



**GETIN NOBLE**

BANK • SPÓŁKA AKCYJNA

**DIRECTORS' REPORT  
OF GETIN NOBLE BANK S.A.  
FOR THE 12-MONTH PERIOD ENDED  
31 DECEMBER 2011**

Warsaw, 29 February 2012

## TABLE OF CONTENT

<b>1. Activities of Getin Noble Bank in 2011</b> .....	<b>3</b>
<b>1.1. Significant factors affecting the Bank's results</b> .....	<b>3</b>
<b>1.2. Significant events</b> .....	<b>4</b>
<b>2. Organization of Getin Noble Bank S.A.</b> .....	<b>6</b>
<b>2.1. Issued capital and shareholding structure of the Bank</b> .....	<b>6</b>
<b>2.2. Getin Noble Bank's shares on the stock exchange</b> .....	<b>8</b>
<b>2.3. Subsidiaries and associates of the Bank</b> .....	<b>8</b>
<b>3. Scope of activities, products and services of the Bank</b> .....	<b>9</b>
<b>3.1. Retail banking</b> .....	<b>9</b>
<b>3.2. Private Banking</b> .....	<b>11</b>
<b>3.3. Corporate banking</b> .....	<b>11</b>
<b>4. Financial situation and results of the Bank</b> .....	<b>12</b>
<b>4.1. Income statement</b> .....	<b>12</b>
<b>4.2. Statement of financial position</b> .....	<b>15</b>
<b>4.3. Off-balance sheet items</b> .....	<b>18</b>
<b>5. Risk management</b> .....	<b>18</b>
<b>5.1. Credit risk</b> .....	<b>18</b>
<b>5.2. Market risk</b> .....	<b>20</b>
<b>5.3. Liquidity risk</b> .....	<b>21</b>
<b>5.4. Operational risk</b> .....	<b>22</b>
<b>5.5. Capital management</b> .....	<b>22</b>
<b>6. Corporate governance</b> .....	<b>24</b>
<b>6.1. Compliance with best practices</b> .....	<b>24</b>
<b>6.2. Supervisory and management authorities of the Bank</b> .....	<b>26</b>
<b>6.3. Internal control and risk management systems relating to the financial statements</b> .....	<b>31</b>
<b>7. Corporate social responsibility</b> .....	<b>32</b>
<b>8. Additional information</b> .....	<b>33</b>
<b>9. Statements of the Management Board</b> .....	<b>35</b>
<b>9.1. Truth and fairness of the financial statements</b> .....	<b>35</b>
<b>9.2. Appointment of the auditor of the financial statements</b> .....	<b>35</b>

## 1. Activities of Getin Noble Bank in 2011

### 1.1. Significant factors affecting the Bank's results

Getin Noble Bank S.A. offers financial products in the area of lending, saving and investing, as well as a wide spectrum of additional financial services for individual clients and enterprises. The Bank's branches operate in the form of separate Noble Bank outlets which specialize in private banking and Getin Bank outlets which specialize in retail banking.

In 2011 Getin Noble Bank recorded a 25.1% increase in its total assets, up to PLN 53.3 billion, and net profit of PLN 557 million (increase of 27.5% compared with 2010).

#### Internal conditions

The main factors affecting the Bank's results for 2011 included the following:

- development of lending assets – the value of loans sold in 2011 reached the level of PLN 12 billion, which means a 8% increase compared with 2010 sales; net interest income increased in 2011 by 25.0% up to PLN 1.3 billion, mainly as a result of an increase in interest income,
- a slight reduction of costs of acquiring client deposits with a simultaneous 24.9% increase in the volume of client deposits – cost of amounts due to customers of PLN 2 billion incurred by the Bank in 2011 was higher than that incurred in the previous year by 21.8%,
- active sale of investment products, mainly in co-operation with the entities of the Getin Holding S.A. Group – in 2011 Getin Noble Bank achieved commission income from intermediary services of PLN 310 million (increase in comparison with 2010 by 48.4%),
- effective cost management in the Bank – the C/I ratio has hardly changed in comparison to 2010 and amounted to 27.5%. This is one of the lowest ratio in the banking industry (according to KNF data the average ratio for the banking industry amounted to 50% as of 30 September 2011),
- gaining an income from the sale of 23.5 million shares of Open Finance S.A.; the Bank's net profit from the transaction amounted to PLN 300.5 million,
- dividend income received from companies: Noble Funds TFI and Biuro Informacji Kredytowej of PLN 17.6 million in total
- increase in impairment losses on loans and other receivables of PLN 1.2 billion - mainly for mortgage loans due to among others the financial market crisis and rise in foreign exchange rates.

At the end of 2011, Getin Noble Bank's capital adequacy ratio amounted to 10.2%. Bank increased its capital adequacy ratio by 0.7 percentage point in comparison to the end of 2010 due to the increase in Bank's own funds by PLN 0.9 billion resulted from recognizing of profit for 2010 in the reserve capital, audited profit for the first half of 2011 in the own funds and issue of debt securities of PLN 0.4 billion as supplementary funds.

The level of the capital adequacy ratio was affected by the CHF/PLN exchange rate – depreciation of PLN in relation to CHF resulted in increase in the value of loans denominated in CHF and in higher capital requirement. Currently Getin Noble Bank has no CHF loans in its offer; however, a significant part of its loan portfolio comprised of CHF indexed loans, which were granted in previous years (prior to 2009). As of 31 December 2011, the share of CHF loans in the gross balance of the loan assets amounted to 36% (decrease from 42% at the end of 2010).

#### External conditions

##### *Macroeconomic situation*

According to the data published by the Main Statistical Office, in 2011 the Polish economy was developing at a relatively high and stable pace indicating a considerable resistance to the unfavourable conditions prevailing in the global and European economy. According to preliminary estimates, in 2011:

- the Gross Domestic Product increased, in real terms, by 4.3% y/y,
- the domestic demand increased by 3.8% y/y,
- an average gross salary increased in December by 4.4% y/y,
- the unemployment rate was 0.1 percentage point higher than in 2010 – reaching the level of 12.5% in December 2011,

- the prices of consumer goods and services increased in December 2011 by 4.6% in comparison with December 2010.

Main driver of acceleration in 2011 were investments (gross value of capital expenditure increased by 8.7%, comparing to negative result of -0.2% in the previous year) and net export. Domestic demand fell down to 3.8% from 4.6% in the previous year – individual consumption amounted to 3.1% in 2011 and 3.2% in the previous year. The weak PLN currency and very good economic results of Germany (core trade partner of Poland) were the main factors of net export positive balance. Labour market situation got worse (the unemployment rate in December reached the level of 12.5%) and was accompanied by a decrease in the real wage (inflation remained higher than the wage growth). Consumer activity recorded at the end of 2010 was connected with intended increase of VAT. Poland's core trade partners', in particular the European Union countries, negative forecasts and intensification of financial crisis had negative impact on the economic situation in Poland. The key to maintaining the Polish economic growth and to restore financial market confidence in Poland and in Polish zloty is deficit reduction and reform of public finances.

#### *Financial market*

In 2011, like as in 2010, occurred large fluctuations on the financial market. In the first half of the year there were noticed short revival and improvement of the investors' mood. However, threat of Greece bankruptcy and arising crisis in euro zone, resulted in deterioration in moods on the financial market in the second half of the year. Other reason of the breakdown on the financial market were economic and financial difficulties in the United States as well as the threat of overheating of the Chinese economy and a collapse of its economic growth. The euro zone fiscal crisis, together with the economic slowdown, has prompted the rating agencies to verify ratings given to particular countries, with possibility of rating's decrease in 2012.

On the domestic market, attention should be drawn to the following factors:

- Central Bank interest rates were increased by the Monetary Policy Council. At the end of 2011 reference rate amounted to 4.5% (3.50% at the end of 2010), lombard rate amounted to 6.00% (5.00% at the end of 2010), deposit rate amounted to 3.00% (2.00% at the end of 2010) and rediscount rate 4.75% (3.75% at the end of 2010),
- increase of interest rates on the interbank market (the average WIBOR 3M rate increased from 3.9% in December 2010 to 4.5% in December 2011) and of the yield on treasury securities (the average yield on 52-week treasury bills on the secondary market rose from 4.1% to 4.5%, and of 10-year bonds remain stable and amounted to 5.8%),
- depreciation of Polish zloty due to investors' concerns about the fiscal condition of some members of the euro zone. In consequence, in 2011 Polish currency depreciated (mostly in IV quarter of 2011), mainly against CHF, USD and EUR (1 EUR was equal to PLN 3.9603 at the 2010 year-end and PLN 4.4168 at the 2011 year-end; 1 CHF was equal to PLN 3.1639 and PLN 3.6333 respectively, and 1 USD was equal to PLN 2.9641 and PLN 3.4174 respectively).

## **1.2. Significant events**

### **The most significant events and achievements in 2011 affecting the Bank's activities:**

- Getin Noble Bank S.A. sold shares in Open Finance within two related transactions: 3 million shares in the first one and 20.5 million shares in the second (in the financial statements of Getin Noble Bank S.A. for the 2011 was recognized a net profit on sale of Open Finance of PLN 300.5 million)
- The dividend of PLN 14 million was received from the subsidiary Noble Funds TFI S.A. and recognized in the Bank's net profit for the March 2011.
- The dividend of PLN 3.6 million was received from Biuro Informacji Kredytowej and recognised in the Bank's net profit for the June 2011.
- In the second half of 2011 Getin Noble Bank S.A. issued subordinated bonds of A-E series of the total value of PLN 400 million, which qualify for their recognition as the supplementary funds provided the positive decision of the Polish Financial Supervision Authority is obtained. Until 31 December 2011 the Bank obtained required consents for all bond series issued to be qualified as own funds on a basis of relevant decisions of the Polish Financial Supervision Authority.
- In 2011 Getin Noble Bank's liabilities from the issue of debt securities increased by PLN 265 million, and amounted to PLN 346 million.

- On 1 July 2011 the Supervisory Board of Getin Noble Bank S.A., following the Resolution of the Bank's General Shareholders' Meeting dated 30 March 2011, adopted the guidelines for the Management Share Option Program, based on which the Company will issue up to 6,000,000 warrants and up to 6,000,000 shares. Each warrant will give right to the purchase of one share for the price of PLN 1.00. Warrants will be issued in 2012, 2013 and 2014. The Company will sell the warrants free of charge exclusively for the Participants of the Motivational Program, following the fulfillment of the conditions required for the purchase of warrants. In the third quarter of 2011, the purchase agreements for 4,713,004 warrants were signed with the Participants of the Program. Related to the above, the Bank recognized expense of PLN 9.8 million.
- In 2011 a significant appreciation of the CHF exchange rate took place, especially in the III quarter of 2011, when exchange rate CHF/PLN exceeded 4.0. Due to CHF-denominated loans in Getin Noble Bank's assets such appreciation had negative impact on the fair value of assets and the supervisory liquidity norms. Moreover, a significant fluctuation in foreign exchange rates and strong appreciation of the CHF exchange rate increase the cost of maintaining Bank's liquidity, impairment losses charges and higher capital requirement for credit risk.
- Increase of Getin Noble Bank' share in the market of deposit and lending services – in 2011 the Bank increased its share in the market of deposits from natural persons up to 8.2% and in the market of loans to natural persons up to 8.1%,
- The net profit earned by the Bank in 2011 was PLN 120 million higher than the one earned in 2010 (increase of 27%).

On 2 January 2012 the transfer of 893,786,767 shares in Getin Noble Bank (which account for 93.71% of its share capital and give rights to 893,786,767 (93.71%) votes at the General Meeting) to Get Bank was made. As a result Get Bank became the parent company of Getin Noble Bank S.A.

#### **Awards and recognitions:**

- Getin Noble Bank S.A. was ranked 7th in the "Stock Exchange Company of the Year 2010" competition organized by the "Puls Biznesu" magazine and Pentor Research Institute (moving upwards by 5 positions). Experts appreciated very good prospects for the Company's further growth. Getin Noble Bank S.A. was also ranked the 4th best Warsaw Stock Exchange company by the stock exchange brokers.
- Getin Noble Bank won twice the ranking of listed companies most quickly building the value, organized by „Newsweek Poland" and A.T. Kearney consulting company. Bank won in category of companies with capitalization higher than PLN 500 million, and in ranking of 100 listed companies most quickly building the value in the financial sector.
- Getin Noble Bank was recognized due to its most dynamic development in the category "Big banks" in the 19th edition of "Best banks" competition of Gazeta Bankowa. The competition organized in co-operation with PwC was a summary of banks' financial results for the year 2010.
- Four main prizes were awarded to Getin Noble Bank in XVI edition of "50 largest banks in Poland in 2011". The Bank won in the following categories: "universal bank", "mortgage bank", "car bank" and "internet bank". Experts appreciated the Bank for the dynamic growth of loans and deposits, versatility of the offer and effective usage of outlets.
- In the ranking of 1000 world largest banks published by "The Banker" (Financial Times) Getin Noble Bank was recognized as the best bank in Central and Eastern Europe in respect of its Return on Equity value. The basis of the assessment was value of the core capital (Tier 1).
- Getin Noble Bank S.A. took high, 20th place, in the last edition of largest banks in the Central and Eastern Europe ranking organized by Intelace Research. Main criteria of the assessment was the total assets value and the value of own capital at the end of 2010. Debut at such a high position in the ranking is yet another confirmation of successful merger which resulting in creation of Getin Noble Bank at the beginning of 2010. Adopted strategy assumed creation a universal bank, active in the main and most profitable market sectors. Getin Noble Bank's long-term goal is to systematically strengthen its position among largest Polish banks.
- Getin Noble Bank S.A., being a leader in deposits offer for years, won the ranking organized by Comperia.pl for the best saving and investment bank at the end of 2011. In the opinion of the jury Getin Noble Bank consequently offers attractive and innovative financial products in the areas of investment and saving. The Bank once again confirmed its leadership on the market of deposit products.

## Assessment of financial creditworthiness - ratings

On 28 April 2010, Moody's Investors Service granted the following ratings to Getin Noble Bank S.A:

Moody's Investor Service Ltd	28.04.2010	Rating outlook
Financial Strength Rating	D-	stable
Long-term Deposit Rating	Ba2	stable
Short-term Deposit Rating	not prime	stable

On 22 June 2011 Fitch Ratings confirmed rating granted to Getin Noble Bank on 9 June 2010, i.e.: IDR „BB”, short term rating „B”, individual rating „D” and long-term domestic rating „BBB (pol)”. Support rating was increased from „5” to „3” and Support Rating Floor “BB” was granted. The outlooks on Getin Noble Bank IDR and long-term domestic rating remain stable.

The confirmation of the rating granted to the Bank reflects on its good performance, higher standards of loan collaterals and stable source of financing, based mainly on household deposits.

Rising the level of support rating and introduction of a minimum level of support rating reflect the Bank average ability of getting Government support, taking into account Bank's large share in domestic retail savings. The rating agency indicates that, according to assets value, Bank is one of 10 largest Banks in Poland.

Fitch Ratings changed its financial institution rating methodology. Individual rating was replaced, according to the methodology, by Viability rating reflecting to internal evaluation, independent from external factors, creditworthiness of the financial institution. Getin Noble Bank was granted “bb” rating. As of the 26 January 2012 individual rating granted to all financial institutions was withdrawn.

Fitch	26.01.2012	Rating outlook
Issuer Default (IDR)	BB	stable
Short-term	B	
Viability	bb	
Support rating	3	
National long-term IDR	BBB (pol)	stable

## 2. Organization of Getin Noble Bank S.A.

### 2.1. Issued capital and shareholding structure of the Bank

As at 31 December 2011, the issued capital of the Bank amounted to PLN 953,763,097 and consisted of 953,763,097 shares with a nominal value of PLN 1.00 each. The Bank's shares include registered and bearer not privileged shares and each of which gives right to one vote at the General Meeting. All of the Bank's shares are admitted to public trading on the regulated market.

As at 31 December 2011 the ownership structure of Getin Noble Bank S.A. was as follows:

	Number of shares held	Number of votes at AGM	% of share capital	% of votes at AGM
Getin Holding S.A.	893,786,767	893,786,767	93.71%	93.71%
ASK Investments S.A.	14,819,840	14,819,840	1.55%	1.55%
A. Nagelkerken Holding B.V.	5,150,000	5,150,000	0.54%	0.54%
International Consultancy Strategy Implementation B.V.	4,270,000	4,270,000	0.45%	0.45%
Leszek Czarniecki (direct holding)	1,939,420	1,939,420	0.20%	0.20%
Repurchased own shares	695,580	695,580	0.07%	0.07%
Other shareholders	33,101,490	33,101,490	3.48%	3.48%
<b>Total</b>	<b>953,763,097</b>	<b>953,763,097</b>	<b>100.00%</b>	<b>100.00%</b>

On 2 January 2012, due to the split-off of Getin Holding S.A. with its registered office in Wrocław, 893,786,767 shares in Getin Noble Bank S.A. (which account for 93.71% of share capital and give rights to 893,786,767 (93.71%) votes at the General Meeting) were transferred to Get Bank S.A. As a result of the share transfer Getin Holding S.A. lost direct shareholding in Getin Noble Bank S.A., however indirectly through Get Bank S.A. still held 93.71% of share capital of Getin Noble Bank S.A.

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

The ownership structure of the Bank as of the date of the publication of this report has been presented in the table below:

	Number of shares held	Number of votes at AGM	% of share capital	% of votes at AGM
Get Bank S.A.	893,786,767	893,786,767	93.71%	93.71%
ASK Investments S.A.	14,819,840	14,819,840	1.55%	1.55%
A. Nagelkerken Holding B.V.	5,150,000	5,150,000	0.54%	0.54%
International Consultancy Strategy Implementation B.V.	4,270,000	4,270,000	0.45%	0.45%
Leszek Czarniecki (direct holding)	1,939,420	1,939,420	0.20%	0.20%
Repurchased own shares	695,580	695,580	0.07%	0.07%
Other shareholders	33,101,490	33,101,490	3.48%	3.48%
<b>Total</b>	<b>953,763,097</b>	<b>953,763,097</b>	<b>100.00%</b>	<b>100.00%</b>

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

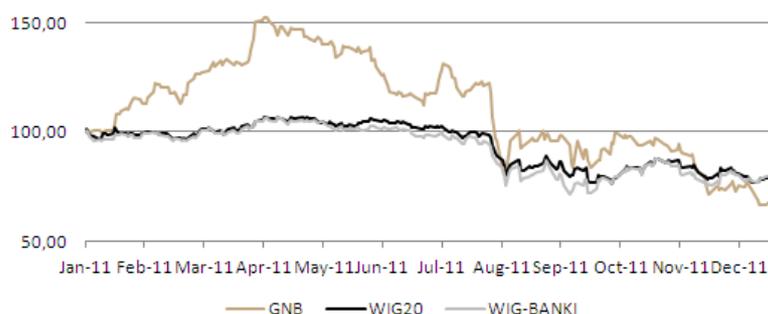
Each warrant will give right to the purchase of one share for the price of PLN 1.00. Warrants will be issued in 2012, 2013 and 2014. The Bank will sell the warrants free of charge exclusively for the Participants of the Motivational Program, following the fulfillment of the conditions required for the purchase of warrants. In 2011 the purchase agreements for 4,713,004 warrants were signed with the Participants of the Program.

As at the day of signing this annual report for 2011, the Management Board of Getin Noble Bank S.A. did not have information on other agreements which may result in changes of the proportion in shares held by existing shareholders.

## 2.2. Getin Noble Bank's shares on the stock exchange

The shares of Getin Noble Bank S.A. have been listed on the Warsaw Stock Exchange since May 2007. In 2011 WIG20 index fell down by 21.85% and WIG-Banki by 21.68%. The price of Getin Noble Bank's shares at the close of the session in 2011 fluctuated between PLN 3.47 (on 22 December) and PLN 7.98 (on 6 April). As at 31 December 2011, the Bank's capitalization was PLN 3,472 million, whereas its book value amounted to PLN 4,056 million.

### Getin Noble Bank S.A. shares quotation and Warsaw Stock Exchange indices (as at 31.12.2010 = 100)



## 2.3. Subsidiaries and associates of the Bank

As of 31 December 2011 Getin Noble Bank S.A. was the parent company for the following subsidiaries, consolidated with the acquisition method:

Entity	Main activity	% share of the Bank in share capital	
		31.12.2011	31.12.2010
Noble Concierge Sp. z o.o.	activities auxiliary to financial services	100.00%	100.00%
Introfactor S.A.	other financial services	100.00%	100.00%
Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A.	asset management	70.00%	70.00%
Noble Securities S.A.	brokerage services	97.74%	79.76%
Open Finance S.A.	financial brokerage	48,85% <sup>1)</sup>	100.00%
Getin Leasing S.A.	lease services	93.18%	93.18%
Getin Services S.A.	financial brokerage	93,18% <sup>2)</sup>	93,18% <sup>2)</sup>
Pośrednik Finansowy Sp. z o.o.	lease services	93,18% <sup>2)</sup>	93,18% <sup>2)</sup>
Idea Bank S.A.	banking	37,05% <sup>3)</sup>	100.00%
Provista S.A.	other financial services	-	100,00% <sup>4)</sup>
Getin Finance Plc	financial services	99.99%	99.99%

<sup>1)</sup> since April 2011 an associate consolidated using the equity method

<sup>2)</sup> indirect subsidiary through Getin Leasing S.A.

<sup>3)</sup> since October 2011 an associate consolidated using the equity method

<sup>4)</sup> indirect subsidiary through Idea Bank S.A.

In the first half of 2011, as a result of the sale of 23.5 million shares and an increase in share capital of Open Finance S.A. by 4.25 million new shares which were not acquired by Getin Noble Bank S.A., the Bank's share in Open Finance S.A. decreased to 48.85%, the Bank lost control in a subsidiary, and since April 2011 the retained share in an associate has been recognized using the equity method.

Due to two increases in share capital of Idea Bank S.A. – subsidiary of Getin Noble Bank S.A., through subsequent issues in August and September 2011 of total of 33,543,870 new ordinary shares of the nominal value of PLN 2.00 each, which were not acquired by Getin Noble Bank, the Bank's share in Idea Bank decreased

to 37.05% and the Bank lost control in a subsidiary. Since October 2011 the retained share in an associate has been recognized in the financial statements of Getin Noble Bank using the equity method.

### Related party transactions

Related parties of Getin Noble Bank S.A. include its immediate parent - Getin Holding S.A., associates and subsidiaries of the Bank, entities related through the immediate parent and entities related through the ultimate parent – Mr. Leszek Czarnecki.

Transactions of Getin Noble Bank S.A. with related parties are made on an arm's length basis. The details of transactions made by the Bank and with the related parties are presented in the Note IV.40 to the financial statements of Getin Noble Bank S.A. for the year ended 31 December 2011.

As at 31 December 2011 the total value of Getin Noble Bank's exposure arising from loans to its related parties amounted to PLN 233 million (PLN 189 million at the end of 2010).

## 3. Scope of activities, products and services of the Bank

Getin Noble Bank is a universal bank offering numerous products in the area of financing, saving and investing and a wide spectrum of additional services which are provided to clients using a variety of channels, including traditional banking outlets and the Internet platform. The Bank's offer is addressed to individual clients, small and medium-sized enterprises, local government units and large corporations.

Retail banking is conducted by Getin Noble Bank under the Getin Bank brand. The Bank's offer is addressed to individuals who expect proven products, simple procedures and quick service. Getin Bank specializes in the sale of cash and mortgage loans on competitive terms and is a leader in the sale of car loans. Getin Bank offers a number of investment products and deposits. Structured products are very popular among its clients. Getin Bank is also an active player in the segment of financial services dedicated to small and medium-sized enterprises. The Bank's offer is characterized by simple procedures and clear rules. The current account for enterprises and attractive offer of business loans gain an increasing customers confidence.

Noble Bank represents the private banking section of Getin Noble Bank which is dedicated to wealthy clients. In addition to standard financial products, the Bank offers real estate advisory, legal and tax support, art banking, brokerage and concierge services.

The product offer of Getin Noble Bank is supplemented by the products offered by its affiliates, such as Noble Funds TFI S.A., Noble Securities S.A., Noble Concierge sp. z o.o. and Getin Leasing S.A. In co-operation with the above-mentioned companies, Getin Noble Bank provides its clients with access to brokerage services, concierge services, investment fund units, investment fund certificates, insurance, lease and factoring products.

### 3.1. Retail banking

#### Mortgage loans

Mortgage loans are offered under the Bank's own brand: Getin Noble Bank S.A. – Mortgage Branch. This is a section of Getin Noble Bank S.A. specializing in the granting of mortgage loans, which was set up as a result of the merger of the Specialized Branch of METROBANK and Łódź Branch of DOM. Loans are distributed through the network of the Bank's own outlets (Mortgage Loan Centers), Open Finance and the networks of specialized financial intermediary companies working in a commission-based system.

Mortgage loans are offered for the purchase of apartments or houses on the secondary and primary markets, for construction of houses, renovation, modernization or finishing of apartments, purchase or construction of business premises, repayment of loans (consolidation) and other purposes (advances).

The Bank's product offer has been modified and Getin Noble Bank started to be perceived as an entity which focuses on innovation in financial services. Such an approach resulted in creation of a number of new products. In order to mitigate credit risk, changes has also been made to the method of calculation of credit capacity of clients applying for mortgage loans.

The Bank's current product offer was significantly affected by the SII-Recommendation.

Having in mind those clients who had been granted loans prior to the merger of Getin Bank with Noble Bank, the Bank launched a campaign which enabled them to use new products. The aim of this action was to make

clients aware of the fact that at each point of the term of their loan agreement they may take advantage of the Bank's flexible approach to their loan needs.

### Car loans

Car loans were one of the main products offered by Getin Noble Bank. Getin Noble Bank once again is the definite leader on the market of car loans in Poland, with a market share significantly exceeding 30%. Car loans are mainly sold through the network of over 700 agents actively co-operating with the Bank; however, the sale of car loans by the Bank's own employees are successively increasing (an increase in sale by Call Centre – increase in 2011 in car loans by 9%, in lease – increase by 82%). The Bank grants loans for the purchase of all types of vehicles. Loans granted by the Bank additionally include the financing of a wide spectrum of purchase-related costs, such as costs of additional car equipment, car insurance, borrower's insurance as well as costs of usage and maintenance of the vehicle financed by a loan.

In 2011, the previous integrated service provided to the sellers of new Hyundai cars was expanded to include the dealers' network of Opel and Chevrolet cars. Lease of cars, which is carried out in co-operation with Getin Leasing S.A., is gaining an increasing significance as a method of supplementing the Bank's offer in the scope of financing the purchase of vehicles. Moreover, the Bank offers a loan for Dealers and Second-hand dealers businesses to finance their stocks.

### Consumer loans

Consumer loans are mainly provided through the network of the Bank's own outlets and franchise outlets. The decision making process is centralized.

The Bank makes ongoing modifications to the procedures and lending process due to the implementation of new regulations and acts, among others the T-Recommendation in 2010 or amendments to the Consumer Loans Act in 2011.

Creation of new portfolio is based mainly on the offer addressed to existing clients and sectors which are characterized by lower credit risk. To support competitiveness of the Bank's offer, such documents as PIT-11, PIT-40, bank statement with salary inflows or RMUA are allowed as confirmation of income sources and amount.

The Bank's main lending products include:

- cash loan,
- consolidation loan,
- promotional offers relating to cash and consolidation loans,
- e-mail offers for Bank customers,
- credit limits on current account,
- payable cards with loyalty programmes .

On April 2011 Getin Noble Bank S.A. extended its range of products and launch installment loans for financing purchases of goods and services offered by Banks' Partners. Installment loans are distributed through the network of external agents. Responsible for this type of sales are employees of the Installment Sales Department and Agents with whom Bank concluded an agreement. On December 2011 installment loans were included to the direct sale and, since then, are also offered as combined product with cash loan.

Main goal of the project is to acquire new clients. Additional income is expected from cross selling of other products for external agents (mainly products for corporations) and installment clients (retail products).

### Deposits

#### *Term and current deposits*

In order to maintain proper, high level of liquidity and acquire appropriate funds for the development of lending campaign, in 2011 retail deposits were an important part of Getin Noble Bank's policy. The use of the most adequate spectrum of products was an important factor in achieving the targets set in this respect. The Bank offered a lot of deposit products on promotional terms, both regarding the interest rate and the type of the product. In the first half of 2011 through the retail banking section of Getin Bank clients were offered product named "Deposit of the Month", which promoted one of the term (promotion started on April – April Deposit). Sale of that product was often supported by the TV commercial.

The Bank's offer also includes the running of current and savings accounts, such as "Universal Plus Account" which are sold in the Bank's own outlets and offers a number of additional benefits for the client (e.g. higher

interest rates for deposits, lower interest rates for loans) or "Money box Account" and "Freedom Account" in the Internet sales channel [getinonline.pl](http://getinonline.pl).

#### *Structured products*

In last year, the Getin Noble Bank Group offered its clients structured products for a total amount exceeding PLN 3 billion, thus maintaining a dominant position on the market of structured products in Poland. Most of those sales were achieved through the retail banking section of Getin Bank. Open Finance and Noble Bank (private banking) increased the level of their sales too. An additional product in the Bank's offer related to regular investing with capital protection. Due to the unique nature of this program, it enjoyed a great interest among clients in all sales channels.

#### **Payment cards**

Getin Bank offers a wide spectrum of credit and debit cards which satisfy a variety of client, in the business sector as well. The Bank issues cards under the two main settlement systems i.e. Visa and MasterCard.

Visa credit cards are offered as Gold or Silver. Under MasterCard settlement system are offered credit cards: Credit Standard, World Business, iBusiness Executive and a debit card - MasterCard Debit PayPass. MasterCard Debit PayPass uses CDA/DDA technology and can be used in all sale and service outlets which accept MasterCard cards and are equipped with electronic readers (POS terminals). Mastercard credit and debit cards include an innovative Rewards loyalty program. Noble Bank offers in turn the Visa Infinite, Visa Platinum credit card and Mastercard World Signia and Elite with a credit limit up to PLN 1 million and an accompanying rich package of concierge services. Mastercard Elite card is one of the world's most exclusive credit cards and first made of solid metal.

### **3.2. Private Banking**

Getin Noble Bank provides private banking services to wealthy clients under the Noble Bank brand. The Bank provides integrated advice in the area of, among others, investments, loans, real estate and taxes. Special dedicated product lines, asset management services and brokerage services are addressed to a selected group of clients. The Bank offers wealth management services in cooperation with Noble Funds TFI S.A. Noble Bank's clients can also take advantage of the proprietary concierge service created by Noble Concierge Sp. z o.o. Noble Bank was the first bank in Poland to offer Art Banking services, which support investing on the arts market.

The network of Noble Bank comprises of 15 branches located in the biggest cities of Poland. In 2011 the Bank started to prepare for going out with its products to wealthy clients living outside big cities and continued its activities to win new clients.

Bank made available special product lines addressed exclusively to Private Banking clients, which included both interest-bearing and stock-based products. In the second group of products, structured deposits enjoyed the greatest interest of clients.

### **3.3. Corporate banking**

The Bank develops its activity in the sector of small and medium-sized enterprises and state budget entities. Due to the special requirements of small and medium-sized enterprises new products and services for this sector were launched last year. The Bank is modifying its loan offer according to the changes in economic situation.

#### **Loan products**

The main lending products offered by the Bank are as follows:

- Loan in current account and in loan account,
- Investment loan,
- Loan for business entities working with local authorities or State Treasury entities,
- Receivables purchasing for business entities working with local authorities or State Treasury entities,
- Bank guarantees,
- Financing of the purchase of fixed assets in the form of lease,
- Financing of property development projects,
- Financing of public health service entities,
- Loan products for small and medium-sized enterprises.

### Selected deposit products

"My Company" Bank Account:

- four types of current accounts adjusted to requirements of corporate customers,
- free of charge cash transfer (including transfer to Social Insurance Institution and Tax Office),
- premium for the account balance for active users,
- free of charge legal assistance and legal support,
- services available under the account agreement: TELE GB, GB24, SMS Service, standing orders, direct debit,
- availability to apply for debit in the account.

The main changes made in 2011 to the corporate product offer included:

- introduction of new current accounts for entrepreneurs,
- introduction of loans: "Friendly investment", "Pit", "Freelancer",
- introduction of bank guarantees combined with insurance.

### Treasury products for corporate clients

In 2011, the Bank developed sales of treasury products to its corporate clients, tailored to the needs of small and medium-sized enterprises. Several dozen of clients performing treasury transactions were acquired. Such products enable carrying out basic treasury transactions (foreign currency exchange), hedging against currency risk (forward transactions) and investing surplus funds on attractive terms.

In 2011, within the Treasury function, the following treasury products designed for corporate clients were modified or introduced to the Bank's offer:

- spot foreign currency exchange transactions,
- forward currency transactions
- foreign exchange option (vanilla options and exotic options),
- dual currency deposit,
- treasury bills,
- negotiable deposits.

Appropriate regulations, agreements and procedures were also developed for entering into treasury transactions within the Transaction Limit or cash collateral. The Bank's offer will enable it to fully realize its corporate banking development strategy.

## 4. Financial situation and results of the Bank

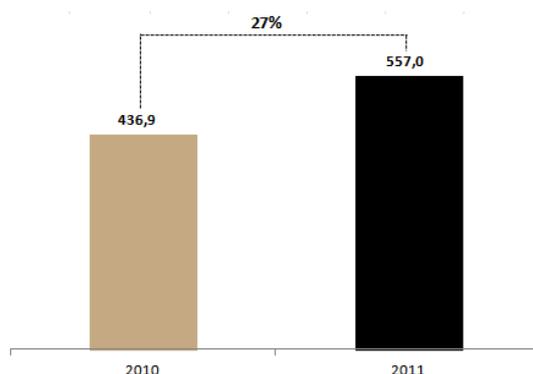
### 4.1. Income statement

Basic amounts of the income statement of the Bank for 2011 and changes in relation to previous years are as follows.

PLN thousand	2010	2011	Change
Net interest income	1,022,859	1,278,753	+25.02%
Net fee and commission income	743,926	740,046	-0.52%
Net other result*	264,547	553,295	+109.15%
General administrative expenses	-562,759	-707,598	+25.74%
Impairment losses	-1,047,341	-1,172,598	+11.96%
<b>Profit before tax</b>	<b>421,232</b>	<b>691,898</b>	<b>+64.26%</b>
Income tax	15,625	-134,945	-963.65%
<b>Net profit</b>	<b>436,857</b>	<b>556,953</b>	<b>+27.49%</b>

\* Net other result includes dividend income, result on financial instruments measured at fair value, result on other financial instruments, result on loss of control over subsidiaries, foreign exchange result, other operating income and expense.

**Getin Noble Bank net profit for 2010 and 2011 (PLN million)**

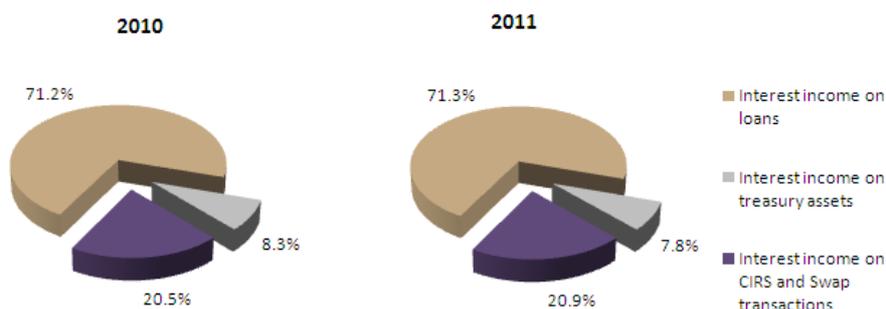


**Net interest income**

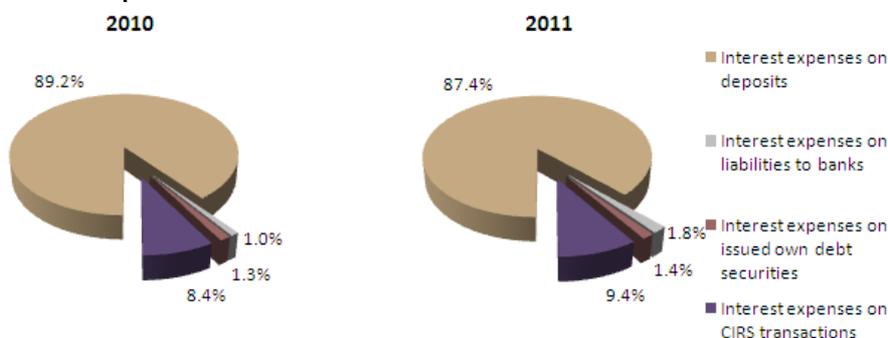
Net interest income was determined by interests from deposit-loan activities. Interest income on loans (taking into account effective interest rate) accounted for over 71.3% of interest income, and interest expense from client's deposits accounted for more than 87.4% of interest expense.

Within interest income on loan activity, more than 57% of loan interests accounts for interests from mortgage loans.

**Structure of interest income in 2010 and 2011**



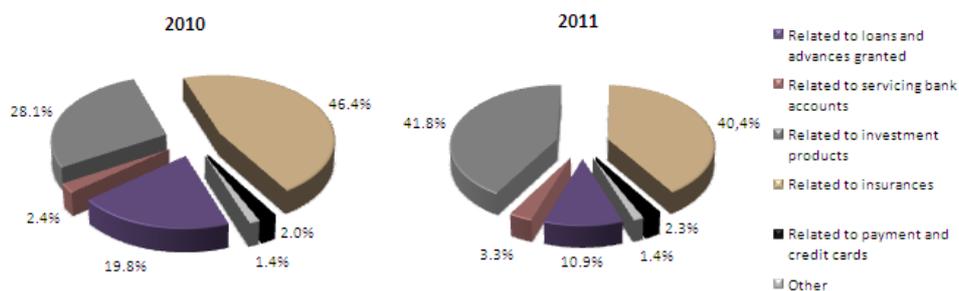
**Structure of interest expense in 2010 and 2011**



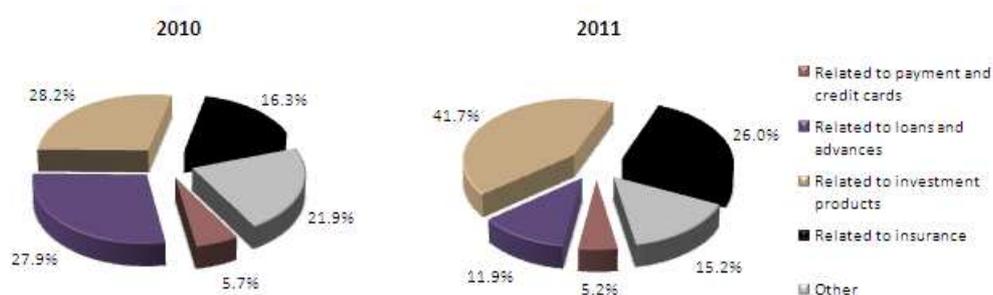
**Net fee and commission income**

Net fee and commission income of the Bank in 2011 hardly changed in comparison with 2010. The main part of net fee and commission income is income related to insurance and investment products.

### Structure of fee and commission income in 2010 and 2011



### Structure of fee and commission expense in 2010 and 2011



### Net other result

Profits generated mainly from the sale of the shares of Open Finance S.A. (PLN 371 million). Foreign exchange result (PLN 150 million), related to loans denominated in foreign currencies, is also a significant part of net other result.

### General administrative expenses

In 2011 costs increased by 25.7% along with expanding scale of business (growth in assets and by 25%). Costs related to mandatory fees to Bank Guarantee Fund rose, regarding the increase of the mandatory fee from 0.045% to 0.099% since 2011. Furthermore, the Bank spend more to support marketing activities.

Cost to income ratio amounted to 27.5% in 2011 (improvement by 0.2 percentage point) as a result of increase in income by more than 26%.

### Impairment losses

Impairment losses in 2011 are the effect of both materialization of loan risk taken by the Bank in previous years, as well as the financial market crisis (an increase in foreign exchange rates).

The structure of impairment loss charges in 2010 and 2011 of basic loan products is presented in the table below:

	2010 PLN thousand	2011 PLN thousand
Mortgage loans	406,263	768,426
Car loans	265,116	179,115
Consumer loans	328,605	135,715
Corporate loans	47,357	89,342
<b>Total</b>	<b>1,047,341</b>	<b>1,172,598</b>

## Key financial ratios

	2010	2011	Change in percentage points
ROE, net	15.5%	17.1%	+1.6
ROA, net	1.2%	1.2%	0.0
C/I (cost to income)	27.7%	27.5%	-0.2
Net interest margin *	2.8%	2.8%	0.0
Capital adequacy ratio	9.5%	10.2%	+0.7

\* calculated as net interest income divided by average value of income assets in a given year

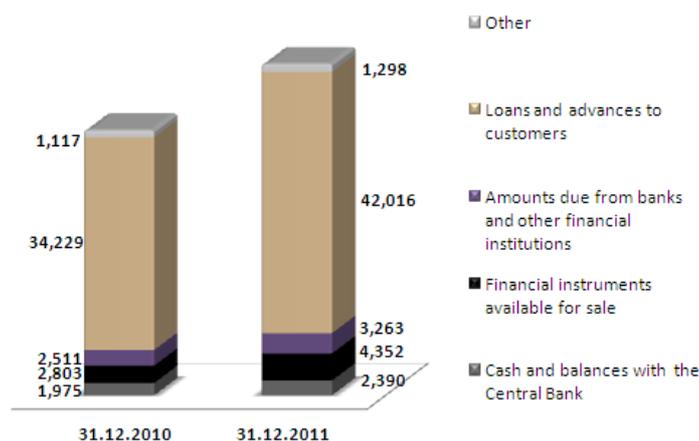
## 4.2. Statement of financial position

### ASSETS

As at 31 December 2011 the total assets of the Getin Noble Bank amounted to PLN 53.3 billion and were higher by 25% compared to the value at the end of 2010. The main factors influencing the growth of assets are the following:

- the increase in deposit base by 25%, to the level of PLN 46.5 billion
- the development of loan production, due to attractive loan offer and obtaining stable funding sources in the form of customer deposits,
- depreciation of Zloty in 2011 – additional part increasing balance sheet sum is the decrease of PLN value in relation to CHF, which additionally resulted in the increase of the value of currency loan balance denominated in PLN by approximately PLN 2.4 billion,
- issue of debt securities, of which long-term securities included in the supplementary funds of the Bank – in 2011 the balance of issued debt securities increased by PLN 0.7 billion.
- the increase of capital base – policy of profit retaining with appropriation to Bank own funds.

### Structure of assets as at the end of 2010 and 2011 (PLN million)



The main part of the Bank's assets are loans and advances to customers (79% of the total assets, i.e. by 1 percentage point less than at the end of 2010). Getin Noble Bank has been allocating the surplus of funds in securities (8% of the total assets), interbank and other financial institutions' deposits (6%). The Bank's cash on hand and held in NBP was 4% of the total assets.

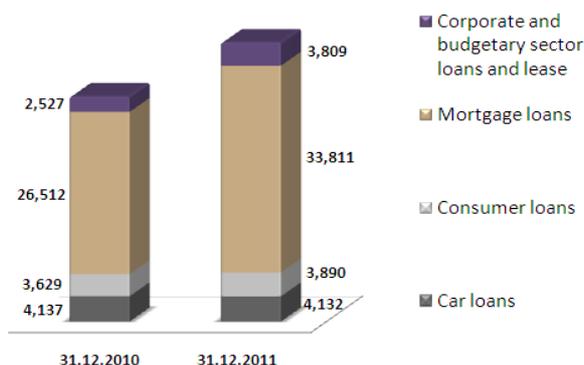
### Loan portfolio

In 2011 the Bank increased the book value of loans and advances and lease granted to customers by 23% to the level of PLN 42.0 billion. The value of granted loans in 2011 amounted to PLN 12 billion and was higher than

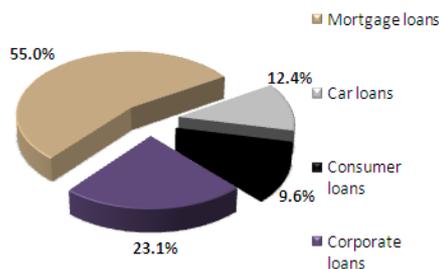
loans granted in 2010 by 8%. Loans in PLN were the main part of loans granted and accounted for 96% of the total value of all loans granted.

The average interest profitability (taking into account the effective interest rate), related to loan portfolio (net of impairment losses on loans, advances to customers and lease receivables), achieved in 2011 amounted to 6.9%. The profitability is determined by the currency structure of loan portfolio and loans granted. Within loan portfolio, loans in foreign currencies or denominated in foreign currencies account for 42%, which interest profitability is lower due to lower reference rates.

**Loan receivables (gross) as at the end of 2010 and 2011 (PLN million)**



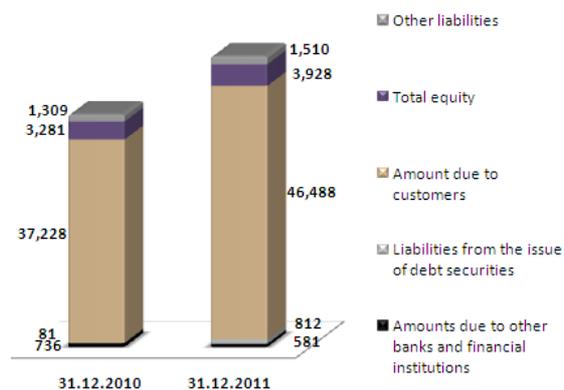
**Structure of loan sales in 2011**



**EQUITY AND LIABILITIES**

Customer deposits are the main source of funding of the Bank's loan activity. Amounts due to customers account for 87% of total liabilities and equity (increase of liabilities in 2011 by more than PLN 9 billion). In 2011 the Bank increased its own funds by more than PLN 900 million (profit for 2011) and the balance of securities issued by PLN 0.7 billion – of which subordinated bonds of the total value of PLN 400 million issued by Getin Noble Bank S.A. were qualified as the supplementary funds (as the consent from the Polish Financial Supervision Authority was obtained).

**Structure of equity and liabilities as at the end of 2010 and 2011 (PLN million)**

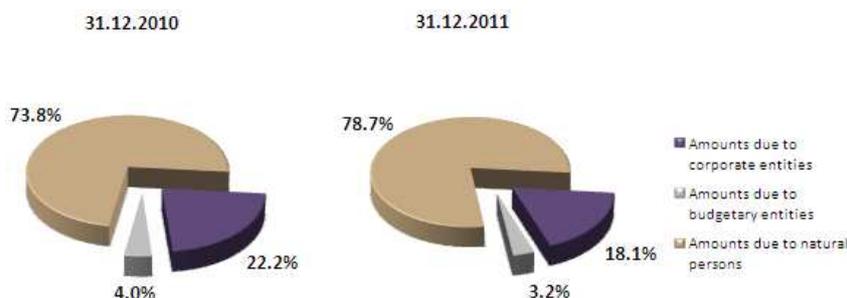


**Deposit base**

Non-financial and budgetary entities deposits are the main source of funding of operating activity of the Bank. In 2011 the Bank increased the value of amounts due to customers by 25% to the level of PLN 46.5 billion. The term deposits account for 91% of the Bank's deposit base – in 2011 the increase of term deposits balance by PLN 9.3 billion to the level of PLN 42 billion was recorded.

The largest share in customer deposits account for individual deposits, which increased in 2011 by over PLN 9 billion to the level of PLN 36.6 billion.

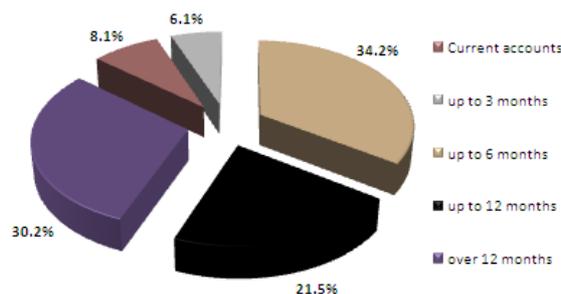
**Structure of amounts due to customers as at the end of 2010 and 2011**



In 2011 the average interest margin related to customer deposits amounted to 4.8% and was lower than in 2010 by 0,2 percentage points. Despite the reduction in the average interest rate of customer deposits, the Bank has one of the most attractive offers of term deposits for customers.

At the end of 2011 deposits with an original maturity over 12 months share in total deposits was 30%.

**Structure of customers deposits by original maturity as at 31 December 2011**



### 4.3. Off-balance sheet items

The main items of the Bank's off-balance sheet items are liabilities and receivables related to realization of currency derivative transactions classified to banking portfolio (mainly Cross Interest Rate Swap CIRS transactions). The transactions were related to foreign exchange in order to develop lending activity in foreign currencies (related to activities before the end of 2008). Currently the Bank is focused on serving of the portfolio of foreign currency loans and loans indexed to foreign currencies. The nominal value of liabilities relating to currency derivative transactions amounted to PLN 19.7 billion as at 31 December 2011 (the increase in 2011 by PLN 2.5 billion, i.e. by 15%). The increase in liabilities results mainly from the increase in currency exchange rates and higher valuation of liabilities in PLN.

Liabilities arising from granted loans and guarantees of loans repayments amounted to PLN 2,002 million as at 31 December 2011.

In 2011, the Bank did not grant any sureties or guarantees – total for one entity or its subsidiary, which total value accounted for equivalent of at least 10% of the Bank's equity.

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

## 5. Risk management

### Methods and objectives in the financial risk management

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

The objective of asset and liability management policy is to optimize the structure of the balance sheet and off-balance sheet to achieve the assumed proportion of income in relation to the risk incurred. The Management Board is responsible for managing risk at the strategic level and for the purpose of operational management, it set up committees responsible for particular areas of risk: Credit Committee, Asset/Liability Committee and Operational Risk Committee. These committees are responsible for the management of subordinate areas of risk at an operational level and for monitoring the level of risk, as well as for setting the current policy within the strategy adopted by the management boards, taking into account the limits of internal and supervisory regulations.

In the management of market risks the Bank takes into account the regulations of the markets in which it operates and the requirements of the relevant supervisory bodies, particularly the Polish Financial Supervision Authority. Corporate governance for financial risk management policy is carried out by the Supervisory Board.

### 5.1. Credit risk

Credit risk is the potential loss of an entity associated with the failure by a customer of a financial liability or part thereof in terms specified in the contract. The risk is managed according to internal procedures to identify, measure, monitor and control risk. The Bank uses models to identify and measure credit risk associated with its activities, allocated to the profile, scale and complexity of risk. Credit risk management in the Bank is to ensure the safety of the loan business, while maintaining a rational approach to risk.

The Bank has implemented internal regulations that enable to assess the level of credit risk that is inherent in a loan granted to a client and in other services carrying credit risk, as well as the level of risk acceptability (in particular, the Management Board has adopted and the Supervisory Board has approved parameters of "risk appetite" for the Bank's retail portfolio). Creditworthiness of individuals is evaluated both at the stage of granting

a loan and at the subsequent stage of monitoring it in the light of the procedural rules on the level of the required creditworthiness and for some retail products - in accordance with the scoring model. For small and medium-size enterprises, there may be an additional assessment of the entity's reliability on the basis of available information (eg. type of industry, legal status etc), depending on the loan and the nature of the entity.

To ensure objectivity of the credit risk assessments, the sales process (client procurement) has been separated from the process of evaluating and accepting client credit risk in the structures of the sales areas. Each area has a separate acceptance centre which is responsible for the evaluation and acceptance of the particular credit applications.

The procedure of making credit decisions is approved by the Bank's Management Board. Credit authorization limits are granted to the Bank's staff on an individual basis, depending on their skills, experience as well as the functions fulfilled. In the acceptance centres may operate Credit Committees, that take credit decisions exceeding the authorization limits granted to the Bank's individual employees. The Bank's Credit Committee located in the Bank's headquarters is responsible for credit decisions exceeding the authorization limits granted to the Credit Committees in the acceptance centres. At the Bank's head office there is the Credit Committee responsible for credit decisions exceeding the authorization limits granted to the Credit Committees in the acceptance centres and the Consultative Committee, which is an advisory body, assessing requests for loans secured by mortgages under the competence of the Credit Committee (according to the Bank's competence mode and rules of the Consultative Committee). Credit decisions which exceed the Bank's Credit Committee's authorization limits are made by the Management Board.

The Bank uses a wide range of legally allowed collaterals, applying them according to the product characteristics and the area of operation. The rules governing the selection, application and implementation of collaterals are detailed in the internal regulations and product procedures of the particular sales areas. The collateral should ensure satisfaction of the Bank's claims if there occurs a threat that a borrower cannot repay a loan.

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

The Bank monitors and evaluates the quality of the loan portfolio in accordance with the systemic approach based on the internal procedure that includes the monitoring of the portfolio, both by the criterion of separate units in the sales areas and the credit risk area. The results of the analyses are presented in periodic reports. Conclusions from such analyses are used for the purpose of ongoing credit risk management in the Bank.

Given its foreign currency receivables, the Bank also regularly analyses the impact of exchange rate fluctuations on the quality of the credit exposure portfolio, and as regards mortgage credits the Bank also examines the impact of changing exchange rates on the level of exposure hedging. Moreover, the Bank also conducts stress tests to check the impact of the risk of changing interest rates and the rate of unemployment on the generated credit risk. The above analyses are conducted semi-annually.

In its procedures and internal regulations the Bank included the rules of managing bank risks, including the credit concentration risk. The Bank implemented and periodically monitors the credit concentration limits and large exposure limits, and additionally the Bank sets up and monitors internal thresholds of product and sector concentration.

The Bank included in its procedures the rules of risk management (including credit risk) in its subsidiaries. It periodically reviews the financial situation of the entities that have credit exposures to the Bank and the loan portfolio quality generated by them (it is applicable for companies exposed to credit risk).

The value of the Bank's loans, advances to customers and other receivables due from customers (including those purchased) is periodically assessed to find out whether there has been any impairment of their value and to set impairment write-downs in accordance with IAS 39 and IAS 37. If there is an objective evidence that an impairment loss was incurred, the impairment write-down equals the difference between the balance sheet value of an asset and the current value of the estimated future cash flows.

The debt collection and restructuring processes are exercised within the Debt Collection Area in the Bank. The debt collection operations ensure the comprehensive handling of matters processed via telephone calls, regular mail, text messages, e-mails and directly in the form of the Bank's local negotiators' visits. The Bank has a full range of debt collection processes at its disposal, which are tailored to the individual cases.

## 5.2. Market risk

Market risk is defined as uncertainty as to whether interest rates, exchange rates or quotations of securities and other financial instruments held by the Bank will have values other than those initially projected, thus causing unexpected profits or losses on the positions held.

The objective of the asset and liability management policy is to ensure optimization of the structure of the balance sheet and off-balance sheet items to achieve the projected 'income to risk' ratio. Risk management on the strategic level is the responsibility of the Bank's Management Board. The Asset/ Liability Committee (ALCO) supports the Management Board with the asset and liability management.

### Foreign exchange risk

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

Operational management of currency risk lies within the competence of the Treasury Department, whereas the supervision over compliance with limits and prudence norms is the responsibility of the Assets and Liabilities Committee. Calculation of the Bank's exposure to currency risk and of the capital requirement for that risk to be covered is performed on a daily basis and reported as a part of management information.

The Bank has adopted the so called basic method of calculating capital requirements relating to currency risk exposure. The analysis of the Bank's exposure to currency risk is also made by way of measurement of the Value at Risk (VaR) and stress tests.

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

To reduce the exposure to foreign exchange risk, in 2011 the Bank applied limits on the share of the currency position in its own funds and the value at risk VaR (1 day; 99.9%) - the foreign exchange risk was kept within the agreed limits. The Bank's overall currency position and within the key currencies is presented in the table below:

Exposure (PLN thousand)	31.12. 2011		31.12.2010	
	amount	% of own funds	amount	% of own funds
USD	551	0.01%	-506	0.02%
EUR	-125	0.00%	-6,242	0.22%
CHF	20,951	0.55%	31,437	1.09%
Overall*	23,489	0.61%	33,012	1.14%

\* Overall exposure – sum of long exposures (excess of „+” assets) or short exposures (with „-”) for all currencies (depending on which absolute figure is higher).

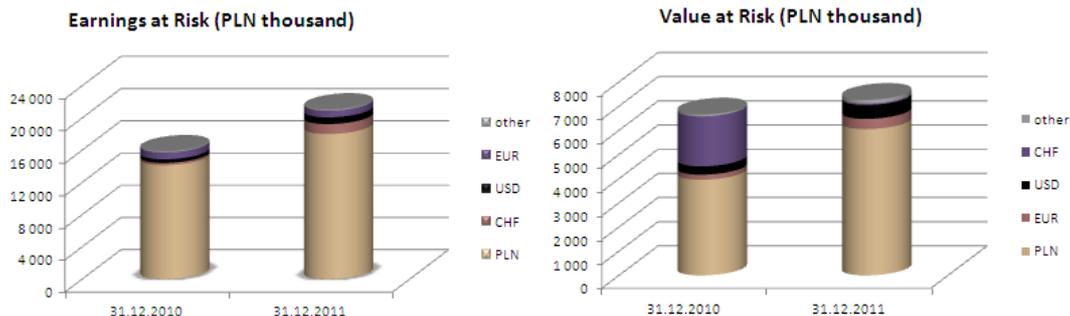
### Interest rate risk

The objective of interest rate management policy of the Bank is to mitigate the risk of a decline in the expected interest income due to changes in market interest rates.

The key tools used for purposes of interest rate management are:

- analyzing of the Value at Risk of the Bank's portfolio related to market valuation (VaR method);
- testing of the financial result sensitivity to change in the interest rate (EaR method);
- analyzing of the basis risk, profitability curve risk and customer option risk;
- stress tests showing the susceptibility of the Bank to losses in case of unfavorable market conditions or in case the key assumptions of the Bank become invalid.

To reduce the exposure to interest rate risk, in 2011 Getin Noble Bank applied limits on the share of the value at risk (VaR) (1 day; 99.9%) in own funds and the EaR share in the planned net interest income for a given financial year; the interest rate risk was kept within the limits.



### 5.3. Liquidity risk

The primary objective of liquidity management is to minimize the risk of losing current, short-, medium- and long-term liquidity by ensuring the capability to fulfill current and future liabilities on a timely basis. In 2011 the Bank settled their liabilities on time.

Medium- and long-term liquidity risk management belongs to the competence of the Management Board, whereas current and short-term liquidity risk management is the responsibility of the Treasury Department. The Asset/Liability Committee performs consulting role in process of liquidity risk management.

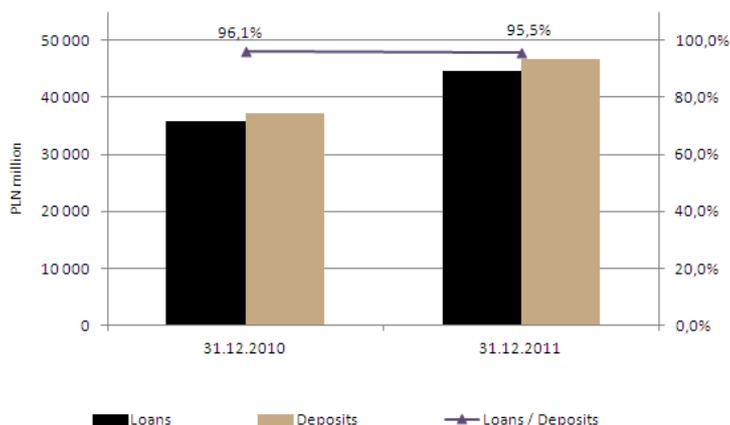
The Bank uses the following methods of evaluating liquidity risk:

- supervisory liquidity norms;
- liquidity gap method, i.e. an analysis of the mismatch between the maturities of assets and liabilities, which covers all balance sheet items by maturity, under contractual and real-terms scenarios;
- analysis of sensitivity to increased funds outflows.

The gap ratios, the level of liquid assets, selected balance sheet ratios and the level of use of internal liquidity limits (including compliance with liquidity norms) are monitored on a daily basis.

Liquidity analyses rest on internal models reflecting the specific of the Bank's business. Client deposits are a key source of financing the granted loans; the loan to deposit ratio does not exceed 100%. Among stable sources of funds the prevailing items are deposits of retail clients, however, stable funds from corporate clients' deposits complement the overall base of stable funding sources. The Bank issued in 2011 long-term debt securities of total amount of PLN 400 million, which were an additional source of finance for lending activity of the Bank.

#### Loan to deposit ratio



The Bank prepares forecasts of liquidity levels for the next periods and makes the assessment of probability of deterioration in the liquidity situation (the scenario analysis). Analyses are an important element in the asset and liability management process. The Bank has a special procedure in case of a situation resulting in significant rise in liquidity risk, i.e. "The contingency plan for sustaining liquidity in Getin Noble Bank S.A. in critical situations".

## 5.4. Operational risk

Getin Noble Bank S.A. manages the operational risk in accordance with the "Operational Risk Management Strategy" issued by the Management Board and approved by the Bank's Supervisory Board, which reflects prudence provisions arising from the Banking Law and applicable resolutions and recommendations issued by banking supervision authorities and includes a description of the principles already in place as well as those under development and planned for the future.

Operational risk management involves all processes and systems linked with banking operations which ensure clients financial services provided within the Bank's business. At all levels of the Bank's organizational structure as well as in the related and external entities there are the following groups of units, people and functions responsible for tasks involving operating risk management provided on the following three levels:

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

The leading role in operational risk management is fulfilled by the Bank's Supervisory Board and the Management Board. The Management Board is supported by a dedicated committee - namely Operational Risk Committee, which performs consulting services in the process of operational risk management.

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

The Bank has an operational risk measurement and reporting system in place supported by appropriate software dedicated to operational risk management. The operational risk reporting system includes reports prepared for internal management and external supervisory purposes.

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

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

Depending on the magnitude and profile of operational risk, proper adjusting and preventive activities are applied, which are adequate to the diagnosed risk and ensure the selection and implementation of effective measures to modify the risk. In particular, the following methods are used to protect against operational risk:

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

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

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

## 5.5. Capital management

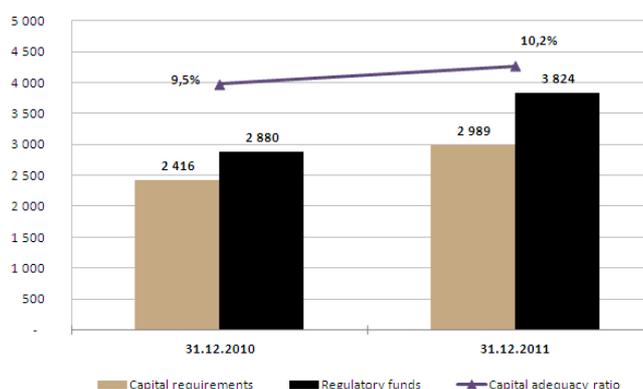
The level of the Bank's capital is tailored to the business. The measure of capital adequacy is capital adequacy ratio which shows the relationship of equity (after obligatory adjustments) to the risk weighted assets and off-balance sheet items. For the purpose of capital adequacy ratio risk weights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

In 2011 Bank intended on improving its capital adequacy – at the end of 2011 capital adequacy ratio was 10.2%. An increase in capital adequacy ratio due to the increase in the Bank's own funds by PLN 0.9 billion – as a result of PLN 0.4 billion debt securities issued recognized as the supplementary funds and of recognition audited net profit for the period of 6 months 2011 of PLN 443 million as own funds. The total profit for 2010 was allocated to supplementary capital of the Bank.

Market factor that affects the capital adequacy level negatively was the level of exchange rate CHF / PLN - further weakening of the zloty in 2011 compared to CHF currency has boosted the value of loans in the portfolio of Getin Noble Bank that are indexed to CHF and the capital requirement for it at the same time. Getin Noble Bank does not currently grant loans in CHF, but the important part of the existing portfolio are the loans granted in previous years (before 2009). As at 31 December 2011 the share of CHF loans in gross loan balance was 36% (down from 42% at the end of 2010).

As for the capital required for credit risk, the prevailing item is mortgage credits (share in the capital required for credit risk of 72.1%). The Bank's internal capital, determined using the internal capital estimation procedure, remains on a level similar to capital required for Pillar I. Pillar II employs its own models of estimating internal capital, including provision of capital to cover additional risks in respect of Pillar I (liquidity risk, performance risk).

### Capital adequacy at the end of 2010 and 2011 (PLN million)



## 6. The Bank's prospects and growth factors

The Getin Noble Bank S.A. has undertaken a mission of creating value for its shareholder by achieving the following strategic objectives:

- achieving a high level of profitability and effectiveness,
- being a one of the top five banks in Poland in all major bank evaluation categories (particularly in respect of own funds, assets, loans and deposits, net profit)
- ensuring a stable and liquidity-safe growth of the Bank.
- controlling the level of risk inherent in the Bank's business (including credit risk).

In 2012 the Bank will be oriented towards the following goals and actions:

- further development of client-oriented approach, as a truly universal bank that knows its clients' needs, offers an ever increasing array of products/ services and builds lasting relationships with customers.
- diversifying the Bank's sources of revenue and product sales channels, accompanied by a flexible verification of their effectiveness,
- in June 2012 it is going to be a merger of Getin Noble Bank S.A. with Get Bank S.A., that aims to strengthen the universal character of the Bank i.e., a bank which has a wide range of products in the financing, saving and investment and a wide range of additional services, easily accessible through the use of various channels of customer contact,
- maintaining the "entrepreneurial character" of managing the organization, as a key driver of competitive advantage,

- carrying out multiple actions to build the image of the Getin Noble Bank Group and the particular brands,
- cautious approach to credit risk on a portfolio of both "old" and the new loan production,
- taking measures to maintain a safe asset and liability structure - especially in cross-currency and liquidity (lengthening the average term deposit, limited sale of foreign currency loans, securitization of the portfolio, as one of the sources of liquidity acquisition),
- maintaining the capital adequacy ratio at the safe required level,
- the Bank intends the following actions to develop its product offerings and distribution channels,
  - growth in sale of short-time and a rapidly depreciating products with appropriate risk costs across the portfolio: cash, car loans, corporate loans; a systematic decrease in the sale of mortgages,
  - focus on revenue from cross-selling products, in particular investment products,
  - development of franchised network, internet banking, and call center services.

The Bank's investment plans include capital expenditures on IT and fixed assets, with particular for launch of new facilities and software.

The Bank's activity is closely linked with the economic development of the country and the situation on the financial markets. For the Bank's expected financial position a key item will be economic development of the country and stability of PLN exchange rates. An important element will be also the quality of loan portfolio, and realization of plans for its improvement.

## 6. Corporate governance

### 6.1. Compliance with best practices

Getin Noble Bank S.A., which shares are admitted for trading on the Warsaw Stock Exchange main market applied in 2011 the corporate governance rules for joint stock companies issuing shares, convertible or pre-emptive bonds admitted to public trading adopted by the Warsaw Stock Exchange Supervisory Board in July 2007 called the Code of Best Practices for WSE Listed Companies.

On 31 August 2011 and 19 October 2011 the Warsaw Stock Exchange introduced another amendments to the Code of Best Practices for WSE Listed Companies, which should be applied from 1 January 2012. The document can be accessed at the official website of the Warsaw Stock Exchange dedicated to corporate governance ([www.corp-gov.gpw.pl/publications.asp](http://www.corp-gov.gpw.pl/publications.asp)).

In 2011 Getin Noble Bank S.A. complied with the Code of Best Practices for WSE Listed Companies annexed to the Resolution No. 17/1249/2010 of the Warsaw Stock Exchange Supervisory Board dated 19 May 2010, with the exclusion of the following provisions:

#### I. RECOMMENDATIONS FOR BEST PRACTICE FOR LISTED COMPANIES

„1. A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information.

Using such methods to the broadest extent possible, a company should in particular:

- maintain a company website whose scope and method of presentation should be based on the model investor relations service available at: <http://naszmodel.gpw.pl/>;
- ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication;
- enable online broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website.”

The Bank withdrew from application of this rule in respect to Internet broadcasts of the General Meeting and recording of the course of proceeding and publishing it on the Bank's website, because of economic reasons. In the Bank's Management Board opinion the costs of the Internet broadcasting of the General Meeting, are not reasonable because of the current shareholders structure of the Bank. Moreover, according to the Bank's Management Board being not compliant with this recommendation to the aforesaid extent does not pose any risk, as the Company publishes on its website all the legally required information and documents, enabling investors to acquaint with the subjects discussed during the General Meeting.

„5. A company should have a remuneration policy and rules of defining of policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.

In 2011 the Bank partially adapted to the requirements of this recommendation to the extent that results from the resolutions No. 258/2011 and 259/2011 of the Polish Financial Supervision Authority dated 4 October 2011. The Bank does not apply the provisions of the recommendation in terms of going beyond the content of the regulations generally applicable in Poland. Taking into account that according to the recommendations of the European Commission, Poland is obliged to take the necessary measures to support the adoption of principles contained in these recommendations, for the full implementation of the above mentioned principle, the Bank believes it is necessary to regulate the manner of implementation of recommendations in a consistent manner for all listed companies and in line with the prevailing Polish legal system. In so far as relevant regulations are introduced, the Bank immediately takes steps to adapt to it. Within the scope of the provisions of the resolutions No. 258/2011 and 259/2011 the Bank has adapted its internal regulations with effect from the date of entry into force of the resolutions of the Commission, ie. at 31 December 2011, in particular by adopting a policy for variable components of remuneration of managers and establishing the Remuneration Committee within the Supervisory Board.

„9. The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.

In opinion of the Bank's Management Board the main criterion for selection of members of the Management Board and the Supervisory Board is their professional attitude and competencies for the applied position, so other conditions like gender of the candidate should not matter. Therefore, the Bank does not consider it legitimate to impose the parity and the choice of the members of the Management and the Supervisory Board is to be decided by eligible authorities.

### III. BEST PRACTICE FOR SUPERVISORY BOARD MEMBERS:

„6. At least two members of the supervisory board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to *the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board*. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.”

The rule was not applied in 2011. The Bank's authorities take the view that, in accordance with the general principle of majority rule and protection of minority shareholders' rights, a shareholder who has made a greater contribution to capital bears a higher economic risk, hence this is reasonable for the shareholder's interests to be considered proportionately to the capital contributed. Thus, the shareholder should also have the right to propose candidates to the Supervisory Board who would ensure the implementation of the strategy adopted for the Bank. In the Bank's view, it enables the adequate and effective implementation of the Bank's strategy and sufficiently protects the interests of all shareholder groups and other stakeholders of the Bank. Given the Bank's current shareholder structure, the rule excessively limits the corporate rights of the majority shareholder and violates the principle of majority rule in a joint stock company. The Bank's General Meeting selects members of the Supervisory Board from among individuals of high moral integrity who have the required education, professional and personal experience, and are able to devote the amount of time required to adequately perform their duties as Supervisory Board Members. According to the Management Board, these criteria ensure the effective work of Supervisory Board Members in the Bank's best interest and, consequently, for the benefit of all of its shareholders.

However, taking into account changes in the structure of the ownership in the Group that owns the Bank, relating to the split-off of Getin Holding S.A., which took place on 2 January 2012, change of the Bank's parent company

from Getin Holding S.A. to Get Bank S.A. and the planned merger of Getin Noble Bank S.A. with Get Bank S.A., which will result in a significant increase in the amount of the Bank's shares traded on the WSE, the Bank's intention is to apply the above rule no later than from the date of the merger of Getin Noble Bank S.A. with Get Bank S.A.

### **The Bank's shareholders with major shareholding**

To the best knowledge of the Getin Noble Bank S.A. Management Board as of the date of the approval of the annual report for 2011 (29 February 2012), the only major shareholder of the Bank was Get Bank S.A. (more about Bank's share capital and its shareholders is contained in section 2.1).

### **Special rights and limitations concerning the issuer's equity securities**

All shares of Getin Noble Bank S.A. are ordinary bearer shares with no special control rights.

The Bank's Articles of Association does not introduce any limitations concerning voting rights, like limitation for holders of specific share or amount of shares or time limits concerning execution of voting rights. It also does not contain resolutions regarding separation of capital rights and shareholding.

There are also no limitations in trading in equity securities issued by the Bank.

## **6.2. Supervisory and management authorities of the Bank**

### **The functioning and rights of the General Shareholders Meeting**

The General Shareholders Meeting is the superior governing body of the Bank. The General Meeting is convened as an ordinary or extraordinary one pursuant to the generally applicable regulations, the Bank's Articles of Association and the Rules of the General Shareholders Meeting. Corporate documents are available at the Bank's website.

The General Shareholders Meeting, among other matters specified in the Bank's Articles of Association, has the authority to:

- review and approve the Bank's financial statements for the previous financial year,
- review and approve the Directors' Report on the Bank's operations in a financial year,
- adopt resolution on the distribution of profits or covering of losses,
- acknowledge the fulfillment of duties by the members of Supervisory and Management Board,
- appoint and recall members of the Supervisory Board,
- amend the Bank's Articles of Association,
- adopt resolutions to increase or decrease the Bank's share capital,
- adopt resolutions on the redemption of the Bank's shares, terms and conditions thereof and on issuing utility certificates,
- adopt resolutions on issuing convertible bonds or bonds with pre-emptive rights to acquire shares,
- determine the remuneration of members of the Supervisory Board,
- adopt resolutions to sell or lease the Company's business or an organized part thereof and to establish a limited property right thereon,
- adopt resolutions regarding other issues submitted by the Supervisory Board, the Management Board or shareholders, pursuant to the Articles of Association and the applicable regulations.

The Company's shareholders exercise their rights pursuant to the generally applicable regulations, the Company's Articles of Association and the Rules of the General Shareholders Meeting.

### **Amendments to the Bank's Articles of Association**

Amendments to the Bank's Articles of Association are made by the General Meeting, in a way and course defined in Code of Commercial Companies, so the amendments require the resolution of the General Meeting and National Court Register entry. Moreover, according to article 34.2 of Banking Law Act, the amendments in the Bank's Articles of Association concerning the privilege or limitation of voting rights in Bank being a joint stock company, require the approval of the Polish Financial Supervision Authority, as well as the following amendments:

- Bank's name,
- the registered office, scope of Bank's activities with the consideration of transactions mentioned in article 69.2, p. 1-7 of the act dated 29 July 2005 on trade in financial instruments, which the Bank is going to execute according to article 70.2 of the resolution,
- the Bank's authorities and their competencies, with particular consideration of competencies of the Management Board members, which are mentioned in article 22b.1 of the Banking Law Act, and the rules of decision making, Bank's basic organizational structure, the rules of making statements on property rights and duties, course of establishing internal regulations and course of making decisions on assuming obligations or disposal of assets, which total value in relation to one subject exceeds 5% of the equity,
- rules of the internal control system,
- the Bank's own funds and its financial economy.

### Amendments to the Bank's Articles of Association in 2011

The Annual General Meeting on 30 March 2011 with the Resolution No. XXXVIII/30/03/2011 made amendments to the Bank's Articles of Association, which have been registered by the District Court for the capital city of Warsaw, XIII Economic Department of the National Court Registry on 26 May 2011.

On 30 March 2011 the § 9.2-4 of the Articles of Association of the Bank were amended in relation with the adoption by the Annual General Meeting the Resolution No. XXXVII/30/03/2011 on *guidelines of the motivation program for members of the Supervisory Board, the Management Board and representatives of senior management, issuing subscription warrants and conditional increase of the share capital through the issuance of new shares*.

The guidelines specified a nominal value of the conditional share capital increase of the Bank for an amount not more than PLN 6 000 000, through the issuance of not more than 6 000 000 ordinary bearer shares of K series with a nominal value PLN 1.00 each. The shares of K series shall be acquired by the holders of A series warrants issued pursuant to the Resolution of the General Meeting No. XXXVII/30/03/2011 dated 30 March 2011 on the adoption of the motivational program guidelines.

Another amendments to the Articles of Association were made by the Extraordinary General Meeting on 28 April 2011 with the Resolution No. III/28/04/2011, which were registered by the District Court for the capital city of Warsaw, XIII Economic Department of the National Court Register. Key amendments introduced in the Articles of Association of the Bank are the following:

- extension of the Bank's scope of its business activities. Introduction to the Articles of Association of the proposed changes, based on the need to adapt the business activities of the Bank to the provisions of the Act of 29 July 2005 on Trading in Financial Instruments (Journal of Laws No. 183 item. 1538, as amended) that is taking into account the activities carried out by the Bank not constituted as brokerage activities in accordance with the authority competent under paragraph 70.2 of this Act,
- update of Bank's business PKD classification in accordance with the regulation of the Council of Ministers of 24 December 2007 on the Polish Activity Classification (Journal of Laws No. 251, item 1885) introducing the use of PKD 2007,
- changes in the organization of the General Meeting in accordance with the Act of 5 December 2008 amending the Commercial Companies Code and the Act on Trading in Financial Instruments (Journal of Laws of 2009 No. 13, item 69),
- changes in the division of powers between the General Meeting and the Supervisory Board, relating to the transfer of the right to appoint the Chairman of the Supervisory Board to the Supervisory Board itself, which aims to improve the work of the Supervisory Board.

On 15 June 2011 under an authorization granted under § 2 of the Resolution No. XXXVIII/30/03/2011 of the Ordinary General Meeting of the Bank held on 30 March 2011 and under § 2 of the Resolution No. III/28/04/2011 of the Extraordinary General Meeting of the Bank held on 28 April 2011, the Supervisory Board of the Bank adopted a uniform text of the Articles of Association.

### Composition and functioning of the Supervisory Board

The Supervisory Board is a permanent body supervising the operations of the Bank in all areas of its activity. It consists of 5 to 7 members appointed by the General Meeting. A shareholder holding at least 10% of the share capital has the right to his representative in the Supervisory Board. Members of the Supervisory Board

are appointed for a joint term of office of three years. The Supervisory Board acts pursuant to the generally applicable regulations, the Bank's Articles of Association and the Rules of the Supervisory Board.

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

Function in the Supervisory Board	As of 31.12.2011
Chairman of the Supervisory Board	Leszek Czarnecki
Vice-Chairman of the Supervisory Board	Radosław Boniecki
Members of the Supervisory Board	Remigiusz Baliński
	Michał Kowalczewski
	Dariusz Niedośpiał

In 2011 there were no changes in the composition of the Supervisory Board of Getin Noble Bank S.A.

### Audit Committee

The tasks of the Audit Committee are executed by the whole Supervisory Board of the Bank.

The Audit Committee is an advisory and opinion-forming body acting collectively within the Supervisory Board. The tasks of the Audit Committee are realized by way of presenting written motions, opinions, recommendations, assessments and reports concerning the scope of its activity to the Supervisory Board. The objective of the Audit Committee is to support the Supervisory Board in fulfilling its supervisory duties within the processes of financial reporting, risk management, financial review as well as the internal control system and audit.

The responsibilities of the Audit Committee include in particular:

- monitoring of the financial reporting process,
- monitoring of the effectiveness of the internal control and risk management systems,
- monitoring of the work of the internal audit,
- monitoring of the financial review activities in the Company and monitoring the independence of the auditor and the company authorized to audit financial statements.

### The composition, principles, appointing, dismissing and rights of the Management Board

The Bank's Management Board acts on the basis of provisions of the Act of 29 August 1997 – the Banking Law, the Act of 15 September 2000 – Code of Commercial Companies, the Bank's Articles of Association and the Rules of the Management Board, which defines the detailed scope of organization and procedures for the Management Board's acting and procedures of adopting resolutions, making decisions and expressing opinions. The Management Board manages the affairs of the Bank and represents it outside. The members of the Management Board fulfill their duties personally. The Management Board makes decision within its competencies during the meetings convened in accordance with provisions of the Management Board's Rules. The Management Board's meetings hold at least once a week and are convened by the President of the Management Board, who also chairs them. In case of his absence, the President is replaced by another member of the Management Board indicated by the President. Conclusions of the Management Board's meetings are made through resolutions. In order for a resolution to be valid the presence of majority of the Management Board members is required. The participation in a meeting is also possible by means of remote communication, especially by means of phone or video communication, enabling identification of meeting participant. The Management Board's resolutions shall be passed by the absolute majority of the votes. In case of equality of votes, the vote of the Management Board's President is decisive. After fulfillment of conditions determined in the Rules of the Management Board, resolutions may be adopted by the Management Board also in special course, without convening and taking place of the Management Board, i.e. (i) by circular by means of remote communication, particularly by voting with the use of e-mail, or fax and then placing a signature to resolutions by the Management Board's members in accordance with given vote, (ii) by voting in writing by signing by each member of the Management Board of proposed resolution (cards with signatures of the Management Board's members to given resolution) with indication whether member votes "for", "against" or "abstain from voting" and submitting signed resolution to the Management Board's President.

The Management Board's composition as of 31 December 2011 was as follows:

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

In 2011 there were no changes in the composition of the Management Board of Getin Noble Bank S.A.

The Management Board is composed of at least three members. The number of the Management Board members is determined by the Supervisory Board. The members of the Management Board are appointed and dismissed by the Supervisory Board according to the requirements of the Banking Law. The members of the Management Board are appointed on a common 3-year term of office.

The Management Board manages the affairs of the Bank and represents it outside. The Management Board's competencies relate to unrestricted affairs in the Articles of Association and being in force provisions to competences of other Bank's bodies. The Management Board works according to rules approved by the Supervisory Board. These rules determine affairs, which require collective consideration and resolution of the Management Board. Within the Management Board's competencies regarding decisions on the issue or purchase of shares, the Articles of Association authorized the Management Board, pursuant to Article 11 of the Articles of Association, to conduct one or several consecutive increases of share capital of the Bank within targeted capital by the issue of bearer shares (targeted capital) to 30 May 2012 on terms described in this paragraph.

## Committees

According to the Head Office Organizational Regulations adopted by the Board, at the Bank operate the following committees, which operate under separate internal arrangements:

### 1. Asset/Liability Committee

Asset/Liability Committee (ALCO) acts as a consultative and advisory body, assisting the Bank's Management Board in the effective management of assets and liabilities of the Bank to ensure the implementation of the current financial plans and secure long-term development of the Bank. The scope of ALCO includes mainly: liquidity risk, interest rate risk, currency risk.

### 2. Credit Committee of the Bank

The Bank's Credit Committee is the consultative and/or decision-making body, according to the credit decision mode adopted in the Bank, dealing with all matters relating to the credit risk of the ongoing transactions. In assessing the credit risk, the Credit Committee considers matters related to the lending activity, such as: requests for a loan or other type of engagement being beyond the competence of individual units, and applications for a loan containing derogations from the existing procedures and internal regulations; applications for setting exposure limits to customers of the Bank and exposure limits to borrowers, issuers and other banks. The Bank's Credit Committee consists of four members and their deputies, including the Chairman and Vice Chairman (s) who are appointed by the CEO from among the members of the Bank's Management Board or employees of the Bank with the principle that person who are called by virtue of his post are responsible for reviewing claims and management of credit risk in the Bank.

### 3. Operational Risk Committee

Operational Risk Committee fulfills the supporting role to the Bank's Management Board with regard to: operational risk management - through the exercise of consultative and advisory functions in the process of operational risk management and the management of compliance risk - because of its close association

with the legal risk constituting a category of operational risk - by the performance of advisory function, recommending specific procedure for the management of compliance risk.

#### 4. Debt Collection Committee

The scope of the Debt Collection Committee relates to outstanding credit exposures and other receivables of the Bank, in particular regarding the mode and method of investigation of the Bank's claims in legal proceedings, execution, bankruptcy, initiation, suspension, cancellation or take hold of enforcement proceedings, a settlement regarding repay the debt; remission. The Committee consists of: member of the Management Board supervising the debt collection area - as the Committee's President, Managing Director of the Debt Collection Area, the Director of Credit Risk Management Department or his deputy, the Director of the Litigation and Enforcement Department, and the Director of Cost-Tax Department.

### Remuneration of members of supervisory and management bodies

Detailed information regarding the remuneration of Bank's managing and supervising persons was described in the note IV.40 to the financial statements of the Getin Noble Bank S.A. for the year ended 31 December 2011.

### Bank's agreements with members of the Management Board

The contracts of Krzysztof Rosiński – the President of the Management Board of Getin Noble Bank S.A. and the following Members of the Management Board – Maciej Szczechura, Grzegorz Tracz and Karol Karolkiewicz, envisage a payment of additional remuneration amounting to salary received and due within full 6 calendar months following the agreement termination date in case of termination of agreement by the Company or dismissal of Manager from the function in the Company's Management Board before the lapse of the term on which agreement was concluded, except for termination of agreement without notice in case of gross breach of provisions of the agreement by any of the parties or in case of absence of the Manager in place of fulfilling duties by total of over 90 days during the calendar year.

The additional remuneration mentioned above, will be due to Mr. Krzysztof Rosiński also in case of termination of the agreement from his side before the lapse of term on which the agreement was concluded, because of the fact that other entity than on the date of signing of this agreement, will become the parent entity of the Company, with the exception of situation when the change of the parent entity relates to entity in relation to which the shareholder of the Company - Mr. Leszek Czarnecki, has dominant position in accordance with relevant provisions of the Code of Commercial Companies.

With reference to other members of the Management Board, the Bank did not conclude any agreements envisaging compensation in case of their resignation or dismissal from given post without valid reason or when their dismissal occurs due to merger of the Company by acquisition.

### Bank's shares held by members of supervisory and management bodies

The structure of Getin Noble Bank S.A. shares held by members of the Management Board and the Supervisory Board as at the day of report for 2011 approval and changes, which took place within 2011 are presented below:

Members of the Supervisory Board/ Management Board	As of 31.12.2010	Purchase/ (sale) of shares during the reporting period	As of 29.02.2012
Remigiusz Baliński	44,073	35,181	79,254
Radosław Boniecki	5,500	-	5,500
Leszek Czarnecki <sup>1)</sup>	1 939,420	894,764,013	896,703,433
Karol Karolkiewicz	20,590	-	20,590
Maurycy Kühn <sup>2)</sup>	10,128,594	102,487	10,231,081
Krzysztof Rosiński	-	12,494	12,494
Krzysztof Spyra <sup>3)</sup>	10,009,947	(800,000)	9,209,947

1) through:	As individual person	1,939,420
	Get Bank S.A.	893,786,767
	LC Corp B.V.	977,246
		896,703,433
2) through:	ASK Investments S.A.	4,939,947
	A. Nagelkerken Holding B.V.	5,150,000
	As individual person	141,134
		10,231,081
3) through:	ASK Investments SA	4,939,947
	International Consultancy Strategy Implementation	4,270,000
		9,209,947

On 19 January 2012 roku Mr. Leszek Czarnecki indirectly acquired 893,786,767 of Getin Noble Bank S.A. shares, which represents 93.71% of its share capital and entitles to 893,786,767 (93.71%) votes at the General Shareholders Meeting of the Bank, as a result of direct and indirect acquisition of 1,197,323,225 shares of Get Bank S.A.

### 6.3. Internal control and risk management systems relating to the financial statements

The process of preparation of financial statements in Getin Noble Bank S.A. is realized within Financial Department, and its basis is the accounting policy adopted by the Management Board of the Bank and accounting organization in the Bank. The substantive control of the preparation of the financial statements is exercised by the Chief Accountant of the Bank and the Managing Director of the financial division.

In order to ensure true and fair information in the financial statements, in the Bank exists an internal control system, being the element of the Bank's management system, which consists of: control mechanisms, test of compliance of activities with the generally applicable legal regulations and internal Bank's policies, and an internal audit.

The internal control system consists of the following items:

- risk control mechanisms – relate to all employees and include procedures relating to banking and banking activities, limits and self-control tasks performed in order to mitigate errors in the Bank's operations, to report deficiencies and to ensure the fairness of accounting records,
- functional control – performed by every employee with respect to quality and correctness of performing their tasks, as well as performed by their direct supervisors and their co-workers, resulting from the organizational structure of the Bank,
- institutional control/ internal audit – performed by the separated and independent unit – Internal Audit Department, whose objective is to identify and assess the risk in each area of the Bank's operations.

The objective of the internal control system is to support the Bank's management, including decision processes, which lead to ensure effectiveness of the Bank's operations, credibility of the financial reporting and compliance with the legal acts and internal regulations through ensuring the compliance of the performed tasks with the procedures and ongoing reaction for irregularities, and monitoring of the effectiveness of the implemented control mechanisms. As a part of the internal control systems the Bank identifies the risk relating to each operation, transaction, product and process resulting from the organizational structure of the Bank.

Significant task of the internal control system is to secure the assets, to review of loan exposures, to mitigate and to identify errors in data processing, to ensure the credibility of the accounting records, to improve the effectiveness of operations and to stimulate the complying with the agreed strategy and policy of the Bank.

Operating of the internal control system and risk management with respect to the financial statements preparation process are based on the control mechanisms embedded in the reporting systems and on the ongoing verification of the compliance with the accounting records and other documents underlying the financial statements as well as the regulations regarding the accounting standards and financial reporting.

The control mechanisms cover the tasks performed in the Bank including: competences, regulations, limits and procedures relating to the activities of Getin Noble Bank S.A. and control activities performed by its employees and its supervisors, which relate to the performed activities. Mechanisms are of control nature and are incorporated both in the internal regulations and IT system of the Bank.

## Auditor of the financial statements

On 15 June 2011 the Supervisory Board of the Bank made the resolution on the appointment of Ernst & Young Audit sp. z o.o. as the statutory auditor of the financial statements of the Bank for 2011. The agreement with respect to the review of the interim financial statements and audit of the annual financial statements was signed on 3 August 2011. The Bank used the auditing services of Ernst & Young Audit sp. z o.o. in previous reporting periods. Other entities from the Ernst & Young Group performed the advisory services in the scope which is allowed to ensure the auditor's independence and compliance with the legal acts and internal policies.

The detailed information on the contracts concluded with the auditor and its remuneration have been presented in the note IV.41 to the financial statements of the Getin Noble Bank S.A. for the year ended 31 December 2011.

## 7. Corporate social responsibility

Getin Noble Bank actively supports charities that help children in need. In the strategy of social actions the Bank focuses on improving the quality of life for disadvantaged children, or those in a difficult economic situation.

Since January 2010, Getin Noble Bank cooperates with the Association of SOS Children's Villages, a nonprofit organization dedicated to children abandoned, orphaned and in risk of loss of the biological family. The Bank in collaboration with other entities of the Group supports the association with the following charitable programs:

- Invest in the children's future

Given the benefits of saving and the fact that Open Finance actively promotes and disseminates the culture of saving and long-term financial planning, a company engaged in charitable activities in support of future funding for the most needy children. Chosen children of the SOS Children's Villages in age from 8 to 10 years receive from Open Finance assistance in the form of an investment fund, to which they will gain access beyond the age of 21. The collected funds on deposit with a value in the last two years exceeded PLN 500 thousand, provide the SOS Villages pupils with easier and safe start in their adult life.

- My own HOME

Getin Bank jointly with the Association of SOS Children's Villages takes action to help children living in foster families in the beginning of life on their own in own apartment. The Bank as one of the leaders in the mortgage market, when surpassing another one billion zlotys value of such loans, dedicates part of its income on housing financing for a child from a foster family of SOS. The Bank co-financed the purchase of 7 apartments for the pupils of the Association.

- Give something back

Anyone who so far wanted to help charitable foundations, or otherwise support the most needy people, but did not know how to do this, or simply lacked the time to do it, now through Noble Concierge can easily join in to activities prepared in co-operation with the Association of SOS Children's Villages. In addition to support actions such as a package for Christmas, Happy Holidays for Kids, a new school year, etc. Noble Concierge also organizes among their customers, partners and employees of the Getin Noble Bank Group collection of everyday equipment, which goes to the Children's Villages.

- Help children by paying with a card

Customers of Noble Bank who pays with the Infinity credit card, automatically support the children of SOS Children's Villages. The Bank gives a part of its income from the money spent by the customers with credit cards to the Association. The money collected in this way, depending on the needs of children is used for financial support including: the purchase of the most needed products, support of educational activities, Christmas gifts, holiday trips, or purchase of books and school supplies.

Getin Noble Bank is also a partner of the Polish National Committee for UNICEF. According to the cooperation agreement signed in 2009 the Bank introduced an affinity credit card with the UNICEF logo. The amount of 0.65% of the revenue from charges for the use of the affinity credit card the Bank transfers to UNICEF. Getin Noble Bank customers who choose to use banking products with the logo of UNICEF, automatically support the activities of an organization that helps and deals with problems of children around the world.

## 8. Additional information

### Significant agreements

On 25 March 2011 a dealer agreement has been concluded between Getin Noble Bank and BRE Bank S.A. as the organizer, dealer and calculation agent and Noble Securities S.A. as sub-dealer. The subject of the agreement, about which the Bank has informed in the current report No. 13/2011, is a program of bonds issue, which stipulates the possibility to issue bonds by the Bank in many series, within the term of the agreement. The agreement has been concluded for an indefinite period of time. The maximum value of the program shall not exceed the amount of PLN 500 million. The agreement is deemed a significant agreement as its value is in excess of 10% of the Bank's equity.

On 28 March 2011 Getin Noble Bank has concluded with M.W. Trade S.A. with its registered office in Wrocław Annex No. 3 to the General agreement of buyout of receivable instalments concluded on 27 September 2010, which stipulated buyout by the Bank of cash receivables resulting from contracts concluded within normal operations of the company. The Bank has informed about the conclusion of the agreement in the current report No. 14/2011. The annex significantly changes the agreement by changing the effective period of the agreement (for an indefinite period of time) and annuls the maximum buyout limit of receivable instalments, which allows to deem the agreement significant, as the estimated value of the agreement shall exceed 10% of the Bank's equity.

On 14 December 2011 Getin Noble Bank S.A., Towarzystwo Ubezpieczeń Europa S.A. with its registered office in Wrocław, Towarzystwo Ubezpieczeń na Życie Europa S.A. with its registered office in Wrocław and Open Life Towarzystwo Ubezpieczeń Życie S.A. with its registered office in Warsaw concluded a Strategic Partnership Agreement, about which the Bank has informed in the current report No. 72/2011. The agreement shall enter into force under a condition precedent that an entity other than Mr. Leszek Czarnecki (indirectly or directly) will become a parent entity of TU Europa S.A. and shall expire after 120 consecutive full calendar months. The agreement has been deemed a significant agreement as its value is in excess of 10% of the Bank's equity.

### Changes in the basic principles of managing the company

In 2011 there were no significant changes with respect to the methods of managing the Bank.

### Bank's co-operation with international public institutions

In 2011 Getin Noble Bank S.A. continued its co-operation with the European Bank for Reconstruction and Development and European Investment Bank under already signed agreements.

### Information on significant agreements between the Bank and the central bank or supervision authorities

In 2011 Getin Noble Bank did not conclude any significant agreements with the central bank or supervision authorities. The Bank co-operates on a regular basis with the National Bank of Poland with respect to the agreement on the technical loan and transfer of rights to securities and the agreement on the lombard loan and the pledge being the collateral for that loan.

Furthermore, the Bank has the agreements with the Regional Offices of the NBP regarding the transactions of sale and purchase of banknotes and coins in Polish zlotys.

### Explanation of differences between actual financial results and previously published forecasts

Getin Noble Bank S.A. did not publish forecasts for 2011 financial results.

### Execution titles and value of collaterals

In 2011 there were 31,751 execution titles issued of the total value of PLN 900,997 thousand. The fair value of the collaterals for individually impaired loans calculated as the sum of discounted future cash flows from collaterals, repayments and settlements as well as recovery of the loans amounted to PLN 564,205 thousand as at the end of 2011.

### Significant legal proceedings

In 2011 the entities of the Getin Noble Bank was not subject to any proceedings relating to liabilities or receivables which value would exceed 10% of the Bank's equity.

### **Information on the control system in employee share schemes**

There are no employee share schemes within the Bank.

In 2011 Getin Noble Bank S.A. introduced the motivational program for 2012-2014 dedicated for the members of the Supervisory Board, the Management Board and directors of the Bank, that is described in the note IV.40 to the Getin Noble Bank S.A. financial statements for the year ended 31 December 2011. Under the Management Share Option Programme the Bank will issue up to 6,000,000 warrants and up to 6,000,000 shares. Each warrant will give right to the purchase of one share for the price of PLN 1.00. The Bank will sell the warrants free of charge exclusively for the Participants of the Motivational Programme, following the fulfillment of the conditions required for the purchase of warrants. In 2011, the purchase agreements for 4,713,004 warrants were signed with the Participants of the Programme.

## 9. Statements of the Management Board

### 9.1. Truth and fairness of the financial statements

According to the best knowledge of the Bank's Management Board, the financial statements of the Getin Noble Bank S.A. for the year ended 31 December 2011 and the comparative data have been prepared in accordance with the International Financial Reporting Standards and reflect the economic and financial standing of the Getin Noble Bank S.A. and Bank's financial result in a true, fair and transparent way.

Furthermore, the Directors' Report of the Getin Noble Bank S.A. gives a true view of the development, achievements and situation of the Bank in 2011, including a description of the key threats and risks.

### 9.2. Appointment of the auditor of the financial statements

Ernst & Young Audit sp. z o.o. – the auditor of the financial statements of the Getin Noble Bank S.A. for the year ended 31 December 2011 was appointed in compliance with the law. This entity and its certified auditors performing the audit fulfilled conditions for expressing the unbiased and independent opinion on the audited financial statements, in accordance with the applicable law and professional standards.

The Management Board of Getin Noble Bank S.A.:

\_\_\_\_\_  
Krzysztof Rosiński  
*President of the Management Board*

\_\_\_\_\_  
Karol Karolkiewicz  
*Member of the Management Board*

\_\_\_\_\_  
Maurycy Kühn  
*Member of the Management Board*

\_\_\_\_\_  
Krzysztof Spyra  
*Member of the Management Board*

\_\_\_\_\_  
Radosław Stefurak  
*Member of the Management Board*

\_\_\_\_\_  
Maciej Szczechura  
*Member of the Management Board*

\_\_\_\_\_  
Grzegorz Tracz  
*Member of the Management Board*

Warsaw, 29 February 2012