Noble Bank S.A. Capital Group

Consolidated financial statements

prepared in accordance with

the International Financial Reporting Standards

for the financial year ended December 31st 2008

(in PLN thousand)

FINANCIAL HIGHLIGHTS

	PLN '000		EUR '000	
Consolidated financial statements data	**01.01.2008 - 31.12.2008**	**01.01.2007 - 31.12.2007**	**01.01.2008 - 31.12.2008**	**01.01.2007 - 31.12.2007**
Interest income	253 013	77 956	71 632	20 641
Fee and commission income	184 209	177 116	52 153	46 896
Operating profit	183 781	158 265	52 032	41 905
Pre-tax profit	183 781	155 550	52 032	41 186
Net profit	155 896	129 456	44 137	34 277
Net profit attributable to Parent Company's shareholders	151 628	126 457	42 929	33 483
Net profit attributable to minority interests	4 268	2 999	1 208	794
Net earnings per share (PLN/EUR) attributable to Parent Company's shareholders	0.70	0.61	0.20	0.16
Diluted net earnings per share (PLN/EUR) attributable to Parent Company's shareholders	0.70	0.61	0.20	0.16
Cash flows from operating activities	452 634	(465 448)	128 149	(123 239)
Net cash flows from investing activities	(434 842)	(6 665)	(123 111)	(1 765)
Net cash flows from financing activities	35 909	499 486	10 166	132 251
Total net cash flows	53 701	27 373	15 204	7 248
Loans and advances to customers	3 825 081	1 175 899	916 758	328 280
Total assets	5 602 916	2 081 679	1 342 852	581 150
Total liabilities	4 910 366	1 545 338	1 176 868	431 418
Amounts due to other banks and financial institutions	500 632	195 391	119 987	54 548
Amounts due to customers	3 454 781	938 021	828 008	261 871
Total shareholders' equity	692 550	536 341	165 984	149 732
Shareholders' equity attributable to Parent Company's shareholders	683 618	530 477	163 843	148 095
Share capital	215 178	215 178	51 572	60 072
Own shares repurchased—par value	(147)	-	(35)	-
Number of shares	215 178 156	215 178 156	215 178 156	215 178 156
Solvency ratio	13.8%	22.1%	13.8%	22.1%

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I. CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the financial year ended December 31st 2008

	Note	01.01.2008- 31.12.2008 PLN '000	01.01.2007- 31.12.2007 PLN '000
Interest income	1	253 013	77 956
Interest expense	1	(181 014)	(35 558)
Net interest income		**71 999**	**42 398**
Fee and commission income	2	184 209	177 116
Fee and commission expense	2	(29 157)	(20 640)
Net fee and commission income		**155 052**	**156 476**
Result on financial instruments at fair value through profit or loss	3	26 643	(1 653)
Result on other financial instruments	4	(93)	1 482
Foreign exchange result	5	100 972	45 832
Other operating income	6	12 449	27 047
Other operating expenses	6	(6 663)	(4 554)
Other net operating income and expenses		**133 308**	**68 154**
Net impairment charges for loans, advances, lease receivables	8	(5 071)	17 475
General administrative costs	7	(171 507)	(126 238)
Operating profit		**183 781**	**158 265**
Loss on divestment of investments		-	(2 715)
Pre-tax profit		**183 781**	**155 550**
Income tax	10	(27 885)	(26 094)
Net profit		**155 896**	**129 456**
Net profit attributable to Parent Company's shareholders		**151 628**	**126 457**
Net profit attributable to minority shareholders		**4 268**	**2 999**
Earnings per share			
- basic from profit for period (PLN)	11	0.70	0.61
- diluted from profit for period (PLN)	11	0.70	0.61

(in PLN thousand)

II. CONSOLIDATED BALANCE SHEET
as at December 31st 2008

	Note	31.12.2008 PLN '000	31.12.2007 PLN '000
ASSETS			
Cash and balances with Central Bank	13	83 762	25 972
Amounts due from banks	14	965 217	657 070
Derivative financial instruments	15	60 843	18 003
Loans and advances to customers	16	3 825 081	1 175 899
Available for sale financial instruments	17	477 241	52 910
Intangible assets	21	103 738	102 715
Tangible fixed assets	20	24 692	16 279
Income tax assets, including:	10	18 126	4 943
Current income tax liabilities		17 396	2 291
Deferred income tax assets		730	2 652
Other assets	23	44 164	27 827
Non-current assets classified as held for sale	22	52	61
TOTAL ASSETS		**5 602 916**	**2 081 679**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Liabilities			
Amounts due to banks and financial institutions	24	500 632	195 391
Derivative financial instruments	15	472 383	1 197
Amounts due to customers, including:	25	3 454 781	938 021
amounts due at fair value through profit or loss	25	221 054	-
Debt securities in issue	26	414 150	353 911
Corporate income tax liabilities		1 160	1 750
Other liabilities	28	33 255	30 108
Deferred income tax provision	10	33 953	17 823
Provisions	27	52	7 137
TOTAL LIABILITIES		**4 910 366**	**1 545 338**
Shareholders' equity (attributable to Parent Company's shareholders)		**683 618**	**530 477**
Share capital	29	215 178	215 178
Own shares repurchased—par value		(147)	-
Retained profit (loss)		20 214	(3 298)
Net profit		151 628	126 457
Other equity	29	296 745	192 140
Minority interests		**8 932**	**5 864**
Total shareholders' equity		**692 550**	**536 341**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5 602 916**	**2 081 679**

(in PLN thousand)

III. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the financial year ended December 31st 2008

	Attributable to Parent Company's shareholders								
			Other equity						
	Share capital	Own shares repurchased—par value	Reserve funds	Revaluation reserve	Retained profit (loss)	Net profit	Total	Minority interests	Total shareholders' equity
As at January 1st 2008	**215 178**	**-**	**192 140**	**-**	**(3 298)**	**126 457**	**530 477**	**5 864**	**536 341**
Valuation of available for sale financial assets net of deferred tax	-	-	-	2 011	-	-	2 011	-	2 011
Net profit (loss) recognised directly in equity	**-**	**-**	**-**	**2 011**	**-**	**-**	**2 011**	**-**	**2 011**
Net profit	-	-	-	-	-	151 628	151 628	**4 268**	155 896
Recognised total income and expenses	**-**	**-**	**-**	**2 011**	**-**	**151 628**	**153 639**	**4 268**	**157 907**
Distribution of profit (loss) for previous reporting period	-	-	102 945	-	23 512	(126 457)	-	-	-
Dividend payout for minority shareholders	-	-	-	-	-	-	-	(1 200)	(1 200)
Repurchase of own shares	-	(147)	(351)	-	-	-	(498)	-	(498)
As at December 31st 2008	**215 178**	**(147)**	**294 734**	**2 011**	**20 214**	**151 628**	**683 618**	**8 932**	**692 550**

(in PLN thousand)

	Attributable to Parent Company's shareholders							
	Share capital	Other equity		Retained profit (loss)	Net profit	Total	Minority interests	Total shareholders' equity
		Reserve funds	Revaluation reserve					
As at January 1st 2007	**200 178**	**736**	**(278)**	**(4 760)**	**53 250**	**249 126**	**-**	**249 126**
Valuation of available for sale financial assets net of deferred tax	-	-	278	-	-	278	-	278
Net profit recognised directly in equity	**-**	**-**	**278**	**-**	**-**	**278**	**-**	**278**
Net profit for period	-	-	-	-	126 457	126 457	**2 999**	129 456
Recognised total income and expenses	**-**	**-**	**278**	**-**	**126 457**	**126 735**	**2 999**	**129 734**
Share issue	15 000	142 500	-	-	-	157 500	-	157 500
Costs of share issue		(2 884)				(2 884)		(2 884)
Distribution of profit (loss) for previous reporting period	-	51 788	-	1 462	(53 250)	-	-	-
Acquisition of minority interests	-	-	-	-	-	-	2 865	2 865
As at December 31st 2007	**215 178**	**192 140**	**-**	**(3 298)**	**126 457**	**530 477**	**5 864**	**536 341**

(in PLN thousand)

IV. CONSOLIDATED CASH FLOW STATEMENT
for the financial year ended December 31st 2008

	Note	01.01.2008- 31.12.2008 PLN '000	01.01.2007- 31.12.2007 PLN '000
Cash flows from operating activities			
Net profit		155 896	129 456
Total adjustments:		296 738	(594 904)
Depreciation and amortisation		8 584	5 357
Profit from investing activities		-	(7 128)
Interest and dividends		15 206	2 579
Change in amounts due from banks	XIV	(312 236)	(463 303)
Change in derivative financial instruments (asset)		(42 840)	(18 003)
Change in loans and advances to customers		(2 649 182)	(1 043 311)
Change in deferred income tax assets	XIV	1 922	6 842
Change in other assets and liabilities		(13 520)	(12 254)
Change in amounts due to other banks and financial institutions		305 241	115 364
Change in derivative financial instruments (liability)		471 186	1 197
Change in amounts due to customers		2 516 760	828 668
Change in debt securities in issue		2 739	3 911
Change in provisions and deferred income tax provisions		8 573	(14 282)
Income tax paid		(26 000)	(18 341)
Current tax expense (profit and loss account)		10 305	17 800
Net cash from operating activities	XIV	452 634	(465 448)
Cash flows from investing activities			
Inflows from investing activities		**16 167 355**	**1 550 285**
Sale of shares in subordinated entities		-	150
Sale of investment securities		16 162 668	1 529 225
Sale of intangible assets and tangible fixed assets		-	6 590
Sale of non-current assets classified as held for sale		-	11 770
Interest received		4 687	2 550
Outflows from investing activities		**(16 602 197)**	**(1 556 950)**
Purchase of investment securities		(16 584 677)	(1 545 062)
Purchase of intangible assets and tangible fixed assets		(17 520)	(11 888)
Net cash used in investing activities		**(434 842)**	**(6 665)**
Cash flows from financing activities			
Proceeds from share issue		-	154 615
Proceeds from debt securities in issue		57 500	350 000
Repurchase of own shares		(498)	-
Dividends paid out to minority shareholders		(1 200)	-
Interest paid		(19 893)	(5 129)
Net cash from / (used in) financing activities		**35 909**	**499 486**
Net increase (decrease) in cash and cash equivalents		53 701	27 373
Cash and cash equivalents at beginning of period		40 061	12 688
Cash and cash equivalents at end of period	**31**	**93 762**	**40 061**
with limited availability		-	-

V. GENERAL INFORMATION

The Noble Bank S.A. Capital Group ("the Group") is composed of Noble Bank S.A. ("the Bank", "Noble Bank", "the Parent Company") and its subsidiaries. The consolidated financial statements cover the financial year ended December 31st 2008 and include comparative data for the financial year ended December 31st 2007.

The Group's Parent Company is Noble Bank S.A., registered office in Warsaw, Poland, at ul. Domaniewska 39B (formerly Wschodni Bank Cukrownictwa S.A. in Lublin, ul. Okopowa 1), registered on October 31st 1990 pursuant to a decision of the District Court of Lublin, XIth Commercial and Registration Division, in the Commercial Register, Section B, under entry No. H 1954. On June 8th 2001 it was entered in the National Court Register under entry No. 0000018507.

The legal basis for the Parent Company's activities are its Articles of Association made out in the form of a notary deed of September 21st 1990 (as amended). The change of the Bank's name and its registered office was registered on June 8th 2006.

The Parent Company has been assigned the industry identification number (REGON): 004184103.

The Parent Company and companies which make up the Capital Group have been incorporated for an unlimited duration.

The composition of the Parent Company's Management Board as at December 31st 2008 was as follows:

1. Jarosław Augustyniak—President of the Bank's Management Board,
2. Maurycy Kuhn—Member of the Management Board,
3. Krzysztof Spyra—Member of the Management Board.

Henryk Pietraszkiewicz, who was the President of the Management Board of Noble Bank S.A., resigned from the Board on March 7th 2008. On March 7th 2008 the Supervisory Board of Noble Bank S.A. appointed Jarosław Augustyniak, who until then had served as the Vice-President of the Management Board of Noble Bank S.A., to the post of its President.

On January 9th 2009 the Supervisory Board appointed Bogusław Krysiński as a new member of the Parent Company's Management Board.

The composition of the Parent Company's Supervisory Board as at December 31st 2008 was as follows:

1. Krzysztof Rosiński—Chairman of the Supervisory Board,
2. Michał Kowalczewski—Member of the Supervisory Board,
3. Dariusz Niedośpiał—Member of the Supervisory Board,
4. Remigiusz Baliński—Member of the Supervisory Board,
5. Radosław Stefurak—Member of the Supervisory Board.

On March 6th 2008 the Extraordinary General Shareholders' Meeting of Noble Bank S.A. accepted Piotr Stępniak's resignation from the Supervisory Board of Noble Bank S.A., submitted on January 22nd 2008. On that date Krzysztof Rosiński was appointed to the post of Chairman of the Supervisory Board of Noble Bank S.A.

On July 31st 2008 the Extraordinary General Shareholders' Meeting decided to appoint Radosław Stefurak as a Supervisory Board Member.

On September 19th 2008 Marek Kaczałko resigned from the Supervisory Board of Noble Bank S.A.

These consolidated financial statements were authorised for issue by the Parent Company's Management Board on February 27th 2009.

The superior holding company of the entire Noble Bank S.A. Group is Getin Holding S.A. The controlling shareholder of the entire Getin Holding S.A. Capital Group is Leszek Czarnecki.

Group's business

Banking

The Group's business in this area involves banking services and business activities within the scope set forth in the Articles of Association. The Group operates throughout Poland, and offers its services mainly to private individuals, in the Polish zlotys and in foreign currencies.

In accordance with the Parent Company's Articles of Association, the Bank' business includes the performance of banking operations and business activity as set out in its Articles of Association.

In 2008 the Bank was continuing the restructuring process in the collection area, which began during the Rehabilitation Program in 2003 (completed in 2005). The Bank was also implementing a strategy to build a private banking platform, which started in 2006. Noble Bank's business model assumes distributing its own products as well as those of other financial institutions. The scope of Noble Bank's offering includes financial, investment, property and tax advisory services, performed in co-operation with third party financial advisers. The offering is addressed at demanding clients of above-average wealth. In 2008, Noble Bank S.A. expanded its offering with credit cards.

Financial intermediation

Financial intermediation business consists in providing services related to broadly understood personal finance, mainly in loan, deposit and investment intermediation, analyses of and commentaries on the financial market.

Management of assets and investment funds

This business involves investing cash acquired through offering participation units to the public, advisory services in securities trading, asset management services, setting up and managing investment funds: treasury, equity and mixed.

The Noble Bank S.A. Capital Group includes the following subsidiaries (all of which are consolidated under the full method):

Company	Registered office	Core business	Bank's percentage share in capital	
			31.12.2008	31.12.2007
Open Finance S.A.	ul. Domaniewska 39, Warsaw	Financial intermediation	100.0%	100.0%
Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A.	ul. Domaniewska 39, Warsaw	Management of investment funds	70.0%	70.0%
Introfactor S.A.	ul. Wołoska 18 Warsaw	Other financial activity	100.0%	0.0%
Noble Concierge Sp. z o.o.	ul. Domaniewska 39, Warsaw	Activity auxiliary to financial services	100.0%	0.0%

As at December 31st 2008 and December 31st 2007 the Parent Company's share in the total number of votes in the subsidiaries is equal to its share in the capital of such subsidiaries.

Pursuant to the Investment Contract of March 31st 2006 between Noble Bank S.A. and natural persons who as at December 31st 2008 were the shareholders of Noble Funds TFI S.A., Noble Bank S.A. has the right (between June 28th 2007 and December 31st 2012) to call all natural persons mentioned above to sell Noble Bank S.A. all shares owned by them. The possible repurchase valuation depends, among others, on the performance of Noble Funds TFI S.A., the net value of assets and results as at the option exercise date and financial results for the 12-month period preceding the option exercise date.

At the same time, the natural persons mentioned above are entitled to call Noble Bank S.A. to purchase the shares owned by them. This right is exercisable between January 1st 2012 and December 31st 2012. The sale price depends, among others, on the performance of Noble Funds TFI S.A., the net value of assets and financial results for the option years.

As at December 31st 2008 and December 31st 2007 there were no reliable parameters which would allow the options to be valued. Therefore the options mentioned above as at December 31st 2008 and December 31st 2007 were not included in the balance sheet valuation.

On July 28th 2008, an Investment Contract was made between Noble Bank S.A. and natural persons and Factor Management Team Sp. z o.o., which sets out conditions for the respective parties' planned investments in the shares of Introfactor S.A., rules which regulate that company's business and principles for its supervision and management. Under that contract, Noble Bank S.A acquired 100% of Introfactor S.A. shares, for a cash contribution of PLN 500 thousand. In addition, the contract gives Factor Management Team Sp. z o.o. a conditional right to acquire in the future a new issue of Introfactor S.A. shares which account for 30% of that company's share capital and confer 30% of votes at its General Shareholders' Meeting. The key requirement for the acquisition right to be exercised by Factor Management Team Sp. z o.o. consists in the delivery of a business plan assumed in the Investment Contract, which concerns both Introfactor S.A. and Introbank (a Specialist Unit of Noble Bank S.A.) and involves raising a specific volume of deposits for Noble Bank S.A., within a period of 24 months (starting from July 31st 2008). If the above right is exercised, Factor Management Team Sp. z o.o. will acquire the new issue at the nominal price, for cash. As at December 31st 2008 there were no reliable parameters which would allow the share acquisition option to be valued. Therefore this option as at December 31st 2008 was not included in the balance sheet valuation.

Introfactor S.A.'s scope of business includes factoring services. The company's share capital as at December 31st 2008 amounted to PLN 500 thousand.

Noble Concierge Sp. z o.o., a subsidiary, was purchased by Noble Bank S.A. from Open Finance S.A. on May 26th 2008. Its share capital was then increased from PLN 50 thousand to PLN 450 thousand.

As at December 31st 2008 and December 31st 2007 the Parent Company did not have equity investments in joint subsidiaries and associates.

In the financial year 2008 and 2007 the Group did not discontinue any activities.

The Group has non-current assets classified as held for sale, of PLN 52 thousand. The Company intends to sell them in 2009.

VI. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared under the historical cost convention, except for financial instruments recognised at fair value. The consolidated financial statements are presented in the Polish zloty ("PLN") and all amounts are expressed in PLN thousand, unless indicated otherwise.

The consolidated financial statements have been prepared on a going concern basis on which the Group companies will continue their business in the foreseeable future, i.e. for at least 12 months from the balance sheet date. As at the financial statements approval date, no circumstances have been found which indicate that the continuation of the Group companies' activities is threatened in any way.

VII. COMPARATIVE DATA

As regards comparative data contained in these consolidated financial statements, presentation changes have taken place compared to data in the financial statements of the Group made for 2007, in order to obtain a better presentation of data in the financial statements.

Presentation changes	**Published data 31.12. 2007**	**Changes**	**Published data 31.12.2008**	**Explanations**
Deferred income tax assets	13 535	(10 883)	2 652	a)
Deferred income tax provision	(28 706)	10 883	(17 823)	a)
Total	**(15 171)**	**-**	**(15 171)**	

Profit and loss account

Presentation changes	**Published data 31.12. 2007**	**Changes**	**Published data 31.12.2008**	**Explanations**
Interest income	69 078	8 878	77 956	b)
Result on financial instruments at fair value through profit or loss	5 543	(7 196)	(1 653)	b)
Result on other financial instruments	3 164	(1 682)	1 482	b)
Total	**77 785**	**-**	**77 785**	

Explanations of material reclassifications:

a) netting of "deferred income tax asset" against "deferred income tax provision",

b) reclassification of interest on derivative financial instruments from "result on financial instruments at fair value through profit or loss" to "interest income" and reclassification of interest on available for sale financial instruments from "result on other financial instruments" to "interest income".

VIII. ACCOUNTING POLICIES

1. Statement of compliance with the International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and especially with the International Accounting Standard No. 34 and the IFRSs as approved by the European Union. As at the date when these statements were authorised for issue, as regards a process of implementing the IFRS standards going on in the European Union and the Group's activities, there are no differences between the IFRS standards which came into force and the IFRS standards approved by the European Union with respect to the accounting policies applied by the Group.

IFRSs include standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The Group's subsidiaries keep their accounting books in accordance with the accounting policies (principles) set out in the Accounting Act of September 29th 1994 ("the Act") as amended and its secondary legislation ("the Polish accounting standards"). The consolidated financial statements incorporate adjustments not included in the accounting books of the Group's companies, which have been introduced to make their financial statements complaint with the IFRSs.

2. Currency of measurement and currency of the financial statements

The measurement currency of the Parent Company and other companies covered by these consolidated financial statements and the reporting currency of these consolidated financial statements shall be the Polish zloty.

3. Changes in the applied accounting principles

New or amended IFRS regulations and new IFRIC interpretations which the Group has used in the current year are presented below. Their application did not influence the financial statements.

IFRIC 11 IFRS 2— "Group and Treasury Share Transactions"

IFRIC 11 provides guidance on whether transactions in which an entity issues own equity instruments as payment for goods or services it receives or transactions in which payment involves issued equity instruments of an entity from the same capital group should be treated as transactions settled in equity instruments or in cash. The interpretation also describes the procedure when an entity uses its treasury shares to settle the share-based payment obligations. Using this interpretation did not bring about material influence on these consolidated financial statements.

Amendments to IFRS 39—"Financial Instruments: Recognition and Measurement" and IFRS 7—"Financial Instruments: Disclosures—Reclassifications of Financial Instruments"

The amendments allow reclassifications of certain financial instruments held for trading to the category of held-to-maturity or available-for-sale instruments or loans and receivables. Under certain circumstances these amendments permit the transfer of the available-for-sale instruments to the loans and receivables category. The amendments apply to reclassifications made on or after July 1st 2008. The Group did not reclassify financial instruments out of the held-for-trading or available-for-sale categories.

IFRIC 14 interpretation IAS 19—"The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

IFRIC 14 provides guidance on how to assess the limit of surplus in a defined benefit plan, which can be recognised as an asset in accordance with IAS 19—"Employee Benefits". As now liabilities in the defined benefit plans exceed assets, the application of this interpretation does not influence the Group's financial position or profit.

In the reporting period covered by the consolidated financial statements the Parent Company's Management Board did not introduce any changes to the Group's accounting policies (principles).

4. New standards and interpretations which have been published but are not yet effective

The following standards and interpretations have been published by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee and are not yet effective:

- IFRS 8—"Operating Segments"—effective for annual periods beginning on or after January 1st 2009,
- IAS 1—"Presentation of Financial Statements" (revised in September 2007)—effective for annual periods beginning on or after January 1st 2009,
- IAS 23—"Borrowing Costs" (revised in March 2007)—effective for annual periods beginning on or after January 1st 2009,
- IFRS 3—"Business Combinations" (revised in January 2008)—effective for annual periods beginning on or after July 1st 2009—until the approval date of these financial statements it had not been approved by the European Union,
- IAS 27—"Consolidated and Separate Financial Statements" (revised in January 2008)—effective for annual periods beginning on or after July 1st 2009—until the approval date of these financial statements it had not been approved by the European Union,
- IFRS 2—"Share-based Payment: Vesting Conditions and Cancellations" (revised in January 2008)—effective for annual periods beginning on or after January 1st 2009,
- Amendments to IAS 32 and IAS 1—"Puttable Instruments and Obligations Arising on Liquidation" (amended in February 2008)—effective for annual periods beginning on or after January 1st 2009,
- IFRIC 12 interpretation—"Service Concession Arrangements"—effective for annual periods beginning on or after January 1st 2008—until the approval date of these financial statements it had not been approved by the European Union,
- IFRIC 13 interpretation—"Customer Loyalty Programmes"—effective for annual periods beginning on or after July 1st 2008,
- Amendments resulting from annual review of IFRS—effective for annual periods beginning on or after January 1st 2009,
- Amendments to IFRS 1 and IAS 27—"Accounting for Investments in Subsidiaries, Jointly Controlled Entities and Associates"—effective for annual periods beginning on or after January 1st 2009,
- IFRIC 15 interpretation—"Agreements for the Construction of Real Estate"—effective for annual periods beginning on or after January 1st 2009—until the approval date of these financial statements it had not been approved by the European Union,
- IFRIC 16 interpretation—"Hedges of a Net Investment in a Foreign Operation"—effective for annual periods beginning on or after October 1st 2008—until the approval date of these financial statements it had not been approved by the European Union,
- Amendments to IAS 39—"Financial Instruments: Recognition and Measurement: Eligible Hedged Items" (amended in July 2008)—effective for annual periods beginning on or after January 1st 2009—until the approval date of these financial statements it had not been approved by the European Union,

- IFRS 1—"First-Time Adoption of International Financial Reporting Standards" (revised in November 2008)—effective for annual periods beginning on or after July 1st 2009—until the approval date of these financial statements it had not been approved by the European Union,
- IFRIC 17 interpretation—"Distributions of Non-cash Assets to Owners"—effective for annual periods beginning on or after July 1st 2009—until the approval date of these financial statements it had not been approved by the European Union,
- Amendments to IAS 39 and IFRS 7—"Reclassification of Financial Assets—Effective Date and Transition" (amended in November 2008)—effective from July 1st 2008—until the approval date of these financial statements it had not been approved by the European Union,
- IFRIC 18 interpretation—"Transfers of Assets from Customers"—effective from July 1st 2009—until the approval date of these financial statements it had not been approved by the European Union.

The Management Board does not expect the implementation of the above standards and interpretations to have a significant impact on the accounting principles (policies) applied by the Group.

5. Consolidation

The consolidated financial statements include the financial statements of Noble Bank S.A. and those of the Bank's subsidiaries. Financial statements of the subsidiaries have been prepared for the same reporting period as the financial statements of the Parent Company, using consistent accounting principles and based on uniform accounting principles applied to transactions and business events of similar nature. To eliminate any inconsistencies in the applied accounting principles, adjustments are made.
All significant inter-company balances and transactions between the Group companies, including unrealised gains arising from intra-group transactions, have been fully eliminated. Unrealised losses are eliminated unless there is evidence of impairment.
Subsidiaries are subject to consolidation from the date on which the Group obtains control over them and continue to be consolidated until the date when such control ceases. Control is exercised by the parent company when it has, directly or indirectly, through is subsidiaries, more than half of the votes in a company, unless such ownership can be proved not to be determinant of exercising control. Control is also exercised when the parent company is able to affect the financial and operating policies of a company (detailed conditions are defined in IAS 27 and IFRIC 12).

6. Significant accounting principles

The significant accounting principles presented below have been applied to all reporting periods presented in these consolidated financial statements by all companies of the Group.

Translation of items in foreign currencies

Transactions in foreign currencies are translated into PLN at an exchange rate in force at the transaction date. Monetary assets and liabilities denominated in foreign currencies, recognised at historical cost, are translated into PLN at an average exchange rate of the National Bank of Poland as at the balance sheet date. Gains or losses arising from translation are recognised in the profit and loss account.

Non-monetary assets and liabilities denominated in foreign currencies, recognised at historical cost, are translated into PLN at an exchange rate in force at the transaction date, and items valued at fair value are translated at an average exchange rate of the National Bank of Poland as at the valuation date. The foreign exchange differences on non-monetary items at fair value through profit or loss are recognised in the profit and loss account under change in fair value.

The foreign exchange differences on non-monetary items assets are included in the revaluation reserve.

For the purposes of the balance sheet valuation, the following rates have been adopted:

Currency	31.12.2008	31.12.2007
EUR	4.1724	3.5820
USD	2.9618	2.4350
CHF	2.8014	2.1614
GBP	4.2913	4.8688
JPY	0.0328	0.0217

Financial assets and liabilities

The Group recognises financial assets or liabilities in the balance sheet when it becomes a party to transactions. Purchase and sale transactions involving financial assets valued at fair value through profit and loss account, held to maturity financial assets and available for sale financial assets, including standardised purchase and sale transactions involving financial assets, are recognised in the balance sheet always on the transaction date. Loans and receivables are recognised at the moment of the transfer of funds to the borrower.

Recognition of financial instruments

The Group recognises a financial asset or liability in the balance sheet when it becomes a party to an agreement on such an instrument. Purchase and sale transactions involving financial assets are recognised on the transaction date.

All financial instruments at their initial recognition are valued at fair value adjusted, in the case of financial instruments other than those classified as valued at fair value through profit or loss, for transaction costs which could be attributed directly to the purchase or issue of a financial asset or liability.

The Group classifies financial instruments according to the following categories: financial instruments at fair value through profit or loss, held to maturity financial assets, loans and receivables, available for sale financial assets, other financial liabilities.

Financial instruments at fair value through profit or loss

This category is divided into two subcategories:

- financial assets and liabilities held for trading—purchased or taken for resale in the short term—and derivative instruments,
- financial assets and liabilities designated upon their initial recognition as financial assets and liabilities at fair value through profit or loss.

Financial assets and liabilities may be classified upon their initial recognition as financial assets and liabilities at fair value through profit or loss only if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an “accounting mismatch”) that would otherwise arise from measuring such financial assets or liabilities or from recognising the gains and losses on them on different bases, or

- a group of financial assets, financial liabilities, or both, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (in accordance with the definition in IAS 24 "Related Party Disclosures"), for example to the entity's board of directors or a executive director.

As the first condition is fulfilled, customer deposits at a fixed interest rate, denominated in PLN, accepted between April 1st 2008 and June 30th 2008 for a period longer than one year, are designated by the Company at the initial recognition as financial liabilities at fair value through profit or loss. This approach considerably reduces the inconsistency in measuring such deposits and financial instruments of the IRS type, which are made in connection with the way the Company manages the risk of interest rate changes.

Financial assets held for trading and financial assets designated upon their initial recognition as financial assets at fair value through profit or loss are recognised in the balance sheet at fair value.

Derivative financial instruments

Derivative financial instruments which are not hedge accounted are recognised on the transaction day and valued at fair value on the balance sheet date. The Group recognises changes in fair value in result on financial instruments valued at fair value through profit or loss or in foreign exchange result (FX swap, FX forward and CIRS transactions) with corresponding receivables/liabilities, respectively, on derivative financial instruments. The effect of final settlement of derivatives transactions is recognised in result on financial instruments at fair value through profit or loss or, in the case of currency derivative financial instruments (FX swap, FX forward and CIRS transactions), in foreign exchange result.
Underlying amounts of derivatives transactions are recognised in the off-balance sheet items on the dates of transactions and throughout their terms. The off-balance sheet items in foreign currencies are retranslated at the day close at the average exchange rate of the National Bank of Poland (fixing as at the valuation day).

The fair value of financial instruments on the market is the market price. In other cases it is the fair value determined on the basis of a valuation model for which data was obtained from an active market (especially in the case of IRS and CIRS instruments, using the discounted cash flows method).

Held to maturity financial assets

Held to maturity financial assets include non-derivative financial assets with fixed or determinable payments or fixed maturity which the Group intends and is able to hold to maturity, other than:

- those designated at the initial recognition as valued at fair value through profit or loss,
- those designated as available for sale, and
- those satisfying the definition of loans and receivables.

Held to maturity financial assets are valued at amortised cost using the effective interest rate and including provisions for impairment. Accrued interest as well amortised discounts or premiums are recorded in interest income.

Loans and receivables

The loans and receivables category stands for financial assets with defined or definable cash flows, which are not quoted on an active market and which are not classified as derivatives. Loans and receivables originate when the Group lends funds to customers for purposes other than achieving short-term economic gains. This category incorporates amounts due from banks and customers, including purchased receivables and investments in debt financial instruments, unless they are quoted on an active market.

Loans and receivables are valued in the balance sheet at amortised cost using the effective interest rate method and including provisions for impairment.

Accrued interest with commissions settled in time according to the effective interest rate is recognised in interest income. Commissions which do not constitute interest income and which are settled on a linear basis are included in commission income. Impairment charges are recognised in the profit and loss account as net impairment charges for loans, advances and lease receivables.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets which were designated as available for sale or which were not classified as financial assets at fair value through profit or loss, loans and receivables or held to maturity financial assets.

Available for sale financial assets are valued in the balance sheet at fair value. Results of changes in fair value are recognised in revaluation reserve until the exclusion of assets from the balance sheet, when cumulative profits or losses recognised in equity are recognised in the profit and loss account. In the case of debt instruments, income and discount or premium are respectively recognised in interest income or interest expense using the effective interest rate method.

If the fair value can not be determined, assets are recognised at the acquisition cost adjusted for impairment. The impairment charge is recognised in the profit and loss account.

Other financial liabilities

This category includes amounts due to banks and customers, loans taken by the Group and issued debt securities, net of transaction costs, except for financial liabilities classified at their initial recognition as liabilities at fair value through profit or loss. Financial liabilities not classified at their initial recognition as liabilities at fair value through profit or loss are recognised in the balance sheet at amortised cost using the effective interest rate.

Exclusion from the balance sheet

A financial asset is excluded from the balance sheet of the Group upon the expiry of the contractual rights to the cash flows from the asset or when the Group transfers the contractual rights to receive the cash flows.

When transferring the rights, the Group evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. Accordingly:

- if the Group transfers substantially all risks and rewards of ownership of the financial asset then it will exclude the financial asset from the balance sheet; if the Group retains substantially all risks and rewards of ownership of the financial asset then it will continue to recognise the financial asset in the balance sheet,

- if the Group neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, the Group determines whether it has retained control over this financial asset. If such control has been retained, the Group continues to recognise the financial asset in its balance sheet.

The Group excludes a financial asset or a part of it from the accounting books when the Group no longer controls it, i.e. when the Group has exercised its rights to benefits specified in an agreement, such rights expire or the Group has waived such rights.

The Group eliminates a financial liability (or a part of it) from its balance sheet, when the obligation specified in the agreement has been fulfilled, cancelled or has expired.

Impairment of financial assets

As at each balance sheet date, the Group assesses if there is any objective evidence that a financial asset is impaired. If this is the case, the Group determines amounts of impairment charges. Impairment loss is incurred when there is objective evidence of impairment stemming from one or more events after the initial recognition of the asset, and the loss event has an impact on the expected future cash flows from the asset or a group of assets, which can be reliably estimated.

Evidence for impairment can be especially identified in the following circumstances:

- considerable financial difficulties of an issuer or a borrower,
- an issuer's or borrower's breach of contract, e.g. default or delinquency in interest or principal payments,
- the Group, for economic or legal reasons relating to an issuer's or borrower's financial difficulties, granting to them a concession which would have not been otherwise considered,
- a great likelihood of an issuer's or borrower's bankruptcy or restructuring,
- the disappearance of an active market for a financial asset owing to an issuer's or borrower's financial difficulties.

Loans, purchased receivables, other receivables

Receivables from loans are the most significant group of assets recognised at amortised cost in the balance sheet of the Group and at the same time exposed to the impairment risk. As at each balance sheet date, the Group analyses whether there is any objective evidence that individual assets and/or a portfolio of assets have been impaired. A financial asset or a group of financial assets were impaired and the impairment loss has been incurred if, and only if, there is objective evidence of impairment stemming from one or more events after the initial recognition of the asset, and such events have an impact on the future cash flows generated by the asset or the group of financial assets, assuming that they can be reliably estimated. Expected future losses are not included in the estimated current impairment.

If the Group identifies evidence indicating impairment, it then calculates an amount of impairment charge which is equal to the difference between the carrying amount of loan receivables and their economic value measured as the present value of expected future cash flows discounted using the effective interest rate for contracts as at the date when such evidence appeared for a financial asset.

The impairment charge is shown in the profit and loss account.

Measurement of impairment losses on the individual level is made for all loan receivables for which individual impairment triggers have been identified.

When there is no objective evidence that an individually analysed loan was impaired, irrespective of whether it constitutes a significant reporting item, such an exposure is included in a portfolio of loans with similar characteristics and an impairment analysis is performed on the portfolio level. The measurement of the portfolio impairment is based on historical characteristics of losses generated by similar asset portfolios.

When evidence of impairment no longer exists, an impairment charge is released through the profit and loss account.

Loans granted by Wschodni Bank Cukrownictwa (old portfolio)

In the Group's opinion, evidence exists that the entire old portfolio has been impaired. The portfolio value was calculated using the method of discounting the expected cash flows in next periods, assessed on the basis of historical recoveries from this portfolio and the current collection results.

The value of loans and impairment charges for the old portfolio is updated at the end of each quarter.

Purchased receivables—valuation

The Group values the purchased receivables using the discounted expected future cash flows from such receivables. The value of purchased receivables is updated at the end of each quarter including the obtained recoveries of such receivables and possible changes in the estimated future cash flows.
Monthly receipts due to the purchased receivables, estimated to be recovered within a planned period, are discounted in the following manner:

$$V = R_1 \frac{1}{(1+IRR)^{(1/12)}} + R_2 \frac{1}{(1+IRR)^{(2/12)}} + \ldots\ldots + R_n \frac{1}{(1+IRR)^{(n/12)}}$$

R—receipt due to the purchased receivables at the end of a consecutive month of the estimate
IRR—internal rate of return for cash flows

IRR—internal rate of return for cash flows
The rate is calculated at the purchase and changed in successive reporting periods only to reflect changes in the market interest rates. It takes into account the price paid for receivables and the period in which the Group intends to recover this price.

Loans granted as part of a strategy to build a private banking platform (new portfolio), started by the Group in 2006

As at the balance sheet date, the valuation of impairment of financial assets was performed according to IAS 39, using a valuation model adopted as at the date of conversion to the IFRSs. In building a valuation model of financial assets impairment the Bank has adopted the following assumptions:

- the loans portfolio has been divided into a group of homogenous loans and a group of individually significant loans,
- within the group of homogenous loans, the Bank has singled out loans free from the risk of impairment and those with the risk of impairment,

- the portfolio of loans free from the impairment risk has been valued—depending on the product type, and, owing to the lack of historical data base—using specialist indicators,
- the portfolio of loans with the risk of impairment has been valued using the estimated recovery rates,
- in the case of product groups for which the historical rates could not be measured owing to the shortage of sufficient data, specialist indicators have been assumed.

The Group also makes a provision for possible losses which might have been incurred in the old portfolio and have not been reported yet (IBNR).

Noble Bank S.A., owing to the short mortgage lending history, does not have a required number of observations with respect to the quality of its mortgage loans portfolio to calculate real time series. On account of the above, the Group adopts a ratio assessed according to the best knowledge, which approximately includes possible losses which have not been reported yet.

In order to determine the above ratio, the following criteria, among others, have been included:

- developed loan portfolio has a short history,
- shortage of sufficient historical data on the performance of this portfolio type,
- long lending periods—owing to dynamic changes on Poland's property market it is difficult to predict the future values of established collateral.

For determining the ratio, data on lost portfolios of housing loans and financial loans for the entire banking sector in Poland have been adopted. The previous level of loan loss ratio for the new loans portfolio in Noble Bank S.A. and the values of obtained collateral were also included. As a result of the above analyses, the IBNR ratio which is the basis for creating an impairment charge for the "new portfolio" was determined as at December 31st 2008 at 0.5% for mortgage loans (1.0% as at December 31st 2007) and at 1.2% for financial loans (loans secured with the customers' financial assets) (1.5% as at December 31st 2007).

The provision ratio is analysed according to the above criteria and updated quarterly.

Held to maturity investments

The Group analyses whether there is any objective evidence that individual held to maturity investments have been impaired. In the event of objective evidence indicating impairment, the amount of impairment charge is equal to the difference between the carrying amount of an asset and the present value of expected future cash flows (excluding future loan losses which were not incurred), discounted using the effective interest rate as at the date when such evidence appeared for the financial asset.

If in the subsequent period the impairment loss decreases as a result of an event which took place after the impairment was recognised, then the previously made impairment charge is reversed by adjusting appropriately the impairment charges balance. The reversed amount is shown in the profit and loss account.

Available for sale financial assets

As at each balance sheet date, the Group analyses whether there is any objective evidence that individual assets and/or a portfolio of assets have been impaired.

If the Group identifies objective evidence that an available for sale asset has been impaired, the amount of difference between its purchase price (less all principal and interest payments) and present fair value less all impairment charges previously recognised in the profit and loss account is derecognised from equity and transferred to the profit and loss account. The reversed impairment charge on equity instruments classified as available for sale may not be recognised in the profit and loss account. If in the subsequent period the fair value of an available for sale debt instrument increases, and such an increase can be objectively linked to an event which took place after the impairment was recognised in the profit and loss account, the remount of the reversed charge is recognised in the profit and loss account.

Netting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet if the Group has a valid legal right to set off the recognised amounts and intends to settle on a net basis or to realise an asset and settle the liability simultaneously.

Tangible fixed assets and intangible assets

Tangible fixed assets

Tangible fixed assets are recognised at the purchase price/development cost less depreciation and all impairment charges. Initial value of fixed assets includes their purchase price plus all costs directly related to the purchase and adaptation of an asset to usable condition. The cost also includes the cost of replacing components of plant and equipment as at the date of incurring, if the recognition criteria have been met. Costs incurred after the date of putting a fixed asset into use, such as maintenance and repair costs, are charged to the profit and loss account as at the date they were incurred.

Fixed assets at the purchase are divided into components being significant items to which a separate period of economic usability can be assigned. Components also comprise general overhaul costs.

Depreciation is calculated using the straight line method over the estimated useful life of an asset, which is:

Type	Life
Investments in third party properties	Duration of a lease —up to 10 years
Plant and technical equipment	8-17 years
Computer units	3 years
Means of transport	5
Office equipment, furniture	5

A fixed asset may be derecognised after its disposal or when no economic benefits are expected which result from the continued use of such an asset. All profits or losses arising from the derecognition of an asset (calculated as the difference between possible net proceeds from sale and its carrying amount) are recognised in the profit and loss account for the period in which such derecognition was made.

Investments in progress involve fixed assets under construction or assembly and are recognised at the purchase prices or development cost. Fixed assets under construction are not depreciated until the construction completion and the commissioning of a fixed asset.

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

Each time when a repair is done, its cost is recognised in the carrying amount of tangible fixed assets if the recognition criteria have been met.

Intangible assets

Intangible assets purchased under a separate transaction are initially valued at the purchase price or development cost. The acquisition price of intangible assets acquired in a business combination is equal to their fair value at the combination date. After the initial recognition, intangible assets with a finite useful life are recognised at the purchase price or the development cost less amortisation and impairment charges. With the exception of development work, capital expenditures on intangible assets developed internally, except for activated expenditures on development work, are not activated and are recognised in the costs for a period in which they were incurred.

The Group establishes whether a useful life of intangible assets is finite or indefinite. Intangible assets with a finite useful life are amortised over their useful time and tested for impairment each time when indications of impairment exist. Time and method of amortisation of intangible assets with a finite useful time are reviewed at least at the end of each financial year. Changes in the expected useful life or pattern of consumption of economic benefits embodied in an asset are recognised through changing the amortisation time or method, respectively, and treated as changes of estimates. Amortisation charge for intangible assets with a finite useful life is recognised in the profit and loss account against a category which corresponds to a function of an intangible asset.

Intangible assets with an indefinite useful life and those not used are subject to an annual test for impairment with respect to individual assets or on the level of a cash-generating unit. Other intangible assets are each year assessed for indications of their impairment. Useful lives are also subject to annual reviews and, if necessary, adjusted with effect from the beginning of a financial year.

Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill is initially recognised at the excess of costs of a business combination over the acquirer's share of the net fair values of identifiable assets, liabilities and contingent liabilities acquired. Goodwill is measured at the purchase price less the previous accumulated impairment charges. Goodwill is not amortised, only annually tested for impairment. Impairment is determined by measuring the recoverable amount of a cash-generating unit to which the goodwill relates. If the recoverable amount of the cash-generating unit is lower than its carrying amount plus goodwill, a goodwill impairment charge is made.

Trademark

An intangible fixed asset acquired in a business combination, separable, reliably measured, recognised separately from the goodwill. As a trademark is expected to contribute to generating net cash inflows for an indefinite time, it is considered to have an indefinite useful life. A trademark is not amortised until its useful life is reclassified to finite. In accordance with IAS 36, a trademark is subjected to tests for impairment annually and whenever indications exits that it may have been impaired.

Principles used as regards intangible assets of the Group are as follows:

	Trademark	Goodwill	Computer software
Useful life	Indefinite	Indefinite	2-10 years
Method applied	Indefinite life assets are not amortised or revalued	Indefinite life assets are not amortised or revalued	Using the straight line method
Developed internally or purchased	Purchase d	Purchase d	Purchase d
Impairment review/ assessment of recoverable amount	Annual impairment test	Annual impairment test	Annually assessed for indications of impairment If the indications exist—impairment test.

Profits or losses arising from the derecognition of intangible assets are calculated as the difference between net proceeds from sale and the carrying amount of an asset and are recognised in the profit and loss account when such derecognition is made.

Business combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity. It leads to the holding entity's obtaining control of the acquirees. All business combinations are accounted for using the acquisition method. The acquisition method treats a business combination from the perspective of the entity identified as the acquirer. The acquirer recognises the assets acquired, liabilities and contingent liabilities incurred, including those previously not recognised by the acquiree.

Application of the acquisition method consists in the performance of the following actions:

- identification of an acquirer,

- measurement of the cost of a business combination,

- allocating, at the acquisition date, the cost of a business combination to assets acquired, liabilities and contingent liabilities incurred or assumed.

The acquirer measures the cost of the business combination as the aggregate of:

- the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus

- any costs directly attributable to the combination.

- Non-current assets held for sale and discontinued operations

Non-current assets and assets in the group held for sale are valued at the lower of: their current carrying amount or fair value less costs to sell. Discontinued operations are a part of the Group's business which constitutes its separate, dedicated business area or its geographical segment or are a subsidiary purchased solely for resale. The Group discloses its operations as discontinued as at the sale or classification under the "held for sale" category.

Impairment of fixed assets

Carrying amounts of individual assets are subject to periodic impairment review. If the Group identifies indications of impairment, it then assess whether the current carrying amount of an asset exceeds a value which can be obtained in its further use or disposal, in other words, estimates the recoverable amount of an asset. If the recoverable amount is lower than the carrying amount of an asset, its impairment is recognised and written down in the profit and loss account.

The recoverable amount of an asset is determined as the higher of: obtainable selling price less the costs to sell and the value in use of the asset. Value in use is calculated as the future cash flows generated by an asset discounted using the market-based rate plus a margin for risk specific to the given category of assets.

An impairment charge may be reversed only to the carrying amount of the asset which would have been determined including the accumulated depreciation had the impairment charge not been made.

Cash and cash equivalents

Cash and cash equivalents: cash and funds in current accounts with the Central Bank and current accounts and overnight deposits in other banks.
Bills of exchange eligible for rediscounting at the Central Bank are bills in the zloty with maturities of up to three months.

Prepayments, accrued costs, deferred income

Prepayments refer to those expenses which will be recognised in the profit and loss proportionally to time elapsed in the future reporting periods. Prepayments are presented as "Other assets".
Accrued costs include provisions for costs which result from the services provided for the Group, which will be settled in the next periods. Such balances are disclosed as "Other liabilities". Deferred income includes, among others, received amounts of future benefits and some types of income charged in advance, which will be recognised in the profit and loss account in the future reporting periods. They are also shown under "Other liabilities".

Provisions
Provisions are established when the Group is under an obligation (legal or constructive) which stems from past events and when the fulfilment of such an obligation is likely to cause a necessity of transfer of economic benefits and when it is possible to estimate the amount of that obligation reliably.

If the Group expects to recover the costs covered by a provision, for instance under an insurance agreement, then such recovery is recognised as a separate asset, but only when if it is actually certain to happen. Costs of a provision less any recoveries are recognised in the profit and loss account. If the influence of the time value of money is significant, the amount of provision is determined by discounting the expected future cash flows to the present value, using the gross discount rate which reflects the time value of money on a current market basis and a risk, if any, related to an obligation.

Employee benefits

In accordance with provisions of the Labour Code and the Rules for Employee Compensation, the Group's employees are eligible for pension payments. Such payments are paid on a one-off basis on the old age or disability retirement and their amounts depend on the number of an employee's years of employment and his or her individual compensation. The Group carries a provision for future liabilities on that account in order to allocate costs to corresponding periods. According to IAS 19, pension payments are schemes involving certain post-employment benefits. The present value of such liabilities as at each balance sheet date is calculated by an independent actuary. The calculated liabilities are equal to discounted payments to be made in the future, including staff turnover, and pertain to a period until the balance sheet date. Demographic information and information on staff turnover is based on historical data. Profits and losses from actuarial valuations are recognised in the profit and loss account.
The current regulations on the compensation rules for the Group's employees do not provide for jubilee award payments.

Leases
Finance lease agreements which transfer substantially all risks and rewards on the Group which arise from ownership of the subject under lease; they are recognised at the lower of the two amounts: the fair value of a fixed asset under lease or the present value of minimum lease payments. Lease payments are divided into other operating expenses and reduction of the lease liability balance, in such a manner as to enable obtaining a fixed interest rate on the outstanding liability. Other operating expenses are recognised directly in the profit and loss account.
Fixed assets used under finance lease agreements are depreciated over the shorter of the two periods: estimated useful life of a fixed asset or the period of lease.
Lease agreements under which the lessor retains substantially all risk and rewards of ownership of the leased subject are included in the category of operating lease agreements. Operating lease payments are recognised as costs in the profit and loss account using the straight-line method throughout the lease period.

Shareholders' equity

Equity comprises the capital and funds created in accordance with the binding regulations, applicable laws and the Articles of Association.

Equity is composed of: share capital, repurchased own shares, reserve funds, revaluation reserve, net profit and retained profit (loss).

Share capital

Share capital is recognised at nominal value according to the Articles of Association and the entry in the commercial register.

Dividends for a financial year which have been approved by the General Shareholders' Meeting but not paid out as at the balance sheet date are recognised as "Other liabilities" in the balance sheet.

Repurchased own shares

If the Group purchases its own equity instruments, the amount paid with the directly related costs are recognised as a change in equity. Purchased own shares at par value are recognised as treasury shares, and the excess of incurred costs over the par value is disclosed as a deduction from other equity until their cancellation or sale.

All items of equity described below, in the case of acquisition of entities, pertain to events from the date on which control over an entity was gained to the date on which such control was lost.

Share premium reserve

Share premium reserve (surplus of the issue price over the nominal value) is created from the issue of shares at a premium less the direct costs incurred. The share premium reserve increases the reserve funds.

Revaluation reserve

Revaluation reserve includes the differences from revaluation of available for sale financial assets, plus the effects of deferred income tax. Revaluation reserve is not distributable.

Retained profit (loss)

Retained profit (loss) is created from appropriations of profit and is allocated for purposes set out in the Articles of Association or other laws (the remaining part of reserve funds, capital reserve, including the general banking risk provision) or comprises the profits/losses from previous years or the net financial result of the current period.

Net financial result of the current period comprises the profit or loss for the current year less the corporate income tax charge.

Share-based payments

Transactions settled in equity instruments

The cost of transactions settled with employees in equity instruments is measured by reference to the fair value of the granted equity instruments as at the rights granting date. The fair value is determined on the basis of a chosen model. No efficiency/results conditions except for those related to the price of shares of the Parent Company ("market conditions") are taken into account in the assessment of transactions settled in equity instruments.

The cost of transactions settled in equity instruments is recognised together with the accompanying increase in the value of equity in the period in which effectiveness/performance conditions were fulfilled, ending on the date when certain employees acquire full rights to the benefits ("vesting date"). The accumulated cost recognised for transactions settled in equity instruments for each balance sheet date until the vesting date reflects the extent of elapse of the vesting period and the number of awards the rights to which—in the opinion of the Parent Company's Management Board for that date, based on the best available estimates of the number of equity instruments— will be eventually vested.

No costs of awards the rights to which will not be eventually vested are recognised, except for awards in the case of which the acquisition or rights depends on the market conditions, which are treated as acquired irrespective of whether the market conditions have been fulfilled, provided that all other efficiency conditions have been met.

In the event of modifications of conditions for granting awards settled in equity instruments, costs are recognised, as part of fulfilment of the minimum requirement, as if such conditions would not have changed. Also, costs are recognised resulting from each increase in the value of the transactions as a result of the modifications, measured at the date of change.

If the award settled in equity instruments is cancelled, it is treated in such a way as if the rights to it were acquired on the cancellation date, and any unrecognised costs resulting from the award are immediately recognised. If, however, the cancelled award is replaced with a new one—defined as a replacement award on the date it is granted—the cancelled award and the new award are treated as if they were a modification of the original award, i.e. in a way described above.

The diluting effect of the issued options is taken into account when measuring the amount of earnings per share, as additional dilution of shares.

Transactions settled in cash

Transactions settled in cash are initially valued at fair value measured as at the granting date using a relevant model and taking into account the rules of conditions for granting options. The fair value thus measured is charged to costs throughout the entire period until the vesting date, on the other side—with the recognition of an appropriate liability. The amount of this liability is revalued as at each balance sheet date up until and on the settlement date, and changes in the fair value are recognised in the profit and loss account.

Income

Income is recognised at an amount at which the Group is likely to obtain economic benefits related to a transaction and when the amount of income can be measured in a reliable way. The criteria presented below also apply in the recognition of income.

Net interest income

Interest income and expense generated by financial assets and liabilities is recognised in the profit and loss account at amortised cost using the effective interest rate.

The Group measures the following financial assets and liabilities at amortised cost:

- loans and advances granted and other receivables—not held for trading,
- held to maturity financial assets,
- non-derivative financial liabilities not classified at their initial recognition as liabilities at fair value through profit or loss.

The effective interest rate is the rate which discounts the expected future cash payments to the net present carrying value until maturity or the next market valuation of a specific financial asset and liability, and its calculation includes all payments and flows due and received on a cash basis, paid or received by the Group under a contract on a given instrument, excluding future possible loan losses.

The way of settling interest coupons, fees/commissions and some external costs related to financial instruments (using the effective interest rate or on a straight line basis) depends on the nature of an instrument. Financial instruments with defined cash flows schedules are valued using the effective interest rate method. For instruments with undefined flows schedules, calculation of the effective interest rate is not possible, and fees/commissions are settled on an accrual basis using the straight line method.

The way of recognising settled over time particular types of fees/commissions in the profit and loss account as interest or commission income, and the general necessity to settle them over time instead of a possibility of their one-time recognition in the profit and loss account, depend on the economic nature of a fee/commission.

Fees/commissions settled over time include, for instance, loan application review and approval fees, lending fees, loan release fees, fees for establishing additional security, etc. Making such payments constitutes an integral part of return generated by a particular financial instrument. This category also includes fees and charges connected with amending contractual terms, which leads to a modification of the originally calculated effective interest rate. Each significant change of terms of a financial instrument in the economic sense entails expiry of the financial instrument with the original characteristics and the creation of a new instrument with new characteristics. Fees in this category include, among others, fees for annexes changing the schedule of future flows, fees for restructuring loan agreements, for granting grace, etc. The mentioned types of fees are deferred and accounted for in the profit or loss account using the effective interest rate or the straight line method depending on a product nature.

Also, if particular lending agreements are likely to be made, fees for the Group's commitment to conclude them are treated as consideration for continued commitment to purchase a financial instrument, and are deferred and recognised as an adjustment of effective return when an agreement is made (using the effective interest rate or the straight line method depending on a product nature).

In the case of assets with identified impairment, interest income is calculated in the profit and loss account on a net exposure basis defined as the difference between gross exposure value and the impairment charge and using the effective interest rate to measure the impairment charge.

Net interest income also includes the income on the accrued and paid interest relating to CIRS and IRS type derivative instruments.

Net fee and commission income

As has been indicated above, fees and commissions settled in the profit and loss account using the effective interest rate method are recognised by the Group as net interest income.

As regards fees and commissions which are not settled using the effective interest rate method but recognised on an accrual basis using the straight line method or on a one-time basis, they are shown under the item of "Net fee and commission income". Fee and commission income comprises fee and commission income arising from transaction services.

Such income includes all fees recognised on a one-time basis, for operations where the Group acts as an agent or performs such services as distribution of investment funds units, transfers, payments, etc.

Income from the intermediation services in selling financial products

The Group discloses income and expense from selling financial products on the basis of calculations according to the following principle.

The profit and loss account recognises income from the sale of financial products for a month in which a customer's application was delivered to a purchasing bank and/or other financial institutions, and commission costs payable to a financial adviser for the sale of financial products.

The amount of income is measured at the fair value of the received or due payment.

In accordance with IAS 18, income from the sale of a product is recognised in the profit and loss account if the following conditions have been fulfilled:

- a company has transferred substantial risks and rewards of the product ownership to the buyer (provision of a customer's loan application in a form required by a purchasing bank),
- a company does not continue to manage the products as regards the ownership title and does not exercise effective control over them,
- the amount of income can be reliably calculated. The Group assumes that at least 60% of loan applications (depending on the distributor), at least 85% of deposit applications and at least 78% of savings scheme applications are closed.

Result on financial instruments at fair value

The result on financial instruments at fair value is calculated taking into account the valuation of financial liabilities classified at their initial recognition as liabilities at fair value through profit or loss and the fair value valuation of derivative instruments of the IRS type.

Foreign exchange result

The foreign exchange result is calculated taking into account positive and negative foreign exchange differences, both realised and unrealised, arising from the daily valuation of assets and liabilities denominated in foreign currencies, using the relevant average exchange rate set by the National Bank of Poland as at the balance sheet date and recognised under foreign exchange income or cost. This result also includes the fair value valuation of the CIRS and forward derivative instruments.

Other operating income and expenses

Other operating income and expenses include costs and gains directly unrelated to the Group's banking activities. It especially includes gains or losses on the sale and liquidation of fixed assets, revenues on the sale of other services, received and paid damages, penalties and fines.

Dividend income

Dividend income is recognised in the profit and loss account on the date of acquiring rights to dividends, if such dividends are paid out from profits generated after the acquisition date.

Income tax

For the purposes of financial reporting, the deferred income tax is established using the balance sheet liability method on all temporary differences as at the balance sheet date between the taxable amount of assets and liabilities and their carrying amount as disclosed in the financial statements.

The deferred tax provision is recognised with reference to all positive temporary differences:

- except for situations where the deferred income tax provision arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination, which, when it is made, has no influence on the pre-tax financial result or the taxable income or tax loss, and
- in the case of positive temporary differences stemming from investments in subsidiaries or associates and participation in joint ventures—except for situations where the dates of reversal of temporary differences are subject to an investor's control or when it is probable that in the foreseeable future they will not be reversed.

The deferred income tax assets are recognised with reference to all negative temporary differences as well as unused tax credits and tax losses carried forward, in an amount equal to that of the taxable income which will be probably available, against which above mentioned differences, assets and losses can be utilized:

- except for situations where the deferred income tax assets regarding the negative temporary differences arise from the initial recognition of an asset or liability in a transaction other than a business combination and when it is made they have no influence on the pre-tax financial result or the taxable income or tax loss, and
- in the case of negative temporary differences from investments in subsidiaries or associates and participation in joint ventures, a deferred tax asset is recognised in the balance sheet only in such an amount in which it is probable that the above temporary differences will be reversed in the foreseeable future and taxable income will be available against which the negative temporary differences can be charged.

The carrying amount of a deferred tax asset is verified for each balance sheet date and is reduced accordingly to the extent that it is no longer probable that the taxable income will be achieved which will suffice for partial or full realisation of the deferred income tax asset.

Unrecognised deferred income tax asset is subject to re-measurement at each balance sheet date and is recognised up to a value which reflects the probability of achieving taxable income in the future which will allow the recovery of such an asset.

Deferred income tax assets and deferred tax provisions are measured using tax rates which are predicted to be in force when an asset is realised or a provision released, assuming as the basis the tax rates (and tax regulations) which are effective as at the balance sheet date or the ones which are certain to be effective in the future as at the balance sheet date.

Income tax concerning items directly recognised in equity is recognised in equity, not in the profit and loss account.

The Group offsets deferred income tax assets against deferred income tax provisions if, and only if, it has an enforceable legal title to set off receivables against liabilities on the current tax and the deferred tax concerns the same taxpayer and the same tax authority.

Contingent liabilities granted

As part of its operating activities, the Group enters into transactions which upon their signing are not recognised in the balance sheet as assets or liabilities, but cause contingent liabilities. A contingent liability is:

- a potential obligation which arises as a result of past events the existence of which will be confirmed only upon occurrence or non-occurrence of one or more uncertain future events which are not fully under the Group's control;
- a current obligation which arises as a result of past events but is not recognised in the balance sheet because it is not probable that spending cash or other assets to fulfil the obligation will be necessary, or the obligation amount cannot be reliably measured.

In accordance with IAS 37, provisions are established for the granted off-balance sheet liabilities with the risk of a customer's defaulting on an agreement.

Financial guarantees are disclosed and recognised in line with IAS 39 provisions.

Net earnings per share

Net earnings per share for each period are calculated by dividing the net profit for a period by the weighted average number of shares in a given reporting period.

In 2007 and 2008 the Group did not apply hedge accounting principles.

IX. IMPORTANT VALUES BASED ON PROFESSIONAL JUDGEMENTS AND ESTIMATES

Professional judgement

Classification of lease agreements

The Group classifies leases as operating or finance ones based on the judgement of an extent to which risks and rewards from the ownership of the leased subject fall to the lessor and the lessee. The judgement relies on the economic content of each transaction.

Valuation of loans granted by Wschodni Bank Cukrownictwa (old portfolio)

In the Parent Company's opinion, evidence exists that the entire old portfolio has been impaired. The value of impairment charges was calculated using the method of discounting the expected cash flows in next periods, assessed on the basis of historical recoveries from this portfolio, as described below.

Valuation of newly purchased receivables portfolios

The value of impairment charges was calculated using the method of discounted expected cash flows in next periods, assessed on the basis of expected recoveries from receivables portfolios and the current collection results.

Close rate of loans, deposits and savings schemes

The Group recognises income due from fees on the loan applications (not yet released loans), deposit and savings scheme applications (not yet established deposits and savings schemes) submitted to other financial institutions on the basis of the close rate.

The rate is based on historical data concerning the probability of loan disbursement and establishment of deposits and savings schemes in relation to the submitted applications. This rate is also used in calculating a provision for fees connected with such loans, deposits, and savings schemes, which are paid to the Group's advisers. Receivables under financial intermediation assessed on the basis of the close rate amounted to PLN 11,453 thousand as at December 31st 2008 (PLN 26,780 thousand as at December 31st 2007). Liabilities under fees for advisers assessed on the basis of the close rate amounted to PLN 4,482 thousand as at December 31st 2008 (PLN 9,758 thousand as at December 31st 2007).

IBNR rate

Owing to its short mortgage and financial lending history, the Parent Company does not have a required number of observations with respect to the quality of its portfolio of mortgage and financial loans over time, which would make it possible to assess loan loss ratios based on historical data. On account of the above, the Parent Company considered it proper to adopt a ratio assessed according to the best knowledge, which would approximately include the future loss ratio for the portfolio of mortgage and financial loans. To determine the ratio, data on lost portfolios of housing and financial loans for the entire banking sector in Poland have been adopted. Therefore, the ratio which is the basis for creating a write-down for the "new portfolio" was set as at December 31st 2008 at 0.5% for mortgage loans (1.0% as at December 31st 2007) and at 1.2% for financial loans (1.5% as at December 31st 2007). As at December 31st 2008, as a result of the mentioned change, the write-down is lower by PLN 16,825 thousand than the one which would have been calculated using the ratios of 1.0% and 1.5%.

Trademark and goodwill

Trademark and goodwill are annually tested for impairment. Identified impairment is recognised in the profit and loss account. As at December 31st 2008 and December 31st 2007 the tests which had been carried out did not reveal the impairment of trademark and goodwill.

Uncertainty of estimates

Preparing financial statements in accordance with the IFRSs requires from the Group to make certain estimates and assumptions which have an impact on the amounts presented in the financial statements. Estimates and assumptions, which are subject to a continuous review by the Group's management, are based on historical data and other factors, including expectations as to future events, which seem justified at a given moment. Although such estimates rely on the best knowledge of the current conditions and activities carried out by the Group, the actual results may differ from such estimates.

Estimates made as at each balance sheet date reflect conditions which existed at such a date (e.g. foreign exchange rate, interest rates, market prices).

The Group has made estimates mainly in the following areas:

Impairment of loans and advances

As at each balance sheet date, the Group assesses whether there is any objective evidence that a financial asset or a group of financial asset is impaired. The Group assesses whether there is any evidence/indications of a reliably measurable decrease in the estimated future cash flows concerning the loan portfolio, before such a decrease can be assigned to a particular loan for impairment assessment.

The assessments may include observable data which indicate an adverse change in the payment situation of borrowers from a specific group or in the economic situation in a given country or a part thereof, which relates to problems existing in this group of assets. Historical loss parameters are adjusted on the basis of data from current observations, to include the impact of current market factors which did not exist at a time covered by historical observations and to exclude the effects of circumstances which existed in the past period and which are no longer present. The methodology and assumptions underlying the measurement of estimated cash flows with their time frames will be regularly reviewed in order to reduce the differences between the estimated and actual losses.

In the Group's opinion, evidence exists that the entire old portfolio has been impaired. The value of impairment charges was calculated using the method of discounted expected cash flows in next periods, assessed on the basis of historical recoveries from this portfolio and the current collection results. Detailed information is provided under point XI.19 in these financial statements.

Also, as have been mentioned under the above section on professional judgements and under the section on loans granted as part of a strategy to build a private banking platform (new portfolio), started by the Parent Company in 2006, uncertainty affects the estimated impairment of the new portfolio (both for the portion of portfolio with the impairment risk and for the quality of portfolio with no impairment risk for which the write-down is made based on the adopted IBNR ratio). Detailed information is provided under point XI.16 in these financial statements.

Fair value of collateral

The fair value of collateral on the given loans is measured on the basis of valuation techniques and analyses of the property market. The list of collateral accepted by the Company and its fair values are presented in Note XI.18 to these financial statements.

Fair value of loans and deposits

As at December 31st 2008 the Company measured the fair value of loans and deposits based on valuation techniques. The applied valuation techniques and the fair value of loans and deposits are provided in Note XIII to these financial statements.

Derivative instruments, financial assets and liabilities at fair value through profit or loss

Fair value of derivative instruments and financial assets and liabilities not quoted on active markets is measured using universally recognised valuation techniques. All models are approved before their use, and calibrated to ensure that obtained results reflect the actual data and comparable market prices. To the extent possible, the models use only observable data from an active market.

Fair value of amounts due to customers is measured in the following manner:

The Bank establishes the carrying value of deposits as the sum of the current deposit balance and the accrued interest as at the valuation date. This value is then discounted to the valuation date using a discount factor relevant for the maturity date from the market yield curve, increased by an average weighted margin for deposits from a given band of placement date or initial period. Thus the fair value is derived. The result of the fair value valuation is presented in the profit and loss account in "Result on financial assets and liabilities at fair value through profit or loss".

Fair value of other financial instruments

Fair value of financial instruments not quoted on active markets is measured using valuation techniques. All models are approved before their use, and calibrated to ensure that obtained results reflect the actual data and comparable market prices. To the extent possible, the models use only observable data from an active market.

Impairment of other fixed assets

As at each balance sheet date, the Group assesses whether there are any indications that fixed assets have been impaired. Where it is found that such indications exist, the Group estimates the recoverable amount. Estimating the useable value of a fixed asset entails, among other things, adopting assumptions as to estimated amounts and dates of future cash flows which the Group may achieve from a given fixed asset, or other factors. In estimating the fair value less the costs to sell, the Group relies on the available relevant market data or valuations prepared by independent appraisers, which in principle also rely on estimates.

Deferred tax asset

The Group recognises a deferred tax asset on the assumption that in the future a tax gain will be achieved which will permit its use. Worse tax results in the future could cause this assumption to be unfounded.

Other estimated values

Provision for retirement severance payments is actuarially calculated by an independent actuary as the present value of the Group's future obligations to its employees according to the level of employment and salaries and wages as at revaluation. The provision for retirement severance payments is revalued on an annual basis. The calculation of the provision is based on a number of assumptions about macroeconomic conditions as well as those about staff turnover, the risk of death and other.
The managements of the Group companies estimate the amounts of some short-term employee benefits (bonuses for senior executives) as at the balance sheet date. The ultimate amount of these employee benefits is decided by the Supervisory Board.

The correspondence between the actual results and the estimates is reviewed on an ongoing basis in the balance sheet periods.

X. BUSINESS SEGMENTS

Segmentation by industry has been mainly modelled after internal organisational structure of the Noble Bank S.A. Capital Group. It means that segmentation has been done by assigning activities carried out by respective companies to the segments, with the exception of the Bank's financial intermediation business, which has been reclassified from the banking segment to the financial intermediation one.

Activities of the Group are conducted in the following industrial segments:

Banking

Business in this segment involves banking services and business activities in the following areas: accepting cash deposits payable on demand or at a due date and keeping accounts for such deposits, keeping other bank accounts, granting loans, granting and confirming bank guarantees and confirming letters of credit, issuing banking securities, conducting banking cash settlements, granting cash advances, concluding cheque, bill of exchange and warrant transactions, issuing payment cards and processing card operations, performing term financial transactions, purchase and sale of receivables, safekeeping of valuables and securities and provision of safe boxes, purchase and sale of foreign currencies, granting and confirming sureties, performing commissioned operations related to the issue of securities, providing agency services in money transfers and foreign exchange settlements.

The Group operates throughout Poland, and offers private banking services—current accounts for individual customers, savings accounts, deposits, consumer and mortgage loans, term deposits, in the Polish zloty and in foreign currencies.

Financial intermediation

The Group's business in this area involves providing financial intermediation services—loan, deposit, saving and investment intermediation services. Personal finance services include legal information, professional advice, and comparisons of banks' offerings. Broadly understood investment intermediary services include offerings in the area of savings schemes, deposits, currency schemes and investment funds, together with their analyses.

Management of investment funds

This business involves investing cash acquired through offering participation units to the public, advisory services in securities trading, asset management services, setting up and managing investment funds: treasury, equity and mixed.
Transactions between business segments are conducted on an arm's length basis.
A segment's assets and liabilities include operating assets and liabilities which represent the larger part of the balance sheet; they do not include such items as taxes or advances.

The activities of individual companies of the Capital Group have been (including consolidation adjustments) fully assigned to a specific segment, with the exception of the Bank's financial intermediation business, which has been reclassified from the banking segment to the financial intermediation segment.

The main and only segmentation is that by industry. The Group does not apply geographical segmentation owing to its irrelevance.

Geographical segmentation

The Group operates solely in Poland; no significant variations in risks according to geographical location of branches have been identified. Therefore, the Group does not use segment reporting according to the geographical location criterion.

Accounting principles applied in the presentation of the segmentation data are compliant with IAS 14.

The Group settles transactions between the segments in such a manner as if they would involve unrelated entities—using the current market prices.

(in PLN thousand)

01.01.2008 - 31.12.2008	Banking	Financial intermediation	Management of assets and investment funds	Total
Interest income	252 595	284	134	253 013
Interest expense	(180 834)	(123)	(57)	(181 014)
Net interest income	71 761	161	77	71 999
Fee and commission income	1 951	153 483	28 775	184 209
Fee and commission expense	(1 178)	(25 401)	(2 578)	(29 157)
Net fee and commission income	773	128 082	26 197	155 052
Result on financial instruments at fair value through profit or loss	26 643	-	-	26 643
Result on other financial instruments	70	-	(163)	(93)
Foreign exchange result	101 010	(37)	(1)	100 972
Other operating income	10 905	1 534	10	12 449
Other operating expenses	(3 250)	(3 310)	(103)	(6 663)
General administrative costs	(68 683)	(95 936)	(6 888)	(171 507)
Net impairment charges for loans, advances and lease receivables	(5 071)	-	-	(5 071)
Operating profit	134 158	30 494	19 129	183 781
Pre-tax profit	134 158	30 494	19 129	183 781
Income tax	(18 189)	(6 045)	(3 651)	(27 885)
Net profit	**115 969**	**24 449**	**15 478**	**155 896**
Impairment charges for loans, advances and lease receivables, recognised in profit and loss account	63 667	-	-	63 667
Impairment releases for loans, advances and lease receivables, recognised in profit and loss account	(58 596)	-	-	(58 596)
Expenditures on tangible fixed assets	8 251	6 319	165	14 735
Expenditures on intangible assets	1 648	1 137	-	2 785
Cash flows from operating activities	412 545	37 949	2 140	452 634
Cash flows from investing activities	(427 346)	(6 965)	(531)	(434 842)
Cash flows from financing activities	68 956	(30 395)	(2 652)	35 909
As at December 31st 2008				
Segment assets	5 554 674	39 323	8 919	5 602 916
Segment liabilities	4 898 622	9 742	2 002	4 910 366
Shareholders' equity	600 834	62 200	29 516	692 550
Segment liabilities	5 499 456	71 942	31 518	5 602 916

Interest income in the banking segment includes the accrued and unpaid interest in the amount of PLN 23,277 thousand.

All income presented in the above statement comes from customers from outside the Group.

(in PLN thousand)

01.01.2007- 31.12.2007	Banking	Financial intermediation	Management of assets and investment funds	Total
Interest income	77 716	183	57	77 956
Interest expense	(35 176)	(344)	(38)	(35 558)
Net interest income	42 540	(161)	19	42 398
Fee and commission income	1 205	137 367	38 544	177 116
Fee and commission expense	(646)	(17 008)	(2 986)	(20 640)
Net fee and commission income	559	120 359	35 558	156 476
Result on financial instruments at fair value through profit or loss	(1 653)	-	-	(1 653)
Result on other financial instruments	1 517	-	(35)	1 482
Foreign exchange result	45 832	-	-	45 832
Other operating income	26 259	781	7	27 047
Other operating expenses	(2 813)	(1 696)	(45)	(4 554)
General administrative costs	(34 544)	(87 114)	(4 580)	(126 238)
Net impairment charges for loans, advances and lease receivables	17 475	-	-	17 475
Operating profit	95 172	32 169	30 924	158 265
Loss on disposal of shares in subsidiaries	(2 715)	-	-	(2 715)
Pre-tax profit	92 457	32 169	30 924	155 550
Income tax	(13 529)	(6 312)	(6 253)	(26 094)
Net profit	**78 928**	**25 857**	**24 671**	**129 456**
Impairment charges for loans, advances and lease receivables, recognised in profit and loss account	21 896	-	-	21 896
Impairment releases for loans, advances and lease receivables, recognised in profit and loss account	(39 371)	-	-	(39 371)
Expenditures on tangible fixed assets	4 816	4 509	490	9 815
Expenditures on intangible assets	2 048	23	2	2 073
Cash flows from operating activities	(509 774)	36 870	7 456	(465 448)
Cash flows from investing activities	(2 369)	(3 304)	(992)	(6 665)
Cash flows from financing activities	508 028	(8 542)	-	499 486
As at December 31st 2007				
Segment assets	2 004 823	61 083	15 773	2 081 679
Segment liabilities	1 517 858	24 123	3 357	1 545 338
Shareholders' equity	463 868	57 039	15 434	536 341
Segment liabilities	1 981 726	81 162	18 791	2 081 679

Interest income in the banking segment includes the accrued and unpaid interest in the amount of PLN 15,892 thousand.

All income presented in the above statement comes from customers from outside the Group.

XI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts presented in the notes to the consolidated financial statements are expressed in PLN thousand.

1. Interest income and expense and similar income and expense

Interest income	**01.01.2008-31.12.2008 PLN '000**	**01.01.2007-31.12.2007 PLN '000**
Income on deposits in other banks	34 412	17 225
Income on loans and advances to customers	149 238	50 594
Income on held to maturity financial instruments	21 664	2 604
Income on derivative financial instruments (asset)	16 767	6 472
Income on derivative financial instruments (liability)	27 118	724
Interest on mandatory reserve	3 786	337
Other interest	28	-
Total	**253 013**	**77 956**

Interest expense	**01.01.2008-31.12.2008 PLN '000**	**01.01.2007-31.12.2007 PLN '000**
Expense on deposits of other banks and other financial institutions	9 688	6 327
Expense on amounts due to customers	137 702	17 326
Expense on debt securities in issue	27 589	9 587
Interest—finance lease	173	112
Interest on obtained loans	5 822	2 201
Other interest expense	40	5
Total	**181 014**	**35 558**

Additional information	**01.01.2008-31.12.2008 PLN '000**	**01.01.2007-31.12.2007 PLN '000**
Income interest associated with financial assets with identified impairment	-	13 148
The total amount of interest income calculated using the effective interest rate method for financial assets which are not valued at fair value through profit or loss:	209 100	70 760
The total amount of interest expense calculated using the effective interest rate method for financial liabilities which are not valued at fair value through profit or loss:	180 974	35 553

Interest income for 2008 and 2007 includes interest determined on an accrual basis which as at the balance sheet date was not received, and the received interest on liabilities. The main item of the Group's interest income in 2008 and 2007 was income on loans and advances to customers.

(in PLN thousand)

2. Fee and commission income and expense

Fee and commission income	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Loans and advances	775	750
Maintenance of bank accounts	973	234
Credit cards	174	-
Intermediation	152 297	138 289
Sale of participation units in investment fund companies	25 475	27 983
Portfolio management and other fees for asset management	3 266	9 852
Other	1 249	8
Total	**184 209**	**177116**

Fee and commission expense	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Credit cards	30	-
Loans and advances	404	13
Intermediation in selling loans and investment products	27 573	20 306
Other	1 150	321
Total	**29 157**	**20 640**

The Group has continued a new business model which involves broadly understood financial intermediary services.

Fee and commission income and expense arise from the Group's provision of financial services. Fees and commissions directly connected with the origination of financial assets or liabilities measured using the effective interest rate are recognised in the profit and loss account as interest income or expense, respectively. Other fees and commissions are recognised in the profit and loss account as a service is performed.

3. Result on financial assets and liabilities at fair value through profit or loss

Result on financial assets and liabilities at fair value through profit or loss	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Result on derivative instruments (asset)	23 405	(931)
Result on derivative instruments (liability)	(2 666)	(722)
Result on liabilities classified as financial liabilities at fair value through profit or loss	5 904	-
Total	**26 643**	**(1 653)**

(in PLN thousand)

Result on financial assets and liabilities at fair value through profit or loss, from Jan 1st 2008 to Dec 31st 2008	Profits PLN '000	Losses PLN '000	Net result
Financial liabilities at fair value through profit or loss	5 904	-	5 904
Derivative financial instruments (asset)	23 405	-	23 405
Derivative financial instruments (liability)	324	(2 990)	(2 666)
Total	**29 633**	**(2 990)**	**26 643**

Result on financial assets and liabilities at fair value through profit or loss in period from Jan 1st 2007 to Dec 31st 2007	Profits PLN '000	Losses PLN '000	Net result
Financial assets at fair value through profit or loss	-	(931)	(931)
Financial liabilities at fair value through profit or loss	-	(722)	(722)
Total	**-**	**(1 653)**	**(1 653)**

4. Result on other financial instruments

	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Realised profits		
Result on available for sale financial instruments	71	1 517
Total	**71**	**1 517**
Realised losses		
Result on available for sale financial instruments	(164)	(35)
Total	**(164)**	**(35)**
Net realised profit (loss)	**(93)**	**1 482**

5. Foreign exchange result

Foreign exchange result	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Result on derivative instruments	(808 539)	41 051
Result on the valuation of loans and deposits	815 977	(35 837)
Result on loans and deposits—on granting and repayments	93 572	40 618
Other	(38)	-
Total	**100 972**	**45 832**

(in PLN thousand)

6. Other operating income and expenses

Other operating income	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Revenue from rent	74	467
Compensation, fines and penalties	-	10
Revenue from sale of products and services	652	535
Other incidental revenue	196	29
Recovery of debt collection costs	569	542
Release of impairment charges for other assets	191	112
Profit on sale of non-financial fixed assets	21	4 270
Release of restructuring provisions	7 073	17 327
Release of other provisions	1 276	15
Revenue from recovery of bad debts	1 372	1 475
Revenue from sale of products and materials	26	80
Recovery of court fees	631	856
Operating lease	57	71
Other income	311	1 258
Total	**12 449**	**27 047**

Revenues from collection activities (recovered debt collection costs, revenue from the recovery of bad debts) were obtained in both 2008 and 2007, from the recovery of prescribed and written-off debts, reimbursement of court and court enforcement fees, reimbursement of costs of letters of reminder and other costs connected with debt collection.

Income balance from the release of restructuring provisions resulted especially from: the release of a provision for liquidation of retail sales, in the amount of PLN 4,076 thousand (PLN 11,929 thousand in 2007), the release of a provision for costs of documents storage, in the amount of PLN 1,913 thousand (PLN 642 thousand in 2007) and the release of a provision for identified risks, in the amount of PLN 1,084 thousand (PLN 2,595 thousand in 2007).

Other operating expenses	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Compensation, fines and penalties	103	188
Costs of products and materials sold	939	722
Court and administrative proceedings	-	31
Collection and monitoring of loan receivables	1 527	1 290
Rental costs	223	467
Post-accident repairs	-	19
Incidental costs	679	340
Receivables written off	2 125	759
Loss on sale of non-financial fixed assets	196	22
Loss on divestment of investments	-	120
Court fees and stamps	-	10
Impairment charges for other assets	143	215
Lease expenses	637	161
Other expenses	91	210
Total	**6 663**	**4 554**

(in PLN thousand)

7. General administrative costs

General administrative costs	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Employee benefits	84 479	74 511
Materials and energy used	5 697	4 431
Contracted services, including	66 104	40 174
- marketing, representation and advertisement	28 763	17 087
- IT services	1 914	1 437
- lease and rent	21 710	12 532
- security services	98	90
- service, maintenance and repair costs	1 004	287
- telecommunications and postal services	5 026	4 068
- legal services	1 428	1 036
- consulting services	1 221	608
- insurance	398	258
- costs relating to credit cards	1 085	-
- transport services	591	97
- cleaning services	490	126
- other	2 376	2 548
Other non-personnel costs	1 886	672
Taxes and charges	2 328	1 045
Fees and contributions to Bank Guarantee Fund and the Financial Supervision Authority	956	48
Depreciation and amortisation	8 584	5 357
Other	1 473	-
Total	**171 507**	**126 238**

Employee benefits	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Payroll	70 654	64 125
Social insurance	8 240	8 192
Training	3 322	960
Other	2 263	1 234
Total	**84 479**	**74 511**

Depreciation and amortisation	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Tangible fixed assets	2 401	3 401
Intangible assets	6 183	1 956
Total	**8 584**	**5 357**

8. Net impairment charges for financial assets

01.01.2008 - 31.12.2008	Loans and advances to customers			Total
	Corporate	Housing	Consumer	
Impairment charges/provisions at beginning of period—Jan 1st 2008	**42 027**	**10 150**	**29 689**	**81 866**
Created	6 708	38 662	18 297	63 667
Released	(8 182)	(27 293)	(23 121)	(58 596)
Net change in provisions recognised in profit and loss account	**(1 474)**	**11 369**	**(4 824)**	**5 071**
Used—written off	**(762)**	**-**	**(878)**	**(1 640)**
Impairment charges/provisions at end of period—Dec 31st 2008	**39 791**	**21 519**	**23 987**	**85 297**

(in PLN thousand)

01.01.2007 - 31.12.2007	Loans and advances to customers			Total
	Corporate	Housing	Consumer	
Impairment charges/provisions at beginning of period—Jan 1st 2007	**46 902**	**649**	**57 066**	**104 617**
Created	1 877	8 838	11 181	21 896
Released	(4 850)	(47)	(34 474)	(39 371)
Net change in provisions recognised in profit and loss account	**(2 973)**	**8 791**	**(23 293)**	**(17 475)**
Used—written off	**(1 902)**	**710**	**(4 084)**	**(5 276)**
Impairment charges/provisions at end of period—Dec 31st 2007	**42 027**	**10 150**	**29 689**	**81 866**

Impairment charges and releases result from the normal course of the Group's business. Impairment charges for loans, advances and receivables valued at amortised cost and the reversal of such charges are included under "Net impairment charges for financial assets". Rules for making impairment charges for investments are presented in the summary of the key accounting principles (section VII of these consolidated financial statements).

As at December 31st 2008 and December 31st 2007 the "old portfolio" was assessed for indications of impairment. The recoverable amount was calculated using the method of discounting the expected cash flows in next periods, assessed on the basis of historical recoveries from this portfolio and the current collection results.

(in PLN thousand)

9. Net profits and losses from financial assets and liabilities

Net profits and losses disclosed in the profit and loss account

	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Deposits, loans and advances		
Interest income on loans and advances	149 238	50 594
Interest income on deposits	34 412	17 225
Fee and commission income on loans and advances	775	750
Fee and commission income on bank accounts	973	234
Foreign exchange result	910 515	4 781
Release of impairment charges for loans and advances	58 596	39 371
Creation of impairment charges for loans and advances	(63 667)	(21 896)
Total net profit on deposits, loans and advances	**1 090 842**	**91 059**
Available for sale financial assets		
Interest income on available for sale financial assets	21 664	2 604
Result on sales of other financial instruments	(93)	1 482
Total net profit on available for sale financial instruments	**21 571**	**4 086**
Financial assets at fair value through profit or loss		
Interest income on derivative financial instruments	16 767	6 472
Result on valuation of derivative financial instruments	23 405	(931)
Foreign exchange result	-	41 051
Total net profit on financial assets at fair value through profit and loss account	**40 172**	**46 592**
Financial liabilities valued at amortised cost		
Interest expense on financial liabilities valued at amortised cost	(180 974)	(35 553)
Fee and commission expense on financial liabilities valued at amortised cost	(404)	(13)
Foreign exchange result—deposits	(966)	-
Total net loss on financial liabilities valued at amortised cost	**(182 344)**	**(35 566)**
Financial liabilities at fair value through profit or loss		
Interest income on derivative financial instruments	27 118	724
Result on valuation of derivative financial instruments	(2 666)	(722)
Foreign exchange result	(808 539)	
Result on financial assets and liabilities at fair value through profit or loss—customer deposits	5 904	-
Total net profit/loss on financial liabilities at fair value through profit and loss account	**(778 183)**	**2**
Net profit on financial assets	**1 152 585**	**141 737**
Net loss on financial liabilities	**(960 527)**	**(35 564)**

(in PLN thousand)

Net profits and losses recognised in equity

	01.01.2008-31.12.2008 PLN '000	01.01.2007-31.12.2007 PLN '000
Net result on valuation of available for sale assets	2 011	278
Total , including result recognised in:	**2 011**	**278**

10. Income tax

Basic components of tax charge	**01.01.2008-31.12.2008 PLN '000**	**01.01.2007-31.12.2007 PLN '000**
Consolidated profit and loss account		
Current income tax	10 305	17 800
Current tax charge	10 305	17 800
Adjustments of current tax from previous years	-	-
Deferred income tax	17 580	8 294
Due to occurrence and reversal of temporary differences	(42 421)	5 477
Tax loss from current year and previous years	60 001	2 817
Tax charge disclosed in consolidated profit and loss account	**27 885**	**26 094**
Consolidated shareholders' equity		
Deferred income tax	472	(676)
Due to occurrence and reversal of temporary differences, including	472	(676)
Due to costs of share issue	-	(676)
Due to valuation of available for sale financial instruments	472	
Tax charge disclosed in consolidated shareholders' equity	**472**	**(676)**
Total basic components of tax charge in profit and loss account and shareholders' equity	**28 357**	**25 418**

(in PLN thousand)

	As at 01.01.2008	Changes in period: Charged to profit or loss	Changes in period: Charged to equity	As at 31.12.2008
Deferred tax provision				
Income receivable from loans and deposits	8 080	4 064	-	12 144
Valuation of available for sale financial instruments	-	-	472	472
Surplus of tax depreciation	589	325	-	914
Deferred tax on Open Finance trademark	9 614	-	-	9 614
Valuation of the old portfolio	6 872	(2 112)	-	4 760
Foreign exchange differences—loans and deposits	-	165 544	-	165 544
Financial instruments—foreign exchange differences and valuation	2 845	(2 845)	-	-
Other	901	7 049	-	7 950
Deferred tax provision	**28 901**	**172 025**	**472**	**201 398**
Deferred tax asset				
Interest on deposits, issue of own securities, derivative instruments and interest on bonds	2 515	10 929	-	13 444
Foreign exchange differences—loans and deposits	195	(195)	-	-
Financial instruments—foreign exchange differences and valuation	-	81 767	-	81 767
Provisions for expected costs and liabilities	4 640	(732)	-	3 908
Provisions for impairment	31	21	-	52
Specific provisions for loan receivables	3 504	4 265	-	7 769
Tax loss	12	59 989	-	60 001
Other	2 833	(1 599)	-	1 234
Gross deferred tax assets	**13 730**	**154 445**	**-**	**168 175**
Charge on deferred income tax measured in profit and loss account	**x**	**17 580**	**x**	**x**
Charge on deferred income tax measured in shareholders' equity	**x**	**x**	**472**	**x**
Net deferred income tax assets	**2 652**	**x**	**x**	**730**
Net deferred tax provision	**17 823**	**x**	**x**	**33 953**

	As at 01.01.2007	Changes in period: Charged to profit or loss	Changes in period: Charged to equity	As at 31.12.2007
Deferred tax provision				
Income receivable from loans and deposits	515	7 565	-	8 080
Surplus of tax depreciation	234	355	-	589
Deferred tax on Open Finance trademark	9 614	-		9 614
Valuation of the old portfolio	3 293	3 579	-	6 872
Financial instruments—foreign exchange differences and valuation	-	2 845	-	2 845
Other	2 715	(1 814)		901
Deferred tax provision	**16 371**	**12 530**	**-**	**28 901**
Deferred tax asset				
Interest on deposits, issue of own securities, derivative instruments and interest on bonds	137	2 378	-	2 515
Provisions for expected costs and liabilities	4 085	555	-	4 640
Provisions for impairment	-	31	-	31
Specific provisions for loan receivables	2 157	1 347	-	3 504
Foreign exchange differences—loans and deposits	-	195	-	195
Tax loss from previous years	2 829	(2 817)	-	12
Other	286	2 547	-	2 833
Gross deferred tax assets	**9 494**	**4 236**	**-**	**13 730**
Charge on deferred income tax measured in profit and loss account	**x**	**8 294**	**x**	**x**
Net deferred income tax assets	**-**	**x**	**x**	**2 652**
Net deferred tax provision	**6 877**	**x**	**x**	**17 823**

(in PLN thousand)

	31.12.2008 PLN '000	31.12.2007 PLN '000
Amount of negative temporary differences, unsettled tax losses, unused tax credits in relation to which the deferred income tax asset was not recognised in the balance sheet	2 309	27 169

2012 is the expiry date for the above temporary differences.

Effective tax rate	**01.01.2008-31.12.2008 PLN '000**	**01.01.2007-31.12.2007 PLN '000**
Pre-tax profit	183 781	155 550
Income tax in profit and loss account	27 885	26 094
Effective tax rate	15%	17%
Income tax at 19% rate in force	**34 918**	**29 555**
Effect of permanent differences on tax charge, including:	**(7 033)**	**(3 461)**
- payments to PFRON (National Fund for the Rehabilitation of the Disabled)	119	74
- valuation of purchased receivables	(159)	239
- negative temporary differences not included in calculation of deferred tax in previous years	(4 773)	(3 708)
- probable tax differences—write-offs for loan receivables	(526)	-
- representation and advertisement	90	76
- foreign exchange differences	(1 985)	(260)
- other	201	118
Total income tax in profit and loss account	**27 885**	**26 094**

In 2008 the Parent Company ran a tax loss of PLN 315,792 thousand. In accordance with Art. 7.5 of the Corporate Income Tax Act (Official Journal of 2000, No. 54, item 654, as amended), the amount of tax loss incurred in a tax year may be deducted from income over five consecutive tax years, on condition that the amount of deduction in any of such five years may not exceed 50% of the loss.

On account of the above and on the basis of the Parent Company's projected taxable income for 2009-2013, on December 31st 2008 the Company set up a deferred tax asset which relate to the unused tax loss from 2008 deductible from taxable income, of PLN 60,001 thousand.

Tax laws are often changed, which repeatedly leads to a lack of reference to established regulations or legal precedents. Laws in force are also unclear, which causes differences in legal interpretations of tax laws. Tax settlements can be subject to inspection by tax authorities. Any additional payable amounts determined in the course of inspections have to be paid with interest. Tax settlements may be reviewed in the period of up to five years, which may result in subsequent changes of amounts disclosed in the statements, following a final settlement with the tax authorities.

(in PLN thousand)

11. Earnings per share (PLN per share)

Earnings per share	01.01.2008-31.12.2008	01.01.2007-31.12.2007
Profit attributable to Parent Company's shareholders (PLN '000)	151 628	126 457
Weighted average number of ordinary shares in period ('000)	215 178	207 863
Earnings per share (PLN per share)	**0.70**	**0.61**

Diluted earnings per share	01.01.2008-31.12.2008	01.01.2007-31.12.2007
Profit attributable to Parent Company's shareholders (PLN '000)	151 628	126 457
Weighted average number of ordinary shares for calculating diluted earnings ('000)	215 178	207 863
Diluted earnings per share (PLN per share)	**0.70**	**0.61**

12. Social assets and liabilities due to the Company Social Benefits Fund

According to the Social Benefits Fund Act of March 4th 1994, as amended, all employers with more than 20 full-time employees are obliged to establish a Company Social Benefits Fund (ZFSS). The Group companies have created such a Fund and are making periodical charges to it in the basic amount. The purpose of the Fund is to subsidise social activities of the Group companies, loans given to their employees and other social costs.

The Group offset the Fund assets against liabilities towards it, because such assets do not make up the Group's assets. On account of the above, the settlement balance with the Fund is nil.

Social Fund	31.12.2008 PLN '000	31.12.2007 PLN '000
Advances to employees	59	35
Cash	438	117
Liabilities to the Fund	497	152
Charge to the Fund in financial period	689	454

13. Cash and balances with Central Bank

Cash and balances with Central Bank	31.12.2008 PLN '000	31.12.2007 PLN '000
Cash	-	7
Current account in Central Bank	83 762	25 965
Total	**83 762**	**25 972**

Operations with the Central Bank as at December 31st 2008 and December 31st 2007 comprised cash in an account with the National Bank of Poland, which represents the mandatory reserve against customer deposits. The mandatory reserve is measured using a percentage ratio of total cash in customer accounts and is kept as a minimum balance of the current account at the National Bank of Poland, on the basis of the arithmetic mean of daily balances calculated for a given month.

Between January 1st 2008 and December 31st 2008, the Parent Company maintained an average balance of PLN 59,432 thousand in its current account with the National Bank of Poland. Cash in the mandatory reserve account as at December 31st 2008 bore interest at 4.73%.

(in PLN thousand)

Between January 1st 2007 and December 31st 2007, the Parent Company maintained an average balance of PLN 7,659.5 thousand in its current account with the National Bank of Poland. Cash in the mandatory reserve account as at December 31st 2007 bore interest at 5.25%.

14. Placements in other banks and loans and advances to other banks

Amounts due from banks	**31.12.2008 PLN '000**	**31.12.2007 PLN '000**
Current accounts	10 000	3 240
Placements in other banks	940 205	626 464
Cash in transit	-	462
Trade debtors	15 012	26 904
Total	**965 217**	**657 070**

	31.12.2008 PLN '000	**31.12.2007 PLN '000**
Amounts due from banks at variable rate:	12 223	-
Amounts due from banks at fixed rate:	936 775	624 782
Non-interest bearing receivables *	16 219	32 288
Total	**965 217**	**657 070**

*—non-interest bearing receivables mainly include receivables related to financial intermediation.

Structure of amounts due from banks by residual maturity (by period remaining between balance sheet date and maturity date)	**31.12.2008 PLN '000**	**31.12.2007 PLN '000**
Current accounts and O/N deposits	10 000	14 054
Term receivables with maturity of:	940 205	628 094
up to 1 month	827 993	228 094
between 1 to 3 months	112 212	400 000
Cash in transit	-	462
Other	15 012	14 460
Total	**965 217**	**657 070**

In 2008 and 2007 there were no changes in impairment charges for amounts due from banks, and the amount of impairment charges as at December 31st 2008 and December 31st 2007 was nil.

(in PLN thousand)

15. Derivative financial instruments

Derivative financial instruments as at December 31st 2008	Up to 1 month	Between 1 to 3 months	Between 3 months to 1 year	1-5 years	Total	Fair value (negative)	Fair value (positive)
Currency transactions							
- Over-the-counter market							
FX swap	**20 514**	**1 195 438**	**704 600**	**2 920**	**1 923 472**	**322 131**	**24 377**
Purchase of currencies	20 514	1 195 438	704 600	2 920	1 923 472	322 131	24 377
CIRS*	**44 076**	**47 860**	**692 135**	**199 300**	**983 371**	**147 513**	**-**
Purchase of currencies	44 076	47 860	692 135	199 300	983 371	147 513	-
Options / forwards	**14 000**	**-**	**-**	**14 410**	**28 410**	**22**	**-**
Purchase	14 000	-	-	7 205	21 205	22	-
Sale	-	-	-	7 205	7 205	-	-
Interest rate transactions							
Interest rate swap (IRS)	**-**	**-**	**500 000**	**453 000**	**953 000**	**2 717**	**36 466**
Purchase	-	-	500 000	453 000	953 000	2 717	36 466
Total derivative instruments	**78 590**	**1 243 298**	**1 896 735**	**669 630**	**3 888 253**	**472 383**	**60 843**

Derivative financial instruments as at December 31st 2007	Up to 1 month	Between 1 to 3 months	Between 3 months to 1 year	1-5 years	Total	Fair value (negative)	Fair value (positive)
Currency transactions							
- Over-the-counter market							
FX swap	**4 298**	**28 429**	**-**	**2 508**	**35 235**	**7**	**172**
Purchase of currencies	4 298	28 429	-	2 508	35 235	7	172
CIRS	**-**	**-**	**-**	**702 455**	**702 455**	**321**	**16 874**
Purchase of currencies	-	-	-	702 455	702 455	321	16 874
Options / forwards	**-**	**102 622**	**-**	**14 410**	**102 622**	**398**	**877**
Purchase	-	102 622	-	7 205	95 417	398	479
Sale	-	-	-	7 205	7 205	-	398
Interest rate transactions							
Interest rate swap (IRS)	**-**	**-**	**-**	**167 000**	**167 000**	**471**	**80**
Purchase	-	-	-	167 000	167 000	471	80
Total derivative instruments	**4 298**	**131 051**	**-**	**886 373**	**1 007 312**	**1 197**	**18 003**

* Cross currency interest rate swaps (CIRSs) are settled on a quarterly basis; the above breakdown presents the nominal value of open positions according to the term resulting from the last transaction settlement date.

As part of its business, the Group makes derivative transactions—CIRSs, IRSs, FX swaps and forwards. Such transactions are valued at fair value through the profit and loss account. The main types of risk related to derivate financial instruments are credit risk and market risk.

Credit risk involved in derivative contracts is a potential cost of making a new contract on the original terms if the counterparty to the original contract defaults on its obligations. The Group assesses counterparties using the same methods as in credit decisions. The Group makes transactions in derivative instruments with domestic banks. Transactions are concluded within credit limits assigned to individual institutions; the Group measures, on the basis of assessment of banks' financial condition, maximum exposure limits for banks and, within those limits, determines exposure to particular types of transactions.

The above tables present the fair value of derivative instruments. The notional amounts of financial instruments are recognised in the off-balance sheet items. Notional amounts of certain derivative instruments form a basis for comparison with the instruments recognised in the balance sheet but they need not necessarily show the future cash flows amounts or the current fair value of these instruments, therefore they do not specify the Group's level of exposure to credit or price risk.

As at December 31st 2008 and December 31st 2007 the Group had a derivative instrument: an investment deposit made of a fixed rate deposit and an option on a basket of exchange indices. As at the balance sheet date, the option was valued at the fair value, the deposit at amortised cost including the effective interest rate; in the financial statements the both products have been disclosed separately.

(in PLN thousand)

16. Loans and advances to customers by type

Loans and advances to customers	31.12.2008 PLN '000	31.12.2007 PLN '000
Loans and advances	3 895 850	1 247 109
Purchased receivables	5 123	10 177
Payment cards receivables	8 929	3
Realised guarantees and sureties	476	476
Total	**3 910 378**	**1 257 765**
Write-downs on receivables (-)	(85 297)	(81 866)
Total net	**3 825 081**	**1 175 899**

As at December 31st 2008 PLN '000	Gross value of unimpaired loans and advances	Gross value of impaired loans and advances	IBNR charges for unimpaired loans and advances	Charges for impaired loans and advances	Total net value
- Corporate loans	258 005	43 459	(1 066)	(38 725)	261 673
- Housing loans	2 979 233	5 742	(19 582)	(1 937)	2 963 456
- Consumer loans	566 220	57 719	(3 218)	(20 769)	599 952
Total	**3 803 458**	**106 920**	**(23 866)**	**(61 431)**	**3 825 081**

As at December 31st 2007 PLN '000	Gross value of unimpaired loans and advances	Gross value of impaired loans and advances	IBNR charges for unimpaired loans and advances	Charges for impaired loans and advances	Total net value
- Corporate loans	91 590	41 943	(84)	(41 943)	91 506
- Housing loans	904 223	389	(10 071)	(79)	894 462
- Consumer loans	149 983	69 637	(134)	(29 555)	189 931
Total	**1 145 796**	**111 969**	**(10 289)**	**(71 577)**	**1 175 899**

The Group made write-downs on impaired loans and advances against the profit and loss account, with their result presented under "Net impairment charges for loans, advances and lease receivables".

(in PLN thousand)

Loans and advances to customers by maturity	31.12.2008 Carrying amount PLN '000	31.12.2007 Carrying amount PLN '000
Loans and advances given to:		
- non-banking financial entities	38 745	25 939
up to 1 month	19	6
between 1 to 3 months	-	2 313
between 3 months to 1 year	36 726	-
between 1 to 5 years	2 000	23 620
- non-financial entities	398 297	76 081
up to 1 month	29 403	16 216
between 1 to 3 months	306	40
between 3 months to 1 year	1 594	382
between 1 to 5 years	38 890	2 428
over 5 years	328 104	57 015
- general public	3 388 039	1 073 879
up to 1 month	145 996	94 663
between 1 to 3 months	3 519	1 047
between 3 months to 1 year	55 215	1 908
between 1 to 5 years	319 017	134 272
over 5 years	2 864 292	841 989
Total	**3 825 081**	**1 175 899**

Loans and advances at fixed interest rate	31.12.2008 PLN '000	31.12.2007 PLN '000
PLN '000	36 726	25 939
% of entire loans and advances portfolio	0.96%	2.00%

In 2008 the retail banking recorded dynamic sales growth. The volume of loans given to customers more than doubled, chiefly as a result of mortgage loan sales. Dynamic sales were a primary driver of the increase in interest income.

17. Investment financial assets

Financial instruments	31.12.2008 PLN '000	31.12.2007 PLN '000
Available for sale securities at purchase price	**474 963**	**52 952**
- issued by central banks	299 958	49 979
- issued by other banks	118	18
- issued by other financial entities	1 500	1 000
- issued by non-financial entities	58	57
- issued by the State Treasury	173 329	1 898
Total financial instruments	**474 963**	**52 952**
Fair value valuation	**2 483**	**(35)**
Available for sale securities		
- issued by other financial entities	(108)	(35)
- issued by the State Treasury	2 591	-
Impairment	**(205)**	**(7)**
Available for sale securities		
- issued by other financial entities	(198)	-
- issued by non-financial entities	(7)	(7)
Total net financial instruments	**477 241**	**52 910**

(in PLN thousand)

Change in financial instruments	01.01.2008- 31.12.2008 PLN '000	01.01.2007- 31.12.2007 PLN '000
Available for sale securities		
Net balance at beginning of period	52 910	**37 073**
Exchange rate differences	-	-
Increase	16 584 677	1 544 932
Decrease (sale and redemption)	(16 162 668)	(1 528 956)
Realised losses	(163)	(35)
Changes in fair value	2 485	(104)
Net balance at end of period	**477 241**	**52 910**

Investment securities which are classified in the portfolio of available for sale financial assets are valued at fair value. Shares in companies not quoted on the stock exchange, which as at the balance sheet date represent 0.02% of the Group's investment securities portfolio, have been valued at fair value.

Impairment charges are recognised in the profit and loss account as "Result on other financial instruments".

18. Classification of financial instruments

The table below presents the maximum exposure to credit risk as at December 31st 2008 and December 31st 2007, excluding collateral and other credit enhancements (PLN '000):

Maximum exposure to credit risk	31.12.2008 PLN '000	31.12.2007 PLN '000
Financial assets:		
Cash and balances with Central Bank (excluding cash)	83 762	25 972
Amounts due from banks	965 217	657 070
Derivative financial instruments	60 843	18 003
Loans and advances to customers	3 825 081	1 175 899
Available for sale financial instruments	477 241	52 910
Total exposure to credit risk	**5 412 144**	**1 929 854**
Guarantee liabilities	692	386
Contingent liabilities	227 511	142 846
Total off-balance sheet liabilities	**228 203**	**143 232**
Total exposure to credit risk	**5 640 347**	**2 073 086**

(in PLN thousand)

The following table presents information on credit quality of financial assets as at December 31st 2008, which are neither overdue nor impaired:

		Overdue, unimpaired						
	Not overdue	**High grade**	**Standard grade**	**Sub-standard grade**	**Overdue, impaired**	**Interest**	**Charges (including IBNR)**	**Total**
Amounts due from banks	963 833	-	-	-	-	1 384	-	965 217
Loans and advances to customers	3 504 461	185 088	26 650	13 137	106 848	74 194	(85 297)	3 825 081
Corporate loans	217 205	37 301	-	-	43 459	3 499	(39 791)	261 673
Housing loans	2 755 180	135 550	15 127	12 420	5 670	61 028	(21 519)	2 963 456
Consumer loans	532 076	12 237	11 523	717	57 719	9 667	(23 987)	599 952
Financial instruments	477 388	-	-	-	58	-	(205)	477 241
Available for sale	477 388	-	-	-	58	-	(205)	477 241
- issued by central banks	299 958	-	-	-	-	-	-	299 958
- issued by other banks	118	-	-	-	-	-	-	118
- issued by other financial entities	1 392	-	-	-	-	-	(198)	1 194
- issued by non-financial entities	-	-	-	-	58	-	(7)	51
- issued by the State Treasury	175 920	-	-	-	-	-		175 920
Total	**4 945 682**	**185 088**	**26 650**	**13 137**	**106 906**	**75 578**	**(85 502)**	**5 267 539**

The following table presents information on credit quality of financial assets as at December 31st 2007, which are neither overdue nor impaired:

		Overdue, unimpaired						
	Not overdue	**High grade**	**Standard grade**	**Sub-standard grade**	**Overdue, impaired**	**Interest**	**Charges (including IBNR)**	**Total**
Amounts due from banks	653 013	-	-	-	-	4 057		657 070
Loans and advances to customers	1 118 005	10 629	-	-	111 969	17 162	(81 866)	1 175 899
Corporate loans	90 383	474	-	-	41 943	733	(42 027)	91 506
Housing loans	878 064	10 155	-	-	389	16 004	(10 150)	894 462
Consumer loans	149 558	-	-	-	69 637	425	(29 689)	189 931
Financial instruments	52 860	-	-	57	-	-	(7)	52 910
Available for sale	52 860	-	-	57	-	-	(7)	52 910
- issued by central banks	49 979	-	-	-	-	-		49 979
- issued by other banks	18	-	-	-	-	-	-	18
- issued by other financial entities	965	-	-	-	-	-	-	965
- issued by non-financial entities	-	-	-	57	-	-	(7)	50
- issued by the State Treasury	1 898	-	-	-	-	-	-	1 898
Total	**1 823 878**	**10 629**	**-**	**57**	**111 969**	**21 219**	**(81 873)**	**1 885 879**

The Bank classified receivables in the new portfolio which were being repaid on a regular basis during the balance sheet period in the group of loans which are not overdue. As a result of analysing credit risks in this portfolio, no evidence of impairment has been found at the current stage. The Group estimates this portfolio as high grade one. Overdue and unimpaired high grade loans are loans for which no impairment provisions were made as at the balance sheet date. As at December 31st 2008 and December 31st 2007 overdue and unimpaired high grade loans include loans which are past due up to 30 days; overdue and unimpaired standard grade loans include loans which are past due 31-60 days; and overdue and unimpaired sub-standard loans include loans which are past due 61-90 days.

For those two portfolios, the Bank takes into account the risk of incurred but not yet reported losses and makes IBNR charges according to the estimated rates.
Receivables from the “old portfolio”, all portfolios of purchased receivables and 90 days past due loans in the new portfolio were classified under the portfolio of overdue and impaired loans.
As at December 31st 2008 the Group recognised loans which were individually revealed to be impaired, with a total value of outstanding capital of PLN 5,741 thousand. A provision of PLN 1,937 thousand was established for those loans. The value of collateral (in the form of ordinary and ceiling mortgages) amounted to PLN 3,805 thousand. As at December 31st 2007 the Group did not recognise any loans individually proved to be impaired.

Sub-standard grade financial instruments as at December 31st 2008 and December 31st 2007 refer to shares in other financial entities. As they are not quoted on regular markets, they were classified as sub-standard grade assets.

<u>As at December 31st 2008:</u>

- in the group of loans which are not overdue, a total of PLN 3,504,461 thousand-worth of loans with the corresponding interest of PLN 69,707 thousand and write-downs of PLN 19,790 thousand were recognised,

- in the group of high grade loans, a total of PLN 185,088 thousand-worth of loans with the corresponding interest of PLN 3,627 thousand and write-downs of PLN 1,218 thousand were recognised,

- in the group of standard grade loans, a total of PLN 26,650 thousand-worth of loans with the corresponding interest of PLN 360 thousand and write-downs of PLN 1,135 thousand were recognised,

- in the group of sub-standard grade loans, a total of PLN 13,137 thousand-worth of loans with the corresponding interest of PLN 428 thousand and write-downs of PLN 201 thousand were recognised,

- In the group of overdue loans, a total of PLN 106,848 thousand-worth of loans with the corresponding interest of PLN 72 thousand and write-downs of PLN 62,953 thousand were recognised.

<u>As at December 31st 2007:</u>

- in the group of loans which are not overdue, a total of PLN 1,118,005 thousand-worth of loans with the corresponding interest of PLN 17,089 thousand and write-downs of PLN 10,977 thousand were recognised,

- in the group of high grade loans, a total of PLN 10,629 thousand-worth of loans with the corresponding interest of PLN 60 thousand and write-downs of PLN 153 thousand were recognised,

- In the group of overdue loans, a total of PLN 111,969 thousand-worth of loans with the corresponding interest of PLN 13 thousand and write-downs of PLN 70,736 thousand were recognised.

Collateral and other credit enhancements obtained:

- first ranking mortgage entered in the Land and Mortgage Register kept for a property; also, a secondary ranking mortgage in the Land and Mortgage Register (if previous entries concern one loan);
- if the loan is granted in PLN—an ordinary mortgage at 100% of the loan amount, as security on the principal, and a ceiling mortgage in PLN, up to an amount of 170% of the loan principal, as security on interest, charges, fees and other liabilities which may arise in the performance of a loan agreement;
- for loans denominated in foreign currencies—a ceiling mortgage in PLN in an amount of up to 170% of the granted loan, as security on the principal, interest, charges, fees and other receivables which may arise in the performance of a loan agreement;
- assignment of rights from a property insurance policy against fire and all risks;
- a borrower's (and/or guarantor's) declaration on submission to enforcement, for up to 200% of the gross amount of the granted loan, with a date by which the Bank, on the basis of the declaration on submission to enforcement, will be able to move for indorsing an enforcement formula to the enforcement title; such a date can not be earlier than three years from the last calendar day of the lending month.
- a property owner's declaration on submission to enforcement, for up to the amount of the mortgage/mortgages established on his or her property/properties, with a date by which the Bank, on the basis of the declaration on submission to enforcement, will be able to move for indorsing an enforcement formula to the enforcement title; such a date can not be earlier than three years from the last calendar day of the lending month;
- a blank own promissory note with the promissory note declaration for the Bank;
- in the case of construction of a house/flat—assignment of receivables under a house/flat construction agreement with a developer/housing cooperative;
- transfer of cash owned by the borrower to the Bank's account, pursuant to Art. 102 of the Banking Law (bank deposits);
- registered pledge, with a pledge on rights in securities issued by the Treasury and the National Bank of Poland (Treasury bills and bonds);
- assignment of participation units in an investment fund company approved by the Bank;
- assignment of an insurance policy with an life insurance company approved by the Bank;
- financial pledge, registered pledge, assignment, security deposit or a block on other investment products approved on an individual basis when making a loan decision.

As at December 31st 2008 the fair value of loan collateral was PLN 4,915,344 thousand (PLN 1,968,665 thousand as at December 31st 2007).

As at December 31st 2008 and December 31st 2007 the Group did not have any assets pledged as collateral for loans.

(in PLN thousand)

Renegotiated financial assets divided by categories	31.12.2008 PLN '000	31.12.2007 PLN '000
Financial assets:		
Loans and advances to customers	358	539
Corporate loans	336	486
Consumer loans	22	53
Total renegotiated financial assets	**358**	**539**

Rules and procedures for the Bank's actions in respect of restructuring its receivables from loan agreements are regulated by internal instructions; before making an arrangement agreement, loan files collected during a loan agreement term are subject to a careful analysis, to determine the most effective form of debt recovery.

The analysis contains, among others:

1) the debtor's profile, on a historical and current basis,
2) profile of receivables, including amendments to agreement terms,
3) date when the Bank's receivables became overdue as regards the principal debtor and joint debtors,
4) type and scope of taken collateral:
   - for mortgage and pledge—ranking of entries,
   - for personal security—joint debtor's financial standing and liabilities towards other creditors,
   - for security on assets—estimated value of collateral, realistic assessment of its disposability, encumbrance status as regards other creditors, assessment of actual possibility of satisfying the Bank's claims from the taken collateral,
5) information on debtors' assets from which the Bank's claims can be satisfied,
6) description of a debtor's economic and financial situation,
7) debtor's liabilities to other creditors, including privileged liabilities and those secured with the debtor's assets,
8) progress and effectiveness of the Bank's collection activities so far,
9) perfection, if any, of the existing security of the Bank's receivables,

Restructuring of receivables may be effected as:

- civil law arrangement agreement,
- arrangement,
- taking over debt,
- acquisition of the debtor's shares for releasing from debt (conversion),
- swapping debt into components of the debtor's assets,
- selling debts,
- providing additional financing of the debtor's recovery programme.

After an analysis of the debtors' legal and financial situation, possibilities of settling amounts due to the Bank from the collateral taken, expected costs of enforcement and its effectiveness and the possibility of an improvement in the debtor's financial situation, a decision is taken about the form of receivables restructuring, so that it is most effective for the Bank and feasible for the debtor. When an analysis of collateral shows its significant impairment or when difficulties with a possible sale of fixed assets are foreseen, restructuring is carried out on the condition of establishing additional collateral for a loan.

(in PLN thousand)

All impairment losses for each category of financial assets between January 1st 2008 and December 31st 2008 are presented in the table below:

01.01.2008 - 31.12.2008	Loans and advances to customers			Total
	Corporate	Housing	Consumer	
Impairment charges/provisions at beginning of period—Jan 1st 2008	**42 027**	**10 150**	**29 689**	**81 866**
Created	6 708	38 662	18 297	63 667
Released	(8 182)	(27 293)	(23 121)	(58 596)
Net change in provisions recognised in profit and loss account	**(1 474)**	**11 369**	**(4 824)**	**5 071**
Used—written off	**(762)**	**-**	**(878)**	**(1 640)**
Impairment charges/provisions at end of period—Dec 31st 2008	**39 791**	**21 519**	**23 987**	**85 297**

01.01.2007 - 31.12.2007	Loans and advances to customers			Total
	Corporate	Housing	Consumer	
Impairment charges/provisions at beginning of period—Jan 1st 2007	**46 902**	**649**	**57 066**	**104 617**
Created	1 877	8 838	11 181	21 896
Released	(4 850)	(47)	(34 474)	(39 371)
Net change in provisions recognised in profit and loss account	**(2 973)**	**8 791**	**(23 293)**	**(17 475)**
Used—written off	**(1 902)**	**710**	**(4 084)**	**(5 276)**
Impairment charges/provisions at end of period—Dec 31st 2007	**42 027**	**10 150**	**29 689**	**81 866**

Default of payments and breach of agreements

In the reporting period and the comparable period, the Group fulfilled all of its obligations in respect of repayments of principal, payments of interest or other obligations resulting from advances taken by the Group. Terms of agreements on obligations arising from advances were not renegotiated before the financial statements approval date.

19. Valuation of the loan receivables from the “old” portfolio

As at each balance sheet date, the Group values the receivables relating to the “old” portfolio of WBC in line with the adopted accounting policies set out in Note VIII and IX.

Valuation of the “old” portfolio	31.12.2008 PLN ‘000	31.12.2007 PLN ‘000
Nominal value of gross receivables	**92 261**	**122 679**
Interest	1	75
Total gross amount	**92 262**	**122 754**
Impairment charge	(92 262)	(112 574)
Valuation	25 054	25 991
Net amount of the “old” portfolio	**25 054**	**36 171**
Share of the “old” portfolio in total gross receivables (%)	2.36%	9.76%
Coverage of receivables with impairment charges (%)	72.84%	70.53%

(in PLN thousand)

Changes in impairment charges for the "old" portfolio	01.01.2008-31.12.2008 PLN '000	01.01.2007 - 31.12.2007 PLN '000
Impairment charges at beginning of period	**112 574**	**121 949**
a) increase	904	6 958
b) decrease	(21 216)	(16 333)
- repayment of receivables in reporting period	(19 638)	(13 919)
- receivables written off in reporting period	(1 640)	(2 126)
- other changes	62	(288)
Impairment charges for financial assets at end of period	**92 262**	**112 574**

Write-downs on impaired loan receivables from the "old" portfolio were recognised in the profit and loss account under "Net impairment charges for loans, advances and lease receivables".

20. Tangible fixed assets

Tangible fixed assets	31.12.2008 PLN '000	31.12.2007 PLN '000
Land and buildings	10 449	5 773
Plant and equipment	5 105	1 931
Means of transport	4 778	4 532
Other fixed assets, including equipment	4 168	2 867
Fixed assets under construction	192	1 176
Total tangible fixed assets	**24 692**	**16 279**

As at December 31st 2008 the net value of fixed assets used under finance leases was PLN 4,543 thousand (PLN 3,985 thousand as at December 31st 2007). These comprised fixed assets with a limited ownership title.

(in PLN thousand)

Changes in fixed assets for the period of 12 months ended December 31st 2008	Land and buildings PLN '000	Plant and equipment PLN '000	Means of transport PLN '000	Other fixed assets, including equipment PLN '000	Total PLN '000
Initial value					
Opening balance as at January 1st 2008	**11 046**	**6 889**	**5 353**	**3 755**	**27 043**
Increases, including:	**6 741**	**4 701**	**2 268**	**2 874**	**16 584**
Acquisition—purchase	5 565	4 701	2 268	2 874	15 408
Transfer from investments	1 176	-	-	-	1 176
Decreases, including:	**(3 705)**	**(1 603)**	**(953)**	**(227)**	**(6 488)**
Liquidation and sale, donation	(3 705)	(1 603)	(953)	(227)	(6 488)
Closing balance as at December 31st 2008	**14 082**	**9 987**	**6 668**	**6 402**	**37 139**
Depreciation					
Opening balance as at January 1st 2008	**5 273**	**4 958**	**821**	**888**	**11 940**
Increases, including:	**1 979**	**1 430**	**1 284**	**1 490**	**6 183**
Depreciation of period	1 979	1 430	1 284	1 490	6 183
Decreases, including:	**(3 619)**	**(1 506)**	**(215)**	**(144)**	**(5 484)**
Liquidation and sale	(3 619)	(1 506)	(215)	(144)	(5 484)
Closing balance as at December 31st 2008	**3 633**	**4 882**	**1 890**	**2 234**	**12 639**
Net value					
Opening balance as at January 1st 2008	**5 773**	**1 931**	**4 532**	**2 867**	**15 103**
Closing balance as at December 31st 2008	**10 449**	**5 105**	**4 778**	**4 168**	**24 500**

(in PLN thousand)

Changes in fixed assets for the period of 12 months ended December 31st 2007	Land and buildings	Plant and equipment	Means of transport	Other fixed assets, including equipment	Total
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
Initial value					
Opening balance as at January 1st 2007	**7 293**	**6 282**	**1 895**	**1 461**	**16 931**
Increases, including:	**4 126**	**1 163**	**4 036**	**2 528**	**11 853**
Acquisition—purchase	4 126	1 163	4 036	2 528	11 853
Decreases, including:	**(373)**	**(556)**	**(578)**	**(234)**	**(1 741)**
Liquidation and sale, donation	(373)	(556)	(578)	(234)	(1 741)
Closing balance as at December 31st 2007	**11 046**	**6 889**	**5 353**	**3 755**	**27 043**
Depreciation					
Opening balance as at January 1st 2007	**4 289**	**4 354**	**263**	**694**	**9 600**
Increases, including:	**1 228**	**1 079**	**713**	**407**	**3 427**
Depreciation of period	1 228	1 079	687	407	3 401
Other increases	-	-	26	-	26
Decreases, including:	**(244)**	**(475)**	**(155)**	**(213)**	**(1 087)**
Liquidation and sale	(244)	(475)	(155)	(213)	(1 087)
Closing balance as at December 31st 2007	**5 273**	**4 958**	**821**	**888**	**11 940**
Net value					
Opening balance as at January 1st 2007	**3 004**	**1 928**	**1 632**	**767**	**7 331**
Closing balance as at December 31st 2007	**5 773**	**1 931**	**4 532**	**2 867**	**15 103**

In 2008 and 2007 the Group did not make impairment charges for tangible fixed assets.

As at December 31st 2008 and December 31st 2007 there were no contractual obligations incurred to purchase tangible fixed assets and no damages for impairment were received.

21. Intangible assets

Intangible assets	**31.12.2008 PLN '000**	**31.12.2007 PLN '000**
Patents and licences	5 289	3 873
Goodwill	47 329	47 329
Trademark	50 600	50 600
Other	85	-
Prepayments for intangible assets	435	913
Total intangible assets	**103 738**	**102 715**

The "Open Finance" trademark and the goodwill, both recognised as at the combination of the business entities, are a significant intangible asset from the Group's point of view.

Business combinations

In 2006 (January 26th 2006) the Parent Company purchased 100% of shares in Open Finance S.A. from Getin Holding S.A., for PLN 85,425 thousand, paid up fully in cash.

Goodwill at the combination date	
Total assets	64 594
Liabilities	16 884
Net fair value of assets	47 710
Deferred tax on trademark	9 614
Acquisition price	85 000
Acquisition costs	425
Goodwill at the date of obtaining control	**47 329**

The Bank set up Noble Funds TFI SA on May 9th 2006 (date of registration in the National Court Register). The capital contributed to Noble Funds TFI SA, paid up fully in cash, amounts to PLN 5,374 thousand.

In 2007 the Parent Company sold a 30% stake to managing partners, which is described in Note V to these financial statements.

Noble Concierge Sp. z o.o., the subsidiary, was purchased by Noble Bank S.A. from Open Finance S.A. on May 26th 2008 for PLN 69 thousand paid fully in cash, then on August 27th 2008 the share capital was increased through the establishement of 800 new shares with a value of PLN 500 each. All new shares were acquired by Noble Bank S.A. and paid up fully in cash.

On July 31st 2008 Noble Bank S.A. acquired 50,000 shares in Introfactor S.A. for PLN 500 thousand paid up fully in cash.

The above investments are not directly exposed to interest rate risk.

At the date of exchange, the acquirer measures the cost of a business combination at the sum of the fair values of assets given and liabilities incurred, plus any costs directly attributable to the combination of the business entities. At the acquisition date, the acquirer recognises separately identifiable assets and liabilities only if they satisfy the following criteria at that date:

- an asset other than an intangible asset is recognised if it is probable that any associated future economic benefits will flow to the acquirer, and its fair value can be measured reliably,

- a liability other than a contingent liability is recognised if it is probable that an outflow of resources reflecting economic benefits will be required to settle the obligation, and its fair value can be measured reliably; and

- an intangible asset or a contingent liability is recognised if its fair value can be measured reliably.

The trademark was valued at a fair value of PLN 50,600 thousand; the valuation of the trademark was based on a report prepared by an independent firm.

According to IAS 38, a company assesses as at the balance sheet date whether a useful life of an intangible asset is finite or infinite. The Bank's Management Board has concluded that, based on an analysis of all important factors, there is no foreseeable limit of time in which an asset may be expected to cease generating net cash inflows. The Bank's Management Board thinks that the non-determinable useful life of the trademark, taking into account all implications involved (performing, at least annually, a test for its impairment), leads to better understanding of the interim consolidated financial statements among their users and more accurately reflects the Group's financial situation.

The above decision has been taken considering the following factors:

- there are no legal restraints which would influence the useful life of the trademark,
- there are no regulatory and economic restraints or other foreseeable actions of the competition and prospective competition, which would influence the useful time of the trademark,
- the useful time of the trademark is not susceptible to a technological, technical or commercial loss of usability,
- The useful life of the trademark does not depend on useful lives of other assets.

The Bank's Management Board will decide at each balance date whether the above factors still apply and whether it upholds the decision taken.

Goodwill at acquisition date was measured at PLN 47,329 thousand.

As at December 31st 2008 the Bank made the annual impairment test for the goodwill and the trademark. The test showed that as at December 31st 2008 the trademark and the goodwill were not impaired.

Assessment of goodwill impairment from the acquisition of a subordinated entity (Open Finance) as at December 31st 2008:
Goodwill from the acquisition of a subordinated entity was assigned to the entire subsidiary as a cash-generating unit.
The recoverable amount of the entity was measured on the basis of value in use. For the test, a forecast of the entity's cash flows for five years had been made. The measurement also included the entity's residual value resulting from cash flows after the five-year forecast period. To calculate free operating cash flows before taxation, the subsidiary's operating result in respective years covered by the forecast was adjusted with significant non-monetary items and planned capital expenditures. The Parent Company established that the following assumptions have the greatest impact on the calculation of the recoverable amount:

- planned number of new branches to be opened in respective years, estimated on the basis of experience gathered to date and a conservative analysis of market needs,
- employment growth estimated on the basis of the number of newly opened branches,
- sales of individual products per adviser, calculated on the basis of historical data and the projected market situation in the years covered by the forecast.

Other assumptions and results of impairment test for the carrying amount of goodwill are presented in the table below:

Name of tested entity	Date of test	Forecast cash flows per financial plan for	Extrapolated cash flows for	Growth rate in extrapolation	Discount rate	Test result
Open Finance S.A.	31.12.2008	2009 - 2011	2012-2013	0%	13.3%	No impairment

On the basis of the conducted sensitivity analysis, the Parent Company's Management Board is convinced that all justified and probable changes to key estimates will not cause a situation in which the carrying amount of goodwill will exceed its recoverable amount.

Assessment of trademark impairment (Open Finance) as at December 31st 2008:

The trademark was assigned to the entire subsidiary as a cash-generating unit. Impairment test for trademark was performed using the method of compounding the licence payments. For the test, a forecast of the entity's production for five years had been made. The measurement also included the entity's residual value resulting from production after the five-year forecast period. The Parent Company established that the following assumptions have the greatest impact on the calculation of the recoverable amount:

- planned number of new branches to be opened in respective years, estimated on the basis of experience gathered to date and a conservative analysis of market needs,
- employment growth estimated on the basis of the number of newly opened branches ,
- sales of individual products per adviser, calculated on the basis of historical data and the projected market situation in the years covered by the forecast.
- the amount of licence fee set at 0.3% of the production volume and consistent with the data from third party sources of information.

Other assumptions and results of impairment test for the carrying amount of trademark are presented in the table below:

Name of tested entity	Date of test	Forecast cash flows per financial plan for	Extrapolated cash flows for	Growth rate in extrapolation	Discount rate	Test result
Open Finance S.A.	31.12.2008	2009 - 2011	2012-2013	0%	13.3%	No impairment

On the basis of the conducted sensitivity analysis, the Parent Company's Management Board is convinced that all justified and probable changes to key estimates will not cause a situation in which the carrying amount of goodwill will exceed its recoverable amount.

(in PLN thousand)

Changes in intangible assets for the period of 12 months ended December 31st 2008 (PLN '000)	Patents and licences	Trademark	Goodwill	Other	Prepayments for intangible assets	Total
Initial value						
Opening balance as at January 1st 2008	**6 853**	**50 600**	**47 329**	**223**	**913**	**105 918**
Increases, including:	**3 815**	**-**	**-**	**87**	**904**	**4 806**
Acquisition	2 433	-	-	87	904	3 424
Transfer from investments	1 382	-	-		-	1 382
Decreases, including:	**(154)**	**-**	**-**	**-**	**(1 382)**	**(1 536)**
Liquidation and sale, donation	(154)	-	-	-	-	(154)
Transfer from investments	-	-	-	-	(1 382)	(1 382)
Closing balance as at December 31st 2008	**10 514**	**50 600**	**47 329**	**310**	**435**	**109 188**
Amortisation						
Opening balance as at January 1st 2008	**2 980**	**-**	**-**	**223**	**-**	**3 203**
Increases, including:	**2 399**	**-**	**-**	**2**	**-**	**2 401**
Amortisation of period	2 399	-	-	2	-	2 401
Decreases, including:	**(154)**	**-**	**-**	**-**	**-**	**(154)**
Liquidation and sale	(154)	-	-	-	-	(154)
Closing balance as at December 31st 2008	**5 225**	**-**	**-**	**225**	**-**	**5 450**
Net value						
Opening balance as at January 1st 2008	**3 873**	**50 600**	**47 329**	**-**	**913**	**102 715**
Closing balance as at December 31st 2008	**5 289**	**50 600**	**47 329**	**85**	**435**	**103 738**

(in PLN thousand)

Changes in intangible assets for the period of 12 months ended December 31st 2007 (PLN '000)	Patents and licences	Trademark	Goodwill	Other	Prepayments for intangible assets	Total
Initial value						
Opening balance as at January 1st 2007	**5 068**	**50 600**	**47 329**	**223**	**854**	**104 074**
Increases, including:	**1 862**	**-**	**-**	**-**	**517**	**2 379**
Acquisition	1 294	-	-	-	517	1 811
Transfer from investments	458	-	-	-	-	458
Other	110	-	-	-	-	110
Decreases, including:	**(77)**	**-**	**-**	**-**	**(458)**	**(535)**
Other	(77)	-	-	-	(458)	(535)
Closing balance as at December 31st 2007	**6 853**	**50 600**	**47 329**	**223**	**913**	**105 918**
Amortisation						
Opening balance as at January 1st 2007	**1 148**	**-**	**-**	**175**	**-**	**1 323**
Increases, including:	**1 908**	**-**	**-**	**48**	**-**	**1 956**
Amortisation of period	1 908	-	-	48	-	1 956
Decreases, including:	**(76)**	**-**	**-**	**-**	**-**	**(76)**
Other	(76)	-	-	-	-	(76)
Closing balance as at December 31st 2007	**2 980**	**-**	**-**	**223**	**-**	**3 203**
Net value						
Opening balance as at January 1st 2007	**3 920**	**50 600**	**47 329**	**48**	**854**	**102 751**
Closing balance as at December 31st 2007	**3 873**	**50 600**	**47 329**	**-**	**913**	**102 715**

In 2008 and 2007 the Group did not make impairment charges for intangible assets.

(in PLN thousand)

22. Change in non-current assets held for sale

As at December 31st 2008 and December 31st 2007, residential properties purchased by the Bank in 2007 for resale were classified as non-current assets held for sale. The properties were recognised in the books at the purchase price including acquisition costs.

Changes in non-current assets held for sale for the year ended December 31st 2008 (PLN '000)	**Land and buildings**	**Total**
Initial value		
Opening balance as at January 1st 2008	**61**	**61**
Decreases, including:	**(9)**	**(9)**
Liquidation and sale, donation	(9)	(9)
Closing balance as at June 30th 2008	**52**	**52**
Depreciation		
Opening balance as at January 1st 2008	**-**	**-**
Closing balance as at June 30th 2008	-	-
Net value		
Opening balance as at January 1st 2008	**61**	**61**
Closing balance as at June 30th 2008	**52**	**52**

Changes in non-current assets held for sale for the year ended December 31st 2007 (PLN '000)	**Land and buildings**	**Total**
Initial value		
Opening balance as at January 1st 2007	**11 128**	**11 128**
Increases, including:	**61**	**61**
Acquisition—purchase	61	61
Decreases, including:	**11 128**	**11 128**
Liquidation and sale, donation	11 128	11 128
Closing balance as at December 31st 2007	**61**	**61**
Depreciation		
Opening balance as at January 1st 2007	**3 460**	**3 460**
Decreases, including:	**3 460**	**3 460**
Liquidation and sale	3 460	3 460
Closing balance as at December 31st 2007	**-**	**-**
Net value		
Opening balance as at January 1st 2007	**7 668**	**7 668**
Closing balance as at December 31st 2007	**61**	**61**

(in PLN thousand)

23. Other assets

Other assets	31.12.2008 PLN '000	31.12.2007 PLN '000
Prepaid expenses	3 928	2 578
Trade debtors	30 835	25 945
Receivables from taxes, subsidies and social insurance	112	466
Lease receivables	2 688	2 856
Accrued income	1 886	885
Stocks	150	43
Other receivables	8 034	838
Recourse and security deposits	3 474	2 296
Other	1 285	834
Total gross assets	**52 392**	**36 741**
Impairment of other assets (-)	(8 228)	(8 914)
Total net assets	**44 164**	**27 827**

Impairment of other assets	01.01.2008 - 31.12.2008 PLN '000	01.01.2007 - 31.12.2007 PLN '000
Impairment charges for other assets at beginning of period	**8 914**	**8 998**
Increases in profit and loss account	264	255
Decreases in profit and loss account	(191)	(91)
Used	(759)	(248)
Impairment charges/provisions at end of period	**8 228**	**8 914**

Impairment charges for other assets are recognised in the profit and loss account under "Other operating expenses".

24. Amounts due to banks

Amounts due to banks and financial institutions	31.12.2008 PLN '000	31.12.2007 PLN '000
Other banks' deposits	316 757	93 812
Loans and advances received	183 816	100 562
Total amounts due to other banks	59	1 017
Total amounts due to banks	**500 632**	**195 391**

	31.12.2008 PLN '000	31.12.2007 PLN '000
Amounts due to banks at variable interest rate	308 279	176 418
Amounts due to banks at fixed rate	190 000	16 767
Non-interest bearing liabilities	2 353	2 206
Total	**500 632**	**195 391**

Structure of amounts due to banks and financial institutions by residential maturity (by period remaining between balance sheet date and maturity date)	31.12.2008 PLN '000	31.12.2007 PLN '000
Term liabilities with maturities of:	500 632	195 391
up to 1 month	57	1 017
between 1 to 3 months	127 296	-
between 3 months to 1 year	353 279	50 396
between 1 to 5 years	20 000	143 978
Total	**500 632**	**195 391**

The presented liabilities are recognised at amortised cost using the effective interest rate method.

(in PLN thousand)

25. Amounts due to customers

Amounts due to customers	31.12.2008 PLN '000	31.12.2007 PLN '000
Amounts due to business entities	**1 919 506**	**403 543**
Current accounts and O/N deposits	37 156	61 663
Term deposits	1 882 350	341 880
Amounts due budget entities	**83 091**	**-**
Current accounts and O/N deposits	23	-
Term deposits	83 068	-
Amounts due to individuals	**1 452 184**	**534 478**
Current accounts and O/N deposits	215 253	293 703
Term deposits	1 236 297	239 410
Other*	634	1 365
Total amounts due to customers	**3 454 781**	**938 021**

Structure of amounts due to customers by maturity (by period remaining between balance sheet date and maturity date)	31.12.2008 PLN '000	31.12.2007 PLN '000
Current accounts and O/N deposits	252 432	355 366
Term liabilities with maturities of:	3 201 715	581 290
up to 1 month	375 812	57 791
between 1 to 3 months	490120	151 196
between 3 months to 1 year	1 539 483	230 477
between 1 to 5 years	796 300	141 826
Other*	634	1 365
Total	**3 454 781**	**938 021**

*—other amounts due to customers mainly comprise cash in transit

	31.12.2008 PLN '000	31.12.2007 PLN '000
Amounts due to customers at variable interest rate	325 018	410 280
Amounts due to customers at fixed interest rate	3 082 367	520 023
Non-interest bearing liabilities	47 396	7 718

Amounts due to customers include customer deposits at fair value through profit or loss which involve customer deposits at a fixed interest rate, denominated w PLN, taken between April 1st 2008 and June 30th 2008 for a period of less than a year. As at December 31st 2008 amounts due to customers at fair value through profit or loss were PLN 221,054 thousand (PLN nil as at December 31st 2007).

As at December 31st 2008 the difference between the fair value of financial liabilities and the value resulting from the concluded agreements (undiscounted value of future cash flows) was PLN 38,309 thousand.

Other amounts due to customers are valued at amortised cost using the effective interest rate.

(in PLN thousand)

26. Debt securities in issue

Debt securities in issue	31.12.2008 PLN '000	31.12.2007 PLN '000
Liabilities due to issue of deposit certificates	406 902	349 453
Interest	7 248	4 458
Total debt securities in issue	**414 150**	**353 911**

	31.12.2008	31.12.2007
	Carrying amount PLN '000	Carrying amount PLN '000
Debt securities in issue with maturities of:	406 902	349 453
between 1 to 5 years	406 902	349 453
Interest	7 248	4 458
Total	**414 150**	**353 911**

The presented liabilities due to the issue of debt securities are valued at amortised cost using the effective interest rate method.

On June 21st 2007 Noble Bank S.A. concluded an Issue Agreement for the Bank Securities Issue Programme ("BPW") with Bank Handlowy w Warszawie SA.

On July 16th 2007, as part of the BPW Issue Programme, Noble Bank S.A. issued three-year certificates of deposit for PLN 270,000,000 and five-year certificates of deposit for PLN 80,000,000. Interest on certificates is paid every three months on the basis of the three-month WIBOR rate plus a margin.

Funds obtained under the Issue Programme will be used mainly for the purpose of increasing sales of mortgage loans and loans secured with financial assets.

On September 15th 2008 Noble Bank S.A. issued two-year certificates of deposit in the amount of PLN 57,500,000, as part of the Bank Securities Issue Programme. Interest on certificates is paid every six months on the basis of the six-month WIBOR rate plus a margin. Funds raised under the issue programme will be allocated for the purpose of intensifying mortgage lending and lending involving loans secured with financial assets.

27. Change in provisions

Year ended December 31st 2008	Restructuring provision	Provision for retirement and similar benefits	Total
As at January 1st 2008	**7 085**	**52**	**7 137**
Utilisation of provisions	(12)	-	(12)
Release of provisions	(7 073)	-	(7 073)
Provisions as at December 31st 2008	**-**	**52**	**52**

Year ended December 31st 2007	Restructuring provision	Provision for retirement and similar benefits	Total
As at January 1st 2007	**22 757**	**25**	**22 782**
Recognition/re-measurement of provisions	-	27	27
Utilisation of provisions	(1 932)	-	(1 932)
Release of provisions	(13 740)	-	(13 740)
Provisions as at December 31st 2007	**7 085**	**52**	**7 137**

In 2008 the Group released all restructuring provisions owing to a fact that, in the view of the Parent Company's Management Board, conditions which warrant their being kept longer ceased to exist.

28. Other liabilities

Other liabilities	**31.12.2008 PLN '000**	**31.12.2007 PLN '000**
Deferred income	-	43
Provision for holiday pay	1 021	844
Provision for other liabilities to employees	6 816	2 380
Provision for administrative costs	4 051	6 396
Trade creditors	8 257	4 855
Liabilities to the State budget	2 948	3 659
Lease liabilities	4 767	3 995
Payroll	4 775	7 369
Other liabilities	620	570
Total other liabilities	**33 255**	**30 108**

29. Shareholders' equity

Share capital structure 31.12.2008	Number of shares held	Number of votes held	% of votes at GSM
Getin Holding S.A.	158 458 666	158 458 666	73.64%
ASK Investments S.A.	14 819 840	14 819 840	6.89%
A. Nagelkerken Holding B.V.	5 350 000	5 350 000	2.49%
International consultancy strategy Implementation B.V.	5 450 000	5 450 000	2.53%
H.P. Holding S B.V.	5 750 000	5 750 000	2.67%
Minority shareholders	25 349 650	25 349 650	11.78%
Total	**215 178 156**	**215 178 156**	**100,00%**

Share capital structure 31.12.2007	Number of shares held	Number of votes held	% of votes at GSM
Getin Holding S.A.	155 178 156	155 178 156	72.12%
ASK Investments S.A.	15 000 000	15 000 000	6.97%
A. Nagelkerken Holding B.V.	5 750 000	5 750 000	2.67%
International consultancy strategy Implementation B.V.	5 750 000	5 750 000	2.67%
H.P. Holding S B.V.	5 750 000	5 750 000	2.67%
Minority shareholders	27 750 000	27 750 000	12.90%
Total	**215 178 156**	**215 178 156**	**100.00%**

The par value of all issued shares is PLN 1. All shares issued by the Parent Company have been paid up fully in cash. Pursuant to the Resolution of the General Shareholders' Meeting of February 22nd 2007, preference shares were cancelled by way of amending the Bank's Articles of Association.

On November 28th 2008 the Extraordinary General Shareholders' Meeting adopted a resolution which permits the Parent Company to repurchase its own shares in a period until April 30th 2009. Pursuant to the resolution, the number of purchased shares may not jointly exceed 10,000,000; the minimum purchase price per share was agreed at PLN 1 and the maximum price at PLN 5.

By December 31st 2008 the Parent Company bought back 147,000 shares with the joint par value of PLN 147 thousand. The total purchase value of the shares was PLN 498 thousand.

(in PLN thousand)

Other equity	31.12.2008 PLN '000	31.12.2007 PLN '000
Reserve funds	294 734	192 140
Share premium reserve	139 657	139 616
Other	155 077	52 524
Revaluation reserve	2 011	-
Valuation of available for sale financial assets portfolio	2 483	-
Deferred tax	(472)	-
Total balance at end of period	**296 745**	**192 140**

30. Solvency ratio

The Group maintains a safe level of equity in relation to the risk incurred. At the same time, observing the mandatory principle of capital safety, the Group aims to set an optimum relation to the long-term return on equity.

In order to monitor an adequate level of capitalisation, the Group calculates capital requirements according to the regulations in force.

As at December 31st 2008 and December 31st 2007 the solvency ratio and shareholders' equity forming the basis for the calculation of the ratio are calculated pursuant to the following regulations:

- The Banking Law of August 29th 1997 (Official Journal of 2002, No 72, item 665, as amended),
- Resolution No 1/2007 of the Commission for Banking Supervision of March 13th 2007, on the scope of the capital requirements against particular risks and the detailed principles to be applied in determining those requirements, including but not limited to the scope and conditions of applying statistical methods and the scope of information attached to an application for authorization to apply them, principles and conditions of taking account of contracts on debt assignment, subparticipation, credit derivative and contracts other than those on debt assignment, subparticipation, in calculating the capital requirements, terms and conditions, scope and manner of making use of the ratings assigned by external credit assessment institutions and the export credit agencies, manner and specific principles of calculating the solvency ratio of a bank, the scope and manner of taking account of banks conducting their activities in groups in calculating their capital requirements as well as establishing additional items of bank balance sheets presented jointly with bank regulatory own funds in the calculation of capital adequacy, the amount thereof and the conditions of setting them;
- Resolution No 2/2007 of the Commission for Banking Supervision of March 13th 2007, on other deductions from a bank's core capital, amount thereof, scope and conditions of such deductions from the core capital of a bank, other balance sheet items included in the supplementary capital, the amount and scope thereof, and the conditions of including them in a bank's supplementary capital, deductions from a bank's supplementary capital, the amount and scope thereof and conditions of performing such deductions from the banks' supplementary capital, the scope and manner of taking account of the business of banks conducting their activities in groups in calculating their own funds;
- Resolution No 3/2007 of the Commission for Banking Supervision of March 13th 2007, on the detailed principles and conditions of accounting for exposures in determining compliance with exposure concentration limit and large exposure limit, specifying exposures exempt from the provisions regarding exposure concentration limits and large exposure limits, and the conditions they have to satisfy, specifying exposures that need the authorisation of the Commission for Banking Supervision for the exemption from provisions related to exposure concentration limits and large exposure limits and the scope and manner of accounting for the activities of banks operating in groups in calculating exposure concentration limits.

(in PLN thousand)

As at December 31st 2008 Noble Bank S.A. calculated the capital requirements and the solvency ratio based on the Resolution No 1/2007 of the Commission for Banking Supervision.

As at December 31st 2007, the Bank was using an option resulting from paragraph 14.1 of the Resolution No 1/2007 of the Commission for Banking Supervision of March 13th 2007 and applied an approach based on the then effective regulations (Basel I) in calculating the capital requirement for credit risk, and with respect to operational risk it calculated the capital requirement using the basic indicator approach.

	31.12.2008	**31.12.2007**
	PLN '000	**PLN '000**
Shareholders' equity		
Share capital	215 178	215 178
Reserve funds	294 587	192 140
Revaluation reserve	1 272	-
Result for 1H 2008	78 125	-
Adjustment by intangible assets	(103 738)	(102 715)
Profit (loss) from previous years	20 214	(3 298)
Minority interests	(8 932)	-
Total shareholders' equity	**496 706**	**301 305**
Risk weighted assets		
Risk exposure of 0%	664 351	-
Risk exposure of 20%	908 152	657 070
Risk exposure of 35%	218 315	-
Risk exposure of 50%	57 338	28 576
Risk exposure of 75%	2 864 422	-
Risk exposure of 100%	710 167	1 147 323
Risk exposure of 150%	109 898	-
Total risk weighted assets	**3 310 040**	**1 293 025**
Risk weighted off-balance sheet liabilities		
Risk exposure of 20%	32 918	-
Risk exposure of 35%	1 116	-
Risk exposure of 50%	50 050	142 846
Risk exposure of 75%	92 768	-
Risk exposure of 100%	16 166	-
Risk exposure of 150%	1 446	-
Total risk weighted off-balance sheet liabilities	**119 910**	**71 423**
Total risk weighted off-balance sheet assets and liabilities	**3 429 950**	**1 364 448**
Capital requirements for:		
Credit risk	274 396	109 156
Operational risk	12 987	-
Solvency ratio	**13.8%**	**22.1%**

Concentration risk and the capital requirement for its coverage are calculated on the basis of provisions of the resolutions mentioned above. As at December 31st 2008 and December 31st 2007 the Group's portfolio did not contain receivables which could be qualified as exceeding concentration limits, therefore the Group estimates the concentration risk to be negligible.

(in PLN thousand)

31. Cash and cash equivalents

Balance sheet items	31.12.2008 PLN '000	31.12.2007 PLN '000
Cash and balances with Central Bank	83 762	25 972
Current amounts due from banks	10 000	10 974
Short-term deposits	-	3 115
Cash and cash equivalents presented in cash flow statement	**93 762**	**40 061**

32. Finance lease

According to the concluded lease agreements, the lease subject remains in the Group's use throughout the agreement term. In exchange for the acquired rights to use the lease subject, the Group is obliged to make lease payments in amounts and on dates set out in the lease agreements. After the lease agreement term the Group has the right to purchase the lease subject, provided that it has fulfilled all its obligations to the lessor. If the Group decides not to utilise the option to purchase the lease subject, it is obliged to return it to the lessor. Lease agreements do not provide a possibility for the lease term to be extended. No other restrictions or conditional lease payments apply. The subject of the lease contracts as at the balance sheet date are passenger cars. Future minimum lease payments under these agreements and the present value of net minimum lease payments are presented below:

Finance lease liabilities as at December 31st 2008 (PLN '000)	Gross lease investment (minimum payments)	Present value of minimum lease payments
Up to 1 year	1 633	1 359
Between 1 to 5 years	4 163	3 408
Total	**5 796**	**4 767**
Unrealised financial costs (-)	(1 029)	
Net lease investment	**4 767**	
Present value of minimum lease payments	**4 767**	**4 767**

Finance lease liabilities as at December 31st 2007 (PLN '000)	Gross lease investment (minimum payments)	Present value of minimum lease payments
Up to 1 year	1 299	857
Between 1 to 5 years	3 820	3 138
Total	**5 119**	**3 995**
Unrealised financial costs (-)	(1 124)	
Net lease investment	**3 995**	
Present value of minimum lease payments	**3 995**	**3 995**

33. Operating lease

The Group's operating lease involves the rental of premises for Open Finance and Noble Bank branches and for offices. According to the concluded lease agreements, the lease subject remains in the Group companies' use throughout the agreement term. In exchange for the acquired rights to use the lease subject, the Group is obliged to make lease payments in amounts and on dates set out in the lease agreements.

(in PLN thousand)

As at December 31st 2008 and December 31st 2007 the future minimum payments under non-cancellable operating lease agreements were as follows:

Liabilities under operating lease agreements by residual maturity	**31.12.2008 PLN '000**	**31.12.2007 PLN '000**
Up to 1 year	14 357	13 255
Between 1 to 5 years	57 426	35 667
Over 5 years	20 449	7 233
Total	**92 232**	**56 155**

In 2008 and 2007 the Group did not have any conditional lease payments. It was not party to non-cancellable sub-lease agreements.

Value of minimum lease and sub-lease payments recognised in profit and loss account	**01.01.2008-31.12.2008 PLN '000**	**01.01.2007-31.12.2007 PLN '000**
Minimum lease payments	21 710	12 532

Apart from lease payments, the value of minimum lease and sub-lease payments recognised in the profit and loss account includes other costs (costs of utilities).

34. Contingent liabilities granted

Financial contingent liabilities relate to loans granted under agreements with customers, which as at the balance sheet date have not been used yet. The Group companies' loan portfolio offering includes, among others, mortgage loans paid out in tranches according to customers' instructions. The table below presents liabilities arising from the loan agreements made.

Total contingent liabilities and off-balance sheet items	**31.12.2008 PLN '000**	**31.12.2007 PLN '000**
1. Contingent liabilities granted	**228 203**	**143 232**
a) related to financing	227 511	142 846
b) related to guarantees	692	386
2. Liabilities arising from purchase/sale transactions	**4 412 732**	**1 007 312**
Total contingent liabilities and off-balance sheet items	**4 640 935**	**1 150 544**

	31.12.2008 PLN '000	**31.12.2007 PLN '000**
Total financial liabilities granted:	227 511	142 846
- to non-financial entities	227 511	142 846

	31.12.2008 Unaudited	**31.12.2007 Audited**
Liabilities granted to non-financial entities:	692	386
- guarantees	692	386
Total liabilities granted	**692**	**386**

As at December 31st 2008 the balance of liabilities under undrawn credit card lines, presented in the off-balance sheet liabilities, amounted to PLN 23,128 thousand. As the use of their credit lines is voluntary for the customers, the Group can not specify approximate dates and volumes of such withdrawals from the Bank after the balance sheet date.

The above contingent liabilities are exposed to the off-balance sheet credit risk because only fees and commissions for granting the financing and provisions for possible losses are recognised in the balance sheet until a liability is discharged or it expires. Detailed information on the credit risk concentration, including the risk from the contingent liabilities granted, is presented in Note XVIII.

XII. DIVIDENDS

The 2007 profit was allocated for the reserve funds increase.

In the Parent Company did not pay out any dividends. The Parent Company's Management Board will propose that a portion of profit for the year ended December 31st 2008 should be allocated for the dividend payment.

In 2008 Noble Bank S.A. recognised dividend income: from Open Finance S.A., of PLN 30,000 thousand, and from Noble Funds TFI S.A., of PLN 2,800 thousand (transactions eliminated in consolidation). Noble Funds TFI S.A. also paid out a dividend to minority shareholders, of PLN 1,200 thousand.

XIII. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET AT FAIR VALUE

Fair value is the amount at which an asset can be sold or exchanged for another asset or a liability settled in an arm's length transaction between knowledgeable and willing parties.

The Group has financial instruments which, according to the adopted IFRS standards, are not measured at fair value: amounts due from banks, loans and advances to customers and, respectively, amounts due to banks and customers. The Group has estimated the fair values for the above financial instruments.

Below follows a summary of main methods and principles used in estimating the fair values of instruments in the table below.

Amounts due from banks:

Placements on the interbank market comprise short-term placements with a maturity of up to three months. Therefore, the fair value of amounts due from banks is assumed to be equal to their carrying amount.

Loans and advances to customers:

In the case of loans which have been found to be impaired and which are covered by the collection process ("old portfolio"), owing to the nature of the Group's portfolio and the methodology of calculating impairment of credit exposures, described in Note VIII, point 6, the fair value of such receivables was assumed to be the present value of expected future cash flows from the planned recoveries, determined in the process of impairment assessment.

In the case of other loans the following method of calculating fair value was adopted:

To calculate fair value, for each agreement a schedule of principal and interest flows is identified, on the basis of information recorded in transaction systems. Thus measured flows are grouped by the percentage type, date of disbursement, type of facility and the currency of an agreement.

To calculate a rate for discounting the cash flows identified above, a balance weighted average effective interest rate is measured on the basis of a portfolio of loans released within the last four months preceding the presentation date of the financial statements. For calculations, the effective rate recorded in IT systems as at the reporting date is adopted. The amount of cash flows discounted with the above rate assigned to an agreement compared with its carrying amount makes it possible to measure the difference between the fair value and the carrying amount. A rate relevant for discounting a cash flow is identified on the basis of the agreement currency, product and the date of flow.

Amounts due to banks and customers:

The Group valuated deposits accepted from customers with an initial maturity of over a year and at a fixed interest rate in the following manner:

The Group establishes the carrying amount of deposits mentioned above as the sum of the current deposit balance and the accrued interest as at the valuation date. This value is then discounted to the valuation date using a discount factor relevant for the maturity date from the market yield curve, increased by an average weighted margin for deposits from a given band of placement date or initial period. Thus the fair value is derived.

In the case of current deposits and other deposits without determined maturities, the fair value is assumed to be an amount which would be paid out on demand at the balance sheet date.

In the case of other financial assets held at the payable amount, it was assumed that the fair value corresponds to their carrying amount. It especially applies to current trade debtors and creditors.

Owing to the fact that for the majority of financial assets and liabilities valued at amortised cost (other than those described in detail above) using the effective interest rate the period of next revaluation does not exceed three months, the carrying amount of such items does not substantially differ from their fair value.

(in PLN thousand)

	As at December 31st 2008	
	Carrying amount PLN '000	**Fair value PLN '000**
Assets:		
Cash and amounts due from Central Bank	83 762	83 762
Amounts due from banks	965 217	965 217
Derivative financial instruments	60 843	60 843
Loans and advances to customers	3 825 081	3 619 087
Liabilities:		
Amounts due to banks and financial institutions	500 632	500 632
Derivative financial instruments	472 383	472 383
Amounts due to customers	3 454 781	3 440 701
Debt securities in issue	414 150	414 150

	As at December 31st 2007	
	Carrying amount PLN '000	**Fair value PLN '000**
Assets:		
Cash and amounts due from Central Bank	25 972	25 972
Amounts due from banks	657 070	657 070
Derivative financial instruments	18 003	18 003
Loans and advances to customers	1 175 899	1 175 899
Liabilities:		
Amounts due to banks and financial institutions	195 391	195 391
Derivative financial instruments	1 197	1 197
Amounts due to customers	938 021	938 021
Debt securities in issue	353 911	353 911

	As at December 31st 2008		
	Market price PLN '000	**Valuation techniques—market observation data PLN '000**	**Total PLN '000**
Financial assets:			
Derivative financial instruments	-	60 843	60 843
Loans and advances to customers	-	3 619 087	3 619 087
Available for sale financial instruments	477 241	-	477 241
Total financial assets	**477 241**	**3 679 930**	**4 157 171**
Financial liabilities:			
Derivative financial instruments	-	472 383	472 383
Amounts due to customers	-	3 440 701	3 440 701
Total financial liabilities	**-**	**3 913 084**	**3 913 084**

	As at December 31st 2007		
	Market price PLN '000	**Valuation techniques—market observation data PLN '000**	**Total PLN '000**
Financial assets:			
Derivative financial instruments	-	18 003	18 003
Available for sale financial instruments	52 910	-	52 910
Total financial assets	**52 910**	**18 003**	**70 913**
Financial liabilities:			
Derivative financial instruments	-	1 197	1 197
Total financial liabilities	**-**	**1 197**	**1 197**

XIV. ADDITIONAL EXPLANATIONS TO THE CASH FLOW STATEMENT

For the purposes of the consolidated cash flow statement, the following classification of activity types has been adopted:

1. Operating activities—include the basic scope of activity related to the provision of services by companies of the Group; it involves activities which aim to generate profit, other than investing or financing activities. The Group 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 or outflows from operating activities and by other items of costs and revenues connected with cash flows from investing activities.
2. Investing activities include operations which consist in the buying and selling of fixed assets, especially financial assets not classified as held for trading, shares in subsidiaries and the tangible fixed assets and intangible assets.
3. Financing activities include operations which involve raising funds in the form of capital or liabilities, as well as servicing the financing.

Statement of differences between balance sheet changes in assets and liabilities and changes recognised in the 2008 cash flow statement:

	Balance sheet	Cash flow statement	Difference
Change in amounts due from banks	(308 147)	(312 236)	4 089
Change in derivative financial instruments (asset)	(42 840)	(42 840)	-
Change in loans and advances to customers	(2 649 182)	(2 649 182)	-
Change in available for sale securities	(424 331)	-	(424 331)
Change in deferred income tax assets	1 922	1 922	-
Change in other assets and liabilities	(13 190)	(13 520)	330
Change in amounts due to banks and financial institutions	305 241	305 241	-
Change in derivative financial instruments (liability)	471 186	471 186	-
Change in amounts due to customers	2 516 760	2 516 760	-
Change in debt securities in issue	60 239	2 739	57 500
Change in provisions and deferred income tax provisions	9 045	8 573	472

1) Change in cash amounts due from banks
2) Purchase of securities presented in the cash flows from investing activities
3) Change in finance lease liabilities
4) Issue of certificates of deposits presented in the cash flows from financing activities
Deferred income tax provision related to available for sale financial instruments, recognised in shareholders' equity

XV. INFORMATION ON THE GROUP'S ASSETS PLEDGED AS COLLATERAL

The table below presents the carrying amount of assets pledged as collateral as at December 31st 2008:

(in PLN thousand)

Type of assets pledged	Type of liability	Value of secured liabilities	Carrying amount of assets pledged
amounts due from banks	certificates of deposit	406 902	37 508
Treasury bills	BGF	4 534	7 141
amounts due from banks	derivative financial instruments	472 075	264 429
Total		**883 511**	**309 078**

The table below presents the carrying amount of assets pledged as collateral as at December 31st 2007:

Type of assets pledged	Type of liability	Value of secured liabilities	Carrying amount of assets pledged
amounts due from banks	certificates of deposit	348 750	21 370
Treasury bills	BGF	570	1 898
Total		**349 320**	**23 268**

The security deposits which are the collateral for the issued certificates of deposit were established for three months and bear an average interest rate of 6.66%. The security deposits will be renewed by the Group until the settlement of liabilities from the issued certificates of deposit.

In accordance with Art. 25 and Art. 26 of the Bank Guarantee Fund Law, banks are required to establish funds to protect guaranteed money, in amounts provided for by a resolution of Bank Guarantee Fund (BGF). The basis is the sum of cash held in all of the Bank's accounts which are the basis for the calculation of the mandatory reserve amount.

XVI. TRANSACTIONS WITH RELATED ENTITIES

(1) DESCRIPTION OF TRANSACTIONS WITH RELATED ENTITIES

Noble Bank is the Parent Company of the Noble Bank S.A. Capital Group, and Getin Holding S.A. is the direct holding company of Noble Bank S.A. The Group understands the related entities to include also ASK Investments S.A., a minority shareholder of the Bank. The group of related entities also includes: Getin Holding S.A.., Carcade OOO, TU Europa S.A., TU na Życie Europa S.A., Getin Bank S.A., Panorama Finansów S.A., JML S.A., Fiolet - Powszechny Dom Kredytowy S.A., Dom Maklerski Polonia Net S.A., Iguana Investments Sp. z o.o., Tax Care S.A., LC Corp BV, Fundacja LC Hart, Leszek Czarnecki as the major shareholder of Getin Holding S.A. and the superior holding company as well as the Parent Company's Management Board members, the Parent Company's Supervisory Board members and parties related to them.

All transactions between the related entities in 2008 and 20067were conducted on an arm's length basis and resulted from day-to-day operations. The main items of those transactions refer to the provision of financial intermediation services. No material transactions have occurred which would require disclosure in these statements. Settlements and transactions with related entities are not secured.

The principal amounts of transactions with related entities are presented below.

(in PLN thousand)

	Balance sheet 31.12.2008				Profit and loss account 01.01.2008 – 31.12.2008						Off-balance sheet 31.12.2008
	Receivables from loans	Other receivables	Liabilities from deposits	Other liabilities	Interest income	Interest expense	Fee and commission income	Fee and commission expense	Sales *	Purchases **	Guarantee liabilities granted
Transactions with related entities	**42 861**	**1 891**	**1 516 903**	**1 925**	**3 444**	**49 021**	**33 434**	**943**	**326**	**4 204**	**450**
Getin Holding S.A.	-	-	-	-	-	-	-	-	-	4	-
Carcade ooo	36 726	-	-	-	3 303	-	-	-	-	-	-
Getin Bank SA	-	42	125 186	-	-	496	2 511	20	26	240	-
TU Europa SA	-	365	121 934	462	-	7 994	6 953	15	16	139	-
TU Europa na Życie SA	-	1 360	1 259 958	1 397	-	39 715	23 556	670	153	3 199	-
Panorama Finansów S.A.	2 013	108	1	10	32	22	-	9	129	-	-
Fiolet - Powszechny Dom Kredytowy SA	-	-	-	-	-	-	-	-	-	106	-
Powszechny Dom Kredytowy SA	-	-	-	-	-	-	-	24	-	520	-
Dom Maklerski Polonia Net S.A.	-	-	2 514	-	-	104	-	-	-	-	-
Home Broker S.A. (formerly JML S.A.)	-	16	-	56	-	-	83	205	-	-	450
Iguana Investments sp. z o.o.	16	-	-	-	-	-	16	-	-	-	-
Tax Care S.A.	2	-	-	-	-	-	-	-	2	-	-
LC Corp BV	-	-	-	-	-	-	279	-	-	-	-
Fundacja LC Heart	-	-	-	-	-	-	36	-	-	-	-
Jarosław Augustyniak—President of the Management Board	20	-	3 144	-	-	501	-	-	-	-	-
Maurycy Kuhn—Member of the Management Board	4 041	-	2 465	-	108	77	-	-	-	-	-
Krzysztof Spyra—Member of the Management Board	43	-	1 701	-	1	112	-	-	-	-	-

(in PLN thousand)

	Balance sheet 31.12.2007				Profit and loss account 01.01.07– 31.12.2007						Off-balance sheet 31.12.2007
	Receivables from loans	Other receivables	Liabilities from deposits	Other liabilities	Interest income	Interest expense	Fee and commission income	Fee and commission expense	Sales *	Purchases **	Guarantee liabilities granted
Transactions with related entities	**25 939**	**7 561**	**191 215**	**248**	**634**	**1 825**	**6 400**	**129**	**373**	**883**	**386**
Carcade	25 939	-	-	-	622	-	-	-	-	-	-
Getin Bank SA	-	140	-	44	1	-	-	-	369	524	-
TU Europa SA	-	656	50 088	18	-	1 660	-	-	-	359	-
TU Europa na Życie SA	-	3 049	141 127	-	-	165	825	-	-	-	-
Powszechny Dom Kredytowy SA	-	-	-	-	-	-	-	129	-	-	-
Home Broker S.A. (formerly JML S.A.)	-	63	-	-	-	-	32	-	4	-	386
Mercurius DM sp. z o.o.	-	-	-	-	-	-	933	-	-	-	-
LC Corp BV	-	3 631	-		-	-	4 588	-	-	-	-
LC Heart	-	22	-	-	-	-	22	-	-	-	-
Jarosław Augustyniak—Member of the Management Board	-	-	-	47	-	-	-	-	-	-	-
Maurycy Kuhn—Member of the Management Board	-	-	-	113	11	-	-	-	-	-	-
Krzysztof Spyra—Member of the Management Board	-	-	-	26	-	-	-	-	-	-	-

(2) INFORMATION OF THE AMOUNTS OF OUTSTANDING ADVANCES, LOANS, BORROWINGS AND GUARANTEES

As at December 31st 2008

Carcade Sp. z o.o.

- amount of outstanding loans— USD 12,400 thousand
- amount of outstanding interest— USD 0 thousand

As at December 31st 2007

Carcade Sp. z o.o.

- amount of outstanding loans— USD 10,650 thousand
- amount of outstanding interest— USD 2 thousand

(3) INFORMATION ON REMUNERATION AND BENEFITS FOR THE BANK'S SUPERVISORY BOARD AND MANAGEMENT BOARD MEMBERS

Costs of remuneration and benefits for the Management Board members, incurred by the Parent Company (PLN '000):

Short-term remuneration and benefits:

1.01.2008 - 31.12.2008 PLN 10,018 thousand*

1.01.2007 - 31.12.2007 PLN 1,666 thousand

* 2008 remuneration for individual members of the Parent Company's Management Board:

Jarosław Augustyniak PLN 3,465 thousand

Maurycy Kuhn PLN 3,139 thousand

Krzysztof Spyra PLN 3,165 thousand

Henryk Pietraszkiewicz PLN 249 thousand

Costs of remuneration and benefits for the Supervisory Board members, incurred by the Bank (PLN '000):

Short-term remuneration and benefits:

1.01.2008 - 31.12.2008 PLN 0 thousand

1.01.2007 - 31.12.2007 PLN 0 thousand

(4) BANK'S SHARES OWNED BY ITS SUPERVISORY BOARD AND MANAGEMENT BOARD MEMBERS (IN OFFICE AS AT DECEMBER 31ST 2008)

The table below presents the ownership of the Bank's shares among its Management Board members as at December 31st 2008:

Name	Function	As at 31.12.2007	Shares acquired in reporting period	Shares sold in reporting period	As at 31.12.2008
Remigiusz Baliński	Member of the Supervisory Board	22 333	-	-	22 333
Maurycy Kuhn	Member of the Management Board	10 758 000	-	453 553	10 304 447
Krzysztof Spyra	Member of the Management Board	10 750 000	-	360 053	10 389 947
Jarosław Augustyniak	President of the Management Board	10 758 000	-	60 053	10 697 947

XVII. CAPITAL MANAGEMENT

The chief aim of managing the Group's capital is to maintain a good credit rating and safe capital ratios which would support the Group's operating activities and increase its value for shareholders. Capital management is effected at the level of companies which make up the Group and it is supervised through functions held within the companies' Supervisory Boards.

The Group manages the capital structure and modifies it as a result of changing economic conditions. In order to maintain or adjust the capital structure, the Group may change the dividend payout for shareholders, pay the capital back to shareholders or issue new shares. In 2008 and 2007 no modifications were made to objectives, principles and processes which apply in this area.

The Group monitors its capital levels using the leverage ratio, calculated as the ratio of net debt to total equity plus gross debt. Net debt includes interest-bearing loans and advances, trade creditors and other liabilities less cash and cash equivalents. Shareholders' equity includes convertible preference shares, equity less revaluation reserve.

Capital adequacy is measured by the solvency ratio, which reflects the relation of equity (after obligatory deductions) to total assets and risk-weighted off-balance sheet items. The solvency ratio assigns percentage weights to assets and off-balance sheet items according to, among others, degree of credit, market, currency or interest rate risk. The Bank is obliged to maintain shareholders' equity which is adequate to the level of incurred risk, in accordance with the regulations.

The minimum solvency ratio specified by the Polish banking regulations is 8%.

The calculation of the solvency ratio is presented in Note 30 to these financial statements. Shareholders' equity is described in Note 31 to these financial statements.

XVIII. RISK MANAGEMENT IN NOBLE BANK S.A. CAPITAL GROUP

Adopted methods and objectives of financial risk management

The risk management in the Capital Group is centred directly in the Bank. The Bank's governing bodies, i.e. the Management Board and the Supervisory Board, play the most important role in the risk management process.

The objective of asset and liability management policy is to optimise the structure of the balance sheet and off-balance sheet items to retain the planned proportion of income to the risk incurred. The Bank's Management Board is responsible for managing risk at the strategic level. For operational management, it has established two committees: the Credit Committee and the Asset and Liability Management Committee (ALCO). Those committees are responsible for managing their relevant risk areas at the operational level, monitoring risk levels as well as for shaping current policies within the framework of strategies adopted by the Bank's Management Board, within internal limits and in line with supervisory regulations.

The existing market risk management regulations incorporate requirements of the Supervisory Recommendations of the General Inspectorate of Banking Supervision. In its business the Bank is exposed to credit risk, liquidity risk, market risk and operational risk. In accordance with a resolution of the Commission for Banking Supervision, the Bank is obliged to calculate capital requirements for the coverage of particular risks, i.e. to maintain its equity at a level commensurate with the exposure. The resolution of the Commission for Banking Supervision governs the method of calculating the solvency ratio and includes, apart from the credit risk capital requirements, capital requirements for other risks (currency risk, interest rate risk, among others) in the capital adequacy calculation.

1. Credit risk

Credit risk management in the Group is centred on the Parent Company, which is NOBLE Bank, and aims to guarantee safe lending while maintaining a sensible approach to risk. The Bank controls credit risk through the implementation and observance of internal procedures for the monitoring of the granted loans and through day-to-day reviews of the borrowers' financial standing and loan repayments.

In 2008 the Bank was carrying intensive debt collection activities. The focus was on intensifying debt collection processes as regards the "old" loans portfolio; therefore, matters relating to managing the irregular loans, their restructuring and collection were prioritised. The Bank was also continuing to grant new loans, concentrating on the segment of mortgage loans and loans secured with financial assets.

Credit process at Noble Bank is divided into five stages: registration of a credit application, assessment of the application concluded with a decision, preparation of a credit agreement, payments of funds and monitoring. The Bank has internal instructions which define in detail the participants of the credit process and functions assigned to them. Decisions are made on a multi-stage basis at all points. The Bank performs a two-stage valuation of properties pledged as collateral for granted loans, using for that purpose its own services and an external company. The ultimate credit decisions are made according to the division of competencies depending on the credit amounts and type of products, which is approved by a resolution of the Bank's Management Board.

The Bank has detailed procedures for the monitoring of the granted credit facilities. Within those procedures, three stages of the Bank's actions in the event of irregular loan repayments can be distinguished: monitoring, collection and enforcement. Each of the measures assigned to those stages is described in detail (with the indication of persons responsible) in the Bank's internal instructions. Regulations in force at the Bank in respect of agreements covered by restructuring and collection actions:

1. instruction for the monitoring of the Bank's retail receivables,
2. instruction for the monitoring of customers who run business activity,
3. instruction for the monitoring of mortgage-backed receivables.

a) By individual entities

Exposure to 10 largest clients	**31.12.2008 % of portfolio**
Client 1	0.89
Client 2	0.87
Client 3	0.72
Client 4	0.64
Client 5	0.61
Client 6	0.61
Client 7	0.55
Client 8	0.55
Client 9	0.49
Client 10	0.49
Other clients	93.57
Total	100.00

(in PLN thousand)

Exposure to 10 largest clients	31.12.2007 % of portfolio
Client 1	2.19
Client 2	1.33
Client 3	1.31
Client 4	1.24
Client 5	1.20
Client 6	0.93
Client 7	0.90
Client 8	0.88
Client 9	0.81
Client 10	0.81
Other clients	88.40
Total	100.00

b) By industrial sector

Industry sector	**31.12.2008 %**	**31.12.2007 %**
Agriculture and hunting	**0.1**	**0.5**
Manufacturing	**0.5**	**0.9**
- Manufacture of food products	0.1	0.0
- Manufacture of textiles	0.1	0.0
- Manufacture of chemicals and chemical products	0.1	0.00
- Manufacture of basic metals and processed metal products	0.1	0.00
- Manufacturing not classified elsewhere	0.0	0.9
Construction	**2.4**	**2.2**
Wholesale and retail trade	**1.3**	**1.2**
Transport, storage and communication	**0.1**	**0.0**
Financial intermediation	**2.2**	**3.2**
Real property management	**6.5**	**4.7**
Other sections	**1.3**	**1.0**
Individuals	**85.7**	**86.3**
Total	**100.0**	**100.0**

c) By geographical market segments

By Poland's administrative division (provinces)	**31.12.2008 %**	**31.12.2007 %**
Dolnośląskie	6.7	6.9
Kujawsko-Pomorskie	1.4	1.5
Lubelskie	1.8	2.1
Lubuskie	0.5	1.1
Łódzkie	2.3	1.6
Małopolskie	6.2	4.2
Mazowieckie	51.9	49.4
Opolskie	0.4	0.5
Podkarpackie	1.1	2.2
Podlaskie	1.3	1.1
Pomorskie	5.1	4.1
Śląskie	4.7	5.3
Świętokrzyskie	0.7	0.8
Warmińsko-Mazurskie	1.1	1.3
Wielkopolskie	5.1	4.5
Zachodniopomorskie	1.0	1.2
Offices abroad	8.7	12.3
Total	**100.0**	**100.0**

(in PLN thousand)

d) Structure of loans portfolio

Structure of loans portfolio	31.12.2008 %	31.12.2007 %
Loans for individuals	**85.7**	**86.3**
Including:	0.0	0.0
- hire purchase loans	0.3	1.1
- housing, construction and mortgage loans	69.6	73.8
- other	15.8	11.4
Corporate loans	**14.3**	**13.7**
Total	**100.0**	**100.0**

Exposure concentration limits: **the Banking Law, Art. 71.1**	**31.12.2008**	**31.12.2007**	
The amount of the bank's claims, off-balance sheet commitments and shares or participations, exposed to a linked single entity or entities which are not connected* to the bank shall not exceed the exposure concentration limit which amounts to 25% of the bank's own funds	124177	74 175	Limit 1
Large exposure to one client			
% of equity	8%		9.0%
% of loans portfolio	1%		2.0%
Exposure to 10 largest clients			
% of equity	55%		46.0%
% of loans portfolio	6%		12.0%
Large exposure to one capital group			
% of equity	8%		0.0%
% of loans portfolio	1%		0.0%
Exposure to 5 largest capital groups			
% of equity	31%		0.0%
% of loans portfolio	4%		0.0%
The amount of the bank's claims, off-balance sheet commitments and shares or participations, exposed to a linked single entity or entities which are connected* to the bank shall not exceed the exposure concentration limit which amounts to 20% of the bank's own funds	99 341	59 340	Limit 2
Exposure to group of entities related to the bank			
% of equity	8%		9.0%
% of loans portfolio	1%		2.0%
The aggregate amount of the bank's exposures equal or in excess of 10% of its own funds (large exposure) to a single entity or entities linked by capital or organisation structure shall not exceed 800% of the bank's own funds	49 671	29 670	Limit 3
Individual exposures			
% of equity	0.0%		0.0%
% of loans portfolio	0.0%		0.0%

In the Group's subsidiaries—Noble TFI and Open Finance—credit risk does not exist or is at a very low level. It stems from the fact that in the financial intermediation segment the Group co-operates with financial institutions which have no liquidity problems and which regularly settle their obligations.

The process of managing and monitoring the concentration risk at Noble Bank S.A. is run in accordance with provisions of Resolution 1/2007 of the Commission for Banking Supervision. The Bank monitors the concentration risk and, if it occurs, establishes a capital requirement in an amount as per Appendix No. 12 to the above-mentioned resolution. As at December 31st 2008 there were no indications of concentration risk, therefore Noble Bank S.A. did not establish the capital requirement on that account.

The Group manages credit risk which relate to loans in foreign currencies and loans indexed to foreign currency exchange rate, both at the stage of loan origination and its monitoring. While assessing creditworthiness of an applicant for a loan, cash advance or other product with the value depending on foreign currency exchange rates, the Bank takes into account the exchange rate risk from fluctuations of the rate of the zloty against foreign currencies and the risk of changing interest rates, and its influence on the borrower's creditworthiness.

The Bank manages credit risk which relate to loans in foreign currencies and loans indexed to foreign currency exchange rate, both at the stage of loan origination and its monitoring. While assessing creditworthiness of an applicant for a loan, cash advance or other product with the value depending on foreign currency exchange rates, the Bank takes into account the exchange rate risk from fluctuations of the rate of the zloty against foreign currencies and the risk of changing interest rates, and its influence on the borrower's creditworthiness.

Noble Bank S.A. follows the provisions of Recommendation S on good practices concerning the exposure to mortgage-backed loans. Accordingly, borrowers opting for loans denominated in CHF were left with a certain safety buffer which, in the Management Board's view, sufficiently covers the risk of higher instalments. Detailed analyses of repayment ratio for the portfolio of foreign currency mortgage loans show that increased monthly loan payment burdens observed since August 2008 caused by a weaker zloty did not bring about any significant deterioration in timely repayments. However, considering a relatively short observation history of repayment ratios under changed economic conditions in the fourth quarter of 2008, the levels of future loan loss ratios and write-downs due to credit risk are uncertain in the scenario of a further weakening of the Polish currency and economic situation in the future.

The Bank analyses the impact of exchange rate and interest rate changes on the credit risk it bears, both in the segment of financial and mortgage loans. The Bank examines the influence of exchange rate risk on the quality of the portfolio of mortgage-backed loan exposures and of the properties accepted as collateral. It performs quarterly stress tests involving the effect of borrowers' exchange rate risk on the Bank's credit risk.

2. Market risk

Market risk is defined as the uncertainty that interest rates, currency exchange rates or prices of securities and other financial instruments owned by the Company will have values differing from those originally assumed, causing unexpected gains or losses from the positions held.

Interest rate risk

The aim of measuring and managing the risk arising from the Company's holding of open positions which result from the mismatching of assets and liabilities as regards the interest rate binding dates is to minimise the risk involved in holding those positions. Market changes of interest rates, while open positions are kept, cause a risk of sustaining losses as well as achieving gains. Open positions sensitive to interest rate changes appear because a situation when the interest income generating assets are matched with those which generate interest expense, simultaneously with respect to revaluation amounts and dates, is virtually impossible. The main sources of interest rate risk are transactions conducted at the Bank's branches and those on the money market by the Money Management Office. The main source of the Bank's income is margin, therefore the limit adopted by the Bank, which mitigates the interest rate risk, can be regarded as prudent. In accordance with "The principles of the interest rate risk management policies and methods at Noble Bank S.A.", the ALCO Committee approves the structure of the internal limit of the Bank's allowable exposure to interest rate risk and approves the amount of this limit. The limit structure is based on two components:

- accumulated change of margins as regards two percentage point changes of market interest rates; such changes are measured using the repricing model. It involves pooling sensitive to interest rate changes assets and liabilities in relevant time bands corresponding to revaluation dates for individual items, and then measuring margins and their changes under conditions of a two percentage point change of interest rates (calculations are also made for a one percentage point change),

- the Bank's equity in the reporting period: the limit comprises the percentage share of a margin change (due to a two percentage point change of interest rates) in the Bank's equity.

In addition to the above analysis, the Bank also analyses the following risks:

- customer options risk,
- basis risk, and
- yield curve risk.

Customer options risk. Instruments which contain the customer options include cash loans and advances which give the borrower the right of early repayment of the outstanding portion of a loan (advance) as well as some types of deposits which allow the deposit holders to withdraw cash at any time without any penalties for the Bank's customers. The option risk analysis method consists in measuring the impact of the market interest rate changes on the customers' propensity to withdraw from agreements made with the Bank. The measurement targets the portfolio of current deposits, term deposits and loans separately. The analysis is based on the vale at risk method.

The basis risk arises from an imperfect correlation of interest rates of instruments (with the same repricing intervals) which generate interest income and expense.

The basis risk is measured by conducting the sensitivity analysis of assets and liabilities, which are expressed in individual currencies and which generate interest income and expense, to changes in the base interest rates for those currencies. The analysis is performed using the repricing gaps separately for four currencies which are fundamental from the standpoint of the Bank's needs: PLN, CHF, USD, EUR, and jointly for other currencies.

Yield curve risk involves a change in the relation between interest rates for different periods and which apply to the same index or market. The relation changes when the shape of the yield curve flattens, steepens or reverses, in an interest rate cycle.

The yield curve risk analysis method consists in measuring the sensitivity of the Bank's net interest income to changes in the relation between interest rates for different periods. The analysis is performed jointly for all currencies on the basis of the Bank's total repricing gaps.

(w tys. zł)

The table below presents the Group's assets, liabilities and off-balance sheet liabilities classified as at December 31st 2008 by the interest rate risk criterion (PLN '000):

Balance sheet items	Up to 1 month inclusive	From 1 to 3 months inclusive	From 3 months to 1 year inclusive	From 1 to 5 years inclusive	Over 5 years	Non-interest bearing assets/liabilities	Total
Assets:	**1 236 287**	**3 804 641**	**48 196**	**160 049**	**8 749**	**344 994**	**5 602 916**
Cash and amounts due from Central Bank	83 762	-	-	-	-	-	83 762
Amounts due from banks	833 387	112 213	-	-	-	19 617	965 217
Loans and advances to customers	19 138	3 671 774	36 726	49	8 749	88 645	3 825 081
Securities	300 000	-	11 470	160 000	-	5 771	477 241
Other	-	20 654	-	-	-	230 961	251 615
Liabilities:	**918 996**	**831 330**	**1 764 516**	**798 322**	**-**	**597 202**	**4 910 366**
Amounts due to banks and financial institutions	-	125 000	353 279	20 000	-	2 353	500 632
Amounts due to customers	568 996	648 830	1 411 237	778 322	-	47 396	3 454 781
Debt securities in issue	350 000	57 500				6 650	414 150
Other	-	-	-	-	-	540 803	540 803
Equity	-	-	-	-	-	692 550	**692 550**
Total equity and liabilities	**918 996**	**831 330**	**1 764 516**	**798 322**	**-**	**1 289 752**	**5 602 916**
Gap	**317 291**	**2 973 311**	**(1 716 320)**	**(638 273)**	**8 749**	**(944 758)**	**-**
Off-balance sheet items							
Interest rate transactions:							
Assets	-	-	500 000	453 000	-	-	**953 000**
Liabilities	-	953 000	-	-	-	-	**953 000**
Gap	**-**	**(953 000)**	**500 000**	**453 000**	**-**	**-**	**-**
Total gap	**317 291**	**2 020 311**	**(1 216 320)**	**(185 273)**	**8 749**	**(944 758)**	**-**

*—in the above table liabilities at a fixed interest rate were classified by maturity

(w tys. zł)

The table below presents the Group's assets, liabilities and off-balance sheet liabilities classified as at December 31st 2007 by the interest rate risk criterion (PLN '000):

Balance sheet items	Up to 1 month inclusive	From 1 to 3 months inclusive	From 3 months to 1 year inclusive	From 1 to 5 years inclusive	Over 5 years	Non-interest bearing assets/liabilities	Total
Assets:	**283 226**	**1 498 812**	**1 898**	**23 620**		**274 123**	**2 081 679**
Cash and amounts due from Central Bank	1 746	-	-	-	-	24 226	25 972
Amounts due from banks	230 136	400 030	-	-	-	26 904	657 070
Loans and advances to customers	1 365	1 098 782	-	23 620		52 132	1 175 899
Securities	49 979	-	1 898	-	-	1 033	52 910
Other	-	-	-	-	-	169 828	169 828
Liabilities:	**513 399**	**670 322**	**180 477**	**118 440**	**-**	**62 700**	**1 545 338**
Amounts due to banks and financial institutions	86	176 211	-	18 077	-	1 017	195 391
Amounts due to customers*	513 313	142 631	180 477	100 363		1 237	938 021
Debt securities in issue*		350 000	-	-	-	3 911	353 911
Other	-	1 480	-	-	-	56 535	58 015
Equity	-	-	-	-	-	536 341	**536 341**
Total equity and liabilities	**513 399**	**670 322**	**180 477**	**118 440**	**-**	**599 041**	**2 081 679**
Gap	**(230 173)**	**828 490**	**(178 579)**	**(94 820)**	**-**	**(324 918)**	**-**
Off-balance sheet items							
Interest rate transactions:							
Assets	-	-	-	167 000	**-**	-	**167 000**
Liabilities	-	167 000	-	-		-	**167 000**
Gap	**-**	**(167 000)**	**-**	**167 000**	**-**	**-**	**-**
Total gap	**(230 173)**	**661 490**	**(178 579)**	**72 180**	**-**	**(324 918)**	**-**

*—in the above table liabilities at a fixed interest rate were classified by maturity

The main market risks identified in the Group also include:

- rising interest rates, even by a few points, may cause interest in investment funds to drop and weaken interest in mortgage loans,
- successful market entry of big financial advisory firms such as AWD or MLP, which may lead to growing costs of customer acquisition and rising pressure on advisers' salaries,
- rising interest rates or a further continued (or a further deepening) correction of share prices on the Warsaw Stock Exchange could lead to a weaker interest in investment funds and asset management services,
- starting a "price war" on management fees among investment fund companies, which could affect the Company's profitability,
- growing distribution prices of investment fund participation units.

Sensitivity analysis

The Bank analyses the sensitivity to changes of market interest rates on the basis of the funds gap management method (funding gap model). In this method, assets and liabilities are divided into those which are sensitive or non-sensitive to possible changes in contractual interest rates in a defined future period. "Sensitive position" means that in a defined future period cash flows (interest) will change under the influence of changes in contractual interest rates (in the same direction and to the same extent). All balance sheet items on which no interest accrues are categorised as non-sensitive. Assets and liabilities (carrying amounts) are divided into future periods depending on repricing dates, instead of maturity dates. Dates when contractual rates change are called repricing dates. The main sources of interest rate risk are transactions conducted for customers and transactions on the money market. In accordance with "The principles of the interest rate risk management policies and methods at Noble Bank S.A.", the ALCO Committee approves the structure of the internal limit of the Bank's allowable exposure to interest rate risk and approves the amount of this limit. The limit structure is based on two components:

■ accumulated change of margins under the influence of market interest rates changing by one percentage point,

- such changes are measured on the basis of the repricing model. It involves pooling of sensitive to interest rate changes assets and liabilities in relevant time periods corresponding to revaluation dates for individual items; then measuring margins and their changes under conditions of a one percentage point change of interest rates (calculations are also made for a two percentage point change),

■ the Bank's equity in the reporting period.

The limit comprises the percentage share of margin change (due to a one percentage point change of interest rates) in the Bank's equity.

Change in margins for the interest-generating items under the influence of a change in contractual interest rates, as at December 31st 2008 (influence on net profit and equity):

Change in margins	**01.01.2008 - 31.12.2008 PLN '000**	**01.01.2007 - 31.12.2007 PLN '000**
Decrease of interest rates by 1 percentage point %	(4 376)	(555)
Increase of interest rates by 1 percentage point %	4 376	555

Currency risk

The Bank as part of its operating activities aims to minimise currency risk through maintaining the total currency position at a level lower than the limit adopted in an official instruction—"Currency risk management at Noble Bank S.A.". The total amount of currency position may not exceed 2% of the Bank's equity. The adopted limit is effective on each business day. The amount of currency positions expressed in the Polish zloty is translated using the average exchange rate of the National Bank of Poland as at the reporting date. The Risk and Controlling Department monitors whether the limit as set by the Management Board has not been exceeded.

Currency risk arises as a result of transactions made with customers. Managing this risk is effected through making opposite transactions on the interbank market. As a rule, the Bank does not undertake any speculative currency translations on the interbank market. The size of limit and the Bank's applied policy reduce the possibility of incurring a loss from adverse changes on the currency market to negligible amounts.

Currency risk reports are monitored by the Bank's Management Board on an ongoing basis. Decisions about the currency position amounts are made at the Money Management Office, taking into account the currency position limit.

Calculations of the Bank's exposure to currency risk and calculations of the capital requirement to cover the risk are conducted on a daily basis. The Bank has adopted the so-called basic method of calculating the capital requirement relating to the currency risk exposure. The capital requirement for currency risk is calculated as the product of 8% and the total currency position value in absolute terms.

As at December 31st 2008 and December 31st 2007 the Bank's currency position was as follows:

	31.12.2008	**31.12.2007**
	PLN '000	**PLN '000**
CHF	(1 817)	870
EUR	459	(123)
USD	20	239
GBP	(16)	(245)
JPY	(3)	709
Global position	**(1 357)**	**1 450**
Total position	**(1 836)**	**1 818**

(in PLN thousand)

As at December 31st 2008

	Currency (PLN '000)						Total
	PLN	EUR	CHF	USD	GBP	JPY	
ASSETS							
Cash and amounts due from Central Bank	83 762	.	.	.	.	.	83 762
Amounts due from banks	823 551	23 812	94 089	11 120	5 958	6 687	965 217
Loans and advances to customers	349 476	20 326	3 019 494	85 907	-	349 878	3 825 081
Securities	477 241	-	-	-	-	-	477 241
Other	251 615	.	.	.	.	.	251 615
TOTAL ASSETS	**1 985 645**	**44 138**	**3 113 583**	**97 027**	**5 958**	**356 565**	**5 602 916**
LIABILITIES							
Amounts due to banks and financial institutions	341 821	-	158 811	-	-	-	500 632
Amounts due to customers	3 336 149	54 110	6 550	53 371	4 601	-	3 454 781
Debt securities in issue	414 150						414 150
Provisions	52	-	-	-	-	-	52
Other	540 751	.	.	.	.	.	540 751
TOTAL LIABILITIES	**4 632 923**	**54 110**	**165 361**	**53 371**	**4 601**	**-**	**4 910 366**
EQUITY	**692 550**	**-**	**-**	**-**	**-**	**-**	**692 550**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**5 325 473**	**54 110**	**165 361**	**53 371**	**4 601**	**-**	**5 602 916**
NET EXPOSURE	**(3 339 828)**	**(9 972)**	**2 948 222**	**43 656**	**1 357**	**356 565**	**-**
OFF-BALANCE SHEET ITEMS							
Assets	3 866 107	11 265	-	841	-	-	
Liabilities	953 000	834	2 950 039	44 477	1 373	356 568	
GAP	**(426 721)**	**459**	**(1 817)**	**20**	**(16)**	**(3)**	

As at December 31st 2007

Audited data	Currency (PLN '000)						Total
	PLN	EUR	CHF	USD	GBP	JPY	
ASSETS							
Cash and amounts due from Central Bank	25 972	-	-	-	-	-	25 972
Amounts due from banks	639 564	8 310	-	2 672	6 418	106	657 070
Loans and advances to customers	227 220	7 302	910 048	26 380	.	4 949	1 175 899
Securities	52 910	.	.	.	.	.	52 910
Other	169 828	-	-	-	-	-	169 828
TOTAL ASSETS	**1 115 494**	**15 612**	**910 048**	**29 052**	**6 418**	**5 055**	**2 081 679**
LIABILITIES							
Amounts due to banks and financial institutions	116 214	-	78 946	231	-	-	195 391
Amounts due to customers	884 588	22 541	2 416	21 813	6 663	-	938 021
Debt securities in issue	353 911						353 911
Provisions	7 137	-	-	-	-	-	7 137
Other	50 878	.	.	.	.	.	50 878
TOTAL LIABILITIES	**1 412 728**	**22 541**	**81 362**	**22 044**	**6 663**	**-**	**1 545 338**
EQUITY	**536 341**	.	.	.	.	.	**536 341**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1 949 069**	**22 541**	**81 362**	**22 044**	**6 663**	**-**	**2 081 679**
NET EXPOSURE	**(833 575)**	**(6 929)**	**828 686**	**7 008**	**(245)**	**5 055**	**-**
OFF-BALANCE SHEET ITEMS							
Assets	849 979	6 806	-	-	-	-	
Liabilities	231	-	827 816	6 769	-	4 346	
GAP	**16 173**	**(123)**	**870**	**239**	**(245)**	**709**	

(in PLN thousand)

Sensitivity analysis

Sensitivity analysis for currency risk was performed as an analysis of the impact of changes in the average exchange rates of the National Bank of Poland on the Group's financial result. The analysis was based on the value of total open currency position as at December 31st 2008. The sensitivity analysis was performed in six versions simulating the impact of exchange rate changes by 10%, 15% and 20%, separately for the exchange rate increases and decreases. Values presented in the table show the influence of the rate changes on the valuation of currency positions and on the Bank's financial result.

Exchange rate change	**31.12.2008 PLN '000**		**31.12.2007 PLN '000**	
	Increase	**Decrease**	**Increase**	**Decrease**
10% rate change	(141)	141	182	(182)
15% rate change	(211)	211	273	(273)
20% rate change	(281)	281	364	(364)

	31.12.2008 PLN '000	**31.12.2007 PLN '000**
Currency position	(1 836)	1 818

3. Liquidity risk

The objective of liquidity management in the Group is to ensure its ability to meet all contractual financial obligations in a timely and satisfactory manner. Managing liquidity risk lies in shaping the structure of the balance sheet and off-balance sheet items in such a way as to reach strategic goals, including maximization of the market value of equity by achieving the target net profit, at the same time maintaining exposure to financial risks on a level accepted by the Management Board.

Liquidity management is based on stating the Group's assets and liabilities by adjusted maturity dates (the gap method). It allows analysing and controlling liquidity items at the level of the entire Group in the short-, medium- and long-term perspective. The gap method is to warn in advance about the emergence of mismatched assets and liabilities, which poses a threat to the Group. The warning function makes it possible to respond in advance or plan using an appropriate financial instrument to cover the negative gap. On the basis of the statement of the Bank's assets and liabilities and the statement of its off-balance sheet items, ALCO sets liquidity limits, which are monitored on an ongoing basis and the aim of which is to reduce the risk of the Group's losing liquidity.

The monitoring and measurement of the risk of losing payment liquidity in the Polish zloty involves an analysis of:

1) the Group's current cash position,
2) non-interest earning assets, mainly cash balances in the Group's current account,
3) amount of liquid assets and their share in the structure of all of the Group's assets,
4) trend of changes in regard to individual balance sheet items within maturity time ranges,
5) amounts of transactions conducted through SORBNET banking module,
6) loan releases and repayments,
7) the level of deposits.

The data for the day-to-day monitoring of the payment liquidity in the zloty come from:

1) constant access to the Group's current account balance in the Payment Systems Department at the National Bank of Poland in Warsaw, through SORBNET system,
2) daily information about the planned volume of loans and advances to be released,
3) daily information about operations performed by the Money Management Office,
4) weekly information about the Group's selected items of assets and liabilities,
5) Webis monthly reporting.

The main indicators of the Bank's liquidity level are: monthly statements of mismatched assets and liabilities with the off-balance sheet items according to actual and adjusted maturity dates and liquidity ratios calculated on this basis.

In order to manage liquidity in the best way, the Group keeps the following liquid assets in its portfolio: cash in the account in the Payment Systems Department at the National Bank of Poland, interbank deposits (overnight, tomnext), liquid securities.

Throughout 2008 and 2007 the Group maintained a positive cash position, giving deposits to banks which have transaction limits on the interbank money market. Observance of limits is subject to control, and all departures require approval of the Bank's Management Board.

The following are the basic indicators used to measure the Bank's payment liquidity:

1. short-term liquidity ratio—for the time band from on demand to three months,
2. medium-term liquidity ratio—for the time band from on demand to three years,
3. long-term liquidity ratio—for the time band from on demand to over three years.

The mentioned ratios are calculated for the PLN and the currency part of the balance sheet and in total, after taking into consideration the adjustments of value of the balance sheet and off-balance sheet assets and liabilities.

Forecasting the real cash flows consists in estimating the periods remaining to the maturity of assets and liabilities through a statement of those assets and liabilities in particular time bands, counting from the date of the statement.

Apart from the balance sheet items, this statement also covers selected off-balance sheet items which might possibly cause an inflow or outflow of funds (sureties and guarantees, and undrawn credit lines).

Noble Bank S.A. measures and manages liquidity risk on the basis of adopted internal procedures and the provisions of Resolution No 9/2007 of the Commission for Banking Supervision on the determination of liquidity norms binding on the banks. As part of calculating the supervisory liquidity measures, banks are obliged to maintain, on each business day, four liquidity measures at a level higher than limits set by the Commission for Banking Supervision. As at December 31st 2008 Noble Bank S.A. complied with all liquidity measures set out in Resolution 9/2007 the Commission for Banking Supervision; also, it did no report any violations of internal limits on liquidity risk. During 2008 Noble Bank S.A. exceeded one of the supervisory liquidity measures (M4) twice. From October 10th 2008 to October 27th 2008 and from November 18th 2008 to November 20th 2008 the value of the M4 supervisory liquidity measure fell below 1. The fall of the M4 liquidity measure below the adopted limit was caused by a sharp collapse in the value of the zloty at that time. As Noble Bank S.A. has a portfolio of mortgage loans denominated in CHF, it made the PLN value of receivables grow significantly. At the same time the crisis on financial markets resulted in fewer opportunities for making deals on the interbank market and lower willingness of customers to place deposits in banks. Owing to the temporary violations of the M4 measure, the Management Board of Noble Bank S.A. was taking a number of steps to re-introduce stability as regards all liquidity measures.

It decided to temporarily hold the releases of new loans and to extensively change Noble Bank's deposit offering. Those actions enabled all liquidity measures to reach satisfactory levels quickly. As at December 31st 2008 and until the day on which these statements were prepared, Noble Bank S.A. did not record any violation of the supervisory liquidity measures, nor internal limits on liquidity risk.

(in PLN thousand)

The table below presents the Group's assets and liabilities as at December 31st 2008 by maturity (PLN '000):

Balance sheet items	Up to 1 month inclusive	From 1 to 3 months inclusive	From 3 months to 1 year inclusive	Total below 12 months	From 1 to 5 years inclusive	Over 5 years	Total over 12 months	Undefined maturity	Total
Assets:									
Cash and balances with Central Bank	83 762			83 762					83 762
Amounts due from banks	837 993	112 212		950 205				15 012	965 217
Derivative financial instruments	1 010	23 762		24 772	36 071		36 071		60 843
Loans and advances to customers	175 418	3 825	93 535	272 778	359 907	3 192 396	3 552 303		3 825 081
Financial instruments	299 958		10 964	310 922	164 956		164 956	1 363	477 241
Available for sale	299 958		10 964	310 922	164 956		164 956	1 363	477 241
Intangible assets								103 738	103 738
Tangible fixed assets								24 692	24 692
Non-current assets classified as held for sale								52	52
Income tax assets			17 396	17 396				730	18 126
Current income tax assets			17 396	17 396					17 396
Deferred income tax assets								730	730
Other assets	3 854	1 325	1 719	6 898	2 626		2 626	34 640	44 164
Total assets:	**1 401 995**	**141 124**	**123 614**	**1 666 733**	**563 560**	**3 192 396**	**3 755 956**	**180 227**	**5 602 916**
Liabilities:									
Amounts due to banks and financial institutions	57	127 296	353 279	480 632	20 000		20 000		500 632
Derivative financial instruments	12 372	153 281	282 258	447 911	24 472		24 472		472 383
Amounts due to customers	628 878	490 120	1 539 483	2 658 481	796 300		796 300		3 454 781
Debt securities in issue	5 785	1 463		7 248	406 902		406 902		414 150
Corporate income tax liabilities								1 160	1 160
Other liabilities	14 053	6 717	7 888	28 658	3 149		3 149	1 448	33 255
Deferred income tax provision								33 953	33 953
Provisions								52	52
Total liabilities:	**661 145**	**778 877**	**2 182 908**	**3 622 930**	**1 250 823**	**-**	**1 250 823**	**36 613**	**4 910 366**
Equity								692 550	692 550
Total shareholders' equity and liabilities	**661 145**	**778 877**	**2 182 908**	**3 622 930**	**1 250 823**	**-**	**1 250 823**	**729 163**	**5 602 916**
Liquidity gap	**740 850**	**(637 753)**	**(2 059 294)**	**(1 956 197)**	**(687 263)**	**3 192 396**	**2 505 133**	**(548 936)**	**-**

(in PLN thousand)

The table below presents the Group's assets and liabilities as at December 31st 2007 by maturity (PLN '000):

Balance sheet items	Up to 1 month inclusive	From 1 to 3 months inclusive	From 3 months to 1 year inclusive	Total below 12 months	From 1 to 5 years inclusive	Over 5 years	Total over 12 months	Undefined maturity	Total
Assets:									
Cash and balances with Central Bank	25 972			25 972					25 972
Amounts due from banks	253 013	400 000		653 013				4 057	657 070
Derivative financial instruments		18 003		18 003					18 003
Loans and advances to customers	110 884	3 401	25 910	140 195	136 700	899 004	1 035 704		1 175 899
Available for sale financial instruments	49 979		1 898	51 877				1 033	52 910
Intangible assets								102 715	102 715
Tangible fixed assets								16 279	16 279
Non-current assets classified as held for sale								61	61
Income tax assets								4 943	4 943
Current income tax assets								2 291	2 291
Deferred income tax assets								2 652	2 652
Other assets								27 827	27 827
Total assets:	**439 848**	**421 404**	**27 808**	**889 060**	**136 700**	**899 004**	**1 035 704**	**156 915**	**2 081 679**
Liabilities:									
Amounts due to banks and financial institutions	1 017		50 396	51 413	143 978		143 978		195 391
Derivative financial instruments		1 197		1 197					1 197
Amounts due to customers	414 522	151 196	230 477	796 195	141 826		141 826		938 021
Debt securities in issue	4 458			4 458	349 453		349 453		353 911
Corporate income tax liabilities		1 750		1 750					1 750
Other liabilities	16 833	8 404	903	26 140	3 915		3 915	53	30 108
Deferred income tax provision								17 823	17 823
Provisions			340	340	534	168	702	6 095	7 137
Total liabilities:	**436 830**	**162 547**	**282 116**	**881 493**	**639 706**	**168**	**639 874**	**23 971**	**1 545 338**
Equity								536 341	536 341
Total shareholders' equity and liabilities	**436 830**	**162 547**	**282 116**	**881 493**	**639 706**	**168**	**639 874**	**560 312**	**2 081 679**
Liquidity gap	**3 018**	**258 857**	**(254 308)**	**7 567**	**(503 006)**	**898 836**	**395 830**	**(403 397)**	**-**

(in PLN thousand)

Balance sheet items	On demand	From 1 to 3 months inclusive	From 3 months to 1 year inclusive	Total below 12 months	From 1 to 5 years inclusive	Over 5 years	Total
Financial liabilities:							
Amounts due to banks and financial institutions	2 410	131 528	357 503	491 441	20 000	-	511 441
Derivative financial instruments*	81 795	128 958	175 796	386 549	37 425	-	423 974
Amounts due to customers	593 483	504 173	1 678 446	2 776 102	986 929	-	3 763 031
Debt securities in issue	6 650	7 980	32 365	46 995	430 552	-	477 547
Total undiscounted financial liabilities	**684 338**	**772 639**	**2 244 110**	**3 701 087**	**1 474 906**	**-**	**5 175 993**

*- Undiscounted financial liabilities under derivative financial instruments are broken down into inflows and outflows as follows:

Derivative financial instruments	On demand	From 1 to 3 months	From 3 months to 1 year inclusive	Total below 12 months	From 1 to 5 years inclusive	Over 5 years	Total
Derivative financial instruments—inflows	59 005	949 741	1 501 720	2 510 466	244 874	-	2 755 340
Derivative financial instruments—outflows	(140 800)	(1 078 699)	(1 677 516)	(2 897 015)	(282 299)	-	(3 179 314)
Total undiscounted liabilities under derivative financial instruments	**(81 795)**	**(128 958)**	**(175 796)**	**(386 549)**	**(37 425)**	**-**	**(423 974)**

Balance sheet items	On demand	From 1 to 3 months	From 3 months to 1 year	Total below 12 months	From 1 to 5 years inclusive	Over 5 years	Total
Financial liabilities:							
Amounts due to banks and financial institutions	-	1 089	53 689	54 778	146 367	-	201 145
Derivative financial instruments	-	1 161	3 960	5 121	10 007	-	15 128
Amounts due to customers	515 342	152 762	188 002	856 106	131 027	-	987 133
Debt securities in issue	5 388	10 592	26 464	42 444	375 962	-	418 406
Total undiscounted financial liabilities	**520 730**	**165 604**	**272 115**	**958 449**	**663 363**	**-**	**1 621 812**

(in PLN thousand)

4. Credit and market risk as at December 31st 2008

Balance sheet items

Type of instrument	Carrying amount PLN '000	Risk weighted amount PLN '000
Balances with Central Bank	83 762	0
Receivables	4 790 298	3 240 126
Debt securities	477 241	806
Other securities, shares	169	254
Fixed assets	24 692	24 692
Other	226 754	44 163
Total banking book	**5 602 916**	**3 310 041**
Total balance sheet instruments	**5 602 916**	**3 310 041**

Off-balance sheet items

Type of instrument	Replacement cost PLN '000	Balance sheet equivalent PLN '000	Risk weighted amount PLN '000
Derivatives			
Interest rate instruments:	3 262	39 726	19 864
CIRSs	997	997	499
IRSs	2 265	38 729	19 365
Currency instruments:	19 262	43 242	11 746
Forwards	140	140	28
Swaps	19 122	43 102	11 718
Total derivative instruments	**22 524**	**82 968**	**31 610**
Including: banking book	22 524	82 968	31 610
trading book	-	-	-

Other off-balance sheet items—banking book

Type of instrument	Off-balance sheet value PLN '000	Credit equivalent PLN '000	Risk weighted amount PLN '000
Credit lines	227 511	113 756	88 010
Guarantees granted	692	346	290
Total banking book	**228 203**	**114 102**	**88 300**

	Carrying amount and off-balance sheet value	Risk weighted amount	Capital requirement
Total banking book (credit risk)	**5 914 087**	**3 429 951**	**274 396**

(in PLN thousand)

Capital requirements for trading book (market risk)	Total net items short position	Total net items long position	Capital requirement
Market risk	**-**	**-**	**-**
Including:			
Currency risk	-	-	-
Commodity price risk	-	-	-
Equity price risk	-	-	-
Debt instrument specific risk	-	-	-
Interest rate general risk	-	-	-
Settlement risk—delivery and contractor	-	-	-
Underwriting risk	-	-	-
Other	-	-	-
Total capital requirement			**274 396**

5. Credit and market risk as at December 31st 2007

Balance sheet items

Type of instrument	Carrying amount PLN '000	Risk weighted amount PLN '000
Balances with Central Bank	25 972	-
Receivables	1 832 969	1 281 028
Derivative financial instruments	18 300	-
Debt securities	52 910	568
Fixed assets	16 279	8 815
Other	135 249	2 614
Total banking book	**2 081 679**	**1 293 025**
Total balance sheet instruments	**2 081 679**	**1 293 025**

Type of instrument	Off-balance sheet value PLN '000	Credit equivalent PLN '000	Risk weighted amount PLN '000
Credit lines	142 846	71 230	71 230
Guarantees granted	386	193	193
Total banking book	**143 232**	**71 423**	**71 423**

	Carrying amount and off-balance sheet value	Risk weighted amount	Capital requirement
Total banking book (credit risk)	**2 252 600**	**1 364 448**	**109 156**

Capital requirements for trading book (market risk)	Total net items short position	Total net items long position	Capital requirement
Market risk	-	-	-
Including:			
Currency risk	-	-	-
Commodity price risk	-	-	-
Equity price risk	-	-	-
Debt instrument specific risk	-	-	-
Interest rate general risk	-	-	-
Settlement risk—delivery and contractor	-	-	-
Underwriting risk	-	-	-
Other	-	-	-
Total capital requirement			**109 156**

Operational risk

Operational risk is the possibility of losses as a result of adverse influence of the following factors (stimulating the existence of operational risk) on the Company: personnel, information technology, relations with customers and third parties, fixed assets and project management. In order to categorise appropriately events connected with operational risk, the following types of operational risk events were approved, specified by the Basle Committee and the banking industry as having a potential impact on the actual losses in the bank:

- internal fraud,
- external fraud,
- personnel and health and safety practices,
- customers, products and business practice,
- physical damage of assets,
- business interruptions and system failures,
- carrying out transactions, delivery and process management.

For the purposes of efficient operational risk management, a five-stage management process has been implemented:

- Identification and estimation of operational risk in all banking products, operations, processes and systems. Making sure that before new products, processes and systems are presented or implemented in the Company's structures, their inherent operational risk is appropriately assessed.
- Assessment by ultimately implementing a "self-assessment" system, and, on a current basis, through risk ratios which indicate and estimate the influence of operational risk on the Bank's losses, on the basis of historical data on such losses (tracking and registering significant information on single loss-bringing events). The historical data cover the period from the effective date of internal regulations on operational risk. The assessment process has an auxiliary function in:
  - prioritising hazards,
  - determining the appropriate access levels,
  - testing security gaps.
- Creating a database of losses based on the registered single loss-bringing events. Each event entered in the database is described on the appropriate gravity level.
- Monitoring via receiving regular reports from relevant units, functional groups, departments and internal audit carrying out periodical audits of operational risk (including, among others, setting identification criteria for particular types of events and incidents, providing access to knowledge and training for personnel).
- Reporting on the extent of the Company's exposure to losses from operational risk and events taking place. Reports are generated quarterly and submitted to the Bank's Supervisory Board, Management Board and Internal Audit.

As far as the operational risk management issues are concerned, the Group follows regulations contained in Recommendation M, which deals with the operational risk management in banks. The method of calculating capital requirement for operational risk is described in Note X, point 30.

XIX. OTHER MATERIAL INFORMATION

In 2007 the Bank was inspected by the Polish Financial Supervision Authority. Issues found in the course of the inspection have no material bearing on the Group's financial result for the year ended December 31st 2008 and December 31st 2007 and its equity as at December 31st 2008 and December 31st 2007.

XX. IMPORTANT EVENTS WHICH OCCURRED BETWEEN THE DATE OF MAKING THE FINANCIAL STATEMENTS AND THE DATE OF THEIR APPROVAL FOR ISSUE

In 2009 the Group continued to repurchase its own shares. Between January 1st 2009 and the approval date of these consolidated financial statements the Group repurchased 851 thousand own shares with the aggregate par value of PLN 851 thousand. The total purchase price of the shares was PLN 2,028 thousand.

On January 29th 2009, the Management Boards of Noble Bank S.A. and Getin Bank S.A. agreed on, and the Supervisory Boards of the both banks approved, the Plan of Merger between Noble Bank S.A. and Getin Bank S.A. With regard to the announced merger plan, as at the approval date of these consolidated financial statements there were no indications of a necessity for a possible adjustment in the valuation of assets and liabilities of the Noble Bank S.A. Capital Group.

On January 9th 2009, the Supervisory Board appointed Bogusław Krysiński as a new member of the Bank's Management Board.

There were no important post balance sheet date events which would have an effect on the financial statements for the financial year ended December 31st 2008.

(in PLN thousand)

Signatures of all members of the Bank's Management Board

February 27th 2009	Jarosław Augustyniak	President of the Management Board.....
February 27th 2009	Maurycy Kuhn	Member of the Management Board .....
February 27th 2009	Krzysztof Spyra	Member of the Management Board .....
February 27th 2009	Bogusław Krysiński	Member of the Management Board .....