GETIN NOBLE BANK S.A.

Financial statements

for the year ended 31 December2015

with the auditor's report

Warsaw, 18 March 2016

Selected financial data

Income statement	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand	01.01.2015-31.12.2015 EUR thousand	01.01.2014-31.12.2014 EUR thousand
Net interest income	1,156,759	1,404,219	276,419	335,192
Net fee and commission income	266,077	355,039	63,582	84,749
Profit before tax	23,525	394,987	5,622	94,285
Net profit	1,119	322,347	267	76,945
Total comprehensive income for the period	45,671	293,183	10,914	69,984
Net cash flows	(151,714)	113,952	(36,254)	27,201

Statement of financial position	31.12.2015 PLN thousand	31.12.2014 PLN thousand	31.12.2015 EUR thousand	31.12.2014 EUR thousand
Loans and advances to customers	50,519,167	49,174,999	11,854,785	11,537,198
Total assets	71,518,119	67,594,305	16,782,382	15,858,646
Amounts due to customers	55,804,525	53,081,485	13,095,043	12,453,719
Total equity	4,847,708	4,802,037	1,137,559	1,126,630
Tier 1 capital	4,674,833	4,680,550	1,096,992	1,098,128
Tier 2 capital	1,472,065	1,742,616	345,434	408,844
Total capital ratio	13.7%	12.9%	13.7%	12.9%
Number of shares	2,650,143,319	2,650,143,319	2,650,143,319	2,650,143,319

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

- the 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 2015 , i.e. 1 EUR = 4.2615 PLN and as at 31 December 2014, i.e. 1 EUR = 4.2623 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 2015 and 31 December 2014 (1 EUR = 4.1848 PLN and 1 EUR = 4.1893 PLN respectively)

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I. FINANCIAL STATEMENTS

1. Income statement

	Note	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
CONTINUED ACTIVITY			
Interest income	II.7	3,021,478	3,619,459
Interest expense	II.7	(1,864,719)	(2,215,240)
Net interest income		**1,156,759**	**1,404,219**
Fee and commission income	II.8	438,406	542,429
Fee and commission expense	II.8	(172,329)	(187,390)
Net fee and commission income		**266,077**	**355,039**
Dividend income	II.9	31,728	111,234
Result on financial instruments measured at fair value through profit or loss and net foreign exchange gains	II.10	20,908	93,373
Result on other financial instruments	II.11	28,220	36,770
Result on loss of control over a subsidiary		131,187	-
Other operating income	II.12	30,960	60,891
Other operating expense	II.12	(96,863)	(138,514)
Net other operating income and expense		**(65,903)**	**(77,623)**
Administrative expenses	II.13	(1,128,927)	(832,456)
Net impairment allowances on financial assets and off-balance sheet provisions	II.14	(416,524)	(695,569)
Operating profit		**23,525**	**394,987**
Profit before tax		**23,525**	**394,987**
Income tax	II.15	(22,406)	(72,640)
Net profit		**1,119**	**322,347**

Discontinued operations did not occur in 2015 nor in 2014.

2. Statement of comprehensive income

	Note	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Net profit for the period		**1,119**	**322,347**
Items that will not be reclassified to profit or loss, of which:		**35**	**114**
Actuarial gains/(losses	II.34	43	140
Tax effect related to items that will not be reclassified to profit or loss	II.15	(8)	(26)
Items that may be reclassified to profit or loss, of which:		**44,517**	**(29,278)**
Valuation of available-for-sale financial assets		(2,230)	36,567
Cash flow hedges	III.7	57,189	(72,712)
Tax effect related to items that may be reclassified to profit or loss	II.15	(10,442)	6,867
Net other comprehensive income		**44,552**	**(29,164)**
Total comprehensive income for the period		**45,671**	**293,183**

3. Statement of financial position

	Note	31.12.2015 PLN thousand	31.12.2014 restated PLN thousand
ASSETS			
Cash and balances with the Central Bank	II.16	2,724,460	2,840,565
Amounts due from banks and financial institutions	II.17	2,008,466	1,410,839
Financial assets measured at fair value through profit or loss	II.18	166,817	170,371
Derivative financial instruments	II.19	159,074	242,013
Loans and advances to customers	II.20	50,519,167	49,174,999
Financial assets, of which :	II.21	12,390,902	11,328,004
available-for-sale		12,236,580	11,232,147
held-to-maturity		154,322	95,857
Investments in subsidiaries, associates and joint ventures	II.23	1,013,776	527,814
Intangible assets	II.24	264,055	219,983
Property, plant and equipment	II.25	202,371	190,619
Investment properties	II.26	478,585	378,531
Non-current assets held for sale	II.28	19,432	4,494
Income tax assets, of which :	II.15	335,920	374,609
receivables relating to current income tax		4,031	13,215
deferred tax assets		331,889	361,394
Other assets	II.29	1,235,094	731,464
TOTAL ASSETS		**71,518,119**	**67,594,305**
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to banks and financial institutions	II.30	3,457,657	4,451,229
Derivative financial instruments	II.19	1,519,279	742,340
Amounts due to customers	II.31	55,804,525	53,081,485
Debt securities issued	II.32	2,829,820	3,313,904
of which subordinated debt		2,124,286	2,092,427
Other liabilities	II.33	3,037,409	1,179,955
Provisions	II.34	21,721	23,355
Total liabilities		**66,670,411**	**62,792,268**
Equity			
Share capital	II.35	2,650,143	2,650,143
Net profit		1,119	322,347
Other capital	II.36	2,196,446	1,829,547
Total equity		**4 847,708**	**4,802,037**
TOTAL LIABILITIES AND EQUITY		**71,518,119**	**67,594,305**

4. Statement of changes in equity

	Share capital	Retained earnings	Net profit	Other capital			Total equity
				Reserve capital	Revaluation reserve	Other capital reserves	
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
As at 01.01.2015	**2,650,143**	**322,347**	**-**	**1,955,102**	**(166,126)**	**40,571**	**4,802,037**
Comprehensive income for the period	-	-	1,119	-	44,552	-	**45,671**
Distribution of last year profit	-	(322,347)	-	322,347	-	-	-
As at 31.12.2015	**2,650,143**	**-**	**1,119**	**2,277,449**	**(121,574)**	**40,571**	**4,847,708**

	Share capital	Retained earnings	Net profit	Other capital			Total equity
				Reserve capital	Revaluation reserve	Other capital reserves	
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
As at 01.01.2014	**2,650,143**	**(52,070)**	**-**	**2,007,172**	**(136,962)**	**40,571**	**4,508,854**
Comprehensive income for the period	-	-	322,347	-	(29,164)	-	**293,183**
Distribution of last year profit and cover of previous years losses	-	52,070	-	(52,070)	-	-	-
As at 31.12.2014	**2,650,143**	**-**	**322,347**	**1,955,102**	**(166,126)**	**40,571**	**4,802,037**

This is a translation of the consolidated financial statements originally issued in Polish
Notes disclosed on pages from 8 to 116 are an integral part of the financial statements.

5. Statement of cash flows

	Note	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 restated PLN thousand
Cash flows from operating activities			
Net profit		1,119	322,347
Adjustments:		885,092	(1,221,067)
Amortisation and depreciation	II.13	66,581	61,112
Foreign exchange (gains)/ losses		-	2,752
(Gains)/losses from investing activities		(4,038)	(290)
Interests and dividends		142,451	66,416
Change in amounts due from banks and financial institutions	II.41	(633,235)	(376,241)
Change in derivative financial instruments (assets)	II.41	83,722	17,568
Change in financial assets measured at fair value through profit or loss		3,554	(170,371)
Change in loans and advances to customers		(1,344,168)	(777,540)
Change in available-for-sale financial instruments	II.41	(1,006,240)	(2,533,723)
Change in held-to-maturity financial instruments	II.41	(1,562)	(86)
Change in deferred tax assets		29,505	61,189
Change in other assets		(503,630)	33,636
Change in amounts due to banks and financial institutions	II.41	(999,442)	738,374
Change in derivative financial instruments (liabilities)	II.41	822,480	180,268
Change in amounts due to customers		2,723,040	1,629,566
Change in debt securities issued	II.41	(7,487)	31,857
Change in other liabilities		1,857,454	(177,314)
Change in provisions	II.41	(1,600)	(1,659)
Other adjustments		(351,477)	6,626
Income tax paid		5,833	(17,817)
Current tax expense	II.15	3,351	4,610
Net cash flows used in operating activities		**886,211**	**(898,720)**
Cash flows from investing activities			
Sale of shares in a subsidiary		47,422	-
Sale of intangible assets and property, plant and equipment		16,682	53,090
Sale of investments in financial instruments		10,500	12,500
Dividends received	II.9	31,727	111,234
Acquisition of shares in a subsidiary		(179,377)	(136,230)
Purchase of intangible assets and property, plant and equipment		(252,571)	(367,481)
Purchase of investments in financial instruments		(67,403)	(36,000)
Other inflows/ (outflows) from investing activities		3,495	3,724
Net cash flows used in investing activities		**(389,525)**	**(359,163)**
Cash flows from financing activities			
Proceeds from issue of debt securities	II.32	524,733	2,216,583
Proceeds from loans taken		107,060	941,626
Redemption of issued debt securities	II.32	(1,001,330)	(1,605,000)
Repayment of loans		(101,190)	-
Interest paid		(177,673)	(181,374)
Net cash flows from financing activities		**(648,400)**	**1,371,835**
Net increase/(decrease) in cash and cash equivalents		(151,714)	113,952
Cash and cash equivalents at the beginning of the period		2,908,960	2,795,008
Cash and cash equivalents at the end of the period	**II.41**	**2,757,246**	**2,908,960**

(data in PLN thousand)

II. NOTES TO THE FINANCIAL STATEMENTS

1. General information about the Bank

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:

	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%
Nationale-Nederlanden Otwarty Fundusz Emerytalny (formerly ING Otwarty Fundusz Emerytalny)	181,767,000	181,767,000	6.86%	6.86%
Getin Holding S.A.	200,314,774	200,314,774	7.56%	7.56%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	171,540,000	171,540,000	6.47%	6.47%
Other shareholders	820,166,186	820,166,186	30.94%	30.94%
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:

	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 customer deposits and in the sale of retail loans. Getin Bank offers also a wide range of investment products 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.

(data in PLN thousand)

The product offer of the Bank is supplemented by the products offered by related entities: Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A., Brokerage House Noble Securities S.A., Noble Concierge sp. z o.o. and Getin Leasing S.A. Capital Group. In co-operation with the above-mentioned companies, Getin Noble Bank S.A. provides its clients with access to brokerage services, concierge services, investment fund units and investment fund certificates, as well as lease products and vehicles rental 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
Vice President of the Management Board	Artur Klimczak
Members of the Management Board	Krzysztof Basiaga
	Marcin Dec
	Karol Karolkiewicz
	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	Remigiusz Baliński
Members of the Supervisory Board	Krzysztof Bielecki
	Mariusz Grendowicz
	Jacek Lisik

With effect from 1 January 2015 Mr. Krzysztof Basiaga became a member of the Management Board of the Bank in accordance with a resolution of the Supervisory Board dated 12 December 2014, and Mr. Krzysztof Bielecki became a member of the Supervisory Board of the Bank in accordance with a resolution of the Extraordinary General Meeting of the Bank dated 9 October 2014.

On 10 April 2015 the Supervisory Board of the Bank dismissed Mr. Krzysztof Spyra from the Management Board of the Bank, with effect from the date of the resolution.

On 29 April 2015 the Supervisory Board of the Bank appointed Mr. Artur Klimczak for Vice President of the Management Board with effect from 1 July 2015.

On 11 May 2015 Mr. Rafał Juszczak resigned from membership in the Supervisory Board of the Bank and position of the Member of the Supervisory Board with effect from 12 May 2015.

On 12 May 2015 the Ordinary General Meeting of the Bank resolved to appoint Mr. Mariusz Grendowicz to the Supervisory Board as a member of the Supervisory Board with effect from the date of the appointment.

In the 12-month period ended 31 December 2015 and until the date of approval of these interim condensed consolidated financial statements there were no other changes in the composition of the Bank's Management Board and Supervisory Board.

3. Approval of the financial statements

These financial statements were approved by the Management Board of the Bank on 18 March 2016.

4. Significant accounting policies

4.1. Statement of compliance

IFRS comprise standards and interpretations accepted by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

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 as amended and the respective secondary legislation issued on its basis, as well as the requirements relating to issuers of securities registered or applying for registration on an official quotations market.

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

4.2. Basis of preparation

In these financial statement a fair value model was adopted for investment properties and financial instruments measured at fair value through profit or loss, including derivatives and available-for-sale financial instruments, except those when fair value cannot be reliably measured. Other items of financial assets and liabilities (including loans and advances to customers) are recodnised at amortised cost less impairment allowances or acquisition cost less impairment allowances.

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.

4.3. Auditor of the financial statements

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw is the statutory auditor of the financial statements of the Bank

4.4. 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 2015, covering Getin Noble Bank S.A. and its subsidiaries, associates and joint ventures – in accordance with the International Financial Reporting Standards as adopted by the European Union, which were approved for publication on 18 March 2016.
In the consolidated financial statements, the Bank's subsidiaries, associates and joint ventures 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, associates and joint ventures are recognised at cost less impairment.

4.5. 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.

4.6. Changes in adopted standards and interpretations

Standards and interpretations adopted in2015

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 2014, except for the adoption of new standards and interpretations applicable for annual periods beginning on or after 1 January 2015, as follows

- Interpretation IFRIC 21 Levies – as adopted by EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014),
- Amendments to IFRS Annual Improvements to IFRSs (2011–2013 Cycle) - as adopted by EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015).

The above interpretation and amendments to the standards had no significant impact on the financial statements of the Bank in the period of their first application.

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:

- Amendments to IAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions* – as adopted by EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IFRS *Annual Improvements to IFRSs (2010–2012 Cycle)* - as adopted by EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 16 *Property, plant and equipment and IAS 41 Agriculture* - as adopted by EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations - as adopted by EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 *Property, plant and equipment* and IAS 38 Intangible assets - Clarification of acceptable methods of depreciation and amortisation – as adopted by EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS *Annual Improvements to IFRSs 2012-2014 Cycle* – as adopted by EU on 15 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 - *Presentation of the financial statements* - Disclosure Initiative - as adopted by EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 *Separate Financial Statements* - Equity Method in Separate Financial Statements – as adopted by EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).

In the reporting period the Bank has not early adopted the above changes to standards.

Since 1 January 2016 the Bank changed the accounting rules (policy) on the recognition of investments in associates in connection with the entry into force of the revised IAS 27. As a result, investments in associates heretofore recognized at cost, will be recognized under the equity method described in IAS 28.

Change in accounting rules (policy) is applied retrospectively in accordance with IAS 8, thus the Bank will adjust the initial carrying value of investments in associates and equity, as if the amended rules (policy) had always been applied. The estimated impact of the change on the financial statements of the Bank is to increase total assets by PLN 244 million.

New standards and amendments to existing standards issued by the International Accounting Standards Board (IASB), but not yet adopted by EU

IFRS as adopted by the EU do not differ significantly from the regulations issued by the IASB, with the exception of the following new standards and amendments to standards, which as at 18 March 2016 have not yet been adopted by the EU (following effective dates refer to the standards in the full version):

- IFRS 9 *Financial Instruments* - effective for annual periods beginning on or after 1 January 2018,
- IFRS 14 *Regulatory Deferral Accounts* - effective for annual periods beginning on or after 1 January 2016; The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 *Revenue from contracts with customers* and subsequent changes - effective for annual periods beginning on or after 1 January 2018,
- IAS 16 *Leases* - effective for annual periods beginning on or after 1 January 2019,
- Amendmets to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception; effective for annual periods beginning on or after 1 January 2016,
- Amendmets to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* - Sales or contributions of assets between an investor and its associate/joint venture and subsequent changes; the effective date of the amendments to these standards is deferred indefinitely until the research project on the equity method has been concluded,
- Amendments to IAS 7 *Statement of Cash Flows* - Disclosure initiative; effective for annual periods beginning on or after 1 January 2017,
- Amendments to IAS 12 *Income tax* - Recognition of Deferred Tax Assets for Unrealised Losses; effective for annual periods beginning on or after 1 January 2017.

The Bank estimates that except for IFRS 9, the above standards and amendments to standards would not have significant impact on the financial statements of the Bank, if it has been adopted by the Bank at the reporting date. The Bank took actions to implement IFRS 9, impact of first-time adoption of the new standard on the financial statement is to be significant, but its reliable estimate is not possible.

At the same time, hedge accounting for financial assets and liabilities remain besides the regulations adopted by the EU, because its principles have not been approved for use in the EU.

The Bank estimates that the adoption of hedge accounting of the portfolio of financial assets and liabilities under IAS 39 *Financial Instruments: Recognition and Measurement* would not have any significant impact on the financial statements, if it has been adopted by the Bank at the reporting date.

4.7. Presentation changes

Presentation changes – restatement of comparative data

The comparative data as at 31 December 2014 presented in these financial statements have been restated to present changes introduced in the current reporting period. Presentation change concerns the transfer of liabilities arising from securitization from 'Amounts due to customers' to 'Other liabilities'.

Statement of financial position	Data before restatement	Presentation change	Restated data
31.12. 2014	PLN thousand	PLN thousand	PLN thousand
Amounts due to customers	53,859,261	(777,776)	53,081,485
Other liabilities	402,179	777,776	1,179,955

4.8. 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 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 denominated in foreign currencies are converted at the average exchange rate applicable as at the date of the measurement at fair value.

4.9. Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates, not classified as held-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.

4.10. 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 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 acquired and equity attributable to non-controlling interest; after this elimination is made, the difference between the remaining equity and the purchase price is recognised in other capital of combined entity.

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.

4.11. 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.

4.12. Financial assets and liabilities

The Bank classifies financial assets to the following categories

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

The Management Board decides on the classification of financial assets and liabilities based on the characteristics of the instruments and IAS 39 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 as financial assets measured at fair value through profit or loss upon initial recognition,
- those designated by the Bank as available-for-sale,
- those that meet the definition of loans and receivables.

Financial assets or liabilities measured 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 as financial asset measured 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 measured 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 available-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 recognized 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) 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

The recognition, derecognition and measurement of financial assets and liabilities

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 financial 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 financial liability.

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 in their fair value, except for write-downs for impairment losses and foreign exchange differences, are recognised in the revaluation reserve until the asset is derecognised from the statement of financial position or impaired, when the cumulative gain or loss recognised previously in equity is than recognised in the income statement. Changes in fair value recognised as revaluation eserve are presented in the statement of comprehensive income. Interest income calculated with the effective interest rate method are recognised in the income statement.

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 measured 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 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.

4.13. 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).

4.14. 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 item or transaction, 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 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 financial instruments measured at fair value through profit or loss and net foreign exchange gains " - 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 and EUR/PLN CIRS 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. Change in fair value of hedging instruments is recognized in the revaluation reserve in the amount in which the hedge is effective. The ineffective portion of hedge is recognised in the income statement as "The result on financial instruments measured at fair value through profit or loss and net foreign exchange gains". The effective portion of changes accumulated in the revaluation reserve is gradually reclassified (amortised) to the income statement in accordance with 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 exercised, if the hedge no longer meets the criteria for hedge accounting, or the Bank revokes the designation.

4.15. 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

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 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,
- an exposure is in the quarantine after the cessation of the condition relating to the lack or delay in repayment as described in the preceding bullet point,
- significant financial difficulties of a borrower that lower the counterparty risk categories,
- unknown place of residence and undiscolsed assets of counterparty,
- 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 Bank has initiated execution proceedings against the debtor or learnt about the date of property auction conducted on the request of other creditor in which the property to be auctioned is a hedge of the Bank's claims,
- 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),
- loan/advance is being questioned by the debtor in legal proceedings,
- loan restructuring (as described in the section relating restructuring of the exposure),
- fraud,
- infection of loan/advance with the impairment of the loan/advance granted to the same borrower within the specified product groups,
- the conditions for restructuring have not been met,
- problems of the retail borrower due to the job loss or income reduction, not paying debts to other institutions or significant deterioration of scoring results,
- customer's death.

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,
- an exposure is in the quarantine after the cessation of the condition relating to the lack or delay in repayment as described in the preceding bullet point
- significant financial difficulties of a borrower that lower the counterparty risk categories;
- unknown place of residence and undiscolsed assets of counterparty;
- request for an immediate repayment of the entire loan due to termination of the loan contract (an exposure was transferred over to debt recovery);
- loan/advance is being questioned by the debtor in legal proceedings;
- loan restructuring (as described in the section relating restructuring of the exposure),
- fraud;
- infection of loan/advance with the impairment of the loan/advance granted to the same borrower within the specified product groups;
- the conditions for restructuring have not been met;

- problems of retail counterparty due to the job loss or decline in income, failure to repay debts in other financial institutions or significant deterioration of scoring results
- customer's death.

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), 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. In addition, to include in the group assessment in the calculation of allowances a scenario of repayment of the exposure in accordance with the agreement, additional PD is determined for exposures for which no impairment indicator has been reported concerning lack of or delay in repayment (probability of default determined depending on the type of reported evidence of impairment). For the purpose of estimating the recovery rates (RR) and cure rate (CR) for the construction loan portfolio, an information about the level of LTV at the time of exposure default is used.

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 or 84 months, while for the purpose of estimation of PD and RestrR Bank applies shorter time series (12 months), which reflect better the current risk of these portfolios. In justified cases, additional professional 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 order to estimate an IBNR allowance for each identified portfolio, the Bank also determines a maximum period of the quarantine for restructured exposures, the probable period of restructuring, the conditions of transfer of exposure from impaired status to restructuring and other.

In order to estimate an IBNR provision for defined portfolios, the Bank carries out the analysis of the length of the time between the occurrence of the loss and its identification, and calculates the LIP parameter (loss identification period). These analyses are carried out on the basis of the observed effects on the accounts at the Bank and delinquencies and entry into impairment for the customer. The Bank also carries out back testing of the LIP level on the basis of direct telephone surveys of customers.

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 due 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.

The evidence of impariment of financial asset or group of financial assets may result from one or more indicators i.a. significant financial problems of the Issuer, default or delay in payment of outstanding liabilities, giving consent on the change of repayment of liabilities, which the issuer would not received in other circumstances, other observable data indicating decrease in estimated future cash flows resulting from financial assets, which occure after initial recognition of financial asset in the books of the Bank.

Should there be any objective evidence of impairment of available-for-sale financial assets, 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 subsequent 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.

4.16. 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 expense/income, respectively and is accrued over the period of the agreement by application of an effective interest rate.

4.17. 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 measure.

(data in PLN thousand)

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.

4.18. Property, plant and equipment

Property, plant and equipment are recognised at acquisition or manufacturing cost less depreciation and any impairment losses. The initial value of a property, plant and equipment 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 property, plant and equipment	Estimated 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 10 years
Means of transport	from 2.5 to 5 years
Office equipment, furniture	from 2 to 10 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 property, plant and equipment 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.

4.19. 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 used during performance of services or other administrative activities, nor intended for sale as part of the entity's ordinary business.

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the Bank, and the cost of the property can be reliably measured.

An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. After initial recognition property is remeasured at fair value, and gains or losses arising from changes in the fair value of investment property are recognised in net profit or loss for the period in which it arises. Fair value of investment properties is recognised in accordance with IFRS13.

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 owner-occupation or commencement of an operating lease agreement. If a property occupied by the Bank becomes an investment property, the Bank applies rules as for property, plant and equipment up to the date of change in use of property.

4.20. 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.

Goodwill

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.

4.21. 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.

4.22. 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.

4.23. 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.

4.24. 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 recognized in the financial profit or loss in the future reporting periods. They are also recognised under 'Other liabilities'.

4.25. Employee benefits

In accordance with the Polish Labor Code and the Remuneration Policies, 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.

4.26. 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 and recognizes them as a liability in the line 'Provisions':

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.

b) unused holidays 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.

c) other

   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.

4.27. Financial and operating 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 estimated life of the asset or the lease term. 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 presents assets under operating lease in the relevant fixed asset group, according to the nature of the respective asset. 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.

4.28. Other receivables

Other receivables are recognised at the amount of the payment due, less impairment allowances. In case 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 recognized in the income statement.

4.29. 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.

4.30. 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 and other capital.

Share capital

Share capital is recognized at nominal value according to the articles of association and the court register.

Repurchased own shares

If an entity acquires own equity 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 at the purchase price until the shares are cancelled or disposed.

Retained earnings (undistributed profit or loss from prior years)

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.

Dividends for the financial year approved by the General Meeting of Shareholders but not paid at the end of the reporting period are disclosed under "Other liabilities" in the statement of financial position.

Other capital

a) Reserve capital

   The capital from the sale of shares above par value (share premium) less the direct costs associated with it and created from profit. Reserve capital includes the capital 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 gains and 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 items of the equity described above, in case of acquisition/ combination of entities, apply to the events taking place after obtaining control over the given entity until the day such control is ceased.

4.31. 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 Bank'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.

4.32. Revenues

Revenue 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. By revenue recognition apply the criteria described below.

Net interest income

Interest income and expense include all interest income and expense on financial instruments measured at amortised 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 oror loss as incurred, depends on the economic nature of the given fee/commission.

Deferred fees/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 IRS, CIRS and SWAP points.

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 straightline 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 financial instrument. The rules of the assessment of the economic content of offered financial and insurance products sold by the Bank are presented in the note 5.1 to these financial statement.

Under the assessment of direct link between insurance product and financial instrument, 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 financial instrument and insurance product, resulting in the allotment of recognised remuneration for offering insurance product allocating the fair value of financial instrument and the fair value of an insurance product sold in conjunction with these instrument.

If combined product is identified, the remuneration for the sale of insurance product is allotted and recognised as a part of amortized cost of financial instrument and as commission income related to agency services. Allotment of remuneration is made according to the ratio of the fair value of the financial instrument and the fair value of agency services in relation to the sum of these two values. Fair value measurement of the agency services and the financial instrument is based on market data. In the case of provision of after-sales services resulting from the offered insurance product, the corresponding part of the remuneration allocated to the agency service is settled during the term of the insurance contract according to the method of completion, taking into account the principle of matching revenues and expenses.

The remuneration is recognised in fee and commission income.

The Bank estimates the amount of the remuneration to be returned (for egzample due to the termination of the insurance agreement by the client, prepayment or other) after the sale of the insurance product. The estimated amount of remuneration to be returned is deffered up to the value of expected returns. The amount of the remuneration to be returned is recognized at amortised cost of the financial instrument in the part related to revenues at amortised cost. In a situation, when the remuneration is divided for a combined product, the projected returns for the part accounted for using the effective interest rate and recognised as remuneration for agency service of insurance sale are assigned to those items in the same way as the remuneration has been split.

The Group estimates the costs related to the sale of insurance product in accordance with the method of accounting for income and expenses depending on the form of sales of insurance product.

Costs related to the sale of insurace product are classified by the Bank as directly related and other indirectly related, including fixed costs (recognised as incurred).

Costs directly related to the sale of insurance product are accounted for in accordance with the principle of matching revenues and expenses as follows:

- as part of amortised cost of finanaial instrument, if total income related to sales of insurance product is recognized at effective interest rate method, or

- respectively in the ratio applied when the revenue is recognised as part of the calculation of amortised cost and revenue recognised at once or deferred as remuneration for the service agency if there was a split of the remuneration made for a combined product.

Result on financial instruments measured at fair value through profit or loss and net foreign exchange gains

Result on financial instruments measured at fair value through profit or loss and net foreign exchange gains comprises profits and losses from fair value measurement of held-for-trading financial assets and liabilities, financial assets and liabilities initially recognised as financial instruments measured at fair value through profit or loss and derivatives, as well as gains and losses arising from the purchase/disposal of foreign currencies and from the translation of assets and liabilities denominated in foreign currencies at the average NBP exchange rate for a given currency prevailing at the balance sheet date.

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 .

4.33. Other operating income and expense

Other operating income and expenses comprises income and expenses not related directly to the core activities of the Bank. These include, in particular, the result from sale and disposal of fixed assets, gains/losses from fair value adjustments of investment properties, income and expenses from the rent, income from sale of other services, penalties and fines received and paid, as well as expense relating to the debt collection activities and court fees. Moreover, a gain on bargain purchase on the settlement of the entity or business combination in accordance with IFRS 3 is recognized in other operating income.

4.34. 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.

4.35. 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 tax regulations) 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.

4.36. 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.

5. Significant values based on professional judgement and estimates

5.1. Professional judgement

In process of applying accounting principles (policies) to the following issues, apart from accounting estimates, the most important was management's professional judgment.

Insurance Commissions

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

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 sale of financial instrument. The assessment is based on the economic content of an offered financial instruments 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 financial instrument,
- the remuneration for providing agency services,
- the remuneration for providing additional services after the sale of product.

Direct link between insurance product and financial instrumnet in particular is when at least one of two conditions is met:

- financial instrument is offered by the Bank always with the insurance product, i.e. both transactions were concluded at the same time or have been included in the sequence in which each new transaction follows from the previous one,
- insurance product is offered by the Bank only tohether with the financial instrument, i.e. there is no possibility to buy identical insurance product in terms of the legal form, conditions and economic content without purchase of financial instrument.

In addition the Bank analyses the economic content of insurance product, including fulfillment of the criteria of independence of the insurance contracts from offered financial instruments, by setting:

- degree of combined product sale, i.e. the percentage share of financial instruments with insurance protection to a number of agreements on financial instruments in the Bank's portfolio, broken down by financial instruments and insurance products or insurance groups in accordance with the Bank's product offer,
- average annual real interest rate of individual financial instruments in the Bank's portfolio, by those with insurance protection and without insurance protection, broken down by financial instruments and insurance products or insurance groups in accordance with the Bank's product offer,
- possibility of joining the insurance protection without having a financial instrument,
- lack of the requirement of the Bank to conclude the insurance contract by the client for the purchased financial instrument, number of insurance contracts similar in terms of terms and conditions, concluded in other insurance company than the insurance company, whose products are offered by the Bank together with a financial instrument (the percentage share in the whole loan portfolio – broken down into financial instruments in accordance with the Bank's product offer),
- level of abandonment and the amount of commissions returned, broken down by financial instruments and insurance products or insurance groups in accordance with the Bank's product offer,
- numer of insurance agreements continued after the early repayment of a loan, along with information on lending products they have been related to,
- effects of analysis of management reports on the results of individual business lines, financial instruments in accordance with the product offer of the Bank, banking services.

Under the assessment of direct link, 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 financial instrument and insurance product, resulting in the allotment of recognised remuneration for offering insurance product allocating the fair value of financial instrument and the fair value of an insurance product sold in conjunction with these instrument

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

In the case of provision of after-sales services resulting from the offered insurance product, the corresponding part of the remuneration allocated to the agency service is settled during the term of the insurance contract according to the method of completion, taking into account the principle of matching revenues and expenses.

The Bank estimates the share of commission that will be returned (e.g. 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.

The Bank estimates the costs related to the sale of insurance product in accordance with the method of accounting for income and expenses depending on the form of sales of insurance products. The Bank classifies costs associated with the sale of insurance product to directly related and other indirectly related costs, including fixed costs (recognised as incurred). Costs directly related to the sale of insurance product are accounted for in accordance with the principle of matching revenues and expenses.

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), 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.

In addition, to include in the group assessment in the calculation of allowances a scenario of repayment of the exposure in accordance with the agreement, additional PD is determined for exposures for which no impairment indicator has been reported concerning lack of or delay in repayment (probability of default determined depending on the type of reported evidence of impairment). For the purpose of estimating the level of allowances in the group assessment for restructured exposures during the probable restructuring, additional PD for these exposures is determined. For the purpose of estimating the recovery rates (RR) and cure rate (CR) for the construction loan portfolio, an information about the level of LTV at the time of exposure default is used. The Bank estimates the credit conversion factor (CCF) which specifies the outflow of funds which were made available to the Client by the Bank before the impairment occurs.

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, professional 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, maximum period of the quarantine for restructured exposures, the conditions of transfer of exposure from impaired status to restructuring and other are determined

In order to estimate an IBNR provision for defined portfolios, the Bank carries out the analysis of the length of the time between the occurrence of the loss and its identification, and calculates the LIP parameter (loss identification period).

Analysis are carried out based on the observed inflows on Bank accounts and overdue as well as recognition of impairment for the Client. The Bank also carries out back testing of the LIP level on the basis of direct telephone surveys of customers.

5.2. 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 investment properties

The Bank estimates the fair value of investment properties. Estimation reflects market conditions as of the date of estimation and is made based on a current valuation of properties.

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,
- statement of financial position and income statement projections for the CGU as of the goodwill impairment test date,
- statement of financial position and income statement forecasts for the period covered by the forecast,
- assumptions included in the Bank’s budget,
- analysis of the reasons for discrepancies between past 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 useful life 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.

5.3. Changes in accounting estimates

During the reporting period the Bank did not change the scope of estimates.

6. Correction of prior period errors

In the 12-month period ended 31 December 2015 the Bank did not make any corrections of prior period errors.

7. Net interest income

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Interest income related to:		
loans and advances to customers	2,489,435	2,911,205
amounts due from banks and financial institutions	11,874	22,543
available-for-sale and held-to-maturity financial assets	219,295	283,682
derivative financial instruments	271,777	356,425
obligatory reserve	29,097	45,604
Total, Interest income	**3,021,478**	**3,619,459**
of which:		
Interest income from impaired financial assets	226,215	220,490
Interest income calculated using the effective interest rate in relation to financial assets not measured at fair value through profit or loss	2,749,701	3,263,034
Interest expense related to:		
amounts due to customers	1,636,819	1,838,171
amounts due to banks and financial institutions	50,405	73,261
derivative financial instruments	27,136	130,620
debt securities issued	150,359	173,188
Total, Interest expense	**1,864,719**	**2,215,240**
of which:		
Interest expense calculated using the effective interest rate in relation to financial liabilities not measured at fair value through profit or loss	1,837,583	2,084,620
Net interest income	**1,156,759**	**1,404,219**

8. Net fee and commission income

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Fee and commission income related to:		
loans, advances and leases granted	51,159	71,489
bank accounts service	46,731	65,337
payment cards and credit cards	42,084	50,192
investment products	121,559	182,173
insurance products	174,569	171,712
other fee and commission income	2,304	1,526
Total fee and commission income	**438,406**	**542,429**
Fee and commission expense related to:		
loans, advances and leases	14,656	18,494
payment cards and credit cards	42,963	42,219
investment products and banking produkcts	94,813	101,257
insurance products	11,799	18,367
other fee and commission expense	8,098	7,053
Total fee and commission expense	**172,329**	**187,390**
Net fee and commission income	**266,077**	**355,039**

9. Dividend income

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Dividends from subsidiaries	17,639	108,317
Dividends from financial instruments classified as available-for-sale	4,580	2,917
Dividend from financial instruments classified as held for trading	12	-
Dividend from financial instruments classified as financial assets measured at fair value through profit or loss	9,497	-
Total dividend income	**31,728**	**111,234**

10. Result on financial instruments measured at fair value through profit or loss and net foreign exchange gains

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Result on financial instruments measured at fair value through profit or loss, of which:	(8,689)	42,883
equity securities	(3,554)	4,712
derivatives	(5,135)	38,171
Exchange differences on translation of foreign currency loans	17,254	39,559
Other exchange differences	12,343	10,931
Total result on financial instruments measured at fair value through profit or loss and net foreign exchange gains	**20,908**	**93,373**

11. Result on other financial instruments

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Result on financial instruments measured at fair value through other comprehensive income, of which:	28,220	36,770
debt securities	25,520	34,291
equity securities	2,700	2,479
Total result on other financial instruments	**28,220**	**36,770**

12. Net other operating income and expense

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Other operating income:		
rental income	8,267	16,807
recovered legal and debt collection costs	6,351	18,992
revenues from sales of products and services, goods and materials	3,142	3,236
revenues from the sale of receivables	768	8,978
revenues from non-collectible receivables recovered	2,546	1,006
gain on sale of non-financial fixed assets	1,396	2,457
other income	8,490	9,415
Total other operating income	**30,960**	**60,891**
Other operating expense:		
rental costs	3,525	12,530
cost of products, goods and materials sold	2,147	1,975
debt collection and monitoring of receivables, including legal costs	40,070	52,549
recognition of provisions and impairment charges for other assets	5,534	14,767
costs related to investment products	2,994	10,406
costs of promotion and rewards for customers	27,745	29,684
net loss from fair value adjustments of investment properties	1,057	1,592
other expense	13,791	15,011
Total other operating expense	**96,863**	**138,514**
Net other operating income and expense	**(65,903)**	**(77,623)**

13. Administrative expenses

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Employee benefits, of which:	352,397	356,080
salaries	296,676	298,729
employment costs and other employee benefits	55,721	57,351
Use of materials and energy	26,259	30,400
External services, of which:	290,924	299,526
marketing and advertising	65,511	65,348
IT services	30,917	23,836
lease and rental	115,096	129,229
security and cash processing services	6,613	6,735
telecommunication and postal services	35,140	41,267
legal and advisory services	10,064	5,889
other external services	27,583	27,222
Taxes and charges [1)]	141,624	7,240
Payments to the Bank Guarantee Fund and the Polish Financial Supervision Authority [2)] of which:	241,180	68,600
prudential levy for the Bank Guarantee Fund	24,894	17,301
Amortisation and depreciation	66,581	61,112
Other expenses	9,962	9,498
Total administrative expenses	**1,128,927**	**832,456**

[1)] of which PLN 134,056 thousand is an accrual for contribution to the Borrowers Support Fund,

[2)] of which PLN 116,915 thousand is payment to the Bank Guarantee Fund due to the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie (the Co-operative Crafts and Agriculture Bank in Wołomin).

On 20 November 2015 the Act on support of borrowers in a difficult financial situation, who took a housing loan was announced. The source of the support for borrowers who meet the conditions will be Borrowers Support Dund, financed by contributions made by lenders. The Bank recognized in costs of 2015 an accrual for contribution to the Fund in the amount of PLN 134,056 thousand, which has been paid on 18 February 2016, part of the payment might be subject to refund.

14. Net impairment allowances on financial assets and off-balance sheet provisions

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Loans and advances to customers, of which:	419,190	697,146
corporate	25,718	78,167
car	(15,950)	51,931
mortgage	207,446	376,077
retail	201,976	190,971
Amounts due from banks	220	170
Available-for-sale financial assets	(1,207)	126
Off-balance sheet provisions	(1,679)	(1,873)
Total net impairment allowances on financial assets and off-balance sheet provisions	**416,524**	**695,569**

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Impairment allowances/provisions at the beginning of the period	**3,590,660**	**4,374,412**
Net change in impairment allowances/provisions recognised in the income statement	416,524	695,569
Utilisation - write-offs	(14,050)	(89,990)
Utilisation - sale of the portfolio	(1,484,283)	(1,233,172)
Net other increases/ decreases	(124,066)	(156,159)
Impairment allowances/provisions at the end of the period	**2,384,785**	**3,590,660**

15. Income tax

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.

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Income statement		
Current income tax	3,351	4,610
Current tax charge	-	1,743
Adjustments related to current tax from previous years	3,351	2,867
Deferred income tax	19,055	68,030
Related to origination and reversal of temporary differences	124,012	68,030
Tax loss from previous years	(104,957)	-
Tax charge in the income statement	**22,406**	**72,640**
Statement of comprehensive income		
Current income tax	-	-
Deferred income tax	10,450	(6,841)
Related to origination and reversal of temporary differences, of which:	10,450	(6,841)
related to available-for-sale financial assets	(424)	6,948
related to cash flow hedges	10,866	(13,815)
related to actuarial gains/ losses	8	26
Tax charge/(benefit) in the statement of comprehensive income	**10,450**	**(6,841)**
Total main components of tax charge/ (benefit)	**32,856**	**65,799**

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Profit before tax	23,525	394,987
Tax charge at 19% tax rate	4,470	75,048
Non-taxable income	(6,169)	(21,209)
Non-tax-deductible costs	24,105	18,801
Tax charge in the income statement	**22,406**	**72,640**
Effective tax rate	**95.24%**	**18.39%**

The effective tax rate was 95%. The main items affecting the effective tax rate are costs of the sale of loan receivables (in the part that does not meet the condition of Article 15 paragraph 1 point 2h of Act on Corporate Income Tax) and

Prudential fee to the Bank Guarantee Fund. Additionally the amount of dividend income from subsidiaries dropped in comparison to previous year, which is excluded from the tax base according to the Article 7 paragraph 3 point 2 of Act on Corporate Income Tax,.

	As at 01.01.2015	Changes in the period		As at 31.12.2015
		Recognised in the income statement	Recognised in other comprehensive income	
	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Deferred income relating to securities and derivatives	40,121	1,720	-	41,841
Deferred income relating to loans and deposits	68,136	2,424	-	70,560
Depreciation (fixed assets financed by investment tax relief)	586	(32)	-	554
Fees and commissions paid in advance	118,662	(37,465)	-	81,197
Surplus of tax amortisation	12,356	6,428	-	18,784
Valuation of available-for-sale financial assets	865	-	3,994	4,859
Provision for amortisation of intangible assets acquired within an organised part of a business	6,229	(369)	-	5,860
Other	441	(23)	-	418
Deferred tax liability	**247,396**	**(27,317)**	**3,994**	**224,073**
Interest on deposits, issue of own securities, derivative instruments and interest on bonds	139,334	(38,100)	-	101,234
Impairment allowances on loans	365,866	(115,429)	-	250,437
Tax loss	15,072	104,957	-	120,029
Revenue taxed in advance	32,605	(21,004)	-	11,601
Provisions for expected liabilities and costs	11,028	(1,185)	-	9,843
Valuation of available-for-sale financial assets	3,921	-	4,418	8,339
Valuation of cash flow hedge	35,860	-	(10,866)	24,994
Accrued contribution to the Borrowers Support Fund	-	25,471	-	25,471
Other	5,104	(1,082)	(8)	4,014
Deferred tax asset	**608,790**	**(46,372)**	**(6,456)**	**555,962**
Net deferred tax assets	**361,394**	**(19,055)**	**10,450**	**331,889**

	As at 01.01.2014	Changes in the period		As at 31.12.2014
		Recognised in the income statement	Recognised in other comprehensive income	
	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Deferred income relating to securities and derivatives	35,100	5,021	-	40,121
Deferred income relating to loans and deposits	63,028	5,108	-	68,136
Depreciation (fixed assets financed by investment tax relief)	619	(33)	-	586
Fees and commissions paid in advance	210,327	(91,665)	-	118,662
Surplus of tax amortisation	7,413	4,943	-	12,356
Valuation of available-for-sale financial assets	232	-	633	865
Provision for amortisation of intangible assets acquired within an organised part of a business	6,901	(672)	-	6,229
Other	633	(192)	-	441
Deferred tax liability	**324,253**	**(77,490)**	**633**	**247,396**
Interest on deposits, issue of own securities, derivative instruments and interest on bonds	151,527	(12,193)	-	139,334
Impairment allowances on loans	428,806	(62,940)	-	365,866
Tax loss from previous years	15,072	-	-	15,072
Revenue taxed in advance	104,850	(72,245)	-	32,605
Provisions for expected liabilities and costs	8,150	2,878	-	11,028
Valuation of available-for-sale financial assets	10,236	-	(6,315)	3,921
Valuation of cash flow hedge	22,045	-	13,815	35,860
Other	6,150	(1,020)	(26)	5,104
Deferred tax asset	**746,836**	**(145,520)**	**7,474**	**608,790**
Net deferred tax assets	**422,583**	**(68,030)**	**6,841**	**361,394**

The Bank recognised a deferred tax asset for the period of 12-months 2015 in the amount of PLN 106,756 thousand due to the tax loss. Settlement of which is expected in accordance with the provisions of Act on Corporate Income Tax.

The Bank recognised a deferred tax asset in the amount of PLN 25,741 thousand in connection with the accrued contribution (payable in 2016) to the Borrowers Support Fund created on 9 October 2015 by the Act on Support of Borrowers in a Difficult Financial Situation, Who Took a Housing Loan.

Tax settlements 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 be increased by additional tax liability. In the opinion of the Bank, as at 31 December 2015 appropriate provisions for recognised and quantifiable tax risk were created.

16. Cash, balances with the Central Bank

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Cash	170,238	173,762
Current account in the Central Bank	2,554,211	2,666,792
Other	11	11
Total cash, balances with the Central Bank	**2,724,460**	**2,840,565**

During the day, the Bank may use funds on the current account in the Central Bank to carry out current money settlements, however, it must ensure the average monthly balance 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 reference rate of NBP. As at 31 December 2015 the interest rate was 1.35% (as at 31 December 2014 the interest rate was 1.8%).

17. Amounts due from banks and financial institutions

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Current accounts	1,964,147	1,357,027
Deposits	45,214	54,463
Purchased receivables	206	229
Total amounts due from banks and financial institutions	**2,009,567**	**1,411,719**
Impairment allowances	(1,101)	(880)
Total amounts due from banks and financial institutions, net	**2,008,466**	**1,410,839**

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Receivables with variable interest rate	1,963,130	1,377,679
Receivables with fixed interest rate	45,336	33,160
Total amounts due from banks and financial institutions, net	**2,008,466**	**1,410,839**

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Current accounts and overnight deposits	1,964,146	1,357,027
Amounts due with term of maturity:	45,421	54,692
up to 1 month	45,225	33,003
from 1 to 3 months	16	1,237
from 3 months to 1 year	65	384
from 1 year do 5 years	115	20,068
Total amounts due from banks and financial institutions	**2,009,567**	**1,411,719**
Impairment allowances	(1,101)	(880)
Total amounts due from banks and financial institutions, net	**2,008,466**	**1,410,839**

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

18. Financial assets measured at fair value through profit or loss

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Shares in other entities, of which:	166,817	170,371
unquoted	166,817	170,371
Total financial assets measured at fair value through profit or loss	**166,817**	**170,371**

Financial assets measured at fair value through profit or loss comprise only financial assets classified to this category upon initial recognition.

Shares in other not listed entities include a package of 858,334 registered shares of Towarzystwo Ubezpieczeń Europa S.A. (Insurance Company Europa, TU Europa), with a total nominal value of PLN 3,433 thousand, representing 9.08% of the share capital and entitling to 9.08% of the votes at the General Meeting of Shareholders

The fair value of the TU Europa shares on 31 December 2015 was based on the valuation prepared by an independent contractor specializing in this type of service. The valuation used a combination of three methods:

- index method based on the Price/Earnings ratio in a number of retrospective and prospective comparisons,
- index method based on the Price/Book Value ratio, where the ratio was set for the peer group as at 31 December 2015,
- income method which assumes projecting future financial results of the entity and its ability to pay dividends, assuming the maintenance of an appropriate level of solvency margin.

19. Derivative financial instruments

The nominal value of underlying instruments and fair value of derivative financial instruments according to original maturity is presented in the table below:

31.12.2015	up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from1 year to 5 years	over 5 years	Total	Fair value	
							Assets	Liabilities
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Currency transactions								
Currency swap	**11,119,623**	**1,581,690**	**-**	**-**	**-**	**12,701,313**	**8,678**	**47,575**
Purchase	5,543,050	785,770	-	-	-	6,328,820		
Sale	5,576,573	795,920	-	-	-	6,372,493		
CIRS	**1,906,012**	**1,443,729**	**7,574,443**	**15,711,470**	**781,670**	**27,417,324**	**75,581**	**1,454,238**
Purchase	959,870	664,835	3,686,886	7,343,837	390,835	13,046,263		
Sale	946,142	778,894	3,887,557	8,367,633	390,835	14,371,061		
Forward	**100,949**	**25,386**	**52,832**	**-**	**-**	**179,167**	**3,104**	**1,420**
Purchase	50,581	12,764	27,677	-	-	91,022		
Sale	50,368	12,622	25,155	-	-	88,145		
Interest rate transactions								
Interest rate swap (IRS)	**-**	**-**	**67,130**	**140,924**	**422,734**	**630,788**	**19,385**	**3,171**
Purchase	-	-	33,565	70,462	211,367	315,394		
Sale	-	-	33,565	70,462	211,367	315,394		
Options	**-**	**-**	**-**	**1,628,357**	**-**	**1,628,357**	**12,490**	**12,875**
Purchase	-	-	-	814,070	-	814,070		
Sale	-	-	-	814,287	-	814,287		
Other transactions								
Other - share option	**-**	**-**	**-**	**-**	**165,658**	**165,658**	**39,836**	**-**
Purchase	-	-	-	-	165,658	165,658		
Total derivatives	**13,126,584**	**3,050,805**	**7,694,405**	**17,480,751**	**1,370,062**	**42,722,607**	**159,074**	**1,519,279**

31.12.2014	up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from1 year to 5 years	over 5 years	Total	Fair value	
							Assets	Liabilities
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Currency transactions								
Currency swap	**13,976,496**	**44,897**	**391,816**	**110,494**	**-**	**14,523,703**	**74,622**	**46,670**
Purchase	7,000,441	21,928	198,353	55,426	-	**7,276,148**		
Sale	6,976,055	22,969	193,463	55,068	-	**7,247,555**		
CIRS	**-**	**314,135**	**9,447,883**	**16,260,095**	**13,009,236**	**39,031,349**	**87,303**	**675,519**
Purchase	-	136,900	4,626,658	8,009,159	6,504,618	**19,277,335**		
Sale	-	177,235	4,821,225	8,250,936	6,504,618	**19,754,014**		
Forward	**166,800**	**94,566**	**111,537**	**-**	**-**	**372,903**	**20,882**	**11,494**
Purchase	83,076	46,049	61,914	-	-	**191,039**		
Sale	83,724	48,517	49,623	-	-	**181,864**		
Interest rate transactions								
Interest rate swap (IRS)	**-**	**-**	**57,384**	**98,544**	**298,922**	**454,850**	**21,811**	**2,800**
Purchase	-	-	28,692	49,272	149,461	**227,425**		
Sale	-	-	28,692	49,272	149,461	**227,425**		
Options	**-**	**-**	**-**	**677,184**	**841,944**	**1,519,128**	**5,815**	**5,857**
Purchase	-	-	-	338,486	420,972	**759,458**		
Sale	-	-	-	338,698	420,972	**759,670**		
Other transactions								
Other - share option	**-**	**-**	**-**	**-**	**165,658**	**165,658**	**31,580**	**-**
Purchase	-	-	-	-	165,658	**165,658**		
Total derivatives	**14,143,296**	**453,598**	**10,008,620**	**17,146,317**	**14,315,760**	**56,067,591**	**242,013**	**742,340**

20. Loans and advances to customers

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Loans and advances	47,201,299	48,445,230
Purchased receivables	5,600,442	4,150,042
Payment cards and credit cards receivables	86,849	152,358
Total loans and advances to customers	**52,888,590**	**52,747,630**
Impairment allowances	(2,369,423)	(3,572,631)
Total loans and advances to customers, net	**50,519,167**	**49,174,999**

31.12.2015	Gross value of unimpaired loans	Gross value of impaired loans	Allowances for unimpaired loans	Allowances for impaired loans	Total net
corporate loans	10,932,080	801,094	(15,533)	(230,512)	11,487,129
car loans	2,366,684	357,589	(9,268)	(176,002)	2,539,003
mortgage loans	29,021,254	4,473,842	(46,253)	(1,305,726)	32,143,117
retail loans	3,758,273	1,177,774	(41,347)	(544,782)	4,349,918
Total	**46,078,291**	**6,810,299**	**(112,401)**	**(2,257,022)**	**50,519,167**

31.12.2014	Gross value of unimpaired loans	Gross value of impaired loans	Allowances for unimpaired loans	Allowances for impaired loans	Total net
corporate loans	8,815,772	649,778	(34,964)	(295,995)	9,134,591
car loans	2,738,415	648,605	(26,553)	(480,170)	2,880,297
mortgage loans	30,805,016	4,179,642	(134,143)	(1,695,488)	33,155,027
retail loans	3,627,218	1,283,184	(62,105)	(843,213)	4,005,084
Total	**45,986,421**	**6,761,209**	**(257,765)**	**(3,314,866)**	**49,174,999**

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Loans and advances to customers with due date:		
up to 1 month	4,274,296	5,557,198
from 1 month to 3 months	1,035,572	1,017,683
from 3 months to 1 year	4,892,746	3,932,963
from 1 year to 5 years	13,872,001	13,172,460
over 5 years	28,813,975	29,067,326
Total loans and advances to customers	**52,888,590**	**52,747,630**
Impairment allowances	(2,369,423)	(3,572,631)
Total loans and advances to customers, net	**50,519,167**	**49,174,999**

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Loans and advances to customers, of which:		
local government units	1,112,980	865,033
financial institutions other than banks	1,785,928	1,112,624
non-financial institutions other than natural persons	11,006,669	10,209,323
natural persons	36,613,590	36,988,019
Total loans and advances to customers, net	**50,519,167**	**49,174,999**

	31.12.2015 PLN million	31.12.2014 PLN million
The value of loans and advances with fixed interest rate	695	828
% of the total loans and advances portfolio	1.38%	1.68%

In 2015 Getin Noble Bank S.A. pursuing post-audit recommendations of the PFSA resulting from, inter alia, asset quality review (AQR) conducted last year, has modified impairment procedures and significantly expanded the list of indicators for the qualification of loan agreements as impaired.

Currently, within the defined indicators of impairment, the Bank recognises a condition associated with delays in repayment of more than three months, the so-called hard indicators (e.g. swindling of a loan/ credit, termination of the credit agreement, significant financial difficulties of a borrower that lower the counterparty risk categories, customer's death) and the so-called soft indicators (e.g. obtaining an information about financial problems of a borrower, job loss, income reduction, not paying debts to other institutions, unknown place of resident or non-disclosure of client assets, loan is disputed by the debtor in court, exposure is in quarantine, another exposure of the same client infecting with impairment within the defined product groups, significant deterioration in results of the assessment scoring, loss of flows as a result of the debt restructuring).

As a result of the changes more loans are classified as impaired, however the irregular exposures measured quantitatively (delay in repayment over 3 months) have not increased.

The Bank introduced modifications to the impairment procedures by increasing the sensitivity of the LGD model used in for the portfolio of mortgage loans to the relation between collateral and the size of the debt. The modification based on the link for the loan portfolio between the level of determined parameters of recoveries and indicators of healing of LTV ratio (Loan to Value) from the moment of exposure default and then the reference of the change to the level of impairment allowances recognised in accordance with IAS 39 and IAS 37.

The Bank adopted a comprehensive approach to the restructured loans by introducing a catalog of measures known as forbearance, obligation to perform impairment test for exposures classified as restructured and comprehensive approach to the recognition of impairment for restructured exposures and calculation of impairment allowances in accordance with IAS 39 and IAS 37.

Impaired loans and advances to customers as at 31 December 2015:

31.12.2015	Gross value of impaired loans			Total gross value of impaired loans
	loans with repayment delay above 3 months PLN thousand	loans with repayment delay above 3 months or with hard indicators of impairment PLN thousand	loans with soft indicators of impairment PLN thousand	PLN thousand
corporate loans	327,472	643,539	157,555	**801,094**
car loans	246,919	287,629	69,960	**357,589**
mortgage loans	2,308,642	3,318,325	1,155,517	**4,473,842**
retail loans	746,907	824,493	353,281	**1,177,774**
Total	**3,629,940**	**5,073,986**	**1,736,313**	**6,810,299**

31.12.2015	Impairment allowances			Total impairment allowances
	loans with repayment delay above 3 months	loans with repayment delay above 3 months or with hard indicators of impairment	loans with soft indicators of impairment	
	PLN thousand	PLN thousand	PLN thousand	PLN thousand
corporate loans	(206,730)	(228,022)	(2,490)	**(230,512)**
car loans	(166,132)	(170,284)	(5,718)	**(176,002)**
mortgage loans	(1,125,103)	(1,245,096)	(60,630)	**(1,305,726)**
retail loans	(508,984)	(516,416)	(28,366)	**(544,782)**
Total	**(2,006,949)**	**(2,159,818)**	**(97,204)**	**(2,257,022)**

In 2015 Getin Noble Bank S.A. sold its loan receivables, which consisted of impaired loans and receivables written off in the books of the Bank. The nominal value of the portfolio being subject to assignment agreements amounted in total to PLN 2.3 billion.

Loans in Swiss Franc

Loans denominated to or indexed in CHF account for 26% of the total loan portfolio of Getin Noble Bank S.A. More than 99.9% of the mortgage loans in CHF was granted prior to 2009. At present Getin Noble Bank S.A. does not grant the loans in Swiss Franc and the portfolio of loans denominated in or indexed to CHF decreases steadily.

In January 2016, the President's draft law on the manners of restoring equality of the parties to certain loan agreements was made public. The Polish Financial Supervision Authority presented information on the consequences of the implementation of the regulation for the stability of the financial system in Poland. In the PFSA opinion the proposed Act may not only undermine financial stability of individual banks but also lead to loss of confidence in the banking system or in extreme scenario cause the financial crisis. As of the date of these financial statements the Bank is not able to reliably estimate the likelihood of implementation of proposed solutions, as well as their potential impact on the financial statements of the Bank.

Presented below is the information about the portfolio and the quality of mortgage loans denominated in or indexed to Swiss Franc:

31.12.2015	Gross value of unimpaired loans	Gross value of impaired loans	Allowances for unimpaired loans	Allowances for impaired loans	Total net value
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
mortgage loans	11,614,974	1,767,117	(30,303)	(271,740)	**13,080,048**

31.12.2014	Gross value of unimpaired loans	Gross value of impaired loans	Allowances for unimpaired loans	Allowances for impaired loans	Total net value
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
mortgage loans	11,762,462	1,113,045	(69,186)	(208,206)	**12,598,115**

21. Financial assets

Available-for-sale financial assets

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Available-for-sale debt securities , gross	**12,172,442**	**11,133,139**
issued by central banks	3,798,693	3,299,621
issued by banks and other financial entities	87,022	88,138
issued by non- financial entities	39,379	67,553
issued by the local government units	13,781	-
issued by the State Treasury	8,233,567	7,677,827
Impairment allowances	**(5,051)**	**(5,051)**
issued by non- financial entities	(5,051)	(5,051)
Total available-for-sale debt securities net	**12,167,391**	**11,128,088**
Available-for-sale equity securities gross	**75,517**	**111,594**
issued by banks and other financial entities	66,452	101,861
issued by non- financial entities	9,065	9,733
Impairment allowances	**(6,328)**	**(7,535)**
issued by non- financial entities	(6,328)	(7,535)
Total available-for-sale equity securities net	**69,189**	**104,059**
Total available-for-sale financial assets net	**12,236,580**	**11,232,147**

Impact of acquisition of Visa Europe by Visa Inc.

As at 31 December 2015 the Bank accounted for a held share in Visa Europe Ltd. in the amount of EUR 3,508 thousand (PLN 14,949 thousand) calculated taking into account the received information on the proposed allocation of settlement of the purchase transaction of Visa Europe Limited by Visa Inc. Getin Noble Bank S.A. as one of the beneficiaries of the transaction gained rights to remuneration from this transaction. Potential remuneration for the Bank in respect of the transaction settlement will be EUR 3,508 thousand in cash and EUR 1,204 thousand in shares. This amount is not final and may be adjusted for transaction costs or the effective appeals of members of Visa Europe. The final settlement of the transaction is expected in the second quarter of 2016.

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Available-for-sale financial assets at the beginning of the period	**11,232,147**	**8,668,804**
Increases	248,340,743	274,758,098
Decreases	(247,343,845)	(272,231,590)
Impairment allowances	1,207	(126)
Fair value changes	6,328	36,961
Available-for-sale financial assets at the end of the period	**12,236,580**	**11,232,147**

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Available-for-sale financial assets by maturity :		
Up to 1 month	3,833,755	3,355,708
from 1 month to 3 months	29,795	2,831
from 3 months to 1 year	1,590,105	34,499
from 1 year to 5 years	4,089,929	6,797,972
over 5 years	2,628,858	942,129
Equity securities of uncertain maturity	75,517	111,594
Total available-for-sale financial assets gross	**12,247,959**	**11,244,733**
Impairment allowances	(11,379)	(12,586)
Total available-for-sale financial assets net	**12,236,580**	**11,232,147**

Held-to-maturity financial assets

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Held-to-maturity financial assets gross	**154,322**	**95,857**
issued by local government units	118,125	95,857
issued by non- financial entities	36,197	-
Impairment allowances on held-to-maturity financial assets	-	-
Total held-to-maturity financial assets net	**154,322**	**95,857**

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Held-to-maturity financial assets at the beginning of the period	**95,857**	**72,271**
Increases	67,403	36,000
Decreases	(10,500)	(12,500)
Impairment allowances	-	-
Accrued interest and adjustment due to the settlement at amortized cost	1,562	86
Held-to-maturity financial assets at the end of the period	**154,322**	**95,857**

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Held-to-maturity financial assets by maturity		
Up to 1 month	62	71
from 1 month to 3 months	1,250	-
from 3 months to 1 year	1,255	1,098
from 1 year to 5 years	36,710	16,920
over 5 years	115,045	77,768
Total held-to-maturity financial assets gross	**154,322**	**95,857**
Impairment allowances	-	-
Total held-to-maturity financial assets net	**154,322**	**95,857**

22. Assets pledged as security

	Carrying amount of assets pledged as security	
	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Available-for-sale financial assets:		
Treasury bonds as collateral for Guaranteed Deposit Protection Funds of the Bank Guarantee Fund	213,319	328,723
Treasury bonds as collateral for loans received	3,197,430	3,194,943
Treasury bonds as collateral for loans received by a subsidiary	413,665	414,625
Treasury bonds as collateral in a repo agreement	638,420	1,644,426
Treasury bonds as collateral for repayment of receivables	57,848	22,923
Total assets pledged as security	**4,520,682**	**5,605,640**

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, Getin Noble Bank S.A. creates 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.

As at 31 December 2015 Guaranteed Deposit Protection Fund was reduced by PLN 116,915 thousand, i.e the paymet to the Bank Guarantee Fund due to the bankruptcy of the Co-operative Crafts and Agriculture Bank in Wołomin (Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie).

23. Investments in subsidiaries, associates and joint ventures

Getin Noble Bank S.A. holds shares in the following subordinated entities.

	The percentage share / Voting rights held by the Bank	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A.	100%	63,076	63,076
Noble Concierge sp. z o. o.	100%	469	469
Noble Securities S.A.	100%	41,742	41,365
Sax Development sp. z o. o.	100%	105,005	105,005
BPI Bank Polskich Inwestycji S.A.	100%	57,084	57,084
Green Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	-	-	43,078
Property Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	100%	329,998	150,999
LAB Sp. z o. o.	100%	13	13
LAB Sp. z o.o. sp.k.	100%	13	13
Debitum Investment sp. z o. o.	-	-	12
Debitum Investment sp. z o. o. sp. k.	-	-	13
Debtor Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty	100%	363,000	-
Total investment in subsidiaries		**960,400**	**461,127**
Getin Leasing S.A.	50.72%	14,235	27,546
Total investment in joint ventures		**14,235**	**27,546**
Open Finance S.A.	42.15%	39,141	39,141
Total investment in associates		**39,141**	**39,141**
Total investment in subordinated entities		**1,013,776**	**527,814**

All subsidiaries are consolidated using the full method, joint ventures and associates are valued with the equity method in a Consolidated Financial Statement of the Getin Noble Bank S.A. Capital Group.

As at 31 December 2015 and 2014 the Bank's share in the total number of voting rights in its subordinated entities was equal to the Bank's share in share capital of the those entities, except for Noble Securities S.A. in which the Bank share in share capital was 96.74% and share in votes at General Meeting was 99.78% as at 31 December 2014.

On 30 January 2015 Getin Noble Bank S.A. and Getin Holding S.A. as a purchaser entered into agreement to sell 3,712 shares of Getin Leasing S.A., representing 49.28% of the share capital and 49.28% of the votes at the General Meeting of Shareholders. In addition, Getin Noble Bank S.A. and Getin Holding S.A. signed an agreement for the exercise of joint control over Getin Leasing S.A. establishing the principles of cooperation in the management of the company.

The table below presents the settlement of a Bank's result on sale of the shares and loss of control over Getin Leasing S.A:

	01.01.2015-31.12.2015 PLN thousand
Revenue from sale of shares	144,671
Book value of shares sold	(13,311)
Transaction costs	(173)
Profit before tax	**131,187**
Income tax	(24,925)
Net profit	**106,262**

On 11 February 2015 Getin Noble Bank S.A. signed with Noble Securities S.A. an agreement to acquire 9,208 shares of the company as part of a resolution of the Extraordinary General Meeting of Noble Securities S.A. dated 29 December 2014 on the squeeze-out of minority shareholders (in the amount of PLN 378 thousand).

On 13 February 2015 the Bank acquired 100% shares in Vinita Investments Sp. z o. o. and became a limited partner in Vinita Investments Sp. z o. o. sp. k., in which the general partner is Vinita Investments Sp. z o. o. On 31 August 2015 Getin Noble Bank S.A. – after making a contribution in kind to the company of the package of overdue receivables – transferred its rights and obligations of a limited partner in Vinita Investments Sp. z o. o. sp. k. and sold 100% shares in Vinita Investments Sp. z o. o. Following the transaction, the Bank sold a portfolio of retail, car and corporate loans, that nominal principal value was in total PLN 208 million.

In the first quarter of 2015 Getin Noble Bank S.A. – after making a contribution in kind to the company of the package of overdue receivables – sold its subsidiary Debitum Investment Sp. z o. o. sp. k. and 100% of shares in Debitum Investment Sp. z o. o. Following the transaction, the Group sold a portfolio of car and retail loans, that nominal principal value was in total PLN 441 million.

In 2015 the Bank acquired 90,077 units of Series D investment certificates and 100,908 units of Series E investment certificates of Fund Property FIZAN in total amount of PLN 178,999 thousand. The Bank is the only investor in the Fund.

At the end of September 2015 the liquidation of Green Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Non-public assets closed-end investment fund) was completed, Getin Noble Bank S.A. was sole investor of the Fund.
In December 2015 Debtor Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (non-standardized securitization closed-end fund) was found. The Bank contributed PLN 363 million and acquired 100% of investment certificates. At the same time the Bank sold portfolio of mortgage loans to the Fund.

24. Intangible assets

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Patents and licenses	124,769	81,319
Goodwill	51,307	51,307
Other intangible assets	41,337	48,123
Capital expenditure on intangible assets	46,642	39,234
Total intangible assets	**264,055**	**219,983**

As at 31 December 2015 Getin Noble Bank S.A. recognised as intangible assets relationships with deposit customers ('Core Deposit Intangible') in the amount of PLN 41,337 thousand, which were identified and measured 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. at the initial value of PLN 58,807 thousand.

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 behavior.

Relationships with customers are amortised on a straight-line basis over 104 months, i.e. the estimated period during which most of consumption of economic benefits of an intangible asset is expected. From the end of 2015, remaining amortization period for relations identified through acquisition of an organized part of business of DnB Nord Polska S.A. account for 73 months and for relations identified through acquisition of an organized part of business of DZ Bank Polska S.A. account for 76 months.

Goodwill 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, in accordance with IAS 36, regardless whether the impairment triggers exist.

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 (as of 31 December 2015 the estimated CGU net asset value was PLN 3.229 million, while the carrying amount of the CGU amounted to PLN 341 million),
- forecasted statement of financial position 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 future cash flows is calculated using the discount rate of 9.94%, which includes the risk-free rate, risk premium, low capitalization premium and specific risk premium.

As of 31 December 2015 the carrying amount of goodwill of Bank Przemysłowy S.A. amounted to PLN 51,307 thousand. As of 31 December 2015 no impairment was identified with respect to goodwill.

2015	Patents and licenses PLN thousand	Goodwill PLN thousand	Other intangible assets PLN thousand	Capital expenditures on intangible assets PLN thousand	Total PLN thousand
Gross value as at 01.01.2015	**206,666**	**51,307**	**63,366**	**39,234**	**360,573**
Increases, of which:	63,299	-	-	25,631	**88,930**
purchase	44,284	-	-	25,631	**69,915**
transfer from investment	17,942	-	-	-	**17,942**
Other increases	1,073	-	-	-	**1,073**
Decreases, of which:	(9,264)	-	(4,415)	(18,223)	**(31,902)**
liquidation and sale	(9,264)	-	(4,415)	-	**(13,679)**
transfer from investment	-	-	-	(17,942)	**(17,942)**
other decreases	-	-	-	(281)	**(281)**
Gross value as at 31.12.2015	**260,701**	**51,307**	**58,951**	**46,642**	**417,601**
Amortisation as at 01.01.2015	**108,635**	-	**13,551**	-	**122,186**
Increases, of which:	18,991	-	6,786	-	25,777
amortisation charge for the period	18,991	-	6,786	-	25,777
Decreases, of which:	(8,375)	-	(2,723)	-	(11,098)
liquidation and sale	(8,375)	-	(2,723)	-	(11,098)
Amortisation as at 31.12.2015	**119,251**	**-**	**17,614**	**-**	**136,865**
Impairment allowances as at 01.01.2015	**16,712**	**-**	**1,692**	**-**	**18,404**
Increases	858	-	-	-	858
Decreases	(889)	-	(1,692)	-	(2,581)
Impairment allowances as at 31.12.2015	**16 681**	**-**	**-**	**-**	**16,681**
Net value as at 01.01.2015	**81,319**	**51,307**	**48,123**	**39,234**	**219,983**
Net value as at 31.12.2015	**124,769**	**51,307**	**41,337**	**46,642**	**264,055**

2014	Patents and licenses PLN thousand	Goodwill PLN thousand	Other intangible assets PLN thousand	Capital expenditures on intangible assets PLN thousand	Total PLN thousand
Gross value as at 01.01.2014	**172,458**	**51,307**	**63,366**	**30,438**	**317,569**
Increases, of which:	34,208	-	-	20,612	**54,820**
purchase	23,106	-	-	20,612	**43,718**
transfer from investment	11,102	-	-	-	**11,102**
Decreases, of which:	-	-	-	(11,816)	**(11,816)**
transfer from investment	-	-	-	(11,102)	**(11,102)**
other decreases	-	-	-	(714)	**(714)**
Gross value as at 31.12.2014	**206,666**	**51,307**	**63,366**	**39,234**	**360,573**
Amortisation as at 01.01.2014	**94,512**	-	**6,765**	-	**101,277**
Increases, of which:	14,123	-	6,786	-	**20,909**
amortisation charge for the period	14,123	-	6,786	-	**20,909**
Amortisation as at 31.12.2014	**108,635**	**-**	**13,551**	**-**	**122,186**
Impairment allowances as at 01.01.2014	**16,712**	-	**1,692**	-	**18,404**
Impairment allowances as at 31.12.2014	**16,712**	**-**	**1,692**	**-**	**18,404**
Net value as at 01.01.2014	**61,234**	**51,307**	**54,909**	**30,438**	**197,888**
Net value as at 31.12.2014	**81,319**	**51,307**	**48,123**	**39,234**	**219,983**

25. Property, plant and equipment

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Land and buildings	75,592	81,133
Plant and machinery	107,312	78,396
Vehicles	1,217	1,532
Other tangible fixed assets, including equipment	16,882	19,510
Assets under construction	1,368	10,048
Total property, plant and equipment	**202,371**	**190,619**

As of 31 December 2015 net value of fixed assets used on the basis of finance lease amounted to PLN 15,114 thousand and PLN 14,503 thousand as at 31 December 2014.

In 2015 and 2014 there were no restrictions of rights concerning legal title of the Bank to fixed assets serving as collateral for liabilities.

In 2015 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 330 thousand and in 2014 to PLN 117 thousand.

2015	Land and buildings PLN thousand	Plant and machinery PLN thousand	Vehicles PLN thousand	Other tangible fixed assets PLN thousand	Assets under construction PLN thousand	Total PLN thousand
Gross value as at 01.01.2015	**213,556**	**226,603**	**12,506**	**43,455**	**11,079**	**507,199**
Increases, of which:	7,797	58,904	1,097	3,896	712	72,406
purchase	5,392	51,389	1,097	3,597	712	62,187
transfer from investment properties and non-current assets held for sale	2,044	-	-	-	-	2,044
transfer from assets under construction	361	7,515	-	299	-	8,175
Decreases, of which:	(5,143)	(42,636)	(7,780)	(9,047)	(9,392)	(73,998)
liquidation and sale	(3,660)	(42,636)	(7,780)	(9,047)	-	(63,123)
transfer to investment properties	(500)	-	-	-	-	(500)
transfer to non-current assets held for sale	(983)	-	-	-	-	(983)
transfer from assets under construction	-	-	-	-	(8,175)	(8,175)
other decreases	-	-	-	-	(1,217)	(1,217)
Gross value as at 31.12.2015	**216,210**	**242,871**	**5,823**	**38,304**	**2,399**	**505,607**
Depreciation as at 01.01.2015	**121,878**	**145,659**	**10,974**	**23,685**	**-**	**302,196**
Increases, of which:	11,866	21,389	1,217	6,331	-	40,803
depreciation charge for the period	11,866	21,389	1,217	6,331	-	40,803
Decreases, of which:	(3,529)	(33,720)	(7,585)	(8,756)	-	(53,590)
liquidation and sale	(3,507)	(33,720)	(7,585)	(8,756)	-	(53,568)
transfer to investment properties	(22)	-	-	-	-	(22)
Depreciation as at 31.12.2015	**130,215**	**133,328**	**4,606**	**21,260**	**-**	**289,409**
Impairment allowances as at 01.01.2015	**10,545**	**2,548**	**-**	**260**	**1,031**	**14,384**
Increases	-	-	-	-	-	-
Decreases	(142)	(317)	-	(98)	-	(557)
Impairment allowances as at 31.12.2015	**10,403**	**2,231**	**-**	**162**	**1,031**	**13,827**
Net value as at 01.01.2015	**81,133**	**78,396**	**1,532**	**19,510**	**10,048**	**190,619**
Net value as at 31.12.2015	**75,592**	**107,312**	**1,217**	**16,882**	**1,368**	**202,371**

2014	Land and buildings PLN thousand	Plant and machinery PLN thousand	Vehicles PLN thousand	Other tangible fixed assets PLN thousand	Assets under construction PLN thousand	Total PLN thousand
Gross value as at 01.01.2014	**206,434**	**204,061**	**37,215**	**35,550**	**20,655**	**503,915**
Increases, of which:	16,814	29,493	207	9,286	5,172	**60,972**
purchase	9,360	22,336	143	8,506	5,172	**45,517**
transfer from investment properties	482	-	-	-	-	**482**
transfer from assets under construction	6,972	7,123	-	99	-	**14,194**
other increases	-	34	64	681	-	**779**
Decreases, of which:	(9,692)	(6,951)	(24,916)	(1,381)	(14,748)	**(57,688)**
liquidation and sale	(9,692)	(6,951)	(24,916)	(1,381)	(24)	**(42,964)**
transfer from assets under construction	-	-	-	-	(14,194)	**(14,194)**
other decreases	-	-	-	-	(530)	**(530)**
Gross value as at 31.12.2014	**213,556**	**226,603**	**12,506**	**43,455**	**11,079**	**507,199**
Depreciation as at 01.01.2014	**114,223**	**133,272**	**20,981**	**20,024**	**-**	**288,500**
Increases, of which:	13,122	19,331	2,712	5,038	-	**40,203**
depreciation charge for the period	13,122	19,331	2,712	5,038	-	**40,203**
Decreases, of which:	(5,467)	(6,944)	(12,719)	(1,377)	-	**(26,507)**
liquidation and sale	(5,467)	(6,944)	(12,719)	(1,377)	-	**(26,507)**
Depreciation as at 31.12.2014	**121,878**	**145,659**	**10,974**	**23,685**	**-**	**302,196**
Impairment allowances as at 01.01.2014	**11,384**	**2,549**	**-**	**260**	**1,054**	**15,247**
Increases	-	-	-	-	-	**-**
Decreases	(839)	(1)	-	-	(23)	**(863)**
Impairment allowances as at 31.12.2014	**10,545**	**2,548**	**-**	**260**	**1,031**	**14,384**
Net value as at 01.01.2014	**80,827**	**68,240**	**16,234**	**15,266**	**19,601**	**200,168**
Net value as at 31.12.2014	**81,133**	**78,396**	**1,532**	**19,510**	**10,048**	**190,619**

26. Investment properties

Investment properties are lands without or with buildings and premises being a separate property, which the Bank purchased or acquired in exchange for a partial/total debt reduction under the loan/advance granted, and which are held to earn rentals or for capital appreciation. There are no limitations in realization of the future economic benefits from investment properties and rights to transfer the related income and profits.

The Bank applies a fair value model for investment properties under which after initial recognition investment properties are measured at fair value, and gains or losses arising from a change in the fair value are recognised in profit or loss.

The fair value of investment properties as at 31 December 2015 was measured based on the valuation carried out on that day by independent experts and Real Estate Valuation Unit in Getin Noble Bank S.A., which are skilled to make investment properties valuation, as well as experienced in such valuations made in locations were assets of the Bank are situated. The valuation of fair value of the Bank's investment properties was carried out by reference to market prices of similar properties using the average price adjustment method or pair comparison in comparative approach. In case of lack of transactions concerning similar properties, the value of a property was specified by investment method in accordance with income approach, straight capitalisation technique.

Estimating the fair value of properties, most favourable and best use approach was used (what is the valid use of these properties.

Fair value of investment properties was classified at level 3 of fair value hierarchy

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Fair value of investment properties at the beginning of the period	**378,531**	**139,692**
Increases, of which:	145,141	281,040
purchase of properties	143,885	271,591
transfer from non-current assets held for sale	756	9,449
transfer from property, plant and equipment	500	-
Decreases, of which:	(44,030)	(40,609)
sale of properties	(3,362)	(35,635)
transfer to non-current assets held for sale	(26,782)	(4,494)
transfer to property, plant and equipment	(2,044)	(480)
other decreases	(11,842)	-
Net gain/ (loss) on fair value adjustments	(1,057)	(1,592)
Fair value of investment properties at the end of the period	**478,585**	**378,531**

In 2015 and 2014 the following amounts of income and expenses related to investment properties were recognised in the income statement:

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Rental income from investment properties	4,220	2,962
Direct operating expenses related to investment properties, which generated rental income in the period	769	818
Direct operating expenses related to investment properties, which did not generate rental income in the period	4,758	1,456

27. Finance and operating lease

Finance lease liabilities

Under finance lease agreements the Bank uses cars and IT equipment. 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. Lease contracts do not envisage the right to extend the lease period. No other restrictions are envisaged by lease contracts. Contingent fees are not envisaged either.

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2015 PLN thousand	31.12.2014 PLN thousand	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Lease liabilities:	**12,560**	**11,242**	**12,385**	**11,142**
up to 1 year	1,494	8,960	1,487	8,897
from 1 year to 5 years	11,066	2,282	10,898	2,245
Future financial burden	(175)	(100)		
Present value of minimum lease payments	**12,385**	**11,142**		

As of 31 December 2015 net value of fixed assets used on the basis of finance lease amounted to PLN 15,114 thousand (PLN 14,503 thousand as at 31 December 2014).

Operating lease – Bank as a lessor

The Bank earns income from renting business premises and residential investment property held. These agreements are classified as operating lease agreements. These agreements do not provide for contingent fees incurred by the lessee, from the provisions of the lease agreements do not arise limitations.

The agreements are concluded mainly for a specified period of 2-5 years, with the renewal or purchase option.

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Payments due from the balance sheet date:		
up to 1 year	2,363	2,178
from 1 year to 5 years	3,129	3,221
Total, future minimum payments arising from irrevocable operating leases	**5,492**	**5,399**

Operating lease – Bank as a lessee

Operating lease agreements, in which the Bank is a lessee, comprise car and real estate rental used by the Bank in the ordinary course of actions. 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. Some of the agreements provide renewal or purchase options.

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Payments due from the balance sheet date:		
up to 1 year	63,571	52,668
from 1 year to 5 years	143,518	77,299
over 5 years	20,077	9,202
Total, future minimum payments arising from irrevocable operating leases	**227,166**	**139,169**

The lease payments are recognised as an expense in the income statement over the lease term on a straight-line basis. In 2015 and 2014 there were no significant contingent rent provisions nor irrevocable sublease agreements.

28. Non-current assets held for sale

Non-current assets held for sale as at 31 December 2015 and 2014 comprise of properties not used by the Bank, which expected are expected to be disposed in one year.

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Non-current assets held for sale at the beginning of the period	**4,494**	**9,449**
Increases, of which:	27,743	4,494
transfer from property, plant and equipment	961	-
transfer from investment properties	26,782	4,494
Decreases, of which:	(12,805)	(9,449)
transfer to investment properties	(756)	(9,449)
Sale/liquidation	(12,049)	-
Non-current assets held for sale at the end of the period	**19,432**	**4,494**

29. Other assets

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Receivables from sundry debtors, of which:	1,181,992	675,579
tax, subsidies and social insurance receivables	1,709	2,894
payment cards settlements	10,205	3,938
other receivables	1,170,078	668,747
Accrued expenses	33,787	31,004
Income to be received	32,240	33,088
Recourses and guarantee deposits	6,450	7,346
Other assets	515	586
Total other assets	**1,254,984**	**747,603**
Impairment allowances	(19,890)	(16,139)
Total other assets, net	**1,235,094**	**731,464**

The line „other receivables” comprises deffered payments inter alia for the sale of loan receivables portfolio (537 million of which 430 was paid in January 2016) and sale of shares (309 million).

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Impairment allowances on other assets at the beginning of the period	**16,139**	**9,350**
Increases recognised in the income statement	3,060	6,493
Decreases recognised in the income statement	(366)	(62)
Other increases	1,057	358
Impairment allowances on other assets at the end of the period	**19,890**	**16,139**

30. Amounts due to banks and financial institutions

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Current accounts	52,187	17,598
Deposits of other banks and financial institutions	71,090	157,721
Loans and advances received	2,742,154	2,736,722
Repurchase agreements (repo)	591,237	1,538,207
Other amounts due to banks	989	981
Total amounts due to banks and financial institutions	**3,457,657**	**4,451,229**

Funds received from European Investment Bank in the amount of PLN 2.3 billion as at 31 December 2015 was used for business development in the small and medium sized enterprises segment as well as on lease market. With the loan, the Bank provided corporate customers with more attractive prices of offered products.

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Amounts due with variable interest rate	3,441,491	3,313,932
Amounts due with fixed interest rate	16,166	1,137,297
Total amounts due to banks and financial institutions	**3,457,657**	**4,451,229**

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Current liabilities	107,038	101,141
Term liabilities with due date:	3,350,619	4,350,088
up to 1 month	15,041	1,013,306
from 1 month to 3 months	5,195	44,140
from 3 months to 1 year	1,226,583	128,367
from 1 year to 5 years	2,103,800	3,057,945
over 5 years	-	106,330
Total amounts due to banks and financial institutions	**3,457,657**	**4,451,229**

31. Amounts due to customers

	31.12.2015 PLN thousand	31.12.2014 resated PLN thousand
Amounts due to corporate entities	**9,195,273**	**10,485,213**
current accounts and overnight deposits	1,931,852	1,392,311
term deposits	7,263,421	9,092,902
Amounts due to budgetary entities	**3,175,828**	**2,757,360**
current accounts and overnight deposits	1,286,456	1,336,607
term deposits	1,889,372	1,420,753
Amounts due to natural persons	**43,433,424**	**39,838,912**
current accounts and overnight deposits	5,800,264	4,919,044
term deposits	37,633,160	34,919,868
Total amounts due to customers	**55,804,525**	**53,081,485**

	31.12.2015 PLN thousand	31.12.2014 restated PLN thousand
Amounts due with variable interest rate	10,037,434	8,343,963
Amounts due with fixed interest rate	45,767,091	44,709,717
Non-interest bearing	-	27,805
Total amounts due to customers	**55,804,525**	**53,081,485**

	31.12.2015 PLN thousand	31.12.2014 restated PLN thousand
Current accounts and overnight deposits	9,018,572	7,647,962
Term liabilities with due date:	46,785,953	45,433,523
up to 1 month	12,322,829	9,362,751
from 1 month to 3 months	11,692,040	13,541,633
from 3 months to 6 months	11,650,241	10,962,746
from 6 months to 1 year	6,655,140	7,809,784
from 1 year to 5 years	2,937,809	2,147,601
over 5 years	1,527,894	1,609,008
Total amounts due to customers	**55,804,525**	**53,081,485**

32. Debt securities issued

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Debt securities issued, of which:	2,800,389	3,281,121
subordinated bonds	2,097,640	2,062,158
other bonds	694,014	1,197,202
bank securities	8,735	21,761
Interest, of which:	29,431	32,783
on subordinated bonds	26,646	30,269
on other bonds	2,750	2,386
on bank securities	35	128
Total debt securities issued	**2,829,820**	**3,313,904**

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Debt securities issued with maturity date:		
up to 1 month	57,876	65,232
from 1 month to 3 months	49,845	235,492
from 3 months to 1 year	66,797	363,326
from 1 year to 5 years	2,366,420	1,805,813
over 5 years	288,882	844,041
Total debt securities issued	**2,829,820**	**3,313,904**

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Amounts due with variable interest rate	2,709,881	2,734,415
Amounts due with fixed interest rate	119,939	579,489
Total debt securities issued	**2,829,820**	**3,313,904**

In 2015 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 Bank Bonds PP5-I	2015-12-11	2022-12-12	31,733	31,733
Total subordinated bonds			**31 733**	**31 733**
Getin Noble Bank BondsGNB14019	2015-02-17	2015-09-16	300	30,000
Getin Noble Bank BondsGNB15001	2015-02-20	2015-08-20	235	23,500
Getin Noble Bank BondsGNB15002	2015-03-16	2015-09-16	200	20,000
Getin Noble Bank Bonds GNB15003	2015-03-24	2015-06-10	180	18,000
Getin Noble Bank Bonds SP-I	2015-03-23	2020-03-23	50,000	50,000
Getin Noble Bank Bonds GNB15004	2015-04-10	2015-10-09	200	20,000
Getin Noble Bank Bonds GNB15005	2015-04-30	2015-10-09	300	30,000
Getin Noble Bank Bonds GNB15006	2015-05-05	2015-08-03	200	20,000
Getin Noble Bank Bonds GNB15007	2015-05-13	2015-10-09	150	15,000
Getin Noble Bank Bonds GNB15008	2015-05-18	2015-08-18	230	23,000
Getin Noble Bank Bonds GNB15009	2015-05-18	2015-08-18	150	15,000
Getin Noble Bank Bonds GNB15010	2015-06-09	2015-10-09	600	60,000
Getin Noble Bank Bonds GNB15011	2015-07-10	2015-12-30	300	30,000
Getin Noble Bank Bonds GNB15012	2015-07-10	2016-01-11	535	53,500
Getin Noble Bank Bonds GNB15013	2015-08-19	2015-11-19	150	15,000
Getin Noble Bank Bonds GNB15014	2015-08-20	2015-12-21	400	40,000
Getin Noble Bank Bonds GNB15015	2015-10-13	2016-04-12	150	15,000
Getin Noble Bank Bonds GNB15016	2015-11-25	2016-02-25	150	15,000
Total other bonds			**54,430**	**493,000**
Total			**86,163**	**524,733**

Type of redeemed securities	Issue date	Redemption date	Number of securities	Nominal value PLN thousand
Getin Noble Bank Bonds 3/2014	2014-01-10	2015-01-09	200	20,000
Getin Noble Bank Bonds 5/2014	2014-01-16	2015-01-21	400	40,000
Getin Noble Bank Bonds GNB14007	2014-08-14	2015-02-16	450	45,000
Getin Noble Bank Bonds GNB14009	2014-08-21	2015-02-20	300	30,000
Getin Noble Bank Bonds GNB14010	2014-08-28	2015-02-27	800	80,000
Getin Noble Bank Bonds GNB14011	2014-09-05	2015-03-05	300	30,000
Getin Noble Bank Bonds GNB14012	2014-09-19	2015-03-19	300	30,000
Getin Noble Bank Bonds 12/2013	2013-04-09	2015-04-07	70	35,000
Getin Noble Bank Bonds GNB14013	2014-10-10	2015-04-10	700	70,000
Getin Noble Bank Bonds 3/2011	2011-04-19	2015-04-15	47	4,700
Getin Noble Bank Bonds GNB14014	2014-10-30	2015-04-30	300	30,000
Getin Noble Bank Bonds GNB14015	2014-11-05	2015-05-05	250	25,000
Getin Noble Bank Bonds 20/2013	2013-05-10	2015-05-11	80	8,000
Getin Noble Bank Bonds 19/2013	2013-05-10	2015-05-11	150	15,000
Getin Noble Bank Bonds GNB14016	2014-11-18	2015-05-18	400	40,000
Getin Noble Bank Bonds GNB14017	2014-11-25	2015-05-25	300	30,000
Getin Noble Bank Bonds GNB15003	2015-03-24	2015-06-10	180	18,000
Getin Noble Bank Bonds 8/2011	2011-06-20	2015-06-16	97	9,700
Getin Noble Bank Bonds 9/2011	2011-07-20	2015-07-20	498	49,800
Getin Noble Bank Bonds GNB15006	2015-05-05	2015-08-03	200	20,000
Getin Noble Bank Bonds SP-I [1)]	2015-03-23	2015-08-14	3,992	3,992
Getin Noble Bank Bonds GNB14006	2014-08-14	2015-08-14	350	35,000
Getin Noble Bank Bonds GNB15008	2015-05-18	2015-08-18	230	23,000
Getin Noble Bank Bonds GNB15009	2015-05-18	2015-08-18	150	15,000
Getin Noble Bank Bonds GNB15001	2015-02-20	2015-08-20	235	23,500
Getin Noble Bank Bonds GNB15002	2015-03-16	2015-09-16	200	20,000
Getin Noble Bank Bonds GNB14019	2015-02-17	2015-09-16	300	30,000
Getin Noble Bank Bonds SP-I [1)]	2015-03-23	2015-09-29	2,329	2,329
Getin Noble Bank Bonds GNB15004	2015-04-10	2015-10-09	200	20,000
Getin Noble Bank Bonds GNB15005	2015-04-30	2015-10-09	300	30,000
Getin Noble Bank Bonds GNB15007	2015-05-13	2015-10-09	150	15,000
Getin Noble Bank Bonds GNB15010	2015-06-09	2015-10-09	600	60,000
Getin Noble Bank Bonds SP-I [1)]	2015-03-23	2015-10-29	2,628	2,628
Getin Noble Bank Bonds GNB15013	2015-08-19	2015-11-19	150	15,000
Getin Noble Bank Bonds SP-I [1)]	2015-03-23	2015-12-02	2,829	2,829
Getin Noble Bank Bonds SP-I [1)]	2015-03-23	2015-12-18	2,852	2,852
Getin Noble Bank Bonds GNB15014	2015-08-20	2015-12-21	400	40,000
Getin Noble Bank Bonds GNB15011	2015-07-10	2015-12-30	300	30,000
Total			**24,217**	**1,001,330**

[1)] The bonds were purchased by the Bank for redemption.

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.

33. Other liabilities

	31.12.2015 PLN thousand	31.12.2014 restated PLN thousand
Interbank settlements	8,914	19,297
Sundry creditors, of which:	615,879	179,185
statutory liabilities	28,699	34,252
payment cards settlements	1,904	15,504
other	585,276	129,429
Finance lease liabilities	12,385	11,142
Accruals	38,919	43,736
Deferred income	19,693	116,336
Liabilities arising from securitization	2,313,200	-777,776
Other liabilities	28,419	32,483
Total other liabilities	**3,037,409**	**1,179,955**

The line 'Sundry creditors – other' comprise an accrual for contribution to the Borrowers Support Fund in the amount of PLN 134 thousand.

34. Provisions

	Restructuring provision PLN thousand	Provision for litigation PLN thousand	Provision for employee benefits PLN thousand	Provision for issued commitments and guarantees PLN thousand	Total PLN thousand
Provisions as at 01.01.2015	**394**	**3,827**	**14,572**	**4,562**	**23,355**
Recognition/ actualisation	-	1,000	1,430	3,279	**5,709**
Utilization	(155)	-	(856)	-	**(1,011)**
Reversal	(239)	(350)	(785)	(4,958)	**(6,332)**
Provisions as at 31.12.2015	**-**	**4,477**	**14,361**	**2,883**	**21,721**

	Restructuring provision PLN thousand	Provision for litigation PLN thousand	Provision for employee benefits PLN thousand	Provision for issued commitments and guarantees PLN thousand	Total PLN thousand
Provisions as at 01.01.2014	**-**	**4,304**	**14,388**	**6,435**	**25,127**
Recognition/ actualisation	5,017	1,552	1,565	11,448	**19,582**
Utilization	(4,623)	(2,029)	(1,381)	-	**(8,033)**
Reversal	-	-	-	(13,321)	**(13,321)**
Provisions as at 31.12.2014	**394**	**3,827**	**14,572**	**4,562**	**23,355**

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Provision for retirement and disability benefits	1,334	1,284
Provision for unused holidays	13,027	13,288
Total provision for employee benefits	**14,361**	**14,572**

Provision for retirement and disability benefits is created individually for each employee based on an actuarial valuation performed by an independent actuary. The basis for calculation of provisions is the expected amount of retirement benefit, that the Bank is obliged to pay pursuant to the remuneration policy. The accumulated provisions equal discounted future payments, considering employee rotation, and relate to the period ended on the last day of the reporting period.

Presented below are changes in a provision for future employee benefits:

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Present value of the obligation at the beginning of the period	**1,284**	**1,291**
Total expense recognised in the income statement, of which:	189	209
Current service cost	159	157
Interest cost	30	52
Total expense recognised in the other comprehensive income, of which:	(43)	(140)
Actuarial (gains)/ losses due to ex post adjustments of assumptions	8	(408)
Actuarial (gains)/ losses due to changes in demographic variables	30	13
Actuarial (gains)/ losses due to changes in financial variables	(81)	255
Benefits paid	(96)	(76)
Present value of the obligation at the end of the period	**1,334**	**1,284**
Present value of the short-term obligation	**189**	**175**
Present value of the long-term obligation	**1,145**	**1,109**

The future payments of employee benefits have been discounted with 3.1% discount rate, ie. at the level of yield of the safest long-term securities listed on the Polish capital market as at 31 December 2015 (2.7% as at 31 December 2014). Effect of increase/ decrease in the discount rate on the change in the provision for retirement and disability benefits is presented in the table below:

	31.12.2015		31.12.2014	
	+0.25 pp.	**-0.25 pp.**	**+0.25 pp.**	**-0.25 pp.**
Provision for retirement and disability benefits	1,293	1,339	1,239	1,331

Provision for unused leave is created individually for each employee based on the number of days of unused leave.

In 2015 the Bank was party in the proceedings of Office of Competition and Consumer Protection on suspicion on of practices infringing collective consumer interests in:

- quantity and timeliness of customers complaints handling
- use a negative LIBOR rate on mortgage loans
- collecting charge for HIPO PLUS account

To the best knowledge of the Bank to the date of approval of the financial statements the proceedings have not been completed.

35. 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	Nominal value of 1 share	Number of shares	Nominal value PLN thousand
Series A	bearer ordinary shares	PLN 1.00	40,000,000	40,000
Series B	bearer ordinary shares	PLN 1.00	23,000,000	23,000
Series C	bearer ordinary shares	PLN 1.00	6,000,000	6,000
Series D	bearer ordinary shares	PLN 1.00	9,510,000	9,510
Series E	bearer ordinary shares	PLN 1.00	11,000,000	11,000
Series F	bearer ordinary shares	PLN 1.00	4,000,000	4,000
Series G	bearer ordinary shares	PLN 1.00	9,550,000	9,550
Series H	bearer ordinary shares	PLN 1.00	2,142,465,631	2,142,466
Series I	bearer ordinary shares	PLN 1.00	144,617,688	144,618
Series J	bearer ordinary shares	PLN 1.00	200,000,000	200,000
Series K	bearer ordinary shares	PLN 1.00	60,000,000	60,000
Total			**2,650,143,319**	**2,650,143**

36. Other capital

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Reserve capital	2,277,449	1,955,102
Revaluation reserve, of which:	(121,574)	(166,126)
valuation of available-for-sale financial assets	(14,840)	(13,035)
cash flow hedge	(106,555)	(152,878)
actuarial gains/(losses)	(179)	(213)
Other capital reserves	40,571	40,571
Total other capital	**2,196,446**	**1,829,547**

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Revaluation reserve on available-for-sale fiancial assets at the beginning of the period	**(13,035)**	**(42,654)**
Increase/ (decrease) due to remeasurement	6,482	37,750
Accumulated (profit)/ loss transferred to income statement due to sale/ redemption	(8 287)	(8,131)
Revaluation reserve on available-for-sale fiancial assets at the end of the period	**(14,840)**	**(13,035)**

37. Dividends paid and proposed

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

On 12 May 2015 the General Shareholders Meeting of Getin Noble Bank S.A. decided to allocate the Bank’s full profit for the year 2014 to increase the reserve capital.

In accordance with the dividend policy the Management Board of the Bank does not recommend payment of a dividend from the profit of 2015.

38. Contingent liabilities

The Bank has commitments to grant loans. These commitments comprise approved but not fully utilised 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 Bank'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 statement of financial positions under "Provisions" and in the income statement.

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Financial contingent liabilities granted	**2,104,279**	**1,938,926**
to financial entities	194,821	49,085
to non-financial entities	1,856,149	1,806,799
to budgetary entities	53,309	83,042
Guarantees granted	**180,570**	**161,380**
to financial entities	15,203	5,179
to non-financial entities	158,468	110,765
to budgetary entities	6,899	45,436
Total contingent liabilities granted	**2,284,849**	**2,100,306**

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Financial	300,000	406,558
Guarantees	660,342	387,233
Total contingent liabilities received	**960,342**	**793,791**

39. 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 and 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 impaired agreements.

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

	31.12.2015		31.12.2014 restated	
	Carrying value PLN thousand	Fair value PLN thousand	Carrying value PLN thousand	Fair value PLN thousand
ASSETS:				
Cash and balances with the Central Bank	2,724,460	2,724,460	2,840,565	2,840,565
Amounts due from banks and financial institutions	2,008,466	2,008,466	1,410,839	1,410,839
Loans and advances to customers	50,519,167	48,670,396*	49,174,999	48,361,297
Held-to-maturity financial assets	154,322	152,265	95,857	92,071
LIABILITIES:				
Amounts due to banks and financial institutions	3,457,657	3,457,657	4,451,229	4,451,229
Amounts due to customers	55,804,525	56,433,831	53,081,485	53,546,291
Debt securities issued	2,829,820	2,554,769	3,313,904	3,302,438

* The methodology for fair value measurement of the portfolio of loans and advances applied by the Group involving the identified cash flows discounted with interest rates taking into account the current margins for the type of product, resulted in an increase in credit spreads had a negative impact on the valuation of the portfolio at fair value. In the Group's opinion the current margins reflect the best currently existing market conditions, but at the same time their growth causes a decrease in the fair value of the "old" loan portfolio

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 on quotations which cannot be directly observed on the market. To this category Bank classifies shares that are not quoted on Warsaw Stock Exchange, which are valued 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 2015 and 2014 are presented below:

31.12.2015	Level 1 PLN thousand	Level 2 PLN thousand	Level 3 PLN thousand	Total PLN thousand
ASSETS:				
Financial assets measured at fair value through profit or loss	-	-	166,817	**166,817**
Derivative financial instruments	-	119,238	39,836	**159,074**
Available-for-sale financial assets	8,235,150	3,798,693	202,737	**12,236,580**
LIABILITIES:				
Derivative financial instruments	-	1,519,279	-	**1,519,279**

31.12.2014	Level 1 PLN thousand	Level 2 PLN thousand	Level 3 PLN thousand	Total PLN thousand
ASSETS:				
Financial assets measured at fair value through profit or loss	-	-	170,371	**170,371**
Derivative financial instruments	-	210,433	31,580	**242,013**
Available-for-sale financial assets	7,678,969	3,299,621	253,557	**11,232,147**
LIABILITIES:				
Derivative financial instruments	-	742,340	-	**742,340**

In the year ended 31 December 2015 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.

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:

Derivatives

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.

Valuation of the put option on held shares portfolio, classified at level 3 of the fair value hierarchy, is made with the Black-Scholes model using the current market parameters and the fair value of the shares derived from the valuation of the company. The fair value of the option amounted to PLN 39,836 thousand. If share value increases by 1%, the fair value of the option will be reduced by PLN 580 thousand, if share value drops by 1%, the value of the option will increase by PLN 589 thousand.

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 Bank 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.

Shares classified as financial assets measured at fair value through profit or loss are valued based on a valuation made by an independent entity specialising in this type of service. The valuation is carried out using the income method and the indicator method based on market indicators (P/E and BV) of a group of comparable companies. Each of these methods are granted equal weight

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 1.5% to 5.25%) amounted to PLN 135,131 thousand. In case of downward shift of risk margins by 25 basis points the fair value increases by PLN 783 thousand, in case of upward shift of risk margins by 25 basis points the fair value decreases by PLN 774 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 Market Risk and Valuation Office – 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.

40. Company social benefits fund

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 as at 1 January of the year . 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, as at 31 December 2015 and 2014 net balance of settlements with the Fund amounted to PLN 0.

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Allowances for the Fund during the reporting period	3,126	5,315

41. 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 – comprise 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.

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Cash and balances with the Central Bank	2,724,460	2,840,565
Current amounts due from banks	32,786	68,395
Total cash and cash equivalents	**2,757,246**	**2,908,960**

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

2015	Balance sheet change PLN thousand	Statement of cash flows PLN thousand	Difference PLN thousand	
Change in amounts due from banks and financial institutions	(597,627)	(633,235)	35,608	1)
Change in derivative financial instruments (assets)	82,939	83,722	(783)	2)
Change in available-for-sale financial assets	(1,004,433)	(1,006,240)	1,807	3)
Change in held-to-maturity financial assets	(58,465)	(1,562)	(56,903)	4)
Change in amounts due to banks and financial institutions	(993,572)	(999,442)	5,870	5)
Change in derivative financial instruments (liability)	776,939	822,480	(45,541)	6)
Change in debt securities issued	(484,084)	(7,487)	(476,597)	7)
Change in provisions	(1,634)	(1,600)	(34)	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 is 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 loan received was excluded from 'Change in amounts due to banks and financial institutions' and presented in financial activities.
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 financing activities
8) 'Change in provisions' does not include actuarial gains/ (losses) recognised in the revaluation reserve.

42. 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 corporates 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		31.12.2015 PLN thousand	31.12.2014 PLN thousand
Assets	Mortgage loans	32,143,117	33,155,027
	Car loans	2,539,003	2,880,297
	Retail loans	4,349,918	4,005,084
	Corporate loans	11,487,129	9,134,591
	Other assets	20,998,952	18,419,306
	Total	**71,518,119**	**67,594,305**
Liabilities	Retail deposits*	46,454,740	43,115,696
	Corporate deposits*	9,659,495	10,447,673
	Other liabilities and equity	15,403,885	14,030,936
	Total	**71,518,119**	**67,594,305**

*Value of deposits without accrual interests and value adjustments,which are presented in the line 'Other'.

Selected items of the income statement		01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Interest income	Mortgage loans	1,126,239	1,431,742
	Car loans	225,076	322,183
	Retail loans	640,132	636,976
	Corporate loans	484,142	511,522
	Other amounts due from clients	14,577	8,782
	Other activities of the Bank	531,312	708,254
	Total	**3,021,478**	**3,619,459**
Interest expense	Retail deposits	(1,351,022)	(1,478,894)
	Corporate deposits	(285,105)	(373,996)
	Other activities of the Bank	(228,592)	(362,350)
	Total	**(1,864,719)**	**(2,215,240)**
Net fee and commision income	Mortgage loans	12,397	23,415
	Car loans	9,232	13,226
	Retail loans	5,800	5,845
	Corporate loans	9,613	10,499
	Other activities of the Bank	229,035	302,054
	Total	**266,077**	**355,039**
Dividend income		31,728	111,234
Result on loss of control over a subsidiary		131,187	-
Result on financial instruments measured at fair value through profit or loss and net foreign exchange gains	Mortgage loans	15,217	35,678
	Car loans	2,037	3,520
	Other activities of the Bank	3,654	54,175
	Total	**20,908**	**93,373**
Result on other financial instruments		**28,220**	**36,770**
Other operating income		**30,960**	**60,891**
Other operating expense		**(96,863)**	**(138,514)**
Administrative expenses		**(1,128,927)**	**(832,456)**
Net impairment allowances on financial assets and off-balance sheet provisions	Mortgage loans	(207,446)	(376,077)
	Car loans	15,950	(51,931)
	Retail loans	(201,976)	(190,971)
	Corporate loans	(25,718)	(78,167)
	Other activities of the Bank	2,666	1,577
	Total	**(416,524)**	**(695,569)**
Profit before tax		**23,525**	**394,987**
Income tax		(22,406)	(72,640)
Net profit		**1,119**	**322,347**

43. 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, hold current accounts in Getin Noble Bank, on which they carry out clearing operations and deposit cash on term deposits.

Within loan activities 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, is based on rules applicable during the assessment of creditworthiness of the Bank's other customers,
- the rules for funding transactions hedge are in accordance with the instruction of legal hedge 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.

	Statement of financial position						
	Loans	Purchased receivables	Financial instruments - receivables	Other receivables	Deposits - liabilities	Other liabilities	Impairment allowances
	31.12.2015 PLN thousand	31.12.2015 PLN thousand	31.12.2015 PLN thousand	31.12.2015 PLN thousand	31.12.2015 PLN thousand	31.12.2015 PLN thousand	31.12.2015 PLN thousand
Subsidiaries	1,367,405	419,875	3,086	48,241	938,413	2,253,940*	143
Associates – Entities of Open Finance S.A. Capital Group	-	-	80,903	7,722	12,047	1,637	-
Joint ventures – Getin Leasing S.A. Capital Group	54,057	5,259,214	14,986	1,283	61,600	748	83
Entities of Getin Holding S.A. Capital Group	25,025	6,016	8,783	329,118	69,360	14,374	48
Entities of LC Corp B.V. and LC Corp S.A. Group	231,250	-	-	130	238,208	1,446	361
Other related entities	3	-	-	-	2,306	2	-
Members of the Management Board and the Supervisory Board of Getin Noble Bank S.A.	324	-	-	-	6,717	-	-

*including 363 million due to the acquisition of certificates of Debtor Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty – paid in January 2016.

	Income statement					Off-balance
	Interest and commission income	Interest and commission expense	Other purchases	Other sale	Dividend income	Financial liabilities and guarantees granted
	1.01.2015-31.12.2015	1.01.2015-31.12.2015	1.01.2015-31.12.2015	1.01.2015-31.12.2015	1.01.2015-31.12.2015	31.12.2015
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Subsidiaries	125,815	72,202	13,836	3,351	17,639	165
Associates – Entities of Open Finance S.A. Capital Group	7,366	52,317	2,061	952	-	-
Joint ventures – Getin Leasing S.A. Capital Group	170,973	943	5,206	2,809	-	472
Entities of Getin Holding S.A. Capital Group	14,708	12,980	291	289,510	-	10,656
Entities of LC Corp B.V. and LC Corp S.A. Group	9,144	3,575	24,860	-	-	1,676
Other related entities	14	9	6,576	16	-	9
Members of the Management Board and the Supervisory Board of Getin Noble Bank S.A.	29	216	-	-	-	2,024

	Statement of financial position						
	Loans	Purchased receivables	Financial instruments - receivables	Other receivables	Deposits - liabilities	Other liabilities	Impairment allowances
	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Subsidiaries	617,432	3,784,944	21,873	14,434	847,449	7,195	293
Associates – Entities of Open Finance S.A. Capital Group	-	-	54,882	5,429	7,519	-	-
Entities of Getin Holding S.A. Capital Group	5,186	5,431	61,142	201,935	80,534	5,022	24
Entities of LC Corp B.V. and LC Corp S.A. Group.	197,357	-	-	130	260,090	-	507
Other related entities	9	-	-	3	2,645	-	-
Members of the Management Board and the Supervisory Board of Getin Noble Bank S.A.	1,177	-	-	-	4,757	-	3

	Income statement					Off-balance
	Interest and commission income	Financial liabilities and guarantees granted	Other purchases	Other sale	Dividend income	Udzielone zobowiązania finansowe i gwarancyjne
	1.01.2014-31.12.2014	1.01.2014-31.12.2014	1.01.2014-31.12.2014	1.01.2014-31.12.2014	1.01.2014-31.12.2014	31.12.2014
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Subsidiaries	268,693	82,113	20,443	39,928	107,783	6,692
Associates – Entities of Open Finance S.A. Capital Group	4,524	51,343	2,047	1,459	-	-
Entities of Getin Holding S.A. Capital Group	11,548	33,208	1,667	22,142	-	6,205
Entities of LC Corp B.V. and LC Corp S.A. Group.	8,928	4,013	19,368	-	-	42
Other related entities	18	23	7,070	13	-	8
Members of the Management Board and the Supervisory Board of Getin Noble Bank S.A.	30	270	-	-	-	1,568

Selected related party transactions

On 11 February 2015 Getin Noble Bank S.A. signed with Noble Securities S.A. an agreement to acquire 9,208 shares of the company in the amount of PLN 378 thousand as part of a resolution of the Extraordinary General Meeting of Noble Securities S.A. dated 29 December 2014 on the squeeze-out of minority shareholders.

On 30 January 2015 Getin Noble Bank S.A. and Getin Holding S.A. as a purchaser entered into agreement to sell 3,712 shares of Getin Leasing S.A., representing 49.28% of the share capital and 49.28% of the votes at the General Meeting of Shareholders. The parties agreed a final price as the sum of the amount of PLN 144.7 million, i.e. the total price for the shares of Getin Leasing S.A. and the amount of PLN 14.5 million for granting Getin Holding S.A. the deferred payment term until 29 January 2017. In addition, on 30 March 2015 Getin Noble Bank S.A. and Getin Holding S.A. signed an agreement for the exercise of joint control over Getin Leasing S.A. establishing the principles of cooperation in the management of the company.

Securitization of a lease receivables portfolio

On 20 November 2015 Getin Noble Bank S.A. conducted a securitization transaction of receivables resulting from the lease agreement portfolios purchased by the Bank worth PLN 1.9 billion. The transaction is a traditional securitization, i.e. there is a transfer of ownership of the securitized receivables to a special purpose entity – GNB Leasing Plan Limited, based in Dublin, which on the basis of the assets being securitized issued bonds worth PLN 1.2 billion secured by pledge on the company's assets.

As a result of the securitization the Bank obtained a medium-term financing in return for transfer the rights to future cash flow arising from securitized portfolio of lease receivables. The terms of the transaction agreement implies the right of the Bank to sell to the GNB Leasing Plan Limited receivables during the revolving period, it is within 3 years from the date of signing the securitization contract. The planned term of redemption of bonds is 20 October 2020.

In order to financing the transaction Getin Noble Bank S.A. granted the Special Purpose Entitiy a subordinated loan of the value of PLN 800 million. The loan shall be subordinate to preference and secured bonds. Payment of interest on the loan will be made in a cascading payments from the funds held by the company, and the principal repayment will take place only after the full redemption of the bonds.

The terms of agreement does not satisfy the conditions of IAS 39 for the derecognition of the securitized assets from the balance sheet of the Bank. As GNB Leasing Plan Limited is controlled by the Bank, in the consolidated financial statements of the Getin Noble Bank S.A. Group are included financial statements of the company by adding the individual items of assets, liabilities, revenues and expenses, and balances, income and expenses between the company and the Bank arising from the securitization transaction were eliminated.

Remuneration of the Management Board and the Supervisory Board of the Bank

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Management Board of Getin Noble Bank S.A.	**7,003**	**10,578**
Short-term employee benefits	6,639	6,143
Share-based payments	364	4,435
Supervisory Board of Getin Noble Bank S.A.	**1,084**	**236**
Short-term employee benefits	1,084	236
Total remuneration of the Management Board and the Supervisory Board of the Bank	**8,087**	**10,814**

Short-term employee benefits include wages, bonuses and other benefits, also provisions for employee benefits, that are expense during financial year and are to be settled within twelve months of the end of the period, as well as variable components of remuneration resulting from the 'Benefits for the management of the Bank' policy described below, which are to be paid in the following year.

Share-based payments include amounts in respect of the Management Option Scheme, rights to shares and deferred remuneration component awarded in the form of financial instrument, ie. the phantom shares, according to the principles described below.

In 2015 and 2014 no post-employment benefits nor termination benefits were paid.

Benefits for the Management of the Bank resulting from variable components of remuneration

The variable components of remuneration are accounted in a transparent manner ensuring effective realization of adopted Policy of the Variable Components of Remuneration. The amount of the variable components of remuneration is determined based on the appraisal of work efficiency of the Person at managerial position and given organizational unit is in 3-years horizon and the financial results of the Bank. The assessment of the work efficiency is made based on financial and non-financial criteria.

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.
Payment of the variable components of remuneration depends on the work efficiency of the Person at managerial position covered by the Policy during the assessment period and the risk of the Bank.
The maximum ratio of variable components of remuneration of the Person at managerial position covered by the Policy to the fixed components of remuneration cannot exceed 100% of total fixed components od remuneration in the Bank and in its subsidiaries.
The main financial criterion determining the variable components of remuneration is consolidated net profit (less share of profit of associates), and the main non-financial criterion is approval of Financial Statements of the Bank on Annual General Meeting.
The amount of bonus granted and paid reflect financial situation of the Bank and appropriate level of risk ratios and may be subject to adjustments in this respect. If realized net profit differs from 100% of the assumed, the amount of variable components of remuneration is decreased or increased proportionaly. Moreover, deffered variable components of remuneration are conditional and paid on the decision of Supervisory Board.

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

- payment up to the amount of PLN 100 thousand is paid in cash;
- 60% of the variable components of remuneration constituting the excess over the amount of 100 thousand granted for particular year (hereinafter the year referred to as "Y") is paid in cash and financial instrument (phantom shares entitling to cash payment in an amount correlated with the market price of shares of the Bank), in equal proportion of 50% in the following year (Y + 1) in accordance with principles regarding way and payment date, including 3-year appraisal period, adopted by the Bank;
- 40% of variable components of remuneration for particular year is paid in arrears in equal installments in cash and financial instruments, in equal proportion of 50% in following three years, i.e. Y+2, Y+3, Y+4, including 3-year appraisal period.

The financial instrument of the variable components of remuneration are phantom shares i.e. cash payment, the amount of which depends on the price of shares of the Bank, i.e. the average of the closing prices of the shares of the Bank at Warsaw Stock Exchange of 90 calendar days before the date of a particular tranche.

44. Remuneration of the auditor

The table below presents remuneration of Deloitte Polska Spółka z ograniczoną odopowiedzialnością Sp. k paid or due for the year ended 31 December 2015 and 2014 split into types of services in net values:

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Statutory audit of the annual financial statements	386	386
Other certifying services, including the review of the financial statements	372	935
Total remuneration of the auditor	**758**	**1,321**

45. Employment

The number of employees in the Bank as at 31 December 2015 and 2014 was as follows:

	31.12.2015	31.12.2014
Number of employees in persons	5,734	5,688
Number of employees in full-time equivalents	5,648.6	5,537.7

46. Subsequent events

Employment restructuring

In January 2016 the Bank initiated the proces of downsizing and took other measures aiming at reducing personnel costs. The level of productive employment will decrease by approximately 12%.

Bank tax

On 1 January 2016 the Act on Tax on Certain Financial Institutions come into force, which imposes the tax on assets on banks and other financial institutions. The taxable amount is the value of assets reduced by PLN 4 billion and less the value of own funds and treasury securities. The tax rate for banks is set at the level of 0.0366% of the tax base per month. The new tax will have a significant negative impact on future financial results of Getin Noble Bank S.A.

Sale of shares in Getin Leasing S.A.

On 10 February 2016 Getin Noble Bank S.A. conclude with LC Corp B.V. a contract to sell shares in Getin Leasing S.A., accounting for 50,72% of the share capital of the company. Transaction was finalized on 29 February 2016 and the Bank recognized profit in the amount of PLN 134 million in this respect. One of the positive results of this transaction is strengthen the capital position of the Bank and increase of the capital ratios TCR and CET1. Getin Noble Bank S.A. will continue to cooperate closely with entities of Getin Leasing S.A. Group.

Changes in the Bank's Articles of Association

On 10 December 2015 the Extraordinary General Meeting of Getin Noble Bank S.A. adopted a resolution on reduction of the share capital of the Bank and related changes in the Articles of Association as well as creation of capital reserve.

On 25 February 2016 the Polish Financial Supervision Authority gave its consent to the changes in the Bank's Articles of Association relating reduction of the share capital by PLN 238,513 thousand, from PLN 2,650,143 thousand to PLN 2,411,630 thousand by reducing the nominal value of shares from PLN 1,00 to PLN 0,91. The amount resulting from the reduction in share capital will be transferred to the reserve capital created for this purpose.

Strategy

The past few months the Management Board has been working on preparing New Strategy of Getin Noble Bank, announcement of which is planned with the publication of the results for 2015. New strategy envisages the continuation of Getin Up strategy adopted in 2012 through the construction of a viable and effective universal bank with sustainable and recurring sources of income. Among the main pillars of the new strategy are:

- reduction in premium on cost of deposits in relation to the market for approx. 60 bps in the perspective of three years, i.a. by increasing the number of customers transfering wages and actively using current account to 400 thousand, according to strictly defined criteria,
- transformation of service network by new segmentation of Clients, divided into three main segments: retail Getin, Noble Personal Banking for Premium Clients and Noble Private Banking for wealthiest Clients,
- implementation of new digital strategy with special emphasis on the development of mobile banking, which further development shall ensure the possibility of carrying out all banking operations on the smartphone, as well as provide the highest satisfaction with simplicity of use and the possibility to contact the Bank through the application,
- maintaining leadership in the automotive segment and continuation of cooperation with the Getin Leasing S.A. Capital Group, in respect to the purchase of receivables and intermediation in the sale of car loans,
- further development in SME and mainaing position among the leaders in financing developers.

Preparing new strategy, the Management Board, taking into account the current results of the Bank as well as the risk of periodic balance sheet loss caused by additional external burdens is also considering the need to apply to the Polish Financial Supervision Authority for approval of the "Plan of sustained improvement in profitability", which meets the requirements of the Article 142 of the Banking Law. In the opinion of the Management Board such defined transformation of Getin Noble Bank, assuming reconstruction of retail banking, maintaining leadership in the automotive segment as well as digitalization of services, increase business efficiency of the Bank permanently and thus improve its profitability.

After 31 December 2015 there were no events which were not disclosed in these financial statements which may significantly impact the future financial results of the 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, operational risk and compliance 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 Committee, Advisory Committee, the Asset and Liability Management Committee and 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 Bank, 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 Getin Noble Bank S.A. 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 of the Bank</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 of the Bank

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:

- Department of Credit Risk Management is responsible for credit risk management at every stage of credit process in the Bank.
- 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.
- 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 risk.

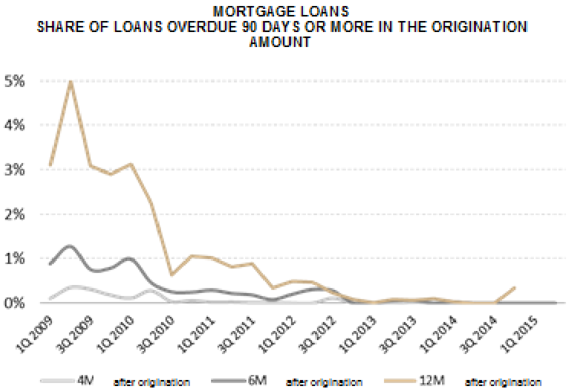
The policy towards credit risk is subject to review and adjustment taking into account, both: external regulations (PFSA resolutions) and to macroeconomic factors, which may, in the Bank's opinion, have influence on credit risk increase. In particular, since 2010 the Bank continuously monitors the credit risk of lending activities and constantly modifies processes/ credit products adapting them to changing market realities. In 2015

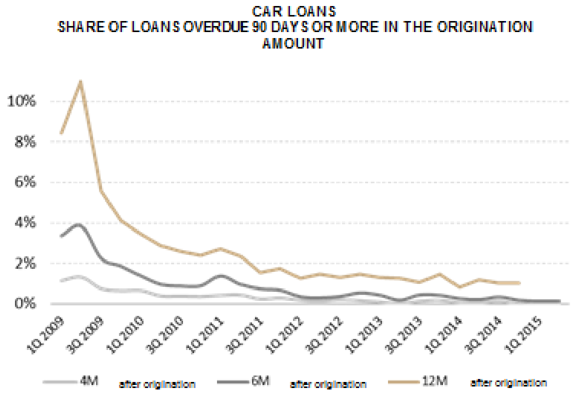
In 2015 the Bank made amendments to the Strategy and policy of credit exposures risk in terms of continuity of Recommendation S on the maximum LTV for credit exposures secured by mortgages on residential property. The Bank continues its policy of limiting sale of foreign currency loans by ensuring full compliance of currency exposure with client's currency income to the newly granted loans secured by mortgages for retail customers. In case of corporate loans for financing business activities, loans in freely convertible currencies are granted only to customers who receive income from business activities in a particular currency or hedge against the risk of exchange rate fluctuations.

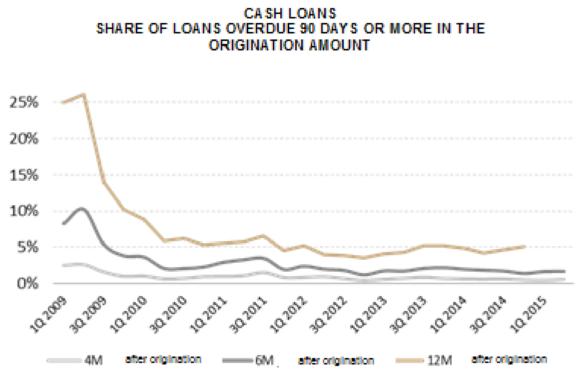
The Credit Exposures Risk Management Strategy and Policy has been adapted to the provisions of Recommendation U.

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

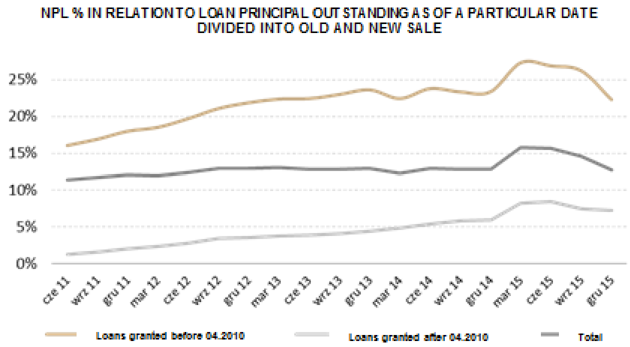
Differences in the level of repayment of major credit products in recent years are shown in the following charts – there is significantly noticeable improvement in the quality of sales in 2010 and its maintenance in subsequent years.



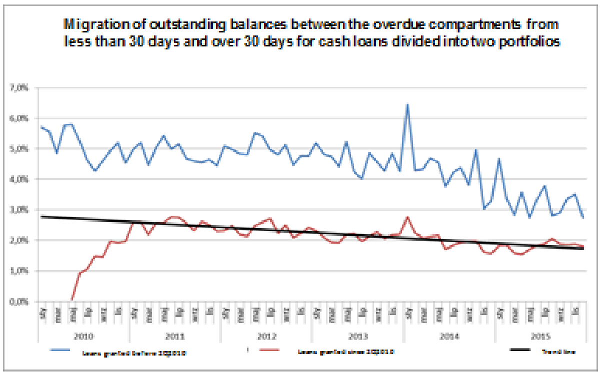


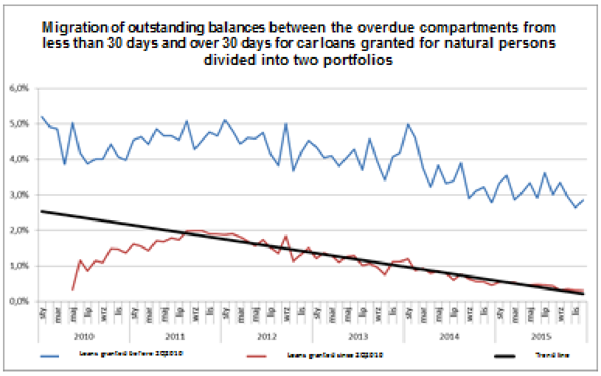


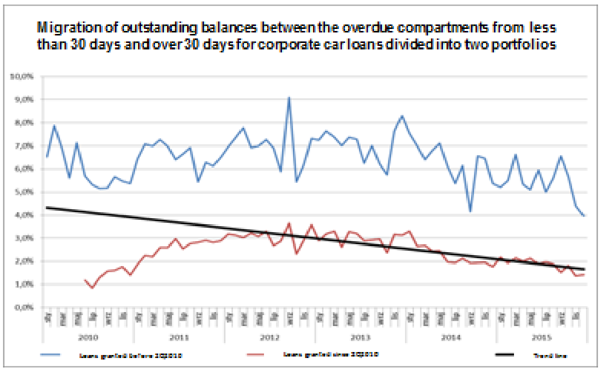
Improvement in the quality of newly generated credit portfolio is also noticeable at the level of the NPL ratio (Non-Performing Loans) – sales generated after the merger of the Banks has a much lower level of credit risk. In March 2015 the Bank introduced to the methodology of impairment allowances calculation in accordance with IAS 39 and IAS 37 the PFSA recommendations, including expanded catalogue of indications of impairment. This resulted in an increase in the volume of non-performing exposure visible on the first and second quarter of 2015. The Bank recognizes currently an impairment for exposures much earlier than is visible overdue, and some indications is given prudentially and has no direct link with the significant deterioration in repayment of the exposure.

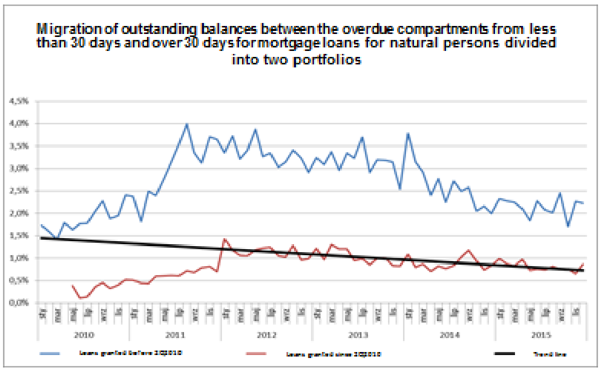


In addition, improving the quality of loans – particularly in comparison with the quality of loans granted before 2010 is clearly noticeable also in the monthly level of migration of balances overdue less than 30 days to the higher categories of delays. Results of analyzes for major Bank's products are 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, credit cards, overdraft in current account),
- 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. A separate Credit Decision Area is responsible for evaluation and acceptance of particular loan applications.

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 natural persons - based on procedures relating to the assessment of client’s creditworthiness (scoring is used for cash loans, car loans and overdraft on current account),
- for small and medium-sized enterprises – the assessment includes simplified analysis or ratio analysis.

Scoring system used by the Bank (for cash loans, car loans, credit cards and overdraft on current account) assesses creditworthiness 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 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 of 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,
- monitor the large exposures and sale limits of mortgage loans,
- verify the accuracy and adequacy of the impairment allowances 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 exposure concentration. The Bank limits the concentration of exposure to individual clients and capital groups. The Management Board of the Bank established the concentration limit at more restrictive level that the one required by the CRR Regulation, 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 2015 (except the exposure to the Government and the Central Bank) only exposure to the group of entities related to the Bank by the parent and the exposure to GNB Leasing Plan Ltd. exceeds 10% of the Bank's own funds

Risk management on currency and currency indexed loan

Getin Noble Bank S.A. 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

The Bank conducts stress tests twice a year for mortgage loans, and once a year for car loans and retail loans. These tests are conducted based on the scenario that the value of Polish zloty will depreciate by 50% compared to other currencies or the scenario of the maximum annual change of the PLN course of the last 5 years (if greater than 50%), and under the assumption that the depreciation in the exchange rate will continue for the period of 12 months.

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 1,000 base points, 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 and drop in income on credit risk in the above mentioned portfolios.

At present the Bank treats foreign currency mortgages as a niche product – the sale of such loans is limited. Mortgage loans in foreign currencies for natural persons are granted by the Bank only in the currency in which the customer receives its income.

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: insurance policy ad personal collateral (e.g. guarantee of a third party in the form of own promissory note or civil warranty).

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 (guarantee of a third party in the form of own promissory note or civil warranty) and assignment of receivables

Forbearance

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. Restructured exposures are exposures, which has been granted facilities in the form of a settlement with the debtor, who is experiencing or soon will be experiencing difficulties in meeting their financial obligations.

Restructuring of loan exposure is a renegotiation or amendment of the conditions of the loan agreement, receivables or investments held-to-maturity , resulting from the financial difficulties of the debtor or issuer.

Restructuring of loan exposure includes activities such as:

- capitalization of due receivables and determination a new installments repayment schedule,
- renewal of repayment terms of debt both as regards the principal amount and interest (grace period in terms of principal and/or interest,
- postponement (extension) of principal and interest repayment dates differently in relation to the current repayment schedule (individual repayment schedule),
- withdrawal from charging interest for a certain time of the whole or part of the debt,
- periodic accumulation of interest,
- change in the financial conditions of transaction (in particular, changing the interest rate, extending the term of the loan),
- cancellation of a part of the outstanding principal,
- redemption or cancellation of debt recovery of all or a part of an unpaid interest, due until the date of signing the agreement,
- resignation from charging and collecting of all or a part of the interest due on debt, starting from the date of signing the agreement (contract), if repayment of the debt will be within the period specified in the contract,
- change of payment order provided for in the agreement (payments first for the repayment of principal),
- providing debtor in specific cases with new banking products that will support the implementation of the restructuring program, only if there is an evidence of the validity of this,
- conversion of all or a part of debt into shares or interests in property of the debtor, acquisition of the debtor's assets in exchange for the release of all or a part of the debt,
- release / sale of collateral,
- refinancing of debt (meaning the use of debt contracts to provide total or partial repayment of other debt agreements, of which the debtor is not able to deliver on past conditions).

The Bank renegotiates contracts with debtors who find themselves in financial difficulties and are not able to meet the original terms of the loan agreement. Assessment of ability of a debtor to meet the conditions referred to in the restructuring annex (debt repayment on fixed dates) is an element of the restructuring process. The Bank providing facilities to the customer (forbearance) makes appropriate entries in the system, which allows the identification of the restructured loan portfolio. Restructured exposures are covered by the monitoring process. The debt after at least two years of quarantine period, in which at least half of the period it was regularly serviced, loses the status of restructured exposure and is known to be healed exposure / timely settled.

For the purposes of the calculation of impairment allowances in accordance with IAS 39 and IAS 37 the Bank also introduced a definition of restructured exposure as the exposure that has been restructured and that is during a probable restructuring. The exposure is considered to be restructured until a probable restructuring, which is a minimum 12 months from the date of restructuring. If the exposure is not being repaid in a timely manner, a probable restructuring period is extended. Each time through a process of restructuring the Bank performs an impairment test to assess whether there has been a loss of cash flows associated with the restructuring. If this test indicates a significant impairment loss, the exposure is treated as impaired exposure.

Each restructured exposure is tested for impairment resulting from restructuring, as well as for the occurrence of other defined indications of impairment. In case of individually significant exposures, this test is carried out as an individual assessment and in case of a loss of value recognition, an impairment allowance is calculated using a method of estimating cash flows for individually significant exposures. Exposures individually insignificant are subject to collective assessment and in case of a loss of value recognition, an impairment allowance is calculated using statistical methods. If for the individually significant or individually insignificant contract no impairment indicators have been recognised, an allowance for incurred but not reported losses (IBNR) is calculated, however, the exposures during the probable restructuring are treated as exposures with increased risk, and for these exposures higher levels of impairment are calculated than for other contracts, for which an IBNR allowance has been recognised.

The following are data for the restructured exposures recognised in the calculation of impairment allowances in accordance with IAS 39 and IAS 37:

Restructured exposures 31.12.2015	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
Loans and advances:					
assessed individually	443,874	1,457,036	(6,922)	(443,580)	**1,450,408**
assessed collectively	548,823	1,634,968	(22,131)	(567,617)	**1,594,043**
Total	**992,697**	**3,092,004**	**(29,053)**	**(1,011,197)**	**3,044,451**

Restructured exposures 31.12.2015	Gross value PLN thousand	Allowances including IBNR PLN thousand	Total net value PLN thousand
Poland	3,980,863	(1,025,650)	**2,955,213**
Great Britain	66,955	(6,795)	**60,160**
Ireland	20,096	(5,146)	**14,950**
Other countries	16,787	(2,659)	**14,128**
Total	**4,084,701**	**(1,040,250)**	**3,044,451**

Restructured exposures – by type of debtor 31.12.2015	Gross value PLN thousand	Allowances including IBNR PLN thousand	Total net value PLN thousand
Loans and advances:			
financial institutions other than banks	14,991	(7,953)	**7,038**
non-financial institutions other than natural persons	674,990	(225,243)	**449,747**
natural persons	3,387,044	(806,922)	**2,580,122**
local government units	7,676	(132)	**7,544**
Total	**4,084,701**	**(1,040,250)**	**3,044,451**

Restructured exposures – by type of loan 31.12.2015	Gross value PLN thousand	Allowances including IBNR PLN thousand	Total net value PLN thousand
corporate loans	215,854	(66,911)	**148,943**
car loans	204,033	(92,557)	**111,476**
mortgage loans	3,237,373	(707,318)	**2,530,055**
retail loans	427,441	(173,464)	**253,977**
Total	**4,084,701**	**(1,040,250)**	**3,044,451**

Restructured exposures - by overdue 31.12.2015	Gross value PLN thousand	Allowances including IBNR PLN thousand	Total net value PLN thousand
not overdue and overdue up to 30 days	1,867,340	(120,150)	**1,747,190**
overdue over 30 to 90 days	478,090	(63,954)	**414,136**
overdue over 90 days	1,739,271	(856,146)	**883,125**
Total	**4,084,701**	**(1,040,250)**	**3,044,451**

Restructured exposures	31.12.2015 PLN thousand
The value of collaterals	2,986,077

Restructured exposures - change	01.01.2015-31.12.2015 PLN thousand
At the beginnig of the period, net	**1,817,830**
Value of exposures recognized in the period	2,852,698
Value of exposures derecognized in the period	(859,359)
Repayments /other changes	(66,129)
Revaluation of impairment allowances	(700,589)
At the end of the period, net	**3,044,451**

Structure of the loan portfolio

The structure of the Bank's loan portfolio by type of loan, the geographical market segments and industry as of 31 December 2015 and 2014 are presented in the following tables. Percentage share in loan portfolio is calculated based on nominal values.

	% share in portfolio	
	31.12.2015	31.12.2014
Loans granted to natural persons, of which:	72.63	75.89
car loans	1.62	2.02
instalment loans	0.56	0.84
housing, construction and mortgage loans	61.20	64.12
other loans	9.25	8.91
Corporate loans	27.37	24.11
Total	**100.00**	**100.00**

(data in PLN thousand)

Concentration by industry	% share in portfolio	
	31.12.2015	31.12.2014
Agriculture and hunting	0.36	0.32
Mining	0.07	0.07
Manufacturing	2.05	1.77
Electricity and gas industry	0.08	0.10
Construction industry	3.20	2.87
Wholesale and retail	4.70	4.50
Transport, warehouse management and communication	3.74	3.34
Financial brokerage	3.42	2.14
Real estate management	3.20	2.96
Public administration	1.33	0.93
Other sections	5.22	5.11
Natural persons	72.63	75.89
Total	**100.00**	**100.00**

Concentration by geographical segments of the market	% share in portfolio	
	31.12.2015	31.12.2014
Administration regions of Poland:		
Dolnośląskie	10.73	10.98
Kujawsko-Pomorskie	3.92	3.92
Lubelskie	2.91	3.04
Lubuskie	2.34	2.34
Łódzkie	5.04	5.21
Małopolskie	6.56	6.52
Mazowieckie	25.35	25.60
Opolskie	1.74	1.76
Podkarpackie	2.32	2.33
Podlaskie	1.33	1.31
Pomorskie	7.72	7.73
Śląskie	10.59	10.90
Świętokrzyskie	1.36	1.37
Warmińsko-Mazurskie	3.02	3.04
Wielkopolskie	7.75	7.99
Zachodniopomorskie	4.70	4.80
Resident of a foreign country	2.62	1.16
Total	**100.00**	**100.00**

Maximum exposure to credit risk as of 31 December 2015 and 2014 without taking into account accepted collaterals and other factors improving loan quality is presented below:

Maximum exposure to credit risk	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Financial assets:		
Cash and balances with the Central Bank (except for cash)	2,554,222	2,666,803
Amounts due from banks and financial institutions	2,008,466	1,410,839
Financial assets measured at fair value through profit or loss	166,817	170,371
Derivative financial instruments	159,074	242,013
Loans and advances to customers	50,519,167	49,174,999
Financial instruments	12,390,902	11,328,004
Other assets	1,152,409	656,085
Total financial assets	**68,951,057**	**65,649,114**
Guarantee liabilities	180,570	161,380
Contingent liabilities	2,104,279	1,938,926
Total off-balance sheet liabilities	**2,284,849**	**2,100,306**
Total exposure to credit risk	**71,235,906**	**67,749,420**

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 and in the context of unfunded credit protection guarantees provided by selected institutions and Bank Gospodarstwa Krajowego; in connection with the use of instruments of unfunded protection, the Bank analyses the concentration risk to suppliers of those collaterals.

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

Impaired loans and advances assessed individually	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Corporate loans	313,341	247,116
Car loans	-	302
Mortgage loans	2,344,215	2,384,350
Retail loans	38,361	30,436
Total	**2,695,917**	**2,662,204**

Value of collateral used for calculating impairment allowance for loans individually significant as af 31 December 2015 was PLN 1.18 billion (PLN 1.21 billion as of 21 December 2014).

Value of assets possessed (real estate) in exchange for debts was PLN 141.8 million in 2015 (PLN 242.8 million in 2014).

Credit quality of financial assets as at 31 December 2015 and 2014 is presented in the table below:

Credit quality of financial assets as at31.12.2015	Current and not impaired	Overdue and not impaired			Overdue and impaired	Interest	Impairment allowances (including IBNR)	Total
		Less than 1 month	By 1 to 2 months	Over 2 months				
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Amounts due from banks and financial institutions	**2,002,959**	**177**	**-**	**-**	**-**	**6,431**	**(1,101)**	**2,008,466**
Financial assets measured at fair value through profit ans loss	**166,817**	**-**	**-**	**-**	**-**	**-**	**-**	**166,817**
Loans and advances to customers	**39,812,303**	**5,234,850**	**489,646**	**281,380**	**6,726,009**	**344,402**	**(2,369,423)**	**50,519,167**
corporate loans	8,999,504	1,671,285	171,931	61,531	797,797	31,126	(246,045)	11,487,129
car loans	2,150,885	183,644	18,340	5,954	357,261	8,189	(185,270)	2,539,003
mortgage loans	25,172,023	3,188,426	262,273	191,622	4,399,050	281,702	(1,351,979)	32,143,117
retail loans	3,489,891	191,495	37,102	22,273	1,171,901	23,385	(586,129)	4,349,918
Available-for-sale financial assets	**12,234,996**	**-**	**-**	**-**	**12,963**	**-**	**(11,379)**	**12,236,580**
issued by central banks	3,798,693	-	-	-	-	-	-	3,798,693
issued by banks and other financial institutions	153,474	-	-	-	-	-	-	153,474
issued by non-financial institutions	35,481	-	-	-	12,963	-	(11,379)	37,065
issued by the State Treasury	8,233,567	-	-	-	-	-	-	8,233,567
issued by local government units	13,781	-	-	-	-	-	-	13,781
Held-to-maturity financial assets	**154,322**	**-**	**-**	**-**	**-**	**-**	**-**	**154,322**
issued by local government units	118,125	-	-	-	-	-	-	118,125
issued by non-financial institutions	36,197	-	-	-	-	-	-	36,197
Total	54,371,397	5,235,027	489,646	281,380	6,738,972	350,833	(2,381,903)	65,085,352

Credit quality of financial assets as at 31.12.2014	Current and not impaired	Overdue and not impaired			Overdue and impaired	Interest	Impairment allowances (including IBNR)	Total
		Less than 1 month	By 1 to 2 months	Over 2 months				
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Amounts due from banks and financial institutions	**1,401,343**	**175**	**-**	**-**	**-**	**10,201**	**(880)**	**1,410,839**
Financial assets measured at fair value through profit ans loss	**170,371**	**-**				**-**	**-**	**170,371**
Loans and advances to customers	**38,666,042**	**5,536,773**	**1,007,011**	**487,668**	**6,706,952**	**343,184**	**(3,572,631)**	**49,174,999**
corporate loans	7,309,437	1,174,142	177,453	128,654	647,301	28,563	(330,959)	**9,134,591**
car loans	2,390,773	274,243	42,482	19,817	648,271	11,434	(506,723)	**2,880,297**
mortgage loans	25,654,045	3,875,580	739,436	308,846	4,132,422	274,329	(1,829,631)	**33,155,027**
retail loans	3,311,787	212,808	47,640	30,351	1,278,958	28,858	(905,318)	**4,005,084**
Available-for-sale financial assets	**11,231,005**	**-**	**-**	**-**	**13,728**	**-**	**(12,586)**	**11,232,147**
issued by central banks	3,299,621	-	-	-	-	-	-	**3,299,621**
issued by banks and other financial institutions	189,999	-	-	-	-	-	-	**189,999**
issued by non-financial institutions	63,558	-	-	-	13,728	-	(12,586)	**64,700**
issued by the State Treasury	7,677,827	-	-	-	-	-	-	**7,677,827**
Held-to-maturity financial assets	**95,857**	**-**	**-**	**-**	**-**	**-**	**-**	**95,857**
issued by local government units	95,857	-	-	-	-	-	-	95,857
Total	**51,394,247**	**5,536,948**	**1,007,011**	**487,668**	**6,720,680**	**353,385**	**(3,586,097)**	**61,913,842**

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 operational 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 the application of advanced measurement methods in the future, sensitive to operational risk, considering factors 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 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 substantive 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 responsible for operational risk management are to be distinguished and are executed at three following levels:

- basic level - units and persons dealing with operational risk management in their everyday activities;
- supervisory level - people at managerial positions, performing functional control;
- 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 Operational Risk Management Office 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 of the Bank.

The Management Board of the Bank is supported by a dedicated committee - 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 Operational Risk Management Office.

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 performing banking activities providing clients with 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.

Existing operational risk measurement and reporting system is supported by appropriate software dedicated to operational risk management.

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

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

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

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;
- 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 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 (in particular acts, regulations, resolutions) , internal regulations or adopted standards, rules or ethical standards. Strategic goal of compliance risk management is:

- creating the image of the Bank as entity acting in accordance with the law and accepted standards of conduct and in honest, fair and ethical manner;
- mitigating the risk of occurring legal and statutory sanctions or financial losses resulting from breach or misuse of the provisions of the law and accepted standards of conduct, including 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 and 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 involves the systematic observation and tracking changes of the compliance risk profile. The effectiveness of applied methods of compliance risk reduction is also being monitored. The process of compliance risk reduction includes activities to prevent the occurrence of non-compliance and violations, elimination of identified non-compliance incidents and minimize the impact of their occurrence and covers following aspects: preventive (i.e. allowing risk reduction through implementation of procedures and solutions ensuring conformity) and 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, the Management Board and the Supervisory Board of the Bank.
In the process of compliance risk management the Bank takes into account risks resulting from activities performed by entities of the Capital Group.

Main changes in the legal environment in 2015, to which the Bank was required to adapt concerned changes and amendments to the law, including Banking Law and the prudential recommendations of the Polish Financial Supervision Authority (including U and P recommendations).

4. Market risk

Market risk is defined as an uncertainty whether the interest rates, currency exchange rates or prices of securities and other financial instruments held by the Bank 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.

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. The effectiveness of risk management (including hedge) is evaluated on the basis of the level of use of the adopted limits on exposure to risk. 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 Management Board of he Bank and to the managers as a part of management information.

The capital requirement related to currency risk is calculated as 8% of total currency position in absolute terms, if total currency position exceeds 2% of the Bank's own funds. If total currency position does not exceed 2% of the own funds, the capital requirement for foreign exchange risk is zero.

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

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

Measurement of the above is carried out in the Market Risk and Liquidity Analysis System (SARRP).

Sensitivity analysis for currency risk

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

PLN thousand	31.12.2015 VAR (1D, 99.9%)	31.12.2014 VAR (1D, 99.9%)
Currency risk	303	101

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 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 another moment

In 2015 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 0.09%, while the maximum share in 2015 amounted to 0.54% of the funds. In 2014 the average share of total currency position amounted 0.09%, and the maximum share amounted to 0.42% 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 Market Risk and Valuation Office 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 31.12.2015	CURRENCY							Total
	PLN	EUR	CHF	USD	GBP	JPY	Other	
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
ASSETS								
Cash and balances with the Central Bank	2,133,091	556,720	9,242	21,952	3,455	-	-	**2,724,460**
Amounts due from banks and financial institutions	116,093	1,857,829	9,373	15,481	5,685	440	3,565	**2,008,466**
Loans and advances to customers	35,775,460	1,170,202	13,207,157	62,664	1	303,683	-	**50,519,167**
Other	16,242,960	15,277	7,485	300	4	-	-	**16,266,026**
TOTAL ASSETS	**54,267,604**	**3,600,028**	**13,233,257**	**100,397**	**9,145**	**304,123**	**3,565**	**71,518,119**
LIABILITIES								
Amounts due to banks and financial institutions	2,012,976	843,543	591,237	9,901	-	-	-	**3,457,657**
Amounts due to customers	53,008,216	1,583,211	179,845	1,004,583	26,412	204	2,054	**55,804,525**
Other	7,400,314	6,452	296	653	177	207	130	**7,408,229**
EQUITY	4,847,708	-	-	-	-	-	-	**4,847,708**
TOTAL LIABILITIES AND EQUITY	**67,269,214**	**2,433,206**	**771,378**	**1,015,137**	**26,589**	**411**	**2,184**	**71,518,119**
OFF-BALANCE SHEET ITEMS								
Assets	15,960,157	2,020,686	480,885	2,490,078	20,830	11,344	-	**20,983,980**
Liabilities	4,312,555	3,170,886	12,938,139	1,575,452	3,472	317,628	89	**22,318,221**
GAP	**(1,354,008)**	**16,622**	**4,625**	**(114)**	**(86)**	**(2,572)**	**1,292**	**(1,334,241)**

Currency exposure as at 31.12.2014 restated	CURRENCY							Total
	PLN	EUR	CHF	USD	GBP	JPY	Other	
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
ASSETS								
Cash and balances with the Central Bank	2,634,487	179,474	8,570	15,574	2,458	2	-	**2,840,565**
Amounts due from banks and financial institutions	159,835	1,121,377	31,443	89,287	4,206	1,337	3,354	**1,410,839**
Loans and advances to customers	34,371,154	1,686,266	12,762,220	65,758	2	289,599	-	**49,174,999**
Other	14,163,098	4,611	-	101	-	-	92	**14,167,902**
TOTAL ASSETS	**51,328,574**	**2,991,728**	**12,802,233**	**170,720**	**6,666**	**290,938**	**3,446**	**67,594,305**
LIABILITIES								
Amounts due to banks and financial institutions	3,087,331	820,293	532,619	10,986	-	-	-	**4,451,229**
Amounts due to customers	50,233,496	1,562,211	235,756	1,021,658	26,358	242	1,764	**53,081,485**
Other	5,238,747	9,128	8,828	1,731	166	198	756	**5,259,554**
EQUITY	4,802,037	-	-	-	-	-	-	**4,802,037**
TOTAL LIABILITIES AND EQUITY	**63,361,611**	**2,391,632**	**777,203**	**1,034,375**	**26,524**	**440**	**2,520**	**67,594,305**
OFF-BALANCE SHEET ITEMS								
Assets	18,715,096	2,368,798	4,016,463	2,904,968	19,892	-	67,909	**28,093,126**
Liabilities	7,118,859	2,968,179	16,033,375	2,042,962	-	290,595	67,449	**28,521,419**
GAP	**(436,800)**	**715**	**8,118**	**(1,649)**	**34**	**(97)**	**1,386**	**(428,293)**

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 S.A., which receives and analyses monthly reports concerning this risk on a global basis and weekly information regarding the level of risk exposure for trading portfolio.

Interest rate risk management is to minimize the risk of negative impact of changes in market interest rates on the Bank's financial standing by, i.a.:

- 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,
- entering into transactions limiting exposure to risk (derivatives, sale/ purchase of securities with a fixed coupon).

The effectiveness of risk management (including hedge) is evaluated on the basis of the level of use of the adopted limits on exposure to risk.

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 (the VaR method) and backtesting of the VaR model,
- 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.

Repricing gap calculation, the value at risk (VaR) and EaR measures is carried out in the Market Risk and Liquidity Analysis System (SARRP).

Interest rate risk sensitivity analysis

Getin Noble Bank S.A. prepares interest rate risk sensitivity analysis on a daily basis:

PLN thousand	31.12.2015		31.12.2014	
	EaR (+/- 25 pb)	VAR (1D, 99.9%)	EaR (+/- 25 pb)	VAR (1D, 99.9%)
Interest rate	19,951	12,775	22,209	18,894

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 the Bank 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 items of the Bank classified as of 31 December 2015 and 2014 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 interest rate 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 non-interest bearing assets and liabilities) are presented as non-interest bearing assets/liabilities.

Allocation of assets and liabilities and off-balance sheet items according to the criterion of interest rate risk as at 31.12.2015	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing assets/ liabilities	Total
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
ASSETS							
Cash and balances with the Central Bank	2,554,211	-	-	-	-	170,249	**2,724,460**
Amounts due from banks and financial institutions	2,008,466	-	-	-	-	-	**2,008,466**
Loans and advances to customers	27,417,110	21,471,389	1,356,996	251,601	22,071	-	**50,519,167**
Financial instruments and assets measured at fair value through profit or loss	7,706,686	115,469	1,662,516	1,109,767	1,727,274	236,007	**12,557,719**
Other	-					3,708,307	**3,708,307**
TOTAL ASSETS	**39,686,473**	**21,586,858**	**3,019,512**	**1,361,368**	**1,749,345**	**4,114,563**	**71,518,119**
LIABILITIES							
Amounts due to banks and financial institutions	229,130	3,228,527	-	-	-	-	**3,457,657**
Amounts due to customers	24,287,668	10,825,036	16,796,477	2,576,689	1,318,655	-	**55,804,525**
Debt securities issued	270,122	1,135,133	1,387,857	36,708	-	-	**2,829,820**
Other	2,293,064	-	-	-	-	2,285,345	**4,578,409**
TOTAL LIABILITIES	**27,079,984**	**15,188,696**	**18,184,334**	**2,613,397**	**1,318,655**	**2,285,345**	**66,670,411**
EQUITY	**-**	**-**	**-**	**-**	**-**	**4,847,708**	**4,847,708**
TOTAL LIABILITIES AND EQUITY	**27,079,984**	**15,188,696**	**18,184,334**	**2,613,397**	**1,318,655**	**7,133,053**	**71,518,119**
Balance sheet gap	**12,606,489**	**6,398,162**	**(15,164,822)**	**(1,252,029)**	**430,690**	**(3,018,490)**	**-**
OFF-BALANCE SHEET ITEMS							
Interest rate transactions:							
Receivables	5,443,131	6,948,839	676,661	861,334	162,486	6,891,529	**20,983,980**
Liabilities	5,988,327	7,795,734	694,234	862,895	48,881	6,928,150	**22,318,221**
Off-balance sheet gap	**(545,196)**	**(846,895)**	**(17,573)**	**(1,561)**	**113,605**	**(36,621)**	**(1,334,241)**
Total gap	**12,061,293**	**5,551,267**	**(15,182,395)**	**(1,253,590)**	**544,295**	**(3,055,111)**	**(1,334,241)**

Allocation of assets and liabilities and off-balance sheet items according to the criterion of interest rate risk as at 31.12.2014 restated	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing assets/ liabilities	Total
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
ASSETS							
Cash and balances with the Central Bank	2,666,792	-	-	-	-	173,773	**2,840,565**
Amounts due from banks and financial institutions	1,389,353	16,563	4,923	-	-	-	**1,410,839**
Loans and advances to customers	25,661,016	21,691,716	1,487,998	293,882	40,387	-	**49,174,999**
Financial instruments and assets measured at fair value through profit or loss	7,495,226	110,169	93,840	3,524,710	-	274,430	**11,498,375**
Other	-	-	-	-	-	2,669,527	**2,669,527**
TOTAL ASSETS	**37,212,387**	**21,818,448**	**1,586,761**	**3,818,592**	**40,387**	**3,117,730**	**67,594,305**
LIABILITIES							
Amounts due to banks and financial institutions	1,114,416	3,309,635	27,178	-	-	-	**4,451,229**
Amounts due to customers	18,592,539	12,851,741	17,759,689	2,552,998	1,296,713	27,805	**53,081,485**
Debt securities issued	276,998	1,336,041	1,694,728	6,137	-	-	**3,313,904**
Other	-777,776	-	-	-	-	1,167,874	**1,945,650**
TOTAL LIABILITIES	**20,761,729**	**17,497,417**	**19,481,595**	**2,559,135**	**1,296,713**	**1,195,679**	**62,792,268**
EQUITY	-	-	-	-	-	**4,802,037**	**4,802,037**
TOTAL LIABILITIES AND EQUITY	**20,761,729**	**17,497,417**	**19,481,595**	**2,559,135**	**1,296,713**	**5,997,716**	**67,594,305**
Balance sheet gap	**16,450,658**	**4,321,031**	**(17,894,834)**	**1,259,457**	**(1,256,326)**	**(2,879,986)**	**-**
OFF-BALANCE SHEET ITEMS							
Interest rate transactions:							
Receivables	5,450,129	7,416,392	1,789,353	2,424,086	166,227	10,846,939	**28,093,126**
Liabilities	5,679,437	7,723,478	1,830,855	2,484,325	69,280	10,734,044	**28,521,419**
Off-balance sheet gap	**(229,308)**	**(307,086)**	**(41,502)**	**(60,239)**	**96,947**	**112,895**	**(428,293)**
Total gap	**16,221,350**	**4,013,945**	**(17,936,336)**	**1,199,218**	**(1,159,379)**	**(2,767,091)**	**(428,293)**

5. Liquidity risk

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

The Bank complies in its activity with the supervisory recommendations, the European Union regulations, laws and regulations to them, orders of the President of the Polish National Bank and prudential regulations and recommendations of the Polish Financial Supervision Authority. The process of liquidity risk management at the Bank, for both the strategic and operational level has been adjusted in 2015 to the new P Recommendation.

The strategy of liquidity risk management is defined in the Strategy of the Bank, and the Bank's approach to risk management is defined in the Policy of liquidity risk management. Both documents were approved by the Supervisory Board.

The objective of liquidity risk management in the Bank is to ensure the settlement of commitments on a daily basis, the ability to maintain liquidity in the short, medium and long term, both in normal conditions and in case of emergency events – both at the Bank level and the market – restricting access to secured and unsecured funding sources.

Maintaining of current, short-, medium- and long-term liquidity is based on the realization by the Bank of the following objectives:

- maintaining of desired balance sheet structure,
- financing of loans granted by the Bank with own funds and stable sources,
- use of volatile liabilities as a source of financing of easily marketable assets,
- providing quick and easy access to external sources of financing.

Medium- and long-term liquidity risk management lies within the competence of the Management Board of the Bank, whereas current and short-term liquidity risk management is in 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, based on information prepared by the Market Risk and Valuation Office.

The Bank's regulations cover also aspects of the management of intraday liquidity

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

- supervisory liquidity norms,
- LCR i NSFR ratios,
- level of liquid assets,
- gap analysis, i.e. an analysis of the mismatch between the maturities of assets and liabilities, which covers all statement of financial position items and off-balance sheet items by maturity, under contractual and real-terms scenarios,
- selected balance sheet ratios,
- stability of funding sources,
- stress tests.

Calculation of supervisory liquidity norms and liquidity gap is carried out in the Market Risk and Liquidity Analysis System (SARRP).

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 and LCR ratio) are monitored on a daily basis and reported to Management Board of the Bank.

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 and PFSA'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 National Bank of Poland,
- has the ability to use the received liquidity lines
- is operationally ready to apply to the NBP for refinancing loan,
- a stable level of core deposits and equity are the main sources of financing of Bank's lending activities

The effectiveness of liquidity risk management (including its hedging) is evaluated on the basis of the level of use of the adopted limits on exposure to risk, including supervisory limits.

The Bank carries out simulations on the strength of the Bank in case of increased cash outflows (stress tests). The analyses are an important element in the process of asset and liability management. 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 Procedure there are set out, i. a. 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. In case of the Bank's liquidity-threatening situation, the Management Board of the Bank and the Assets and Liabilities Committee are informed of the occurrence of the hazard.

In 2015 the Bank complied with the requirement to maintain a LCR ratio at an adequate level.

During the reporting period the Bank kept supervisory liquidity measures on the level required by the Polish Financial Supervision Authority. Supervisory liquidity measures as at 31 December 2015 and 31 December 2014 are presented below:

	Supervisory liquidity measures	Minimum value	Value as at 31.12.2015	Value as at 31.12.2014
M1	Short-term liquidity gap (in PLN million)	0.00	5,351	4,264
M2	Short-term liquidity factor	1.00	1.53	1.40
M3	Ratio of coverage of non-liquidity assets with own funds	1.00	2.22	2.54
M4	Coverage ratio of non- liquid assets and limited liquidity assets with own funds and stable external funds	1.00	1.23	1.21

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 90%. 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 2015 the Bank continued activities aimed at obtaining long-term source of financing of lending activities. As part of these activities, the Bank acquired PLN 1.141 billion through securitization of lease receivables portfolio (with a 3-year revolving period.

The analysis of undiscounted financial liabilities by contractual maturity dates as at 31 December 2015 and 2014 is presented below:

Statement of financial position items as at 31.12.2015	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	122,442	11,959	1,252,818	2,145,438	8,458	**3,541,115**
Derivative financial instruments	57,873	154,109	205,325	1,098,823	3,149	**1,519,279**
Amounts due to customers	21,363,026	11,746,136	18,970,592	3,095,701	2,196,186	**57,371,641**
Debt securities issued	58,173	62,724	162,251	2,683,372	298,797	**3,265,317**
Total	**21,601,514**	**11,974,928**	**20,590,986**	**9,023,334**	**2,506,590**	**65,697,352**

Statement of financial position items as at 31.12.2014	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	1,114,544	51,549	158,244	3,139,100	118,654	**4,582,091**
Derivative financial instruments	38,814	47,436	230,032	387,164	38,894	**742,340**
Amounts due to customers	17,034,666	13,618,669	19,090,624	3,103,648	2,397,654	**55,245,261**
Debt securities issued	65,764	250,048	474,593	2,255,353	892,546	**3,938,304**
Total	**18,253,788**	**13,967,702**	**19,953,493**	**8,885,265**	**3,447,748**	**64,507,996**

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 fulfil 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 2015, amounts to PLN – 106,555 thousand. Cash flows relating to hedged transactions will be realized from 1 January 2016 to 24 February 2021, i.e. to maturity date of the longest CIRS transaction.

The maturity dates of CIRS hedging transactions at nominal value as at 31 December 2015 and 2014 are presented below:

	31.12.2015	
	Receivables PLN thousand	Liabilities PLN thousand
The maturity dates of CIRS hedging transactions:		
up to 1 month	370,110	390,348
over 1 month to 3 months	448,800	590,910
over 3 months to 1 year	3,294,016	3,494,687
over 1 year to 5 years	7,136,212	8,154,558
over 5 years	193,865	196,970
Total CIRS hedging transactions	**11,443,003**	**12,827,473**

	31.12.2014	
	Receivables PLN thousand	Liabilities PLN thousand
The maturity dates of CIRS hedging transactions:		
over 1 month to 3 months	136,900	177,235
over 3 months to 1 year	4,276,657	4,466,755
over 1 year to 5 years	7,640,044	7,963,276
over 5 years	3,203,721	3,278,848
Total CIRS hedging transactions	**15,257,322**	**15,886,114**

The fair value of cash flow hedging instruments as at 31 December 2015 and 2014 is presented below. As the fair value of the hedging instrument its carrying value is given.

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
CIRS - positive valuation	12,424	945
CIRS - negative valuation	(1,450,010)	(665,611)

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

	01.01.2015-31.12.2015 PLN thousand	01.01.2014-31.12.2014 PLN thousand
Accumulated comprehensive income at the beginning of the period (gross)	**(188,738)**	**(116,026)**
Gains/(losses) on hedging instrument	(1,455,532)	(429,607)
Amount transferred from other comprehensive income to income statement, of which:	1,512,721	356,895
interest income	(226,968)	(231,383)
gains/(losses) on foreign exchange	1,739,689	588,278
Accumulated comprehensive income at the end of the period (gross)	**(131,549)**	**(188,738)**
Tax effect	24,994	35,860
Accumulated comprehensive income at the end of the period (net)	**(106,555)**	**(152,878)**
Ineffective cash flow hedges recognised through profit and loss	**(17,637)**	**(17,413)**
Effect on other comprehensive income in the period (gross)	**57,189**	**(72,712)**
Deferred tax on cash flow hedge	(10,866)	13,815
Effect on other comprehensive income in the period (net)	**46,323**	**(58,897)**

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. Hedging instrument in these type of hedge is total of or a part of the cash flows arising from IRS portfolio. 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 the hedging relationship is measured on a monthly basis.

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 2015 and 31 December 2014 is presented in the following table:

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Fair value of IRS transactions constituting accounting hedges under the fair value hedge of retail customer deposits against interest rate risk	13,212	15,352

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

	01.01.2015 - 31.12.2015		01.01.2014 - 31.12.2014	
	Of the hedging instrument PLN thousand	Of the hedged item PLN thousand	Of the hedging instrument PLN thousand	Of the hedged item PLN thousand
Gains	-	1,199	13,789	-
Losses	2,140	-	-	12,847
Total	**2,140**	**1,199**	**13,789**	**12,847**

Since 1 January to 31 December 2015 the Bank recognized amortization of changes in the fair value of the hedged item in the amount of PLN 3,023 thousand.

8. Capital management

The main aim of capital management of the Bank is to hold appropriate capital level to hedge undertaken risk. Level of capital 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 complies with the applicable legal regulations and set strategic goals. Within preferred capital structure, Getin Noble Bank S.A. assumes maintaining 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 (CRR), effective from 1 January 2014.

In order to maintain an optimal level and the structure of own funds as well as to maintain the capital adequacy ratio on the level required the Bank uses available means – retention of net profit and issue of subordinated bonds.

In October 2015 the Bank's Management Board received from the Polish Financial Supervision Authority a recommendation to achieve higher capital ratios, which, taking into account the additional capital requirement of 2.03 pp. in order to cover risk arising from foreign currency mortgage loans to households (which should consist of at least 75% of the capital Tier 1 – that corresponds to 1.52 pp.) until 30 June 2016 should reach respectively T1 = 11.77%, TCR = 15.28%. The Management Board presented the KNF a detailed plan of reaching the recommended ratio levels.

The levels of capital ratios obtained at the end of 2015 are the highest levels that Getin Noble Bank had in recent years.

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, reputation risk, capital risk).

9. Capital adequacy ratio

Capital adequacy ratio as at 31 December 2015 and 2014 was calculated in accordance with the Regulation of the European Parliament and of the Council (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR).

The implementation process of the CRR Regulation to Polish law ended on 1 November 2015 – after the entry into force of amendments to the Banking Act and the new Act on macro-prudential supervision of the financial system and crisis management in the financial system.

	31.12.2015 PLN thousand	31.12.2014 PLN thousand
Tier 1 Capital	4,674,833	4,680,550
Tier 2 Capital	1,472,065	1,742,616
TOTAL OWN FUNDS	**6,146,898**	**6,423,166**
TOTAL CAPITAL REQUIREMENTS	**3,582,571**	**3,983,087**
CAPITAL RATIOS		
Tier 1 Capital ratio	10.4%	9.4%
Total capital ratio	13.7%	12.9%

On 22 October 2015 the Polish Financial Supervision Authority (KNF) announced the banks introducing the additional security buffer increasing requirements for capital ratios by 1.25 percentage points. In effect from 1 January 2016 the minimum capital ratios recommended by the Polish Financial Supervision Authority will rise to level of 10.25% for Tier 1 capital ratio and 13.25% for the total capital ratio.

Additionally, on 23 October 2015, the Management Board of the Bank received from the Polish Financial Supervision Authority a recommendation on the amount of additional capital requirement for the own funds to cover the risk arising from foreign currency mortgage loans to households. The Polish Financial Supervision Authority recommended keeping the Bank's own funds to cover additional capital requirement at the level of 2.03 pp., which should consist of at least 75% of Tier 1 capital (equivalent to 1.52 pp.).

The above-mentioned recommendation should be respected by the Bank from the date of its receipt until its cancellation – i.e. until such time as the Polish Financial Supervision Authority considers – based on the analysis and supervisory evaluation – that the risk associated with foreign exchange mortgage loans, giving rise to the imposition of additional capital requirement for the Bank, has significantly changed. The Polish Financial Supervision Authority also recommended the development and delivery of the Bank's action plan aimed at achieving required levels of capital ratios, no later than by the end of June 2016 taking into account its levels applicable from 1 January 2016.

As at 31 December 2015 and 2014, 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:

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Krzysztof Rosiński
President of the Management Board

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Artur Klimczak
Vice President of the Management Board

____
Krzysztof Basiaga
Member of the Management Board

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Marcin Dec
Member of the Management Board

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Karol Karolkiewicz
Member of the Management Board

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Radosław Stefurak
Member of the Management Board

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Maciej Szczechura
Member of the Management Board

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Grzegorz Tracz
Member of the Management Board

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

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Barbara Kruczyńska-Nurek
Chief Accountant, Director of the Bank

Warsaw, 18 March 2016