



**GETIN NOBLE**

BANK • SPÓŁKA AKCYJNA

**DIRECTORS' REPORT  
OF THE GETIN NOBLE BANK S.A. CAPITAL GROUP  
FOR THE 12-MONTH PERIOD ENDED  
31 DECEMBER 2013**

Warsaw, 28 February 2014

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## 1. Activities of the Bank and the Group entities in 2013

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

In 2013 the Getin Noble Bank S.A. Capital Group ("the Group") continued implementation of its objectives and achieved satisfactory financial performance and increase in the scale of operations measured by the level of total assets as at 31 December 2013 amounted to PLN 63.6 billion (an increase by 8.8%). The contribution of the parent company, Getin Noble Bank S.A. ("the Bank" or "the Issuer") in total assets of the Group amounts to over 99%.

In 2013 the Group conducted three transactions in mergers & acquisitions market, which resulted in a favourable gain achieved from a bargain purchase and increase in the customer base of deposits and loans.

Consistent implementation of the development plan of relationship banking has enabled a systematic increase in the number of customers and bank accounts. Number of clients of the Bank has raised over the year by 11% and amounted 2.4 million at the end of 2013.

The Getin Noble Bank S.A. Group in 2013 intensively developed activity in the sector of local government units (JST), and as a result there was an increase in market share of loans for this segment by 2.1 p.p. to 2.8% and market share of deposits from JST segment by about 1.4 p.p. to a level of 8.7%.

The Group achieved at the end of 2013 the market share of 6.0% among the monetary financial institutions in terms of deposits, while in loans of 5.7%. In terms of the portfolio of loans to retail customers, the share of the Group amounted to 8.0%.

In 2013 Getin Noble Bank S.A. consistently implemented strategy of changing the structure of the balance sheet, from sales of long-term mortgage loans to high-margin products with shorter maturities (including retail loans, corporate loans and leases).

The Bank also continued issuance of debt securities, of which PLN 0.6 billion increased the regulatory funds of the Bank.

These successes were correlated with favourable financial results. Consolidated net profit for 2013 amounted to PLN 402.5 million.

#### Internal conditions

The main factors affecting the Group's results in 2013 included the following:

- activity of Getin Noble Bank S.A. on mergers and acquisitions market – in 2013 three acquisition transactions were completed: acquisition of Dexia Kommunalkredit Bank Polska S.A., an organised part of banking business of DnB Nord Polska S.A. and an organised part of an enterprise of DZ Bank Polska S.A., and the Group recognised a gain on bargain purchase before tax in the amount of PLN 70,3 million.
- dynamic growth in sales of retail loans and corporate loans and leases – in 2013 the Bank sales amounted to PLN 12.2 billion resulting in increase of loans, advances to customers and finance lease receivables of the Group by 9% to the level of PLN 48.0 billion. At the same time the structure of loan products sold changed – sale of long-term loans is limited (in particular mortgages) in total sales (in 2013 the sale of mortgage loans was 23% of total sales, that is by 12 p.p. less than in 2012).
- drop in cost of retail deposits in 2013 – decreasing interest rates of new customer retail deposits (as result of fall in the NBP rates) and bank's activity to increase share of current accounts in deposits of customers (increase from 9% at the end of 2012 to 17% at the end of 2013) resulted in decrease of the Group's interest expense by 20% in 2013; decrease in interest expense was achieved despite the increase in amounts due to customers by 2.6% (amounts due to customers at the 31 December 2013 amounted to PLN 51.5 billion).
- decrease in costs of impairment allowances on financial assets and off-balance sheet provisions by PLN 350.6 million (36%) compared to 2012.
- modification of the Group's accounting policy on recognition of revenue from sale of insurance products resulting in a decrease in net profit for 2013 in this respect of PLN 61 million (compared to revenue recognition principles applied in previous periods). In previous years, due to the voluntary use of bancassurance offer by customers, the Getin Noble Bank S.A. Capital Group recognised the revenue as a separate income not arising from the requirements concerning related products. Based on carried out analysis of changes in the external environment and taking into account market practices, the Group decided to modify in the second quarter of 2013 the accounting principles for recognition of commissions

received from insurance contained in the group insurance agreements, that give rise to further obligations of the Bank to the insurance company. The Group introduced the principle of the revenue recognition according to the degree of completion of the service, i.e. part of the commission was recognised in full at once in revenues, and some settled on a straight line basis for the duration of the insurance contract. This change resulted in a reduction in net fee and commission income for the first half of 2013 by PLN 9.5 million. The Group considers this approach to be consistent with the concepts and principles contained in the International Accounting Standards.

On 23 December 2013 the Polish Financial Supervision Authority sent to the banks operating in Poland detailed guidance on the approach to accounting principles for recognition of revenue from bancassurance activities, with particular emphasis on the more restrictive definition of related products. Taking into accounts these guidelines, the Group made a further modification of the revenue recognition method and made it compliant with the guidelines contained in the Authority's letter. The changes (described in detail in the consolidated financial statements of the Getin Noble Bank S.A. Capital Group for the year ended 31 December 2013) required a retrospective restatement of financial data, resulting in adjustment of the Bank's equity as at 31 December 2012 by the amount of PLN 363 million. Adjustment was made on the basis of estimates and related to net interest income and net fee and commission income.

- effective cost management in the Group – despite of an increase in the Group's C/I ratio to 46.6% in 2013, the Group has still one of the lowest ratios in the banking sector; according to the National Bank of Poland the average ratio for the banking sector amounted to about 54.1% as at 30 September 2013.
- excellent result on leasing activity of the Group – Getin Leasing Group companies achieved in 2013 a total net profit of PLN 85 million. In June 2013 the Group launched leasing activity in the company organised in the form of a limited joint-stock partnership ("SKA"), which in accordance with applicable tax law in 2013, was not liable to corporate income tax. After the amendment of the tax law, under the transitional provisions, the SKA will become liable to pay corporate income tax on 1 November 2015. Therefore, in accordance with the accounting law and provisions of IAS 12, the company recognised a deferred tax asset arising on the difference between the carrying value and the tax value of assets under lease agreements (both contracts entered into before the change of law and after the change) which relates to tax costs and tax revenues generated in the future, that is since SKA paying corporate income tax. Recognition of the deferred tax asset had a positive impact on net profit of SKA for 2013 – the impact of temporary differences between the value of fixed assets and the value of net lease investment amounted to PLN 83.8 million, and increased by the same amount consolidated profit of the Group..
- obtaining new sources of finance – further loan agreements with the European Investment Bank of total nominal amount of EUR 350 million, a finance agreement with Banc of America Securities Limited in London of EUR 125 million and long-term repo agreement of CHF 150 million.

At the end of 2013 the capital adequacy ratio of the Getin Noble Bank S.A. Capital Group amounted to 12.4% (an increase by 0.9 p.p. compared to the end of 2012 – based on the restated data for 2012). This growth was possible due to increase of the Group's own funds by PLN 0.8 billion through appropriation of profit for 2012 to increase the reserve capital, recognition of the Group's net profit for the first half of 2013 in the own funds, and allocation of PLN 0.6 billion from the issue of long-term subordinated securities to supplementary funds.

The level of capital requirements has increased by PLN 0.3 billion, mainly due to growth of the Group's loan and lease receivables.

## External conditions

### *Macroeconomic situation*

The economic growth rate in 2013 remained at the same level as last year.

According to preliminary data of the Central Statistical Office the gross domestic product in 2013 was higher in real terms by 1.6% compared to the previous year. It means the economic slowdown – a year before, the GDP growth stood at 1.9%. In 2013 the domestic demand fell by 0.2% (in 2012 it was -0.1%), the private consumption increased by 0.8% (1.2%), while the gross expenditures fell by 0.4% (-1.7%).

The deteriorating condition of the Polish economy was the result of, among others, the weakening recorded in the construction sector by -9% y/y and a significant drop in individual consumption trend observed since the beginning of 2012 (+0.8% y/y in 2013 compared to 1.2% y/y in 2012). As the reasons for the decline in demand can be indicated the all year long stagnation in the labour market, employment in the enterprise sector and

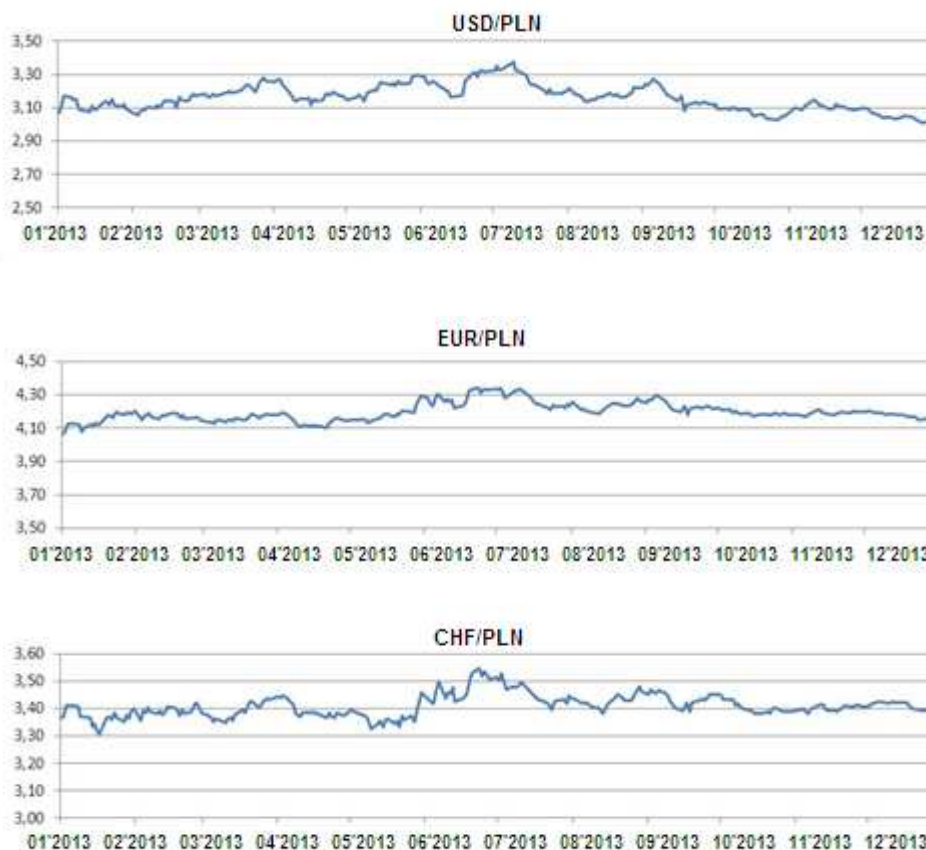
decreases in wages. A factor that positively influenced the height of Polish GDP was foreign exchange. The contribution of net exports remained positive throughout 2013. The aggregated level of economic growth in 2013 amounted, respectively: in the first quarter to 0.8% y/y; in the second quarter rose to 1.2% y/y; in the third quarter reached 1.7% y/y.

The continuation of the cycle of interest rate cuts by the Monetary Policy Council (RPP) has brought the desired effect. The RPP decided of six cuts of the reference rate in the period from January until July 2013, bringing it to the historically low level of 2.50%. The inflation rate in 2013 was at the lowest level in last 10 years – an increase in prices of consumer goods and services throughout the whole 2013 compared to 2012 was 0.9% and was the lowest since 2003.

The growth rate of prices clearly slowed down, and the average CPI inflation in 2013 was 1%. Since February the CPI remains below the lower limit of the direct inflation target set at 1.5%. According to the RPP, under the improving economic conditions, the inflationary pressure remains limited, therefore, interest rates should remain unchanged at least until the end of the first half of 2014.

#### Financial market

The beginning of 2013 was characterised by a stable position of the Polish currency. During this period the exchange rates were at the lowest level in the whole 2013. The minimum level of USD/PLN exchange rate was 3.01, EUR/PLN exchange rate was 4.07, while the minimum exchange rate of CHF/PLN was 3.31. The half of the 2013 was the period during which the Polish currency has weakened noticeably – in June the exchange rates reached their peak in 2013 and amounted to 3.37 for USD/PLN, 4.34 for EUR/PLN, and 3.55 for CHF/PLN. The average exchange rate of USD/PLN in 2013 was 3.16, EUR/PLN was 4.20 and the average rate of CHF/PLN in 2013 was 3.41.



In the first months of 2013 a continuation of the downward trend of the Polish bond yields was noticed – in May 2013 the Polish debt yields reached the minimum levels. In the second half of the year there has been a gradual increase in the profitability of Polish treasury securities, which at the end of 2013 reached: 3.032% in the 2-year sector (minimum in 2013 was 2.489%), 3.647% in the 5-year sector (minimum in 2013 was 2.615%) and 4.353% in the 10-year sector (minimum in 2013 is 3.058%).

It is expected that the changes made in terms of Open Pension Funds will reduce the turnover on the Warsaw Stock Exchange, and may affect the capitalisation of companies listed on the Stock Exchange and an increase in share price volatility.

### Banking sector

After weakening in companies and individuals tendency to borrow in 2012, in 2013 a gradual recovery was noticed. The increase was noted both in the retail loans, as well as in mortgage loans. In terms of the propensity of people to save no major changes were noticed.

As a result of number NBP interest rate cuts that ended at the beginning of July 2013, there was a relative stabilisation of the interest rates on deposits and loans in banks. The NBP reference rate is now at its lowest level in history and amounts to 2.5%.



In 2013 entered into force the amendments to the Act on the Bank Guarantee Fund (BFG) on the creation in the BFG of a new fund – the stabilisation fund, which will be used to finance some of the tasks of the State Treasury in the scope of providing a support to banks under the law of recapitalisation of certain financial institutions, and which are financed by proceeds from a mandatory prudential levy imposed on banks. In 2013 the new prudential levy of the Bank Guarantee Fund debited the income statement of Getin Noble Bank S.A. for PLN 4.3 million.

## 1.2. Significant events and achievements

### The most significant events and achievements in 2013 affecting the Group's activities:

#### Getin Up Strategy

On 5 March 2013 the Management Board of Getin Noble Bank S.A. announced a new business strategy for 2013-2015. It assumes, that after obtaining a very high position in the banking sector the strategic aim of the Bank is to attain high effectiveness of activities. The Bank, in addition to its existing competences, is going to build strong and stable relationship with customers, based on highest standards of services, structure of products as well as the means of their distribution. The Strategy aims to significantly improve effectiveness, reduce financing cost and increase repeatability of the income. By the end of 2015 the Bank expects to operate one million of active bank accounts. To make this happen, Getin Noble Bank S.A. must be the bank of first choice to its customers. Activities supporting this objective are implemented consistently and with great determination, they are among others:

- a bank account offer based on technological innovations,
- plain and understandable products and services,
- advanced branch network,
- higher class of service,
- friendly and professional Contact Centre,
- bank advisors rewarded for the quality of service.

The Bank's priority is to build a strong and stable relationship with customers, based on the highest quality of service and an attractive and tailored to their needs banking products and services. As announced in March 2013, the Bank is turning from the offering of single products created by specialised 'product factories' to the comprehensive financial service for its customers. To achieve this, changes were made in all areas of business and levels of organisation.



The new Strategy embraces existing business potential of the group and the business model tailored to new market challenges. Under Getin Up the growth rate is replaced by high effectiveness of activity. According to the assumptions the Bank puts more emphasis on offering innovative bank products and ensuring high quality of service to over two million existing customers. The Bank continues technology leap started in December 2012 with the implementation of the Getin Up account. The mix of loans in the Bank's balance sheet has also been further changed. There are more consumer and corporate loans of short-term maturity. In accordance with the Strategy assumptions the Bank significantly increases income with a limited growth in total assets.

Within less than 12 months of Getin Up Strategy the Bank made a lot of changes, some of them were enormous as technological leap and new bank branches. Due to determination throughout the organisation the Bank achieved effects of the change already in the first year, and is perceived by its current and future customers as one of the most attractive places of 'banking'. More and more customers establish relation with Getin Noble Bank and perceive it as 'My Bank'.

Summarising achieved effects of activities completed and launched in 2013, six following key areas in which Getin Up Strategy succeed may be indicated:

- Getin Noble Bank S.A. – a leading and authentically retail banking in Poland.
- First proved and significant results of the Getin Up Strategy – improvement in quality and services of Getin Noble Bank.
- Technological leap which was appreciated by the market and which strongly and effectively supports business growth.
- Secure asset and liability structure in terms of liquidity and capital security to full usage of market opportunities.
- Cost-effectiveness as competitive advantage in terms of market dominance.
- Consistently improvement of financing cost and stabilization of the cost of risk, as the main factors of growth of ROE ratio.

The Bank, since announcing of the Strategy consequently and with determination realises assumed goals. Designed changes of products and services are best technological solutions and at the same time are plain and functional. Modern online banking was launched, and in January 2013 first Getin Up branch of a new generation was opened. Analysing the effects of taken actions and summarising the first year of the Getin Up Strategy, it can be firmly stated that the Bank is going in the right direction, consistently increasing the number of active customers with the main bank account in Getin Noble Bank, building a stable and long-term relationships.

One of the main goals in 2013 was to convince clients that Getin Bank can be 'My Bank', that is the Bank in which customer has his current account. To attract clients to current account of Getin Noble Bank an innovative system for online and mobile banking was introduced, with all well known market innovations and some of them available only for Getin Noble Bank clients. Many of the proposed solutions were designed from scratch, to be maximally efficient and useful. New banking system comprises of:

- new design of online banking;
- innovative money transfers – ability to transfer money without knowing the account number of the recipient, through Facebook, SMS, e-mail;
- mobile banking – for Android and iOS systems, mobile contactless payments (NFC), PayPass and invoice payments via QR code;
- useful tools to control expenditures – applications for personal finance management (PFM);
- friendly saving – features and applications to help in saving (Konto Skarbonka, Saving accounts destined for particular aim 'Celowe Konta Oszczędnościowe', Keep the rest 'Opcja Zachowaj Resztę');
- the world's first MasterCard Display Card with a screen showing account balance.

In order to emphasize the importance of the changes occurring in Getin Bank, it was decided to change the logo of the Bank. New logo is 'back to the roots', that is to the GET IN idea. It reminds dynamics and meaning of these words. Challenging was to design a sign which would emphasize the change made in the Bank and show that this is a modern and dynamic organisation, which offer is worth to get to know. A new philosophy of the Bank is focused on pro-activity, simplicity and functionality – the new logo and the whole identification support these values.

To improve quality of customer service, in 2013 some important changes were launched in bank branches and Call Centre. Completely new bank branches were designed. There are already 35 of them nowadays. In accordance with approved plans the entire bank branches network is to be Getin Up by the end of 2015.

The branches are equipped with many technological innovations, and each of them aim to build customer relationship with the Bank:

- digital leaflets on tablets,
- screens for customers built-in 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,
- longer working hours of Customer Call Centre (7 days a week from 7.00 to 22.00).

Starting from the beginning of 2014 Getin Noble Bank introduces first self-service branches called Getin Point. Due to combination of the top innovations in the market and up-modern solutions, the Bank offers its clients number of products and services so far available only in traditional bank branches. First fully equipped Getin Point was opened in Złote Tarasy shopping mall in Warsaw. By the end of first quarter of 2014 the Bank intends to open 7 further points.

Mystery Shopper market research are performed, and in a nationwide quality research performed on behalf of Newsweek, Getin Noble Bank S.A. recorded highest promotion on the market (rank 11).

Among customers who opened a current account in Getin Noble Bank S.A. an increase in Net Promoter Score – NPS research was recorded (how likely is it that customer would recommend the Bank to a friend). In the first half of 2013 the NPS result on active current accounts was 26%, while in second half it was already 39%. Actions aimed at customers activation were performed: newsletters, weeks of discounts for customers paying with Getin Bank cards.

The communication on a new Getin Up account was a priority, however, it was not forgotten that Getin Noble Bank S.A. is a universal Bank offering any financial products customers need. Moreover, the Bank's products have been often awarded in nationwide rankings. Therefore, in 2013 three cash loan TV marketing campaigns were broadcasted, one of which emphasized that the cash loan of Getin Noble Bank S.A. repeatedly won in the ranking for best cash loan. Online advertising campaigns are in order to attract customers to deposits, car loans, mortgage loans and cash loans.

#### *Transactions of mergers and acquisitions*

The Bank effectively uses opportunities for acquisition of financial institutions in order to further strengthen the Bank's position in strategic market segments. In 2013 the Bank succeeded in completing three acquisitions:

- In March Getin Noble Bank S.A. finalised purchase agreement of 100% of shares of Dexia Kommunalkredit Bank Polska S.A. currently BPI Bank Polskich Inwestycji S.A.
- On 24 May 2013 Getin Noble Bank S.A. acquired control of the organised part of a bank business including 37 branches of the bank DnB Nord Polska S.A. along with employees and a portfolio of loans, bank accounts and term deposits of individual clients, small and medium-sized enterprises and housing communities.
- On 23 August 2013 DZ Bank Polska S.A. and Getin Noble Bank S.A. signed a definite sale agreement of an organised part of a business of DZ Bank Polska S.A. specialising in providing services to the wealthiest individuals to the Getin Noble Bank S.A.

Due to the negotiation by the Bank's Management Board of a favourable transaction price for the above mentioned acquisitions, the fair value of the acquired businesses exceeded the price paid for them, and the Bank recognised a gain on bargain purchase.

The Bank effectively uses a strong position, which allows the use of unique knowledge in the process of M&A transactions. Getin Noble Bank is the most active and effective M&A market player in Poland, with necessary competences and unique know-how:

- fast and efficient decision-making process;
- confidentiality as a top priority;
- preferred partner to foreign banking groups terminating business in Poland;
- high level of competence and operational effectiveness, proven in many previous and recent transactions (with no delays, no complaints, good press);
- wide experience in formal proceedings with the Polish Financial Supervision Authority and the Office of Competition and Consumer Protection;



- the fastest ever proceeding with the Polish Financial Supervision Authority – only 2 months from signing to finalising acquisition agreement of an organised part of DZ Bank Poland;
- first in the market successfully performed acquisition of an organised part of bank business (bank business of DnB Nord Polska).

*Getin Noble Bank - a leading and dynamic, truly retail banking business in Poland*

Getin Noble Bank is the fifth largest player in the Polish banking sector, consistently maintaining the second position in terms of retail business. The Bank is consequently building its market share in monetary institution market with reference to deposits (6.0% share at the end of 2013) and loans (5.7% share at the end of 2013). In terms of retail consumer loans portfolio the share of Getin Noble Bank amounts to 8.0%.

The Bank with over 550 branches (Getin Bank and Noble Bank own outlets and franchise outlets) is in top five of the biggest banking networks. Total assets amounting to PLN 63.3 billion at the end of 2013 ranks the Bank at 6th position among the biggest banks on our market.

Most of banks operating on the Polish market are characterised by a universal business model having regardless of retail activity an important share of retail loans and deposits (between 20% and 70%). Getin Noble Bank S.A. is one of the few big Polish banks where retail volumes exceed 70% in both deposits and loans. In Getin Noble Bank S.A. the share of corporate deposits is less than 30% of total deposit portfolio of the Bank. In terms of loans, the share is even less, i.e. about 15%. This confirms a strong competences of Getin Noble Bank S.A. as a traditionally retail Bank, however it indicates the opportunities of further diversification of activities towards corporate banking. The New Strategy has high aspirations for this segment and in 2013 the Bank implemented a number of successful initiatives in this field. As a result, in 2013 the dynamics of corporate loans portfolio in comparison to 2012 was at +45%, what is a positive mark assuming the Getin Up strategy goal to double the balance from the end of 2012 in 3 years.

One of the key areas of strategic development of the Bank is enlargement of the active current accounts base, as the basic product ensuring reliable and long-term relationship with customers as well as cheaper and more stable financing. According to the goal adopted in the Strategy, by 2015 the Bank is going to operate 1 million of active current accounts. Top priority of this task as well as engagement of all levels of organisation in its achievement resulted in increase of active current account base by 0.3 million in 2013. It is also a result of activities taken to strengthen the role of current account, as the crucial product determining the Bank of first choice.

The Bank is also a leader in retail loans. The value of consumer loans portfolio (retail and car loans) amounts to 17% of total portfolio (in sector the average is slightly above 13%). Retail loan portfolio of Getin Noble Bank S.A. is third among Polish banks and the share in retail loans market amounts to 8%, what is a capability in terms of the expected recovery and market interest rates increase.

In accordance with the strategic line of development, the Bank changed its product-mix, by increasing sales of short-term loans, of faster utilisation and with higher margins, while limiting sale of mortgage loans comparing to sales of 2010-2012.

In 2013 the number of customers was characterised by high dynamics, and amounted to 2.4 million at the end of December 2013. Within 12 months the customer base of the Bank rose by approximately 250 thousand. The effective acquisition refers to both retail and business customer segment.

**Awards and recognitions received:**

In 2013 Getin Noble Bank S.A. continued implementation of the Getin Up strategy, whose goal is to offer customers a modern and functional, but also up-friendly banking products and to improve service quality. The Bank step by step implements the strategy of building a universal and customer-friendly Polish financial institution. The effectiveness of these efforts was confirmed by independent experts:

- Getin Bank ranked 11th in the Newsweek 'Przyjazny Bank' ('Friendly Bank') and recorded the highest promotion on the market.
- MasterCard Display – interactive debit card with display, being offered only by Getin Noble Bank in Poland, won prestigious title of World Innovation in Innovation Lions category at Cannes Lions International Advertising Festival, was awarded in 'New or Innovative' category at Golden Drum International Advertising Festival in Portoroz and was among the finalists of nationwide 'Good design 2013' competition for best-designed products and services on Polish market.
- Current account Getin-Up was awarded in 'Najwyższa Jakość Quality International 2013'. Jury awarded Getin Bank in 'QI Product' category for implementing and promoting idea of quality.

- Getin Noble Bank won in the expert ranking of Comperia.pl as the most versatile bank after the first half of 2013. The Bank was honoured for a comprehensive range of products and attractive terms of services.
- The Bank's product offer once again was placed as one of the leading in the top rankings of banking products. The Bank's products regularly occupied high positions in rankings of Totalmoney.pl, Money.pl and Comperia.pl.
- Getin Bank and Noble Bank Brands were awarded the prestigious Superbrands Created in Poland 2013. Superbrands Award is granted worldwide by consumers and experts to those brands that have achieved a particularly strong presence and visibility in their fields.
- Getin Noble Bank for the second time was ranked 3rd among banks in category of brands evaluated based on the value, in X edition of 'Ranking of the most valuable Polish brands' of Rzeczpospolita,
- Getin Bank won international competition of the Banking Technology Awards in 'Best Use of Mobile Technology in Financial Services (Customer Facing)' category.
- Noble Bank was awarded maximum of 5 stars in prestigious ranking of Forbes magazine concerning private banking. Experts appreciated both the quality of services and products of private banking and high quality of customer service.
- the vehicle 'Kropelka' sponsored by Getin Bank and constructed by students affiliated to the Students' Vehicle Aerodynamics Club at Warsaw University of Technology is among the 31 winners of the government grant programme "Generacja Przyszłości".

Moreover:

- Noble Securities S.A. for the fifth time in a row received the "Platinum Megawatt", the award from the Polish Power Exchange for outstanding achievements in business on the markets organised by this institutions. During the summary of 2013, the Brokerage House has been awarded for the activity in Electricity Markets with physical delivery, on which in the past year it was the most active broker. Noble Securities S.A. also received the title of "Broker of the Year 2013" awarded for the highest level of orders execution in the Register of Certificates of Origin. The activity of the company was also recognised by Commodity Clearing House that gave an award "Rachunek Specjalny 2013" and thanked to the Brokerage House for its contribution in starting up the clearing system for gas exchange market.
- Noble Fund Mieszany are Noble Fund Stabilnego Wzrostu Plus obtained the best results in their market categories for the last 2 years according to the ranking of "Rzeczpospolita". A place among the "Best of investments in the past two years" according to the "Rzeczpospolita" is a further confirmation of the effective and consistent investment policy of the Noble Funds TFI subfunds, both in the short and long term. In the ranking of stable growth funds published by the daily newspaper "Rzeczpospolita" on 16 January 2014 year, Noble Fund Stabilnego Wzrostu Plus took first place in terms of investment results in a period of 3, 6, 12 and 24 months (valuation date: 03.01.2014), achieving appropriately rate of return of 5.1%, 14.5%, 14.0% and 31.5%.  
"Puls Biznesu" distinguished Noble Funds TFI S.A. selecting investment fund companies, which last year achieved the best results in the investment market ("Fund market leaders 2013", 2014.01.20). The success of Noble Funds is the result of an effective investment policy consistently pursued by the team of managers.
- In 2013 Getin Leasing S.A. realised the highest sales in its history. According to the Polish Leasing Association the value of leased assets in 2013 amounted to PLN 1.8 billion, which gave the company 8<sup>th</sup> place in the ranking of leasing companies and 3<sup>rd</sup> place among leasing companies in financing vehicles up to 3.5 tonnes. Getin Leasing S.A. with a score of 49% was the leader of positive sales growth.

### Assessment of financial creditworthiness - ratings

On 28 April 2010 Moody's Investor Service agency assigned the following ratings to Getin Noble Bank:

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

In 2013 Fitch Ratings agency confirmed IDR (Long-term Default Rating) of Getin Noble Bank S.A. at "BB" with a stable rating outlook and VR (Viability Rating) at "bb". Rating of Getin Noble Bank S.A. remains unchanged since its assignment in January 2010.

<b>Fitch Ratings</b>	<b>01.06.2012</b>	<b>rating outlook</b>
Issuer Default (IDR)	BB	stable
Short-term	B	
National Long Term Rating	BBB (pol)	stable
Viability Rating	bb	
Support Rating	3	
Support Rating Floor	BB	

According to Fitch Ratings, the confirmation of IDR and VR for Getin Noble Bank S.A. is the result of the improvement in liquidity, better capitalisation and stable deposit base. Analysts reacted positively also to the strategy announced by the Bank in March 2013, which assumes a reduction in growth rate and increase in business efficiency. The rating agency also pointed to the positive impact of the increasing number of bank accounts.

## 2. Organisation of the Getin Noble Bank S.A. Capital Group

### 2.1. Share capital and shareholding structure of the Group's parent entity

As at 31 December 2013 the issued share capital of Getin Noble Bank S.A. amounted to PLN 2,650,143,319 and consisted of 2,650,143,319 shares with a nominal value of PLN 1.00 each. The Bank's shares include registered and bearer not preference shares, each of which gives right to one vote at the Bank's General Meeting. All of the Bank's shares are admitted to public trading on the regulated market.

As at the date of the publication of this report the structure of significant shareholders of Getin Noble Bank S.A. according to the information held by the Bank were as follows:

	<b>Number of shares</b>	<b>Number of votes at AGM</b>	<b>% of share capital</b>	<b>% of votes at AGM</b>
dr 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	0.14%	0.14%
ING Otworthy Fundusz Emerytalny	192,352,805	192,352,805	7.26%	7.26%
Other shareholders	977,491,459	977,491,459	36.87%	36.87%
<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 date of approval of the annual report for 2013, the Management Board of Getin Noble Bank S.A. did not have any information on agreements which may result in changes of the proportion in shares held by existing shareholders of the Group parent company in the future.

On 12 July 2013 Noble Securities S.A. made a settlement of the acquisition of own shares by Getin Noble Bank S.A. Brokerage house has acquired over-the-counter in its own name and on behalf of the Bank 59,090,909 shares at a price of PLN 2.20 per share, which represents 2.23% of the share capital of the Bank.

The reason and purpose of the acquisition of own shares by Getin Noble Bank S.A. was to realign the market price of the Bank's shares. In addition the purchase of own shares enables the possibility to settle a consideration for any further acquisition with own shares, and to fulfil the commitments arising from the agreements concluded between the Bank and the participants of the Management Share Option Scheme and the obligations of the Bank to pay part of remuneration to employees covered by the "Policy of the variable components of remuneration of the management at Getin Noble Bank S.A. " in the form of financial instruments.

In the third quarter of 2013 the Bank sold 5,176,671 own shares to the Management Share Option Scheme participants in order to fulfil its obligations arising from the agreements concluded between the Bank and the Scheme participants. The transaction was carried out outside a regulated market.

On 30 December 2013 the Bank sold 53,914,238 own shares. The transaction took place on the secondary market, outside a regulated market under the share purchase agreement concluded between the Bank and Getin Holding S.A.

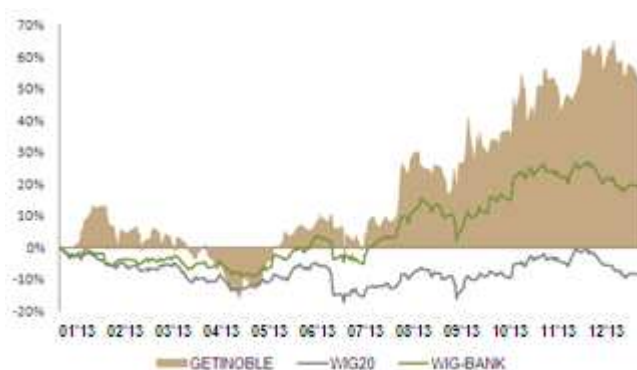
As at 31 December 2013 and 2012 the Bank did not hold any own shares.

## 2.2. Getin Noble Bank S.A. 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 GETINOBLE and labelled with the code PLGETBK00012. The closing share price of the Bank in 2013 fluctuated between PLN 1.50 (on 23 April) and PLN 2.94 (on 11 December). As at 31 December 2013 the Bank's capitalisation was PLN 7,076 million, whereas its book value amounted to PLN 4,780 million.

In 2013 WIG20 index fell by 8.58% and WIG-Banks by 19.20% (in comparison with 02.01.2013).

### Getin Noble Bank S.A. shares quotation and Warsaw Stock Exchange indices (as at 02.01.2013 = 100)



## 2.3. Structure of the Group and its changes

Getin Noble Bank S.A. Capital Group consists of Getin Noble Bank S.A. as the parent entity and its subsidiaries. The Bank holds also an investment in an associate.

Presented below is an organisational chart of subsidiaries and associates included in the consolidated financial statements of the Getin Noble Bank S.A. Capital Group with information on the nature of the relationships within the Group as at 31 December 2013:



\* former Getin Services S.A.

\*\* Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Non-public assets closed-end investment fund)

\*\*\* Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Non-public assets closed-end investment fund); holds 100% share in three special purpose companies: Etrrick Investments sp. z o.o., Redmile Investments sp. z o.o. and Lakeford Investments sp. z o.o.

As at 31 December 2013 and 2012 the Bank's share in the total number of voting rights in its subsidiaries and associates was equal to the Bank's share in share capital of the those entities, except for Noble Securities S.A. in which the Bank held 97.26% share in votes as at 31 December 2013 and 2012.

All subsidiaries are consolidated using the full method.

Due to the substance of the relationship between Getin Noble Bank S.A. and a special purpose entity – GNB Auto Plan Sp. z o.o. ("SPV") with which the Bank conducted in 2012 securitisation transaction of car loans portfolio, the SPV has been consolidated using the full method, despite the fact that the Group does not hold any equity interest in the entity.

#### Acquisition of Dexia Kommunalkredit Bank Polska S.A.

As a result of the fulfilment of all the conditions precedent contained in the preliminary agreement concluded between Getin Noble Bank S.A. and Dexia Kommunalkredit Bank AG with its registered office in Vienna on 7 November 2012 to acquire 104,000 shares of Dexia Kommunalkredit Bank Polska S.A. („DKBP”) with its registered office in Warsaw, with a total nominal value of PLN 104,000,000, which is 100% of the share capital, on 28 March 2013 there was a passage of legal title of DKBP shares to Getin Noble Bank S.A. Purpose of the acquisition, in addition to obtaining an attractive source of financing in the form of funds from the European Investment Bank ("EIB"), is to further strengthen the capital of Getin Noble Bank S.A. The acquired entity operates as a bank subsidiary of Getin Noble Bank S.A. Since April 2013 DKBP operates under new name, which is BPI Bank Polskich Inwestycji S.A.

#### Acquisition of the organised part of a business of DnB Nord Polska S.A.

Due to the fulfilment of all conditions precedent in the preliminary purchase agreement of the organised part of bank business of DnB Nord Polska S.A. („DnB”) by Getin Noble Bank S.A., on 24 May 2013 Getin Noble Bank S.A. acquired control of the organised part of a bank business including 37 branches of the bank DnB Nord Polska S.A. along with employees and a portfolio of loans, bank accounts and term deposits of individual clients, small and medium-sized enterprises and housing communities. The primary reasons for the transaction was to strengthen the position of Getin Noble Bank S.A. in a segment of financing housing communities and SMEs, further diversification of the loan portfolio and to improve the risk profile. In addition, the acquired branches have been used in the implementation of the new strategy of the Bank – Getin Up.



#### *Incorporation of Green Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*

On 15 July 2013 Getin Noble Bank S.A. signed an agreement with Noble Funds TFI S.A. to establish and manage Green Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("the Fund"). On 17 July 2013 the Bank purchased 100% Series A investment certificates with a nominal value of PLN 43,078 thousand in exchange for the transfer of property rights in form of corporate bonds of the Bank's associate. As at 31 December 2013 the Bank was the only investor in the Fund.

#### *Acquisition of the organised part of a business of DZ Bank Polska S.A.*

On 23 August 2013 DZ Bank Polska S.A. and Getin Noble Bank S.A. signed a definite sale agreement of an organised part of a business of DZ Bank Polska S.A. specialising in providing services to the wealthiest individuals to the Getin Noble Bank S.A. Transaction closure took place after fulfilment of all of suspensive conditions, inter alia obtaining the consent of the Polish Financial Supervision Authority, as well as individual customer consents to change the bank. Following the transaction, the Bank took control of the organised part of the bank business comprising mainly assets of private banking customers, including their deposits and current accounts, as well as regularly repaid loans in PLN. The aim of the transaction is to aim at strengthening position of Getin Noble Bank S.A. in the sector of private banking.

#### *Incorporation of Property Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*

On 6 November 2013 Getin Noble Bank S.A. signed an agreement with Noble Funds TFI S.A. to establish and manage Property Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("the Fund"). On 14 November 2013 the Bank purchased 100% Series A investment certificates in exchange for the transfer of PLN 16 million cash. As at 31 December 2013 the Bank was the only investor in the Fund. In December 2013 the Property Fund purchased 100% share in three special purpose companies: Ettrick Investments sp. z o.o., Redmile Investments sp. z o.o. and Lakeford Investments sp. z o.o.

### **Related party transactions**

The Getin Noble Bank S.A. Group understands related party as the Group's associates with their subordinated entities and entities related to the ultimate parent – Mr. Leszek Czarnecki.

Transactions of Getin Noble Bank S.A. and its subsidiaries with related parties are made on an arm's length basis. The details of transactions made by the Group entities with the related parties are presented in the Note II.46 to the consolidated financial statements of Getin Noble Bank S.A. Capital Group for the year ended 31 December 2013.

As at 31 December 2013 the total value of Getin Noble Bank S.A. exposure arising from loans granted to its related parties amounted to PLN 729 million (PLN 679 million at the end of 2012).

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

### **3.1. Getin Noble Bank S.A.**

Getin Noble Bank S.A. is a universal bank, whose offer is addressed to individual clients, small and medium-sized enterprises, local government units, health care entities and large corporations. The Bank S.A. offers numerous products in the area of financing, saving and investing and a wide spectrum of additional services. Because there is focus on the most affordable way for the client to contact the Bank, Getin Noble Bank S.A. offers its products through various distribution channels, ranging from traditional bank branches, to the latest technology used in online banking and bank branches of a new generation (Getin Up branches and implemented from the beginning of 2014 self-service Getin Point facilities).

Retail banking is conducted under the Getin Bank brand, which specialises in sale of cash, mortgage and car loans. Getin Bank offers also a number of investment products and deposits, it is also an active player in the segment of financial services dedicated to small and medium-sized enterprises, as well as local government units. Noble Bank represents the private banking segment, which is dedicated to wealthy clients. In addition to standard financial products, Noble Bank offers real estate advisory, legal and tax support, art banking, brokerage and concierge services.

The product offer of the Bank is supplemented by the products offered by its subsidiaries: Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A., Noble Securities S.A. brokerage house, Noble Concierge sp. z o.o. and Getin Leasing S.A. Group. In co-operation with the above-mentioned companies, Getin Noble Bank S.A.



provides its clients with access to brokerage and concierge services, investment fund units and certificates, as well as lease products and vehicles rental services.

## **Retail banking**

### Mortgage loans

Mortgage loans are distributed through the network of the Bank's own outlets and specialised financial intermediary companies, including companies of Open Finance S.A. Group.

Mortgage loans are offered for the purchase of apartments or houses on the secondary and primary markets, for construction of houses, renovation, modernization or finishing of apartments, purchase or construction of business premises, repayment of loans (consolidation) and other purposes (advances). For its product offer Getin Noble Bank is perceived as an entity which focuses on innovation in financial services.

In 2013 the Bank signed up for the National Fund for Environmental Protection and Water Management program - "Efficient use of energy. Subsidies for loans to build energy-efficient houses", and declared at the end of the year to join the government program "Mieszkanie dla młodych".

### 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 about 40%.

Car loans are sold through the network of nearly 800 agents actively co-operating with the Bank, car dealers and second-hand dealers, as well as the Bank's own 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 and Chevrolet Poland. Sales made through these brands is growing steadily – both in loans and leases – and in 2013 it amounted to PLN 400 million.

2013 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 Bank's subsidiary - Getin Leasing S.A. In 2013 Getin Leasing took the 3rd 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, except for instalment loans to finance the purchase of goods and services, where the distribution is mainly based on a network of partners cooperating with the Bank.

In 2013 the activities of Getin Noble Bank S.A. in the development of sales of credit products focused on improving the processes of decision-making on granting loans (a new IT system responsible for processing loan applications was introduced) and building a new portfolio on the basis of existing customers of the Bank and the customers of new segments characterised by lower credit risk. 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.

As an element of increasing the competitiveness of the offer, the Bank on an ongoing basis adapted its products to the market requirements. In this respect, it intensified work on making credit products available through internet banking. In addition, the Bank implemented the modifications in processes and procedures for the entry into force of regulations, laws, recommendations, inter alia, the T Recommendation.

The Bank's main lending products include:

- cash loan,
- consolidation loan,
- instalment loans to finance the purchase of goods and services,
- credit limits on current account and credit card.

### Deposit offer

In 2013 in the area of deposits the Bank focused on the more durable binding customers to the Bank. To achieve this, the Bank continued actions focused on the acquisition of personal accounts, which form the basis of binding

customers to the Bank and motivate them to keep the funds on the term deposits. In 2013 a package of services introduced in late 2012 was promoted to customers, which main element is Getin Up current account, complemented by an attractive extra offer in the form of saving account, purpose accounts, modern debit cards and access channel through modern internet banking. Continuing modernisation of the account, the Bank introduced new functionalities that increased the attractiveness of the account, such as mobile banking, and used a variety of sales promotions to encourage the customers to open an account or to actively use it. One of the entered promotion is dedicated to students who will be rewarded by the Bank for very good exam results. These actions resulted in increased number of RORs and customers both in the stationary networks and online channels.

In the area of deposits the aim in 2013 was to keep such balances to maintain the proper liquidity, while optimising costs. For this purpose, in addition to standard actions, used for several years to acquire term deposits the Bank simplified its deposit offer and introduced products that characterised to be very attractive to customers in the first period of the deposit, as well as the favourable interest rate, based on the NBP reference rate, after the renewal of the deposit which should lead to a reduction in the number of liquidated term deposits.

#### 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, which in 2013 received at Cannes title of most innovative payment card in the world.

The cards palette includes besides credit cards World, Business World and Business Executive MasterCard Debit card also Platinum Debit. All cards issued under the Getin brand are equipped with contactless payment functions authorised online. At the end of 2013 the Bank introduced first in Poland VISA Simply One card which is a combination of debit and credit card. Debit and credit cards are issued also in the NFC technology (Near Field Communication). As a result, the Bank has the ability to personalise and manage payment card on the client's mobile phone, totally remotely using the infrastructure of mobile operators. In 2013 the Bank introduced a secure mobile payments, to help customers not only gained access to a wide range of services from a Mastercard Mobile catalogue, but also gained the ability to fast-cash payments in Biedronka stores network.

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 centres 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.

In 2013 the Bank launched the Wealth Guard service, through which began its expansion in new segment of services. The Wealth Guard service is comprehensive protection of the customer assets. New services have been prepared in cooperation with the biggest Polish law firm - Domański Zakrzewski Palinka. Solutions developed by the office will include, among others, corporate governance, succession, tax planning and the protection of privacy.

The Bank has developed an offer of products tailored to the nature of the business. In August and September 2013 the Bank successfully conducted a private placement of Real Estate Income Assets FIZAN fund certificates, a product ensuring the return from its property portfolio. It is the first product on the Polish market for such a structure and met with very good acceptance among customers. Since September for the Private Banking

clients it has been prepared first protection insurance "Family Shield", which is a result of strategy implementation of broadening the scope of customer service.

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 2013 in both cycles 30 meetings was held and was visited by more than 2.5 thousand 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

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

- loan in current account and in loan account,
- investment loan,
- loan from the funds of European Investment Bank,
- loan with the BGK guarantee,
- loan for business entities working with local authorities or state budget entities,
- receivables purchasing for business entities working with local authorities or state budget entities,
- bank guarantees,
- factoring,
- financing of the purchase of property, plant and equipment in the form of lease,
- financing of property development projects,
- financing of public health service entities,
- individual loan products dedicated for small and medium-sized enterprises.

### Selected deposit products

"Moja Firma" Bank Account:

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

In 2013 the Corporate Advisors Network was expanded, providing services at the Regional Centres within the SME Sales Department. Base personnel are employees with many years of experience in financial institutions. The foundation of each advisor's work is the relationship with the client, which provides both rapid response to business needs, as well as monitoring the situation. Cooperation with corporate clients is based on providing all the necessary banking products for the business. Product is customised to each client's individual needs.

The Bank's offer includes:

- various forms of short-and long-term financing for the purpose of current and investment activities of the company,
- transaction services,
- currency exchange,
- trade transaction services,
- domestic and foreign guarantees,
- investing of financial surpluses.

### Treasury products for corporate clients

In 2013 the Bank developed active sale of treasury products to its corporate clients. With a distinctive product offering 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 2013 the Bank offered the following treasury products to corporate clients:

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

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

## 3.2. Business areas of the subsidiaries

### Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A.

The company conducts activities relating to creating and managing of investment funds, including brokerage in sale and purchase of share units and management of collective securities portfolio, investment portfolios management, in which one or greater number of financial instruments is included (so called asset management), and investment advisory.

#### **Investment Funds**

As at 31 December 2013 the company managed the following funds:

- Noble Funds Fundusz Inwestycyjny Otwarty with 7 separated subfunds:
  - Noble Fund Skarbowy,
  - Noble Fund Mieszany,
  - Noble Fund Akcji,
  - Noble Fund Akcji Małych i Średnich Spółek,
  - Noble Fund Stabilnego Wzrostu Plus,
  - Noble Fund Timingowy,
  - Noble Fund Global Return.
- Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty with separated subfund Noble Fund Africa and Frontier,
- Noble Fund 2DB Fundusz Inwestycyjny Zamknięty,
- Noble Fund Opportunity Fundusz Inwestycyjny Zamknięty,
- Debito Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty,
- Property Solutions Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych,
- Distressed Assets Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych,
- Noble Fund Macro Total Return Fundusz Inwestycyjny Zamknięty,
- Green Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych,
- Debentures Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych,
- Property Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.

Services and products of Noble Funds TFI are offered in banks, brokerage houses, financial advisory companies and insurance companies. The number of distributors amounts to 22 companies as at the end of the year.

#### Noble Funds Fundusz Inwestycyjny Otwarty

*Noble Fund Skarbowy* is addressed to risk-averse investors, appreciating the stability of invested funds, seeking the alternative for long-term bank deposits or direct investments in treasury bonds or bills.

*Noble Fund Akcji* is addressed to investors accepting higher level of risk connected with seasonal fluctuations of stock indexes, expecting higher long-term rate of return.

*Noble Fund Mieszany* is addressed to investors accepting moderate level of investment risk, seeking institutions, which will actively manage funds between equity market and debt instruments market.

*Noble Fund Akcji Małych i Średnich Spółek* is addressed to investors accepting high level of investment risk connected with seasonal fluctuations of stock indices, particularly in short-term, interested in investing on the equity market from the segment of small and medium enterprises (companies not being a part of WIG20 index), expecting in longer term extraordinary profits.

*Noble Fund Stabilnego Wzrostu Plus* is addressed to investors who expect profits higher than secure investment like bank deposits and bonds, simultaneously keeping risk at moderate level.

*Noble Fund Timingowy* is a product within which the subfund management strives for achieving positive rate of return, irrespective of market business cycle.

*Noble Fund Global Return* is addressed to investors accepting at least average risk level and seeking instruments securing assets during bear market, but using positive market trends during bull market.

#### Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty

*Noble Fund Africa* is addressed to investors accepting high level of risk. The subfund aim is to reach extraordinary rate of return from investment in long-term period by obtaining exposure to selected companies from African countries.

#### Noble Fund Opportunity Fundusz Inwestycyjny Zamknięty

*Noble Fund Opportunity FIZ* uses market potential, mismatch and other specific investment opportunities appearing at the capital market (mainly Polish). Fund assets are actively allocated between shares of small and medium enterprises, allotment certificates (PDA), shares in ltd companies and bonds. The involvement in shares and securities depends on the current stock exchange situation.

#### Noble Fund Macro Total Return Fundusz Inwestycyjny Zamknięty

*Noble Fund Macro Total Return FIZ* is a fund whose objective is the use of short-term and medium-term growth trends with limited risk (the use of "stop loss"). The Fund invests in shares and future contracts on major world indices (in developed markets and the developing world), as well as for raw materials. The feature of the fund is multicurrency.

#### Distressed Assets Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych

The managers of *Distressed Assets FIZAN* focus on investments in corporate bonds and other forms of debt, looking for attractive investment opportunities. The Fund intends to engage in a process of financial restructuring of enterprises, where the situation is so promising that the renegotiation of the terms of repayment of bonds allow for the operation of the company and for the fund - to recover the investment.

#### Fundusze Inwestycyjne Zamknięte

Noble Funds TFI S.A. also manages closed-end funds created for specific investors, i.e. 2 DB FIZ Property Solutions FIZAN, Debito Niestandaryzowany Sekurytyzacyjny FIZ, Debentures Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Green Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Property Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.

### **Asset Management**

Apart from investment fund management, the company provides asset management services. It is addressed to customers prepared to invest at least PLN 2 million. For these customers, the company offers three standard investment strategies to choose: Strategia Timingowa, Strategia Akcyjna and Strategia Bezpieczna. For customers having assets higher than PLN 5 million individual strategies are offered.

*Strategia Timingowa* assumes active adaptation of involvement in shares and other share-related securities within 0%-100% range to current stock exchange situation. *Strategia Timingowa* does not allow using of the financial leverage.

In *Strategia Akcyjna* involvement in share or share-related securities fluctuates between 80% and 100% of portfolio value. Investments consist mainly of shares admitted to trading on the organized market in the Republic of Poland, but also in other EU or OECD membership countries. *Strategia Akcyjna* does not allow using of the financial leverage. Comparative reference for assessing the effectiveness of management is weighted rate of return - based in 90% on WIG and in 10% on the yield of 52-week treasury bills.

For *Strategia Bezpieczna* it is characteristic that the possibility of investing in shares and other share-related parties is excluded and that the area of investment is limited to secure debt instruments.

The investment policy in *Individual Strategy* is established taking into account investment preferences of customers with regards to expected rate of returns and accepted risk profile. With reference to investment preferences of customer, appropriate comparable reference is determined, which allows to evaluate results of the investment manager properly.

### **Noble Securities S.A.**

The core business of the company are brokerage activities related to securities and stock commodities market. Noble Securities S.A. prepares investment analysis, financial analysis and other recommendations of a general nature relating to transactions on financial instruments.

The main areas of the company's activities include:

- brokerage services in trading of financial instruments on the Warsaw Stock Exchange,
- brokering in commodities and financial instruments on the markets organised by the Polish Power Exchange S.A.,
- supporting businesses by providing investment banking services, including support for public offerings of securities,
- providing services in the Forex market, including the use of Noble Markets modern trading platforms providing access to CFD contracts for the largest stock exchanges worldwide,
- offering to companies support in execution of Public Relations and Investor Relations campaigns with respect to public issue of shares,
- participation in KDPW as: core activity, animator, the sponsor of share issue.

#### ***Brokerage activities***

Noble Securities S.A. acts as agent in trading of financial instruments on the Warsaw Stock Exchange and in the Alternative Trading System conducted by the WSE – on NewConnect and Catalyst markets. The company supports its clients in planning activities preceding the Initial Public Offering, its debut on the Warsaw Stock Exchange and subsequent issues of securities. The offer of brokerage services is available throughout the whole country. Customers are serviced in person in Customer Service Points, by phone and online.

The Noble Securities S.A. offer for forex transactions include hundreds of financial instruments: currency pairs, commodities and goods, as well as global stock indices. Through Noble Markets (NS Forex MT4 and MT5) modern trading platforms, the company also offers access to the CFD contracts for the largest stock exchanges worldwide.

#### ***Investment banking***

The company supports customers in establishing strategies of development of their activities as well as setting financial strategy and determining if capital or debt financing should be used. Noble Securities provides strategic advisory services, procure funds services and services of merger and acquisition preparation.

The company supports clients in optimizing the capital structure and choosing the investment strategies by advisory in respect of public shares offering on the Warsaw Stock Exchange S.A. and in the Alternative Trading System NewConnect. The offer of Noble Securities includes also public subscriptions with rights issue and issues connected with transferring of company from the BondSpot or NewConnect to regulated market of the GPW. Noble Securities operates also in the non-public market, providing a wide range of services, starting from making shares available for employees, through carrying out deposit of securities and share registers, ending with preparation and conducting of non-public issues and transactions of shares sale as well as bonds issues.

#### ***Energy market***

Noble Securities S.A. under the Act of 26 October 2000 on the Commodity Exchange offers to its customers the service of intermediary in exchange transactions of purchase and sale of electricity, property rights and the CO<sub>2</sub> emission allowances.

Currently the brokerage house acts as intermediary in transactions in all Markets for Electricity and Gas on the stock exchange.



### **Noble Concierge Sp. z o.o.**

The company provides prestige concierge services for customers. These are all types of information, reservation and organizational services for clients excluding services against the law, the ethic and moral rules as well as the social coexistence rules and services connected with customer's business or work activity.

The company organises events for Getin Noble Banks' clients and Wine&Food Noble Night event. Travel Agency, which operates within the company's structures, offers standard travelling, as well as individual tailored travels.

### **Getin Leasing S.A. Group**

Entities of Getin Leasing Group conduct activities related to lease financing of vehicles, medical equipment, machinery and other equipment to lessees. The company's product offering complements the Bank's loans offer aiming primarily for customers in the segment of small and medium-sized businesses as well as corporate and public sector clients. The company provides its customers with financing in the form of operating and financial lease.

To adjust the offer to market demand, Getin Leasing offers its customers the following so-called special products:

#### Vat-Margin Lease

Finance (capital) lease, where lessor purchases the leased object from supplier on the basis of invoice Vat margin or invoice exempted from Vat.

#### Lease with deferred schedule

Operating lease extended by the functionality of deferring of leased asset transfer to customer with the possibility of leased object price adjustment.

#### WNT Lease

Operating lease dedicated to transactions in which the supplier of leased asset is an entity from EU membership country.

#### Consumer Lease

Operating lease dedicated to natural persons for financing purchase of cars and motorcycles.

#### Lease with BP card

In case of cars agreements the client is offered BP fuel card.

#### Lease with a bank account

A cross-selling product prepared in cooperation with Getin Noble Bank S.A. For all corporate clients who entered into lease agreements in PLN, the Bank opens a business bank account. The account is used to make lease payments by the customer, but it can also be the main account of the lessee company.

#### Currency lease

Product dedicated to customers with revenues in EUR. It is a type of an operating lease agreement, available for a limited group of vehicles, in which the lease payments are denominated in EUR and the client make net lease payments also in EUR, while VAT is payable in PLN.

#### Lease with supplier subsidy

Product, which gives us the opportunity to create together with the suppliers a price offer for lessees on the basis of a subsidy that is provided to the lease contract by the supplier.

#### Insurance in instalments

The product is available for operating leases, to which the insurance is financed in lease instalments.

Getin Fleet S.A., a company operating within Getin Leasing Group, offers customers an operating lease, finance lease, lease-back, lease with service, long-term rental services and fleet management. In 2013 the company introduced "Mobile lease" to its offer that gives the possibility to rent even a single car for companies in the sector of small and medium-sized enterprises. In this formula, the customer bears the costs associated with the payment only for the actual use of the vehicle. Purchase of a car after the contract end is possible, but not obligatory, and its price is stated in the contract.

### **Sax Development sp. z o.o.**

The company provides the Bank with rental and property management services.

## BPI Bank Polskich Inwestycji S.A.

The company is a financial institution specialising in services for local government units, entities controlled by local government units and infrastructure projects. BPI activities in 2013 focused on managing the existing portfolio of loans, the company did not sale any new banking products.

## 4. Financial situation and results of the Group

### 4.1. Consolidated income statement

The main items of the consolidated income statement of the Group for 2013 and changes in relation to previous year are as follows:

PLN thousand	2012 (restated)	2013	change y/y
Net interest income	1,348,567	1,297,834	-3.8%
Net fee and commission income	620,832	419,238	-32.5%
Net other result*	248,605	175,416	-29.4%
Administrative expenses	(833,840)	(880,050)	+5.5%
Net impairment allowances	(975,061)	(624,443)	-36.0%
<b>Profit before tax</b>	<b>409,103</b>	<b>387,995</b>	<b>-5.2%</b>
Income tax	(61,241)	14,489	-123.7%
<b>Net profit</b>	<b>347,862</b>	<b>402,484</b>	<b>+15.7%</b>
attributable to equity holders of the parent	333,232	399,725	+20.0%
attributable to non-controlling interests	14,630	2,759	-81.1%

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

In 2013 the Getin Noble Bank S.A. Capital Group generated consolidated net profit amounting to PLN 402 million, i.e. higher than in 2012 by almost 16%. The net profit attributable to equity holder of the parent company amounted to PLN 400 million, i.e. PLN 66 million (20%) more than in 2012.

The largest contribution to the Group's results among the subsidiaries had entities of Getin Leasing S.A. Group, which in 2013 generated total net profit of nearly PLN 85 million and Noble Funds TFI S.A. with a net profit of PLN 23 million. In respect of investment in an associate the amount of almost PLN 25 million was recognised in the consolidated financial result as share in the profits of Open Finance S.A. Capital Group.

### Net interest income

The main components of net interest income were income from lending and leasing business and the cost of deposits. Interest income from loans and finance leases accounted for 77.7% of the Group's interest income, and interest expense for amounts due to customers was 85.5% of the Group's interest expense. More than half of the interest income from loans and leases is the interest on mortgage loans. The 6.6% of interest expense accounted for the costs associated with issue of debt securities.

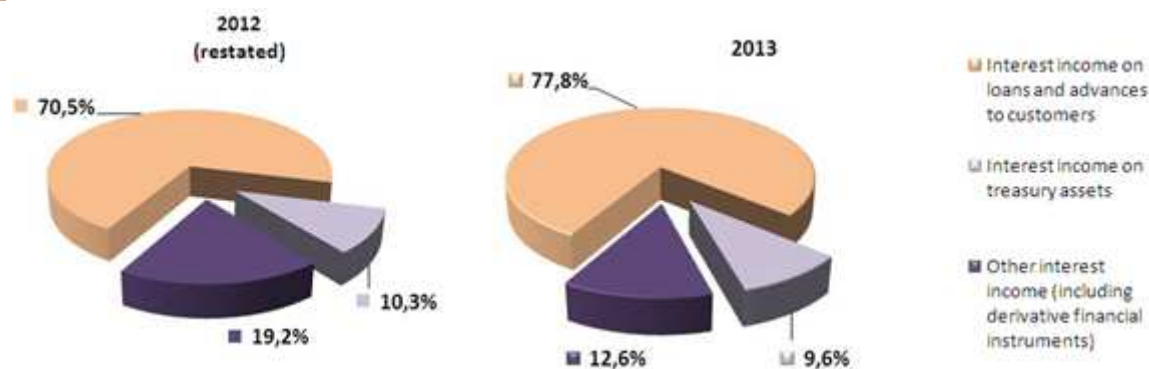
The main external factor determining the change in interest income and expense in 2013 were changes in market interest rates, which affected directly the level of interest rates on customer deposits and loans and lease receivables based on market rates adjusted by a margin.

A significant improvement in net interest income is one of the pillars of growth in the Group profit, adopted within the Getin Up strategy. In 2013 the Group undertook intensive efforts aimed at reducing the cost of finance, the effectiveness of which confirms the fact that in 2013 the interest expense on amounts due to customers decreased by 20%; a decrease in costs was achieved despite the increase in volume of amounts due to customers by 2.6% (amounts due to customers as at 31 December 2013 amounted to PLN 51.5 billion).

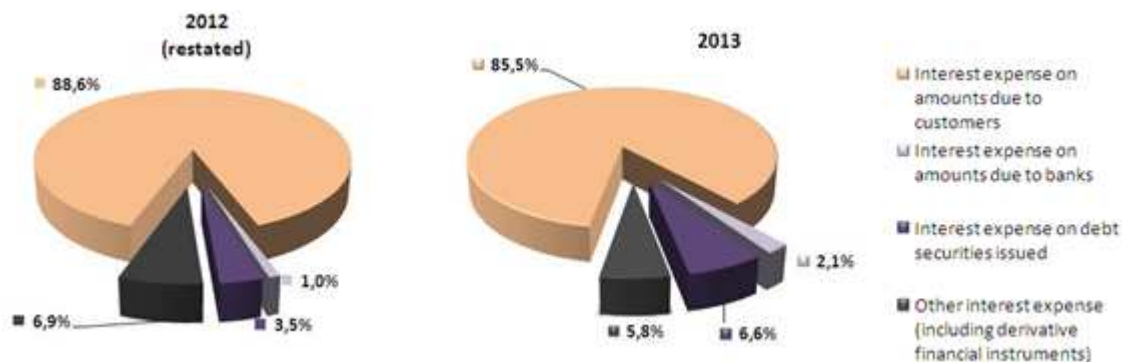
Effective management of the deposit base combined with active management of pricing policy enabled primarily the change in the structure of the deposit portfolio by increasing the base of stable funds deposited on current and

saving accounts with lower cost of interest than previously – the share of the balance in total amounts due to customers increased from 9.3% at the end of 2012 to 16.8% at the end of 2013, i.e. in accordance with the assumed Getin Up path of growth up to around 20% in 2015.

### Structure of interest income in 2012 and 2013



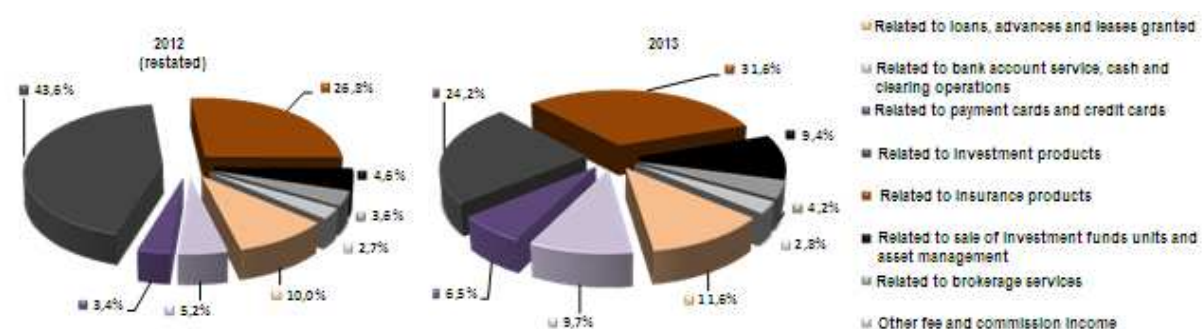
### Structure of interest expense in 2012 and 2013



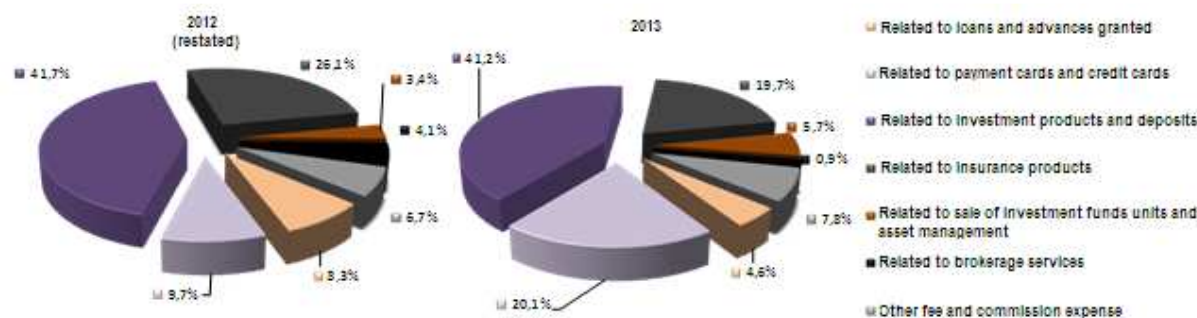
### Net fee and commission income

In 2013 the Group net fee and commission income was lower by 32.5% compared to the result obtained in 2012. The decline in the net fee and commission income was primarily the result of lower revenues on sale of investment products (decrease in 2013 of PLN 213 million, i.e. by 77%), and changes in accounting policies for revenue recognition of bancassurance activities, with particular emphasis on the definition of related products. However, in 2013 the Bank increased by 38% revenues from commissions and fees associated with bank accounts.

### Structure of fee and commission income in 2012 and 2013



### Structure of fee and commission expense in 2012 and 2013



### Net other result

Net other result achieved in 2013 (including dividend income, result on financial instruments measured at fair value through profit or loss, result on other financial instruments, net foreign exchange gains, other operating income and expense and share of profits of associates) was lower by PLN 73.2 million (i.e. by 29,4%) than the result achieved in 2012, which is associated with:

- minimising the sale of foreign currency loans and a decrease in the portfolio of loans in foreign currencies, in consequence of which the lower net foreign exchange gains were achieved (decrease compared to 2012 by PLN 25.2 million),
- lower result on other financial instruments, related mainly to the sale of securities.

In 2013 the Group achieved a more favourable result on financial instruments measured at fair value through profit or loss. In 2012 as a result of significant fluctuations in market factors affecting the measurement, the Group incurred a loss on the valuation of these instruments. Year 2013 characterised with a relatively stable level of market factors, and what's involved the measurement of financial instruments at fair value through profit or loss.

### Administrative expenses of the Group

In 2013 the administrative expenses of the Group increased compared to the previous year by PLN 46 million, i.e. by 5.5%. This increase is mainly due to the following three factors:

- increased charges of the Bank Guarantee Fund and the Polish Financial Supervision Authority (including the effect of the introduction of a new prudential levy),
- increased scale of operations, including resulting from the growth of number of bank branches and employment in connection with the acquisition of an organised part of the DnB Nord Polska S.A. bank. This resulted in an increase in the cost of employee benefits and lease and rental costs,
- higher depreciation and amortisation costs resulting from both the newly implemented investments within the Getin Up strategy and intangible assets and property, plant and equipment resulting from the acquisition of an organised parts of the enterprises of DnB Nord and DZ Bank.

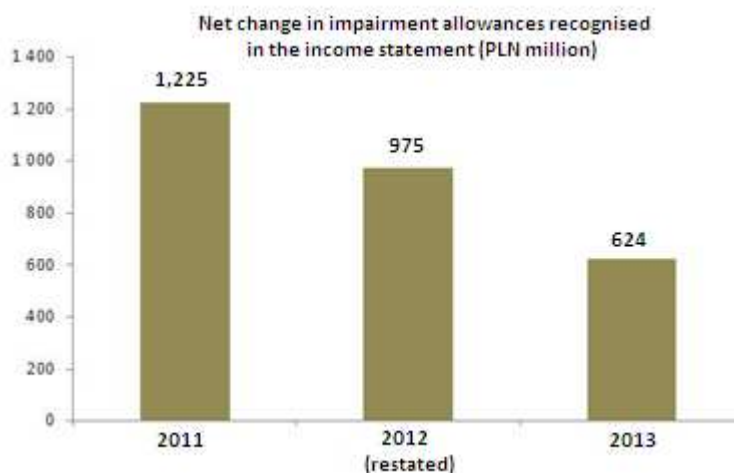
In 2013 the Group decreased or remained unchanged spending on marketing and advertising and external services, such as IT services, security and cash processing and legal and advisory services.

Getin Noble Bank S.A. being the seventh largest bank in Poland ranks beyond the top twenty of banks in terms of the amount of operating costs. According to data published by banks for three quarters of 2013 years, Getin Noble Bank S.A. was the most cost-efficient bank in the category of cost per one employee and the cost referenced to average assets.

Cost / income ratio of the Group for 2013 was 46.6%.

### Net impairment allowances

Year 2013 was another year in which the development of the loan portfolio quality was reflected in the improvement in net impairment allowances on assets:



Cost of impairment allowances on financial assets charged against the profit of the Group in 2013 in the amount of PLN 624.4 million was lower by 36% compared to 2012. The impairment losses on the loan portfolio amounted to PLN 610.9 million, i.e. were lower by 37.4% than in 2012. Favourable change occurred in the area of mortgages, which was the main reason for the total reduction in the cost of risk.

The structure of impairment allowances for basic type of loans in 2012 and 2013 is presented in the table below:

PLN thousand	2012 (restated)	2013	Change
Mortgage loans	676,526	176,381	-73.9%
Car loans	93,244	110,194	+18.2%
Retail loans	125,527	233,234	+85.8%
Corporate loans and leases	80,069	91,048	+13.71%
<b>TOTAL</b>	<b>975,366</b>	<b>610,857</b>	<b>-37.4%</b>

Drop in impairment allowances results from the quality improvement of the Group's loan portfolio. Improvement of repayment of the loan portfolio is confirmed by vintage analysis as well as the migration levels of impairment exposures.

### Key financial ratios

	2012 (restated)	2013	Change in p.p.
ROE net	9.5%	9.5%	0.0
ROA net	0.6%	0.7%	+0.1
C/I (cost to income)	38.1%	46.6%	+8.6
Capital adequacy ratio	11.5%	12.4%	+0.9

## 4.2. Statement of financial position

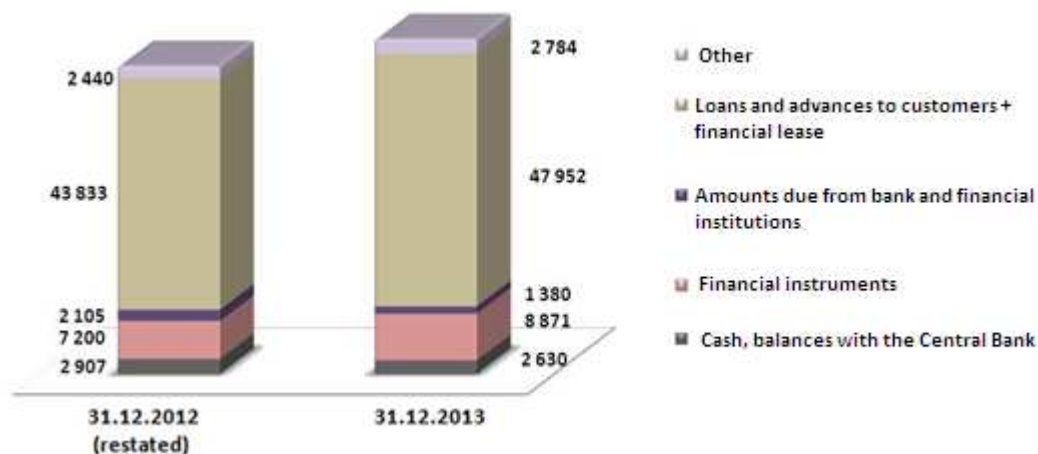
### ASSETS

As at 31 December 2013 total assets of the Group amounted to PLN 63.6 billion and were higher by nearly 9% compared to the value at the end of 2012. The main factors influencing the growth of assets are the following:

- growth in sale of loans and leases – the balance of loans and advances to customers and lease receivables increased in 2013 by 9%,

- issue of debt securities, including long-term securities to increase the supplementary funds of the Group – the balance of the securities issued increased in 2013 by PLN 1.2 billion (that is almost 61%),
- increase in the capital from the financial sector – an increase in amounts due to banks and financial institutions by PLN 2.3 billion (by 295%), including raising funds from the European Investment Bank.

### Structure of the Group assets as at the end of 2012 and 2013 (in PLN million)



The main part of the Group assets are loans, advances to customers and receivables due to finance lease (75% of the total assets). The Group has been allocating the surplus of funds in securities (14% of total assets) and interbank deposits and other financial entities (2%). Cash and cash balances with the NBP amounted to 4% of the total assets.

### Loan portfolio and finance lease receivables

In 2013 the Group increased the carrying amount of loans and advances to customers and finance lease receivables by 9% to the level of PLN 48.0 billion. The value of loans granted in 2013 amounted to PLN 12 billion and was higher than the value of loans granted in 2012 by 10%.

According to the adopted strategic direction, Getin Noble Bank S.A. changed the product mix, increasing sale of faster-moving retail loans/ corporate loans and leases and restricting sale of mortgage loans. In order to shorten the maturity of assets, the Bank focused in 2013 on sale of short and faster amortising products, i.e. cash loans, car loans, corporate loans, as well as the financing of local government units and related entities, communities and housing cooperatives. The year 2013 brought a stabilisation of sales structure in which the sale of mortgage loans accounted for 23% of total sales (in 2012 it was 35%). Growing sales of corporate loans in 2013 is in line with the goal set in the Strategy of doubling the balance of these loans by 2015. In 2013 the growth rate of the gross balance was 45% compared to the end of 2012. The consequence of changes in the structure of assets is a positive impact on the interest margin. Change in the sales structure and the decreasing portfolio of mortgage loans resulted in a systematic reduction in the share of foreign currency loans in the portfolio, which fell from about 56% at the end of 2009 to 34% at the end of 2013 .

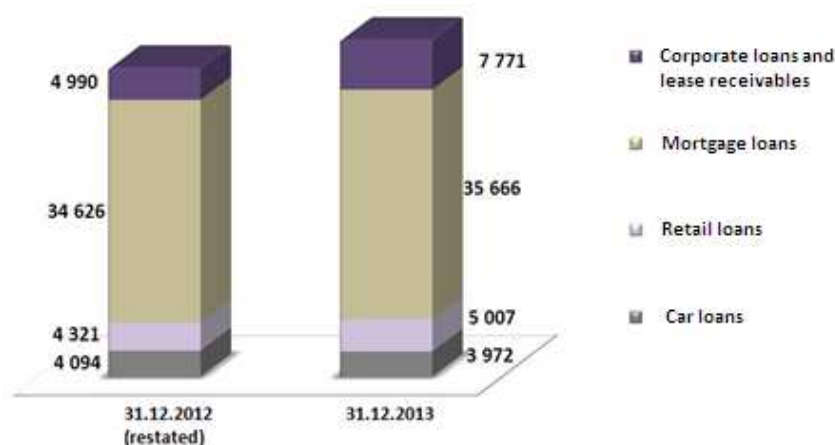
Share in sale of loans	2012 (restated)	2013	Change in p.p.
Mortgage loans	35%	23%	- 12
Other loans and leases	65%	77%	+12

The structure of loans granted in 2013 was dominated by loans in zloty, which accounted for 99% of all loans.

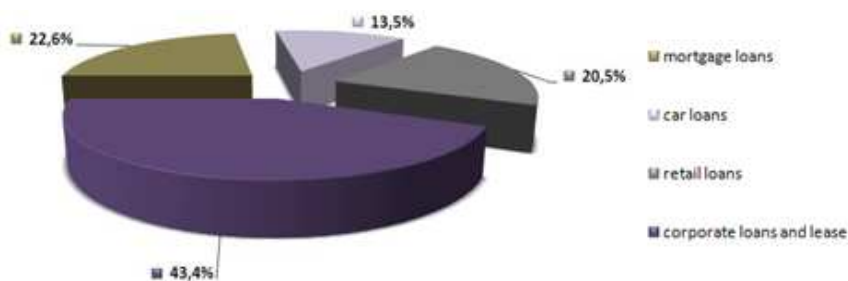
The average interest profitability related to net loan and lease portfolio obtained in 2013 amounted to 6.5%. The profitability is determined by the currency structure of loan portfolio, within which the loans in foreign currencies or denominated in foreign currencies account for 34%, and their interest profitability is lower due to the lower reference rates.



**The Group loan and lease receivables as at the end of 2012 and 2013 (in PLN million)**



**Structure of loan and lease sale in 2013**



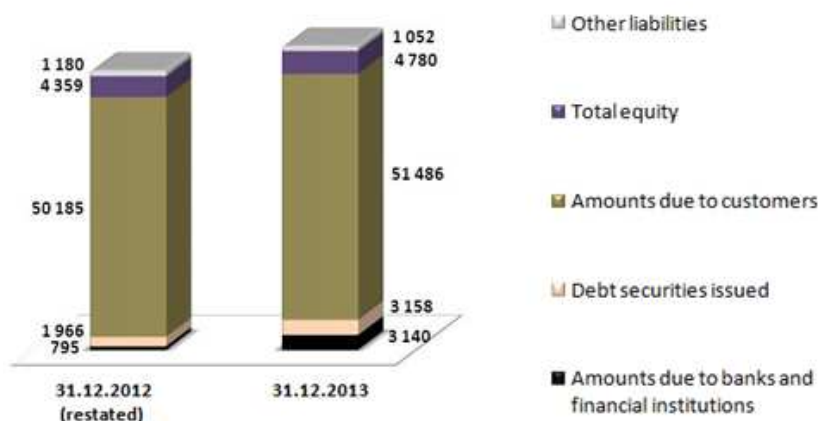
**EQUITY AND LIABILITIES**

Customer deposits are the main source of funding of the Group's loan activity. Amounts due to customers account for 87% of total liabilities and equity (increase in 2013 by PLN 1.3 billion).

One of the key areas in which the Bank focused its efforts in 2013 was the development of the database of active current accounts in order to improve the financing structure, to build a stable customer base related with the Bank and, consequently, to reduce the cost of financing. In 2013 the share of funds held by customers on current accounts and savings accounts increased by 7.7 p.p. to the level of 16.8% of the total deposit portfolio.

In 2013 the Group increased the balance of the securities issued by nearly PLN 1.2 billion, of which PLN 0.6 billion were long-term securities classified as supplementary funds of Getin Noble Bank S.A.

**Structure of the Group equity and liabilities as at the end of 2012 and 2013 (in PLN million)**

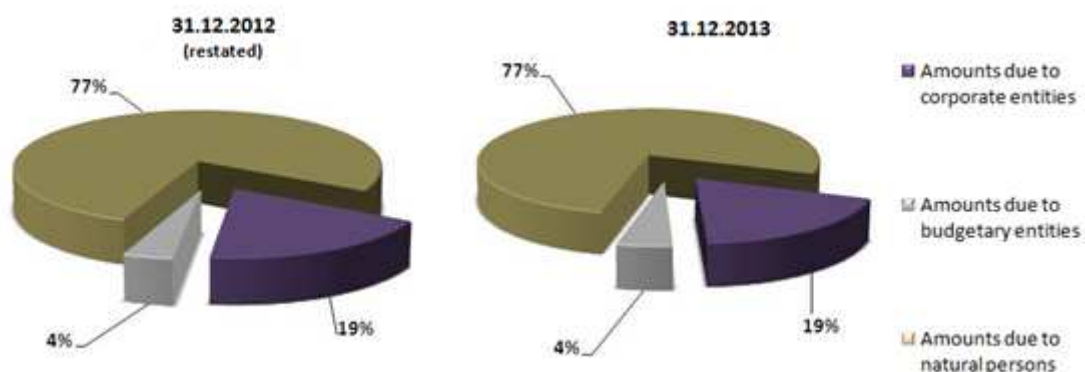


## Deposit base

Customer deposits of non-financial and public entities are the main source of funding of operating activity of Getin Noble Bank S.A. In 2013 the Group increased the value of amounts due to customers by 2.6% to the level of PLN 51.5 billion.

The term deposits are majority amounts due to customers (account for 83% of the Group deposit base) – in 2013 the decrease of term deposits balance was recorded by PLN 2.7 billion to the level of PLN 42.8 billion, while the share of current deposits in the deposits balance increased (from 9% in 2012 to 17% in 2013).

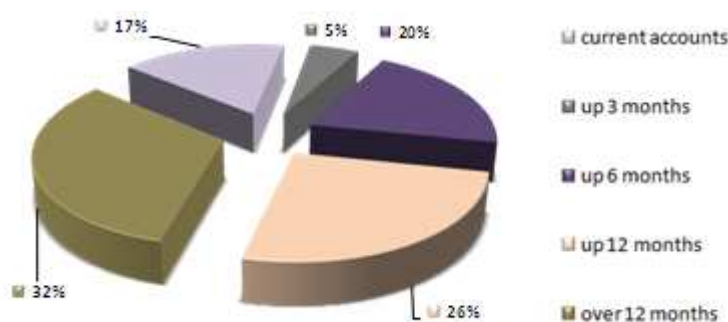
### Structure of amounts due to customers as at the end of 2012 and 2013



In 2013 the Group incurred the average interest expense related to obtaining customer deposits at the level of 4.2% and it was lower than in 2012 by 1.3 p.p. Decrease of the cost of obtaining funds was due to decrease in the interest rate of new deposits as a result of a fall in the reference rates and an increase of share of current accounts in deposits of customers.

At the end of 2013 share of deposits with an original maturity over 12 months in total deposits was 32%.

### Structure of customer deposits by original maturity as at the end of 2013



## 4.3. Contingent liabilities

The Group liabilities arising from granted loans and guarantees of loans repayments as at 31 December 2013 amounted to PLN 2.6 billion (a decrease in 2013 of nearly PLN 1.1 billion).

Contingent liabilities granted	31.12.2012 PLN thousand	31.12.2013 PLN thousand
Financial	3,366,992	2,448,799
Guarantees	271,597	115,224
<b>TOTAL</b>	<b>3,638,589</b>	<b>2,564,023</b>

Contingent liabilities received	31.12.2012	31.12.2013
	PLN thousand	PLN thousand
Financial	102,205	250,000
Guarantees	258,585	456,702
<b>TOTAL</b>	<b>360,790</b>	<b>706,702</b>

In 2013 and 2012 the Group entities did not grant any sureties or guarantees – total to one entity or its subsidiary, which total value accounted for equivalent of at least 10% of the consolidated equity.

## 5. Risk management

### Methods and objectives in the financial risk management

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

The objective of asset and liability management policy is to optimise 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 Boards of the Group entities are responsible for managing risk at the strategic level. Depending on the level and nature of the risks, in particular companies the specialist advisory committees may be appointed that are responsible for certain types of risks. In the parent entity of the Group – Getin Noble Bank S.A. – there are the following committees responsible for particular risk areas: Credit Committee, Advisory Committee, Asset and Liability Committee or Operational Risk Committee. These committees are responsible for managing their relevant risk areas at the operational level, monitoring risk levels as well as for the development of current risk management policies within the framework of strategies adopted by the management boards of the members of the Group, within internal limits and in line with the supervisory regulations.

The entities of the Group take into account the market regulations and requirements of supervisory authorities, especially the Polish Financial Supervision Authority regulations, in the market risks management. The corporate governance concerning financial risk management policies is performed by supervisory boards of the Group entities.

### 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 Getin Noble Bank S.A. 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 organisation 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 realisation 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 taking credit decisions 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. The Credit Committee of the Bank reviews all aspects relating to credit risk of current transactions.

#### Advisory Committee of the Bank

Advisory Committee is an 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. The 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 organisational structure is adapted to credit risk management policy. The separated Credit Risk Division, which reports directly to the Member of the Management Board, consists of three departments:

1. Department of Credit Risk Management is responsible for credit risk management at every stage of credit process in the Bank.
2. 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.
3. 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

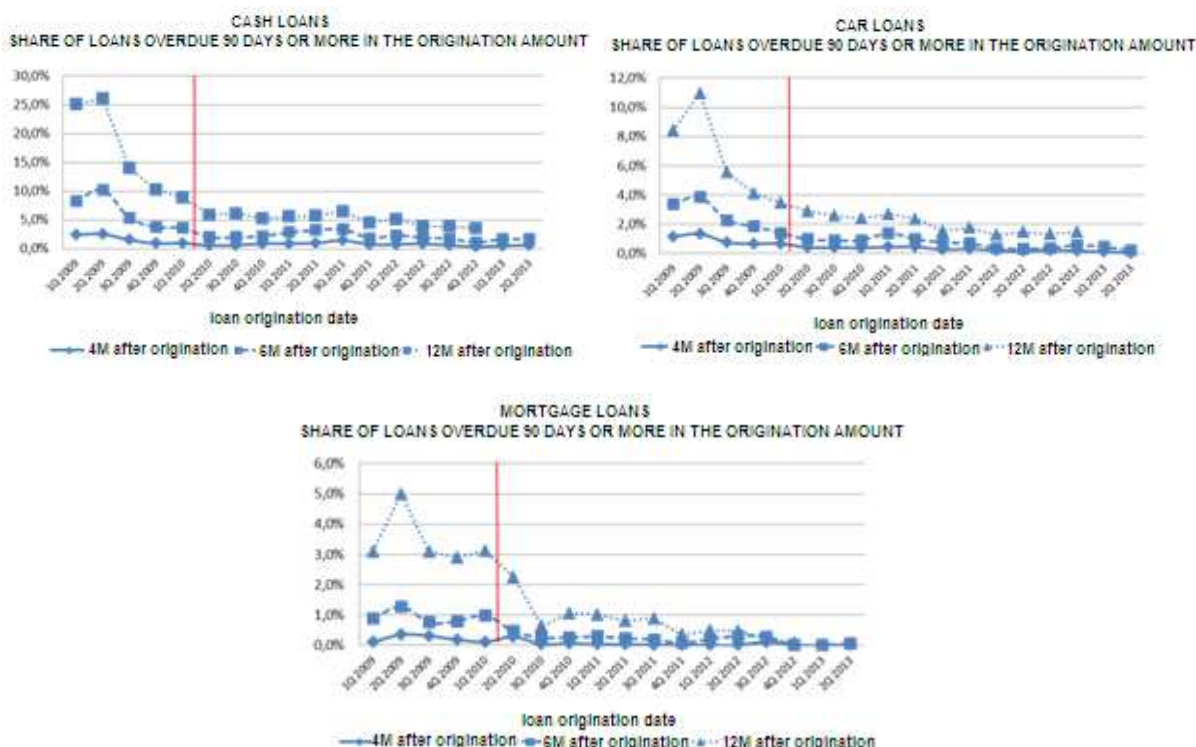
The Bank has developed "Credit Strategy and Policy" and "Credit Exposures Risk Management Strategy and Policy", which define policies, guidelines and recommendations relating to credit activities. These documents serve also as a basic instrument for the realisation of a selected strategy towards credit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

The policy towards credit risk is subject to review and adjustment taking into account both: external regulations (the PFSA resolutions) and to macroeconomic factors, which may, in the Bank's opinion, have influence on credit risk increase. Since 2010 the Bank successfully and consistently introduces solutions to limit credit risk:

- 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 2010 and 2011 the most important actions taken by the Bank to reduce the risk were to withdraw the whole offers or banking products with high credit risk.
- In 2012 the Bank, on the basis of the risk assessment, tightened the rules for granting loans which are the most vulnerable to the adverse macroeconomic changes – particularly in terms of corporate loans in the construction industry or mortgage loans (among others by limiting sale of currency mortgage loans).
- In 2013, in addition to further improvement of the quality of loans through changes in products/ processes, the Bank carried out some organisational changes – created the Credit Decision Division (centralisation of decision-making process) and the Credit Risk Committee, which has a significant impact on improving credit risk management process in the Bank.

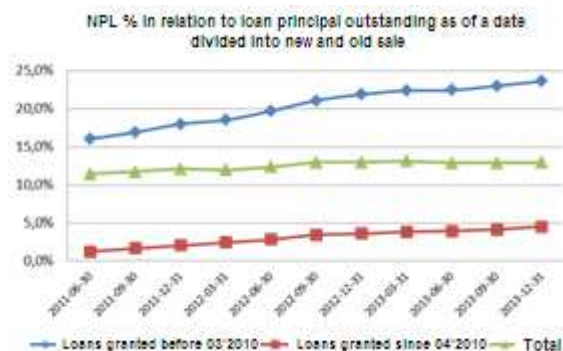
The actions undertaken by the Bank have measurable impact on maintaining levels of risk within the "risk appetite" approved by the Management Board and the Supervisory Board.

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.

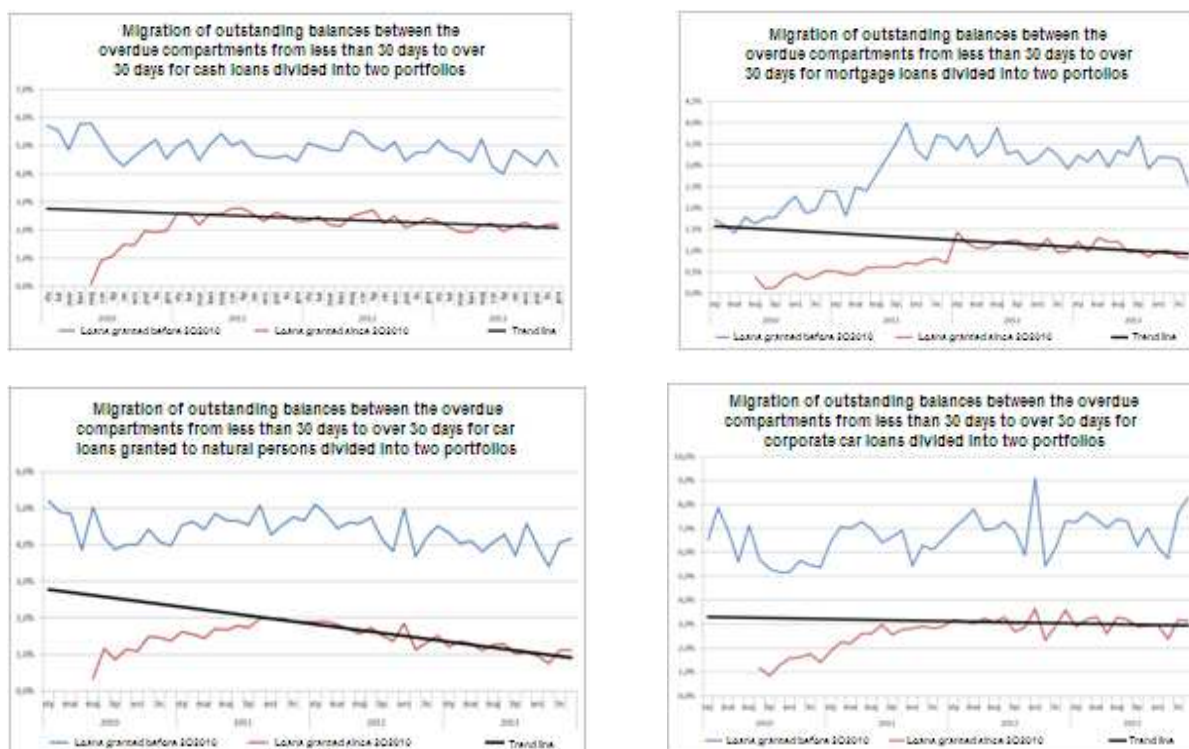


Improvement in the quality of newly generated credit portfolio is also noticeable at the level of the NPL ratio (Non-Performing Loans) – sales generated after the merger of the Banks has a much lower level of credit risk.





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. The Bank applies credit risk identification and measurement models related to its operations, 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, instalment plan, credit cards),
- 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. Each department has a separate acceptance centre which is responsible for evaluation and acceptance of particular loan applications (since 2013 they are clustered in a separate Credit Decision Area).

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 the Credit Committees, operating in the acceptance centres. The Bank's Credit Committee located in the Bank's headquarters is responsible for credit decisions exceeding the authorisation limits granted to the Credit Committees in the acceptance centres. 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 S.A. 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 individual persons - based on procedures relating to the assessment of client's creditworthiness (scoring is used for cash and car loans),
- 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 and instalment plans) assesses credit worthiness 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 the basis 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 exposure concentration risk including:
  - industry risk, to determine maximum exposure 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 loan loss provisions 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 2013 (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 loans*

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.

The Bank analyzes the effect of changes in interest rates on credit risk incurred by the Bank. Stress tests 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 basis points for mortgage loans (the S Recommendation requires the increase of 400 bps) 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 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).

The repayment of instalment plan is the transfer of title to the credited goods.

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 (blank promissory note or civil surety ship, guarantee of a third party in the form of own promissory note or civil warranty) and assignment of receivables.

## 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 Group will have a value different from that previously assumed, thereby giving rise to unexpected profits or losses from the positions held in these instruments. The objective of assets and liabilities management is the optimisation of the structure of the statement of financial position and off-balance sheet of the Group entities in order to preserve the adopted relation of profit to the risk undertaken. The primary source of foreign exchange risk of the Group is Getin Noble Bank S.A. Monitoring the level of risk within the Group is carried out by periodic measurements of risk on a consolidated basis.

### 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 Bank has adopted the so called basic method of calculating capital requirements relating to currency risk exposure. 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 of Risk (VaR),
- stress tests.

Getin Noble Bank S.A. prepares on a daily basis sensitivity analysis for the currency risk and quarterly analysis of the sensitivity of the Group's currency risk.

VAR (1D, 99.9%)	31.12.2012 PLN thousand	31.12.2013 PLN thousand
Currency risk	188	526

VaR consists of test, with 99.9% probability, of maximal amount of loss on foreign exchange position, which the Bank/ Group may incur in one day, assuming normal market conditions. However, this measurement does not express absolute maximal loss on which the Bank/ Group is exposed. VaR is the measure describing the risk level in particular moment in time, reflecting position in particular moment, which may not reflect the Bank's/ Group's position risk in another moment.

As at 31 December 2013 the 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 Group amounted to 0.78%.

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 currency risk management, including the Bank's positions in the individual currencies and compliance with the limits set for open currency positions. Information about the level of the Group's currency risk is reported on a quarterly basis.

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

Exposure (PLN thousand)	31.12.2012 (restated)		31.12.2013	
	amount	% of own funds	amount	% of own funds
USD	(9,565)	0.19%	(3,921)	0.07%
EUR	3,672	0.07%	26,406	0.45%
CHF	19,320	0.38%	9,141	0.16%
<b>Overall*</b>	<b>26,185</b>	<b>0.52%</b>	<b>45,535</b>	<b>0.78%</b>

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

### Interest rate risk

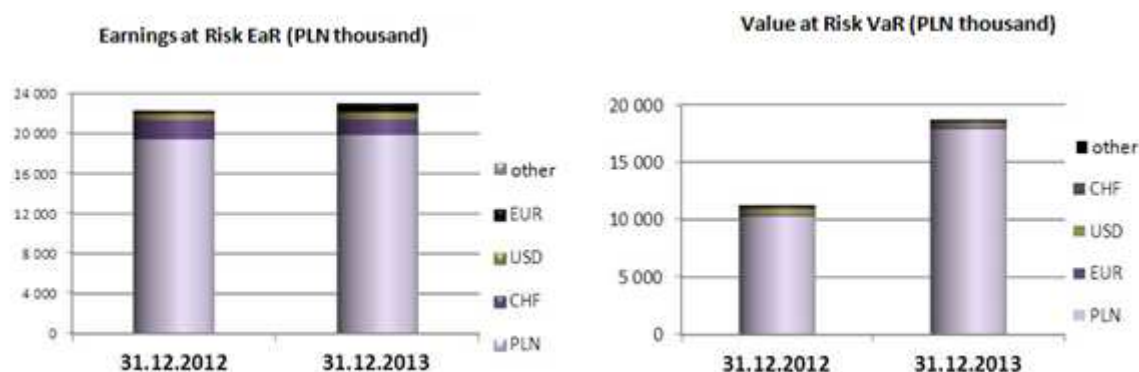
Interest rate risk is defined as the risk of a decline in the expected interest income due to changes in market interest rates as well as risk of change in values of opened balance sheet and off-balance sheet positions sensitive to market interest rates changes. The Group conducts activities aiming to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

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 and conducting periodic analyses examining the level of interest rate risk and the sensitivity of the profit and loss account to changes in interest rates.

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 Group's portfolio related to market valuation (VaR),
- stress tests showing the susceptibility of the Bank to losses in case of unfavourable market conditions or in case the key assumptions of the Bank become invalid,
- analysis of the level and influence on the Bank interest margin.

To reduce the exposure to interest rate risk, in 2013 Getin Noble Bank S.A. 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. The impact of consolidated entities on the level of interest rate risk incurred by the Group is insignificant.



### 5.3. Liquidity risk

The liquidity is defined as the ability to fulfil optimally current and future obligations. Liquidity risk is defined as risk of not fulfilling these obligations.

The main source of the Group's liquidity risk is Getin Noble Bank S.A. Monitoring the level of risk within the Group is carried out by periodic measurements of risk for the Group on a consolidated basis.

The primary objective of liquidity management is to minimise the risk of losing current, short-, medium- and long-term liquidity by ensuring the capability to fulfil current and future liabilities on a timely basis. In 2013 the Group entities settled their liabilities on time.

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

The following analyses are used to perform an assessment of liquidity risk for the Bank and the Group:

- supervisory liquidity norms,
- gap analysis, i.e. an analysis of the mismatch between the maturities of assets and liabilities, which covers all balance sheet items by maturity, under contractual and real-terms scenarios,
- analysis of liquidity ratios within specific time horizons by maturity, under contractual and real-terms scenarios,
- selected balance sheet ratios,
- the Bank's sensitivity to funds outflow.
- LCR and NSFR ratios.

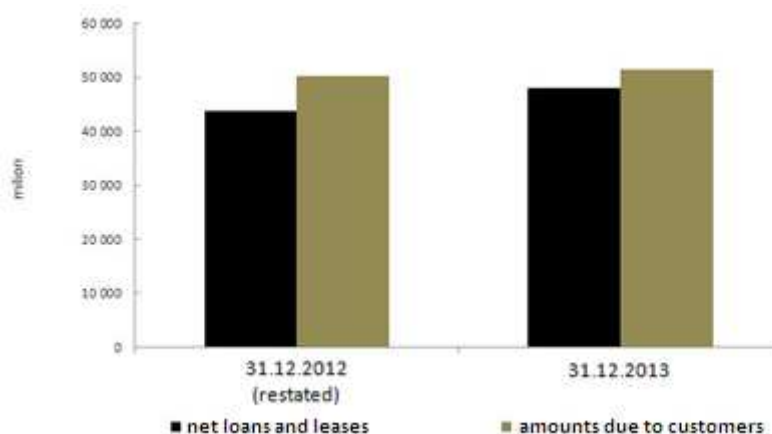
The gap ratios, the level of liquid assets, selected balance sheet ratios, the level of use of liquidity limits (including compliance with liquidity norms) and sensitivity of liquidity measures to fluctuations in exchange rates are monitored in the Bank on a daily basis.

The impact of consolidated entities on the level of liquidity risk incurred by the Group is insignificant.

Liquidity analyses rest on internal models reflecting the specific of the Bank's business. Customer deposits are a key source of financing the granted loans; the loan to deposit ratio does not exceed 100%. Among stable sources of funds the prevailing items are deposits of retail clients, however, stable funds from corporate clients' deposits complement the overall base of stable funding sources. In 2013 Getin Noble Bank S.A. continued issues of long-term securities, which accounted for an additional source of financing lending activities. Moreover, the Bank acquired funding from the interbank market, by finalising bank loan agreements in the amount of EUR 125 million and repurchase agreement transaction secured by treasury bonds, as a result of which the Bank acquired CHF 150 million.

Loan to deposit ratio	31.12.2012 (restated)	31.12.2013	Change
Net loans / amounts due to customers	87.3%	93.1%	+5.8 p.p.

### Loan to deposit ratio



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

In accordance with the supervisory guidelines Getin Noble Bank S.A. daily calculates the supervisory liquidity measures, which in 2013 developed above the minimum amounts set by the Polish Financial Supervision Authority. In 2013 the Bank conducted the policy to maintain liquid assets at the optimum level in terms of the Group liquidity and profitability indicators.

Supervisory liquidity measures of Getin Noble Bank S.A. as at 31 December 2013 and 2012 are presented below:

Supervisory liquidity measures		Minimum value	Value as at 31.12.2012	Value as at 31.12.2013
M1	Short-term liquidity gap (in PLN million)	0.00	5,715	3,813
M2	Short-term liquidity factor	1.00	1.83	1.38
M3	Ratio of coverage of non-liquidity assets with own funds	1.00	3.41	3.39
M4	Coverage ratio of non- liquid assets and limited liquidity assets with own funds and stable external funds	1.00	1.18	1.18

## 5.4. Operational risk

### *Definition and purpose of operational risk management*

Operational risk is a possibility of the loss as a result of maladjustment or failure of internal processes, people and system or of external events, including also legal risk. Within operational risk management, the Group realises strategic medium- and long-term goals and short-term operational goals, which execution aims to achieve strategic goals.

The main strategic goal of operational risk management is to optimize internal business and non - business processes, allowing to limit costs and losses as well as increase operational security and limit reputational risk. Operational risk management is targeted to prevent threats, effective decision making, set priorities and resources allocation, ensuring better understanding of potential risk and possible undesirable consequences.

The main operational goal of operations risk management is to complete identification of operational risk and possibly most precise measurement of its size and assessment of its profile. For this purpose, solutions within measurement and operational risk management model are improved, enabling in the future the application of advanced measurement methods, sensitive to operational risk, considering factor and parameters of operational risk specific for the Group, in particular for the Bank, i.e. strictly related to its operating profile.

The process of operational risk management is actively contributed by:

- all elements of Bank's organizational structure, including areas, divisions and organizational units of the Bank's headquarter, operational units (constituting local organizational Bank units);
- related entities - Bank's subsidiaries;
- third parties - franchise units and agencies.

Organizational units of operational risk management include:

- system units – also called as technical system units- responsible for systemic operational risk management, establishing internal regulations and developing solutions, which are used to current operational risk management, performing also tasks relating to current operational risk management;
- operational units – dealing with current operational risk management in their everyday activities.

In all divisions and at all levels of the Bank's organizational structure the following groups of units, persons and functions, which are executed at three following levels are to be distinguished:

- the first, basic level – units and persons dealing with operational risk management in their everyday activities;
- the second, supervisory level – people 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 Security and Operational Risk Department and Operational Risk Committee.

The leading role in operational risk management is fulfilled by the Getin Noble Bank S.A. Supervisory Board and Management Board, which members are aware of important aspects of operational risk management, as a separate and separately managed type of risk, and know the risk profile resulting from the Bank's activities.



The Management Board is supported by a dedicated committee - namely Operational Risk Committee, which performs consulting services in the process of operational risk management.

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

*Strategies and processes of operational risk management and scope and types of operational risk reporting and measurement systems*

Operational risk management is a process including activities towards identification, measurement, limiting, monitoring and reporting of risk. It includes all processes and systems, with particular emphasis on those connected with performing activities providing clients with financial services.

The Bank manages operational risk in accordance with "Operational Risk Management Strategy" established by the Management Board of the Bank and approved by the Supervisory Board of the Bank, including cautious regulations resulting from the banking law and appropriate resolutions and recommendations of banking supervision, as well as including characteristics of rules already applied in the Bank as well as being in the development phase and planned in the future.

Existing operational risk measurement and reporting system is supported by appropriate software dedicated to operational risk management.

The operational risk reporting system in the Bank includes reports prepared for internal management and external supervisory purposes. The management and supervisory reporting is based on assumptions resulting from the guidelines included in the M Recommendation, supervisory regulations concerning the rules and methods for announcing qualitative and quantitative information on capital adequacy by banks, as well as COREP supervisory reporting rules for operational risk.

The reporting system covers various types of reports, in particular:

- operational risk reports presenting the risk profile;
- reports on the measures undertaken in order to mitigate operational risk;
- efficiency of methods mitigating operational risk.

Operational risk reporting is composed of:

- current reporting - recording data on events and operational losses and profile and changes of operational risk;
- periodic processing and distribution of data, gathered in risk monitoring process in form of quarterly and half-year reports;
- documenting and flow of data (reports) on operational risk.

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

- required equity to cover operational risk, including regulatory capital - minimal capital requirement and internal capital to cover operational risk losses;
- 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.

*Policies and strategies related to mitigation of operational risk*

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.

Moreover, in order to secure all processes requiring transfer of cash, operational risk is eliminated mainly by implementation of the rule of second-hand check.

Crucial business processes have been described in appropriate documents - Policies and Procedures. The correctness of business process is subject to permanent monitoring and reports are submitted directly to the Management Board.

The efficiency of the security measures and methods used by the Bank to mitigate operational risk is monitored by continuous monitoring, collection and analyzing of operational events and operational risk profile observations 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 Group entities to comply with the provisions of the law, internal regulations, adopted standards, including ethical standards. Strategic goal of compliance risk management is:

- creating the image of the Bank and the Group as entities 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 Getin Noble Bank S.A. performs current analyses of law provisions in force, cautionary regulations, internal rules and regulations, as well as Banks conduct standards. It also 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; 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 identification process results 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 Capital Group.

Main changes in the legal environment in 2013, to which the Group 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, M, T) and the recommendations of the Polish Bank Association and the Polish Chamber of Insurance (including bancassurance I and III recommendations).

In addition, Getin Noble Bank S.A. undertook preparatory activities related to the implementation of recommendations D and S of the Polish Financial Supervision Authority and CRD IV / CRR, in particular, the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (EU OJ L dated 27.06.2013).

## 5.6. Capital management

The level of the Group 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.

The primary purpose of capital management in the Getin Noble Bank S.A. Capital Group is to maintain appropriate credit rating and secure capital ratios, assure safe continuation of operating activity of the Bank and other Group entities and increase value for its shareholders. The capital is managed at the level of individual entities of the Group and management control is exercised by the functions of the supervisory boards of these entities.

In the 12-month period ended 31 December 2013 and 2012 no significant changes in principles, rules and processes applied in this area were implemented.

Getin Noble Bank S.A. adjusts the level of own capital to profile, scale and complexity of risk present in its operations. Within the level of maintained capital and capital adequacy calculation, the Bank applies to applicable legal regulations and set strategic goals. In order to maintain an optimal level and structure of own funds the Bank uses available methods and means – share issue, retention of net profit and issue of subordinated bonds, thus ensuring the capital adequacy ratio at the required level. In 2013 the capital adequacy ratio of Getin Noble Bank S.A. and the Capital Group maintained at a safe level above 12%.

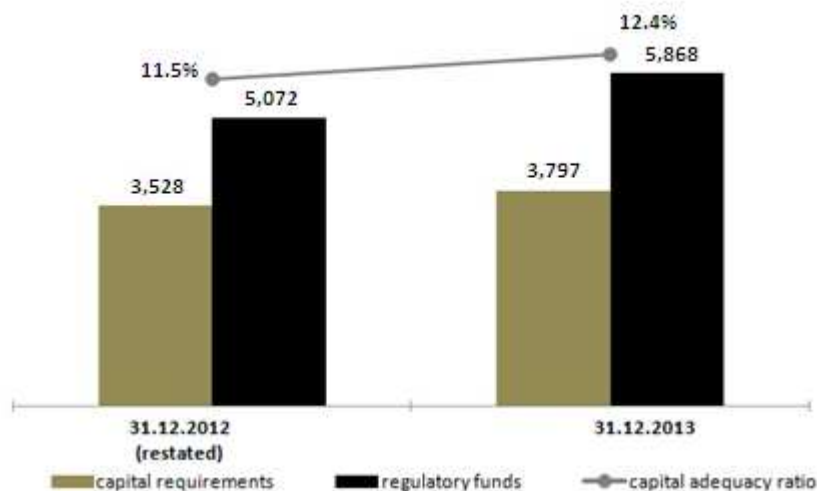
Within preferred capital structure, Getin Noble Bank S.A. assumes to maintain the structure with prevailing share of the core capital (Tier 1), which is essential to meet the requirements specified in the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, effective from 1 January 2014.

The level of internal capital intended to cover unexpected losses arising from significant risks present in its operations (Pillar II requirements) is calculated by the Bank based on internal procedure approved by the Management Board and Supervisory Board. 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).

The capital management, in accordance with regulatory requirements is in place also on the subsidiary level in Noble Funds TFI S.A. and Noble Securities S.A.

In 2013 efforts were made to raise the Group capital adequacy ratio, including appropriation of profit for 2012 to reserve capital and the issue of subordinated bonds by Getin Noble Bank S.A. As a result the Group capital adequacy ratio increased in 2013 from 11.5% to 12.4% (in comparison to restated data as at 31 December 2012).

#### Capital adequacy as at the end of 2012 and 2013 (in PLN million)



## 6. The Group prospects and growth factors

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

- achieving a high level of profitability and effectiveness,
- achieving by Getin Noble Bank S.A. to be a one of the top five banks in Poland in all major bank evaluation categories (particularly in respect of own funds, assets, loans and deposits, net profit),
- ensuring a stable and liquidity-safe growth of the Group;
- controlling the level of risk inherent in the Group business (including credit risk).
- providing high quality customer service and a positive image of the Group.

In 2014 the Group will be oriented towards the following goals and actions:

- continuing to build customer-oriented approach – as a "first choice bank" – knowing the needs of its clients,

- offering them a wider and wider range of products and building lasting relationships with customers,
- improving the Group's image and quality of service (Getin Up brand – a new generation banking),
  - increasing a scale of relationship with a customer,
  - increasing a level of recurring revenue,
  - maintaining the “entrepreneurial character” of managing the organisation, as a key driver of competitive advantage,
  - high quality of loan portfolio,
  - taking actions to maintain a safe structure of assets and liabilities – in particular in cross-currency and liquidity,
  - maintaining the capital adequacy ratio above 12%.

The Bank's investment plans include capital expenditures on IT and fixed assets. The Getin Up project will be continued – branches of a new generation and launch of a virtual branches of the Bank (Getin Point).

The Group's activity is closely linked with the economic development of the country and the situation on the financial markets. For the expected financial position of the Group a key factor will be economic development of the country, market interest rates and stability of PLN exchange rates. An important element will also be the quality of loan portfolio.

## 7. Corporate governance

### 7.1. Compliance with best practices

Getin Noble Bank S.A., which shares are admitted for trading on the Warsaw Stock Exchange main market applied in 2013 the corporate governance rules for joint stock companies issuing shares, convertible or pre-emptive bonds admitted to public trading adopted by the Warsaw Stock Exchange Supervisory Board in July 2007 called “The Code of Best Practices for WSE Listed Companies”.

Principles of corporate governance in the form of “The Code of Best Practices of WSE Listed Companies” are attached to Resolution No. 12/1170/2007 of the Warsaw Stock Exchange on 4 July 2007 and entered into force on 1 January 2008. On 19 May 2010, the Warsaw Stock Exchange in Warsaw in Resolution No. 17/1249/2010 changed the above mentioned document, with the effect from 1 July 2010 (except the rule set out in Part IV paragraph 10 Best Practices of WSE Listed Companies which is effective from 1 January 2012). On 31 August and 19 October 2011 the Board adopted further amendments to the Code of Best Practices which related primarily to the elements within the scope of information governance and postponed the entry into force of the rules referred to in the preceding sentence on 1 January 2013. Last amendments was launched by Resolution No. 19/1307/2012 dated 21 November 2012 effective from 1 January 2013.

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

In 2013 Getin Noble Bank S.A. complied with the Code of Best Practices for WSE Listed Companies, with the exclusion of the following provisions:

#### 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 2013 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, i.e. 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.”

The Bank's Management Board withdrew from application of this rule in respect of exercising the voting right outside the venue of the General Meeting, using electronic communication means because of economic reasons and legal risk. The costs of technical servicing of the real-time communication with shareholders or their plenipotentiaries in the Bank's opinion are disproportionate to the potential benefits. Moreover, difficulties due to correct identification of the shareholder or the plenipotentiary increase the risk of irregularities.

## 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.”

The Bank withdrew from application of this rule because of economic reasons. In the Bank's Management Board opinion the costs of technical servicing of registration of the General Meeting, are not reasonable because of the current shareholders structure of the Bank and might be disproportionate to the potential benefits. Moreover, according to the Bank's Management Board being not compliant with this recommendation does not pose any risk, as the Company discloses to the public in the form of current reports and publishes on its website all the legally required information and documents – enabling investors and analysts to acquaint with the subjects discussed during the General Meeting.

## 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.”

The Bank's Management Board withdrew from application of this rule because of economic reasons and due to the increased risk of irregularities in the conduct of General Meetings (including relating to the identification of shareholders or the selection of the most appropriate mean of bilateral remote communication). The costs of technical servicing of the broadcast and real-time communication with shareholders in the Bank's opinion are disproportionate to the potential benefits. Moreover, according to the Bank's Management Board being not compliant with this recommendation does not pose any risk, as the Company discloses to the public in the form of current reports and publishes on its website all the legally required information and documents – enabling investors and analysts to acquaint with the subjects discussed during the General Meeting.

## The Bank's shareholders with major shareholding

The ownership structure of significant batches of Getin Noble Bank S.A. shares as of the date of these report according to the information available to the Bank is 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 Czarniecki (directly)	264,626,609	264,626,609	9.99%	9.99%
Getin Holding S.A.	200,314,774	200,314,774	7.56%	7.56%
ING Otwarty Fundusz Emerytalny	192,352,805	192,352,805	7.26%	7.26%
Other shareholders	981,120,381	981,120,381	37.01%	37.01%
<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 fulfilment of duties by the members of Supervisory and Management Board,
- appoint and dismiss members of the Supervisory Board,
- amend the Bank's Articles of Association,
- adopt resolutions to increase or decrease the Bank's share capital,
- adopt resolutions on the redemption of the Bank's shares, terms and conditions thereof,
- 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 organised part thereof and to establish a limited property right thereon,
- adopt resolutions on other matters brought to the General Meeting by authorised entities and restricted for its competence by 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 the 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 par. 2, point 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 par. 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 par. 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 equity and principles of 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 three years.

As at the date of this report, the composition of the Bank's Supervisory Board was as follows:

<b>Supervisory Board of Getin Noble Bank S.A.</b>	
Chairman of the Supervisory Board	dr Leszek Czarnecki
Vice-Chairman of the Supervisory Board	Rafał Juszczyk
Members of the Supervisory Board	Remigiusz Baliński
	Michał Kowalczewski
	Jacek Lisik

In 2013 and until the date of approval of this report no changes occurred in the composition of the Supervisory Board of Getin Noble Bank S.A.

### Audit Committee

The tasks of the Audit Committee are executed by the whole Supervisory Board of the Bank. The objective of executing by the Supervisory Board the tasks of Audit Committee is fulfilling its supervisory duties within the processes of financial reporting, risk management, internal control system and audit process. 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 Board of Directors 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.

### 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 fulfil their duties personally. The Management Board makes decision within its competencies during the meetings convened in accordance with provisions of the Management Board's Rules. The Management Board's meetings hold at least once a week and are convened by the President of the Management Board, who also chairs them. In case of his absence, the President is replaced by another member of the Management Board indicated by the President. Conclusions of the Management Board's meetings are made through resolutions. In order for a resolution to be valid the presence of majority of the Management Board members is required. The participation in a meeting is also possible by means of remote communication, especially by means of phone or video communication, enabling identification of meeting participant. The Management Board's resolutions shall be passed by the absolute majority of the votes. In case of equality of votes, the vote of the Management Board's President is decisive. After fulfilment of conditions determined in the Rules of the Management Board, resolutions may be adopted by the Management Board also in special course, without convening and taking place of the Management Board, i.e. (i) by circular by means of remote communication, particularly by voting with the use of e-mail, or fax and then placing a signature to resolutions by the Management Board's members in accordance with given vote, (ii) by voting in writing by signing by each member of the Management Board of proposed resolution (cards with signatures of the Management Board's members to given resolution) with indication whether member votes "for", "against" or "abstain from voting" and submitting signed resolution to the Management Board's President.

The Management Board's composition as at the date of this report was as follows:

<b>Management Board of Getin Noble Bank S.A.</b>	
President of the Management Board	Krzysztof Rosiński
Members of the Management Board	Marcin Dec
	Karol Karolkiewicz
	Krzysztof Spyra
	Radosław Stefurak
	Maciej Szczechura
	Grzegorz Tracz

During the 12-month period ended 31 December 2013 and until the date of approval of these consolidated financial statements the following changes occurred in the composition of the Bank's Management Board:

On 29 January 2013 the Polish Financial Supervision Authority approved the appointment of Mr. Krzysztof Rosiński to the President of the Management Board of Getin Noble Bank S.A.

On 7 November 2013 the Supervisory Board of Getin Noble Bank S.A. appointed Mr. Marcin Dec as a Member of the Bank's Management Board with effect from 1 January 2014. On 6 December 2013 Mr. Maurycy Kühn resigned from the position of a Member of the Bank's Management Board with effect from 9 December 2013. In the 12-month period ended 31 December 2013 and until the date of approval of these consolidated financial statements there were no other changes in the composition of the Bank's Management Board and Supervisory Board.

### **Committees**

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

- Asset/Liability Committee

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

- 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.

- Advisory Committee of the Bank

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

- Operational Risk Committee

Operational Risk Committee fulfils 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.

- Debt Collection Committee

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

- 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.

- Credit Risk Committee

Credit Risk Committee serves as an advisory body in the process of credit risk management in the Bank. The purpose of its operations is recommending a specific procedure in the field of the cases related to the Bank's credit risk and initiating activities of the credit risk management in relation to the Bank's organisational units responsible for credit risk management process.

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

Detailed information regarding the remuneration of Bank's managing and supervising persons was described in the note II.46 to the consolidated financial statements of the Getin Noble Bank S.A. Capital Group for the year ended 31 December 2013.

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

The contracts of Mr. Krzysztof Rosiński – the President of the Management Board of the Bank and the following Members of the Management Board – Mr. Maciej Szczechura, Mr. Grzegorz Tracz, Mr. Karol Karolkiewicz and Mr. Marcin Dec, envisage a payment of additional remuneration amounting to salary received and due within full 6 calendar months following the agreement termination date in case of termination of agreement by the Company or dismissal of Manager from the function in the Company's Management Board before the lapse of the term on which agreement was concluded, except for termination of agreement without notice in case of gross breach of provisions of the agreement.

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

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

### Holdings of the Bank shares by managing and supervising persons

Holdings of shares of Getin Noble Bank S.A. by managing and supervising persons as at the date of the report are the following:

Members of the Supervisory and Management Board	Function	Number of the Bank shares on the own account
Leszek Czarnecki <sup>1)</sup>	Chairman of the Supervisory Board	264,626,609
Rafał Juszczyk	Vice-Chairman of the Supervisory Board	-
Remigiusz Baliński	Members of the Supervisory Board	521,530
Michał Kowalczewski	Members of the Supervisory Board	-
Jacek Lisik	Members of the Supervisory Board	-
Krzysztof Rosiński	President of the Management Board	2,954,739
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 Stefurak	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, Chairman 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: International Consultancy Strategy Implementation B.V. – 8,846,634 shares, KKBBK Investments Ltd. – 11,911,427 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 realised within Financial Department, and its basis is the accounting policy adopted by the Management Board of the Bank and accounting

organisation in the Bank. The substantive control of the preparation of the financial statements is exercised by the Chief Accountant of the Bank and the Managing Director of the financial division.

In order to ensure true and fair information in the financial statements, in the Bank exists an internal control system, being the element of the Bank's management system. The internal control system is adapted to the organisational structure of the Bank and includes the organisational units of the Bank, the Bank's branches and 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 organisational 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 organisational 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. In addition, the Management Board of the Bank takes actions to ensure the continuity of monitoring the effectiveness of internal controls and to identify areas of business, operations, transactions and other activities designed for continuous monitoring.

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

On 28 June 2013 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 for 2013. The agreement with respect to the review of the interim standalone and consolidated financial statements of the Bank and audit of the standalone and consolidated financial statements of Getin Noble Bank S.A. for 2013 was signed on 11 July 2013. The Bank used the services of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. for the audit of financial statements for previous financial year.

The detailed information on the contracts concluded with the entity authorised to audit financial statements and the auditor remuneration is presented in the note II.47 to the consolidated financial statements of the Getin Noble Bank S.A. Capital Group for the year ended 31 December 2013.

## **8. Corporate social responsibility**

Getin Noble Bank S.A. actively 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 a new business strategy – Getin Up, purpose of the Code of Conduct is to improve customer-oriented banking and to apply good business



practises as well as to achieve by Getin Noble Bank S.A. high position in terms of ethical standards, honesty, responsibility and trustworthiness.

In 2013 the Bank continued its activities to promote the wider social awareness among its employees to support needy and local communities as part of the employee volunteering project called 'Zgrana Ekipa', among others, in the context of the cooperation with the Volunteer Center in Warsaw. The Bank continued also a grant program, to support initiatives of employees. Volunteers i.a. renovated facilities of Fundacja Edukacja dla Demokracji (Education for Democracy Foundation) and Centrum Praw Kobiet (Center for Women's Rights), conducted events for clients of Centrum Praw Kobiet and carried second edition of donations for local animal shelters. Employees of Getin Noble Bank S.A. performed series of trainings for Fundacja Edukacja dla Demokracji (Education for Democracy Foundation) and Centrum Praw Kobiet, under Competence Volunteering project. Since December 2013 employees of Getin Noble Bank S.A. conducted 7 trainings concerning time management, internal communication in team, personal finance, assertiveness, self-presentation and job interview.

The Bank's success was also the event called Bieg Fair Play (Fair Play Run) organised for the first time. Both employees and the Bank's friends were invited to participate. It was a charity event – for every adult person, who completed the run of 5 km in no longer than 50 minutes, the Management Board of Getin Noble Bank S.A. donated PLN 15 to support the rehabilitation of the Bank's employee, who underwent surgical removal of tumour of spinal cord. In three races organised in Warsaw, Wrocław and Katowice participated over one and a half thousand people. Bieg Fair Play is first charity event on such a large scale, organised by Getin Noble Bank S.A. After its success, Bieg Fair Play will be a permanent part of the CSR program of the Bank.

Getin Noble Bank S.A. actively supports charitable organisations that help children most in need. In the strategy of social action the Bank focuses on improving the quality of life of disadvantaged children or in a difficult financial situation.

## 9. Additional information

### Significant agreements

On 24 May 2013 Getin Noble Bank S.A. signed with DnB Nord Polska S.A. („DnB Nord”) a disposing agreement under which the Issuer acquired from the DnB Nord an organised part of a bank business including among others branches together with employees and banking operations conducted in those branches. The agreement was finally settled on 31 May 2013, after fulfilment of all suspensive conditions, in particular obtaining the consent of the administrative authorities, positive interpretation of tax law provisions, consent of the owners of the premises where the branches are located to change the tenant as well as nearly all individual customer consents to take over the service of their assets by Getin Noble Bank S.A.

As a result of the fulfilment of all the conditions precedent contained in the preliminary agreement concluded between Getin Noble Bank S.A. and Dexia Kommunalkredit Bank AG with its registered office in Vienna on 7 November 2012 to acquire 104,000 shares of Dexia Kommunalkredit Bank Polska S.A. („DKBP”) with its registered office in Warsaw, with a total nominal value of PLN 104,000,000, which is 100% of the share capital, on 28 March 2013 there was a passage of legal title of DKBP shares to Getin Noble Bank S.A.

With the consent of Dexia AG, Getin Holding S.A. joined as a joint and several debtor for liabilities arising from the payment for the DKBP shares and made a cash payment directly to the account of Dexia AG. In order to release from the debt to Getin Holding S.A., Getin Noble Bank S.A. transferred pursuant to art. 453 of the Civil Code, 3,590,182 shares of Open Finance S.A. to Getin Holding S.A.

On 12 June 2013 Getin Noble Bank S.A. was informed that all signed documents enabling to complete the financing agreement concluded between the Issuer and Banc of America Securities Limited with its registered office in London dated 6 June 2013 within the ISDA Agreement, were collected. The subject of the agreement is a loan in the amount of EUR 125 million granted to the Issuer for the period of 3 years with the final credit repayment date set as at 11 June 2016. The financial terms of the agreement do not differ from terms and conditions generally applied in this type of agreements. The interest includes reference rate: EURIOR 3M plus margin. The Issuer (pledger) concluded with the company (pledgee) finance pledge agreement in order to secure the repayment of funds transferred within the agreement plus interest, commission and other cost stipulated in the agreement. Limited proprietary right was established on 5-year- treasury bonds owned by the Issuer (with maturity date in October 2016 and April 2017 respectively) of the value of EUR 167 million.



On 10 May, 17 June and 20 September 2013 Getin Noble Bank S.A. entered into agreements with European Investment Bank with its registered office in Luxembourg ("EIB"), under which the EIB granted loans of total value of EUR 225 million. The agreements, together with two other loan agreements concluded with the entity in the last 12 months, fulfil the criteria of a significant agreement. Withdrawal of funds under the agreements is allowed in tranches, 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 margin. Collateral for received loans is pledge on the following bonds on account on the National Depository for Securities, in order to secure the repayment of funds transferred within the agreement plus interest, commission and other cost stipulated in the agreement:

- On 26 August 2013 due to the payment of PLN 421 million (equivalent of EUR 100 million) tranche resulting from loan agreement dated 17 June 2013 – limited propriety right was established on 465 thousand units of the 3-year- treasury bonds (with maturity date in April 2016) at nominal value of PLN 1 thousand each and book value of PLN 492 million, which are owned by the Issuer.
- On 21 November 2013 due to the payment of EUR 10 million and PLN 377 million (equivalent of EUR 90 million) tranche set on 29 November 2013 resulting from the loan agreement dated 20 September 2013 – limited propriety right was established on 446,450 units of 11-year-Polish treasury bonds (with maturity date in January 2021) at nominal value of PLN 1 thousand each and 125 thousand units of 11-year-Polish treasury bonds (with maturity date in January 2018) at nominal value of PLN 1 thousand each, which are owned by the Issuer. The book value of above mentioned bonds as at the date of establishing limited propriety is PLN 566 million.

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

In 2013 there were no significant changes with respect to the methods of managing the Bank.

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

In 2013 Getin Noble Bank S.A. continued its co-operation with the European Bank for Reconstruction and Development and the European Investment Bank under already signed agreements.

In addition, Getin Noble Bank S.A. signed with the European Investment Bank further credit agreements with a total nominal value of EUR 225 million to finance lending and leasing activities to small and medium-sized enterprises and to finance local government units. The Bank on the acquisition of 100% of Dexia Kommunalcredit Bank Polska S.A. shares (now a subsidiary - BPI Bank Polskich Inwestycji S.A.) has also become a beneficiary (party to the contract) of two loans of the total amount of EUR 125 million granted by the EIB.

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

In 2013 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 2013 financial results.

### **Description of the use of the proceeds from the issue of securities by the Issuer**

In 2013 Getin Noble Bank S.A. made further issues of bonds, including subordinated bonds issued under the Public Bond Issuance Programme approved by the Supervisory Board on 26 March 2013. The purpose of the bond issue by the Bank is to increase the Bank's own funds to allow for further development of its activities. In 12-month period of 2013 the Polish Financial Supervision Authority approved the inclusion in the supplementary funds the amount of PLN 611.6 million acquired by Getin Noble Bank S.A. through the issue of subordinated bonds series PP2-V, PP2-VII to PP2-IX and PP3-I to PP3-VII.

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

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

In 2013 there were 43,183 execution titles issued of the total value of PLN 2,207.5 million. The fair value of the collaterals for individually impaired loans calculated as the sum of discounted future cash flows from collaterals,

repayments and settlements as well as recovery of the loans amounted to PLN 933.7 million as at the end of 2013.

### **Significant legal proceedings**

In 2013 the entities of the Getin Noble Bank S.A. Capital Group were not subject to any proceedings relating to liabilities or receivables which value would exceed 10% of the consolidated equity.

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

There are no employee share schemes in the Bank.

## Statements of the Management Board

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

According to the best knowledge of the Management Board, the consolidated financial statements of the Getin Noble Bank S.A. Capital Group for the year ended 31 December 2013 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. Capital Group and the Group's financial result in a true, fair and transparent way.

Furthermore, the Directors' Report of the Getin Noble Bank S.A. Capital Group gives a true view of the development, achievements and situation of the Group in 2013, including a description of the key threats and risks.

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

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (former Deloitte Audyt Sp. z o.o.) – the auditor of the consolidated financial statements of the Getin Noble Bank S.A. Capital Group for the year ended 31 December 2013 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 consolidated financial statements, in accordance with the applicable law and professional standards.

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

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

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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*

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

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

Warsaw, 28 February 2014