

**GETIN NOBLE BANK S.A.
WARSAW, PRZYOKOPOWA 33**

**FINANCIAL STATEMENTS
FOR THE 2016 FINANCIAL YEAR**

**WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

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FINANCIAL STATEMENTS FOR THE 2016 FINANCIAL YEAR

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REPORT ON THE ACTIVITIES OF THE BANK FOR THE 2016 FINANCIAL YEAR

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Getin Noble Bank S.A.

Auditor's report

We have audited the attached financial statements of Getin Noble Bank S.A. with its registered office in Warsaw at Przyokopowa 33 (hereinafter: the "Bank"), including income statement and statement of comprehensive income for the financial year from 1 January 2016 to 31 December 2016, statement of financial position prepared as at 31 December 2016, statement of changes in equity, statement of cash flows for the financial year from 1 January 2016 to 31 December 2016 and notes comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the Bank's manager and those charged with governance for the financial statements

The Management Board of the Bank is responsible for the preparation of the financial statements, based on properly kept accounting records, and their fair presentation in accordance with the International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and applicable laws. It is also obliged to ensure internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Under the Accounting Act of 29 September 1994 (Journal of Laws of 2016 item 1047 as amended), hereinafter referred to as the "Accounting Act" the Management Board of the Bank and members of its Supervisory Board are obliged to ensure that the financial statements meet the requirements of the Accounting Act.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit works.

We conducted our audit in accordance with Section 7 of the Accounting Act and the National Auditing Standards in line with the wording of the International Standards on Auditing adopted by Resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 as amended. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board of the Bank, evaluating if accounting books based on which financial statements are prepared, are properly kept, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the attached financial statements:

- give a true and fair view of the economic and financial position of the Bank as at 31 December 2016 and its financial performance for the financial year from 1 January 2016 to 31 December 2016 in accordance with the International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and the adopted accounting principles (policies),
- have been prepared based on properly kept accounting books,
- comply, with respect to their form and content, with the applicable provisions of law and the articles of association of the Bank.

Report on other legal and regulatory requirements

Opinion on the report on the activities

We do not express an opinion on the report on the activities.

It is the responsibility of the Management Board of the Bank to prepare the report on the activities in accordance with the Accounting Act and other applicable laws. Moreover, the Management Board of the Bank and members of the Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act.

When auditing the financial statements we were obliged to examine the report on the activities and indicate whether the information contained therein complies with Article 49 of the Accounting Act, and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133 as amended) and is consistent with underlying information disclosed in the attached financial statements. In addition, according to Article 111a.3 of the Act of 29 August 1997 Banking Law (Journal of Laws of 2015, item 128 as amended) we were obliged to examine the financial information listed in Articles 111a.1.1 and 111a.2 of the Banking Law included in the report on the activities. The audit was performed in accordance with the scope described in the paragraph "Auditor's Responsibility" above. Additionally, it was our responsibility to indicate whether we have detected any material misstatement in the report on the activities based on our knowledge of the Bank and its business environment obtained in the course of the audit.

In our opinion, the information contained in the report on the activities of Getin Noble Bank complies with Article 49 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133 as amended) and is consistent with underlying information disclosed in the attached financial statements. Moreover, based on our knowledge of the Bank

and its business environment obtained in the course of the audit, we have not detected any material misstatements in the report on the activities. Additionally, the financial information presented in the report on activities are compliant with the requirements of Articles 111a.1.1 and 111a.2 of the Banking Law.

Statement of compliance with corporate governance principles

In relation to our audit of the financial statements, it was our responsibility to examine the Bank's statement of compliance with corporate governance principles, which constitutes a separate part of the report on the activities. In our opinion, the Bank's statement provides all information required by the secondary legislation issued under Article 60.2 of the Act on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies of 29 July 2005 (Journal of Laws of 2016 item 1639 as amended) and regulations issued under Article 61 thereof. The information is compliant with the applicable laws and information presented in the financial statements.

Dariusz Szkaradek
Key certified auditor
conducting the audit
No. 9935

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Dariusz Szkaradek – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 13 March 2017

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF
GETIN NOBLE BANK S.A.
FOR THE 2016 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Bank

The Bank operates under the business name Getin Noble Bank S.A. (hereinafter: the "Bank"). The Bank's registered office is located in Warsaw, Przyokopowa 33.

The Bank operates as a joint stock Bank. The Bank is recorded in the Register of Entrepreneurs kept by the District Court in Capital City Warsaw, XII Business-Registry Division of the National Court Register under KRS number 0000304735.

The Bank operates based on the provisions of the Code of Commercial Companies and Banking Law.

As of 31 December 2016, the Bank's share capital amounted to PLN, 2,411,630,419.38 and was divided into 883,381,106 ordinary shares with a face value of PLN 2.73 each.

In the audited period, the Bank conducted activities mainly in the area of accepting cash as demand deposits or term deposits and keeping deposit accounts as well as granting credits and loans.

Composition of the Management Board as of the date of the opinion:

- | | |
|----------------------|---|
| - Artur Klimczak | - acting President of the Management Board; |
| - Jerzy Pruski | - Vice-President of the Management Board; |
| - Krzysztof Basiaga | - Member of the Management Board; |
| - Marcin Dec | - Member of the Management Board; |
| - Karol Karolkiewicz | - Member of the Management Board; |
| - Radosław Stefurak | - Member of the Management Board; |
| - Maciej Szczechura | - Member of the Management Board. |

Changes in the composition of the Management Board during the audited period and until the date of the opinion:

- on 7 June 2016 Grzegorz Tracz resigned the office of Member of the Management Board;
- on 14 December 2016 Krzysztof Rosiński resigned from the office of the President of the Management Board with effect from 9 January 2017. At the same time, the Bank's Supervisory Board appointed Artur Klimczak to hold the position of the Vice President of the Management Board, subject to and with effect from the date of the Financial Supervision Authority's approval of the appointment of Artur Klimczak as the President of the Management Board. At the same time, the Supervisory Board entrusted Artur Klimczak with the duties of the President of the Management Board from 10 January 2017;
- the Supervisory Board of the Bank also decided to appoint Krzysztof Rosiński as the Vice President of the Management Board of the Bank with effect from 10 January 2017;
- on 31 January 2017, the Bank's Supervisory Board appointed Jerzy Pruski as the Vice-President of the Management Board with effect from 1 February 2017;
- on 6 February 2017, Krzysztof Rosiński resigned from the membership in the Management Board.

2. Information on the financial statements for the previous financial year

The activities of the Bank in 2015 resulted in a net profit of PLN 1,119,478.35. The financial statements of the Bank for the 2016 financial year were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. The certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the financial statements for the 2015 financial year was held on 18/04/2016. The General Shareholders' Meeting decided to distribute the net profit for 2015 in the following manner:

- increase in share capital – PLN 1,119,478.35.

The financial statements for the 2015 financial year were submitted to the National Court Register (KRS) on 22 April 2016.

The consolidated financial statements for the 2015 financial year were submitted to the National Court Register (KRS) on 22 April 2016.

3. Details of the authorized entity and the key certified auditor acting on its behalf

The entity authorized to audit the financial statements was appointed by the Supervisory Board. The audit of the financial statements was performed based on the agreement of 16 May 2016 concluded between the Bank and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 22, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Dariusz Szkaradek, key certified auditor (No. 9935), in the registered office of the Bank from 31 October to 25 November 2016 and from 30 January to 26 February 2017 and outside the Bank's premises until the opinion date.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting the audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on certified auditors and their self-government, entities authorized to audit financial statements and public supervision (Journal of Laws of 2016 item 1000 as amended) to express an unbiased and independent opinion on the financial statements of the Bank.

4. Availability of data and management's representations

The scope of our audit was not limited.

During the audit, necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 13 March 2017.

II. ECONOMIC AND FINANCIAL POSITION OF THE BANK

Presented below are the main items from the income statement and statement of financial position as well as financial ratios describing the financial performance of the Bank and its economic and financial position compared to the prior year. The comparative data for 2015 and 31 December 2015 are restated figures, i.e. they include retrospective changes in the Bank's accounting policy regarding the valuation of shares in associates in connection with the application of amendments to IAS 27 Standalone Financial Statements. As of January 1, 2016, the Bank values investments in associates with use of the equity method, whereas until 31 December 2015 they were valued at cost. Changes in comparative data are described in detail in note II. 4.7 of the standalone financial statements of the Bank.

| <u>Main items from the income statement (PLN '000)</u> | <u>2016</u> | <u>2015</u> <u>Restated data</u> |
|---|-----------------|---|
| Interest income | 2,781,148 | 3,021,478 |
| Interest expense | (1,501,501) | (1,864,719) |
| Net fee and commission income | 58,977 | 266,077 |
| Dividend income | 84,945 | 31,728 |
| Result on other financial assets | 84,736 | 28,220 |
| Result on investments in subsidiaries, associates and joint ventures | 209,604 | 131,187 |
| Administrative expenses | (807,900) | (1,128,927) |
| Net impairment losses on financial assets and off-balance sheet commitments | (687,958) | (416,524) |
| Share in profit / (loss) of associates with use the equity method | (3,388) | 11,667 |
| Net profit | 109,003 | 12,786 |
| Total comprehensive income | 44,745 | 57,338 |
| <u>Main items from the statement of financial position (PLN '000)</u> | <u>2016</u> | <u>2015</u> <u>Restated data</u> |
| Total assets | 66,878,359 | 71,762,389 |
| Cash and due from Central Bank | 3,152,193 | 2,724,460 |
| Loans and advances to banks | 996,550 | 2,008,466 |
| Investment (placement) securities | 90,586 | 159,074 |
| Loans and advances to customers | 47,442,162 | 50,455,467 |
| Financial assets at fair value through profit and loss | 171,972 | 166,817 |
| Assets available for sale | 11,905,768 | 12,390,902 |
| Investments in subsidiaries | 1,330,961 | 1,321,746 |
| Intangible assets | 282,689 | 264,055 |
| Investments in subsidiaries | 180,210 | 202,371 |
| Real estate | 421,262 | 478,585 |
| Deffered tax assets | 322,910 | 335,920 |
| Other assets | 557,081 | 1,235,094 |
| Amounts due to banks and financial institutions | 2,254,148 | 3,457,657 |
| Derivative financial instruments (held for trading) | 1,660,662 | 1,519,279 |
| Amounts due to customers | 53,105,936 | 55,812,803 |
| Debt securities issued | 2,604,936 | 2,829,820 |
| Other liabilities | 2,103,440 | 3,037,409 |
| Total equity, including: | 5,128,445 | 5,083,700 |
| Share capital | 2,411,630 | 2,650,143 |

| <u>Ratio analysis</u> | <u>2016</u> | <u>2015</u> <u>Restated data</u> |
|-----------------------|-------------|-------------------------------------|
| Total return ratio | 3.42% | 0.36% |
| Total capital ratio | 15.7% | 14.1% |
| Loans ratio | 70.9% | 70.3% |
| Impairment ratio | 9.9% | 9.0% |
| Equity ratio | 7.7% | 7.1% |

An analysis of the above figures and ratios indicated the following trends in 2016:

- increase in total return ratio calculated as total net profit divided by the sum of interest income, fee and commission income, dividend income, financial assets at fair value through profit and loss, foreign exchange result and result on other financial assets;
- increase in total capital ratio;
- increase in loans ratio calculated as a relation of total loans value to total assets;
- increase in impairment ratio calculated as a relation of net value of impaired loans value to total net loans value;
- increase in equity ratio calculated as a relation of total equity to the sum of total equity and total liabilities;
- increase in net profit.

Application of the prudence principles

During the audit we have not identified significant discrepancies indicating lack of application in 2016 the prudence principles in force in the financial year 2016 determined by the Banking Law, the resolutions of the Management Board of the National Bank of Poland and resolutions of the Polish Financial Supervision Authority.

The capital adequacy ratio

During our audit we have not identified significant discrepancies in the area of calculation of capital adequacy ratio as at 31 December 2016 in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investments firms.

III. DETAILED INFORMATION

1. Evaluation of the accounting system

The Bank has valid documentation describing the adopted accounting principles, complying in all material respects with Article 10 of the Accounting Act.

In 2016 Bank has changed the accounting principles regarding the valuation of investments in associates in connection with the entry into force of amendments to IAS 27 Standalone Financial Statements. Starting from 1 January 2016 the Bank values investments in associates using the equity method. Until 31 December 2015 investments in associates shares in associated were valued at cost. The Bank has provided a description of changes in note II 4.7. of the separate financial statements. Other accounting policies have been applied consistently and did not change compared to the principles used for bookkeeping and preparing financial statements applied in the prior year.

Based on tests performed during the audit procedures, we have verified the adopted accounting system and found no misstatements that would affect the financial statements. Our audit did not include, though, the entire accounting system used by the Bank.

The Bank performed a physical count of assets, equity and liabilities within the scope necessary to confirm the existence of the presented assets, equity and liabilities.

2. Information identifying the audited financial statements

The audited financial statements were prepared as of 31 December 2016 and include:

- income statement for the period from 1 January 2016 to 31 December 2016, with a net profit of PLN 109,003 thousand;
- statement of comprehensive income for the period from 1 January 2016 to 31 December 2016 with a total comprehensive income of PLN 44,745 thousand;
- statement of financial position prepared as of 31 December 2016, with total assets and liabilities plus equity of PLN 66,878,359 thousand;
- statement of changes in equity for the period from 1 January 2016 to 31 December 2016, disclosing an increase in equity of PLN 44,745 thousand;
- statement of cash flows for the period from 1 January 2016 to 31 December 2016, showing a cash inflow of PLN 418,117 thousand;
- notes to financial statements comprising a summary of significant accounting policies and other explanatory information.

3. Information about selected material items of the financial statements

The structure of assets, equity and liabilities as well as items affecting the financial result have been presented in the financial statements.

Financial assets and liabilities

The Bank classifies its financial instruments into the following categories:

- financial assets or financial liabilities measured at fair value through profit or loss;
- financial assets held to maturity;
- loans and receivables;
- available-for-sale financial asset;
- other financial liabilities.

The structure by terms and types of financial assets and liabilities has been presented in details in the notes to the statement of financial position.

Structure of loans and advances from banks and customers

The structure by terms and types of loans and advances from banks and customers has been presented details in the notes to the financial statements.

In Getin Noble Bank S.A. impairment allowances are recognized in accordance with the International Accounting Standards / International Financial Reporting Standards (IAS/IFRS). The allowances reflect impairment, which is recognized if the Bank has objective evidence that the receivables cannot be recovered in line with the signed loan agreement. Objective evidences of impairment were defined in accordance with recommendation of Basel Committee and with the International Accounting Standards (IAS 39).

Impairment is measured based on the estimated recoverable amount. Analyzing the possible impairment of loans, Bank uses both the individual (for individually significant impaired exposures) and collective approach (individually insignificant exposures with impairment, and exposures with incurred but not reported losses).

The Bank systematically on an annual basis compares the assumptions and parameters used for loss calculations with the actual situation, including loss identification period. The comparison takes into account changes of economic conditions, amendments to Bank's credit policies and loans collection process. The process provides assurance that the level of impairment losses is adequate.

The disclosures regarding management of credit risk and exposure to credit risk were presented in explanatory notes to the financial statements.

Structure of deposits from banks and customers

The structure by terms and types of deposits from banks and customers has been presented in details in the notes to the financial statements.

Accrued income and expense

The explanatory notes describe the structure of accrued income and expense.

Significant accrued income and expense were properly included in the financial year. The items have been recognized correctly in all material respects in relation to the financial statements as a whole.

4. Completeness and correctness of notes and explanations and the report on the activities of the Bank

The Bank confirmed the validity of the going concern principle in the preparation of the financial statements in note II 4.2 of the standalone financial statements. The notes and explanations give a correct and complete description of measurement principles regarding assets, equity, liabilities, financial result and principles of preparation of the financial statements.

The notes to the financial statements give a correct and complete description of the reporting items and clearly present other information required under IFRS.

The financial statements have been supplemented with the Management Board's report on the activities of the Bank in the 2016 financial year. The report contains information required under Article 49.2 of the Accounting Act, article 111a.3 of the Banking Law and the Ordinance of

the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133 as amended). We have audited the report with respect to the disclosed information derived directly from the audited financial statements and with respect to the information required under Article 111a.1.1. and Article 111a.2 of the Banking Law we have audited correctness and compliance with the mentioned above regulations.

IV. FINAL NOTES

Management Board's Representations

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Bank's Management Board, in which the Board stated that the Bank complied with the laws in force.

Dariusz Szkaradek
Key certified auditor
conducting the audit
No. 9935

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Dariusz Szkaradek – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 13 March 2017