



The Bank Pocztowy S.A. Capital Group

Consolidated financial statements for the year ended
31 December 2014

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Consolidated income statement

for the year ended 31 December 2014

	Note	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
Continuing operations*)		PLN'000	PLN'000
Interest income	<u>7</u>	416 278	423 400
Interest expense	<u>7</u>	(148 128)	(179 593)
Net interest income		268 150	243 807
Fee and commission income	<u>8</u>	102 304	73 006
Fee and commission expense	<u>8</u>	(42 647)	(31 378)
Net fee and commission income		59 657	41 628
Gain/loss on financial instruments measured at fair value through profit or loss and gain/loss on foreign exchange transactions	<u>9</u>	2 763	2 905
Profit/loss on other financial instruments	<u>10</u>	1 770	5 980
General and administrative expenses	<u>11</u>	(218 622)	(212 738)
Net impairment losses	<u>13</u>	(61 013)	(42 398)
Other operating revenue	<u>14</u>	8 736	8 739
Other operating expenses	<u>15</u>	(6 296)	(4 663)
Operating profit/loss		55 145	43 260
Gross profit		55 145	43 260
Income tax	<u>16</u>	(11 506)	(7 233)
Net financial profit/loss for the current period		43 639	36 027
Including attributable to:			
- shareholders of the parent		43 639	36 027
Weighted average number of ordinary shares		9 729 040	9 729 040
Basic earnings per ordinary share (in PLN)**		4.49	3.70

* In the year ended 31 December 2014 and in the comparable period no operations were discontinued in the Capital Group.

** The Capital Group does not calculate diluted earnings per share, because in the current period and in the preceding years there have been no capital categories resulting in share dilution.

Consolidated statement of other comprehensive income

for the year ended 31 December 2014

		Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	Note	PLN'000	PLN'000
Net financial profit/loss for the current period		43 639	36 027
Items that may be reclassified to profit or loss in future:			
Gain/loss on measurement of financial assets available for sale, including:	<u>24, 35.3.</u>	4 697	(11 321)
- deferred tax	<u>16</u>	(1 102)	2 655
Gain/loss on sales of financial assets available for sale reclassified to profit or loss, including:		1 227	5 881
- deferred tax	<u>16</u>	(288)	(1 379)
Settlement of measurement of financial assets available for sale reclassified to assets held to maturity		(1 820)	(319)
- deferred tax	<u>16</u>	428	75
Items that will not be reclassified to profit or loss in future:			
Actuarial gains and losses on measurement of defined benefit plans, including:		124	27
- deferred tax	<u>16</u>	(29)	(7)
Other comprehensive income total	<u>35.3.</u>	4 228	(5 732)
Total income		47 867	30 295
Including attributable to:			
- shareholders of the parent		47 867	30 295

Consolidated statement of financial position

as at 31 December 2014

Assets		Balance as at 31 December 2014	Balance as at 31 December 2013
	Note	PLN'000	PLN'000
Cash in hand and deposits with the Central Bank	19	757 643	327 242
Receivables from other banks	20	158 269	36 329
Financial assets held for trading	22	1 336	1 369
Loans and advances granted to clients	23	5 151 777	5 055 712
Investments in financial assets:	24	1 519 266	1 842 036
- available for sale	24	1 100 547	1 455 018
- held to maturity	24	418 719	387 018
Property, plant and equipment	25	47 921	44 666
Intangible assets	26	32 401	30 215
Current income tax receivables	16	120	98
Net deferred tax asset (asset items)	16	21 020	18 004
Other assets	27	29 274	27 074
Total assets		7 719 027	7 382 745

Liabilities and equity		Balance as at 31 December 2014	Balance as at 31 December 2013
	Note	PLN'000	PLN'000
Liabilities to the Central Bank	28	11	11
Liabilities to other banks	29	4 020	41 762
Liabilities arising from sold securities (repo)	21	177 701	49 610
Financial liabilities held for trading	22	94	17
Liabilities to clients	30	6 492 023	6 230 578
Liabilities arising from issue of debt securities	31	358 256	431 597
Subordinated liabilities	32	142 090	142 027
Current income tax liabilities	16	2 979	3 138
Provisions	33	2 855	3 419
Other liabilities	34	99 366	88 821
Total liabilities		7 279 395	6 990 980
Share capital		97 290	97 290
Supplementary capital		34 068	34 068
Revaluation reserve		2 877	(1 351)
Other reserve capitals		267 238	242 207
Retained earnings		38 159	19 551
Total equity	35	439 632	391 765
Total liabilities and equity		7 719 027	7 382 745

Consolidated statement of cash flows

for the year ended 31 December 2014

		Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	Note	PLN'000	PLN'000
Cash flows from operating activities			
Net financial profit/loss for the current period		43 639	36 027
Total adjustments:		508 408	(824 396)
Amortization/ depreciation	11	20 804	21 939
Interest accrued (from the income statement)		(268 150)	(243 807)
Interest paid		(126 364)	(158 897)
Interest received		377 379	372 684
Gain/loss on investing activities		(55)	(13)
Change in the balance of receivables from other banks	39	(121 102)	(8 180)
Change in financial assets held for trading		33	(603)
Change in loans and advances to customers	39	(64 862)	(422 186)
Change in investment financial assets available for sale	39	367 305	(384 898)
Change in investment financial assets held to maturity	39	(32 227)	6 028
Change in the balance of other assets		(2 200)	(11 797)
Change in liabilities to the Central Bank		0	5
Change in liabilities to other banks	39	(37 699)	38 894
Change in liabilities arising from securities sold under sell- and-buy-back arrangements		128 091	49 610
Change in financial assets held for trading		77	0
Change in liabilities to customers	39	260 475	(88 349)
Change in provisions		(564)	(576)
Change in other liabilities	39	10 851	12 011
Income tax paid		(15 695)	(13 746)
Tax expense recognized in the income statement		11 506	7 233
Other items	39	805	252
Net cash from operating activities		552 047	(788 369)
Cash flows from investing activities			
Receipts from investing activities		71	58
Sale of property, plant and equipment		71	58
Payments to investing activities		26 913	25 527
Acquisition of intangible assets		11 415	12 828
Acquisition of property, plant and equipment		15 498	12 699
Net cash from investing activities		(26 842)	(25 469)
Cash flows from financing activities			
Proceeds from financing activities		330 000	227 850
Issue of debt securities		330 000	227 850
Payments to financing activities		424 421	23 657
Payment of lease liabilities		311	623
Bond buyback		400 000	0
Payment of interest on issued financial instruments and contracted subordinated liabilities		24 110	23 034
Net cash from financing activities		(94 421)	204 193
Net increase (decrease) in cash and cash equivalents		430 784	(609 645)
including net exchange differences		71	(127)
Cash and cash equivalents at the beginning of the period		331 700	941 345
Cash and cash equivalents at the end of the period	39	762 484	331 700

Notes to the consolidated financial statements on pages 9 to 135 constitute an integral part hereof.

Cash flows from investing activities

Receipts from investing activities	71	58
Sale of property, plant and equipment	71	58
Payments to investing activities	26 913	25 527
Acquisition of intangible assets	11 415	12 828
Acquisition of property, plant and equipment	15 498	12 699
Net cash from investing activities	(26 842)	(25 469)

Cash flows from financing activities

Proceeds from financing activities	330 000	227 850
Issue of debt securities	330 000	227 850
Payments to financing activities	424 421	23 657
Payment of lease liabilities	311	623
Bond buyback	400 000	0
Payment of interest on issued financial instruments and contracted subordinated liabilities	24 110	23 034
Net cash from financing activities	(94 421)	204 193

Net increase (decrease) in cash and cash equivalents	430 784	(609 645)
including net exchange differences	71	(127)
Cash and cash equivalents at the beginning of the period	331 700	941 345
Cash and cash equivalents at the end of the period	<u>39</u> 762 484	331 700

Consolidated statement of changes in equity

for the year ended 31 December 2014

		Share capital	Supplementary capital		Revaluation reserve	Other reserve capitals	Retained earnings		Total equity
			Statutory supplementary capital	Share premium			Undistributed profit/loss	Net financial profit/loss for the current period	
	Note	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
As at 1 January 2014		97 290	25 468	8 600	(1 351)	242 207	(16 476)	36 027	391 765
Profit for the period		0	0	0	0	0	0	43 639	43 639
Total comprehensive income		0	0	0	4 228	0	0	0	4 228
Comprehensive income		0	0	0	4 228	0	0	43 639	47 867
Profit distribution		0	0	0	0	25 031	10 996	(36 027)	0
As at 31 December 2014	35	97 290	25 468	8 600	2 877	267 238	(5 480)	43 639	439 632

for the year ended 31 December 2013

		Share capital	Supplementary capital		Revaluation reserve	Other reserve capitals	Retained earnings		Total equity
			Statutory supplementary capital	Share premium			Undistributed profit/loss	Net financial profit/loss for the current period	
	Note	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
As at 1 January 2013		97 290	25 161	8 600	4 381	195 070	(7 981)	38 949	361 470
Profit for the period		0	0	0	0	0	0	36 027	36 027
Total comprehensive income		0	0	0	(5 732)	0	0	0	(5 732)
Comprehensive income		0	0	0	(5 732)	0	0	36 027	30 295
Profit distribution		0	307	0	0	47 137	(8 495)	(38 949)	0
As at 31 December 2013	35	97 290	25 468	8 600	(1 351)	242 207	(16 476)	36 027	391 765

Notes to the consolidated financial statements on pages 9 to 135 constitute an integral part hereof.

Notes to the consolidated financial statements

1. General information

Bank Pocztowy S.A. ("Bank", "Parent") is the parent company in the Bank Pocztowy S.A. Capital Group ("Group"). The Bank was established pursuant to a decision of the President of the National Bank of Poland No. 18 dated 5 April 1990 on establishing Bank Pocztowy Spółka Akcyjna in Bydgoszcz.

On 16 May 1990 the Bank was entered to the Commercial Register, section B by the Business Division of the District Court in Bydgoszcz under No. RHB 1378. The Bank has been entered into the National Court Register under No. 0000010821.

The REGON statistical number assigned to the Bank is 002482470.

According to the Company's Charter, its duration is unlimited.

As at 31 December 2014 the Bank's shareholders were the following:

Entity's name	Number of shares	Number of votes	Nominal value per share in PLN	Interest in the share capital
Poczta Polska S.A.	7 296 770	7 296 770	10	74.9999%
Powszechna Kasa Oszczędności Bank Polski S.A.	2 432 270	2 432 270	10	25.0001%
	9 729 040	9 729 040		100%

No changes in the shareholding structure occurred since 31 December 2013.

The Bank's core business includes domestic and international banking activities and other activities related to banking in compliance with the applicable law.

In line with the Polish Classification of Business Activity (PKD 2007), the core business of the Bank has been classified to other monetary intermediation (6419Z).

The Bank operates based on the provisions of the binding law as well as the Bank's Charter.

2. Composition of the Group

As at 31 December 2014 the Capital Group included Bank Pocztowy S.A. and the following subsidiaries consolidated using the full method:

Entity	Registered of Core business		Percentage interest in the Bank's share capital	
			31 December 2014	31 December 2013
Centrum Operacyjne Sp. z o.o.	Bydgoszcz	Financial services support activities	100%	100%
Spółka Dystrybucyjna Banku Poczowego Sp. z o.o.	Warsaw	Financial intermediation	100%	100%

As at 31 December 2014 and 31 December 2013, the share in the total number of votes held by the Bank in the General Shareholders' Meeting of subsidiaries was equal to the interest in their capitals. Moreover, the Bank has the right to designate a majority of members of the Supervisory Board in each company and therefore it is authorized to take key decision, such as appointing all Management Board Members in each company.

Centrum Operacyjne Spółka z ograniczoną odpowiedzialnością ("Centrum Operacyjne") was established by the Bank on 20 May 2010. It commenced its operations on 28 May 2010.

Centrum Operacyjne was established in order to provide process administration services for products and services of entities from the financial sector. In line with the Polish Classification of Business Activity (PKD 2007) the core business of the entity was classified as *other auxiliary activity related to financial services, excluding insurance and pension funds* (6619Z).

In 2014 Centrum Operacyjne Sp. z o.o. provided services to the Bank, Spółka Dystrybucyjna Banku Poczty Sp. z o.o. and Poczta Towarzystwo Ubezpieczeń Wzajemnych, entities from the Poczta Polska Capital Group.

As at 31 December 2014 and 31 December 2013 the share capital of Centrum Operacyjne amounted to PLN 3 284 thousand (including a contribution of PLN 784 thousand).

Spółka Dystrybucyjna Banku Poczty Spółka z ograniczoną odpowiedzialnością ("Spółka Dystrybucyjna") was established by the Bank on 20 May 2010. It commenced its operations on 28 May 2010.

Spółka Dystrybucyjna was established in order to organize operations and operate within mobile sales structures for financial products and services, in particular those related to the cooperation with the Bank. In line with the Polish Classification of Business Activity (PKD 2007) the core business of Spółka Dystrybucyjna is *other forms of loan granting* (6492Z).

In 2014 Spółka Dystrybucyjna cooperated mainly with the Bank, distributing its products.

As at 31 December 2014 and 31 December 2013 the share capital of the Spółka Dystrybucyjna amounted to PLN 2 680 thousand (including a contribution of PLN 680 thousand).

3. Identification and approval of the consolidated financial statements

The Bank prepared the consolidated financial statements for the year ended 31 December 2014. They were approved by the Management Board of the Bank on 19 March 2015.

4. Composition of the Management Board of the Parent

As at 31 December 2014 the composition of the Management Board was the following:

- **Tomasz Bogus** – Chairman of the Management Board,
- **Szymon Midera** – Deputy Chairman of the Management Board,
- **Michał Sobiech** – Member of the Management Board,
- **Paweł Spławski** – Member of the Management Board.

On 12 May 2014 the Supervisory Board of the Bank adopted a resolution to dismiss Radosław Sałata from the position of a Member of the Management Board of the Bank as of 12 May 2014. Moreover the Supervisory Board of the Bank adopted a resolution to appoint Paweł Spławski to the position of a Member of the Management Board of the Bank as of 19 May 2014.

On 16 January 2015, Tomasz Bogus resigned from the position of the Chairman of the Management Board of the Bank and from membership in the Management Board of the Bank as of 19 January 2015.

On 16 January 2015, the Supervisory Board decided that Szymon Midera, Deputy Chairman of the Management Board of the Bank, would act as the Chairman of the Management Board of the Bank as of 20 January 2015. Moreover, the Supervisory Board of the Bank adopted a resolution to appoint Szymon Midera to the position of the Chairman of the Management Board of the Bank. The resolution will come into force on the day following the day when the Polish Financial Supervision Authority approves appointing Szymon Midera to this position.

Moreover, on 12 February 2015 the Supervisory Board of the Bank adopted a resolution to appoint Hubert Meronk the position of a Member of the Management Board of the Bank as of 12 February 2015.

As at the date of approving the consolidated financial statements, the composition of the Management Board of the Bank was the following:

- **Szymon Midera** – Deputy Chairman of the Management Board, Acting Chairman of the Board
- **Hubert Meronk** – Member of the Management Board,
- **Michał Sobiech** – Member of the Management Board,
- **Paweł Spławski** – Member of the Management Board.

5. Accounting principles

5.1. Basis for preparation of the consolidated financial statements and the statement of their compliance with applicable accounting principles

The consolidated financial statements have been prepared in accordance with the historical cost principle, except for available-for-sale financial assets and held-for-trading financial assets, including derivatives, which are measured at fair value.

These consolidated financial statements have been presented in Polish zlotys (PLN) and all figures are in PLN thousand, unless stated otherwise.

Statement of compliance with IFRS

These consolidated financial statements have been prepared in line with International Financial Reporting Standards, International Accounting Standards with their interpretations ("IFRS") endorsed by the European Union ("EU"). With regard to issues not regulated by the aforementioned standards and interpretations, they are compliant the provisions of the Accounting Act of 29 September 1994 (uniform text: Journal of Laws of 2013, item 330, as amended) ("Accounting Act") and secondary legislation were applied. The consolidated financial statements are compliant with all standards and related interpretations endorsed by the EU, except for standards and interpretations specified below, which are awaiting approval of the EU, or have been approved by the EU, but they have entered into force after the balance sheet date or will enter into force in future. In the period covered by the financial statements, the Group decided not to use the opportunity of earlier application of standards and interpretations, which were endorsed by the EU, but which have entered into force after the balance sheet date or will enter into force in future.

Standards and interpretations published and endorsed by the EU, applied by the Group for the first time as of 1 January 2014

The following standards, revised standards and interpretations issued by the International Accounting Standards Board (IASB) and endorsed by the EU have entered into force as of 1 January 2014:

- IFRS 10 "Consolidated Financial Statements", published by IASB on 12 May 2011.
IFRS 10 replaces the consolidation guidance included in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" introducing a single control-based consolidation model for all entities, regardless of the investment nature (i.e. whether an entity is controlled through investor's voting rights or through other contractual arrangements commonly used in special purpose entities). According to IFRS 10, an investor has control over an investee if:
 - 1) it has power over the investee;
 - 2) it is exposed or entitled to variable returns from its involvement with the investee;
 - 3) it has the ability to use its power over the investee to affect the amount of the investor's returns.

The Group analyzed the requirements of the new standard. Application of the standard has not materially affected the consolidated financial statements.

- IFRS 11 “Joint Arrangements”, published by IASB on 12 May 2011. IFRS 11 introduces new accounting regulations regarding joint arrangements and replaces IAS 31 “Interests in Joint Ventures”. Proportional consolidation is no longer allowed for jointly controlled entities. Further, IFRS 11 eliminates jointly controlled assets maintaining the classification into joint operations and joint ventures. Joint operations are joint arrangements under which the parties jointly control the rights to entity’s assets and liabilities. A joint venture is a joint arrangement whereby the parties have joint control of the rights to the net assets.

The Group analyzed the requirements of the new standard. Application of the standard has not materially affected the consolidated financial statements.

- IFRS 12 “Disclosure of Interests in Other Entities”, published by IASB on 12 May 2011. IFRS 12 requires enhanced disclosures regarding both consolidated and not consolidated entities the reporting entity holds interests in. The purpose of IFRS 12 is to provide users of financial statements with information allowing their assessment of the control basis, restrictions placed on consolidated assets and liabilities, risk exposure arising from involvement in structured vehicles not included in consolidation and involvement of NCI in operations of consolidated entities.

The Group analyzed the requirements of the new standard. Application of the standard has not materially affected the consolidated financial statements.

- IFRS 27 “Separate Financial Statements” (2011), published by IASB on 12 May 2011. Requirements regarding separate financial statements have not changed and are included in the amended IAS 27. Other parts of the standard have been replaced by IFRS 10.

The Group has analyzed amendments to this standard. The amendments did not materially affect the consolidated financial statements

- IFRS 28 “Investments in Associates and Joint Ventures” (2011), published by IASB on 12 May 2011. The amendments result from publication of IFRS 10, IFRS 11 and IFRS 12.

The Group has analyzed amendments to this standard. The amendments did not materially affect the consolidated financial statements

- Revised IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities” – guidance on transitional provisions published by IASB on 28 June 2012. The purpose of the amendments is to provide additional guidance regarding transitional provisions in IFRS 10, IFRS 11 and IFRS 12 in a manner limiting the restatement of comparative data to the directly preceding reporting period. Amendments to IFRS 11 and IFRS 12 are also to eliminate the requirement to present comparative data for periods earlier than the directly preceding one.

The Group has analyzed amendments to these standards. The amendments did not materially affect the consolidated financial statements

- Revised IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements” – investment vehicles – published by IASB on 31 October 2012. The amendments relieve investment vehicles from the consolidation requirement included in IFRS 10 and require them to recognize their subsidiaries in fair value through profit or loss instead. Further, the amendments clarify disclosure requirements for investment entities.

The Group has analyzed amendments to these standards. The amendments did not materially affect the consolidated financial statements

- Revised IFRS 32 "Financial Instruments: Presentation"- Offsetting Financial Assets and Financial Liabilities – published by IASB on 16 December 2011.

The changes clarify the offsetting principles and focus on four key areas:

- 1) explaining what is "a legally enforceable right to set off the recognized amounts";
- 2) performing offset and settlement at the same time;
- 3) offsetting hedges;
- 4) unit of account used for offsetting purposes.

The Group has analyzed amendments to this standard. The amendments did not materially affect the consolidated financial statements

- Revised IFRS 36 "Impairment of Assets"- Recoverable Amount Disclosures for Non-Financial Assets – published by IASB on 29 May 2013.

Amendments to IAS 36 regard disclosures of recoverable value of assets with recognized impairment losses and when the recoverable amount is calculated as fair value less costs of disposal.

The Group has analyzed amendments to this standard. The amendments did not materially affect the consolidated financial statements

- Revised IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, published by IASB on 29 May 2013.

The amendments allow continuing application of hedge accounting for novation of a derivative (designated as a hedging instrument) when the derivative is novated to a central counterparty provided certain conditions are met.

The Group has analyzed amendments to this standard. The amendments did not materially affect the consolidated financial statements

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

Preparing these consolidated financial statements the Capital Group did not apply the following standards, amendments to standards and interpretations that had been published by the IASB and approved for use in the EU, but which had not yet come into force:

- Changes to various standards "Amendments to IFRS (2010-2012)" published on 12 December 2013.

The amendments to various standards and interpretations result from the annual quality improvement project (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38) focusing mainly on solving inconsistencies and clarifying the wording. The introduced changes have refined the required accounting treatment in cases where previously free choice was allowed. The essential ones include new or amended requirements regarding:

- 1) definition of "vesting condition";
- 2) settlement of contingent consideration in business combinations;
- 3) aggregation of operating segments and reconciliation of the total assets of reporting segments to the entity's assets;
- 4) measurement of short-term receivables and liabilities;
- 5) proportional restatement of accumulated depreciation in the remeasurement model;
- 6) defining key management members.

The Group has analyzed amendments to these standards. The amendments will not materially affect the consolidated financial statements

- Changes to various standards "Amendments to IFRS (2011-2013)" published on 12 December 2013.

The amendments to various standards and interpretations result from the annual quality improvement project (IFRS 1, IFRS 3, IFRS 13 and IAS 40) focusing mainly on solving inconsistencies and clarifying the wording. The introduced changes have refined the required accounting treatment in cases where previously free choice was allowed. The essential ones include new or amended requirements regarding:

- 1) importance of the applicable IFRS for IFRS 1;
- 2) the scope of exemptions regarding joint ventures;

- 3) the scope of IFRS 13.52 (portfolio exemption);
- 4) clarification of the relationships between IFRS 3 and IAS 40 with regard to classification of property as investment or used for internal purposes.

The Group has analyzed amendments to these standards. The amendments will not materially affect the consolidated financial statements

- Amendments to IAS 19 “Employee Benefits” – Defined Benefit Plans: Employee Contributions- published by IASB on 21 November 2013.

The changes regard the scope of applying the standard to employee or third party premiums contributed to defined benefit plans. The purpose of the changes is to simplify the settlement of premiums independent from the years in service (e.g. calculated as a fixed percentage of remuneration).

The Group has analyzed amendments to this standard. The amendments will not materially affect the consolidated financial statements

- IFRIC 21 “Levies”, published by IASB on 20 May 2013.

This is the interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. IAS 37 defines criteria of recognizing liabilities, including the requirement to have a present obligation of the entity arising from past events (an obligating event). The interpretation explains that an event obligating to pay a levy is operation subject to levies determined in relevant legal regulations.

The Group analyzed the requirements of the new interpretation. Application of the interpretation will not considerably affect the consolidated financial statements.

Standards and interpretations issued by IASB, but not yet approved by the EU

IFRS in the form approved by the EU do not differ significantly from the regulations adopted by the IASB, except for the following standards, amendments to the standards and interpretations, which as at 31 December 2014 had not yet been adopted for use:

- IFRS 9 “Financial Instruments” – published on 24 July 2014 replaces IAS 39 “Financial Instruments: Recognition and Measurement”.

IFRS 9 determines requirements regarding recognition, measurement, impairment, derecognition and hedge accounting.

Classification and measurement: IFRS 9 introduces a new approach to classification of financial instruments, depending on cash flow characteristics and business model related to a given asset.

Impairment: IFRS 9 introduces a new model of calculating impairment based on expected losses, which requires ongoing recognition of expected credit losses. In particular, the new standard requires reporting entities to recognize expected credit losses upon first-time recognition of financial instruments and to recognize all expected losses for the entire instrument's lifetime faster than before.

Hedge accounting: IFRS 9 introduces a new hedge accounting model with extended requirements regarding risk management disclosures. The new model constitutes a significant change in hedge accounting, which is to adjust the relevant accounting principles to risk management practice.

Own credit risk: IFRS 9 eliminates variability of the financial profit/loss arising from changes in own credit risk related to liabilities designated for fair value measurement.

For IFRS 9, application of the standard with regard to classification and measurement of financial instruments and recognition of impairment losses on financial instruments shall materially impact the consolidated financial statements of the Group. The Group is analyzing and estimating the impact of IFRS 9 on its financial performance.

- Revised IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – mandatory effective date and transitional provisions, published by IASB on 16 December 2011. The amendments defer the mandatory effective date from 1 January 2013 to 1 January 2015. Further, they introduce an exemption from the obligatory restatement of comparative data in financial statements related to application of IFRS 9. The exemption was first available only to entities that had decided to apply IFRS 9 before 2012. Instead, additional disclosures are required

regarding the effects of transitioning to new standards, prepared in a manner helping investors in understanding of the effects of initial application of IFRS 9 on classification and measurement of financial instruments.

For IFRS 9, application of the standard with regard to classification and measurement of financial instruments and recognition of impairment losses on financial instruments shall materially impact the consolidated financial statements of the Group. The Group is analyzing and estimating the impact of IFRS 9 on its financial performance.

- IFRS 14 “Regulatory Deferral Accounts”, published by IASB on 30 January 2014.

The Standard is to allow first-time adopters that at present recognize regulatory deferral accounts in accordance with previously applied GAAP continuing their application after transition to IFRS.

The Group analyzed the requirements of the new standard. Application of the standard will not materially affect the consolidated financial statements.

- IFRS 15 “Revenue from Contracts with Customers”, published by IASB on 28 May 2014.

The Standard specifies when and how to recognize the revenue and requires more detailed disclosures. It replaces IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of interpretations related to revenue disclosure. It applies to nearly all customer contracts (exceptions include leases, financial instruments and insurance contracts). The new standard introduces a new key principle to recognize revenue in a manner reflecting transfer of goods or services to customers in the amount reflecting the consideration (i.e. payment) to which the entity expects to be entitled in exchange for these goods or services. The Standard provides also guidance regarding recognition of transactions that have not been regulated in detail by the existing standards (e.g. revenue from services or amendments to contracts) and provides more extensive explanation regarding recognition of multiple-element arrangements.

The Group analyzed the requirements of the new standard. Application of the standard will not materially affect the consolidated financial statements.

- Revised IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, published on 11 September 2014.

The changes are aimed at eliminating inconsistencies between the requirements of IAS 28 and IFRS 10 and explain that the method of profit or loss recognition in transactions involving an associate or a joint venture depends on whether the sold or contributed assets constitute a business or not.

The Group has analyzed amendments to these standards. The amendments will not materially affect the consolidated financial statements

- Revised IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” – Investment Entities: Applying the Consolidation Exception; published on 18 December 2014.

Amendments to IFRS 10, IFRS 12 and IAS 28 introduce explanations regarding settlement of investment entities. In special cases, certain exemptions are available.

The Group has analyzed amendments to these standards. The amendments will not materially affect the consolidated financial statements

- Revised IFRS 11 “Joint Arrangements”, Accounting for Acquisitions of Interests in Joint Operations, published by IASB on 6 May 2014.
The amendments provide new guidance regarding accounting for acquisition of shares in joint operations in the form of a business.
The Group has analyzed amendments to this standard. The amendments will not materially affect the consolidated financial statements
- Amendments to IFRS 1 “Presentation of Financial Statements” - Disclosure Initiative - published on 18 December 2014.
The amendments to IAS 1 are to encourage entities to apply professional judgment in order to determine which information should be disclosed in financial statements. For example, they clearly indicate that the materiality principle applies to financial statements as a whole and that disclosure of certain immaterial data may reduce usefulness of disclosures in the financial statements.
The Group has analyzed amendments to this standard. The amendments will not materially affect the consolidated financial statements
- Revised IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” – Clarification of Acceptable Methods of Depreciation and Amortization, published by IASB on 12 May 2014.
The changes clarify that the use of revenue-based methods to calculate the depreciation of a fixed asset is not appropriate, since revenue on activities that include the use of the asset usually reflects other factors than consumption of economic benefits derived from that asset. Further, the amendments clarify that assuming revenue as the basis to measure the consumption of economic benefits derived from a given intangible asset is in principle deemed incorrect. Certain exceptions are allowed in precisely determined cases.
The Group has analyzed amendments to these standards. The amendments will not materially affect the consolidated financial statements
- Revised IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” – Agriculture: Bearer Plants, published by IASB on 30 June 2014.
The amendments include bearer plants in the scope of IAS 16 and therefore require accounting for them in the same manner as for property, plant and equipment.
The Group has analyzed amendments to these standards. The amendments will not materially affect the consolidated financial statements
- Revised IFRS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements - published by IASB on 12 August 2014.
The amendments are aimed at reintroducing the equity method as an additional option of accounting for investments in subsidiaries, associates and joint ventures in separate financial statements.
The Group has analyzed amendments to this standard. The amendments will not materially affect the consolidated financial statements
- Changes to various standards “Amendments to IFRS (2012-2014)” published on 25 September 2014.
The amendments to various standards and interpretations result from the annual quality improvement project (IFRS 5, IFRS 7, IAS 19, and IAS 34) focusing mainly on solving inconsistencies and clarifying the wording. The introduced changes have refined the required accounting treatment in cases where previously free choice was allowed. The amendments include new or amended requirements regarding:
 - 1) changes in the methods of disposal;
 - 2) servicing contracts;
 - 3) application of Amendments to IFRS 7 to condensed interim financial statements;
 - 4) discount rate application to bonds issued in other countries;
 - 5) disclosing information "elsewhere in the interim financial report".
 The Group has analyzed amendments to these standards. The amendments will not materially affect the consolidated financial statements

Scope and period of the consolidated financial statements

The consolidated financial statements of the Group cover the period from 1 January 2014 to 31 December 2014 and include comparable data:

- for items of the consolidated statement of financial position as at 31 December 2013,
- for items of the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the period from 1 January 2013 to 31 December 2013.

Going concern

The consolidated financial statements of the Group have been prepared on the assumption the Capital Group entities will continue as a going concern for at least 12 months after the end of the reporting period, i.e. 31 December 2014.

According to the Management Board of the Bank, as at the date of approval of these consolidated financial statements for publication no facts and circumstances indicated a risk to the Group entities' ability to continue as a going concern over a 12-month period after the end of the reporting period due to intended or forced discontinuation or material limitation of their activities.

Discontinued operations

In the period from 1 January 2014 to 31 December 2014 and in the comparable period no operations were discontinued in the Capital Group.

Consolidation principles

The consolidated financial statements cover the financial statements of the Bank and financial statements of its subsidiaries for the 12-month period ended 31 December 2014.

The financial statements of the subsidiaries, including the adjustments made to ensure their compliance with IFRS, have been prepared for the same reporting period as the financial statements of the parent, in line with consistent accounting policies for similar transactions and business events. Adjustments are applied in order to prevent any discrepancies between the adopted accounting principles.

All material balances and transactions between the Group companies, including revenue and expense, unrealized gains and gains and losses on intra-Group transactions, have been eliminated in whole. Unrealized losses are eliminated, unless they are indications of impairment.

The subsidiaries are consolidated using the full method in the period from the date when the parent assumed control to the date when the control has no longer been exercised. The parent's control exists when the parent has the power over the subsidiary, related exposure to variable returns or right to variable returns and the ability to use the power to affect its returns from the investee.

5.2. Professional judgment

The following issues of the accounting principles (policy) were largely influenced by the accounting estimates and the professional judgment of the management:

Impairment of financial assets

The Group assesses whether there is any objective indication of impairment of a financial asset or a group of financial assets. Indications of impairment are events or groups of events that took place after the initial recognition of an asset or a group of assets and could have adverse effect on the expected future cash flows of the financial asset or group of financial assets. Impairment loss is estimated at the moment of recognition of indications of impairment.

More information on impairment of financial assets has been presented in Notes 5.5.7, 13, 20 and 23.

Deferred tax asset

The Group recognizes the deferred tax asset based on the assumption that it will generate tax profit sufficient to apply the asset. Deterioration of future tax performance could make the assumption groundless.

Details on deferred tax assets have been presented in Note 16.

Classification of leases

The Group classifies leases to operating and finance leases based on the attribution of risks and benefits from the object of lease to the lessor or the lessee. The assessment is based on the economic substance of each transaction. Lease agreements have been presented in detail in Notes 37 and 38.

5.3. Estimation uncertainty

Presented below are the main assumptions concerning the future and other key uncertainties as at the end of the reporting period posing the risk of material adjustment of the carrying amount of assets and liabilities in the next financial year.

Estimates and assumptions adopted by the Group are reviewed on a current basis. Estimate adjustments are recognized in the period when the estimates have been changed if the adjustments pertain to that period only. If the adjustments affect both the current and future periods, they are recognized both in the period when introduced and in future periods.

Fair value of financial instruments

Financial assets and liabilities carried at fair value in the balance sheet with no identifiable active market are measured using generally applied measurement models based to the maximum extent possible on variables observable in market environment and professional judgment. Relevant measurement methods and input data are verified on a regular basis.

The method of determining the fair value of each financial instrument and their carrying amounts has been presented in Note 36.

Effects of market interest rate changes by + 1 b.p./- 1 b.p. on the fair value of financial instruments recognized in the statement of financial position at fair value have been presented in the table below:

	Balance as at 31 December 2014		Balance as at 31 December 2013	
	-1 b.p. PLN'000	+1 b.p. PLN'000	-1 b.p. PLN'000	+1 b.p. PLN'000
Investment assets available for sale	(106)	106	(91)	91
Financial assets and liabilities held for trading	(5)	5	(7)	7

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is any objective indication of impairment of a financial asset or a group of financial assets.

The estimated impact of changes in the present value of estimated cash flows on the change in impairment losses for individual items of "Loans and advances granted to clients" has been presented in the table below.

	Balance as at 31 December 2014		Balance as at 31 December 2013	
	' +10 % scenario	' -10 % scenario	' +10 % scenario	' -10 % scenario
	PLN'000	PLN'000	PLN'000	PLN'000
Estimated change in allowances	(2 098)	3 015	(3 080)	4 408

Fair value of collateral provided for exposures granted

Fair value of collateral provided for exposures granted is determined using measurement techniques and real estate market analysis. The list of collateral accepted by the Group with the fair value specification (for mortgages) has been presented in Note 46.1 hereto.

The Group has adopted the following key principles of measurement for most popular collateral types:

No.	Collateral type	General measurement principles
1	Mortgage on real estate	Measurement of real estate performed by a certified appraiser for collateral-related purposes or a document confirming the purchase of a real estate, or preliminary sale agreement in case of funding housing for individuals
2	Ownership transfer, registered pledge, pledge on movable fixed assets	Measurement of movable assets performed by a certified appraiser for collateral-related purposes or an insurance policy if the movables concerned are commonly traded commodities; or purchase cost if movables concerned are new, purchased on the market and liquid
3	Ownership transfer, registered pledge, pledge on current movable assets	Purchase price after verification against exchange / market / commission sales prices or insurance policy after verification against exchange / market / commission sales prices or documented exchange / market / commission sale price of an asset
4	Endorsements and avals	The endorser's income level must be close to that of the applicant or if the endorser does not meet the above requirement, the amount adopted to determine the collateral value is the value of a loan the endorser could be granted by the Bank with its current financial standing or if the endorser is an entity, collateral is accepted only if the total amount of endorsement granted to a single debtor does not exceed 15% of the endorser's net assets reduced by capital contributions due but unpaid to joint stock companies and cooperatives.
5	Transfer of contractual receivables	Net value of goods and services without VAT, including individual contract terms, i.e. payment deadlines, complaint handling, performance bond
6	Insurance	In case of life insurance, the sum insured should cover the loan amount, while in case of job insurance, the sum insured regarding one type of incident should be the higher of: the equivalent of six loan installments or PLN 9,000. The coverage and insurer's indemnity arising from the insurance policy are each time subject to the Bank's acceptance

Useful life of property, plant and equipment and intangible assets

Useful life of property, plant and equipment and intangible assets is estimated taking into consideration the following factors:

- the so-far observed average useful lives, reflecting physical wear and tear, intensity of usage, etc.;
- technological obsolescence;
- period of control over the asset, legal and other limitations on period in use;
- co-relation between the useful life of the asset in question and those of other assets;
- other factors that may affect useful life of a given type of non-current assets.

The expected useful life of a given asset is equal to its period in use defined under terms of the appropriate contract. If, however, the expected useful life of an asset is shorter than its contractual period in use, than the asset is depreciated/amortized over its useful life.

Every year the Group verifies the adopted useful lives of fixed assets and intangible assets based on the current estimates. Detailed information on useful lives of property, plant and equipment and intangible assets has been presented in Note 5.5.9 and 5.5.10.

The impact of changes in useful lives of the key groups of property, plant and equipment and intangible assets items subject to depreciation/amortization by +/- year on the consolidated costs of the Capital Group has been presented below.

	Balance as at 31 December 2014		Balance as at 31 December 2013	
	'+ 1 year scenario	'- 1 year scenario	'+ 1 year scenario	'- 1 year scenario
	PLN'000	PLN'000	PLN'000	PLN'000
Buildings and structures	(21)	25	(15)	16
Plant and equipment	(965)	1 438	(787)	1 208
Leasehold improvements	(362)	529	(353)	513
Fittings	(487)	686	(542)	806
R&D expenses	(163)	269	(75)	113
Copyrights, licenses, concessions and software	(1 399)	2 282	(1 741)	2 934

Provision for retirement and disability benefits (determined benefit plans)

The provision for retirement and disability benefits is calculated by an independent actuary in line with an actuarial method as the present value of future liabilities of the Group towards employees based on the number of employees and remuneration as at the date of revaluation. Provisions are calculated in accordance with a number of assumptions concerning discount rates, projected remuneration increases, employee turnover, mortality rate and other factors. All assumptions are reviewed at each year-end.

Carrying amounts of provisions recognized have been presented in Note 33.

The effects of changes in the discount rate and pay growth rate on the provision for pension and disability benefits are presented in the following table.

	Balance as at 31 December 2014		Balance as at 31 December 2013	
	+0.5 % p.p. scenario	-0.5 % p.p. scenario	+0.5 % p.p. scenario	-0.5 % p.p. scenario
	PLN'000	PLN'000	PLN'000	PLN'000
Discount rate	(36)	40	(44)	49
Pay growth rate	40	(37)	49	(45)

5.4. Changes in estimates

In the current reporting period and in the comparable period, the Group did not considerably change estimates, which could significantly affect the current or future financial performance.

5.5. Key accounting principles

5.5.1. Initial recognition of financial assets and liabilities

The Group recognizes a financial asset or liability in the consolidated statement of financial position only when it becomes a party to the contractual provisions of the instrument.

The Group classifies a financial asset at initial recognition.

Financial assets and liabilities included in IAS 39 are classified as follows:

- financial assets measured at fair value through profit or loss (the class includes financial assets and liabilities held for trading, including derivatives, as well as financial assets and liabilities designated as measured at fair value through profit or loss at initial recognition);
- financial assets available for sale;
- loans and receivables;
- financial assets held to maturity;
- other financial liabilities.

Upon initial recognition, a financial asset or liability is measured at fair value, and in the case of a financial asset or liability which does not qualify for measurement at fair value through profit or loss, the fair value is increased by the transaction costs which may be directly attributed to the acquisition or issue of the financial asset or liability.

A regular way purchase or sale of the financial asset is recognized off the statement of financial position at the trade date, i.e. on the day when the Group commits to acquire a financial asset, while it is recognized in the statement of financial position at the settlement date. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

5.5.2. Subsequent measurement of financial assets and liabilities

Financial assets and liabilities held for trading

Financial derivatives

Derivative financial instruments are measured at fair value. Derivatives with a positive fair value as at the measurement date are disclosed in the consolidated statement of financial position as assets, while those with a negative value from measurement - as liabilities. Fair value changes of derivatives held for trading are recognized in the consolidated income statement in "Gain/loss on financial instruments measured at fair value through profit or loss and gain/loss on foreign exchange transactions".

Other financial assets and liabilities held for trading

Financial assets and liabilities held for trading include financial instruments acquired or incurred for resale or repurchase in near term or those being a part of a portfolio of identified financial instruments that are manager jointly and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial assets and liabilities other than derivative instruments classified as held for trading are carried at fair value in the consolidated statement of financial position. Fair value changes are recognized in the consolidated income statement in "Gain/loss on financial instruments measured at fair value through profit or loss and gain/loss on foreign exchange transactions". Interest income and expense are recognized in "Interest income" or "Interest expense", respectively.

Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than:

- financial assets and liabilities designated at measured at fair value through profit or loss at initial recognition;
- financial assets designated as financial assets available for sale; and
- financial assets qualifying as loans and receivables.

Following initial recognition, financial assets held to maturity are measured at amortized cost using the effective interest method.

The settlement of amortized cost using the effective interest method is recognized under "Interest income" in the income statement. Impairment losses are recognized in the income statement in "Net impairment losses".

The effective interest method is a method of accruing the amortized cost of financial assets or liabilities (or a group of financial assets or financial liabilities) and assigning interest income and expenses to relevant periods. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating an effective interest rate, the Bank estimates cash flows including all contractual terms but without potential future losses related to irrecoverability of loans. The calculation includes all commissions paid and received by the contractual parties and points that constitute an integral part of the effective interest rate, costs of transaction and any other premiums or discounts.

The Bank applies simplified methods, the results of which do not differ considerably from those based on calculations made using the effective interest method to account for fees and commissions and selected external cost of a financial instrument and for instruments with determined cash flow schedules for which the effective interest method cannot be applied for technical or compliance reasons.

Loans and receivables

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

- financial assets that the Group intends to sell immediately or in the near term, which are classified as held for trading, and those that the Group designated upon initial recognition as measured at fair value through profit or loss;
- financial assets that the Group designated upon initial recognition as available for sale; or
- financial assets for which the Group may not recover substantially all of its initial investment, for reasons other than loan service deterioration, which are classified as available for sale.

Following the initial recognition, loans and receivables are measured at depreciated cost using the effective interest method. The settlement of amortized cost using the effective interest method is recognized under "Interest income" in the consolidated income statement. Impairment losses for items other than "Other assets" are recognized in the consolidated income statement in "Net impairment losses".

Financial assets available for sale

Financial assets available for sale are those not classified as derivatives, designed as available for sale, or not classified as any of the classes mentioned above.

Following initial recognition financial assets available for sale are measured at fair value, whereas any gains and losses resulting from changes in the fair value estimates are recognized in other comprehensive income (other comprehensive income is accumulated in equity in "Revaluation reserve"). Revaluation reserve is accounted for in the consolidated income statement in time of sale of the asset or its impairment, while the accumulated gains and losses are recognized under "Gain/loss on other financial instruments".

For debt instruments, interest income and discount or bonus are accounted for using the effective interest method and recognized under "Interest revenue" in the consolidated income statement. Dividends on equity instruments are recognized in the consolidated income statement in "dividend income" when the entity's right to receive dividend arises.

If the fair value of equity instruments cannot be determined, the assets are measured at cost less any impairment losses. Impairment losses are recognized in the consolidated income statement in "Net impairment losses" and cannot be reversed.

Financial liabilities measured at amortized cost

Financial liabilities other than those measured at fair value through profit or loss are measured at amortized using the effective interest method. If a cash flow schedule cannot be determined for a given financial liability and therefore the effective interest rate cannot be reliably estimated, such a liability is measured at amount due.

Financial guarantee contracts

In line with IAS 39 financial guarantee contract is a contract that requires the Group, i.e. the issuer, to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, financial guarantee contracts are measured at fair value adjusted by costs of transaction directly attributable to extending the guarantee. Subsequently, liabilities are measured at the higher of: best estimates of costs necessary to repay current liabilities at the end of the reporting period and the initial value less any depreciation charges in line with IAS 18.

5.5.3. Reclassification of financial assets

The Group may reclassify a non-derivative financial asset from held-for-trading assets to loans and receivables if it is no longer held with the intention to be sold or repurchased in near term. A financial asset can be reclassified if it fulfils the conditions specified in the definition of loans and receivables and if the Group has a positive intention and ability to hold the financial asset item in foreseeable future or until maturity.

Reclassified financial assets are measured at fair value at the date of reclassification. If an item is reclassified from held-for-trading financial assets, any gain or loss recognized in the income statement is not reversed. The fair value of a financial asset shall become a new amortized cost at the date of reclassification.

For financial assets reclassified from available-for-sale financial assets to held-to-maturity financial assets or loans and receivables (if meeting all classification criteria), any gain or loss related to the asset which was previously charged to revaluation reserve is accounted for in the following manner:

- for a financial asset with fixed maturity, accumulated gains or losses charged to revaluation reserve by the reclassification date are amortized and recognized in the consolidated income statement in the term to maturity, using the effective interest method;
- for a financial asset with undetermined maturity, accumulated gains or losses are charged to revaluation reserve until sale or disposal, when it is disclosed in the consolidated income statement.

5.5.4. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or a part of a financial asset or a group of similar financial assets) is derecognized from the consolidated statement of financial position if:

- the contractual rights to the cash flows from the financial asset expire;
- the Group has transferred the rights to receive cash flows from the financial asset or committed to transfer cash flows received to a third party without undue delay as a transaction intermediary and:
 - (a) it has transferred substantially all risks and rewards of ownership of the financial asset; or
 - (b) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but it has transferred control over the financial asset.

If the Group has transferred its title to cash flows from the asset to another entity or committed to intermediate in a transaction but it has neither transferred nor retained substantially all risks and rewards of ownership and the transfer in question has not resulted in the transfer of control, the asset is recognized to an extent the Group holds its exposure in the given asset.

Exposure in a financial asset in the form of a financial guarantee contract is measured at the lower of: initial carrying amount of the asset and the maximum amount the Group may be obliged to pay for the asset.

Financial liabilities

The Group derecognizes a financial liability from its consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Replacement of an existing debt instrument with an instrument with substantially different terms performed by the same entities is recognized as expiration of the initial financial liability and recognition of a new one. Similarly, significant modification of contractual terms and conditions regarding the existing financial liability is recognized as

an expiration of the initial liability and recognition of a new one. The difference of corresponding carrying amounts resulting from the replacement is recognized in the consolidated income statement.

5.5.5. Repurchase/resale and security loan agreements

Securities sold under repurchase and sell-buy-back agreements are included in the balance sheet provided that the Group retains substantially all risks and benefits arising from a given asset. Liabilities to a counterparty are accounted for as "Liabilities arising from securities sold under repo, sell-buy-back agreements".

For securities purchased under reverse repo, buy-sell-back agreements, where counterparties retain substantially all risks and benefits regarding these securities, receivables arising from the concluded transactions are recognized as receivables from securities purchased under reverse repo, buy-sell-back agreements.

Transactions of selling securities under repo, sell-buy-back agreements and purchasing securities under reverse repo, buy-sell-back agreements are measured at amortized cost using the effective interest method, while the securities sold under repurchase/sell-buy-back agreements are measured according to principles determined for each security portfolio.

The difference between the sale and repurchase agreement is treated as interest expense/income and settled over the duration of the agreement using the effective interest method.

For sales of securities purchased under reverse repo/buy-sell-back agreements, the liability reflecting the obligation to return the assets is recognized under "Financial liabilities measured at fair value through profit or loss".

5.5.6. Fair value of financial instruments

Fair value is a price the Group would receive for sale of an asset or pay for transfer of a liability in a transaction carried out on arms-length terms as at the measurement date.

The fair value of financial instruments quoted in an active organized financial market is determined in relation to the current purchase price (for assets) or the current sales price (for liabilities).

Fair value of financial instruments with no active market available is determined using various valuation methods, with the Group maximizing the use of observable inputs, such as estimating the price of a financial instrument based on a publicly announced price quoted in an active regulated market, a price of a similar financial instrument or prices of components of a complex financial instrument or by estimating the price of a financial instrument using generally accepted estimation methods.

The fair value of individual financial assets and financial liabilities and methods of its estimation are described in details in Note 36.

5.5.7. Impairment of financial assets

As at each balance sheet date, the Group evaluates whether there is any indication of impairment of a financial asset or a group of financial assets. Impairment loss is identified when there is objective evidence of impairment associated with one or more events that took place after the initial recognition of an asset ("loss generating event") and the loss generating event affects the expected future cash flows from a financial asset or group of financial assets the value of which can be reliably estimated. Objective evidence of impairment is e.g. considerable financial difficulty of the debtor, default under timely payment of the principal amount or interest, high probability of bankruptcy, other financial reorganization of the debtor or factors indicating a measurable decrease in estimated future cash flows.

Indications of impairment for individually material exposures have been divided into two groups:

- 1) Quantitative (obligatory):
 - a) payment of the principal amount or interest delayed by over 90 days;
 - b) for government and self-government sector, payment of the principal amount or interest delayed by over 30 days;
 - c) exposure classified as "at risk" (i.e. risk categories "below standard", "doubtful", "loss") according to the Ordinance of the Minister of Finance on recognizing provisions for risks related to banking operations.
- 2) Qualitative criteria:
 - a) Hard (mandatory) criteria:
 - application (including that filed by the bank) for instigation of collection, liquidation, bankruptcy or remedial proceedings with regard to the debtor;
 - debtor's questioning the balance sheet credit exposure in court proceedings;
 - termination of a facility agreement;

- partial forgiveness of debt, arrangement, composition,
- b) Soft criteria (factors analyzed by a professional analyst):
 - obtaining information that a bankruptcy or other reorganization procedures have been instigated with a counterparty;
 - high probability of bankruptcy or other financial reorganization of the counterparty;
 - unknown residence or undisclosed assets of a counterparty;
 - an active market of a given balance sheet credit exposure disappearing due to financial problems;
 - default under payment or under timely payment of the principal or interest within last 3 months;
 - significant court dispute lost, which may lead to considerable costs;
 - obtaining information about counterparty's financial problems (e.g. reduced income, increased debt, payment default with other institutions);
 - major financial difficulties of the counterparty (based on a negative assessment of the financial position of the debtor indicated in the monitoring process);
 - debt restructuring;
 - significant deterioration of the client's rating or scoring (e.g. to a category in which a client would not be granted a loan at all or would not be granted exposure on terms applicable in time of concluding the agreement or would receive a lower amount);
 - a recognized rating institution (credit rating agency) lowering the credit rating of a counterparty, of the country or the rating of any debt securities issued by the counterparty;
 - debtor's accounts being seized;
 - loss of sales markets or key clients;
 - deterioration of macroeconomic factors affecting the obligor's industry;
 - default under other material contract terms resulting in a drop in estimated future cash flows;
 - adverse changes in the internal organizational structure or the management structure of the borrower;
 - change in regulations adversely affecting the borrower's operations;
 - significant drop in market prices of collateral;
 - borrower's failure to provide documents concerning its business and financial position;
 - other factors which may affect expected future cash flows.

For individually immaterial loans analyzed on a collective basis, the Group identifies the following impairment indications:

- 1) Quantitative (obligatory):
 - a) payment of the principal amount or interest delayed by over 90 days;
 - b) termination of a facility agreement;
 - c) the exposure bears characteristics of a *fraud*;
 - d) the exposure is restructured;
 - e) exposure subject to collection proceedings;
 - f) the Group having obtained information about an event that may impact projected cash flows;
 - g) exposure classified as "at risk" (i.e. risk categories "below standard", "doubtful", "loss") according to the Ordinance of the Minister of Finance on recognizing provisions for risks related to banking operations.
- 2) Soft criteria (factors analyzed by an expert):
 - a) disappearance of an active market for a selected group of credit exposures due to financial difficulties of counterparties (e.g. significant deterioration of issuers' financial standing resulting in a reduction in trading of selected assets, which in turn disallows their reliable measurement);
 - b) observable inputs indicate a measurable decrease in estimated future cash flows related to a group of balance sheet credit exposures after their initial recognition, although drops regarding individual assets in the group cannot be measured, to include:
 - adverse changes in counterparties' payment status in the group (e.g. an increased number of delayed payments or an increased number of credit card holders who have reached their credit limit and keep repaying the minimum monthly installments); or
 - the standing of the domestic or local market related to the default in credit exposure payment in the group (e.g. increased unemployment in the counterparty's location; for mortgage loans, a decrease in real property prices in a given region; adverse changes in the standing of a given industry that impact a group

of counterparties).

Receivables from other banks; loans and advances to customers

For receivables from other banks and loans and advances granted to clients measured at amortized cost using the effective interest method, the Group checks if any indication of impairment of individually significant financial assets and aggregate individually insignificant assets have occurred. If the analysis shows that there is no objective indication that an individually evaluated financial asset may be impaired, irrespective of whether it is material or not, the Group includes the asset in the group of financial assets with a similar credit risk and jointly determines their impairment. Assets which are individually tested for impairment and for which an impairment loss has been recognized or it has been determined that the previous one will not change, are not included in the general test of asset impairment.

If there is any evidence of impairment, an impairment loss equals the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses). The carrying amount of the asset is reduced using a reserve account and the loss amount is recognized in the consolidated income statement under "Net impairment losses".

For financial assets for which an impairment loss has been recognized, interest income is calculated with the use of the interest rate applied to discount future cash flows for the purpose of estimating the impairment loss amount. Credit facilities with related impairment losses are written off when their recovery is highly improbable and all collateral has been realized and transferred to the Group. If in the subsequent period impairment loss is decreased or increased as a result of an event following impairment recognition, the previously recognized loss is increased or decreased by way of making an adjustment of the reserve account.

The present value of estimated future cash flows is calculated using the original effective interest rate for a given financial instrument. For floating interest loans or receivables, the discount rate used for measuring impairment is the present effective interest rate. Computation of the present value of estimated cash flows related to an asset collateralized with a pledge reflects cash flows which may arise as a result of enforcement of collateral, reduced by costs of establishing or selling the collateral (in portfolio analysis, the costs are not included since there is no possibility to clearly assign each cost to a relevant credit exposure, and the inclusion of the costs is considered immaterial based on analyses carried out), irrespective of enforcement probability.

For purposes of aggregate impairment testing, financial assets are aggregated based on the credit risk factors determining the borrower's ability to repay the entire contractual obligations, e.g. based on credit risk assessment or assessment in line with a given scale considering asset type, industry, location, collateral type, default under timely payments and other significant issues.

Future cash flows in the group of financial assets collectively tested for impairment are estimated based on history of losses for assets of similar credit risk characteristics.

Impairment losses determined for a group of financial assets collectively tested for impairment, including IBNR losses, are estimated in accordance with the incurred but not reported loss concept based on risk parameters commonly applied in the sector: PD and LGD. When estimating provisions for off-balance sheet credit exposures, the Group additionally includes the credit conversion factor (CCF). The values of PD, LGD and CCF parameters are estimated with the use of statistical methods based on observation of historical losses for assets with similar credit risk characteristics using the *point in time* (PIT) principle, through weighting of historical observations and including factors that arise from current market conditions. If necessary, historical data regarding the losses are adjusted based on available current data in order to reflect the impact of present conditions that did not influence the historical period from which the historical loss data are derived and to eliminate factors that affected historical data but do not occur now.

Additionally, in order to ensure adequacy of impairment losses, the Group's calculation model is subject to the model management process (including regular validation) and *backtested* once a year.

Financial assets held to maturity

As at each reporting date, the Group individually evaluates whether there is any indication of impairment of financial assets held to maturity. If there is any evidence of impairment, an impairment loss equals the difference between the carrying amount of a given asset and the present value of estimated future cash flows. The carrying amount of an asset is reduced and an impairment loss is recognized in the consolidated income statement in "Net impairment losses".

If in the subsequent period impairment loss is decreased and the decrease may be objectively linked to the event following impairment recognition, the previously recognized loss is reversed. The reversed impairment loss is recognized in the consolidated income statement in "Net impairment losses".

Financial assets available for sale

As at each reporting date, the Group evaluates whether there is any indication of impairment of a financial asset or a group of financial assets available for sale.

As regards capital investments available for sale, a decrease in the fair value of the financial assets below the cost for a significant or extended period is objective evidence of impairment.

In case of impairment of financial assets, accumulated losses constituting the difference between the cost and the present fair value, less any impairment losses on the assets recognized in the consolidated income statement are derecognized from revaluation reserve and recognized in the consolidated income statement in "Net impairment losses".

Impairment losses on investments in equity instruments are not reversed through the income statement. The increase in their fair value after impairment loss recognition is charged directly in other comprehensive income.

Debt instruments classified as available for sale are tested for any indication of impairment of a financial asset in line with the same principles as those applied to financial assets measured at amortized cost.

For financial assets for which an impairment loss has been recognized, interest income is calculated with the use of the interest rate applied to discount future cash flows for the purpose of estimating the impairment loss amount.

If in the subsequent period fair value of an available-for-sale debt instrument increases, and the increase may be objectively related to an event occurring after the recognition of the impairment loss in the consolidated income statement, the reversed impairment loss amount is recognized in the consolidated income statement in "Net impairment losses".

Financial assets measured at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument which is not measured at fair value (as the fair value may not be determined reliably) has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets. Impairment losses determined in this manner are not reversed.

5.5.8. Cash and cash equivalents

Cash and cash equivalents include cash in hand and on the nostro (current) account in the National Bank of Poland as well as receivables from other banks on the current account, and other cash with maturity of up to 3 months, disclosed at the nominal value and financial assets with high liquidity, i.e. current financial assets (with the maturity period of up to three months from the acquisition date).

5.5.9. Property, plant and equipment

Property, plant and equipment are recognized at cost, less depreciation charges and impairment losses. The initial amount of fixed assets includes their cost increased by all costs directly related to their purchase and adaptation for use. The cost includes also cost of replacement of parts of plant and machinery when incurred, if the recognition criteria are met. Costs incurred after the date of commissioning, such as costs of maintenance and repair, are charged to profit or loss when incurred. Land is not depreciated. Depreciation of other property, plant and equipment is calculated according to the straight-line method over the estimated useful life of an asset:

Type	Period
Buildings and structures	25, 40 years
Technical equipment and machines	5 - 20 years
Office equipment	5 - 20 years
Vehicles	5 years
Computers	3 - 10 years
Leasehold improvements	3.5 - 10 years (not more than the lease period)

Depreciation charge on property, plant and equipment whose useful life is limited is recognized in the consolidated income statement in "General and administrative expense".

Any gain or loss (calculated as a difference between possible net inflows from sales and the carrying amount of the item) resulting from derecognition of the asset from the balance sheet is charged to profit or loss for the period of the derecognition under other operating revenue or other operating expense, respectively.

Investments in progress are related to fixed assets under construction or assembly and are recognized at cost less impairment losses, if any. Fixed assets under construction are not depreciated until their construction is completed and until they are commissioned.

5.5.10. Intangible assets

Intangible assets acquired in a separate transaction are initially measured at acquisition price or manufacturing cost. After the initial recognition, intangible assets are recognized at cost, less accumulated amortization and impairment loss. Expenditures on internally generated intangible assets, except for capitalized development expenditures, are recognized in expenses of the period in which they were incurred.

Amortization of intangible assets is calculated using the straight-line method in order to spread out the initial asset value over the useful life, i.e. 2 years, and in justified cases for expected useful lives from 3 to 20 years.

Amortization charges on intangible assets whose useful life is limited is recognized in the consolidated income statement in "General and administrative expense".

Gains or losses on derecognition of intangible assets are recognized in the consolidated income statement under other operating revenue or other operating expenses, respectively.

Other research expenses are recognized in profit or loss when they are incurred.

Intangible assets arising from R&D works are recognized in the statement of financial position only if the following conditions have been met:

- completion of an intangible asset so that it is fit for sale or use is technically possible;
- the intent to complete the asset, its use and sale can be proven;
- the asset will be fit for use or sale;
- the manner in which the asset will generate future economic benefits is known;
- technical resources and funds necessary to complete R&D work, the use and sale of the asset will be provided;
- outlays incurred in the course of R&D work can be reliably measured.

The initial value of an internally manufactured intangible asset is the total of expenditures incurred from the date when the asset has first met the recognition criteria (see above). If costs of R&D works related to internally produced intangible assets cannot be recognized in the balance sheet, they are recognized in the income statement of the period when incurred.

Following initial recognition, intangible assets produced internally in the course of R&D works are recognized at an amount reduced by accumulated amortization and total impairment losses, similarly to acquired intangible assets.

5.5.11. Lease

Group as a lessee

The Group is a party to finance lease agreements based on which it uses third-party fixed assets for a period of time agreed therein in return for a fee.

Finance leases transfer to the Capital Group basically the entire risks and rewards of holding the lease object recognized in the statement of financial position as at the lease commencement date at the lower of the following two amounts: fair value of a leased asset or current value of minimum lease payments. Lease payments are split between financial expenses and a decrease in the balance of lease liabilities in order to obtain a fixed interest rate on the outstanding liability. Financial expenses are charged directly to the income statement. Fixed assets used based on finance leases are depreciated with the straight line method over the shorter of the following two periods: estimated useful life or lease term.

Moreover, the Group is a party to operating lease agreements whereby the lessor retains substantially all the risks and rewards of ownership of an asset. Payments arising from operating leases are recognized as expenses in the income statement in accordance with the straight-line method over the lease term.

The Group as a lessor

The Group is a party to operating lease agreements based on which it lets out fixed assets to be used or generate rewards for a period of time agreed in the agreement in return for a payment.

Payments arising from operating leases are recognized as "other operating revenue" in the income statement in accordance with the straight-line method over the lease term.

5.5.12. Impairment of non-financial non-current assets

Once a year the Group evaluates whether any circumstances indicating impairment of non-financial non-current assets have occurred. If there is any indication of impairment or if an annual impairment test is required under the IFRS, the Group estimates the recoverable amount of a given asset.

The recoverable amount of an asset corresponds to the fair value of the asset or a cash-generating unit (CGU) less costs to sell or its value in use, whichever is higher. The recoverable amount is determined for individual assets, unless a given asset does not generate cash inflows which are largely independent of those generated by other assets or groups of assets. If the carrying amount of an asset or a CGU is higher than its recoverable amount, the asset has been impaired and is written down to a relevant recoverable amount. At the time of estimation of the value in use, projected cash flows are discounted to their present value using the discount rate before the effects of tax, reflecting the current market valuation of the time value of money and the risk characteristic of a given asset.

A model appropriate for measuring a given asset item is applied to determine the fair value less costs to sell. The computations are confirmed using measurements made based on other sources and other available methods of determining the fair value.

Impairment losses for assets are recognized in the consolidated income statement, excluding assets already remeasured, in case of which the remeasurement has been charged to equity. In such a case, impairment losses are also recognized in equity up to earlier remeasurement amounts.

At the end of each financial year the Group evaluates whether the indications of impairment still occur and whether the impairment losses should be reduced. If there is such indication, the Group estimates the recoverable amount of the asset or a cash-generating unit. Impairment loss is reversed only when the estimations used to determine the recoverable amount of the asset have changed since the last impairment loss recognition. If so, the carrying amount of the asset is increased to its recoverable amount.

The increased amount should not exceed the carrying amount of the asset which would have been determined (including amortization), had the Company not recognized an impairment loss for the asset. A reversal of an impairment loss is recognized immediately in the consolidated income statement, unless the relevant asset is carried at a remeasured amount, in which case the reversal of the impairment loss is treated as a revaluation reserve increase.

The criteria specified above also apply to assessing impairment of intangible assets. The test is performed for individual asset items or cash-generating units and if any indications of impairment occur.

5.5.13. Provisions

Provisions are recognized, if the Group has a present obligation (legal or constructive) as a result of a past event and when it is probable (i.e. more likely than not) 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.

If the Group expects reimbursement of the expenditure required to settle the provision (for example, through insurance contracts), the reimbursement is recognized as a separate asset, but only when it is virtually certain that reimbursement will be received. The expenses relating to the provision less the amount recognized for reimbursement are disclosed in the consolidated income statement.

If the impact of the time value of money is material, the provision is discounted using the current interest rate (tax not included), reflecting possible risk related to a given liability. If the provision has been discounted, the increase in the provision due to the passage of time is recognized as interest expense.

Provisions for disputes

Provisions for disputes are recognized for court cases, administrative proceedings and other legal disputes. The Group keeps a detailed record of disputes. Provisions are recognized if the Group is subject to a legal or customary obligation resulting from past events, and if there is a probability that fulfillment of the obligation will result in an outflow of funds. Any future claims are charged to the provisions. The Group has recognized provisions for all estimated losses. As a rule, estimated term of provisions for disputes exceeds one year.

Provisions for retirement and disability benefits

In accordance with IAS 19, retirement and disability benefits are post-employment defined benefit plans. The provision for retirement and disability benefits has been determined based on the Compensation Policies

applicable in the Group. The present value of provisions for retirement and disability benefits and the related current and past service costs are measured by an independent actuary using the projected unit credit method. Revaluation of provisions for retirement and disability benefits is composed of the following elements:

- employment costs (including costs of current and past employment);
- net interest income or expense and
- actuarial gains or losses.

Employment costs and net interest income or expense are recognized in the income statement, while actuarial gains and losses are recognized in the statement of financial position and charged to revaluation reserve in the period of incurring.

Provisions for off-balance sheet liabilities

Guarantees granted and unconditional financial commitments are treated as an exposure bearing credit risk. While calculating provisions for off-balance sheet liabilities, the Bank uses the credit conversion factor (CCF). Detailed principles of recognizing impairment losses for exposures bearing credit risk, including loans and advances, have been presented in Note 5.5.7

5.5.14. Other assets

“Other assets” include in particular: prepaid expenses and accrued revenue, advance payments, payment cards settlements, inventory related to auxiliary activities of the Group and receivables from counterparties.

Accrued revenue is the revenue pertaining to the profit/loss of a given reporting period, receivable by the Group in a subsequent period, related to bank fees and commissions for keeping accounts and carrying out other banking activities.

Prepaid expenses are costs incurred in a given reporting period pertaining to the following reporting periods, in particular insurance costs, subscriptions and premiums for Guaranteed Employee Benefit Fund.

Receivables from contractors are recognized at fair value plus transaction costs (if any) in line with IAS 39.

Acquired or occurred inventories of tangible current assets are recognized in the accounting records at cost as at the date of acquisition or occurrence.

Receivables are revalued based on the probability of their payment with recognition of an impairment loss, which is recognized in the income statement in other operating expense or commission expense.

Inventory is revalued based on its cost compared to the net realizable value. The write-down of inventory to its net realizable value is recognized in the income statement under “other operating expenses”.

5.5.15. Other liabilities

Other liabilities include: provisions for administrative costs resulting from performances rendered for the Group by its counterparties, which will be settled in the following reporting periods, liabilities due to unused paid vacations, bonuses, advance payments received and other liabilities from counterparties, inter-bank settlements, settlements under public law and settlements with Poczta Polska due to substitution services. These items are recognized at amounts due.

5.5.16. Revenue recognition

Net interest income

For all financial assets and liabilities measured at amortized cost and interest-bearing financial assets classified as available for sale, interest expense is recognized with the effective interest rate method under “Interest income” or “Interest expense”. When calculating an effective interest rate, the Group estimates cash flows including all contractual terms but without potential future losses related to irrecoverability of loans. If the Group changes estimated payments disbursed or received, it also adjusts the carrying amount of a given financial asset or liability. The adjustment is calculated using the original effective interest rate of the financial instrument and recognized as interest income or expense in the consolidated income statement.

Interest income from debt securities classified as held for trading or designated as measured at fair value through profit or loss at initial recognition is recognized in interest income.

For financial assets or a group of similar assets for which an impairment loss was recognized, interest income is calculated from the current amount receivable (i.e. their amount reduced by the impairment loss) with the use of the interest rate applied to discount future cash flows for the purpose of estimating the impairment loss amount.

Net fee and commission income

Fees and commissions, which do not constitute an integral part of the effective interest rate, i.e. those not accounted for using the effective interest method but in accordance with the straight-line method or recognized on a one-off basis in the income statement, are recognized in "Fee and commission income" or "Fee and commission expense". Commissions on overdrafts are included in deferred revenue and accounted for using the straight-line method.

Commission income recognized on one-off basis includes:

- fees paid to post offices for concluded term deposit contracts are recognized in the income statement when incurred, provided that the contracts are independent from the (term) deposits;
- fees paid to post offices for conclusion of plenipotentiary agreements, provided they do not regard specific deposits but a variety of deposits, are recognized in the income statement when incurred;
- fees paid to post offices for cancellation of plenipotentiary agreements are recognized in the income statement when incurred;
- fees paid to post offices for disposition of accounts in the case of death are recognized in the income statement when incurred.

Revenue and expenses related to sales of insurance products

The Group generates bancassurance revenue on sales of insurance products in the banking channels. At the same time, when the insurance coverage is valid, the Group may provide additional services to insurance companies, in the form of post-sale service of insurance policies.

The Group recognizes the fee for offering insurance products based on a professional judgment regarding the scope of sale: whether it is limited to the sales agency service, or whether the sales of insurance are linked to sales of credit products. The assessment is based on the economic contents of credit and insurance products offered. The purpose of the judgment is to economically separate revenue that constitutes:

- an integral part of a fee related to a credit product offered;
- a fee for agency services;
- a fee for additional services provided after sale of an insurance product.

Evaluation of a direct relation is based mostly on the following criteria:

- ability to purchase a credit product without an insurance product (a facility agreement unrelated to an insurance agreement);
- the average actual annual interest on each facility in the Group's portfolio classified as including insurance coverage or without an insurance component;
- the voluntary nature of insurance;
- client's ability to provide an insurance policy issued by any insurer without the Group's participation;
- profitability assessment of a credit product based on management reports including the performance as an agent selling insurance products;
- assessment of the sales of bancassurance products, i.e. the percentage share of credit products with insurance coverage in the number of credit facility agreements in the Group's portfolio;
- number of resignations and amount of commissions refunded – broken down by loan type offered by the Group, insurance products and insurance groups; the level of insurance contracts continued after the initial term.

Analysis of the direct link between an insurance product and a credit facility results in division of bancassurance products, i.e. separation of the fair value of a loan offered and the fair value of an insurance products sold with the loan. If the Group acts as an agent, the receivable fee is divided into a portion classified as a component of amortized cost of credit recognized Interest income and a portion constituting the agent's fee recognized under the fee and commission income. The fee is divided based on the identifiable portion of the fair value of the loan and the fair value of the agency service referred to the total of both amounts.

If it is probable that the Group will be obliged to provide further services during the life of the insurance contract, the commission or its part is deferred and recognized over time in line with the matching principle.

The fair value is determined as follows:

- agency service - based on market data involving the reference to prices and other market information generated by identical or comparable market transactions on insurance products sold separately from credit products;

- fair value of a credit facility - determining future principal and interest payments including future impairment losses of the fair value and its projected recovery, discounted with the market interest rate curve increased by current margins offered by the Group for a given loan type;
- with relation to the fee for other activities performed by the Group for the insurer in the insurance term, estimation of the fair value for allocation purposes based on analysis of costs incurred with relation to the service provision.

Additionally, the Group carries out reliable estimates of provisions for refunds, i.e. the amount that should reduce the Group's fee for distribution of insurance products. The estimates of provisions for refunds are based on historical data regarding actual refunds of the fee in the past, and on the Group's projections of future trends. The provision for refunds is settled proportionally to the division of the fee between agency services and the integral part of the effective interest rate on a loan.

Insurance selling expenses are recognized proportionally to the income division into that recognized under the calculation of amortized cost (recognized as "Interest income") and income recognized on a one-off basis as a fee due to agency services and disclosed as "Fee and commission expense".

The Group recognizes the revenue and expense due to sale of bancassurance products related to credit facilities in the following manner:

- cash loans with insurance policy – from 6% to 17% of the revenue due to sale of bancassurance products related to cash loans is recognized on a one-off basis as commission income, while the remaining portion of the income is accounted for as interest income using the effective interest method or a simplified method during the credit financing period;
- mortgage loans with insurance policy – from 0% to 15% of the revenue due to sale of bancassurance products related to mortgage loans is recognized on a one-off basis as commission income, while the remaining portion of the income is accounted for as interest income using the effective interest method or a simplified method during the credit financing period.

Gain/loss on financial instruments measured at fair value through profit or loss and gain/loss on foreign exchange transactions

"Gain/loss on financial instruments measured at fair value through profit or loss and gain/loss on foreign exchange transactions" includes all gains and losses on the sale and gains or losses on fair value measurement of financial assets and liabilities designated as measured at fair value through profit or loss.

The item also includes a gain/loss on foreign exchange transactions, i.e. exchange gains and losses, both realized and unrealized, resulting from everyday measurement of foreign currency assets and liabilities at the average exchange rate of the National Bank of Poland applicable at the end of a reporting period.

Profit/loss on other financial instruments

"Gain/loss on other financial instruments"

- Gain/loss on sale of financial assets designated as available-for-sale (AVS) financial assets and the effects of settling gains or losses on financial assets recognized in the revaluation reserve and initially designated as AVS financial assets and then reclassified to HTM (held to maturity) investments settled using the effective interest rate method;
- Gain/loss on sale of securities designated as loans and receivables.

Employee benefit costs

Payments due to remunerations, premiums and paid vacations are recognized as "Employee benefit costs" in the period of employees' employment.

Payments to defined pension plans, i.e. Social Insurance Institution, pension funds and Employee Pension Scheme constitute defined contribution plans and are recognized as expenses in "Employee benefit costs" once employees have performed services qualifying them as plan participants.

Other operating revenue and expense

Operating revenue and expense include items that are not directly related to the core operating activities of the entity.

Other operating revenue includes in particular gains on sale of fixed assets, damages and fines received, revenue due to collection of overdue and cancelled receivables and bad debts, reimbursement of collection costs, reversal of provision for future liabilities and sundry income of the Group.

Other operating expense includes mainly the costs of selling/liquidating fixed assets and intangible assets, costs of damages and fines, costs of receivables written off, impairment allowances for receivables from various debtors and other operating expense.

5.5.17. Taxes

Current tax

Current income tax liabilities and receivables for the current and prior periods are measured at projected amounts payable to tax authorities (for tax receivables - reimbursable) using tax rates and regulations valid as at the end of the reporting period, or regulations whose endorsement had been considered completed.

Income tax on items not recognized in profit or loss is recognized in other comprehensive income for items recognized there or directly in equity for items recognized directly in equity.

Deferred tax

For the purposes of financial reporting, deferred income tax is calculated using the balance sheet liability method based on temporary differences that occur as at the end of the reporting period between the tax value of assets and liabilities and their carrying amount recognized in the consolidated financial statements.

The deferred tax liability is recognized in relation to all taxable temporary differences, except where the deferred tax liability arises from initial recognition of goodwill or another asset or liability item in a transaction that is not a business combination and at the time of the transaction affects neither gross accounting profit/loss nor taxable profit (tax loss).

A deferred income tax asset is recognized for all deductible temporary differences, carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the above differences, assets and losses can be utilized except where the deferred tax asset relating to deductible temporary differences 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 accounting profit nor taxable profit (tax loss).

The carrying amount of the deferred tax asset is verified as at each balance sheet date and is reduced as appropriate, taking into account the reduction of the probability of achieving taxable income sufficient for the realization of the deferred tax asset in part or in whole. An undisclosed deferred tax asset is remeasured as at the end of each financial year and recognized up to the amount reflecting probable taxable income which will facilitate realization of the asset.

Deferred tax asset and liability are measured with the application of tax rates expected to be applicable in the period when the asset is realized or provision released, based on tax rates (tax regulations) applicable as at the end of the reporting period or rates whose endorsement had been considered completed.

Income tax on items not recognized in profit or loss is recognized in other comprehensive income for items recognized there or directly in equity for items recognized directly in equity.

The Group offsets its deferred tax assets and deferred tax liabilities only if it has an enforceable legal title to offset its current tax assets with liabilities and the deferred income tax is related to the same taxpayer and the same tax authority.

5.5.18. Equity

Share capital is recognized in the amount compliant with the Bank's charter and the entry in the court register at the nominal value.

Other items of equity are recognized in the consolidated statement of financial position by type and in accordance with the principles defined in legal regulations and the provisions of the Bank's charter. Such items include:

- supplementary capital created from the share premium and mandatory 8% appropriation of the net profit and reclassification from the revaluation reserve;
- In line with the Banking Law of 29 August 1997 (uniform text: Journal of Laws of 2012, item 1376 as amended) (the "Banking Law") and the Bank's charter, the reserve capital is created from net profit distribution;
- the net profit for the reporting period and undistributed profit or uncovered loss from prior periods (presented jointly in "Retained earnings/Uncovered losses");
- revaluation reserve.

5.5.19. Net earnings per share

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

The Group does not present diluted earnings per share, because there are no potential ordinary shares which would dilute weighted average number of ordinary shares.

5.5.20. Contingent liabilities

The Bank concludes transactions that are not recognized as assets or liabilities in the statement of financial position when concluded but give rise to contingent liabilities. Contingent liability is:

- a possible obligation arising from past events whose occurrence shall be confirmed only upon occurrence of one or more uncertain future events not fully controlled by the Bank;
- an existing obligation arising from past events, which has not been recognized in the statement of financial position since the need to spend cash or other assets to fulfil the obligation is improbable or its amount cannot be reliably measured.

Provisions are established for off-balance sheet liabilities granted which bear the risk that the mandator will not fulfill contractual terms. Off-balance sheet liabilities include in particular credit lines and guarantees granted. Upon initial recognition, financial guarantee agreements are measured at fair value. Following the initial recognition, they are measured at the higher of:

- amount determined in line with IAS 37 and
- initial value decreased if appropriate by accumulated amortization charges recognized in line with IAS 18.

5.5.21. Company Social Benefits Fund

The Group has established a Social Benefits Fund in accordance with the Act on Social Benefits Funds of 4 March 1994 (uniform text: Journal of Laws of 2012 item 592 as amended). The purpose of the fund is to finance social benefits for employees. The fund's liabilities comprise accumulated appropriations made by the Bank and Group entities to the Social Benefits Fund less non-refundable expenses from that fund.

The Group does not recognize Social Benefit Fund assets, as the entire Social Benefits Fund liabilities are expressed in cash accumulated on a separate bank account.

For the purposes of presentation in these consolidated financial statements the Group has set off Social Benefits Fund liabilities against assets, because they do not constitute the Group's assets.

5.5.22. Measurement of items denominated in foreign currencies

The consolidated financial statements have been prepared in the Polish zloty (PLN), which is the functional currency of the Group. It is also the currency of the key business environment of the Group.

Foreign currency transactions are translated into the Polish zloty by reference to the exchange rate effective as at the date of the transaction.

As at the end of the reporting period, monetary assets and liabilities denominated in currencies other than the Polish zloty are translated into PLN at the average exchange rate effective as at the end of the reporting period and determined for the currency by the National Bank of Poland. Forex differences from translation are recognized in the consolidated income statement in "Gain/loss on financial instruments measured at fair value through profit or loss and gain/loss on foreign exchange transactions". Non-monetary assets and liabilities recognized at historical cost in a foreign currency are recognized at the historical exchange rate effective as at the date of the transaction. Non-monetary assets and liabilities recognized at fair value in a foreign currency are translated by reference to the exchange rate effective as at the fair value measurement date.

Exchange rates applied for the purpose of balance sheet measurement:

31 December 2014	31 December 2013
USD 1 = PLN 3.5072	USD 1 = PLN 3.0120
EUR 1 = PLN 4.2623	EUR 1 = PLN 4.1472
CAD 1 = PLN 3.0255	CAD 1 = PLN 2.8297
CHF 1 = PLN 3.5447	CHF 1 = PLN 3.3816
GBP 1 = PLN 5.4648	GBP 1 = PLN 4.9828
DKK 1 = PLN 0.5725	DKK 1 = PLN 0.5560
SEK 1 = PLN 0.4532	SEK 1 = PLN 0.4694

5.5.23 Hedge accounting

The Group does not apply hedge accounting.

6. Segment reporting

As intended by IFRS 8, financial information on segments is reported on the same basis as is used internally in reports presented to the Management Board of the Bank for the purpose of allocating resources to segments and evaluating their performance.

The Group's operations have been divided into segments in accordance with products sold, services provided and types of clients, for management purposes. The following operating segments have been identified: consumer, institution and settlement and treasury departments.

Detailed principles of separating revenue, expenses, assets and liabilities in each segment are described in internal regulations of the Bank. The operations are focused on the Polish market – the client base is composed mainly of local individuals and corporations. The Group's activities are not exposed to the risk of fluctuations resulting from seasonality of operations.

The Bank's Management Board assesses segment financial performance based on the following figures:

- Operating profit after any impairment losses including other operating revenue and expenses;
- General and administrative expenses;
- C/I (cost/income).

Consumer segment of the Group

From management accounting perspective the consumer segment offers products targeted at individuals and microenterprises (sole proprietorships). The offer consists of saving and settlement accounts, savings accounts, term deposits, consumer loans (including cash loans and overdrafts), mortgage loans (including housing loans, mortgage loans and consolidation loans), credit cards, insurance products and investment products and funds. It is sold through traditional distribution channels in a country-wide network of branches and sales points (including the sales network of Poczta Polska and financial agents), Pocztowy24 Internet banking, PocztowySMS mobile banking and a Contact Centre.

Institutional segment of the Group

For management accounting purposes institutional segment includes operating profit/loss from services provided to business entities with legal personality, individuals and entities with no legal personality carrying out business activities under applicable regulations and central and local administration entities.

Products offered in the institutional segment include: credit products (working capital loans including revolving loans, overdrafts, investment loans, loans with thermal improvement and refurbishment premium, mortgage loans and bank guarantees), deposits (current accounts, standards and individually negotiated deposits, savings accounts) and settlement services with reasonably priced cash management offer. Products are offered through the Bank's own network, the network of Poczta Polska S.A. and financial agents.

Settlement and treasury segment of the Group

For management accounting purposes, the settlement and treasury segment includes the profit or loss from settlement services and treasury activities. The Group offers comprehensive settlement services of unique quality, based on access to Poczta Polska's infrastructure. The services include: managing documents of payments to the Social Security Institution and Tax Offices. Further, the settlement product offer includes cash payments to third parties available in the network of Poczta Polska S.A. and in the Bank's own network, cash payments to accounts in the network of Poczta Polska S.A. and in the Bank's own network, mass domestic and international non-cash payment orders in PLN and payments made by clients in ADMs.

Operations of the treasury function include treasury transactions, financial markets, management of liquidity, interest rate and currency risks. The department concludes transactions in the interbank market (e.g. deposits), buys and sells securities (Treasury bonds, debt instruments issued by the National Bank of Poland, bank bonds) and enters into *sell-buy-back* and *buy-sell-back* transactions and derivative transactions such as FRA, IRS or *swap*. It repurchases client funds obtained by operating segments at a transfer rate and sells the funds to finance their credit operations.

Unallocated items, adjustments and exclusions

Unallocated items, adjustments and exclusions include revenue and expenses not classified in the above segments, as well as income tax.

Changes in operational segment reporting

In 2014 the Bank introduced changes in operational segment reporting. The changes resulted from a revised allocation key applied to operating expenses of the Bank's branches assigned to consumer and institutional segments and changes in the allocation key applied to the net interest income of the treasury function. Moreover, following organizational structure changes introduced in 2014, microenterprises have been moved from the institutional segment to the consumer segment. Data for the 12-month period ended 31 December 2013 and as at that date presented in the consolidated financial statements have been recalculated to ensure data comparability.

As the Management Board of the Bank analyses the aggregate net interest income, no interest revenue or interest expense has been separated in financial performance of individual segments.

Period From 1 January 2014 to 31 December 2014	Consumer segment	Institutional segment	Segment of settlement and treasury	Unallocated items	Adjustments and eliminations	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Net interest income	222 091	28 631	18 083	(655)	0	268 150
- sales to external clients	222 291	22 738	0	(655)	23 776	268 150
- sale to other segments	(200)	5 893	18 083	0	(23 776)	0
Net fee and commission income	31 975	10 599	15 519	1 564	0	59 657
Other revenue and expenses related to banking operations*	0	0	4 533	0	0	4 533
Operating profit	254 066	39 230	38 135	909	0	332 340
Other operating revenue and expense	3 906	(288)	17	(1 195)	0	2 440
General and administrative expenses including:	(178 694)	(21 013)	(15 475)	(3 440)	0	(218 622)
- amortization	(18 209)	(1 010)	(1 013)	(572)	0	(20 804)
Net impairment losses	(49 130)	(11 883)	0	0	0	(61 013)
Operating profit/loss	30 148	6 046	22 677	(3 726)	0	55 145
Gross profit (loss)	30 148	6 046	22 677	(3 726)	0	55 145
Income tax	0	0	0	(11 506)	0	(11 506)
Net financial profit/loss for the current period	30 148	6 046	22 677	(15 232)	0	43 639

* The item includes: gain/loss on financial instruments measured at fair value through profit or loss, gain/loss on foreign exchange transactions and gain/loss on other financial instruments.

Balance as at 31 December 2014	Consumer segment	Institutional segment	Segment of settlement and treasury	Unallocated items	Adjustments and eliminations	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Segment assets	6 271 572	1 461 631	0	(14 176)	0	7 719 027
Segment liabilities and equity	5 493 265	2 239 938	0	(14 176)	0	7 719 027

Period From 1 January 2013 to 31 December 2013	Consumer segment	Institutional segment	Segment of settlement and treasury	Unallocated items	Adjustments and eliminations	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Net interest income	205 027	29 663	8 269	848	0	243 807
- sales to external clients	182 324	29 589	0	848	31 046	243 807
- sales to other segments	22 703	74	8 269	0	(31 046)	0
Net fee and commission income	6 270	12 544	19 624	3 190	0	41 628
Other revenue and expenses related to banking operations*	0	0	8 885	0	0	8 885
Operating profit	211 297	42 207	36 778	4 038	0	294 320
Other operating revenue and expense	4 349	463	494	(1 230)	0	4 076
General and administrative expenses including:	(164 650)	(28 950)	(15 343)	(3 795)	0	(212 738)
- amortization	(17 603)	(2 289)	(1 519)	(528)	0	(21 939)
Net impairment losses	(32 503)	(9 895)	0	0	0	(42 398)
Operating profit/loss	18 493	3 825	21 930	(988)	0	43 260
Gross profit (loss)	18 493	3 825	21 930	(988)	0	43 260
Income tax	0	0	0	(7 233)	0	(7 233)
Net financial profit/loss for the current period	18 493	3 825	21 930	(8 221)	0	36 027

* The item includes: gain/loss on financial instruments measured at fair value through profit or loss, gain/loss on foreign exchange transactions and gain/loss on other financial instruments.

Segment assets include items directly allocated to the segment, such as: net loans and advances to the Bank's customers and the following items allocated to the segment for management accounting purposes: cash and other assets deposited in the Central Bank, receivables from other banks, investment financial assets, property, plant and equipment, intangible assets, net deferred tax assets and other assets.

Segment liabilities include liabilities directly allocated to clients, to the Central Bank and other banks and the following liabilities and equity items allocated to the segment for management accounting purposes: liabilities held for trading, provisions, current income tax liabilities, other liabilities, subordinated liabilities, liabilities due to issue of debt securities and total equity.

Balance as at 31 December 2014	Consumer segment	Institutional segment	Segment of settlement and treasury	Unallocated items	Adjustments and eliminations	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Segment assets	6 271 572	1 461 631	0	(14 176)	0	7 719 027
Segment liabilities and equity	5 493 265	2 239 938	0	(14 176)	0	7 719 027

Balance as at 31 December 2013	Consumer segment	Institutional segment	Segment of settlement and treasury	Unallocated items	Adjustments and eliminations	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Segment assets	5 746 154	1 646 580	0	(9 989)	0	7 382 745
Segment liabilities and equity	4 902 270	2 490 464	0	(9 989)	0	7 382 745

In 2014, revenue from the key counterparty of the Bank amounted to PLN 16,648 thousand compared to PLN 22,785 thousand in 2013.

7. Net interest income

Interest income including:	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Income on receivables from other banks	9 064	9 607
Income on loans and advances to clients, including:	361 466	355 103
overdraft facilities	7 125	7 480
credit facilities and term loans	354 341	347 623
- individuals	309 011	294 269
- institutional clients	34 300	37 980
- local authorities	11 030	15 374
Income on investment financial assets classified as:	45 447	58 541
available for sale	25 361	37 891
held to maturity	20 086	20 650
Income on financial assets held for trading	301	149
Total	416 278	423 400

In 2014 interest income on impaired receivables amounted to PLN 14,738 thousand, while in 2013 it was PLN 14,224 thousand.

Interest expense including:	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Expense due to liabilities to other banks	(419)	(450)
Expense due to liabilities to customers, including:	(121 894)	(156 552)
current accounts	(31 603)	(43 503)
term deposits	(90 291)	(113 049)
- individuals	(71 031)	(82 795)
- institutional clients	(18 157)	(28 780)
- local authorities	(1 103)	(1 474)
Costs arising from issue of debt securities and subordinated loan	(23 199)	(21 312)
Costs of sell-buy-back securities sold	(2 616)	(1 279)
Total	(148 128)	(179 593)

8. Net fee and commission income

Fee and commission income, including:	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
settlement and cash transactions	42 783	36 742
keeping bank accounts	27 589	10 568
payment and credit cards	21 028	17 126
sale of insurance products	4 717	3 589
originated loans and advances	855	747
other	5 332	4 234
Total	102 304	73 006

Fee and commission expense, including:	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
keeping current accounts and term deposits	(18 108)	(14 788)
managing payment cards, ATM and POS cash withdrawals	(10 746)	(8 012)
cash management services for the Group	(8 513)	(5 901)
other services	(5 280)	(2 677)
Total	(42 647)	(31 378)

9. Gain/loss on financial instruments measured at fair value through profit or loss and gain/loss on foreign exchange transactions

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Gain/loss on financial instruments held for trading, including:	1 239	(628)
- IRS	852	(35)
- debt securities held for trading	835	(568)
- OIS	18	(17)
- FRA	(466)	(8)
Gain/loss on foreign exchange transactions	1 524	3 533
Total	2 763	2 905

10. Profit/loss on other financial instruments

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Gain/loss on financial assets available for sale	1 515	5 980
Gain/loss on securities designated as loans and receivables	255	0
Total	1 770	5 980

11. General and administrative expenses

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Employee benefits	(99 398)	(92 372)
Payroll	(84 054)	(78 216)
Payroll charges	(13 416)	(12 283)
Appropriations to the Company's Social Benefit Fund	(1 928)	(1 873)
Administrative costs	(98 420)	(98 427)
Other employee benefits	(6 688)	(6 184)
Materials	(3 385)	(4 289)
Costs of external services, including:	(50 398)	(49 006)
- costs of telecommunication services	(12 412)	(13 497)
- costs of services related to bank settlements	(5 692)	(5 652)
- costs of repair and renovation	(1 456)	(1 561)
- costs of advisory, audit and legal services	(5 636)	(4 323)
- cost of software maintenance and IT services	(16 851)	(15 083)
- costs of public utilities, security and monitoring services	(5 394)	(5 274)
- other	(2 957)	(3 616)
Costs of insurance and lease payments	(16 519)	(19 744)
Costs of promotion and advertising	(10 220)	(11 526)
Other non-personnel costs	(1 566)	(814)
Taxes and charges	(3 099)	(3 193)
Costs incurred for the benefit of Bank Guarantee Fund	(6 545)	(3 671)
Depreciation/amortization, including:	(20 804)	(21 939)
Depreciation of fixed assets	(11 937)	(11 986)
Amortization of goodwill	(8 867)	(9 953)
Total	(218 622)	(212 738)

12. Employee benefits

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Remuneration, including:	(84 054)	(78 216)
- employee pension plan	(1 434)	(1 583)
- provisions for unused paid vacation	(337)	(38)
- provision for retirement and disability benefits	(107)	(143)
Payroll charges	(13 416)	(12 283)
Appropriations to the Company's Social Benefit Fund	(1 928)	(1 873)
Total	(99 398)	(92 372)

13. Net impairment losses

	Period from 1 January 2014 to 31 December 2014						Period from 1 January 2013 to 31 December 2013					
	Exposures evaluated on the portfolio level			Exposures evaluated individually		Total	Exposures evaluated on the portfolio level			Exposures evaluated individually		Total
	On-balance sheet	Off-balance sheet	Incl. IBNR	On-balance sheet	Off-balance sheet		On-balance sheet	Off-balance sheet	Incl. IBNR	On-balance sheet	Off-balance sheet	
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000		PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	
Loans and advances granted to clients, including:	(57 388)	492	(8 411)	(4 119)	2	(61 013)	(32 214)	(441)	(382)	(9 743)	0	(42 398)
individuals	(48 403)	63	(7 471)	(399)	0	(48 739)	(28 844)	(357)	98	(2 921)	0	(32 122)
overdraft facilities	(628)	63	189	0	0	(565)	(1 144)	(148)	(368)	0	0	(1 292)
- consumer loans	(42 882)	(17)	(8 017)	(399)	0	(43 298)	(16 648)	(7)	(2 040)	(2 921)	0	(19 576)
- real estate loans	(3 963)	20	477	0	0	(3 943)	(10 241)	11	2 597	0	0	(10 230)
- credit card debt	(930)	(3)	(120)	0	0	(933)	(811)	(213)	(91)	0	0	(1 024)
institutional clients	(8 944)	429	(944)	(3 720)	2	(12 233)	(3 758)	(87)	(871)	(6 822)	0	(10 667)
local authorities	(41)	0	4	0	0	(41)	388	3	391	0	0	391
Total	(57 388)	492	(8 411)	(4 119)	2	(61 013)	(32 214)	(441)	(382)	(9 743)	0	(42 398)

Net impairment losses include a change in provisions for balance sheet and off-balance sheet exposures and provisions applied due to charging off and selling receivables.

14. Other operating revenue

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Income from repayment of cost of collection of receivables, court and bailiff enforcement	2 698	2 267
Derecognition of impairment losses	277	116
Revenue from sales of on-balance sheet receivables	1 858	626
Derecognition of provisions for future liabilities	643	1 949
Sundry income of the Group:	1 896	2 433
- revenue from sales of goods and services	754	1 541
- other sundry income	1 142	892
Other operating revenue	1 364	1 348
Total	8 736	8 739

15. Other operating expenses

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Costs of impairment losses on receivables	(2 523)	(1 642)
Costs of writing off receivables	(1 812)	(1 301)
Costs of provisions for future liabilities	(576)	(823)
Profit/loss on sale or liquidation of property, plant and equipment	(595)	(201)
Costs of donations made	(371)	(372)
Other	(419)	(324)
Total	(6 296)	(4 663)

The Group recognized impairment allowances for receivables from various debtors, write-downs of inventories and impairment allowances for accrued revenue (overdue receivables due to commissions), taking into account probability of payment and number days past due. Impairment losses for overdue receivables due to commissions for keeping current accounts are disclosed in "Net fee and commission income" in the consolidated income statement.

16. Income tax

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
Consolidated income statement	PLN'000	PLN'000
Current income tax	(15 513)	(9 022)
Deferred income tax	4 007	1 789
Tax expense charged to the consolidated income statement	(11 506)	(7 233)

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
Consolidated statement of other comprehensive income	PLN'000	PLN'000
Deferred income tax related to items recognized in comprehensive income	(991)	1 344
Tax charge disclosed in the consolidated statement of other comprehensive income	(991)	1 344

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
Reconciliation of the effective tax rate	PLN'000	PLN'000
Gross financial profit/loss before tax	55 145	43 260
Tax at the statutory tax rate applicable in Poland (19%)	(10 478)	(8 219)
Items increasing/decreasing the effective tax rate not included in the deferred tax	(1 028)	986
- premiums to National Fund for Rehabilitation of the Disabled (PFRON)	(286)	(290)
- costs of writing off overdue receivables and bad debts	(537)	(224)
- impairment allowances for future liabilities and provisions for various debtors	(404)	85
- decrease/increase in impairment allowances with probable lack of realization	0	556
- costs related to the share issue scheme	(103)	0
- prudence payments to the Bank Guarantee Fund	(264)	0
- technology tax credit	483	914
- costs of establishing IBNR up to the amount of appropriation to the general risk fund	225	0
- other expenses	(142)	(55)
Total current tax expense charged to consolidated income statement	(11 506)	(7 233)

	Statement of financial position		Statement of comprehensive income	
	Balance as at 31 December 2014	Balance as at 31 December 2013	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000	PLN'000	PLN'000
Deferred tax assets				
Interest due on deposits	5 802	3 740	2 062	(496)
Cost of debt securities (premium, EIR)	1 028	839	189	273
Interest due on debt securities	621	1 289	(668)	(541)
Negative measurement of derivatives	78	165	(87)	(67)
Provisions for due costs by type	8 623	1 953	6 670	(692)
Commissions and interest accounted for using the effective interest method	14 497	15 389	(892)	4 103
Impairment losses on receivables from financial entities	31	43	(12)	19
Impairment losses on receivables from non-financial entities	13 878	11 316	2 562	2 318
Allowances for current account commissions	2 162	1 631	531	851
Difference between balance-sheet amortization and tax amortization	550	1 097	(547)	196
Contribution to non-bank company	0	7	(7)	7
Other	12	82	(70)	(39)
Net deferred income tax assets or asset items charged to profit or loss	47 282	37 551	9 731	5 932
Net deferred income tax assets or asset items charged to equity	457	529	(72)	512
Total deferred tax assets	47 739	38 080	9 659	6 444
Deferred tax liability				
Interest receivable accrued on loans	(5 080)	(3 968)	(1 112)	(616)
Discounting and interest on securities	(686)	(1 866)	1 180	299
Positive measurement of derivatives	(314)	(421)	107	(47)
Difference between balance-sheet amortization and tax amortization	(4 255)	(3 552)	(703)	(256)
Commissions with tax withholding paid to credit agents	(15 251)	(10 053)	(5 198)	(3 529)
Social Benefits Fund	0	(2)	2	6
Provision for deferred income tax charged to profit or loss	(25 586)	(19 862)	(5 724)	(4 143)
Deferred tax liability charged to equity	(1 133)	(214)	(919)	832
Total deferred tax liability	(26 719)	(20 076)	(6 643)	(3 311)
Presentation in the statement of financial position and income statement:				
Deferred tax asset recognized in the income statement	47 282	37 551	9 731	5 932
Deferred tax liability charged to the income statement	(25 586)	(19 862)	(5 724)	(4 143)
Deferred tax liability / asset – effect on the income statement	21 696	17 689	4 007	1 789
Presentation in the statement of financial position and other comprehensive income:				
Deferred tax asset recognized in other comprehensive income	457	529	(72)	512
Deferred tax liability charged to other comprehensive income	(1 133)	(214)	(919)	832
Deferred tax liability / asset - effect on other comprehensive income	(676)	315	(991)	1 344

Current income tax liabilities/receivables

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Current income tax receivables	120	98
Current income tax liabilities	2 979	3 138

17. Distribution of profit

In 2014 and in the comparable period the Bank did not pay out any dividend.

In accordance with the Resolution No. 5 of the Ordinary General Shareholders' Meeting of Bank Pocztowy S.A. dated 14 April 2014, the Bank's profit for 2013 of PLN 36,870,353.25 was allocated to:

- covering a prior year loss related to adjustment of the opening balance for 2013 in the amount of PLN 11,841,415.02;
- reserve capital of PLN 23,028,938.23;
- general risk reserve of PLN 2,000,000.00.

The Management Board of the Bank recommended allocating the entire net profit for 2014 to reserve capital and general risk fund of the Bank to the General Shareholders' Meeting.

18. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Presented below is information about the profit and shares which served as the basis for calculation of the basic earnings per share:

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
Net profit (loss) attributable to equity holders of the parent (PLN'000)	43 639	36 027
Weighted average number of ordinary shares (items)	9 729 040	9 729 040
Earnings per share (PLN)	4.49	3.70

Diluted earnings per share

In the current period and in prior years, the Bank did not issue any convertible bonds or share options. The share capital is composed of ordinary shares only (no shares with preference for profit distribution). Consequently, diluted earnings per share are equal to basic earnings per share. Between the end of the financial period and the date of preparation of these consolidated financial statements, there were no other transactions involving ordinary shares or potential ordinary shares.

19. Cash in hand and deposits with the Central Bank

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Cash in hand	4 074	3 576
Cash in the current account at Central Bank	753 569	323 666
Total	757 643	327 242

The Group uses cash in the current account at Central Bank to cover the required reserve and carry out current cash settlements during a given day. The Group, however, has to provide an average monthly level of cash in the account in order to satisfy the minimum reserves requirements declared.

The Group maintains a mandatory provision of 3.5% of deposits received in the current account with the National Bank of Poland. The arithmetic average of the mandatory provision maintained with the National Bank of Poland amounted to:

- PLN 206,213 thousand in the period from 31 December 2013 to 30 January 2014;
- PLN 216,147 thousand in the period from 31 December 2014 to 1 February 2015.

A considerable portion of cash in the current account in the Central Bank include short-term transfers from Poczta Polska S.A., in particular:

- retirement and disability allowances, transferred by Poczta Polska S.A. to pensioners and individuals entitled to disability allowances in cash;
- mass payments, such as public utility bills paid through the sales network of Poczta Polska S.A.;
- own funds of Poczta Polska S.A., mainly overnight deposits.

The funds's volatility is high and reaches several hundred million zlotys during one month, which results in considerable changes in the balance sheet total of the Group at individual balance sheet dates.

Transfer payments from Poczta Polska S.A. are not recognized in the calculation of the stable deposit base used to finance the core activities of the Group.

20. Receivables from other banks

20.1. Net receivables from other banks

Structure by type	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Current accounts	4 841	4 458
Other receivables, including:	153 428	31 871
- debt securities of banks	151 818	30 182
Gross receivables from banks	158 269	36 329
Impairment losses on receivables	0	0
Net receivables from banks	158 269	36 329

By maturity	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Up to 1 month	6 451	6 147
From 1 to 3 months	0	0
From 3 months to 1 year	10 004	181
From 1 year to 5 years	64 639	10 000
Over 5 years	77 175	20 001
Total	158 269	36 329

20.2. Receivables from other banks by method of estimating the impairment allowance and indications of impairment

All receivables from other banks are analyzed individually. As at 31 December 2014 and 31 December 2013 no impairment allowances were recognized for receivables from other banks.

20.3. Change in impairment allowances

As at 31 December 2014 and 31 December 2013 no impairment allowances were recognized for receivables from other banks.

21. Receivables and liabilities arising from purchased/sold securities (repo and sell-buy-back transactions)

Receivables and liabilities arising from purchased/sold securities (repo and sell-buy-back transactions; by counterparty)

	Balance as at 31 December 2014		Balance as at 31 December 2013	
	Receivables	Liabilities	Receivables	Liabilities
	PLN'000	PLN'000	PLN'000	PLN'000
- from banks	0	172 389	0	41 428
- from customers	0	5 312	0	8 182
Total	0	177 701	0	49 610

Receivables and liabilities arising from purchased/sold securities (repo and sell-buy-back transactions; by type)

	Balance as at 31 December 2014		Balance as at 31 December 2013	
	Receivables	Liabilities	Receivables	Liabilities
	PLN'000	PLN'000	PLN'000	PLN'000
- Treasury bonds	0	177 701	0	49 610
Total	0	177 701	0	49 610

Receivables and liabilities arising from purchased/sold securities (repo and sell-buy-back transactions; by maturity)

	Balance as at 31 December 2014		Balance as at 31 December 2013	
	Receivables	Liabilities	Receivables	Liabilities
	PLN'000	PLN'000	PLN'000	PLN'000
Up to 1 month	0	173 381	0	49 610
From 1 to 3 months	0	4 320	0	0
Total	0	177 701	0	49 610

22. Financial assets and liabilities held for trading

Financial assets held for trading	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Derivative instruments	1 336	1 369
Total	1 336	1 369

Financial liabilities held for trading	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Derivative instruments	94	17
Total	94	17

Derivatives by type	Balance as at 31 December 2014		Balance as at 31 December 2013	
	Assets	Liabilities	Assets	Liabilities
	PLN'000	PLN'000	PLN'000	PLN'000
Currency swap	0	9	0	0
FRA	0	85	0	0
IRS	1 336	0	1 369	0
OIS	0	0	0	17
Total	1 336	94	1 369	17

The face value of instruments with the time to maturity as at 31 December 2014

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
FX derivatives:						
Currency swap	1 763	0	0	0	0	1 763
purchase	886	0	0	0	0	886
sale	877	0	0	0	0	877
Interest rate derivatives:						
FRA	0	0	100 000	0	0	100 000
purchase	0	0	100 000	0	0	100 000
IRS	0	0	100 000	40 000	0	140 000
purchase	0	0	50 000	20 000	0	70 000
sale	0	0	50 000	20 000	0	70 000
Total derivatives	1 763	0	200 000	40 000	0	241 763

The face value of instruments with the time to maturity as at 31 December 2013

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Interest rate derivatives:						
IRS	0	0	100 000	100 000	0	200 000
purchase	0	0	50 000	50 000	0	100 000
sale	0	0	50 000	50 000	0	100 000
OIS	200 000	0	0	0	0	200 000
purchase	100 000	0	0	0	0	100 000
sale	100 000	0	0	0	0	100 000
Total derivatives	200 000	0	100 000	100 000	0	400 000

23. Loans and advances to customers (net)

23.1. Loans and advances to customers (by type)

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
individuals	4 423 563	4 143 207
- overdraft facilities	35 836	37 515
- consumer loans	1 925 801	1 723 116
- real estate loans	2 444 023	2 367 726
- credit card debt	17 903	14 850
institutional clients	598 760	680 683
- overdraft facilities	34 627	42 111
- real estate loans	297 997	293 502
- operating loans	78 595	96 644
- investment loans	147 337	161 494
- mortgage loans	37 063	58 993
- other receivables	3 141	27 939
local authorities	303 362	356 614
- real estate loans	507	664
- operating loans	0	2 611
- investment loans	302 855	353 339
Gross loans and advances	5 325 685	5 180 504
Impairment losses on receivables	173 908	124 792
Net loans and advances	5 151 777	5 055 712

23.2. Loans and advances to customers (by maturity)

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Up to 1 month	88 663	92 682
From 1 to 3 months	91 010	96 644
From 3 months to 1 year	377 408	387 644
From 1 year to 5 years	1 354 549	1 363 562
Over 5 years	3 122 273	3 023 725
Past due	117 874	91 455
Total	5 151 777	5 055 712

23.3. Loans and advances to customers by method of estimating the impairment allowance

Balance as at 31 December 2014	Loans and advances to customers (gross)		Impairment allowance			Loans and advances to customers (net)		Total
	assessed individually	assessed collectively	assessed individually	assessed collectively		assessed individually	assessed collectively	
				no indications of impairment	indication of impairment			
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	
individuals	6 231	4 417 332	3 320	19 357	103 944	2 911	4 294 031	4 296 942
- overdraft facilities	0	35 836	0	422	3 044	0	32 370	32 370
- consumer loans	6 231	1 919 570	3 320	16 384	67 014	2 911	1 836 172	1 839 083
- real estate loans	0	2 444 023	0	2 293	31 768	0	2 409 962	2 409 962
- credit card debt	0	17 903	0	258	2 118	0	15 527	15 527
institutional clients	47 005	551 755	27 089	4 358	15 775	19 916	531 622	551 538
local authorities	0	303 362	0	20	45	0	303 297	303 297
Total	53 236	5 272 449	30 409	23 735	119 764	22 827	5 128 950	5 151 777

Balance as at 31 December 2013	Loans and advances to customers (gross)		Impairment allowance			Loans and advances to customers (net)		Total
	assessed individually	assessed collectively	assessed individually	assessed collectively		assessed individually	assessed collectively	
				no indications of impairment	indication of impairment			
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	
individuals	6 012	4 137 195	2 921	11 853	75 223	3 091	4 050 119	4 053 210
- overdraft facilities	0	37 515	0	547	2 291	0	34 677	34 677
- consumer loans	6 012	1 717 104	2 921	8 386	44 308	3 091	1 664 410	1 667 501
- real estate loans	0	2 367 726	0	2 751	27 347	0	2 337 628	2 337 628
- credit card debt	0	14 850	0	169	1 277	0	13 404	13 404
institutional clients	64 754	615 929	23 369	2 974	8 428	41 385	604 527	645 912
local authorities	0	356 614	0	24	0	0	356 590	356 590
Total	70 766	5 109 738	26 290	14 851	83 651	44 476	5 011 236	5 055 712

Individually significant exposures with indications of impairment, but with no actual impairment finally confirmed are included in collective calculation of IBNR.

23.4. Loans and advances to customers (by indication of impairment)

Balance as at 31 December 2014	Loans and advances to customers (gross)		Impairment allowance		Loans and advances to customers (net)		Total
	impaired	not impaired	impaired	not impaired	impaired	not impaired	
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	
individuals	247 265	4 176 298	107 264	19 357	140 001	4 156 941	4 296 942
- overdraft facilities	5 457	30 379	3 044	422	2 413	29 957	32 370
- consumer loans	161 356	1 764 445	70 334	16 384	91 022	1 748 061	1 839 083
- real estate loans	76 414	2 367 609	31 768	2 293	44 646	2 365 316	2 409 962
- credit card debt	4 038	13 865	2 118	258	1 920	13 607	15 527
institutional clients	78 026	520 734	42 864	4 358	35 162	516 376	551 538
local authorities	100	303 262	45	20	55	303 242	303 297
Total	325 391	5 000 294	150 173	23 735	175 218	4 976 559	5 151 777

Balance as at 31 December 2013	Loans and advances to customers (gross)		Impairment allowance		Loans and advances to customers (net)		Total
	impaired	not impaired	impaired	not impaired	impaired	not impaired	
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	
individuals	193 465	3 949 742	78 144	11 853	115 321	3 937 889	4 053 210
- overdraft facilities	4 103	33 412	2 291	547	1 812	32 865	34 677
- consumer loans	114 152	1 608 964	47 229	8 386	66 923	1 600 578	1 667 501
- real estate loans	72 761	2 294 965	27 347	2 751	45 414	2 292 214	2 337 628
- credit card debt	2 449	12 401	1 277	169	1 172	12 232	13 404
institutional clients	83 776	596 907	31 797	2 974	51 979	593 933	645 912
local authorities	0	356 614	0	24	0	356 590	356 590
Total	277 241	4 903 263	109 941	14 851	167 300	4 888 412	5 055 712

23.5. Change in impairment allowances

Changes in impairment allowances on loans and advances to customers in individual reporting periods have been presented below:

	Balance of impairment allowances as at 1 January 2014	Recognized in the period	Derecognized in the period	Applied*	Balance of impairment allowances as at 31 December 2014
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
individuals	89 997	60 138	(11 336)	(12 178)	126 621
- overdraft facilities	2 838	1 808	(1 180)	0	3 466
- consumer loans	55 615	49 709	(6 428)	(12 178)	86 718
- real estate loans	30 098	7 426	(3 463)	0	34 061
- credit card debt	1 446	1 195	(265)	0	2 376
institutional clients	34 771	17 413	(4 749)	(213)	47 222
local authorities	24	45	(4)	0	65
Total	124 792	77 596	(16 089)	(12 391)	173 908

* Amounts charged to provisions and sale of receivables

	Balance of impairment allowances as at 1 January 2013	Recognized in the period	Derecognized in the period	Applied*	Balance of impairment allowances as at 31 December 2013
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
individuals	70 131	44 900	(13 135)	(11 899)	89 997
- overdraft facilities	1 693	1 823	(678)	0	2 838
- consumer loans	46 880	28 713	(9 146)	(10 832)	55 615
- real estate loans	20 921	13 426	(3 184)	(1 065)	30 098
- credit card debt	637	938	(127)	(2)	1 446
institutional clients	24 563	13 966	(3 386)	(372)	34 771
local authorities	412	4	(392)	0	24
Total	95 106	58 870	(16 913)	(12 271)	124 792

* Amounts charged to provisions and sale of receivables

24. Investments in financial assets

Balance as at 31 December 2014	Available for sale	Held to maturity	Total
	PLN'000	PLN'000	PLN'000
Quoted	620 592	393 688	1 014 280
Treasury bonds, including	611 726	393 688	1 005 414
- covering Bank Guarantee Fund	0	37 383	37 383
Bank bonds and certificates of deposit	8 866	0	8 866
Unquoted	479 955	25 031	504 986
Shares	8	0	8
Debt instruments issued by the National Bank of Poland	479 947	0	479 947
Bank bonds and certificates of deposit	0	25 031	25 031
Total investments in financial assets	1 100 547	418 719	1 519 266

Balance as at 31 December 2013	Available for sale	Held to maturity	Total
	PLN'000	PLN'000	PLN'000
Quoted	615 185	372 080	987 265
Treasury bonds, including:	585 445	372 080	957 525
- covering Bank Guarantee Fund	0	37 484	37 484
Bank bonds and certificates of deposit	29 740	0	29 740
Unquoted	839 833	14 938	854 771
Shares	8	0	8
Debt instruments issued by the National Bank of Poland	839 825	0	839 825
Bank bonds and certificates of deposit	0	14 938	14 938
Total investments in financial assets	1 455 018	387 018	1 842 036

Investment assets available for sale – by maturity

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Up to 1 month	479 947	839 825
From 1 to 3 months	0	0
From 3 months to 1 year	91 491	212 630
From 1 year to 5 years	520 235	327 620
Over 5 years	8 866	74 935
With unspecified maturity	8	8
Total	1 100 547	1 455 018

Investment financial assets held to maturity – by maturity

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Up to 1 month	4 996	4 996
From 1 to 3 months	9 957	9 942
From 3 months to 1 year	214 905	54 153
From 1 year to 5 years	178 233	317 927
Over 5 years	10 628	0
Total	418 719	387 018

Reclassification of securities

In 2010 and in 2014, following the intended use change, the Group reclassified securities from available for sale to held to maturity, in accordance with classification criteria described in IAS 39.

The face value, the carrying amount and the fair value of reclassified securities as at 31 December 2014 and 31 December 2013 have been presented in detail in the table below.

Item	Balance as at 31 December 2014			Balance as at 31 December 2013		
	Nominal value subject to reclassification	Carrying amount	Fair value	Nominal value subject to reclassification	Carrying amount	Fair value
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
treasury bonds	382 271	393 688	406 348	359 271	372 080	384 652
Total	382 271	393 688	406 348	359 271	372 080	384 652

Figures which would have been recognized in the income statement and other comprehensive income if the reclassification had not been carried out

Item	Period from 1 January 2014 to 31 December 2014		Period from 1 January 2013 to 31 December 2013	
	Income statement	Other comprehensive income	Income statement	Other comprehensive income
	PLN'000	PLN'000	PLN'000	PLN'000
Treasury bonds	12 501	2 160	12 707	6 563
Total	12 501	2 160	12 707	6 563

Figures recognized in the income statement and other comprehensive income following the reclassification

Item	Period from 1 January 2014 to 31 December 2014		Period from 1 January 2013 to 31 December 2013	
	Income statement	Other comprehensive income	Income statement	Other comprehensive income
	PLN'000	PLN'000	PLN'000	PLN'000
Treasury bonds	12 294	(2 248)	13 100	(394)
Total	12 294	(2 248)	13 100	(394)

25. Property, plant and equipment

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Buildings and structures	12 521	13 057
Land and other	499	499
Leasehold improvements	6 674	6 353
Plant and equipment	16 079	14 422
Fixed assets under construction	7 385	3 510
Vehicles	0	59
Fittings	4 763	6 460
Fixed assets under finance lease	0	306
Total	47 921	44 666

As at 31 December 2014, the Group was a party to agreements resulting in contractual liabilities due to acquisition of property, plant and equipment of PLN 3 695 thousand.

Change in property, plant and equipment in the period from 1 January 2014 to 31 December 2014

	Buildings and structures	Land and other	Leasehold improvements	Machines and equipment	Fixed assets under construction	Vehicles	Fittings	Lease	Total fixed assets
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Gross value of fixed assets at the beginning of the reporting period	19 469	499	23 331	44 062	3 510	230	27 566	2 188	120 855
Increases	44	0	2 873	7 340	9 491	7	1 323	0	21 078
Direct purchases	44	0	1 018	3 924	9 491	2	1 008	0	15 487
Other increases	0	0	1 855	3 416	0	5	315	0	5 591
Decreases	0	0	(9 396)	(1 978)	(5 616)	(13)	(1 360)	(2 188)	(20 551)
Sales, liquidation	0	0	(9 396)	(1 978)	(25)	(13)	(1 360)	(2 188)	(14 960)
Other decreases	0	0	0	0	(5 591)	0	0	0	(5 591)
Gross value of fixed assets at the end of the reporting period	19 513	499	16 808	49 424	7 385	224	27 529	0	121 382
Accumulated depreciation at the beginning of the reporting period	6 412	0	16 978	29 640	0	171	21 106	1 882	76 189
Increases	580	0	2 372	5 654	0	60	2 982	306	11 954
Depreciation	580	0	2 362	5 647	0	60	2 982	306	11 937
Other increases	0	0	10	7	0	0	0	0	17
Decreases	0	0	(9 216)	(1 949)	0	(7)	(1 322)	(2 188)	(14 682)
Sales, liquidation	0	0	(9 216)	(1 944)	0	(7)	(1 302)	(2 188)	(14 657)
Other decreases	0	0	0	(5)	0	0	(20)	0	(25)
Accumulated depreciation at the end of the reporting period	6 992	0	10 134	33 345	0	224	22 766	0	73 461
Net value of fixed assets at the beginning of the reporting period	13 057	499	6 353	14 422	3 510	59	6 460	306	44 666
Net value of fixed assets at the end of the reporting period	12 521	499	6 674	16 079	7 385	0	4 763	0	47 921

Change in property, plant and equipment in the period from 1 January 2013 to 31 December 2013

	Buildings and structures	Land and other	Leasehold improvements	Machines and equipment	Fixed assets under construction	Vehicles	Fittings	Lease	Total fixed assets
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Gross value of fixed assets at the beginning of the reporting period	19 046	499	22 201	38 345	3 104	210	27 144	2 188	112 737
Increases	423	0	2 292	7 787	6 201	44	2 296	0	19 043
Direct purchases	238	0	323	5 418	6 201	14	505	0	12 699
Other increases	185	0	1 969	2 369	0	30	1 791	0	6 344
Decreases	0	0	(1 162)	(2 070)	(5 795)	(24)	(1 874)	0	(10 925)
Sales, liquidation	0	0	(1 162)	(2 070)	(32)	(24)	(1 293)	0	(4 581)
Other decreases	0	0	0	0	(5 763)	0	(581)	0	(6 344)
Gross value of fixed assets at the end of the reporting period	19 469	499	23 331	44 062	3 510	230	27 566	2 188	120 855
Accumulated depreciation at the beginning of the reporting period	5 848	0	15 392	26 365	0	113	19 507	1 299	68 524
Increases	564	0	2 655	5 304	0	59	3 313	583	12 478
Depreciation	564	0	2 653	4 817	0	59	3 310	583	11 986
Other increases	0	0	2	487	0	0	3	0	492
Decreases	0	0	(1 069)	(2 029)	0	(1)	(1 714)	0	(4 813)
Sales, liquidation	0	0	(1 069)	(2 029)	0	(1)	(1 229)	0	(4 328)
Other decreases	0	0	0	0	0	0	(485)	0	(485)
Accumulated depreciation at the end of the reporting period	6 412	0	16 978	29 640	0	171	21 106	1 882	76 189
Net value of fixed assets at the beginning of the reporting period	13 198	499	6 809	11 980	3 104	97	7 637	889	44 213
Net value of fixed assets at the end of the reporting period	13 057	499	6 353	14 422	3 510	59	6 460	306	44 666

26. Intangible assets

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
R&D expenses	6 537	4 012
Copyrights, licenses, concessions and software	22 279	23 840
Payments to intangible assets	3 585	2 363
Total intangible assets	32 401	30 215

As at 31 December 2014, the Group was a party to agreements resulting in contractual liabilities due to acquisition of intangible assets of PLN 2 598 thousand.

Change in intangible assets in the period from 1 January 2014 to 31 December 2014

	R&D expenses	Copyrights, licenses, concessions and software	Payments to intangible assets	Total intangible assets
	PLN'000	PLN'000	PLN'000	PLN'000
Gross value of intangible assets at the beginning of the reporting period	4 482	79 945	2 363	86 790
Increases	3 762	6 235	6 984	16 981
Reclassification from expenditures	2 355	3 211	0	5 566
Direct purchases	1 407	3 024	6 984	11 415
Decreases	(187)	(2 989)	(5 762)	(8 938)
Sales, liquidation	(187)	(2 989)	(196)	(3 372)
Expenditure settlement	0	0	(5 566)	(5 566)
Gross value of intangible assets at the end of the reporting period	8 057	83 191	3 585	94 833
Accumulated amortization at the beginning of the reporting period	470	56 105	0	56 575
Increases	1 071	7 796	0	8 867
Amortization	1 071	7 796	0	8 867
Decreases	(21)	(2 989)	0	(3 010)
Sales, liquidation	(21)	(2 989)	0	(3 010)
Accumulated amortization at the end of the reporting period	1 520	60 912	0	62 432
Net value of intangible assets at the beginning of the reporting period	4 012	23 840	2 363	30 215
Net value of intangible assets at the beginning of the reporting period	6 537	22 279	3 585	32 401

Change in intangible assets in the period from 1 January 2013 to 31 December 2013

	R&D expenses	Copyrights, licenses, concessions and software	Payments to intangible assets	Total intangible assets
	PLN'000	PLN'000	PLN'000	PLN'000
Gross value of intangible assets at the beginning of the reporting period	2 137	67 404	4 557	74 098
Increases	2 345	12 678	7 554	22 577
Reclassification from expenditures	2 345	7 403	0	9 748
Direct purchases	0	5 275	7 554	12 829
Decreases	0	(137)	(9 748)	(9 885)
Sales, liquidation	0	(137)	0	(137)
Expenditure settlement	0	0	(9 748)	(9 748)
Gross value of intangible assets at the end of the reporting period	4 482	79 945	2 363	86 790
Accumulated amortization at the beginning of the reporting period	4	46 755	0	46 759
Increases	466	9 487	0	9 953
Amortization	466	9 487	0	9 953
Decreases	0	(137)	0	(137)
Sales, liquidation	0	(137)	0	(137)
Accumulated amortization at the end of the reporting period	470	56 105	0	56 575
Net value of intangible assets at the beginning of the reporting period	2 133	20 649	4 557	27 339
Net value of intangible assets at the end of the reporting period	4 012	23 840	2 363	30 215

27. Other assets

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Accrued revenue	17 669	17 187
Various debtors and other assets	15 432	14 010
Accrued expenses	2 914	3 484
Payment card settlements	6 854	1 547
Inventory related to the Bank's sundry operations	1 284	690
Other assets	254	366
Total other gross assets	44 407	37 284
Impairment losses on other assets	(15 133)	(10 210)
Total other net assets	29 274	27 074

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Impairment losses on other assets at the beginning of the reporting period	10 210	5 161
Impairment loss recognized/revalued	5 779	5 182
Impairment loss applied	(4)	(17)
Impairment loss derecognized	(852)	(116)
Impairment losses on other assets at the end of the reporting period	15 133	10 210

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Up to 1 month	26 329	22 190
From 1 to 3 months	180	193
From 3 months to 1 year	2 695	4 613
Short-term total	29 204	26 996
From 1 year to 5 years	4	5
Over 5 years	0	0
Long-term total	4	5
Unspecified maturity	66	73
Total other net assets	29 274	27 074

28. Liabilities to the Central Bank

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Current loro accounts	11	11
Total liabilities to the Central Bank	11	11

29. Liabilities to other banks

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Current accounts	4 020	3 719
Term deposits	0	38 043
Total liabilities to other banks	4 020	41 762
including:		
Short-term (up to 1 year)	4 020	41 762
Long-term (over 1 year)	0	0

As at 31 December 2013, term deposits included mainly O/N and short-term (maturing within 3 months) deposits.

30. Liabilities to clients

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Institutional clients:		
Current accounts	593 056	584 135
Term deposits	1 173 795	1 386 033
Other liabilities, including:	17 021	4 494
- due to cash collateral	13 427	1 977
Total - institutional clients	1 783 872	1 974 662
Individual clients:		
Current accounts	2 265 200	2 209 188
Term deposits	2 323 793	1 899 036
Other liabilities, including:	61 333	48 947
- due to cash collateral	4	4
Total - individual clients	4 650 326	4 157 171
Government agencies and local authorities		
Current accounts	50 312	84 987
Term deposits	7 506	13 751
Other liabilities, including:	7	7
- due to cash collateral	7	7
Total - government agencies and local authorities	57 825	98 745
Total	6 492 023	6 230 578
including:		
Short-term (up to 1 year)	3 206 320	3 037 883
Long-term (over 1 year)	377 128	314 385
With unspecified maturity	2 908 575	2 878 310

31. Liabilities arising from issue of debt securities

Classification	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Financial instruments measured at amortized cost	358 256	431 597
Total	358 256	431 597

By maturity	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Up to 1 month	0	34 204
From 1 to 3 months	232	0
From 3 months to 1 year	826	249 543
From 1 year to 5 years	357 198	147 850
Total	358 256	431 597

Balance as at 31 December 2014					
Item	Bond series number	Par value	Interest	Maturity	Balance of liabilities
		PLN'000			PLN'000
Bonds					
Quoted	B2	147 850	WIBOR 6M + 1.40pp	13 December 2016	147 845
Unquoted	B4	170 000	WIBOR 6M + 1.45pp	17 December 2018	169 847
Unquoted	B3	40 000	4%	20 August 2018	40 564
Total		357 850			358 256

In the first quarter of 2014 the Bank offered B2 series bonds to be traded on the Over-The-Counter market of the Warsaw Stock Exchange (*Catalyst*). In the third quarter of 2014 the Bank issued long-term straight B3 series bonds with the face value of PLN 40 000 thousand. In the fourth quarter of 2014 the Bank issued B4 series bonds with a four-year term to maturity and the face value of PLN 170 000 thousand. All bonds issued are unsecured bonds. The Bank fulfilled all its obligations arising from the bond issues.

Balance as at 31 December 2013					
Item	Bond series number	Par value	Interest	Maturity	Balance of liabilities
		PLN'000			PLN'000
Bonds					
Quoted	B	200 000	WIBOR 6M + 1.70pp	10 July 2014	204 127
Unquoted	D2	30 000	zero-coupon bonds	8 January 2014	29 982
Unquoted	D3	50 000	zero-coupon bonds	2 June 2014	49 325
Unquoted	B2	147 850	WIBOR 6M + 1.40pp	13 December 2016	148 163
Total		427 850			431 597

In the year ended 31 December 2013 the Bank fulfilled all its obligations arising from the bond issues. All bonds issued are unsecured bonds.

32. Subordinated liabilities

Classification	Balance as at 31 December 2014 PLN'000	Balance as at 31 December 2013 PLN'000
Financial instruments measured at amortized cost, including:		
- loans	43 106	43 036
- bonds	98 984	98 991
Total	142 090	142 027

On 8 January 2014, the Bank entered into a subordinated loan agreement with Poczta Polska S.A. in the amount of PLN 43 000 thousand. The loan was granted for a term of seven years. At the same time, the parties concluded an arrangement concerning early repayment of the subordinated loan granted by Poczta Polska S.A. under the agreement of 8 July 2011.

On 21 March 2014 the Polish Financial Supervision Authority (KNF) approved classification of cash from a subordinated loan granted by Poczta Polska S.A. under the agreement of 8 January 2014 to Tier 2 capital of the Bank. Moreover, the Polish Financial Supervision Authority approved early repayment of the subordinated loan granted by Poczta Polska S.A. under the agreement of 8 July 2011 classified to Tier 2 capital of the Bank. Following the approval, funds from the subordinated loan granted by Poczta Polska S.A. under the agreement of 8 July 2011 were repaid by the Bank on 26 March 2014.

Balance as at 31 December 2014				
Item	Par value PLN'000	Interest	Maturity	Balance of subordinated liabilities PLN'000
Loans				
Poczta Polska	43 000	WIBOR6M+3.25pp	15 January 2021	43 106
Bonds				
Quoted	47 340	WIBOR6M+3.75pp (by 8 July 2016) WIBOR6M+3.75pp + 1.5pp (between 9 July 2016 and 8 July 2021)	8 July 2021	48 714
Quoted	50 000	WIBOR6M+3.50pp	5 October 2022	50 270
Total	140 340			142 090

Subordinated bonds are traded on the Over-The-Counter market of the Warsaw Stock Exchange (*Catalyst*).

Balance as at 31 December 2013				
Item	Par value PLN'000	Interest	Maturity	Balance of subordinated liabilities PLN'000
Loans				
Poczta Polska	43 000	WIBOR6M+3pp	8 July 2016	43 036
Bonds				
Quoted	47 340	WIBOR6M+3.75pp (by 8 July 2016) WIBOR6M+3.75pp + 1.5pp (between 9 July 2016 and 8 July 2021)	8 July 2021	48 707
Quoted	50 000	WIBOR6M+3.50pp	5 October 2022	50 284
Total	140 340			142 027

Subordinated bonds are traded on the Over-The-Counter market of the Warsaw Stock Exchange (*Catalyst*).

33. Provisions

	Provisions for disputes	Provision for retirement and disability benefits	Provisions for off- balance sheet liabilities	Other provisions	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Balance as at 1 January 2014	1 371	757	1 125	166	3 419
Recognized provisions	576	107	2 225	224	3 132
Revised provisions	0	(153)	0	0	(153)
Applied provisions	(44)	(43)	0	(94)	(181)
Derecognized provisions	(643)	0	(2 719)	0	(3 362)
Other	0	0	0	0	0
Balance as at 31 December 2014	1 260	668	631	296	2 855
including:					
Short-term (up to 1 year)	1 225	15	631	296	2 167
Long-term (over 1 year)	35	653	0	0	688
Balance as at 31 December 2014	1 260	668	631	296	2 855

	Provisions for disputes	Provision for retirement and disability benefits	Provisions for off- balance sheet liabilities	Other provisions	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Balance as at 1 January 2013	2 470	675	684	166	3 995
Recognized provisions	823	143	4 304	0	5 270
Revised provisions	84	(34)	0	0	50
Applied provisions	(57)	(27)	0	0	(84)
Derecognized provisions	(1 949)	0	(3 863)	0	(5 812)
Balance as at 31 December 2013	1 371	757	1 125	166	3 419
including:					
Short-term (up to 1 year)	1 371	51	1 125	166	2 713
Long-term (over 1 year)	0	706	0	0	706
Balance as at 31 December 2013	1 371	757	1 125	166	3 419

Description of the major disputes entered into by the Group

In 2001, the President of the Office of Competition and Consumer Protection ("OCCP President") initiated anti-monopoly proceedings against card associations (Visa, Europay) and banks (issuers of Visa and Europay/Eurocard/Mastercard cards) concerning anti-competitive practices in the Polish payment card market, which consisted, allegedly, in common determination of the interchange fee for transactions made with Visa and Europay/Eurocard/Mastercard cards.

On 29 December 2006, OCCP President decided that practices consisting in the banks' common determination of the interchange fee reduced competition in the market of acquiring services relating to payment of consumers' liabilities to merchants, arising from payments for goods and services purchased by consumers with the use of payment cards in Poland, and ordered their discontinuation, imposing, at the same time, financial penalties on the banks, including the Bank, equal to PLN 2 895 thousand (participating only in the VISA system) (OCCP President's decision No. DAR 15/2006). The Bank recognized a provision for the full amount of the aforesaid penalty.

An appeal against the abovementioned decision was filed with the Court of Competition and Consumer Protection ("CCCP") by the Bank and other parties to the proceedings. As a result, in its judgment of 12 November 2008 CCCP reversed the decision concluding that no anti-competitive practices had been followed by the banks in the aforesaid case. Following an appeal filed by OCCP President, the Court of Appeals reversed the judgment in whole on 22 April 2010 and remanded the case for further proceedings at CCCP.

In its judgment of 21 November 2013, CCCP:

- reversed the decision appealed against in respect of the amount of financial penalties imposed on the banks specified in the judgment;
- dismissed the appeals in the remaining scope;
- cancelled the costs of the proceedings.

On 3 February 2014, the Bank appealed against the judgment with respect to dismissal of the appeal. On 12 February 2014, OCCP President filed an appeal against the judgment with respect to the penalties and costs of the proceedings. Considering the appeals filed by OCCP President and some banks, the judgment is not final.

Having considered the assessment of the probability that the lower penalty imposed on the Bank would not be changed and having analyzed the position of OCCP President and CCCP on determination of the amount of the penalties levied, along with the scenarios concerning further course of the proceedings, the Bank estimated the provision for the potential financial penalty assuming that the judgment of the Court of Appeals would be favorable for OCCP President, in the amount of PLN 1 043 thousand as at 31 December 2014.

Key items affecting the provision for retirement and disability benefits

As the Bank estimates its provisions for retirement and disability benefits using actuarial methods, it is exposed to the actuarial risk, including mainly the interest rate, longevity and compensation risk.

Risk	Effect on measurement
Interest rate risk	A drop in interest rates on financial instruments which are not exposed to credit risk results in higher present value of provisions for retirement and disability benefits.
Longevity risk	The present value of liabilities under the defined benefit plan is determined by reference to best estimates of program participants' mortality both during and following the term of service. Any increase in the program participants' life expectancy results in a rise in the value of provisions for retirement and disability benefits.
Compensation risk	The present value of liabilities under the defined benefit plan is determined by reference to program participants' future compensation level. Therefore, any increase in the program participants' compensation results in a rise in the value of provisions for retirement and disability benefits.

Key parameters used for determining the provision for retirement and disability benefits have been presented below.

	Balance as at 31 December 2014	Balance as at 31 December 2013
Discount rates	3.5%	4.0%
Anticipated pay growth rate	2% - 3,5%	2% - 5%
Mortality tables used for calculation purposes*	100% PTTZ 2013	100% PTTZ 2012
Inflation rate	2.5%	2.5%
Turnover (p.a.)	6,0% - 10,0%	5,0% - 9,0%

* it is assumed that mortality of those employed is reduced by 10%

The table below presents amounts recognized in profit or loss and in other comprehensive income with respect to the defined benefit plan.

	Period from 1 January 2014 to 31 December 2014 PLN'000	Period from 1 January 2013 to 31 December 2013 PLN'000
Provisions for retirement and disability benefits at the beginning of the reporting period	757	675
Amounts recognized in the consolidated profit or loss, including:		
- current service cost	65	111
- past service cost	11	0
- net interest expense	31	32
Expense recognized in the consolidated profit or loss	107	143
Amounts recognized in consolidated other comprehensive income, including:		
- actuarial gains and losses due to changes in demographic assumptions	(60)	(145)
- actuarial gains and losses due to changes in financial assumptions	(93)	111
Expense items recognized in consolidated other comprehensive income	(153)	(34)
Benefits paid	(43)	(27)
Provisions for retirement and disability benefits at the end of the reporting period	668	757

34. Other liabilities

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Trade liabilities	38 912	38 656
Settlements with Poczta Polska due to cash processing services	23 338	29 171
Prepaid expenses	15 792	7 312
Provisions for bonuses and remuneration	7 009	847
Interbank settlements	4 410	3 892
Settlements under public law	4 364	5 022
Deferred income	2 136	1 542
Provisions for paid vacation	2 038	1 822
Payment card settlements	1 367	251
Finance lease liabilities	0	306
Total	99 366	88 821
including:		
Short-term (up to 1 year)	99 079	88 580
Long-term (over 1 year)	287	241

35. Equity

35.1. Share capital

	Balance as at 31 December 2014		
	number of shares	year of registration	value PLN'000
Registered shares, A series/face value of PLN 10 each	291 300	2011	2 913
Registered shares, B series/face value of PLN 10 each	9 437 740	2011	94 377
Total	9 729 040		97 290

	Balance as at 31 December 2013		
	number of shares	year of registration	value PLN'000
Registered shares, A series/face value of PLN 10 each	291 300	2011	2 913
Registered shares, B series/face value of PLN 10 each	9 437 740	2011	94 377
Total	9 729 040		97 290

As at 31 December 2014, the Bank's share capital was composed of 9 729 040 shares with the face value of PLN 10 each. The Bank's shares were fully paid up. General description of shares:

- 291 300 registered A series shares (held by Poczta Polska S.A.) carrying no voting preference, but carrying preferential rights to asset distribution in case of liquidation of the Bank in proportion of 5 to 1 versus ordinary shares. The preference is lost if a given A series share is sold to an entity not being a founder-shareholder;
- 7 005 470 registered B series shares (held by Poczta Polska S.A.) and 2 432 270 registered B series shares (held by Powszechna Kasa Oszczędności Bank Polski S.A.) carrying no preference.

As at 31 December 2014 there were no changes in the share capital of the Bank as compared to 31 December 2013.

Each ordinary share gives its holder a title to dividend and one vote at General Shareholders' Meeting.

35.2. Supplementary capital

Supplementary capital is created from the share premium and mandatory 8% appropriation of the net profit. Individual supplementary capital items have been presented in the statement of changes in equity.

35.3. Revaluation reserve

Revaluation reserve is created upon recognition of the effects of measurement of financial instruments classified as available for sale on a net basis as well as net actuarial gains and losses arising from measurement of post-employment defined benefit plans (provisions for retirement and disability benefits).

The items in question are reclassified from the revaluation reserve (except for net actuarial gains/losses arising from measurement of post-employment defined benefit plans) when the assets measured are derecognized in whole or in part or when impairment is recognized (at which time the effects of measurement are recognized in profit or loss).

	Balance as at 31 December 2014	Balance as at 31 December 2013	Change 2014/2013
	PLN'000	PLN'000	PLN'000
Measurement of financial assets available for sale	5 005	(2 309)	7 314
Measurement of financial assets available for sale reclassified to assets held to maturity	(1 882)	366	(2 248)
Actuarial gains and losses on measurement of liabilities under the defined benefit plan	430	277	153
Deferred tax on measurement of financial assets recognized in the revaluation reserve	(593)	369	(962)
Deferred tax on measurement of actuarial gains/losses recognized in the revaluation reserve	(83)	(54)	(29)
Total revaluation reserve	2 877	(1 351)	4 228

35.4. Other reserve capitals

The reserve capital is established from profit distribution in accordance with the Banking Law and the Bank's charter. It encompasses a general risk reserve and reserve capital. The general risk reserve and the reserve capital have been presented below.

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
General risk reserve	108 345	106 345
Reserve capital	158 893	135 862
Other reserve capitals	267 238	242 207

36. Fair value of financial instruments

Fair value is a price the Group would receive for sale of an asset or pay for transfer of a liability in a transaction carried out on arms-length terms as at the measurement date.

As at 31 December 2014 and 31 December 2013, the Group classified financial assets and liabilities measured at fair value in the statement of financial position as well as financial assets and liabilities which are not measured at fair value on an ongoing basis in the following manner:

- Level I: financial assets/liabilities measured based on quoted (unadjusted) prices on active markets for identical assets or liabilities, available to the Group at the measurement date.
- Level II: financial assets/liabilities measured based on input data other than quoted prices, as specified for Level I, observable for an asset or liability either indirectly or directly.
- Level III: financial assets/liabilities measured based on non-observable input data concerning an asset or liability.

A. Financial instruments which are not measured at fair value in the consolidated statement of financial position

The main classes of financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position are items measured at amortized cost or historical cost, such as:

- originated loans, advances and other receivables not held for trading;
- financial assets held to maturity;
- financial liabilities not held for trading.

Cash in hand, deposits with the Central Bank and receivables from other banks

This item includes the Group's cash in current accounts with other banks and debt securities of banks classified as loans and receivables.

The fair value of current receivables and term deposits of the Group, maturing within one year, and other receivables is consistent with the carrying amount.

Fair value of debt securities issued by banks, classified as loans and receivables, is measured by discounting future payments from these instruments using spread determined at the transaction date. Debt securities with embedded call option are measured with the assumption that the call option will be realized in the nearest possible term. Call option embedded in a security is measured at the end of the reporting period by way of determining the difference between security measurement assuming the realization of the call option in the nearest possible term and discounted cash flows from the security held to maturity.

Loans and advances granted to clients

"Loans and advances granted to clients" include loans and advances as well as debt securities classified as loans and receivables in accordance with IAS 39.

The fair value of loans and advances is determined by calculating the carrying amount - fair value adjustment for each loan. The adjustment was calculated as the difference between the total future cash flows related to such loan, discounted using the market interest rate (in line with the yield curve based on WIBOR, FRA and IRS quoted) increased by the market product markup and the value of the loan not matured as at the end of the reporting period. The said future cash flows included those related to the principal (as specified in the agreement) and those related to interest, calculated on in line with the market yield curve based on WIBOR, FRA and IRS quoted at the end of the reporting period, increased by individual contract markup for each loan. The market product markup has been determined as the average effective principal-weighted markup for a similar group of products extended in the three-month period immediately preceding the end of the reporting period. The carrying amount adjustment to the fair value has been determined for facilities, whose future cash flows are predictable, while for other exposures, such as overdrafts, impaired exposures with impairment loss recognized, the adjustment was assumed at zero.

Fair value of corporate debt securities is measured by discounting future payments from these instruments using spread determined at the transaction date. Securities with embedded call option are measured with the assumption that the call option will be realized in the nearest possible term. Call option embedded in a security is measured at the end of the reporting period by way of determining the difference between bond measurement assuming the realization of the call option in the nearest possible term and discounted cash flows from the bond held to maturity.

Investment financial assets held to maturity

The fair value of treasury bonds is determined directly based on prices quoted on the active market.

Fair value of other debt securities classified as financial assets held to maturity, is measured by discounting future payments from these instruments using spread determined at the transaction date. Debt securities with embedded call option are measured with the assumption that the call option will be realized in the nearest possible term. Call option embedded in a security is measured at the end of the reporting period by way of determining the difference between the debt security measurement assuming the realization of the call option in the nearest possible term and discounted cash flows from the debt security held to maturity.

The tables below present the differences between the carrying amount (carrying amount of interest-bearing financial assets and liabilities has been presented with interest accrued) and the estimated fair value of financial assets and liabilities of the Group as well as fair value hierarchy classification of financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position of the Group.

Other financial assets/liabilities not carried at fair value in the consolidated statement of financial position

In case of financial assets and liabilities recognized at the amount due less impairment loss, the Group assumes that the fair value equals the carrying amount due to the nature of such groups of assets, e.g. short term to maturity, unique nature of the instrument. This concerns, in particular, cash and monetary assets, current receivables, current liabilities and liabilities under finance leases. The fair value of term deposits of banks, maturing within one year, and other financial liabilities is equal to the carrying amount.

Liabilities to clients

The fair value of "Liabilities to clients" was determined by calculating the carrying amount - fair value adjustment for each term deposit. The adjustment was calculated as the difference between the total future cash flows related to the principal and interest accrued from the end of the reporting period to the maturity date, discounted using the market interest rate (in line with the yield curve based on WIBOR, FRA and IRS) increased by the applicable product markup and the carrying amount of the deposit balance. The applicable product markup has been determined as the average markup for a similar group of products extended in the three-month period immediately preceding the end of the reporting period as the average difference between the effective interest rate of the deposit and the base rate as of the end of the reporting period. The carrying amount adjustment to the fair value has been determined for deposits, whose future cash flows are predictable, while for other exposures, such as term deposits maturing within up to 3 months of the balance sheet date, the adjustment was assumed at zero.

Subordinated liabilities and liabilities arising from issue of debt securities

Fair value of the subordinated loan and liabilities arising from issued debt securities is measured by discounting future payments from these instruments using spread determined at the transaction date.

The tables below present the differences between the carrying amount (carrying amount of interest-bearing financial assets and liabilities has been presented with interest accrued) and the estimated fair value of financial assets and liabilities of the Group as well as fair value hierarchy classification of financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position of the Group.

	Balance as at 31 December 2014		Balance as at 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	PLN'000	PLN'000	PLN'000	PLN'000
Cash in hand and deposits with the Central Bank	757 643	757 643	327 242	327 242
Receivables from other banks	158 269	164 343	36 329	36 327
Loans and advances granted to clients, including:	5 151 777	5 022 830	5 055 712	4 988 692
individuals	4 296 942	4 207 427	4 053 210	3 998 915
- overdraft facilities	32 370	32 370	34 677	34 677
- consumer loans	1 839 083	1 695 226	1 667 501	1 522 188
- real estate loans	2 409 962	2 464 304	2 337 628	2 428 646
- credit card debt	15 527	15 527	13 404	13 404
institutional clients	551 538	512 111	645 912	634 252
local authorities	303 297	303 292	356 590	355 525
Investment financial assets held to maturity	418 719	431 636	387 018	399 701
Other assets	29 274	29 274	27 074	27 074
Liabilities to the Central Bank	11	11	11	11
Liabilities to other banks	4 020	4 020	41 762	41 762
Liabilities to clients	6 492 023	6 506 449	6 230 578	6 250 590
Liabilities arising from issue of debt securities	358 256	359 920	431 597	427 256
Subordinated liabilities	142 090	140 563	142 027	140 974
Other liabilities	99 366	99 366	88 821	88 821

Balance as at 31 December 2014	Level I PLN'000	Level II PLN'000	Level III PLN'000	Total PLN'000
Cash in hand and deposits with the Central Bank	0	757 643	0	757 643
Receivables from other banks	0	6 452	157 891	164 343
Loans and advances granted to clients, including:	0	75 139	4 947 691	5 022 830
individuals	0	47 897	4 159 530	4 207 427
- overdraft facilities	0	32 370	0	32 370
- consumer loans	0	0	1 695 226	1 695 226
- real estate loans	0	0	2 464 304	2 464 304
- credit card debt	0	15 527	0	15 527
institutional clients	0	27 242	484 869	512 111
local authorities	0	0	303 292	303 292
Investment assets held to maturity	406 556	0	25 080	431 636
Other assets	0	0	29 274	29 274
Liabilities to the Central Bank	0	11	0	11
Liabilities to other banks	0	4 020	0	4 020
Liabilities to clients	0	2 907 744	3 598 705	6 506 449
Liabilities arising from issue of debt securities	0	0	359 920	359 920
Subordinated liabilities	0	0	140 563	140 563
Other liabilities	0	0	99 366	99 366

Balance as at 31 December 2013	Level I PLN'000	Level II PLN'000	Level III PLN'000	Total PLN'000
Cash in hand and deposits with the Central Bank	0	327 242	0	327 242
Receivables from other banks	0	6 147	30 180	36 327
Loans and advances granted to clients, including:	0	85 029	4 903 663	4 988 692
individuals	0	48 081	3 950 834	3 998 915
- overdraft facilities	0	34 677	0	34 677
- consumer loans	0	0	1 522 188	1 522 188
- real estate loans	0	0	2 428 646	2 428 646
- credit card debt	0	13 404	0	13 404
institutional clients	0	36 948	597 304	634 252
local authorities	0	0	355 525	355 525
Investment assets held to maturity	384 760	0	14 941	399 701
Other assets	0	0	27 074	27 074
Liabilities to the Central Bank	0	11	0	11
Liabilities to other banks	0	41 762	0	41 762
Liabilities to clients	0	2 876 961	3 373 629	6 250 590
Liabilities arising from issue of debt securities	0	0	427 256	427 256
Subordinated liabilities	0	0	140 974	140 974
Other liabilities	0	0	88 821	88 821

B. Financial instruments which are measured at fair value in the consolidated statement of financial position

The table below presents classification of financial assets and liabilities which are measured at fair value based on the fair value hierarchy in the consolidated statement of financial position.

Balance as at 31 December 2014				Total PLN'000
	Level I PLN'000	Level II PLN'000	Level III PLN'000	
Financial assets, including:	611 726	481 283	8 866	1 101 875
Financial assets held for trading	0	1 336	0	1 336
Investments in financial assets	611 726	479 947	8 866	1 100 539
- available for sale	611 726	479 947	8 866	1 100 539
Financial liabilities, including:	0	94	0	94
Financial liabilities held for trading	0	94	0	94

Balance as at 31 December 2013				Total PLN'000
	Level I PLN'000	Level II PLN'000	Level III PLN'000	
Financial assets, including:	585 445	841 194	29 740	1 456 379
Financial assets held for trading	0	1 369	0	1 369
Investments in financial assets	585 445	839 825	29 740	1 455 010
- available for sale	585 445	839 825	29 740	1 455 010
Financial liabilities, including:	0	17	0	17
Financial liabilities held for trading	0	17	0	17

No reclassifications between Level I and Level II took place in the analyzed period. No items were reclassified from or to Level III, either.

As the scale of derivative transactions, which are entered into with banks which have been assigned investment rating, is inconsiderable, the Group's measurement of derivatives does not take into account the counterparty credit risk or own credit risk, which the Group believes exerts a marginal effect on measurement of its derivatives.

Reconciliation of the change in the balance of Level III financial instruments in 2014, whose fair value is determined using measurement methods based on non-observable input data, has been presented below.

Level III	Investment assets available for sale PLN'000
Balance as at 1 January 2014	29 740
Gains or losses	1 595
recognized in profit or loss:	1 771
- interest income	3 072
- profit/loss on other financial instruments	(1 301)
recognized in other comprehensive income:	(176)
- gain/loss on measurement of financial assets available for sale	(176)
Purchases	103 427
Sales	(118 500)
Interest paid	(7 396)
Transfers	0
Balance as at 31 December 2014	8 866

Level III	Investment assets available for sale
	PLN'000
Balance as at 1 January 2013	9 068
Gains or losses	1 024
recognized in profit or loss:	1 056
- interest income	1 404
- profit/loss on other financial instruments	(348)
recognized in other comprehensive income:	(32)
- gain/loss on measurement of financial assets available for sale	(32)
Purchases	21 461
Sales	0
Interest paid	(1 813)
Transfers	0
Balance as at 31 December 2013	29 740

Given a rise in the credit spread by 1 b.p., the potential effect on a change in the fair value of Level III financial instruments would be PLN -2 thousand, whereas given a drop in the credit spread by 1 b.p., the potential effect would be PLN 2 thousand.

Inputs used for fair value measurement of assets and liabilities have been presented in the table below.

No.	Financial assets/liabilities	Fair value as at		Fair value hierarchy	Measurement methods and basic input data	Significant non-observable information	Fair value dependency on non-observable information
		31 December 2014	31 December 2013				
		PLN'000	PLN'000				
1	Treasury bills and bonds	Assets: 611 726	Assets: 585 445	Level 1	BID price for the long position and ASK price for the short position in the security, quoted on an active interbank market	n/a	n/a
2	Money bills	Assets: 479 947	Assets: 839 825	Level 2	Discounted cash flows from the security with discount rate equal to purchased yield	n/a	n/a
3	Interest Rate Swaps	Assets: 1 336 Liabilities: 0	Assets: 1 369 Liabilities: 17	Level 2	Discounted future cash flows. Future cash flows and discounting are calculated on the basis of yield curves built on quoted WIBOR/LIBOR, FRA and IRS rates.	n/a	n/a
4	FRA	Liabilities: 85	n/a	Level 2	Discounted future cash flows. Future cash flows and discounting are calculated on the basis of yield curves built on quoted WIBOR/LIBOR, FRA and IRS rates.	n/a	n/a
5	FX Swap	Liabilities: 9	n/a	Level 2	Discounted future cash flows. Yield curves used for discounting purposes are built on quoted depo rates and swap points for currency pairs.	n/a	n/a
6	Debt securities (commercial bonds)	Assets: 8 866	Assets: 29 740	Level 3	Discounted future cash flows. Future payments from the security are discounted based on yield curves increased by credit spread due to counterparty risk.	Spreads applied as at 31 December 2014: BPS bonds: 463b.p. Spreads applied as at 31 December 2013: BPS bonds: 391b.p. IPS1014 bonds: 14b.p.	The higher the spread, the lower the fair value.

“Investment financial assets available for sale” in the consolidated statement of financial position present the Group’s equity instruments with the carrying amount of PLN 8 thousand, which are measured at cost as their fair value may not be measured reliably. Such instruments are not subject to the fair value hierarchy analysis performed for investment financial assets available for sale.

37. Operating leases

Group as a lessee

The Group is a party to lease agreements based on which it uses third-party fixed assets and derives economic benefits therefrom for a contractual period of time in return for a payment.

Operating lease agreements with the Group as the lessee:

- lease of space - the standard term of these agreements is 5 years with a rollover option;
- lease of cars – the term of these agreements is 48 months (the leased assets may be bought at a price similar to the market price).

Agreements concluded for an indefinite term have been taken into account based on the notice period.

No significant contingent lease payments or non-cancellable sublease agreements occurred.

As at the end of the reporting period, the Bank was a party to two significant operating lease agreements concerning space:

- master agreement for the lease of real estate of Poczta Polska S.A. by Bank Pocztowy S.A. entered into on 2 September 2011. The agreement covers the lease of space for the Bank's sales points. The agreement has been concluded for five years. If neither party terminates the agreement twelve months before the end of the agreement period at the latest, after the end of the original five-year period the master agreement shall become an agreement with an indefinite term which can be terminated with an 18-month notice period. Lease agreements for individual sales points of the Bank are concluded in line with the terms of the master agreement.
- lease agreement concerning office space for the Bank's headoffice in Warsaw. The agreement was concluded on 21 May 2013 for a fixed term (until 14 June 2019) and it may be extended for another five years.

Future minimum lease payments under non-cancellable operating lease as at 31 December 2014 and 31 December 2013:

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Up to 1 year	9 606	11 701
1–5 years	15 145	22 350
Over 5 years	0	0
Total	24 751	34 051

The Group as a lessor

The Group is a party to lease agreements based on which it offers own fixed assets and economic benefits to be derived therefrom for an agreed period of time in return for a payment.

Operating lease agreements, where the Group acts a lessor, concern mainly the lease of space and office space for the headoffice in Bydgoszcz. The agreements have been concluded for an indefinite term.

Agreements concluded for an indefinite term have been taken into account based on the notice period.

No significant contingent lease payments or non-cancellable sublease agreements occurred.

Future minimum lease payments under non-cancellable operating lease as at 31 December 2014 and 31 December 2013:

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Up to 1 year	254	823
1–5 years	150	238
Over 5 years	0	0
Total	404	1 061

38. Finance leases

Group as a lessee

As at 31 December 2014 and 31 December 2013 the Group did not report any significant finance lease agreements.

39. Additional information to the statement of cash flows

Cash and cash equivalents

The balance of cash and cash equivalents recognized in the consolidated statement of cash flows includes the following cash and cash equivalent items maturing within three months.

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Cash in hand and deposits with the Central Bank	757 643	327 242
Current accounts	4 841	4 458
Total	762 484	331 700

Differences between balance sheet changes in certain items and changes in the balance of the same items in the consolidated statement of cash flows for the years ended 31 December 2014 and 31 December 2013:

Change in the balance of receivables from other banks	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Balance-sheet change	(121 940)	(6 480)
Change in nostro accounts balance - cash	382	(2 143)
Difference between interest accrued and received in cash in the reporting period	456	443
Change presented in the consolidated statement of cash flows	(121 102)	(8 180)

Change in loans and advances to customers	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Balance sheet change in loans and advances to customers	(96 065)	(456 167)
Difference between interest accrued and received in cash in the reporting period	31 203	33 981
Change presented in the consolidated statement of cash flows	(64 862)	(422 186)

Change in investment financial assets available for sale	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Balance sheet change in investments financial assets available for sale in operating activities	354 471	(393 793)
Measurement of financial assets available for sale, recognized in the revaluation reserve, and effect of reclassification of financial assets between their classes	5 066	(7 110)
Difference between interest accrued and received in cash in the reporting period	7 768	16 005
Change presented in the consolidated statement of cash flows	367 305	(384 898)

Change in investment financial assets held to maturity	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Balance sheet change in investment financial assets held to maturity	(31 701)	5 744
Difference between interest accrued and received in cash in the reporting period	(526)	284
Change presented in the consolidated statement of cash flows	(32 227)	6 028

Change in liabilities to other banks	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Balance sheet change in liabilities to other banks	(37 742)	38 938
Difference between interest accrued and paid in cash in the reporting period	43	(44)
Change presented in the consolidated statement of cash flows	(37 699)	38 894

Change in liabilities to customers	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Balance sheet change in liabilities to customers	261 445	(87 371)
Difference between interest accrued and paid in cash in the reporting period	(970)	(978)
Change presented in the consolidated statement of cash flows	260 475	(88 349)

Change in other liabilities	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Balance sheet change in other liabilities	10 545	11 428
Payment of finance lease liabilities	306	583
Change presented in the consolidated statement of cash flows	10 851	12 011

Other items	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Liquidation of fixed assets and intangible assets	649	219
Measurement of actuarial gains	156	33
Other items	805	252

The Group decided to apply the following classification to operating, investing and financing activities in the consolidated statement of cash flows.

Operating activities constitute the core business of the Group which cannot be classified to investing or financing activities.

Investing activities involve acquisition and sale of property, plant and equipment and intangible assets as well as receiving cash flows from dividend due to interests in subsidiaries.

Financing activities involve entering into long-term financial contracts (for more than 12 months) constituting the source of the financing for the Group's activities, i.e. issuing debt securities, taking up loans, redeeming debt securities issued and repaying loans with accrued interest.

40. Off-balance sheet contingent liabilities

Off-balance sheet contingent liabilities granted

Off-balance sheet contingent liabilities granted by type	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Financial	125 543	261 402
- unused credit lines	111 666	204 504
- originated deposit lines	0	40 000
- credit card limits	13 877	16 898
Guarantees	49 959	47 166
- guarantees granted	49 959	47 166
Total	175 502	308 568

Off-balance sheet contingent liabilities granted by maturity	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Financial	125 543	261 402
Undetermined maturity	79 479	131 249
Up to 1 month	3 017	9 548
From 1 to 3 months	7 964	23 828
From 3 months to 1 year	21 034	72 709
From 1 year to 5 years	14 049	24 068
Guarantees	49 959	47 166
Up to 1 month	1 087	34
From 1 to 3 months	98	22
From 3 months to 1 year	3 564	155
From 1 year to 5 years	45 210	46 955
Total	175 502	308 568

The majority of contingent liabilities are credit lines. Guarantees granted and unconditional financial commitments are treated as an exposure bearing credit risk. Assessment of risk resulting from guarantees and unconditional financial commitments is a part of the credit risk assessment process related to other credit products held by the clients, i.e. all credit products, including guarantees, granted to specified obligors are reviewed both for indications of impairment and assessment of impairment losses.

Gross off-balance sheet exposures (credit lines, guarantees) to five key clients in a given year as at 31 December 2014 and 31 December 2013 have been presented below:

Obligor's name	Balance as at 31 December 2014
	PLN'000
Client 1	48 800
Client 2	12 923
Client 3	10 832
Client 4	4 643
Client 5	1 611
Total selected clients	78 809

Obligor's name	Balance as at 31 December 2013
	PLN'000
Client 1	73 753
Client 2	20 736
Client 3	8 551
Client 4	6 559
Client 5	4 100
Total selected clients	113 699

As at 31 December 2014 the provision for guarantees and financial commitments amounted to PLN 631 thousand (as at 31 December 2013 it was PLN 1 125 thousand). Provisions for off-balance sheet liabilities are recognized in balance sheet accounts and presented in Note 32 as "Provisions for off-balance sheet liabilities".

Off-balance sheet contingent liabilities received

Off-balance sheet contingent liabilities received by type	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Guarantees	1 235	2 970
- guarantees received	1 235	2 970
Total	1 235	2 970

Off-balance sheet contingent liabilities received by maturity	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Guarantees	1 235	2 970
Up to 1 month	60	0
From 1 to 3 months	234	1 458
From 3 months to 1 year	941	1 032
From 1 year to 5 years	0	357
Over 5 years	0	123
Total	1 235	2 970

The key item of contingent liabilities received is a guarantee received securing the Group's liabilities under office space lease agreement.

Litigation

In 2014, the Group was not a party to any proceedings held before a court or public administration body, whose value would be equal to or higher than 10% percent of the Group's equity. Any risks related to court or public administration proceedings have been adequately secured with relevant provisions.

The total value of claims related to litigation in which the Group is a defendant, where the probability of losing is estimated by the Group below 50%, was PLN 323 thousand as at 31 December 2014 and PLN 473 thousand as at 31 December 2013, respectively.

41. Assets used as collateral for liabilities

Balance as at 31 December 2014			
Bank's assets used as collateral	Liability type	Nominal value of collateralized liabilities	Carrying amount of assets used as collateral
		PLN'000	PLN'000
Treasury bonds	Capital Guarantee Fund *	34 415	37 383
	Pledge under cooperation agreement on payment and credit card services **	variable	9 088
	Liabilities arising from sold securities (repo and sell-buy-back transactions) ***	177 674	177 701
Total		212 089	224 172

* the collateral covers the value of the Bank Guarantee Fund in accordance with Article 25 of the Act on Bank Guarantee Fund of 14 December 1994 (consolidated text: Journal of Laws of 2009, No. 84, item 711 as amended).

Treasury bonds with term to maturity compliant with the requirements of the applicable Act constitute the carrying amount of assets collateralizing the Bank Guarantee Fund. Every year, on 1 July, the Fund is increased or decreased, as appropriate, depending on the amount underlying the calculation of the mandatory reserve amount.

** all liabilities under the cooperation agreement on VISA/MasterCard payment card personalization, handling and clearing transactions made in Poland and abroad with the use of VISA/MasterCard cards of Bank Pocztowy S.A. and credit card account management are collateralized.

*** the collateral covers the obligation to buy back securities under sell-buy-back transactions

Balance as at 31 December 2013			
Bank's assets used as collateral	Liability type	Nominal value of collateralized liabilities PLN'000	Carrying amount of assets used as collateral PLN'000
Treasury bonds	Capital Guarantee Fund *	35 206	37 484
	Pledge under cooperation agreement on payment and credit card services **	variable	9 089
	Liabilities arising from sold securities (repo and sell-buy-back transactions) ***	49 599	49 610
Total		84 805	96 183

* The collateral covers the value of the Bank Guarantee Fund in accordance with Article 25 of the Act on Bank Guarantee Fund of 14 December 1994 (consolidated text: Journal of Laws of 2009, No. 84, item 711 as amended).

Treasury bonds with term to maturity compliant with the requirements of the applicable Act constitute the carrying amount of assets collateralizing the Bank Guarantee Fund. Every year, on 1 July, the Fund is increased or decreased, as appropriate, depending on the amount underlying the calculation of the mandatory reserve amount.

** all liabilities under the cooperation agreement on VISA/MasterCard payment card personalization, handling and clearing transactions made in Poland and abroad with the use of VISA/MasterCard cards of Bank Pocztowy S.A. and credit card account management are collateralized.

*** the collateral covers the obligation to buy back securities under *sell-buy-back* transactions

42. Sale of packages of receivables

In 2014 the Bank sold two packages of credit exposures and one individual credit exposure from the institutional segment. The former sale of credit exposure package was concluded on 10 June 2014, while the latter – on 21 November 2014. The individual credit exposure from the institutional segment was sold under an agreement of 15 October 2014. The exposure packages were acquired by securitization funds offering the highest prices in the tender proceedings. The institutional loan was acquired by a business entity (the nominal value of the principal amount was PLN 2.81 million, while the sales price for the exposure reached PLN 2.84 million).

Under the first sales transaction a package sold included 1 719 credit exposures whose substantial portion had been impaired, with the nominal value of the principal of PLN 7.35 million and interest with other expenses amounting to PLN 5.39 million. Following the sale, the Bank reduced its impairment loss on these assets by PLN 6.76 million. The gross profit on the sale of the first package of exposures was PLN 1.23 million and was recognized under Other operating revenue in the income statement.

Under the second sales transaction a package sold included 785 credit exposures with the nominal value of the principal of PLN 6.22 million and interest with other expenses amounting to PLN 2.70 million. Like in the first transaction, a considerable portion of the exposures had been impaired. Following the sale, the Bank reduced its impairment loss on these assets by PLN 5.64 million. The gross profit on the sale of the second package of exposures was PLN 619 thousand and was also recognized under Other operating revenue in the income statement.

Under both sales transactions in 2014 the Bank sold 2 504 credit exposures with the nominal value of the principal of PLN 13.57 million and interest with other expenses amounting to PLN 8.09 million. Following the two sales transactions in question the Bank reduced the impairment loss on these assets by PLN 12.40 million and generated the total gross profit on the sale of PLN 1.85 million.

43. Related parties

The Group's related parties are:

- Parent: Poczta Polska S.A.;
- entity exercising significant influence on the Bank: PKO Bank Polski S.A.;
- other entities from the Poczta Polska Capital Group;
- other subsidiaries of PKO Bank Polski S.A.;
- key management personnel: members of the Management and Supervisory Board, directors of the Bank;
- key management personnel of the Bank's Parent.

In accordance with IAS 24, the Group treats the subsidiaries of the State Treasury of the Republic of Poland as its related parties, since the State Treasury controls the Bank through its majority shareholder. For the purposes of consolidated financial statements, subsidiaries of the State Treasury are companies wholly-owned by the State Treasury, state-owned enterprises and entities with the State Treasury as the majority shareholder, whose list is published on the website of the Ministry of State Treasury, as well as local government entities.

In 2014, non-standard, significant related-party transactions whose nature and terms were not related to ongoing business operations were not concluded. All transactions were concluded on the arm's length basis.

Presented below is the nature of significant agreements with related parties:

- agreements concerning financial intermediation services provided on behalf of and for the Bank in respect of a wide array of products and services of the Bank, including, in particular, the Agency Agreement concluded with Poczta Polska S.A. on 2 September 2011;
- agreements related to financial intermediation services provided by the Bank on behalf of and for a related party – Poczta Polska S.A. (including a bank account agreement with additional products);
- a package of agreements regarding financial services performed by the Bank, in particular with regard to *cash processing* (agreement with Poczta Polska S.A. on cash services for the Bank's own sales outlets);
- a lease agreement setting out the terms and conditions of leasing/sub-leasing space or premises to be used as the Bank's branches as part of the sales outlet infrastructure of Poczta Polska S.A.;
- an agreement on the lease of hardware, use of an operating system and databases.

Receivables, liabilities, revenue and expenses arising from related-party transactions have been presented below.

Balance as at 31 December 2014	Parent	Entity exercising significant influence on the Group and its	Key management personnel	Other entities in the Poczta Polska S.A. Capital Group
	PLN'000	PLN'000	PLN'000	PLN'000
Receivables	57 611	12	11 304	294
Nostro accounts	0	12	0	0
Originated loans	0	0	11 304	0
Other receivables	57 611	0	0	294
Liabilities	764 578	0	2 808	68 838
Deposits received*	646 738	0	2 808	60 441
Liabilities due to sold securities (repo and sell-buy- back transactions)	0	0	0	5 312
Other liabilities	117 840	0	0	3 085
Off-balance sheet transactions	48 800	941	155	277
Off-balance sheet contingent liabilities	48 800	941	155	277
- originated	48 800	0	155	277
- received	0	941	0	0

* including transfer payments, Social Security payments and standard payments

Period from 1 January 2014 to 31 December 2014	Parent	Entity exercising significant influence on the Group and its	Key management personnel	Other entities in the Poczta Polska S.A. Capital Group
	PLN'000	PLN'000	PLN'000	PLN'000
Revenue	16 648	157	522	30 767
- interest	0	0	504	4
- fees	16 607	157	16	30 589
- other revenue	41	0	2	174
Expenses	(61 565)	(2 645)	(18 532)	(945)
- interest	(9 570)	0	(78)	(737)
- fees	(35 463)	(1 102)	(32)	0
- non-personnel expenses	(16 532)	(1 543)	0	(208)
- personnel expenses	0	0	(18 422)	0

Balance as at 31 December 2013	Parent	Entity exercising significant influence on the Group and its	Key management personnel	Other entities in the Poczta Polska S.A. Capital Group
	PLN'000	PLN'000	PLN'000	PLN'000
Receivables	43 251	41	12 970	364
Nostro accounts	0	41	0	0
Originated loans	0	0	12 970	341
Other receivables	43 251	0	0	23
Liabilities	1 008 516	16	2 806	58 556
Deposits received*	900 085	16	2 806	49 929
Liabilities due to sold securities (repo and sell-buy- back transactions)	0	0	0	8 182
Other liabilities	108 431	0	0	445
Off-balance sheet transactions	73 753	2 374	409	205
Off-balance sheet contingent liabilities	73 753	2 374	409	205
- originated	73 753	0	409	205
- received	0	2 374	0	0

* including transfer payments, Social Security payments and standard payments

Period from 1 January 2013 to 31 December 2013	Parent	Entity exercising significant influence on the Group and its	Key management personnel	Other entities in the Poczta Polska S.A. Capital Group
	PLN'000	PLN'000	PLN'000	PLN'000
Revenue	22 785	347	635	28 803
- interest	0	0	603	48
- fees	22 360	347	31	28 721
- other revenue	425	0	1	34
Expenses	(64 310)	(2 219)	(20 510)	(1 759)
- interest	(17 138)	0	(115)	(968)
- fees	(28 700)	(609)	(50)	0
- non-personnel expenses	(18 472)	(1 610)	0	(770)
- personnel expenses	0	0	(20 345)	(21)

Receivables, liabilities, revenue and costs of transactions with State Treasury entities and local authorities excluding companies from the Poczta Polska Capital Group and PKO Bank Polski S.A. Capital Group.

	Balance as at 31 December 2014		Balance as at 31 December 2013	
	Companies with interest of the State Treasury	Government agencies and local authorities	Companies with interest of the State Treasury	Government agencies and local authorities
	PLN'000	PLN'000	PLN'000	PLN'000
Receivables	131 775	303 395	40 885	356 680
Receivables from other banks	131 775	0	20 179	0
Loans and advances granted to	0	303 395	0	356 673
Investments in financial assets	0	0	20 706	0
Other receivables	0	0	0	7
Liabilities	22 132	57 826	36 649	98 747
Deposits received	22 132	57 825	36 649	98 746
Other liabilities	0	1	0	1

	Period from 1 January 2014 to 31 December 2014		Period from 1 January 2013 to 31 December 2013	
	Companies with interest of the State Treasury	Government agencies and local authorities	Companies with interest of the State Treasury	Government agencies and local authorities
	PLN'000	PLN'000	PLN'000	PLN'000
Revenue	2 753	11 243	1 620	15 736
- interest	2 655	11 018	1 525	15 350
- fees	98	215	95	382
- other revenue	0	10	0	4
Expenses	(591)	(2 030)	(786)	(3 890)
- interest	(279)	(1 965)	(343)	(3 848)
- fees	0	(57)	(1)	(39)
- non-personnel expenses	(312)	0	(442)	0
- other expenses	0	(8)	0	(3)

Transactions with subsidiaries of the State Treasury other than those from the Poczta Polska S.A. Capital Group and PKO Bank Polski S.A. Capital Group are related to banking operations (funding, deposits).

Loans and advances provided to members of the Management and Supervisory Board of the Bank and the Bank's Parent

Transactions with the management are in line with the standard product offering.

Balance as at 31 December 2014	Members of the Management Board of the Bank	Supervisory Board of the Bank	Members of the Management Board of the Bank's Parent
	PLN'000	PLN'000	PLN'000
Receivables	392	0	167
Originated loans	392	0	167
Liabilities	56	50	44
Deposits received	56	50	44

Period from 1 January 2014 to 31 December 2014	Members of the Management Board of the Bank	Supervisory Board of the Bank	Members of the Management Board of the Bank's Parent
	PLN'000	PLN'000	PLN'000
Revenue	14	0	9
- interest	14	0	9
Expenses	(3)	0	(7)
- interest	(1)	0	0
- fees	(2)	0	(7)

Balance as at 31 December 2013	Members of the Management Board of the Bank	Supervisory Board of the Bank	Members of the Management Board of the Bank's Parent
	PLN'000	PLN'000	PLN'000
Receivables	0	0	91
Originated loans	0	0	91
Liabilities	1	50	1
Deposits received	1	50	1

Period from 1 January 2013 to 31 December 2013	Members of the Management Board of the Bank	Supervisory Board of the Bank	Members of the Management Board of the Bank's Parent
	PLN'000	PLN'000	PLN'000
Revenue	0	0	10
- interest	0	0	8
- fees	0	0	2
Expenses	(2)	0	(9)
- interest	(2)	0	(1)
- fees	0	0	(8)

Remuneration paid or due to the Management and Supervisory Boards of the Bank and its subsidiaries

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Management Board	3 065	2 650
Short-term employee benefits (payroll, bonuses and payroll charges)	2 818	2 556
Termination benefits	247	94
Supervisory Board	2 193	2 138
Short-term employee benefits (payroll, bonuses and payroll charges)	2 193	2 138
Total	5 258	4 788

Remuneration paid or due to other senior management of the Bank and its subsidiaries

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
Short-term employee benefits (payroll, bonuses and payroll charges)	13 047	15 487
Termination benefits	117	70
Total	13 164	15 557

44. Employment structure

The Group's employment structure in the year ended 31 December 2014 and 31 December 2013:

FTEs	Balance as at 31.12.2014	Balance as at 31.12.2013
Head Office of the Bank	669	727
Local offices and branches	178	244
Microbranches	554	490
Subsidiaries	232	239
Total Capital Group	1 633	1 700

45. Events after the end of the reporting period

Until the date hereof, no events that would have significant effects on the material and financial standing of the Group occurred.

46. The Group's risk management objectives and policy

The key objective of risk management in the Group is to ensure security of funds deposited by its clients as well as effective accomplishment of the Group's strategic objectives through decisions focused on maximization of income generated over a longer time horizon, with an acceptable level of accompanying risks.

Risk management in the Group is an integrated process based on supervisory requirements and internal regulations approved by the Supervisory and Management Board of the Bank. Internal regulations in force are reviewed on a periodic basis, taking into account the developments in the Group's external and internal environment. The Bank is the entity that integrates the risk management approach within the Group.

The Group has adopted a three-level system of organizing internal risk management regulations.

The general risk management framework has been determined in the following documents adopted by the Supervisory Board:

- General Risk Management Policy of Bank Pocztowy S.A.;
- General Capital Management Policy of Bank Pocztowy S.A.;
- Growth Strategy of Bank Pocztowy S.A. for 2014-2017;
- Financial Plan of Bank Pocztowy S.A. for 2014;
- Risk Management Strategy of Bank Pocztowy S.A. for 2014.

Individual risk management policies, approved by the Management Board, provide detailed guidance in this regard. They delegate duties to individual Departments and Offices and provide detailed guidance in this regard. Based thereon, detailed operating procedures with descriptions of individual activities (including controls) to be performed by the Departments, Teams and Positions, have been developed.

The risk management system includes:

- the Supervisory Board;
- the Management Board;
- risk management committees established by the Management Board pursuant to internal regulations in force;
- organizational units managing individual risk types;
- control units (including the internal audit and compliance unit);
- other organizational units;
- selected organizational units of the subsidiaries.

The Supervisory Board oversees the risk management system and individual risk management process control, approving its key objectives and guidelines.

The Management Board is in charge of overall risk management in the Bank and in the Capital Group as well as strategic decisions affecting the risk scale and structure. The Management Board approves risk management approach for each risk type, to include identification, measurement, monitoring and control, reporting, preventive measures, as well as review and verification of selected risk management processes.

Risk management committees in the Bank are established by the Management Board and participate in the risk management process. Their other roles include consulting and making recommendations for the Management Board with regard to risk management strategies, principles and procedures applicable to individual risk management stages as well as making decisions within the scope of authorization delegated by the Management Board. This concerns, in particular, determining limits and monitoring compliance therewith as well as taking credit decisions in accordance with the limit-related decision-making system adopted by the Bank.

Due to a broad scope and interrelations among different risk types, each type has its leading unit in charge of coordination of its management. These units are responsible for identification, measurement, monitoring and coordination of preventive measures regarding each risk type. Their other tasks include development of risk management procedures applicable to individual stages of the process.

The Bank has an internal audit unit in charge of independent and unbiased audit and assessment of adequacy and effectiveness of the internal control system, procedures and controls, as well as consulting the Bank management system to include effectiveness of its operational risk management. Additionally, to ensure compliance with the applicable regulations, laws and standards, the Bank has established a separate compliance unit in charge of compliance risk management.

The target risk structure at the level of the Bank and the Capital Group depends on the defined risk appetite. The risk appetite determines the readiness of the Bank and the Group to assume a specific risk within a determined time

horizon and it is subject to acceptance by the Management Board. The risk appetite is a substantial element of the Bank's Strategy and Financial Plan approved by the Supervisory Board.

Identification and measurement of each risk type result in determining those which are material for the Group, classifying them from the permanent materiality assessment perspective (permanently and temporarily material risks) and for the purpose of capital coverage.

The following risk types are classified as permanently material for the Group:

- credit risk;
- operational risk;
- interest rate risk related to the banking book;
- liquidity risk.

Additionally, the Group identifies the following material risk types:

- strategic risk;
- compliance risk;
- business cycle risk;
- outsourcing risk;
- reputational risk
- Pillar 2 credit risk;
- residual risk;
- concentration risk;
- price risk related to debt instruments in the trading book.

In 2014 activities of the Bank and Group complied with regulatory requirements arising from Regulation of the European Parliament and of the Council (EU) no. 2014/57/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending the Regulation (EU) no. 648/2012 and Directive of the European Parliament and of the Council no. 2013/36/EU of 26 June 2013 on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amending Directive 2002/87/EC and cancelling Directives 2006/48/EC and 2006/49/EC.

46.1. Credit risk

Credit risk is the risk assumed by the Group under credit transactions and resulting in its inability to recover the amounts disbursed, loss of income or a financial loss. It is the outcome of credit product development and launch as well as the lending process on the one hand and measures employed with a view to reducing the probability of losses, on the other. The Group's credit risk includes both counterparty and settlement risk.

While developing its current credit risk management policy, the Group aims to maintain the risk appetite defined in its strategy and measured with the NPL ratio and the specified cost of risk as well as an appropriate level of equity, comply with the credit limits set by the Group, analyze both strengths and weaknesses of its lending process and anticipate the opportunities and threats for its further growth. The Group's acceptable credit risk policy also takes into account cyclical nature of economic processes and changes in the credit portfolio itself.

The Group has adopted the following principles for the credit risk management process:

- analyzing credit risk of individual exposures, the entire portfolio and the capital requirement related to credit risk;
- applying internal and external limits arising from risk appetite in various areas of the credit portfolio and from the Banking Law and implemented recommendations of PFSA, respectively;
- functions related to direct analysis of applications, risk assessment and credit related decision making are separated from those focused on client attraction (sales of banking products);
- credit capacity and creditworthiness are the main criteria underlying all credit transactions with clients;
- credit decisions are made in the Group in accordance with procedures and competencies determined in internal regulations on credit risk assessment and credit decision making;
- each credit transaction is monitored from its conclusion to full settlement in terms of utilization, timely repayment, legal security, equity and organizational relationships of the obligor and, in the case of institutional clients, also in terms of their current economic and financial position;

- the financial and economic standing of each insurance company supplying credit collateral, as well as delivery of insurance policies and assignment of rights related thereto by clients are monitored on a regular basis;
- developments in the real estate market as well as the legal and economic assumptions and framework for valuation of property provided as collateral for credit exposures are monitored on a periodic basis.

Credit risk management in the Group is based on written policies and procedures defining methods of identification, measurement, monitoring, limiting and reporting of credit risk. The regulations determine the scope of competencies assigned to each unit of the Group in the credit risk management process.

In order to determine the credit risk level, the Group uses the following measures:

- probability of default (PD);
- recovery rate (RR);
- loss given default (LGD);
- loss identification period (LIP);
- share and structure of impaired loans (NPL);
- coverage of impaired loans with impairment losses (NPL coverage);
- Scoring model efficiency measures (among others GINI, PSI Ratio);
- cost of risk.

The Group carries out regular review of implementation of the adopted credit risk management policy. The review and modification includes mostly:

- internal regulations regarding client's credit risk assessment and monitoring, as well as verification of the value of legal security, which are adjusted to changing market conditions, business specifics of each client type (group), loan purpose and determination of the minimum requirements regarding the obligatory forms of legal security;
- internal system of limiting credit activities and determining decision-making powers regarding loans;
- a system of identifying, assessing and reporting credit risk to Credit Committees, Management and Supervisory Board of the Bank;
- maximum adequacy levels of ratios used to assess credit risk and acceptable forms of own contribution for retail housing loans;
- scoring models and IT tools used in the credit risk management process.

The Group's reporting system includes among others:

- reporting on credit risk level, to include vintage analyses, information regarding the use of limits, quality and efficiency of credit processes;
- reports on stress tests, limit review and back-test analyses for impairment losses;
- analyses of real property market and verification of the current value of security for credit exposures;
- review of implemented credit risk policy.

The Group prepares the following cyclical reports on its credit risk exposure:

- monthly report for the Management Board and Credit Committee of the Bank;
- quarterly report for the Supervisory and Management Board.

Maximum credit risk exposure (by classes of financial instruments)

	Net carrying amount	
	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Cash in hand and deposits with the Central Bank	757 643	327 242
Receivables from other banks	158 269	36 329
Financial assets held for trading	1 336	1 369
Loans and advances granted to clients, including:	5 151 777	5 055 712
- individuals	4 296 942	4 053 210
- institutional clients	551 538	645 912
- local authorities	303 297	356 590
Investment assets available for sale:	1 100 547	1 455 018
- quoted	620 592	615 185
- not quoted	479 955	839 833
Investment assets held to maturity:	418 719	387 018
- quoted	393 688	372 080
- not quoted	25 031	14 938
Other assets	29 274	27 074
Total	7 617 565	7 289 762

Additionally, the Group is exposed to credit risk arising from concluded transactions recognized as off-balance sheet liabilities. The maximum exposure to credit risk related to the said transactions is expressed by their off-balance sheet value presented in Note 41.

In order to prevent overly concentration of exposure, the Group applies internal and external limits arising from risk appetite in various areas of the credit portfolio and from the Banking Law and implemented recommendations of PFSA. Limit types and levels applied by the Group with regard to credit operations are determined by internal regulations regarding the limiting of credit operations related among others to large exposures, industrial concentration, exposure concentration by type of collateral or product.

The Group operates only in Poland. The following tables present balance sheet and off-balance sheet exposure regarding loans and advances granted to clients in each province.

Geographical structure of the credit portfolio (net carrying amounts)

Balance as at 31 December 2014	Loans and advances granted to clients, including:						Net share in the loan	
	individuals				institutional clients	local authorities	Total	portfolio
	overdraft facilities	consumer loans	real estate loans	credit card debt				
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	%
Mazowieckie	2 759	170 239	405 864	1 575	67 911	13 807	662 155	12.9%
Wielkopolskie	5 365	217 087	313 678	2 089	64 589	30 977	633 785	12.3%
Kujawsko-pomorskie	4 226	142 540	321 838	1 154	45 372	28 108	543 238	10.5%
Dolnośląskie	1 349	197 412	236 999	1 082	54 880	36 802	528 524	10.3%
Śląskie	3 670	246 760	137 499	1 847	31 102	24 912	445 790	8.7%
Pomorskie	1 890	130 742	215 618	1 064	58 188	7 931	415 433	8.1%
Łódzkie	1 563	107 717	156 638	809	56 742	17 140	340 609	6.6%
Warmińsko-mazurskie	1 212	82 025	129 312	656	41 008	55 332	309 545	6.0%
Zachodniopomorskie	2 593	119 415	115 494	1 219	53 005	5 324	297 050	5.8%
Małopolskie	2 222	118 363	119 321	1 123	15 708	32 836	289 573	5.6%
Lubuskie	1 038	73 929	75 422	724	26 963	9 134	187 210	3.6%
Lubelskie	1 880	76 174	66 710	627	28 340	10 943	184 674	3.6%
Podkarpackie	783	57 802	39 155	467	3 858	29 601	131 666	2.6%
Opolskie	520	37 225	23 353	316	1 241	450	63 105	1.2%
Świętokrzyskie	610	34 104	22 636	440	1 356	0	59 146	1.1%
Podlaskie	690	25 577	30 426	333	1 143	0	58 169	1.1%
Not assigned	0	1 971	0	2	132	0	2 105	0.0%
Total	32 370	1 839 082	2 409 963	15 527	551 538	303 297	5 151 777	100.0%

Balance as at 31 December 2013	Loans and advances granted to clients, including:						Total	Net share in the loan portfolio
	individuals				institutional clients	local authorities		
	overdraft facilities	consumer loans	real estate loans	credit card debt				
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	%
Mazowieckie	3 068	155 154	400 893	1 222	90 759	16 358	667 454	13.2%
Wielkopolskie	5 870	201 417	311 279	1 905	83 720	35 436	639 627	12.7%
Kujawsko-pomorskie	4 601	139 811	309 928	1 112	54 293	32 236	541 981	10.7%
Dolnośląskie	1 332	149 411	215 008	888	66 809	51 835	485 283	9.6%
Śląskie	3 659	224 186	136 240	1 497	31 087	28 157	424 826	8.4%
Pomorskie	2 057	124 415	207 071	955	67 571	8 653	410 722	8.1%
Łódzkie	1 701	101 319	151 041	723	64 674	19 288	338 746	6.7%
Warmińsko-mazurskie	1 284	76 540	122 882	561	44 514	63 031	308 812	6.1%
Małopolskie	2 421	110 616	113 127	918	20 314	40 424	287 820	5.7%
Zachodniopomorskie	2 810	106 945	113 162	1 075	55 235	6 149	285 376	5.6%
Lubuskie	1 075	66 745	77 411	597	30 026	9 756	185 610	3.7%
Lubelskie	2 092	67 966	65 649	557	24 409	11 826	172 499	3.4%
Podkarpackie	766	48 349	38 922	413	5 881	31 643	125 974	2.5%
Podlaskie	780	26 356	31 272	306	4 152	0	62 866	1.2%
Opolskie	525	32 535	20 937	262	1 258	500	56 017	1.1%
Świętokrzyskie	595	28 829	22 806	358	1 206	1 298	55 092	1.1%
Not assigned	41	6 907	0	55	4	0	7 007	0.1%
Total	34 677	1 667 501	2 337 628	13 404	645 912	356 590	5 055 712	100.0%

Geographical structure of the credit portfolio (net off-balance sheet amounts)

The net value of off-balance sheet exposure regarding loans and advances includes the amount of provisions for off-balance sheet exposures, presented in Note 34.

Balance as at 31 December 2014	Loans and advances granted to clients, including:						Total	Share in off-balance sheet net exposure
	individuals				institutional clients	local authorities		
	overdraft facilities	consumer loans	real estate loans	credit card debt				
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	%
Mazowieckie	3 353	2 970	5 454	1 415	51 659	0	64 851	37.1%
Śląskie	2 730	2 476	1 083	1 958	13 256	0	21 503	12.3%
Łódzkie	1 389	1 458	1 157	714	15 750	0	20 468	11.7%
Wielkopolskie	4 328	1 339	2 614	1 659	1 401	0	11 341	6.5%
Dolnośląskie	1 010	2 076	3 370	869	2 053	0	9 378	5.4%
Kujawsko-pomorskie	4 075	1 089	1 211	989	350	0	7 714	4.4%
Pomorskie	1 300	1 064	1 647	879	1 781	0	6 671	3.8%
Lubelskie	1 717	1 129	1 059	722	1 771	0	6 398	3.7%
Małopolskie	1 623	1 411	1 045	1 098	225	0	5 402	3.1%
Zachodniopomorskie	1 842	978	657	818	239	0	4 534	2.6%
Warmińsko-mazurskie	886	499	1 708	460	540	0	4 093	2.3%
Lubuskie	1 030	813	330	482	1 187	0	3 842	2.2%
Podkarpackie	916	487	866	623	54	0	2 946	1.7%
Podlaskie	1 210	263	204	285	85	0	2 047	1.2%
Świętokrzyskie	748	223	397	316	67	0	1 751	1.0%
Opolskie	348	545	99	326	14	0	1 332	0.8%
Not assigned	13	564	0	23	0	0	600	0.3%
Total	28 518	19 384	22 901	13 636	90 432	0	174 871	100.0%

Balance as at 31 December 2013	Loans and advances granted to clients, including:						Total	Share in off-balance sheet net exposure
	individuals				institutional clients	local authorities		
	overdraft facilities	consumer loans	real estate loans	credit card debt				
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	%
Mazowieckie	3 336	2 691	7 197	1 732	85 647	0	100 603	37.6%
łódzkie	1 333	1 175	2 661	884	35 599	0	41 652	15.6%
Dolnośląskie	1 180	2 213	7 249	1 203	8 420	0	20 265	7.6%
Wielkopolskie	4 281	1 251	4 827	2 167	5 922	0	18 448	6.9%
Kujawsko-pomorskie	4 104	672	4 235	1 267	2 416	0	12 694	4.7%
Lubelskie	1 817	391	1 936	837	6 747	0	11 728	4.4%
Śląskie	2 701	2 916	2 110	1 808	1 961	0	11 496	4.3%
Zachodniopomorskie	1 855	959	2 087	1 237	2 742	0	8 880	3.3%
Pomorskie	1 292	1 087	2 731	1 181	2 525	0	8 816	3.3%
Małopolskie	1 752	719	1 993	923	3 263	0	8 650	3.2%
Lubuskie	972	559	319	664	5 829	0	8 343	3.1%
Warmińsko-mazurskie	937	617	1 988	740	1 965	0	6 247	2.3%
Podkarpackie	928	522	1 144	636	78	0	3 308	1.2%
Podlaskie	1 311	51	285	539	95	0	2 281	0.9%
Świętokrzyskie	712	374	167	478	127	0	1 858	0.7%
Opolskie	391	512	389	320	171	0	1 783	0.7%
Not assigned	9	180	0	42	160	0	391	0.1%
Total	28 911	16 889	41 318	16 658	163 667	0	267 443	100.0%

Industry structure of the credit portfolio

The following table presents the Group's exposure concentration by industry. The Group's portfolio is dominated by loans granted to individuals.

	Balance as at 31 December 2014				Balance as at 31 December 2013			
	Net carrying amount	Net off-balance sheet amount	Total net credit exposure	Interest (%)	Net carrying amount	Net off-balance sheet amount	Total net credit exposure	Interest (%)
	PLN'000	PLN'000	PLN'000	%	PLN'000	PLN'000	PLN'000	%
Individuals	4 296 942	84 439	4 381 381	82.3%	4 053 386	103 776	4 157 162	78.1%
Property market services	330 901	24 023	354 924	6.7%	355 685	49 568	405 253	7.6%
Public administration, national defense, mandatory social insurance	303 297	0	303 297	5.7%	356 367	0	356 367	6.7%
Accommodation	29 779	10 913	40 692	0.8%	25 181	72	25 253	0.5%
Manufacture of paper and paper products	20 851	1 694	22 545	0.4%	16 871	6 608	23 479	0.4%
Wholesale, excluding motor vehicles	16 315	372	16 687	0.3%	31 566	2 534	34 100	0.6%
Education	14 794	14	14 808	0.3%	16 054	634	16 688	0.3%
Retail sale, excluding motor vehicles	14 484	245	14 729	0.3%	14 402	4 593	18 995	0.4%
Financial services, excluding insurance and pension funds	14 142	0	14 142	0.3%	29 395	238	29 633	0.6%
Other activity	110 272	53 171	163 443	3.1%	156 805	99 420	256 225	4.8%
Total	5 151 777	174 871	5 326 648	100.0%	5 055 712	267 443	5 323 155	100.0%

Group's gross exposure to ten largest clients

Balance as at 31 December 2014					
Obligor's name	Industry according to Polish Classification of Activity	Total exposure	Balance sheet exposure (principal)	Off-balance sheet exposure	Share in the gross credit portfolio
		PLN'000	PLN'000	PLN'000	
Client 1	Postal and courier services	49 077	0	49 077	0.9%
Client 2	Property market services	29 653	16 730	12 923	0.6%
Client 3	Public administration, national defense, mandatory social insurance	23 625	23 625	0	0.4%
Client 4	Manufacture of paper and paper products	20 746	19 135	1 611	0.4%
Client 5	Accommodation	17 500	6 668	10 832	0.3%
Client 6	Accommodation	16 851	16 692	159	0.3%
Client 7	Public administration, national defense, mandatory social insurance	14 203	14 203	0	0.3%
Client 8	Public administration, national defense, mandatory social insurance	14 200	14 200	0	0.3%
Client 9	Public administration, national defense, mandatory social insurance	12 582	12 582	0	0.2%
Client 10	Public administration, national defense, mandatory social insurance	11 100	11 100	0	0.2%
		209 537	134 935	74 602	3.9%

Balance as at 31 December 2013					
Obligor's name	Industry according to Polish Classification of Activity	Total exposure	Balance sheet exposure (principal)	Off-balance sheet exposure	Share in the gross credit portfolio
		PLN'000	PLN'000	PLN'000	
Client 1	Postal and courier services	73 753	0	73 753	1.4%
Client 2	Public administration, national defense, mandatory social insurance	28 750	28 750	0	0.6%
Client 3	Manufacture of paper and paper products	21 618	15 059	6 559	0.4%
Client 4	Property market services	20 736	0	20 736	0.4%
Client 5	Accommodation	17 521	17 472	49	0.3%
Client 6	Public administration, national defense, mandatory social insurance	16 003	16 003	0	0.3%
Client 7	Public administration, national defense, mandatory social insurance	15 098	15 098	0	0.3%
Client 8	Public administration, national defense, mandatory social insurance	14 281	14 281	0	0.3%
Client 9	Property market services	13 762	13 375	387	0.3%
Client 10	Public administration, national defense, mandatory social insurance	12 930	12 930	0	0.2%
		234 452	132 968	101 484	4.5%

Quality structure

The Group has identified the following quality structure of financial assets:

- current, no indications of impairment;
- overdue, no indications of impairment;
- indications of impairment identified, but no impairment detected;
- indications of impairment identified, impairment and the related loss recognized.

The following tables present the summary of the above quality classes of each financial assets type as at 31 December 2014 and 31 December 2013.

A. Quality structure of receivables from other banks

	Balance as at 31 December 2014				Balance as at 31 December 2013			
	Gross carrying amount	Allowance	Net carrying amount	Share in net on-balance sheet exposure	Gross carrying amount	Allowance	Net carrying amount	Share in net on-balance sheet exposure
	PLN'000	PLN'000	PLN'000	%	PLN'000	PLN'000	PLN'000	%
Current receivables from other banks, no impairment indication	158 269	0	158 269	100.0%	36 329	0	36 329	100.0%
Overdue receivables from other banks, no impairment indication	0	0	0	0.0%	0	0	0	0.0%
Receivables from other banks with indications of impairment identified, but no impairment detected	0	0	0	0.0%	0	0	0	0.0%
Receivables from other banks with indications of impairment identified, impairment and the related loss recognized	0	0	0	0.0%	0	0	0	0.0%
Total	158 269	0	158 269	100.0%	36 329	0	36 329	100.0%

B. Quality structure of investment assets

	Balance as at 31 December 2014				Balance as at 31 December 2013			
	Gross carrying amount	Allowance	Net carrying amount	Share in net on- balance sheet exposure	Gross carrying amount	Allowance	Net carrying amount	Share in net on- balance sheet exposure
	PLN'000	PLN'000	PLN'000	%	PLN'000	PLN'000	PLN'000	%
Current investment assets, no indications of impairment	1 519 266	0	1 519 266	100.0%	1 842 036	0	1 842 036	100.0%
Overdue investment assets, no indications of impairment	0	0	0	0.0%	0	0	0	0.0%
Investment assets, indications of impairment identified, but no impairment detected	0	0	0	0.0%	0	0	0	0.0%
Investment assets, indications of impairment identified, impairment and the related loss recognized	0	0	0	0.0%	0	0	0	0.0%
Total	1 519 266	0	1 519 266	100.0%	1 842 036	0	1 842 036	100.0%

C. Quality structure of originated loans and advances

Balance as at 31 December 2014	Gross carrying amount	Allowance	Net carrying amount	Share in net on- balance sheet exposure	Gross off- balance sheet amount	Allowance	Net off-balance sheet amount	Share in net off- balance sheet exposure
	PLN'000	PLN'000	PLN'000	%	PLN'000	PLN'000	PLN'000	%
Current loans and advances, no impairment indication	4 689 905	10 334	4 679 571	90.8%	172 907	389	172 518	98.7%
Overdue loans and advances, no impairment indication	256 774	12 534	244 240	4.7%	1 154	60	1 094	0.6%
Loans and advances with indications of impairment, but no impairment detected	53 615	867	52 748	1.0%	496	4	492	0.3%
Loans and advances with indications of impairment, impairment and the related loss recognized	325 391	150 173	175 218	3.4%	945	178	767	0.4%
Total	5 325 685	173 908	5 151 777	100.0%	175 502	631	174 871	100.0%

Balance as at 31 December 2013	Gross carrying amount	Allowance	Net carrying amount	Share in net on- balance sheet exposure	Gross off- balance sheet amount	Allowance	Net off-balance sheet amount	Share in net off- balance sheet exposure
	PLN'000	PLN'000	PLN'000	%	PLN'000	PLN'000	PLN'000	%
Current loans and advances, no impairment indication	4 499 939	6 183	4 493 756	88.9%	264 194	816	263 378	98.5%
Overdue loans and advances, no impairment indication	365 669	8 352	357 317	7.1%	2 792	102	2 690	1.0%
Loans and advances with indications of impairment, but no impairment detected	37 655	316	37 339	0.7%	1 023	9	1 014	0.4%
Loans and advances with indications of impairment, impairment and the related loss recognized	277 241	109 941	167 300	3.3%	559	198	361	0.1%
Total	5 180 504	124 792	5 055 712	100.0%	268 568	1 125	267 443	100.0%

Loans and advances to customers, current, no impairment indication

Loans and advances granted to customers, not overdue and without impairment indication, bear an acceptable level of credit risk.

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
individuals	3 929 739	3 603 478
- overdraft facilities	28 280	31 297
- consumer loans	1 595 544	1 384 710
- real estate loans	2 293 433	2 176 293
- credit card debt	12 482	11 178
institutional clients	458 448	546 180
local authorities	301 718	350 281
Total	4 689 905	4 499 939
Allowance	10 334	6 183
Total net amount	4 679 571	4 493 756
Off-balance sheet gross amount	172 907	264 194
Off-balance sheet allowance	389	816
Off-balance sheet net amount	172 518	263 378

Loans and advances to customers, overdue, no impairment indication

The following tables present the ageing analysis of loans and advances granted to customers, overdue, but no impairment detected.

Balance as at 31 December 2014	1–30 days	31–60 days	61–90 days	Total
	PLN'000	PLN'000	PLN'000	PLN'000
individuals	200 482	31 470	14 607	246 559
- overdraft facilities	1 702	237	160	2 099
- consumer loans	131 406	25 221	12 274	168 901
- real estate loans	66 429	5 761	1 986	74 176
- credit card debt	945	251	187	1 383
institutional clients	6 526	1 410	735	8 671
local authorities	1 544	0	0	1 544
Total gross amount	208 552	32 880	15 342	256 774
Allowance	5 315	3 588	3 631	12 534
Total net amount	203 237	29 292	11 711	244 240
Off-balance sheet gross amount	774	230	150	1 154
Off-balance sheet allowance	16	21	23	60
Off-balance sheet net amount	758	209	127	1 094

Balance as at 31 December 2013	1–30 days	31–60 days	61–90 days	Total
	PLN'000	PLN'000	PLN'000	PLN'000
individuals	314 138	25 364	6 685	346 187
- overdraft facilities	1 667	347	82	2 096
- consumer loans	199 783	18 960	5 507	224 250
- real estate loans	111 926	5 730	962	118 618
- credit card debt	762	327	134	1 223
institutional clients	13 102	47	0	13 149
local authorities	6 333	0	0	6 333
Total gross amount	333 573	25 411	6 685	365 669
Allowance	4 918	2 040	1 394	8 352
Total net amount	328 655	23 371	5 291	357 317
Off-balance sheet gross amount	2 444	271	77	2 792
Off-balance sheet allowance	59	19	24	102
Off-balance sheet net amount	2 385	252	53	2 690

Loans and advances to customers with indications of impairment, but no impairment detected

The following tables present loans and advances granted to customers, with indication of impairment, but with no impairment detected, including the financial effect of collateral on the impairment loss.

Balance as at 31 December 2014	Indications of impairment identified, but no impairment detected, including:							
	Gross carrying amount	Gross off-balance sheet amount	Allowance recognized excluding the financial effect of security		Financial effect of security included in the allowance		Allowance recognized including the financial effect of security	
			On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
individuals	0	0	0	0	0	0	0	0
- overdraft facilities	0	0	0	0	0	0	0	0
- consumer loans	0	0	0	0	0	0	0	0
- real estate loans	0	0	0	0	0	0	0	0
- credit card debt	0	0	0	0	0	0	0	0
institutional clients	53 615	496	19 806	348	18 939	344	867	4
local authorities	0	0	0	0	0	0	0	0
Total	53 615	496	19 806	348	18 939	344	867	4

Balance as at 31 December 2013	Indications of impairment identified, but no impairment detected, including:							
	Gross carrying amount	Gross off-balance sheet amount	Allowance recognized excluding the financial effect of security		Financial effect of security included in the allowance		Allowance recognized including the financial effect of security	
			On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
individuals	0	0	0	0	0	0	0	0
- overdraft facilities	0	0	0	0	0	0	0	0
- consumer loans	0	0	0	0	0	0	0	0
- real estate loans	0	0	0	0	0	0	0	0
- credit card debt	0	0	0	0	0	0	0	0
institutional clients	37 655	1 023	17 690	436	17 374	427	316	9
local authorities	0	0	0	0	0	0	0	0
Total	37 655	1 023	17 690	436	17 374	427	316	9

Loans and advances to customers with indications of impairment identified, impairment and the related loss recognized

The following tables present loans and advances granted to customers, with indication of impairment, impairment detected and impairment loss recognized, including the financial effect of collateral on the impairment loss.

Indications of impairment identified, impairment and the related loss recognized, including:								
Balance as at 31 December 2014	Gross carrying amount	Gross off-balance sheet amount	Allowance recognized excluding the financial effect of security		Financial effect of security included in the allowance		Allowance recognized including the financial effect of security	
			On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
individuals	247 265	825	110 177	163	2 913	0	107 264	163
- overdraft facilities	5 457	10	3 044	3	0	0	3 044	3
- consumer loans	161 356	0	73 247	0	2 913	0	70 334	0
- real estate loans	76 414	69	31 768	21	0	0	31 768	21
- credit card debt	4 038	746	2 118	139	0	0	2 118	139
institutional clients	78 026	120	62 661	15	19 797	0	42 864	15
local authorities	100	0	45	0	0	0	45	0
Total	325 391	945	172 883	178	22 710	0	150 173	178

Indications of impairment identified, impairment and the related loss recognized, including:								
Balance as at 31 December 2013	Gross carrying amount	Gross off-balance sheet amount	Allowance recognized excluding the financial effect of security		Financial effect of security included in the allowance		Allowance recognized including the financial effect of security	
			On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
individuals	193 465	488	81 235	193	3 091	0	78 144	193
- overdraft facilities	4 103	9	2 291	3	0	0	2 291	3
- consumer loans	114 152	4	50 320	1	3 091	0	47 229	1
- real estate loans	72 761	69	27 347	21	0	0	27 347	21
- credit card debt	2 449	406	1 277	168	0	0	1 277	168
institutional clients	83 776	71	64 171	28	32 374	23	31 797	5
local authorities	0	0	0	0	0	0	0	0
Total	277 241	559	145 406	221	35 465	23	109 941	198

The financial effect of recovery based on collateral for receivables analyzed on a case-by-case basis amounted to PLN 42.0 million as at 31 December 2014 and PLN 53.3 million as at 31 December 2013. This amount would increase the required impairment losses if cash flows related to the collateral were not included in the calculation.

For receivables analyzed on a case-by-case basis, impairment losses not including the financial effect of recovery based on collateral would be PLN 68.6 million as at 31 December 2014 vs. PLN 77.0 million as at 31 December 2013.

Collateral and other items improving the loan terms:

- mortgage placed in the land and mortgage register as a senior lien or junior lien (if the total value of all liens does not exceed 50% of the market value of the property); liens representing 100% of the transaction value are recorded to collateralize principal increased by at least 60% of the transaction value to secure payment of interest, fees and charges as well as the Bank's costs related to the obligor's delinquencies;
- assignment of rights under property insurance policies covering fire and other accidents;
- statement of submission to enforcement proceedings by the obligor (and/or guarantor) up to 150% of the gross loan amount, with the date by which the Group may apply for a writ of execution;
- statement of submission to enforcement proceedings by the property owner up to the amount of the mortgage lien(s) created on the owned property (properties), with the date by which the Group may apply for a writ of execution based thereon;
- blank promissory note with a promissory note agreement for the Group;
- for construction of a house/premises – assignment of receivables under the construction contract concluded with the property developer/housing cooperative;
- transfer of the obligor's cash to the Group's account pursuant to Article 102 of the Banking Law (deposits);
- registered pledge blocking the rights attached to securities issued by the State Treasury and the National Bank of Poland (treasury bills and bonds);
- assignment of rights arising from participation units in an investment fund management company accepted by the Group;
- assignment of rights under an insurance policy taken out from an insurance undertaking accepted by the Group;
- financial pledge, registered pledge, assignment, deposit or blocking of other investment products approved on a case-by-case basis when making the loan decision.

As at 31 December 2014 the fair value of mortgage collateral for the related exposures amounted to PLN 4,651.7 million compared to PLN 4,639.5 million as at 31 December 2013.

Forbearance of loans

Forbearance of selected credit exposures means a forced modification of the initial repayment terms as determined in a loan agreement following a motion of the bank or obligor, resulting from inability to repay the loan on the initial terms due to an event that has deteriorated the financial standing of the obligor and resulted in repayment arrears or adversely affected the repayment projections. The purpose of the forbearance procedures is to:

- adjust the terms of repayment of liabilities arising from a credit transaction to the current solvency level of a debtor;
- allow the debt restructuring by a debtor without the Group's commencing collection procedures that make the entire debt immediately payable and further reduce debtor's solvency;
- improve the collection standing of the Group through acceptance of additional security;
- allow debtor's restructuring of the debt following the commencement of collection procedures by the Group;
- minimize losses incurred by the Group.

The Group applies the following forms of debt forbearance:

- amending the repayment schedule within the initial repayment period (i.e. temporary reduction in the installment amount to the level proposed by a debtor or determined by its solvency);
- extending the loan term;
- change in the installment repayment date;
- deferred repayment terms;
- change in interest calculation principles;
- assuming or accessing the debt by a third party;
- changing the repayment algorithm from diminishing to equal installments;
- determining the repayment schedule for current account and revolving loans or a diminishing balance of used loan transaction;
- changing the repayment manner: principal first, interest later;
- temporary suspension of interest repayment;
- capitalizing interest/principal;
- establishing an additional transaction security;
- sale of receivables;
- conversion;
- assuming collateral and offsetting it with the debt;
- concluding a new loan agreement/forbearance arrangement;
- other measures aimed at minimizing Group's losses.

Restructured transactions are recorded and monitored on an ongoing basis. Correct implementation of terms of a restructuring annex / new agreement / forbearance arrangement is monitored in particular for compliance with the debt repayment with deadlines and amounts determined therein. Should a threat to the implementation of a restructuring annex / new agreement / forbearance arrangement occur, the organizational unit monitoring the restructuring terms initiates measures aimed at renegotiation of these terms or commencement of collection proceedings. The record is built and updated on an ongoing basis based on relevant entries in IT systems of the Bank. Results of monitoring transactions subject to restructuring are presented on a quarterly basis at the Bank's Credit Committee. At the end of each quarter, review of restructured transactions marking is performed under control procedures.

According to Recommendation R, restructuring is an impairment indication for credit exposure, and each restructured exposure is measured for impairment.

The following tables present amounts of loans and advances subject to restructuring as at 31 December 2014 and 31 December 2013.

	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Gross loans and advances granted to clients, including:	5 325 685	5 180 504
Gross Loans and advances granted to forbearance clients:	57 772	36 349
individuals:	8 094	254
- consumer loans	2 416	141
- real estate loans	5 678	113
institutional clients:	49 678	36 095
- overdraft facilities	4 262	3 742
- operating loans	12 342	1 294
- investment loans	28 140	27 069
- other loans	4 934	3 990
local authorities	0	0
Impairment losses on loans and advances to forbearance clients:	(17 529)	(11 553)
Net loans and advances to forbearance clients	40 243	24 796

Gross loans and advances to clients by forbearance changes in repayment terms *	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
- change in repayment schedule	38 918	31 471
- extending the loan term	32 246	21 137
- grace period	22 409	9 761
- determining the repayment schedule for a limit	650	665
- change in interest calculation principles	25 827	19 676
- change of security	422	0
- accession to debt	249	254

Repayment terms of one loan / advance may be changed several times.

Quality structure of loans and advances subject to restructuring as at 31 December 2014 and 31 December 2013:

Balance as at 31 December 2014	Loans and advances to clients (gross)		Impairment allowance		Loans and advances granted to clients (net)		Total
	impaired	not impaired	impaired	not impaired	impaired	not impaired	
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	
individuals:	7 984	110	2 205	0	5 779	110	5 889
- consumer loans	2 416	0	441	0	1 975	0	1 975
- real estate loans	5 568	110	1 764	0	3 804	110	3 914
institutional clients:	25 298	24 380	14 926	398	10 372	23 982	34 354
- overdraft facilities	3 891	371	1 747	6	2 144	365	2 509
- operating loans	5 996	6 346	3 450	103	2 546	6 243	8 789
- investment loans	10 477	17 663	7 718	289	2 759	17 374	20 133
- other loans	4 934	0	2 011	0	2 923	0	2 923
local authorities	0	0	0	0	0	0	0
Total	33 282	24 490	17 131	398	16 151	24 092	40 243

Balance as at 31 December 2013	Loans and advances to clients (gross)		Impairment allowance		Loans and advances granted to clients (net)		Total
	impaired	not impaired	impaired	not impaired	impaired	not impaired	
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	
individuals:	141	113	21	0	120	113	233
- consumer loans	141	0	21	0	120	0	120
- real estate loans	0	113	0	0	0	113	113
institutional clients:	35 910	185	11 530	2	24 380	183	24 563
- overdraft facilities	3 557	185	1 358	2	2 199	183	2 382
- operating loans	1 294	0	304	0	990	0	990
- investment loans	27 069	0	7 952	0	19 117	0	19 117
- other loans	3 990	0	1 916	0	2 074	0	2 074
local authorities	0	0	0	0	0	0	0
Total	36 051	298	11 551	2	24 500	296	24 796

The following tables present changes in carrying amounts of loans and advances subject to restructuring process for each reporting period.

	Net value as at 1 January 2014	Gross value of exposures recognized in the period	Gross value of exposures eliminated in the period	Repayment of receivables in the period	Change in impairment losses in the period	Net value as at 31 December 2014
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
individuals:	233	7 889	0	(49)	(2 184)	5 889
- consumer loans	120	2 321	0	(46)	(420)	1 975
- real estate loans	113	5 568	0	(3)	(1 764)	3 914
institutional clients:	24 563	16 699	0	(3 116)	(3 792)	34 354
- overdraft facilities	2 382	1 013	0	(493)	(393)	2 509
- operating loans	990	11 268	0	(220)	(3 249)	8 789
- investment loans	19 117	1 507	0	(436)	(55)	20 133
- other loans	2 074	2 911	0	(1 967)	(95)	2 923
local authorities	0	0	0	0	0	0
Total	24 796	24 588	0	(3 165)	(5 976)	40 243

	Net value as at 1 January 2013	Gross value of exposures recognized in the period	Gross value of exposures eliminated in the period	Repayment of receivables in the period	Change in impairment losses in the period	Net value as at 31 December 2013
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
individuals:	0	254	0	0	(21)	233
- consumer loans	0	141	0	0	(21)	120
- real estate loans	0	113	0	0	0	113
institutional clients:	30 388	8 441	0	(12 238)	(2 028)	24 563
- overdraft facilities	1 022	3 157	0	(751)	(1 046)	2 382
- operating loans	1 602	1 294	0	(1 607)	(299)	990
- investment loans	27 764	0	0	(9 880)	1 233	19 117
- other loans	0	3 990	0	0	(1 916)	2 074
local authorities	0	0	0	0	0	0
Total	30 388	8 695	0	(12 238)	(2 049)	24 796

Interest income on loans and advances subject to restructuring in 2014 and 2013:

	Period from 1 January 2014 to 31 December 2014	Period from 1 January 2013 to 31 December 2013
	PLN'000	PLN'000
individuals:	227	4
- consumer loans	103	1
- real estate loans	124	3
institutional clients:	1 228	1 289
- overdraft facilities	45	180
- operating loans	226	23
- investment loans	791	860
- other loans	166	226
local authorities	0	0
Total	1 455	1 293

46.2. Liquidity risk

Liquidity risk is the risk of the Group's losing the capacity to pay its liabilities on a timely basis due to an unfavorable structure of its assets and liabilities. Liquidity risk may arise from a cash flow mismatch, sudden withdrawal of deposits, concentration of funding sources and the credit portfolio, inadequate level of liquid assets, limited liquidity of assets, the Bank and the Group's clients' default on their obligations or other unexpected developments in the financial market.

The Group's liquidity risk is managed at the level of the Bank as the liquidity risk assumed by the subsidiaries is immaterial considering the nature of their business.

The objective of liquidity risk management is to balance proceeds and payments of funds under on- and off-balance sheet transactions in order to ensure cost-effective funding sources, generating of cash surpluses and their appropriate use. The Bank builds the structure of its assets and liabilities so as to ensure the achievement of defined financial ratios with the liquidity risk level accepted by the Bank and in accordance with the risk appetite defined by the Supervisory Board.

The following principles are followed by the Bank in the liquidity risk management process:

- maintaining an acceptable liquidity level based on an appropriate portfolio of liquid assets;
- stable funds being the key source of funding for the Bank's assets;
- undertaking initiatives aimed at maintaining the liquidity risk level within the accepted risk profile;
- maintaining supervisory liquidity measures above the defined limits.

Liquidity risk management in the Bank is based on written policies and procedures defining the methods of identification, measurement, monitoring, limiting and reporting of liquidity risk. The regulations determine also the scope of competencies assigned to each unit of the Bank in the liquidity risk management process.

In order to ensure high standards of liquidity risk management, compliant with best banking practices, at least once a year the Bank reviews and verifies the policies and procedures, including internal liquidity limits.

In order to determine the liquidity risk level, the Bank uses a number of measurement and assessment methods, such as:

- contractual and actual liquidity gap method;
- deposit base stability and concentration check;
- surplus of liquid assets over unstable liabilities;
- stress analyses.

With a view to mitigating the liquidity risk, the Bank uses liquidity limits and thresholds for selected measures, including liquidity ratios or the mismatch between accumulated actual cash flows generated by assets and liabilities in individual time ranges.

Pursuant to Resolution No. 386/2008 of the Polish Financial Supervision Authority of 17 December 2008 on liquidity requirements for banks (as amended), the Bank monitors and complies with requirements concerning supervisory liquidity ratios. In 2014, the Bank fulfilled the requirements concerning the minimum supervisory liquidity ratios as specified in the aforesaid Resolution.

As at 31 December 2014, liquidity ratios remained within the applicable liquidity risk limits. The following table presents supervisory liquidity measures as at 31 December 2014 and 31 December 2013.

	Balance as at 31 December 2014	Balance as at 31 December 2013	Limit
M1 (PLN'000)	694 826	447 457	0
M2	1.49	1.31	1
M3	4.74	2.88	1
M4	1.19	1.13	1

The Bank prepares the following cyclical reports on its exposure to liquidity risk:

- daily report for the ALCO, Management Board and Treasury Department;
- monthly report for the ALCO and the Management Board;
- quarterly report for the Supervisory and Management Board.

The Bank has defined contingency plans to address sudden changes in the deposit base. An analysis of immediately available funding sources shows that in case of a sudden liquidity drop, the Bank is able to obtain sufficient funds without the need to implement its contingency plans. As at 31 December 2014, the Bank's portfolio of liquid assets was sufficient to deal with an actual crisis.

Realigned liquidity gaps

The following table presents realigned liquidity gaps for the Group as at 31 December 2014 and 31 December 2013.

Balance as at 31 December 2014	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Total on-balance sheet assets	2 032 264	225 522	366 798	597 000	2 544 562	3 177 303
Total on-balance sheet liabilities	1 108 379	342 328	347 236	503 134	3 984 141	1 517 897
Realigned balance sheet gap	923 885	(116 806)	19 562	93 866	(1 439 579)	1 659 406
Accumulated balance sheet gap	923 885	807 079	826 641	920 507	(519 072)	1 140 334
Off-balance sheet liabilities	17 889	8 386	3 648	14 174	356	0
Total realigned gap	905 996	(125 192)	15 914	79 692	(1 439 935)	1 659 406
Total accumulated gap	905 996	780 804	796 718	876 410	(563 525)	1 095 881

Balance as at 31 December 2013	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Total on-balance sheet assets	1 934 268	235 420	325 237	579 081	2 748 359	3 524 105
Total on-balance sheet liabilities	1 255 727	374 258	407 852	771 628	3 456 149	1 403 468
Realigned balance sheet gap	678 541	(138 838)	(82 615)	(192 547)	(707 790)	2 120 637
Accumulated balance sheet gap	678 541	539 703	457 088	264 541	(443 249)	1 677 388
Off-balance sheet liabilities	30 629	27 933	12 197	17 190	23 399	0
Total realigned gap	647 912	(166 771)	(94 812)	(209 737)	(731 189)	2 120 637
Total accumulated gap	647 912	481 141	386 329	176 592	(554 597)	1 566 040

Group's financial assets and liabilities by maturity based on contractual non-discounted payments

The Group's financial assets and liabilities by maturity based on contractual non-discounted payments, as at 31 December 2014 and 31 December 2013:

Balance as at 31 December 2014	Up to 1 month, inclusive	From 1 to 3 months	From 3 months to 1 year	Total up to 1 year	From 1 year to 5 years	Over 5 years	Total over 1 year	With unspecified	Total
Assets	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Cash in hand and deposits with the Central Bank	757 643	0	0	757 643	0	0	0	0	757 643
Receivables from other banks	6 451	0	10 004	16 455	64 639	77 175	141 814	0	158 269
Financial assets held for trading	1 336	0	0	1 336	0	0	0	0	1 336
Loans and advances granted to clients	88 663	91 010	377 408	557 081	1 354 549	3 122 273	4 476 822	117 874	5 151 777
Investment assets available for sale	479 947	0	91 491	571 438	520 235	8 866	529 101	8	1 100 547
Investment assets held to maturity	4 996	9 957	214 905	229 858	178 233	10 628	188 861	0	418 719
Other assets	26 329	180	2 695	29 204	4	0	4	66	29 274
Total assets	1 365 365	101 147	696 503	2 163 015	2 117 660	3 218 942	5 336 602	117 948	7 617 565
Received off-balance sheet liabilities	1 307	0	51 800	53 107	21 619	0	21 619	0	74 726

Balance as at 31 December 2014	Up to 1 month, inclusive	From 1 to 3 months	From 3 months to 1 year	Total up to 1 year	From 1 year to 5 years	Over 5 years	Total over 1 year	With unspecified	Total
Liabilities	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Liabilities to the Central Bank	11	0	0	11	0	0	0	0	11
Liabilities to other banks	4 020	0	0	4 020	0	0	0	0	4 020
Liabilities arising from securities sold (sell-buy-back and repo transactions)	173 381	4 320	0	177 701	0	0	0	0	177 701
Financial liabilities held for trading	94	0	0	94	0	0	0	0	94
Liabilities to clients	1 528 984	856 373	820 963	3 206 320	370 285	6 843	377 128	2 908 575	6 492 023
Liabilities arising from issue of debt securities	0	232	826	1 058	357 198	0	357 198	0	358 256
Subordinated liabilities	0	0	0	0	0	142 090	142 090	0	142 090
Other liabilities	86 902	10 364	648	97 914	86	201	287	1 165	99 366
Total liabilities	1 793 392	871 289	822 437	3 487 118	727 569	149 134	876 703	2 909 740	7 273 561
Originated off-balance sheet liabilities	151 911	8 475	71 930	232 316	22 033	0	22 033	0	254 349

Balance as at 31 December 2013	Up to 1 month, inclusive	From 1 to 3 months	From 3 months to 1 year	Total up to 1 year	From 1 year to 5 years	Over 5 years	Total over 1 year	With unspecified	Total
Assets	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Cash in hand and deposits with the Central Bank	327 242	0	0	327 242	0	0	0	0	327 242
Receivables from other banks	6 147	0	181	6 328	10 000	20 001	30 001	0	36 329
Financial assets held for trading	1 369	0	0	1 369	0	0	0	0	1 369
Loans and advances granted to clients	92 682	96 644	387 644	576 970	1 363 562	3 023 725	4 387 287	91 455	5 055 712
Investment assets available for sale	839 825	0	212 630	1 052 455	327 620	74 935	402 555	8	1 455 018
Investment assets held to maturity	4 996	9 942	54 153	69 091	317 927	0	317 927	0	387 018
Other assets	22 190	193	4 613	26 996	5	0	5	73	27 074
Total assets	1 294 451	106 779	659 221	2 060 451	2 019 114	3 118 661	5 137 775	91 536	7 289 762
Received off-balance sheet liabilities	1 653	0	53 600	55 253	51 265	0	51 265	0	106 518

Balance as at 31 December 2013	Up to 1 month, inclusive	From 1 to 3 months	From 3 months to 1 year	Total up to 1 year	From 1 year to 5 years	Over 5 years	Total over 1 year	With unspecified	Total
Liabilities	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Liabilities to the Central Bank	11	0	0	11	0	0	0	0	11
Liabilities to other banks	21 673	20 089	0	41 762	0	0	0	0	41 762
Liabilities arising from securities sold (sell-buy-back and repo transactions)	49 610	0	0	49 610	0	0	0	0	49 610
Financial liabilities held for trading	17	0	0	17	0	0	0	0	17
Liabilities to clients	1 662 387	650 141	726 704	3 039 232	313 948	437	314 385	2 876 961	6 230 578
Liabilities arising from issue of debt securities	34 204	0	249 543	283 747	147 850	0	147 850	0	431 597
Subordinated liabilities	0	0	0	0	43 036	98 991	142 027	0	142 027
Other liabilities	79 078	7 557	1 490	88 125	73	168	241	455	88 821
Total liabilities	1 846 980	677 787	977 737	3 502 504	504 907	99 596	604 503	2 877 416	6 984 423
Originated off-balance sheet liabilities	11 913	23 850	124 893	160 656	121 765	0	121 765	131 249	413 670

46.3. Market risk

Market risk arises from the current and future performance of the Bank and the Capital Group as well as their equity being exposed to unfavorable changes in on- and off-balance sheet items due to changes in interest rates and foreign exchange rates.

The primary objective of market risk management in the Bank and in the Group is to optimize the exposure management process and protect the financial performance at the same time.

The Group's market risk is managed at the level of the Bank as the market risk assumed by the subsidiaries is immaterial considering the nature of their business.

Market risk management in the Bank is based on written policies and procedures defining the objectives of market risk management as well as the methods of identification, measurement, monitoring, limiting and reporting of market risk. The regulations determine also the scope of competencies assigned to each unit of the Bank in the market risk management process.

In order to ensure high standards of market risk management, compliant with best banking practices, once a year the Bank reviews the applicable policies and procedures.

The Group has separate organizational units in charge of market risk control, monitoring and management.

Market risk reports present separately the interest rate risk related to the banking book, the trading book and the currency risk. Daily reports are used for operational market risk management purposes, while periodic reports are prepared for management purposes.

The Capital Group does not use hedge accounting for market risk management.

Interest rate risk

Interest rate risk results from the exposure of the Bank and the Group's financial performance and equity to adverse changes in interest rates.

The interest rate risk arises from:

- the risk of a mismatch of revaluation dates – a mismatch between the amount of assets, liabilities and off-balance sheet items revalued at a certain time; the risk represents a threat to the Bank's revenue, mostly interest income, in case of adverse changes in market interest rates or significant changes in the on-balance sheet items revaluation structure resulting in changes in the net interest income;
- basis risk arising from imperfect correlation between interest rates on products that generate interest income and expense and have the same revaluation dates;
- yield curve risk where the ratio between the interest rates concerning different periods but the same index or market changes;
- option risk arising when clients change the amount and time schedule of cash flows related to assets, liabilities and off-balance sheet items, to which they are entitled under the loan or deposit agreement at no additional cost, and various types of debt instruments with embedded *call* or *put* option, which enables them to redeem the instrument early.

The Bank adapts its interest rate risk management to the type and scale of its business. Interest rate risk in the Bank may be related to the banking book and to the trading book.

The objective of interest rate risk management is to build a structure of assets and liabilities ensuring protection of the present value and the net interest income of the Bank for the banking book and to obtain financial benefits through transactions on interest rate instruments concluded on own account in the trading book, with the accepted interest rate risk level.

Interest rate risk management in the Bank is based on written policies and procedures, which define the methods of:

- risk identification;
- risk measure calculation (risk measurement);
- risk exposure limiting – determining the acceptable risk level;
- monitoring items and changes in each book, portfolio and the limit use levels;
- risk exposure reporting;
- hedging exposures against interest rate risk.

Interest rate risk related to the banking book is measured and monitored with the use of such risk measures as:

- BPV, *Basis Point Value* denoting interest rate risk expressed as a cash value, related to maintaining of a given position when interest rates change by one basis point;

- NII (*net interest income*) – a change in the net interest income representing the difference between interest income and expense with an interest rate change at a specified level;
- BPV gap value in each revaluation range;
- *Duration* - a measure of interest rate risk interpreted as the average duration of an instrument or portfolio;
- early repayment of loans and withdrawal of deposits ratios for each type of products and entities.

Interest rate risk related to the trading book is measured and monitored with the use of such risk measures as:

- BPV and BPV gap value in each revaluation range;
- Value at Risk (VaR).

Additionally, the Bank performs stress tests involving sensitivity analysis and examining the effects of interest rate changes on the present value of risk-exposed items based on specified changes in the yield curve, and the effects of changes in interest rates on the net interest income of the Group.

The Bank prepares the following cyclical reports on interest rate risk exposure related to the banking and trading book:

- daily report for the ALCO, Management Board and Treasury Department;
- monthly report for the ALCO and the Management Board;
- quarterly report for the Supervisory and Management Board.

For the purpose of calculating the Banking Book risk measures, the current value of loans and deposits is determined based on reference rates arising from revaluation dates and liquidity adjustment excluding the commercial margin realized on each product. Additionally, stress tests for downward curve shift purposes are based on the assumption that interest on items sensitive to interest rate risk shall not drop below 0%.

The following tables present the interest rate risk level for the banking book (BPV and stress tests) as at 31 December 2014 and 31 December 2013.

BPV for the banking book

	BPV (1 b.p.)	
	Balance as at	Balance as at
	31 December 2014	31 December 2013
	PLN'000	PLN'000
Banking book	17	40

Results of stress tests for +/- 200 b.p. for the banking book

	Change in the present value of the banking book	
	Balance as at	Balance as at
	31 December 2014	31 December 2013
	PLN'000	PLN'000
200 b.p. down	(1 034)	(7 837)
200 b.p. up	4 767	8 374

The following table presents a change in annual net interest income with the rate change by +/-100 b.p. and balance sheet assumed to be stable. The analysis is based on the following assumptions:

- for rate decrease: interest rates on loans shall not exceed four times the lombard rate and interest rates on deposits (both term and current accounts) shall not drop below 0%;
- for rate increase: interest on interest-free current accounts shall not increase.

Change in annual net interest income with the rate change by +/-100 b.p.

	Change in the annual net interest income	
	Balance as at	Balance as at
	31 December 2014	31 December 2013
	PLN'000	PLN'000
100 b.p. down	(51 777)	(18 053)
100 b.p. up	17 494	15 029

In 2014 and 2013, Bank's trading activities regarding interest rates were limited to transactions on Polish treasury securities denominated in PLN. The Bank did not conclude speculative derivative transactions on its own behalf or derivative transactions with its clients.

The following table presents the interest rate risk level for the trading book (BPV) as at 31 December 2014 and 31 December 2013.

BPV for the trading book

	BPV (1 b.p.)	
	Balance as at	Balance as at
	31 December 2014	31 December 2013
	PLN'000	PLN'000
Trading book	0	0

Presented below are the Group's assets, liabilities and off-balance sheet items classified based on the interest rate risk criterion – revaluation date for floating rate items or maturity for fixed rate items – as at 31 December 2014 and 31 December 2013.

Balance as at 31 December 2014	Up to 1 month	From 1 month to 3 months	From 3 months up to 1 year	From 1 year to 5 years	Over 5 years	Assets/ liabilities (non- interest bearing)	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Assets							
Cash in hand and deposits with the Central Bank	751 268	0	0	0	0	6 375	757 643
Receivables from other banks	0	0	49 000	29 970	69 000	10 299	158 269
Financial assets held for trading	0	0	0	0	0	1 336	1 336
Loans and advances granted to clients	2 138 590	2 281 642	715 752	485	0	15 308	5 151 777
Investment assets available for sale	575 000	0	99 000	405 982	0	20 565	1 100 547
Investment assets held to maturity	5 000	10 000	207 271	175 000	10 000	11 448	418 719
Property, plant and equipment	0	0	0	0	0	47 921	47 921
Intangible assets	0	0	0	0	0	32 401	32 401
Current income tax receivables	0	0	0	0	0	120	120
Net deferred tax asset (asset items)	0	0	0	0	0	21 020	21 020
Other assets	0	0	0	0	0	29 274	29 274
Total assets	3 469 858	2 291 642	1 071 023	611 437	79 000	196 067	7 719 027

Balance as at 31 December 2014	Up to 1 month	From 1 month to 3 months	From 3 months up to 1 year	From 1 year to 5 years	Over 5 years	Assets/ liabilities (non- interest bearing)	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Liabilities							
Liabilities to the Central Bank	0	0	0	0	0	11	11
Liabilities to other banks	0	0	0	0	0	4 020	4 020
Liabilities arising from securities sold (sell- buy-back and repo transactions)	173 360	4 314	0	0	0	27	177 701
Financial liabilities held for trading	0	0	0	0	0	94	94
Liabilities to clients	4 370 669	913 790	792 252	377 529	165	37 618	6 492 023
Liabilities arising from issue of debt securities	0	0	317 850	40 000	0	406	358 256
Subordinated liabilities	90 340	0	50 000			1 750	142 090
Current income tax liabilities	0	0	0	0	0	2 979	2 979
Provisions	0	0	0	0	0	2 855	2 855
Other liabilities	0	0	0	0	0	99 366	99 366
Equity	0	0	0	0	0	439 632	439 632
Total liabilities and equity	4 634 369	918 104	1 160 102	417 529	165	588 758	7 719 027
Gap	(1 164 511)	1 373 538	(89 079)	193 908	78 835	(392 691)	0
Off-balance sheet items							Total
Interest rate transactions:	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Assets	100 000	0	50 000	20 000	0	0	170 000
Liabilities	0	20 000	150 000	0	0	0	170 000
Gap	100 000	(20 000)	(100 000)	20 000	0	0	0
Total gap	(1 064 511)	1 353 538	(189 079)	213 908	78 835	(392 691)	0

Balance as at 31 December 2013	Up to 1 month	From 1 month to 3 months	From 3 months up to 1 year	From 1 year to 5 years	Over 5 years	Assets/ liabilities (non- interest bearing)	Total
Assets	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Cash in hand and deposits with the Central Bank	321 958	0	0	0	0	5 284	327 242
Receivables from other banks	0	0	30 000	0	0	6 329	36 329
Financial assets held for trading	0	0	0	0	0	1 369	1 369
Loans and advances granted to clients	2 614 914	1 826 064	611 496	3 229	9	0	5 055 712
Investment assets available for sale	895 000	0	219 000	318 364	10 000	12 654	1 455 018
Investment assets held to maturity	5 000	10 000	52 000	307 271	0	12 747	387 018
Property, plant and equipment	0	0	0	0	0	44 666	44 666
Intangible assets	0	0	0	0	0	30 215	30 215
Current income tax receivables	0	0	0	0	0	98	98
Net deferred tax asset (asset items)	0	0	0	0	0	18 004	18 004
Other assets	0	0	0	0	0	27 074	27 074
Total assets	3 836 872	1 836 064	912 496	628 864	10 009	158 440	7 382 745

Balance as at 31 December 2013	Up to 1 month	From 1 month to 3 months	From 3 months up to 1 year	From 1 year to 5 years	Over 5 years	Assets/ liabilities (non- interest bearing)	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Liabilities							
Liabilities to the Central Bank	0	0	0	0	0	11	11
Liabilities to other banks	18 000	20 000	0	0	0	3 762	41 762
Liabilities arising from securities sold (sell- buy-back and repo transactions)	49 599	0	0	0	0	11	49 610
Financial liabilities held for trading	0	0	0	0	0	17	17
Liabilities to clients	4 573 462	625 067	688 607	324 451	237	18 754	6 230 578
Liabilities arising from issue of debt securities	230 000	0	197 850	0	0	3 747	431 597
Subordinated liabilities	90 340	0	50 000	0	0	1 687	142 027
Current income tax liabilities	0	0	0	0	0	3 138	3 138
Provisions	0	0	0	0	0	3 419	3 419
Other liabilities	0	0	0	0	0	88 821	88 821
Equity	0	0	0	0	0	391 765	391 765
Total liabilities and equity	4 961 401	645 067	936 457	324 451	237	515 132	7 382 745
Gap	(1 124 529)	1 190 997	(23 961)	304 413	9 772	(356 692)	0
Off-balance sheet items							Total
Interest rate transactions:	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Assets	0	0	50 000	50 000	0	0	100 000
Liabilities	50 000	0	50 000	0	0	0	100 000
Gap	(50 000)	0	0	50 000	0	0	0
Total gap	(1 174 529)	1 190 997	(23 961)	354 413	9 772	(356 692)	0

Currency risk

Currency risk arises from the current and future performance of the Bank and the Capital Group as well as their equity being exposed to adverse changes in foreign exchange rates.

The objective of currency risk management is to protect the exchange gain and obtain financial benefits through transactions concluded in FX instruments on own account with the accepted risk level.

In the process of currency risk management, the said risk in the Bank is measured through:

- calculation of the total position of the Bank;
- calculation of the position in each currency;
- calculation of Value at Risk (VaR);
- stress tests.

Value at Risk (VaR) is defined as the maximum loss which may be incurred by the Bank within a specified time horizon and with a specified probability. The Bank calculates VaR using the historical simulation method assuming a 99.2% confidentiality range and a 10-day position maintenance period.

Stress tests are complementary to VaR for the currency risk and they are performed to estimate the loss which may be incurred by the Bank in case of extremely adverse (stress) changes in foreign exchange rates.

The currency risk management process includes daily monitoring of:

- the value of positions in each currency;
- VaR and total currency position limits;
- daily, weekly and monthly stop-loss limits.

VaR statistics for currency risk in 2014 and as at 31 December 2014 and 31 December 2013

	Minimum value in 2014	Maximum value in 2014	Average value in 2014	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
VaR	10	210	49	10	28

The Bank prepares the following cyclical reports on its currency risk exposure:

- daily report for the ALCO, Management Board and Treasury Department;
- monthly report for the ALCO and the Management Board;
- quarterly report for the Supervisory and Management Board.

The table below presents the values of currency positions for USD, EUR, GBP and CHF in 2014 and as at 31 December 2014 and 31 December 2013. The maximum, minimum and average amounts have been presented for absolute position values (in thousands).

	Minimum value in 2014	Maximum value in 2014	Average value in 2014	Balance as at 31 December 2014	Balance as at 31 December 2013
	'000	'000	'000	PLN'000	PLN'000
USD	0	1 651	236	(9)	(12)
EUR	0	1 384	366	(135)	(445)
GBP	5	1 017	104	38	36
CHF	3	1 207	167	(3)	128

In 2014 and 2013, the Group's currency risk was very low due to an insignificant share of foreign currency assets and liabilities in the balance sheet total (below 2%). The value of the total currency position did not exceed 2% of equity, which did not generate a capital requirement with respect to this risk type.

The following table presents assets, liabilities and off-balance sheet items of the Group as at 31 December 2014 and 31 December 2013 by currency.

Balance as at 31 December 2014	Currency								Total
	PLN	EUR		USD		CHF		Other currencies	
		translated into PLN	in foreign currency	translated into PLN	in foreign currency	translated into PLN	in foreign currency	translated into PLN	
Assets	PLN'000	PLN'000	'000	PLN'000	'000	PLN'000	'000	PLN'000	PLN'000
Cash in hand and deposits with the Central Bank	754 467	2 805	658	361	103	0	0	10	757 643
Receivables from other banks	153 925	1 897	445	1 119	319	705	199	623	158 269
Financial assets held for trading	1 336	0	0	0	0	0	0	0	1 336
Loans and advances granted to clients	5 148 845	2 762	648	0	0	170	48	0	5 151 777
Investments in financial assets:	1 519 257	9	2	0	0	0	0	0	1 519 266
- available for sale	1 100 538	9	2	0	0	0	0	0	1 100 547
- held to maturity	418 719	0	0	0	0	0	0	0	418 719
Property, plant and equipment	47 921	0	0	0	0	0	0	0	47 921
Intangible assets	32 401	0	0	0	0	0	0	0	32 401
Current income tax receivables	120	0		0	0	0	0	0	120
Net deferred tax asset (asset items)	21 020	0	0	0	0	0	0	0	21 020
Other assets	29 077	111	26	0	0	0	0	86	29 274
Total assets	7 708 369	7 584	1 779	1 480	422	875	247	719	7 719 027

	Currency								Total
	PLN	EUR		USD		CHF		Other currencies	
Balance as at 31 December 2014		translated into PLN	in foreign currency	translated into PLN	in foreign currency	translated into PLN	in foreign currency	translated into PLN	
Liabilities	PLN'000	PLN'000	'000	PLN'000	'000	PLN'000	'000	PLN'000	PLN'000
Liabilities to the Central Bank	11	0	0	0	0	0	0	0	11
Liabilities to other banks	4 020	0	0	0	0	0	0	0	4 020
Liabilities arising from sell-buy-back securities sold	177 701	0	0	0	0	0	0	0	177 701
Financial liabilities held for trading	94	0	0	0	0	0	0	0	94
Liabilities to clients	6 482 940	7 544	1 770	1 505	429	0	0	34	6 492 023
Liabilities arising from issue of debt securities	358 256	0	0	0	0	0	0	0	358 256
Subordinated liabilities	142 090	0	0	0	0	0	0	0	142 090
Current income tax liabilities	2 979	0	0	0	0	0	0	0	2 979
Provisions	2 855	0	0	0	0	0	0	0	2 855
Other liabilities	99 129	230	54	7	2	0	0	0	99 366
Total liabilities	7 270 075	7 774	1 824	1 512	431	0	0	34	7 279 395
Equity	439 632	0		0		0			439 632
Total equity and liabilities	7 709 707	7 774	1 824	1 512	431	0	0	34	7 719 027
Net exposure	(1 338)	(190)	(45)	(32)	(9)	875	247	685	0
Off-balance sheet items	176 074	305	71	0	0	(886)	(250)	0	175 493
Assets	176 074	305	71	0	0	0	0	0	176 379
Equity and liabilities	0	0	0	0	0	886	250	0	886
Gap	174 736	115	26	(32)	(9)	(11)	(3)	685	175 493

	Currency								Total
	PLN	EUR		USD		CHF		Other currencies	
Balance as at 31 December 2013		translated into PLN	in foreign currency	translated into PLN	in foreign currency	translated into PLN	in foreign currency	translated into PLN	
Assets	PLN'000	PLN'000	'000	PLN'000	'000	PLN'000	'000	PLN'000	PLN'000
Cash in hand and deposits with the Central Bank	324 928	2 125	512	152	50	0	0	37	327 242
Receivables from other banks	32 270	762	184	1 858	617	264	78	1 175	36 329
Financial assets held for trading	1 369	0	0	0	0	0	0	0	1 369
Loans and advances granted to clients	5 049 486	6 058	1 461	0	0	168	50	0	5 055 712
Investments in financial assets:	1 842 028	8	2	0	0	0	0	0	1 842 036
- available for sale	1 455 010	8	2	0	0	0	0	0	1 455 018
- held to maturity	387 018	0	0	0	0	0	0	0	387 018
Property, plant and equipment	44 666	0	0	0	0	0	0	0	44 666
Intangible assets	30 215	0	0	0	0	0	0	0	30 215
Current income tax receivables	98	0	0	0	0	0	0	0	98
Net deferred tax asset (asset items)	18 004	0	0	0	0	0	0	0	18 004
Other assets	26 966	108	26	0	0	0	0	0	27 074
Total assets	7 370 030	9 061	2 185	2 010	667	432	128	1 212	7 382 745

Balance as at 31 December 2013	Currency								Total
	PLN	EUR		USD		CHF		Other currencies	
		translated into PLN	in foreign currency	translated into PLN	in foreign currency	translated into PLN	in foreign currency	translated into PLN	
Liabilities	PLN'000	PLN'000	'000	PLN'000	'000	PLN'000	'000	PLN'000	PLN'000
Liabilities to the Central Bank	11	0	0	0	0	0	0	0	11
Liabilities to other banks	41 762	0	0	0	0	0	0	0	41 762
Liabilities arising from sell-buy-back securities sold	49 610	0	0	0	0	0	0	0	49 610
Financial liabilities held for trading	17	0	0	0	0	0	0	0	17
Liabilities to clients	6 220 432	7 945	1 916	1 798	597	0	0	403	6 230 578
Liabilities arising from issue of debt securities	431 597	0	0	0	0	0	0	0	431 597
Subordinated liabilities	142 027	0	0	0	0	0	0	0	142 027
Current income tax liabilities	3 138	0	0	0	0	0	0	0	3 138
Provisions	3 419	0	0	0	0	0	0	0	3 419
Other liabilities	87 009	1 721	415	91	30	0	0	0	88 821
Total liabilities	6 979 022	9 666	2 331	1 889	627	0	0	403	6 990 980
Equity	391 765	0	0	0	0	0	0	0	391 765
Total equity and liabilities	7 370 787	9 666	2 331	1 889	627	0	0	403	7 382 745
Net exposure	(757)	(605)	(146)	121	40	432	128	809	0
Off-balance sheet items	287 627	20 941	5 050	0	0	0	0	0	308 568
Assets	287 627	20 941	5 050	0	0	0	0	0	308 568
Equity and liabilities	0	0	0	0	0	0	0	0	0
Gap	286 870	20 336	4 904	121	40	432	128	809	308 568

Financial derivatives

Although its offering includes derivatives, the Group has not actively participated in the market of derivative instruments. The Group's transactions include those on derivatives concluded for currency and interest rate risk management purposes.

Derivatives are measured on a daily basis using the discounted cash flow model. The measurement is based on commonly available rates and market quotations recorded in the Reuters system. As the scale of derivative transactions, which are entered into with banks included in investment ratings only, is inconsiderable, the Group's measurement of derivatives does not take into account the counterparty credit risk or own credit risk, which the Group believes exerts a marginal effect on measurement of its derivatives.

46.4. Operational risk

The Group defines operational risk as the risk of a loss arising from inadequacy or unreliability of internal processes, people and systems or from external events. The definition does not include strategic and reputational risks, which are managed separately, but it does include legal risk.

Based on assumptions adopted by the Bank and by the Group, the operational risk management structure includes all organizational units, branches, outlets, microbranches and subsidiaries. All directors manage operational risk in their reporting areas on an ongoing basis.

Ongoing management includes employment of measures aimed at evaluating the risk scale, mitigating the effects of risk events and reducing the probability that the risk will be assumed in the future. The Management Board of the Bank supervises the overall operational risk management process. The Operational Risk Committee is a body consulting the measures employed to change the operational risk level. Coordination of the operational risk management process is the responsibility of the Risk Function.

Each employee is to identify operational risk events pertaining to his/her position that are then collected in a dedicated database. The events are verified by operational risk coordinators on an ongoing basis and monitored by a coordinating unit for the number of events and loss value. Risk monitoring enables employment of measures that reduce the effects of events and implementation of instruments mitigating future risk.

Within the process of risk identification and assessment, the Group has monitored the use of operational risk appetite, key operational risk indicators and has regularly performed self-assessment of its operational risk. The self-assessment process includes all organizational units of the Bank and its subsidiaries.

The Bank prepares the following cyclical reports on its operational risk exposure:

- monthly report for the Management Board (information for the Management Board);
- quarterly report for the Operating Risk Management Committee and the Management Board;
- mid-year report for the Management and Supervisory Board.

With the view to limit operational risk, the Group has improved its processes in the Bank structures and in cooperation with other Group companies, including Poczta Polska, on an ongoing basis.

Additionally, operational risk in the Bank is mitigated based on procedures related to implementation of the "General Security Policy of Bank Pocztowy S.A." governing such issues as anti-money laundering, fraud prevention, protection of the Bank's resources, continuity of business, protection of personal data, confidential information and business secret as well as security of information in IT systems.

In order to ensure high standards of operational risk management, compliant with best banking practices, once a year the Group reviews the applicable policies and procedures.

46.5. Other risks

In addition to the above risks described in detail, the Group identifies and assesses the following risk types:

- compliance risk;
- strategic risk;
- business cycle risk;
- reputation risk;
- outsourcing risk.

Compliance risk

Compliance risk is the risk that the effects of the Group's non-compliance with the law, internal regulations and codes of conduct will occur. The Group also takes into account compliance risk generated both by the Bank and its subsidiaries, and manages the said risk arising from cooperation between the Bank and Poczta Polska S.A.

The compliance risk management process is based on written principles and procedures, which define the key principles to be followed by the Bank's employees and explain the key processes that identify the said risk, enabling its management at all organizational levels of the Group.

The scope of compliance risk management includes:

- the Group's compliance with the law and requirements imposed on banks;
- compliance with appropriate market standards, good practices and codes of conduct adopted by the banking sector;
- preventing money laundering and the funding of terrorism;
- preventing fraud detrimental to the Group.

The compliance risk management process includes risk identification, measurement, monitoring, mitigating and reporting.

Compliance risk identification is a continuous process which is carried out:

- when internal regulations are consulted by the compliance unit for their conformity with the law and requirements imposed on banks;
- based on the outcome of compliance tests and internal regulations compliance self-assessment;
- based on ongoing analyses, including operational risk events base, follow-up functional control and internal audit reports, record of court cases, information on customer complaints related to compliance risk, information from organizational unit heads regarding compliance risks, and fraud reports.

Identified compliance risk events are recorded by the compliance unit in the compliance risk events database.

Compliance risk measurement is performed on a quarterly basis by the compliance unit using a risk scoring model that takes into account the anticipated effects of compliance risk on the organization and its clients, including the probability of its occurrence, and other criteria, such as:

- the number of compliance risk events or actual losses arising from such risk;
- the number of negative press publications and accusations regarding compliance risk in the Bank.

As a result of measurement, risk is scored using a 3-level scale (low, medium or high).

As far as compliance risk arising from cooperation between the Bank and Poczta Polska S.A. is concerned, the compliance unit records compliance risk events and monitors measures aimed at explanation and mitigation of the said risk.

Strategic risk

Strategic risk is the risk to which the Group is directly, and its financial performance and equity indirectly, exposed due to unfavorable or incorrect strategic decisions, failure to implement or improper implementation of the strategy and developments in the business environment or incorrect response to changes in this environment.

In June 2014 the Supervisory Board of the Bank approved "Development Strategy of Bank Pocztowy S.A. for 2014-2017" whose assumptions have underlain the new direction and speed of Bank's development. The key strategic assumption of the Bank is to build a modern and simple offer with multi-channel access, addressed mostly to regional domestic clients, at the same time improving Bank's efficiency and profitability on a continuous basis.

Strategy implementation monitoring, taking into account the (direct or potential) effect of external factors, is aimed at examining the effectiveness of initiatives undertaken with a view to accomplishing the Bank's objectives defined in the Strategy.

Business cycle risk

The business cycle risk is the risk of long-term negative effects of an unfavorable stage of the business cycle (e.g. economic slowdown or recession) on the financial performance or equity of the Group.

As the economic situation affects the banking sector, an analysis of the macro-economic conditions should be part of the decision-making process at banks. The Bank monitors the macro-economic ratios presenting the situation of the Polish economy on a continuous basis and once a month, prepares detailed macro-economic reports that underlie the process of decision making by the Management Board.

The business cycle risk occurs when the overall economic situation deteriorates. In the case of growing unemployment, taxes, inflation, or interest rates or when significant changes in foreign exchange rates occur, the financial standing of customers may deteriorate (including that of the Seniors as target clients), which may translate into a limited capacity to pay their liabilities at their due dates and a reduced demand for the products offered by the Bank (loans, deposits). A slowdown may also result in increased impairment losses on loans and advances or a slower rise in the value of the Bank's credit portfolio due to a drop in demand for loans and in the number of clients that meet the loan granting criteria. Market volatility, economic slowdown and growing unemployment may also result in a significant decrease in the value of the clients' assets, such as real property securing payment of loans originated by the Bank.

In 2014, due to instability of business and political environment affecting countrywide business activity level, the assessment of economic risk in the Bank was maintained on the material level. Despite Polish economy having solid foundations, labor market seeing moderate improvement and the ongoing recovery of public finance, global events including Russian-Ukrainian conflict, a drop in crude oil prices or growing deflation may contribute to further easement of monetary policy that will adversely affect the banking sector.

Reputational risk

The reputational risk is related to damage to the Bank's reputation in the eyes of its existing and potential clients and stakeholders. This may result in unfavorable effects on the Bank's equity, i.e. the negative impact on its planned performance, among others through outflow of the existing clients or no inflow of new clients.

Reputation risk management is to protect the Bank's image and minimize the probability of damaging that would adversely affect the Bank's capital. Reputation risk management includes:

- ongoing monitoring and analysis of events and media communications that may affect the Bank's image and if necessary, implementation of preventive measures;
- regular reporting on the reputation risk level.

Outsourcing risk

Outsourcing risk is a risk third party's negative impact on the continuity, integrity or quality of the Bank's operations, its assets or employees.

Outsourcing banking activities and the related banking business processes to third parties necessitates the Bank's performance of numerous analyses, both before establishing a relationship and in the course of cooperation with the insourcer. Outsourcing risk materiality assessment depends on the scope of outsourced activities and the number of entities that perform them for and on behalf of the Bank. Outsourcing a broad range of activities to a small number of third parties creates concentration risk and potential problems with timely performance of the activities if the said entities discontinue their services. On the other hand, too large a number of insourcers gives rise to a risk that the Bank may lose control over the performance of the outsourced activities.

Outsourcing risk management in the Bank is based on written policies and procedures defining methods of identification, measurement and monitoring of outsourcing risk. The regulations determine also the scope of competencies assigned to each unit of the Bank in outsourcing banking and the related banking business processes.

Key information regarding outsourcing risk is regularly presented during Operational Risk Committee meetings.

46.6. Capital management

The Group's capital adequacy is managed on the Bank level. It is aimed to ensure that the Bank's equity level is not lower than the one required by internal and external regulations. The regulations link the required capital level with the scale of operations and risks assumed by the Bank.

Considering the above, the Group regularly:

- identifies risks material for its business;
- manages material risks;
- determines internal capital to be maintained should the risk materialize;
- calculates and reports capital adequacy measures;
- allocates internal capital to business areas;
- performs stress tests;
- compares its capital needs with the level of equity held;
- integrates the capital adequacy assessment with development of the Bank's Strategy, financial and sales plans.

The Group prepares the following cyclical reports to monitor its capital adequacy on an ongoing basis:

- monthly report for the ALCO and the Management Board;
- quarterly report for the ALCO, the Management and Supervisory Board.

In 2014 the solvency ratio, Tier 1 and internal solvency ratio of the Group was above the required regulatory minimum.

In order to ensure high standards of equity management, compliant with best banking practices, once a year the Group reviews the applicable policies and procedures.

Equity and solvency ratio

For the purpose of equity calculation, the Group applies methods arising from Regulation of the European Parliament and of the Council (EU) no. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending the Regulation (EU) no. 648/2012 (CRR). The Group's equity consists of Tier 1 (CET1) and Tier 2 funds recognized on a separate basis (based on CRR provisions, the Bank is exempted from the obligation to determine capital requirements on the consolidated level).

In 2014, Tier 1 capital included:

- equity instruments meeting the conditions addressed in CRR;
- agio related to the instruments referred to above;
- retained earnings, to include current period gains or annual profit before a formal decision confirming the final financial performance for a given year following an approval of a competent body;
- accumulated other comprehensive income;
- reserve capital;
- general risk reserve;
- unrealized gains and losses measured at fair value (in amounts including transitional regulations referred to in Articles 467 and 468 of the CRR);
- other Tier 1 items as determined in CRR;

and was reduced by:

- carrying amount of intangible assets;
- loss on measurement of debt instruments classified as available for sale.

In 2014, Tier 2 funds in the Group included cash obtained from a subordinate loan received in 2014 from Poczta Polska and two issues of subordinate bonds (carried out in 2011 and 2012, respectively).

The following table presents the amounts of equity, solvency ratio and Tier 1 as at 31 December 2014 and 31 December 2013 (calculation of equity and the capital requirements as at 31 December 2013 pursuant to Resolution no. 76/2010 of the Polish Financial Supervision Authority of 10 March 2010 on the scope and detailed principles of determining capital requirements for each risk type).

Equity	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Tier 1 capital	399 481	364 937
Equity instruments paid for	94 378	97 290
Adjustments related to instruments in Tier 1 capital in the transition period	2 330	0
Agio	8 600	8 600
Retained profit attributable to parent's owners, including:	38 179	25 030
- profit	38 179	36 871
- loss	0	(11 841)
Accumulated other comprehensive income	3 571	(1 943)
Adjustments related to unrealized gains/losses on instruments in Tier 1 capital*	(5 532)	(167)
Reserve capital	183 019	159 989
Funds for general banking risk	108 345	106 345
Other intangible assets	(32 307)	(30 207)
Additional value adjustments arising from prudent measurement requirements	(1 102)	0
Tier 2 capital	130 872	123 140
Equity instruments and subordinated loans classified as Tier 2 capital	93 000	123 140
Adjustments related to instruments in Tier 2 capital in the transition period	37 872	0
Equity	530 353	488 077

* The adjustment for 2014 regards elimination of the entire amount of unrealized temporary gains; the adjustment for 2013 regards elimination of 20% of the unrealized gains.

Capital adequacy	Balance as at 31 December 2014	Balance as at 31 December 2013
	PLN'000	PLN'000
Capital requirements for credit, counterparty credit, dilution and settlement risk, including for exposures	278 431	267 750
with 0% risk weight	0	0
with 20% risk weight	4 955	5 884
with 35% risk weight	43 135	45 440
with 50% risk weight	1 154	1 091
with 75% risk weight	162 333	145 771
with 100% risk weight	59 528	69 164
with 150% risk weight	2 491	400
with 250% risk weight	4 835	0
other risk weights	0	0
Credit valuation adjustment (CVA)	39	0
Capital requirement for operational risk	37 495	33 981
Total capital requirement	315 965	301 731
Solvency ratio	13.4%	12.9%
Tier 1	10.1%	9.7%

Signatures of all Members of the Management Board

19 March 2015 Szymon Midera Deputy Chairman of the Management Board
Acting Chairman of the Board

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19 March 2015 Hubert Meronk Member of the Management Board

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19 March 2015 Michał Sobiech Member of the Management Board

.....

19 March 2015 Paweł Szałowski Member of the Management Board

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Signature of the person responsible for keeping the accounting records:

19 March 2015 Michał Sasim Accounting Department Director

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