

Extract from the Management Board's report for the period starting on 1 January 2010 and ending on 31 December 2010

## **Statement on compliance with corporate governance rules in 2010**

### **1.1. Compliance with best practices**

Getin Noble Bank S.A., a company whose shares are admitted to public trading on the Warsaw Stock Exchange, is subject to corporate governance rules for joint stock companies issuing shares, convertible or pre-emptive bonds admitted to public trading adopted in July 2007 by the Supervisory Board of the Warsaw Stock Exchange. The corporate governance rules in the form of the Code of Best Practices for WSE Listed Companies are provided in the Appendix to Resolution No. 12/1170/2007 of the WSE Supervisory Board dated 4 July 2007, and came into effect as of 1 January 2008. On 19 May 2010 WSE Supervisory Board revised this document by the resolution No. 17/1249/2010. The changes came into force on 1 July 2010 (with the exception defined in Part IV of the Resolution 10 of Best Practices for WSE listed companies, which should be applied not later than on 1 January 2012).

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

In 2010, the Bank 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**

"1. A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular:

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

The Bank withdrew from application of this rule in respect to internet broadcasting of the General Meeting and registration of the course of proceeding and making it public on Internet site, because of economic reasons. In the Bank's Management Board opinion the costs of internet broadcasting of the General Meeting, are not justified because of current structure of the Bank's shareholders. Additionally, in Bank's Management Board opinion being not compliant with the principle to the aforesaid extent does not pose risk, as the Company publishes on its website all the legally required information and documents, enabling the investors to acquaint with the subjects discussed during the General Meeting.

"5. A company should have a remuneration policy and rules of defining the 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 2010 the Bank withdrew from application of this rule in respect to the part concerning the remuneration policy and the rules of its defining in relation to management and supervisory authorities. The Bank applies the Remuneration Regulation established by Management Board regulation, which defines remuneration and other financial payments policies. The regulations apply to all Bank employees with the exception of chairman and members of the Management Board. According to legal provisions the

remuneration of Supervisory Board members is defined by General Meeting and the remuneration of Management Board members is established by Supervisory Board. The method of defining of Supervisory and Management Boards remuneration is therefore a competency of statutory authorities, so it is their decision, whether there exist a need to draw up the applied rules.

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

### III. BEST PRACTICE FOR SUPERVISORY BOARD MEMBERS

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

The above rule is not and will not be observed. The Bank’s authorities take the view that, in accordance with the general principle of majority rule and protection of minority shareholders’ rights, a shareholder who has made a greater contribution to capital runs a higher financial risk, hence there are grounds for the shareholder’s interests to be considered proportionately to the capital contributed. Thus, the shareholder should also have the right to propose Supervisory Board candidates who would ensure the implementation of the strategy adopted for the Bank. In the Bank’s view, it enables the adequate and effective implementation of the Bank’s strategy and sufficiently protects the interests of all shareholder groups and other groups associated with the Bank. Given the Bank’s current shareholder structure, the rule in question excessively limits the corporate rights of majority shareholders and violates the principle of majority rule in a joint stock company. The Bank’s General Meeting selects Supervisory Board Members from among individuals of high moral integrity who have the required education, professional and personal experience, and are able to devote the amount of time required to adequately perform their duties as Supervisory Board Members. In the opinion of the Management Board, these criteria ensure the effective work of Supervisory Board Members in the Bank’s interests and, accordingly, in the interests of all of its shareholders.

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

In accordance to Getin Noble Bank Management Board’s knowledge as of the day of the yearly report for 2010 approval (24 February 2011), the only major Bank’s shareholder is Getin Holding S.A. (more about Bank’s share capital and shareholders is contained in section 2.1).

### **Special rights and limitations concerning issuer’s securities**

All the Getin Noble Bank S.A. shares 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 securities issued by the Bank.

## **1.2. Supervision and management authorities of the Bank**

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

The General Meeting of Shareholders 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 Meeting of Shareholders. Corporate documents are available at the Bank's website.

The General Meeting of Shareholders, apart from other matters set out herein and in legal provisions, 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 resolutions on the distribution of profits or the covering of losses,
- acknowledge the fulfillment of duties by the Supervisory Board and Management Board members,
- appoint and recall members of the Supervisory Board and its Chairman,
- amend the Bank's Articles of Association,
- adopt resolutions to increase or decrease the Bank's share capital,
- adopt resolutions on the redemption the Bank's shares, terms and conditions thereof and on issuing utility certificates,
- adopt resolutions on issuing convertible bonds or bonds with pre-emptive rights to acquire shares,
- determine the remuneration for the members of the Supervisory Board,
- adopt resolutions to sell or lease the Company's business or an organized part thereof and to establish a limited property right thereon,
- pass resolutions regarding other issues submitted by the Supervisory Board, the Management Board or shareholders, pursuant to these Articles of Association and the applicable laws.

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

### **The procedure of amendments to the Bank's articles of association**

Amendments to 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. Additionally, according to article 34 of Banking Law Act, clause 2 the amendments in Bank articles of association requires the approval of Polish Financial Supervision Authority, as far as it concerns the privilege or limitation of voting rights in Bank in form of joint stock company and:

- Bank's name,
- Headquarters, the scope of Bank's activities with the consideration of legal transactions mentioned in article 69 clause 2, p. 1-7 of the act from 29 July 2005 on trade in financial instruments, which the Bank is going to execute according to article 70, clause 2 of the resolution,
- Bank's Authorities and its competencies, with particular consideration of competencies of Management Board Members, which are mentioned in article 22b clause 1 of the Banking Law Act, and the rules of decision making, basic organizational Bank's 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 own funds,
- Rules of internal audit functioning,
- Bank's own funds and financial economy.

## Composition and rules of functioning of Supervisory Board

The Supervisory Board is a permanent body supervising the operations of the Bank in all areas of its activity. The Supervisory Board consists of 5 to 7 members appointed by the General Meeting of Shareholders. A shareholder holding at least 10% of the share capital has the right to his representative in the Supervisory Board. Members of the Supervisory Board are appointed for a joint term of office of three years. The Supervisory Board acts pursuant to the generally applicable laws, the Bank's Articles of Association and the Rules of Supervisory Board.

As of 31 December 2010, the composition of the Bank's Supervisory Board was as follows:

Function in the Supervisory Board	As at 31.12.2010
Chairman of the Supervisory Board	Leszek Czarnecki
Vice-Chairman of the Supervisory Board	Radosław Boniecki
Members of the Supervisory Board	Remigiusz Baliński
	Michał Kowalczewski
	Dariusz Niedośpiał

In 2010 the following personal changes were made in the Bank's Supervisory Board: on 6 April 2010 the term of the Supervisory Board, comprising the following persons: Mr. Leszek Czarnecki (the Member of the Supervisory Board), Mr. Marek Grzegorzewicz (the Member of the Supervisory Board), Mr. Remigiusz Baliński (the Vice-Chairman of the Supervisory Board), Mr. Michał Kowalczewski (the Member of the Supervisory Board) and Mr. Dariusz Niedośpiał (the Member of the Supervisory Board), office expired. Therefore, on 6 April 2010, the Ordinary General Meeting appointed the following persons as members of the Supervisory Board: Mr. Leszek Czarnecki, Mr. Remigiusz Baliński, Mr. Michał Kowalczewski, Mr. Dariusz Niedośpiał and Mr. Radosław Boniecki. New term, common for the whole Supervisory Board was started on 6 April 2010. Additionally, the General Meeting appointed Mr. Leszek Czarnecki for the position of Getin Noble Bank's Supervisory Board Chairman.

On 17 May 2010 the Bank's Supervisory Board appointed Mr. Radosław Boniecki as Vice-Chairman of the Supervisory Board.

## Audit Committee

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

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

The responsibilities of the Audit Committee include in particular:

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

## The composition, principles, appointing and 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 Management Board's Regulations, which defines the detailed scope of organization and procedures for the Management Board's acting and procedures of adopting resolutions, making decisions and expressing opinions. The Management Board manages the affairs of

the Bank and represents it outside. The members of the Management Board fulfill their duties personally. The Management Board makes decision relating to its competencies during the meetings convened in accordance with provisions of the Management Board's Regulations. 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 absence, the President is represented by the member indicated by the President of the Management Board. Conclusions of the Management Board's meetings are made through resolutions. In order for a resolution to be valid the presence of majority of the Management Board members is required. The participation in a meeting is also possible by means of remote communication, especially by means of phone or video communication, enabling identification of meeting participant. The Management Board's resolutions shall be passed by the absolute majority of the votes. In case of equality of votes, the vote of the Management Board's President is decisive. After fulfillment of conditions determined in the Management Board's Regulations, 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 electronic 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 31 December 2010 was as follows:

Function	As at 31.12.2010
Management Board President	Krzysztof Rosiński
Management Board members	Karol Karolkiewicz
	Maurycy Kühn
	Krzysztof Spyra
	Radosław Stefurak
	Maciej Szczechura
	Grzegorz Tracz

In 2010, the following changes in the Management Board composition occurred: on 15 December 2009 the Bank's Supervisory Board decided to appoint, as of the day of merger of Noble Bank S.A. and Getin Bank S.A. (4 January 2010), Mr. Grzegorz Tracz as a Management Board member, entrusting him with the role of the Bank's Management Board Member. At the same time, on 15 December 2009 the Supervisory Board entrusted, as of the day of merger of Noble Bank S.A. and Getin Bank S.A. (4 January 2010), Mr. Jarosław Augustyniak with the role of First Vice-president of the Management Board and Mr. Krzysztof Rosiński as the Vice-president of the Management Board acting as the Bank's Management Board President.

As a result of the end, as at 7 March 2010, of the term of office of the Management Board of the Bank, the Supervisory Board, at the meeting held on 5 March 2010, appointed Mr. Krzysztof Rosiński as Vice-president of the Management Board, Mr. Jarosław Augustyniak as First Vice-president of the Management Board, Mr. Krzysztof Spyra as Member of the Management Board, Mr. Maurycy Kühn as Member of the Management Board, Radosław Stefurak as Member of the Management Board and Mr. Grzegorz Tracz as Member of the Management Board, for a common 3-year term of office, which began on 8 March 2010. The Supervisory Board has also entrusted Mr. Krzysztof Rosiński with the role of the President of the Management Board of the Bank. Due to provisions of article 22b of the Banking Law, the appointment of the Management Board President follows the day of the consent of the Polish Financial Supervision Authority ("KNF"). Until the consent of the Polish Financial Supervision Authority Mr. Krzysztof Rosiński has been entrusted with fulfilling the role of the Management Board President.

On 5 August 2010 the Polish Financial Supervision Authority granted their consent to appoint Mr. Krzysztof Rosiński as a President of the Management Board and Mr. Radosław Stefurak as a Member of the Management Board of Getin Noble Bank S.A.

On 7 September 2010 the Supervisory Board of the Bank appointed, effective from 1 October 2010, Mr. Karol Karolkiewicz and Mr. Maciej Szczechura as members of the Management Board, entrusting them with the roles of the Management Boards Members.

At the same time, Mr. Jarosław Augustyniak acting as I Vice-president of the Bank's Management Board resigned from his function as of 7 September 2010 due to his new responsibilities as acting President of the Management Board of Idea Bank S.A.

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

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

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

Detailed information regarding remuneration of Bank's managing and supervising persons were described in the note IV.39 to the standalone financial statements of Getin Noble Bank S.A. for the year ended 31 December 2010.

### **Agreements between the Bank and management**

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

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

With reference to the other Management Board Members, 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 Companies by acquisition.

### **Shares of the Bank held by managing and supervising persons**

The structure of shares of Getin Noble Bank S.A. held by members of the Management Board and the Supervisory Board as at the day of report for 2010 approval and changes, which took place within 2010 are presented below:

Members of the Supervisory/Management Board	As at 31.12.2009	Purchase/ (sale) of shares during the reporting period	As at 31.12.2010
Remigiusz Baliński	22,333	21,740	44,073
Radosław Boniecki	5,500	-	5,500
Leszek Czarnecki	-	1,939,420	1,939,420
Maurycy Kühn*	10,328,594	(230,000)	10,098,594
Krzysztof Spyra**	10,389,947	(380,000)	10,009,947
* through:	ASK Investments SA		4,939,947
	A. Nagelkerken Holding B.V.		5,150,000
	as individual person		8,647
			<u>10,098,594</u>
** through:	ASK Investments SA		4,939,947
	International Consultancy Strategy Implementation		5,070,000
			<u>10,009,947</u>

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

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

In order to ensure true and fair information in the financial statements, internal control system exist in the Bank, accounting for the element of the Bank's management system, which consists of: control mechanism, test of compliance of activities with the generally applicable legal provisions and internal Bank's provisions and internal audit.

The internal control system consists of the following items:

- risk control mechanisms – relate to all employees and include procedures relating to banking and banking activities, self-control limits and 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 their tasks, as well as performed by their direct supervisors and their co-workers, resulting from the organizational rules of the Bank,
- institutional control/internal audit – performed by the separated and independent unit – Internal Audit Department (IAD), whose aim is to identify and assess the risk in each area of the Bank's operations.

The aim 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 rules through ensuring the compliance of the performed tasks with the procedures and ongoing reaction for irregularities, and monitoring of the effectiveness of the implemented control mechanisms. As a part of the internal control systems the Bank identifies the risk relating to each operation, transaction, product and process resulting from the organizational structure of the Bank.

Significant task of the internal control systems is to secure the assets, to review of loan exposures, mitigating and identification of errors in data processing, to ensure the credibility of the accounting records, to improve the effectiveness of operations and to stimulate to comply with the agreed strategy and policies 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



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accounting records and other documents underlying the financial statements as well as the rules regarding the accounting standards and financial reporting.

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

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

On 5 July 2010 the Supervisory Board of the Bank made the resolution on the appointment of Ernst & Young Audit sp. z o.o. as the statutory auditor of the financial statements of the Bank for 2010. The agreement with respect to the review of the interim financial statements and audit of the annual financial statements was signed on 30 July 2010. The Bank used the auditing services of Ernst & Young Audit sp. z o.o. in previous reporting periods. Other entities from the Ernst & Young Group performed the advisory services in the scope which is allowed to ensure the auditor's independence and compliance with the legal acts and internal policies.

The detailed information on the contracts concluded with the auditor and its remuneration have been presented in the note IV.40 to the standalone financial statements of Getin Noble Bank S.A. for the year ended 31 December 2010.