finance lease payments are apportioned between the operating expenses and the reduction of the outstanding liability so as to produce a constant interest rate on the remaining balance of the liability. Other operating expenses are recognised directly in the financial profit or loss.

Property, plant and equipment used under finance lease are depreciated over the shorter of the following two periods: the lease term or the estimated life of the asset.

Lease where the lessor retains substantially all the risks and rewards of ownership of the asset leased are classified as operating lease. Operating lease payments are recognised under expense in the financial profit or loss on a straight-line basis over the term of the relevant lease.

The Bank recognises assets under financial lease as receivables at the amount equal to the net lease investment. The initial costs directly related to the conclusion of a lease agreement are included in the initial value of the finance lease receivable and reduce the amount of income received during the lease period.

Lease fees related to the given financial period, excluding service costs, reduce the lease investment and constitute a part of the minimum lease fee; they are charged on the basis of the agreement together with the lease agreement. Financial lease income is recognised on an accrual basis, according to a fixed rate of return calculated on the basis of all cash flows related to the given lease agreement, discounted with the original effective interest rate.

The Bank presents assets under operating lease in the relevant fixed asset group, according to the nature of the respective asset. Fixed asset under operating lease agreements are depreciated on a straight-line basis over the lease agreement period, taking into account residual value. The residual value is determined at the amount the Bank could currently expect to obtain, taking into account the age and condition of the asset at the end of the lease agreement, less the estimated costs of disposal. Operating lease income is recognised as income on a straight-line basis over the agreement period, unless another systematic basis is more representative of the time pattern of the user's benefit.

5.27 Other receivables

Other receivables are recognised at the amount of the payment due, less impairment allowances. If the effect of the time value of money is material, the receivable amount is determined by discounting expected future cash flows to the current value using a discount rate that reflects current market assessments of the time value of money. If the discounting method has been applied, increase of the receivable amount over time is recognised in the income statement.

5.28 Other liabilities

Other liabilities are recognised at the amount of the payment due. In case the effect of the time value of money is material, the payable amount is determined by discounting expected future cash flows to the current value using a discount rate that reflects current market assessments of the time value of money. If the discounting method has been applied, increase of the payable amount in time is recognised in the income statement.

5.29 Equity

Equity is the capital, reserves and funds generated in accordance with the applicable laws, regulations and the articles of association. Equity consists of share capital, repurchased own shares, retained earnings (undistributed financial profit or loss) and other capital.

Share capital
Share capital is recognised at nominal value according to the articles of association and the commercial records.

Repurchased own shares
If the Company acquires own capital instruments, the amount paid for the instruments including all the direct costs related to such acquisition is recognised as a change in equity. The acquired own shares are recognised as own shares and the expense surplus over the purchase price is recognised as a reduction of other capital until the shares are cancelled or disposed.

Retained earnings
Retained earnings include appropriated profits for the current and previous periods, which have not been allocated on the other capital or distributed to the shareholders.

Other capital

a) *Reserve capital*
The capital from the sale of shares above par value (the excess of the issue price over the nominal value) less the direct costs associated with it and created from profit. Reserve capital includes equity resulting from the settlement of a business combination.

b) *Revaluation reserve*
Revaluation reserve from measurement of available for sale financial assets, revaluation of cash flow hedges, valuation of stock option benefits, actuarial gain/losses and deferred tax relating to temporary differences recognised in the revaluation reserve.

c) *Other capital reserves*
Other capital reserves are created from the appropriations from profit and other sources and are used for covering special losses and expenses. The General Risk Fund is also included in this position.

All the capital items described above, in the event of acquisition of entities, apply to the events taking place after obtaining control over the given entity until the day such control is ceased.

5.30 Share-based payments

Equity settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using selected pricing model. While measuring equity-settled transactions, no account is taken of any performance conditions other than the conditions linked to the price of the parent company’s shares (“market conditions”).
The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled until the date in which particular employees become

entitled to awards ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the parent company's Management Board, at that date, based on the best available estimate of the number of equity instruments, will eventually be vested.

No expense is recognised for awards that are not eventually vested, except for the awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. Furthermore, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had been vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution on determination of the earnings per share.

Cash-settled transactions

Cash-settled transactions are initially measured at fair value at the granting date using the relevant model and entailing the terms and conditions upon which the options were granted. This fair value is expensed over the whole period until the vesting with recognition of a corresponding liability. The liability is re-measured at the end of each reporting period up to and including the settlement date with the changes in the fair value being recognised through profit or loss.

5.31 Revenues

Income from a transaction is recognised in the amount in which it is probable that economic benefits associated with the transaction will flow to the Bank and if the amount of income can be measured reliably. While recognising income, the criteria described below apply.

Net interest income

Interest income and expense include all interest income and expense on financial instruments valued at amortized cost using effective interest rate and assets available for sale. Interest income also includes incremental costs relating to originated loans and advances, including integral and direct internal costs.

The following financial assets and liabilities are measured at amortized cost by the Bank:

- loans and advances granted and other receivables - not held for trading,
- financial assets held to maturity,
- financial liabilities not designated, upon inception, as financial liabilities measured at fair value through profit or loss and not being derivative instruments.

The effective interest rate is the rate that discounts the expected cash flows until maturity or the next market-based repricing date to the current net carrying amount of the financial asset or financial liability. That calculation should include all fees paid or received by the Bank under the contract for the asset or liability, excluding the potential future credit losses.

The measurement method for interest coupons, fees and commission and some other external expenses associated with financial instruments (the effective interest method or the straight-line method) depends on the nature of the given instrument. Financial instruments with defined cash flow schedules are measured using the effective interest rate method. In case of financial instruments without defined cash flow schedules, it is impossible to calculate the effective interest rate and therefore the fees and commission are recognised over time using the straight-line method.

The recognition method for various types of fee/commission through profit or loss as interest or fee and commission income and, generally, whether it should be settled over time and not recognised through profit or Deferred fees and commission income includes, for example, loan approval fees, loan origination fees, fees for loan disbursement, fees for additional collateral, etc. The income received from insurance is recognised as commission if the lending product is directly linked to the insurance product.

Such fees are an integral part of the return generated by the given financial instrument. This category also comprises fees and charges for changing the terms and conditions of contracts, which modifies the originally calculated effective interest rate.

Moreover, if it is probable that a loan agreement is executed, the fees and charges for the Bank's obligation to execute the agreement are considered as remuneration for continuing involvement in the purchase of the financial instrument, deferred and recognised as an adjustment of the effective rate of return at the time of execution of the agreement (using the effective interest rate method or the straight-line method, depending on the nature of the product).

In case of an asset for which impairment has been identified, the interest income is recognised in profit or loss based on net exposure determined as the difference between gross exposure and impairment allowance, and using the effective interest rate that was applied in the determination of the impairment allowance.

Net interest result also comprises the profit or loss on the interest charged and paid in relation to the derivative CIRS and IRS instruments.

Net fee and commission income

Fees and commissions recognised in the financial profit or loss using the effective interest rate method are recognised in net interest income.

Fees and commissions that are recognised over time using the straight-line method or upfront, are recognised in “net fee and commission income”. The fee and commission income include fee and commission income arising from services comprising execution of significant services.

This category includes fees and commissions for transaction services where the Bank acts as an agent or provides services such as distribution of investment fund units, investment and structured products, income and expense on commission and fees not being an integral part of loan receivables measured using effective interest rate method.

The Bank applies the following principles for recognition in income remuneration received for offering customers insurance products.

Offering its clients insurance products, the Bank recognises income from insurance services based on professional judgement whether the sale of the insurance is limited to the provision of insurance products or the sale of insurance is linked to the lending product. The assessment is based on the economic content of an offered lending and insurance products sold by the Bank. The aim of the assessment is to distinguish based on the economic content the revenue which account for:

- an integral part of the remuneration for offering extra lending product,
- the remuneration for providing agency services,
- the remuneration for providing additional services after the sale of product.

The assessment whether there is a direct combination is made based on:

- the ability to purchase lending product without insurance product (independence of loan and insurance agreements),

- the correlation between lending margin and the conclusion of the insurance agreement,
- the voluntary of the conclusion the insurance agreement,
- the ability to provide individual policy from any insurance company by the customer without the participation of the Bank,
- assessment of the profitability of lending products based on management reports in regard to result on providing agency services on the sale of insurance products,
- assessment of the share of sales of combined products, i.e. the percentage share of lending products combined with insurance protection to the amount of lending products in the Bank's portfolio,
- level of abandonment and the amount of commissions returned,
- renewed insurance agreements after the initial period of the agreement

Under the assessment the Bank may conclude:

- the existence of direct combination which results in the recognition of remuneration for offering insurance products under the amortized cost method using the effective interest rate method in interest income,
- no direct combination which results in the recognition of remuneration for offering insurance products in commission income in accordance with IAS 18 *Revenue*,
- the existence of the combined lending and insurance product, resulting in the allotment of recognised remuneration for offering insurance products allocating the fair value of lending product and the fair value of an insurance product sold in conjunction with these lending product.

If combined product is identified, the remuneration for the sale of insurance product is allotted and recognised as a part of amortized cost of lending product and as commission income related to agency services. Allotment is made according to the ratio of the fair value of the lending product and the fair value of agency services in relation to the sum of these two values.

Fair value measurement is based on market data, having regard:

- for insurance product – market prices and other relevant information generated by identical or comparable market transactions,
- for lending product – an income approach to calculate the present value of the future cash flows.

If the Bank performs activities or services related to the insurance product, or if the performance of such activities is likely, the commission for the agency services (in accordance with fair value allotment) is recognised in accordance with IAS 18 *Revenue* for the duration of the insurance contract according to the degree of completion of the service or activity.

In addition, the Bank estimates the share of commission that will be returned (eg, due to the termination of the insurance contract by the customer, prepayments or other) in the periods after the sale of an insurance product. The estimated part of commission is deferred up to the value of expected returns.

Result on financial instruments measured at fair value through profit or loss

The result on financial instruments measured at fair value through profit or loss is determined assuming the following principles: the financial liabilities not designated, upon inception, as financial liabilities measured at fair value through profit or loss and the derivative instruments (IRS, CIRS, FX SWAP, FX FORWARD, OPTIONS) are measured at fair value.

Result on other financial instruments

Result on other financial instruments comprises of realized gains and losses from the disposal of financial assets classified as available for sale and held-to-maturity

Foreign exchange result

Foreign exchange result comprises gains and losses arising from the purchase and disposal of foreign currencies or from the translation of foreign currency assets and liabilities, including unrealized gains/losses on the initial exchange of derivatives (CIRS, FX SWAP

5.32 Other operating income and expense

Other operating income and expenses comprises income and expenses not related directly to the banking activities. These include, in particular, the result from sale and disposal of fixed assets, income from sale of other services, gain on a bargain purchase, penalties and fines received and paid, as well as expense relating to the debt collection activities, in particular the remuneration for external parties and court fees. Moreover, a gain on bargain purchase on the settlement of the acquisition of business in accordance with IFRS 3 is recognised in other operating income

5.33 Dividends

Dividend income is recognised in the profit or loss when the right of shareholders to dividend is established, provided the dividend is paid from profits made after the acquisition date.

5.34 Corporate tax

Current tax

Liabilities and receivables due to the current tax for the current and previous periods are measured as the expected amount to be paid to (or received from) tax authorities assuming the tax rates and tax regulations effective as at the balance sheet date.

Deferred tax

For the purposes of financial reporting, deferred tax is calculated, using the liability method, on temporary differences arising at the end of the reporting period between the tax value of assets and liabilities and their book value presented in the financial statements.

Deferred tax liabilities are recognised with respect to all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in case of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be achieved against which the above differences, assets and losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in case of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be achieved against which

the temporary differences can be utilized.

The carrying amount of a deferred tax asset is verified at the end of each reporting period and is subject to a respective decrease by the amount which corresponds to the lower probability of generating taxable income sufficient for partial or full realization of the deferred tax asset. A deferred tax asset that was not recognised is re-assessed as at the end of each reporting period and is recognised to the amount which corresponds to the probability of generating taxable income in the future in order to utilize that asset.

Deferred income tax assets and liability are determined using tax rates that are expected to be applied when a deferred tax asset is realized or liability is released, based on the tax rates (and taxregulations) that have been effective or is expected to be effective at the end of the reporting period.

Income tax concerning items recognised directly in other comprehensive income or in equity is recognised directly in other comprehensive income or in equity, respectively. The Bank offsets deferred income tax assets against the deferred tax liability only if it holds a valid and enforceable legal right to offset current income tax receivables against tax liabilities and if the deferred tax is related to the same taxpayer and the same tax authority.

5.35 Earnings per share

Earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares in a given reporting period. Disclosures required by IAS 33 have been presented on the basis of consolidated data in the consolidated financial statements only.

6. SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES

6.1 Professional judgement

While applying the accounting policies with respect to the matters described below, except the best estimates, the professional judgment of the management was of the significant importance.

Analysis of accounting implications, assessment of the economic content and choice of settlement method of the acquisition of and organised part of business of DnB Nord Polska S.A. and the organised part of business of DZ Bank Polska S.A.

In order to determine the accounting effects of the transactions, the Bank's Management Board has analysed the conditions of the purchase agreements. Based on the analysis, the management of Getin Noble Bank S.A. stated that both acquired organised parts of the bank business are businesses within the meaning of IFRS 3 and therefore the acquisition method was used to account for these transactions.

The professional judgment of the management of the Bank has been used to determine the fair value of identified assets acquired and liabilities assumed at the acquisition date. The Management Board has assessed the completeness and accuracy of the identified assets acquired and liabilities assumed in a transaction in order to obtain reasonable assurance as to the valuation carried out correctly reflects all the identified elements of the transaction.

Commissions for insurance

The Bank applies the following principles for recognition in income remuneration received for offering customers insurance products.

Offering its clients insurance products, the Bank recognises income from insurance services based on professional judgement whether the sale of the insurance is limited to the provision of insurance products or the sale of insurance is linked to the lending product. The assessment is based on the economic content of an offered lending and insurance products sold by the Bank. The aim of the assessment is to distinguish based on the economic content the revenue which account for:

- an integral part of the remuneration for offering extra lending product,
- the remuneration for providing agency services,
- the remuneration for providing additional services after the sale of product.

The assessment whether there is a direct combination is made based on:

- the ability to purchase lending product without insurance product (independence of loan and insurance agreements),
- the correlation between lending margin and the conclusion of the insurance agreement,
- the voluntary of the conclusion the insurance agreement,
- the ability to provide individual policy from any insurance company by the customer without the participation of the Bank,
- assessment of the profitability of lending products based on management reports in regard to result on providing agency services on the sale of insurance products,
- assessment of the share of sales of combined products, i.e. the percentage share of lending products combined with insurance protection to the amount of lending products in the Bank's portfolio,
- level of abandonment and the amount of commissions returned,
- renewed insurance agreements after the initial period of the agreement

Under the assessment the Bank may conclude:

- the existence of direct combination which results in the recognition of remuneration for offering insurance products under the amortized cost method using the effective interest rate method in interest income,
- no direct combination which results in the recognition of remuneration for offering insurance products in commission income in accordance with IAS 18 *Revenue*,
- the existence of the combined lending and insurance product, resulting in the allotment of recognised remuneration for offering insurance products allocating the fair value of lending product and the fair value of an insurance product sold in conjunction with these lending product.

If combined product is identified, the remuneration for the sale of insurance product is allotted and recognised as a part of amortized cost of lending product and as commission income related to agency services. Allotment is made according to the ratio of the fair value of the lending product and the fair value of agency services in relation to the sum of these two values.

Fair value measurement is based on market data, having regard:

- for insurance product – market prices and other relevant information generated by identical or comparable market transactions,
- for lending product – an income approach to calculate the present value of the future cash flows.

If the Bank performs activities or services related to the insurance product, or if the performance of such activities is likely, the commission for the agency services (in accordance with fair value allotment) is recognised in accordance with IAS 18 *Revenue* for the duration of the insurance contract according to the degree of completion of the service or activity.

In addition, the Bank estimates the share of commission that will be returned (eg, due to the termination of the insurance contract by the customer, prepayments or other) in the periods after the sale of an insurance product. The estimated part of commission is deferred up to the value of expected returns.

Classification of lease contracts

The Bank classifies leases as either financial or operating, based on the assessment of the extent to which the risk and rewards are transferred to the lessor and the lessee. Such an assessment is based on the economic substance of each transaction.

Portfolio parameters in the valuation of loan exposures

The portfolio parameters i.e. PD (probability of default – separately for exposures in restructuring and regular, and additionally for exposures infected with impairment), RR (recovery rate), RestrR (successful restructuring rate) and CR (cure rate – transfer from impaired status to restructuring), which are required for the calculation of impairment allowances are determined based on historical data. The parameters are determined independently for each product portfolio using statistical methods. Parameters estimates are performed on the historical base of exposures. In justified cases, manual adjustment is allowed in order to reflect the impact of current circumstances. To reduce discrepancies between estimated and actual values of parameters, the Bank regularly verifies the methodology and the assumptions underlying portfolio parameters. In addition, in order to estimate an IBNR provision for each identified portfolio, the LIP parameter (loss identification period), maximum period of the quarantine for restructured exposures, the conditions of transfer of exposure from impaired status to restructuring and other are determined.

6.2 Uncertainty of estimates

While preparing financial statements in accordance with IFRS, the Bank is required to make estimates and assumptions that affect the amounts reported in the financial statements. These assumptions and estimates are reviewed on an ongoing basis by the Bank's management and based on historical experience and various other factors, including such expectations as to the future events which seem justified in a particular situation. Although these estimates are based on the best knowledge of the current conditions and of the activities undertaken by the Bank, the actual results may be different from these estimates. Estimates made as at the end of the given reporting period reflect the conditions as at the given date (e.g. currency exchange rates, interest rates, market prices).

The main areas for which estimates were made by the Bank include:

Impairment of loans and advances

At the end of each reporting period, the Bank assesses whether there is any objective evidence that a financial asset or a group of assets is impaired. The Bank assesses whether there is any evidence indicating a reliably measurable decrease in estimated future cash flows relating to the loan portfolio, before such a decrease can be allocated to a particular loan in order to estimate the level of impairment. The estimates may include observable data indicating an unfavorable change in the debt repayment ability of a particular category of borrowers or in the economic situation in a particular country or part of the country, which is related to problems in this group of financial assets. The methodology and assumptions for estimating amounts of cash flows and the periods in which they occur is subject to review on a regular basis in order to identify the discrepancies between the estimated and actual amounts of losses.

Uncertainty is associated with estimates of impairment in value of portfolio (both in relation to the impaired portfolio and regular portfolio, for which an IBNR allowance is made), which follows from the assumptions and specific of statistical models used.

Derivatives, financial assets and liabilities measured at fair value through profit or loss

The fair value of derivatives, financial assets and financial liabilities not quoted on active markets is determined based on widely recognised measurement methods. All the models are subject to approval before application and calibrated to ensure that the results achieved reflect the actual data and comparable market prices. As far as practicable, the models use only observable data from an active market; however, under certain circumstances, the Bank estimates the relevant uncertainties (such as the counterparty risk, volatility and market correlations). Change in the assumptions adopted for these factors may affect the measurement of certain financial instruments.

Fair value of other financial instruments

The fair value of financial instruments not quoted on active markets is determined based on widely recognised measurement methods. All the models are subject to approval before application and calibrated to ensure that the results achieved reflect the actual data and comparable market prices. As far as practicable, the models use only observable data from an active market.

Impairment of other tangible fixed assets

At the end of each reporting period the Bank assesses the existence of impairment indicator for fixed assets. If such indicators are identified, the Bank estimates the value in use. Estimation of the value in use of fixed asset assumes, i.a. the adoption of the assumptions with respect to the amounts, timing of future cash flows that the Bank may receive in respect of any asset and other factors. While estimating the fair value less costs to sell, the Bank uses available market data or independent appraisals, which in principle are also based on estimates.

Valuation of provisions for retirement severance pay

The provision for retirement severance pay is determined based on the valuation performed by an independent actuary and it is subject to revision at the end of each reporting period.

Impairment of goodwill

After its initial recognition, goodwill is measured at cost less any accumulated impairment allowances. Impairment tests are carried out once a year. Furthermore, as at each reporting date the assessment is made whether there are impairment triggers with respect to goodwill.

The Bank assesses whether there are any circumstances as of the balance sheet date indicating that the carrying value of goodwill is lower than its recoverable amount. An annual goodwill impairment test is performed for this purposes, regardless of whether there is any evidence of goodwill impairment or not. The test is performed in accordance with IAS 36.

The recoverable amount is estimated according to the value in use of the cash generating units (hereinafter referred to as CGUs), attributed to goodwill. CGUs represent the lowest level within the entity at which the goodwill is monitored for internal management purposes not larger than an operating segment.

Value in use is the present estimated value of the future cash flows the Bank expects to derive from further use of the CGU. Value in use includes the end (residual) value of the CGU. The residual value of the CGU is calculated by extrapolating cash flow projections beyond the forecast period, while applying a determined growth rate.

Forecasts related to future flows cover five years and are based on the following:

- historical data reflecting CGU potential with regard to cash flow generation,
- balance sheet and profit or loss account projections for the CGU as of the goodwill impairment test date,
- balance sheet and profit or loss account forecasts for the period covered by the forecast,
- assumptions included in the Bank’s budget,
- analysis of the reasons for discrepancies between future cash flow forecasts and the actual flows obtained.

Future cash flows constituting the bases for value in use calculation reflect the value of potential dividends/additional capital contributions, taking into account a determined level of generated profit as well as regulatory capital necessary to maintain the assumed capital adequacy level.

The present value of future cash flows is calculated using the adequate discount rate, taking into account the risk free rate, the risk premium, the low capitalization premium and the specific risk premium.

The present value of future cash flows is compared to the carrying value (as of the date of the test) for the total of the following: goodwill and CGU net assets (CGU own funds and profits).

Deferred tax asset

The Bank recognises deferred tax asset based on the assumption that future tax profits will be achieved which will allow for its utilization. The decrease in the tax results in the future could make this assumption unjustified.

Economic useful life of property, plant and equipment and intangible assets

While estimating the useful life of particular type of property, plant and equipment and intangible assets are considered, i.a.:

- current average useful life reflecting on rate of physical usage, intensity, utilization, etc.,
- impact of technological obsolescence,
- the period of control over the asset and the legal limits or other similar limits on the use of the asset,
- whether the asset's useful life is dependent on that of other assets of the entity,
- other factors that can affect the useful life of this type of assets.

When the period of use of a given asset results from a contract term, the useful life of such an asset corresponds to the period defined in the contract. If, however, the estimated useful life is shorter than the period defined in the contract, the estimated useful life is applied.

The Bank reviews useful lives of assets annually, based on current estimates.

Although estimates used are based on best knowledge, actual results may differ from the applied estimates. The compliance of actual results with the estimated values is being revised in reporting periods.

6.3 Changes in accounting estimates

The Bank has not changed estimates neither in current nor in comparative reporting periods, which would have significant impact on the current or on future periods.

7. CORRECTION OF PRIOR PERIOD ERRORS

In the 12-month period ended 31 December 2013 the Bank did not make any corrections of prior period errors.

8. INTEREST INCOME AND EXPENSE

Interest income	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 (restated) PLN thousand
Related to deposits in other banks	29,829	42,123
Related to loans and advances to customers	2,981,623	3,063,767
Related to available-for-sale financial assets	277,269	331,106
Related to held-to-maturity financial instruments	134	-
Related to derivative financial instruments	482,284	843,140
Related to obligatory reserve	53,263	76,066
Total	**3,824,402**	**4,356,202**

Remuneration for insurance settled with the effective interest rate method amounted to PLN 100,989 thousand as at 31 December 2012 and is presented in Interest income related to loans and advances to customers.

Interest expense	**01.01.2013-31.12.2013** **PLN thousand**	**01.01.2012-31.12.2012** **PLN thousand**
Related to deposits with banks and financial institutions	44,200	30,045
Related to amounts due to customers	2,233,635	2,712,505
Related to derivative financial instruments	147,181	209,312
Related to debt securities issued	145,270	107,570
Total	**2,570,286**	**3,059,432**

Net interest income	**1,254,116**	**1,296,770**

	01.01.2013-31.12.2013 **PLN thousand**	**01.01.2012-31.12.2012 (restated)** **PLN thousand**
Interest income related to impaired financial assets	223,289	226,578
Interest income calculated using the effective interest rate in relation to financial assets not measured at fair value through profit or loss	3,342,118	3,513,062
Interest expense calculated using the effective interest rate in relation to financial liabilities not measured at fair value through profit or loss	2,423,105	2,850,120

9. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income	**01.01.2013-31.12.2013** **PLN thousand**	**01.01.2012-31.12.2012 (restated)** **PLN thousand**
Related to loans and advances granted	71,522	85,319
Related to bank accounts service, cash and clearing operations	62,707	45,283
Related to payment cards and credit cards	41,931	29,789
Related to agency services in sale of loans and leases	6,157	8,769
Related to investment products and deposits	169,374	377,228
Related to insurance products	180,935	220,159
Other fee and commission income	14,226	19,461
Total	**546,852**	**786,008**
including: income from financial assets and liabilities not measured at fair value through profit or loss	532,626	766,547

Changes in accounting principles in 2013 for recognition of remuneration for sale insurance products as described in note II.5.6 significantly affected fee and commission income related to insurance products. Retrospective adjustment of income due to the recognition of remuneration for insurance of 2012 amounted to PLN -148,105 thousand.

Fee and commission expense	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Related to loans and advances	10,427	20,501
Related to debit cards and credit cards	45,292	24,302
Related to agency services in sale of loans and leases	4,668	2,596
Related to investments products and deposits	90,763	97,408
Related to insurance products	40,459	64,769
Other fee and commission expense	13,832	16,844
Total	**205,441**	**226,420**
including: expense from financial assets and liabilities not measured at fair value through profit or loss	191,609	209,576

Net fee and commission income	**341,411**	**559,588**

Other fee and commission expense comprise i.a. expenses related to promotion through competition for the Bank's customers and related to other settlements.

10. DIVIDEND INCOME

	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Dividend income from:		
Shares in subsidiaries and associates	26,477	38,526
Available for sale financial assets	2,386	3,082
Total	**28,863**	**41,608**

11. RESULT ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Derivatives	4,363	(57,389)
Foreign exchange transactions (forex, forward)	(29)	(41)
Debt securities	22	-
Total	**4,356**	**(57,430)**

Loss in 2012 resulted from adverse changes of market conditions affecting the valuation of financial instruments measured at fair value.

12. RESULT ON OTHER FINANCIAL INSTRUMENTS

	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 (restated) PLN thousand
Available for sale financial assets	30,858	61,242
Investmets in subsidiaries and associates	53,625	67,137
Total	**84,483**	**128,379**

The result on sale of shares of associate Open Finance S.A. as well as result on the sale of shares of associate Idea Bank S.A. is presented in the line 'Investments in subsidiaries and associates' (respectively in 2013 and 2012)

13. FOREIGN EXCHANGE RESULT

	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Foreign exchange differences resulting from valuation of foreign exchange and index loans	51,224	82,900
Other foreign exchange differences	9,977	4,029
Total	**61,201**	**86,929**

14. OTHER OPERATING INCOME AND EXPENSE

Other operating income	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Rental income	28,902	27,674
Gain on the bargain purchase	39,101	-
Sale of products and services, goods and materials	3,902	4,372
Legal costs and debt collections recovered	22,718	18,708
Release of provisions and impairment allow ances on other assets	837	5,101
Recovery of non-recoverable debt	605	568
Gain on disposal of non-financial fixed assets	1,237	2,775
Other income	14,927	11,527
Total	**112,229**	**70,725**

Other operating income comprise a gain on bargain purchase on the settlement of the acquisition of an organized parts of the bank business DnB Nord Poland SA and DZ Bank Poland SA recognised in accordance with IFRS 3. Transactions are described in note II.3. 'Other income' comprise i.a. income on sale of receivables and return of overpaid contribution paid to Polish Financial Supervision Authority due to oversight on banks.

Other operating expense	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Rental expense	24,985	23,012
Cost of products, goods and materials sold	3,926	4,302
Debt collection and monitoring of receivables, including legal costs	45,944	38,827
Recognition of provisions and impairment charges for other assets	8,518	4,439
Costs related to purchase of the organised part of businesses of DnB Nord and DZ Bank	8,484	-
Costs related to investment products	17,138	6,075
Other expense	12,501	4,665
Total	**121,496**	**81,320**

Net other operating income	**(9,267)**	**(10,595)**

15. ADMINISTRATIVE EXPENSES

Administrative expenses	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Employee benefits, of w hich:	334 091	332 434
- remuneration	278 400	272 569
- surcharge on salary and other employee benef its	53 792	55 968
- share based payments	1 899	3 897
Use of materials and energy	34 640	34 887
External services, of w hich:	285 961	283 672
- marketing and advertising	55 925	63 446
- IT services	21 554	21 733
- lease and rental	115 165	105 783
- security and cash processing services	7 211	8 260
- telecommunication and postal services	48 019	48 193
- legal and advisory services	5 453	6 307
- other external services	32 634	29 950
Other taxes and charges	6 877	6 771
Payments to the Bank Guarantee Fund and the Polish Financial Supervision Authority, of w hich:	54 337	43 704
- prudential fee paid to the BFG	4 279	-
Amortization and depreciation	68 972	60 702
Other expenses	9 727	9 239
Total	**794 605**	**771 409**

16. IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS AND OFF-BALANCE SHEET PROVISIONS

01.01.2013 - 31.12.2013	Loans and advances to customers				Total	Amounts due from banks	Available-for-sale financial assets	Off-balance sheet provisions	Total
	corporate	car	mortgage	retail					
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Impairment allowances/provisions at the beginning of the period	**245,961**	**695,658**	**1,845,801**	**1,329,385**	**4,116,805**	**-**	**1,532**	**1,739**	**4,120,076**
Net change in impairment allowances/ provisions recognized in the income statement	60,315	110,194	176,381	233,234	**580,124**	711	8,176	4,696	**593,707**
Utilization - write-offs	(2,675)	(5,929)	(9,489)	(12,376)	**(30,469)**	-		-	**(30,469)**
Utilization - sale of portfolio	(15,049)	(28,928)	(18,002)	(73,936)	**(135,915)**	-		-	**(135,915)**
Other increases	-	-	-	-	**-**	-	2,762	-	**2,762**
Other decreases	(6,253)	(17,233)	(110,792)	(41,470)	**(175,748)**	(1)		-	**(175,749)**
Net other increases/decreases	(6,253)	(17,233)	(110,792)	(41,470)	**(175,748)**	(1)	2,762	-	**(172,987)**
Impairment allowances/provisions at the end of the period	**282,299**	**753,762**	**1,883,899**	**1,434,837**	**4,354,797**	**710**	**12,470**	**6,435**	**4,374,412**

01.01.2012 - 31.12.2012 (restated)	Loans and advances to customers				Total	Amounts due from banks	Available-for-sale financial assets	Off-balance sheet provisions	Total
	corporate	car	mortgage	retail					
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Impairment allowances/provisions at the beginning of the period	**218,067**	**683,428**	**1,324,975**	**1,451,580**	**3,678,050**	**191**	**1,734**	**1,686**	**3,681,661**
Net change in impairment allowances/provisions recognized in the income statement	56,172	93,244	676,526	125,527	**951,469**	(192)	(202)	53	**951,128**
Utilization - write-offs	(521)	(27,631)	(1,067)	(37,060)	**(66,279)**	-		-	**(66,279)**
Utilization - sale of portfolio	(18,700)	(42,503)	(25,130)	(189,608)	**(275,941)**	-		-	**(275,941)**
Other increases	-	-	-	-	**-**	1		-	**1**
Other decreases	(9,057)	(10,880)	(129,503)	(21,054)	**(170,494)**	-		-	**(170,494)**
Net other increases/decreases	(9,057)	(10,880)	(129,503)	(21,054)	**(170,494)**	1	-	-	**(170,493)**
Impairment allowances/provisions at the end of the period	**245,961**	**695,658**	**1,845,801**	**1,329,385**	**4,116,805**	**-**	**1,532**	**1,739**	**4,120,076**

17. INCOME TAX

Tax charge

Current income tax is calculated according to Polish tax regulations. The basis of calculation is the pre-tax accounting profit adjusted for non-deductible costs, non-taxable income and other income and expenses changing the tax base as defined in the Act on Corporate Income Tax of 15 February 1992 with subsequent amendments.

For financial reporting purposes, deferred tax is calculated using the liability method in respect of temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The effective tax rate of the Bank for the 12-month period of 2013 amounts to 17.54%. In 2013 Getin Noble Bank S.A. recognised dividend income from its subsidiaries, which, according to the art. 7 § 3 point 2 of the Act on Corporate Income Tax shall not be included in the tax base, moreover the Bank settled with its current tax the prior years' tax loss of PLN 33,134 thousand. In the next year there is the remaining amount of PLN 15,072 thousand to be settled, for which the deferred tax asset is recognised.

Major components of income tax expense for the year ended 31 December 2013 and 2012 are as follows

Main components of tax charge	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 (restated) PLN thousand
Income statement		
Current income tax	***3,718***	***120,963***
Current tax charge	2,132	119,979
Adjustments related to current tax from previous years	1,586	984
Deferred income tax	***62,378***	***(71,294)***
Related to origination and reversal of temporary differences	29,244	(110,548)
Adjustments related to prior years' deferred tax	-	(8,952)
Tax loss from previous years	33,134	48,206
Tax charge in the income statement	**66,096**	**49,669**
Statement of comprehensive income		
Current income tax	***-***	***-***
Deferred income tax	***(3,739)***	***(34,530)***
Related to origination and reversal of temporary differences, of which:	(3,739)	(34,530)
related to available-for-sale financial assets	(12,653)	3,840
related to cash flow hedges	8,932	(38,311)
related to actuarial gains/losses	(18)	(59)
Tax charge in the statement of comprehensive income	**(3,739)**	**(34,530)**
Total main components of tax charge	**62,357**	**15,139**

Reconciliation of effective tax rate

The reconciliation of income tax calculated at statutory tax rate on pre-tax profit, with the effective tax rate calculated by the Bank for the year ended 31 December 2013 and 2012 is as follows:

Effective tax rate	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 (restated) PLN thousand
Profit before tax	**376,851**	**322,712**
Tax charge at 19% tax rate	71,602	61,315
Non-taxable income	(11,576)	(8,144)
Non-deductible expenses	6,070	(3,502)
Tax charge in the income statement	**66,096**	**49,669**
Effective tax rate	**17.54%**	**15.39%**

Deferred income tax

Deferred income tax results from following positions:

	As at 01.01.2013	Changes during the period			As at 31.12.2013
		Recognised in the income statement	Recognised in the other comprehensive income statement	Purchase/ sale of entities	
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Deferred tax liability	**301,180**	**18,356**	**(2,465)**	**7,182**	**324,253**
Deferred income relating to securities and derivatives	32,335	2,765	-	-	35,100
Deferred income relating to loans and deposits	67,785	(4,757)	-	-	63,028
Amortisation and depreciation (fixed assets financed by investment tax relief)	652	(33)	-	-	619
Commission paid in advance	187,974	22,353	-	-	210,327
Surplus of tax depreciation	4,426	2,987	-	-	7,413
Valuation of available-for-sale debt securities	2,697	-	(2,465)	-	232
Provision for amortization of intangible assets acquired through acquisition of an organised business	-	(281)	-	7,182	6,901
Other	5,311	(4,678)	-	-	633
Deffered tax asset	**789,584**	**(44,022)**	**1,274**	**-**	**746,836**
Interest on deposits, issue of own securities, derivative instruments and interest on bonds	129,755	21,772	-	-	151,527
Impairment allowances on loans and advances to customers	463,835	(35,029)	-	-	428,806
Tax loss from previous years	48,206	(33,134)	-	-	15,072
Revenue taxed in advance	98,232	6,618	-	-	104,850
Provision for expected costs and liabilities	11,914	(3,764)	-	-	8,150
Valuation of available-for-sale debt securities	48	-	10,188	-	10,236
Valuation of cash flow hedge	30,977	-	(8,932)	-	22,045
Other	6,617	(485)	18	-	6,150
Net income tax asset	**488,404**	**(62,378)**	**3,739**	**(7,182)**	**422,583**

(restated)	As at 01.01.2012 PLN thousand	Changes during the period: Recognised in the income statement PLN thousand	Changes during the period: Recognised in the other comprehensive income statement PLN thousand	As at 31.12.2012 PLN thousand
Deferred tax liability	**304,827**	**818**	**(4,465)**	**301,180**
Deferred income relating to securities and derivatives	53,569	(21,234)	-	32,335
Deferred income relating to loans and deposits	74,754	(6,969)	-	67,785
Amortisation and depreciation (fixed assets financed by investment tax relief)	685	(33)	-	652
Commission paid in advance	157,896	30,078	-	187,974
Surplus of tax depreciation	4,756	(330)	-	4,426
Valuation of available-for-sale debt securities	(172)	-	2,869	2,697
Valuation of cash flow hedge	7,334	-	(7,334)	-
Other	6,005	(694)	-	5,311
Deffered tax asset	**687,407**	**72,112**	**30,065**	**789,584**
Interest on deposits, issue of own securities, derivative instruments and interest on bonds	54,830	74,925	-	129,755
Impairment allowances on loans and advances to customers	413,717	50,118	-	463,835
Tax loss from previous years	96,412	(48,206)	-	48,206
Revenue taxed in advance	90,305	7,927	-	98,232
Provision for expected costs and liabilities	23,420	(11,565)	-	11,855
Valuation of available-for-sale debt securities	1,019	-	(971)	48
Valuation of cash flow hedge	-	-	30,977	30,977
Other	7,704	(1,087)	59	6,676
Net income tax asset	**382,580**	**71,294**	**34,530**	**488,404**

Tax settlements and other areas of operations under regulations (for example custom or currency cases) may be subject to control of administration authorities which are entitled to impose high penalties and sanctions. No reference to well-established regulations in Poland cause occurrence of inconsistencies and ambiguities in regulations in force. The differences frequently presented in legal interpretations opinions concerning tax regulations, both within state authorities as well as between state authorities and companies, result in the occurrence of the areas of uncertainty and conflicts.

Tax settlements may be subject to control within 5 years, starting from the end of the year in which tax payment was made. As a result of tax controls, current Bank's tax settlements may by increased by additional tax liability. In the opinion of the Bank, as at 31 December 2013 appropriate provisions for recognised and quantifiable tax risk were created.

18. CASH, BALANCES WITH THE CENTRAL BANK

	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Cash	149,125	154,415
Current account in the Central Bank	2,480,691	2,752,509
Other	11	16
Total	**2,629,827**	**2,906,940**

During the day, the Bank may use funds on the accounts in the Central Bank to carry out current monetary settlements, however, the Bank must ensure that the average monthly balance is maintained on this account in the amount consistent with the declaration of the obligatory reserve.

Funds on the obligatory reserve account bear interest of 0.9 of the rediscount rate, which amounted to 2.475 % as at 31 December 2013 (4.05 % as at 31 December 2012).

19. AMOUNTS DUE FROM BANKS AND FINANCIAL INSTITUTIONS

Amounts due from banks and financial institutions	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Current receivables	872,507	1,256,464
Deposits	259,127	709,324
Purchased receivables	460	542
Total	**1,132,094**	**1,966,330**
Impairment allowances	(710)	-
Total, net	**1,131,384**	**1,966,330**

Amounts due from banks and financial institutions	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Amounts due from banks with variable interest rate	889,229	1,256,129
Amounts due from banks with fixed interest rate	231,088	697,903
Non-interest bearing	11,067	12,298

Amounts due from banks and financial institutions from the balance sheet date to the maturity date	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Current receivables and overnight deposits	938,354	1,814,176
Term deposits by maturity:	193,740	152,154
ut to 1 month	53,105	142,631
from 1 to 3 months	26,185	41
from 3 months to 1 year	97,044	9,162
from 1 year to 5 years	17,406	320
Total	**1,132,094**	**1,966,330**
Impairment allowances	(710)	-
Total, net	**1,131,384**	**1,966,330**

Current receivables comprise current accounts from other banks and receivables from cash collateral.

20. DERIVATIVE FINANCIAL INSTRUMENTS

Nominal value of underlying instruments and fair value of derivative financial instruments according to original maturity:

As at 31.12.2013	up to 1 month PLN thousand	from 1 to 3 monts PLN thousand	from 3 months to 1 year PLN thousand	from 1 to 5 years PLN thousand	over 5 years PLN thousand	Total PLN thousand	Fair value (negative) PLN thousand	Fair value (positive) PLN thousand
Currency transactions								
FX Swap	**12,010,577**	**2,765,249**	**182,784**	**-**	**-**	**14,958,610**	**27,862**	**24,585**
Purchase of currency	6,001,572	1,383,095	92,630	-	-	7,477,297		
Sale of currency	6,009,005	1,382,154	90,154	-	-	7,481,313		
CIRS	**-**	**-**	**-**	**33,185,968**	**4,380,630**	**37,566,598**	**444,077**	**202,009**
Purchase of currency	-	-	-	16,506,736	2,174,575	18,681,311		
Sale of currency	-	-	-	16,679,232	2,206,055	18,885,287		
FX/Purchase/Sale	**42,334**	**-**	**-**	**-**	**-**	**42,334**	**4**	**4**
Purchase of currency	21,167	-	-	-	-	21,167		
Sale of currency	21,167	-	-	-	-	21,167		
Options	**-**	**-**	**-**	**10,652**	**-**	**10,652**	**307**	**307**
Purchase of currency	-	-	-	5,326	-	5,326		
Sale of currency	-	-	-	5,326	-	5,326		
Forward	**5,020**	**49,977**	**209,003**	**61,984**	**-**	**325,984**	**3,338**	**2,115**
Purchase of currency	2,525	24,980	105,442	29,860	-	162,807		
Sale of currency	2,495	24,997	103,561	32,124	-	163,177		
Interest rate transactions								
Interest rate swap(IRS)	**-**	**-**	**-**	**-**	**323,912**	**323,912**	**322**	**3,404**
Purchase	-	-	-	-	161,956	161,956		
Sale	-	-	-	-	161,956	161,956		
Forward Rate Agreement (FRA)	**-**	**-**	**562**	**69,564**	**-**	**70,126**	**8**	**-**
Purchase	-	-	-	-	-	-		
Sale	-	-	562	69,564	-	70,126		
Options	**-**	**-**	**-**	**-**	**972,065**	**972,065**	**5,299**	**5,199**
Purchase	-	-	-	-	485,924	485,924		
Sale	-	-	-	-	486,141	486,141		
Other transactions								
Index and commodity options	**-**	**-**	**-**	**-**	**61,250**	**61,250**	**-**	**-**
Purchase	-	-	-	-	30,625	30,625		
Sale	-	-	-	-	30,625	30,625		
Total derivatives	**12,057,931**	**2,815,226**	**392,349**	**33,328,168**	**5,737,857**	**54,331,531**	**481,217**	**237,623**

As at 31.12.2012	up to 1 month PLN thousand	from 1 to 3 months PLN thousand	from 3 months to 1 year PLN thousand	from 1 to 5 years PLN thousand	over 5 years PLN thousand	Total PLN thousand	Fair value (negative) PLN thousand	Fair value (positive) PLN thousand
Currency transactions								
FX swap	**1,761,740**	**-**	**249,451**	**67,443**	**-**	**2,078,634**	**13,714**	**3,208**
Purchase of currency	884,981	-	124,268	35,633	-	1,044,882		
Sale of currency	876,759	-	125,183	31,810	-	1,033,752		
CIRS	**-**	**-**	**786,472**	**34,676,626**	**1,422,804**	**36,885,902**	**638,734**	**171,404**
Purchase of currency	-	-	398,396	17,221,969	643,840	18,264,205		
Sale of currency	-	-	388,076	17,454,657	778,964	18,621,697		
FX/Purchase/Sale	**39,118**	**-**	**-**	**-**	**-**	**39,118**	**14**	**45**
Purchase of currency	19,574	-	-	-	-	19,574		
Sale of currency	19,544	-	-	-	-	19,544		
Options	**4,022**	**2,014**	**-**	**32,374**	**-**	**38,410**	**643**	**643**
Purchase	2,011	1,007	-	16,187	-	19,205		
Sale	2,011	1,007	-	16,187	-	19,205		
Forward	**1,228**	**114,604**	**91,284**	**13,317**	**-**	**220,433**	**1,769**	**408**
Purchase	615	57,510	44,760	6,541	-	109,426		
Sale	613	57,094	46,524	6,776	-	111,007		
Interest rate transactions								
Interest rate swap (IRS)	**-**	**-**	**-**	**-**	**60,000**	**60,000**	**-**	**2,282**
Purchase	-	-	-	-	30,000	30,000		
Sale	-	-	-	-	30,000	30,000		
Forward Rate Agreement (FRA)	**-**	**-**	**7,023**	**1,434,973**	**-**	**1,441,996**	**2,297**	**-**
Purchase	-	-	-	-	-	-		
Sale	-	-	7,023	1,434,973	-	1,441,996		
Options	**-**	**-**	**-**	**-**	**37,718**	**37,718**	**179**	**283**
Purchase	-	-	-	-	18,744	18,744		
Sale	-	-	-	-	18,974	18,974		
Other transactions								
Index and commodity options	**-**	**-**	**-**	**81,516**	**-**	**81,516**	**77**	**77**
Purchase	-	-	-	40,758	-	40,758		
Sale	-	-	-	40,758	-	40,758		
Total derivatives	**1,806,108**	**116,618**	**1,134,230**	**36,306,249**	**1,520,522**	**40,883,727**	**657,427**	**178,350**

21. LOANS AND ADVANCES TO CUSTOMERS

	31.12.2013 PLN thousand	31.12.2012 (restated) PLN thousand
Loans and advances	49,542,407	46,202,651
Purchased receivables	3,034,603	2,276,022
Payment cards and credit cards receivables	175,246	190,648
Realized guarantees and letters of credit	-	81
Total	**52,752,256**	**48,669,402**
Impairment allowances	(4,354,797)	(4,116,805)
Total, net	**48,397,459**	**44,552,597**

The data for 2012 in the line 'Loans and advances' were adjusted by PLN 394,803 thousand, amounting the deferred part of commission for insurance settled with the effective interest rate method

31.12.2013	Gross value of unimpaired loans PLN thousand	Gross value of impaired loans PLN thousand	Allowances for unimpaired loans PLN thousand	Allowances for impaired loans PLN thousand	Total, net PLN thousand
corporate loans	7,524,609	422,673	(33,716)	(248,583)	7,664,983
car loans	3,025,741	946,700	(38,218)	(715,544)	3,218,679
mortgage loans	32,166,390	3,659,150	(137,250)	(1,746,649)	33,941,641
retail loans	3,246,421	1,760,572	(58,241)	(1,376,596)	3,572,156
Total	**45,963,161**	**6,789,095**	**(267,425)**	**(4,087,372)**	**48,397,459**

31.12.2012 (restated)	Gross value of unimpaired loans PLN thousand	Gross value of impaired loans PLN thousand	Allowances for unimpaired loans PLN thousand	Allowances for impaired loans PLN thousand	Total, net PLN thousand
corporate loans	5,119,838	346,235	(31,879)	(214,082)	5,220,112
car loans	3,184,422	911,459	(35,738)	(659,920)	3,400,223
mortgage loans	31,477,773	3,308,206	(281,509)	(1,564,292)	32,940,178
retail loans	2,628,813	1,692,656	(49,193)	(1,280,192)	2,992,084
Total	**42,410,846**	**6,258,556**	**(398,319)**	**(3,718,486)**	**44,552,597**

Loans and advances to customers by the type of debtor	31.12.2013 PLN thousand	31.12.2012 (restated) PLN thousand
Loans and advances granted, of which:		
local government authorities	636,786	267,093
financial institutions other than banks	732,937	730,625
non financial institutions other than natural persons	9,315,947	7,306,436
natural persons	37,711,789	36,248,443
Total	**48,397,459**	**44,552,597**

Loans and advances to customers from the balance sheet date to the maturity	31.12.2013 PLN thousand	31.12.2012 (restated) PLN thousand
Loans and advances to customers by maturity:		
up to 1 month	6,750,746	5,723,892
from 1 to 3 months	942,885	770,980
from 3 months to 1 year	3,856,585	3,327,381
from 1 to 5 years	12,022,154	10,350,592
over 5 years	29,179,886	28,496,557
Total	**52,752,256**	**48,669,402**
Impairment allowances	*(4,354,797)*	*(4,116,805)*
Total, net	**48,397,459**	**44,552,597**

Loans and advances to customers	31.12.2013 PLN million	31.12.2012 (restated) PLN million
The value of loans and advances w ith fixed interest rate	1,276	1,332
% of portfolio of loans and advances	2.61%	2.96%

In 2013 Getin Noble Bank S.A. sold its receivables consisting of impaired loans. The nominal value of port folio covered by the assignment agreements totalled to PLN 193,386 thousand.

In addition, realising its right within the transaction of car loans securitisation the Bank sold in 12-month period of 2013 a portfolio of loan receivables of PLN 354,099 thousand to GNB Auto Plan sp o.o. As at 31 December 2013 the securitized loan portfolio amounted to PLN 893,923 thousand.

22. AVAILABLE FOR SALE FINANCIAL ASSETS AND HELD TO MATURITY

	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Available for sale debt securities, gross	**8,670,927**	**7,448,659**
issued by central banks	3,699,168	4,298,224
issued by banks and other financial institutions	46,546	303,971
issued by non financial institutions	44,222	126,186
issued by the State Treasury	4,880,991	2,720,278
Impairment of debt securities	**(5,801)**	**(202)**
issued by non f inancial institutions	(5,801)	(202)
Total available for sale debt securities, net	**8,665,126**	**7,448,457**
Available for sale equity instruments, gross	**10,347**	**7,526**
issued by other banks and other financial institutions	1,700	1,727
issued by non financial institutions	8,647	5,799
Impairment of equity instruments	**(6,669)**	**(1,330)**
issued by non financial institutions	(6,669)	(1,330)
Total available for sale equity instruments, net	**3,678**	**6,196**
Total available for sale financial assets	**8,668,804**	**7,454,653**

Changes in available for sale financial assets	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Available for sale financial assets		
At the beginning of the period	**7,454,653**	**4,541,547**
Increases	242,626,559	258,120,750
Decreases (sale and redemption)	(241,370,396)	(255,203,385)
(Increases)/ release of allow ances for impairment losses	(8,176)	202
Fair value changes	(33,836)	(4,461)
Net value at the end of the period	**8,668,804**	**7,454,653**

Financial assets held to meturity	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Financial assets held to maturity, gross	**72,271**	**-**
issued by local governments	72,271	-
Total financial assets held to maturity, net	**72,271**	-

Changes in held to maturity financial assets	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 (restated) PLN thousand
Held to maturity financial assets		
At the beginning of the period	-	-
Increases	72,267	-
Accrued interest, adjustment due to the settlement at amortized cost	4	-
At the end of the period	**72,271**	-

Available for sale debt securities in the carrying amount by maturity as of 31.12.2013	up to 1 month PLN thousand	from 1 to 3 months PLN thousand	from 3 months to 1 year PLN thousand	from 1 to 5 years PLN thousand	over 5 years PLN thousand	Total PLN thousand
Available for sale debt securities, gross	**3,730,021**	**2,349**	**54,156**	**4,029,759**	**854,642**	**8,670,927**
issued by central banks	3,699,168	-	-	-	-	3,699,168
issued by banks and other financial institutions	81	495	103	26,571	19,296	46,546
issued by non-financial institutions	5,089	1,854	4,114	33,165	-	44,222
issued by the State Treasury	25,683	-	49,939	3,970,023	835,346	4,880,991
Held to maturity financial assets, gross	**78**	**-**	**546**	**10,589**	**61,058**	**72,271**
issued by local governments	78	-	546	10,589	61,058	72,271

Available for sale debt securities in the carrying amount by maturity as of 31.12.2012	up to 1 month PLN thousand	from 1 to 3 months PLN thousand	from 3 months to 1 year PLN thousand	from 1 to 5 years PLN thousand	over 5 years PLN thousand	Total PLN thousand
Available for sale debt securities, gross	**4,298,224**	**46,643**	**68,244**	**1,303,803**	**1,731,745**	**7,448,659**
issued by central banks	4,298,224	-	-	-	-	4,298,224
issued by other f inancial institutions	-	-	-	303,971		303,971
issued by non-f inancial institutions	-	46,643	68,244	11,299	-	126,186
issued by the State Treasury	-	-	-	988,533	1,731,745	2,720,278

23. ASSETS PLEDGED AS SECURITIES

Type of assets pledged as securities	The carrying amount of assets pledged as security	
	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Available for sale financial assets		
Treasury bonds as collateral the BFG Guaranteed Deposit Protection Fund	307,574	290,147
Treasury bonds as collateral for a loan received	2,186,478	240,636
Treasury bonds as collateral for a loan received by a subsidiary	465,198	-
Treasury bonds as collateral for liabilities from repo transactions	644,222	-
Total	**3,603,472**	**530,783**

Getin Noble Bank S.A. will maintain the portfolio of assets being loan collaterals until the repayment of those liabilities.

In accordance with the article 25 and 26 of the Act on Banking Guarantee Fund, the entities must create the guarantee fund in the amount set by the resolution of the BFG. The basis for calculation is the total amount of deposits received by the Bank on all accounts being basis for the calculation of the obligatory reserve.

The increase in the value of assets pledged as security in 2013 resulted from conclusion of the new loan agreements, i.a.. the European Investment Bank, as described in Note II.31

24. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Getin Noble Bank S.A. holds shares in the following subsidiaries and associates:

Carrying value of the investments in subsidiaries and associates	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Noble Funds TFI S.A.	63,076	63,076
Noble Concierge Sp. z o.o.	469	469
Noble Securities S.A.	40,852	41,158
Getin Leasing S.A.	26,366	26,366
Open Finance S.A.	39,141	45,275
Sax Development sp. z o.o.	105,005	105,005
BPI Bank Polskich Inwestycji	57,084	-
Green Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	43,078	-
Property Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	16,000	-
Total	**391,071**	**281,349**

Acquisition of Dexia Kommunalkredit Bank Polska S.A

On 7 November 2012 the Bank entered into a preliminary agreement to acquire 104,000 shares of Dexia Kommunalkredit Bank Polska S.A. („DKBP”) with its registered office in Warsaw, with a nominal value of PLN 1,000 each and the total nominal value of PLN 104,000,000, which is 100% of the share capital and entitles to 100% of the votes at the general shareholders meeting. DKBP is a financial institution specialising in services for local authorities, entities controlled by the local authorities and infrastructure projects. The share purchase agreement was concluded between Getin Noble Bank S.A. and the sole shareholder of DKBP, that is Dexia Kommunalkredit Bank AG with its registered office in Vienna. As a result of the fulfillment of all the conditions precedent contained in the agreement, on 28 March 2013 there was a passage of legal title of DKBP shares to Getin Noble Bank S.A. Since April 2013 DKBP operates under new name, which is BPI Bank Polskich Inwestycji S.A.

The purchase price amounted to PLN 57,084 thousand. With the consent of Dexia AG, Getin Holding S.A. joined as a joint and several debtor for liabilities arising from the payment for the DKBP shares directly to the account of Dexia AG. In order to release from the debt, Getin Noble Bank S.A. transferred pursuant to art. 453 of the Civil Code, 3,590,182 shares of Open Finance S.A. to Getin Holding S.A.

Incorporation of Green Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych

On 15 July 2013 Getin Noble Bank S.A. signed an agreement with Noble Funds TFI S.A. to establish and manage Green Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (“the Fund"). On 17 July 2013 the Bank purchased 100% Series A investment certificates with a nominal value of PLN 43,078 thousand in exchange for the transfer of property rights. The Bank remains the only investor in the Fund.

Incorporation of Property Funduszu Inwestycyjnego Zamkniętego Aktywów Niepublicznych

On 6 November 2013 Getin Noble Bank S.A. signed an agreement with Noble Funds TFI S.A. to establish and manage Property Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (“the Fund"). On 14 November 2013 the Bank purchased 100% Series A investment certificates with a nominal value of PLN 16,000 thousand. As at 31 December 2013 the Bank remained the only investor in the Fund.

25. INTANGIBLE ASSETS

	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Patents and licenses	61,234	51,122
Goodw ill	51,307	51,307
Relationships w ith customers	54,909	-
Capital expenditure on intangible assets	30,438	16,234
Total	**197,888**	**118,663**

Goodwill of PLN 51,307 thousand was recognised in 2004 upon the acquisition of Bank Przemysłowy S.A. in Łódź.

The Bank assesses whether the impairment triggers exist as of the reporting date, which may cause the carrying amount of goodwill to be lower than its recoverable amount. The impairment test with respect to the goodwill is performed annually, regardless whether the impairment triggers exist. The test is performed in accordance with IAS 36.

Impairment test with respect to goodwill recognised upon the acquisition of Bank Przemysłowy S.A.

The recoverable amount is estimated based on the value in use of the cash-generating units (CGU) which were assigned to goodwill arising from the acquisition of the Bank Przemysłowy S.A. The value in use is the present, estimated value of the future cash flows for the period of 5 years taking into account the end value (residual) of CGU. The residual value of CGU is calculated based on an extrapolation of the cash flows projections beyond the budget period using the long-term growth rate at the level of NBP long-term inflation rate (2.5%).

The forecasts of future cash flows cover 5-year period and are based on

- historical data reflecting the CGU's potential for generating cash flows,
- forecasted balance sheet and income statement of the CGU as of the date of testing (the carrying amount of
- the CGU amounted to PLN 3,671 million as of 31 December 2013),
- forecasted balance sheet and income statement for the period covered by forecast,
- assumptions included in the Bank's budget,
- analysis of variances between the forecasted and actual cash flows.

Future cash flows being a basis for the calculation of the value in use reflect the value of potential dividends or equity injections assuming a given level of generated profit and regulatory capital needed to maintain the assumed level of the capital adequacy.

The present value of cash flows is calculated using the discount rate of 9.46%, which includes the risk-free rate, risk premium, low capitalization premium and specific risk premium.

As of 31 December 2013 the carrying amount of goodwill of Bank Przemysłowy S.A. amounted to PLN 51,307 thousand. As of 31 December 2013 no impairment was identified with respect to goodwill.

Relationships with customers

As a result of the settlement of acquisition of the organised part of business of DnB Nord Polska S.A. and DZ Bank Polska S.A. the Bank has identified, measured and recognised in statement of financial position the intangible assets – relationships with deposit customers ('Core Deposit Intangible') amounting to PLN 58,807 thousand. As at 31 December 2013 net value of relationships with deposit customers amounted to PLN 54,909 thousand.

Relationships with customers are amortised on a straight-line basis over the estimated period during which most of consumption of economic benefits of an intangible asset is expected.

Relationships with customers reflect the benefits of obtaining a cheaper source of funding and are measured at the present value of future benefits, constituting the difference between the cost of the funding from the external sources and the cost of interest rates on current accounts taking into account anticipated customers behaviour.

Relationships with customers are amortised on a straight-line basis over 103 month period, i.e. period in which most of consumption of economic benefits of an intangible asset is expected. From the end of 2013, remaining amortization period for relations identified through acquisition of an organized part of business of DnB Nord Polska S.A. account for 96 months and for relations identified through acquisition of an organized part of business of DZ Bank Polska S.A. account for 100 months.

Changes in intangible assets for the year ended 31.12.2013	Patents and licences PLN thousand	Goodwill PLN thousand	Other PLN thousand	Capital expenditure on intangible assets PLN thousand	Total PLN thousand
Gorss value as at 01.01.2013	**145,298**	**51,307**	**4,559**	**16,234**	**217,398**
Increases, of which:	27,178	-	58,807	18,776	104,761
Purchase	23,300	-	58,807	18,776	100,883
Transfer from investment	3,878	-	-	-	3,878
Decreases, of which:	(18)	-	-	(4,572)	(4,590)
Disposal and sale	(18)	-	-	-	(18)
Transfer from investment				(3,878)	(3,878)
Other decreases	-	-	-	(694)	(694)
Gross value as at 31.12.2013	**172,458**	**51,307**	**63,366**	**30,438**	**317,569**
Amortization as at 01.01.2013	**79,614**	**-**	**2,867**	**-**	**82,481**
Amortization for the period	14,898	-	3,898	-	18,796
Amortization as at 31.12.2013	**94,512**	**-**	**6,765**	**-**	**101,277**
Impairment allowances as at 01.01.2013	**14,562**	**-**	**1,692**	**-**	**16,254**
Increases	2,150	-	-	-	2,150
Impairment allowances as at 31.12.2013	**16,712**	**-**	**1,692**	**-**	**18,404**
Net value as at 01.01.2013	**51,122**	**51,307**	**-**	**16,234**	**118,663**
Net value as at 31.12.2013	**61,234**	**51,307**	**54,909**	**30,438**	**197,888**

Changes in intangible assets for the year ended 31.12.2012	Patents and licences PLN thousand	Goodwill PLN thousand	Other PLN thousand	Capital expenditure on intangible assets PLN thousand	Total PLN thousand
Gross value as at 01.01.2012	**127,378**	**51,307**	**4,559**	**8,922**	**192,166**
Increases, of which:	18,110	-	-	10,559	28,669
Purchase	15,742	-	-	9,672	25,414
Transfer from investment	2,360	-	-	-	2,360
Other increases	8	-	-	887	895
Decreases, of which:	(190)	-	-	(3,247)	(3,437)
Disposal and sale	(190)	-	-	(887)	(1,077)
Transfer from investment	-	-	-	(2,360)	(2,360)
Gross value as at 31.12.2012	**145,298**	**51,307**	**4,559**	**16,234**	**217,398**
Amortization as at 01.01.2012	**67,816**	**-**	**2,867**	**-**	**70,683**
Increases, of which:	11,850	-	-	-	11,850
Amortization for the period	11,843	-	-	-	11,843
Other increases	7	-	-	-	7
Decreases, of which:	(52)	-	-	-	(52)
Disposal and sale	(52)	-	-	-	(52)
Amortization as at 31.12.2012	**79,614**	**-**	**2,867**	**-**	**82,481**
Impairment allowances as at 01.01.2012	**14,652**	**-**	**1,692**	**-**	**16,344**
Decreases	(90)	-	-	-	(90)
Impairment allowances as at 31.12.2012	**14,562**	**-**	**1,692**	**-**	**16,254**
Net value as at 01.01.2012	**44,910**	**51,307**	**-**	**8,922**	**105,139**
Net value as at 31.12.2012	**51,122**	**51,307**	**-**	**16,234**	**118,663**

26. PROPERTY, PLANT AND EQUIPMENT

	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Land and buildings	80,827	77,976
Machinery and equipment	68,240	72,807
Means of transport	16,234	21,344
Other fixed assets	15,266	7,765
Fixed assets under construction	19,601	3,713
Total	**200,168**	**183,605**

As of 31 December 2013 net value of fixed assets used on the basis of finance lease amounted to PLN 30,475 thousand and PLN 42,155 thousand as at 31 December 2012.

In 2013 and 2012 there were no restrictions of rights concerning legal title of the Bank to fixed assets serving as collateral for liabilities.

In 2013 the value of compensations received from third-parties in respect of impairment or loss of fixed assets, recognised in profit or loss account, amounted to PLN 115 thousand and in 2012 to PLN 50 thousand.

Changes in property,plant and equipment for the year ended 31.12.2013	Land and buildings PLN thousand	Machinery and equipment PLN thousand	Means of transport PLN thousand	Other fixed assets PLN thousand	Fixed assets under construction PLN thousand	Total PLN thousand
Gross value as at 01.01.2013	**198,713**	**185,499**	**39,601**	**26,755**	**4,935**	**455,503**
Increases, of which:	19,383	20,342	1,540	11,040	18,065	70,370
Purchase	19,092	18,532	1,540	11,040	18,065	68,269
Transfer from fixed assets held for sale	61	-	-	-	-	61
Transfer from fixed assets under construction	230	1,810	-	-	-	2,040
Decreases, of which:	(11,662)	(1,780)	(3,926)	(2,245)	(2,345)	(21,958)
Disposal and sale	(11,662)	(1,780)	(3,924)	(2,245)	(298)	(19,909)
Transfer from fixed assets under construction	-	-	-	-	(2,040)	(2,040)
Other decreases	-	-	(2)	-	(7)	(9)
Gross value as at31.12.2013	**206,434**	**204,061**	**37,215**	**35,550**	**20,655**	**503,915**
Amortization as at 01.01.2013	**110,859**	**110,125**	**18,257**	**18,730**	**-**	**257,971**
Increases, of which:	14,676	24,864	6,050	3,488	-	49,078
Amortization for the period	14,676	24,864	6,050	3,488	-	49,078
Decreases, of which:	(11,312)	(1,717)	(3,326)	(2,194)	-	(18,549)
Disposal and sale	(11,312)	(1,717)	(3,326)	(2,194)	-	(18,549)
Amortization as at 31.12.2013	**114,223**	**133,272**	**20,981**	**20,024**	**-**	**288,500**
Impairment allowances as at 01.01.2013	**9,878**	**2,567**	**-**	**260**	**1,222**	**13,927**
Increases	1,506	11	-	-	-	1,517
Decreases	-	(29)	-	-	(168)	(197)
Impairment allowances as at 31.12.2013	**11,384**	**2,549**	**-**	**260**	**1,054**	**15,247**
Net value as at 01.01.2013	**77,976**	**72,807**	**21,344**	**7,765**	**3,713**	**183,605**
Net value as at 31.12.2013	**80,827**	**68,240**	**16,234**	**15,266**	**19,601**	**200,168**

Changes in property,plant and equipment for the year ended 31.12.2012	Land and buildings PLN thousand	Machinery and equipment PLN thousand	Means of transport PLN thousand	Other fixed assets PLN thousand	Fixed assets under construction PLN thousand	Total PLN thousand
Gross v alue as at 01.01.2012	**161,565**	**147,661**	**35,341**	**24,406**	**9,284**	**378,257**
Increases, of which:	37,997	45,589	11,212	2,886	2,742	100,426
Purchase	13,096	41,258	11,047	2,644	2,742	70,787
Transfer from investment properties	21,823	174	-	-	-	21,997
Transfer from fixed assets under construction	2,940	4,029	-	97	-	7,066
Other increases	138	128	165	145	-	576
Decreases, of which:	(849)	(7,751)	(6,952)	(537)	(7,091)	(23,180)
Disposal and sale	(849)	(7,714)	(6,952)	(537)	-	(16,052)
Transfer from fixed assets under construction	-	-	-	-	(7,066)	(7,066)
Other decreases	-	(37)	-	-	(25)	(62)
Gross value as at 31.12.2012	**198,713**	**185,499**	**39,601**	**26,755**	**4,935**	**455,503**
Amortization as at 01.01.2012	**93,440**	**93,808**	**16,999**	**16,708**	-	**220,955**
Increases, of which:	18,243	21,416	6,717	2,541	-	48,917
Amortization for the period	17,724	21,260	6,698	2,477	-	48,159
Transfer from investment properties	486	63	-	-	-	549
Other increases	33	93	19	64	-	209
Decreases, of which:	(824)	(5,099)	(5,459)	(519)	-	(11,901)
Disposal and sale	(824)	(5,076)	(5,459)	(519)	-	(11,878)
Other decreases	-	(23)	-	-	-	(23)
Amortization as at 31.12.2012	**110,859**	**110,125**	**18,257**	**18,730**	**-**	**257,971**
Impairment allowances as at 01.01.2012	**113**	**2,553**	**-**	**195**	**1,222**	**4,083**
Increases	9,765	16	-	75		9,856
Decreases	-	(2)	-	(10)		(12)
Impairment allowances as at31.12.2012	**9,878**	**2,567**	**-**	**260**	**1,222**	**13,927**
Net value as at 01.01.2012	**68,012**	**51,300**	**18,342**	**7,503**	**8,062**	**153,219**
Net value as at 31.12.2012	**77,976**	**72,807**	**21,344**	**7,765**	**3,713**	**183,605**

27. INVESTMENT PROPERTIES

	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Gross value at the beginning of the period	**32,946**	**46,364**
Increases, of which:	108,586	10,131
purchase of properties	104,612	10,103
reclassification from assets held-for-sale	3,974	28
Decreases, of which:	-	(23,549)
transfer to own properties	-	(21,997)
reclassification to assets held-for-sale	-	(1,552)
Gross value at the end of the period	**141,532**	**32,946**
Amortization at the beginning of the period	**742**	**591**
Increases, of which:	1,098	700
Amortization for the period	1,098	700
Decreases, of which:	-	(549)
transfer to own properties	-	(549)
Amortization at the end of the period	**1,840**	**742**
Impairment allowances at the beginning of the period	**-**	**9,765**
Decreases	-	(9,765)
Impairment allowances at the end of the period	**-**	**-**
Net value at the beginning of the period	**32,204**	**36,008**
Net value at the end of the period	**139,692**	**32,204**

Investment properties include buildings depreciated for 40 years and premises owned by the Bank depreciated for 66.6 years, on a straight-line basis, as well as land. There are no limitations of rights to sell investment properties and rights to transfer the related income and profits.

In 2013, the Bank intensified its activities to take over properties in exchange for a partial/complete reduction of receivables from loans. The takeover was made mainly through individual agreements between the Bank and debtors. Due to the nature of the acquired real estate they were classified as investment properties.

Fair value of investment properties as at 31 December 2013 amounted PLN 142,048 thousand (PLN 33,757 thousand as at 31 December 2012)

In 2013 the following amounts of income and expenses connected with investment properties are recognised in the income statement

	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Income from rental of investment properties	413	107
Direct operating expenses related to investment properties, which generated rental income in the period	347	68
Direct operating expenses related to investment properties, which did not generate rental income in the period	212	37

28. FINANCE AND OPERATING LEASE

Financial lease liabilities

In accordance with concluded contracts leased assets are used by the Bank during the whole term of the contract. In exchange for obtained rights for using of leased assets, the Bank is obliged to make lease payments in the amounts and terms described in lease contracts. After the end of a lease contract the Bank has the right to purchase leased asset provided that all liabilities towards lessor have been settled. If the Bank does not use the option to purchase leased asset, it is obliged to return the leased asset to the lessor. No other restrictions are envisaged by lease contracts. Contingent fees are not envisaged either. Leased assets at the end of the reporting period comprise passenger cars and IT equipment.

Future minimum lease payments arising from these contracts and the present value of minimum net lease payments are as follows:

As at 31.12.2013	Gross investment in lease (minimum lease payments) PLN thousand	Present value of minimum lease payments PLN thousand
Lease liabilities		
up to 1 year	175	173
from 1 to 5 years	35,384	34,071
over 5 years	-	-
Total	**35,559**	**34,244**
Unrealized financial expenses (-)	(1,315)	
Lease investment, net	**34,244**	

As at 31.12.2012	Gross investment in lease (minimum lease payments) PLN thousand	Present value of minimum lease payments PLN thousand
Lease liabilities		
up to 1 year	600	597
from 1 to 5 years	48,119	45,655
over 5 years	-	-
Total	**48,719**	**46,252**
Unrealized financial expenses (-)	(2,467)	
Lease investemnt, net	**46,252**	

Operating lease liabilities

The Bank concludes agreements concerning lease of premises which, in accordance with IAS, are treated as agreements of irrevocable operational lease. Leased premises are used for banking activities. Fixed-term agreements are concluded usually for a term of 5 years

As of 31 December 2013 and 2012 minimal payments arising from irrevocable operating lease contracts are as follows:

Minimal payments arising from irrevocable operating lease contracts	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Liabilities with remaining repayment period from the balance sheet date:		
up to 1 year	57,589	51,456
from 1 to 5 years	104,693	94,409
over 5 years	11,202	12,607
Total	**173,484**	**158,472**

29. OTHER ASSETS

	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Receivables from sundry debtors, of which:	703,350	647,636
tax, subsidies and social insurance receivables	3,584	4,050
payment cards settlements	15,635	17,042
other receivables	684,131	626,544
Accrued expense	29,488	21,880
Income to be received	31,806	37,129
Recourses and guarantee deposits	9,327	9,102
Other assets	479	196
Total other assets, gross	**774,450**	**715,943**
Impairment allowances for other assets	(9,350)	(7,563)
Total other assets, net	**765,100**	**708,380**

Impairment allowances of other assets	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Impairment allowances of other assets at the beginning of the period	**7,563**	**4,514**
Increases recognized in the income statement	1,420	1,079
Decreases recognized in the income statement	(185)	(647)
Other increases	552	2,778
Other decreased	-	(161)
Impairment allowances of other assets at the end of the period	**9,350**	**7,563**

30. ASSETS HELD FOR SALE

The value of assets held-for-sale as at 31 December 2013 and 2012 includes real estates. The Bank actively seeks to sell these real estates and their expected period of sale is one year.

	01.01.2013 - 31.12.2013 PLN thousand	01.01.2012 - 31.12.2012 PLN thousand
Value at the beginning of the period	**4,522**	**1,036**
Increases, of which:	8,962	3,520
purchase/capital expenditure	8,962	1,968
transfer from investment properties	-	1,552
Decreases, of which:	(4,035)	(34)
sale and disposal	-	(6)
transfer to property, plant and equipment	(61)	-
transfer to investment properties	(3,974)	(28)
Value at the end of the period	**9,449**	**4,522**

31. AMOUNTS DUE TO BANKS AND FINANCIAL INSTITUTIONS

	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Current accounts	261	235
Banks' and financial institutions deposits	447,363	585,993
Loans and advances received	1,775,151	204,384
Repurchase Agreement (Repo)	544,842	-
Other amounts due to banks and financial institutions	860	4,092
Total	**2,768,477**	**794,704**

In 2013, Getin Noble Bank S.A. gained further funding from the European Investment Bank. The funds supported the activity in business line of small and medium-sized enterprises and lease market. With the loan the Bank was capable to offer its corporate clients more attractive price terms of offered products.

Moreover, in June 2013 the Bank concluded a loan agreement with foreign bank, amounting to EUR 125 million for the period of three years, on the arm's length basis.

The Bank has entered into a long-term repo transaction, acquiring funds in foreign currency to refinance the loan portfolio. The transaction was concluded on the arm's length basis.

Amounts due to banks and financial instruments	31.12.2013 PLN thousand	31.12.2012 (restated) PLN thousand
Amounts due to banks and financial instruments with variable interest rate	2,332,393	3,180
Amounts due to banks and financial instruments with fixed rate	367,946	745,569
Non-interest bearing	68,138	45,955

Amounts due to banks and financial institutions from balance sheet date to maturity date	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Current liabilities	50,721	235
Term deposits with maturity	2,717,756	794,469
up to 1 month	37,586	133,623
from 1 to 3 months	4,907	85,874
from 3 months to 1 year	395,382	2,673
from 1 to 5 years	2,173,554	572,299
over5 years	106,327	-
Total	**2,768,477**	**794,704**

32. AMOUNTS DUE TO CUSTOMERS

	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Amounts due to corporate entities	**10,597,817**	**10,414,477**
Current accounts and overnight deposits	1,739,318	931,745
Term deposits	8,858,499	9,482,732
Amounts due to budgetary entities	**2,342,485**	**1,915,527**
Current accounts and overnight deposits	1,058,319	1,129,977
Term deposits	1,284,166	785,550
Amounts due to natural persons	**39,408,400**	**38,783,731**
Current accounts and overnight deposits	5,813,191	2,567,419
Term deposits	33,595,209	36,216,312
Total	**52,348,702**	**51,113,735**

Amounts due to customers	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Amounts due to customers with variable interest rate	10,656,436	6,323,846
Amounts due to customers with fixed interest rate	41,088,875	44,171,611
Non-interest bearing	603,391	618,278

Amounts due to customers from balance sheet date to maturity date	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Current accounts and overnight deposits	8,610,828	4,629,141
Term deposits with maturity:	43,737,874	46,484,594
up to 1 month	9,175,181	10,030,101
from 1 to 3 months	12,117,895	16,882,993
from 3 to 6 months	10,116,807	9,145,729
from 6 months to 1 year	4,963,701	5,236,907
from 1 to 5 years	5,708,897	3,427,718
over 5 years	1,655,393	1,761,146
Total	**52,348,702**	**51,113,735**

33. DEBT SECURITIES ISSUED

	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Debt securities issued, of which:	2,642,901	1,651,129
subordinated bonds	1,800,579	1,212,651
other bonds	842,322	438,478
Interest, of which:	27,563	23,287
subordinated bonds	26,575	23,287
other bonds	988	-
Total	**2,670,464**	**1,674,416**

Debt securities issued from balance sheet date to maturity	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Debt securities issued with maturity		
up to 1 month	173,276	39,889
from 1 to 3 months	331,260	361,987
from 3 months to 1year	182,033	3,235
from 1 year to 5 years	1,080,964	206,245
over 5 years	902,931	1,063,060
Total	**2,670,464**	**1,674,416**

Debt securities issued	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Debt securities issued, with variable interest rate	1,920,485	1,212,651
Debt securities issued, with fixed interest rate	722,416	438,478
Non-interest bearing	27,563	23,287

During the 12-month period ended 31 December 2013, the following issues and redemptions of bonds were made by Getin Noble Bank S.A:

Type of securities issued	Issue date	Redemption date	Number of securities	Nominal value PLN thousand
Getin Noble Bond Tranche PP2-VII	2013-02-28	2020-02-28	75,000	75,000
Getin Noble Bond Tranche PP2-VIII	2013-03-28	2020-03-30	69,356	69,356
Getin Noble Bond Tranche PP2-IX	2013-04-26	2020-04-27	45,009	45,009
Getin Noble Bond Tranche PP3-I	2013-06-05	2020-06-05	42,694	42,694
Getin Noble Bond Tranche PP3-II	2013-07-10	2020-07-10	148,576	148,576
Getin Noble Bond Tranche PP3-III	2013-08-28	2020-08-28	50,000	50,000
Getin Noble Bond Tranche PP3-IV	2013-08-28	2020-08-28	15,000	15,000
Getin Noble Bond Tranche PP3-V	2013-10-07	2020-10-07	35,000	35,000
Getin Noble Bond Tranche PP3-VI	2013-11-07	2020-11-09	50,000	50,000
Getin Noble Bond Tranche PP3-VII	2013-11-29	2020-11-30	40,397	40,397
Getin Noble Bond Tranche PP3-VIII	2013-12-19	2020-12-21	24,249	24,249
Total subordinated bonds			**595,281**	**595,281**

Type of securities issued	Issue date	Redemption date	Number of securities	Nominal value PLN thousand
Getin Noble Bank Bonds Tranche 01/2013	2013-01-18	2013-04-18	500	50,000
Getin Noble Bank Bonds Tranche 02/2013	2013-01-29	2013-04-30	450	45,000
Getin Noble Bank Bonds Tranche 03/2013	2013-02-04	2013-05-08	750	75,000
Getin Noble Bank Bonds Tranche 04/2013	2013-02-12	2013-05-14	1,290	129,000
Getin Noble Bank Bonds Tranche 05/2013	2013-02-20	2013-05-22	750	75,000
Getin Noble Bank Bonds Tranche 06/2013	2013-02-20	2013-05-22	900	90,000
Getin Noble Bank Bonds Tranche 07/2013	2013-03-05	2013-06-05	750	75,000
Getin Noble Bank Bonds Tranche 08/2013	2013-03-05	2013-06-05	350	35,000
Getin Noble Bank Bonds Tranche 09/2013	2013-03-15	2013-06-14	750	75,000
Getin Noble Bank Bonds Tranche 10/2013	2013-03-26	2013-06-26	150	15,000
Getin Noble Bank Bonds Tranche 11/2013	2013-03-28	2016-03-29	30	15,000
Getin Noble Bank Bonds Tranche 12/2013	2013-04-09	2015-04-07	70	35,000
Getin Noble Bank Bonds Tranche 13/2013	2013-04-12	2013-10-14	300	30,000
Getin Noble Bank Bonds Tranche 14/2013	2013-04-12	2013-07-12	450	45,000
Getin Noble Bank Bonds Tranche 15/2013	2013-04-18	2013-07-18	150	15,000
Getin Noble Bank Bonds Tranche 16/2013	2013-04-30	2013-07-30	350	35,000
Getin Noble Bank Bonds Tranche 17/2013	2013-04-30	2013-10-30	300	30,000
Getin Noble Bank Bonds Tranche 18/2013	2013-05-08	2013-11-08	750	75,000
Getin Noble Bank Bonds Tranche 19/2013	2013-05-10	2015-05-11	150	15,000
Getin Noble Bank Bonds Tranche 20/2013	2013-05-10	2015-05-11	80	8,000
Getin Noble Bank Bonds Tranche 21/2013	2013-05-14	2013-11-14	700	70,000
Getin Noble Bank Bonds Tranche 22/2013	2013-05-14	2013-08-14	650	65,000
Getin Noble Bank Bonds Tranche 23/2013	2013-05-15	2016-05-16	80	40,000
Getin Noble Bank Bonds Tranche 24/2013	2013-05-22	2013-11-22	800	80,000
Getin Noble Bank Bonds Tranche 25/2013	2013-05-22	2013-08-22	400	40,000
Getin Noble Bank Bonds Tranche 26/2013	2013-05-22	2013-11-22	200	20,000
Getin Noble Bank Bonds Tranche 27/2013	2013-05-22	2013-08-22	500	50,000
Getin Noble Bank Bonds Tranche 28/2013	2013-06-05	2013-09-05	650	65,000
Getin Noble Bank Bonds Tranche 29/2013	2013-06-05	2013-12-05	850	85,000
Getin Noble Bank Bonds Tranche 30/2013	2013-06-14	2013-09-13	400	40,000

Type of securities issued	Issue date	Redemption date	Number of securities	Nominal value PLN thousand
Getin Noble Bonds Tranche 31/2013	2013-06-14	2013-12-13	350	35,000
Getin Noble Bonds Tranche 32/2013	2013-06-20	2016-06-14	70	7,000
Getin Noble Bonds Tranche 33/2013	2013-06-26	2013-10-14	150	15,000
Getin Noble Bonds Tranche 34/2013	2013-07-12	2013-10-11	450	45,000
Getin Noble Bonds Tranche 35/2013	2013-07-18	2013-10-30	150	15,000
Getin Noble Bonds Tranche 36/2013	2013-07-30	2013-10-30	400	40,000
Getin Noble Bonds Tranche 37/2013	2013-08-14	2013-11-14	550	55,000
Getin Noble Bonds Tranche 38/2013	2013-08-22	2013-11-29	400	40,000
Getin Noble Bonds Tranche 39/2013	2013-09-05	2013-12-05	500	50,000
Getin Noble Bonds Tranche 40/2013	2013-09-13	2013-12-05	100	10,000
Getin Noble Bonds Tranche 41/2013	2013-09-13	2013-12-20	600	60,000
Getin Noble Bonds Tranche 42/2013	2013-10-11	2014-01-10	450	45,000
Getin Noble Bonds Tranche 43/2013	2013-10-14	2014-01-15	400	40,000
Getin Noble Bonds Tranche 44/2013	2013-10-30	2014-01-30	200	20,000
Getin Noble Bonds Tranche 45/2013	2013-11-04	2014-01-30	650	65,000
Getin Noble Bonds Tranche 46/2013	2013-11-14	2014-02-14	700	70,000
Getin Noble Bonds Tranche 47/2013	2013-11-14	2014-02-14	500	50,000
Getin Noble Bonds Tranche 48/2013	2013-11-22	2014-02-21	500	50,000
Getin Noble Bonds Tranche 49/2013	2013-11-22	2014-02-21	500	50,000
Getin Noble Bonds Tranche 50/2013	2013-11-29	2014-02-28	250	25,000
Getin Noble Bonds Tranche 51/2013	2013-12-05	2014-03-05	700	70,000
Getin Noble Bonds Tranche 52/2013	2013-12-05	2014-06-05	1,200	120,000
Getin Noble Bonds Tranche 53/2013	2013-12-13	2014-12-15	650	65,000
Total other bonds			**24,920**	**2,564,000**
Total bonds			**620,201**	**3,159,281**

Type of securities redeemed	Issue date	Redemption date	Number of securities	Nominal value PLN thousand
Getin Noble Bank Bonds Tranche 07/2012	2012-03-16	2013-03-15	200	20,000
Getin Noble Bank Bonds Tranche 20/2012	2012-10-18	2013-01-18	400	40,000
Getin Noble Bank Bonds Tranche 21/2012	2012-11-20	2013-02-20	1,000	100,000
Getin Noble Bank Bonds Tranche 22/2012	2012-11-20	2013-02-20	800	80,000
Getin Noble Bank Bonds Tranche 23/2012	2012-12-04	2013-03-05	950	95,000
Getin Noble Bank Bonds Tranche 24/2012	2012-12-14	2013-03-15	500	50,000
Getin Noble Bank Bonds Tranche 1/2013	2013-01-18	2013-04-18	500	50,000
Getin Noble Bank Bonds Tranche 2/2013	2013-01-29	2013-04-30	450	45,000
Getin Noble Bank Bonds Tranche 3/2013	2013-02-04	2013-05-08	750	75,000
Getin Noble Bank Bonds Tranche 4/2013	2013-02-12	2013-05-14	1,290	129,000
Getin Noble Bank Bonds Tranche 5/2013	2013-02-20	2013-05-22	750	75,000
Getin Noble Bank Bonds Tranche 6/2013	2013-02-20	2013-05-22	900	90,000
Getin Noble Bank Bonds Tranche 7/2013	2013-03-05	2013-06-05	750	75,000
Getin Noble Bank Bonds Tranche 8/2013	2013-03-05	2013-06-05	350	35,000
Getin Noble Bank Bonds Tranche 9/2013	2013-03-15	2013-06-14	750	75,000
Getin Noble Bank Bonds Tranche 10/2013	2013-03-26	2013-06-26	150	15,000
Getin Noble Bank Bonds Tranche 14/2013	2013-04-12	2013-07-12	450	45,000
Getin Noble Bank Bonds Tranche 15/2013	2013-04-18	2013-07-18	150	15,000
Getin Noble Bank Bonds Tranche 16/2012	2013-04-30	2013-07-30	350	35,000
Getin Noble Bank Bonds Tranche 22/2013	2013-05-14	2013-08-14	650	65,000
Getin Noble Bank Bonds Tranche 25/2013	2013-05-22	2013-08-22	400	40,000
Getin Noble Bank Bonds Tranche 27/2013	2013-05-22	2013-08-22	500	50,000
Getin Noble Bank Bonds Tranche 28/2013	2013-06-05	2013-09-05	650	65,000
Getin Noble Bank Bonds Tranche 30/2013	2013-06-14	2013-09-13	400	40,000
Getin Noble Bank Bonds Tranche 34/2013	2013-07-12	2013-10-11	450	45,000
Getin Noble Bank Bonds Tranche 13/2013	2013-04-12	2013-10-14	300	30,000
Getin Noble Bank Bonds Tranche 33/2013	2013-06-26	2013-10-14	150	15,000
Getin Noble Bank Bonds Tranche 17/2013	2013-04-30	2013-10-30	300	30,000
Getin Noble Bank Bonds Tranche 35/2013	2013-07-18	2013-10-30	150	15,000
Getin Noble Bank Bonds Tranche 36/2013	2013-07-30	2013-10-30	400	40,000
Getin Noble Bank Bonds Tranche 18/2013	2013-05-08	2013-11-08	750	75,000
Getin Noble Bank Bonds Tranche 21/2013	2013-05-14	2013-11-14	700	70,000
Getin Noble Bank Bonds Tranche 37/2013	2013-08-14	2013-11-14	550	55,000
Getin Noble Bank Bonds Tranche 24/2013	2013-05-22	2013-11-22	800	80,000
Getin Noble Bank Bonds Tranche 26/2013	2013-05-22	2013-11-22	200	20,000
Getin Noble Bank Bonds Tranche 38/2013	2013-08-22	2013-11-29	400	40,000
Getin Noble Bank Bonds Tranche 29/2013	2013-06-05	2013-12-05	850	85,000
Getin Noble Bank Bonds Tranche 39/2013	2013-09-05	2013-12-05	500	50,000
Getin Noble Bank Bonds Tranche 40/2013	2013-09-13	2013-12-05	100	10,000
Getin Noble Bank Bonds Tranche 31/2013	2013-06-14	2013-12-13	350	35,000
Getin Noble Bank Bonds Tranche 41/2013	2013-09-13	2013-12-20	600	60,000
Total bonds redeemed			**21,590**	**2,159,000**

On 10 December 2013 Getin Noble Bank S.A. purchased 11 of its own bonds of series 9/2011 and 4 of its own bonds of series 8/2011. The basis for the transaction were purchase agreements entered into by and between the Bank and bondholders. The bonds were purchased by the Bank for redemption. The average unit purchase price of bonds series 9/2011 amounted to PLN 91,054.70 and of bonds series 8/2011 amounted to PLN 91,550.30.

On 26 March 2013 the Supervisory Board of Getin Noble Bank S.A. approved a new Public Bond Issue Programme (“the Programme") adopted by the Management Board. Bonds issued under the Programme are in many series to a maximum of PLN 750 million. The bonds are introduced to the alternative trading system Catalyst organised by the Warsaw Stock Exchange

In 12-month period of 2013 the Polish Financial Supervision Authority approved the inclusion in the own funds of Getin Noble Bank S.A. the amount of PLN 611,648 thousand acquired by the Bank through the issue of subordinated bonds of series PP2-V, PP2-VII to P2-IX and PP3-I to PP3-VII.

During the reporting period, there were no cases of overdue settlement by the Bank of liabilities arising from repayment of principal or interest and redemption of own debt securities.

34. OTHER LIABILITIES

	31.12.2013 PLN thousand	31.12.2012 (restated) PLN thousand
Interbank settlements	34,457	35,890
Dundry debtors, of which:	168,110	143,468
tax, custom duty, social insurances (without CIT)	40,895	47,602
payment cards settlements	2,969	2,327
other	124,246	93,539
Lease liabilities	34,244	46,252
Accrualns	40,172	35,755
Deferred income	80,891	71,815
Valuation of the options	6,403	11,024
Other liabilities	96,209	95,077
Total	**460,486**	**439,281**

35. PROVISIONS

01.01.2013 - 31.12.2013	Restructuring provision PLN thousand	Provision for litigation PLN thousand	Provision for retirement benefits and other employee allowances PLN thousand	Provision for issued commitments and guarantees PLN thousand	Total PLN thousand
Provisions at the beginning of the perio	**2,355**	**4,235**	**11,365**	**1,739**	**19,694**
Recognition	-	70	2,998	6,340	9,408
Utilization	(1,703)	(1)	(1,345)	-	(3,049)
Reversal	(652)	-	-	(1,644)	(2,296)
Other increases/decreases	-	-	1,370	-	1,370
Provisions at the end of the period	**-**	**4,304**	**14,388**	**6,435**	**25,127**

01.01.2012 - 31.12.2012	Restructuring provision PLN thousand	Provision for litigation PLN thousand	Provision for retirement benefits and other employee allowances PLN thousand	Provision for issued commitments and guarantees PLN thousand	Total PLN thousand
Provisions at the beginning of the perio	**23,695**	**4,242**	**9,075**	**1,686**	**38,698**
Recognition	-	-	3,313	5,430	8,743
Utilization	(16,890)	(7)	(1,023)	-	(17,920)
Reversal	(4,450)	-	-	(5,377)	(9,827)
Provisions at the end of the period	**2,355**	**4,235**	**11,365**	**1,739**	**19,694**

Provisions for retirement benefits and other employee allowances	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Provision for retirement benefits	1,291	925
Provision for unused holidays	13,097	10,440
Total	**14,388**	**11,365**

Reconciliation of the present value of the defined benefit obligation	01.01.2013-31.12.2013 PLN thousand
Present value of the obligation at the beginning of the period	**925**
Expenses recognized in the income statement, of which:	199
Current service cost	162
Interest cost	37
Expenses recognized in other comprehensive income, of which:	95
Actuarial (gains)/ losses due to ex post adjustments of assumptions	666
Actuarial (gains)/ losses due to changes in demographic variables	-542
Actuarial (gains)/ losses due to changes in financial variables	-29
Benefits paid	-35
Effect of acquisition of an organised part of DnB Nord Polska	107
Present value of the obligation at the end of the period	**1,291**
Present value of the short-term obligation	**112**
Present value of the long-term obligation	**1,179**

The future payments of employee benefits have been discounted with 4.4% discount rate, ie. at the level of yield of the safest long-term securities listed on the Polish capital market at the date of valuation. Effect of increase/ decrease in the discount rate on the change in the provision for retirement benefits is presented in the table below:

Estimated impact of changes of discount rate on the provision	31.12.2013	
	+0,25 pp PLN	-0,25 pp PLN
Provision for retirement and disability benefits	1,331	1,253

The Bank creates provision for retirement and disability benefits in accordance with International International Accounting Standard 19 *Employee Benefits*. Provisions are calculated by an independent actuary using the Project Unit Credit Method. The value of the provision for the employee benefits is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods and equals the sum of provisions calculated individually for each employee of the Bank.

Changes in liabilities for future employee benefits are presented in the table above, which according to IAS 19:
- current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period, calculated by discounting expected nominal value of obligation attributed linearly to one period.
- interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement, calculated by multiplying the initial balance of the liability by the interest rate, equal to the discount rate adopted for determining the present value of the liabilities.
According to the amendments to IAS 19 as adopted by the EU on 5 June 2012 and effective for annual periods beginning on or after 1 January 2013, actuarial gains and losses are recognised in full in other comprehensive income. Current service cost and interest expenses are recognised in income statement.

36. SHARE CAPITAL

Share capital of Getin Noble Bank S.A. amounts to PLN 2,650,143,319 and consists of 2,650,143,319 bearer ordinary shares with nominal value of PLN 1.00 each. The Bank's shares are traded on the Warsaw Stock Exchange.

Series	Type of shares	Number of shares	Nominal value PLN thousand
series A	bearer ordinary shares	40,000,000	40,000
series B	bearer ordinary shares	23,000,000	23,000
series C	bearer ordinary shares	6,000,000	6,000
series D	bearer ordinary shares	9,510,000	9,510
series E	bearer ordinary shares	11,000,000	11,000
series F	bearer ordinary shares	4,000,000	4,000
series G	bearer ordinary shares	9,550,000	9,550
series H	bearer ordinary shares	2,142,465,631	2,142,466
series I	bearer ordinary shares	144,617,688	144,618
series J	bearer ordinary shares	200,000,000	200,000
series K	bearer ordinary shares	60,000,000	60,000
Total		**2,650,143,319**	**2,650,143**

On 12 July 2013 Noble Securities S.A. made a settlement of the acquisition of own shares by Getin Noble Bank S.A. Brokerage house has acquired over-the-counter in its own name and on behalf of the Bank 59,090,909 shares at a price of PLN 2.20 per share.

The reason and purpose of the acquisition of own shares by Getin Noble Bank S.A. was to realign the market price of the Bank's shares. In addition the purchase of own shares enables the possibility to settle a consideration for any further acquisition with own shares, and to fill the commitments arising from the agreements concluded between the Bank and the participants of the Management Share Option Scheme and the obligations of the Bank to pay part of remuneration to employees covered by the 'Policy of the variable components of remuneration of the management at Getin Noble Bank S.A.' in the form of financial instruments.

In the third quarter of 2013 as a result of realisation of the Management Share Option Scheme, the Bank sold 5,176,671 own shares to the Scheme participants. The transaction was made over the counter.

On 30 December 2013 the Bank sold 53,914,238 own shares The transaction was carried out outside the regulated market on the basis of share sale agreement concluded between the Bank and Getin Holding S.A

As at 31 December 2013 and 2012 the Bank did not hold own shares.

37. OTHER CAPITAL

	31.12.2013 PLN thousand	31.12.2012 (restated) PLN thousand
Reserve capital	2,007,172	2,161,631
Revaluation reserve	(136,962)	(121,018)
valuation of portfolio of available-for-sale financial assets	(42,654)	11,291
cash flow hedge	(93,981)	(132,059)
actuarial gains/losses	(327)	(250)
Other capital reserves	40,571	37,493
Share based payments equity component	-	7,381
Total	**1,910,781**	**2,085,487**

Available for sale financial assets - change in revaluation reserve	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
At the beginning of the period	**11,291**	**(4,345)**
valuation (amount recognised in revaluation reserve)	(49,967)	34,295
recognition of impairment allow ance (amount removed from revaluation r	2,087	0
sale/redemption (amount removed from the revaluation reserve, recognized in the income statement)	(6,065)	(18,659)
At the end of the period	**(42,654)**	**11,291**

38. DIVDENDS PAID AND PROPOSED

In the reporting period the Bank did not pay or declare any dividends.

On 12 June 2013 the General Meeting of Getin Noble Bank S.A. decided to allocate the net profit of Getin Noble Bank S.A. for the financial year 2012 in the amount of PLN 310,957 thousand in full for an undivided net loss of Getin Noble Bank S.A. from previous years resulting from operational loss of Get Bank S.A.

As of the date of the financial statement the Management Board of the Bank does not recommend payment of a dividend from the profit of 2013.

39. CONTINGENT LIABILITIES

The Bank has commitments to grant loans. These commitments comprise approved but not fully utilized loans, unused credit card limits and unused overdraft limits on current accounts. The Bank issues guarantees and letters of credit which serve as security in case the Group's customers will discharge their liabilities towards third parties. The Bank charges fee for these commitments issued which are settled in accordance with the nature of the given instrument.

Provisions are recognised for contingent liabilities with the risk of loss of value of the underlying assets. If, at the balance sheet date, objective evidence has been identified that assets underlying contingent liabilities are impaired, the Bank creates a provision in the amount of a difference between statistically estimated part of the off-balance sheet exposure (balance sheet equivalent of current off-balance sheet items) and the present value of estimated future cash flows. The created provision does not reduce the value of the assets underlying the off-balance sheet contingent liabilities and is recognised in the Bank's statement of financial positions under 'Provisions' and in the income statement.

Contingent liabilities granted	31.12.2013 PLN thousand	31.12.2012 (restated) PLN thousand
Contingent liabilities granted	**2,563,696**	**3,646,374**
financial	2,455,488	3,373,777
guarantees	108,208	272,597

Contingent liabilities granted	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Contingent financial liabilities granted	**2,455,488**	**3,373,777**
to financial entities	7,612	1,267,703
to non-financial entities	2,095,582	1,830,079
to budgetary entities	352,294	275,995
Guarantees granted	**108,208**	**272,597**
to financial entities	3,761	2,320
to non-financial entities	103,359	35,543
to budgetary entities	1,088	234,734

Contingent liabilities received	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Contingent liabilities received	**733,298**	**360,790**
financial	250,000	102,205
guarantees	483,298	258,585

40. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value is the price that would be obtained for the sale of an asset or paid to transfer a liability in a transaction carried out in the normal manner between market participants at the measurement date.

For many financial instruments their market values are not available, therefore fair values are estimated using various valuation techniques. The fair value of financial assets and liabilities was measured using a model based on estimates of present value of future cash flows by discounting cash flows using market interest rates

For certain classes of assets and liabilities due to the lack of expected significant differences between the carrying value and fair value, due to their characteristics, it was assumed that the carrying amount is in line with their fair value.

The principal methods and assumptions used in estimating the fair value of financial assets and liabilities that in the statement of financial position are not stated at fair value are as follows

Cash, balances with the Central Bank

Due to the short-term nature of these assets it is assumed that the carrying value is consistent with the fair value.

Amounts due from banks and financial institutions

The amounts due from banks consist primarily of deposits concluded in the interbank market and securities for derivatives transactions (CIRS). Deposits made in the interbank market are fixed-rate short-term deposits. For this reason, it was assumed that the fair value of amounts due from banks is equal to their book value.

Loans and advances to customers and lease receivables

The fair value was calculated for loans with a fixed payment schedule. For contracts where such payments have not been defined (eg. bank overdraft), it is assumed that the fair value is equal to the carrying value. Similar assumption is accepted for payments due and the agreements with the impairment.

In order to calculate the fair value, based on the information recorded in transactional systems, for each loan agreement a schedule of principal and interest cash flows is identified, which are grouped by type of interest rate, start date, type of product and the currency in which the agreement is performed. So established cash flows were discounted using rates which take into account the current margins for each product type. In the case of foreign currency loans for which there is no adequate new loans trial in the period considered, a margins are established as for loans in PLN adjusted for historical differences between the margins for loans in PLN and in foreign currencies. Comparison of the amount of cash flows associated with the agreement discounted with the interest with its book value, determines the difference between the fair value and the carrying amount. Identifying right interest rate to discount the cash flow is based on the currency of the agreement, the product and date of the cash flow.

Amounts due to banks and financial institutions

It is assumed that the fair value of deposits from other banks and floating-rate loans taken out in the interbank market is their carrying amount.

Amounts due to customers

The fair value was calculated for fixed-rate deposits with a fixed maturity. For demand deposits, it is assumed that the fair value is equal to their book value. In order to calculate the fair value on the basis of data from transactional systems future principal and interest cash flows are determined, which are grouped according to the currency of the period of the original deposit, the nature of the product and date of cash flows. The calculated cash flows are discounted with interest rate constructed as the sum of the market rate of the yield curve for each currency and deposits and completion date profit margins on deposits run in the final month of the period. The margin is calculated by comparing interest rates on deposits granted in the last month with market interest. The discounting period is defined as the difference between the end of the deposit (the accepted accuracy of the calendar month) and the date on which the report is presented. Calculated in this way, the discounted value is compared to the carrying value, with the result that we get the difference between the carrying value and fair value of the portfolio of contracts taken to the calculation.

Debt securities issued

It was assumed that the fair value of issued bonds that are not traded on an active market is their carrying amount. The fair value of debt securities listed on the Catalyst bond market was estimated on the basis of market quotations.

Due to the fact that for the majority of financial assets and liabilities carried at amortised cost (other than those described in detail above) using the effective interest rate the period of the next revaluation does not exceed 3 months, the carrying value of these items is not materially different from their fair values.

Presented below is a summary of the carrying amounts and fair values of financial assets and liabilities :

As at 31.12.2013	Carrying value PLN thousand	Fair value PLN thousand
ASSETS:		
Cash, balances with the Central Bank	2,629,827	2,629,827
Amounts due from banks and financial institutions	1,131,384	1,131,384
Derivative financial instruments	237,623	237,623
Loans and advances to customers	48,397,459	48,054,104
Available for sale financial assets	8,668,804	8,668,804
Held to maturity financial assets	72,271	72,194
LIABILITIES:		
Amounts due to banks and financial institutions	2,768,477	2,768,477
Derivative financial instruments	481,217	481,217
Amounts due to customers	52,348,702	52,651,526
Debt securities issued	2,670,464	2,674,870

As at 31.12.2012 (restated)	Carrying value PLN thousand	Fair value PLN thousand
ASSETS:		
Cash, balances with Central Bank	2,906,940	2,906,940
Amounts due from banks and financial institutions	1,966,330	1,966,330
Derivative financial instruments	178,350	178,350
Loans and advances to customers	44,552,597	43,634,777
Available for sale financial assets	7,454,653	7,454,653
LIABILITIES:		
Amounts due to banks and financial institutions	794,704	794,704
Derivative financial instruments	657,427	657,427
Amounts due to customers	51,113,735	51,276,372
Debt securities issued	1,674,416	1,674,416

The Bank classifies the individual financial assets and liabilities measured at fair value by applying the following hierarchy:

Level 1

Financial assets and liabilities measured at fair value based on market quotations available in active markets for identical instruments. To this category Bank classifies debt securities and available for sale equity instruments traded on a regulated market.

Level 2

Financial assets and liabilities measured using techniques based on market quotations directly observed or other information based on market quotations. To this category Bank classifies money bills of National Bank of Poland and derivatives.

Level 3

Financial assets and liabilities measured using techniques based quotations which cannot be directly observed on the market. To this category Bank classifies shares not quoted on Warsaw Stock Exchange, measured at cost less impairment allowance and available for sale debt securities which fair value is determined using internal valuation models.

The carrying amounts of financial instruments at fair value by 3 hierarchy levels as at 31 December 2013 and

2012 are presented below

As at 31.12.2013	Level 1 PLN thousand	Level 2 PLN thousand	Level 3 PLN thousand	Total PLN thousand
ASSETS:				
Derivative financial instruments	-	237,623	-	**237,623**
Available for sale financial assets	4,881,914	3,699,168	87,722	**8,668,804**
LIABILITIES:				
Derivative financial instruments	-	481,217	-	**481,217**

As at 31.12.2012	Level 1 PLN thousand	Level 2 PLN thousand	Level 3 PLN thousand	Total PLN thousand
ASSETS:				
Derivative financial instruments	-	178,350	-	**178,350**
Available for sale financial assets	2,720,278	4,298,224	436,151	**7,454,653**
LIABILITIES:				
Derivative financial instruments	-	657,427	-	**657,427**

In the year ended 31 December 2013 there were no movements between level 1 and level 2 of the fair value hierarchy, neither any instrument was moved from level 1 or level 2 to level 3 of fair value hierarchy

In 2013 the Bank changed the technique of fair value measurement of available for sale debt securities for which there exists no active market. In the opinion of the Bank the valuation models decribed below give better fair value for these financial instruments than the current approach of valuation at amortised cost

Valuation techniques and inputs when measuring fair value of financial assets and liabilities classified at level 2 and 3 of the fair value hierarchy are as follows:

Derivative financial instruments

Option transactions characterised by a non-linear values profile are measured on the basis of valuation models (Black, 76, replication model, Bachelier model, Monte Carlo simulation) with parameters corresponding to the valued instruments. The market inputs in this case are foreign exchange rates, index levels, volatility surfaces of the option strategies and data allowing the construction of discount curves.

Other derivatives of the linear nature are valued based on discounted cash flow model using the discount curves and projection curves, generated on the basis of market quotations for financial instruments. Discount curves are constructed according to the concept of discounting on the basis of the cost of security, using OIS rates, SWAP points quotations, FRA transactions, IRS, tenor basis swaps and CCBS credit. In addition, for the instruments based on a variable interest rate curve the projection curve is constructed, based on quotations of FRA transactions, IRS and the appropriate reference indices.

The NBP bills

The measurement is based on the reference curve, constructed on the basis of short-term interbank deposits.

Shares and equity instruments without quoted market price

The Group considers the best measure of fair value of shares and equity instruments that do not have a quoted market price in an active market to be the cost less any impairment losses

Corporate bonds

Measurement of available for sale debt securities categorised within Level 3 of the fair value hierarchy is based on a discounted cash flow model, and the discount rate for unrealised cash flows is based on market discount rate determined from the zero-coupon curve plus a risk premium, appropriate for a given security. The risk premium as an unobservable input on the market, is calculated by an entity providing services of corporate bonds placement. Depending on the type of paper and the issuer, the premium is calculated as:

- The issue margin for securities issued in the last six months, if the issuer is not affiliated with the Bank,
- adjusted margin of other securities of the same issuer,
- adjusted margin of securities of other issuer (group of issuers) similar in its characteristics to the issuer of the measured securities.

The fair value of securities measured in accordance with the above valuation model (using margins in the range of 1% to 4%) amounted to PLN 84,967 thousand. In case of upward shift of risk margins by 25 basis points the fair value decreases by PLN 627 thousand, in case of downward shift of risk margins by 25 basis points the fair value increases by PLN 634 thousand.

Principles for the measurement of corporate securities are included in the procedure introduced by the Resolution of the Management Board of the Bank. The measurement is made in the Bank's transaction system based on the prices calculated by the Controlling and Market Risk Department – a unit responsible for the valuation of financial instruments in the Bank. The unit price of the securities is estimated periodically on the basis of the discounted cash flow model as described above

41. SOCIAL ASSETS AND COMPANY SOCIAL BENEFITS FUND LIABILITIES

The act of 4 March 1994 on the Company Social Benefits Fund with later amendments assumes that the Company Social Benefits Fund is created by employers employing above 20 employees on a full-time basis. The Bank creates such fund and makes periodic allowances amounting to basic allowances. The purpose of the Fund is to finance social activity, loans granted to its employees and other social costs.

The Bank has compensated the Fund's assets with its liabilities to the Fund as these assets do not account for separate assets of the Bank. As a result of the above, net balance of settlements with the Fund amounted to PLN 0.

	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Allowances for the Fund during the reporting period	3,228	6,053

42. ADDITIONAL NOTES TO THE STATEMENT OF CASH FLOWS

For the purpose of the statement of cash flows, the following classification of economic activity types has been assumed:

- operating activities – comprise the basic scope of activities related to provision of services by the Bank, covering actions aimed at generating profit but not constituting investment or financial activity. The Bank prepares the statement of cash flows from operating activities using the indirect method, under which a net profit for a reporting period is adjusted by non-cash effects of transactions, prepayments and accrued income and accrued costs and deferred income which relate to future or past inflows and outflows from operating activities and by other items of costs and revenues connected with cash flows from investing activities.
- investment activities – comprises activities related to purchasing and selling stocks or shares in subordinated entities as well as intangible assets and fixed assets. Inflows from investment activities include also received dividends related to held shares and stocks in other entities. Changes of debt securities available for sale are presented in operating activities.

- financing activities – include operations that involve raising funds in the form of capital or liabilities as well as servicing of the sources of finance.

Cash and cash equivalents

For the purpose of the statement of cash flows cash and cash equivalents comprise carrying amount of cash and cash equivalents and balances of current accounts and short-term deposits.

Cash and cash equivalents	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Cash, balances w ith the Central Bank	2,629,827	2,906,940
Current amounts due from banks	107,953	414,024
Short term deposits in banks	57,228	557,673
Total	**2,795,008**	**3,878,637**

Explanation of differences between changes of assets and liabilities as stated in the statement of financial position and changes presented in the statement of cash flows

Rok zakończony dnia 31.12.2013	Statement of financial position PLN thousand	Statements of cash flows PLN thousand	Difference PLN thousand	
Change in amounts due from banks and financial institutions	834,946	28,430	806,516	1)
Change in derivative financial instruments (assets)	(59,273)	(61,226)	1,953	2)
Change in available for sale financial assets	(1,214,151)	(1,268,096)	53,945	3)
Change in held to maturity financial assets	(72,271)	(4)	(72,267)	4)
Change in amounts due to banks and financial institutions	1,973,773	306,638	1,667,135	5)
Change in derivative financial instruments (liability)	(176,210)	(136,179)	(40,031)	6)
Change in debt securities issued	996,048	(4,233)	1,000,281	7)
Change in provisions	5,433	5,356	77	8)

1) Change in part of receivables comprising cash equivalents (current accounts and overnight deposits in other banks) was excluded from ‘Change in amounts due from banks and financial institutions’ and presented under ‘Increase/decrease of net cash and cash equivalents".
2) ‘Change in derivative financial instruments (asset)’ does not include the valuation of cash flow hedge recognised in revaluation reserve.
3) ‘Change in available for sale financial assets’ does not include valuation of financial assets recognised in revaluation reserve.
4) Change arising from the purchase of financial instruments was excluded from “Change in held-to-maturity financial assets” and presented in investment activities.
5) Change arising from the long term loans received presented in financial activities was excluded from ‘Change in amounts due to banks and financial institutions’.
6) ‘Change in derivative financial instruments (liabilities)’ does not include the valuation of cash flow hedge recognised in revaluation reserve.
7) Change arising from the issue and redemption of long-term securities (bonds and deposit certificates) was excluded from ‘Change in debt securities issued and presented in financial activities.
8) ‘Change in provisions’ does not include actuarial gains/losses recognised in the revaluation reserve.

43. INFORMATION ON OPERATING SEGMENTS

The Bank conducts a business within the following main products/services:

- mortgage – financing of real estate market,
- car - financing of car purchases,
- retail – service of retail customers within deposit and investment products, and also funding of consumer demands of customers by means of consumer loans (mainly cash, in credit cards),
- corporate – service of small and medium enterprises and budgetary units.

Within the management reporting the selected items of the income statement and the statement of financial position split by main product groups are presented. The basis for the classification of particular types of income/expenses and balance sheet positions to particular group is:

- for loan products – criterion of the purpose of loans and advances granted and type of entity,
- for deposits – entity criterion, taking into account managerial classification of funds obtained from individual persons by the intermediary of financial entities within framework agreements.

Selected items of the statement of financial position		31.12.2013	31.12.2012 (restated)
		PLN thousand	PLN thousand
Assets	Mortgage loans	33,941,641	32,940,178
	Car loans	3,218,679	3,400,223
	Retail loans	3,572,156	2,992,084
	Corporate loans	7,664,983	5,220,112
	Other	14,865,868	14,325,947
	Total	**63,263,327**	**58,878,544**
Liabilities	Retail deposits *	42,879,814	42,253,687
	Corporate deposits *	9,450,543	8,662,321
	Other	10,932,970	7,962,535
	Total	**63,263,327**	**58,878,544**

* Value of deposits without accrual interests and value adjustments.

Selected items of the income statement		01.01.2013-31.12.2013	01.01.2012-31.12.2012 (restated)
		PLN thousand	PLN thousand
Interest income	Mortgage loans	1,571,406	1,738,685
	Car loans	386,913	443,652
	Retail loans	544,116	513,439
	Corporate loans	462,518	366,694
	Other amounts due from clients	16,670	1,297
	Other activities of the Bank	842,779	1,292,435
	Total	**3,824,402**	**4,356,202**
Interest expense	Retail deposits	(1,864,105)	(2,314,238)
	Corporate deposits	(385,504)	(414,181)
	Other activities of the Bank	(320,677)	(331,013)
	Total	**(2,570,286)**	**(3,059,432)**
Net fee and commision income	Mortgage loans	35,567	40,391
	Car loans	9,904	10,225
	Retail loans	8,526	9,678
	Corporate loans	7,098	4,524
	Other activities of the Bank	280,316	494,770
	Total	**341,411**	**559,588**
Dividend income		**28,863**	**41,608**
Result on financial instruments measured at fair value through prof it or loss		**4,356**	**(57,430)**
Result on other financial instruments		**84,483**	**128,379**
Foreign exchange result	Mortgage loans	45,028	72,751
	Car loans	5,677	9,450
	Other activities of the Bank	10,496	4,728
	Total	**61,201**	**86,929**
Other operating income		**112,229**	**70,725**
Other operating expense		**(121,496)**	**(81,320)**
General administrative expenses		**(794,605)**	**(771,409)**
Impairment allow ances on financial assets and off -balance sheet provisions	Mortgage loans	(176,381)	(676,526)
	Car loans	(110,194)	(93,244)
	Retail loans	(233,234)	(125,527)
	Corporate loans	(65,722)	(56,033)
	Other activities of the Bank	(8,176)	202
	Total	**(593,707)**	**(951,128)**
Profit before tax		**376,851**	**322,712**
Income tax		(66,096)	(49,669)
Net profit		**310,755**	**273,043**

44. RELATED PARTY TRANSACTIONS

The Getin Noble Bank S.A. understands related party as the Bank's subsidiaries and associates with their subordinated entities and entities related to the ultimate parent – Mr. Leszek Czarnecki.

Related entities, within its operations, holds current accounts in Getin Noble Bank, on which it carries out clearing operations and deposits its cash on term deposits.

Within loan activities related to related parties, the Bank applies standard loan conditions:

- transactions are concluded in accordance with accepted by the Bank rules and conditions,
- the assessment of reliability of related entities, basing on rules applicable during the assessment of credibility of other bank's customers,
- the rules of hedging of transactions funding are in accordance with the instruction of legal hedges applicable in the Bank,
- applied by the Bank general rules of monitoring of payments and rules of termination of agreements and receivables collection.

Additionally, the Bank purchases debts from related entities and acts as an agent in sale of insurance policies and investment products offered by related entities and also uses intermediary services related to sale of own products.

		Statment of financial position							Statment of comprehensive income					Off- balance
		31.12.2013							01.01.2013 - 31.12.2013					31.12.2013
		Loans	Purchased receivables	Financial instruments	Other receivables	Deposits (liabilities)	Other liabilities	Recognized impairment allowances	Interest and commission income	Interest and commission expenses	Other purchases	Other sale	Dividends received	Financial liabilities and guarantees granted
		PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
1.	Subsidiaries	22,364	2,672,503	4,038	16,933	130,680	25,594	124	185,424	16,692	11,144	5,980	26,477	7,850
2.	Associates - Entities of Open Finance S.A. Capital Group	6,529	-	33,893	262,044	2,812,149	6,169	34	208,088	250,195	1,101	8,310	-	-
3.	Entities of Getin Holding S.A Capital Group	22,430	20,787	38	331,022	56,167	19,422	304	33,114	31,725	1,635	230,321	-	2,674
4.	Entities of LC Corp B.V. and LC Corp S.A. Capital Group	148,011	-	15,194	730	202,229	-	632	6,891	7,590	17,106	187	-	60
5.	Other related entities	528,470	-	8,261	230	894,695	12,756	107	55,448	76,780	10,745	27	-	158
6.	Members of the Managament Board and the Supervisory Board of the Bank	1,076	-	-	6,160	8,302	-	6	89	394	-	-	-	1,651

		Statment of financial position							Statment of comprehensive income					Off- balance
		31.12.2012							01.01.2012 - 31.12.2012					31.12.2012
		Loans	Purchased receivables	Financial instruments	Other receivables	Deposits (liability)	Other liabilities	Recognized impairment allowances	Interest and commission income	Interest and commission expenses	Other purchases	Other sale	Dividends received	Financial liabilities and guarantees granted
		PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
1.	Subsidiaries	14,387	1,850,298	29,381	3,791	137,914	29,129	106	144,768	26,985	8,905	5,113	31,371	7,785
2.	Associates - Entities of Open Finance S.A. Capital Group	-	-	79,024	226,474	2,434,483	4,936	-	399,606	184,595	705	10,539	7,155	-
4.	Entities of Getin Holding S.A Capital Group	103,655	52,968	40	220,279	374,027	3,936	651	37,830	37,517	2,503	36,489	-	23,033
5.	Entities of LC Corp B.V. and LC Corp S.A. Capital Group	30,004	-	51,820	1,591	314,425	25	165	2,676	12,164	9,901	6,551	-	120,468
6.	Other related etities	525,825	-	226,169	-	982,465	199	-	5,048	6,307	9,043	47	-	16
7.	Members of the Management Board and the Supervisory Board of the Bank	5,201	-	-	20,160	9,014	-	17	83	522	-	-	-	684

Other transactions with related parties

On 28 March 2013 Getin Noble Bank S.A. transferred pursuant to art. 453 of the Civil Code, 3,590,182 shares of Open Finance S.A. to Getin Holding S.A. The transaction was related to the settlement of the acquisition of Dexia Kommunalkredit Bank Poland SA by Getin Noble Bank SA described in Note II 3.1.

On 30 December 2013 Getin Noble Bank sold to Getin Holding S.A. all, i.e. 53,914,238 own shares of nominal value of PLN 1.00 each at a price of PLN 2.83 per share. Sold shares constitutes 2.0344% of the Issuer's equity and entitles to 53,914,238 votes at a General Meeting of the Bank. The transaction was carried out outside the regulated market on the basis of share sale agreement concluded between the Bank and Getin Holding S.A.

The Bank has its own Managerial Option Program whose terms include, among the others, the Banks financial status in the years 2011-2013, as well as exercise of the Program Members of any managerial functions by the end of years preceding the benefit pay outs. Program is settled in three tranches.

In the third quarter of 2013 the Bank settled benefits for members of the Supervisory Board for the first tranche and benefits of all participants of the second tranche As part of the Scheme the Bank entered into agreements to sale its own shares, based on which the Scheme participants acquired 5,176,671 shares of the Bank at a price of PLN 1,00 per share. The transaction was made over the counter. In addition, the valuation of the exercised Scheme options in the amount of PLN 6,212 thousand was transferred from liabilities and recognised as an increase in the Bank's equity. The program has been classified as a share-based payment transaction calculated in pecuniary assets, pursuant to IFRS 2. The Bank recognised a liability in the amount of PLN 5,285 thousand due to the unrealised third tranche of the Management Share Option Scheme as at 31 December 2013. Option fair value is measured as of the balance sheet date with the use of Black-Scholes model.

In 2012 Getin Noble Bank S.A. sold to the Earchena Investments Ltd., wherein Mr. Czcibor Dawid - President of the Management Board of the subsidiary Noble Securities S.A. - owns 100% of shares, 34,947 shares of Noble Securities S.A. in a total value of PLN 180 thousand. In 2013, option to buy another 34,947 shares by the company Earchena Investments Ltd expired due to non-fulfilment of the conditions of the option. The Earchena Investments Ltd. is entitled to call upon the Bank to repurchase its shares (put option) within the period from 1 August 2014 to 31 August 2016. In case no put option is performed, the Bank will be entitled to demand that the company should sell its shares (repurchase option). The program has, in its entirety, been classified as a share-based payment transaction calculated in pecuniary assets, pursuant to IFRS 2. The Bank recognised a liability in the amount of PLN 1,118 thousand due to the valuation of repurchase option for shares of Noble Securities S.A. as at 31 December 2013.

Remuneration of the Bank's Management Board

Remuneration and other benefits for members of the Bank's Management Board	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Krzysztof Rosiński		
Short-term employee benefits	1,290	2,550
Share-based payments	1,403	1,295
Maurycy Kühn		
Short-term employee benefits	1,835	1,762
Krzysztof Spyra		
Short-term employee benefits	791	773
Radosław Stefurak		
Short-term employee benefits	1,512	2,306
Share-based payments	27	33
Grzegorz Tracz		
Short-term employee benefits	1,266	1,227
Maciej Szczechura		
Short-term employee benefits	945	926
Share-based payments	27	33
Karol Karolkiewicz		
Short-term employee benefits	730	866
Share-based payments	27	33
Marcin Dec (to 31.05.2012)		
Short-term employee benefits	0	150
Radosław Radowski (to 31.05.2012)		
Short-term employee benefits	0	393
Grzegorz Słoka (to 20.06.2012)		
Short-term employee benefits	0	689
Total	**9,853**	**13,036**

The table presents the total of Getin Noble Bank S.A. Management Board member salaries, and for 2012 of members of Management Board of Get Bank S.A. up until the Bank merger, and for the period beginning on 1 June 2012 – of members of the Management Board of merged Getin Noble Bank S.A .

The Management Board salaries paid in 2013, but perceived as costs for 2012, was presented in remunerations for 2012.

Short-term employee benefits also include the amount of variable remuneration in accordance with the policies of variable components of remuneration established by the Bank, payment of which is deferred in time but current year perceived costs.

Benefits resulting from variable components of remuneration

The variable components of remuneration of Members of the Management Board of Getin Noble Bank S.A. are accounted in a transparent manner ensuring effective realization of adopted in Getin Noble Bank S.A. policy - the Policy of the variable components of remuneration. The amount of the variable components of remuneration is determined based on the appraisal of work in 3-years horizon and the financial results of the Bank. The financial results of the bank used in determining the variable components of remuneration embrace the cost of the Bank risk, cost of capital and liquidity risk in long-term perspective.

The financial criterion determining the variable components of remuneration is consolidated net profit, and the non-financial criterion is approval of Financial Statements of the Bank on Annual General Meeting.

Payment of the variable components of remuneration granted for particular year is deferred in accordance with the principles below:

1. 50% of variable components of remuneration for particular year (hereinafter referred to as 'Y') is being paid in following year (Y+1) in accordance with principles regarding way and payment date, including 3-year appraisal period, adopted by the Bank;
2. 10% of variable components of remuneration for Y are financial instruments (phantom shares entitling to cash payment in an amount correlated with the market price of shares of the Bank) in following year (Y+1), in accordance with principles regarding way and payment date, including 3-year appraisal period, adopted by the Bank;
3. 40% of variable components of remuneration for Y is paid in arrears in equal installments in financial instruments (phantom shares entitling to cash payment in an amount correlated with the market price of shares of the Bank) in following three years, i.e. Y+2, Y+3, Y+4, including 3-year appraisal period.

Remuneration and other benefits for members of the Bank's Supervisory Board	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Rada Nadzorcza Banku:		
Leszek Czarnecki		
Share-based payments	835	1,713
Remigiusz Baliński		
Share-based payments	8	16
Michał Kowalczewski		
Short-term employee benefits	46	19
Jacek Lisik		
Short-term employee benefits	46	19
Total	**935**	**1,767**

Some of the members of the Management Board and the Supervisory Board of the Bank are participants of the Management Options Program. The remuneration is indicated in the above table in 'Share-based payments'.

45. INFORMATION ABOUT THE AUDITORS REMUNERATION

Entity authorized to audit the financial statements of the Bank for the year ended 31 December 2013 and 31 December 2012 is Deloitte Polska Spółka z ograniczoną odopowiedzialnością Sp. k.

The table below presents remuneration of entity entitled to audit financial statements paid or due for the year ended 31 December 2013 and 2012 split into types of services in net values:

Type of service	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Audit of financial statements	386	386
Certifying services, including the review of the financial statements	210	355
Total	**596**	**741**

(data in PLN thousand)

46. THE EMPLOYMENT

The employment in the Bank as at 31 December 2013 and 2012 was as follows

Number of employees	31.12.2013	31.12.2012
In persons	6,105	6,124
In full-time equivalents	5,846.1	5,655.6

47. SUBSEQUENT EVENTS

After 31 December 2013, there were no events which were not disclosed in these financial statements which may significantly impact the future financial results of Getin Noble Bank S.A.

III. RISK MANAGEMENT IN THE BANK

Getin Noble Bank S.A., carrying out its operational activity, is subject to the following key risks: credit risk, liquidity risk, market (including interest rate and currency risk), solvency risk and operational risk.

The objective of asset and liability management policy is to optimize the structure of the balance sheet and off-balance sheet to achieve the assumed proportion of income in relation to the risk incurred. The Management Board of the Bank is responsible for managing risk at the strategic level. For the purpose of operational risk it established committees, responsible for particular risk areas: the Credit and Advisory Committee, the Asset and Liability Management Committee or the Operational Risk Committee. These committees are responsible for managing their relevant risk areas at the operational level, monitoring risk levels as well as for the development of current risk management policies within the framework of strategies adopted by the management boards of the members of the Group, within internal limits and in line with the supervisory regulations.

The Bank takes into account the market regulations and requirements of supervisory authorities, especially Polish Financial Supervision Authority regulations. The corporate governance concerning financial risk management policies is performed by the Supervisory Board.

1. CREDIT RISK

Credit risk is the potential loss incurred by the entity connected with customer's failure to repay loan or its part within terms described in the loan agreement.

Credit risk management in the Bank aims at ensuring the safety of lending activities, while maintaining a reasonable approach to risk undertaken in its operations. In conducting its lending activities, the Bank follows the following rules:

- The Bank acquires and keeps in its loan portfolio loan exposures which ensure the safety of the deposits held by the Bank and its capital by generating stable earnings,
- While making credit decisions the Bank investigates the risks resulting from the given transaction giving consideration to the general credit risk attached to the given client and the industry as well as other circumstances that may have an influence on the recoverability of the debt,
- A loan or other commitments are granted if the client meets the requirements established in the Bank's internal instructions.

The process of credit risk management in Getin Noble Bank S.A. is a continuous process aiming at:

- stabilisation of risk of newly granted loans in the areas (products), which achieved a satisfactory level of risk,
- reduction of risk of newly granted loans in the areas (products) where the Bank recognises the need to reduce the risk,
- improvement of quality of the existing loan portfolio.

Structure and organization of credit risk management unit

The main participants of the system of credit risk management in the Bank are:

<u>Supervisory Board</u>

The role of the Supervisory Board is to approve credit risk management strategy and credit policy, periodic assessment of realization by the Management Board of the Bank's credit strategy and policy, supervising the control function of credit risk management system and assessment of its adequacy and efficiency.

Management Board

The Bank's Management Board is responsible for the development, implementation and updates of credit risk strategy and procedures, periodical reporting to the Supervisory Board on the effects of realization of credit policy and on functioning of credit risk management system, maintaining communication with the supervisory authorities and reporting to these authorities as well as making available to these authorities of all required by law information on credit risk. The Management Board of the Bank is also responsible for the development of credit risk management system and for supervising the management function over credit risk in all areas of the Bank's business.

Credit Committee of the Bank

The Bank's Credit Committee role is to support the Bank's Management Board in fulfilling its opinion-making and advisory functions in the process of taking credit decisions and making decisions on its own as part of the rights granted by the Management Board. It is also responsible for recommending to the Bank's Management Board system solutions relating to the determination of internal limits of exposure to issuers of securities and to other banks. Credit Committee of the Bank reviews all aspects relating to credit risk of current transactions.

Advisory Committee of the Bank

Advisory Committee of the Bank constitutes advisory body in the process of credit decision making (in accordance with credit decision making procedure currently in force in the Bank) in case of exposures below the competences of the Credit Committee of the Bank. Advisory Committee of the Bank does not have decision-making power.

Credit Risk Committee

Credit Risk Committee serves as an advisory body in the process of credit risk management in the Bank. The scope of its tasks include: to assess the level of credit risk in the Bank, including concentration risk, counterparty, product and credit risk in the subsidiaries of the Bank, to recommend the level of "risk appetite" for a calendar year and to receive reports on its implementation during the year, to evaluate the results of stress tests carried out and to recommend taking certain actions, review reports, simulations, information on credit risk and/or recovery processes.

Credit Risk Division of the Bank

The Bank's organizational structure is adapted to credit risk management policy. The separated Credit Risk Division, which reports directly to the Member of Management Board, consists of three departments:

1. Department of Credit Risk Management is responsible for credit risk management at every stage of credit process in the Bank.
2. Department of Systematic Analysis of Credit Risk executes tasks related with credit risk reporting in Bank's activities. Department is also responsible for calculating impairment allowances and capital requirements on credit risk.
3. Department of Statistical Analysis executes tasks in the area of optimization of processes, which require developing statistical models, implementing scoring cards and monitoring of their effectiveness.

Credit risk units in individual business areas of the Bank

Credit risk units in individual business areas of the Bank are responsible for current monitoring of credit risk in those areas based on the adopted credit risk management strategy, credit policy, recommended business directions and current procedures.

These units are also responsible for the realization of the recommendations of the Credit Risk Division and internal audit relating to activities which mitigate credit risk.

<u>Internal Audit Department</u>

The role of the Internal Audit Department is to control and assess the quality of credit risk management system and to conduct periodic reviews of the credit risk management process in the Bank. The aim of the Internal Audit Department is to identify any irregularities in executing by credit risk management system participants of their roles and tasks.

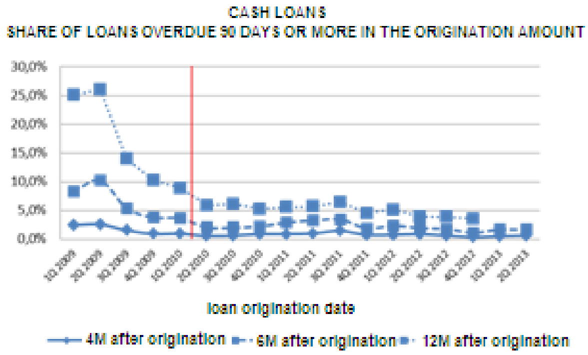
Credit risk management strategies and processes

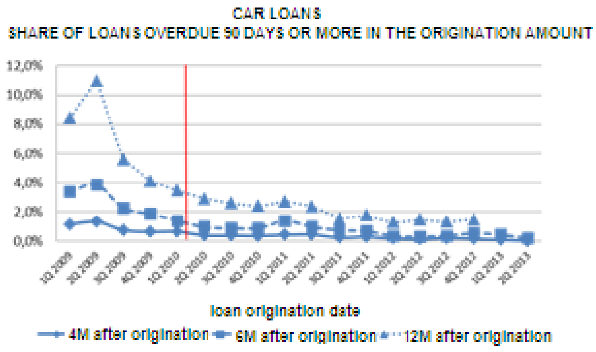
The Bank has developed formal “Credit Strategy and Policy” and “Credit Exposures Risk Management Strategy and Policy”, which define policies, guidelines and recommendations relating to credit activities. These documents serve also as a basic instrument for the realization of a selected strategy towards credit.

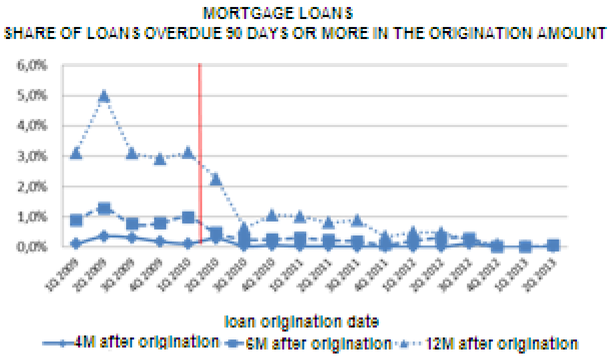
The policy towards credit risk is subject to review and adjustment taking into account, both: external regulations (PFSA resolutions) and to macroeconomic factors, which may, in the Bank’s opinion, have influence on credit risk increase. In particular, since 2010 the Bank since continuously monitors the credit risk of lending activities and constantly modifies processes/ credit products adapting them to changing market realities. In 2010 and 2011 the most important actions taken by the Bank to reduce the risk were to withdraw the whole offers or banking products with high credit risk. In 2012, the Bank, on a basis of the aforementioned risk assessment, tightened its lending conditions for loans which were exposed to negative macroeconomic changes – in particular loans for corporate of construction industry as well as mortgage loans (limitations in foreign currency mortgage loansIn 2013, in addition to further improvement of the quality of loans through changes in products/ processes, the Bank carried out some organizational changes – created the Credit Decision Division (centralization of decision-making process) and the Credit Risk Committee, which has a significant impact on improving credit risk management process in the Bank.

The actions undertaken by the Bank have measurable impact on maintaining levels of risk within the "risk appetite" approved by the Management Board and the Supervisory Board.

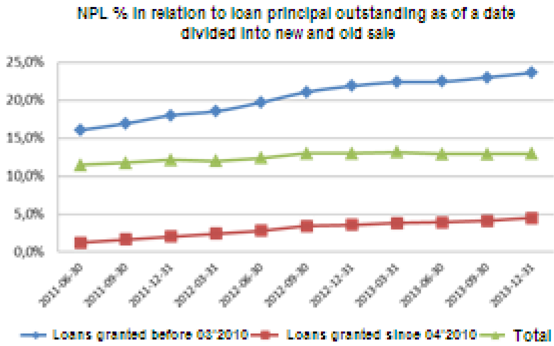
Differences in the level of repayment of major credit products in recent years are shown in the following charts – there is significantly noticeable improvement in the quality of sales in 2010 and its maintenance in subsequent years.



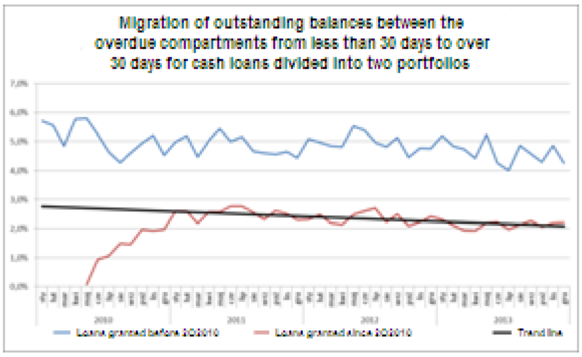


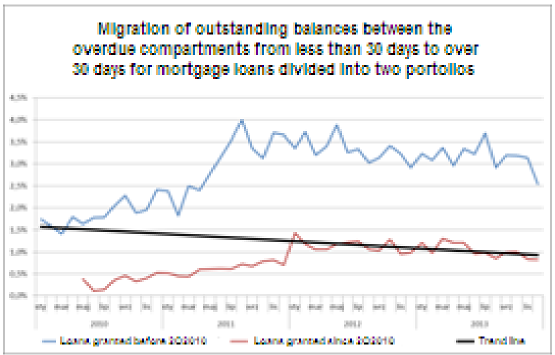


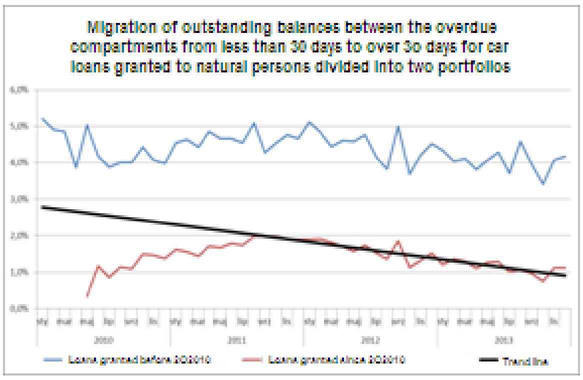
Improvement in the quality of newly generated credit portfolio is also noticeable at the level of the NPL ratio (*Non-Performing Loans*) – sales generated after the merger of the Banks has a much lower level of credit risk.

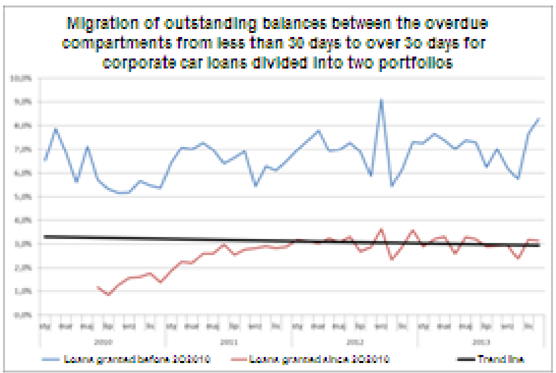


In addition, improving the quality of loans – particularly in comparison with the quality of loans granted before 2010 is clearly noticeable also in the monthly level of migration of balances overdue less than 30 days to the higher categories of delays. Results of analyzes for major Bank's products are presented in the following charts:









Credit risk management in the Bank is performed on the basis of internal procedures concerning risk identification, measurement, monitoring and control. The Bank applies credit risk identification and measurement models related to its operations, expressed in specific credit risk assessment ratios, which are adopted to risk profile, scale and complexity.

The Bank conducts its lending activities in the following five areas:

- mortgage loans,
- private banking,
- financing of car purchases,
- other retail loans (Cash loans, instalment plan, credit cards),
- servicing small and medium-sized enterprises and public entities.

Within above mentioned areas procedures for particular credit products exist in the Bank. In order to ensure the objectivity of credit risk assessment in the Bank, within the structure of trading divisions, the sale process (gaining customers) has been separated from the evaluation and acceptance of customer's credit risk. Each department has a separate acceptance centre which is responsible for evaluation and acceptance of particular loan applications (since 2013 they are clustered in a separate Credit Decision Area).

The procedure of making credit decisions is approved by the Bank's Management Board. Credit authorization limits are granted to the Bank's staff on an individual basis, depending on their skills, experience as well as the functions fulfilled. Credit decisions which exceed the authorization limits granted to the Bank's individual employees are made by Credit Committees, operating in the acceptance centers. The Bank's Credit Committee located in the Bank's headquarters is responsible for credit decisions exceeding the authorization limits granted to the Credit Committees in the acceptance centers. Credit decisions of the highest rank are made by the Bank's Management Board. Any changes to the decision making procedure must be approved by the Bank's Management Board.

Getin Noble Bank applies internal regulations which enable determination of the level and appetite for the credit risk that arises from granting a loan to the particular client (or from providing the client with other services giving rise to credit risk). Creditworthiness is evaluated, both at the stage of loan granting and monitoring, in the following manner:

- for individual persons - based on procedures relating to the assessment of client's creditworthiness (scoring is used for cash loans, car loans and instalment plan),
- for small and medium –sized enterprises – the assessment includes simplified analysis or ratio analysis.

Scoring system applied by the Bank (for cash loans, car loans and instalment plan) assesses credit worthiness of individual persons by analyzing both their social and demographic features and credit history. As a result, scoring system grants a scoring describing expected risk of transaction. The Bank, whilst determining the level of accepted risk (so called cut-off point in scoring), follows a rule to maximize its financial result taking into consideration 'risk appetite' approved by the Management Board of the Bank.

Credit ratings assigned to small and medium-sized enterprises are based on the score obtained in the assessment of financial standing as well as based on qualitative assessment (in which additional information on assessed entity possessed by the Bank is included – e.g. client verification in external databases, analysis of turnover in accounts, bank opinions on current debt, investment assessment or current sector situation assessment). On the basis of this assessment, entity risk category is determined (the Bank applies 6 risk categories), on the basis which the decision is made by the Bank whether to grant a loan. This approach allows for assessing client's creditworthiness based on information about timeliness of repayments and, it also enables scoring and valuation of collateral.

Scope and type of the risk reporting and measurement systems

The Bank monitors and assesses the quality of loan portfolio on the basis of an internal procedure which includes monitoring of the Bank's entire loan portfolio, both by individual units within the trading divisions and by credit risk units. The results of analyses performed by the above units are presented in periodic reports (monthly, quarterly and half-yearly). The conclusions are used for the purpose of current management of the Bank's credit risk.

The applied risk monitoring system includes individual risk monitoring (related to particular clients) and overall monitoring of the Bank's entire loan portfolio.

As part of the overall monitoring of individual risk, the Bank performs periodic assessments of the borrower's financial and economic standing, timeliness of payments to the Bank as well as the value and condition of accepted collateral. Both the scope and the frequency of the above reviews are in line with external regulations and depend in particular on the type of the borrower, the amount of the loan exposure and the form of collateral.

As part of the overall monitoring of the loan portfolio, credit risk management units perform a number of analyses and activities, including:

- monitor the quality of the Bank's loan portfolio for particular products,
- perform periodic assessments concentration risk, of which.:
  - industry risk, determines maximum concentration limits for particular industries
  - exposure concentration risk to individual entity and groups of related entities, to monitor so-called large exposures,
- perform an assessment of the financial standing of banks – counterparties, determine maximum concentration limits for particular banks,
- monitors the utilization of sale limits of individual lending products
- verify the accuracy and adequacy of the loan loss provisions created by the Bank,
- perform stress tests for particular types of products,
- submit periodic management reports to the Supervisory and the Management Board.

In procedures and internal regulations of the Bank, within concentration risk management regulations, were described the limits of concentration and limits for major loan exposures. The Bank limits the concentration of exposure to individual clients and capital groups. The Management Board established the concentration limit at more restrictive level that the one required by the Polish Financial Supervision Authority, i.e. 5% of the Bank's own funds, however the sum of all large exposures (large exposure limit) cannot be higher than 400% of the Bank's own funds. As at 31 December 2013 (except the exposure to the Government and the Central Bank) only exposure to the group of entities related to the Bank by the parent exceeds 10% of the Bank's own funds

Risk management on currency and currency indexed loans

The Bank systematically analyzes the effect of changes in foreign exchange rates and interest rates on credit risk incurred in the area of car, mortgage and retail loans. The impact of the currency risk on the quality of foreign currency and indexed loans is analyzed, and for mortgage backed loan portfolio the Bank analyzes also the impact of foreign exchange rates on the value of collaterals. Twice a year (under the "S" Recommendation, an action on an annual basis is required), the Bank carries out stress test concerning the effect of exchange rate risk of borrower on credit risk incurred by the Bank. These tests are conducted on the assumption that the value of Polish zloty will decrease by 50% compared to other currencies, both for car and mortgage loans (the requirement of the "S" Recommendation is 30%) and under the assumption that the decrease in the exchange rate will continue for the period of 12 months.

Currently, the Bank treats foreign currency mortgages as a niche product – the sale of such loans is limited.

The Bank analyzes the effect of changes in interest rates on credit risk incurred by the Bank. Stress test concerning the effect of fluctuations in interest rates on the quality of credit risk portfolio are conducted on the assumption that interest rates will increase by 50% for car loans and retail loans and by 500 base points for mortgage loans (the S Recommendation requires the increase of 400b.p) and under the assumption that the increase in interest rate will continue for the period of 12 months.

The Bank also analyzes the influence of changes of unemployment rate on credit risk in the above mentioned portfolios.

Principles for using collateral and policies of risk reduction

In order to limit credit risk, the Bank accepts various legally acceptable collateral types, which are selected appropriately to product type and business area. Detailed procedures for collateral selection and establishment have been described in internal regulations and product procedures for individual trading areas. The adopted legal collateral should ensure that the Bank will satisfy itself in case of the borrower's default. In selecting loan collateral, the Bank considers the type and amount of loan, loan term, legal status and financial standing of borrower as well as risk of the Bank and other risks. The Bank prefers collateral in the most liquid forms i.e. in the forms that guarantee fast and full recovery of debt under recovery proceedings. Below are presented typical collaterals required by the Bank.

For mortgage loans the main collateral constitutes mortgage established on property with priority of satisfaction, as well as assignment of rights from the insurance policy in the case of fire or other accidental losses, property value decrease insurance policy, loss of job insurance policy and company bankruptcy insurance policy and insurance policy of low own contribution.

During car loans granting process the Bank requires registered pledge on the vehicle, partial or total assignment of vehicle property right as well as personal collaterals (blank promissory note, guarantee of a third party in the form of own promissory note or civil warranty) and insurance policies (i.e. death insurance policy or insurance policy against total disability of the borrower and assignment of rights from the insurance policy or indicating the bank as the beneficiary of the policy).

Collaterals for consumer loans are: property value decrease insurance policy, loss of job insurance policy and company bankruptcy insurance policy and personal collaterals (e.g. guarantee of a third party in the form of own promissory note or civil warranty). The collateral for repayment of installment plan is the transfer of title to the credited goods.

Collaterals such as: mortgage established on the property with priority of satisfaction, registered pledge (on the property of the enterprise or total assignment of the enterprise property right of the borrower or registered pledge on the personal property of the borrower or the company's management) or cash deposit or pledge on funds on the trust account are one of corporate loans collaterals. Last but not least personal collaterals are important (blank promissory note or civil surety ship, guarantee of a third party in the form of own promissory note or civil warranty) and assignment of receivables.

The renegotiation of the terms of receivables

The aim of the loan restructuring by the Bank is to maximize the efficiency of difficult debt management, i.e. to obtain the highest recoveries while minimizing the incurred costs related to the recovery of debts, ultimately aggravating the debtor.

The restructuring involves changing the terms of the loan repayment, which are individually set to each contract. These changes may relate in particular to:

- repayment period,

(data in PLN thousand)

- loan schedule,
- interest rate,
- inflows of recognition order,
- collaterals.

As a result of restructuring annex and its timely servicing, the debt becomes not due. An element of the restructuring process is the assessment of the ability of the debtor to satisfy the conditions laid down in restructuring annex (debt repayment on the schedule).

The agreement that have been restructured are monitored on an ongoing basis.

Percentage share in loan port folio presented in the tables below is calculated based on nominal values.

Structure of Bank's loan portfolio	% share in portfolio	
	31.12.2013	31.12.2012
Structure of Bank's loan portfolio, of w hich:	77.45	80.79
car loans	2.64	3.24
retail loans	0.91	0.67
housing, construction and mortgage loans	65.10	68.48
other loans	8.80	8.40
Corporate loans	22.55	19.21
Total	**100.00**	**100.00**

Industry concentration risk	% share in portfolio	
	31.12.2013	31.12.2012
Agriculture and hunting	0.32	0.26
Mining	0.07	0.07
Production activity	1.66	1.51
Electricity and gas industry	0.13	0.02
Construction industry	2.14	3.20
Wholesale and retail	4.15	3.79
Transport, w arehouse management and communication	3.13	2.77
Financial brokerage	1.40	1.55
Real estate service	2.83	1.38
Public administration	0.79	0.33
Other sections	5.93	4.33
Natural persons	77.45	80.79
Total	**100.00**	**100.00**

Geographical concentration risk	% share in portfolio	
	31.12.2013	31.12.2012
Administration regions of Poland (voivodeships):		
Dolnośląskie	10.11	9.69
Kujawsko-Pomorskie	3.87	3.65
Lubelskie	2.96	2.98
Lubuskie	2.32	2.20
Łódzkie	5.39	5.32
Małopolskie	6.48	6.56
Mazowieckie	25.78	26.56
Opolskie	1.78	1.77
Podkarpackie	2.37	2.28
Podlaskie	1.32	1.29
Pomorskie	7.79	7.73
Śląskie	11.17	11.26
Świętokrzyskie	1.42	1.36
Warmińsko-Mazurskie	3.03	2.95
Wielkopolskie	8.02	7.89
Zachodniopomorskie	4.90	4.86
Headquarters outside Polish territory	1.29	1.65
Total	**100.00**	**100.00**

Maximum exposure to credit risk as of 31 December 2013 and 2012 without taking into account accepted collaterals and other factors improving loan quality is presented below:

Maximum exposure to credit risk	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Financial assets		
Cash, balances with the Central Bank (except for cash)	2,480,702	2,752,525
Amounts due from banks and financial institutions	1,131,384	1,966,330
Derivative financial instruments	237,623	178,350
Loans and advances to customers	48,397,459	44,552,597
Financial instruments	8,741,075	7,454,653
Other assets	678,812	623,207
Total financial assets	**61,667,055**	**57,527,662**
Guarantee liabilities	108,208	272,597
Contingent liabilities	2,455,488	3,373,777
Total off-balance sheet liabilities	**2,563,696**	**3,646,374**
Total exposure to credit risk	**64,230,751**	**61,174,036**

For capital adequacy purposes, as part of the policy concerning application and valuation of loan collateral and collateral management, the Bank uses the most liquid collaterals such as bank deposits or debt securities issued by the NBP or the Polish government. As part of risk reduction techniques, the Bank uses the most liquid collaterals, valued on a monthly basis using the effective interest rate method.

Gross value of impaired loans and advances assessed individually is presented below.

Impaired loans and advances assessed individually	31.12.2013 PLN thousand	31.12.2012 PLN thousand
Corporate loans	134,416	111,620
Car loans	418	253
Mortgage loans	1,561,981	1,317,599
Retail loans	1,769	1,550
Total	**1,698,584**	**1,431,022**

	31.12.2013 PLN million	31.12.2012 PLN million
Value of collateral used for calculating impairment allowance for loans individually significant	740	459

	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Value of assets (real estate) possessed in exchange for debts	113,574	12,070

Credit quality of financial assets, which are neither overdue nor impaired as at 31 December 2013 and 2012:

Credit quality of financial assets as at 31.12.2013	Current not impaired	Overdue but not impaired			Overdue impaired	Interest	Impairment allowances (including IBNR	Total
		up to 1 month	from 1 to 2 months	from 2 to 3 months				
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Amounts due from banks and financial institutions	**1,120,971**	**56**	**-**	**-**	**-**	**11,067**	**(710)**	**1,131,384**
Loans and advances to customers	**37,811,637**	**6,130,125**	**1,203,998**	**526,578**	**6,757,282**	**322,636**	**(4,354,797)**	**48,397,459**
corporate loans	6,127,523	1,117,499	156,432	93,383	421,023	31,422	(282,299)	**7,664,983**
car loans	2,554,930	358,497	66,657	30,256	946,183	15,919	(753,763)	**3,218,679**
mortgage loans	26,211,540	4,436,500	930,519	371,094	3,633,023	242,864	(1,883,899)	**33,941,641**
retail loans	2,917,644	217,629	50,390	31,845	1,757,053	32,431	(1,434,836)	**3,572,156**
Available for sale financial assets	**8,667,059**	**-**	**-**	**-**	**14,215**	**-**	**(12,470)**	**8,668,804**
issued by central banks	3,699,168	-	-	-	-	-	-	**3,699,168**
issued by banks and financial institutions	48,246	-	-	-	-	-	-	**48,246**
issued by non financial institutions	38,654	-	-	-	14,215	-	(12,470)	**40,399**
issued by the State Treasury	4,880,991	-	-	-	-	-	-	**4,880,991**
Held to maturity financial assets	**72,271**	**-**	**-**	**-**	**-**	**-**	**-**	**72,271**
issued by local governments	72,271	-	-	-	-	-	-	72,271
Total	**47,671,938**	**6,130,181**	**1,203,998**	**526,578**	**6,771,497**	**333,703**	**(4,367,977)**	**58,269,918**

Credit quality of financial assets as at 31.12.2012 (restated)	Current not impaired	Overdue but not impaired			Overdue impaired	Interest	Impairment allowances (including IBNR)	Total
		up to 1 month	from 1 to 2 months	from 2 to 3 months				
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Amounts due from banks and financial institutions	**1,953,886**	**74**	**57**	**15**	**-**	**12,298**	**-**	**1,966,330**
Loans and advances to customers	**34,025,066**	**6,586,022**	**991,346**	**510,299**	**6,233,210**	**323,459**	**(4,116,805)**	**44,552,597**
corporate loans	3,689,318	1,151,968	171,781	89,448	345,416	18,142	(245,961)	**5,220,112**
car loans	2,606,595	448,120	77,472	32,623	910,349	20,722	(695,658)	**3,400,223**
mortgage loans	25,414,523	4,762,791	701,266	365,185	3,288,334	253,880	(1,845,801)	**32,940,178**
retail loans	2,314,630	223,143	40,827	23,043	1,689,111	30,715	(1,329,385)	**2,992,084**
Financial instruments	**7,454,027**	**-**	**-**	**-**	**2,158**	**-**	**(1,532)**	**7,454,653**
issued by central banks	4,298,224	-	-	-	-	-	-	**4,298,224**
issued by other banks	27	-	-	-	-	-	-	**27**
issued by other financial institutions	305,671	-	-	-	-	-	-	**305,671**
issued by non financial institutions	129,827	-	-	-	2,158	-	(1,532)	**130,453**
issued by the State Treasury	2,720,278	-	-	-	-	-	-	**2,720,278**
Total	**43,432,979**	**6,586,096**	**991,403**	**510,314**	**6,235,368**	**335,757**	**(4,118,337)**	**53,973,580**

2. OPERATIONAL RISK

Definition and purpose of operational risk management

Operational risk – it is the possibility of the loss as a result of maladjustment or failure of internal processes, people and system or of external events, including also legal risk. Within operational risk management, the Bank realizes strategic medium- and long-term goals and short-term operational goals, which execution aims to achieve strategic goals.

The main strategic goal of operational risk management is to optimize internal business and non - business processes, allowing to limit costs and losses as well as increase operational security and limit reputational risk. Operational risk management is targeted to prevent threats, effective decision making, set priorities and resources allocation, ensuring better understanding of potential risk and possible undesirable consequences.

The main operational goal of operations risk management is to complete identification of operational risk and possibly most precise measurement of its size and assessment of its profile. For this purpose, solutions within measurement and operational risk management model are improved, enabling in the future the application of advanced measurement methods, sensitive to operational risk, considering factor and parameters of operational risk specific for the Bank, i.e. strictly related to its operating profile.

Structure and organization of the operational risk management unit

The process of operational risk management is actively contributed by:

- All elements of Bank's organizational structure, including areas, divisions and organizational units of the Bank's headquarter, operational units (constituting local organizational Bank units);
- Related entities - Bank's subsidiaries;
- Third parties - franchise units and agencies;

Organizational units of operational risk management include:

- system units – also called as technical system units- responsible for systemic operational risk management, establishing internal regulations and developing solutions, which are used to current operational risk management, performing also tasks relating to current operational risk management;
- operational units – dealing with current operational risk management in their everyday activities.

In all divisions and at all levels of the Bank's organizational structure the following groups of units, persons and functions, which are executed at three following levels are to be distinguished:

- the first, basic level – units and persons dealing with operational risk management in their everyday activities;
- the second, supervisory level – people holding managerial positions, performing functional control;
- the third, superior level – functioning in centralized form, which main function is operational risk management. It is realized by people fulfilling tasks of separated operational risk management unit, which is part of Security and Operational Risk Department and Operational Risk Committee.

The leading role in operational risk management is fulfilled by the Getin Noble Bank S.A. Supervisory Board and Management Board, which members are aware of important aspects of operational risk management, as a separate and separately managed type of risk, and know the risk profile resulting from the Bank's activities. The Management Board is supported by a dedicated committee - namely Operational Risk Committee, which performs consulting services in the process of operational risk management.

The main, superior role in operational risk management is performed by designated employees of an independent operational risk management unit, which is part of the Security and Operational Risk Department.

Strategies and processes of operational risk management and scope and types of operational risk reporting and measurement systems

Operational risk management in the Bank constitutes process including activities towards identification, measurement, limiting, monitoring and reporting of risk. It includes all processes and systems, with particular emphasis on those connected with performed banking activities, providing to clients financial services. The Bank manages operational risk in accordance with 'Operational Risk Management Strategy' established by the Management Board of the Bank and approved by the Supervisory Board of the Bank:

- Including cautious regulations resulting from the Banking Law and appropriate resolutions and recommendations of banking supervision;
- Including characteristics of rules already applied in the Bank as well as being in the development phase and planned in the future.

Operational risk measurement and reporting system in place in the Bank is supported by appropriate software dedicated to operational risk management.

The operational risk reporting system includes reports prepared for internal management and external supervisory purposes.

The Management and supervisory reporting is based on assumptions resulting from:

- guidelines included in 'M' Recommendation;
- supervisory regulations concerning the rules and methods for announcing qualitative and quantitative information on capital adequacy by banks;
- COREP supervisory reporting rules for operational risk.

The reporting system covers various types of reports, in particular operational risk reports presenting the risk profile; reports on the measures undertaken in order to mitigate operational risk; efficiency of methods mitigating operational risk.

Operational risk reporting is composed o:

- current reporting - recording data on events and operational losses and profile and changes of operational risk;
- periodic processing and distribution of data, gathered in risk monitoring process in form of quarterly and half-year reports;
- documenting and flow of data (reports) on operational risk.

Operational risk measurement is performed with use of IT system, supporting the process of operational risk management by calculating:

- required equity to cover operational risk, including regulatory capital - minimal capital requirement and internal capital to cover operational risk losses;
- ratios representing the level of Bank's exposure to operational risk, also called the Bank's sensitivity to operational risk;
- aggregated volume of actual losses.

Policies and strategies related to mitigation of operational risk

Depending on the magnitude and profile of operational risk, proper adjusting and preventive activities are applied, which are adequate to the diagnosed risk and ensure the selection and implementation of effective measures to modify the risk.

In particular, the following methods are used to protect against operational risk:

- development and implementation of business continuity plans (including contingency plans) to ensure the Bank's ability to continue operations at a defined level;
- insurance against the effects of errors or operational events which are not easily predictable and may give rise to significant financial consequences;
- outsourcing of the activities.

Moreover, in order to secure all processes requiring transfer of cash, operational risk is eliminated mainly by implementation of the rule of second-hand check.

Crucial business processes have been described in appropriate documents - Policies and Procedures. The correctness of business process is subject to permanent monitoring and reports are submitted directly to the Management Board of the Bank.

The efficiency of the security measures and methods used by the Bank to mitigate operational risk is monitored by continuous monitoring, collection and analyzing of operational events and operational risk profile observations as well as control of qualitative and quantitative changes in operational risk.

3. COMPLIANCE RISK

Compliance risk is defined as the risk of negative effect due to failure the Bank to comply with the provisions of the law, internal regulations, standards adopted by the Bank, including ethical standards. Strategic goal of compliance risk management is:

- creating the image of the Group companies as entities acting in accordance with the law and accepted standards of conduct and in honest, fair and ethical manner;
- mitigating the risk of occurring financial losses or legal sanction risk resulting from breach of regulations and ethical standards;
- building and maintaining positive relationships with other market participants, including shareholders, customers, business partners and market regulators.

The compliance risk management includes risk identification, assessment of the risk profile, risk monitoring, risk mitigation and reporting of risks.

In the process of compliance risk identification the Bank performs current analyses of law provisions in force, cautionary regulations, internal rules and regulations, as well as Banks conduct standards. It also gathers information on the cases of non-conformity and their reasons. Performance of risk assessment allows the Bank to specify the character and the potential range of financial losses, or potential legal sanctions. Monitoring of compliance risk aims at identification of vital, as far as negative outcomes of compliance are concerned, areas of Bank's activities; thus allowing proper precautions to be taken. The process of compliance risk reduction includes the following aspects: preventive – i.e. allowing risk reduction through implementation of procedures and solutions ensuring conformity; mitigating – i.e. risk management upon identification of compliance and aimed at alleviating the possible negative outcomes of risks. The preventive risk reduction takes place especially due to the implementation and development of new business models, as well as introduction of new products. Reporting includes the identification process results as well as compliance risk assessment, information concerning compliance cases, and the most crucial changes within the regulatory environment. The recipients of reports are the Operating Risk Committee, President of the Management Board, Bank's Management Board and Supervisory Board.

In the process of compliance risk management the Bank takes into account risks resulting from activities performed by entities of the Getin Noble Bank S.A. Capital Group.

Main changes in the legal environment in 2013, to which the Bank was required to adapt concerned changes and amendments to the law, in particular the prudential recommendation of the Polish Financial Supervision Authority (including recommendations J, M, T) and the recommendations of the Polish Bank Association and the Polish Chamber of Insurance (including bancassurance I and III recommendations.

In addition, the Bank undertook preparatory activities related to the implementation of recommendations D and S of the Polish Financial Supervision Authority and CRD IV / CRR, in particular, the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (EU OJ L dated 27.06.2013).

4. MARKET RISK

Market risk is defined as an uncertainty about whether the interest rates, currency exchange rates or prices of securities and other financial instruments held by the Bank will have a value different from that previously assumed, thereby giving rise to unexpected profits or losses from the positions held in these instruments.

The objective of assets and liabilities management is the optimization of the structure of balance sheet and off-balance sheet in order to preserve the adopted relation of profit to the risk undertaken. On the strategic level, the Bank's Management Board is responsible for market risk management.

4.1. Currency risk

Currency risk is regarded as negative impact of foreign exchange rates change on financial results. The main objective of currency risk management is to manage the structure of foreign currency assets and liabilities as well as off-balance sheet items within the generally accepted prudence norms set forth by the Banking Law and the adopted internal limits.

Current management of currency risk is within the competence of the Treasury Department, which monitors the level of open currency position resulting from the Bank's activities related in particular to service of the Bank's customers, and deals in cash in the interbank market thus limiting the Bank's exposure to currency risk, as well as in derivatives within the granted limits. In order to hedge the currency risk, the Bank applies the cash flow hedge accounting and hedges against changes in cash flows for mortgage loan portfolio denominated in CHF and EUR with separated portfolio explicitly determined CIRS float-to-fixed CHF/PLN and EUR/PLN hedging transactions and cash flow hedge of PLN deposits portfolio with separated from real CIRS transactions explicitly determined portfolio of IRS fixed-to-float hedging transactions.

Supervision over compliance with limits and prudence norms is the responsibility of the Assets and Liabilities Committee. Calculation of the Bank's exposure to currency risk and of the capital requirement for that risk to be covered is performed on a daily basis and reported to the Bank's Management Board and to the Bank's Management as a part of management information.

The Bank has adopted the so called basic method of calculating capital requirements relating to currency risk exposure. The capital requirement related to currency risk is calculated as 8% of total currency position in absolute terms.

The analysis of the Bank's exposure to currency risk is made by:

- analysis of foreign exchange position in relation to own funds,
- measurement of the Value of Risk (VaR),
- stress tests.

Analysis of currency risk sensitivity

Getin Noble Bank prepares on a daily basis sensitivity analysis for the currency risk:

PLN thousand	31.12.2013	31.12.2012
	VAR (1D, 99,9%)	VAR (1D, 99,9%)
currency risk	156	200

VaR consists of test, with 99.9% probability, of maximal amount of loss on foreign exchange position, which the Bank may incur in one day, assuming normal market conditions. The volatility used in the model is calculated using the exponentially weighted moving average (EWMA) of daily relative changes in exchange rates during the last 251 working days. Time series of the same length was used to determine the correlation matrix between the exchange rates. However, this measurement does not express absolute maximal loss on which the Bank/ Group is exposed. VaR is the measure describing the risk level in particular moment in time, reflecting position in particular moment, which may not reflect the Bank's/ Group's position risk in another moment.

In 2013 the average share of total currency position (sum of long positions or net short positions in individual currencies – depending on which of these sums is higher) in the regulatory own funds of the Bank amounted to 0.1% of the funds, while the maximum share in 2013 amounted to 0.71% of the funds.

In 2012 the average share of total currency position amounted to 0.17% of the funds, while the maximum share amounted to 1.26% of the funds.

During the reporting period, the currency risk was on the level which did not require to maintain capital for its coverage. The Controlling and Market Risk Department submits monthly reports to the Assets and Liabilities Committee on the foreign exchange result and currency risk management, including the Bank's positions in the individual currencies and compliance with the limits set for open currency positions.

The tables below show the currency exposure, by individual classes of assets, liabilities and off-balance sheet liabilities:

Currency exposure as at 31.12.2013	CURRENCY							Total
	PLN PLN thousand	EUR PLN thousand	CHF PLN thousand	USD PLN thousand	GBP PLN thousand	JPY PLN thousand	Other PLN thousand	PLN thousand
ASSETS								
Cash, balances with the Central Bank	2,350,677	255,016	6,542	15,425	2,164	3	-	**2,629,827**
Amounts due from banks and financial institutions	162,547	666,998	51,710	187,868	25,582	2,728	33,951	**1,131,384**
Loans and advances to customers	33,019,156	1,872,979	13,126,283	58,530	-	298,377	22,134	**48,397,459**
Other	11,104,533	41	-	83	-	-	-	**11,104,657**
TOTAL ASSETS	**46,636,913**	**2,795,034**	**13,184,535**	**261,906**	**27,746**	**301,108**	**56,085**	**63,263,327**
LIABILITIES								
Amounts due to banks and financial institutions	1,571,391	688,969	508,116	1	-	-	-	**2,768,477**
Amounts due to customers	49,495,177	1,658,174	221,277	943,196	27,409	266	3,203	**52,348,702**
Other	3,622,722	500	11,935	51	-	206	1,880	**3,637,294**
TOTAL LIABILITIES	**54,689,290**	**2,347,643**	**741,328**	**943,248**	**27,409**	**472**	**5,083**	**58,754,473**
EQUITY	**4,508,854**	-	-	-	-	-	-	**4,508,854**
TOTAL LIABILITIES AND EQUITY	**59,198,144**	**2,347,643**	**741,328**	**943,248**	**27,409**	**472**	**5,083**	**63,263,327**
NET EXPOSURE	**(12,561,231)**	**447,391**	**12,443,207**	**(681,342)**	**337**	**300,636**	**51,002**	**-**
OFF-BALANCE SHEET ITEMS								
Assets	18,938,172	2,356,910	2,989,225	2,867,667	-	4,303	46,523	**27,202,800**
Liabilities	6,594,095	2,800,733	15,424,931	2,186,634	349	305,538	95,970	**27,408,250**
GAP	**(217,154)**	**3,568**	**7,501**	**(309)**	**(12)**	**(599)**	**1,555**	**(205,450)**

Currency exposure as at 31.12.2012 (restated)	CURRENCY							Total
	PLN PLN thousand	EUR PLN thousand	CHF PLN thousand	USD PLN thousand	GBP PLN thousand	JPY PLN thousand	Other PLN thousand	PLN thousand
ASSETS								
Cash, balances with the Central Bank	2,272,355	606,245	6,778	18,221	3,340	-	1	**2,906,940**
Amounts due from banks and financial institutions	655,698	651,047	349,043	250,041	20,568	11,801	28,132	**1,966,330**
Loans and advances to customers	28,341,457	1,744,773	13,918,453	64,604	-	387,943	95,367	**44,552,597**
Other	9,451,721	30	-	76	-	-	850	**9,452,677**
TOTAL ASSETS	**40,721,231**	**3,002,095**	**14,274,274**	**332,942**	**23,908**	**399,744**	**124,350**	**58,878,544**
LIABILITIES								
Amounts due to banks and financial institutions	793,888	-	-	816	-	-	-	**794,704**
Amounts due to customers	48,532,138	1,581,406	206,127	770,432	22,514	81	1,037	**51,113,735**
Other	2,763,699	1,269	19,489	1,298	725	573	3,765	**2,790,818**
TOTAL LIABILITIES	**52,089,725**	**1,582,675**	**225,616**	**772,546**	**23,239**	**654**	**4,802**	**54,699,257**
EQUITY	**4,179,287**	-	-	-	-	-	-	**4,179,287**
TOTAL LIABILITIES AND EQUITY	**56,269,012**	1,582,675	225,616	772,546	23,239	654	4,802	**58,878,544**
NET EXPOSURE	**(15,547,781)**	**1,419,420**	**14,048,658**	**(439,604)**	**669**	**399,090**	**119,548**	**-**
OFF-BALANCE SHEET ITEMS								
Assets	17,142,710	246,166	1,128,599	691,764	752	252,035	64,809	**19,526,835**
Liabilities	2,019,628	1,666,223	15,157,970	255,081	1,504	651,690	182,206	**19,934,302**
GAP	**(424,699)**	**(637)**	**19,287**	**(2,921)**	**(83)**	**(565)**	**2,151**	**(407,467)**

4.2. Interest rate risk

Interest rate risk is defined as the risk of a decline in the expected interest income due to changes in market interest rates as well as risk of change in values of opened balance sheet and off-balance sheet positions sensitive to market interest rates changes. The Bank conducts activities aiming to decrease the influence of the unfavorable changes on financial result. The interest rate risk is managed by the Management Board of the Bank, which receives and analyzes reports concerning this risk on a monthly basis.

Interest rate risk management consists in minimizing the risk of negative impact of changes in market interest rates on the Bank's financial standing by:

- establishing and ensuring compliance with the limits set for acceptable interest rate risk,
- conducting periodic analyses examining the level of interest rate risk and the sensitivity of the profit and loss account to changes in interest rates.

Monitoring of interest rate risk is conducted, among others, by:

- analyzing the breakdowns of assets and liabilities and off-balance sheet items sensitive to changes in interest rates by currency and repricing dates,
- analyzing the basis risk, profitability curve risk and customer option risk,
- testing sensitivity of the financial result to interest rate (the EaR method),
- analyzing the Value at Risk of the Bank's portfolio related to market valuation (VaR),
- stress tests showing the susceptibility of the Bank to losses in case of unfavorable market conditions or in case the key assumptions of the Bank become invalid,
- analysis of the level and influence on the Bank interest margin.

Sensitivity analysis for interest rate risk

Getin Noble Bank S.A. prepares sensitivity analysis for interest rate risk at least on a monthly basis:

PLN thousand	31.12.2013		31.12.2012	
	EaR (+/- 25 pb)	VAR (1D, 99,9%)	EaR (+/- 25 pb)	VAR (1D, 99,9%)
interest rate	23,655	17,826	22,246	10,369

EaR means the potential change of the interest result of the Bank (sensitivity of profit or loss) for the next 12 months in the case of change in the interest rates by 25 base points (parallel shift of yield curve).

VaR consists in examining, with 99.9% probability, the value of the maximum loss that the Bank may incur on one day on the valuation of the portfolio, assuming normal market conditions. However, this value does not present the total absolute maximum loss on which the Bank is exposed. VaR is the measure describing the risk level in particular moment in time, reflecting position in particular moment, which may not reflect the Bank's position risk in other moment.

In order to complete the information about the possible loss of Getin Noble Bank S.A. due to unfavorable changes in interest rates, the Bank conducts also quarterly stress tests by doing simulation of the impact of making fundamental changes in market interest rates and in the structure and balances of assets, liabilities and off-balance sheet items on the level of the Bank's interest rate risk in terms of net interest income and valuation of the portfolio of receivables/ liabilities sensitive to interest rate risk.

The Bank tests the changes in the structure of assets and liabilities by taking into account the risk of the client options (increased level of early repayments of loans with fixed interest rates), potential changes in the Bank's income and changes in the economic value of the portfolio assuming a "shocking" changes of interest rates, for the revised structure of the portfolio. For assumptions about interest rates, the Bank adopts the following options:

- +/- 100 basis points,
- +/- 200 basis points,
- different nature of the yield curve changes,
- only shifts in PLN rate +/- 200 basis points,
- only shifts in CHF rate +/- 100 basis points.

The table below shows assets and liabilities and off-balance sheet liabilities of the Bank classified as of 31 December 2013 and 2012 in accordance to the criterion of the interest rate exposure. The carrying amount of financial instruments with fixed interest has been split into division to groups of instruments held to maturity date of these instruments. The carrying amount of instruments with variable rate of interest is presented according to contractual dates of repricing. A'vista liabilities (savings and current accounts) which have no specified maturity date and bear variable interest rate have been presented in the shortest term of repricing, i.e. up to 1 month. Other assets and liabilities (including accrued interest, other assets and interest-free liabilities) are presented as interest-free assets/liabilities.

Assets and liabilities and off-balance sheet items of the Bank classified as of 31 December 2013 in accordance to the criterion of the interest rate exposure	up to 1 month PLN thousand	Over 1 month to 3 months PLN thousand	Over 3 months to 1 year PLN thousand	Over 1 year to 5 years PLN thousand	Over 5 years PLN thousand	Non-interest bearing assts/liabilities PLN thousand	Total PLN thousand
ASSETS							
Cash, balances with the Central Bank	2,480,561	-	-	-	-	149,266	**2,629,827**
Amounts due from banks and financial institutions	982,306	38,189	99,822	-	-	11,067	**1,131,384**
Loans and advances to customers	24,095,937	21,605,977	1,837,818	517,681	17,411	322,635	**48,397,459**
Financial instruments	6,230,371	52,902	85,134	2,368,990	-	3,678	**8,741,075**
Other	-	-	-	-	-	2,363,582	**2,363,582**
TOTAL ASSETS	**33,789,175**	**21,697,068**	**2,022,774**	**2,886,671**	**17,411**	**2,850,228**	**63,263,327**
LIABILITIES							
Amounts due to banks and financial institutions	89,127	2,281,447	329,765	-	-	68,138	**2,768,477**
Amounts due to customers	21,365,291	11,179,399	13,307,993	4,586,020	1,306,608	603,391	**52,348,702**
Debt securities issued	314,279	1,226,248	1,039,040	63,334	-	27,563	**2,670,464**
Other	-	-	-	-	-	966,830	**966,830**
TOTAL LIABILITIES	**21,768,697**	**14,687,094**	**14,676,798**	**4,649,354**	**1,306,608**	**1,665,922**	**58,754,473**
EQUITY						**4,508,854**	**4,508,854**
TOTAL LIABILITIES AND EQUITY	**21,768,697**	**14,687,094**	**14,676,798**	**4,649,354**	**1,306,608**	**6,174,776**	**63,263,327**
Balance Sheet Gap	**12,020,478**	**7,009,974**	**(12,654,024)**	**(1,762,683)**	**(1,289,197)**	**(3,324,548)**	**-**
OFF-BALANCE SHEET ITEMS							
Receivables	12,664,287	8,413,111	5,192,440	657,069	218,775	57,118	**27,202,800**
Liabilities	12,830,499	8,530,287	5,206,021	656,653	127,672	57,118	**27,408,250**
Off-Balance Sheet Gap	**(166,212)**	**(117,176)**	**(13,581)**	**416**	**91,103**	**-**	**(205,450)**
Gap, total	**11,854,266**	**6,892,798**	**(12,667,605)**	**(1,762,267)**	**(1,198,094)**	**(3,324,548)**	**(205,450)**

Assets and liabilities and off-balance sheet items of the Bank classified as of 31 December 2012 in accordance to the criterion of the interest ratr exposure (restated)	Up to 1 month PLN thousand	Over 1 month to 3 months PLN thousand	Over 3 months to 1 year PLN thousand	Over 1 to 5 years PLN thousand	Over 5 years PLN thousand	Non-interest bearing assets/liabilities PLN thousand	Total PLN thousand
ASSETS							
Cash, balances with the Central Bank	2,752,308	-	-	-	-	154,632	**2,906,940**
Amounts due from banks and financial institutions	1,945,043	-	8,989	-	-	12,298	**1,966,330**
Loans and advances to customers	22,314,082	19,217,546	2,138,597	502,754	9,030	370,588	**44,552,597**
Available for sale financial assets	6,325,538	79,446	319,060	2,270	722,143	6,196	**7,454,653**
Other	-	-	-	-	-	1,998,024	**1,998,024**
TOTAL ASSETS	**33,336,971**	**19,296,992**	**2,466,646**	**505,024**	**731,173**	**2,541,738**	**58,878,544**
LIABILITIES							
Amounts due to banks and financial institutions	134,100	289,601	831	324,217	-	45,955	**794,704**
Amounts due to customers	19,057,254	15,840,807	11,673,095	2,628,627	1,295,674	618,278	**51,113,735**
Debt securities issued	39,307	1,023,601	523,660	64,561	-	23,287	**1,674,416**
Other	-	-	-	-	-	1,116,402	**1,116,402**
TOTAL LIABILITIES	**19,230,661**	**17,154,009**	**12,197,586**	**3,017,405**	**1,295,674**	**1,803,922**	**54,699,257**
EQUITY						**4,179,287**	**4,179,287**
TOTAL LIABILITIES AND EQUITY	**19,230,661**	**17,154,009**	**12,197,586**	**3,017,405**	**1,295,674**	**5,983,209**	**58,878,544**
Balance sheet GAP	**14,106,310**	**2,142,983**	**(9,730,940)**	**(2,512,381)**	**(564,501)**	**(3,441,471)**	**-**
OFF-BALANCE SHEET ITEMS							
Receivables	7,610,899	10,283,334	1,491,254	25,852	35,959	79,537	**19,526,835**
Liabilities	7,870,192	10,441,483	1,527,149	8,161	7,809	79,508	**19,934,302**
Off-Balance Sheet GAP	**(259,293)**	**(158,149)**	**(35,895)**	**17,691**	**28,150**	**29**	**(407,467)**
Gap, total	**13,847,017**	**1,984,834**	**(9,766,835)**	**(2,494,690)**	**(536,351)**	**(3,441,442)**	**(407,467)**

5. LIQUIDITY RISK

The liquidity is defined as the ability to fulfill optimally current and future obligations. Liquidity risk is defined as risk of not fulfilling these obligations.

The main objective of liquidity risk management is to minimize the risk of losing the long-term, medium-term and short-term liquidity by execution of, among other, the following goals:

- Maintaining desired balance sheet structure,
- Ensuring accessibility to external finance sources,
- Compliance with resolutions, recommendations and acts of NBP and PFSA.

Medium- and long-term liquidity risk management lies within the competence of the Management Board, whereas current and short-term liquidity risk management is the responsibility of the Treasury Department. The consulting role in process of liquidity risk management is performed by The Assets and Liabilities Committee, which monitors the level of liquidity risk on a monthly basis, based on information prepared by the Controlling and Market Risk Department.

The following analyses are used to perform an assessment of liquidity risk:

- supervisory liquidity norms,
- gap analysis, i.e. an analysis of the mismatch between the maturities of assets and liabilities, which covers all balance sheet items by maturity, under contractual and real-terms scenarios,
- analysis of liquidity ratios within specific time horizons by maturity, under contractual and real-terms scenarios,
- selected balance sheet ratios,
- the Bank's sensitivity to funds outflow
- LCR i NSFR ratios

The gap ratios, the level of liquid assets, selected balance sheet ratios and the level of use of liquidity limits (including compliance with liquidity norms) are monitored on a daily basis. Moreover, forecasts of liquidity levels for the next periods are prepared and the assessment of probability of deteriorating liquidity situation (the scenario analysis) is made.

To ensure the required level of liquidity, the Bank creates the structure of assets and liabilities in line with the accepted internal limits and the NBP's recommendations, for this purpose the Bank:

- maintains liquidity reserves in safe and liquid financial assets,
- has a possibility of using the additional sources of financing such as lombard loan and technical loan with the NBP,
- a stable level of core deposits and equity are the main sources of financing of Bank's lending activities.

Additionally, the Bank has a special procedure in case of a significant rise in liquidity risk, i.e. 'The contingency plan for sustaining liquidity in Getin Bank S.A. in critical situations'. In the Plan there are set out, inter alia, signs of deterioration in the liquidity position of the Bank, the so-called warning and crisis states, which are designed to indicate in advance the potential risks. The monitoring is done on a daily basis.

During the reporting period the Bank kept supervisory liquidity measures on the required by the Polish Financial Supervision Authority level. Supervisory liquidity measures as at 31 December 2013 and 31 December 2012 are presented below:

Supervisory liquidity measures		Minimum value	Value as at 31.12.2013	Value as at 31.12.2012
M1	Short-term liquidity gap (in PLN million)	0.00	3,813	5,715
M2	Short-term liquidity factor	1.00	1.38	1.83
M3	Ratio of coverage of non-liquidity assets with own funds	1.00	3.39	3.41
M4	Coverage ratio of non-liquid assets and limited liquidity assets with own funds and stable external funds	1.00	1.18	1.18

Customer deposits are the main source of financing lending activities of the Bank; the net loans to amounts due to customers ratio does not exceed 100%. Retail deposits predominate within the stable sources of funding, while stable deposits of corporate customers are in addition to general base of the stable sources of funding. In 2013 Bank continued issues of long-term securities, which accounted for an additional source of financing lending activities. Moreover, the Bank acquired funding from the interbank market, by finalising loan agreements:

- bank loan agreement with repayment date of 3 years in the amount of EUR 125 million – the purpose of the transaction was the acquisition of long-term sources of financing
- repurchase agreement transaction secured by treasury bonds, as a result of which the Bank acquired CHF 150 million. The purpose of the agreement was to diversify financing in foreign currency and improvement of the liquidity of the Bank.

The analysis of undiscounted financial liabilities by contractual maturity dates as at 31 December 2013 and 2012 is presented below:

Balance sheet items as at 31.12.2013	Up to 1 month PLN thousand	Over 1 month to 3 months PLN thousand	Over 3 months to 1 year PLN thousand	Over 1 year to 5 years PLN thousand	Over 5 years PLN thousand	TOTAL PLN thousand
Financial liabilities:						
Amounts due to banks and financial institutions	88,307	14,437	425,590	2,266,425	125,348	**2,920,107**
Derivative financial instruments	47,329	21,528	221,038	185,866	5,456	**481,217**
Amounts due to customers	17,814,731	12,186,515	15,359,651	6,126,596	2,434,491	**53,921,984**
Debt securities issued	177,838	364,597	247,148	1,543,554	982,511	**3,315,648**
Total	**18,128,205**	**12,587,077**	**16,253,427**	**10,122,441**	**3,547,806**	**60,638,956**

Balance sheet items as at 31.12.2012	Up to 1 month PLN thousand	Over 1 month to 3 months PLN thousand	Over 3 months to 1 year PLN thousand	Over 1 year to 5 years PLN thousand	Over 5 years PLN thousand	Total PLN thousand
Financial liabilities:						
Amounts due to banks and financial institutions	134,203	88,374	8,247	623,480	-	**854,304**
Derivative financial instruments	10,639	32,335	152,928	461,346	179	**657,427**
Amounts due to customers	14,698,525	17,060,239	14,814,798	3,888,549	2,644,155	**53,106,266**
Debt securities issued	40,000	369,468	73,403	558,247	1,158,487	**2,199,605**
Total	**14,883,367**	**17,550,416**	**15,049,376**	**5,531,622**	**3,802,821**	**56,817,602**

6. RISK RELATED TO DERIVATIVES

Basic types of risk related to derivative financial instruments are market risk and credit risk. At initial recognition derivative financial instruments usually are of zero or low market value. This is due to the fact, that no initial net investment or proportionally low investment is required in comparison to other sorts of agreements with similar reactions on changes of market conditions.

Derivative financial instruments gain positive or negative value with changes of specific interest rate, price of securities, commodity price, exchange rate, credit classification, credit index or other market parameter. As a result, held derivatives become more or less profitable to instruments with the same residual maturity date, which are available on the market.

Credit risk related to derivatives is the potential cost of signing new contract on the original terms, in case that the other part of agreement does not fulfill its obligation. To estimate the potential value of replacement the Bank uses the same methods, as in case of incurred market risk. To control the level of taken credit risk, the Bank evaluates the other part of agreements, using the same methods as those for credit decision making.

The Bank concludes transactions related to derivative financial instruments with domestic and foreign banks. Transactions are concluded within the credit limits allocated to particular institutions.

On the basis of adopted procedure of bank's financial status evaluation, the Bank determines the limits of maximal exposure for banks. The percentage limits of particular types of transactions are determined within these limits.

7. HEDGE ACCOUNTING

The Bank applies cash flow hedge for mortgage loan portfolio denominated in CHF and EUR with separated portfolio explicitly determined CIRS float-to-fixed CHF/PLN and EUR/PLN hedging transactions and cash flow hedge of PLN deposits portfolio with separated from real CIRS transactions explicitly determined portfolio of IRS fixed-to-float hedging transactions. During the hedge period the Bank assesses the effectiveness of hedge relationship. The change of fair value of hedging instruments is recognised in revaluation reserve in the amount of effective part of hedge. Ineffective part of hedge is recognised in the profit or loss account.

Effective part recognised in revaluation reserve after the date of redesignation of hedge relationship is subject to gradual reclassification (amortization in profit or loss account), in accordance with the schedule developed by the Bank, until the maturity term of initial portfolio.

The value of effective change in fair value of hedging instruments, presented in revaluation reserve as at 31 December 2013, amounts to PLN -93,981 thousand. Cash flows relating to hedged transactions will be realized from 1 January 2014 to 23 September 2019, i.e. to maturity date of the longest CIRS transaction.

The maturity dates of CIRS hedging transactions as at 31 December 2013 and 2012 are as follows:

The maturity dates of CIRS hedging transactions as at 31 December 2013	**Receivables PLN thousand**	**Liabilities PLN thousand**
up to 1 month	150,250	169,080
from 1 to 3 months	659,730	676,320
from 3 monyhs to 1 year	2,744,564	2,941,992
from 1 to 5 years	10,481,821	10,525,208
over 5 years	1,534,275	1,521,720
Total	**15,570,640**	**15,834,320**

The maturity dates of CIRS hedging transactions as at 31 December 2012	Receivables PLN thousand	Liabilities PLN thousand
up to 1 month	-	-
from 1 to 3 months	962,100	982,172
from 3 months to 1 year	3,817,662	3,920,670
from 1 to 5 years	9,091,160	9,433,440
over 5 years	341,940	338,680
Total	**14,212,862**	**14,674,962**

The fair value of cash flow hedging instruments as at 31 December 2013 and 2012 is presented below:

	31.12.2013 PLN thousand	31.12.2012 PLN thousand
CIRS - positive valuation	110,857	108,523
CIRS - negative valuation	(444,077)	(637,785)

The fair value of the hedging instrument is its carrying value.

The change in fair value of cash flow hedge recognised in revaluation reserve is presented below:

Comprehensive income from cash flow hedge	01.01.2013-31.12.2013 PLN thousand	01.01.2012-31.12.2012 PLN thousand
Acumulated comprehensive income at the beginning of the period (gross)	**(163,036)**	**38,601**
Gains/(losses) on hedging instrument	315,085	1,483,334
Amount transferred from other comprehensive income to income statement, of which:	(268,075)	(1,684,971)
interest income	(306,537)	(576,410)
gains/(losses) on foreign exchange	38,462	(1,108,561)
Acumulated comprehensive income at the end of the period (gross)	**(116,026)**	**(163,036)**
Tax effect	**22,045**	**30,977**
Acumulated comprehensive income at the end of the period (net)	**(93,981)**	**(132,059)**
Ineffective cash flow hedges recognised through profit and loss	**14,905**	**62,618**
Effect on other comprehensive income in the period (gross)	**47,010**	**(201,637)**
Deferred tax on cash flow hedge	**(8,932)**	**38,311**
Effect on other comprehensive income in the period (net)	**38,078**	**(163,326)**

Starting from June 2013 the Bank applies fair value hedge accounting. The Bank uses hedge of fair value of the PLN deposits portfolio based on a fixed rate against changes in fair value due to the risk of changes in a benchmark interest rate WIBOR. The Bank applies dynamic security strategy, under which establishes a hedged item as part of a portfolio of deposits of fixed-rate in PLN on a monthly basis. Hedging instrument is a part or all of the cash flows arising from IRS transactions concluded by the Bank. The Bank designates hedging relationships based on sensitivity analysis of the fair value of the hedged portfolio of deposits and portfolio of hedging instruments to the risk of changes in a benchmark interest rate WIBOR. This analysis is based on a measure of 'BPV' and 'duration'. The effectiveness of hedging relationship is measured by the Bank prospective and retrospective. The effectiveness of the hedging relationship is measured on a monthly basis at each end of the month.

In accordance with accounting policies adopted by the Bank depreciation recognised in the statement of financial position at each balance sheet date due to changes in the fair value of the hedged item is amortized in income statement from the beginning of the month following its identification up to the date of maturity/settlement of hedged deposits.

The amount of the monthly amortization due to changes in the fair value of the hedged item is calculated on the straight-line method based on the portfolio.

Fair value of IRS transactions designated as hedging instruments under fair value hedge of PLN fixed-rate deposits against interest rate risk as at 31 December 2013 is presented in the following table:

	31.12.2013 tys. zł
Fair value of IRS transactions constituting accounting hedges under the fair value hedge of retail customer deposits against interest rate risk	1,563

During the reporting period, the Bank recognised the following amounts arising from changes in the fair value of the hedging instrument and the hedged item:

	01.01.2013 - 31.12.2013	
	Of the hedging instrument PLN thousand	Of the hedged item PLN thousand
Gains	-	3,334
Losses	3,064	-
Total	**3,064**	**3,334**

Until 31 December 2013 the Bank recognised amortization in the amount of PLN -308 thousand due to changes in the fair value of the hedged item.

8. CAPITAL MANAGEMENT

The main aim of capital management of the Bank is to maintain appropriate credit rating and secure capital ratios, assure safe continuation of operating activity of the Bank and increase value for its shareholders.

Getin Noble Bank adjusts the level of own capital to profile, scale and complexity of risk present in its operations. Within the level of maintained capital and capital adequacy calculation, the Bank applies to applicable legal regulations and set strategic goals. In order to maintain an optimal level and structure of own funds as well as to maintain the capital adequacy ratio at least on the level required the Bank uses available methods and means – share issue, retention of net profit and issue of subordinated bonds. In 2013 the capital adequacy ratio of Getin Noble Bank S.A. maintained at a safe level above 12%

Within preferred capital structure, Getin Noble Bank S.A. assumes to maintain the structure with prevailing share of the core capital (Tier 1), which is essential to meet the requirements specified in the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, effective from 1 January 2014.

The level of internal capital intended to cover unexpected losses arising from significant risks present in its operations (Pillar II requirements) is calculated by the Bank based on internal procedure approved by the Management Board and Supervisory Board. Within Pillar II, the Bank applies its own model of the assessment of demand for internal capital, including hedging of capital against additional risks in relation to Pillar I (liquidity risk, result risk).

9. CAPITAL ADEQUACY RATIO

The measure of capital adequacy is capital adequacy ratio which shows the relationship of equity (after obligatory adjustments) to the risk weighted assets and off-sheet balance items. For the purpose of capital adequacy ratio risk weights are assigned to assets and off-sheet balance items in accordance to among others level of credit risk, market risk, currency risk and interest rate risk.

As at 31 December 2012 and 2011, the capital adequacy ratio and own funds being the basis for the calculation of the ratio were calculated pursuant to the following regulations:

- The Banking Act of 29 August 1997 (Journal of Laws of 2002, No. 72, item 665 with subsequent amendments),
- Resolution No. 76/2010 of the Polish Financial Supervision Authority dated 10 March 2010, on scope and detailed rules of calculating capital requirements for particular types of risk,
- Resolution No. 325/2011 of the Polish Financial Supervision Authority dated 20 December 2011, on other deductions from a bank's core capital, amount thereof, scope and conditions of such deductions from the core capital of a bank, other balance sheet items included in the supplementary capital, the amount and scope thereof, and the conditions of including them in a bank's supplementary capital, deductions from a bank's supplementary capital, the amount and scope thereof and conditions of performing such deductions from the banks' supplementary capital, the scope and manner of taking account of the business of banks conducting their activities in groups in calculating their own funds,
- Resolution No. 208/2011 of the Polish Financial Supervision Authority of 22 August 2011, on the detailed principles and conditions of accounting for exposures in determining compliance with exposure concentration limit and large exposure limit.

	31.12.2013 PLN thousand	31.12.2012 (restated) PLN thousand
Core capital (Tier 1)	**4,153,075**	**4,026,574**
Share capital	2,650,143	2,650,143
Reserve capital	2,007,172	2,161,631
Other capital reserves	40,571	37,493
Audited profit for the period	172,801	213,498
Deductions:	**(717,612)**	**(1,036,191)**
Intangible assets	(197,888)	(118,663)
Unrealized losses on financial instruments classified as available-for-sale	(43,640)	(205)
Retained earnings	(362,825)	(829,386)
Equity investments in financial entities	(113,259)	(87,937)
Supplementary funds (Tier 2)	**1,658,306**	**1,112,360**
Subordinated liabilities recognized as supplementary funds	1,770,591	1,188,943
Unrealized gains on financial instruments classified as available-for-sale	974	11,354
Deductions:	**(113,259)**	**(87,937)**
Equity investments in financial entities	(113,259)	(87,937)
Short-term capital (Tier 3)	**8,347**	**562**
TOTAL OWN FUNDS AND SHORT-TERM CAPITAL	**5,819,728**	**5,139,496**
Capital requirements for		
Credit risk	3,470,072	3,244,209
Counterparty credit risk	314	196
Operating risk	250,684	236,625
Interest rate risk	704	366
Other risks	18,905	-
TOTAL CAPITAL REQUIREMENTS	**3,740,679**	**3,481,396**
CAPITAL ADEQUACY RATIO	**12.4%**	**11.8%**

The capital adequacy ratio as at 31 December 2012 has been recalculated on the basis of restated comparative data (details of restatement are presented in Note II 5.6). The capital adequacy ratio calculated on the basis of data from the approved financial statements for the year 2012 was 12.5%

The concentration risk and the related capital requirement are calculated based on the provisions of the above resolutions. As at 31 December 2013 and 2012, the portfolio of the Bank did not contain any receivables that could be qualified as exceeding the concentration limits, therefore the Bank estimates the concentration risk to be not significant.

Signatures of the Getin Noble Bank S.A. Management Board Members

Krzysztof Rosiński	- President of the Management Board	……………………………….
Marcin Dec	- Member of the Management Board	……………………………….
Karol Karolkiewicz	- Member of the Management Board	……………………………….
Krzysztof Spyra	- Member of the Management Board	……………………………….
Radosław Stefurak	- Member of the Management Board	……………………………….
Maciej Szczechura	- Member of the Management Board	……………………………….
Grzegorz Tracz	- Member of the Management Board	……………………………….

Signature of the person responsible for the preparation of the financial statements

Barbara Kruczyńska-Nurek	- Chief Accountant, Director of the Bank	……………………………….

Warsaw, 28 February 2014