



**GETIN NOBLE**  
BANK • SPÓŁKA AKCYJNA

**Directors' report of  
GETIN NOBLE BANK S.A.  
for the year 2014**

Warsaw, 23 March 2015

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## **1. Activities of Getin Noble Bank in 2014**

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

In 2014 Getin Noble Bank S.A. ('Bank', 'Issuer') achieved net profit in the amount of PLN 322.3 million (by PLN 11.6 million more than in 2013). The activities of the Bank measured by total assets also increased, amounting to PLN 67.6 billion as at 31 December 2014 and was higher by almost 7% comparing to the end of December 2013.

Getin Noble Bank S.A. gradually improves the quality of service and provides its customers with the latest solutions in the field of banking as well as develops the banking based on strong and stable relationships with the customers. In 2014 the Bank undertook further intensive actions intended to build relative banking based on Getin UP assumptions. Among the implemented solutions was i.a. Package of benefits "Mój Bank" ('My Bank'), changes to the offer reflect in the increase of activity of clients who use current account and in positive business results. At the end of December 2014 Getin Noble Bank S.A. serviced nearly 2.5 million of customers.

In 2014 the Bank consistently focused on optimizing the net interest income and improving balance sheet structure by increasing sales of more rapidly rotating credit products and increasing recurring commissions from transaction banking. At the end of 2014 over 146 thousand of corporate customers used the Bank's offer, i.e. by 8.5% more than at the end of 2013. In 2014 the sale of corporate loans and SME amounted to almost PLN 3 billion, what accounts for 28% of whole sales realized by the Bank during the period. Getin Noble Bank S.A. attaches great importance to development of the offer for local government units (JST). In 2014 the dynamic of the balance of loans for JST amounted to 36%, and the Bank's share in loans market amounted to 2.5% as at the end of December 2014 (an increase compared to the end of 2013 by 0.6 pp). The Bank's share in the deposit market for this sector amounted to 10.2% at the end of 2014 (an increase compared to the end of 2013 by 1.4 pp).

Getin Noble Bank S.A. maintained its leadership in the market of financing vehicles. The value of car loans granted in 2014 amounted to PLN 1.5 billion.

By actions taken, i.a. reducing the cost of financing and changing the product-mix, in 2014 increased net interest income by 12.0% y/y to the PLN 1.4 billion. Main external determinant of the change of interest income and expense in 2014 were changes in market interest rates, directly affecting the level of interest rates on deposits and financial assets. As at the end of December 2014 the balance of loans and advances to customers of Getin Noble Bank S.A. amounted to PLN 49.2 billion, and amounts due to customers amounted to PLN 53.9 billion.

Administrative expenses of the Bank in 2014 were kept under control and amounted PLN 832.5 million. An effective cost management in the Bank resulted in the cost to income ratio at 43.3% what is one of the lowest ratio in the banking sector.

In 2014 Getin Noble Bank S.A. consequently realized the policy of disposal of non-performing loans by selling portfolio of impaired loans. The nominal value of the portfolio of irregular receivables sold in 2014 reached a record of PLN 1.8 billion. Retail loans, car loans as well as mortgages were sold under these transactions.

### **Internal conditions**

The main factors and events affecting the Bank's results for 2014 included the following

- The Bank's activities leading to building a safe balance sheet structure in term of foreign exchange and liquidity – the Bank preferred to sell short-term loans – the majority of credit sales realized in 2014 of PLN 10.4 billion were retail and corporate loans (including leasing) - 77% of the total credit sales of the Bank. Mortgage loans accounted only for 8%

of credit sales (for comparison, in 2013 the sale of these loans accounted for 23% of the total credit sales of the Bank). The majority of the loans sold were PLN loans (98.8% of sales).

- In 2014 Getin Noble Bank S.A. entered into further loan agreements with European Investment Bank of total value of PLN 774 million and EUR 40 million.
- On 16 January 2014, the Supervisory Board of Getin Noble Bank S.A. approved the bank securities issue program to the value of PLN 2 billion. Under the program bank securities shall be issued in tranches, in dematerialized form as registered securities; shall not be the subject of public offering or shall not be introduced to public trading on the regulated market. Date of issue and other financial parameters, depending on financial needs and debt securities market situation, shall be set by the Bank in the issue terms of each tranche. The balance of bank securities issued by the Bank as at 31 December 2014 amounted to PLN 21.9 million.
- In response to changing customer behavior model and the dynamic development of modern distribution channels, the Management Board of the Bank decided to reorganise the existing employment structure. As a result of the restructuring of sales channels with the lowest profitability and adjusting the scale of activity of support areas to the needs of the implemented strategy, the Bank reduced its workforce by approximately 400 staff.
- In October 2014 the Polish Financial Supervision Authority released the results of an advanced asset quality review (AQR) carried out with reference date of 31 December 2013 in accordance with the methodology of the European Central Bank (ECB) and of the results of stress tests. Getin Noble Bank S.A. has successfully endured the most important and the most rigorous stress test, i.e. adverse scenario of the stress test. Historical slight capital shortage indicated in the baseline scenario (0.1%) has been already supplemented with surplus in 2014 (+0.9%). At the end of 2014 the total capital adequacy ratio amounted 12.9%, while Tier1 capital ratio amounted to 9.4%.
- On 22 October 2014 the Supervisory Board of the Bank adopted new resolution approving the Dividend Policy of Getin Noble Bank S.A. for the years 2014-2016, according to which the Bank assumes full accumulation of profit in 2014 and 2015, i.e. not to pay dividend of the profit realized in 2013 and 2014.

## External conditions

### *Macroeconomic situation*

In 2014 the dynamics of economic growth was higher than it was in 2013. According to the Central Statistical Office, the gross domestic product in the first three quarters of 2014 was higher in real terms by 3.4% compared to the previous year. Recent forecasts of GDP growth for the entire 2014 oscillate around 3%, which would mean a marked acceleration of economic growth, which in the previous year stood at 1.6%.

Good results of the Polish economy are effect of, among others, high domestic demand, which, according to the latest forecasts increased in 2014 by 4.5%, compared with an increase of 0.2% in 2013. On the other hand, a factor negatively impacted both this year's results and prospects for economic growth is foreign exchange. Lower demand from Western countries and European economic sanctions introduced in trade with the Russian Federation had an impact on the results of Polish exports, which negative contribution to the national accounts in the first three quarters of 2014 was -1.2 pp.

Reduction of the reference interest rate to a historically low level of 2.5% yet in 2013 did not allow to protect the price against deflation. Since July 2014 the ratio of the prices dynamics fell below zero, and achieved the average in 2014 at a level of -0.025%. Negative price dynamics prompted the Monetary Policy Council to vote on a decision to reduce the reference rate to 2% at the October meeting. Since February 2013 the CPI ratio remains below the lower limit of the NBP direct inflation target fixed at 1.5%.

### *Financial market*

The year 2014 was characterized by a relatively stable position of the Polish currency. Exchange rates remained at a level similar to the levels in 2013. In 2014 the minimum exchange rate of USD/PLN was 3.00, EUR/PLN exchange rate was 4.10, while minimum level of CHF/PLN exchange rate in 2014 was 3.36. The average rate of USD/PLN exchange rate in 2014 was 3.15, EUR/PLN exchange rate was 4.18, while the average CHF/PLN exchange rate in 2014 was 3.45. At the end of 2014 Polish zloty weakened against major currencies compared to 2013. In case of EUR/PLN it was an increase by 2.8%, CHF/PLN by 4.8%, while the USD/PLN by 16.4%.

### *Banking sector*

In 2014 the situation of the banking sector was driven by improvement in the macroeconomic situation (acceleration of economic growth and falling unemployment) and a further lowering of interest rates. In October the Monetary Policy Council decided to ease monetary policy – the reference rate fell by about 50 pp. to a historical minimum at a level of 2.00%, while the lombard rate has been reduced by 100 pp. to 3.00%. This means that the maximum interest rate on consumer loans (statutorily defined as four times the lombard rate) fell from 16% to 12%.

According to the Polish Financial Supervision Authority rate of growth of banking sector assets formed at a relatively high level, as at the end of 2014 it amounted to 9.1% y/y. Deposits of non-financial sector increased in this period by 10.2% y/y, and loans by 6.8% y/y. Polish banks' liquidity also remains at a safe level, including loans to deposits ratio for the sector was 103% at the end of 2014.

Results of the advanced asset quality review (AQR) carried out as at 31 December 2013 in accordance with the methodology of the European Central Bank (ECB) and the results of stress tests of 15 Polish banks confirmed that the banking sector in Poland is stable and reliable, which ensures high security of customers funds using their services.

The important events in regulatory environment in 2014 included the reduction of interchange fees on credit card transactions (since 1 July 2014) and the increase in the payments to the Bank Guarantee Fund. In June 2014 the Polish Financial Supervision Authority announced the "U" recommendation introducing new rules and certain restrictions on the sale of insurance products by banks (effective from 1 April 2015).

## **1.2. Important events and achievements affecting the Bank's activities in 2014**

### **Implementation of Getin UP strategy**

Building of strong and stable relationship with customers, based on highest standards of services, structure of products as well as the means of their distribution are the main aims of the Bank Strategy based on Getin Up assumptions. Implementation of these goals is by improve efficiency, reduce cost of financing and increase repeatability of income. Getin Noble Bank S.A. wants to become the Bank of first choice to its customers

Among solutions introduced in 2014 was i.a. the Package of Benefits 'Mój Bank' ('My Bank'). The offer intends to show that stable relationship with Getin Bank is beneficial – the Bank offers a variety of monthly paid financial benefits for active use of Konto Osobiste (Personal Account). As a result of implementation of the whole strategy, sales of active personal accounts rose by 48%.

Getin Noble Bank S.A., since announcing of the Strategy consequently and with determination realises assumed goals. Designed changes of products and services are best technological solutions while plain and functional. Modern online

banking was launched and the Bank branches were equipped with many technological innovations, and each of them aim to build customer relationship with the Bank:

- digital leaflets on tablet,
- monitors for customers built-in advisors desks to inform them of what they are talking with advisor,
- screens in the waiting area,
- video call with a consultant,
- biometric system to identify the Customer.

In 2014 Getin Noble Bank S.A. began new era in the Polish banking, by running the first self-service branch Getin Point. Due to combination of the top innovations and modern solutions, the Bank provides its clients with wide range of products and services traditionally serviced by bank branches. First fully equipped Getin Point was opened in Złote Tarasy shopping mall in Warsaw. By the end of 2014 the Bank opened 7 points.

Getin Noble Bank S.A. implements successively an innovative products and services based on latest technologies. Visa SimplyOne – dual payment card received title of 'Most innovative polish card of 2014'. After the award-winning MasterCard Display with interactive display, it is another innovative solution of Getin Bank awarded by experts of payment card industry. SimplyOne Visa card combines two independent cards in one: debit card to the personal account and credit card allowing use of attractive credit limit or convenient installment payments. With this solution, by using one card customers may carry out all types of transactions, while shopping online, foreign and contactless payments.

In October 2014 the Bank partnered with MasterCard and Norwegian company Zwiipe, to launch payment card with integrated fingerprint sensor. The launch of biometric card is further important step in development of modern financial services, to combine the security of biometric authentication with the speed and convenience of contactless payment. Activation of the card is based on the scan of fingerprint of its owner, and the biometric data are stored in a special, built-in card module. The technology is not only innovative but also fully safe - cardholder fingerprint data is stored directly on the card, not in an external database. The biometric authentication replaces the PIN entry, thus enabling cardholders to make payments of any amount, unlike other contactless payment cards on the market. Innovative biometric card will be available to customers of the Bank in the first half of 2015.

Since December 2014 customers of Getin Noble Bank S.A. may make safe and efficient online payments with direct online payments Paybynet. The system, provided by Krajowa Izba Rozliczeniowa, allows online payment round the clock, and online transfer to the account of a government office. In Paybynet on-line payments are directly between the buyer and the shop. This plain mechanism easily ensures promptness and certainty of the payment.

### **Significant Awards and recognitions received**

In 2014 Getin Noble Bank S.A. offered its customers modern and functional, but also up-friendly banking products and improved service quality. The Bank successfully implements the strategy of building a universal and customer-friendly Polish financial institution, and the effectiveness of these measures was confirmed by independent experts:

- Getin Bank received the first prize in the category of "financial services" for the card with display in the "Future is Now" at the Cristal Festival international festival of creation and advertising held in France. MasterCard Display card has been recognised by the jury of the most creative and innovative design of solutions introduced this year in the financial sector.
- Getin Bank received the award in the category "Best advertising spot of a bank" in the fifth anniversary edition of the "Złoty Bankier" largest consumer poll, which is awarded to the best banks in Poland.

- In the “Jakość na Bank” ranking published by Puls Biznesu, Getin Bank was in the top three of the best banks in Poland and within one year improved its result by 12 positions in the ranking - the result of Getin Noble Bank is the most spectacular promotion (the poll covered 9 areas relating directly to the institution and the employee including atmosphere of a conversation, sales prospect, employee engagement, and even his personal appearance).
- Since the beginning of 2014 Getin Bank remained at the top of the monthly ranking of best car loans of TotalMoney.pl. The Bank won every month in the category of best financing of second-hand cars and 11-times in ranking concerning new cars.
- Money.pl honoured the Getin Bank mobile application as one of the best banking applications of 2014 (third place) – among the main advantages of Getin Bank mobile offer, the ranking authors mentioned payment options using NFC (prepared in collaboration with T-Mobile mobile operator), iKASA service, which allows cashless payments in Biedronka, and easy customization of Getin Mobile application with the ability to add or remove tiles with owned products; they also appreciated the ability to log on with the graphic symbol so-called snake, without the need to rewrite the long login and convenient payments via QR.
- Getin Mobile, a mobile application of Getin Bank was awarded as one of the best mobile solutions worldwide and is among finalists of international competition Effective Mobile Marketing Awards in ‘Most effective campaign or solution in the financial sector’ category.
- Visa SimplyOne – dual payment card received title of ‘Most innovative polish card of 2014’. The award was presented at Polska Gala Kartowa which accompanied VII Central European Electronic Card Conference. After the award-winning MasterCard Display with interactive display, it is another innovative solution of Getin Bank awarded by experts of payment card industry.
- Getin Noble Bank was one of the first affiliate to partnership programme of the Credit Information Bureau "BIK PASS", where you can in a simple and transparent way acknowledge the financial credibility of the borrower.
- In the ranking of personal accounts of Bankier.pl and Wirtualna Polska, Getin Noble Bank took the first two places – the number one was "Getin UP" account and the second place took "Konto Perfekcyjne" available on the Getin Online platform. In the ranking of personal accounts prepared by Bankier.pl, the second place tie won “Konto Doskonałe” of Open Online.
- Getin Point – self-service branch of Getin Bank won ‘Innovation of the month’ in the international competition Distribution and Marketing Innovation Awards (a joint initiative from EFMA and a consulting company Accenture) and was among finalists of competition ‘Dobry Wzór 2014’ (Good Design 2014) organized by the Institute of Industrial Design.
- Second time in a row Getin Bank won in a nationwide Ranking of Banks prepared by Polski Związek Firm Deweloperskich (Polish Association of Developers). The authors evaluated banks under terms of financing and servicing of real estate housing investments. Promptness of credit decision making, attractive conditions, and friendly relationship with Clients, for a second time ensured leadership of Getin Bank in this prestigious rating.
- Getin Noble Bank and Getin Leasing were Effie Awards 2014 winners (a competition organized by Stowarzyszenie Komunikacji Marketingowej SAR) for most efficient marketing communication. Jury awarded silver and bronze in ‘banking’ category for rebranding campaign Getin UP and campaign of Getin Leasing and silver in ‘technology and innovation’ category for the award-winning MasterCard Display Card.

- In October 2014 Getin Bank conducted the world's first biometric debit card transaction. The card is another breakthrough on the market of payment transactions. As the first in the world combines the speed and convenience of contactless payments and security of operations authentication by the use of fingerprint.
- On 29 January 2015 Noble Bank third time in a row was awarded maximum 5-star in ranking of Forbes magazine, taking the leading position in the competition of several banks. Justification for the highest score was innovative character of Noble Bank strategy – in 2014 its key element was expanding real estate competences and announcing the partnership with Sotheby's International Realty, global number one in the luxury real estate market.

### Assessment of financial creditworthiness - ratings

In May 2014 the rating agency Moody's reduced the Outlook of the Long-term Deposit Rating from Stable to Negative and the Outlook of the Bank from Stable to Negative. The change of the Outlook of Getin Noble Bank S.A., as well as of other European banks was made due to the recent voting of the European Parliament over adoption of the EU Bank Recovery and Resolution Directive (BRRD), as well as establishing uniform mechanism of euro zone banks recovery and resolution (SMR) and the influence of the implementation of the above regulations on the limitation to gain support for those institutions from the national authorities.

In October 2014 the rating agency Moody's confirmed Short-term and Long-term Deposit Rating of Getin Noble Bank at not prime and Ba2 respectively. At the same time, the Agency affirmed Financial Strength Rating (BSFR) of D- and changed its outlook to negative from stable. The Agency says that the change in outlook is the result of the Getin Noble Bank S.A. persistent asset quality and profitability challenges against the backdrop of the increasing external risks that pose challenges to Poland's growth expectations.

At the same time the Agency states that the Bank's deposit ratings, which remain unchanged, reflect the Agency's current view on the probability of systemic support based on the Bank's nationwide retail network presence and important market share in loans (5.5%) and in deposits (6.2%).

| Moody's Investor Service              | rating    | Rating outlook |
|---------------------------------------|-----------|----------------|
| Financial Strength Rating (BSFR)/ Ba3 | D-        | negative       |
| Long-term Deposit Rating              | Ba2       | negative       |
| Short-term Deposit Rating             | not prime | stable         |

In May 2014 Fitch Ratings Agency confirmed rating of Getin Noble Bank S.A., which remains unchanged since its assignment in January 2010. The confirmation of IDR and Viability Rating reflects strong result against cost of risk, the improvement in liquidity and stable retail deposit base.

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

## 2. Organization and capital investments of Getin Noble Bank S.A.

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

As at 31 December 2014 share capital of Getin Noble Bank S.A. amounted to PLN 2,650,143,319 and consisted of 2,650,143,319 ordinary shares with nominal value of PLN 1.00 each. The Bank's shares are bearer shares, not privileged and each share give the 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 the date of signing this report, according to the information held by the Bank, the structure of significant shareholders 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 |
|---|-----------------------|------------------------|--------------------|-------------------|
| Leszek Czarnecki (directly)                   | 264,626,609           | 264,626,609            | 9.99%              | 9.99%             |
| Indirectly through:                           |                       |                        |                    |                   |
| LC Corp B.V.                                  | 1,011,728,750         | 1,011,728,750          | 38.18%             | 38.18%            |
| Getin Holding S.A.                            | 200,314,774           | 200,314,774            | 7.56%              | 7.56%             |
| other subordinated entities                   | 3,628,922             | 3,628,922              | 0.13%              | 0.13%             |
| ING Otwarty Fundusz Emerytalny                | 220,000,000           | 220,000,000            | 8.30%              | 8.30%             |
| Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK | 174,300,000           | 174,300,000            | 6.58%              | 6.58%             |
| Other shareholders                            | 775,544,264           | 775,544,264            | 29.26%             | 29.26%            |
| <b>Total</b>                                  | <b>2,650,143,319</b>  | <b>2,650,143,319</b>   | <b>100.00%</b>     | <b>100.00%</b>    |

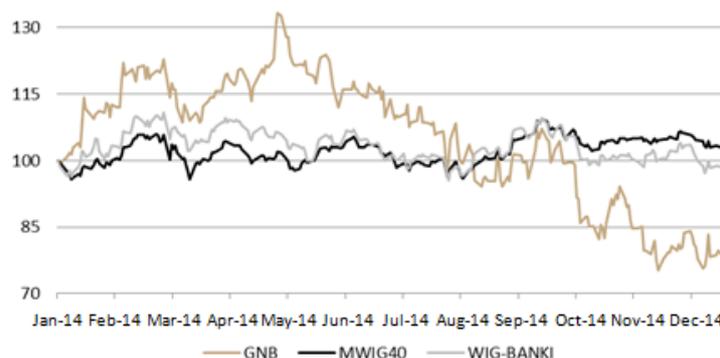
As at the day of signing this annual report for 2014, the Management Board of Getin Noble Bank S.A. did not have information on agreements which may result in changes of the proportion in shares held by existing shareholders of the Bank.

As at 31 December 2014 and 2013 the Bank did not hold own shares

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

All shares of Getin Noble Bank S.A. are introduced to public trading on the main market of Warsaw Stock Exchange. The Bank's shares are quoted under the abbreviated name of GETINNOBLE and labeled with the code PLGETBK00012. The closing share price of the Bank in 2014 fluctuated between PLN 2.08 (on 21 November) and PLN 3.68 (on 30 April). As at 31 December 2014 the Bank's capitalisation was PLN 5.8 billion, whereas its book value amounted to PLN 5.1 billion.

#### Getin Noble Banku S.A. shares quotation and Warsaw Stock Exchange indices (as at 02.01.2014 = 100)



### **2.3. Subordinated entities of the Bank**

Getin Noble Bank S.A. is a parent company of Capital Group, which was described in Note II.3 of Consolidated Financial Statements of Getin Noble Bank S.A. Capital Group for the year ended 31 December 2014.

#### **Related party transactions**

The Getin Noble Bank S.A. understands related party as the Bank's subsidiaries and associates and entities related to 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 II.43 to the financial statements of Getin Noble Bank S.A. for the year ended 31 December 2014.

As at 31 December 2014 the total value of Getin Noble Bank's exposure arising from loans and advances to its related parties amounted to PLN 821 million (PLN 729 million at the end of 2013).

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

Getin Noble Bank S.A., as a universal bank, addresses its product offer to wide range of customers, including individual clients, small and medium-sized enterprises, local government units, health care entities and large corporations. The Bank has a diverse range of products, which is continuously adapted to the preferences and needs of customers in the area of financing, saving and investing and a wide spectrum of additional services. The products are offered through various distribution channels, from traditional bank branches to the latest technology used in online banking and a new generation of banking facilities (Getin UP branches equipped with many technological innovation and self-service Getin Point facility). Variety of channels and forms of banking products distribution enables the customers to contact the Bank in the most convenient way.

Getin Noble Bank S.A. consistently pursues a strategy of shortening the maturity of assets by focusing on sale of short and faster amortising products. In 2014 the most of credit product sales was cash loans, car and corporate loans, as well as financing of local government units and related entities, communities and housing associations. Sales of mortgage loans in 2014 accounted for a small percentage of the total loan sales of the Bank.

Changes in the sales structure, minimizing of sale of foreign currency loans and mortgage loan portfolio being paid off resulting in a systematic decrease in the share of foreign currency loans in the loan portfolio, from approx. 56% as at the end of 2009 to less than 30% at the end of 2014.

In 2014 the Bank has consistently implemented solutions to develop database of active current and savings accounts. The applied forms of promotion were focused on strengthening the stable customer base who have a fixed relationship with the Bank.

On the other hand, the Bank has in mind the need to optimize the maturity structure of assets and liabilities – and what goes with it – to develop the long-term sources of funding. In 2014 the Bank increased the share of term deposits with a maturity of at least 12 months in the Bank's total deposit balance up to a level of 36.5%.

Getin Noble Bank S.A. conducts retail banking under the brand name of Getin Bank, which specializes in the sale of cash loans, mortgages and car loans and offers a range of investment products and deposits. Getin Bank has a comprehensive range of products aimed at small and medium-sized companies, public sector entities, healthcare providers and large corporations, allowing to build lasting relationships with customers and meeting their needs.

Noble Bank represents the private banking segment of Getin Noble Bank S.A., which is dedicated to wealthy clients. Noble Bank products are offered through a nationwide network dedicated exclusively private banking services. The focus of Noble Bank is comprehensive advice on customers personal finance – the selected group of clients of the Bank are offered special dedicated lines of products, asset management, legal and tax support, art banking, brokerage and concierge services.

The product offer of Getin Noble Bank S.A. is supplemented by the products offered by other companies of Capital Group: Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A., Brokerage House Noble Securities S.A., Noble Concierge sp. z o.o. and Getin Leasing S.A. Capital Group. In co-operation with the above-mentioned companies, Getin Noble Bank S.A. provides its clients with access to brokerage services, concierge services, investment fund units and investment fund certificates, as well as lease products and vehicles rental services.

## **Retail banking**

### Car loans

Car loans are one of the main products offered by Getin Noble Bank S.A. Consecutive year the Bank confirmed to be a leader on the market of car loans in Poland, with a market share of over 50%.

Car loans are mainly sold through the network of almost 950 agents actively co-operating with the Bank, authorized dealerships, car consignment dealers and the Bank employees.

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 car 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 addition, the Bank offers loan to finance the stock for car dealers and second-hand dealers.

In particular the Bank provides a full service for Opel and Chevrolet dealers in cooperation with General Motors Poland. In 2014 sales made through these brands in total amounted to PLN 205 million.

2014 was another year in which a significant complement to the Bank's offer of financing the purchase of a vehicles was a car lease, carried out in cooperation with the Getin Leasing S.A. In 2014 Getin Leasing S.A. took the 1<sup>st</sup>. place in the country among leasing companies in respect of financing of vehicles.

### Consumer loans

Consumer loans are mainly provided through the network of the Bank's own outlets and franchise outlets. In 2014 the activities of Getin Noble Bank S.A. in respect of the increase of the balance of granted consumer loans were focused on building a new portfolio on the basis of existing customers of the Bank and the new customers of segments characterised by lower credit risk as well as limiting the early repayment of loans. In this respect, the Bank intensified mailing actions and preferential pricing terms for selected clients. The Bank also simplified procedures associated with the acceptance of income evidence of the clients on the basis of the PIT, RMUA and bank statements. Decision making processes on granting loans, in particular using a computer system responsible for processing of loan applications, were improved simultaneously.

In 2014 the Bank withdrew from the sale of installment plans for purchase of goods and services, distribution of which was based mainly on a network of Partners cooperating with the Bank. In the context of increasing the competitiveness of the offer the Bank on a regular basis adjusted its products to the market requirements. In this respect, it has began implementation and testing work on making credit products available through internet and mobile banking.

The Bank's main lending products include:

- cash loan,
- consolidation loan,
- credit limits on current account and credit card.

#### Mortgage loans

Mortgage loans account for a small percentage of new sale which is realized through the network of the Bank's own outlets and specialized financial intermediary companies.

In 2014 the Bank participated in the National Fund for Environmental Protection and Water Management program – 'Efficient use of energy. Subsidies for loans to build energy-efficient houses', and joined the government scheme aimed at helping in purchase of first apartment 'Mieszkanie dla młodych'.

#### Deposit offer

In 2014 in terms of obtaining funds the Bank made efforts to increase number of deposit products per customer. This aim was realized mainly by sales of current accounts, which are the basis for further relationship between the Bank and the customer in terms of other deposit products. In this respect Getin UP account which is the core product has been expanded. To increase its attractiveness promotion campaign was launched – Package of Benefits, when the active use of current account results in a variety of facilities and financial bonuses for customer, in particular concerning conditions of additional products i.e. savings account or modern debit cards. To rise sales of active current accounts a variety of promotional actions were taken to encourage to open a current account or its active usage. Additionally online and mobile banking channels are expanded. These activities resulted in rise of number of current accounts as well as serviced customers in branches and online channels.

In 2014 the emphasis was also on obtaining savings accounts. Therefore was promotion campaign to get funding from these type of an account and customers were offered with higher interest rate on savings account as one of main bonuses of Package of Benefits. Savings Account with the interest rate depending on the activity on an account was launched in Noble Bank.

In the area of term deposits in 2014 the aim was to obtain the balance of deposits maintaining the proper liquidity, while minimizing costs. The Bank was active in obtaining term deposits using online channel. The offer of long-term deposits in Noble Bank was supplemented by the issues of Bank Securities (PLN and foreign currencies).

#### Payment cards

Getin Noble Bank S.A. offers a wide spectrum of credit and debit cards which satisfy a variety of clients, including those in the business sector. The Bank issues cards under the two main settlement systems i.e. Visa and MasterCard. Particularly noteworthy is Mastercard Display, Simply One and first VISA card issued in HCE technology by the polish bank (card in cloud).

The cards palette includes besides credit cards World, Business World and Business Executive also MasterCard Debit card and Platinum Debit. All cards issued under the Getin brand are equipped with contactless payment functions authorized online. At the end of 2014 the Bank commenced pilot issue of the first in Poland VISA card in HCE technology (card in cloud). Debit and credit products issued in the NFC technology (Near Field Communication) complete the offer. Thus the Bank has the ability to personalize and manage a payment card on a client's mobile completely remotely using the infrastructure of mobile operators.

For the private banking segment are reserved the Noble cards made of solid metal. Platinum debit card and Elite credit card create together a duet of the most prestigious in this product segment in Europe. With NFC technology as the first bank in Poland, the Bank offers to its customers these cards also available on smartphones, to meet the expectations not only demanding customers, but most of all those who appreciate innovation and security.

### **Private Banking**

Getin Noble Bank provides private banking services to wealthy clients under the Noble Bank brand. The Bank operates the nationwide network dedicated exclusively to private banking. All branches of Noble Bank are located in the centers of big cities and designed in such a way to provide clients with full convenience and discreetness of business meetings.

The focus of the Bank is comprehensive advice on customers personal finance. Special dedicated product lines, asset management services and brokerage services are addressed to a selected group of clients. Noble Securities S.A. brokerage house offers to the Bank's customers a wide range of services related to the capital market, so that the Bank's customers have access, inter alia, to a number of corporate bonds issues. In cooperation with Towarzystwo Funduszy Inwestycyjnych Noble Funds TFI S.A the Bank offers its customers the wealth management services. The Noble Bank's customers can also take advantage of concierge service developed by Noble Concierge sp. z o.o. Within the Wealth Guard the customers get the access to the services of the largest Polish law firm – Domański Zakrzewski Palinka sp. k. Solutions developed by the office will include, among others, corporate governance, succession, tax planning and the protection of privacy.

In 2014 Noble Bank focused on further development of products and services available to wealthy clients. The Bank reported high sales growth of investment funds in comparison with previous years – it successfully introduced new closed investment funds in innovative formula. Customers were also interested in corporate bonds, which sales far exceeded the volume of PLN 800 million.

The Bank undertakes actions aimed at increasing the bank-customer relationship. For this purpose, there are 2 series of meetings for customers: Private Banking After Hours and Noble Market Review. The meetings are organised in prestigious locations and are designed to both expand cooperation with existing customers, but also inviting potential new Private Banking clients. In 2014 in both cycles 45 meetings and 25 partnership events was held for the Noble Bank clients and was visited by nearly 3 thousands customers.

### **Corporate banking**

The Bank continues to develop its activity in the sector of small and medium-sized enterprises (SME) and local government units. The Bank is modifying its loan offer according to the changes in economic situation.

#### Loan products

Lending products offered by Getin Noble Bank S.A. in 2014 are as follows:

- financing of the purchase of property, plant and equipment in the form of lease,
- financing of property development projects,
- loan in current account and in loan account,
- investment loan,
- loan from the funds of European Investment Bank,
- investment loan for housing communities,
- thermo-modernization and renovation loan for housing communities with BGK premium,
- loan in current account and investment loan for MSE with BGK de minimis guarantee,
- business loan,
- loan for business entities cooperating with local authorities or state budget entities,

- receivables purchasing for business entities working with local authorities or state budget entities,
- bank guarantees,
- faktoring,
- financing of public health service entities,
- individual loan products dedicated for small and medium-sized enterprises.

#### Selected deposit products

'Moja Firma' in the offer of Current Accounts:

- four types of current accounts adjusted to requirements of corporate customers for a single fee,
- package of free of charge cash transfer under the commission for the maintenance of a bank account,
- free of charge online cash transfer to Social Insurance Institution and Tax Office,
- premium for the account balance for active users,
- free of charge legal assistance in each package and legal support in selected options,
- services available within the account: TELE GB, modern Online Banking system of Getin Bank with mobile application, SMS Service, standing orders, direct debit.
- availability to apply for debit in the account for active users.

The Bank also offers dedicated accounts package for housing communities and housing associations, including deposit account to invest capital surplus.

#### Treasury products for corporate clients

In 2014 the Bank developed active sale of treasury products to its corporate clients. With a distinctive product offer the Bank significantly increased the number of supported businesses. The treasury products were offered mainly to small and medium-sized enterprises. The treasury products to hedge against the currency risk had their applications in many large investment projects that the Bank pursued together with customers. In addition to the most popular hedging transactions, the Bank pursued many structured transactions on the foreign exchange market, tailored exactly to the needs of customers.

In 2014 the following treasury products to corporate clients were offered:

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

Appropriate regulations, agreements and procedures were also developed for entering into treasury transactions within the transaction limits or cash collateral. The Bank's offer of variable treasury products enables it to fully realise the corporate banking development strategy.

## 4. Financial situation and results of the Bank

### 4.1. Income statement

|  | 2014           | 2013           | Change y/y  |
|--|----------------|----------------|-------------|
|  | PLN thousand   | PLN thousand   | %           |
| Net interest income  | 1,404,219      | 1,254,116      | +12.0       |
| Net fee and commission income  | 355,039        | 358,472        | -1.0        |
| Net other result *   | 163,754        | 151,478        | +8.1        |
| Administrative expense   | (832,456)      | (793,508)      | +4.9        |
| Net impairment allowances on financial assets and off-balance sheet provisions | (695,569)      | (593,707)      | +17.2       |
| <b>Profit before tax</b>   | <b>394,987</b> | <b>376,851</b> | <b>+4.8</b> |
| Income tax   | (72,640)       | (66,096)       | +9.9        |
| <b>Net profit</b>  | <b>322,347</b> | <b>310,755</b> | <b>3.7</b>  |

\* Net other result includes dividend income, result on financial instruments measured at fair value through profit or loss and foreign exchange gains, result on other financial instruments and other operating income and expense.

### Net interest income

In 2014 the Bank noticed the increase of net interest income in comparison to 2013 by 12.0% - mainly due to the drop of interest expense by 13.8%. The main components of net interest income was interest income on loan activities (80.4% of interest income of the Bank) and interest expenses on deposit activities (interest expense on client's deposits accounted for 83.0% of interest expense of the Bank). About 49% of interest income related to loans and advances to customers are interest on mortgages – the Bank year by year increases the share of short-term loans in loan portfolio, what results in decrease of the share of interest on mortgages in interest income. Expenses related to debt securities issues increased by 19.2% y/y and in 2014 account to 7.8% of interest expenses of the Bank.

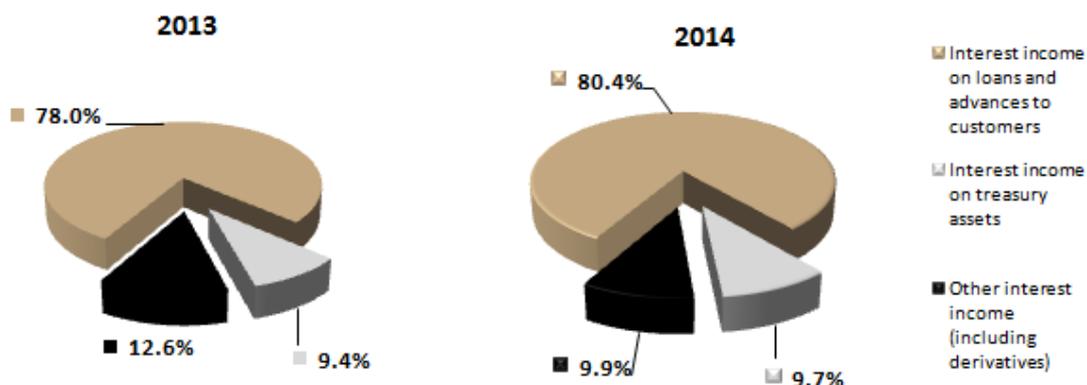
In 2014 the main external determinant of change in interest income and expense were changes of market interest rates, which affect directly the level of interest rates on deposits and customer loans based on market rates adjusted for margin.

In October 2014 the National Bank of Poland cut interest rates, including Lombard rate by 1 pp. to the 3%. According to the Civil Code, the maximum amount of interest resulting from legal action cannot exceed four times the Lombard rate of the NBP (maximum interest), in this respect the Bank has lowered interest rates on active loans with a total balance of approx. PLN 4 billion, whose interest rates before cut of Lombard rate was higher than 12%.

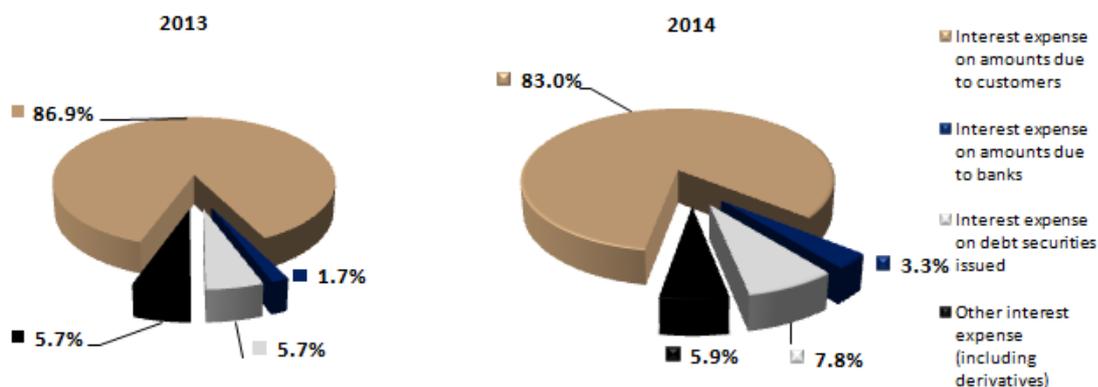
Actions taken by the Bank to reduce financing cost, resulted in decrease in interest expense related to amounts due to customers by 18%; while the amounts due to customers simultaneously rose by 2.9% (amounts due to customers as at 31 December 2014 amounted to PLN 53.9 billion).

Getin Noble Bank S.A. manages the deposit base ensuring on the one hand an increase of the base of stable sources on current and savings accounts, on the other hand obtaining long-term customer funds, as a source of funding of long-term assets of the Bank. At the end of 2014 14.8% of funds of the deposit base were on current and savings accounts and 36.5% of customers funds with maturity of at least 12 months.

**Structure of interest income in 2013 and 2014**



**Structure of interest expense in 2013 and 2014**



**Net fee and commission income**

In 2014 net fee and commission income amounted to PLN 355.0 million and sustain previous year's level. Like the previous year net fee and commission income mainly comprise of commission on investment product, current accounts and cards as well as not recognizing income relating to sales of insurance and loans in the effective interest rate.

## Net other result

In 2014 net other result (dividend income, result on financial instruments measured at fair value through profit or loss and foreign exchange result, result on other financial instruments and net other operating income and expense) was higher by PLN 12.3 million (i.e. about 8.1%) than net other result of 2013.

## Administrative expenses

In 2014 administrative expenses of the Bank increased by PLN 38.9 million, i.e. 4.9%, in comparison to prior year. Additional fees for the Bank Guarantee Fund and Polish Financial Supervision Authority in the amount of PLN 14.3 million paid due to the introduction of a prudential levy were charged to the profit or loss account of the Bank for the 12-month period ended 31 December 2014. Moreover in 2014 the Bank spent more on marketing and advertising by 16.8%, i.e. by PLN 9.4 million.

The main item of administrative expenses were employee benefits, which amounted PLN 356.1 million and accounts for 42.8% of administrative expenses.

The Bank effectively manages its costs – in 2014 cost to income ratio of Getin Noble Bank amounted to 43.3% what is one of the lowest in the banking sector; according to preliminary data of Polish Financial Supervision Authority the average ratio for the banking sector was 51% as at 31 December 2014.

## Net impairment allowances on financial assets and off-balance sheet provisions

Net impairment allowances on financial assets and off-balance sheet provisions recognized in profit or loss in 2014 amounted to PLN 695.6 million and was higher by 17.2% in comparison to 2013, while the estimated value of impairment allowances related to the implementation of post-inspection recommendations and AQR review is about PLN 95 million. Without the inclusion of these additional costs, net impairment allowances on financial assets maintained the level of 2013. An essential share in the structure of allowances had allowances on portfolios with largest share in credit assets of the Bank, i.e. mortgages and retail loans (81.5% in total value of allowances in 2014). The rise in volume of impairment allowances on loans and advances to customers was on the exposure of impaired portfolio (over PLN 695 million), change in IBNR allowances had no relevant impact on the result.

In 2014 the Bank made on a regular basis review and modification of impairment procedures as well as implemented changes to operating methodologies of allowances, if internal analyzes of models indicated such need (eg. maintaining the homogeneity of the models, the method of calculating the parameters of portfolio), moreover implemented direct recommendations of PFSA on impairment models and after AQR in accordance with its timetable – in particular it applied to individual assessment model for impaired mortgage loans (i.e. the extension of the list of indications of impairment, clarifying the principles of recognition of hedge in the cash flow statement, reclassification of the agreements referred to in AQR process), and due to reclassification made the effect of recalibration was recognized in allowances.

In 12-month period ended 31 December 2014 Getin Noble Bank S.A. intensified sales of non-performing receivables, improving credit quality ratios and affecting the level of impairment allowances – each time the Bank sold portfolios above its recoverable amount, resulting from applicable impairment models. In particular, the process affected portfolio of mortgages, retail and car exposures.

The structure of net impairment allowances and off-balance sheet provisions in 2014 and 2013 is presented in the table below

|  | 2014           | 2013           | Change y/y   |
|--|----------------|----------------|--------------|
|  | PLN thousand   | PLN thousand   | %            |
| Corporate loans  | 78,167         | 60,315         | +29.6        |
| Mortgage loans   | 376,077        | 176,381        | +113.2       |
| Car loans  | 51,931         | 110,194        | -52.9        |
| Retail loans   | 190,970        | 233,234        | -18.1        |
| <b>Loans, total</b>  | <b>697,145</b> | <b>580,124</b> | <b>+20.2</b> |
| Other impairment allowances and off-balance sheet provisions | (1,576)        | 13,583         | -111.6       |
| <b>Total</b>   | <b>695,569</b> | <b>593,707</b> | <b>+17.2</b> |

## Key financial ratios

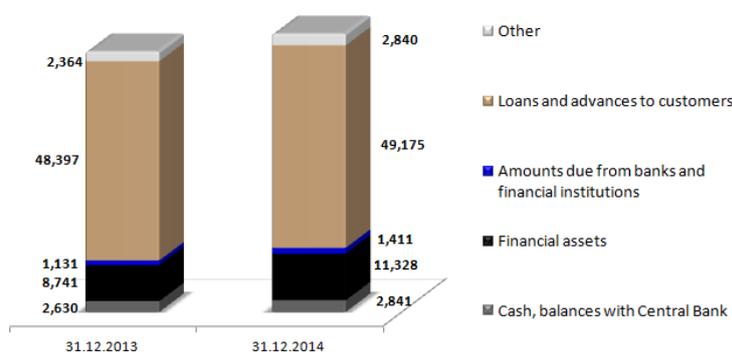
|  | 2014 | 2013 | Change y/y |
|--|------|------|------------|
|  | %    | %    | pp.        |
| ROE net                                      | 7.2  | 7.6  | -0.4       |
| C/I (cost to income)                         | 43.3 | 45.0 | -1.7       |
| Capital adequacy ratio / Total capital ratio | 12.9 | 12.4 | +0.5       |

## 4.2. Statement of financial position

### ASSETS

As at 31 December 2014 Getin Noble Bank total assets amounted to PLN 67.6 billion. During the year total assets increased by PLN 4.3 billion, i.e. over 7%. The main part of the Bank's assets are loans and advances to customers (72.8% of the total assets). Total balance of investment financial assets (financial assets measured at fair value through profit or loss, available for sale financial assets and held to maturity) amounted PLN 11.5 billion at the end of 2014 (an increase by PLN 2.8 billion i.e. by 31.5%) and consisted primarily of a portfolio of bonds issued by State Treasury of the value of PLN 7.7 billion.

#### Structure of assets as at the end of 2014 and 2013 (PLN million)



### Loan portfolio

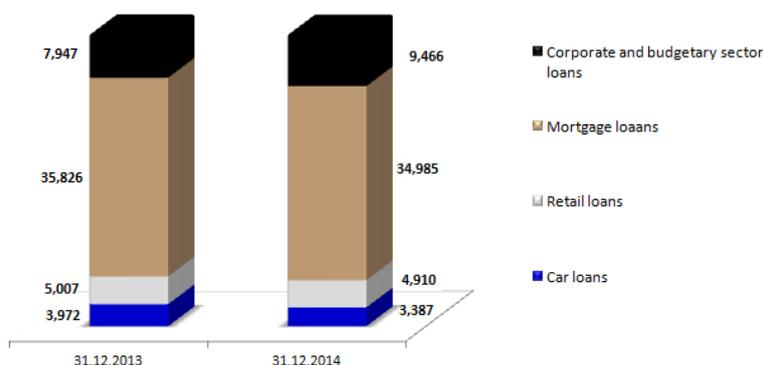
The Bank successively changes the structure of products sold, by increase of sales of faster-rotating retail/corporate loans and limiting sales of mortgages. In the fourth quarter of 2014 the sale of retail loans was ten times the sales of mortgages (PLN 665 million and PLN 66 million respectively). Mortgage sale accounted to 8% of the whole sale in 2014 (23% in 2013). The biggest share in sale in 2014 (51%) had corporate loans and purchase of lease receivables.

| Share in sales of loans | 2014 | 2013 | Change y/y |
|-------------------------|------|------|------------|
|                         | %    | %    | pp.        |
| Mortgage loans          | 8    | 23   | -15        |
| Other loans             | 92   | 77   | +15        |

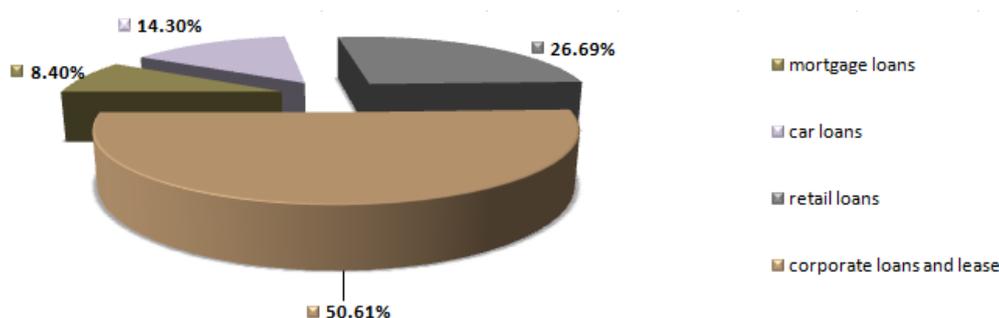
Loans in PLN accounted for 98% of all new loans granted in 2014.

The average interest profitability (taking into account the effective interest rate), related to loan portfolio achieved in 2014 amounted to 6.0%. The profitability remains determined by the currency structure of loan portfolio, within which loans in foreign currencies or denominated in foreign currencies account for 30%, which interest profitability is lower due to lower reference rates.

**Loans and advances to customers gross as at the end of 2014 and 2013 (PLN million)**



**Structure of loan sales in 2014**

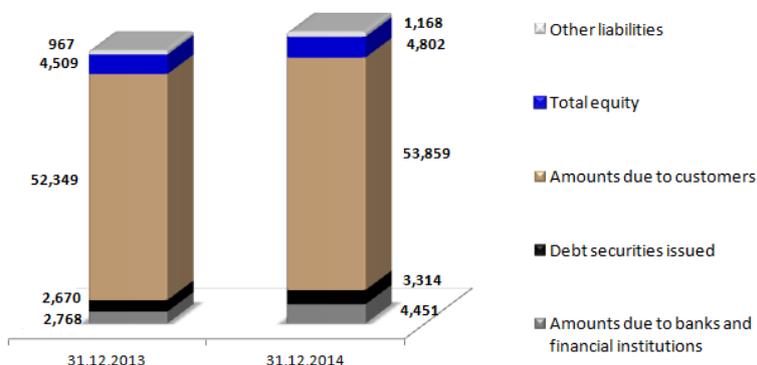


**EQUITY AND LIABILITIES**

Customer deposits are the main source of funding of the Bank's loan activity. Amounts due to customers amounted PLN 53.9 billion and account for 80% of total liabilities and equity as at 31 December 2014 (increase by PLN 1.5 billion in comparison to prior year).

In 2014 the Bank increased the balance of the amounts due to banks and financial institutions by nearly PLN 1.7 billion, among others, by obtaining further funds from the European Investment Bank.

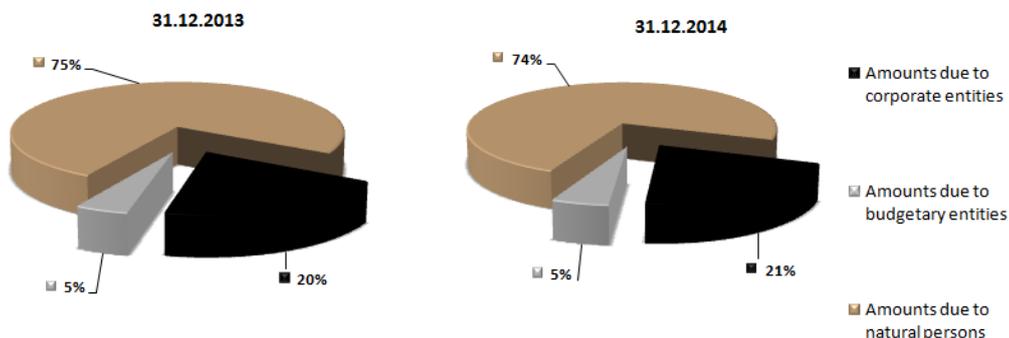
**Structure of equity and liabilities as at the end of 2014 and 2013 (PLN million)**



**Deposit base**

The term deposits are majority amounts due to customers (account for 86% of the Bank deposit base). The increase in amounts due to customers in 2014 mainly resulted from the increase in the balance of customers term deposits by PLN 2.5 billion to the PLN 46.2 billion.

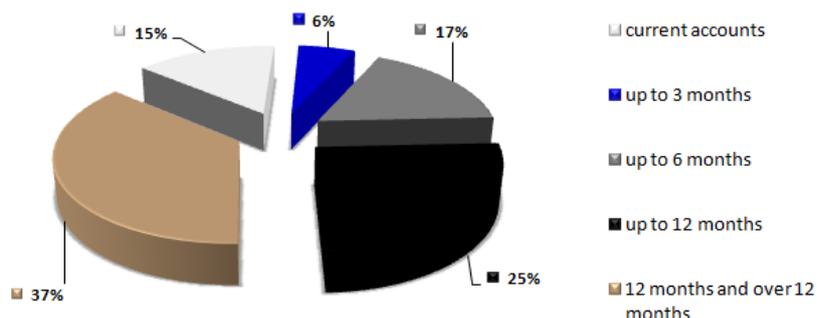
**Structure of amounts due to customers as at the end of 2014 and 2013**



In 2014 the average interest margin related to customer deposits amounted to 3.3% and was lower by 0.9 percentage points in comparison to prior year. Decrease in the cost of funds obtained is a result of decrease in deposit interest rates due to decrease in the reference rate during last two years.

At the end of 2014 the share of deposits with an original maturity of and over 12 months in total deposits was 37%.

**Structure of customers deposits by original maturity at the end of 2014**



### 4.3. Contingent liabilities

The Bank liabilities arising from granted loans and guarantees of loans repayments as at 31 December 2014 amounted to PLN 2.1 billion (a decrease in 2014 of nearly PLN 0.5 billion)

|  | 31.12.2014       | 31.12.2013       |
|--|------------------|------------------|
|  | PLN thousand     | PLN thousand     |
| Financial                                    | 1,938,926        | 2,455,488        |
| Guarantees                                   | 161,380          | 108,208          |
| <b>Contingent liabilities granted, total</b> | <b>2,100,306</b> | <b>2,563,696</b> |

|   | 31.12.2014     | 31.12.2013     |
|---|----------------|----------------|
|   | PLN thousand   | PLN thousand   |
| Financial                                     | 406,558        | 250,000        |
| Guarantees                                    | 387,233        | 483,298        |
| <b>Contingent liabilities received, total</b> | <b>793,791</b> | <b>733,298</b> |

Neither in 2014 nor in 2013 the Bank grant any sureties or guarantees – total to one entity or its subsidiary, which total value accounted for equivalent of at least 10% of the Bank's equity.

## 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, Advisory 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 incurred by the entity connected with customer's failure to repay loan or its part within terms described in the loan agreement.

Credit risk management in the Bank aims at ensuring the safety of lending activities, while maintaining a reasonable approach to risk undertaken in its operations. In conducting its lending activities, the Bank follows the following rules:

- The Bank acquires and keeps in its loan portfolio loan exposures which ensure the safety of the deposits held by the

Bank and its capital by generating stable earnings,

- While making credit decisions the Bank investigates the risks resulting from the given transaction giving consideration to the general credit risk attached to the given client and the industry as well as other circumstances that may have an influence on the recoverability of the debt,
- A loan or other commitments are granted if the client meets the requirements established in the Bank's internal instructions.

The process of credit risk management in Getin Noble Bank S.A. is a continuous process aiming at:

- stabilisation of risk of newly granted loans in the areas/products, which achieved a satisfactory level of risk,,
- reduction of risk of newly granted loans in the areas/products where the Bank recognises the need to reduce the risk,
- improvement of quality of the existing loan portfolio.

#### *Structure and organization of credit risk management unit*

The main participants of the system of credit risk management in the Bank are:

##### Supervisory Board of the Bank

The role of the Supervisory Board is to approve credit risk management strategy and credit policy, periodic assessment of realization by the Management Board of the Bank's credit strategy and policy, supervising the control function of credit risk management system and assessment of its adequacy and efficiency.

##### Management Board of the Bank

The Bank's Management Board is responsible for the development, implementation and updates of credit risk strategy and procedures, periodical reporting to the Supervisory Board on the effects of realization of credit policy and on functioning of credit risk management system, maintaining communication with the supervisory authorities and reporting to these authorities as well as making available to these authorities of all required by law information on credit risk. The Management Board of the Bank is also responsible for the development of credit risk management system and for supervising the management function over credit risk in all areas of the Bank's business.

##### Credit Committee of the Bank

The Bank's Credit Committee role is to support the Bank's Management Board in fulfilling its opinion-making and advisory functions in the process of credit decisions making and making decisions on its own as part of the rights granted by the Management Board. It is also responsible for recommending to the Bank's Management Board system solutions relating to the determination of internal limits of exposure to issuers of securities and to other banks. Credit Committee of the Bank reviews all aspects relating to credit risk of current transactions.

##### Advisory Committee of the Bank

Advisory Committee of the Bank constitutes advisory body in the process of credit decision making (in accordance with credit decision making procedure currently in force in the Bank) in case of exposures below the competences of the Credit Committee of the Bank. Advisory Committee of the Bank does not have decision-making power.

##### Credit Risk Committee

Credit Risk Committee serves as an advisory body in the process of credit risk management in the Bank. The scope of its tasks include: to assess the level of credit risk in the Bank, including concentration risk, counterparty, product and credit risk in the subsidiaries of the Bank, to recommend the level of "risk appetite" for a calendar year and to receive reports on its

implementation during the year, to evaluate the results of stress tests carried out and to recommend taking certain actions, review reports, simulations, information on credit risk and/or recovery processes.

#### Credit Risk Division of the Bank

The Bank's organizational structure is adapted to credit risk management policy. The separated Credit Risk Division, which reports directly to the Member of Management Board, consists of three departments:

- Department of Credit Risk Management is responsible for credit risk management at every stage of credit process in the Bank.
- Department of Systematic Analysis of Credit Risk executes tasks related with credit risk reporting in Bank's activities. Department is also responsible for calculating impairment allowances and capital requirements on credit risk
- Department of Statistical Analysis executes tasks in the area of optimization of processes, which require developing statistical models, implementing scoring cards and monitoring of their effectiveness

#### Credit risk units in individual business areas of the Bank

Credit risk units in individual business areas of the Bank are responsible for current monitoring of credit risk in those areas based on the adopted credit risk management strategy, credit policy, recommended business directions and current procedures. These units are also responsible for the realization of the recommendations of the Credit Risk Division and internal audit relating to activities which mitigate credit risk.

#### Internal Audit Department

The role of the Internal Audit Department is to control and assess the quality of credit risk management system and to conduct periodic reviews of the credit risk management process in the Bank. The aim of the Internal Audit Department is to identify any irregularities in executing by credit risk management system participants of their roles and tasks.

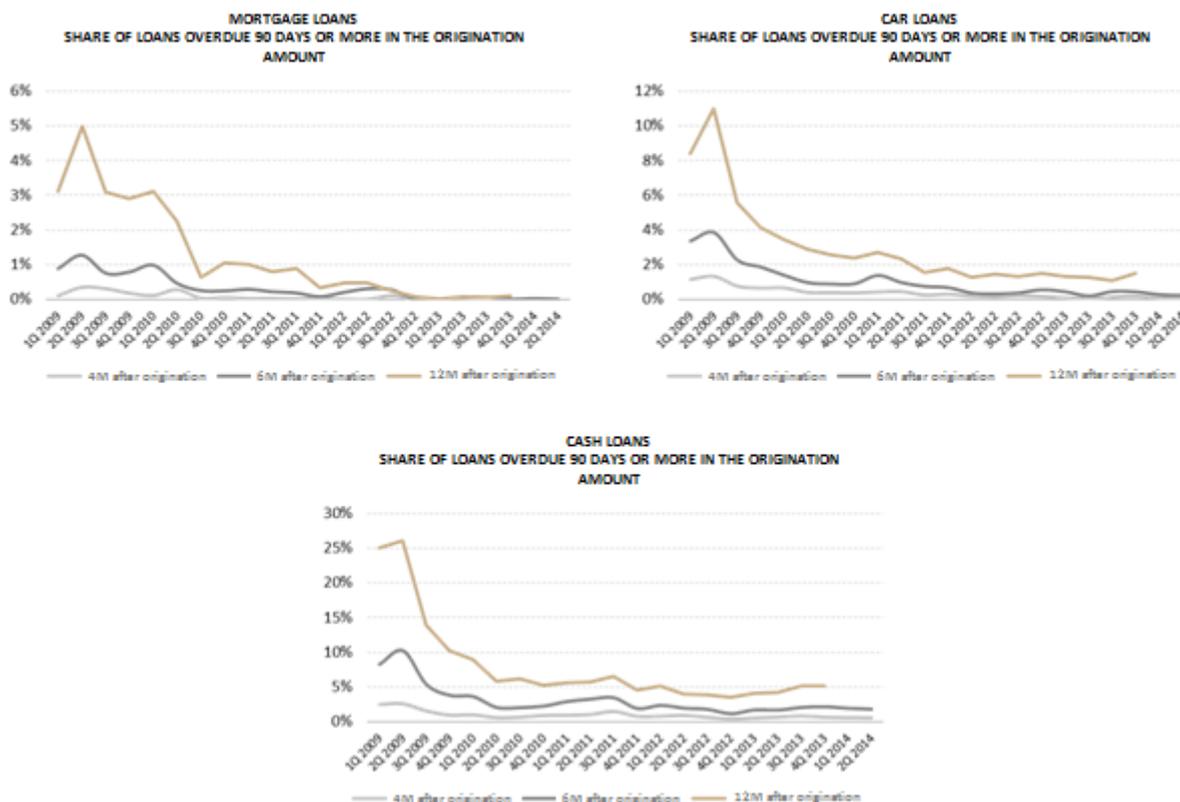
#### *Credit risk management strategies and processes*

The Bank has developed formal "Credit Strategy and Policy" and "Credit Exposures Risk Management Strategy and Policy", which define policies, guidelines and recommendations relating to credit activities. These documents serve also as a basic instrument for the realization of a selected strategy towards credit.

The policy towards credit risk is subject to review and adjustment taking into account, both: external regulations (PFSA resolutions) and to macroeconomic factors, which may, in the Bank's opinion, have influence on credit risk increase. In particular, since 2010 the Bank continuously monitors the credit risk of lending activities and constantly modifies processes/ credit products adapting them to changing market realities.

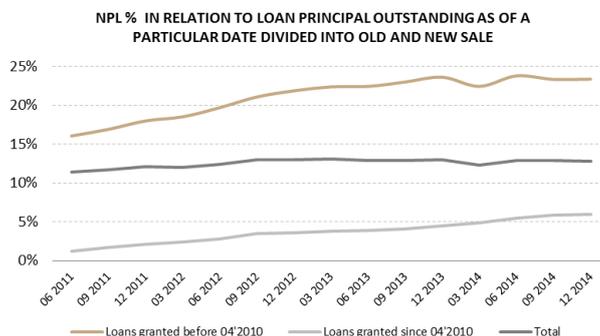
In 2014 the Bank made amendments to the Strategy and risk management policy of mortgage-secured credit exposures arising from the guidelines of the revised S Recommendation. The Bank continues its policy of limiting sale of foreign currency loans by ensuring full compliance of currency exposure with client's currency income to the newly granted loans secured by mortgages for retail customers. In addition, the Bank imposed further restrictions on lending to customers in segments with increased risk in mortgage loans, and for loans granted for purposes related to the business activity the Bank expanded the scope of economic analysis to assess the forecasts.

The actions undertaken by the Bank have measurable impact on maintaining levels of risk within the "risk appetite" approved by the Management Board and the Supervisory Board. Differences in the level of repayment of major credit products in recent years are shown in the following charts – there is significantly noticeable improvement in the quality of sales in 2010 and its maintenance in subsequent years.

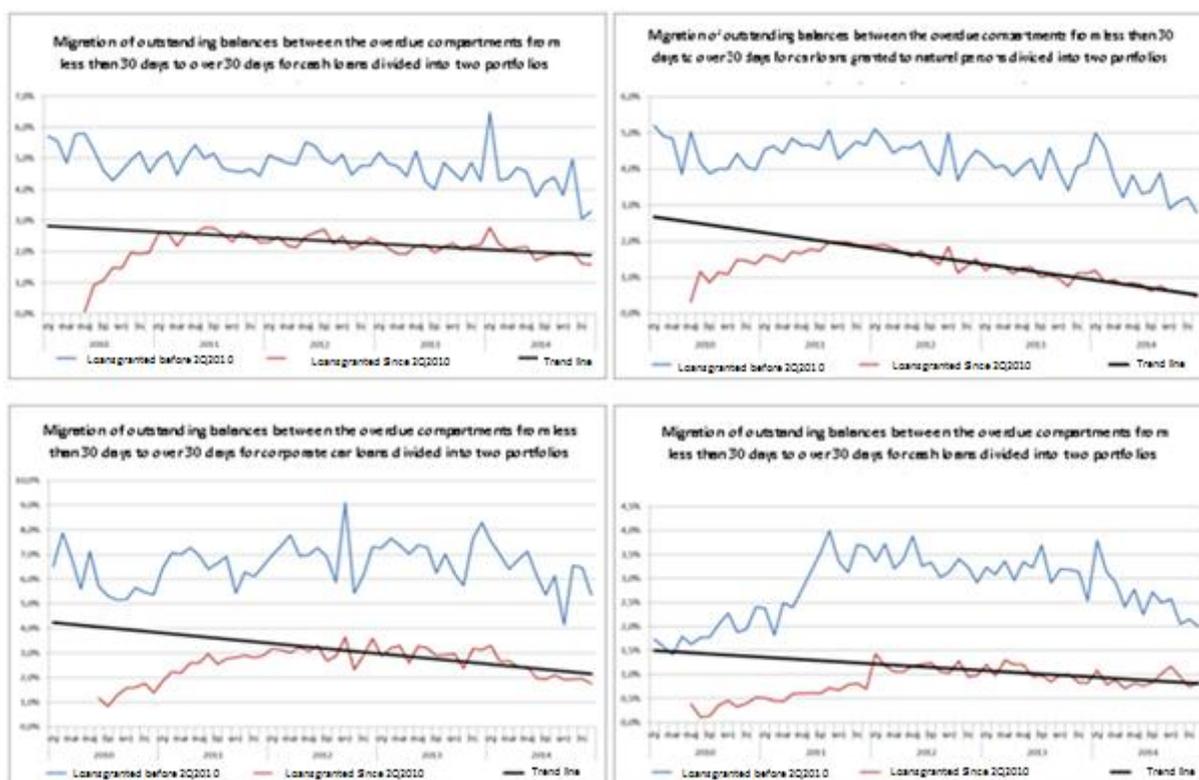


Improvement in the quality of newly generated credit portfolio is also noticeable at the level of the NPL ratio (Non-Performing Loans) – sales generated after the merger of the Banks has a much lower level of credit risk.

NPL ratio of loans granted after the merger of Getin Bank and Noble Bank (Since April 2010) are much lower level than the average of the banking sector (below 6% vs 8% market average).



In addition, improving the quality of loans – particularly in comparison with the quality of loans granted before 2010 is clearly noticeable also in the monthly level of migration of balances overdue less than 30 days to the higher categories of delays. Results of analyzes for major Bank's products are presented in the following charts:



Credit risk management in the Bank is performed on the basis of internal procedures concerning risk identification, measurement, monitoring and control. Applied credit risk identification and measurement models are expressed in specific credit risk assessment ratios, which are adopted to risk profile, scale and complexity

The Bank conducts its lending activities in the following five areas:

- mortgage loans,
- private banking,
- financing of car purchases,
- other retail loans (cash loans, credit cards, overdraft in current account)
- servicing small and medium-sized enterprises and local government units.

Within the above mentioned business areas, there are procedures for particular credit products. In order to ensure the objectivity of credit risk assessment, within the structure of commercial divisions, the sale process (gaining customers) has been separated from the evaluation and acceptance of customer's credit risk. A separate Credit Decision Area is responsible for evaluation and acceptance of particular loan 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. Credit decisions which exceed the authorization limits granted to the Bank's individual employees are made by Credit Committees, operating in the acceptance centers. 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 centers. Credit decisions of the highest rank are made by the Bank's Management Board. Any changes to the decision making procedure must be approved by the Bank's Management Board.

Getin Noble Bank applies internal regulations which enable determination of the level and appetite for the credit risk that arises from granting a loan to the particular client (or from providing the client with other services giving rise to credit risk). Creditworthiness is evaluated, both at the stage of loan granting and monitoring, in the following manner:

- for natural persons - based on procedures relating to the assessment of client's creditworthiness (scoring is used for cash loans, car loans, credit cards and overdraft on current account)
- for small and medium-sized enterprises – the assessment includes simplified analysis or ratio analysis.

Scoring system used by the Bank (for cash loans, car loans, credit cards and overdraft on current account) assesses creditworthiness of individual persons by analyzing both their social and demographic features and credit history. As a result, scoring system grants a scoring describing expected risk of transaction. The Bank, whilst determining the level of accepted risk (so called cut-off point in scoring), follows a rule to maximize its financial result taking into consideration 'risk appetite' approved by the Management Board of the Bank.

Credit ratings assigned to small and medium-sized enterprises are based on the score obtained in the assessment of financial standing as well as based on qualitative assessment (in which additional information on assessed entity possessed by the Bank is included – e.g. client verification in external databases, analysis of turnover in accounts, bank opinions on current debt, investment assessment or current sector situation assessment). On the basis of this assessment, entity risk category is determined (the Bank applies 6 risk categories), on which the decision is made by the Bank whether to grant a loan. This approach allows for assessing client's creditworthiness based on information about timeliness of repayments and, it also enables scoring and valuation of collateral.

#### *Scope and type of the risk reporting and measurement systems*

The Bank monitors and assesses the quality of loan portfolio on the basis of an internal procedure which includes monitoring of the Bank's entire loan portfolio, both by individual units within the trading divisions and by credit risk units. The results of analyses performed by the above units are presented in periodic reports (monthly, quarterly and half-yearly). The conclusions are used for the purpose of current management of the Bank's credit risk.

The applied risk monitoring system includes individual risk monitoring (related to particular clients) and overall monitoring of the Bank's entire loan portfolio.

As part of the overall 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 collateral. 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.

As part of the overall monitoring of the loan portfolio, credit risk management units perform a number of analyses and activities, including:

- monitor the quality of the Bank's loan portfolio for particular products,
- perform periodic assessments of concentration risk, of which: industry risk, determines maximum concentration limits for particular industries, exposure concentration risk to individual entity and groups of related entities (to monitor so-called large exposures),
- perform an assessment of the financial standing of banks – counterparties, determine maximum concentration limits for particular banks,
- perform an on-going monitoring of major exposures and the limits set forth for mortgage loans,
- verify the accuracy and adequacy of the impairment allowances created by the Bank
- perform stress tests for particular types of products,

- submit periodic management reports to the Supervisory and the Management Board.

In procedures and internal regulations of the Bank, within concentration risk management regulations, were described the limits of concentration and limits for major loan exposures. The Bank limits the concentration of exposure to individual clients and capital groups. The Management Board of the Bank established the concentration limit at more restrictive level than the one required by the Polish Financial Supervision Authority, i.e. 5% of the Bank's own funds, however the sum of all large exposures (large exposure limit) cannot be higher than 400% of the Bank's own funds. As at 31 December 2014 (except the exposure to the Government and the Central Bank) only exposure to the group of entities related to the Bank by the parent exceeds 10% of the Bank's own funds.

#### *Risk management on currency and currency indexed loan*

The Bank systematically analyzes the effect of changes in foreign exchange rates and interest rates on credit risk incurred in the area of car, mortgage and retail loans. The impact of the currency risk on the quality of foreign currency and indexed loans is analyzed, and for mortgage backed loan portfolio the Bank analyzes also the impact of foreign exchange rates on the value of collaterals. Twice a year (under the S Recommendation an action on an annual basis is required), the Bank carries out stress tests concerning the effect of exchange rate risk of borrower on credit risk incurred by the Bank. These tests are conducted on the assumption that the value of Polish zloty will decrease by 50% compared to other currencies, both for car and mortgage loans (the requirement of the Recommendation is 30%) and under the assumption that the decrease in the exchange rate will continue for the period of 12 months.

The Bank treats foreign currency mortgages as a niche product – the sale of such loans is limited. Mortgage loans in foreign currencies for natural persons are granted by the Bank only in the currency in which the customer receives its income.

The Bank analyzes the effect of changes in interest rates on credit risk incurred by the Bank. Stress test concerning the effect of fluctuations in interest rates on the quality of credit risk portfolio are conducted on the assumption that interest rates will increase by 50% for car loans and retail loans and by 500 base points for mortgage loans (the S Recommendation requires the increase of 400b.p.), and under the assumption that the increase in interest rate will continue for the period of 12 months. The Bank also analyzes the influence of changes of unemployment rate on credit risk in the above mentioned portfolios.

#### *Principles for using collateral and policies of risk reduction*

In order to limit credit risk, the Bank accepts various legally acceptable collateral types, which are selected appropriately to product type and business area. Detailed procedures for collateral selection and establishment have been described in internal regulations and product procedures for individual trading areas. The adopted legal collateral should ensure that the Bank will satisfy itself in case of the borrower's default. In selecting loan collateral, the Bank considers the type and amount of loan, loan term, legal status and financial standing of borrower as well as risk of the Bank and other risks. The Bank prefers collateral in the most liquid forms i.e. in the forms that guarantee fast and full recovery of debt under recovery proceedings. Below are presented typical collaterals required by the Bank:

For mortgage loans the main collateral constitutes mortgage established on property with priority of satisfaction, as well as assignment of rights from the insurance policy in the case of fire or other accidental losses, property value decrease insurance policy, loss of job insurance policy and company bankruptcy insurance policy and insurance policy of low own contribution.

During car loans granting process the Bank requires registered pledge on the vehicle, partial or total assignment of vehicle property right as well as personal collaterals (blank promissory note, guarantee of a third party in the form of own

promissory note or civil warranty) and insurance policies (i.e. death insurance policy or insurance policy against total disability of the borrower and assignment of rights from the insurance policy or indicating the bank as the beneficiary of the policy).

Collaterals for consumer loans are: property value decrease insurance policy, loss of job insurance policy and company bankruptcy insurance policy and personal collaterals (e.g. guarantee of a third party in the form of own promissory note or civil warranty).

Collaterals such as: mortgage established on the property with priority of satisfaction, registered pledge (on the property of the enterprise or total assignment of the enterprise property right of the borrower or registered pledge on the personal property of the borrower or the company's management) or cash deposit or pledge on funds on the trust account are one of corporate loans collaterals. Last but not least personal collaterals are important (guarantee of a third party in the form of own promissory note or civil warranty) and assignment of receivables.

### *Restructuring*

The aim of the loan restructuring by the Bank is to maximize the efficiency of difficult debt management, i.e. to obtain the highest recoveries while minimizing the incurred costs related to the recovery of debts, ultimately aggravating the debtor.

The restructuring involves changing the terms of the loan repayment, which are individually set to each contract. These changes may relate in particular to:

- repayment period,
- loan schedule,
- interest rate,
- order of recognition of inflows,
- collaterals.

As a result of restructuring annex and its timely servicing, the debt becomes not due. An element of the restructuring process is the assessment of the ability of the debtor to satisfy the conditions laid down in restructuring annex (debt repayment on the schedule). The agreement that have been restructured are monitored on an ongoing basis.

In 2014 after the entry into force of the CRR Regulation, for the purpose of calculating capital requirements the Bank introduced the definition of CRR restructuring. The CRR restructuring is the restructuring of borrower commitment made by the Bank, resulting in a reduction of financial obligations as a result of a redemption of a substantial part of principal, interest, fees or deferring repayment or payment. The Bank renegotiates contracts with debtors who find themselves in financial difficulties and are not able to meet the original terms of the loan agreement.

### *The Bank's results of the asset quality review and stress test in 2014*

In 2014 Getin Noble Bank S.A. participated in stress test coordinated by the European Central Bank, as well as in asset quality review (AQR) coordinated by the Polish Financial Supervision Authority. The results of both analysis indicate that Getin Noble Bank S.A. has successfully endured the most important and the most rigorous stress test, i.e. adverse scenario of the stress test. Historical slight capital shortage indicated in the baseline scenario (0.1%) has been already supplemented with a surplus (+0.9%) by increasing the Bank's capital by PLN 258 million, that is a full amount of the profit the first half of the year. Actions taken in 2014 to further strengthen the capital, including retaining all the profit for 2013 in the Bank, as well as the current profits mean that if similar tests were conducted now, the Bank would have passed successfully each test scenario.

## 5.2. Market risk

Market risk is defined as an uncertainty about whether the interest rates, currency exchange rates or prices of securities and other financial instruments held by the Bank will have a value different from that previously assumed, thereby giving rise to unexpected profits or losses from the positions held in these instruments.

Strategy of market risk management is defined in the Bank's activities Strategy approved by the Supervisory Board of the Bank. The Strategy set out, inter alia, market risk appetite.

The objective of assets and liabilities management is the optimization of the structure of balance sheet and off-balance sheet in order to preserve the adopted relation of profit to the risk undertaken. Risk management on the strategic level is the responsibility of the Management Board of the Bank.

### Currency risk

Currency risk is regarded as negative impact of foreign exchange rates change on financial results. 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.

Current management of currency risk is within the competence of the Treasury Department, which monitors the level of open currency position resulting from the Bank's activities related in particular to service of the Bank's customers, and deals in cash in the interbank market thus limiting the Bank's exposure to currency risk, as well as in derivatives within the granted limits. In order to hedge the currency risk, the Bank applies the cash flow hedge accounting and hedges against changes in cash flows for mortgage loan portfolio denominated in CHF and EUR with separated portfolio explicitly determined CIRS float-to-fixed CHF/PLN and EUR/PLN hedging transactions and cash flow hedge of PLN deposits portfolio with separated from real CIRS transactions explicitly determined portfolio of IRS fixed-to-float hedging transactions.

Supervision of compliance with limits and prudential norms is performed by the Assets and Liabilities Committee of the Bank.

The calculation of the Bank's exposure to currency risk and the calculation of the capital requirement to cover the risk is performed on a daily basis and reported to the Management Board and the Management of the Bank in the context of management information.

The capital requirement related to currency risk is calculated as 8% of total currency position in absolute terms.

The analysis of the Bank's exposure to currency risk is made by:

- analysis of foreign exchange position in relation to own funds,
- measurement of the Value at Risk (VaR),
- stress tests).

#### *Sensitivity analysis for currency risk*

Getin Noble Bank S.A. prepares on a daily basis sensitivity analysis for the currency risk

| VAR (1D, 99.9%) | 31.12.2014<br>PLN thousand | 31.12.2013<br>PLN thousand |
|-----------------|----------------------------|----------------------------|
| Currency risk   | 101                        | 156                        |

VaR consists of test, with 99.9% probability, of maximal amount of loss on foreign exchange position, which the Bank may incur in one day, assuming normal market conditions. The volatility used in the model is calculated using the exponentially

weighted moving average (EWMA) of daily relative changes in exchange rates during the last 251 working days. Time series of the same length was used to determine the correlation matrix between the exchange rates.

In 2014 the average share of total currency position (sum of long positions or net short positions in individual currencies – depending on which of these sums is higher) in the regulatory own funds of the Bank amounted to 0.09%, while the maximum share in 2014 amounted to 0.42% of the funds. In 2013 the average share of total currency position amounted to 0.1% of the funds, while the maximum share amounted to 0.71% of the funds.

During the reporting period, the currency risk was on the level which did not require to maintain capital for its coverage.

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

The Bank's overall currency position and within the key currencies is presented in the table below:

|                                    | 31.12.2014             |                   | 31.12.2013             |                   |
|------------------------------------|------------------------|-------------------|------------------------|-------------------|
|                                    | amount<br>PLN thousand | % of own<br>funds | amount<br>PLN thousand | % of own<br>funds |
| USD                                | (1,649)                | 0.03%             | (309)                  | 0.01%             |
| EUR                                | 715                    | 0.01%             | 3,568                  | 0.06%             |
| CHF                                | 8,118                  | 0.13%             | 7,501                  | 0.13%             |
| <b>Overall currency position *</b> | <b>10,253</b>          | <b>0.16%</b>      | <b>12,624</b>          | <b>0.22%</b>      |

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

## Interest rate risk

Interest rate risk is defined as the risk of a decline in the expected interest income due to changes in market interest rates as well as risk of change in values of opened balance sheet and off-balance sheet positions sensitive to market interest rates changes. The Bank conducts activities aiming to decrease the influence of the unfavourable changes on financial result. . The interest rate risk is managed by the Management Board of the Bank S.A., which receives and analyses monthly reports concerning this risk on a global basis and weekly information regarding the level of risk exposure for trading portfolio.

Interest rate risk management consists in minimizing the risk of negative impact of changes in market interest rates on the Bank's financial standing by:

- establishing and ensuring compliance with the limits set for acceptable interest rate risk,
- conducting periodic analyses examining the level of interest rate risk and the sensitivity of the profit and loss account to changes in interest rates
- entering into transactions limiting exposure to risk (derivatives, sale/ purchase of securities with a fixed coupon).

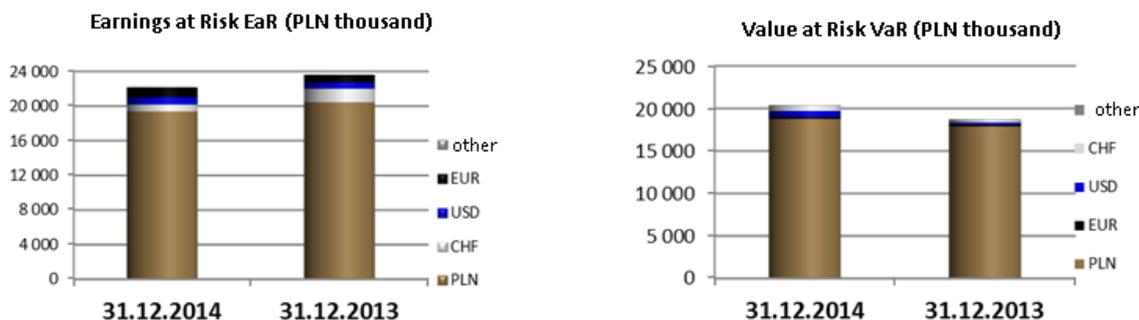
The effectiveness of risk management (including hedge) is evaluated on the basis of the level of use of the adopted limits on exposure to risk

Monitoring of interest rate risk is conducted, among others, by:

- analyzing the breakdowns of assets and liabilities and off-balance sheet items sensitive to changes in interest rates by currency and repricing dates,
- analyzing the basis risk, profitability curve risk and customer option risk,
- testing sensitivity of the financial result to interest rate (the EaR method),
- analyzing the value at risk of the Bank's portfolio related to market valuation (VaR) and backtesting of the VaR model,
- 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,

- analysis of the level and influence on the Bank interest margin.

In order to limit the exposure to interest rate risk, in 2014 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 2014 the Bank settled its liabilities on time.

Strategy of liquidity risk management is defined in the Bank's activities Strategy approved by the Supervisory Board of the Bank.

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 consulting role in process of liquidity risk management is performed by The Assets and Liabilities Committee.

The Bank uses the following methods of evaluating liquidity risk:

- supervisory liquidity norms,
- liquidity norms of CRR,
- 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,
- the Bank's sensitivity to funds outflow.

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) and sensitivity of liquidity ratios to exchange rate volatility are monitored on a daily basis. The key ratios are reported to the Management Board of the Bank 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 amounts due to customers 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. In 2014 the Bank continued issues of long-term debt securities, which were an additional source of finance for lending activity of the Bank. The bank obtained funds on international market.

|   | 31.12.2014 | 31.12.2013 | Change |
|---|------------|------------|--------|
|   | %          | %          | pp.    |
| loans and advances (net) / amounts due to customers | 91.3       | 92.5       | -1.2   |

The Bank carries out simulation of the Bank's sensitivity to funds outflow (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'.

#### *Supervisory liquidity measures*

In accordance with the supervisory requirements Getin Noble Bank S.A. calculates supervisory liquidity measures on a daily basis, which in 2014 were above the minimum set by the Polish Financial Supervision Authority. In 2014 the Bank conducted policy of maintaining liquid assets at the optimum level in terms of liquidity indicators and profitability of the Group. At the end of 2014 M1 amounted to PLN 4.3 billion and was higher by almost 12% than at the end of 2013. M2 amounted to 1.4 at the end of 2014.

Presented below are the supervisory liquidity measures of Getin Noble Bank S.A. as at 31 December 2014 and 2013:

|   | Minimum value | Value as at |            |
|---|---------------|-------------|------------|
|   |               | 31.12.2014  | 31.12.2013 |
| M1 Short-term liquidity gap (in PLN million)  | 0.00          | 4,264       | 3,813      |
| M2 Short-term liquidity factor  | 1.00          | 1.4         | 1.38       |
| M3 Ratio of coverage of non-liquidity assets with own funds   | 1.00          | 2.54        | 3.39       |
| M4 Coverage ratio of non- liquid assets and limited liquidity assets with own funds and stable external funds | 1.00          | 1.21        | 1.18       |

## 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 persons dealing with operational risk management in their everyday activities;
- the second, supervisory level - persons holding managerial positions, performing functional control;
- the third, superior level - functioning in centralized form, which main function is operational risk management. It is realized by people fulfilling tasks of separated operational risk management unit, which is part of Operational Risk Management Office and Operational Risk Committee.

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

The main, superior role in operational risk management is performed by designated employees of an independent operational risk management unit.

The Bank has an operational risk reporting and measurement system 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 carried out using IT system, which supports the process of operational risk management, through the calculation of:

- required 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 activities.

The efficiency of the security measures and methods used by the Bank to mitigate operational risk is monitored by continuous keeping track of, collection and analyzing of operational events and operational risk profile observations as well as control of qualitative and quantitative changes in operational risk.

## **5.5. Compliance risk**

Compliance risk is defined as the risk of negative effect due to failure the Bank to comply with the provisions of the law (in particular acts, regulations, resolutions) , internal regulations or adopted standards, rules or ethical standards. Strategic goal of compliance risk management is:

- creating the image of the Bank as entity acting in accordance with the law and accepted standards of conduct and in honest, fair and ethical manner;
- mitigating the risk of occurring financial losses or legal sanction risk resulting from breach of regulations and ethical standards;
- building and maintaining positive relationships with other market participants, including shareholders, customers, business partners and market regulators.

The compliance risk management includes risk identification, assessment of the risk profile, risk monitoring, risk mitigation and reporting of risks.

In the process of compliance risk identification the Bank performs current analyses of law provisions in force, cautionary regulations, internal rules and regulations, as well as Banks conduct standards and gathers information on the cases of non-conformity and their reasons. Performance of risk assessment allows the Bank to specify the character and the potential range of financial losses, or potential legal sanctions. Monitoring of compliance risk aims at identification of vital, as far as negative outcomes of compliance are concerned, areas of Bank's activities; thus allowing proper precautions to be taken. The process of compliance risk reduction includes the following aspects: preventive (i.e. allowing risk reduction through implementation of procedures and solutions ensuring conformity) and mitigating (i.e. risk management upon identification

of compliance and aimed at alleviating the possible negative outcomes of risks). The preventive risk reduction takes place especially due to the implementation and development of new business models, as well as introduction of new products. Reporting includes the results of the identification process as well as compliance risk assessment, information concerning compliance cases, and the most crucial changes within the regulatory environment. The recipients of reports are the Operating Risk Committee, President of the Management Board, the Management Board and the Supervisory Board of the Bank.

In the process of compliance risk management the Bank takes into account risks resulting from activities performed by entities of the Getin Noble Bank S.A. Capital Group.

Main changes in the legal environment in 2014, to which the Bank was required to adapt concerned changes and amendments to the law, in particular the prudential recommendation of the Polish Financial Supervision Authority (including recommendations J and S). In addition, the Bank has already started preparatory activities related to the implementation of recommendations D and U of the Polish Financial Supervision Authority and FATCA (Foreign Account Tax Compliance Act).

## 5.6. Capital management

The main aim of capital management in Getin Noble Bank S.A. is to hold an appropriate capital level to hedge undertaken risk.

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 the own funds (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 2014 the Bank strove to maintain the capital adequacy within accepted goals, i.e. capital adequacy ratio above 12% and Tier1 capital ratio above 9% - at the end of 2014 the total capital adequacy ratio amounted 12.9%, while Tier1 capital ratio 9.4%.

At the end of 2014 the share of Tier1 in Total own funds of the Bank considered while calculating capital adequacy ratio was 73%.

Main items of Tier 1 capital as at 31.12.2014 were:

- Share capital, which accounted for 56% of Tier1 capital
- Reserve capital, which accounted for 42% of Tier1 capital.

Under total capital requirement the main item (94% of total capital requirements) is credit risk requirement (including credit valuation adjustments).

The Bank's internal capital, determined using the internal capital estimation procedure, remains on a lower level to capital required for Pillar I. Within Pillar II, the Bank applies its own model of the assessment of demand for internal capital, including hedging of capital against additional risks in relation to Pillar I (liquidity risk, result risk, reputation risk, capital risk).

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

Getin Noble Bank S.A. mission is to create value for its shareholders by building a strong and stable relationships with customers based on the highest standards in terms of quality of service, construction of products and methods of its

distribution allowing to get the most of current position of the Bank in order to increase the number of active and loyal customers.

Actions taken by Getin Noble Bank S.A. will be a continuance of Getin Up strategy, which aim is to offer clients functional and simple products and to achieve new, higher level of service quality. Designed changes are the essence of best technological solutions distinguished by the simplicity and functionality on the market. The Bank plans further capital investments in the context of tangible assets and IT related to the modernization of the branch network, development of modern e-banking and self-service branches Getin Point.

In 2015 the Bank intends to maintain the strong development of corporate banking and in public sector within the new operating philosophy of Getin Noble Bank S.A. As a consequence, following years the Bank strives not only to maintain, but also to increase its position on polish market in terms of financing purchase of vehicles in the form of car loans and leases. Like as vehicles financing, the Bank will continue its activity in terms of financing and servicing the micro companies and real estate development. New philosophy of the Bank's activities, oriented on satisfying the diverse needs of customers of banking services, for Getin Noble Bank SA means also greater openness to cooperation and, in consequence, meeting the needs of public sector entities.

In 2015 the Bank will be oriented towards the following goals:

- providing high quality of customer service and a positive image of the Bank; continuing to build customer-oriented approach – changes in products and process towards more friendly for customers,
- maintaining the “entrepreneurial character” of managing the organization, as a key driver of competitive advantage,
- ensuring stable and liquidity secure development of the Bank - controlling the level of the risk in the Bank's operations, maintaining capital adequacy ratio above 12%, the gradual reduction of the cost of financing.

The Bank's activity is closely linked with the situation on the financial markets, on the interest rates market and the stability of the polish currency. Long-lasting low levels of interest rates will limit obtaining of high interest income in 2015. The relevant element, which impact the realization of goals is further development of situation regarding Swiss Franc. The decision of Swiss Central Bank concerning the change in the approach to the franc exchange rate policy resulted in a significant perturbations on the financial market. Getin Noble Bank SA actively participates in the activities undertaken to find a systemic solution of problems arising from the appreciation of the Swiss currency and with the involvement of Polish Bank Association is in dialogue with other stakeholders in this area. As of the date of these report, due to the openness of the topic, the impact of the situation on the future financial results of the Bank cannot be quantified.

## **7. Corporate governance**

### **7.1. Compliance with best practices**

In 2014 Getin Noble Bank S.A. complied with the corporate governance rules as described in The Code of Best Practices for WSE Listed Companies launched by Resolution No. 19/1307/2012 of the Warsaw Stock Exchange Supervisory Board dated 21 November 2012, with the exclusion of the provisions described below.

The document can be accessed at the official website of the Warsaw Stock Exchange dedicated to corporate governance (<http://www.corp-gov.gpw.pl/publications.asp>).

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

„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 2014 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.

„12. A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means.”

In 2014 the Bank did not apply this rule due to technical, economic and regulatory reasons, having regard to the lack of appropriate ICT solutions and the significant costs of servicing of the communication with shareholders or their plenipotentiaries, which in the Bank's opinion are disproportionate to the potential benefits.

However, taking into account the technical development and growing market experience in e-meetings, the Management Board of the Bank has already, in 2014, undertaken efforts aiming at preparing the Bank to the implementation of the rule. The Bank assumes that it is to happen immediately after the adoption by AGM amendments to the Rules of the General Shareholders Meeting.

## **II. BEST PRACTICE FOR MANAGEMENT BOARDS OF LISTED COMPANIES:**

„1 A company should operate a corporate website and publish on it, in addition to information required by legal regulations: 9a) a record of the General Meeting in audio or video format”

In 2014 the Bank did not apply this rule because of economic reasons. In the Bank's Management Board opinion the costs of technical servicing of audio and video registration of the General Meeting, are not reasonable because of the current shareholders structure of the Bank.

However, having regard to the fact that the Bank has taken efforts to implement electronic means of communication while General Meeting, similar efforts has been taken to technical servicing of audio and video registration of the General Meeting. The Bank assumes implementation of this rule in 2015 together with rules concerning e-meetings.

#### IV. BEST PRACTICES OF SHAREHOLDERS:

„10. A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

- 1) real-life broadcast of General Meetings,
- 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting,”

In 2014 the Bank did not apply this rule due to technical, economic and regulatory reasons, having regard to the lack of appropriate ICT solutions and the significant costs of servicing of the communication with shareholders or their plenipotentiaries, which in the Bank's opinion are disproportionate to the potential benefits.

However, taking into account the technical development and growing market experience in e-meetings, the Management Board of the Bank has already, in 2014, undertaken efforts aiming at preparing the Bank to the implementation of the rule. The Bank assumes that it is to happen immediately after the adoption by AGM amendments to the Rules of the General Shareholders Meeting.

### Bank's shareholders with major shareholding

The ownership structure of major shareholdings as at the date of this report in accordance with the information held by the Bank were as follows:

|   | Number of shares     | Number of votes at AGM | % share in share capital | % share in votes at AGM |
|---|----------------------|------------------------|--------------------------|-------------------------|
| LC Corp B.V.                                  | 1,011,728,750        | 1,011,728,750          | 38.18%                   | 38.18%                  |
| Leszek Czarnecki (directly)                   | 264,626,609          | 264,626,609            | 9.99%                    | 9.99%                   |
| ING Otwarty Fundusz Emerytalny                | 220,000,000          | 220,000,000            | 8.30%                    | 8.30%                   |
| Getin Holding S.A.                            | 200,314,774          | 200,314,774            | 7.56%                    | 7.56%                   |
| Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK | 174,300,000          | 174,300,000            | 6.58%                    | 6.58%                   |
| Other shareholders                            | 779,173,186          | 779,173,186            | 29.39%                   | 29.39%                  |
| <b>Total</b>                                  | <b>2,650,143,319</b> | <b>2,650,143,319</b>   | <b>100.00%</b>           | <b>100.00%</b>          |

### 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.

## **7.2. 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 and set of consolidated text of 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,
- adopt resolutions on issuing convertible bonds or bonds with pre-emptive rights to acquire shares and subscription warrants,
- 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 brought before the General Meeting by the authorized bodies and the powers reserved to the law and the Articles of Association.

The Company's shareholders exercise their rights pursuant to the generally applicable regulations, the Bank'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.

## Composition and functioning of the Supervisory Board

The Supervisory Board shall act pursuant to provisions of the Banking Law Act, the Commercial Companies Code, other universally binding applicable regulations and pursuant to the Articles of Association and Rules of the Supervisory Board. The Supervisory Board shall exercise on-going supervision over the Bank's business to the extent provided for by the laws referred to above. The Supervisory Board shall consist of 5 to 8 members appointed and dismissed by the General Meeting in a course determined in the Articles of Association. The Supervisory Board shall exercise its duties collectively, however may delegate its members to exercise separate supervisory duties individually. Members of the Supervisory Board shall be appointed for the joint term of office of 3-years.

As at the date of these Director's Report, the composition of the Bank's Supervisory Board was as follows

| Supervisory Board of Getin Noble Banku S.A. |                     |
|---|---------------------|
| President of the Supervisory Board          | dr Leszek Czarnecki |
| Vice-president of the Supervisory Board     | Remigiusz Baliński  |
| Members of the Supervisory Board            | Krzysztof Bielecki  |
|   | Rafał Juszcak       |
|   | Jacek Lisik         |

On 24 April 2014 the Shareholders General Meeting of the Bank adopted a resolution appointing members of the Supervisory Board remained unchanged for the next joint term of office ending on the date of the General Meeting approving the Bank's financial statements for the year 2016.

On 2 October 2014 Mr. Michał Kowalczewski resigned from membership in the Supervisory Board of the Bank and acting in it as a member of the Supervisory Board with effect from 31 December 2014. On 9 October 2014 the Extraordinary General Meeting of the Bank's Shareholders resolved to appoint to the Supervisory Board of Getin Noble Bank S.A. Mr. Krzysztof Jarosław Bielecki as a member of the Supervisory Board with effect from 1 January 2015. On 12 December 2014 the Supervisory Board of the Bank decided to induct Mr. Remigiusz Baliński as Vice-president of the Supervisory Board.

## Audit Committee

The tasks of the Audit Committee are executed by the whole Supervisory Board of the Bank. The objective of executing by Supervisory Board the tasks of Audit Committee is fulfilling its supervisory duties within the processes of financial reporting, risk management, financial review as well as the internal control system and audit. The Supervisory Board appointed coordinator for the tasks of the Audit Committee and the permanent advisor of the Supervisory Board, who shall be obliged to assist the Supervisory Board in matters related to the exercise by the Supervisory Board tasks of Audit Committee, which 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 Supervisory Board in the exercise of the tasks of the Audit Committee may request the Management Board and employees of certain information in the field of accounting, finance, internal control, internal audit and risk management, which is necessary to carry out its activities.

## The Remuneration Committee

The Remuneration Committee consists of two members appointed by the Supervisory Board among its Members, an absolute majority of votes. In its activities Committee takes into consideration careful and stable risk management, equity and liquidity, with particular attention to the long-term welfare of the Bank as well as satisfying the expectations of shareholders and investors. Among the activities of Remuneration Committee is issuing an opinion on the policy of the variable components of the remuneration of managers at the Bank, including in particular the amount and components of remuneration. The Committee monitors and issues an opinion on remuneration of managers related to risk management as well as compliance of the Bank activities with law and internal regulations.

## 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 ordinary 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.

As at the date of these Director's Report, the composition of the Bank's Management Board was as follows:

| Management Board of Getin Noble Bank S.A. |                    |
|---|--------------------|
| President of the Management Board         | Krzysztof Rosiński |
| Members of the Management Board           | Krzysztof Basiaga  |
|   | Marcin Dec         |
|   | Karol Karolkiewicz |
|   | Krzysztof Spyra    |
|   | Radosław Stefurak  |
|   | Maciej Szczechura  |
|   | Grzegorz Tracz     |

During the 12-month period ended 31 December 2014 and until the date of approval of these report the following changes occurred in the composition of the Bank's Management Board:

With effect from 1 January 2014 Mr. Marcin Dec became a member of the Management Board of the Bank in accordance with a resolution of the Supervisory Board dated 7 November 2013. On 27 March 2014 the Supervisory Board of the Bank adopted a resolution appointing members of the Management Board remained unchanged for the next joint term of office ending on the date of the General Meeting approving the Bank's financial statements for the year 2016. On 12 December 2014 the Supervisory Board appointed Mr. Krzysztof Basiaga as a member of the Management Board with effect from 1 January 2015.

## **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

### Asset and 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, capital risk.

### Credit Risk Committee

Credit Risk Committee serves as an advisory body in the process of credit risk management in the Bank. The aim of its activities is to recommend scope of activities regarding credit risk related tasks as well as initiating activities of credit risk management in respect of units of the Bank responsible for credit risk management.

### 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.

### Consultative Committee of the Bank

Consultative Committee supports Credit Committee of the Bank and consists of two to four members appointed by the Member of the Management Board responsible for the Credit Risk and Debt Collection.

The core activities of the Committee is to analyze credit applications (i.a. mortgage loans) including verification of client, investment, collateral and giving and opinion on the application. Recommendations given by the Consultative Committee are not valid. The deliberations of the Committee held an ad hoc basis, by teleconference or, exceptionally using e-mail.

### Credit Committee of the Company and Corporate Credit Acceptance Center

The Credit Committee of the Company and Corporate Credit Acceptance Center operates at the Credit Committee of the Bank. It is responsible for process of assessment and approval of loan applications from corporate customers and

undertakes projects to ensure the safe conduct of banking activities in this area. The committee members are appointed by a decision of the Board Member supervising the finance area.

#### 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.

#### Product Committee of the Bank

The Bank's Product Committee is the consultative body dealing with all issues related to the assessment of the adequacy of the offered investment products to the needs of customers of the Bank. Committee performs its duties in accordance with the principles of transparency of the structure of products and its documentation.

#### Data Quality Committee

Data Quality Committee fulfills the supporting role to the Bank's Management Board with regard to: management of data classified in relevant groups of data, monitoring of data quality verification, assuring high quality of data in the Bank, consulting the development plans of standards affecting the data quality. The aim of the Data Quality Committee is, among others, to recommend the Management Board with actions ensuring high data quality as well as taking actions aiming at quality data promotion. Members of the Data Quality Committee are appointed by a decision of the President of the Management Board. The Committee is led by the Chairman of the Committee, who sets the dates of meetings, at least once a quarter.

## Remuneration of Supervisory Board and Management Board of the Bank

The remuneration (excluding remuneration surcharges) paid to individual Members of the Management Board of Getin Noble Bank S.A. is presented in the table below:

| 01.01.2014 – 31.12.2014                                   | Fixed components of remuneration<br>PLN thousand | Other benefits*<br>PLN thousand |
|---|--|---------------------------------|
| Krzysztof Rosiński  | 750  | 1,782                           |
| Marcin Dec  | 660  | 594                             |
| Karol Karolkiewicz  | 360  | 432                             |
| Krzysztof Spyra   | 539  | 238                             |
| Radosław Stefurak   | 504  | 1,012                           |
| Maciej Szczechura   | 480  | 526                             |
| Grzegorz Tracz  | 503  | 833                             |
| <b>Total remuneration of Management Board of the Bank</b> | <b>3,796</b>                                     | <b>5,417</b>                    |

\* Other benefits mainly comprise of benefits arising from the Variable Components of Remuneration Policy and the settlement of the last tranche of the Management Share Option Scheme

In accordance with the Bank's remuneration Policy, Members of the Management Board shall be entitled to a bonus for 2014, part of which will be paid in 2015, and part will be deferred for 2016-2018. In 2014 was made a provision for the payment of bonus for the Members of the Management Board in the amount of PLN 6.0 million.

| 01.01.2014 – 31.12.2014                                    | Fixed components of remuneration | Other benefits |
|--|----------------------------------|----------------|
|  | PLN thousand                     | PLN thousand   |
| Leszek Czarnecki   | -                                | 2,653          |
| Remigiusz Baliński   | 18                               | 25             |
| Michał Kowalczewski  | 53                               | -              |
| Jacek Lisik  | 53                               | -              |
| <b>Total remuneration of Supervisory Board of the Bank</b> | <b>124</b>                       | <b>2,678</b>   |

\* Other benefits include the settlement of the last tranche of the Management Share Option Scheme.

### Bank's agreements with managing persons

The contracts of 6 from 8 of Members of the Management Board 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 Bank or dismissal of Manager from the function in the Bank'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.

### 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 date of approval of this report are presented below:

| Members of the Supervisory and Management Board | Function                                  | Number of shares of the Bank on their own account |
|---|---|---|
| Leszek Czarnecki <sup>1)</sup>                  | President of the Supervisory Board        | 264,626,609                                       |
| Remigiusz Baliński                              | Vice - President of the Supervisory Board | 521,530   |
| Krzysztof Rosiński                              | President of the Management Board         | 2,110,573   |
| Marcin Dec                                      | Member of the Management Board            | 13,762  |
| Karol Karolkiewicz                              | Member of the Management Board            | 76,737  |
| Krzysztof Spyra <sup>2)</sup>                   | Member of the Management Board            | -   |
| Radosław Stęfurak                               | Member of the Management Board            | 126,315   |
| Maciej Szczechura                               | Member of the Management Board            | 22,936  |
| Grzegorz Tracz                                  | Member of the Management Board            | 192,691   |

<sup>1)</sup> To the best knowledge of Mr Leszek Czarnecki, President of the Supervisory Board, his subordinate entities own the following shares of the Bank: LC Corp B.V. – 1,011,728,750 shares, Getin Holding S.A. – 200,314,774 shares, Fundacja Jolanty i Leszka Czarneckich – 3,519,273 shares, RB Investcom Sp. z o.o. – 101,850 shares, Idea Expert S.A. – 7,799 shares.

<sup>2)</sup> To the best knowledge of Mr Krzysztof Spyra, Member of the Management Board, his subordinate entities own the following shares of the Bank: KKBBK Investments Ltd. – 16,029,083 shares.

### 7.3. 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 Member of the Management Board responsible for the Financial Department.

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. System of internal control is adopted to the organizational structure of the Bank, and involve Bank units and branches as well as subsidiaries.

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. Moreover the Management Board of the Bank take actions to ensure continuation of monitoring of efficiency of internal control mechanisms and identifies areas of business, transactions, activities and other issues for constant monitoring.

### **Auditor of the financial statements**

On 31 March 2014 the Supervisory Board of the Bank made the resolution on the appointment of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw as the statutory auditor of the financial statements of the Bank for 2014. The agreement with respect to the review of the interim financial statements and consolidated financial statements as well as audit of the annual financial statements and consolidated financial statements Getin Noble Bank S.A. for the financial year 2014 was signed on 8 July 2014. The Bank used the services of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. for the audit of financial statements for 2012 and 2013.

The detailed information on the contracts concluded with the auditor and its remuneration have been presented in the note II.44 to the financial statements of the Getin Noble Bank S.A. for the year ended 31 December 2014.

## **8. Corporate social responsibility**

Getin Noble Bank S.A. develops its corporate social responsibility activities (CSR). The Bank adopted internal Code of Conduct, which defines rules of ethical relationship between employees, employees and customers, as well as conducting of business by the Bank. In accordance with Getin Up business strategy, Code of conduct is to improve business oriented to customer and apply good practices as well as achieving by Getin Noble Bank high position in terms of ethical standards, honesty, responsibility and trustworthiness.

As part of the CSR the Bank also undertakes a number of activities aimed at the active involvement of its employees in the pro-social events. One of those events is annually organized Bieg Fair Play. In 2014 almost 3.5 thousand of employees and Bank's friends participated in the run in Warsaw, Katowice and Wrocław. It is a charity event - as a result of which over PLN 26 thousand were donated to the treatment and rehabilitation of Maja and Robert – kids of the Bank's employees. Bieg Fair Play, through the ongoing interest of the employees of the Bank, is the regular element of CSR activities, and its third edition is planned in 2015. The idea of sport promotion, which met the applause of the Management Board, allowed to take next action – appointment of official Running Representation of Getin Noble Bank S.A., which is composed of employees taking part in the biggest running events in Poland.

One of the corporate social responsibility events was charity project 'Getin Dzieciom', whose aim was to support children's hospice. The Getin Noble Bank initiative involved transfer of funds, as well as preparation of radio play for the youngest patients. Employees, chosen in an internal casting for the best voice of a lecturer, have played the most beautiful Andersen's fairy tales, recordings took place in professional phonographic studio with the participation of actress Magdalena Rózcicka. At the end the employees of the Bank visited hospice for children in Warsaw, Katowice and Wrocław, giving 1,000 colorful mp3 for children with recorded fairy tales and symbolic cheques.

Getin Noble Bank S.A. actively supports social activities – one of them is blood donation campaign Getin Crew combined with the registration of bone marrow donors, organized in three cities at the same time - in Warsaw, Katowice and Wrocław. In 2014 within two edition of the campaign the Bank's employees have donated 100 liters of blood, and over 60 donors have been registered.

In 2014, the Bank supported several schools providing them with hardware, which enabled educational activities for students and allowed to equip computer labs. Employees of the Bank within the annual initiatives gathered tangible gifts for local shelters for people in need and third edition of donations to animals. Due to the great openness and involvement of employees, calendar of social initiatives of Getin Noble Bank is regularly extended by new activities.

## **9. Additional information**

### **Significant agreements**

On 20 March 2014 Getin Noble Bank S.A. entered into an agreement requiring Getin Holding S.A. to sell 858,334 ordinary registered shares of Towarzystwo Ubezpieczeń Europa S.A., with a total nominal value of PLN 3,433 thousand, representing a total of 9.08% of the share capital and entitling to a total of 9.08% of votes at the general meeting of shareholders for a total price of PLN 165,658 thousand. The settlement of the transaction and transfer of shares took place on 8 April 2014. At the same time, on 8 April 2014 the Bank and Getin Holding S.A. went into agreement under which the Bank has established

to Getin Holding S.A. a registered pledge on the shares with the right exercise of their right to vote to the pledged amount of EUR 50,015 thousand.

On 25 March 2014 the Bank concluded with Open Life Towarzystwo Ubezpieczeń Życie S.A. a finance pledge agreement. The Pledge Agreement was concluded in order to secure receivable debt of Open Life resulting from deposit agreement, i.e. receivable debt arising from return of funds deposited on term deposits opened on the basis of this agreement. The Bank as the pledger agreed to deposit as a collateral treasury bonds in the amount equal to the actual value plus interest of term deposits opened by Open Life subject to the number and value of bonds determined in the Pledge Agreement. The finance pledge is established on dematerialized, admitted to trading on regulated market treasury bonds in the amount not higher than 977,273 bonds of the nominal value of PLN 1,000.00 per bond and of market value not higher than PLN 852,716,250.00. The agreement is considered as significant due to the target value of the planned finance pledge which may be in excess of 10% of the Bank's equity.

On 15 May 2014 the Bank concluded with VB Leasing Polska S.A. a conditional agreement on the purchase by the Bank from a company a portfolio of receivables under lease and loan agreements, which delay in repayment shall not exceed 30 days, due to VBL PL from its clients. On 13 August 2014 the Bank concluded with Idea Bank S.A. an agreement on the change of the initial proposal according to which the Bank was obliged to purchase from VB Leasing PL 37% of receivables Portfolio and Idea Bank 63% of receivables Portfolio and currently Idea Bank is obliged to purchase 100% of receivables Portfolio.

In 2014 Getin Noble Bank S.A. entered into agreements with European Investments Bank with its registered office in Luxembourg (EIB), under which EIB granted loans of total value of EUR 250 million. Withdrawal of funds under the agreements is allowed in tranche, in four different currencies: EUR, PLN, GBP or USD. The interest rate is to be calculated under fixed or variable rate based on the reference rate for the particular currency, plus a margin. Collateral for received loans is pledge on bonds on account on National Depository for Securities ('KDPW'), in order to secure the repayment of funds transferred within the agreement plus interest, commission and other cost stipulated in the agreement

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

In 2014 there were no significant changes with respect to the methods of managing the Bank.

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

In 2014 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.

Moreover, in 2014 Getin Noble Bank S.A. obtained from the European Investment Bank (EIB) loans with a total value of the equivalent of EUR 225 million to finance lending and leasing activities of Getin Noble Bank and Getin Leasing Group to small and medium-sized enterprises and to middle capitalization companies (Mid-Caps).

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

In 2014 Getin Noble Bank S.A. 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 under already signed agreements.

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

Getin Noble Bank S.A. did not publish forecasts for 2014 financial results.

## **Description of the Issuer's use of the proceeds from the issue of securities**

In 2014, Getin Noble Bank SA conducted a further issue of bonds, including subordinated bonds issued under the Public Bond Issue Programme approved by the Supervisory Board on 26 March 2013. The purpose of the issue of bonds is to raise Bank's own capital and ensure further expansion of its activities. In 12-month period of 2014 the Polish Financial Supervision Authority approved the inclusion in the supplementary funds of Getin Noble Bank S.A. the amount of PLN 261.6 million acquired by the Bank through the issue of subordinated bonds series PP3-IX, PP3-X and PP3-XI.

The funds raised under the issues of bonds were used to finance current operations of the Bank.

## **Execution titles and value of collaterals**

In 2014 there were 36,646 execution titles issued of the total value of PLN 2.1 billion. The fair value of the collaterals for individually impaired loans and advances calculated as the sum of discounted future cash flows from collaterals, repayments and settlements as well as recovery of the loans amounted to PLN 1.7 billion as at the end of 2014.

## **Significant legal proceedings**

In 2014 Getin Noble Bank S.A. was not subject to any proceedings relating to liabilities or receivables which value would exceed 10% of the equity of the Bank.

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

There are no employee share schemes within the Bank

## 10. Statements of the Management Board

### 10.1. 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 2014 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 2014, including a description of the key threats and risks.

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

Deloitte Polska Sólka z ograniczoną odpowiedzialnością Sp. k. - the auditor of the financial statements of the Getin Noble Bank S.A. for the year ended 31 December 2014 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.

#### Signatures of the Members of the Management Board of Getin Noble Bank S.A.:

\_\_\_\_\_  
Krzysztof Rosiński  
*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*

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

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

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Maciej Szczechura  
*Member of the Management Board*

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Grzegorz Tracz  
*Member of the Management Board*

Warsaw, 23 March 2015