



MERITUM BANK ICB S.A.

Financial statements

For the financial year ending on 31 December 2013

Meritum Bank ICB S.A Annual report 2013

Annual Financial Statements for the year ended 31 December 2013

(data in PLN)

SELECTED FINANCIAL DATA

<i>SELECTED FINANCIAL DATA</i>	<i>31.12.2013 IN PLN</i>	<i>31.12.2012 (restated) IN PLN</i>	<i>31.12.2013 IN EUR</i>	<i>31.12.2012 (restated) IN EUR</i>
<i>Cash and balances with the Central Bank</i>	33,202,724.00	64,978,217.37	8,006,058.06	15,894,089.67
<i>Receivables from the financial sector</i>	84,248,157.73	75,833,781.09	20,314,467.05	18,549,430.33
<i>Receivables from the non-financial sector</i>	2,261,864,699.80	1,731,006,155.86	545,395,616.27	423,415,233.07
<i>Receivables from the public sector</i>	66,754.78	0.00	16,096.35	0.00
<i>Total assets</i>	2,954,161,679.16	2,204,305,018.37	712,326,793.78	539,187,177.33
<i>Liabilities to the financial sector</i>	30,498,811.80	19,639,996.20	7,354,073.06	4,804,069.32
<i>Liabilities to the non-financial sector</i>	2,537,664,207.38	1,823,449,030.98	611,898,198.15	446,027,354.58
<i>Liabilities to the public sector</i>	13,981,234.91	39,798,041.23	3,371,246.84	9,734,856.72
<i>Liabilities due to securities issued</i>	1,433,204.39	755,647.19	345,583.62	184,836.16
<i>Total liabilities</i>	2,741,612,032.11	2,002,313,811.66	661,075,432.12	489,778,829.72
<i>Equity</i>	212,549,647.05	201,991,206.71	51,251,361.65	49,408,347.61
<i>Capital adequacy ratio</i>	13.59%	13.83%	13.59%	13.83%

<i>SELECTED FINANCIAL DATA</i>	<i>For the financial year 2013 IN PLN</i>	<i>For the financial year 2012 (restated) IN PLN</i>	<i>For the financial year 2013 IN EUR</i>	<i>For the financial year 2012 (restated) IN EUR</i>
<i>Net interest income</i>	270,383,308.00	175,751,912.75	64,109,853.70	42,286,683.21
<i>Fees and commission income</i>	4,020,701.46	9,890,638.66	953,337.63	2,379,731.16
<i>Result on financial operations</i>	-7,741,500.52	-3,162,491.07	-1,835,566.22	-760,909.26
<i>Foreign exchange result</i>	946,701.24	842,275.96	224,469.77	202,655.30
<i>Operating result</i>	13,874,521.17	-3,684,296.01	3,289,750.13	-886,457.82
<i>Gross profit (loss)</i>	13,874,521.17	-3,684,296.01	3,289,750.13	-886,457.82
<i>Net profit</i>	11,678,166.78	1,819,138.25	2,768,978.49	437,692.66
<i>Net cash flows</i>	204,697,798.97	131,539,101.72	48,535,340.60	31,648,886.42

The following exchange rates have been used to calculate the selected financial data in EUR:

- assets, liabilities and equity – NBP exchange rate of 31 December 2013: 1 EUR = 4.1472 PLN; the exchange rate of 31 December 2012: 1 EUR = 4.0882 PLN.
- profit and loss account, and cash flow statement – the exchange rate calculated as the average of NBP exchange rates prevailing on the last day of each month of the four quarters of 2013 and 2012: 1 EUR = 4.2175 PLN and 1 EUR = 4.1562 PLN.

I. INTRODUCTION TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The financial statements include the year ended 31 December 2013 and shows restated comparative data for the year ended 31 December 2012.

Meritum Bank ICB S.A., previously: Bank Współpracy Europejskiej S.A., has been operating on the Polish market from mid-1990. In November 2007, Innova/4 L.P. investment fund advised by Innova Capital became a majority shareholder of the Bank.

In January 2008 a new Management Board of the Bank was appointed. A year later, in January 2009, the name of the bank was changed to Meritum Bank and its registered office was moved from Wrocław to Gdańsk. Meritum Bank ICB S.A., hereinafter referred to as "the Bank," is a bank operating as a joint stock company on the basis of existing legislation, in particular the Banking Law, Commercial Companies Code, and other laws. The Bank operates under the business name "Meritum Bank ICB Spółka Akcyjna." The Bank may use the following abbreviated business names: "Meritum Bank S.A." and "Meritum Bank ICB S.A." The Bank may use a distinctive brand feature, including a trademark. As of 31.12.2013 and 31.12.2012, the registered office of Meritum Bank ICB S.A. ("Bank") was situated in Gdańsk, ul. Chłopska 53.

The Bank was entered into the Register of Entrepreneurs of the National Court Register (KRS) kept by the District Court for Gdańsk-Północ in Gdańsk, the 7th Commercial Division of the National Court Register under no. KRS 0000005245 on 20.01.2009. The Bank operates through the Head Office located in Gdańsk; Branch Offices in Warsaw, Wrocław, Poznań, Katowice and Gdańsk; financial service centres; and a franchise network.

According to the share register of Meritum Bank ICB S.A., as of 31 December 2013, shareholders holding more than 5% of the shares in the share capital included: Innova Financial Holdings S.a.r.l investment fund advised by Innova Capital; the European Bank for Reconstruction and Development; and WCP COOPERATIEF U.A. (an affiliate of the private equity fund Wolfensohn Capital Partners).

<i>Shareholders</i>	<i>Number of shares</i>	<i>Value of shares in PLN</i>	<i>Participation at the GMS in %</i>
<i>INNOVA FINANCIAL HOLDING S.a.r.l</i>	5,967,809	179,034,270	46.85%
<i>WCP Cooperatief U.A.</i>	2,884,346	86,530,380	24.05%
<i>European Bank for Reconstruction and Development</i>	2,863,923	85,917,690	23.88%

Innova Capital

Innova Capital is one of the first and leading private equity firms in Central Europe. During 17 years since its establishment, Innova has completed 40 investments, mainly in manufacturing, telecommunications, business services, financial services and media, with a total value of around half a billion euros. It manages five mutual funds with a total capital of nearly 900 million euros. Renowned institutions from Western Europe and the United States invest in Innova funds. The team of the company consists of people with extensive international experience in consulting, management and investment banking, which translates into an increase in the value of companies in which Innova Capital invests. Examples include Euronet, Polcard or Dom Finansowy QS. The portfolio of Innova Capital includes Expander, GTS, Marmite, Libet, La Fantana, Donako.

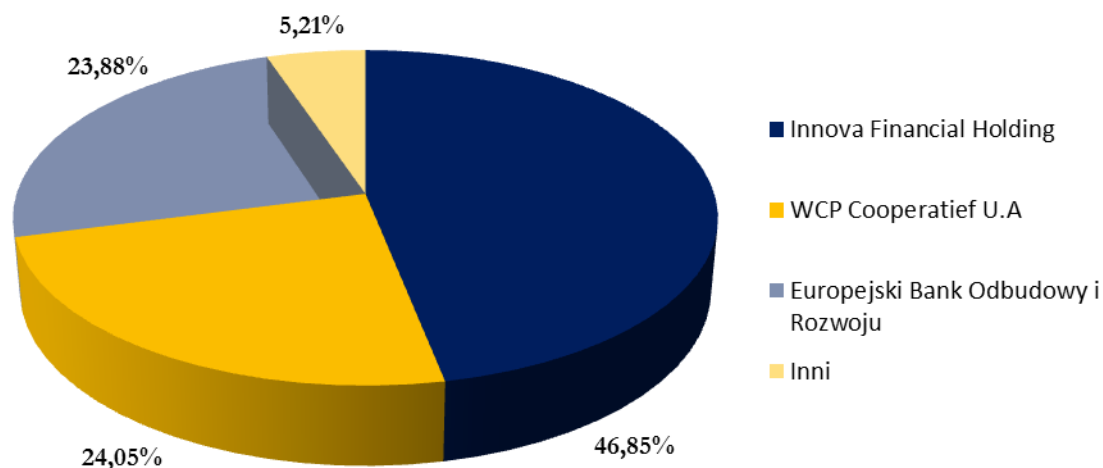
European Bank for Reconstruction and Development

This is one of the largest financial investors in the region. This international institution gathers 61 states and two intergovernmental institutions. It supports the development of market economies and democracy in countries of Central and Eastern Europe, and the banking sector in overcoming effects of the financial crisis. The principle followed by EBRD in its operations is the promotion of sustainable development of the private sector, respecting the environment and cultural heritage. The total liabilities of the bank in Poland amount to almost 5 billion euros.

Wolfensohn Capital Partners

This is a private investment fund that specialises in equity investments on emerging markets, in particular in the financial services sector. The fund is managed by James D. Wolfensohn, former long-term President of the World Bank and an experienced investment banker.

Udział na WZA



Udział na WZA	Participation at the GMS
Innova Financial Holding	Innova Financial Holding
WCP Cooperatief U.A	WCP Cooperatief U.A
Europejski Bank Odbudowy i Rozwoju	European Bank for Reconstruction and Development
Inni	Others

The business of the Bank includes banking activities.

- accepting cash deposits payable on demand or on maturity date and keeping accounts for such deposits;
- keeping other types of bank accounts;
- granting bank loans;
- granting and confirming bank guarantees, and opening and confirming letters of credit;
- issuing bank securities;

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- conducting bank cash settlements;
- granting cash loans, and consumer loans and credits;
- concluding cheque, bill of exchange and warrant transactions;
- issuing payment cards and processing card operations;
- performing financial forward/futures transactions;
- buying and selling cash receivables;
- safekeeping valuables and securities, and providing safe deposit boxes;
- buying and selling foreign currencies;
- acting as an agent in money transfers and foreign exchange settlements;
- granting and confirming sureties;
- performing commissioned operations connected with issuing securities;

and, to the extent permitted by law, performing other activities

- incurring liabilities associated with issuing securities, providing guarantees for liabilities arising from issued securities;
- taking up or acquiring shares and rights attached to shares, shares in other legal persons, and participation units in investment funds;
- trading in securities, including bank securities;
- on conditions agreed with the debtor, converting receivables into assets of the debtor, on the terms set out in the Bank Law;
- purchasing and selling real properties;
- providing consulting and advisory services on financial matters;
- keeping securities deposit accounts;
- providing factoring services;
- performing insurance solicitation activities for pension funds;
- acting as an intermediary in sale of participation units or investment certificates in line with the Investment Fund Law;
- providing insurance intermediation services;
- providing financial lease services;
- providing financial intermediation services when entering into lease agreements;

Meritum Bank's offer focuses on middle-income individual customers, micro-enterprises and small enterprises, and sole traders. The biggest strengths of Bank's offer dedicated to the above-listed segments include: modern and customer-friendly e-banking platform; competitive deposit offer; and a very attractive offer for micro-enterprises.

An important pillar of operations of Meritum Bank is the development of products in the area of consumer finance. The Bank offers a full range of loan products, including popular cash loans, consolidation loans and credit cards. The range of products is complemented by instalment loans. In 2011, the Bank started working with Tesco that, under the brand Tesco Finance, offers a wide range of loan products. Meritum Bank is distinguished also due to its diverse network of distribution channels: on-line banking; network of own and partner outlets; financial intermediaries; and sale of instalment loans through retail stores.

1.1 COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF THE BANK

As of 31 December 2013, the Management Board of the Bank was comprised of the following:

<i>Management Board of Meritum Bank ICB S.A.</i>	
<i>Acting President of the Management Board</i>	Bartosz Chytła
<i>First Vice-President of the Management Board</i>	Joanna Krzyżanowska
<i>Vice-President of the Management Board</i>	Piotr Urbańczyk
<i>Member of the Management Board</i>	Agnieszka Porębska-Burczyn

On 1 October 2013, the Supervisory Board appointed Bartosz Chytła as Member of the Management Board. At the same time, the Supervisory Board appointed Bartosz Chytła as Acting President of the Management Board of Meritum Bank ICB S.A. for the period starting from 1 October 2013 until the date when the Polish Financial Supervision Authority (KNF) approved his appointment to the position of President of the Management Board of Meritum Bank ICB S.A.

As of 31 December 2013, the Supervisory Board of the Bank was comprised of the following:

<i>Supervisory Board of Meritum Bank ICB S.A.</i>	
<i>Chairman of the Supervisory Board</i>	Krzysztof Kulig
<i>Member of the Supervisory Board</i>	Magdalena Magnuszewska
<i>Member of the Supervisory Board</i>	Steven Buckley
<i>Member of the Supervisory Board</i>	Peter Franklin
<i>Member of the Supervisory Board</i>	Asad Naqvi
<i>Member of the Supervisory Board</i>	Grzegorz Waluszewski
<i>Member of the Supervisory Board</i>	Łukasz Doktor

1.2 CONSOLIDATED FINANCIAL STATEMENTS

The Bank does not prepare consolidated financial statements.

The legal basis for waiving the consolidation of the statements is Art. 58 Clause 1 (consolidated text: Dz. U. (Journal of Laws) 2013 Sec. 330 as amended, hereinafter referred to as the "Law"). The Management Board of the Bank believes that financial data of subsidiaries are irrelevant for the information regarding the financial and material situation of the Company.

1.3 MERGER OF ORGANISATIONAL UNITS DURING THE REPORTING PERIOD

In 2013, Meritum Bank ICB S.A. did not merge with any other company.

1.4 GOING CONCERN BASIS

The financial statements for the year ended 31 December 2013 have been prepared assuming that the Bank would continue its business without limiting the current scope of its activities for at least 12 months after the

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balance-sheet date, i.e. on 31 December 2013. This means that the valuation of assets and liabilities reported in account books at the date of closure was done in accordance with the going concern assumption.

In the balance sheet as of 31.12.2013, the Bank demonstrated loss exceeding the amount of the supplementary capital, reserve capital and one-third of the share capital. On 17 February 2014, the General Meeting of Shareholders, acting pursuant to Art. 397 of Commercial Companies Code (consolidated text: Dz. U. 2013 Sec. 1030) adopted a resolution on the continued existence of the company.

The Management Board is currently implementing a recovery plan approved by the Polish Financial Supervision Authority on 28 December 2010: "Recovery Proceedings Plan (RPP) of Meritum Bank ICB S.A. for 2010-2015."

At the end of December 2013, the balance-sheet total of the Bank was lower than the one assumed in RPP by 7%, whereas the loan portfolio was lower by 5.6%. Net profit amounted to 11.6 million and was lower than the one assumed in net borrowing needs by 23.7 million zlotys. The largest deviation occurred in fees and commission income and was associated with the implementation of the recommendations of the Office of the Polish Financial Supervision Authority in respect of accounting policies in the area of bancassurance.

On 12 April 2013, the Bank received a letter from the Polish Financial Supervision Authority obliging the Bank to update its recovery proceedings plan.

Due to the deviation from the RPP and changes resulting from the change in rules of settlement of income on bancassurance and the retrospective settlement of the income for 2008-2013, the Bank prepared an updated RPP that was provided to the Polish Financial Supervision Authority on 18 October 2013.

On 27 November 2013, the Bank received a letter from the Polish Financial Supervision Authority as a response to the draft of the new RPP submitted by the Bank.

In response to the letter of 27 November 2013, the Recovery Proceedings Plan for 2013-2016 was developed, taking into account the assumptions called for by the Polish Financial Supervision Authority. The draft of the new RPP was submitted to the Polish Financial Supervision Authority on 23 December 2013.

On 23 January 2014, the Bank received a letter from the Polish Financial Supervision Authority as a response to the draft of the new RPP for 2013-2016 submitted by the Bank.

On 24 February 2014, the Bank provided the Polish Financial Supervision Authority with the supplemented RPP for 2014-2016, as a response to the letter of 23 January 2014.

On 17 March 2014, the Bank received a letter from the Polish Financial Supervision Authority as a response to the draft of the new RPP for 2014-2016 submitted by the Bank.

On 31 March 2014, the Bank provided the Polish Financial Supervision Authority with the supplemented RPP, as a response to the letter of 17 March 2014.

At the date of signing these financial statements, the updated RPP for 2014 has not been approved by the Polish Financial Supervision Authority.

1.5 APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements were approved by the Management Board of the Bank on 31 March 2014.

1.6 ACCOUNTING PRINCIPLES (POLICY)

The most important accounting principles applied in the preparation of these financial statements are set out below.

In 2013, the Bank applied the same accounting policies as in 2012, with the exception of the change in the recognition of revenue and expenses relating to the sale of insurance products and manner of demonstration of penalty interest. Details of the changes are described in Note 2.16.

1.7 BASIS OF FINANCIAL STATEMENTS PREPARATION

The financial statements of the Bank cover the financial year ended 31 December 2013 and restated comparative data as of 31 December 2012, and have been prepared in Polish zlotys (PLN).

Accounting records are maintained in accordance with the corporate Chart of Accounts of Meritum Bank S.A., applying existing accounting principles: the principle of completeness and chronology of accounting records; the matching principle of revenue and expenses; the materiality principle; and the accrual basis.

The basis for the preparation of the financial statements of the Bank includes:

- The Accounting Law of 29 September 1994 (consolidated text: Dz. U. 2013 Sec. 330 as amended),
- The Banking Law of 29 August 1997 (consolidated text: Dz. U. 2012 Sec. 1376 as amended),
- The Foreign Exchange Law of 27 July 2002 (consolidated text: Dz. U. 2012 Sec. 826),
- The Minister of Finance Regulation of 1 October 2010 concerning specific accounting principles for banks (consolidated text: Dz. U. 2013 Sec. 329),
- The Minister of Finance Regulation of 16 December 2008 on the creation of provisions for the risk associated with operations of banks (Dz. U. of 2008 No. 235 Sec. 1589 as amended),
- The Corporate Income Tax Law of 15 February 1992 regarding the depreciation of fixed assets and amortization of intangible assets (consolidated text: Dz. U. of 2001 No. 74 Sec. 397 as amended),
- The Law on Bank Guarantee Fund of 14 December 1994 (consolidated text: Dz. U. of 2009 No. 84 Sec. 711 as amended),
- The Minister of Finance Regulation of 12 December 2001 on detailed rules for the recognition, valuation methods, scope of presentation and disclosure of financial instruments (Dz. U. of 2001 No. 149 Sec. 1674 as amended),
- Resolutions of the Polish Financial Supervision Authority.

1.8 REPORTING CURRENCY

These annual financial statements have been prepared in Polish zlotys.

1.9 PRINCIPLES OF ESTABLISHING THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of a selected financial asset or liability is the amount for which the asset could be exchanged or for which the liability could be paid at arm's length principle between interested and well-informed but unrelated parties.

For financial instruments traded on an active market, the fair value is the market price less costs related to the transaction provided that their amount is significant. If the market price cannot be determined for the financial instrument, the fair value is specified using estimation methods.

2.0 PRINCIPLES OF WRITING-OFF RECEIVABLES

Credit exposures are written off from special-purpose provisions established for such exposures, whereas other receivables – from revaluation write-downs of their value. In the case of credit exposures, if no special-purpose provisions have been created or if their value is lower than the credit exposure, receivables in the part not covered by the provision are written off from other operating expenses. Similarly, in case of other receivables, if revaluation write-downs do not cover 100% of the written-off amount receivable, the remaining amount is directly written off from costs. The write-off takes place in case of receiving information confirming the ineffectiveness of enforcement actions and a decision to discontinue the actions as issued by a relevant enforcement authority.

2.1 FINANCIAL ASSETS

Financial assets are accounted for as of the date of contract conclusion at the purchase price, i.e. the fair value of incurred expenses or other assets provided in their stead. When determining the fair value at that date, transaction costs incurred by the company are taken into account.

After the initial recognition, financial assets are classified into one of the four categories and are valued as follows:

- financial assets held to maturity are valued at cost adjusted for accrued interest, discount and premiums, taking into account write-downs for special-purpose provisions and impairment write-offs,
- loans granted and receivables are valued at cost determined using the effective interest rate method. Receivables with a short maturity for which no interest rate has been determined are valued at the amount to be received,
- marketable financial assets are valued at fair value, whereas marketable financial assets for which there is no active market – according to otherwise determined fair value. The difference of the market value or the fair value is recognised as income or expenses from financial operations
- financial assets available for sale are valued at fair value and results of changes in fair value are charged, respectively, to the revaluation reserve.

The Bank values financial instruments at amortised cost using the effective interest rate method (ESP) under the Law and the Regulation concerning specific accounting principles for banks.

The valuation according to amortised cost taking into consideration the effective interest rate includes loans and credits for which dates and amounts of future cash flows have been determined, i.e. a loan repayment schedule has been specified. To calculate the effective interest rate, commissions related to the creation of a given asset

are taken into account. In the profit and loss account, the amount of accrued commission expenses using the effective interest rate is recognised in interest income, whereas commissions received on loans with no specific cash flows settled using the straight-line method are recognised as fees and commissions income. The valuation at amortised cost taking into account the effective interest rate also includes fixed-term deposits and securities held to maturity.

2.2 LEASE

The Bank is a party to lease agreements under which it receives foreign assets or intangible assets, for an agreed period, for paid use or beneficial use.

In case of lease agreements under which practically all the risks and benefits resulting from ownership of the assets subject to the agreements are transferred, the lease object is recognised as fixed asset and, at the same time, is recognised as a liability in the amount equal to the current value of minimum lease payments determined at the inception date of the lease. Lease payments are divided between financial costs and the reduction of the liability balance to achieve a constant rate of interest on the remaining liability balance. Financial costs are recognised immediately in the profit and loss account.

Fixed assets subject to finance lease agreements are depreciated in the manner specified for own fixed assets. However, when there is no control over the timing and no certainty as to the ownership of the subject-matter of the agreement, fixed assets used under finance lease agreements are depreciated over the shorter of the following: the expected useful life or the lease term.

Lease payments under agreements that do not meet conditions of a finance lease agreement are recognised as expenses in the profit and loss account according to the straight-line method over the lease term. Depending on the purpose of use of the leased asset, lease payments are recognised as operating costs (including: general management or sales) or other operating costs.

2.3 MINORITY SHARES AND SHARES IN SUBSIDIARIES

Shares in subsidiaries are valued by the Bank using the equity method, taking into account principles of valuation set out in Art. 63 of the Law:

- the method involves the valuation of shares of the Bank in the net assets of the subsidiary, taking into account goodwill or negative goodwill, determined on the day of: taking over the control or the joint control, or exerting significant influence,
- shares in subsidiaries are valued at the end of the reporting period, at cost adjusted by changes in net assets of the entity attributable to shares of the Bank, between the date of obtaining significant influence / taking over the control or joint control, and the date of preparing the financial statements, adjusted by amortisation write-downs of goodwill or negative goodwill,
- effects of valuation of shares in subsidiaries under the equity method are recognised in financial income or expenses from revaluation of financial assets, in turn in "Release of provisions and revaluation" and "Write-downs on provisions and revaluation."

Minority shares are valued at cost taking into account impairment write-offs.

2.4 FIXED ASSETS AND INTANGIBLE ASSETS

Fixed assets and intangible assets are demonstrated at cost or value after revaluation less depreciation (amortisation). Detailed rules of depreciation (amortisation) for individual groups are specified in the amortisation schedule approved by the Chief Accountant of the Bank. Depreciation (amortisation) is done according to the straight-line method in accordance with the economic useful life.

Rates on basic groups are as follows:

- machinery and equipment 7-30%
- means of transport 20%
- other 10-20%
- investments in foreign fixed assets - 10-20%
- buildings 2.5%

The amortisation period of intangible assets ranges from 5 to 10 years.

2.5 CASH AND CASH EQUIVALENTS

Cash at bank and in hand is valued at nominal value.

Cash shown in the cash flow statement consists of cash in hand and bank deposits with maturity not exceeding three months that are not treated as investing activities.

2.6 PREPAYMENTS AND ACCRUALS

The Bank makes prepayments if they relate to future reporting periods. Accruals are made in the amount of probable liabilities in the current reporting period.

2.7 ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS IN FOREIGN CURRENCIES

Assets and liabilities of the balance sheet and off-balance sheet liabilities in foreign currencies are recognised in the PLN equivalent converted according to the average NBP rate set by NBP President as of the balance sheet date. Exchange rate differences are recognised in the foreign exchange gains in the profit and loss account.

2.8 DEFERRED INCOME TAX

Deferred income tax is determined using the liability method for all temporary differences at the balance sheet date between the tax value of assets and liabilities, and their carrying amounts in the financial statements.

Deferred income tax provision is created in respect of all positive temporary differences.

The deferred income tax asset is recognised for all negative temporary differences and unused tax losses carried forward to the following years, in the amount in which it is probable that taxable income will be achieved that will enable to use the aforementioned differences and losses.

The carrying amount of the deferred income tax asset is reviewed at each balance sheet date and appropriately reduced by the amount by which it ceased to be probable that taxable income will be achieved sufficient for partial or complete use of the deferred income tax asset.

Deferred income tax assets and deferred income tax provisions are valued using tax rates that, according to regulations applicable by the balance sheet date, will apply in the period when the asset is realised or the provision is released.

2.9 OFF-BALANCE SHEET LIABILITIES GRANTED

Off-balance sheet liabilities granted are recognised at nominal value. Provisions for off-balance liabilities are created in accordance with the Minister of Finance Regulation of 16 December 2008 on the creation of provisions for the risk associated with operations of banks and provisions for off-balance sheet liabilities.

2.10 INTEREST INCOME AND EXPENSES

Contractual interest income and expenses are recognised taking into account accrued interest not due on the date of preparation of the financial statements. Accrued contractual interest to be paid and received is presented in balance sheet items to which it respectively relates.

Contractual interest due and payable, and accrued not due on receivables classified as substandard, doubtful and lost is recognised in assets of the balance sheet as interest receivables, whereas in liabilities – as interest reserved for "Other accruals and deferred income."

Penalty interest income is recognised in the financial result at the time of receipt/payment. Penalty interest on receivables classified as endangered is not recognised in assets of the balance sheet as interest receivables, whereas in liabilities – as interest reserved for "Other accruals and deferred income."

Interest on receivables due to bills discounted and purchased receivables is recognised as income received in advance and is settled in Bank's interest income on an accrual basis.

2.11 FEES AND COMMISSION INCOME AND EXPENSES

Fees and commission income and expenses are recognised in the financial result as follows:

- recognised once off upon their receipt/payment,
- deferred and included in the valuation of loan receivables.

The division of income and expenses for the sale of insurance products relies on the Bank's settlement model that is fully consistent with the matching principle of revenue and expenses, and also reflects the economic substance of the transaction. The value of the remuneration received by or receivable to the Bank for a multi-credit and insurance transaction, in case of related products, is allocated between the part that forms an element of the amortised cost of the financial instrument and the part that forms the remuneration for the intermediation activities completed.

The remuneration is divided in proportion: appropriately to the fair value of the financial instrument and the fair value of the intermediation service in relation to the total of both of these two values.

The fair value of the intermediation service – income recognised on the date of sale of the product – was estimated in 2013 in the following amounts:

- for retail loans – 20%

- for commercial loans – 17.2 %

The Bank will make estimations of the part of the remuneration that will be reimbursed (e.g. due to the termination of an insurance contract by the customer; prepayments; or other) in the periods after the sale of an insurance product. The correctness of estimates will be verified on a case-by-case basis after receiving information about significant changes in this respect, at least at every balance sheet date.

2.12 FINANCIAL LIABILITIES

Financial liabilities, including derivatives that are liabilities, are valued at fair value. Changes in fair value of marketable financial liabilities are recorded as income or expenses from financial operations.

2.13 ENCUMBRANCE OF GROSS FINANCIAL RESULT

Net financial result is the gross profit resulting from the profit and loss account less compulsory encumbrance for corporate income tax. For tax purposes, gross financial result is calculated in accordance with provisions of the Corporate Income Tax Act. The Bank creates, also in accordance with provisions of the Corporate Income Tax Act, provision for deferred income tax resulting from the difference in timing of recognition of the income as earned or expense as incurred. A positive difference is recognised in compulsory encumbrance to the gross financial result, whereas a negative difference reduces the amount of the encumbrance – deferred income tax assets (Resolution no. 18/2007 of the President of the Management Board of Bank Współpracy Europejskiej S.A. of 30 April 2007).

2.14 PROVISIONS

A provision is created when the Bank has a present (legal or constructive) obligation as a result of past events and it is certain or highly probable that the fulfilment of this obligation will result in the necessary outflow of resources and when it is possible to make a reliable estimate of the amount of this liability. The Bank creates provisions for, among others:

- unused holidays,
- outcomes of pending litigation,
- other liabilities.

2.15 EQUITY

Equity is comprised of capitals and reserves created in accordance with applicable law and articles of association. Equity consists of: share capital and other capitals.

Share capital is recognised at nominal value, in accordance with the articles of association and the entry in the commercial register. Other capitals: supplementary capital, revaluation reserve, reserve capital.

2.16 RESTATEMENT OF COMPARATIVE DATA

In 2013, the Bank introduced the following accounting policies that resulted in the restatement of comparative data included in these annual financial statements.

- Penalty interest

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In 2013, the Bank introduced changes in the recognition of penalty interest on loans receivable. As a result of the changes introduced, penalty interest income is recognised in the financial result at the time of receipt/payment. Penalty interest on receivables classified as endangered is not recognised in assets of the balance sheet as interest receivables, whereas in liabilities – as interest reserved for "Other accruals and deferred income."

The restatement of comparative data made in this respect for 2012 resulted in a decrease in net profit for 2012 by 894,120.67 zlotys.

- Recognition of income and expenses from the sale of insurance products

In 2013, the Bank introduced changes in accounting policy regarding recognition of income and expenses from the sale of insurance products. As a result of guidelines provided by the Polish Financial Supervision Authority, the Bank changed the model in respect of the recognition of income from bancassurance.

The division of income and expenses for the sale of insurance products relies on the Bank's settlement model that is fully consistent with the matching principle of revenue and expenses, and also reflects the economic substance of the transaction. The value of the remuneration received by or receivable to the Bank for a multi-credit and insurance transaction, in case of related products, is allocated between the part that forms an element of the amortised cost of the financial instrument and the part that forms the remuneration for the intermediation activities completed.

The remuneration is divided in proportion: appropriately to the fair value of the financial instrument and the fair value of the intermediation service in relation to the total of both of these two values.

The fair value of the intermediary service – income recognized once off at the date of sale.

The restatement of comparative data made in this respect for 2012 years resulted in a decrease in net profit for 2012 by 3,538,452.58 zlotys and an increase in retained loss as at 31 December 2012 by 25,066,462.93 zlotys.

The impact of the changes of accounting principles introduced in 2013 on the comparative data presented in these annual financial statements is shown in the following tables.

<i>Items of the profit and loss account</i>	<i>For the financial year 2012 IN PLN</i>	<i>Adjustments</i>	<i>For the financial year 2012 (restated) IN PLN</i>
<i>Net interest income</i>	156,849,869.42	18,902,043.33	175,751,912.75
<i>Fees and commission income</i>	44,141,485.27	(34,250,846.61)	9,890,638.66
<i>Difference between provisions and revaluation</i>	-98,095,534.35	3,622,981.02	-94,472,553.33
<i>Operating result</i>	8,041,526.25	(11,725,822.26)	-3,684,296.01
<i>Gross profit (loss)</i>	8,041,526.25	(11,725,822.26)	-3,684,296.01
<i>Tax</i>	-1,789,814.75	7,293,249.01	5,503,434.26
<i>Net profit</i>	6,251,711.50	(4,432,573.25)	1,819,138.25

<i>Balance sheet items</i>	<i>31.12.2012 IN PLN</i>	<i>Adjustments</i>	<i>31.12.2012 (restated) IN PLN</i>
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<i>Receivables from the non-financial sector</i>	1,766,598,610.43	(35,592,454.57)	1,731,006,155.86
<i>Deferred tax assets</i>	28,555,249.30	7,083,517.00	35,638,766.30
<i>Other accruals and deferred income</i>	53,533,594.09	5,329,889.75	58,863,483.84
<i>Deferred tax liability</i>	7,950,563.73	(209,732.01)	7,740,831.72
<i>Net profit</i>	6,251,711.50	(4,432,573.25)	1,819,138.25
<i>Retained loss</i>	-135,078,053.75	(24,172,342.26)	-159,250,396.01

<i>Items of the cash flows statement</i>	<i>2012 IN PLN</i>	<i>Adjustments</i>	<i>2012 (restated) IN PLN</i>
<i>Net financial result</i>	6,251,711.50	(4,432,573.25)	1,819,138.25
<i>Adjustments</i>	56,399,836.43	(4,432,573.24)	60,832,409.67
<i>Change in gross receivables from the non-financial sector</i>	-701,797,608.78	10,032,322.58	-691,765,286.20
<i>Change in accruals and prepayments, and deferred tax asset and liability</i>	6,749,340.84	(10,929,639.08)	-4,180,298.24

<i>Items of the statement of changes in equity</i>	<i>2012 IN PLN</i>	<i>Adjustments</i>	<i>2012 (restated) IN PLN</i>
<i>Opening balance of equity</i>	166,556,823.10	(24,172,342.26)	142,384,480.84
<i>Opening balance of retained loss</i>	-135,078,053.75	(24,172,342.26)	-159,250,396.01
<i>Net result</i>	6,251,711.50	(4,432,573.25)	1,819,138.25
<i>Closing balance of equity</i>	230,596,122.22	(28,604,915.51)	201,991,206.71

<i>Capital requirements</i>	<i>2012 IN PLN</i>	<i>Adjustments</i>	<i>2012 (restated) IN PLN</i>
<i>Capital requirement for credit risk</i>	112,772,727.00	(1,573,589.00)	111,199,138.00
<i>Capital requirement for operating risk</i>	10,309,931.00	(2,743,309.00)	7,566,622.00

<i>Capital adequacy ratio</i>	<i>2012 IN PLN</i>	<i>Adjustments</i>	<i>2012 (restated) IN PLN</i>
<i>Total capital requirement</i>	123,082,658.37	(4,316,898.00)	118,765,760.51
<i>Tier 1 capital</i>	203,138,460.06	(24,172,342.00)	178,966,117.80
<i>Own funds</i>	229,515,987.44	(24,172,342.00)	205,343,645.18

II. FINANCIAL STATEMENTS

I. BALANCE SHEET

<i>Assets</i>	<i>Notes</i>	<i>31.12.2013</i>	<i>Restated data 31.12.2012</i>	<i>Restated data 01.01.2012</i>
<i>I. Cash and balances with the Central Bank</i>		33,202,724.00	64,978,217.37	15,814,898.22
1.		33,202,724.00	64,978,217.37	15,814,898.22
<i>II. Receivables from the financial sector</i>	5	84,248,157.73	75,833,781.09	64,178,260.86
1.		19,036,855.71	16,738,313.41	8,784,331.34
2. Term		65,211,302.02	59,095,467.68	55,393,929.52
<i>III. Receivables from the non-financial sector</i>	5	2,261,864,699.80	1,731,006,155.86	1,039,240,869.66
1.		999,801.96	6,068,157.68	2,630,355.52
2. Term		2,260,864,897.84	1,724,937,998.18	1,036,610,514.14
<i>III. Receivables from the public sector</i>	5	66,754.78	0.00	0.00
2. Term		66,754.78	0.00	0.00
<i>IV. Debt securities</i>	9	481,177,425.19	238,419,197.08	167,579,779.97
1. Issued by banks		409,914,601.10	149,929,200.00	74,943,792.00
2. Issued by the State Treasury and local authorities		71,262,824.09	88,489,997.08	92,635,987.97
<i>V. Shares in subsidiaries</i>	10	569,000.00	569,000.00	569,000.00
1. In financial institutions		569,000.00	569,000.00	569,000.00
<i>VIII. Intangible assets</i>	11	26,375,044.97	21,125,046.19	17,479,511.08
<i>IX. Tangible assets</i>	12	9,089,443.98	9,447,926.19	14,494,033.62
1. Real properties		1,251,105.91	1,681,639.65	7,428,906.27
2. Assets under construction		0.00	17,220.00	6,270.00
3. Other fixed assets		7,838,338.07	7,749,066.54	7,058,857.35
<i>X. Other assets</i>	7	20,450,396.01	17,399,284.01	10,488,233.09
2. Other		20,450,396.01	17,399,284.01	10,488,233.09
2.1. Other assets		19,319,304.17	16,246,025.77	10,488,233.09
2.2. Interbank settlements		1,131,091.84	1,153,258.24	0.00
<i>XI. Prepayments</i>		37,118,032.70	45,526,410.57	38,798,602.17
1. Deferred tax assets	32	32,919,478.59	35,638,766.30	28,007,785.70
2. Other prepayments	13	4,198,554.11	9,887,644.27	10,790,816.47
TOTAL ASSETS		2,954,161,679.16	2,204,305,018.37	1,368,643,188.68

Gdańsk, 31 March 2014

<i>Liability</i>	<i>Notes</i>	<i>31.12.2013</i>	<i>Restated data 31.12.2012</i>	<i>Restated data 01.01.2012</i>
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I. Liabilities to the financial sector	8	30,498,811.80	19,639,996.20	33,776,346.30
1.		1,061,950.14	654,717.73	403,569.23
2. Term		29,436,861.66	18,985,278.47	33,372,777.07
II. Liabilities to the non-financial sector	8	2,537,664,207.38	1,823,449,030.98	1,096,829,816.85
1. Other, including:		2,537,664,207.38	1,823,449,030.98	1,096,829,816.85
a) current		1,504,019,395.30	159,911,962.46	116,730,466.90
b) Term		1,033,644,812.08	1,663,537,068.52	980,099,349.96
III. Liabilities to the public sector	8	13,981,234.91	39,798,041.23	16,661,673.05
a) current		513,781.44	259,549,09	581,521.03
b) Term		13,467,453.47	39,538,492.14	16,080,152.02
IV. Liabilities for securities sold under repurchase agreements		0.00	0.00	0.00
V. Liabilities due to securities issued		1,433,204.39	755,647.19	0.00
VI. Special funds and other liabilities		40,353,786.06	22,622,339.33	39,451,871.53
1. Special funds		78,220.30	39,089.66	50,854.39
2. Other liabilities		40,275,565.76	22,583,249.67	39,401,017.14
2.1. Interbank		1,275,902.78	1,547,031.03	11,215,489.13
2.2. Other liabilities		38,999,662.98	21,036,218.64	28,185,528.00
VII. Expenses and accruals and deferred income		15,959,296.30	61,048,832.14	32,519,849.74
1. Accruals	13	3,164,248.32	2,185,348.30	1,748,924.50
2. Other accruals and deferred income	14	12,795,047.98	58,863,483.84	30,770,925.24
VIII. Provisions		8,221,491.28	8,699,924.59	7,019,150.37
1. Deferred tax provision	32	7,217,898.41	7,740,831.72	5,613,285.38
2. Other provisions	19	1,003,592.87	959,092.87	1,405,864.99
IX. Subordinated liabilities	17	93,500,000.00	26,300,000.00	0.00
X. Share capital (fund)	15	359,341,560.00	359,341,560.00	301,569,570.00
XI. Revaluation reserve (fund)	16	-1,038,821.66	80,904.47	65,306.85
1. Revaluation	16	-1,038,821.66	80,904.47	65,306.85
XII. Retained loss		-157,431,257.77	-159,250,396.01	-133,712,081.65
1. Loss (negative value)		-157,431,257.77	-159,250,396.01	-133,712,081.65
XIII. Net profit (loss)		11,678,166.48	1,819,138.25	-25,538,314.36
1. Profit (positive value)		11,678,166.48	1,819,138.25	0.00
2. Loss (negative value)		0.00	0.00	-25,538,314.36
TOTAL LIABILITIES		2,954,161,679.16	2,204,305,018.37	1,368,643,188.68
Capital adequacy ratio		13.59%	13.83%	12.79%

Gdańsk, 31 March 2014

II. PROFIT AND LOSS ACCOUNT

Specification	Notes	Restated data	
		For the financial year 2013	For the financial year 2012
I. Interest income	28	366,989,620.86	

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			267,574,263.99
1. From the financial sector		2,577,286.04	3,576,568.77
2. From the non-financial sector		350,125,748.21	252,761,048.96
3. From the public sector		5,205.45	0.00
4. From fixed-income securities		14,281,381.16	11,236,646.26
II. Interest expenses	28	-96,606,312.86	-91,822,351.24
1. From the financial sector		-1,531,954.34	-1,340,114.17
2. From the non-financial sector		-92,996,732.95	-86,731,849.55
3. From the public sector		-2,077,625.57	-3,750,387.52
III. Net interest income		270,383,308.00	175,751,912.75
IV. Fees and commission income	29	26,401,780.20	27,235,972.87
V. Fees and commission expenses	29	-22,381,078.74	-17,345,334.21
VI. Fees and commission income		4,020,701.46	9,890,638.66
VIII. Result on financial operations		-7,741,500.52	-3,162,491.07
1. Securities and other instruments		-7,554,335.19	-3,000,736.12
2. Other		-187,165.33	-161,754.95
IX. Foreign exchange result	31	946,701.24	842,275.96
X. Result on banking operations		267,609,210.18	183,322,336.30
XI. Other operating income	30	18,771,720.77	22 923 822.19
XII. Other operating expenses	30	-17,568,277.70	-11,589,326.52
XIII. Overhead costs		-102,585,213.62	-95,148,068.26
1. Payroll		-43,149,967.46	-41,481,925.53
2. Social security and other benefits		-7,738,596.82	-7,706,038.28
3. Other	27	-51,696,649.34	-45,960,104.45
XIV. Depreciation of tangible assets and amortisation of intangible assets		-7,841,601.59	-8,720,506.39
XV. Write-downs on provisions and revaluation	18	-211,097,726.65	-130,932,364.00
1. Write-downs on special-purpose provisions and provisions for general banking risk		-211,097,726.65	-130,932,364.00
XVI. Release of provisions and revaluation	18	66,586,409.48	36,459,810.67
1. Release of special-purpose provisions and provisions for general banking risk		66,586,409.48	36,459,810.67
XVII. Difference between provisions and revaluation		-144,511,317.17	-94,472,553.33
XVIII. Operating result		13,874,520.87	-3,684,296.01
XIX. Gross profit (loss)		13,874,520.87	-3,684,296.01
1. Gross profit		13,874,520.87	-3,684,296.01
2. Gross loss		0.00	0.00
XX. Income tax	32	-2,196,354.39	5,503,434.26
XXI. Net profit (loss)		11,678,166.48	1,819,138.25
1. Net profit		11,678,166.48	1,819,138.25
2. Net loss		0.00	0.00

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III. CONTINGENT LIABILITIES GRANTED AND RECEIVED

Specification	Notes	31.12.2013	31.12.2012
I. LIABILITIES GRANTED	22	68,108,424.16	39,644,596.72
1. Liabilities granted to non-financial entities	22	68,108,424.16	39,644,596.72

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<i>a) financing liabilities</i>		68,023,424.16	39,559,596.72
<i>b) guarantee liabilities</i>		85,000.00	85,000.00
II. LIABILITIES RECEIVED	22	18,673,043.78	28,536,458.98
1. Liabilities received from financial institutions		0.00	255,172.44
<i>b) guarantee liabilities</i>		0.00	255,172.44
2. Liabilities received from non-financial entities		0.00	0.00
<i>a) financing liabilities</i>		0.00	0.00
<i>b) guarantee liabilities</i>		0.00	0.00
3. Other securities received	22	18,673,043.78	28,281,286.54
III. FOREIGN EXCHANGE OPERATIONS	23	57,798,785.82	47,696,123.75
IV. LIABILITIES FOR OPERATING LEASE		1,053,092.87	2,606,475.22
Total of off-balance sheet items (I+II+III+IV)		301,702,992.31	118,483,654.67

IV. CASH FLOW STATEMENT (INDIRECT METHOD)

<i>Specification</i>	<i>2013</i>	<i>Restated data 2012</i>
Operating cash flow	139,618,803.78	62,651,547.92
Net financial result	11,678,166.48	1,819,138.25
Adjustments	127,940,637.30	60,832,409.67
<i>Depreciation</i>	7,841,601.59	8,720,506.39
<i>Profit (loss) from foreign exchange differences</i>	-450,219.45	-680,523.28
<i>Profit (loss) on investment activities</i>	-19,134.98	-187,026.27
<i>Change in provisions and write-downs</i>	560,729.00	103,227.88
<i>Change in debt securities</i>	-13,719,141.65	-128,663.02

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<i>Change in receivables from the financial sector</i>	-2,018,992.41	9,507.75
<i>Change in receivables from the non-financial and public sector</i>	-530,925,298.72	-691,765,286.20
<i>Change in liabilities to the financial sector</i>	10,858,815.60	-5,886,350.10
<i>Change in liabilities to the non-financial and public sector</i>	688,398,370.08	749,755,582.31
<i>Change in liabilities from securities</i>	677,557.20	755,647.19
<i>Change in other receivables and liabilities</i>	4,680,314.73	-23,740,583.12
<i>Change in accruals and prepayments, and deferred tax asset and liability</i>	8,160,458.57	-4,180,298.24
<i>Change in accruals and deferred income</i>	-46,068,435.86	28,092,558.60
<i>Other adjustments</i>	-35,986.39	-35,890.22
Net cash from operating activities	139,618,803.78	62,651,547.92
Investment cash flow	-12,121,024.80	-6,934,436.20
Income	41,150.00	5,120,750.00
<i>Sale of shares in associated entities</i>	1,000.00	0.00
<i>Sale of intangible assets, and tangible assets</i>	40,150.00	5,120,750.00
Expenses	-12,162,174.80	-12,055,186.20
<i>Purchase of intangible assets, and tangible assets</i>	-12,162,174.80	-12,055,186.20
Net cash from investment activities	-12,121,024.80	-6,934,436.20
Financial cash flow	77,200,020.00	75,821,990.00
Income	77,200,020.00	84,071,990.00
<i>Increase in subordinated liabilities</i>	67,200,000.00	26,300,000.00
<i>Net income from issue of shares and capital contributions</i>	10,000,020.00	57,771,990.00
Expenses	0.00	-8,250,000.00
<i>Repayment of long-term loans to other banks</i>	0.00	-8,250,000.00
Net financial cash flow	77,200,020.00	75,821,990.00
Total net cash flow	204,697,798.98	131,539,101.72
Balance sheet change in cash	204,697,798.98	131,539,101.72
Opening balance of cash	350,471,441.88	218,932,340.16
Closing balance of cash (F+/-D)	555,169,240.86	350,471,441.88

V. STATEMENT OF CHANGES IN EQUITY

Specification	2013	2012
1. Opening balance of equity (before adjustment)	201,991,206.71	166,556,823.10
2. Adjustment	0.00	-24,172,342.26
3. Opening balance of equity (adjusted)	201,991,206.71	142,384,480.84
1. Opening balance of share capital	359,341,560.00	301,569,570.00
<i>1.1. Changes in share capital:</i>	0.00	57,771,990.00
<i>a) increase (due to):</i>	0.00	57,771,990.00
<i>- issue of Dd series shares</i>	0.00	13,651,620.00
<i>- issue of Ee series shares</i>	0.00	2,648,370.00
<i>- issue of Ff series shares</i>	0.00	41,472,000.00
1.2. Closing balance of share capital (fund)	359,341,560.00	359,341,560.00
3. Opening balance of own shares	0.00	0.00
<i>a) decrease</i>		
3.1. Closing balance of own shares	0.00	0.00
4. Opening balance of supplementary capital (fund)	0.00	0.00

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4.2. Closing balance of supplementary capital (fund)	0.00	0.00
5. Opening balance of revaluation reserve (fund)	80,904.47	65,306.85
5.1. Changes in revaluation reserve:	-1,119,726.13	15,597.62
a) decrease (due to)	-19,156,093.50	-7,648,582.09
- valuation of financial assets available for sale	-19,156,093.50	-7,648,582.09
b) increase (due to)	18,036,367.37	7,664,179.71
- valuation of financial assets available for sale	18,036,367.37	7,664,179.71
5.2. Closing balance of revaluation reserve (fund)	-1,038,821.66	80,904.47
6. Opening balance of retained profit (loss)	-159,250,396.01	-135,078,053.75
6.1. Opening balance of retained loss (before adjustment):	-159,250,396.01	-135,078,053.75
6.1.1 Adjustment	-4,432,573.26	-24 172.342,26
6.2. Opening balance of retained loss, after reconciliation to comparative data	-163,682,969.27	-159,250,396.01
6.3. Change in retained loss	0.00	0.00
b) decrease (due to)	6 251 711 ,50	0.00
- loss coverage with supplementary capital	0.00	0.00
- retained profit	6,251,711.50	0.00
6.4. Closing balance of retained loss	-157,431,257.77	-159,250,396.01
7. Net result	11,678,166.48	1,819,138.25
a) net profit	11,678,166.48	1,819,138.25
II. Closing balance of equity (CB)	212,549,647.05	201,991,206.71
III. Equity after proposed profit distribution (loss coverage)	212,549,647.05	201,991,206.71

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III. SUPPORTING DATA TO THE FINANCIAL STATEMENTS

1. CAPITAL REQUIREMENTS

Description	31.12.2013	Data restated 31.12.2012
Capital requirement for credit risk	145,213,473.30	111,199,138.46
Capital requirement for operational risk	14,720,468.28	7,566,622.05
Capital requirement for excess of the exposure concentration limit and the large exposures limit	0.00	0.00

As at 31 December 2013 and 31 December 2012, the Bank met the requirements set out in Article 128 of the Banking Law Act.

In 2013, the Bank changed the methodology of calculating the capital requirement for operational risk that used to be calculated using a key ratio approach. A new standard approach implemented to calculate the capital requirement for operational risk divided Bank's business operations into 8 Business Lines. Assigning Bank's

business operations to respective Business Lines allocates an appropriate capital amount to the activities exposed to higher risk. The capital requirement for operational risk changed by 0.35% due to the application of the standard approach.

1.1 OWN FUNDS

Bank's own funds as at 31 December 2013 amounted to not less than the equivalent of EUR 5 million converted at the average rate of exchange of the National Bank of Poland announced and in force on the end of the reporting period and amounted to PLN 271,689 thousand, and to PLN 205,344 thousand as at 31 December 2012.

1.2 INTERNAL CAPITAL

The internal capital amount is established by a decision of the Management Board and pursuant to the Internal Capital Adequacy Assessment Policy and Instruction. Identification of relevant risks and calculation of the internal capital is performed at least once a year and each time the Management Board decides that internal capital calculation should be verified. The basis for recognising risk as relevant is assessing whether such risk may have an impact on the achievement of the Bank's strategy, maintaining the liquidity at a safe level, assumed loan and deposit portfolio quality, assumed levels of equity and the financial result.

Calculations of the internal capital are based on the measurements of risks deemed relevant, and first of all their potential adverse impact on the financial result or equity and the probability of the occurrence of such risk.

Pursuant to the decision of the Management Board, the internal capital was established at PLN 222,889 thousand as at the end of 2013, and at PLN 173,543 thousand as at the end of 2012, respectively.

1.3 CAPITAL ADEQUACY RATIO

The capital adequacy ratio is the measure of capital adequacy and expresses the ratio of equity to risk-weighted assets and off-balance sheet items. The capital adequacy ratio assigns percentage weights to assets and balance sheet items according to the degrees of credit risk, market risk, currency risk or interest rate.

Description	31.12.2013	Data restated 31.12.2012
<i>Total capital requirement</i>	159,933,941.58	118,765,760.51
<i>Own funds, including:</i>	271,688,534.30	205,343,645.18
<i>Core funds (including additions/ deductions)</i>	181,125,689.53	178,966,117.80
<i>Supplementary funds</i>	90,562,844.77	26,377,527.38
Capital adequacy ratio	13.59%	13.83%
Tier 1	9.06%	12.06%

On 28 June 2013, the Financial Supervision Commission (KNF) gave its approval to including the amount of PLN 67,200,000 as a subordinated liability arising from the issue of subordinated bonds series B of the nominal value of PLN 10,000 each on 29 April 2013 in the supplementary capital of Meritum Bank ICB S.A.

2. FX STRUCTURE OF ASSETS AND LIABILITIES

The asset and liability structure is disclosed pursuant to the Resolution No. 2/2010 of the Management Board of the National Bank of Poland dated 18 February 2010 (Journal of Laws. NBP No. 1/2010).

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As at 31 December 2013, the amounts denominated in foreign currencies in Bank's assets and liabilities constitute 1.38% of the balance sheet total.

As at 31 December 2013, the total currency position for individual currencies amounted to PLN 97,349.34, which constituted 0.046% of equity.

The exchange rates used for the valuation of the balance sheet items were compliant with Table 251/A/NBP/2013 of 31 December 2013;

Currency	31.12.2013
USD	3.0120
EUR	4.1472
CHF	3.3816
GBP	4.9828
DKK	0.5560
NOK	0.4953
SEK	0.4694
CZK	0.1513

Type of currency	Symbol of currency	Balance sheet account balances		Off-balance sheet account balances		Currency position	
		Assets	Liabilities	Assets	Liabilities	Long	Short
USD	787	3,577,852.75	9,496,645.70	6,342,096.75	391,560.00	31,743.80	0.00
GBP	789	183,686.39	202,917.16	0.00	0.00	0.00	19,230.77
DKK	792	8,863.38	0.40	0.00	0.00	8,862.98	0.00
NOK	796	296.32	8,662.69	0.00	0.00	0.00	8,366.37
CHF	797	132,608.56	135,373.94	0.00	0.00	0.00	2,765.38
SEK	798	35,797.53	13,386.32	0.00	0.00	22,411.21	0.00
CZK	213	12,699.19	647.30	0.00	0.00	12,051.89	0.00
EUR	978	23,629,128.23	17,355,686.25	6,759,936.00	12,980,736.00	52,641.98	0.00
TOTAL		27,580,932.35	27,213,319.76	13,102,032.75	13,372,296.00	127,711.86	30,362.52

The asset and liability structure is disclosed pursuant to the Resolution No. 2/2010 of the Management Board of the National Bank of Poland dated 18 February 2010 (Journal of Laws. NBP No. 1/2010).

As at 31 December 2012, the amounts denominated in foreign currencies in Bank's assets and liabilities constitute 1.68% of the balance sheet total.

As at 31 December 2012, the total currency position for individual currencies amounted to PLN 12,908.81, which constituted 0.006% of equity.

The exchange rates used for the valuation of the balance sheet and P&L items were compliant with Table 252/A/NBP/2012 of 31 December 2012.

Currency	31.12.2012
USD	3.0996
EUR	4.0882
CHF	3.3868
GBP	5.0119

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DKK	0.5480
NOK	0.5552
SEK	0.4757
CZK	0.1630

Type of currency	Symbol of currency	Balance sheet account balances		Off-balance sheet account balances		Currency position	
		Assets	Liabilities	Assets	Liabilities	Long	Short
USD	787	4,390,222.67	11,213,419.98	8,515,301.37	1,704,780.00	0.00	12,675.94
GBP	789	18,405.55	4,288.28	0.00	0.00	14,117.27	0.00
DKK	792	36,744.15	0.00	0.00	0.00	36,744.15	0.00
NOK	796	27,176.48	27.90	0.00	0.00	27,148.58	0.00
CHF	797	183,026.30	196,734.61	0.00	0.00	0.00	13,708.31
SEK	798	21,118.57	110.97	0.00	0.00	21,007.60	0.00
CZK	213	5,761.79	3,206.85	0.00	0.00	2,554.94	0.00
EUR	978	22,130,897.37	13,280,900.85	2,248,510.00	11,160,786.00	0.00	62,279.48
TOTAL		26,813,352.88	24,698,689.44	10,763,811.37	12,865,566.00	101,572.54	88,663.73

3. SOURCES OF ACQUIRING DEPOSITS

INDUSTRY-SPECIFIC MARKET SEGMENTS AS AT 31 DECEMBER 2013

PKD Code	PKD (Polish Classification of Activities) Title	Deposits of companies	including: Current	including: Frozen	Share in Total
	<i>Other sectors</i>	2,498,822,045.56	1,489,288,967.82	50,280.49	96.77%
660	<i>Insurance funds</i>	25,493,512.17	448,458.24	0.00	0.99%
452	<i>Construction of complete civil engineering projects</i>	14,109,327.55	4,099,237.44	0.00	0.55%
913	<i>Sector of other membership organisations</i>	7,394,434.65	2,625,616.12	0.00	0.29%
701	<i>Own real estate management</i>	5,971,137.01	1,226,593.57	0.00	0.23%
742	<i>Architecture, engineering</i>	5,191,681.56	2,732,356.79	0.00	0.20%
672	<i>Activities auxiliary to insurance and pension funding</i>	4,986,885.99	839,685.99	0.00	0.19%
741	<i>Legal activities, accounting activities, consultancy, management activities of holding companies</i>	4,730,820.51	3,149,146.14	0.00	0.18%
751	<i>Public administration and the economic and social policy</i>	1,537,828.80	514,279.21	0.00	0.06%
602	<i>Other land transport</i>	832,256.56	688,360.73	0.00	0.03%
	<i>EIR</i>	-96,072.24	0.00	0.00	0.00%
	<i>Interest</i>	13,170,395.97	-17,575.17	0.00	0.51%
TOTAL		2,582,144,254.09	1,505,595,126.88	50,280.49	100.00%

GEOGRAPHICAL MARKET SEGMENTS AS AT 31 DECEMBER 2013

Bank Branch/ Financial Services Centre-CUF	Deposit amount	% share
<i>Head Office</i>	2,406,661,374.41	93.20%

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<i>Warsaw Branch</i>	31,891,576.86	1.24%
<i>Warsaw Financial Services Centre</i>	29,412,975.59	1.14%
<i>Poznań Branch</i>	23,345,079.49	0.90%
<i>Wrocław Branch</i>	21,864,248.64	0.85%
<i>Gdańsk Branch</i>	21,435,908.74	0.83%
<i>Katowice Branch</i>	12,262,534.69	0.47%
<i>Gdynia Financial Services Centre</i>	10,549,755.31	0.41%
<i>Wrocław Financial Services Centre</i>	10,031,244.33	0.39%
<i>Poznań Financial Services Centre</i>	7,260,450.60	0.28%
<i>Tychy Financial Services Centre</i>	3,925,271.58	0.15%
<i>Zabrze Financial Services Centre</i>	1,806,697.98	0.07%
<i>Lublin Financial Services Centre</i>	1,697,135.84	0.07%
Total	2,582,144,254.09	100.00%

INDUSTRY-SPECIFIC MARKET SEGMENTS AS AT 31 DECEMBER 2012

PKD Code	PKD (Polish Classification of Activities) Title	Deposits of companies	including: Current	including: Frozen	Share in Total
	<i>Other sectors</i>	1,789,603,984.53	157,364,855.17	119,931.58	95.05%
751	<i>Public administration and the economic and social policy</i>	24,246,897.77	233,925.15		1.29%
660	<i>Insurance funds</i>	15,735,449.98	479,942.38		0.84%
748	<i>Other commercial activity</i>	14,167,801.78	11,001.78		0.75%
701	<i>Own real estate management</i>	5,113,834.47	13,834.47		0.27%
913	<i>Sector of other membership organisations</i>	1,283,994.40	53,994.40		0.07%
742	<i>Architecture, engineering</i>	1,108,227.24	708,227.24		0.06%
741	<i>Legal activities, accounting activities, consultancy, management activities of holding companies</i>	740,587.01	199,487.01	100.00	0.04%
452	<i>Construction of complete civil engineering projects</i>	715,387.86	715,387.86		0.04%
453	<i>Construction of utility projects</i>	627,608.32	627,608.32		0.03%
851	<i>Human health protection</i>	232,248.83	232,248.83		0.01%
602	<i>Other land transport</i>	174,247.38	174,247.38		0.01%
672	<i>Activities auxiliary to insurance and pension funding</i>	0.99	0.99		0.00%
	<i>EIR</i>	-259,233.56			-0.01%
	<i>Interest</i>	29,396,031.41	11,468.30		1.56%
	TOTAL	1,882,887,068.41	160,826,229.28	120,031.58	100%

GEOGRAPHICAL MARKET SEGMENTS AS AT 31 December 2012

Bank Branch/ Financial Services Centre-CUF	Deposit amount	% share
<i>Head Office</i>	1,699,114,012.22	90.24%
<i>Katowice Branch</i>	43,053,487.59	2.29%

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<i>Warsaw Branch</i>	32,237,775.95	1.71%
<i>Wrocław Branch</i>	29,011,184.35	1.54%
<i>Poznań Branch</i>	26,340,504.24	1.40%
<i>Gdańsk Branch</i>	19,788,409.70	1.05%
<i>Warsaw Financial Services Centre</i>	13,871,905.52	0.74%
<i>Gdynia Financial Services Centre</i>	4,611,289.14	0.24%
<i>Wrocław Financial Services Centre</i>	4,094,266.26	0.22%
<i>Poznań Financial Services Centre</i>	3,400,142.89	0.18%
<i>Lublin Financial Services Centre</i>	2,896,961.73	0.15%
<i>Tychy Financial Services Centre</i>	2,825,087.49	0.15%
<i>Zabrze Financial Services Centre</i>	1,642,041.33	0.09%
Total	1,882,887,068.41	100.00%

4. CREDIT EXPOSURE CONCENTRATION STRUCTURES

As at 31 December 2013 and 2012, the Bank did not have loan exposure in individual entities and groups exceeding 10% of Bank's equity.

INDUSTRY-SPECIFIC MARKET SEGMENTS AS AT 31 DECEMBER 2013

Sector name	Balance sheet exposure amount in PLN	Share in Bank's portfolio of loans
<i>Retail loans</i>	1,690,967,833.56	72.06%
<i>Health care services – private health service</i>	281,199,336.14	11.99%
<i>Other sectors financed with commercial loans</i>	162,166,834.23	6.91%
<i>Deposits in other banks</i>	84,248,157.73	3.59%
<i>Legal/financial and accounting services</i>	72,506,733.10	3.09%
<i>Retail trade (except for motor vehicles, trailers, semi-trailers, motorcycles)</i>	64,853,491.39	2.76%
<i>Wholesale trade (except for motor vehicles, trailers, semi-trailers, motorcycles)</i>	53,308,079.08	2.27%
<i>Residential buildings: developers, sub-contractors, except for entities established to carry out a specific investment project</i>	48,155,969.24	2.05%
<i>Services of intermediation in buying and selling real estate / insurance / educational services</i>	22,164,599.75	0.94%
<i>Restaurant and food services / touristic services / hotels / motels / boarding houses / travel agencies</i>	18,818,784.07	0.80%
<i>Electric / plumbing / repair services</i>	17,716,325.48	0.76%
<i>Trading of motor vehicles, trailers, semi-trailers, motorcycles</i>	11,183,385.11	0.48%
<i>Leasing and renting of motor vehicles, renting of real estates</i>	10,726,223.70	0.46%
<i>Civil engineering: construction of roads, bridges, projects related to road/transport infrastructure</i>	9,880,847.45	0.42%
<i>Heavy industry / mining / metallurgical / shipbuilding industry</i>	8,118,155.51	0.35%
<i>Transportation services / freight transport</i>	8,005,588.19	0.34%
<i>Food industry</i>	7,683,698.49	0.33%
<i>Furniture industry</i>	6,709,295.34	0.29%
<i>Textile industry / apparel / leather production</i>	6,694,004.34	0.29%
<i>Civil engineering: construction of industrial, commercial, public buildings</i>	6,437,409.51	0.27%
<i>Civil engineering: construction of water main networks, heat, gas, power and</i>	3,406,212.27	0.15%

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<i>telecommunication networks</i>		
<i>Automotive industry</i>	2,714,981.30	0.12%
<i>Chemical / pharmaceutical industry</i>	2,647,775.23	0.11%
<i>Farming</i>	3,453.35	0.00%
<i>Provisions</i>	-208,196,570.06	-8.87%
<i>EIR</i>	-73,245,050.32	-3.12%
<i>Interest</i>	27,304,059.12	1.16%
Total	2,346,179,612.31	100.00%

The current industry-specific structure of the Bank's loan portfolio indicates proper diversification of this type of risk concentration as at 31 December 2013.

GEOGRAPHICAL MARKET SEGMENTS AS AT 31 DECEMBER 2013

Geographical area	Exposure amount in PLN	Share in Bank's portfolio
<i>Katowice</i>	419,492,603.56	17.89%
<i>Gdańsk</i>	337,396,735.33	14.38%
<i>Poznań</i>	330,220,594.25	14.07%
<i>Warsaw</i>	306,155,162.56	13.05%
<i>Wrocław</i>	290,780,981.92	12.39%
<i>Krakow</i>	204,370,247.41	8.71%
<i>Lublin</i>	185,110,199.44	7.89%
<i>Olsztyn</i>	175,745,907.37	7.49%
<i>Łódź</i>	146,725,911.80	6.25%
<i>Szczecin</i>	120,070,672.20	5.12%
<i>Deposits in other banks</i>	84,248,157.73	3.59%
<i>Interest</i>	27,304,059.12	1.16%
<i>EIR</i>	-73,245,050.32	-3.12%
<i>Provisions</i>	-208,196,570.06	-8.87%
Total	2,346,179,612.31	100.00%

INDUSTRY-SPECIFIC MARKET SEGMENTS AS AT 31 DECEMBER 2012

Sector name	Data restated Balance sheet exposure amount in PLN	Share in Bank's portfolio of loans
<i>Retail loans</i>	1,206,764,253.85	66.79%
<i>Health care services – private health service</i>	183,925,555.77	10.18%
<i>Other sectors financed with commercial loans</i>	148,958,161.04	8.24%
<i>Deposits in other banks</i>	75,833,781.09	4.20%
<i>Legal/financial and accounting services</i>	58,187,224.39	3.22%
<i>Retail trade (except for motor vehicles, trailers, semi-trailers, motorcycles)</i>	56,432,187.80	3.12%
<i>Wholesale trade (except for motor vehicles, trailers, semi-trailers, motorcycles)</i>	51,712,883.08	2.86%
<i>Residential buildings: developers, sub-contractors, except for entities established</i>	20,627,273.51	1.14%

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<i>to carry out a specific investment project</i>		
<i>Restaurant and food services / touristic services / hotels / motels / boarding houses / travel agencies</i>	18,968,752.70	1.05%
<i>Electric / plumbing / repair services</i>	16,854,353.76	0.93%
<i>Services of intermediation in buying and selling real estate / insurance / educational services</i>	14,057,423.57	0.78%
<i>Civil engineering: construction of roads, bridges, projects related to road/ transport infrastructure</i>	12,309,482.23	0.68%
<i>Leasing and renting of motor vehicles, renting of real estates</i>	11,542,728.53	0.64%
<i>Transportation services / freight transport</i>	11,214,733.61	0.62%
<i>Trading of motor vehicles, trailers, semi-trailers, motorcycles</i>	10,969,412.11	0.61%
<i>Civil engineering: construction of industrial, commercial, public buildings</i>	8,527,680.58	0.47%
<i>Food industry</i>	6,934,545.65	0.38%
		0.35%
<i>Textile industry / apparel / leather production</i>	6,330,569.21	
<i>Heavy industry / mining / metallurgical / shipbuilding industry</i>	5,463,690.85	0.30%
<i>Furniture industry</i>	5,151,987.34	0.29%
<i>Chemical / pharmaceutical industry</i>	2,608,359.26	0.14%
		0.14%
<i>Automotive industry</i>	2,504,612.39	
<i>Civil engineering: construction of water main networks, heat, gas, power and telecommunication networks</i>	1,614,955.39	0.09%
<i>Farming</i>	12,706.05	0.00%
<i>Interest</i>	66,363,506.71	3.67%
<i>EIR</i>	-52,735,146.77	-2.92%
<i>Provisions</i>	-144,295,736.76	-7.99%
Total	1,806,839,936.94	100.00%

Presented credit exposure of the Bank indicates the lack of significant geographical concentration risk as at 31 December 2012.

GEOGRAPHICAL MARKET SEGMENTS AS AT 31 DECEMBER 2012

Geographical area	Data restated Exposure amount in PLN	Share in Bank's portfolio
<i>Katowice</i>	317,058,224.38	17.55%
<i>Gdańsk</i>	267,797,066.06	14.82%
<i>Poznań</i>	251,809,018.41	13.94%
<i>Wrocław</i>	220,858,344.12	12.22%
<i>Warsaw</i>	217,141,021.12	12.02%
<i>Krakow</i>	140,856,110.99	7.80%
<i>Lublin</i>	126,270,255.92	6.99%
<i>Olsztyn</i>	124,503,017.07	6.89%
<i>Łódź</i>	104,189,988.14	5.77%
<i>Szczecin</i>	91,190,486.46	5.05%
Deposits in other banks	75,833,781.09	4.20%
<i>Interest</i>	66,363,506.71	3.67%
<i>EIR</i>	-52,735,146.77	-2.92%

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<i>Provisions</i>	-144,295,736.76	-7.99%
Total	1,806,839,936.94	100.00%

NOTES

There are no clients whom the Bank granted financing on terms materially different from generally applicable as at both 31 December 2013 and 31 December 2012.

5. FACILITIES AND LOANS

Financial Sector	31.12.2013	Data restated 31.12.2012
<i>Performing receivables, including:</i>	84,236,900.20	75,824,155.34
- <i>deposits in other banks</i>	65,200,044.49	59,085,841.93
- <i>facilities and loans</i>	0.00	0.00
- <i>overdrafts</i>	19,036,855.71	16,738,313.41
<i>Non-performing receivables</i>	0.00	0.00
<i>lost receivables, including:</i>	0.00	0.00
- <i>other receivables</i>	0.00	0.00
<i>Interest</i>	11,257.53	9,625.75
<i>EIR</i>	0.00	0.00
TOTAL	84,248,157.73	75,833,781.09

Non-financial Sector	31.12.2013	Data restated 31.12.2012
<i>Performing receivables</i>	2,184,227,223.75	1,628,611,041.12
<i>Watch-list receivables</i>	50,747,927.08	40,989,863.51
<i>Non-performing receivables, including:</i>	72,828,264.56	47,776,891.28
- <i>below standard</i>	27,744,844.37	15,080,918.30
- <i>bad debts</i>	17,685,185.52	8,862,161.07
- <i>lost</i>	27,398,234.67	23,833,811.91
<i>Not matured interest</i>	12,006,887.37	10,004,812.35
<i>Matured unpaid interest</i>	15,296,714.42	56,358,694.36
<i>EIR</i>	-73,242,317.38	-52,735,146.77
TOTAL	2,261,864,699.80	1,731,006,155.86

Public Sector	31.12.2013	31.12.2012
<i>Performing receivables</i>	69,030.39	0.00
<i>Watch-list receivables</i>	0.00	0.00
<i>Non-performing receivables, including:</i>	0.00	0.00
- <i>below standard</i>	0.00	0.00
- <i>bad debts</i>	0.00	0.00
- <i>lost</i>	0.00	0.00
<i>Not matured interest</i>	457.33	0.00
<i>Matured unpaid interest</i>	0.00	0.00
<i>EIR</i>	-2,732.94	0.00

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TOTAL	66,754.78	0.00
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BY MATURITY DATE

Financial Sector	31.12.2013	Data restated 31.12.2012
<i>Receivables up to 1 month</i>	82,045,905.03	74,014,588.21
<i>Receivables over 1 up to 3 months</i>	2,102,223.37	1,722,519.24
<i>Receivables over 3 months up to 1 year</i>	100,029.33	96,673.64
<i>Receivable over 1 up to 5 years</i>	0.00	0.00
<i>Receivables with maturity date lapsed</i>	0.00	0.00
<i>EIR</i>	0.00	0.00
Total	84,248,157.73	75,833,781.09

Non-financial Sector	31.12.2013	Data restated 31.12.2012
<i>Receivables up to 1 month</i>	43,795,579.44	74,478,557.05
<i>Receivables over 1 up to 3 months</i>	64,374,722.19	46,675,155.47
<i>Receivables over 3 months up to 1 year</i>	267,744,176.35	196,497,723.94
<i>Receivable over 1 up to 5 years</i>	1,001,792,700.13	794,300,258.43
<i>Receivables over 5 years</i>	734,697,530.92	496,549,277.37
<i>Receivables with maturity date lapsed</i>	222,702,308.13	175,240,330.37
<i>EIR</i>	-73,242,317.38	-52,735,146.77
Total	2,261,864,699.78	1,731,006,155.86

Public Sector	31.12.2013	31.12.2012
<i>Receivables up to 1 month</i>	631.88	0.00
<i>Receivables over 1 up to 3 months</i>	1,288.98	0.00
<i>Receivables over 3 months up to 1 year</i>	6,239.40	0.00
<i>Receivable over 1 up to 5 years</i>	49,205.16	0.00
<i>Receivables over 5 years</i>	12,122.30	0.00
<i>Receivables with maturity date lapsed</i>	0.00	0.00
<i>EIR</i>	-2,732.94	0.00
Total	66,754.78	0.00

Approximate effective rate of loans was 14.59 % in 2013.

As at 31 December 2013, either specific provisions were established for all overdue or litigious loans in the Bank books or impairment losses were booked.

Approximate effective rate of loans was 14.37% in 2012.

As at 31 December 2012, either specific provisions were established for all overdue or litigious loans in the Bank books or impairment losses were booked.

The bank booked the following impairment losses in the financial year ended 31 December 2013:

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- charged to provisions without write-off (transfer to off-balance sheet records) in the amount of PLN 30,363,182.74
- charged to provisions and written off (written off from records) in the amount of PLN 51,634,366.98

write-off was pursuant to § 9 subpar. 3 of the Regulation of the Minister of Finance regarding the rules of creating provisions for risk related to banking activity in connection with Article 16 par. 1 subpar. 25 b and par. 2 subpar. 1 of the Corporate Income Tax Act. Loan receivables were recognised as unrecoverable debts upon the issuance of decisions by enforcement agencies on the discontinuance of executory proceedings due to their ineffectiveness and acceptance of that fact by the Bank as the creditor. These receivables were sold for PLN 6,972,921.44 thousand.

UNREALISED AND REALISED INTEREST INCOME

Description	For the financial year 2013	Data restated For the financial year 2012
<i>Unrealised interest income</i>	76,267,935.21	43,399,015.65
<i>including: with maturity date within 3 months</i>	76,267,935.21	43,399,015.65
<i>Realised interest income</i>	290,721,685.65	224,175,248.34
Total	366,989,620.86	267,574,263.99

6. FINANCIAL ASSETS

Description	Status as at 31.12 2013	Data restated Status as at 31.12 2012
<i>Cash</i>	1,759,096.03	1,785,966.49
<i>Receivables from the Central Bank</i>	31,443,627.97	63,192,250.88
<i>Receivables from other banks</i>	84,248,157.73	75,833,781.09
<i>Financial assets held for trading - derivatives</i>	582,949.26	1,125,807.55
<i>Own facilities and loans granted by the Bank and own receivables not held for trading</i>	2,261,931,454.58	1,731,006,155.86
<i>Financial assets held to maturity</i>	29,919,424.07	58,575,197.08
<i>Financial assets available for sale – debt securities</i>	451,258,001.12	179,844,000.00
Total	2,861,142,710.76	2,111,363,158.95

Financial assets that are not held at fair value, pursuant to the provisions of Chapter 3 of the Regulation of the Minister of Finance of 12 December 2001 on specific rules of recognition, measurement methods, scope of disclosure and method of presentation of financial instruments, include:

- Bank's own receivables, receivables from financial, non-financial and public institutions held at depreciated cost,
- receivables from own economic activities – held at due payment amount.

Financial liabilities that are not held at fair value, pursuant to the provisions of Chapter 3 of the Regulation of the Minister of Finance of 12 December 2001 on specific rules of recognition, measurement methods, scope of disclosure and method of presentation of financial instruments, include:

- liabilities to the Central Bank, financial institutions, non-financial sector, public sector,
- other liabilities – held at depreciated cost.

The Bank did not determine fair value of the above-mentioned financial assets and liabilities as at the balance-sheet date. Such valuation would consist in calculating the present value of future cash flows generated by the above-mentioned financial instruments using a discount rate based on market interest rates plus market margin for credit risk according to their amount as at the balance-sheet date.

Considering that the Bank applies market margins for credit risk, the fact that the change of the interest rate for 100% of the above-mentioned assets and for 100% of financial liabilities comes into effect within 6 months and that almost 50.00% of receivables are current receivables, and also the fact that specific provisions for the lending portfolio are reconciled against the data of the actual portfolio loss, the Bank judges that fair value of the above-presented financial assets and liabilities would not be significantly different from their carrying amounts. The only significant item recognised in the carrying amount, which value differs from fair value is suspended interest on the receivables from the financial and non-financial sectors amounting to PLN 14,667,484.53, which fair value is 0.00.

The effects of revaluation of the financial instruments available for sale held at fair value (adjusted by the valuation of EIR) are recognised in revaluation reserve.

In case of sale of an asset, gain/loss is recognised in the income statement.

Revaluation reserve amounted to PLN -1,038,821.66 as at 31 December 2013. In 2013, the result (loss) on the transactions in the financial instruments amounted to PLN 383,924.66 (income: PLN 4,628,070.91; expenses: PLN 5,011,995.57); including:

- from NDF transactions –
income: PLN 4,628,070.91, expenses: PLN 4,816,337.24
- costs of valuation of securities to fair value amounted to PLN 195,658.33

As at 31 December 2013, the Bank had securities held to maturity in its portfolio; namely debt securities acquired for investment purposes.

These assets are held at adjusted cost taking into account the effective interest rate (EIR), and the valuation effects are recognised in the income statement (as at 31 December 2013, the income recorded from valuation was PLN 3,388.78). The estimated market value of debt securities held to maturity was PLN 29,962,200.00 as at 31 December 2013.

In 2012, the result (loss) on the transactions in the financial instruments amounted to PLN 180,005.77 (income: PLN 2,844,986.58; expenses: PLN 3,024,992.35); including:

- from NDF transactions –
income: PLN 2,844,986.58, expenses: PLN 3,007,297.81
- costs of valuation of securities to fair value amounted to PLN 17,712.54

In 2012, the gain of PLN 16,885.47 was recognised in revaluation reserve. As at 31 December 2012, the Bank had securities held to maturity in its portfolio; namely debt securities acquired for investment purposes. These assets are held at adjusted cost taking into account the effective interest rate (EIR), and the valuation effects are recognised in the income statement (as at 31 December 2012, the income recorded from valuation was PLN

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28,061.85). The estimated market value of debt securities held to maturity was PLN 58,956,000.00 as at 31 December 2012.

7. OTHER ASSETS

Description	Status as at 31.12.2013	Status as at 31.12.2012
<i>Interbank settlements</i>	1,131,091.84	1,153,258.24
<i>Valuation of derivatives</i>	582,949.26	1,125,807.55
<i>Various debtors</i>	17,570,452.73	14,198,359.58
<i>Settlements with employees</i>	67,744.63	7,201.00
<i>Settlements with intermediaries</i>	1,068,426.44	835,235.24
<i>Insurance balances</i>	24,159.73	35,067.42
<i>Statutory settlements</i>	0.00	43,226.00
<i>Settlements of payment cards</i>	5,571.38	1,128.98
Total	20,450,396.01	17,399,284.01

8. LIABILITIES

To Monetary Financial Institutions	31.12.2013	31.12.2012
<i>Liabilities up to 1 month</i>	78,204.30	118,888.86
<i>Interest</i>	0.00	83.06
Total	78,204.30	118,971.92
To other Financial Institutions	31.12.2013	31.12.2012
<i>Liabilities up to 1 month</i>	8,706,281.23	5,790,031.33
<i>Liabilities over 1 up to 3 months</i>	9,737,021.08	0.00
<i>Liabilities over 3 months up to 1 year</i>	11,052,011.25	10,000,000.00
<i>Liabilities over 1 up to 5 years</i>	0.00	3,632,335.39
<i>Interest</i>	959,433.83	100,853.05
<i>EIR</i>	-34,139.89	-2,195.49
Total	30,420,607.50	19,521,024.28

To Non-financial Sector	31.12.2013	31.12.2012
<i>Liabilities up to 1 month</i>	1,653,603,439.43	460,667,680.66
<i>Liabilities over 1 up to 3 months</i>	284,818,985.78	595,266,360.43
<i>Liabilities over 3 months up to 1 year</i>	564,012,945.87	720,870,267.00
<i>Liabilities over 1 up to 5 years</i>	23,223,710.39	17,976,063.76
<i>Liabilities over 5 years up to 10 years</i>	0.00	0.00
<i>Interest</i>	12,066,088.09	28,921,272.87
<i>EIR</i>	-60,962.18	-252,613.74
Total	2,537,664,207.38	1,823,449,030.98

To Public Sector	31.12.2013	31.12.2012
<i>Liabilities up to 1 month</i>	2,037,331.03	271,843.13
<i>Liabilities over 1 up to 3 months</i>	2,500,000.00	19,656,800.00

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<i>Liabilities over 3 months up to 1 year</i>	9,300,000.00	19,500,000.00
<i>Interest</i>	144,874.05	373,822.43
<i>EIR</i>	-970.17	-4,424.33
Total	13,981,234.91	39,798,041.23
TOTAL LIABILITIES	2,582,144,254.09	1,896,052,907.12

UNREALISED AND REALISED INTEREST EXPENSES

Description	For the financial year 2013	For the financial year 2012
<i>Unrealised interest expenses</i>	13,037,566.06	29,269,532.17
<i>including: with maturity date within 3 months</i>	13,037,566.06	29,269,532.17
<i>Realised interest expenses</i>	83,568,746.80	62,552,819.07
Total	96,606,312.86	91,822,351.24

9. FINANCIAL INSTRUMENTS

UNRESTRICTED MARKETABLE SECURITIES UNQUOTED AS AT 31 DECEMBER 2013

Description – as at 31.12.2013	Nominal value	Book value
<i>Debt securities</i>	55,500,000.00	56,801,769.11
<i>treasury bills</i>	0.00	0.00
<i>bonds</i>	55,500,000.00	56,801,769.11
<i>Securities used as security under the Bank Guarantee Fund (bonds)</i>	14,500,000.00	14,461,054.97
Total	70,000,000.00	71,262,824.08

UNRESTRICTED MARKETABLE SECURITIES UNQUOTED AS AT 31 DECEMBER 2012

Description – as at 31.12.2012	Nominal value	Book value
<i>Debt securities</i>	79,600,000.00	78,553,462.67
<i>treasury bills</i>	30,000,000.00	29,914,800.00
<i>bonds</i>	49,600,000.00	48,638,662.67
<i>Securities used as security under the Bank Guarantee Fund (bonds)</i>	10,400,000.00	9,936,534.41
Total	90,000,000.00	88,489,997.08

RESTRICTED MARKETABLE SECURITIES UNQUOTED AS AT 31 DECEMBER 2013

Description – as at 31.12.2013	Nominal value	Book value
<i>Debt securities</i>	503,580,000.00	504,847,805.49

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<i>Liabilities in respect of own issue</i>	93,580,000.00	94,933,204.39
<i>money bonds</i>	410,000,000.00	409,914,601.10
Total	503,580,000.00	504,847,805.49

RESTRICTED MARKETABLE SECURITIES UNQUOTED AS AT 31 DECEMBER 2012

Description – as at 31.12.2012	Nominal value	Book value
Debt securities	176,380,000.00	149,929,200.00
<i>Liabilities in respect of own issue</i>	26 380 000.00	27,056,578.72
<i>money bonds</i>	150,000,000.00	149,929,200.00
Total	176,380,000.00	176,985,778.72

Bank policy to invest surplus funds remained unchanged with the range of purchased instruments limited to treasury bills and bonds, the bills of the National Bank of Poland and short-term deposits in other banks. This approach provides a balance between their yield and liquidity, allowing instant access to cash in case of increasing demand for funds. Based on these instruments, the Bank can borrow the cash through repo transactions, sell/buy-back transactions or a simple sale on the market, as needed.

The portfolio of securities comprised treasury bonds maturing on 25 January 2014 (nominal amount of PLN 30 million), 5-year poorly purchased treasury bonds maturing on 25 April 2018 with the nominal amount of PLN 40 million and 7-day money bonds of the National Bank of Poland with the nominal amount of PLN 410 million.

As it has been mentioned above, the portfolio of liquid assets included also 2-day interbank deposits amounting to PLN 45 million and one 7-day deposit amounting to PLN 18 million.

10. SHARES AND EQUITY INTERESTS IN SUBSIDIARIES AND ASSOCIATES

IN SUBSIDIARIES AS AT 31 DECEMBER 2013

Subsidiary name registered office	Share capital	Share value at cost, gross	Share carrying value	% participation in Company share capital	% participation in votes at the General Meeting	Net financial result for the financial year
<i>Meritum Services ICB S.A. ul. Chłopska 53 80 – 350 Gdańsk</i>	569,000.00	569,000.00	569,000.00	100.00	100.00	296,029.51
Total	569,000.00	569,000.00	569,000.00	100.00	100.00	296,029.51

IN SUBSIDIARIES AS AT 31 DECEMBER 2012

Subsidiary name registered office	Share capital	Share value at cost, gross	Share carrying value	% participation in Company share capital	% participation in votes at the General Meeting	Net financial result for the financial year
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<i>Meritum Services ICB S.A. ul. Chłopska 53 80 – 350 Gdańsk</i>	569,000.00	569,000.00	569,000.00	100.00	100.00	129,059.90
Total	569,000.00	569,000.00	569,000.00	100.00	100.00	129,059.90

Meritum Services ICB S.A. (formerly: Polski Inwestor S.A.)

Core activity:

- preparation of business plans and applications for the entity to obtain funding from UE Funds,
- preparation of business plans and gathering documentation of the companies applying for loans at banks.

The registered office of the Company was moved from Warsaw to Gdańsk as of January 2009, the Company provides IT services to the Bank.

IN ASSOCIATES AS AT 31 DECEMBER 2013

Associate name registered office	Share capital	Share value at cost, gross	Share carrying amount	% participation in Company share capital	% participation in votes at the General Meeting	Net financial result for the financial year
<i>MAZOWIECKIE KONSORCJUM AUTOSTRADOWE S.A. Al. Szucha 9 00-580 Warszawa</i>	500,000.00	180,300.00	0.00	36.06	31.46	no data
<i>TOWARZYSTWO AKWIZYCJI FINANSOWEJ S.A ul. Kordeckiego 56/58 04-344 WARSZAWA</i>	100,000.00	50,000.00	0.00	50.00	50.00	no data
<i>TOWARZYSTWO AKWIZYCJI PRODUKTÓW FINANSOWYCH S.A. ul. Kordeckiego 56/58 04-344 WARSZAWA</i>	100,000.00	50,000.00	0.00	50.00	50.00	no data
Total	700,000.00	280,300.00	0.00			

On 22 October 2013, a registered auditor valued the shares of ZPB „Frotex” S.A. in bankruptcy based on:

- the copies of the balance sheet and income statement prepared as at 19 March 2010, i.e. the date of starting bankruptcy proceedings,
- the copy of general ledger trial balance as at 30 September 2013,
- the copy of the official receiver’s report of activities for the period between 1 July 2013 and 30 September 2013 together with registered auditor’s opinion on the audit of financial statements.

Auditor’s analysis indicated that the shares of ZPB „Frotex” S.A. in bankruptcy had no carrying amount as at the date of valuation.

On 2 December 2013, the Management Board of Meritum Bank ICB S.A. passed a resolution on selling the bearer shares of ZPB „Frotex” S.A.

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On 5 December 2013, the Bank sold all the shares of ZPB „Frotex” S.A. in bankruptcy, i.e. 352,741 bearer shares for the total amount of PLN 1,000.00.

IN ASSOCIATES AS AT 31 DECEMBER 2012

Associate name registered office	Share capital	Share value at cost, gross	Share carrying amount	% participat ion in Company share capital	% participat ion in votes at the General Meeting	Net financial result for the financial year
<i>Zakład Przemysłu Bawełnianego "Frotex" S.A. ul. Nyska 10 48-200 PRUDNIK</i>	4,119,180.80	5,710,876.79	0.00	21.24	21.24	no data
<i>MAZOWIECKIE KONSORCJUM AUTOSTRADOWE S.A. Al. Szucha 9 00-580 Warszawa</i>	500,000.00	180,300.00	0.00	36.06	31.46	no data
<i>TOWARZYSTWO AKWIZYCJI FINANSOWEJ S.A. ul. Kordeckiego 56/58 04-344 WARSZAWA</i>	100,000.00	50,000.00	0.00	50.00	50.00	no data
<i>TOWARZYSTWO AKWIZYCJI PRODUKTÓW FINANSOWYCH S.A. ul. Kordeckiego 56/58 04-344 WARSZAWA</i>	100,000.00	50,000.00	0.00	50.00	50.00	no data
Total	4,819,180.80	5,991,176.79	0.00			

Mazowieckie Konsorcjum Autostradowe S.A.

Core activity: carrying out projects, design, construction and maintenance of roads/motorways and traffic related infrastructure, administration and operation of roads/motorways owned by the company, buying and selling real estates, etc.

Towarzystwo Akwizycji Finansowej S.A.

Core activity: selling financial and property related products, purchase and sale of receivables, insurance intermediation activity, acquisition activity for Open Pension Funds. The company does not conduct any operations.

Towarzystwo Akwizycji Produktów Finansowych S.A.

Core activity: selling financial products, insurance intermediation activity, acquisition activity for Open Pension Funds.

The company does not conduct any operations.

Zakład Przemysłu Bawełnianego „FROTEX” S.A.

Core activity: wholesale and retail sale of textile products, finishing textile products, manufacturing other textile products not elsewhere classified.

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IN COMPANIES AS A MINORITY SHAREHOLDER AS AT 31 DECEMBER 2013

Company name registered office	Share value at cost, gross	Share carrying amount	% participation in Company share capital	% participation in votes at the General Meeting
<i>POLSKIE HOTELE I KURORTY S.A. Plac Powstańców Warszawy 2 00-030 WARSZAWA</i>	125,000.00	0.00	4.55	4.55
<i>BIURO TURYSTYKI ZAGRANICZNEJ "Fregata-PTTK" Sp. Z o.o. ul. Bytowska 1 80-328 GDAŃSK</i>	7,500.00	0.00	3.06	3.06
Total	132,500.00	0.00		

IN COMPANIES AS A MINORITY SHAREHOLDER AS AT 31 DECEMBER 2012

Company name registered office	Share value at cost, gross	Share carrying amount	% participation in Company share capital	% participation in votes at the General Meeting
<i>POLSKIE HOTELE I KURORTY S.A. Plac Powstańców Warszawy 2 00-030 WARSZAWA</i>	125,000.00	0.00	4.55	4.55
<i>BIURO TURYSTYKI ZAGRANICZNEJ "Fregata-PTTK" Sp. Z o.o. ul. Bytowska 1 80-328 GDAŃSK</i>	7,500.00	0.00	3.06	3.06
Total	132,500.00	0.00		

Polskie Hotele i Kurorty S.A.

Core activity: providing tourist services, tourist information services, organising accommodation, means of transportation, supplying tickets, renting real estates, running a hotel and holiday resort database.

The company does not conduct any operations.

Biuro Turystyki Zagranicznej „Fregata PTTK” Sp. z o.o.

Core activity: organisation and sale of trips and holidays tours abroad, organisation of holiday and sightseeing tours, transportation services, complex hotel and restaurant services, services for travellers, etc. The company does not conduct any operations.

As at 31 December 2013, there were no shares unpaid by the Bank or dividends due.

11. INTANGIBLE ASSETS

CHANGES IN INTANGIBLE ASSETS IN 2013

Description	Licences and	Expenditures on intangible assets	Total
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	software		
Gross value as at 01.01.2013	44,919,261.00	0.00	44,919,261.00
Increase	8,874,035.55	0.00	8,874,035.55
R&D expenses	8,874,035.55	0.00	8,874,035.55
Project accounting	0.00	0.00	0.00
Decrease	0.00	0.00	0.00
Project liquidation	0.00	0.00	0.00
Project accounting	0.00	0.00	0.00
Change of presentation	0.00	0.00	0.00
Gross value as at 31.12.2013	53,793,296.55	0.00	53,793,296.55
Description	Licences and software	Expenditures on intangible assets	Total
Accumulated depreciation as at 01.01.2013	22,954,718.81	0.00	22,954,718.81
Increase	3,692,103.77	0.00	3,692,103.77
Depreciation charges by 31.12.2013	3 692,103.77	0.00	3,692,103.77
Decrease	0.00	0.00	0.00
Liquidation	0.00	0.00	0.00
Accumulated depreciation as at 31.12.2013	26,646,822.58	0.00	26,646,822.58
Net value as at 31.12.2013	27,146,473.97	0.00	27,146,473.97
Grant obtained for purchase of software	771,429.00	0.00	771,429.00
Net value in the balance sheet as at 31.12.2013	26,375,044.97	0.00	26,375,044.97

CHANGES IN INTANGIBLE ASSETS IN 2012

Description	Licences and software	Expenditures on intangible assets	Total
Gross value as at 01.01.2012	36,158,980.48	141,817.86	36,300,798.34
Increase	8,760,280.52	36,211.27	8,796,491.79
R&D expenses	8,582,251.39	36,211.27	8,618,462.66
Project accounting	178,029.13	0.00	178,029.13
Decrease	0.00	178,029.13	178,029.13
Project liquidation	0.00	0.00	0.00
Project accounting	0.00	178,029.13	178,029.13
Change of presentation	0.00	0.00	0.00
Gross value as at 31.12.2012	44,919,261.00	0.00	44,919,261.00
Description	Licences and software	Expenditures on intangible assets	Total
Accumulated depreciation as at 01.01.2012	17,849,239.26	0.00	17,849,239.26
Increase	5,105,479.55	0.00	5,105,479.55
Depreciation charges by 31.12.2012	5,105,479.55	0.00	5,105,479.55
Decrease	0.00	0.00	0.00
Liquidation	0.00	0.00	0.00
Accumulated depreciation as at 31.12.2012	22,954,718.81	0.00	22,954,718.81
Net value as at 31.12.2012	21,964,542.19	0.00	21,964,542.19
Grant obtained for purchase of software	839,496.00	0.00	839,496.00
Net value in the balance sheet as at 31.12.2012	21,125,046.19	0.00	21,125,046.19

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12. TANGIBLE FIXED ASSETS

Description	Buildings, structures, cooperative owner-type right to premises, land (group I, II)	Capex on external facilities (group I, VI)	Vehicles (group VII)	Other fixed assets				Construction in progress	Total
				group III	group IV	group VI	group VIII		
<i>Gross value as at 01.01.2013</i>	0.00	4,273,937.12	3,829,945.68	0.00	10,382,741.38	1,465,267.54	4,058,683.71	17,220.00	24,027,795.43
<i>Increase</i>	0.00	637,237.16	937,635.31	0.00	1,524,080.55	401,631.19	636,407.72	0.00	4,136,991.93
<i>Purchases</i>	0.00	620,017.16	937,635.31	0.00	1,524,080.55	401,631.19	636,407.72	0.00	4,119,771.93
<i>Transfers from construction in progress</i>	0.00	17,220.00	0.00	0.00	0.00	0.00	0.00	0.00	17,220.00
<i>Decrease</i>	0.00	908,804.17	196,188.33	0.00	1,540,266.89	20,130.00	62,052.03	17,220.00	2,744,661.42
<i>Disposal</i>	0.00	0.00	40,150.00	0.00	0.00	0.00	0.00	0.00	40,150.00
<i>Liquidation</i>	0.00	908,804.17	156,038.33	0.00	1,540,266.89	20,130.00	62,052.03	0.00	2,687,291.42
<i>Project accounting</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17,220.00	17,220.00
<i>Gross value as at 31.12.2013</i>	0.00	4,002,370.11	4,571,392.66	0.00	10,366,555.04	1,846,768.73	4,633,039.40	0.00	25,420,125.94

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Description	Buildings, structures, cooperative owner-type right to premises, land (group I, II)	Capex on external facilities (group I, VI)	Vehicles (group VII)	Other fixed assets				Construction in progress	Total
				group III	group IV	group VI	group VIII		
<i>Accumulated depreciation as at 01.01.2013</i>	0.00	2,592,297.47	1,120,874.84	0.00	6,905,201.78	1,039,233.67	2,922,261.48	0.00	14,579,869.24
<i>Increase</i>	0.00	1,067,770.90	820,196.00	0.00	1,943,974.42	251,848.65	394,464.20	0.00	4,149,497.82
<i>Depreciation charge</i>	0.00	757,149.56	802,061.02	0.00	1,943,974.42	251,848.65	394,464.20	0.00	4,149,497.82
<i>Other increase</i>	0.00	310,621.34	18,134.98	0.00	0.00	0.00	0.00	0.00	328,756.32
<i>Decrease</i>	0.00	908,804.17	196,188.33	0.00	1,540,266.89	20,130.00	62,052.03	0.00	2,727,441.42
<i>Disposal</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Liquidation</i>	0.00	598,182.83	178,053.35	0.00	1,540,266.89	20,130.00	62,052.03	0.00	2,398,685.10
<i>Other decrease</i>	0.00	310,621.34	18,134.98	0.00	0.00	0.00	0.00	0.00	328,756.32
<i>Accumulated depreciation as at 31.12.2013</i>	0.00	2,751,264.20	1,744,882.51	0.00	7,308,909.31	1,270,952.32	3,254,673.65	0.00	16,330,681.98
<i>Net value as at 31.12.2013</i>	0.00	1,251,105.91	2,826,510.15	0.00	3,057,645.73	575,816.41	1,378,365.75	0.00	9,089,443.98

13. PREPAID AND ACCRUED EXPENSES

PREPAYMENTS

Description	31.12.2013	31.12.2012
<i>Prepaid expenses</i>	2,259,119.90	2,303,790.77
<i>Other expenses to settle</i>	0.00	0.00
<i>Expenses settled over time</i>	1,631,511.33	7,574,885.33
<i>- including R&D expenses</i>	1,002,142.57	7,574,885.33
<i>Commission collected in advance</i>	307,922.88	8,968.17
Total	4,198,554.11	9,887,644.27

ACCRUALS

Description	31.12.2013	Data restated 31.12.2012
<i>Other expenses to be paid, including:</i>	1,841,812.06	1,587,276.89
<i>Provision for expenses on materials</i>	1,304,588.03	1,059,434.89
<i>Provision for auditor services</i>	241,695.00	226,730.00
<i>Provision for bonuses</i>	295,529.03	301,112.00
<i>Provision for insurance premiums reimbursement</i>	1,322,436.26	598,071.41
Total	3,164,248.32	2,185,348.30

14. DEFERRED INCOME AND SUSPENDED INCOME

Description	31.12.2013	Data restated 31.12.2012
<i>Suspended interest</i>	10,676,986.36	51,629,195.54
<i>Capitalised interest</i>	0.00	0.00
<i>Commission collected in advance – settled on a straight-line basis</i>	-4,207,170.37	-1,343,405.09
<i>Suspended interest – valuation of EIR</i>	5,684,248.42	7,803,954.21
<i>Commission collected in advance</i>	682.46	699.99
<i>Other income received in advance</i>	640,301.11	773,039.19
Total	12,795,047.98	58,863,483.84

15. SHARE CAPITAL

As at 31 December 2013, the share capital of Meritum Banku ICB S.A amounted to PLN 359,341,560.00 .

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Series	Type of shares	Preference	Number of shares (unit)	Value of issue at nominal value in PLN	Current nominal value in PLN
Series A	registered	one share entitles to five votes at the General Meetings	8,050	805,000.00	241,500.00
Series Aa	registered	one share entitles to five votes at the General Meetings	3,000	300,000.00	90,000.00
Series C	registered	one share entitles to five votes at the General Meetings	2,160	216,000.00	64,800.00
Series D	registered	one share entitles to five votes at the General Meetings	120,000	12,000,000.00	3,600,000.00
Series E	registered	one share entitles to five votes at the General Meetings	31,000	3,100,000.00	930,000.00
Series F	registered	one share entitles to five votes at the General Meetings	58,000	5,800,000.00	1,740,000.00
Series G	registered	one share entitles to five votes at the General Meetings	54,411	5,441,100.00	1,632,330.00
Series H	registered	one share entitles to five votes at the General Meetings	50,000	5,000,000.00	1,500,000.00
Series I	registered	one share entitles to five votes at the General Meetings	201,000	20,100,000.00	6,030,000.00
Series J	registered	one share entitles to five votes at the General Meetings	200,000	20,000,000.00	6,000,000.00
Series K	registered	one share entitles to five votes at the General Meetings	250,000	25,000,000.00	7,500,000.00
Series L	registered	one share entitles to five votes at the General Meetings	146,729	14,672,900.00	4,401,870.00
Series Ł	registered	one share entitles to five votes at the General Meetings	48,565	4,856,500.00	1,456,950.00
Series M	registered	one share entitles to two votes at the General Meetings	366,667	11,000,010.00	11,000,010.00
Series N	registered	one share entitles to two votes at the General Meetings	300,000	9,000,000.00	9,000,000.00
Series O	registered	one share entitles to two votes at the General Meetings	1,666,700	50,001,000.00	50,001,000.00
Series P	registered	one share entitles to two votes at the General Meetings	366,667	11,000,010.00	11,000,010.00
Series R	registered	none	433,334	13,000,020.00	13,000,020.00
Series S	registered	none	533,334	16,000,020.00	16,000,020.00
Series T	registered	none	233,334	7,000,020.00	7,000,020.00
Series U	registered	none	266,667	8,000,010.00	8,000,010.00
Series W	registered	none	600,000	18,000,000.00	18,000,000.00
Series X	registered	none	563,042	16,891,260.00	16,891,260.00
Series Y	registered	none	500,000	15,000,000.00	15,000,000.00
Series Z	registered	none	766,667	23,000,010.00	23,000,010.00

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<i>Series Bb</i>	<i>registered</i>	<i>none</i>	828,050	24,841,500.00	24,841,500.00
<i>Series Cc</i>	<i>registered</i>	<i>none</i>	1,454,942	43,648,260.00	43,648,260.00
<i>Series Dd</i>	<i>registered</i>	<i>none</i>	455,054	13,651,620.00	13,651,620.00
<i>Seria Ee</i>	<i>Imienne</i>	<i>brak</i>	88,279	2,648,370.00	2,648,370.00
<i>Series Ff</i>	<i>registered</i>	<i>none</i>	1,382,400	41,472,000.00	41,472,000.00
TOTAL	-	-	11,978,052		359,341,560.00

Shares have no other preference than indicated in the table above. Pursuant to § 29c of the Bank's Articles of Association, the Bank's Management Board was authorised to increase the share capital by no more than PLN 226,177,170 (authorised capital) on or before 24 October 2014. The opening balance of the authorised capital for which the Bank's Management Board was authorised to increase the share capital pursuant to §29a could not be higher than PLN 78,891,345.00.

Pursuant to § 29 subpar. 3 of the Articles of Association of Meritum Bank ICB SA, Bank's shares A – L are preference shares and they entitle to votes at the General Meeting in such a manner that each share gives the right to five votes at the General Meetings, whereas each Bank's share of series M to P gives the right to two votes at the General Meetings. The Bank's Articles of Association do not provide for any preference with regard to dividend distribution or return of capital.

CHANGES IN SHARE CAPITAL IN 2013

Balance as at 01.01.2013 in PLN	Increase	Decrease	Balance as at 31.12.2013 in PLN
359,341,560.00	0.00	0.00	359,341,560.00

Balance as at 01.01.2012 in PLN	Increase	Decrease	Balance as at 31.12.2012 in PLN
301,569,570.00	57,771,990.00	0.00	359,341,560.00

16. OTHER RESERVES

Other reserves	31.12.2013
<i>Revaluation reserve</i>	-1,038,821.66
<i>Loss brought forward</i>	-157,431,257.77

Other reserves	31.12.2012
<i>Revaluation reserve</i>	80,904.47
<i>Loss brought forward</i>	-159,250,396.01

17. SUBORDINATED LIABILITIES

On 29 April 2013, the Bank issued bonds amounting to PLN 67,200,000 (say: sixty seven million and two hundred thousand zlotys), each of the nominal value of PLN 10,000.00 (say: ten thousand zlotys), under the Subordinate Bonds Issue Scheme. The bonds have a redemption date on 29 April 2021. On 28 June 2013, the Financial Supervision Commission (KNF) gave its approval to including the amount of PLN 67,200,000 as the subordinated liability arising from the issue of subordinated bonds series B of the nominal value of PLN 10,000 each on 29 April 2013 in the Bank's supplementary capital.

Subordinated liability	Nominal value	Currency	Interest rate (%)	Maturity/redemption date
<i>Bonds</i>	67,200,000.00	PLN	8.50%	29.04.2021
<i>Bonds</i>	26,300,000.00	PLN	8.70%	09.05.2020

On 9 May 2012, the Bank issued the bond amounting to PLN 26,380,000 under the Subordinate Bonds Issue Scheme. The first series of 8-year bonds was a private issue addressed to financial institutions. The bonds have a redemption date on 9 May 2020. On 18 June 2012, the Bank obtained the approval of the Financial Supervision Commission Authority (UKNF) for including the amount of PLN 26,300,000 from the issue to the supplementary capital.

18. PROVISIONS FOR DOUBTFUL DEBTS

Description	2013	Data restated 2012
<i>Opening balance, including:</i>	144,308,278.87	93,628,394.51
<i>provisions for receivables from clients</i>	144,295,736.76	93,625,555.90
<i>provisions for off-balance sheet liabilities</i>	0.00	0.00
<i>provision for liabilities (deposits)</i>	12,542.11	2,838.61
<i>Increase due to:</i>	211,097,726.65	131,079,681.21
<i>establishing provisions for receivables from clients</i>	211,082,790.21	131,067,306.06
<i>establishing provisions for off-balance sheet liabilities</i>	746.80	0.00
<i>establishing provision for liabilities</i>	14,189.64	12,375.15
<i>Decrease due to:</i>	147,188,862.62	80,399,796.85
<i>reversal of provisions for receivables from clients, including:</i>	65,234,562.06	36,267,684.11
sale of portfolio ¹	6,972,921.44	0.00
<i>decrease due to charge of receivables to provisions, including:</i>	81,947,394.83	44,129,441.09
<i>sale of portfolio, charged to provisions</i>	49,158,689.82	44,137,167.69
<i>increase adjusted - realignment</i>	0.00	0.00
<i>reversal of provisions for off-balance sheet liabilities</i>	746.80	0.00
<i>reversal of provision for liabilities</i>	6,158.93	2,671.65

¹ In 2013, the reversal of provisions due to the sale of portfolio was recognised in the provisions caption, in the item: "Reversal of provisions and revaluation". In 2012, the portfolio selling price was disclosed in other operating income.

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<i>Reversal of provisions due to prescribed receivables</i>	1,344,941.69	0.00 ²
Closing balance, including:	208,217,142.90	144,308,278.87
<i>provisions for receivables from clients</i>	208,196,570.08	144,295,736.76
<i>provisions for off-balance sheet liabilities</i>	0.00	0.00
<i>provision for liabilities (deposits)</i>	20,572.82	12,542.11

The Bank maintains an appropriate level of specific provisions pursuant to the regulations in force, including especially the Regulation of the Minister of Finance of 16 December 2008 regarding the rules of creating provisions for risk related to banking activity (Journal of Laws of 2008 No. 235 item 1589 with subsequent amendments).

19. PROVISIONS FOR FUTURE LIABILITIES

Specification	2013	2012
Opening balance, including:	959,092.87	1,405,864.99
<i>retirement and disability benefits</i>	53,831.26	64,287.74
<i>unused leaves</i>	685,261.61	711,577.25
<i>litigations</i>	220,000.00	630,000.00
Increase due to:	426,800.00	292,682.79
<i>creation of provisions for litigations</i>	226,800.00	220,000.00
<i>creation of provision for unused leaves</i>	200,000.00	70,977.32
Decrease due to:	382,300.00	739,454.91
<i>release of provisions for litigations</i>	150,000.00	80,000.00
<i>release of provisions for retirement and disability benefits</i>	0.00	10,456.48
<i>release of provision for unused leaves</i>	0.00	97,292.96
<i>use of provision for litigations</i>	232,300.00	550,000.00
Total closing balance, including:	1,003,592.87	959,092.87
<i>retirement and disability benefits</i>	53,831.26	53,831.26
<i>unused leaves</i>	885,261.61	685,261.61
<i>litigations</i>	64,500.00	220,000.00

20. WRITE-DOWNS OF ASSETS BY TYPE (EXCLUDING SPECIAL-PURPOSE PROVISIONS)

Specification	2013	2012
Opening balance, including:	6,345,131.05	6,345,131.05
<i>write-downs of provision for receivables from debtors</i>	221,454.26	221,454.26
<i>write-downs of shares</i>	6,123,676.79	6,123,676.79
<i>write-downs of securities</i>	0.00	0.00
Increase due to:	6,145,085.75	0.00
<i>revaluation of shares</i>	0.00	0.00
<i>write-downs of development</i>	5,868,856.75	0.00

² In 2012, the reversal of provisions due to prescribed receivables was recognised in the item: "Other operating income".

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<i>decrease of the value of securities</i>	0.00	0.00
<i>creation of provision for receivables from debtors</i>	276,229.00	0.00
Decrease due to:	5,710,876.79	0.00
<i>revaluation of shares</i>	0.00	0.00
<i>use of write-downs (shares)</i>	5,710,876.79	0.00
<i>increase of the value of securities</i>	0.00	0.00
Closing balance, including:	6,779,340.01	6,345,131.05
<i>write-downs of shares</i>	412,800.00	6,123,676.79
<i>write-downs of development</i>	5,868,856.75	0.00
<i>write-downs of securities</i>	0.00	0.00
<i>write-downs of provision for receivables from debtors</i>	497,683.26	221,454.26

21. SECURITY OF BANK'S LIABILITIES AND THIRD PARTY LIABILITIES

Specification	Amount / value of the rate
<i>Total of cash accumulated on accounts at the bank that is the basis for the calculation of the obligatory provision subject to Art. 14 of the Law on the Bank Guarantee Fund of 14 December 1994, for October 2013</i>	2,604,225,000.00
<i>Value of the rate – according to the resolution of the Board of the Bank Guarantee Fund (in %)</i>	0.55%
<i>Value of the fund for protection of guaranteed funds for 2013 (line 1 × line 2)</i>	14,323,237.50
<i>Current value of assets 1, covering the fund for protection of guaranteed funds (in accordance with Art. 26 Clause 1 of the Law on the Bank Guarantee Fund), including:</i>	14,385,871.24
<i>- securities</i>	14,385,871.24

Specification	Amount / value of the rate
<i>Total of cash accumulated on accounts at the bank that is the basis for the calculation of the obligatory provision subject to Art. 14 of the Law on the Bank Guarantee Fund of 14 December 1994, for October 2012</i>	1,798,150,000.00
<i>Value of the rate – according to the resolution of the Board of the Bank Guarantee Fund (in %)</i>	0.55%
<i>Value of the fund for protection of guaranteed funds for 2012 (line 1 × line 2)</i>	9,889,825.00
<i>Current value of assets 1, covering the fund for protection of guaranteed funds (in accordance with Art. 26 Clause 1 of the Law on the Bank Guarantee Fund), including:</i>	9,898,632.80
<i>- securities</i>	9,898,632.80

22. CONTINGENT LIABILITIES

Specification	31.12.2013	31.12.2012
LIABILITIES GRANTED	68,108,424.16	39,644,596.72
Liabilities granted to non-financial entities	68,108,424.16	39,644,596.72
<i>financing liabilities</i>	68,023,424.16	39,559,596.72
<i>guarantee liabilities</i>	85,000.00	85,000.00
LIABILITIES RECEIVED	0.00	255,172.44
Liabilities received from financial institutions	0.00	255,172.44
<i>guarantee liabilities</i>	0.00	255,172.44

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Liabilities received from non-financial entities	0.00	0.00
<i>financing liabilities</i>	0.00	0.00
<i>guarantee liabilities</i>	0.00	0.00
Other securities received	18,673,043.78	28,281,286.54
<i>Mortgages</i>	17,217,362.19	27,978,909.08
<i>Transfer of ownership</i>	69,121.45	97,345.58
<i>Registered pledge</i>	189,431.88	205,031.88
<i>Guarantee</i>	0.00	0.00
<i>Assignment of receivables</i>	1,197,128.26	0.00

GUARANTEES AND SECURITIES GRANTED AS OF 31.12.2013

Customer number	Contract number	Date of guarantee granting	Date of guarantee validity	Amount of the guarantee in PLN
400253	GB\12076651	2012.11.06	2018.02.28	85,000.00
Total				85,000.00

GUARANTEES AND SECURITIES GRANTED AS OF 31.12.2012

Customer number	Contract number	Date of guarantee granting	Date of guarantee validity	Amount of the guarantee in PLN
400253	GB\12076651	2012.11.06	2018.02.28	85,000.00
Total				85,000.00

23. LIABILITIES RELATED TO PURCHASE/SALE

Specification	31.12.2013	type of operation	31.12.2012	type of operation
I. CURRENT FOREIGN EXCHANGE OPERATIONS	1,922,288.20		1,026,590.00	
<i>PLN purchased to be received</i>	0.00	SPOT	203,385.00	SPOT
<i>Foreign currencies purchased to be received</i>	960,816.00	SPOT	309,960.00	SPOT
<i>PLN sold to be released</i>	961,472.20	SPOT	308,835.00	SPOT
<i>Foreign currencies sold to be released</i>	0.00	SPOT	204,410.00	SPOT
II. Forward foreign exchange transactions	55,876,497.62		46,669,533.75	
<i>PLN purchased to be received</i>	16,092,447.66	Non-delivery Forward	13,447,048.34	Non-delivery Forward
<i>Foreign currencies purchased to be received</i>	12,141,216.75	Non-delivery Forward	10,453,851.37	Non-delivery Forward
<i>PLN sold to be released</i>	14,270,537.21	Non-delivery Forward	10,107,478.04	Non-delivery Forward
<i>Foreign currencies sold to be released</i>	13,372,296.00	Non-delivery	12,661,156.00	Non-delivery

		Forward		Forward
<i>Total purchased</i>	29,194,480.41		24,414,244.71	
<i>Total sold</i>	28,604,305.41		23,281,879.04	

24. SIGNIFICANT CONTRACTUAL CONDITIONS RELATED TO FINANCIAL INSTRUMENTS

As of 31 December 2013 and 31 December 2012, Meritum Bank ICB S.A. did not have contracts the conditions of which could have a material effect on the value, timing and degree of certainty of future liabilities.

25. VALUATION OF FINANCIAL ASSETS AVAILABLE FOR SALE TO THE FAIR VALUE

As a result of the periodic revaluation of the portfolio of securities available for sale as of 31.12.2013, the expense of 28,477.35 zlotys (valuation of monetary bills) and the expense of 1,010,344.31 zlotys (AFS valuation), which was recognised in the revaluation reserve of securities, were recorded in the General Ledger of the Bank for the valuation at the balance sheet date to fair value.

As a result of the periodic revaluation of the portfolio of securities available for sale as of 31.12.2012,

- the income of 16,885.47 zlotys (valuation of monetary bills), which was recognised in the revaluation reserve of securities, and
- the expense of the valuation at the balance sheet date at fair value of 17,712.54 zlotys was recorded in the General Ledger of the Bank for the valuation at the balance sheet date to fair value.

26. INCOME AND EXPENSES FOR FINANCIAL ASSETS AVAILABLE FOR SALE REMOVED FROM THE BALANCE SHEET (SOLD)

Specification	2013	2012
<i>Interest income</i>	12,160,835.59	7,311,154.24
<i>Revenue from sales</i>	870,000.00	1,176,000.00
<i>Selling expenses</i>	-315,000.00	-636,000.00
Total	12 715 835.59	7,851,154.24

27. OTHER EXPENSES DUE TO ACTIVITIES OF THE BANK

Description	For the financial year 2013	For the financial year 2012
<i>Consumption of materials and energy</i>	2,209,784.25	1,920,416.86
<i>Outsourced services</i>	26,960,804.88	24,312,914.97
<i>Rental costs of premises</i>	9,265,509.88	8,177,355.62
<i>Advertising and promotion expenses</i>	7,775,309.54	6,709,358.61
<i>Repair costs</i>	210,670.89	255,123.51
<i>Business travels</i>	584,352.07	529,165.48
<i>Consulting services</i>	2,080,000.47	1,513,260.51
<i>Fees and taxes</i>	2,610,217.36	2,102,508.89
Total	51,696,649.34	45,960,104.45

28. INTEREST INCOME AND EXPENSES

INCOME BY LINE OF BUSINESS

Specification	For the financial year 2013	Restated data For the financial year 2012
<i>Retailer customers</i>	240,738,969.20	180,984,371.98
<i>Corporate customers</i>	109,391,595.24	71,776,902.11
<i>Payments and settlements</i>	2,577,675.26	3,576,343.64
<i>From securities</i>	14,281,381.16	11,236,646.26
Total	366,989,620.86	267,574,263.99

EXPENSES BY LINE OF BUSINESS

Specification	For the financial year 2013	For the financial year 2012
<i>Retailer customers</i>	-91,425,136.44	-83,491,905.89
<i>Corporate customers</i>	-5,180,865.20	-7,988,749.18
<i>Payments and settlements</i>	-311.22	-341,696.17
Total	-96,606,312.86	-91,822,351.24

29. COMMISSION INCOME AND EXPENSES

INCOME

Specification	For the financial year 2013	Restated data For the financial year 2012
<i>Loans</i>	10,341,430.93	12,875,864.46
<i>Insurance</i>	9,685,136.40	9,388,273.52
<i>Deposits</i>	192,400.24	259,120.27
<i>Current accounts</i>	790,232.63	588,186.40
<i>Cards</i>	4,626,019.29	3,849,187.26
<i>Other</i>	757,107.88	251,008.06
<i>Settlements with other banks and NBP</i>	9,452.83	24,332.90
TOTAL	26,401,780.20	27,235,972.87

EXPENSES

Specification	For the financial year 2013	For the financial year 2012
<i>Loans</i>	-1,761,543.34	-909,888.07
<i>Insurance</i>	-19,207,406.14	-15,380,818.27
<i>Deposits</i>	-39,825.09	-289,480.23
<i>Current accounts</i>	-328,574.64	-135,797.58
<i>Cards</i>	-576,031.74	-397,676.47

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<i>Other</i>	-295,078.40	-35,797.96
<i>Settlements with other banks and NBP</i>	-172,619.39	-195,875.63
Total	-22,381,078.74	-17,345,334.21

30. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

Specification	For the financial year 2013	For the financial year 2012
<i>For bad debts</i>	0.00	2,516.06
<i>For past-due receivables</i>	0.00	11,318.08
<i>Incidental</i>	4,614,656.83	2,615,935.97
<i>For sale of fixed assets</i>	40,150.00	5,120,750.00
<i>For damages, fines and penalties</i>	41,223.92	72,996.59
<i>Sale of the banking portfolio³</i>	0.00	6,799,088.83
<i>Decrease of write-downs (shares)</i>	5,710,876.79	0.00
<i>Result of a joint venture – TESCO</i>	4,157,878.82	4,712,000.000
<i>Other</i>	4,206,934.41	3,589,216.66
Total	18,771,720.77	22,923,822.19

OTHER OPERATING EXPENSES

Specification	For the financial year 2013	For the financial year 2012
<i>For donations</i>	-15,113.16	-14,012.84
<i>For legal costs</i>	-50,715.00	-14,825.98
<i>For sale of fixed assets</i>	0.00	-4,884,074.49
<i>Debt recovery expenses</i>	-2,943,700.16	-2,758,995.20
<i>Write-downs of development</i>	-5,868,856.75	0.00
<i>Purchase costs (shares)</i>	-5,710,876.79	0.00
<i>Other</i>	-2,979,015.84	-3,917,418.01
Total	-17,568,277.70	-11,589,326.52

³ In 2012 the selling price of the portfolio was presented in other operating income. In 2013, the release of the provisions for the sale of the portfolio was included in the line of provisions in "Release of provisions and revaluation."

31. FOREIGN EXCHANGE RESULT

Specification	For the financial year 2013	For the financial year 2012
<i>Realised exchange differences</i>	-45,275.50	-157,396.32
<i>Unrealised exchange differences</i>	991,976.74	999,672.28
Total	946,701.24	842,275.96

32. INCOME TAX

Income tax is calculated in accordance with Polish tax regulations. The basis of calculations is the gross balance sheet result adjusted by the following item:

- non-deductible costs,
- non-taxable income,
- income and expenses set out in the Corporate Income Tax Law.

<u>Income tax – the current and deferred portion</u>		
Specification	For the financial year 2013	Restated data For the financial year 2012
<i>Gross financial results of the Bank</i>	13,874,520.87	-3,684,296.01
<i>Tax on financial results</i>	-2,196,354.39	5,503,434.25
<i>including:</i>		
- <i>the current portion</i>	0.00	0.00
- <i>the deferred portion</i>	2,196,354.39	5,503,434.25

	11,678,166.48	1,819,138.25
<i>Net financial result</i>		
<i>Gross profit (loss)</i>	13,874,520.87	-3,684,296.01
<i>Participation of Tesco in JV 2013</i>	4,157,878.82	2,972,365.05
<i>Gross result for tax purposes</i>	18,032,399.69	- 711,930.96
<i>Increase of gross profit for tax purposes</i>	270,558,534.54	201,031,297.91
<i>creation of non-deductible special-purpose provisions, valuation of securities</i>	128,210,890.82	83,177,352.66
<i>interest received from previous periods</i>	12,406,952.01	10,264,892.39
<i>valuation of NDF and Forward / unrealised exchange differences</i>	4,792,844.64	2,845,621.16
<i>interest payable</i>	14,838,301.65	29,324,719.35

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<i>received collected in advance</i>	101,089,309.55	67,093,133.87
<i>non-deductible depreciation</i>	1,238,793.73	4,126,349.00
<i>other increases</i>	7,981,442.14	4,199,229.48
<i>Decrease of gross profit for tax purposes</i>	-251,003,527.45	- 153,296,283.13
<i>valuation of NDF and Forward / unrealised exchange differences</i>	- 4,249,986.35	- 2,186,822.30
<i>interest receivable</i>	- 16,490,692.98	- 14,204,951.92
<i>interest paid in previous periods</i>	- 28,968,785.54	- 3,939,301.01
<i>valuation of securities (for previous periods)</i>	- 3,155,668.55	- 5,402,978.63
<i>release of non-deductible special-purpose provisions</i>	- 137,810,180.12	- 63,010,722.62
<i>other decreases</i>	- 17,969,456.49	-11,261,132.48
<i>income collected in advance – previous years</i>	- 42,358,757.52	- 53,290,374.17
<i>Tax base for current income tax</i>	37,587,406.78	47,023,083.82
<i>Donations – deductions from income</i>	0.00	12,000.00
<i>Tax base for current income tax after deductions from income</i>	37,587,406.78	47,011,083.82
<i>Settlement of losses from previous periods</i>	37,587,406.78	45,622,399.61
<i>Tax base after the settlement of losses for previous periods</i>	0.00	1,388,684.21
<i>Current tax</i>	0.00	263,850.00
<i>Settlement of the paid dividend tax</i>	0.00	263,850.00
<i>Liability to the Tax Office</i>	0.00	0.00

DEFERRED INCOME TAX

Changes in deferred income tax		
Specification	31.12.2013	Restated data 31.12.2012
<i>Provision for deferred income tax – opening balance</i>	7,740,831.73	5,613,285.38
<i>1. Increases</i>	909,734.58	2,550,139.96

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2. Decreases	-1,432,667.90	-422,593.62
Total change	-522,933.32	2,127,546.34
Provision for deferred income tax – closing balance	7,217,898.41	7,740,831.72
Deferred income tax assets – opening balance	35,638,766.30	28,007,785.70
1. Increases	15,145,556.48	16,893,880.69
2. Decreases	-17,864,844.19	-9,262,900.09
Total change	-2,719,287.71	7,630,980.60
Deferred income tax assets – closing balance	32,919,478.59	35,638,766.30
		Restated data
<i>Specification</i>	For the financial year 2013	For the financial year 2012
Deferred tax – opening balance	28,966,684.75	23,463,250.50
Income tax recognised in the result of the year	-2,196,354.39	5,503,434.25
Income tax recognised in equity	0.00	0.00
Deferred tax – opening balance	26,770,330.36	28,966,684.75
Deferred tax recognised in the profit and loss account	For the financial year 2013	For the financial year 2012
Non-deductible provisions for loans and provisions for shares	803,688.94	3,345,115.73
Accruals	190,839.69	-183,742.11
Interest	-3,470,950.26	4,043,704.30
Valuation of securities	353,238.07	-260,427.48
Differences between depreciation for balance sheet and tax purposes (settlement of the investment allowance)	-144,459.03	108,497.52
Unrealised exchange differences	103,143.07	-164,480.97
Creation of write-down to recognise tax loss	0.00	0.00
Settlement of asset created for tax losses	- 7,269,648.55	-8,136,401.57

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<i>Other temporary differences</i>	7,237,793.68	6,751,168.83
<i>Total deferred tax recognised in the profit and loss account</i>	-2,196,354.39	5,503,434.25

ASSETS AND PROVISIONS FOR DEFERRED INCOME TAX

Specification	31.12.2013		Restated data 31.12.2012	
	Value of temporary differences	Tax (19%)	Value of temporary differences	Tax (19%)
<i>Deferred income tax asset</i>				
<i>Negative difference between the acquisition price and the carrying value of shares in subsidiaries and other entities</i>	412,800.00	78,432.00	6,123,676.79	1,163,498.59
<i>Provisions for future liabilities</i>	3,876,796.59	736,591.35	2,872,377.17	545,751.66
<i>Outstanding commissions on financial assets valued at depreciated cost taking into consideration the effective interest rate method</i>	74,626,056.11	14,178,950.66	57,717,434.95	10,966,312.64
<i>Accrued interest payable</i>	13,188,294.67	2,505,775.99	29,348,545.24	5,576,223.60
<i>Non-deductible special-purpose provisions</i>	57,792,686.58	10,980,610.45	36,021,491.26	6,844,083.34
<i>Differences between depreciation write-downs for accounting and tax purposes – concerns investments in foreign fixed assets</i>	1,290,377.59	245,171.75	1,294,285.80	245,914.30
<i>Valuation of Forward and NDF transactions</i>	2,664,058.15	506,171.05	1,002,978.94	190,566.00
<i>Other</i>	5,104,652.18	969,883.92	625,664.22	118,876.20
<i>Tax loss not settled in 2011</i>	6,534,765.02	1,241,605.35	6,578,949.02	1,250,000.31
<i>Tax loss not settled in 2010</i>	7,769,926.68	1,476,286.07	13,495,324.96	2,564,111.75
<i>Tax loss not settled in 2009</i>	0.00	0.00	17,881,053.88	3,397,400.24
<i>Tax loss not settled in 2008</i>	0.00	0.00	14,610,672.01	2,776,027.67
<i>Total deferred income tax asset</i>	174,695,366.16	32,919,478.59	187,572,454.22	35,638,766.30
Specification	31.12.2013		Restated data 31.12.2012	
	Value of temporary differences	Tax (19%)	Value of temporary differences	Tax (19%)
<i>Income tax provision</i>				
<i>Net investment allowances to be settled</i>	0.00	0.00	0.00	0.00
<i>Due interest receivable</i>	- 16,730,196.67	- 3,178,737.37	-14,622,287.95	- 2,778,234.71

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<i>Unrealised discount – state treasury bills</i>	- 4,264,108.51	- 810,180.62	-3,695,031.27	-702,055.94
<i>Settled 2011 discount – HTM bonds</i>	0.00	0.00	-1,093,026.49	-207,675.03
<i>Difference between the accounting and tax value of intangible assets</i>	- 13,747,626.39	- 2,612,049.01	-12,991,223.92	-2,468,332.54
<i>Valuation of Forward and NDF transactions</i>	- 3,247,007.41	- 616,931.41	-2,186,822.30	-404,469.43
<i>Other</i>	0.00	0.00	-6,210,863.60	-1,180,064.08
<i>Total deferred income tax provision</i>	- 42,068,926.71	- 7,217,898.41	- 40,799,255.53	- 7,740,831.73

33. TRANSACTIONS WITH RELATED PARTIES

DATA PRESENTED IN THE BALANCE SHEET LAYOUT

ASSETS (in '000 PLN)	31.12.2013	31.12.2012
<i>Receivables from the non-financial sector</i>	1,898.69	1,251.35
<i>Loans</i>	1,919.23	1,255.24
<i>Accrued interest</i>	11.08	8.92
<i>Effective interest rate method</i>	-31.62	-12.81
<i>Fixed assets</i>	569.00	569.00
<i>Shares</i>	569.00	569.00
<i>Intangible assets</i>	1,212.63	1,410.06
<i>Other assets</i>	146.22	0.00
<i>Total assets</i>	3,826.54	3,230.41

LIABILITIES (in '000 PLN)	31.12.2013	31.12.2012
<i>Liabilities to the financial sector</i>	4,900.61	15,827.53
<i>Deposits</i>	4,900.34	15,732.89
<i>Accrued interest</i>	0.27	94.64
<i>Liabilities to the non-financial sector</i>	3,103.51	2,681.68
<i>Deposits</i>	3,098.97	2,674.54
<i>Accrued interest</i>	4.54	7.14
<i>Other liabilities</i>	0.33	0.41
<i>Total liabilities</i>	8,004.45	18,509.62

DATA PRESENTED IN THE PROFIT AND LOSS ACCOUNT LAYOUT

PROFIT AND LOSS ACCOUNT (in '000 PLN)	For the financial year 2013	For the financial year 2012
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Interest income	135.25	137.69
<i>on loans</i>	135.25	137.69
Interest expenses	-511.65	-232.76
<i>on current accounts</i>	-7.61	-28.53
<i>Deposits</i>	-504.04	-204.23
Net interest income	-376.40	-95.07
Fees and commission income	10.96	19.30
Fees and commission expenses	0.00	0.00
Fees and commission income	10.96	19.30
Result on financial operations	1.10	0.54
Result on banking operations	-364.34	-75.23
Other operating income/expenses	0.00	0.00
Result before provisions	-364.34	-75.23
Write-downs for special-purpose provisions and revaluation	0.00	0.00
Overhead costs	-1,111.29	-540.73
<i>IT services</i>	-1,111.29	-540.73
Gross profit (loss)	-1,475.63	-615.96

GRANTED FINANCIAL LIABILITIES, INCLUDING IRREVOCABLE

- in respect of administration

INCOME

Type of agreement	Contractual parties		Remuneration of parties (fees paid to the Bank)	Value for the year 2013	Validity term
<i>office space rental agreement</i>	<i>Meritum Bank ICB S.A.</i>	<i>Meritum Services ICB S.A.</i>	Monthly rent for 12 m2 multiplied by 82.00 PLN/m2	5,674.40	for an indefinite period with the option to terminate with a two-week notice period

- in respect of banking services

INCOME

Type of agreement	Contractual parties		Remuneration of parties (fees paid to the Bank)	Value for the year 2013	Validity term
<i>investment loan agreement</i>	<i>Meritum Bank ICB S.A.</i>	<i>Meritum Services ICB S.A.</i>	Interest rate according to WIBOR 6M + 5%	181,929.30	108 months

- in respect of other services

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EXPENSES

Type of agreement	Contractual parties		Remuneration of parties (fees paid by the Bank)	Value for the year 2013	Validity term
<i>agreement for the Internet banking system</i>	<i>Meritum Bank ICB S.A.</i>	<i>Meritum Services ICB S.A.</i>	Monthly remuneration	1,111,288.46	for an indefinite period with the option to terminate with a three-month notice period
<i>agreement for IT services and other specific services</i>	<i>Meritum Bank ICB S.A.</i>	<i>Meritum Services ICB S.A.</i>	Monthly payments	1,229,927.78	for an indefinite period with the option to terminate with a three-month notice period
Total				2,341,216.24	

The presented data concern the following entities:

- Meritum Services ICB S.A
- Interrisk Towarzystwo Ubezpieczeń S.A
- Oxana Amelina
- Tatiana Dedikova

In the reporting period, the Bank did not transact with related parties on conditions different than standard market conditions.

34. REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Specification	Amount in PLN
<i>Remuneration of the Supervisory Board of the Bank in 2013</i>	98,762.56

Specification	Amount in PLN
<i>Remuneration of the Supervisory Board of the Bank in 2012</i>	165,633.93

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Specification	Amount in PLN
<i>Remuneration of the Management Board in 2013</i>	3,073,712.41

Specification	Amount in PLN
<i>Remuneration of the Management Board in 2012</i>	3,447,637.17

35. EMPLOYMENT

As of 31 December 2013 and 2012, the employment was as follows:

Specification	Number of jobs
<i>In 2013</i>	740
<i>In 2012</i>	752

36. REMUNERATION OF THE ENTITY AUTHORISED TO CARRY OUT THE AUDIT

The entity authorized to audit the financial statements for the year ended 31 December 2013 is Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp.k. The remuneration of the entity authorised to audit the interim financial statements for the nine months ended 30 September 2013 and the unconsolidated financial statements for the year 2013 amounts to 335,000 zlotys net. The aforementioned remuneration does not include administrative costs associated with travelling and accommodation of employees outside of Warsaw, which cannot exceed 10% of the remuneration. The value of other services that the entity authorised to audit provided during this period amounted to 10,000 zlotys net.

The remuneration of the entity authorised to audit the financial statements for the year ended 31 December 2012 amounted to 230,000 zlotys net. The aforementioned remuneration did not include administrative costs associated with travelling and accommodation of employees outside of Warsaw, which cannot exceed 10% of the remuneration. The value of other services that the entity authorised to audit provided during this period amounted to 10,000 zlotys net.

37. MARKET RISK MANAGEMENT

FOREIGN EXCHANGE RISK

The purpose of foreign exchange management in 2013 was to control potential losses of the Bank resulting from exchange rate fluctuations. The Bank does not offer loans in foreign currencies or denominated in foreign currencies; it only keeps the previously granted active loans in the portfolio. Other foreign exchange products offered to customers (NDF, Forward, currency buying/selling) were carried out not to create an open foreign currency position.

The main tool to achieve the purpose was the constant supervision of the currency position, the analysis of the value at risk due to anticipated exchange rate fluctuations, the scenario analysis. The correctness of the VaR method was controlled by back-testing. The support tool was the applicable system of limits on foreign currency

transactions and foreign currency exposure. Supervision took place on a daily basis according to day-end balances.

The main limit – limit of the total position – was maintained below 0.7% of own funds. In addition, the maximum loss limit during the night based on the estimated value at risk was maintained, with the division into the dealer, manager of the Treasury Department, and the supervising Member of the Management Board.

INTEREST RATE RISK

The purpose of interest rate risk management is to control potential adverse effects of changes in market interest rates on the financial result of the Bank.

The primary tool is the supervision and management of the interest rate gap as the base gap and the repricing gap. These reports are generated at least once a month. In addition, the Bank calculates forecasts of the impact of changes in interest rates on the net interest income for the next 12 months. Simulated changes of market interest rates included the most expected ones, as well as extreme changes and non-parallel changes, i.e. when interest rates of assets and liabilities behaved differently or interest of various base rates behaved differently.

The tool of the supervising the risk level was also the system of limits that defined the maximum allowable deviation of net interest income as a result of changes in interest rates, and the base rate gap limits and repricing gaps.

PRICE RISK

In 2013 Meritum Bank was not involved in the operations that included trading in commodities listed on organised markets or derivative products related to these markets. Therefore, the Bank did not bear the price risk.

38. CREDIT RISK MANAGEMENT

COMMERCIAL PRODUCTS

The objective of the Bank in case of credit risk management is to minimise losses related to the primary activity of the Bank: granting loans; and minimise the total of capital requirements for credit risk, at the same time developing the credit portfolio.

The strategy for credit risk management in the Bank is divided into areas that characterise the basic fields of Bank's lending activities. These include:

- review and approval of transactions,
- supervision of credit risk,
- restructuring and collection of Bank's receivables.

The activities carried out during the review and approval of transactions are to select applicants in order to reduce credit risk and its proper diversification. The main factors taken into account in the decision-making process when providing a loan to the customer are: customer's creditworthiness in line with the Banking Law,

evaluated on the basis of the economic and financial situation; the quality and value of proposed legal credit collaterals; the scale of the existing cooperation with the Bank and its development prospects and profitability of the transaction from the viewpoint of the Bank.

The purpose of the supervision of transactions subject to credit risk is to identify risks as soon as possible and take corrective actions to reduce it and minimise Bank's loss in relation to the loss of customer's creditworthiness. The Bank supervises individual credit exposures, total credit exposures in relation to customers and groups of customers related in terms of capital or organisation, and the entire credit portfolio in particular in terms of timeliness of payment in respect of existing agreements, current creditworthiness of customers, quality and validity of the value of held collaterals, the adequacy of special-purpose provisions, and exposure concentration.

Restructuring and recovery includes all actions aiming at obtaining the maximum return of Bank's receivables, in particular by changing conditions of agreements to enable the voluntary repayment of debts or taking appropriate enforcement actions.

In 2013, the Bank continued actions to improve the quality of credit risk management, among others, by developing tools for the verification of applications and assessment of creditworthiness of potential customers, and by introducing the process of risk management regarding the loss of value of real properties that are collaterals of the Bank.

RETAIL PRODUCTS

The objective of the Bank in case of credit risk management is to minimise losses related to the primary activity of the Bank: granting loans; and minimise the total of capital requirements for credit risk, at the same time increasing the credit portfolio.

The strategy for credit risk management in the Bank is divided into areas that characterise the basic fields of Bank's lending activities. These include:

- review and approval,
- supervision,
- restructuring and collection of Bank's receivables.

In each of these fields, the Bank takes appropriate steps to minimise the exposure to credit risk, at the same time developing the credit portfolio.

Actions taken at the stage of verification and approval are to select applicants in order to reduce credit risk.

Verification of criteria for rejection of applications

The criteria for rejection of applications include formal and legal requirements and other conditions that need to be fulfilled for the Bank to grant the loan. The verification of criteria for rejection of applications is done separately for each customer. The basic elements in case of which applications for a loan are rejected include:

- the customer does not have full legal capacity and there is no consent of the legal representative of the customer to enter into a credit agreement;
- the type of source of income presented by the customer is not accepted by the Bank;

- currently there are writs of execution on customer's account in the Bank or in other banks, these accounts are subject to debt recovery or are delinquent;
- the customer has no creditworthiness;
- the customer is in the period of termination notice of the employment contract;
- the employer of the customer is in bankruptcy or liquidation;
- the customer uses documents that give rise to the suspicion of forgery;
- the negative opinion of other banks regarding payment of liabilities or cooperation with the customer;
- the customer has not positively passed the verification in the internal and external databases used by the Bank;

Assessment of the creditworthiness of the customer

The creditworthiness determines the ability to repay the loan obtained with interest and other costs on time as specified in the agreement, and is calculated on the basis of information regarding the financial situation of the customer (guarantor). The assessment of creditworthiness is done separately for the customer and the guarantor. All people the income of whom is involved in the creditworthiness assessments have to be co-borrowers. The creditworthiness is assessed on the basis of customer's regular income. Customer's income means the average monthly net income derived from a source of income acceptable to the Bank. If the customer (guarantor) shows various sources of income, the calculation of the creditworthiness is based on selected sources. The basis for calculating the creditworthiness is the average monthly net income. Documents required to assess the creditworthiness of the customer vary depending on the type of source of income of the customer, result of customer's assessment by the Bank, and customer's credit history.

Scoring

Scoring is a statistical tool that is used for credit scoring of customers that applying for loans. A scoring card is an algorithmic mapping of the set of features that describe a given customer and his/her behaviour in a sequence of numbers, enabling to evaluate the statistical probability of repayment of a given liability and express it in the form of the total score. The assessment of creditworthiness and scoring are independent assessments that complement each other.

The credit risk assessment of the application is made on the basis of information from:

- loan application form;
- documents provided by the customer with the application;
- internal data sets used by the Bank;
- reports of Biuro Informacji Kredytowej S.A. and other external databases used by the Bank;
- other information held by the Bank, obtained in the course of analysis of the loan application or specified in separate internal regulations.

For the group of loan applications with the highest risk of fraud, there is a manual process (including phone calls) to verify the authenticity of application data. The manual verification process consists of:

- the analysis of data consistency (assessment whether or not the data from the loan application are probable and logical – e.g. income adequate to the position, the position adequate to the company profile)
- the comparison of data from the loan application with internal databases (database of historical applications, analysis of changes in income data of the applicant)

- verification of borrower's/employer's data in independent sources of information (databases of telephone operators, business records, national court register, internet resources, etc.) and for applications selected for additional verification in the place of employment (local verification).
- phone verification of employment and earnings.
- phone verification of the reliability of the applicant (assessment whether or not the customer is aware of the loan application in the Bank, and whether or not he/she knows condition of the product)

The documents submitted by the customer and guarantor are checked in formal and substantive terms. The formal check includes verification of the correct completion of the application and the completeness of attached documents. The substantive check includes verification of the authenticity of the information given by the customer. If customer's (guarantor's) identity documents are present in the CBD - DZ database or in case of a reasonable suspicion that the documents presented by the customer have been forged (e.g. counterfeit, tampered with), a decision to reject the application is made.

The purpose of the supervision of credits is to identify risks as soon as possible and take corrective actions to minimise Bank's loss in relation to the loss of customer's creditworthiness. The supervision in the Bank applies to individual loans and borrowers, groups of borrowers, and the entire portfolio.

39. LIQUIDITY RISK MANAGEMENT

The purpose of liquidity risk management in 2013 was to maintain an optimal balance sheet structure, ensuring the safe level of liquidity and, on the other hand, adequate profitability.

The main tool was the ongoing supervision of supervisory liquidity measures, liquidity ratios, liquidity gap and the stability of the deposit base, which is the primary source of funding.

The calculation of the supervisory liquidity measures took place on a daily basis in accordance with Resolution no. 386/2008 of the Polish Financial Supervision Authority. In addition, forecasts were prepared in respect of trends of liquidity measures in the future, the analysis of maturity of deposits and their impact on measures, and calculations of the minimum required level of the deposit base. In 2013 no liquidity measures were exceeded.

The Liquidity Gap Report was generated weekly and monthly in the adjusted (adjusted by the estimated stability of the deposit base) and unadjusted form. However, analyses of deposit rollovers, the basis to adjust the liquidity gap, were performed on a quarterly basis.

40. OPERATIONAL RISK MANAGEMENT

The Bank defines operational risk as the risk of occurrence of loss resulting from failure to adapt or failed internal processes, technical systems, people or external events. The Bank also includes legal risk in the scope of operational risk.

The main objectives of operational risk management in the Bank include:

- minimisation of the exposure for operational risk
- protection of resources and business processes,
- strengthening of the security of personnel, customers and the business environment of the Bank,
- minimisation of negative effects of operational events and incidents,
- monitoring of current risks and taking measures to reduce the number and scale of existing risks,
- deepening of knowledge regarding Bank's exposure to risks related to operational risk.

The area of operational risk management applies to all fields of activity of the Bank and its subsidiaries, including also the area of outsourcing banking-related activities from entrepreneurs and foreign entrepreneurs. As a part of the measurement of Bank's exposure to operational risk, data is collected regarding events involved in operational risk, taking into consideration reasons for their occurrence and consequences of the materialisation of the risk to which the Bank has been exposed. Records of events are kept using an internal database of operational risk events. The database is the main source of information on losses due to operational risk, and a tool enabling the improvement of process and procedural safeguards in the context of reducing the risk occurrence and the mechanism of preventive measures.

The Bank has a separate unit in the Risk Division that coordinates and supports the operational risk management process in the organisational units of the Bank and supervises the functioning of the operational risk management system in the entire Bank.

For the effective operational risk management, particular emphasis is paid to the identification of operational risks by identifying risk sources and risk factors, and to the analysis of relations between operational risk and other risks, in particular credit risk and market risk. For the identified risks, the Bank determines the probability of their occurrence and estimates the potential extent of financial losses and the impact on processes, products, systems and resources.

In the current operational risk management, the Bank uses the following, among others, as the basis:

- prevention of operational events occurring in products, internal processes and systems
- taking actions to reduce the number and scale of existing risks (operational events and incidents)
- recording and analysing data on operational events and incidents in the database
- supervision during and in relation to thresholds of key risk indicators
- minimisation of the negative impact of operational events and incidents;

Furthermore, as a part of risk management, the Bank constantly takes activities to improve organisational effectiveness and implements new mechanisms aimed at the elimination or reduction of the materialisation of operational risk.

For the purpose of calculating the capital requirement for this type of risk, the Bank uses the standardised approach (TSA) the rules of which are set forth in Appendix 14 to Resolution no. 76/2010 of the Polish Financial Supervision Authority.

41. CURRENCY RISK EXPOSURE

Currency	Position (currency)	Exchange rate	Position (PLN)
CHF	-818	3.3816	-2,765
EUR	12,693	4.1472	52,642
USD	10,539	3.0120	31,744
GBP	-3,859	4.9828	-19,231
DKK	15,941	0.5560	8,863
NOK	-16,892	0.4953	-8,366
SEK	47,744	0.4694	22,411
CZK	79,656	0.1513	12,052
TOTAL			97,349

The above table presents the currency position as of 31.12.2013 in individual currencies and after restating into PLN according to the relevant NBP rate.

The VaR values calculated using individual methods amounted to:

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Method	VaR value (in '000 PLN)
<i>Variance/covariance</i>	953
<i>Historical simulation</i>	923
<i>Monte Carlo</i>	948

The Bank calculates VaR for foreign exchange risk according to the three methods (the above-presented are the results of these methods for one-day VaR). In further analyses, the Bank assumes the worst of the three results. All methodologies usually provide similar results.

The potential loss due to exchange rates fluctuations amounted to:

	Change %	In value (in PLN)	Change %	In value (in PLN)	Change %	In value (in '000 PLN)
CHF	5%	-138	10%	-277	15%	-415
EUR	5%	2,632	10%	5,264	15%	7,896
USD	5%	1,587	10%	3,174	15%	4,762
GBP	5%	-962	10%	-1,923	15%	-2,885
DKK	5%	443	10%	886	15%	1,329
NOK	5%	-418	10%	-837	15%	-1,255
SEK	5%	1,121	10%	2,241	15%	3,362
CZK	5%	603	10%	1,205	15%	1,808
Potential loss		4,867		9,735		14,602

42. INTEREST RATE RISK EXPOSURE

The majority of the loan portfolio is subject to the interest rate based on the internal interest rate variable depending on the decision of the Management Board – retail products and cash loans for entrepreneurs – and on market rates such as WIBOR, LIBOR – other products for enterprises. Interest rates on "secondary" loans are subject to revaluation every month or every three months. In internal analyses, the part of the portfolio subject to internal interest rate of the Bank (granted prior to July 2012) is treated by the Bank as the fixed rate portfolio. This is a result from the inclusion of the clause of Bank Spółdzielczy in Barlinek on the list of prohibited clauses. In the Bank's opinion, there is a risk that changes in interest rates of this portfolio may be challenged. The liquidity provision was invested in fixed-rate securities or on the interbank market. The deposit base consists primarily of fixed-term deposits with fixed interest rates and savings accounts with a variable interest rate as determined by a decision of the Management Board. The majority includes deposits from natural persons – at the end of 2013, they accounted for 94% of the deposit base.

Assets/liabilities sensitive to interest rate changes by contractual maturity date (in '000 PLN).

Dates of interest rate change	Assets					Liabilities				
	PLN	USD	EUR	Other currencies	Total	PLN	USD	EUR	Other currencies	Total
<i>up to 1 month</i>	1,331,097	203	8,637	0	1,339,937	1,565,314	945	10,348	278	1,576,885
<i>up to 2 months</i>	14,126	0	0	0	14,126	77,010	84	27	0	77,121
<i>up to 3 months</i>	1,009,064	0	0	0	1,009,064	313,133	6,161	6,154	82	325,530
<i>up to 1 year</i>	101,273	0	0	0	101,273	674,221	1,968	62	0	676,251
<i>up to 2 years</i>	85,955	0	0	0	85,955	6,701	0	0	0	6,701

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<i>above</i>	266,354	0	0	0	266,354	207	0	66	0	273
Total	2,807,869	203	8,637	0	2,816,709	2,636,586	9,158	16,657	360	2,662,761

The cumulative interest rate gap amounted to:

Period	Value ('000 PLN)
<i>Up to 1 month</i>	-818,959
<i>Up to 2 months</i>	-878,239
<i>Up to 3 months</i>	307,396,
<i>Up to 4 months</i>	140,952
<i>Up to 5 months</i>	15,512
<i>Up to 6 months</i>	-167,466
<i>Up to 7 months</i>	-175,883
<i>Up to 8 months</i>	-175,770
<i>Up to 9 months</i>	-179,788
<i>Up to 10 months</i>	-210,801
<i>Up to 11 months</i>	-228,287
<i>Up to 12 months</i>	-239,516
<i>Above 60 months</i>	85,924

The potential change of the net interest income as a result of changes in interest rates amounted to

- in case of increase in interest rates

Change in interest rates	Impact on net interest income ('000 PLN)
<i>50bps</i>	-325
<i>50bps adjusted</i>	-1,038
<i>100bps</i>	-650
<i>200bps</i>	-1,301

- in case of decrease in interest rates

Change in interest rates	Impact on net interest income ('000 PLN)
<i>50bps</i>	289
<i>50bps adjusted</i>	881
<i>100bps</i>	598
<i>200bps</i>	1,100

43. CREDIT RISK EXPOSURE

In order to present the credit risk exposure, the data for the calculation of the capital adequacy ratio is presented below.

STRUCTURE OF BALANCE SHEET ASSETS BY RISK WEIGHTS

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- standardised approach to credit risk

Exposures according to the standardised approach	Risk weights	Conversion factor	Balance sheet exposures net after adjustments of value and provisions	Exposures of off-balance sheet items	Total exposure value	Value of risk-weighted exposure	Capital requirement
<i>Governments and central banks</i>	0%		512,621,053		512,621,053	0	0
	20%		0		0	0	0
<i>Institutions - banks</i>	20%		84,061,542		84,626,215	16,925,246	1,354,019
		100%		564,673			
	50%		186,616		186,616	93,308	7,465
<i>Enterprises</i>	100%		9,222,635		9,265,135	9,222,635	737,811
		0%		1,416,391			
	-	20%					
	-	50%		85,000			
<i>Retail</i>	75%		2,041,997,499		2,041,997,499	1,531,498,124	122,519,850
		0%		58,097,911			
		20%					
		50%					
		100%					
<i>Security on real properties</i>	35%		29,477,915		29,477,915	10,317,270	825,382
	100%		57,812,983		57,812,983	57,812,983	4,625,038
		0%		8,326,663			
		50%					
<i>Overdue</i>	100%		43,490,336		43,490,336	43,490,336	3,479,227
		0%		167,545			
	150%		53,189,976		53,189,976	79,784,964	6,382,796
		0%		13,115			
<i>Other</i>	0%		28,717,090		28,717,090	0	0
	20%		1,131,092		1,131,092	226,218	18,098
	100%		64,943,832		64,943,832	64,943,832	5,195,507
<i>High risk categories</i>	150%		569,000		569,000	853,500	68,280
Total	x	x	2,927,421,569	68,671,298	2,928,028,742	1,815,168,413	145,213,474

Bank's only method of credit risk reduction within the meaning of Resolution 76/2010 of the Polish Financial Supervision Authority affecting the extent of capital requirements is the deposit.

44. LIQUIDITY RISK EXPOSURE

Assets/liabilities sensitive to liquidity changes by contractual maturity date (in '000 PLN)

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Terminology	Assets					Liabilities				
	PLN	USD	EUR	Other currencies	Total	PLN	USD	EUR	Other currencies	Total
<i>Current</i>	135,468	3,181	15,030	374	154,053	1,501,093	1,872	5,651	360	1,508,976
<i>up to 7 days</i>	436,474	-1	0	0	436,473	43,968	262	12	0	44,243
<i>up to 14 days</i>	11,775	-2	51	0	11,824	37,014	14	4,148	0	41,176
<i>up to 21 days</i>	16,884	-2	0	0	16,882	31,791	0	14	0	31,805
<i>up to 1 month</i>	51,894	-3	0	0	51,891	37,532	260	2,674	0	40,466
<i>1-3 months</i>	112,147	-17	138	0	112,268	293,465	4,809	4,051	0	302,324
<i>3-6 months</i>	163,337	-24	210	0	163,523	454,277	0	21	0	454,298
<i>6-12 months</i>	305,620	-45	415	0	305,990	145,518	1,983	41	0	147,542
<i>1-3 years</i>	979,995	-146	1,604	0	981,452	25,279	0	72	0	25,350
<i>3-5 years</i>	746,280	-112	1,518	0	747,686	121	0	0	0	121
<i>Above 5 years</i>	1,069,692	-190	5,079	0	1,074,581	404,244	710	1,189	1	406,144
<i>Due</i>	243,247	261	1,292	0	244,800	0	0	0		0
Total	4,272,812	2,899	25,336	374	4,301,422	2,974,303	9,911	17,873	361	3,002,447

The cumulative liquidity gap amounted to:

	Unadjusted	Adjusted
<i>Current</i>	-1,354,923	72,466
<i>up to 7 days</i>	-962,693	424,147
<i>up to 14 days</i>	-992,045	347,823
<i>up to 21 days</i>	-1,006,968	311,062
<i>Up to 1 month</i>	-995,543	296,286
<i>1-3 months</i>	-1,185,599	-15,372
<i>3-6 months</i>	-1,476,375	-243,194
<i>6-12 months</i>	-1,317,927	-354,330
<i>1-3 years</i>	-361,825	190,182
<i>3-5 years</i>	385,739	317,727
<i>Above 5 years</i>	1,054,175	989,023
<i>Due</i>	1,298,975	1,246,666

Statements by maturity dates, prepared for the needs of liquidity risk analysis, present future cash flows and, therefore, also take account of future interest payments on loans, future interest payments on deposits and flows from securities by the future value (nominal amount in case of securities purchased with a discount). Therefore, the amounts demonstrated in the reports are not consistent with the amounts recorded in the balance sheet of the Bank.

CAPITAL REQUIREMENT FOR OPERATIONAL RISK FOR THE YEAR 2013

Line of business	Conversion factor	2010 requirement	2011 requirement	2012 requirement
<i>Investment banking</i>	18%	0	0	0

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<i>Dealership activity</i>	18%	775,084	1,231,278	1,875,313
<i>Brokerage activity</i>	12%	0	0	0
<i>Commercial banking</i>	15%	400,173	-594,423	-226,279
<i>Retail banking</i>	12%	5,418,257	13,237,140	21,191,013
<i>Payments and settlements</i>	18%	-105,658	123,237	836,269
<i>Intermediation services</i>	15%	0	0	0
<i>Asset management</i>	12%	0	0	0
Total		6,487,856	13,997,232	23,676,316
Total requirement				14,720,468

CAPITAL REQUIREMENT FOR OPERATIONAL RISK FOR THE YEAR 2012

Line of business	Conversion factor	2009 requirement	2010 requirement	2011 requirement
<i>Investment banking</i>	18%	0	0	0
<i>Dealership activity</i>	18%	1,339,468	775,084	1,231,278
<i>Brokerage activity</i>	12%	0	0	0
<i>Commercial banking</i>	15%	-222,848	400,173	-594,423
<i>Retail banking</i>	12%	1,592,833	5,418,257	13,237,140
<i>Payments and settlements</i>	18%	-494,675	-105,658	123,237
<i>Intermediation services</i>	15%	0	0	0
<i>Asset management</i>	12%	0	0	0
Total		2,214,778	6,487,856	13,997,232
Total requirement				7,566,622

45. AGEING ANALYSIS OF OVERDUE FINANCIAL ASSETS

The timeliness of payment of the loan portfolio as of 31.12.2013 is as follows:

Overdue status	Loans					
	Total	Operational	Credit cards	Consumer	Investment	Other
<i>Not overdue</i>	1,821,110,084.09	593,444,656.69	28,395,749.01	1,045,970,495.91	14,018,160.74	139,281,021.74
<i>>1 day <=30 days</i>	285,763,439.42	91,015,928.95	4,555,098.47	164,430,749.99	0.00	25,761,662.01
<i>> 30 days <= 90 days</i>	81,807,553.60	27,257,270.72	851,524.86	48,909,081.41	0.00	4,789,676.61
<i>> 90 days <= 180 days</i>	62,352,422.98	20,288,173.44	793,252.36	39,300,125.89	0.00	1,970,871.29
<i>> 180 days <= 1 year</i>	97,412,021.29	29,912,259.66	1,628,177.73	63,039,076.43	0.00	2,832,507.47
<i>>1 year</i>	121,682,503.24	27,379,192.62	1,458,521.12	80,549,062.24	9,294,417.59	3,001,309.67
Total	2,470,128,024.62	789,297,482.08	37,682,323.55	1,442,198,591.86	23,312,578.33	177,637,048.79
Provisions	208,196,570.06					

The timeliness of payment of the loan portfolio as of 31.12.2012 is as follows:

Overdue status	Loans					
	Total	Operational	Credit cards	Consumer	Investment	Other

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<i>Not overdue</i>	1,297,225,412.45	450,789,681.60	21,451,448.47	755,637,395.34	6,727,246.24	62,619,640.81
<i>>1 day <=30 days</i>	264,031,124.05	95,102,177.23	3,193,542.02	152,346,345.12	1,598,007.16	11,791,052.52
<i>> 30 days <= 90 days</i>	70,532,526.64	22,203,524.42	817,008.27	37,861,603.70	7,748,524.43	1,901,865.82
<i>> 90 days <= 180 days</i>	48,023,414.11	12,873,243.47	829,646.69	33,301,648.80	0.00	1,018,875.15
<i>> 180 days <= 1 year</i>	77,579,356.63	23,225,391.77	832,936.23	50,747,595.48	0.00	2,773,433.15
<i>>1 year</i>	117,910,058.75	13,031,394.90	304,702.29	88,881,300.53	11,732,747.59	3,959,913.44
Total	1,875,301,892.63	617,225,413.39	27,429,283.97	1,118,775,888.97	27,806,525.41	84,064,780.89
<i>Provisions</i>	144,295,736.76					

46. NOTES THE CASH FLOW STATEMENT

For the purposes of the cash flow statement, the accepted definition cash or cash equivalents includes, in addition to cash on hand of the Bank, the current nostro account and nostro accounts with other banks, all other cash assets paid or payable within three months after the date of receipt, purchase or opening (deposits). In addition, these cash assets also include other financial assets, in particular short-term (a three-month or shorter period, after the date of purchase, may be assumed as such) investments, investments of high liquid, readily convertible to specified amounts, and exposed to an insignificant risk of changes in their value.

For the purposes of the cash flow statement, the following division of types of activities is assumed:

- **operating activities** – the primary activity of the Bank and other types of activities not included in investment or financial activities
- **investment activities** – the activity the purpose of which is the acquisition or disposal of tangible assets (fixed assets, fixed assets under construction), intangible assets, long-term investments, including investments in real properties and rights, and all the related monetary costs and benefits, except for those involving income tax
- **financial activities** – the activity the purpose of which is the acquisition of sources of funding other than operating activities, including those increasing equity (fund), or their repayment and related monetary costs, including commissions, interest and dividends, and benefits, except for those involving income tax

Specification	31.12.2013	Restated data 31.12.2012	Cash flow statement
<i>Cash and balances with the Central Bank</i>	52,239,579.71	81,716,530.79	-29,476,951.08
<i>State treasury bills and bonds with initial maturity up to 3 months</i>	29,919,424.08	59,826,917.06	-29,907,492.98
<i>NBP bills with initial maturity up to 3 months</i>	409,914,601.10	149,929,200.00	259,985,401.10
<i>Deposits with other banks with initial maturity up to 3 months</i>	63,095,635.97	58,998,794.04	4,096,841.93
Total	555,169,240.86	350,471,441.88	204,697,798.98

Reasons for the differences between changes in balance sheet items and changes of the same items presented in the cash flow statement

Item from the cash flow statement	Value in the statements	Balance sheet change	Explanation
<i>Change in debt securities</i>	-13,719,141.65	242,758,228.11	The differences are securities with maturity up

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			to 3 months
<i>Change in gross receivables from the financial sector</i>	-2,018,992.41	8,414,376.64	Some of these assets are classified as cash
<i>Change in accruals and prepayments, and deferred tax asset and liability</i>	8,160,458.57	-7,952,411.16	The difference is the value of uncompleted development costs presented in investment expenses

47. JOINT VENTURES

In 2013, the Bank continued its cooperation with the retail chain Tesco. The subject of the agreement signed in 2011 involves the Bank offering Tesco customers additional benefits in relation to the offer of financial services. Sales of these services take place in 70 points of sale, as of 31 December 2012 – in 66 points located in Tesco shops. The Bank settles its results with the business partner. The amount of the settlement – reimbursement to the Bank for the year 2013 amounted to 4,157 thousand zlotys, for the year 2012 amounted to 4,712 thousand zlotys.

48. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 9 January 2014, the District Court in Gdańsk registered the increase of the share capital of Meritum Bank ICB S.A. by 10,000,020.00 zlotys. The funds for the increase of the share capital were received on 19 December 2013.

On 26 March 2014, the District Court in Gdańsk registered the increase of the share capital of Meritum Bank ICB S.A. by 7,538,130.00 zlotys.

At the end of February 2014, the Bank recorded the Tier 1 capital ratio at the level lower than the 9% level required by the Office of the Polish Financial Supervision Authority. The following part of recapitalisation was registered on 26 March 2014 and at the same time was received by own funds of the Bank.

After the end of the reporting period, there were no other significant events likely to affect future financial results of Meritum Bank ICB S.A.