

## REPORT OF THE SUPERVISORY BOARD OF GETIN NOBLE BANK S.A. FOR THE YEAR 2015 WITH EVALUATION OF THE COMPANY'S POSITION

### EXERCISE OF SUPERVISION

The Supervisory Board of Getin Noble Bank S.A. ("Company" or "Bank"), in furtherance of its rights and obligations provided for in the Commercial Companies Code, the Banking Law, the Bank's Statutes and the Rules it has adopted, has exercised continuous supervision over all operations of the Bank in all fields of its activity. In its activity, the Board focused on matters of strategic importance for the Bank and its current operations. In the financial year concerned, the Supervisory Board held 11 meetings and adopted 120 resolutions to exercise its supervisory and control duties, which involved in particular:

- continuous assessment of the Company's current situation and factors affecting the situation, including operational risk factors.
- analysis of periodic financial statements and evaluation of the current financial results of the Company and of Getin Noble Bank S.A. Group as part of implementation of the financial plan for 2015, as well as the liquidity ratios and capital requirements of the Bank.
- review of the information provided by the Management Board regarding external burdens charged to the Bank's financial result for 2015 and the measures taken by the Management Board in connection with the banking sector situation.
- approval of the "Financial Plan of Getin Noble Bank S.A. for 2015".
- analysis of periodic information from the Management Board concerning the current and planned operations of the Company, and in particular evaluation of the effects of implementation of the Bank's Strategy and activities in the area of Company's personnel fluctuation and preparation of the Bank's new strategy.
- assessment of the Directors' Report and individual and consolidated financial statements for the financial year 2014, as well as assessment of the allocation of profit for the financial year 2014 as part of the Dividend Policy adopted by the Bank.
- selection of an auditing firm to audit the financial statements for 2015.
- approval of procedures/modified procedures and rules which require such approval according to the provisions of the resolutions adopted by the Polish Financial Supervision Authority (KNF) and the Bank's Statutes,
- performance of the tasks assigned to the Audit Committee and Remuneration Committee,
- issuing consents on matters subject to the provisions of Article 79a of the Banking Law and issuing opinions on matters which require recommendation of the Supervisory Board to the Management Board regarding the Bank's lending policy,
- provision of consent to the acquisition and sale by the Bank of companies' shares and the Bank's participation in significant transactions,
- provision of consents to the activities of the Management Board which require such consent according to the Bank's Statutes, Rules of the Supervisory Board or resolutions of the Supervisory Board, including consents for the Company to make commitments in respect of the Group's growth and issuance of consents to acquire and take up shares in other entities,
- analysis of reports on internal control, non-compliance risk management, operational and credit risk.

The Supervisory Board was also informed about the outcome of implementation of the recommendations resulting from inspections carried out by the Polish Financial Supervision Authority.

### COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES

At the end of 2015, the following persons were members of the Supervisory Board:

1. Leszek Czarnecki – Chairman of the Supervisory Board,
2. Remigiusz Baliński – Vice-Chairman of the Supervisory Board,
3. Mariusz Grendowicz – Supervisory Board Member,
4. Krzysztof Bielecki - Supervisory Board Member,
5. Jacek Lisik - Supervisory Board Member.

A change of the Supervisory Board's composition was made due to resignation, submitted on 11 May 2015, by Mr Rafał Juszczyk from holding a function of the Supervisory Board Member. Mr Juszczyk ceased to be a member of the Board on 12 May 2015, i.e. on the date of the Ordinary General Meeting approving the financial statements for 2014. On 12 May 2015, the Ordinary General Meeting of the Bank adopted a resolution on appointment of Mr Mariusz Grendowicz to act as Supervisory Board Member of Getin Noble Bank S.A., with effect on the date of his appointment.

Pursuant to the Best Practices for WSE Listed Companies, the Supervisory Board has at least two members of the Supervisory Board who satisfy the criteria of independence.

In 2015, the following Committees operate with the Supervisory Board:

- **The Audit Committee**, whose tasks are performed by the entire Supervisory Board. The Supervisory Board may appoint a coordinator responsible for accomplishment of the tasks of the Audit Committee as well as a regular advisor to the Supervisory Board who supports the Board in matters related to performance of the Audit Committee's assignments by the Supervisory Board.
- **The Remuneration Committee** which consists of two members of the Supervisory Board appointed by the Supervisory Board from amongst its members. Throughout the reported period, the Committee was composed of Mr Rafał Juszczyk (until 11 May 2015) and Mr Remigiusz Baliński, and on 19 May 2015 Mr Jacek Lisik was appointed to fill a vacancy.

## ASSESSMENT OF THE BANK'S FINANCIAL STATEMENTS

The financial statements of the Bank were audited in accordance with the current provisions of law by an independent statutory auditor, Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., having its registered office in Warsaw, and the firm issued an unqualified positive opinion in this respect. Pursuant to Article 382 §3 of the Commercial Companies Code, the Supervisory Board assessed the Company's financial statements for 2015 and the consolidated financial statements of the Group of Getin Noble Bank S.A. for 2015 in respect of compliance with the accounting books and documents and the factual status, and it also assessed the Management Board's motions regarding the allocation of the profit for 2015.

- I. The financial statements of Getin Noble Bank S.A. for the financial year 2015 comprise:
  - 1) the income statement for the period from 1 January 2015 to 31 December 2015 showing a net profit of PLN 1,119 thousand,
  - 2) the comprehensive income statement for the period from 1 January 2015 to 31 December 2015 showing the comprehensive income of PLN 45,671 thousand,
  - 3) the statement of financial position made as at 31 December 2015, showing the total assets and liabilities of PLN 71,518,119 thousand,
  - 4) the statement of changes in equity for the period from 1 January 2015 to 31 December 2015 showing an increase of equity by the amount of PLN 45,671 thousand,
  - 5) the cash flow statement for the period from 1 January 2015 to 31 December 2015 showing a decrease of net cash by the amount of PLN 151,714 thousand,
  - 6) the accounting rules (policy) and notes to the financial statements.
- II. The financial statements of the Getin Noble Bank S.A. Group for the financial year 2015 comprise:
  - 1) the income statement for the period from 1 January 2015 to 31 December 2015 showing a net profit of PLN 54,345 thousand,
  - 2) the comprehensive income statement for the period from 1 January 2015 to 31 December 2015 showing comprehensive income of PLN 97,917 thousand,
  - 3) the statement of financial position made as at 31 December 2015, showing the total assets and liabilities of PLN 70,756,469 thousand,
  - 4) the statement of changes in equity for the period from 1 January 2015 to 31 December 2015 showing an increase of equity by the amount of PLN 87,855 thousand,
  - 5) the cash flow statement for the period from 1 January 2015 to 31 December 2015 showing a decrease of net cash by the amount of PLN 836,143 thousand,
  - 6) the accounting rules (policy) and notes to the financial statements.

The Supervisory Board has read the opinion of the statutory auditor of 18 March 2016 concerning the individual financial statements of the Company for 2015. The Supervisory Board has read the opinion

of the statutory auditor of 18 March 2016 concerning the individual financial statements of the Company for 2015 and the consolidated financial statements of the Group for 2015, and has stated that they have been prepared accurately in all material respects, and they give a true and fair view of the assets and financial position of the Company and the Group as at 31 December 2015, and its financial result and cash flows for the financial year from 1 January 2015 to 31 December 2015, and that they comply with the relevant prevailing regulations on individual and consolidated financial statements, and have been accurately prepared in terms of substantive and formal requirements, in compliance with the accounting books and factual status as known to the Supervisory Board. and the consolidated financial statements of the Group for 2015, and has stated that they have been prepared accurately in all material respects, and they give a true and fair view of the assets and financial position of the Company and the Group as at 31 December 2015, and its financial result and cash flows for the financial year from 1 January 2015 to 31 December 2015, and that they comply with the relevant prevailing regulations on individual and consolidated financial statements, and have been accurately prepared in terms of substantive and formal requirements, in compliance with the accounting books and factual status as known to the Supervisory Board.

#### **ASSESSMENT OF THE MANAGEMENT BOARD'S MOTION ON ALLOCATION OF THE BANK'S PROFIT FOR 2015**

The Supervisory Board approves the Management Board's motion on allocation of the Bank's net profit for 2015 in the amount of PLN 1,119,478.35 to increase the supplementary capital. Pursuant to the "Dividend Policy of Getin Noble Bank for 2015-2017", approved on 10 April 2015, the Bank declared that no dividend would be paid from the profit for 2015.

#### **ASSESSMENT OF THE COMPANY'S ACTIVITY IN 2015**

Pursuant to Article 382 §3 of the Commercial Companies Code, the Supervisory Board assessed the Directors' report on the Bank's operation in 2015, and the Directors' Report on the activity of the Group of Getin Noble Bank S.A. in 2015. The Supervisory Board found the reports accurate and compliant with the legal regulations. The Directors' Report contains the required synthetic information on the operations of the Company and the Group of Getin Noble Bank in the reported period. The financial figures presented in the report are consistent with the figures shown in the Financial Statements.

The Supervisory Board approves the aforesaid report, and indicates that the activities undertaken by the Bank's Management Board in 2015 are within the adopted business plan, the strategy of Getin UP Bank and they reflect the general trends on the financial market and the specific conditions of the banking sector, and therefore, they are fully supported by the Supervisory Board Members.

#### **SUMMARY OF THE ACTIVITIES OF THE SUPERVISORY BOARD AND ITS COMMITTEES IN 2015**

In 2015, the Supervisory Board resolved to continuously monitor the accomplishment of the targets included in the financial plan for 2015, including the implementation of the Bank's strategy, as well as to control the improvement of the Bank's internal and external image. The monitoring involved primarily the development and effectiveness of the Bank's operations, ensuring adequate level of security of operation at the levels set by the supervisory requirements, and thus strengthening the Bank's position on the market.

As part of its activities, the Supervisory Board assessed, analysed and approved materials submitted to it by the Management Board, and received all essential information concerning the Bank's situation on an on-going basis. Cooperation between the Supervisory Board and the Management Board was appropriate, and it involved the supervisory relations during regular Supervisory Board meetings as well as direct meetings held in-between. As part of the cooperation, the parties made joint efforts to adapt the current activities of the Bank to the changing business, economic and regulatory situation on the market. The Management Board presented reliable and exhaustive information concerning all organisational, legal and financial aspects of the operation of the Bank and its subsidiaries, and informed the Supervisory Board on as-needed basis about matters within the Board's competence. As part of its responsibilities, the Supervisory Board supervised the financial results and fully supported the Management Board in its efforts intended to reduce the costs of financing, increase the recurrence of revenues, build strong and stable customer relations, products structure and manner of distribution. Additionally, the Board supported measures intended to strengthen the Bank's equity situation, and

the Bank's efforts regarding the policy aimed to eliminate non-working assets through transactions of sale of the Bank's debt portfolio, as well as to reduce long-term loans and successively decrease the cost of acquiring customer deposits.

The Supervisory Board performs the responsibilities of the Audit Committee, which exists to perform the supervisory duties as part of financial reporting processes, risk management, internal control system and audit process. The matters related to performance of the responsibilities of the Audit Committees included the following issues: (i) monitoring the processes of management of each type of risk, including identification of the areas of increased risk exposure based on the analysis of periodic reports on credit risk, market risk, operational risk and non-compliance risk; (ii) review of the periodic and annual financial statements of the Bank and the Group, which included a meeting with the Bank's External Auditor to familiarise with the comments resulting from the audit of the Bank's financial statements; (iii) regular monitoring of the accomplishment by the Bank of the recommendations of the Polish Financial Supervision Authority issued after the inspections carried out by the Authority; (iv) regular monitoring of complaints lodged by customers directly with the Bank and through the Authority (in terms of their quantity, reasonableness, causes); (v) monitoring of essential court litigations and explanatory proceedings pending with respect to the Bank, (vi) auditing the IT security in connection with an incident that occurred in the Bank; (vii) reading and approving the Report on the Activity of the Internal Audit Department in 2014, including assessment of the internal audit quality and effectiveness of the Bank's internal control system.

The Remuneration Committee followed the rules of cautious and stable management of risk, equity and liquidity, as well as special care for the Bank's long-term welfare, interests of the stockholders, investors and shareholders of the Bank. As part of its works, in 2015 the Committee issued opinions on the operation of the policy concerning variable pay components for the Bank's managers, and its modifications triggered by the recommendations of the Polish Financial Supervision Authority, in particular with regard to the amount and components of the remuneration. The Committee issued an opinion on changes in the employment contracts with the Bank's Directors, including the rules for awarding variable pay components resulting from revised policy on variable pay components, establishment of the process for setting individual quantity and quality targets for Directors, rules of assessing the accomplishment of the targets, including the measures and the rating scale used, as well as the rules of remuneration for accomplishment of the targets. The Committee also expressed its opinion on the revised list of persons covered by the policy of variable pay components of the Bank's managers related to the management of risk and compliance of the Bank's operations with internal bylaws and legal regulations.

Taking into account the supervisory activities and in view of the fact that the Audit Committee of the Supervisory Board controlled the quality of the internal control system on an on-going basis, making the assessment on the basis of rational premises, the Supervisory Board assures that the Bank's internal control system meets the regulatory requirements and is adequate to the size of the Bank as well as the exposure to risks involved in the operations of the Bank. In its opinion, the Supervisory Board performed its assignments and statutory responsibilities in a reliable and effective manner, ensuring the adequate level of supervision over the Company in all essential aspects of its operations.

## RECOMMENDATIONS

With a view to the information presented in this report, the Supervisory Board approves the operations of the Company in 2015 and the reports and statements submitted for its assessment, and recommends that the Company's Shareholders should approve:

1. the Report of Directors of Getin Noble Bank S.A. on the Company's operations in 2015,
2. the financial statements of Getin Noble Bank S.A. for 2015,
3. the Report of Directors on the operations of the Getin Noble Bank S.A. Group for 2015,
4. the financial statements of the Getin Noble Bank S.A. Group for 2015,
5. the motion of the Management Board of Getin Noble Bank S.A. concerning the allocation of profit for the financial year 2015.

and should discharge Mr Krzysztof Rosiński, Mr Artur Klimczak, Mr Grzegorz Tracz, Mr Krzysztof Basiada, Mr Marcin Dec, Mr Maciej Szczechura, Mr Karol Karolkiewicz and Mr Radosław Stefurak from their duties in 2015, while not discharging Mr Krzysztof Spyra.

Given the information presented in this Report, the Supervisory Board applies to the General Meeting for acceptance of this Report on the Supervisory Board's operation with the evaluation of the Company presented in the Attachment hereto.

*Warsaw, 21 March 2016*

*Chairman  
of the Supervisory Board*

.....  
*Leszek Czarnecki*

*Vice-Chairman  
of the Supervisory Board*

.....  
*Remigiusz Baliński*

*Member  
of the Supervisory Board*

.....  
*Mariusz Grendowicz*

*Member  
of the Supervisory Board*

.....  
*Krzysztof Bielecki*

*Member  
of the Supervisory Board*

.....  
*Jacek Lisik*

*Attachment to the Report of the Supervisory Board of Getin Noble Bank S.A.  
for the year 2015 with evaluation of the Company's position*

The Supervisory Board of Getin Noble Bank S.A. ("Company"; "Bank"), in furtherance of the provisions of II.Z.10 of the "Best Practices of WSE Listed Entities" hereby submits:

**EVALUATION OF THE COMPANY'S POSITION INCLUDING ASSESSMENT OF THE INTERNAL CONTROL SYSTEMS, RISK MANAGEMENT SYSTEM AND INTERNAL AUDIT OPERATION**

**I. Evaluation of the Company and the Financial Statements for 2015**

Getin Noble Bank is a universal bank whose products are addressed primarily to individual customers, small and medium-size enterprises, territorial government units, healthcare entities and large corporations. Broad and varied products offered by the Bank are customised on an as needed basis to meet the preferences and needs of the customers. They include financing, saving and investment products as well as a variety of additional services. The products are offered using a variety of distribution channels, which makes it possible for the Customers to contact the Bank in the way they find the most convenient, from traditional bank outlets to the state-of-the-art technological solutions used in on-line banking and new generation bank outlets.

The Bank gradually implements the strategy of shortening the maturity of the Bank's assets by focusing on the sale of short-term and fast-depreciated products. In 2015, the principal sales of credit products was effected through cash loans, car loans, loans to companies as well as financing territorial government units and related entities, housing associations and cooperatives. In 2015, the sales of mortgage loans constituted a small percentage of all loans sold by the Bank. The Bank's own offer is extended to include products offered by the other companies that belong to the Group: Towarzystwo Funduszy Inwestycyjnych Noble Funds TFI S.A., Noble Securities S.A., Noble Concierge sp. z o.o. and Getin Leasing S.A. Group. As part of cooperation with the entities, the Bank enables its customers to access such services as, without limitation: brokerage services, concierge, participation units and investment funds certificates as well as leasing and car rental products. In 2015, the Bank's operations focused on the primary goals which included: (i) enhancement of the stable base of customers who are bound with the Bank on a permanent basis; (ii) optimisation of the time structure of assets and liabilities - shortening the periods of lending activity and development of long-term sources of finance; (iii) comprehensive services to small and medium-size enterprises, public sector entities, healthcare entities and large corporations; (iv) comprehensive advice in the area of personal finance to wealthy customers - special products lines, asset management services, legal support in the area of taxation, art banking, brokerage and concierge services addressed to a selected group of the Bank's customers served through the Noble Bank network. In 2015, the Bank commenced the process of rebuilding the retail banking which will be based on the customer segmentation. This form of looking at the customers will help organise the services in each segment with a view to their needs, which will help build permanent relations and become the first choice bank.

In 2015, the products offered by Getin Noble Bank were often on the leading position in the rankings arranged e.g. by Money.pl, Bankier.pl, Totalmoney.pl. The products which were distinguished included the Getin UP account, the savings account, car loans and deposits. The following accomplishment should be emphasized:

- the winner of "Portfele Wprost" 2015 for the best offer addressed to individual customers.
- Getin Bank's mobile banking was recognised by global experts in the marketing sector and was among the winners of the Horizon Interactive Awards.
- the winner in the "Perły Polskiej Gospodarki" ("Pearls of the Polish Economy") ranking,
- the first place in the ranking for banks financing housing investment projects, arranged by the Polish Association of Developer's Companies.
- The Bank was among the winners of the Golden World Awards,
- The Bank also found its way to the finals in the prestigious contests: Effective Mobile Marketing Awards, Global Payment Awards and Złote Spinacze.
- The Bank recorded another success in the area of adoption of modern technologies applied in financial services: as the first bank in Poland cooperating with Visa it initiated the pilot

programme for a service of fast, comfortable and safe proximity payments using HCE technology.

- nomination to a prestigious SABRE Award granted for the best public relations projects.

In 2015, the net profit of Getin Noble Bank ("Bank") was PLN 1.1 million and it was PLN 321.2 million lower compared with the same period of last year. This resulted from the additional external burdens of the Bank: the payment of PLN 116.9 million to the Bank Guarantee Fund in connection with the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin (SK Bank), the payment of 134 million to the Borrowers Support Fund, the amount of 50.8 million as an increased contribution to the Bank Guarantee Fund compared with the level set for 2014. An additional reason for deterioration of the result on interest was a decrease of the market interest rates.

The Supervisory Board assessed the Bank's financial statements for 2015 drawn up by a statutory auditor, in view of the current legal regulations. Having read the opinion and the report supplementing the statutory auditor's opinion, the Supervisory Board raised no comments or objections to the financial statements. The Supervisory Board approved the allocation of the net profit for 2015, amounting to PLN 1,119,478.35 (one million one hundred and nineteen thousand four hundred and seventy eight zloty thirty five grosz) to increase the supplementary capital, as proposed by the Management Board.

## **II. Assessment of the internal control system and operation of the internal audit**

To provide reliable and accurate information in the financial statements, the Bank has an internal control system in place, which forms a component part of the management system adapted to the Bank's organisational structure and applies to the Bank's head office units, branches, and subsidiaries. The internal control system comprises the following elements: risk control mechanism, functional control, and institutional control, performed by an organisationally separate independent special-purpose unit - the Internal Audit Department, whose task involves recognition and assessment of risk in all fields of the Bank's operations. The Internal Audit Department is responsible for controlling and assessing the credit risk management system and for periodic review of the credit risk management process in the Bank.

The purpose of the internal control system is to support the Bank's management, including the decision making processes, so as to increase the effectiveness and efficiency of the Bank's operations, the reliability of the financial reporting and compliance of operations with prevailing provisions of laws and internal bylaws by ensuring conformity of actions with procedures, and ongoing reaction and response to non-compliance and inaccuracies, as well as monitoring the effectiveness of the implemented control mechanisms. As part of the internal control system, the Bank identifies risks involved in each operation, transaction, product and process, resulting from the Bank's organisational structure. An essential purpose of the internal control system is to secure assets, review the credit exposures, prevent errors and detect data processing errors, ensure reliability of the financial records, improve the effectiveness of operations and stimulate the observance of the strategy and policies established by the Bank. The operation of the internal control system and the risk management system in respect of the process of preparation of the financial statements is based on control mechanisms incorporated in the functionality of the reporting systems, and on consistent verification of compliance with the accounting books and other documents which are the basis for compilation of financial statements and with current legal regulations in the area of the accounting rules and preparation of financial statements. The control mechanisms include the manner of performing tasks in the Bank, in particular: competences, rules, limits and procedures applicable to the Bank's activity, and the control procedures performed by employees and their supervisors in respect of the activity conducted by the Bank.

The Supervisory Board positively evaluates the internal control system and approves the rules of operation of the Bank's internal control system.

## **III. Compliance system assessment**

Getin Noble Bank relies on the experience gained on the financial market, performs on-going analysis of the changing legal and regulatory environment and takes into account the market practice as a

benchmark for taking decision on the extent of its readiness and capability to incur non-compliance risk.

The principal strategic goals of the non-compliance risk management in Getin Noble Bank include:

- creation of the Bank's image as an entity operating in compliance with the laws, regulatory requirements and adopted procedures, in observance of the rules of ethics, integrity and reliability;
- counteracting the risk of financial losses or legal and regulatory sanctions which may result from infringement or inappropriate use by the Bank of the legal regulations and the adopted standards of procedure, including ethical standards;
- building and maintaining positive relations with other market participants, including shareholders, customers, business partners and market regulators.
- effective management of the non-compliance risk, accomplished through separate processes:
  - risk identification, including the data collection process,
  - risk profile assessment,
  - risk monitoring, including compliance testing,
  - risk control and mitigation, including informing about changes in regulations and prudential requirements, assessing the regulations, identification of risk involved in launching new products, advice to staff, internal training, ethical rules,
  - risk reporting.

The report on non-compliance risk management in Getin Noble Bank S.A, and GNB Group is regularly submitted for approval to the Supervisory Board for the purpose of assessing the extent of effectiveness of the non-compliance risk management. The Supervisory Board positively assessed the effectiveness of activities of the Management Board of Getin Noble Bank SA in respect of non-compliance risk management in 2015.

#### **IV. Assessment of management of risks essential for the Company**

Essential risk management in the Bank is subject to internal procedures and regulations applicable to the markets on which the Bank operates, as well as requirements of the competent supervisory institutions, in particular the Polish Financial Supervision Authority. The purpose of the assets and liabilities management policy is to optimise the structure of the balance sheet and off-balance items to obtain the assumed income to risk ratio. The management of the risk at strategic level is the responsibility of the Bank's Management Board, which, for operational management purposes, appointed committees responsible for each area of risk: Credit and Consultation Committee, Assets and Liabilities Management Committee or Operational Risk Committee. The Committees are responsible for managing the risk areas within their responsibility at the operational level, as well as for monitoring the risk level and defining the current policy within the framework of the strategies adopted by the companies' management boards, taking into account the internal limits and supervisory regulations. The supervision over financial risk management is performed by the Supervisory Board.

In its operational activity, the Bank is exposed to the following primary types of risk: credit risk, liquidity risk, market risk (including interest rate and currency risks), solvency risk and operational risk.

The credit risk management in the Bank is intended to ensure the security of the lending activity while retaining a rational approach to the risk. The Bank has developed the following documents: the Lending Strategy and Policy, and the Strategy and Policy of Credit Exposure Risk Management, which lay down the rules, guidelines and recommendations concerning lending activity issues. These documents also form the principal instruments for the implementation of the selected credit risk strategy. The Bank's lending activity involves five areas: mortgage banking, private banking, car purchase financing, other retail loans (cash, credit cards, current and savings account (ROR) overdraft limits), services to small and medium-size enterprises and budget-funded units. The process of credit risk management in the Bank is continuous and intended to:

- stabilise the risk of new sales campaign in areas (products) where satisfactory risk level was accomplished.
- restrict the risk involved in new sales campaigns in areas (products) where the Bank can see the need to reduce the risk,
- improve the quality of the existing credit portfolio.



In 2015, changes were made to the Strategy and Policy of Credit Exposure Risk Management as a continuation of implementation of Recommendation S regarding the maximum level of LtV for credit exposures secured by mortgage on residential property. The Bank continues the policy of reduction of foreign currency loans by ensuring, with respect to new loans secured by mortgage extended to retail clients, full compliance of the exposure currency with the currency of the Customer's income to be used to repay the loans. The Bank's restructuring activity is intended to maximise the effectiveness of difficult debt management, i.e. to ensure the highest recovery with reduced costs incurred to recover the debts, which eventually are imposed on the debtor. The restructured exposures are those that are subject to certain facilities such as a settlement with the debtor who has or is soon going to have difficulties meeting his financial commitments.

The market risk management strategy is defined in the Bank's strategy, i.e. a document approved by the Supervisory Board. The Strategy defines, among other things, the appetite for market risk. The purpose of the assets and liabilities management policy is to optimise the structure of the balance sheet and off-balance items to retain the assumed income to risk ratio. The management of the market risk at strategic level is the responsibility of the Bank's Management Board.

The main purpose of currency risk management is to create a structure of the currency assets and liabilities, and off-balance items within the prudential requirements currently in force, as defined by the banking law, and the adopted internal limits. The current management of the currency risk is the responsibility of the Treasury Department, which monitors the value of the open foreign currency position resulting from the Bank's operations related in particular to the services provided to the Bank's customers, and concludes transactions on the inter-bank market, which restrain the Bank's exposure to currency risk of cash nature, and derivative instruments within the limits granted. To hedge the currency risk, the Bank applies cash flow hedge accounting to secure the fluctuations of cash flows for the portfolio of mortgage loans indexed to CHF and EUR with a separate portfolio of clearly defined CIRS float-to-fixed CHF/PLN and EUR/PLN transactions and hedging of the cash flow fluctuations for the PLN-denominated deposit portfolio with a portfolio of clearly defined IRS fixed-to-float transactions separated from the actual CIRS transactions. Supervision over compliance with the prudential limits and requirements is exercised by the Assets and Liabilities Management Committee.

The interest rate risk management boils down to minimising the risk of negative impact of the fluctuation of the market interest rates on the Bank's financial situation by, without limitation:

- setting and abiding by the limits that restrain the permissible interest rate risk level,
- preparation of periodic analyses to examine the interest rate risk level and the sensitivity of the income statement to interest rate fluctuations,
- concluding transactions restricting the exposure to the risk (derivative instruments, sale/purchase of fixed-rate securities).

Efficiency of risk management (including the efficiency of hedging) is assessed on the basis of the level of use of the limits that restrain the risk exposure. The Bank undertakes measures to restrict the impact of the changes onto its financial result. The interest rate risk management is the responsibility of the Bank's Management Board, which receives and analyses global risk-related reports on a monthly basis and information about the level of exposure to trading portfolio risk on a weekly basis.

The liquidity risk management in the Bank is intended to secure the possibility of payment of liabilities on a daily basis, the ability to maintain liquidity over a short, medium and long term both under normal conditions and in crisis, at the level of the Bank and the market, restricting access to hedged and non-hedged sources of finance. Medium- and long-term liquidity management is within the competence of the Bank's Management Board, while the current and short-term liquidity is the responsibility of the Treasury Department. The Assets and Liabilities Management Committee performs the role of opinion and advice providers in the process of liquidity management. In 2015, the process of liquidity risk management in the Bank, both at the level of strategy and operations, was adapted to the new Recommendation P issued by the Polish Financial Supervision Authority. The liquidity risk management strategy is defined in the Bank's Strategy, while the Bank's approach to risk management is defined in the Liquidity Risk Management Policy. Both documents were approved by the Supervisory Board. Pursuant to the regulatory guidelines, the Bank calculates the regulatory liquidity measures on a daily basis which, in 2015, were above the minimum values specified by the Polish Financial Supervision Authority. In 2015, the Bank followed the policy of maintaining liquid assets at the optimal level from the perspective of liquidity and profitability ratios of the Group.

The Bank manages the operational risk in accordance with the "Operational Risk Management Strategy" established by the Management Board and approved by the Supervisory Board. The Strategy takes into account the prudential requirements resulting from the banking law and the relevant resolutions and recommendations of the supervision authority, containing the characteristics of rules already adopted by the Bank and currently developed or planned for the future. The operational risk management covers all processes and systems related to performance of banking activities which ensure provision of financial services to customers as part of the Bank's business. In all divisions and on all levels of the Bank's organisational structure, as well as in related and external entities, there are groups of units, persons and functions responsible for operational risk management activities. The leading roles in the operational risk management in the Bank are played by the Bank's governing bodies: the Supervisory Board and the Management Board. The role supporting the Directors' activities in the area of managing the operational risk is fulfilled by a specialised committee - the Operational Risk Committee, which performs the functions of a body issuing opinions and advice in the operational risk management process. The principal and prevalent function of operational risk management in the Bank is fulfilled by the employees appointed to do so within a dedicated independent operational risk management unit.

The process of non-compliance risk management includes: risk identification, risk profile assessment, risk monitoring, risk control and risk reporting. In the process of non-compliance risk identification, the Bank carried out current analyses of the prevailing legal regulations, prudential regulations, internal bylaws and standards of procedure adopted by the Bank, and it collected information about events of non-compliance and their underlying reasons. When assessing the risk, the Bank defined the nature and potential scale of the financial losses or legal sanctions. In the process of non-compliance risk management, the Bank takes into account the risk involved in the operations conducted by entities forming the Group of Getin Noble Bank. The principal changes in the legal environment in 2015, which the Bank is obliged to adapt to, included changes and amendments of the laws, also the Banking Law, as well as prudential recommendation of the Polish Financial Supervision Authority (including Recommendation U and P).

The Supervisory Board has assessed the risk management system in place in the Bank and has stated that it covers all the essential risks to which the Bank is exposed.

#### **ASSESSMENT OF THE MANNER THE COMPANY COMPLIES WITH THE OBLIGATION TO INFORM ABOUT THE PRINCIPLES OF CORPORATE GOVERNANCE**

As part of its obligation to inform, Getin Noble Bank S.A. is obliged to abide by prevailing laws, including the Warsaw Stock Exchange ("WSE") Rules and, being a public company, to follow the principles of the corporate governance contained in the "Best Practice for WSE Listed Companies" and the "Principles of Corporate Governance for Supervised Entities".

As part of its activities, the Bank strives to ensure good, timely and effective communication with the capital market participants, considering its influence on the creation of the market value of the Bank's shares. The Company makes efforts to provide the information required by the stakeholders while taking care of common and equal access to the information in observance of the market standards. As part of such efforts, meetings are held between the Bank's Management Board and capital market participants, including current and potential investors and sell-side analysts preparing the report on the Bank, as well as the buy-side analysts. In 2015, several dozen meetings were arranged with local and foreign investors, held both in the Bank's head office, and as part of conferences for investors. The meetings are held to present the current financial situation of the Bank and the operational activities being part of the implemented strategy and planned directions of growth, as well as to discuss issues related to the current macroeconomic situation, condition of the banking sector and general trends on the financial market. The Bank operates a dedicated investor relations website (<http://gnb.pl/>), which is one of the tools for communication of the current information and news about the Company and the Bank's Group to the capital market participants. The website contains documents that enable comprehensive assessment of the Bank's operations, such as, without limitation, current and periodic reports, presentations of financial results, corporate documents, information regarding the General Meeting.

Given the foregoing, the Supervisory Board's assessment of compliance by the Bank with the obligations to inform in 2015 is positive.

## **EVALUATION OF THE RATIONALITY OF CHARITY AND SPONSORSHIP ACTIVITIES OF THE COMPANY**

Getin Noble Bank actively develops its activity in the area of corporate social responsibility (CSR), implementing projects intended to actively engage personnel in social campaigns.

In 2015, in Warsaw, Katowice and Wrocław, an annual Fair Play Run, attended by more than 4 thousand employees and friends of the Bank, was organised. This was a charity event which led to handing over of PLN 50,000 to support treatment and rehabilitation of children of the Bank's employees. The idea of promoting sports was approved by the Bank's Management Board, which led to taking another step, namely, appointment of the official Running Representation of Getin Noble Bank S.A. consisting of employees participating in the biggest running events in Poland.

Another venture undertaken as part of the corporate social responsibility consisted in a charity project "Getin for Children", primarily intended to support children hospices. The initiative involved handing over funds by the Bank and putting together an audio drama addressed to the youngest patients. The employees, selected through an internal competition for the best voice, assumed the roles of the characters in the most beautiful fairy tales of Grimm Brothers and Hans Christian Andersen, and the recording was made in a professional phonographic studio with the assistance of professional actor Artur Barciś. In the finals of the campaign, the Bank's employees visited children hospices in Warsaw, Tychy and Łódź, handing over to children nearly 300 colourful mp3 with recordings of the fairy tales, and symbolic cheques. The Bank also actively supports social activities, such as a blood donation programme Getin Crew, combined with registration of bone-marrow donors.

The Supervisory Board positively evaluates the charity and sponsorship activities conducted by the Bank.

## **ASSESSMENT OF THE OPERATION OF REMUNERATION POLICY IN THE BANK IN COMPLIANCE WITH THE "PRINCIPLES OF CORPORATE GOVERNANCE FOR SUPERVISED INSTITUTIONS"**

The salaries of the Bank's employees are determined in accordance with the scope of responsibilities of each employees in a given organisational unit, the level of liability of the employee and the analysis of pay information presented in pay research carried out on the financial market. The rules of remuneration of the Bank's Directors (Management Board members) and key managers are defined in the "Remuneration Policy for Managers of Getin Noble Bank S.A." ("Policy"), which meets the criteria of the "Principles of Corporate Governance for Supervised Institutions" as adopted by KNF. The purpose of the Policy is to strengthen the managers' tendency to care for the Bank's long-term welfare, protect the customers' and investors' interests and avoid excessive risk exposure.

As part of its responsibilities, the Supervisory Board's Remuneration Committee evaluated the rules for granting variable pay components, and reviewed the "Policy of Variable Pay Components of Managers in Getin Noble Bank S.A.", which included its adaptation to the current legal regulations and recommendations of the supervision authorities as well as the rules of determining the overall amount of remuneration. Additionally, a review of the persons who held managerial positions (Risk Takers) was performed. At the end of 2015 the Risk Takers List included: 8 Directors, members of the Management Board of Getin Noble Bank S.A and 35 employees classified as Key Personnel of the Group of Getin Noble Bank S.A. The Bank adapted its internal bylaws, which included a revision of the Policy to the extent provided for in the Banking Law of 29 August 1997 (Journal of Laws 2015.128 as amended) and 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 investment firms.

The Supervisory Board states that the variable pay component management practice applied to date is compliant with the objectives set out in the Policy and serves to develop and increase the security of the Bank, pursuant to the "Principles of Corporate Governance for Supervised Institutions".

## **EVALUATION BY THE SUPERVISORY BOARD OF COMPLIANCE OF GETIN NOBLE BANK S.A. WITH THE PRINCIPLES OF CORPORATE GOVERNANCE FOR SUPERVISED INSTITUTIONS**

In the Resolution 218/2014 adopted on 22 July 2014 (Official Journal of the Polish Financial Supervision Authority (KNF)), the Authority adopted the Principles of Corporate Governance for Supervised Institutions (hereinafter: "Principles"). According to the Authority's expectations, the Principles were to be implemented as of 1 January 2015.

Since said principles apply to the Bank, an analysis of compliance was carried out, and, whenever necessary, actions were taken to adapt the internal bylaws to the requirements set by the Supervision Authority. Consequently, all governing bodies of the Bank adopted resolutions on application of said rules to the extent required for them (Resolution XXII/12/05/2015 of the General Meeting of 12 May 2015, Resolution 125/2014 of the Supervisory Board of 23.12.2014 and Resolution 2556/2014 of the Bank's Management Board of 10 December 2014). In December 2015, in connection with convocation of the Extraordinary General Meeting, pursuant to the provisions of the Principles, the Bank informed about a one-time deviation from the principle described in §8(4):

*"A supervised institution, when justified by the number of shareholders, should strive to facilitate the participation of all shareholders in the meeting of the General Meeting of the supervised institution, among others, through ensuring the possibility of electronic active participation in the meetings of the General Meeting."*

A waiver from the principle was justified by the lack of sufficiently well-tested technical solutions, and the related risk of inaccuracies in the course of the meeting, such as, without limitation, identification of the shareholders, stability of connection, validity of the resolutions adopted and potential subsequent complaints lodged against them. Such risks, in view of the objects of the resolutions, essential from the perspective of the Bank's operations, had to be reduced.

Nevertheless, to reduce the risk from non-observance of the aforesaid principle, the Bank made it possible to follow live the course of the Extraordinary General Meeting of 10 December 2015, the recording of which was posted on the website [www.gnb.pl](http://www.gnb.pl).

Given the foregoing, and having familiarised with the relevant information, the Supervisory Board states that in 2015 the Bank accurately implemented the Principles of Corporate Governance for Supervised Entities to the extent required under the resolutions of the Bank's governing bodies.