GETIN NOBLE
BANK · SPÓŁKA AKCYJNA

GETIN NOBLE BANK S.A.

Financial statements

for the year ended 31 December 2011

with the auditor's report

Warsaw, 29 February 2012

SELECTED FINANCIAL DATA

Standalone financial data	01.01.2011-31.12.2011	01.01.2010-31.12.2010	01.01.2011-31.12.2011	01.01.2010-31.12.2010
	PLN thousand		EUR thousand	
Interest income	3 554 563	2 853 258	858 569	712 531
Fee and commission income	1 037 622	973 267	250 627	243 049
Impairment losses on loans, advances to customers and off-balance liabilities	(1 172 598)	(1 047 341)	(283 229)	(261 548)
Profit before tax	691 898	421 232	167 121	105 192
Net profit	556 953	436 857	134 526	109 094
Total net cash flow	656 001	1 250 994	158 451	312 405

Standalone financial data	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	PLN thousand		EUR thousand	
Loans and advances to customers	42 015 650	34 229 435	9 512 690	8 643 142
Financial instruments available for sale	4 352 302	2 803 301	985 397	707 851
Total assets	53 318 374	42 635 385	12 071 720	10 765 696
Amounts due to other banks and financial insitutions	581 047	735 792	131 554	185 792
Derivatives (liability)	1 135 135	1 035 582	257 004	261 491
Amounts due to customers	46 487 688	37 227 800	10 525 197	9 400 247
Total liabilities	49 390 246	39 353 919	11 182 360	9 937 106
Total equity	3 928 128	3 281 466	889 361	828 590
Share capital	953 763	953 763	215 940	240 831
Core capital (Tier 1)	3 546 358	2 880 019	802 925	727 222
Supplementary capital (Tier 2)	276 023	-	62 494	-
Number of shares	953 763 097	953 763 097	953 763 097	953 763 097
Capital adequacy ratio	10,24%	9,54%	10,24%	9,54%

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

- the individual items of assets and liabilities and equity have been converted in accordance with the average exchange rates announced by the National Bank of Poland as at 31 December 2011, i.e. 1 EUR = 4.4168 PLN and as at 31 December 2010, i.e. 1 EUR = 3.9603 PLN.
- the individual items of the income statement as well as the items regarding the statement of cash flows have been converted in accordance with exchange rates constituting arithmetic means of the average exchange established by the National Bank of Poland as at the last day of every month within the year ended 31 December 2011 and 31 December 2010 (1 EUR = 4.1401 PLN and 1 EUR = 4.0044 PLN, respectively).

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I. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. INCOME STATEMENT

for the year ended 31 December 2011

	Note	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
CONTINUED ACTIVITY			
Interest income	IV.1	3 554 563	2 853 258
Interest expense	IV.1	(2 275 810)	(1 830 399)
Net interest income		**1 278 753**	**1 022 859**
Fee and commission income	IV.2	1 037 622	973 267
Fee and commission expense	IV.2	(297 576)	(229 341)
Net fee and commission income		**740 046**	**743 926**
Dividend income	IV.3	17 649	71 216
Result on financial instruments measured at fair value through profit or loss	IV.4	37 317	(15 288)
Result on other financial instruments	IV.5	(299)	86 558
Result on loss of control over subsidiaries	IV.6	370 951	-
Foreign exchange result	IV.7	149 779	135 698
Other operating income	IV.8	46 460	51 944
Other operating expense	IV.9	(68 562)	(65 581)
Net other operating income and expense		**553 295**	**264 547**
General administrative expenses	IV.10	(707 598)	(562 759)
Impairment losses on loans, advances to customers and off-balance liabilities	IV.11	(1 172 598)	(1 047 341)
Operating profit		**691 898**	**421 232**
Profit before tax		**691 898**	**421 232**
Income tax	IV.12	(134 945)	15 625
Net profit		**556 953**	**436 857**

2. STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Net profit for the period	**556 953**	**436 857**
Valuation of financial assets available for sale	2 968	(500)
Income tax relating to valuation of financial instruments available for sale	(564)	95
Effect of cash flow hedge	92 095	(46 745)
Income tax relating to effect of cash flow hedge	(17 498)	8 882
Net other comprehensive income	**77 001**	**(38 268)**
Total comprehensive income	**633 954**	**398 589**

3. STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

	Note	31.12.2011 PLN thousand	31.12.2010 PLN thousand
ASSETS			
Cash and balances with the Central Bank	IV.13	2,389,862	1,974,766
Amounts due from banks and other financial institutions	IV.14	3,262,725	2,511,003
Financial assets held for trading	IV.15	8,045	-
Derivative financial instruments	IV.16	88,204	48,653
Loans and advances to customers	IV.18	42,015,650	34,229,435
Financial instruments available for sale	IV.19	4,352,302	2,803,301
Investment in subordinated entities	IV.20	248,423	263,273
Intangible assets	IV.21	96,150	91,656
Property, plant and equipment	IV.22	146,377	155,316
Investment properties	IV.23	36,008	3,339
Income tax assets, including:		209,945	246,977
Receivables relating to current income tax		7,629	-
Deferred tax asset	IV.12	202,316	246,977
Other assets	IV.25	463,647	305,265
Assets held for sale	IV.26	1,036	2,401
TOTAL ASSETS		**53,318,374**	**42,635,385**
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to other banks and financial institutions	IV.27	581,047	735,792
Derivative financial instruments	IV.16	1,135,135	1,035,582
Amounts due to customers	IV.28	46,487,688	37,227,800
Liabilities from the issue of debt securities	IV.29	811,673	81,347
Amounts due to current income tax		-	23,670
Other liabilities	IV.30	360,855	239,722
Provisions	IV.31	13,848	10,006
Total liabilities		**49,390,246**	**39,353,919**
Equity			
Share capital	IV.32	953,763	953,763
Purchased own shares - nominal value		(696)	(696)
Retained earnings		-	(932)
Net profit		556,953	436,857
Other capital	IV.33	2,418,108	1,892,474
Total equity		**3,928,128**	**3,281,466**
TOTAL LIABILITY AND EQUITY		**53,318,374**	**42,635,385**

4. STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Share capital	Purchased own shares- nominal value	Other capital: Reserve capital	Other capital: Revaluation reserve	Other capital: Other reserve capital	Other capital: Share based payments	Retained earnings	Net profit	Total equity
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
As at 01.01.2011	**953,763**	**(696)**	**1,901,394**	**(50,078)**	**37,493**	**3,665**	**(932)**	**436,857**	**3,281,466**
Comprehensive income for the period	-	-	-	77,001	-	-	-	556,953	**633,954**
Appropriation of the financial result for the previous reporting period	-	-	435,925	-	-	-	932	(436,857)	**-**
Dividends	-	-	-	-	-	-	-	-	**-**
Valuation of management options	-	-	-	-	-	12,708	-	-	**12,708**
As at 31.12.2011	**953,763**	**(696)**	**2,337,319**	**26,923**	**37,493**	**16,373**	**-**	**556,953**	**3,928,128**

for the year ended 31 December 2010

	Share capital	Equity from the merger	Purchased own shares- nominal value	Other capital: Reserve capital	Other capital: Revaluation reserve	Other capital: Other reserve capital	Other capital: Share based payments	Retained earnings	Net profit	Total equity
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
As at 01.01.2010	**215,178**	**738,585**	**(2,635)**	**1,576,762**	**(11,810)**	**37,493**	**-**	**23**	**317,901**	**2,871,497**
The settlement of merger	738,585	(738,585)	-	-	-	-	-	-	-	**-**
Costs of merger	-	-	-	(2,111)	-	-	-	-	-	(2,111)
Comprehensive income for the period	-	-	-	-	(38,268)	-	-	-	436,857	398,589
Appropriation of the financial result for the previous reporting	-	-	-	318,856	-	-	-	(955)	(317,901)	**-**
Cost of the registration of shares	-	-	-	(149)	-	-	-	-	-	(149)
Sale of own shares	-	-	1,939	8,036	-	-	-	-	-	9,975
Valuation of management options	-	-	-	-	-	-	3,665	-	-	3,665
As at 31.12.2010	**953,763**	**-**	**(696)**	**1,901,394**	**(50,078)**	**37,493**	**3,665**	**(932)**	**436,857**	**3,281,466**

5. STATEMENT OF CASH FLOWS
for the year ended 31 December 2011

	Note	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Cash flow from operating activities			
Net profit		556,953	436,857
Total adjustments:		(846,986)	2,359,975
Amortization and depreciation		51,972	43,640
Foreign exchange differences		-	(80)
Profit (loss) on investing activities		(320,897)	(2,582)
Interest and dividend		1,171	(35,909)
Change in amounts due from banks	IV.38.1)	(510,817)	(1,311,033)
Change in derivative financial instruments (assets)	IV.38.2)	(36,761)	245,724
Change in loans and advances to customers		(7,786,215)	(8,011,672)
Change in financial assets held for trading		(8,045)	-
Change in financial instruments available for sale	IV.38.3)	(1,546,597)	1,043,560
Change in deferred tax asset		44,661	(51,226)
Change in other assets		(158,382)	(147,870)
Changes in amounts due to other banks and financial institutions		(154,745)	620,840
Change in derivative financial instruments (liabilities)	IV.38.4)	171,360	979,649
Change in amounts due to customers		9,259,888	8,949,308
Change in amounts due to the issue of debt securities	IV.38.5)	51,226	(22,124)
Change in provisions		3,842	4,519
Change in other liabilities		121,133	37,437
Other adjustments		1,519	341
Income tax paid		(139,645)	(8,677)
Current tax expense (profit and loss account)	IV.11	108,346	26,130
Net cash flow from operating activities		**(290,033)**	**2,796,832**
Cash flow from investing activities			
Sale of intangible and fixed assets, assets held for sale		2,395	6,333
Dividends and interest received	IV.3	17,649	71,216
Sale of subsidiary		361,067	-
Purchase of intangible and fixed assets		(67,162)	(38,571)
Purchase of shares in subsidiary entity	II.4	(28,195)	(137,384)
Net cash flows from investing activities		**285,754**	**(98,406)**
Cash flow from financing activities			
Proceeds from issue of shares		1,261,100	-
Redemption of issued debt securities		(582,000)	(797,500)
Loans and advances		-	101,190
Sale/purchase of own shares		-	9,975
Repayment of loans and advances		-	(723,530)
Interest paid		(18,820)	(35,307)
Other financial outflows		-	(2,260)
Net cash flow from financing activities		**660,280**	**(1,447,432)**
Net change in cash and cash equivalents		656,001	1,250,994
Cash and cash equivalents at the beginning of the period		2,446,110	1,195,116
Cash and cash equivalents at the end of the period	**IV.38**	**3,102,111**	**2,446,110**

(data in PLN thousand)

II. INFORMATION ABOUT THE BANK

1. GENERAL INFORMATION

The financial statements of the Bank encompass the year ended 31 December 2011 and include restated comparable data for the year ended 31 December 2010.

Getin Noble Bank S.A. ("the Bank", "Getin Noble Bank", "the Company") operating until 4 January 2010 under the name of Noble Bank S.A. with its registered office in Warsaw at 39B Domaniewska Str., was registered pursuant to the decision of the District Court in Lublin, 11th Commercial and Registration Department dated 31.10.1990 in the Commercial Register Section B under No. H 1954. On 8 June 2001 the Bank was entered in the National Court Register under entry No. 0000018507. The Company has been granted with statistical number (REGON) 004184103. The Company has been incorporated for an indefinite term. The legal basis for the Company's activity is its Statutes drawn up in the form of a notarial deed of 21 September 1990 (as amended).

On 4 January 2010, the District Court for the capital city of Warsaw, 13th Economic Department of the National Court Register, issued a decision pursuant to which, on 4 January 2010, the merger of Noble Bank S.A. and Getin Bank S.A. was registered in the Register of Companies of the National Court Register under the new name of Getin Noble Bank S.A.

The merger of Noble Bank S.A. and Getin Bank S.A. was effected in accordance with article 124, section 1 and section 3 of the Banking Law, with reference to article 492, paragraph 1, point 1 of the Code of Commercial Companies, through a transfer of all assets of Getin Bank S.A. to Noble Bank S.A. with a simultaneous increase of the share capital of Noble Bank S.A. by means of a new issue of shares.

The main activities of the Company are banking services and the business activities as defined in the Bank's Statutes.

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

The composition of the Management Board of the Bank as at 31 December 2011 was as follows:

Role in the Management Board	Composition as of 31.12.2011
President of the Management Board	Krzysztof Rosiński
Members of the Management Board	Karol Karolkiewicz
	Maurycy Kühn
	Krzysztof Spyra
	Radosław Stefurak
	Maciej Szczechura
	Grzegorz Tracz

As of 31 December 2011 the composition of the Company's Supervisory Board was as follows:

Role in the Supervisory Board	Composition as of 31.12.2011
President of the Supervisory Board	Leszek Czarnecki
Vice-president of the Supervisory Board	Radosław Boniecki
Members of the Supervisory Board	Remigiusz Baliński
	Michał Kowalczewski
	Dariusz Niedośpiał

(data in PLN thousand)

There were no changes to the Company's Management Board and the Supervisory Board during the reporting period as well as until the approval of these financial statements.

3. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of the Bank on 29 February 2012.

4. INVESTMENTS OF THE BANK

The Bank has the following investments in subsidiaries and associates:

Entity	Headquarter	Main activity	Bank's share in share capital	
			31.12.2011	31.12.2010
Subsidiaries:				
Idea Bank S.A.	Domaniewska 39, Warsaw	Banking services	-	100,00%
Noble Concierge Sp. z o.o.	Domaniewska 39, Warsaw	Activities auxiliary to financial services	100,00%	100,00%
Introfactor S.A.	Domaniewska 39, Warsaw	Other financial activities	100,00%	100,00%
Getin Finance Plc	London, Great Britain	Financial services	99,99%	99,99%
Noble Securities S.A.	Królewska 57, Cracow	Brokerage services	97,74%	79,76%
Getin Leasing S.A.	Powstańców Śl. 2-4, Wrocław	Leasing	93,18%	93,18%
Open Finance S.A.	Domaniewska 39, Warsaw	Financial brokerage	-	100,00%
Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A.	Domaniewska 39, Warsaw	Management of investment funds	70,00%	70,00%
Associates:				
Open Finance S.A.	Domaniewska 39, Warsaw	Financial brokerage	48,85%	-
Idea Bank S.A.	Domaniewska 39, Warsaw	Banking services	37,05%	-

As of 31 December 2011 and as of 31 December 2010 the Bank's share of the total number of voting rights in its subsidiaries and associates was equal to the Bank's share in the share capital of the those entities, except for Noble Securities S.A. in which the Bank held 98.10% share in votes as of 31 December 2011 (82.73% as of 31 December 2010), and Idea Bank S.A. in which the Bank held 39.44% share in votes as of 31 December 2011.

In March 2011, as a result of the realization of the call option for the shares in subsidiary Noble Securities S.A., Getin Noble Bank purchased 698,250 shares of the company for PLN 28,195 thousand.

In the second quarter of 2011, on the basis of the sale agreement with Mr. Czcibor Dawid, the President of the Management Board of Noble Securities S.A., Getin Noble Bank sold 69,894 shares in Noble Securities S.A. for PLN 359 thousand.

In the first quarter of 2011, Getin Noble Bank sold 23.5 million shares in its subsidiary Open Finance S.A. as a result of two transactions in February 2011 (3 million shares) and March 2011 as a part of the initial public offering of Open Finance S.A. (20.5 million shares). In accordance with the agreement, the payment for 3 million shares sold in February has been deferred until 31 January 2012 and the discounted amount was recognized as revenue. At the same time, as part of public offering, Open Finance S.A. increased the share capital by 4.25 million new shares, which were not acquired by Getin Noble Bank. The result on the loss of control in the company has been presented in point IV.6. On 9 January 2012 the annex to the agreement was signed, based on which the price for 1 million of shares was changed and the payment term extended until 31 December 2014.

On 5 August 2011 the increase in share capital was made in Getin Noble Bank S.A. subsidiary – Idea Bank S.A. through the issuance of 16,771,935 new ordinary shares of the nominal value of PLN 2. As new shares have not been acquired by Getin Noble Bank, its share in Idea Bank decreased to 54.07% since August 2011.

In September 2011 another issuance of 16,771,935 new ordinary shares of Idea Bank took place, which was entirely offered to Getin Holding S.A. As a result, the share of Getin Noble Bank in share capital of Idea Bank decreased to 37.05% and share in voting rights on the Shareholders' Meeting decreased to 39.44%

On 24 January 2012 Getin Noble Bank sold all its (i.e. 150,000) ordinary shares in Introfactor S.A.

III. ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the historical cost principle, except for the financial instruments measured at fair value. The financial statements are presented in the Polish currency ("PLN") and all the figures, unless otherwise stated, are expressed in PLN thousands.

The financial statements have been prepared based on the assumption that the Company will continue its activities in the foreseeable future, i.e. for a period of at least 12 months from the reporting date. As of the date of approval of these financial statements the Management Board did not identify any circumstances that could indicate threats as to the continuity of the Bank's operations as a result of intended or forced termination or significant limitation of activities. The planned merger of Getin Noble Bank S.A. with Get Bank S.A. will not limit the current activities of the Bank.

1.1 Statement of compliance

These financial statements were prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS approved by the EU. As of the date of the approval of these financial statements, considering the ongoing standards' implementation process in the EU and the activities conducted by the Bank, there is no difference between the effective IFRS and IFRS approved by the EU with respect to the accounting policies applied by the Bank.

IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). The Bank applies 'carve-out' to IAS 39 approved by the EU as described in these financial statements.

1.2 Identification of the consolidated financial statements

The Company has also prepared the consolidated financial statements of the Getin Noble Bank S.A. Capital Group for the year ended 31 December 2011, covering Getin Noble Bank S.A. and its subordinated entities in accordance with the International Financial Reporting Standards approved by the European Union, and they were approved for publication on 29 February 2012. In the consolidated financial statements, the Bank's subsidiaries were consolidated using the pooling of interests method (entities under common control) or acquisition method (entities not under common control). In these standalone financial statements the investments in subordinated entities are recognized at cost less impairment.

1.3 Functional and reporting currency

The functional currency of the Bank and the reporting currency of the financial statements is the Polish zloty.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those applied in the preparation of the Bank's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations applicable for annual periods beginning on or after 1 January 2011, as follows:

- Amendments to IAS 24 *Related Party Disclosures* – effective for financial years beginning on or after 1 January 2011. The introduced changes relate to a simplified definition of a related party and elimination of some internal inconsistencies, as well as exemption of some entities related to a government from certain disclosure requirements. The adoption of this amendment did not have any impact on the financial position or performance of the Bank.

- Amendments to IAS 32 *Financial instruments: presentation: Classification of right issues* – effective for financial years beginning on or after 1 February 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. The adoption of this amendment did not have any impact on the financial position or performance of the Bank.
- Amendments to IFRIC 14 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements* – effective for financial years beginning on or after 1 January 2011. The interpretation relates to defined benefit programs that are subject to minimum funding requirements, the prepayment thereof is treated as a part of financial assets. The adoption of this amendment did not have an impact on the financial position or performance of the Bank.
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* – effective for financial years beginning on or after 1 July 2010.
- Amendments to IFRS 1 *First–time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters*, effective for annual periods beginning on or after 1 July 2010.
- Amendment to IFRS 7 *Financial Instruments – Disclosures: Transfer of Financial Assets* – effective for financial years beginning on or after 1 July 2011.

2.1. Changes in the applied accounting policies – comparative data

In 2011 the Bank did not change accounting policies.

3. NEW STANDARDS AND INTERPRETATIONS PUBLISHED BUT NOT YET EFFECTIVE

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

- The first phase of IFRS 9 *Financial Instruments: Classification and Measurement* – effective for financial years beginning on or after 1 January 2015 – not endorsed by the EU till the date of approval of these financial statements. In subsequent phases, the IASB will address hedge accounting and impairment. The application of the first phase of IFRS 9 will have impact on classification and measurement of the financial assets of the Bank. The Bank will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture,
- Amendments to IAS 12 *Income Taxes: Deferred Tax: Recovery of Underlying Assets* – effective for financial years beginning on or after 1 January 2012 – not endorsed by the EU till the date of approval of these financial statements,
- Amendments to IFRS 1 *First–time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First–time Adopters* – effective for financial years beginning on or after 1 July 2011 – not endorsed by the EU till the date of approval of these financial statements,
- IFRS 10 *Consolidated Financial Statements* – effective for financial years beginning on or after 1 January 2013 – not endorsed by the EU till the date of approval of these financial statements,
- IFRS 11 *Joint Arrangements* – effective for financial years beginning on or after 1 January 2013 – not endorsed by the EU till the date of approval of these financial statements,

- IFRS 12 *Disclosure of Interests in Other Entities* – effective for financial years beginning on or after 1 January 2013 – not endorsed by the EU till the date of approval of these financial statements,
- IFRS 13 *Fair Value Measurement* - effective for financial years beginning on or after 1 January 2013 – not endorsed by the EU till the date of approval of these financial statements,
- Amendments to IAS 19 *Employee Benefits* - effective for financial years beginning on or after 1 January 2013 – not endorsed by the EU till the date of approval of these financial statements,
- Amendments to IAS 1 Presentation *of Financial Statements: Presentation of Items of Other Comprehensive Income* - effective for financial years beginning on or after 1 July 2012 – not endorsed by the EU till the date of approval of these financial statements,
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - effective for financial years beginning on or after 1 January 2013 – not endorsed by the EU till the date of approval of these financial statements,
- Amendments to IFRS 7 *Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1 January 2013– not endorsed by the EU till the date of approval of these financial statements,
- IAS 27 *Separate Financial Statements* – effective for financial years beginning on or after 1 January 2013 - not endorsed by the EU till the date of approval of these financial statements,
- IAS 28 *Investments in Associates and Joint-Ventures* – effective for financial year beginning on or after 1 January 2013 - not endorsed by the EU till the date of approval of these financial statements,
- Amendments to IAS 32 *Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1 January 2014 – not endorsed by the EU till the date of approval of these financial statements.

The Bank has not adopted earlier any standard, interpretation or amendment that was issued but is not yet effective.

The Management Board does not expect the above standards and interpretations (except for IFRS 9 and IFRS 10) to have a significant effect on the Company's accounting principles (policy). With respect to IFRS 10 the Bank is currently conducting analysis of the effect of this standard on the consolidated financial statements and the impact analysis of IFRS 9 on the financial statements will be performed as the standards is approved by the EU.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Foreign currency translation

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

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

(data in PLN thousand)

The following exchange rates were applied for valuation purposes:

Currency	31.12.2011	31.12.2010
1 EUR	4.4168	3.9603
1 USD	3.4174	2.9641
1 CHF	3.6333	3.1639
1 GBP	5.2691	4.5938
100 JPY	4.4082	3.6440

4.2. Investments in subsidiaries and associates

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

4.3. Business combinations of entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory (IFRS 3).

IFRS 3 does not apply to a business combination of entities or businesses under common control. In such a situation, according to IAS 8; "In the absence of an IFRS that specifically applies to a transaction, other event or condition") the Management uses judgment in developing and applying an accounting policy that results in information that is reliable (i.e. faithfully representing the situation, reflecting the economic substance of the transaction and not merely the legal form, are neutral and free from bias, prudent and complete) as well as relevant to the users of financial statements.

Pooling of interests method consists on adding together individual items of relevant assets, liabilities, equity, revenues and costs of the combined companies, as at the date of merger, having adjusted them using uniform valuation methods and after the following eliminations:

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

The comparative data is presented as if the entities were combined since the beginning.

4.4. Financial assets and liabilities

The Bank classifies financial assets to the following categories:

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

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

Financial assets held to maturity

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

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

Financial instruments at fair value through profit or loss

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

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

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

Loans and receivables

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

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

b) those that the entity upon initial recognition designates as available for sale; or

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

Financial assets available for sale

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

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

Financial liabilities

Financial liability is any liability that is:

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

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

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

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

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

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

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

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

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

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

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

Financial assets available for sale are measured at fair value. The effects of changes in their fair value are recognized in the other comprehensive income until the asset is derecognized from the statement of financial position or impaired, when the cumulative gain or loss recognized previously in other comprehensive income is than recognized in the income statement. Changes in fair value recognized as other comprehensive income are presented in the statement of comprehensive income.

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

a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost,
b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies
c) financial guarantee – after initial recognition, an issuer of such a contract shall measure it at the higher of:
   - the amount representing the most appropriate estimate of expense necessary to fulfill the current obligation under the financial guarantee, taking into account the probability of its realization;
   - the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18.

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

Preferential loans

The Bank grants preferential loans in accordance with the Act on financial support of families and other persons in purchasing of their own flat dated 8 September 2006 (Journal of Laws 2006, No. 183, item 1354 as amended). A part of interest on such preferential loan accrued on the subsidy base is paid to the Bank by Bank Gospodarstwa Krajowego. The subsidy is made as the required part of the installment is paid by the borrower. The accrued subsidies from BGK are presented as receivables from banks.

4.5. Derivative financial instruments

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

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

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

The result of the final settlement of derivative transactions is recognized in result on financial instruments measured at fair value through profit or loss or, in the case of foreign currency financial derivatives (FX swap, FX forward and CIRS transactions), in foreign exchange result.

The notional amounts of derivative transactions are recognized in off-balance sheet items as of the date of the transaction and throughout their duration. Revaluation of off-balance sheet items expressed in foreign currencies

takes place at the end of the day, at the average exchange rate of the National Bank of Poland (fixing as of the valuation date).

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

4.6. Hedge accounting

The Bank has adopted accounting policy for cash flow hedge accounting for hedging interest rate risk in accordance with IAS 39 as approved by the EU.

The “carve out” in accordance with IAS 39 approved by the EU enables the Bank to establish a group of derivative instruments as a hedging instrument, and cancels certain restrictions resulting from the provisions of IAS 39 in the scope of deposit hedging and adoption of the hedging policy for less than 100% of cash flows. In accordance with IAS 39 approved by the EU, hedge accounting can be applied to deposits, and a hedging relationship is ineffective only when a re-measured value of cash flows within the given time interval is lower than the value hedged in the given time interval.

In accordance with hedge accounting, hedging instruments are classified as:

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

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

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

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

After the date of re-designation of hedge relationship, the effective portion of the hedge is amortized in the income statement according to the schedule prepared by the Bank until the maturity of the original portfolio.

4.7. Impairment of financial assets

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

Loans, purchased receivables, other receivables

In Getin Noble Bank S.A. the value of loans granted and receivables is periodically assessed whether any indicators of impairment exist and what is the level of impairment allowances in accordance with IAS 39 and IAS 37.

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

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

- lack or delinquent payments of loan interest or principal;
- significant financial difficulties of a borrower resulting in a decrease in credit risk rating;
- permanent lack of contact with customer and unknown place of residence of customer;
- request for an immediate repayment of the entire loan due to termination of the loan contract (an exposure was transferred over to debt recovery);
- the entity has initiated execution proceedings against the debtor or learnt about such proceedings already in progress;
- filing a notion for bankruptcy or commencement of corporate recovery proceedings by the debtor,
- imposed administration has been established or debtor activities has been suspended (in case of banking entities),
- the amount of debt has been questioned by the debtor in legal proceedings;
- loan restructuring;
- fraud;

- infection of loan/receivables with the impairment of the loan/receivable granted to the same borrower within the specified product groups;
- the conditions for restructuring have not been met.

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

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

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

The collective impairment measurement process consists of two elements:

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

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

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

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

Held-to-maturity investments

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

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

Available-for-sale financial assets

At the end of each reporting period, the Bank assesses whether there is any objective evidence that a financial asset and/or a group of financial assets is impaired.

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

4.8. Contingent liabilities

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

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank;
- present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be reliably measured.

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

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

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

4.9. Property, plant and equipment

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

Fixed assets, when acquired, are divided into component parts that are items of significant value and to which a separate period of economic life can be attributed. The costs of general overhauls also constitute a component part.

Depreciation is provided on a straight-line basis over the estimated useful life of the respective asset:

Type	Period
Investment in third party assets	rental duration - up to 10 years
Buildings	from 20 to 40 years
Machinery	from 5 to 17 years
Computer units	from 4 to 5 years
Means of transport	from 2.5 to 5 years
Office equipment, furniture	from 5 to 7 years

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

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

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

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

4.10. Investment property

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

a) used during performance of services or other administrative activities, or

b) intended for sale as part of the entity's ordinary business.

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

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

Transfer of assets to investment property is made only when there is a change in use evidenced by end of owner-occupation or commencement of an operating lease agreement. If a property occupied by the Bank becomes an investment property, the Bank applies rules as described in paragraph *Tangible fixed assets* up to the date of change in use of property.

4.11. Intangible assets

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

The Bank assesses whether the useful life of an intangible asset is definite or indefinite. An intangible asset with a definite useful life is amortized throughout its useful life and subject to impairment tests every time that evidence is identified that the asset is impaired. The period and method of amortization of intangible assets with a definite useful life are verified at least as of the end of each financial year. Changes in the expected useful life or in the expected method of consuming the economic benefits from an intangible asset are recognized through a change of, respectively, the period or method of depreciation, and treated as changes of estimates. The amortization charges for intangible assets with a definite useful life are recognized in profit and loss, in the respective category for the function of that intangible asset.

Intangible assets with an indefinite useful life and those which are not used are, on an annual basis, subject to impairment tests with respect to individual assets or at the level of a cash-generating unit. In case of other intangibles, the Bank assesses annually whether there impairment triggers have been recognized.

The economic useful life periods are also subject to verification on an annual basis and, if necessary, adjusted with effect from the beginning of the financial year.

Goodwill

Goodwill arises on the purchase of subsidiaries. Goodwill is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is recognized at cost less any accumulated impairment write-downs. Goodwill is not amortized, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired.

The impairment loss is determined by estimating the recoverable value of the cash-generating unit to which the goodwill was allocated. If the recoverable value of the cash-generating unit is lower than its carrying amount plus goodwill, the impairment loss is recognized.

Profits or losses arising from the derecognition of intangible assets from the statement of financial position are calculated as a difference between net disposal proceeds and the carrying amount of an asset and are recognized in the financial profit or loss when such derecognition is made.

4.12. Non-current assets held for sale and discontinued operations

Non-current assets held for sale include tangible fixed assets, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset held for sale is recognized at the lower of its carrying amount and fair value less costs to sell. Non-current assets are not subject to depreciation.

If the criteria for non-current assets held for sale are no longer met, the Bank ceases its recognition as non-current assets held for sale and reclassifies to the proper category of assets. In this case, the asset is measured at the lower of:

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

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

The reclassification to the discontinued operations is made when the operation is disposed or when the operation meets the criteria of discontinued operation.

4.13. Impairment of tangible fixed assets

The carrying amount of intangible fixed assets is tested for impairment periodically. If the Bank identifies evidence that a tangible asset is impaired, it is determined whether the current carrying amount of the asset is higher than the amount recoverable through further use or sale, i.e. the recoverable amount of the asset is estimated. If the recoverable amount is lower than the current carrying amount, the asset is impaired and the impairment loss is recognized in the financial profit or loss.

The recoverable amount of a tangible asset is determined as the higher of two amounts: the amount expected to be received from sale less the selling costs and the asset's value in use. An asset's value in use is determined as the future cash flows expected to be derived from the asset, discounted with the current market rate of interest plus a margin against a risk specific to the given class of assets.

The impairment loss of an asset may be reversed only up to the carrying amount of the asset less the accumulated depreciation which would have been determined if the asset had not been impaired.

4.14. Cash and cash equivalents

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

4.15. Accrued expense and deferred income

Accrued expenses (assets) are expenses recognized in the financial profit or loss in the future reporting periods over time. Accrued expenses (assets) are recognized under “other assets”.

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

4.16. Employee benefits

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

4.17. Provisions

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

The Bank creates provisions for:

a) Retirement severance pay

The Bank creates provisions for retirement severance pay. The amount of provisions is determined according to valuation made by an independent actuary and updated at the end of each reporting period. The provision is recognized as a liability in "Provisions".

b) Unused leave

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

c) Other items

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

4.18. Leasing

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

Tangible fixed assets used under finance leases are depreciated over the shorter of the following two periods: the lease term or the estimated life of the asset.

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

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

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

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

4.19. Other receivables

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

4.20. Other liabilities

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

4.21. Equity

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

Share capital

Share capital is recognized at nominal value according to the articles of association and the incorporation records.
Dividends for a financial year that have been approved by the General Shareholders' Meeting but have not been paid as at the reporting date are disclosed under “other liabilities” in the statement of financial position.

Repurchased own shares

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

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

Proceeds from sale of shares above their nominal value

Proceeds from the sale of shares above their nominal value (a surplus of the issue price over the nominal price) are the share issue premium less the direct costs incurred in connection with the share issue. Proceeds from the sale of shares above their nominal value increase supplementary fund.

Retained earnings

Retained earnings are created as a portion of the current financial result as well as the financial result from the previous years, which have not been allocated on the supplementary fund or distributed to the shareholders.

Other capital

Other capital comprises: the difference between the fair value of the payment received and the nominal values of the shares issued by the parent company; revaluation of the financial instruments available for sale, revaluation of the cash flow hedge and the deferred tax relating to temporary differences recognized in the revaluation reserve; retained earnings generated on the allocated from profit for the purposes specified in the articles of association and other applicable legal regulations. Other capital also includes other reserve capital resulting from the merger and the valuation of share-based payment transactions.

4.22. Share-based payments

Equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using selected pricing model. While measuring equity-settled transactions, no account is taken of any performance conditions other than the conditions linked to the price of the parent company's shares ("market conditions").

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled until the date in which particular employees become entitled to awards ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the parent company's Management Board, at that date, based on the best available estimate of the number of equity instruments, will eventually be vested.

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

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

Where an equity-settled award is cancelled, it is treated as if it had been vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution on determination of the earnings per share.

Cash-settled transactions

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

4.23. Revenues

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

Interest income

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

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

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

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

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

The recognition method for various types of fee/commission through profit or loss as interest or fee and commission income and, generally, whether it should be settled over time and not recognized through profit or loss as incurred, depends on the economic nature of the given fee/commission.

Deferred fees and commission income includes, for example, loan approval fees, loan origination fees, fees for loan disbursement, fees for additional collateral, etc. Such fees are an integral part of the return generated by the given financial instrument. This category also comprises fees and charges for changing the terms and conditions of contracts, which modifies the originally calculated effective interest rate.

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

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

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

Net commission income

Fees and commissions recognized in the financial profit or loss using the effective interest rate method are recognized in net interest result. Fees and commissions that are recognized over time using the straight-line method or upfront, are recognized under “net fee and commission income”. The fee and commission income includes fee and commission income from transaction services.

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

The Bank applies the policy of a one-off recognition of commission income relating to the offering of insurance products on a basis of the professional judgment whether particular commission is a charge for service or a part of effective interest rate.

The following factors are considered in the professional judgment:

- voluntary purchase of insurance,
- correlation between credit margin and concluding insurance agreement,
- possibility of purchase alternative insurance without Bank's intermediation,
- independence of loan and insurance agreements.

Commission expenses paid to brokers for sales of banking products are settled over the life of the given products.

Result on financial instruments measured at fair value

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

Foreign exchange result

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

4.24. Other operating income and expense

Other operating income and expenses are income and expenses not related directly to the banking activities. These include, in particular, the result from sale and liquidation of fixed assets, revenue from sale of other services, penalties and fines received and paid.

4.25. Dividends

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

4.26. Taxes

Current tax

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

Deferred tax

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

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

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

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

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

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

Deferred income tax assets and provision for deferred income tax are determined using tax rates that are expected to be applied when a deferred tax asset is realized or the provision is released, based on the tax rates (and regulations) that have been effective or is expected to be effective at the end of the reporting period. Income tax concerning items recognized directly in other comprehensive income or in equity is recognized directly in other comprehensive income or in equity, respectively.

The Bank offsets deferred income tax assets against the deferred tax liability only if it holds a valid and enforceable legal right to offset current income tax receivables against tax liabilities and if the deferred tax is related to the same taxpayer and the same tax authority.

4.27. Earnings per share

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

5. SIGNIFICANT VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES

5.1. Professional judgment

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

Classification of lease contracts

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

Portfolio parameters in the valuation of loan exposures

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

In the first half of 2011, the Bank introduced to the loan impairment allowances calculation methodology in accordance with IAS 39 and 37 the effect of infection of a given borrower with the impairment within the defined product groups, as well as changed the categorization rules for impaired exposures. Furthermore, the quarantine period was introduced for portfolios of exposures leaving from the default status, for which the allowances have been increased due to their separate treatment for the purpose of calculation of their probability of default. Among the defined portfolio parameters new risk measures have been introduced: CR – cure rate, and RestrR – successful restructuring ratio. Due to the changes described above, the Bank introduced the adjustments to the algorithms and formulas used for the purpose of impairment allowance calculation. Those changes did not significantly impact the impairment allowances due the compensating effect of increased risk for infected and quarantined exposures and the decreased risk for the remaining IBNR exposures. The changes caused however in the first half of 2011 one-time increase in share of non-performing loans (NPL). The estimated increase in the NPL ratio relating to these changes in the first half of 2011 amounted ca. 0.6 p.p.

5.2. Uncertainty of estimates

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

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

Impairment of loans and advances

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

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

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

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

Fair value of other financial instruments

The fair value of financial instruments not quoted in active markets is determined using relevant valuation techniques. All models subject to approval before use and calibrated to ensure that the results reflect the actual data and comparative market prices. As far as possible only observable data, derived from an active market is used in the models.

Impairment of other non-current assets

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

Valuation of provisions for retirement severance pay

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

Impairment of goodwill

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

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

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

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

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

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

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

The present value of future cash flows is calculated using the adequate discount rate, taking into account the risk free rate, the risk premium, the low capitalization premium and the specific risk premium. The present value of future cash flows is compared to the carrying value (as of the date of the test) for the total of the following: goodwill and CGU net assets (CGU own funds and profits).

Deferred tax asset

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

Other estimates

In 2010 the Bank recognized revenues from the portfolio insurance contract made with the TU Europa S.A. with respect to real estate being collaterals for the Bank's mortgage loans. The amount of remuneration was recognized in the discounted value due to the impact of deferred cash payments. The discount rate reflects the credit risk of TU. The discounted amount of remuneration was divided into two parts:

- for the current monthly premium payment servicing, determined on the basis of market valuation of the remuneration for this service, i.e. rates applied by the insurance company for this type of benefits and is recognized as income on a straight-line basis throughout the period of 60 months,
- for intermediary services recognized as income upfront, taking into account the estimated amount of potential reimbursement of remuneration.

The Bank carried out an estimate of the amount of potential reimbursement of remuneration charged to deferred income on the basis of the likelihood of events that could lead to return of remuneration. These estimates were based on an analysis of the scale of submitted and recognized actual customer complaints and the actual behavior of mortgage loans portfolio in the past.

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

IV. ADDITIONAL NOTES AND DISCLOSURES

1. Interest income and expense

Interest income	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Income from deposits in other banks	35,980	15,693
Income from loans and advances granted to customers	2,535,711	2,032,551
Income from debt securities available-for-sale	182,360	188,433
Income from derivative financial instruments	743,488	585,106
Interest income from obligatory reserve	57,024	31,475
Total	**3,554,563**	**2,853,258**

Interest expense	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Expense on deposits with banks and other financial institutions	36,615	11,586
Expense on amounts due to customers	1,989,596	1,632,958
Expense on derivative financial instruments	213,327	154,513
Expense on issuance of own debt securities	32,578	24,322
Expense on loans taken	3,694	7,020
Total	**2,275,810**	**1,830,399**

Net interest income	**1,278,753**	**1,022,859**

Additional informations	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Interest income from impaired financial assets	183,087	125,480
Total interest income calculated using the effective interest rate in relation to financial assets not measured at fair value through profit or loss	2,811,075	2,268,152
Interest expense calculated using the effective interest rate in relation to financial liabilities not measured at fair value through profit or loss	2,062,483	1,675,886

The interest income for 2011 and 2010 includes the accrued interest not received as at the end of the reporting period and the interest received. The most significant interest income item for both years was income from loans granted to customers and the most significant interest expense item was expense on amounts due to customers.

2. Fee and commission incomeand expense

Fee and commision income	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Related to loans and advances granted	113,241	192,518
Related to guarantees, letters of credit and similar operations	560	492
Related to servicing bank accounts	33,772	23,398
Related to payment and credit cards	23,298	19,259
Related to cash and clearing operations	4,996	4,325
Related to sale of investment products	433,829	273,610
Related to sale of insurance policies	418,765	451,348
Other	9,161	8,317
Total	**1,037,622**	**973,267**
including: income from financial assets and liabilities not measured at fair value through profit or loss	*1,035,346*	*966,647*

Fee and commision expense	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Related to payment and credit cards	15,477	13,087
Related to loans and advances	35,357	63,939
Related to sale of investment products	123,976	64,762
Related to sale of insurance policies	77,446	37,298
Related to cash and clearing operations	1,537	1,381
Other	43,783	48,874
Total	**297,576**	**229,341**

Net fee and comission income	**740,046**	**743,926**

The main items of fee and commission income and expense in 2011 were income and expense related to offered investment and insurance products. The decrease in fee and commission income related to loans and advances granted is connected with significantly lower volume of sale of special offers, mainly within mortgage loans.

3. Dividend income

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Dividend income from:		
shares and stocks of subordinated entities	14,050	68,460
securities available for sale	3,599	2,756
Total	**17,649**	**71,216**

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

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Derivatives	33,096	(15,967)
Equity instruments	4,221	-
Financial liabilities measured at fair value through profit or loss	-	679
Total	**37,317**	**(15,288)**

Due to the fact that hedge accounting applied by the Bank does not cover all derivatives, the increase in margins in 2011 for that kind of transactions caused the profit on the valuation of derivatives.

The shares in My Life Towarzystwo Ubezpieczeń na Życie S.A. acquired in 2011 with the intention of their further sale have been recognized in line ‘Equity instruments’. On 4 January 2012, as a result of the realization of the condition included in the conditional sale of shares dated 23 September 2011, the Bank sold all its shares in the company.

5. Result on other financial instruments

Result on other financial instruments	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Financial instruments available for sale	(299)	95,058
Shares and stocks of subordinated entities	-	(8,500)
Total	**(299)**	**86,558**

The result on other financial instruments realized in 2010 is mainly due to sale of all shares owned by the Bank in TU Europa S.A., i.e. 1,570 thousand ordinary bearer shares representing 19.94% of TU Europa S.A. share capital. As a result of that transaction, in the profit or loss account the Bank recognized pre-tax gain amounting to PLN 98,249 thousand.

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Gains and losses from available-for-sale financial instruments recognized directly in equity	**2,968**	**(500)**

6. Result on loss of control over subsidiaries

The result of Getin Noble Bank S.A. on sale of Open Finance S.A. shares is presented below. Profit from settlement was recognized as a separate line item in the income statement.

	01.01.2011-31.12.2011 PLN thousand
Sale of shares in Open Finance S.A.	425,160
Deferred payment discount	(2,862)
Book value of sold shares	(40,150)
Transaction costs	(11,197)
Sale profit before tax	**370,951**
Tax	(70,481)
Net sale profit	**300,470**

7. Foreign exchange result

Foreign exchange result	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Foreign exchange differences resulting from valuation of loans, deposits, financial instruments and foreign currency purchase/sale transactions	149,779	135,698
Total	**149,779**	**135,698**

8. Other operating income

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Rental income	12,165	8,009
Received penalties, compensation and fees	186	5,721
Sale of products and services	6,487	4,457
Income from non financial fixed assets sale and provisions release	1,329	7,448
Recovery of non-recoverable debts	1,037	1,800
Recovered legal and debt collections	20,621	20,665
Other income	4,635	3,844
Total	**46,460**	**51,944**

9. Other operating expense

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Rental costs	7,935	5,137
Paid penalties, compensation and fees	488	1,277
Court and administration fees, loan receivables collection and monitoring	42,912	44,564
Auxiliary expenses	4,582	2,482
Loss or sale of non financial fixed assets and impairment allow ance	7,722	7,940
Other expenses	4,923	4,181
Total	**68,562**	**65,581**

Other operating income and expense consist mainly of: result on sale and liquidation of fixed assets, income from sale of other services, received and paid penalties, compensation and fees, costs relating to collection activities, including remuneration for external entities and court fees expenses.

10. General administrative expenses

General administrative expenses	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Employee benefits	293,785	224,285
Materials and energy	30,820	24,218
External services, including:	280,777	241,915
- marketing, representation and advertising	83,296	66,945
- IT services	16,923	12,941
- lease and rental	90,020	81,141
- security and cash processing services	8,563	8,242
- telecommunication and postal services	47,808	42,529
- legal services	1,377	1,592
- advisory services	4,904	5,563
- insurance	1,867	1,197
- other	26,019	21,765
Other material costs	7,870	7,422
Taxes and levies	5,388	5,234
Contributions and payments to the Bank Guarantee Fund and the Polish Financial Supervision Authority	36,986	16,045
Amortization and depreciation	51,972	43,640
Total	**707,598**	**562,759**

Employee benefits	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Remuneration	250,068	190,774
Including: valuation of managament options programme	*12,708*	*3,665*
Insurance and other employee benefits	43,717	33,511
Total	**293,785**	**224,285**

(data in PLN thousand)

11. Impairment losses on loans, advances to customers and off-balance liabilities

01.01.2011 - 31.12.2011	Loans and advances granted to customers				Total	Amounts due from banks	Off-balance liabilities	Total
	Corporate	Car	Mortgage	Consumer				
Impairment allowances/provisions at the beginning of the period	**151,676**	**534,701**	**583,101**	**1,305,858**	2,575,336	**223**	**1,541**	**2,577,100**
Increases	1,018,527	491,956	1,659,997	384,405	3,554,885	319	4,502	3,559,706
Decreases	(928,938)	(312,841)	(891,571)	(248,690)	(2,382,040)	(380)	(4,688)	(2,387,108)
Net change of impairment allowances/provisions recognized in the profit or loss	89,589	179,115	768,426	135,715	1,172,845	(61)	(186)	1,172,598
Utilization - write-offs	(17,558)	(27,223)	(3,207)	(23,820)	(71,808)	-	-	(71,808)
Other increases	-	-	-	-	-	29	-	29
Other decreases	(5,765)	(3,165)	(25,148)	(14,358)	(48,436)	-	-	(48,436)
Net other increases/decreases	(5,765)	(3,165)	(25,148)	(14,358)	(48,436)	29	-	(48,407)
Impairment allowances/provisions at the end of the period	217,942	683,428	1,323,172	1,403,395	3,627,937	191	1,355	3,629,483

01.01.2010 - 31.12.2010	Loans and advances granted to customers				Total	Amounts due from banks	Off-balance liabilities	Total
	Corporate	Car	Mortgage	Consumer				
Impairment allowances/provisions at the beginning of the period	**121,892**	**288,546**	**171,276**	**1,018,372**	**1,600,086**	**12**	**913**	**1,601,011**
Increases	271,999	512,026	703,995	737,597	2,225,617	220	3,932	2,229,769
Decreases	(225,480)	(246,910)	(297,732)	(408,992)	(1,179,114)	(10)	(3,304)	(1,182,428)
Net change of impairment allowances/provisions recognized	46,519	265,116	406,263	328,605	1,046,503	210	628	1,047,341
Utilization - write-offs	(13,867)	(12,303)	(2,739)	(6,155)	(35,064)	-	-	(35,064)
Other increases	-	-	8,301	-	8,301	1	-	8,302
Other decreases	(2,868)	(6,658)	-	(34,964)	(44,490)	-	-	(44,490)
Net other increases/decreases	(2,868)	(6,658)	8,301	(34,964)	(36,189)	1	-	(36,188)
Impairment allowances/provisions at the end of the period	151,676	534,701	583,101	1,305,858	2,575,336	223	1,541	2,577,100

Created and released impairment allowances result from regular operations of the Bank. The policies of creating of impairment allowances have been described in details in the Accounting Policies (note III.4.7 of these financial statements.

12. Income tax

Tax charge

The current corporate income tax is calculated in accordance with the Polish tax regulations. The basis for calculation is the accounting pre - tax profit adjusted for the non-tax-deductible expenses, non-taxable income, as well as other income and expense which adjust the tax calculation basis in accordance with the Act on corporate income tax dated 15 February 1992 with subsequent amendments.

For the purpose of financial reporting, deferred tax is calculated based on liabilities method in relation to temporary differences between the tax value of assets and liabilities and their carrying amount presented in the financial statements as of the balance sheet date. The effective tax rate of the Bank for 12 months of 2011 amounted to 19.50%. In 12 months of 2011, the Bank settled with its current tax the prior years' tax loss of PLN 67,400 thousand.

The main items of tax charge for the year ended 31 December 2011 and 31 December 2010 are as follows:

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Income statement		
Current income tax	***108,346***	***26,130***
Current tax charge	108,841	30,982
Adjustments related to current tax from previous years	(495)	(4,852)
Deferred income tax	***26,599***	***(41,755)***
Relating to origination and reversal of temporary differences	(40,801)	(109,155)
Tax loss from previous years	67,400	67,400
Tax charge shown in the income statement	**134,945**	**(15,625)**
Other comprehensive income		
Current income tax	-	-
Deferred income tax	***18,062***	***(9,471)***
relating to origination and reversal of temporary differences, including:	18,062	(9,471)
related to financial instruments available-for-sale	564	(95)
related to cash flow hedges	17,498	(8,882)
other	-	(494)
Tax charge shown in other comprehensive income	**18,062**	**(9,471)**
Total main items of tax charge disclosed in the income statement and the statement of comprehensive income	**153,007**	**(25,096)**

Reconciliation of effective tax rate

The reconciliation of tax calculated at statutory tax rate on pre-tax profit, with the effective tax rate calculated by the Bank for the year ended 31 December 2011 and 31 December 2010 is as follows:

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Profit/loss before tax	**691,898**	**421,232**
Tax charge at 19%	131,461	80,034
Non taxable revenue	(3,716)	(13,839)
Non-tax-deductible costs	7,200	6,303
Settlement of foreign exchange differences due to the change of tax method to the accounting method	-	(88,624)
Other	-	501
Tax charge shown in the income statement	**134,945**	**(15,625)**
Effective tax rate	**19.50%**	**-3.71%**

Deferred income tax

Deferred income tax results from following positions:

	As at 01.01.2011 PLN thousand	Changes during the period		As at 31.12.2011 PLN thousand
		Recognized in the income statement PLN thousand	Recognized in other comprehensive income PLN thousand	
Deferred income relating to securities and derivatives	42,789	10,062	-	52,851
Deferred income relating to loans and deposits	116,513	(43,366)	-	73,147
Depreciation (fixed assets financed by investment tax relief)	738	(53)	-	685
Costs of comission paid in advance	108,631	49,055	-	157,686
Surplus of tax depreciation	4,132	(414)	-	3,718
Other	3,089	2,916	7,334	13,339
Deferred tax liability	**275,892**	**18,200**	**7,334**	**301,426**
Interest on deposits, issue of own securities, derivative instruments and interest on bonds (related to BFG loan to be settled at their redemption)	101,266	(47,527)	-	53,739
Revenue taxed in advance	6,143	7,623	-	13,766
Provision for expected liabilities and costs	7,517	10,359	-	17,876
Valuation of cash flow hedge	10,164	-	(10,164)	0
Tax loss from previous years	67,400	(67,400)	-	0
Valuation of debt securities available-for-sale	1,583	-	(564)	1,019
Impairment allowances for loans	326,143	87,574	-	413,717
Other	2,653	972	-	3,625
Deffered tax asset	**522,869**	**(8,399)**	**(10,728)**	**503,742**
Net income tax asset				**202,316**

	As at 01.01.2010 PLN thousand	Changes during the period: Recognized in the income statement PLN thousand	Changes during the period: Recognized in other comprehensive income PLN thousand	As at 31.12.2010 PLN thousand
Deferred income relating to securities and derivatives	58,557	(15,768)	-	42,789
Deferred income relating to loans and deposits	63,730	52,783	-	116,513
Depreciation (fixed assets financed by investment tax relief)	792	(54)	-	738
Commission costs paid in advance	75,392	33,239	-	108,631
Surplus of tax depreciation	2,651	1,481	-	4,132
Discounted interest on the BFG loan	1,260	(1,260)	-	-
Valuation of debt securities available-for-sale	41	-	(41)	-
Foreign exchange differences	84,681	(84,681)	-	-
Other	3,166	417	(494)	3,089
Deferred tax liability	**290,270**	**(13,843)**	**(535)**	**275,892**
Interest on deposits, issue of own securities, derivative instruments and interest on bonds (related to BFG loan to be settled at their redemption)	100,846	420	-	101,266
Revenue taxed in advance	6,108	35	-	6,143
Provision for expected liabilities and costs	7,185	332	-	7,517
Valuation of cash flow hedge	1,282	-	8,882	10,164
Tax loss from previous years	145,147	(77,747)	-	67,400
Valuation of debt securities available-for-sale	1,529	-	54	1,583
Impairment allowances for loans	220,465	105,678	-	326,143
Other	3,459	(806)	-	2,653
Deffered tax asset	**486,021**	**27,912**	**8,936**	**522,869**
Net income tax asset				**246,977**

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

Tax settlements may be subject to control within 5 years, starting from the end of the year in which tax payment was made. As a result of tax controls, current Bank's tax settlements may by increased by additional tax liability. In the opinion of the Bank, as at 31 December 2011 appropriate provisions for recognized and quantifiable tax risk were created.

13. Cash and balances with the Central Bank

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Cash	197,395	107,280
Current account in the Central Bank	2,192,373	1,867,392
Other	94	94
Total	**2,389,862**	**1,974,766**

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

Funds on the obligatory reserve account bear interest of 0.9 of the note rediscount rate, which amounted to 4.275% as at 31 December 2011 and 3.375% as at 31 December 2010.

14. Amounts due from banks and financial institutions

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Current accounts	121,608	84,812
Deposits placed in other banks	3,108,734	2,410,545
Granted loans and advances	31,627	14,825
Purchased debts	947	1,044
Total	**3,262,916**	**2,511,226**
Impairment allowances (-)	(191)	(223)
Total	**3,262,725**	**2,511,003**

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Amounts due from banks, with variable interest rate	1,751,377	1,545,609
Amounts due from banks, with fixed interest rate	1,501,665	964,567
Non-interest bearing receivables - interests	9,683	827

Amounts due from banks classified by maturity	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Current accounts and overnight deposits	712,267	471,344
Amounts due with term of maturity:	2,550,649	2,039,882
up to 1 month	947,724	594,853
form 1 to 3 months	64,704	106,802
from 3 months to 1 year	415,355	441,670
from 1 year do 5 years	1,119,866	896,557
over 5 years	3,000	-
Total	**3,262,916**	**2,511,226**
Impairment allowances (-)	(191)	(223)
Total, net	**3,262,725**	**2,511,003**

15. Financial assets held for trading

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Stocks and shares in other entities	8,045	-
Total	**8,045**	-

In 2011 the Bank purchased the shares in My Life Towarzystwo Ubezpieczeń na Życie S.A. with the intention of further sale. On 4 January 2012, as a result of the realization of the suspending condition included in the shares' sale agreement dated 23 September 2011, the Bank sold all its shares for the consideration of PLN 8,045 thousand.

16. Derivative financial instruments

Nominal values and fair values of derivative financial instruments according to original maturity are shown in the table below:

As at 31.12.2011	Up to 1 month PLN thousand	From 1 to 3 months PLN thousand	From 3 months to 1 year PLN thousand	From 1 to 5 years PLN thousand	Over 5 years PLN thousand	Total PLN thousand	Fair value (negative) PLN thousand	Fair value (positive) PLN thousand
Currency transactions								
Currency swap	**235,626**	**525,277**	**1,902,283**	**92,622**	**-**	**2,755,808**	**29,951**	**4,830**
Currency purchase	118,016	260,973	943,603	43,813	-	1,366,405	-	-
Currency sale	117,610	264,304	958,680	48,809	-	1,389,403	-	-
CIRS	**-**	**-**	**-**	**33,785,233**	**1,479,499**	**35,264,732**	**1,093,358**	**76,434**
Currency purchase	-	-	-	16,367,373	643,840	17,011,213	-	-
Currency sale	-	-	-	17,417,860	835,659	18,253,519	-	-
FX/Purchase/Sale	**76,685**	**-**	**-**	**-**	**-**	**76,685**	**48**	**119**
Currency purchase	38,307	-	-	-	-	38,307	-	-
Currency sale	38,378	-	-	-	-	38,378	-	-
Options	**-**	**-**	**790**	**19,576**	**-**	**20,366**	**80**	**80**
Purchase	-	-	395	9,788	-	10,183	-	-
Sale	-	-	395	9,788	-	10,183	-	-
Forward	**3,899**	**8,442**	**33,693**	**-**	**-**	**46,034**	**49**	**1,064**
Purchase	1,941	4,196	16,481	-	-	22,618	-	-
Sale	1,958	4,246	17,212	-	-	23,416	-	-
Interest rate transactions								
Interest rate swap (IRS)	**-**	**-**	**-**	**258,000**	**-**	**258,000**	**-**	**4,096**
Purchase	-	-	-	129,000	-	129,000	-	-
Sale	-	-	-	129,000	-	129,000	-	-
Forward Rate Agreement (FRA)	**-**	**-**	**14,988**	**3,673,800**	**-**	**3,688,788**	**10,068**	**-**
Purchase						-	-	-
Sale			14,988	3,673,800	-	3,688,788	-	-
Pozostałe transakcje								
Options for indices and commodities	**-**	**-**	**-**	**115,010**	**-**	**115,010**	**1,581**	**1,581**
Purchase	-	-	-	57,505	-	57,505	-	-
Sale	-	-	-	57,505	-	57,505	-	-
Total derivatives	**316,210**	**533,719**	**1,951,754**	**37,944,241**	**1,479,499**	**42,225,423**	**1,135,135**	**88,204**

As at 31.12.2010	Up to 1 month PLN thousand	From 1 to 3 months PLN thousand	From 3 months to 1 year PLN thousand	From 1 to 5 years PLN thousand	Over 5 years PLN thousand	Total PLN thousand	Fair value (negative) PLN thousand	Fair value (positive) PLN thousand
Currency transactions								
Currency swap	**782,033**	**1,477,099**	**-**	**-**	**-**	**2,259,132**	**2,393**	**16,879**
Currency purchase	391,282	745,153	-	-	-	1,136,435		
Currency sale	390,751	731,946	-	-	-	1,122,697		
CIRS	**-**	**-**	**-**	**29,837,669**	**1,065,042**	**30,902,711**	**1,000,330**	**11,144**
Currency purchase	-	-		14,415,662	495,540	14,911,202		
Currency sale	-	-		15,422,007	569,502	15,991,509		
FX/Purchase/Sale	**116,069**	**-**	**-**	**-**	**-**	**116,069**	**76**	**32**
Currency purchase	58,013	-	-	-	-	58,013		
Currency sale	58,056	-	-	-	-	58,056		
Options	**-**	**-**	**43,566**	**63,760**	**-**	**107,326**	**2,809**	**2,809**
Purchase	-	-	21,783	31,880	-	53,663		
Sale	-	-	21,783	31,880	-	53,663		
Forward	**299**	**3,978**	**-**	**59,954**	**-**	**64,231**	**999**	**57**
Purchase	151	1,998	-	29,306	-	31,455		
Sale	148	1,980	-	30,648	-	32,776		
Interest rate transactions								
Interest rate swap (IRS)	**-**	**-**	**-**	**754,000**	**-**	**754,000**		**13,721**
Purchase	-	-	-	377,000	-	377,000		
Sale	-	-	-	377,000	-	377,000		
Forward Rate Agreement (FRA)	**-**	**-**	**-**	**6,809,655**	**-**	**6,809,655**	**24,971**	
Purchase	-	-	-	-	-	-		
Sale	-	-	-	6,809,655	-	6,809,655		
Other transactions								
Options for indices and commodities	**-**	**-**	**-**	**120,179**	**-**	**120,179**	**4,004**	**4,011**
Purchase	-	-	-	60,114	-	60,114		
Sale	-	-	-	60,065	-	60,065		
Total derivatives	**898,401**	**1,481,077**	**43,566**	**37,645,217**	**1,065,042**	**41,133,303**	**1,035,582**	**48,653**

17. Loans and advances to customers

Loans and advances to customers	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Loans and advances	43,587,047	35,437,162
Purchased receivables	1,848,272	1,147,086
Payments and credit cards receivables	208,187	220,331
Realized guarantees and letters of credit	81	192
Total	**45,643,587**	**36,804,771**
Impairment allowances	(3,627,937)	(2,575,336)
Total net	**42,015,650**	**34,229,435**

As at 31 December 2011	Gross value of unimpaired loans PLN thousand	Gross value of impaired loans PLN thousand	Allowance for loans and advances with no impairment- IBNR PLN thousand	Allowance for impaired loans and advances PLN thousand	Total net value PLN thousand
corporate loans	3,498,721	310,739	(26,982)	(190,960)	3,591,518
car loans	3,244,586	887,626	(52,558)	(630,870)	3,448,784
mortgage loans	31,300,306	2,511,134	(327,308)	(995,864)	32,488,268
consumer loans	2,148,029	1,742,446	(49,849)	(1,353,546)	2,487,080
Total	**40,191,642**	**5,451,945**	**(456,697)**	**(3,171,240)**	**42,015,650**

As at 31 December 2010	Gross value of unimpaired loans PLN thousand	Gross value of impaired loans PLN thousand	Allowance for loans and advances with no impairment- IBNR PLN thousand	Allowance for impaired loans and advances PLN thousand	Total net value PLN thousand
corporate loans	2,341,083	185,465	(20,582)	(131,094)	2,374,872
car loans	3,444,174	692,663	(70,086)	(464,615)	3,602,136
mortgage loans	25,274,363	1,237,942	(191,599)	(391,502)	25,929,204
consumer loans	2,071,803	1,557,278	(102,075)	(1,203,783)	2,323,223
Total	**33,131,423**	**3,673,348**	**(384,342)**	**(2,190,994)**	**34,229,435**

Loans and advances granted to customers	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Loans and advances granted to:		
local government authorities	183,552	137,456
financial institutions other than banks	251,636	174,781
non financial institutions other than natural persons	6,056,636	4,621,222
natural persons	35,523,826	29,295,976
Total	**42,015,650**	**34,229,435**

Loans and advances granted to customers by maturity	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Loans and advances granted to customers:		
up to 1 month	4,376,163	3,319,013
from 1 month to 3 months	597,089	458,895
from 3 months to 1 year	2,553,273	2,308,487
from 1 year to 5 years	8,247,438	7,171,907
over 5 years	26,241,687	20,971,133
Total	**42,015,650**	**34,229,435**

Loans and advances with fixed interest rate	31.12.2011	31.12.2010
Carrying amount (PLN million)	771	473
% of portfolio of loans and advances	1,84%	1,38%

18. Financial instruments available for sale

Financial instruments	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Securities available-for-sale		
issued by central banks	2,398,157	999,330
issued by other banks	27	18
issued by other financial institutions	7,272	1,707
issued by non financial institutions	70,144	28,397
issued by the State Treasury	1,878,437	1,775,180
Total financial instruments	**4,354,037**	**2,804,632**
Impairment of financial instruments		
Securities available-for-sale		
issued by other banks	-	-
issued by other financial institutions	-	-
issued by non financial institutions	(1,735)	(1,331)
Impairment of financial instruments	**(1,735)**	**(1,331)**
Total financial instruments net	**4,352,302**	**2,803,301**

Changes in financial instruments	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Securities available-for-sale		
Net value at the beginning of the period	2,803,301	3,847,266
Increases	110,788,039	78,274,438
Decreases (sale and redemption)	(109,245,359)	(79,297,663)
Fair value changes	6,724	(22,484)
Allowance for impairment losses (-)	-403	1,744
Net value at the end of the period	**4,352,302**	**2,803,301**

Securities available-for-sale- change in revaluation reserve	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
At the beginning of the period	**(6,748)**	**(6,342)**
valuation *(value recognized in revaluation reserve)*	(4,464)	21,267
repurchase *(value transferred from the revaluation reserve, recognized in the profit or loss account)*	6,867	(21,673)
At the end of the period	**(4,345)**	**(6,748)**

In the line „Securities available-for-sale" there are also presented stock and shares of companies. As of 31 December 2011 they accounted for 0.09% of the entire securities portfolio. The Bank holds 10.93% of shares in Biuro Informacji Kredytowej S.A., which are measured at cost in accordance with IAS 39.46.

Carrying amount of securities available-for-sale by maturity as at 31.12.2011	Up to 1 month PLN thousand	From 1 to 3 months PLN thousand	From 3 months to 1 year PLN thousand	From 1 to 5 years PLN thousand	Over 5 years PLN thousand	Maturity date not determined PLN thousand	Total PLN thousand
issued by central banks	2,398,157						2,398,157
issued by other banks						27	27
issued by other financial institutions				5,565		1,707	7,272
issued by non financial institutions			5,159	62,602		2,383	70,144
issued by the State Treasury			292,680	737,746	848,011		1,878,437
issued by local authorities							0
Gross securities available-for-sale as at 31.12.2011	**2,398,157**	**0**	**297,839**	**805,913**	**848,011**	**4,117**	**4,354,037**
Impairment allowances (-)				-403		-1,332	-1,735
Net securities available-for-sale as at 31.12.2011	**2,398,157**	**0**	**297,839**	**805,510**	**848,011**	**2,785**	**4,352,302**

Carrying amount of securities available-for-sale by maturity as at 31.12.2010	Up to 1 month PLN thousand	From 1 to 3 months PLN thousand	From 3 months to 1 year PLN thousand	From 1 to 5 years PLN thousand	Over 5 years PLN thousand	Maturity date not determined PLN thousand	Total PLN thousand
issued by central banks	999,330		0	0	0	0	999,330
issued by other banks						18	18
issued by other financial institutions						1,707	1,707
issued by non financial institutions			20	25,994		2,383	28,397
issued by the State Treasury			707,364	1,067,816			1,775,180
issued by local authorities							0
Gross securities available-for-sale as at 31.12.2010	**999,330**	**0**	**707,384**	**1,093,810**	**0**	**4,108**	**2,804,632**
Impairment allowances (-)						-1,331	-1,331
Net securities available-for-sale as at 31.12.2010	**999,330**	**0**	**707,384**	**1,093,810**	**0**	**2,777**	**2,803,301**

19. Assets pledged as security

Types of assets pledged as security as at 31.12.2011	Types of liabilities	Value of secured liabilities PLN thousand	Carrying amount of assets pledged as security PLN thousand
treasury bonds	BFG fund	250,741	263,981
treasury bonds	loan	101,388	117,585
amounts due from banks (interbank deposits)	CIRS transaction	1,153,939	1,452,976
amounts due from banks (interbank deposits)	SWAP transaction	35,609	154,000
amounts due from banks (interbank deposits)	deposit certificates	80,945	4,760
Total		**1,622,622**	**1,993,302**

Types of assets pledged as security as at 31.12.2010	Types of liabilities	Value of secured liabilities PLN thousand	Carrying amount of assets pledged as security PLN thousand
treasury bonds	BFG fund	122,018	151,578
treasury bonds	loan	101,320	113,716
amounts due from banks (interbank deposits)	CIRS transaction	1,036,707	1,421,553
amounts due from banks (interbank deposits)	SWAP transaction	2,467	62,004
amounts due from banks (interbank deposits)	deposit certificates	80,747	4,039
Total		**1,343,259**	**1,752,890**

The Bank will maintain the portfolio of assets being loan collaterals until the repayment of those liabilities. Deposits being collaterals of issued deposit certificates have been concluded for 3 months and will be renewed until the liabilities due to deposit certificates are repaid.

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

Based on the contracts signed, while concluding derivative transactions, the Bank is required to place collateral in order to cover the credit exposure resulting from the transaction concluded with a given counterparty. The Bank is entitled to request the same collaterals of its own credit risk exposure towards the counterparty in order to mitigate its credit risk. This process is being conducted on a basis of daily changes in exposures of the counterparties.

20. Investments in subordinated entities

Investment in subsidiaries and associates	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Open Finance S.A.	45,275	85,425
Noble Funds TFI S.A.	4,112	4,112
Introfactor S.A.	0	0
Noble Concierge Sp. z o.o.	469	469
Noble Securities S.A.	41,113	15,813
Getin Finance PLC	71	71
Getin Leasing S.A.	25,165	25,165
IDEA Bank S.A.	132,218	132,218
Total	**248,423**	**263,273**

On 30 June 2010 the Bank acquired 100% of shares in GMAC Bank Polska S.A., currently IDEA Bank S.A. In 2010, the Bank created impairment allowance for the whole investment in shares of Introfactor.

21. Intangible assets

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Patents, licenses	35,921	37,906
Goodw ill	51,307	51,307
Advances on intangible assets	8,922	2,443
Total	**96,150**	**91,656**

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

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

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

- historical data reflecting the CGU's potential for generating cash flows,
- forecasted balance sheet and income statement of the CGU as of the date of testing (the carrying amount of the CGU amounted to PLN 3,995 million as of 31 December 2011),
- forecasted balance sheet and income statement for the period covered by forecast,
- assumptions included in the Bank's budget,
- analysis of variances between the previously forecasted and actual cash flows.

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

The present value of cash flows is calculated using the discount rate of 11.46%, which includes the risk-free rate, risk premium, low capitalization premium and specific risk premium.

As of 31 December 2011, no impairment was identified with respect to goodwill. The carrying amount of goodwill amounted to PLN 51 million as of 31 December 2011, while the surplus of the present value of future cash flows over the net asset and goodwill amounted to PLN 551 million as of the end of 2011 (as of 31 December 2010 the surplus amounted to PLN 318 million).

Changes in intangible assets for the year ended 31 December 2011	Patents and licences	Goodwill	Other	Advances on intangible assets	Total
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Gross value as at 01.01.2011	93,883	51,307	144	2,443	147,777
Increases, including:	*6,751*	*0*	*0*	*7,243*	*13,994*
Purchase	5,987	-	-	7,243	13,230
Brought forward from investment	764	-	-	-	764
Decreases, including:	*(5,936)*	*0*	*0*	*(764)*	*(6,700)*
Liquidation, sale, donation	(5,936)	-	-	-	(5,936)
Other				(764)	(764)
Gross value as at 31.12.2011	**94,698**	**51,307**	**144**	**8,922**	**155,071**
Amortization as at 01.01.2011	50,041	-	144	-	50,185
Amortization for the period	8,736	-	-	-	8,736
Amortization as at 31.12.2011	**58,777**	**0**	**144**	**0**	**58,921**
Impairment allowances as at 01.01.2011	5,936	-	-	-	5,936
Decreases	(5,936)	-	-	-	(5,936)
Impairment allowances as at 31.12.2011	**0**	**0**	**0**	**0**	**0**
Net value					
Opening balance as at 01.01.2011	**37,906**	**51,307**	**0**	**2,443**	**91,656**
Closing balance as at 31.12.2011	**35,921**	**51,307**	**0**	**8,922**	**96,150**

Changes in intangible assets for the year ended 31 December 2010	Patents and licences PLN thousand	Goodwill PLN thousand	Other PLN thousand	Advances on intangible assets PLN thousand	Total PLN thousand
Gross value as at 01.01.2010	86,037	51,307	144	2,454	139,942
Increases, including:	*7,846*	*0*	*0*	*4,875*	*12,721*
Purchase	2,960	-	-	-	2,960
Brought forward from investment	4,886	-	-	-	4,886
Other	-	-	-	4,875	4,875
Decreases, including:	*0*	*0*	*0*	*(4,886)*	*(4,886)*
Brought forward from investment	-	-	-	(4,886)	(4,886)
Gross value as at 31.12.2010	**93,883**	**51,307**	**144**	**2,443**	**147,777**
Amortization as at 01.01.2010	40,973	-	144	-	41,117
Amortization for the period	9,068	-	-	-	9,068
Amortization as at 31.12.2010	50,041	0	144	0	50,185
Impairment allowances as at 01.01.2010	5,936	-	-	-	5,936
Increases	-	-	-	-	-
Impairment allowances as at 31.12.2010	5,936	0	0	0	5,936
Net value					
Opening balance as at 01.01.2010	39,128	51,307	0	2,454	92,889
Closing balance as at 31.12.2010	37,906	51,307	0	2,443	91,656

22. Property, plant and equipment

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Land and buildings	68,012	87,426
Machinery and equipment	44,784	39,982
Means of transport	18,189	13,677
Other fixed assets	7,482	7,944
Fixed assets under construction	7,910	6,287
Total property, plant and equipment	**146,377**	**155,316**

As at 31 December 2011 net value of fixed assets used on the basis of finance lease amounted to PLN 21,347 thousand and PLN 15,005 thousand as at 31 December 2010.

In 2011 and 2010 there were no restrictions of rights concerning legal title of the Bank to fixed assets serving as collateral for liabilities.

In 2011 the value of compensations received from third-parties in respect of impairment or loss of fixed assets, recognized in profit or loss account, amounted to PLN 32 thousand and in 2010 to PLN 152 thousand.

Changes in fixed assets for the year ended 31.12.2011	Land and buildings PLN thousand	Plant and machinery PLN thousand	Means of transport PLN thousand	Other fixed assets PLN thousand	Fixed assets under construction PLN thousand	Total PLN thousand
Gross value as at 01.01.2011	**174,647**	**115,422**	**27,194**	**22,469**	**6,287**	**346,019**
Increases including	**12,762**	**21,176**	**12,310**	**1,947**	**7,384**	**55,579**
Purchases	12,367	15,870	12,200	1,943	7,384	49,764
Transfer from fixed assets under construction	395	5,306	-	4	-	5,705
Other increases	-	-	110	-	-	110
Decreases including:	**(25,960)**	**(3,481)**	**(4,680)**	**(869)**	**(5,761)**	**(40,751)**
Liquidation and sale	(2,407)	(3,305)	(4,680)	(869)		(11,261)
Transfer from fixed assets under construction	-	-	-	-	(5,705)	(5,705)
Transfer to investment properties	(23,553)	(174)	-	-	-	(23,727)
Other decreases	-	(2)	-	-	(56)	(58)
Gross value as at 31.12.2011	**161,449**	**133,117**	**34,824**	**23,547**	**7,910**	**360,847**
Depreciation as at 01.01.2011	**77,439**	**75,440**	**13,517**	**14,525**	**0**	**180,921**
Increases including	**18,092**	**16,089**	**6,235**	**2,303**	-	**42,719**
Depreciation for the period	18,092	16,080	6,235	2,303	-	42,710
Other increases	-	9	-	-	-	9
Decreases including	**(2,111)**	**(3,196)**	**(3,117)**	**(763)**	**0**	**(9,187)**
Liquidation and sale	(2,102)	(3,196)	(3,117)	(763)	-	(9,178)
Other decreases	(9)	-	-	-	-	(9)
Depreciation as at 31.12.2011	**93,420**	**88,333**	**16,635**	**16,065**	-	**214,453**
Impairment allowances as at 01.01.2011	**9,782**	**-**	**-**	**-**	**-**	**9,782**
Decreases	(9,765)	-	-	-	-	(9,765)
Impairment allowances as at 31.12.2011	**17**	**0**	**0**	**0**	**0**	**17**
Net value as at 01.01.2011	**87,426**	**39,982**	**13,677**	**7,944**	**6,287**	**155,316**
Net value as at 31.12.2011	**68,012**	**44,784**	**18,189**	**7,482**	**7,910**	**146,377**

Changes in fixed assets for the year ended 31.12.2010	Land and buildings PLN thousand	Plant and machinery PLN thousand	Means of transport PLN thousand	Other fixed assets PLN thousand	Fixed assets under construction PLN thousand	Total PLN thousand
Gross value as at 01.01.2010	**133,425**	**96,576**	**19,430**	**19,857**	**5,125**	**274,413**
Increases including	**44,594**	**20,444**	**10,772**	**2,739**	**6,285**	**84,834**
Purchases	14,692	18,108	10,772	2,557	6,285	52,414
Transfer from fixed assets under construction	2,621	2,070	-	182	-	4,873
Transfer from assets held for sale	27,281	266	-	-		27,547
Decreases including:	**(3,372)**	**(1,598)**	**(3,008)**	**(127)**	**(5,123)**	**(13,228)**
Liquidation and sale	(2,121)	(1,505)	(3,008)	(127)		(6,761)
Transfer to assets held for sale	(501)	-	-	-		(501)
Transfer to investment properties	(750)	-	-	-	-	(750)
Transfer from fixed assets under construction	-	-	-	-	(4,873)	(4,873)
Other decreases	-	(93)	-	-	(250)	(343)
Gross value as at 31.12.2010	**174,647**	**115,422**	**27,194**	**22,469**	**6,287**	**346,019**
Depreciation as at 01.01.2010	**63,092**	**64,896**	**11,821**	**12,221**	**0**	**152,030**
Increases including	**15,945**	**12,077**	**4,059**	**2,427**	-	**34,508**
Depreciation for the period	15,945	12,077	4,059	2,427	-	34,508
Decreases including	**(1,598)**	**(1,533)**	**(2,363)**	**(123)**	**0**	**(5,617)**
Liquidation and sale	(1,598)	(1,440)	(2,363)	(123)	-	(5,524)
Other decreases	-	(93)	-	-	-	(93)
Depreciation as at 31.12.2010	**77,439**	**75,440**	**13,517**	**14,525**	-	**180,921**
Impairment allowances as at 01.01.2010	**17**	-	-	-	-	**17**
Increases	9,765	-	-	-	-	9,765
Impairment allowances as at 31.12.2010	**9,782**	**0**	-	**0**	**0**	**9,782**
Net value as at 01.01.2010	**70,316**	**31,680**	**7,609**	**7,636**	**5,125**	**122,366**
Net value as at 31.12.2010	**87,426**	**39,982**	**13,677**	**7,944**	**6,287**	**155,316**

23. Investment properties

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Opening balance	**3,339**	**0**
Changes:	32,669	3,339
purchase	19,233	-
transfer from own real estates	13,962	3,403
depreciation for the period	(526)	(64)
Closing balance	**36,008**	**3,339**

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

In 2011 the following amounts of income and expenses connected with investment properties are recognized in profit or loss account:

	01.01.2011- 31.12.2011 PLN thousand	01.01.2010- 31.12.2010 PLN thousand
Income from rental of investment properties	1,743	22
Direct operating expenses (including: repair and maintenance expenses) related to investment properties, which generated rental income in the period	763	20
Direct operating expenses (including: repair and maintenance expenses)related to investment properties, which did not generate rental income in the period	222	38
Total	2,728	80

24. Finance and operating leasing

Liabilities arising from financial leases

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

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

As at 31.12.2011	Gross lease investment (minimum payments) PLN thousand	Present value of minimum lease payments PLN thousand
Lease liabilities:		
up to 1 year	218	214
from 1 to 5 years	25,089	23,478
over 5 years	-	-
Total	**25,307**	**23,692**
Unrealized finance expenses (-)	(1,615)	-
Net lease investment	**23,692**	**23,692**

As at 31.12.2010	Gross lease investment (minimum payments) PLN thousand	Present value of minimum lease payments PLN thousand
Lease liabilities:		
up to 1 year	92	91
from 1 to 5 years	17,435	16,172
over 5 years	-	-
Total	**17,527**	**16,263**
Unrealized finance expenses (-)	(1,264)	
Net lease investment	**16,263**	**16,263**

Liabilities arising from operating lease

The Bank concludes agreements concerning lease of premises which, in accordance with IFRS-EU, are treated as agreements of irrevocable operational lease. Leased premises are used for banking activities. Fixed-term agreements are concluded usually for a term of 5 years. As at 31 December 2011 and as at 31 December 2010 minimal payments arising from irrevocable operating lease contracts are as follows:

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
up to 1 year	50,664	43,508
from 1 to 5 years	85,048	79,029
over 5 years	10,119	5,372
Total	**145,831**	**127,909**

25. Other assets

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Receivables from sundry debtors, including:	409,172	238,229
tax, donations and social insurance receivables	2,444	1,455
payment cards settlements	23,723	16,147
other	383,005	220,627
Accrued expenses	18,054	11,601
Income to be received	32,788	55,424
Recourses and guarantee deposits	6,648	5,843
Other assests	1,499	3,758
Total other gross assets	**468,161**	**314,855**
Impairment allow ances for other assets (-)	(4,514)	(9,590)
Total other net assets	**463,647**	**305,265**

The change of receivables from sundry debtors as at 31 December 2011 compared to 31 December 2010 results mainly from the increase of receivables from sale of insurance and investment products, presented in line Other assets.

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Opening balance of impairment losses of other assets	9,590	10,902
Increases recognized through profit or loss account	2,252	511
Decreases recognized through profit or loss account	(358)	(173)
Other decreases	(6,970)	(1,650)
Closing balance of impairment losses of other assets	**4,514**	**9,590**

26. Fixed assets held for sale

	01.01.2011- 31.12.2011 PLN thousand	01.01.2010- 31.12.2010 PLN thousand
Value at the beginning of the period	2,401	24,614
Increases, including:	33	501
purchase	33	-
transfer from fixed assets	-	501
Decreases, including:	1,398	22,714
sale and liquidation	1,398	2,271
reclassification to investment properties	-	2,653
reclassification to fixed assets	-	17,782
other decreases	-	8
Value at the end of the period	**1,036**	**2,401**

27. Amounts due to other banks and financial institutions

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Current accounts	3,090	35
Deposits w ith other banks	471,250	628,804
Loans and advances received	101,388	101,320
Other amounts due to other banks	5,319	5,633
Amounts due to other banks, total	**581,047**	**735,792**

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Amount due to other banks w ith variable interest rate	106,188	103,856
Amount due to other banks w ith fixed interest rate	451,061	622,187
Non interest bearing liabilities - interest, cheques	23,798	9,749

Structure of amounts due from balance sheet date to maturity date	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Current accounts	3,090	35
Term liabilities with term to maturity:	577,957	735,757
up to 1 month	93,800	25,634
from 1 to 3 months	3,618	243,663
from 1 year to 5 years	28,457	1,454
over 5 years	452,082	465,006
Total	**581,047**	**735,792**

28. Amounts due to customers

Amounts due to customers	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Amounts due to corporate entities	**8,426,269**	**8,271,216**
Current accounts and overnight deposits	947,371	593,433
Term deposits	7,478,898	7,677,783
Amounts due to budgetary entities	**1,490,242**	**1,486,968**
Current accounts and overnight deposits	997,725	754,362
Term deposits	492,517	732,606
Amounts due to natural persons	**36,571,177**	**27,469,616**
Current accounts and overnight deposits	2,338,364	2,950,028
Term deposits	34,232,813	24,519,588
Total	**46,487,688**	**37,227,800**

Structure of amounts due to customers from balance sheet date to maturity date	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Current accounts and overnight deposits	4,283,460	4,297,823
Term liabilities with term to maturity:	42,204,228	32,929,977
up to 1 month	8,689,337	7,134,637
from 1 to 3 months	15,033,894	10,031,911
from 3 months to 1 year	16,145,758	13,238,077
from 1 to 5 years	2,091,631	2,525,047
over 5 years	243,608	305
Total	**46,487,688**	**37,227,800**

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Amounts due to customers with variable interest rate	4,791,112	5,149,674
Amounts due to customers with fixed interest rate	41,445,924	31,648,334
Non interest bearing liabilities - interest	250,652	429,792

29. Liabilities from the issue of debt securities

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Liabilities from issue of:	806,553	80,465
bonds	661,370	-
certificates	79,974	79,931
other	65,209	534
Interest	5,120	882

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Liabilties from issue with term of maturity:	811,673	81,347
up to 1 month	86	845
from 1 to 3 months	248,657	-
from 3 months to 1 year	108,504	-
from 1 year to 5 years	53,731	80,502
over 5 years	400,695	-
Total	**811,673**	**81,347**

Liabilities arising from the issue of debt securities comprise of liabilities arising from the issue of deposit certificates and banking securities not publicly traded. There were no cases of overdue settlement by the Bank of liabilities arising from repayment of principal or interest and redemption of own debt securities.

During the 12-month period ended 31 December 2011 the Bank issued subordinated bonds A, B, C, D and E-series of the total value of PLN 400 million, which qualify for their recognition as the supplementary funds provided the consent from the Polish Financial Supervision Authority is obtained. Until 31 December 2011 the Bank obtained required consents for all bond series issued to be qualified as own funds on a basis of relevant decisions of the Polish Financial Supervision Authority and, consequently, the Bank's capital adequacy ratio increased.

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Liabilities from the issue of debt securities with variable interest rate	477,234	80,465
Liabilities from the issue of debt securities with fixed interest rate	329,319	-
Non interest bearing liabilities - interest	5,120	882

During the 12-month period ended 31 December 2011, the following issues and redemptions of bonds were made by Getin Noble Bank S.A.

Type of issued debt securities	Date of issue	Date of redemption	Number of debt securities	Face value PLN thousand
GNB Bonds Tranche 1/2011	2011-02-17	2011-05-17	500	50,000
GNB Bonds Tranche 2/2011	2011-03-17	2011-06-16	1,000	100,000
GNB Bonds Tranche 3/2011	2011-04-19	2015-04-15	47	4,700
GNB Bonds Tranche 4/2011	2011-05-11	2011-08-10	1,000	100,000
GNB Bonds Tranche 5/2011	2011-05-23	2011-08-24	500	50,000
GNB Bonds Tranche 7/2011	2011-06-16	2011-09-16	900	90,000
GNB Bonds Tranche 8/2011	2011-06-20	2015-06-16	103	10,300
GNB subordinated bonds A series	2011-06-29	2018-06-29	2,500	250,000
GNB Bonds Tranche 9/2011	2011-07-20	2015-07-20	511	51,100
GNB Bonds Tranche 10/2011	2011-08-10	2011-11-08	1,000	100,000
GNB subordinated bonds B series	2011-08-10	2017-08-10	350	35,000
GNB Bonds Tranche 11/2011	2011-08-24	2011-12-02	270	27,000
GNB subordinated bonds C series	2011-09-01	2017-09-01	50,000	50,000
GNB Bonds Tranche 12/2011	2011-09-16	2011-12-16	650	65,000
GNB subordinated bonds D series	2011-09-20	2017-09-20	20,000	20,000
GNB subordinated bonds E series	2011-10-17	2017-10-17	45,000	45,000
GNB Bonds Tranche 13/2011	2011-11-08	2012-02-17	1,000	100,000
GNB Bonds Tranche 14/2011	2011-11-09	2012-02-17	150	15,000
GNB Bonds Tranche 15/2011	2011-12-02	2012-03-02	270	27,000
GNB Bonds Tranche 16/2011	2011-12-16	2012-03-16	710	71,000
Total			**126,461**	**1,261,100**

Type of redeemed debt securities	Date of issue	Date of redemption	Number of debt securities	Face value PLN thousand
GNB Bonds Tranche 1/2011	2011-02-17	2011-05-17	500	50,000
GNB Bonds Tranche 2/2011	2011-03-17	2011-06-16	1,000	100,000
GNB Bonds Tranche 4/2011	2011-05-11	2011-08-10	1,000	100,000
GNB Bonds Tranche 5/2011	2011-05-23	2011-08-24	500	50,000
GNB Bonds Tranche 7/2011	2011-06-16	2011-09-16	900	90,000
GNB Bonds Tranche 10/2011	2011-08-10	2011-11-08	1,000	100,000
GNB Bonds Tranche 11/2011	2011-08-24	2011-12-02	270	27,000
GNB Bonds Tranche 12/2011	2011-09-16	2011-12-16	650	65,000
Total			**5,820**	**582,000**

30. Other liabilities

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Settlement accounts	80,716	13,245
interbank settlements	80,716	13,245
Sundry debtors, including	121,818	114,920
taxation, customs duty, social insurances (without CIT)	19,602	21,995
payment cards settlements	4,263	2,315
other	97,953	90,610
Leasing liabilities	23,692	16,263
Accruals	49,462	28,693
Deferred income	15,749	10,495
Other liabilities	69,418	56,106
Total	**360,855**	**239,722**

31. Provisions

01.01.2011 - 31.12.2011	Provision for litigation PLN thousand	Provision for retirement benefits and other employee allowances PLN thousand	Provision for issued commitments and guarantees PLN thousand	Total PLN thousand
At the beginning of the period	**1,959**	**6,506**	**1,541**	**10,006**
Created/updated	2,391	2,446	4,502	9,339
Utilized	(178)	(383)		(561)
Released		(248)	(4,688)	(4,936)
At the end of the period	**4,172**	**8,321**	**1,355**	**13,848**

Pursuant to the decision of the President of the Office of Competition and Consumer Protection (UOKiK) dated 8 November 2011, which imposed on the Bank the penalties of PLN 3,688 thousand and PLN 2,213 thousand for using the abusive clauses in the car loan agreements with customers, the Bank recorded the provision of PLN 2,213 thousand with the effect in the profit or loss. On 1 December 2011, the Bank filed an appeal for overruling of the decision in its entirety or change in the appealed decision with respect to the imposed penalty by its significant decrease.

01.01.2010 - 31.12.2010	Provision for litigation PLN thousand	Provision for retirement benefits and other employee allowances PLN thousand	Provision for issued commitments and guarantees PLN thousand	Total PLN thousand
At the beginning of the period	**0**	**4,574**	**913**	**5,487**
Created/updated	1,959	2,637	3,931	8,527
Utilized	-	(705)	-	(705)
Released	-	-	(3,303)	(3,303)
At the end of the period	**1,959**	**6,506**	**1,541**	**10,006**

Provision for retirement benefits and other employee allowances	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Provision for retirement benefits	839	642
Provision for unused holidays	6,369	4,804
Provision for social insurance in respect of unused holidays	1,113	812
Provison for contract obligations and insurance	-	248
Total	**8,321**	**6,506**

The Bank pays retirement benefits in the amount specified by the Labor Code. As a result, the Bank, on the basis of the valuation made by professional actuarial company, creates provision for the present value of liabilities arising from retirement benefits.

32. Share capital

As of 31 December 2011 and 31 December 2010 the ownership structure of the equity of Getin Noble Bank was as follows:

31.12.2011	Number of shares held	Number of votes at GM of Shareholders	% share in share capital	% votes at GM of Shareholders
Getin Holding S.A.	893,786,767	893,786,767	93.71%	93.71%
ASK Investments S.A.	14,819,840	14,819,840	1.55%	1.55%
A. Nagelkerken Holding B.V.	5,150,000	5,150,000	0.54%	0.54%
International Consultancy Strategy Implementation B.V.	4,270,000	4,270,000	0.45%	0.45%
Leszek Czarnecki	1,939,420	1,939,420	0.20%	0.20%
Own shares held by the Bank	695,580	695,580	0.07%	0.07%
Other shareholders	33,101,490	33,101,490	3.47%	3.47%
Total	**953,763,097**	**953,763,097**	**100.00%**	**100.00%**

31.12.2010	Number of shares held	Number of votes at GM of Shareholders	% share in share capital	% votes at GM of Shareholders
Getin Holding S.A.	893,786,767	893,786,767	93.71%	93.71%
ASK Investments S.A.	14,819,840	14,819,840	1.55%	1.55%
A. Nagelkerken Holding B.V.	5,150,000	5,150,000	0.54%	0.54%
International Consultancy Strategy Implementation B.V.	5,070,000	5,070,000	0.53%	0.53%
Leszek Czarnecki	1,939,420	1,939,420	0.20%	0.20%
Own shares held by the Bank	695,580	695,580	0.07%	0.07%
Other shareholders	32,301,490	32,301,490	3.39%	3.39%
Total	**953,763,097**	**953,763,097**	**100.00%**	**100.00%**

On 2 January 2012, as a result of the split of Getin Holding S.A. with its seat in Wrocław, the transfer of 893,786,767 shares in Getin Noble Bank S.A. (which account for 93.71% share capital and give rights to 893,786,767 (93.71%) shares on the Bank's Shareholders' Meeting) to Get Bank S.A. was made. As a result of the transfer of the above shares, Getin Holding S.A. does not hold any shares in Getin Noble Bank S.A. directly, but holds 93.71% of share capital in Getin Noble Bank S.A. through Get Bank S.A.

On 19 January 2012, as a result of the issuance of ordinary bearer H-series shares in Get Bank S.A., the indirect share of Getin Holding S.A. in the share capital of Getin Noble Bank S.A. through Get Bank S.A. and PDK S.A. decreased to 4.50763%; as a result Getin Holding S.A. is no longer the parent company for Getin Noble Bank S.A. and Get Bank S.A.

The ownership structure of the Bank's shares as of the date of the issuance of this report has been presented in the table below:

29.02.2012	Number of shares held	Number of votes at GM of Shareholders	% share in share capital	% votes at GM of Shareholders
Get Bank S.A.	893,786,767	893,786,767	93.71%	93.71%
ASK Investments S.A.	14,819,840	14,819,840	1.55%	1.55%
A. Nagelkerken Holding B.V.	5,150,000	5,150,000	0.54%	0.54%
International Consultancy Strategy Implementation B.V.	4,270,000	4,270,000	0.45%	0.45%
Leszek Czarnecki (directly)	1,939,420	1,939,420	0.20%	0.20%
Own shares held by the Bank	695,580	695,580	0.07%	0.07%
Other shareholders	33,101,490	33,101,490	3.48%	3.48%
Total	**953,763,097**	**953,763,097**	**100.00%**	**100.00%**

On 30 March 2011 the General Shareholders Meeting of Getin Noble Bank adopted a resolution on conditional increase in share capital of the Bank by the amount up to PLN 6 million through the issue of not more than 6 million K series shares and up to 6 million A series subscription warrants entitling to acquire the above mentioned shares, due to the planned implementation of the Management Options Program in the Bank (described further in the note IV.40).

33. Other capital

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Supplementary capital	2,337,319	1,901,394
Revaluation reserve, including:	26,923	(50,078)
valuation of portfolio of financial assets available-for-sale	(5,364)	(8,331)
deferred tax	1,019	1,583
cash flow hedge	38,602	(53,494)
deferred tax	(7,334)	10,164
Other reserve capital	37,493	37,493
Share-based payments	16,373	3,665
Total	**2,418,108**	**1,892,474**

34. Dividends paid and declared

On 30 March 2011, the General Shareholders Meeting of the Getin Noble Bank S.A. decided to appropriate the Bank's profit for 2010, amounting to PLN 436,857 thousand, partially to cover loss from previous years in the amount of PLN 932 thousand, emerged as a result of change in accounting policy, and to increase the reserve capital in the amount of PLN 435,925 thousand.

The Management Board of the Bank is going to propose that all profit generated in 2011 is appropriated to the increase of the Bank's equity.

35. Contingent liabilities

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Contingent liabilities given	**2,002,007**	**1,135,140**
financial	1,989,834	1,122,763
including irrevocable	*327,720*	*127,986*
guarantees	12,173	12,377
including irrevocable	*12,173*	*12,377*
Contingent liabilities received	**318,891**	**239,580**
financial	110,420	99,008
guarantees	208,471	140,572
Liabilities related to sale/purchase transactions	**38,536,635**	**34,323,648**
Other off-balance sheet liabilities	**13,016,881**	**8,045,540**
Total	**53,874,414**	**43,743,908**

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

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

36. Fair value of financial assets and liabilities

Fair value is the amount for which given asset could be exchanged, or liability settled in an arm's length transaction between willing, well-informed and non-related parties other than the transaction of foreclosure sale or liquidation, and is best reflected by market prices, if available.

The main methods and assumptions used in estimating fair values of instruments are as follows:

Amounts due from banks

The amounts due from banks include mainly interbank deposits and collaterals of derivatives transactions (CIRS). Fixed-rate deposits placed on the interbank market comprise short-term placements. Therefore, the fair value of amounts due from banks is assumed to be equal to their carrying amount.

Loans and other receivables to customers

Fair value was calculated for loans with established repayment schedule. For loan agreements, for which no such schedule was established (e.g. overdrafts) it is assumed that theirs fair value equal to carrying amount. Similar assumption was adopted for payments with the maturity dates past due or for loans impaired.

In order to calculate fair value of loan, on the basis of information recorded in transaction systems, a schedule of principal and interest cash flow is identified for each loan agreement. Such calculated cash flows are grouped by type of interest, date of loan disbursement, type of product and currency of the agreement. Such determined cash flows were discounted using the interest rate which accounts for the current margin for given product. For loans denominated in foreign currencies for which no sufficient sample of disbursements is available within the analyzed period, the margin of loans denominated in EUR and the LIBOR 3M rate for the respective currency were applied. Comparison of the total cash flows discounted using the above discount rate allocated to a given loan agreement and the loan carrying amount allows to determine the difference between the fair value of the loan and its carrying amount. Identification of interest rate appropriate for discounting identified cash flows is made based on loan currency, product type and date of cash flow.

Amounts due to banks

It is assumed that the fair value of deposits received from the other banks is their carrying amount.

Amounts due to customers

Fair value was calculated for deposits with fixed interest rate and defined maturity. For current deposits it is assumed that fair value equals their carrying amount.

In order to calculate fair value, on the basis of information recorded in transaction systems, future capital and interest cash flows are identified. Future cash flows calculated in this way are grouped by currency, original term of deposit, type of product and date of cash flow. These cash flows are discounted using the interest rate representing the sum of market rate obtained from the yield curve for each currency, deposit maturity date and the margin offered on deposits with the commencement date in the last month of the settlement period. The margin is calculated comparing interest rate offered on deposits accepted in the last month with market interest rates. The discounting period is determined as the difference between the date of deposit maturity (rounded to a calendar month) and the date of the financial statements. This discounted value is compared with deposit carrying amount of deposits and results in a difference between the carrying amount of deposit portfolio and its fair value.

Liabilities arising from the issue of debt securities

It is assumed that fair value of bonds and certificates is their carrying amount. Fair value of bank securities has been measured using the policies applied to the calculation of fair value of amounts due to customers.

The summary of carrying amounts and fair values for assets and liabilities is presented below:

As at 31.12.2011	Carrying amount PLN thousand	Fair value PLN thousand
ASSETS:		
Cash and balances with the Central Bank	2,389,862	2,389,862
Amounts due from banks and other financial institutions	3,262,725	3,262,725
Financial assets held for trading	8,045	8,045
Derivative financial instruments	88,204	88,204
Loans and advances to customers	42,015,650	41,234,750
Financial instruments available-for-sale	4,352,302	4,352,302
LIABILITIES:		
Amounts due to banks and other financial institutions	581,047	581,047
Derivative financial instruments	1,135,135	1,135,135
Amounts due to customers	46,487,688	46,853,375
Liabilities from the issue of debt securities	811,673	814,945

As at 31.12.2010	Carrying amount PLN thousand	Fair value PLN thousand
ASSETS:		
Cash and balances with the Central Bank	1,974,766	1,974,766
Amounts due from banks and other financial institutions	2,511,003	2,511,003
Derivative financial instruments	48,653	48,653
Loans and advances to customers	34,229,435	34,362,569
Financial instruments available-for-sale	2,803,301	2,803,301
LIABILITIES:		
Amounts due to banks and other financial institutions	735,792	735,792
Derivative financial instruments	1,035,582	1,035,582
Amounts due to customers	37,227,800	37,302,336
Liabilities from the issue of debt securities	81,347	81,357

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

Level 1

Financial assets and liabilities measured at fair value based on market quotations available in active markets for identical instruments.

Level 2

Financial assets and liabilities measured using techniques based on market quotations directly observed or other information based on market quotations.

Level 3

Financial assets and liabilities measured using techniques based quotations which cannot be directly observed on the market.

The carrying amounts of financial instruments at fair value by 3 hierarchy levels as at 31 December 2011 and 31 December 2010 are presented below:

As at 31.12.2011	Level 1 PLN thousand	Level 2 PLN thousand	Level 3 PLN thousand	Total PLN thousand
ASSETS:				
Financial assets held for trading	-	-	8,045	**8,045**
Derivative financial instruments	-	88,204	-	**88,204**
Financial instruments available-for-sale	4,276,601	-	75,701	**4,352,302**
LIABILITIES:				
Derivative financial instruments	-	1,135,135	-	**1,135,135**

As at 31.12.2010	Level 1 PLN thousand	Level 2 PLN thousand	Level 3 PLN thousand	Total PLN thousand
ASSETS:				
Derivative financial instruments	-	48,653	-	**48,653**
Financial instruments available-for-sale	2,774,510	-	28,791	**2,803,301**
LIABILITIES:				
Derivative financial instruments	-	1,035,582	-	**1,035,582**

In the year ended 31 December 2011 there were no movements between level 1 and level 2 of the fair value hierarchy, and neither was any instrument moved from level 1 or level 2 to level 3 of fair value hierarchy.

37. Social assets and Company Social Benefits Fund liabilities

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

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

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Allowances for the Fund during financial year	5,314	4,261

38. Additional notes to the statement of cash flows

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

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

Cash and cash equivalents

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

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Cash and balances with the Central Bank	2,389,862	1,974,766
Current amounts due from other banks	121,608	84,812
Short-term deposits in other banks	590,641	386,532
Total	**3,102,111**	**2,446,110**

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

Year ended 31.12.2011	Statement of financial position PLN thousand	Statement of cash flows PLN thousand	Difference PLN thousand	
Change in amounts due from banks	(751,722)	(510,817)	(240,905)	1)
Change in derivative financial instruments (asset)	(39,551)	(38,501)	(1,050)	2)
Change in securities available-for-sale	(1,549,001)	(1,546,597)	(2,404)	3)
Change in derivative financial instruments (liability)	99,553	173,100	(73,547)	4)
Change in liabilities from the issue of debt securities	730,326	54,226	676,100	5)

1) Change in part of receivables comprising cash equivalents (current accounts and overnight deposits in other banks) was excluded from „Change in amounts due from banks and other financial institutions" and presented under "Increase/decrease of net cash and cash equivalents".

2) „Change in derivative financial instruments (asset)" does not include the valuation of cash flow hedge recognized in revaluation reserve.

3) „Change in financial assets available-for-sale" does not include valuation of financial assets recognized in revaluation reserve.

4) „Change in derivative financial instruments (liabilities)" does not include the valuation of cash flow hedge recognized in revaluation reserve.

5) Change arising from redemption of long-term securities (bonds and deposit certificates) was excluded from „Change in liabilities from the issue of debt securities".

39. Operating segments

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

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

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

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

Selected items of the income statement		01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Interest income	Mortgage loans	1,450,876	1,041,226
	Car loans	468,238	482,140
	Consumer loans	370,896	368,531
	Corporate loans	245,701	140,654
	Other activities of the Bank	1,018,852	820,706
	Total	**3,554,563**	**2,853,258**
Interest expense	Consumer deposits	(1,699,838)	(1,420,229)
	Corporate deposits	(312,790)	(219,076)
	Other activities of the Bank	(263,182)	(191,094)
	Total	**(2,275,810)**	**(1,830,399)**
Fee and commission result	Mortgage loans	58,287	102,203
	Car loans	9,566	17,510
	Consumer loans	8,291	6,277
	Corporate loans	1,740	2,589
	Other activities of the Bank	662,162	615,347
	Total	**740,046**	**743,926**
Dividend income		**17,649**	**71,216**
Result on financial instruments measured at fair value through profit or loss		**37,317**	**(15,288)**
Result on other financial instruments		**(299)**	**86,558**
Result on loss of control over subsidiaries		**370,951**	**0**
Foreign exchange result	Mortgage loans	120,977	100,629
	Car loans	15,324	19,546
	Other activities of the Bank	13,478	15,523
	Total	**149,779**	**135,698**
Other operating income		**46,460**	**51,944**
Other operating expense		**(68,562)**	**(65,581)**
General administrative expenses		**(707,598)**	**(562,759)**
Impairment losses on loans, advances to customers and off-balance liabilities	Mortgage loans	(768,426)	(426,798)
	Car loans	(179,115)	(264,658)
	Consumer loans	(135,715)	(322,967)
	Corporate loans	(89,342)	(32,919)
	Other activities of the Bank	0	0
	Total	**(1,172,598)**	**(1,047,341)**
Profit before tax		**691,898**	**421,232**

Selected items of the statement of financial position		31.12.2011 PLN thousand	31.12.2010 PLN thousand
Loans and advances to customers	Mortgage loans	32,488,268	25,929,204
	Car loans	3,448,784	3,602,136
	Consumer loans	2,487,080	2,323,223
	Corporate loans	3,591,518	2,374,872
	Total	**42,015,650**	**34,229,435**
Customer deposits *	Retail deposits	39,916,643	31,593,994
	Corporate deposits	6,827,857	5,585,889
	Total	**46,744,500**	**37,179,883**

* the value of deposits, including funds obtained from individual persons by intermediary of financial entities within framework agreements

40. Related party transactions

The Getin Noble Bank understands related party as direct parent company- Getin Holding S.A., subsidiaries, entities directly related to the parent company and to the ultimate parent - Mr. Leszek Czarnecki.

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

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

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

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

All transactions between related entities are concluded on an arm's length basis equivalent to those which are applicable to transactions concluded on market conditions.

The following table presents total amounts of transactions concluded with related parties for current and previous financial year:

(data in PLN thousand)

Transactions with related entities		Statment of financial position					Statment of comprehensive income				Off- balance
		31.12.2011					01.01.2011 do 31.12.2011				31.12.2011
		Loan receivables and purchased debts	Other receivables	Deposits liabilities	Other liabilities	Impairment allowances created	Interest and commission income	Interest and commission expenses	Other purchases	Other sale	Financial liabilities and guarantees granted
1	Getin Holding S.A	48	2,232	6,014	263	-	32	3,673	241	3,497	-
2	Carcade OOO	172,265	-	3	-	1,345	13,088	-	-	-	-
3	TU Europa S.A	-	46,173	31,406	18,218	-	203,280	3,262	43	11	142
4	TU na Życie Europa S.A	-	112,049	2,391,456	-	-	285,250	178,629	579	-	-
5	Open Finance S.A.	-	24,421	80	-	-	-	97,667*	988	4,424	-
6	Noble Concierge sp. z o.o.	-	-	-	-	-	-	-	5,170	309	-
7	Noble Funds TFI S.A.	-	-	23,534	-	-	8,515	750	420	683	-
8	Introfactor S.A.	-	-	965	-	-	11	37	-	9	-
9	PSA Idea Bank (Ukraine)	23,922	-	-	-	354	2,036	-	-	-	19,479
10	Getin International S.A.	-	-	13,350	-	-	492	6	-	-	-
11	Sombelbank S.A.	468	162	2,021	18	-	1	850	-	162	-
12	Noble Securities S.A.	-	-	132,804	-	-	10,082	9,100	491	786	-
13	Idea Bank SA	-	597	90,190	183	2	4,409	2,922	576	2,803	522
14	M.W.TRADE SA	139,649	-	6,780	-	17	17,042	654	-	-	4,000
15	RB COMPUTER sp. z o.o.	-	-	-	377	-	-	-	8,311	31	-
16	LC Corp BV	-	-	46,514	-	-	7	438	-	-	-
17	LC Corp SA	20	1	62,341	-	-	4	3,972	-	228	30,000
18	LC Corp Invest I Sp.z o.o.	-	-	7,053	-	-	-	163	-	-	-
19	LC Corp Sky Tower Sp. z o.o.	51,800	-	116,576	-	-	5	5,926	-	4,083	-
20	LC Corp Invest Sp. z o.o.	-	-	45,409	-	-	1	1,829	-	-	-
21	LC Corp Invest XV Sp. z o.o. Projekt 6 sp.k	-	-	7,761	-	-	-	23	-	-	-
22	Warszawa Przyokopowa Sp. z o.o.	-	-	5,625	-	-	1	507	-	-	-
23	HOME BROKER SA (former JML S.A)	-	5	-	-	-	-	-	214	35,538	-
24	HomE BROKER Doradcy Finansowi	-	-	-	1	-	-	18,033*	-	9	-
25	Fundacja Jolanty i Leszka Czarneckich	-	-	11,516	-	-	6	455	-	-	-
26	Powszechny Dom Kredytowy S.A	-	-	9,292	-	-	1,683	34,460*	1,088	46	200
27	Getin Leasing S.A. Group	1,399,528	-	14,429	-	308	82,765	97	1,393	1,396	16,064
28	GET BANK SA	8,834	350	2,238	30	-	1,053	306	4,666	401	1,188
29	Getin Inwestycje	-	-	45,442	-	-	-	499	-	-	-
30	Open Life TU na Życie SA	-	139,920	609,452	-	-	162,970	6,557	-	-	-
31	other	-	1,088	11,316	-	-	67	499	4,014	848	103
33	**Members of the Managament Board and the Supervisory Board of the Bank and the Parent Company****	4,579	-	14,025	-	1	2,729	2,512	-	17,297	993

In the note above, the entities with balances as at 31.12.2011 (irrespective of transaction type) not exceeding PLN 5 million were aggregated.

* including agency commissions paid in 2011, which are spread over time by the Bank as they represent an element of internal rate of return of loan receivables.

** including transactions with the ultimate parent

(data in PLN thousand)

	Transactions with related entities	Statment of financial position					Statment of comprehensive income				Off- balance
		31.12.2010					01.01.2010 do 31.12.2010				31.12.2010
		Loan receivables and purchased debts	Other receivables	Deposits liabilities	Other liabilities	Impairment allowances created	Interest and commission income	Interest and commission expenses	Other purchases	Other sale	Financial liabilities and guarantees granted
1	Getin Holding S.A.		40	28,792	996		84	4,135	1,918	800	
2	Carcade	103,499		9		1,481	11,368				
3	Getin Leasing S.A.	748,956	306	248	8,663	235	49,435	190	438	1,030	621
4	Open Finance		78	39	8,583		3	133,707*	725	3,837	
5	Noble Funds		1,076	16,918	128			622	420	549	
6	Noble Securities		9,904	191,662	17		1	4,786	11	336	
7	IDEA Bank S.A		25	23,004			70	414			
8	Fiolet - PDK S.A.			5,870			4,089	58,601*	900		200
9	RB Investcom Sp. z o.o.			11,412			4	78		11,368	
10	RB COMPUTER Sp.z o.o.								5,636	28	
11	LC CORP SKY TOWER	20,057		70,676			3	2,912		633	
12	Warszawa Przy Promenadzie Sp. z o.o.			10,549			1				
13	TU Europa S.A.		55,943	5,757	56,068		163,298	6,687	216	57	153
14	TU Europa na Życie S.A.		128,888	4,015,302	3		322,339	230,923	3,342		
15	Fundacja Leszka Czarneckiego			6,968			4	651			
16	Panorama Finansów			2,845			413	9,863	59	9	
17	Warszawa Przy Promenadzie Sp. z o.o. spółka komandytowa			32,212			1	891			
18	LC Corp S.A.		22	31,476			3	416		83	
19	Warszawa Przyokopowa Sp. z o.o.			20,419			1	1,083			
20	M.W. TRADE S.A	144,191		6,138		130	2,451	38			
21	Plus Bank	14,821				213	252				
22	Other related parties	5,584	1,883	14,282	135	72	1,713	1,518	8,694	1,338	1,103
23	**Members of the Managament Board and the Supervisory Board of the Bank and the Parent Company****	39,235		21,273			2,830	1,717			1,040

In the note above, the entities with balances as at 31.12.2010 (irrespective of transaction type) not exceeding PLN 5 million were aggregated.

* including agency commissions paid in 2010, which are spread over time by the Bank as they represent an element of internal rate of return of loan receivables.

** including transactions with the ultimate parent

On 14 December 2011 the Getin Noble Bank S.A., Towarzystwo Ubezpieczeń Europa S.A. with its registered office in Wroclaw, Towarzystwo Ubezpieczeń na Życie Europa S.A. with its registered office in Wroclaw and Open Life Towarzystwo Ubezpieczeń na Życie S.A. with its registered office in Warsaw concluded strategic partnership agreement. The agreement shall enter into force under a condition precedent that an entity other than Mr. Leszek Czarnecki (indirectly or directly) will become a dominant entity of TU Europa S.A. and shall expire after 120 consecutive full calendar months.

In accordance with the terms of the agreement Getin Noble Bank committed to ensure that for the first 60 consecutive months of the term of the agreement the value of annual gross premiums calculated in accordance with International Financial Reporting Standards written by the Bank under distribution of insurance products within its cooperation with the above insurance companies, constitutes not less than a half of total value of gross premiums calculated in accordance with International Financial Reporting Standards, written by the Bank in the preceding calendar year, provided that the product offer of the insurance companies meets market standards. Insurance companies also committed among others to ensure mutual cooperation for the Bank in respect to innovative insurance products for a period of 6 months from their development, cooperation with the Bank as regards banking operations, and to keep the principles of mutual business relationship on the basis of binding agreements relating to insurance products for a period of the first 60 months of the term of the agreement and not to amend the financial terms of the said agreements for a period of 24 months from the effective date of the agreement. In order for the Bank to accept its obligations stipulated in the agreement, the insurance companies shall pay the Bank in advance a gross amount of PLN 6 million within 7 days from the effective date of the agreement. TU Europa S.A. and TU Europa Życie shall pay 80% of the above amount. In accordance with the terms specified in the agreement, the Bank may have a duty to pay liquidated damages to the insurance companies whose maximum total amount shall not exceed PLN 6 million. The payment of liquidated damages shall not exclude the possibility of pursuing damages in excess of the amount of liquidated damages.

Furthermore, on 14 December 2011, the Bank concluded the Incentive Agreement with Towarzystwo Ubezpieczeń Europa S.A. with its registered office in Wroclaw, Towarzystwo Ubezpieczeń na Życie Europa S.A. with its registered office in Wroclaw and Open Life Towarzystwo Ubezpieczeń na Życie S.A. with its registered office in Warsaw. The terms of the agreement reflects the conditions set in the Frame Incentive Agreement, which has been published in the current report of Getin Holding S.A no. 94/2011 dated 14 December 2011.

Pursuant to the Frame Incentive Agreement, the expected technical result of the insurance companies achieved in result of cooperation between the companies of the Getin Holding S.A. Capital Group and the entities affiliated with Mr. Leszek Czarnecki (i.e. Getin Noble Bank S.A., Idea Bank with its registered seat in Warsaw, Open Finance S.A. with its registered seat in Warsaw) and TU Europa, TU na Życie Europa and Open Life in the bancassurance sector during the expected 10 year term of the Frame Incentive Agreement (the "Performance Result") was determined by the parties in the total amount of ca. PLN 1,230 million.

Other related party transactions

These are management option programs established for the Bank's employees and for the employees of its subsidiaries. Based on agreements between Getin Noble Bank S.A. and Members of the Management Board of Noble Funds TFI S.A. (Mariusz Staniszewski, Mariusz Błachut and Sylwia Magott) and Paweł Homiński, the Bank has the right to call to sell all of shares held by the above mentioned individuals to Getin Noble Bank S.A. until 31 December 2012. Potential purchase price is among others dependent upon way of operations of Noble Funds TFI S.A., net assets value and results as at option exercise date and financial results for the period of 12 months preceding the option exercise date. In the Bank's assessment, there is no possibility of reliable valuation of the option to fair value, mainly due to the fact that the underlying instruments are equity instruments of unlisted entity. As a result, the Bank uses an exemption envisaged by IAS 39 and values the option at historic cost which amounts to zero.

(data in PLN thousand)

Simultaneously, the above mentioned individuals have the right to call Getin Noble Bank S.A. to purchase shares held by them. The right is valid between 1 January 2012 and 31 December 2012. The purchase price is among others dependent upon way of operations of Noble Funds TFI S.A., net assets value and financial results in years when the option can be exercised. In calculation of potential purchase price a multiplier, which is fixed during the agreement period and does not depend on other market conditions, was taken into account. In the opinion of the Management Board, as a result of dependence of valuation on multiplier determined in advance, the valuation does not reflect changes in fair value of Noble Funds TFI and thus does not fall within the scope of IFRS 2. In the opinion of the Bank there is no possibility of reliable valuation of the option to fair value, mainly due to the fact that the underlying instrument are equity instruments of entity not listed on the active market. As a result, the Bank uses exemption envisaged by IAS 39 and recognizes option at cost which amounts to 0.

In 2011 Mr. Krzysztof Spyra did not exercise the right to purchase shares of Noble Securities S.A., within granted call option. As a result, the option expired in the second quarter of 2011. Simultaneously, due to the fact that conditions necessary to exercise put option of Noble Securities S.A. were met by non–controlling interests to Getin Noble Bank S.A., Mr. Jarosław Augustyniak and Mr. Maurycy Kühn had exercised these rights. In March 2011 Getin Noble Bank S.A. repurchased shares in Noble Securities S.A. for PLN 28,195 thousand.

On the basis of the agreement concluded on 18 November 2009 by Getin Holding S.A. with Mr. Krzysztof Rosiński, who was as at 31 December 2011 the President of the Management Board of Getin Noble Bank S.A., Mr. Krzysztof Rosiński was granted, within the Management Option Program, 1,000,000 shares of Getin Holding S.A. The right to sell these shares is limited and dependent among others on acting as the President of the Management Board of Getin Noble Bank S.A. and the financial situation of the Bank in years 2010- 2011. The Bank classifies this program as share-based payment settled in equity instruments. The cost of this option is recognized considering the probability of execution of targets set and in proportion to the vesting period.

During the reporting period the Bank recognized cost amounting to PLN 2,897 thousand recognized in remuneration costs and in other capital. Fair value of the option is measured at the reporting date using Black-Scholes model, taking into consideration the conditions on which this instrument was granted.

Due to conditions of the agreement (granting of company shares in two tranches), the program is valued as two separate options with different maturity dates and the valuation to fair values equals to the sum of valuations of these two options.

The table below presents the assumptions used for the purpose of option's fair value calculation:

	I tranche	II tranche
Expected volatility ratio	52.61%	47.91%
Risk free interest rate	4.59%	4.99%
Expected duration (in years)	realized	0.5
Option valuation in accordance with Black-Scholes model (in PLN)	7.35	7.40
Exercise price (in PLN)	1.00	1.00
Number of shares	418,600	581,400

In accordance with the agreements of the Management Option Program, in case of the Company transformation, split or merger with other company, the parties will perform necessary amendments to the Agreement as to economic effect of the Agreement for both Parties was close to the effect which would be achieved have there been no transformation, split or merger.

On a basis of the agreement of 25 November 2010 between Getin Noble Bank S.A. and Mr. Czcibor Dawid, who was as at 31 December 2011 the President of the Management Board of Noble Securities S.A., Mr. Czcibor Dawid was granted call option of 69,894 shares of Noble Securities S.A. in two tranches. Simultaneously, in accordance with an agreement, Mr. Czcibor Dawid obtained the right to demand to purchase by Getin Noble Bank S.A. all shares held by him (put option). The right mentioned above may be exercised within the period from 1 August 2014 to 31 August 2016. If the put option is not exercised, Getin Noble Bank S.A. may demand from Mr. Czcibor Dawid to sell shares (call option).

On 3 June 2011, on a basis of sale agreement concluded with Mr. Czcibor Dawid, part of call option was exercised, as a result of which Getin Noble Bank S.A. sold 69,894 shares of Noble Securities S.A. on behalf of Mr. Czcibor Dawid for PLN 359 thousand.

The above mentioned program was jointly classified as share–based payment transaction settled in cash in accordance with IFRS 2. As at 31 December 2011 the costs of program amounting to PLN 1,229 thousand are recognized as the increase of investment in Noble Securities in correspondence with liabilities.

On 1 July 2011 the Supervisory Board of Getin Noble Bank S.A., following the Resolution of the Bank's General Shareholders' Meeting dated 30 March 2011, adopted the rules of the Management Options Program, based on which the Bank will issue up to 6,000,000 warrants and up to 6,000,000 shares. Each warrant will give right to the purchase of one share for the price of PLN 1.00. Warrants will be issued in 2012, 2013 and 2014. The Bank will sell the warrants free of charge exclusively for the Participants of the Program, following the fulfillment of the conditions required for the purchase of warrants.

The conditions include among others the financial situation of the Bank in 2011-2013 and the holding by the participants of the Program the management functions in the Bank at the end of years preceding the period when the warrants are to be acquired.

In the 3rd quarter of 2011, the purchase agreements for 4,713,004 warrants were signed with the Participants of the Program.

The Bank classifies this program as share-based payment settled with equity instruments. The expense related to option is recognized on basis of the probability of realization of the targets and proportionally to the vesting period. Until 31 December 2011 the Bank recognized the expense of PLN 9,811 thousand recognized in the employee benefits costs and other capital. The fair value of the option is measured as of the reporting date using the Black-Scholes model and takes into consideration the granting conditions of that instrument.

Due to the conditions included in the agreement (i.e. Bank's shares granted in three tranches), the program is valued as three separate options with different maturity dates, and the fair value equals to the sum of valuations of those options.

The measures assumed in the determination of fair value of those options have been presented in the table below:

	I tranche	II tranche	III tranche
Expected volatility ratio	65.59%	35.75%	35.67%
Risk free interest rate	4.66%	4.63%	4.64%
Expected duration (in years)	realised	1	2
Option valuation in accordance with Black-Scholes model (in PLN)	3.38	3.43	3.47
Exercise price (in PLN)	1.00	1.00	1.00
Number of shares	2,238,677	1,160,813	1,313,514

Remuneration of the Bank's Management Board

Remuneration and other benefits for members of the Bank's Management Board	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
Management Board of the holding company:		
Krzysztof Rosiński	**4,713**	**5,309**
Short-term employee benefits	1,816	1,644
Share-based payments	2,897	3,665
Maurycy Kühn	**3,486**	**2,196**
Short-term employee benefits	3,486	2,196
Share-based payments	-	-
Krzysztof Spyra	**2,041**	**2,196**
Short-term employee benefits	2,041	2,196
Share-based payments	-	-
Radosław Stefurak	**1,880**	**1,079**
Short-term employee benefits	1,880	1,079
Share-based payments	-	-
Grzegorz Tracz	**2,272**	**1,331**
Short-term employee benefits	2,272	1,331
Share-based payments	-	-
Maciej Szczechura (from 01.10.2010)	**1,251**	**211**
Short-term employee benefits	1,251	211
Share-based payments	-	-
Karol Karolkiewicz (from 01.10.2010)	**957**	**191**
Short-term employee benefits	957	191
Share-based payments	-	-
Jarosław Augustyniak (until 07.09.2010)	-	**1,391**
Short-term employee benefits	-	1,391
Share-based payments	-	-
Total	**16,600**	**13,904**

The members of the Management Board and the Supervisory Board are participants of the Management Options Program described above. The amounts recognized in the Bank's expenses in 2011 relating to the valuation of the granted warrants, which execution depends on the fulfillment of required conditions in future (both financial and legal ones) have been presented in the table below:

Evaluation of warrants granted to Members of the Bank's Management Board and Supervisory Board	01.01.2011-31.12.2011 PLN thousand
Management Board:	
Krzysztof Rosiński	3,123
Maurycy Kühn	-
Krzysztof Spyra	-
Radosław Stefurak	103
Grzegorz Tracz	-
Maciej Szczechura	103
Karol Karolkiewicz	103
Total	**3,432**
Supervisory Board:	
Leszek Czarnecki	5,343
Radosław Boniecki	51
Remigiusz Baliński	51
Michał Kowalczewski	51
Dariusz Niedośpiał	51
Total	**5,547**

41. Information about the auditors remuneration

The table below presents remuneration of entity entitled to audit financial statements – Ernst & Young Audit Sp. z o.o. paid or due for the year ended 31 December 2011 and 31 December 2010 split into types of services in net values:

Type of service	01.01.2011-31.12.2011	01.01.2010-31.12.2010
Audit and review of financial statements	620	760
Other services	487	813
Total	**1,107**	**1,573**

42. The employment structure

The average employment within the Bank for the year ended 31 December 2011 and 31 December 2010 was as follows:

Number of employess	31.12.2011	31.12.2010
In persons	5,185	4,213
In Full - Time equivalents	4,773.4	3,985.7

43. Subsequent events

On 2 January 2012, as a result of the split of Getin Holding S.A. with its seat in Wrocław, the transfer of 893,786,767 shares in Getin Noble Bank S.A. (which account for 93.71% share capital and give rights to 893,786,767 (93.71%) shares on the Bank's Shareholders' Meeting) to Get Bank S.A. was made.

The split of Getin Holding S.A. was made on 2 January 2012, i.e. on the day when the District Court for the capital city of Warsaw, 13th Economic Department of the National Court Register registered the increase in the share capital of Get Bank S.A. from 103,060,000.00 (in words: one hundred three million sixty thousand) to PLN 2,245,525,631.00 (in words: two billion two hundred forty five million five hundred twenty five thousand six hundred thirty one) through the public issuance of 2,142,465,631 (in words: two billion two hundred forty five million five hundred twenty five thousand six hundred thirty one) ordinary H-series bearer shares of the nominal value PLN 1.00 (in words: one) each. As a result of the transfer of the above shares, Getin Holding S.A. does not hold any shares in Getin Noble Bank S.A. directly, but holds 93.71% of share capital in Getin Noble Bank S.A. through Get Bank S.A.

On 19 January 2012, as a result of the issuance of ordinary bearer H-series shares in Get Bank S.A., which took place due to the split of the Company in accordance with Article 529(1) point 4 of the Act of 15 September 2000, the indirect share of Getin Holding S.A. in the share capital of Getin Noble Bank S.A. through Get Bank S.A. and PDK S.A. decreased to 4.50763%; as a result Getin Holding S.A. is no longer the parent company for Getin Noble Bank S.A. and Get Bank S.A. Simultaneously, on 19 January 2012, Leszek Czarnecki, Ph.D. indirectly (through Get Bank S.A.) acquired 893,786,767 shares in Getin Noble Bank S.A. which accounts for 93.71% of the share capital and gives rights to 893,786,797 (93.71%) votes on the Bank's Shareholders' Meeting, as a result of the direct and indirect acquisition of 1,197,323,225 shares in Get Bank S.A.

On 7 February 2012 the Management Boards of Getin Noble Bank S.A. and Get Bank S.A. agreed on and the Supervisory Boards of both Companies accepted the Merger Plan of Getin Noble Bank S.A. and Get Bank S.A. drawn up according to Article 499(1) and (2) of the Polish Commercial Companies Code ('CCC'). The merger of the Companies shall be made according to Article 492(1) of CCC in connection with Article 124(1) of the Polish Banking Law by transferring all of assets of Getin Noble Bank to Get Bank (merger by acquisition). According to Article 494(1) of CCC the Acquiring Company shall enter into rights and obligations of Getin Noble Bank as of the merger day.

As a result of the Banks' merger the share capital of Get Bank S.A. shall be increased by PLN 144,617,688.00 as a result of issuing by way of public offering 144,617,688 ordinary bearer shares I series with the nominal value of PLN 1.00 each (the "Merger Share Issue Shares"). The Merger Share Issue Shares shall be assigned to the Entitled Shareholders with the use of the following share swap parity to the shareholders of Getin Noble Bank S.A.: 1 share of Getin Noble Bank S.A. shall be exchanged for 2,4112460520 shares of Get Bank S.A.

The merger of Get Bank and Getin Noble Bank will imply benefits for each bank, their customers and shareholders (including non-controlling interests). Combining the banks' market know-how and carefully examining their areas of business will allow the banks to create synergies, both operational synergies - including optimization of activities as well as financial synergies – achievement of higher effectiveness by economies of scale, increased product and services profitability and enhanced market position, which the Management Board of the combined banks will aim for. More detailed business rationale of the merger has been included in the Merger Plan and the statements drawn up for the merger, which were communicated by Getin Noble Bank in its current report no. 15/2012 dated 7 February 2012.

On 2 January 2012, the non-controlling interest of Noble Funds TFI S.A., holding in total 30% of shares in the company, informed about the execution of the call option, i.e. their right to sell the shares in Noble Funds TFI S.A. owned by them to Getin Noble Bank S.A. The transfer of rights to the shares will commence after the issuance of the auditor's report on the financial statements of Noble Funds TFI S.A. for 2011.

On 4 January 2012, as a result of the realization of the suspending condition included in the conditional sale agreement dated 23 September 2011, Getin Noble Bank S.A. sold all its shares in Open Life Towarzystwo Ubezpieczeń na Życie S.A., accounting for 19% of total shares of the company, for PLN 8,045 thousand.

On 20 January 2011, the Polish Financial Supervision Authority approved the Bonds Prospectus drawn up by Getin Noble Bank S.A. in connection with the public offering of bonds within the Initial Public Bonds Issue Program.

On 24 January 2012 the Bank sold all its shares in the subsidiary Introfactor S.A.

After 31 December 2011, there were no other events which were not disclosed in these financial statements which may significantly impact the future financial results of Getin Noble Bank S.A.

V. RISK MANAGEMENT IN THE BANK

Methods and objectives adopted for the financial risk management

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

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

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

1. Credit risk

Credit risk is the potential loss incurred by the entity connected with customer's failure to repay loan or its part within terms described in the loan agreement.
Credit risk management in the Bank aims at ensuring the safety of lending activities, while maintaining a reasonable approach to risk undertaken in its operations. In conducting its lending activities, the Bank follows the following rules:

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

Structure and organization of credit risk management unit

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

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

<u>Management Board</u>
The Bank's Management Board is responsible for the development, implementation and updates of credit risk strategy and procedures, periodical reporting to the Supervisory Board on the effects of realization of credit policy and on functioning of credit risk management system, maintaining communication with the supervisory authorities and reporting to these authorities as well as making available to these authorities of all required by law

information on credit risk. The Management Board of the Bank is also responsible for the development of credit risk management system and for supervising the management function over credit risk in all areas of the Bank's business.

Credit Committee of the Bank

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

Advisory Committee of the Bank

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

Credit Risk Division of the Bank

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

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

Credit risk units in individual business areas of the Bank

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

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

Internal Audit Department

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

Credit risk management strategies and processes

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

The policy towards credit risk is subject to review and adjustment taking into account, both: external regulations (PFSA resolutions) and to macroeconomic factors, which may, in the Bank's opinion, have influence on credit risk increase. In 2011, the Bank, on a basis of the aforementioned risk assessment, withdrew from its offer products which were exposed to negative macroeconomic changes to a higher degree and which were characterized by increased risk profile (among other selected corporate products), as well as tightened credit granting procedures (among other mortgage loans and car loans).

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

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

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

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

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

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

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

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

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

Scope and type of the risk reporting and measurement systems

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

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

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

- monitor the quality of the Bank's loan portfolio for particular products,
- perform periodic assessments of industry risk, determines maximum concentration limits for particular industries,
- perform an assessment of the financial standing of banks – counterparties, determine maximum concentration limits for particular banks,
- perform an on-going monitoring of major exposures and the limits set forth for mortgage loans,
- verify the accuracy and adequacy of the loan loss provisions created by the Bank,
- perform stress tests for particular products,
- submit periodic management reports to the Supervisory and the Management Board.

In procedures and internal regulations of the Bank, within concentration risk management regulations, were described the limits of concentration and limits for major loan exposures. The Management Board established the concentration limit at more restrictive level that the one required by the Polish Financial Supervision Authority.

Risk management on currency and currency indexed loans

The Bank systematically analyzes the effect of changes in foreign exchange rates and interest rates on credit risk incurred in the area of car, mortgage and retail loans. The impact of the currency risk on the quality of foreign currency and indexed loans is analyzed, and for mortgage backed loan portfolio the Bank analyzes also the impact of foreign exchange rates on the value of collaterals. Twice a year (under the "S" Recommendation, an action on an annual basis is required), the Bank carries out stress test concerning the effect of exchange rate risk of borrower on credit risk incurred by the Bank.

These tests are conducted on the assumption that the value of Polish zloty will decrease by 50% compared to other currencies, both for car and mortgage loans (the requirement of the "S" Recommendation is 30%) and under the assumption that the decrease in the exchange rate will continue for the period of 12 months.

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

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

Principles for using collateral and policies of risk reduction and strategies and processes of monitoring the effectiveness of collateral and risk reduction methods

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

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

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

Collaterals for consumer loans are: property value decrease insurance policy, loss of job insurance policy and company bankruptcy insurance policy and personal collaterals (e.g. guarantee of a third party in the form of own promissory note or civil warranty).

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

(data in PLN thousand)

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

Structure of Bank's loan portfolio	% share in portfolio	
	31.12.2011	31.12.2010
Loans granted to natural persons	83.81	85.11
Car loans	4.11	6.07
Installment loans	0.24	0.05
Housing, construction and mortgage loans	71.03	68.93
Other loans	8.43	10.06
Corporate loans	16.19	14.89
Total	**100.00**	**100.00**

Industry concentration risk	% share in portfolio	
	31.12.2011	31.12.2010
Agriculture and hunting	0.22	0.18
Mining	0.06	0.05
Production activity	1.32	1.19
Electricity and gas industry	0.09	0.03
Construction industry	2.78	2.92
Wholesale and retail trade	3.70	2.89
Transport, w arehouse management and communication	2.45	2.34
Financial brokerage	0.82	0.57
Real estate service	1.17	1.57
Public administration	0.02	0.01
Other sections	3.56	3.14
Natural persons	83.81	85.11
Total	**100.00**	**100.00**

Geographical concentration risk	% share in portfolio	
	31.12.2011	31.12.2010
Administration regions of Poland (voivodships):		
Dolnośląskie	9.62	9.71
Kujawsko-Pomorskie	3.45	3.40
Lubelskie	2.99	2.88
Lubuskie	2.14	2.09
Łódzkie	5.29	5.62
Małopolskie	6.54	6.48
Mazowieckie	26.86	27.05
Opolskie	1.76	1.75
Podkarpackie	2.21	2.22
Podlaskie	1.22	1.15
Pomorskie	7.77	7.51
Śląskie	11.42	11.69
Świętokrzyskie	1.25	1.18
Warmińsko-Mazurskie	2.81	2.68
Wielkopolskie	7.72	7.68
Zachodniopomorskie	4.90	4.76
Headquarters outside Polish territory	2.05	2.15
Total	**100.00**	**100.00**

Maximum exposure to credit risk as of 31 December 2011 and 31 December 2010 without taking into account any accepted collateral and other factors improving loan quality is presented below:

Maximum exposure to credit risk	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Financial assets:		
Cash and balances with the Central Bank (excluding cash)	2,192,467	1,867,485
Amounts due from banks and financial institutions	3,262,725	2,511,003
Derivatives	88,204	48,653
Loans and advances to customers	42,015,650	34,229,435
Financial instruments available for sale	4,352,302	2,803,301
Other assets	393,596	222,082
Total exposure to credit risk	**52,304,944**	**41,681,959**
Guarantee liabilities	12,173	12,377
Contingent liabilities	1,989,834	1,122,763
Total off-balance sheet liabilities	**2,002,007**	**1,135,140**
Total exposure to credit risk	**54,306,951**	**42,817,099**

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

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

Impaired loans and advances assessed individually	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Corporate loans	108,516	55,090
Car loans	635	-
Mortgage loans	944,739	341,362
Consumer loans	1,560	-
Total	**1,055,450**	**396,452**

	31.12.2011 PLN million	31.12.2010 PLN million
Value of collateral used for calculating impairment allowance for loans individually significants	308	194

Credit quality of financial assets, which are neither overdue nor impaired as at 31 December 2011 and 31 December 2010:

As at 31.12.2011	Current	Overdue but not impaired			Overdue impaired	Interest	Impairment allowances (including IBNR)	Total
		Overdue by less than 1 month	Overdue by 1-2 months	Overdue by 2-3 months				
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Amounts due from banks and financial	**3,252,805**	**376**	**-**	**-**	**-**	**9,736**	**(192)**	**3,262,725**
Financial assets held for trading	**8,045**	**-**	**-**	**-**	**-**	**-**	**-**	**8,045**
Loans and advances granted to customers, of which:	**34,422,623**	**3,953,759**	**976,225**	**566,940**	**5,432,318**	**291,722**	**(3,627,937)**	**42,015,650**
corporate loans	2,763,559	658,521	46,364	18,454	310,315	12,247	(217,942)	**3,591,518**
car loans	2,653,346	447,683	84,347	36,973	886,056	23,807	(683,428)	**3,448,784**
mortgage loans	27,092,878	2,685,463	812,789	492,899	2,495,930	231,481	(1,323,172)	**32,488,268**
consumer loans	1,912,840	162,092	32,725	18,614	1,740,017	24,187	(1,403,395)	**2,487,080**
Financial instruments available for sale:	**4,351,510**	**0**	**0**	**0**	**2,167**	**0**	**(1,375)**	**4,352,302**
issued by central banks	2,398,157	-	-	-	-	-	-	**2,398,157**
issued by other banks	27	-	-	-	-	-	-	**27**
issued by other financial institutions	7,370	-	-	-	-	-	-	**7,370**
issued by non financial institutions	67,519	-	-	-	2,167	-	(1,375)	**68,311**
issued by the State Treasury	1,878,437	-	-	-	-	-	-	**1,878,437**
Total	**42,034,983**	**3,954,135**	**976,225**	**566,940**	**5,434,485**	**301,458**	**(3,629,504)**	**49,638,722**

As at 31.12.2010	Current	Overdue but not impaired			Overdue impaired	Interest	Impairment allowances (including IBNR)	Total
		Overdue by less than 1 month	Overdue by 1-2 months	Overdue by 2-3 months				
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Amounts due from banks and financial institutions	**2,510,399**	**-**	**-**	**-**	**-**	**827**	**(223)**	**2,511,003**
Loans and advances granted to customers, of which:	**25,987,635**	**5,672,817**	**672,957**	**416,066**	**3,670,218**	**385,078**	**(2,575,336)**	**34,229,435**
corporate loans	1,605,254	627,260	51,527	30,843	185,971	25,693	(151,676)	**2,374,872**
car loans	2,810,710	444,415	97,957	58,977	690,623	34,155	(534,701)	**3,602,136**
mortgage loans	19,768,849	4,439,214	476,646	290,732	1,239,475	297,389	(583,101)	**25,929,204**
consumer loans	1,802,822	161,928	46,827	35,514	1,554,149	27,841	(1,305,858)	**2,323,223**
Financial instruments available for sale:	**2,802,249**	**0**	**0**	**0**	**2,383**	**0**	**(1,331)**	**2,803,301**
issued by central banks	999,330	-	-	-	-	-	-	**999,330**
issued by other banks	18	-	-	-	-	-	-	**18**
issued by other financial institutions	1,707	-	-	-	-	-	-	**1,707**
issued by non financial institutions	26,014	-	-	-	2,383	-	(1,331)	**27,066**
issued by the State Treasury	1,775,180	-	-	-	-	-	-	**1,775,180**
Total	**31,300,283**	**5,672,817**	**672,957**	**416,066**	**3,672,601**	**385,905**	**(2,576,890)**	**39,543,739**

2. Operational risk

Definition and purpose of operational risk management

Operational risk – it is the possibility of the loss as a result of maladjustment or failure of internal processes, people and system or of external events, including also legal risk.

Within operational risk management, the Bank realizes strategic medium- and long-term goals and short-term operational goals, which execution aims to achieve strategic goals.

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

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

Structure and organization of the operational risk management unit

The process of operational risk management is actively contributed by:

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

which are referred to as organizational units of operational risk management.

Organizational units of operational risk management include:

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

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

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

The leading role in operational risk management is fulfilled by the Getin Noble Bank S.A. Supervisory Board and Management Board, which members are aware of important aspects of operational risk management, as a separate and separately managed type of risk, and know the risk profile resulting from the Bank's activities.

The Management Board is supported by a dedicated committee - namely Operational Risk Committee, which performs consulting services in the process of operational risk management.

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

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

Operational risk management in the Bank constitutes process including activities towards identification, measurement, limiting, monitoring and reporting of risk. It includes all processes and systems, with particular emphasis on those connected with performed banking activities, providing to clients financial services.

The Bank manages operational risk in accordance with „Operational Risk Management Strategy" established by the Management Board of the Bank and approved by the Supervisory Board of the Bank:

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

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

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

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

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

The reporting system covers various types of reports, in particular:

- operational risk reports presenting the risk profile,
- reports on the measures undertaken in order to mitigate operational risk,
- efficiency of methods mitigating operational risk.

Operational risk reporting is composed of:

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

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

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

Policies related to mitigation of operational risk and strategies and process of monitoring of effectiveness of risk management and methods related to mitigation of operational risk

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

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

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

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

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

The efficiency of the security measures and methods used by the Bank to mitigate operational risk is monitored by:

- continuous monitoring, collection and analyzing of operational events and operational risk profile observations,
- control of qualitative and quantitative changes in operational risk.

3. Market risk

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

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

3.1. Currency risk

Currency risk is regarded as negative impact of foreign exchange rates change on financial results.

The main objective of currency risk management is to manage the structure of foreign currency assets and liabilities as well as off-balance sheet items within the generally accepted prudence norms set forth by the Banking Law and the adopted internal limits.

Operational management of currency risk lies within the competence of the Treasury Department, whereas the supervision over compliance with limits and prudence norms is the responsibility of the Assets and Liabilities Committee.

Calculation of the Bank's exposure to currency risk and of the capital requirement for that risk to be covered is performed on a daily basis and reported to the Bank's Management Board and to the Bank's Management as a part of management information.

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

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

- Analysis of foreign exchange position in relation to own funds,
- Measurement of the Value of Risk (VaR),
- Stress tests.

Analysis of currency risk sensitivity

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

PLN thousand	31.12.2011	31.12.2010
	VAR (1D, 99.9%)	VAR (1D, 99.9%)
currency risk	459	904

VaR consists of test, with 99.9% probability, of maximal amount of loss on foreign exchange position, which the Bank may incur in one day, assuming normal market conditions. However, this measurement does not express absolute maximal loss on which the Bank is exposed. VaR is the measure describing the risk level in particular moment in time, reflecting position in particular moment, which may not reflect the Bank's position risk in another moment.

During the reporting period, the currency risk was on the level which did not require to maintain capital for its coverage.

The Controlling and Market Risk Department submits monthly reports to the Assets and Liabilities Committee on the foreign exchange result and currency risk management, including the Bank's positions in the individual currencies and compliance with the limits set for open currency positions.

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

As at 31.12.2011	CURRENCY							Total
	PLN PLN thousand	EUR PLN thousand	CHF PLN thousand	USD PLN thousand	GBP PLN thousand	JPY PLN thousand	Other PLN thousand	PLN thousand
ASSETS								
Cash and balances with the Central Bank	2,301,788	48,482	3,342	32,454	3,794	-	2	**2,389,862**
Amounts due from banks and financial institutions	371,229	1,877,252	118,629	846,637	29,807	2,964	16,207	**3,262,725**
Loans and advances to customers	23,455,268	1,830,423	15,996,955	115,597	-	493,957	123,450	**42,015,650**
Financial instruments available for sale	4,360,347	-	-	-	-	-	-	**4,360,347**
Investment in associate entities	248,357	-	-	-	66	-	-	**248,423**
Other	1,041,362	5	-	-	-	-	-	**1,041,367**
TOTAL ASSETS	**31,778,351**	**3,756,162**	**16,118,926**	**994,688**	**33,667**	**496,921**	**139,659**	**53,318,374**
LIABILITIES								
Amounts due to other banks and financial institutions	578,757	110	33	2,089	58	-	-	**581,047**
Amounts due to customers	44,367,827	1,180,273	138,604	766,485	33,968	63	468	**46,487,688**
Liabilities from the issue of debt securities	811,673	-	-	-	-	-	-	**811,673**
Provisions	13,656	25	-	167	-	-	-	**13,848**
Other	1,465,093	4,197	23,139	19		727	2,815	**1,495,990**
TOTAL LIABILITIES	**47,237,006**	**1,184,605**	**161,776**	**768,760**	**34,026**	**790**	**3,283**	**49,390,246**
EQUITY	**3,928,128**	-	-	-	-	-	-	**3,928,128**
TOTAL LIABILITIES AND EQUITY	**51,165,134**	**1,184,605**	**161,776**	**768,760**	**34,026**	**790**	**3,283**	**53,318,374**
NET EXPOSURE	**(19,386,783)**	**2,571,557**	**15,957,150**	**225,928**	**(359)**	**496,131**	**136,376**	**0**
OFF- BALANCE								
Assets	18,422,155	45,493	104,822	31,799	-	-	31,830	**18,636,099**
Liabilities	312,885	2,617,175	16,041,021	257,176	-	506,061	166,218	**19,900,536**
GAP	**(1,277,513)**	**(125)**	**20,951**	**551**	**(359)**	**(9,930)**	**1,988**	**(1,264,437)**

As at 31.12.2010	CURRENCY							Total
	PLN	EUR	CHF	USD	GBP	JPY	Other	
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
ASSETS								
Cash and balances with the Central Bank	1,949,844	14,077	1,474	8,189	1,181	-	1	**1,974,766**
Amounts due from banks and financial institutions	299,721	1,476,772	69,495	614,590	44,748	2,609	3,068	**2,511,003**
Loans and advances to customers	17,747,664	729,999	15,153,183	134,081	-	431,148	33,360	**34,229,435**
Financial instruments available for sale	2,803,301	-	-	-	-	-	-	**2,803,301**
Other	1,115,590	594	601	38	57		-	**1,116,880**
TOTAL ASSETS	**23,916,120**	**2,221,442**	**15,224,753**	**756,898**	**45,986**	**433,757**	**36,429**	**42,635,385**
LIABILITIES								
Amounts due to other banks and financial institutions	735,792	-	-	-	-	-	-	**735,792**
Amounts due to customers	35,283,278	1,222,371	17,808	658,546	45,757	32	8	**37,227,800**
Liabilities from the issue of debt securities	81,347	-	-	-	-	-	-	**81,347**
Provisions	9,992	13	-	1	-	-	-	**10,006**
Other	1,266,660	4,929	24,540	597	114	611	1,523	**1,298,974**
TOTAL LIABILITIES	**37,377,069**	**1,227,313**	**42,348**	**659,144**	**45,871**	**643**	**1,531**	**39,353,919**
EQUITY	**3,281,466**	-	-	-	-	-	-	**3,281,466**
TOTAL LIABILITIES AND EQUITY	**40,658,535**	**1,227,313**	**42,348**	**659,144**	**45,871**	**643**	**1,531**	**42,635,385**
NET EXPOSURE	**(16,742,415)**	**994,129**	**15,182,405**	**97,754**	**115**	**433,114**	**34,898**	**-**
OFF- BALANCE								
Assets	16,384,806	33,663	203,122	5,632	-	-	659	**16,627,882**
Liabilities	736,469	1,034,034	15,354,090	103,892	-	432,361	34,920	**17,695,766**
GAP	**(1,094,078)**	**(6,242)**	**31,437**	**(506)**	**115**	**753**	**637**	**(1,067,884)**

3.2. Interest rate risk

Interest rate risk is defined as the risk of a decline in the expected interest income due to changes in market interest rates. The Bank conducts activities aiming to decrease the influence of the aforementioned changes on financial result. The interest rate risk is managed by the Management Board of the Bank, which receives and analyzes reports concerning this risk on a monthly basis.

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

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

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

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

Sensitivity analysis for interest rate risk

Getin Noble Bank prepares sensitivity analysis for interest rate risk on a monthly basis:

PLN thousand	31.12.2011		31.12.2010	
	EaR (+/- 25 pb)	VAR (1D, 99.9%)	EaR (+/- 25 pb)	VAR (1D, 99.9%)
interest rate	21,078	6,230	15,876	4,796

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

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

Interest rate risk in leasing activities is eliminated by obtaining financing (sale of receivables) with correlated principles of interest rate overestimation. Lease assets are based on variable rate of interest with the possibility of its overestimation in case of WIBOR 3M change (for agreements denominated in PLN) or LIBOR 3M (for CHF denominated agreements). They are also financed by liabilities with variable rate of interest, being subject to analogical principles of interest rate overestimation. Interest rates on leasing products are adjusted in proportion to change in interest rate of liabilities.

The table below shows assets and liabilities and off-balance sheet liabilities of the Bank classified as of 31 December 2011 and 31 December 2010 in accordance to the criterion of the interest rate exposure. The carrying amount of financial instruments with fixed interest has been split into division to groups of instruments held to maturity date of these instruments. The carrying amount of instruments with variable rate of interest is presented according to contractual dates of repricing. A'vista liabilities (savings and current accounts) which have no specified maturity date and bear variable interest rate have been presented in the shortest term of repricing, i.e. up to 1 month. Other assets and liabilities (including accrued interest, other assets and interest-free liabilities) are presented as interest-free assets/liabilities.

Balance sheet items as at 31.12.2011	Up to 1 month PLN thousand	From 1 month to 3 months PLN thousand	From 3 months to 1 year PLN thousand	From 1 year to 5 years PLN thousand	Over 5 years PLN thousand	Non-interest bearing assets/liabilities PLN thousand	Total PLN thousand
ASSETS							
Cash and balances with the Central Bank	2,186,325	-	-	-	-	203,537	**2,389,862**
Amounts due from banks and financial institutions	3,239,146	39	13,857	-	-	9,683	**3,262,725**
Loans and advances to customers	21,940,909	16,820,041	2,709,734	119,652	20,420	404,894	**42,015,650**
Financial instruments available for sale	3,206,003	5,517	302,895	297,838	537,264	10,830	**4,360,347**
Other	-	-	-	-	-	1,289,790	**1,289,790**
TOTAL ASSETS	**30,572,383**	**16,825,597**	**3,026,486**	**417,490**	**557,684**	**1,918,734**	**53,318,374**
LIABILITIES							
Amounts due to other banks and financial institutions	97,290	104,594	25,956	329,409	-	23,798	**581,047**
Amounts due to customers	14,778,813	14,442,694	15,224,890	1,553,488	237,151	250,652	**46,487,688**
Liabilities from the issue of debt securities	79,973	347,663	314,391	-	64,526	5,120	**811,673**
Other	-	-	-	-	-	1,509,838	**1,509,838**
TOTAL LIABILITIES	**14,956,076**	**14,894,951**	**15,565,237**	**1,882,897**	**301,677**	**1,789,408**	**49,390,246**
EQUITY	-	-	-	-	-	**3,928,128**	**3,928,128**
TOTAL LIABILITIES AND EQUITY	**14,956,076**	**14,894,951**	**15,565,237**	**1,882,897**	**301,677**	**5,717,536**	**53,318,374**
GAP	**15,616,307**	**1,930,646**	**(12,538,751)**	**(1,465,407)**	**256,007**	**(3,798,802)**	-
OFF BALANCE SHEET ITEMS							
Interest rate transactions:							
Assets	6,950,152	11,192,167	403,426	22,666	-	67,688	**18,636,099**
Liabilities	7,499,279	11,883,296	385,799	64,474	-	67,688	**19,900,536**
Gap	**(549,127)**	**(691,129)**	**17,627**	**(41,808)**	-	-	**(1,264,437)**
Total gap	**15,067,180**	**1,239,517**	**(12,521,124)**	**(1,507,215)**	**256,007**	**(3,798,802)**	**(1,264,437)**

Balance sheet items as at 31.12.2010	Up to 1 month PLN thousand	From 1 month to 3 months PLN thousand	From 3 months to 1 year PLN thousand	From 1 year to 5 years PLN thousand	Over 5 years PLN thousand	Non-interest bearing assets/liabilities PLN thousand	Total PLN thousand
ASSETS							
Cash and balances with the Central Bank	1,974,766	-	-	-	-	-	**1,974,766**
Amounts due from banks and financial institutions	2,494,595	91	15,244	246		827	**2,511,003**
Loans and advances to customers	20,521,668	9,784,679	3,213,890	77,510	13,783	617,905	**34,229,435**
Financial instruments available for sale	999,330	707,364	20	1,093,810	-	2,777	**2,803,301**
Other	-	-	-	-	-	1,116,880	**1,116,880**
TOTAL ASSETS	**25,990,359**	**10,492,134**	**3,229,154**	**1,171,566**	**13,783**	**1,738,389**	**42,635,385**
LIABILITIES							
Amounts due to other banks and financial institutions	25,890	341,612	1,212	357,330	-	9,748	**735,792**
Amounts due to customers	13,025,724	9,617,376	12,223,506	1,931,402	-	429,792	**37,227,800**
Liabilities from the issue of debt securities	79,932	533	-	-	-	882	**81,347**
Other	-	-	-	-	-	1,308,980	**1,308,980**
TOTAL LIABILITIES	**13,131,546**	**9,959,521**	**12,224,718**	**2,288,732**	**0**	**1,749,402**	**39,353,919**
EQUITY						**3,281,466**	**3,281,466**
TOTAL LIABILITIES AND EQUITY	**13,131,546**	**9,959,521**	**12,224,718**	**2,288,732**	**0**	**5,030,868**	**42,635,385**
GAP	**12,858,813**	**532,613**	**(8,995,564)**	**(1,117,166)**	**13,783**	**(3,292,479)**	-
OFF BALANCE SHEET ITEMS							
Interest rate transactions:							
Assets	7,593,774	8,558,839	279,884	195,385	-	-	**16,627,882**
Liabilities	8,193,940	9,342,345	82,475	77,006	-	-	**17,695,766**
Gap	**(600,166)**	**(783,506)**	**197,409**	**118,379**	**0**	**0**	**(1,067,884)**
Total gap	**12,258,647**	**(250,893)**	**(8,798,155)**	**(998,787)**	**13,783**	**(3,292,479)**	**(1,067,884)**

4. Liquidity risk

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

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

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

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

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

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

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

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

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

Additionally, the Bank has a special procedure in case of a significant rise in liquidity risk, i.e. "The contingency plan for sustaining liquidity in Getin Bank S.A. in critical situations".

Liquidity gap is prepared on a contractual basis (by contractual maturity dates) and in real terms (probable dates for the realization of receivables and liabilities, in accordance with Liquidity Risk management Policies at Getin Noble Bank).

In the opinion of the Bank, the real terms liquidity gap better shows the profile of the liquidity risk at the Bank. The key modifications with respect to the contractual gap relate to the following:

- Translating contractual cash flow from loan repayment into real terms cash flows. Modifications are often made in minus – identification of loans with biggest overdue repayment dates i.e. > 20 years, assumption that credits in current account are revolving, and in plus – considering customer trend to make payment of loan installments ahead of repayment schedule,

- Accounting for real terms trends of customer deposit withdrawal. Modifications are often made in minus –and in plus – depending on observed customer behavior in terms of termination (before maturity date) and renewal deposits,
- Accounting for liquid securities at the date on when the Bank may re-sell them. Treasury assets serving as security for the Bank's liabilities are reported at maturity dates of the underlying liabilities,
- Accounting for the entire amount of the financial result realized over the period '> 20 years',
- Accounting for the Bank's off-balance sheet liabilities in respect of credit facilities granted at probable dates of their realization i.e. at the dates of releasing funds to customers.

During the reporting period the Bank kept supervisory liquidity measures on the required by the Polish Financial Supervision Authority level, whereas the level of particular measures increased in 2011.

Assets and liabilities of the Bank as at 31 December 2011 and 31 December 2010, by contractual maturity date are presented below:

Balance sheet items as at 31.12.2011	Up to 1 month PLN	From 1 month to 3 months PLN	From 3 months to 1 year PLN	From 1 year to 5 years PLN	Over 5 years PLN	Due date not determined PLN thousand	Total PLN
ASSETS							
Cash and balances w ith the Central Bank	2,389,862	-	-	-	-	-	**2,389,862**
Amounts due from banks and other financial institutions	1,659,964	64,703	415,192	1,119,866	3,000		**3,262,725**
Financial assets held for trading	-	-	-	-	-	8,045	**8,045**
Derivative financial instruments	1,916	4,884	22,655	58,749	-	-	**88,204**
Loans and advances granted to customers	4,376,163	597,089	2,553,273	8,247,438	26,241,687	-	**42,015,650**
Financial instruments available for sale	2,398,157	0	297,839	805,510	848,011	2,785	**4,352,302**
Investments in subordinated entities	-	-	-	-	-	248,423	**248,423**
Intangible assets	-	-	-	-	-	96,150	**96,150**
Property, plant and equipment	-	-	-	-	-	146,377	**146,377**
Investment properties	-	-	-	-	-	36,008	**36,008**
Income tax assets	-	-	-	-	-	209,945	**209,945**
Other assets	-	-	-	-	-	463,647	**463,647**
Fixed assets held for sale	-	-	-	-	-	1,036	**1,036**
TOTAL ASSETS	**10,826,062**	**666,676**	**3,288,959**	**10,231,563**	**27,092,698**	**1,212,416**	**53,318,374**
LIABILITIES							
Amounts due to other banks and financial institutions	96,890	3,618	28,457	452,082	-	-	**581,047**
Derivative financial instruments	6,117	19,276	102,614	1,007,128	-	-	**1,135,135**
Amounts due to customers	12,972,797	15,033,894	16,145,758	2,091,631	243,608	-	**46,487,688**
Liabilities from the issue of debt securities	86	248,657	108,504	53,731	400,695	-	**811,673**
Other liabilities	-	-	-	-	-	360,855	**360,855**
Provisions	-	-	-	-	-	13,848	**13,848**
TOTAL LIABILITIES	**13,075,890**	**15,305,445**	**16,385,333**	**3,604,572**	**644,303**	**374,703**	**49,390,246**
EQUITY	114,003					3,814,125	**3,928,128**
TOTAL LIABILITIES AND EQUITY	**13,189,893**	**15,305,445**	**16,385,333**	**3,604,572**	**644,303**	**4,188,828**	**53,318,374**
LIQUIDITY GAP	**(2,363,831)**	**(14,638,769)**	**(13,096,374)**	**6,626,991**	**26,448,395**	**(2,976,412)**	**0**

Balance sheet items as at 31.12.2010	Up to 1 month PLN	From 1 month to 3 months PLN	From 3 months to 1 year PLN	From 1 year to 5 years PLN	Over 5 years PLN	Due date not determined PLN thousand	Total PLN
ASSETS							
Cash and balances w ith the Central Bank	1,974,766	-	-	-	-	-	**1,974,766**
Amounts due from banks and other financial institutions	1,066,197	106,801	441,453	896,552	-	-	**2,511,003**
Derivative financial instruments	32	5,253	24,084	14,697	4,587	-	**48,653**
Loans and advances granted to customers	3,319,013	458,895	2,308,487	7,171,907	20,971,133	-	**34,229,435**
Financial instruments available for sale	999,330	0	707,384	1,093,810	0	2,777	**2,803,301**
Investments in subordinated entities	-	-	-	-	-	263,273	**263,273**
Intangible assets	-	-	-	-	-	91,656	**91,656**
Property, plant and equipment	-	-	-	-	-	155,316	**155,316**
Investment properties	-	-	-	-	-	3,339	**3,339**
Income tax assets	-	-	-	-	-	246,977	**246,977**
Other assets	-	-	-	-	-	305,265	**305,265**
Fixed assets held for sale	-	-	-	-	-	2,401	**2,401**
TOTAL ASSETS	**7,359,338**	**570,949**	**3,481,408**	**9,176,966**	**20,975,720**	**1,071,004**	**42,635,385**
LIABILITIES							
Amounts due to other banks and financial institutions	25,893	243,439	1,454	465,006	-	-	**735,792**
Derivative financial instruments	77	13,215	164,585	367,039	490,666	-	**1,035,582**
Amounts due to customers	11,432,460	10,031,911	13,238,077	2,525,047	305	-	**37,227,800**
Liabilities from the issue of debt securities	845	-	-	80,502	-	-	**81,347**
Income tax liabilities	-	23,670	-	-	-	-	**23,670**
Other liabilities	-	-	-	-	-	239,722	**239,722**
Provisions	-	-	-	-	-	10,006	**10,006**
TOTAL LIABILITIES	**11,459,275**	**10,312,235**	**13,404,116**	**3,437,594**	**490,971**	**249,728**	**39,353,919**
EQUITY						3,281,466	**3,281,466**
TOTAL LIABILITIES AND EQUITY	**11,459,275**	**10,312,235**	**13,404,116**	**3,437,594**	**490,971**	**3,531,194**	**42,635,385**
LIQUIDITY GAP	**(4,099,937)**	**(9,741,286)**	**(9,922,708)**	**5,739,372**	**20,484,749**	**(2,460,190)**	**0**

The undiscounted financial liabilities by contractual maturity dates as of 31 December 2011 and 31 December 2010 are presented below:

Balance sheet items as at 31.12.2011	Up to 1 month PLN thousand	From 1 month to 3 months PLN thousand	From 3 months to 1 year PLN thousand	From 1 year to 5 years PLN thousand	Over 5 years PLN thousand	Total PLN thousand
Financial liabilities:						
Amounts due to other banks and financial institutions	97,225	4,533	32,670	517,767	-	**652,195**
Derivative financial instruments	6,117	19,276	102,614	1,007,128	-	**1,135,135**
Amounts due to customers	12,652,812	15,249,883	16,465,676	2,326,470	411,024	**47,105,865**
Liabilities from the issue of debt securities	1,323	255,655	142,430	209,189	446,974	**1,055,571**
Total	**12,757,477**	**15,529,347**	**16,743,390**	**4,060,554**	**857,998**	**49,948,766**

Balance sheet items as at 31.12.2010	Up to 1 month PLN thousand	From 1 month to 3 months PLN thousand	From 3 months to 1 year PLN thousand	From 1 year to 5 years PLN thousand	Over 5 years PLN thousand	Total PLN thousand
Financial liabilities:						
Amounts due to other banks and financial institutions	25,895	245,477	3,620	553,299	-	**828,291**
Derivative financial instruments	77	13,215	164,585	367,039	490,666	**1,035,582**
Amounts due to customers	11,457,535	10,114,819	13,580,599	2,759,135	557	**37,912,645**
Liabilities from the issue of debt securities	1,847	-	3,455	83,957	-	**89,259**
Total	**11,485,354**	**10,373,511**	**13,752,259**	**3,763,430**	**491,223**	**39,865,777**

5. Risk related to derivatives

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

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

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

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

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

6. Hedge accounting

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

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

The value of effective change in fair value of hedging instruments, presented in revaluation reserve as at 31 December 2011, amounts to PLN 38,602 thousand. Cash flows relating to hedged transactions will be realized from 1 January 2012 to 11 July 2016, i.e. to maturity date of the longest CIRS transaction.

The maturity dates of CIRS hedging transactions are as follows:

	Up to 1 month PLN thousand	From 1 to 3 month PLN thousand	From 3 months to 1 year PLN thousand	From 1 to 5 years PLN thousand	TOTAL PLN thousand
Receivables	-	183,945	1,348,775	12,803,180	**14,335,900**
Liabilities	-	181,665	1,362,488	13,897,372	**15,441,525**

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

	01.01.2011-31.12.2011 PLN thousand	01.01.2010-31.12.2010 PLN thousand
At the beginning of period	**(53,494)**	**(6,749)**
Effective part of gains/losses on hedge instrument	(1,222,881)	(1,089,923)
Amounts recognized in profit or loss account, including	(1,314,977)	(1,043,178)
interest income adjustment	433,214	321,244
foreign exchange differences gains/losses adjustment	(1,688,776)	(1,289,853)
adjustment due to ineffective hedge	(59,415)	(74,569)
At the end of period	**38,602**	**(53,494)**

Depreciation of domestic currency in 2011 caused negative adjustment of gains and losses arising from foreign exchange differences on hedging instrument during this period.

7. Capital management

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

The Bank manages capital structure and, as a result of changing economic conditions, implements changes to it. In order to maintain and adjust capital structure, the Bank may pay dividends to shareholders, return capital to shareholders or issue new shares. In the year ended 31 December 2011 and 31 December 2010 no significant changes in principles, rules and processes applied in this area were implemented.

Getin Noble Bank adjusts the level of own capital to profile, scale and complexity of risk present in its operations. Within the level of maintained capital and capital adequacy calculation, the Bank applies to applicable legal regulations and set strategic goals.

Within preferred capital structure, Getin Noble Bank assumes to maintain the structure with prevailing share of own funds (Tier 1).

In 2011, the Bank increased own funds also by the issue of subordinated debt classified into Tier 2.

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

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

8. Capital adequacy ratio

As at 31 December 2011 and 31 December 2010, the capital adequacy ratio and own funds being the basis for the calculation of the ratio were calculated pursuant to the following regulations:

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

	31.12.2011 PLN thousand	31.12.2010 PLN thousand
Core capital (Tier 1)	**3 546 358**	**2 880 019**
Share capital	953 763	953 763
Supplementary capital	2 337 319	1 901 394
Other reserve capital	37 493	37 493
Own shares (-)	(696)	(696)
Audited net profit	442 951	350 205
Decreases:	**(224 472)**	**(362 140)**
Intangible assets adjustment	(96 150)	(91 656)
Unrealized losses on debt financial instruments classified as available-for-sale	(4 345)	(6 748)
Profit (loss) from previous years	-	(932)
Capital exposure in financial entities	(123 977)	(262 804)
Suplementary capital (Tier 2)	**276 023**	**-**
Subordinated liabilities recognized as complemetary funds	400 000	-
Decreases:	**(123 977)**	**-**
Capital exposure in financial entities	(123 977)	-
Short-term capital (Tier 3)	**2 021**	-
TOTAL OWN FUNDS	**3 824 402**	**2 880 019**
Capital requirements for:		
Credit risk	2 781 500	2 253 283
Counterparty credit risk	326	32
Operating risk	205 657	162 436
Interest rate risk	730	266
Other risk	965	-
TOTAL CAPITAL REQUIREMENTS	**2 989 178**	**2 416 017**
CAPITAL ADEQUACY RATIO	**10,24%**	**9,54%**

The concentration risk and the related capital requirement are calculated based on the provisions of the above resolutions. As at 31 December 2011 and 31 December 2010, the portfolio of the Bank did not contain any receivables that could be qualified as exceeding the concentration limits, therefore the Bank estimates the concentration risk to be not significant.

During the period of 12 months ended 31 December 2011 the Bank has issued subordinated debt series A, B, C, D and E of total value of PLN 400 million, meeting criteria of their recognition as supplementary funds after obtaining consent of the Polish Financial Supervision Authority. Up to 31 December 2011 the Bank has obtained required consents to include all issues series of bonds to own funds on the basis of the Polish Financial Supervision Authority decision. As a result, capital adequacy ratio of the Bank has increased.

(data in PLN thousand)

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

29 February 2012, Krzysztof Rosiński	- Management Board President	…………………………….
29 February 2012, Karol Karolkiewicz	- Management Board Member	……………………………….
29 February 2012, Maurycy Kühn	- Management Board Member	……………………………….
29 February 2012, Krzysztof Spyra	- Management Board Member	……………………………….
29 February 2012, Radosław Stefurak	- Management Board Member	……………………………….
29 February 2012, Maciej Szczechura	- Management Board Member	……………………………….
29 February 2012, Grzegorz Tracz	- Management Board Member	……………………………….

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

29 February 2012, Barbara Kruczyńska-Nurek - Chief Accountant, Director of the Bank ……………………….