



**GETIN NOBLE**

BANK • SPÓŁKA AKCYJNA

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

Warsaw, 23 March 2015

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## 1. Activities of the Bank and the Group entities in 2014

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

In 2014 the Getin Noble Bank S.A. Capital Group ("the Group") earned a consolidated net profit of PLN 360.5 million and recorded an increase in the scale of operations measured with the level total assets as at 31 December 2014 amounted to PLN 68.8 billion, an increase of over 8% compared to the end of December 2013.

Getin Noble Bank S.A. ("the Bank" or "the Issuer") instantly increases the quality of service, provides customers with the newest solutions in the field of banking and develops banking based on the strong and stable relationships with customers. In 2014 the Bank has continued its intensive efforts to build a relationship banking based on Getin UP assumptions. The implemented solutions included, among others, the Benefits Package "My Bank", and changes in the offer resulted in an increase in the activity of customers using their bank accounts and thus the positive business results. As at the end of December 2014 Getin Noble Bank S.A. had nearly 2.5 million customers.

In 2014 the Bank has consistently emphasized the optimization of net interest income and improve the balance sheet structure by growth in sales of faster rotating credit products and increase in recurring revenue from transaction banking. The Getin Noble Bank S.A. Group remained the market leader in vehicle financing – the value of car loans granted in 2014 reached PLN 1.5 billion. In activities of leasing companies of the Group – the value of leased assets has increased by 44% compared to 2013, reaching PLN 2.6 billion, resulting in Getin Leasing becoming a leader in the financing of motor vehicles up to 3.5 tons (measured by the number of cars registered in accordance with the CEPIK system).

Sale of corporate and SME loans in 2014 amounted to almost PLN 3 billion, which accounted for 28% of the total credit sales realized by the Bank during this period. Getin Noble Bank S.A. also attaches great importance to the development of an offer to local government units (LGU). In 2014 the growth in loans to the LGU amounted to 36%, and the Bank's share in loans market was 2.5% at the end of December 2014 (an increase compared to the end of 2013 by 0.6 pp.). The Bank's share in the deposit market for this sector as at the end of 2014 was 10.2% (an increase compared to the end of 2013 by 1.4 pp.).

Activities carried out, among others, to lower the cost of financing and the change in product mix contributed to the increase in net interest income in 2014 by 10.2% y/y to PLN 1.4 billion. The main external factor determining the change in interest income and expense in 2014 were the changes in market interest rates directly affecting the level of interest rates on deposits and financial assets. The balance of loans and leases of the Getin Noble Bank S.A. Group as at the end of December 2014 amounted to PLN 48.5 billion, and the balance of amounts due to customers was PLN 53.8 billion.

The Group's operating costs in 2014 were kept under control and amounted to PLN 923.0 million. Effective cost management in the Group has resulted in obtaining a cost/income ratio at 47.2%, which is one of the lowest rates in the banking sector.

The Getin Noble Bank S.A. Group in 2014 consistently pursued a policy aimed at getting rid of non-working assets through sales of impaired loan portfolios. The nominal value of the portfolio of bad debts sold in 2014 reached a record level of PLN 1.8 billion. Sales transactions included retail, car and mortgage loan portfolios.

## Internal conditions

The main factors affecting the Group's results in 2014 included the following:

- The Bank's activities leading to building a safe balance sheet structure in term of foreign exchange and liquidity – Getin Noble Bank S.A. preferred to sell short-term loans – the majority of credit sales realized in 2014 of PLN 10.4 billion were retail and corporate loans (including leasing) - 77% of the total credit sales of the Bank. Mortgage loans accounted only for 8% of credit sales (for comparison, in 2013 the sale of these loans accounted for 23% of the total credit sales of the Bank). The majority of the loans sold were PLN loans (98.8% of sales).
- In 2014 Getin Noble Bank S.A. entered into further loan agreements with European Investment Bank with total value of PLN 774 million and EUR 40 million.
- On 16 January 2014 the Supervisory Board of Getin Noble Bank S.A. approved the bank securities issue program to the value of PLN 2 billion. Under the program bank securities shall be issued in tranches, in dematerialized form as registered securities; they shall not be the subject of public offering or shall not be introduced to public trading on the regulated market. Date of issue and other financial parameters, depending on financial needs and debt securities market situation, shall be set by the Bank in the issue terms of each tranche. The balance of bank securities issued by the Bank as at 31 December 2014 amounted to PLN 21.9 million.
- In response to changing customer behaviour model and the dynamic development of new distribution channels, the Management Board of the Bank decided to reorganize the existing structure of employment. As a result of the restructuring of sales channels with the lowest profitability and adaptation of the scale of operations to the needs of the strategy, the Bank reduced its workforce by approximately 400 people.
- In October 2014 the Polish Financial Supervision Authority announced the results of the advanced asset quality review (AQR) carried out as at 31 December 2013 in accordance with the methodology of the European Central Bank (ECB) and stress tests. Getin Noble Bank S.A. has successfully endured the most important and the most rigorous stress test, i.e. adverse scenario of the stress test. Historical slight capital shortage indicated in the baseline scenario (0.1%) has been already supplemented in 2014 with a surplus (+0.9%). At the end of 2014 the Group's total capital ratio was 13.1%, while the Tier 1 capital ratio was 9.7%.
- On 22 October 2014 the Supervisory Board of the Bank adopted new resolution approving the Dividend Policy of Getin Noble Bank S.A. for the years 2014-2016, according to which the Bank assumes full accumulation of profit in 2014 and 2015, i.e. not to pay off dividends of the profit realized in 2013 and 2014.
- Significant impact on the tax benefit recognised in the consolidated income statement for the year 2014 have deductible temporary differences in the amount of PLN 124,3 million arising in calculation of deferred tax in leasing companies operating as limited joint-stock partnerships (SKA).

## External conditions

### *Macroeconomic situation*

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

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

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

### *Financial market*

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

### *Banking sector*

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

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

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

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

## **1.2. Significant events and achievements of the Group in 2014**

### **Getin UP strategy**

Building of strong and stable relationship with customers, based on highest standards of services, construction of products as well as the ways of their distribution are the main objectives of the Bank Strategy based on Getin Up assumptions.

Implementation of these goals means improving efficiency, reducing cost of financing and increasing repeatability of the income. Getin Noble Bank S.A. wants to become the Bank of first choice to its customers.

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

Since announcing the Strategy, Getin Noble Bank S.A. consequently and with great determination realises assumed goals. Designed changes of products and services are best technological solutions, at the same time remain plain and functional. Modern online banking was launched and the Bank branches were equipped with many technological innovations, which aim to build customer relationship with the Bank:

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

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

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

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

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

## Awards and recognitions received

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

- Getin Bank received the first prize in the category of "financial services" for the card with display in the "Future is Now" at the Cristal Festival international festival of creation and advertising held in France. MasterCard Display card has been recognised by the jury of the most creative and innovative design of solutions introduced this year in the financial sector.
- Getin Bank received the award in the category "Best advertising spot of a bank" in the fifth anniversary edition of the "Złoty Bankier" largest consumer poll, which is awarded to the best banks in Poland.
- In "Jakość na Bank" ranking published by Puls Biznesu, Getin Bank was in the top three of the best banks in Poland and within one year improved its result by 12 positions in the ranking - the result of Getin Noble Bank is the most spectacular promotion (the poll covered 9 areas relating directly to the institution and the employee including atmosphere of a conversation, sales prospect, employee engagement, and even his personal appearance).
- Since the beginning of 2014 Getin Bank remained at the top of the monthly ranking of best car loans of TotalMoney.pl. The Bank won every month in the category of best financing for second-hand cars and won 11 times in ranking concerning new cars.
- Money.pl honoured the Getin Bank mobile application as one of the best banking applications of 2014 (third place) – among the main advantages of Getin Bank mobile offer, the ranking authors mentioned payment options using NFC (prepared in collaboration with T-Mobile mobile operator), iKASA service, which allows cashless payments in Biedronka, and easy customization of Getin Mobile application with the ability to add or remove tiles with owned products; they also appreciated the ability to log on with the graphic symbol so-called snake, without the need to rewrite the long login and convenient payments via QR.
- Getin Mobile – a mobile application of Getin Bank was awarded as one of the best mobile solutions worldwide and was among finalists of international competition, Effective Mobile Marketing Awards in the category 'Most effective campaign or solution in the financial sector'.
- Visa SimplyOne – dual payment card received title of 'Most innovative polish card of 2014'. The award was presented at Polska Gala Kartowa which accompanied VII Central European Electronic Card Conference. After the multiple award-winning MasterCard Display with interactive display, it is another innovative solution of Getin Bank awarded by experts of payment card industry.
- Getin Noble Bank was one of the first affiliate to partnership programme of the Credit Information Bureau "BIK PASS", where you can in a simple and transparent way acknowledge the financial credibility of the borrower.
- In the ranking of personal accounts of Bankier.pl and Wirtualna Polska, Getin Noble Bank took the first two places – the number one was "Getin UP" account and the second place took "Konto Perfekcyjne" available on the Getin Online platform. In the ranking of personal accounts prepared by Bankier.p, the second place tie won "Konto Doskonałe" of Open Online.
- Getin Point - self-service branch of Getin Bank won the "Innovation of the month" in the international competition of Distribution and Marketing Innovation Awards (joint initiative of European association of financial institutions)

- EFMA and Accenture consulting firm), and was among the finalists of the "Good Design 2014" organised by the Institute Industrial Design.
- Getin Bank for the second year in a row took the first position in the national ranking of banks conducted by the Polish Association of Developers. The ranking authors evaluated the banks in terms of financing and servicing of residential real estate investments. The rate of the credit decision, attractive conditions, as well as work in partnership with our clients, for the second time ensured Getin Bank the victory in this prestigious list.
  - Getin Noble Bank and Getin Leasing were winners of Effie Awards 2014 (a competition organised by the SAR Association of Marketing Communication) as the most effective marketing communications. The jury awarded the silver and bronze award in the category of "banking" for the rebranding campaign Getin UP and campaign for Getin Leasing and silver in the new category of "technology and innovation" for the award-winning MasterCard Display Card.
  - In October 2014 Getin Bank conducted the world's first biometric debit card transaction. The card is another breakthrough on the market of payment transactions. As the first in the world combines the speed and convenience of contactless payments and security of operations authentication by the use of fingerprint.
  - On 29 January 2015 Noble Bank third time in a row was awarded maximum 5-star in ranking of Forbes magazine, taking the leading position in the competition of several banks. Justification for the highest score was innovative character of Noble Bank strategy – in 2014 its key element was expanding real estate competences and announcing the partnership with Sotheby's International Realty, global number one in the luxury real estate market.
  - Noble Funds TFI S.A. won in the ranking of "Rzeczpospolita" for the best Investment Funds Company in the Polish market. The editors awarded the Noble Funds 87.7 points out of 100 possible. Such a good result was due to a very high evaluation of investment funds results, all of which were in top of their group. In addition, Noble Fund Akcji Małych i Średnich Spółek investment fund was clearly ahead of the competition, achieving the highest score of all the funds of small and medium-sized companies included in the ranking.
  - In the funds rating published by independent analyst company, Analizy Online S.A. dedicated to monitoring the investment funds market, Noble Fund Global Return investment subfund (3 stars) and Noble Fund Stabilnego Wzrostu Plus investment subfund (4 stars) for the first time received their assessment. The Analizy Online rating is based on a qualitative assessment of the fund, and also takes into account factors such as, inter alia, managers, portfolio components and costs. Assessments are granted a scale of 1 to 5 stars (the highest rating). Not all funds had assigned rating. Apart from the aforementioned funds rated were also: Noble Fund Akcji Małych i Średnich Spółek (5 stars), Noble Fund Akcji (5 stars), Noble Fund Mieszany (4 stars), Noble Fund Timingowy (4 stars).
  - Noble Fund Akcji Małych i Średnich Spółek and Noble Fund Mieszany investment subfunds won prestigious Alfa awards 2013 granted on 11 March 2014 by Analizy Online portal for the best funds in the market. For each fund its effectiveness, reproducibility of results and the level of costs were evaluated.
  - Noble Fund Stabilnego Wzrostu Plus investment subfund on 19 March 2014 received a Golden wallet – Gazeta Giełdy Parkiet award for Best fund of steady growth of 2013. It has been awarded for the best investment result, significantly exceeding the average gain in its group.
  - Noble Funds subfunds once again won the Forbes rating. In the editorial ranking, Noble Fund Akcji Małych i Średnich Spółek fund and Noble Fund Mieszany fund took first place in their respective market categories. Success of the subfunds is the result of high repeatability of very good investment performance in the last 12, 36 and 60 months. Noble Fund Mieszany fund had the maximum rating of 5 stars in each of the three analyzed periods. Noble Fund Akcji,



Noble Fund Timingowy and Noble Fund Stabilnego Wzrostu Plus subfunds also received high marks and took place in the TOP 10 of the ranking in its market category. Noble Fund Stabilnego Wzrostu Plus sunfund, classified due to the period of its operation in 12 and 36 months, received the maximum evaluation of 5 stars in both periods considered.

- "Rzeczpospolita" recognised wyróżnił Noble Fund Stabilnego Wzrostu Plus and Noble Fund Global Return as the best funds in their categories in terms of gains in the period from 24.06.2013-24.06.2014.
- In 2014 the Getin Leasing S.A. Group realized sale amounted to PLN 2.3 billion and ranked first in terms of the number of registered leased cars, according to data published by the Central Register of Vehicles and Drivers (CEPiK). According to data from the Polish Leasing Association (ZPL) as at the end of 2014 Getin Leasing S.A. was ranked fourth place in the ranking of leasing companies (total sales) and second place among leasing companies in financing vehicles up to 3.5 tonnes.
- In 2014 Noble Securities S.A. acquired for its customers-issuers more than PLN 1.6 billion in the way of public and private bonds tenders of 22 companies. Cumulatively, since 2010 the value of completed projects is already close to PLN 6 billion. Last year, the brokerage house introduced to the ASO Catalyst 28 series of corporate bonds of 15 issuers with a value of over PLN 863 million. This result was recognized by the Warsaw Stock Exchange, which awarded Noble Securities S.A. the title of "Market Leader of 2014" for the highest number of series of corporate bonds introduced to the ASO Catalyst, thus confirming particular activity of the broker in this market.
- During the Gala organized on the occasion of the Jubilee of the 15-year anniversary of the Polish Power Exchange (PPE) Noble Securities S.A. has been recognized for a proactive stance and contribution to the development of the markets operated by the PPE in 2014. Noble Securities S.A. received three statuettes of Platinum Megawatt – for the most active brokerage house on the Property Rights Market, the most active on the gas markets, as well as the highest level of execution of orders on the Day-Ahead and Intraday Gas Markets. The Polish Power Exchange awarded Noble Securities S.A. also for the highest number of acquired customers on the gas market in 2014.

### Assessment of financial creditworthiness - ratings

In May 2014 the Moody's rating agency downgraded the outlook for the long-term bank deposit rating from stable to negative and the outlook for the Bank from stable to negative. Verification of the Getin Noble Bank S.A. perspective and other European banks was made in the context of the European Parliament vote on the adoption of the Directive of the European Parliament and of the Council on recovery and resolution of banks in the euro zone (BRRD), as well as the establishment of a single mechanism for the recovery and resolution of banks in the euro zone (SRM) and the impact of the implementation of these regulations to limit the possibility of obtaining support for these institutions from the national government.

In October 2014 the Moody's agency confirmed the short-term and long-term deposit rating of Getin Noble Bank S.A. at the level of not prime and Ba2. At the same time the agency confirmed the Bank's financial strength rating (BSFR) at D- changing its outlook from stable to negative. The agency explained that the change in the financial strength rating outlook from stable to negative is related to the challenges faced by Getin Noble Bank S.A. in terms of asset quality and profitability to risks related to economic growth in Poland in the context of a clear slowdown in related European economies.

At the same time the Agency added that the Bank's deposit ratings, which remained unchanged, reflect the current evaluation of the Agency as to the probability of systemic support based on a broad, nationwide retail network and significant market share of bank loans (5.5%) and deposits (6.2%).

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

In May 2014 Fitch Ratings Agency confirmed the rating of Getin Noble Bank S.A., which remains unchanged since its inception in January 2010. Confirmation of the Bank's IDR and Viability Rating reflects the Bank's strong result before risk costs, improved level of liquidity and a stable base of retail deposits.

Fitch Ratings	rating	outlook
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	-

## 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 2014 the 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:

	Number of shares	Number of votes at AGM	% share in share capital	% share in votes at AGM
Leszek Czarnecki (directly)	264,626,609	264,626,609	9.99%	9.99%
Indirectly through:				
LC Corp B.V.	1,011,728,750	1,011,728,750	38.18%	38.18%
Getin Holding S.A.	200,314,774	200,314,774	7.56%	7.56%
other subordinated entities	3,628,922	3,628,922	0.13%	0.13%
ING Otworthy Fundusz Emerytalny	220,000,000	220,000,000	8.30%	8.30%
Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK	174,300,000	174,300,000	6.58%	6.58%
Other shareholders	775,544,264	775,544,264	29.26%	29.26%
<b>Total</b>	<b>2,650,143,319</b>	<b>2,650,143,319</b>	<b>100.00%</b>	<b>100.00%</b>

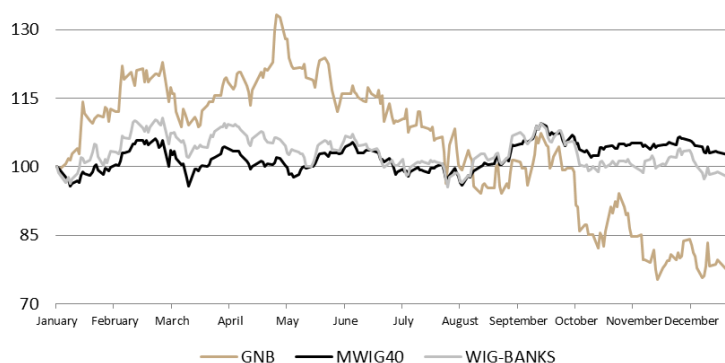
As at the date of approval of the annual report for 2014, the Management Board of Getin Noble Bank S.A. did not have any information on agreements which may result in changes of the proportion in shares held by existing shareholders of the Group parent company in the future.

As at 31 December 2014 and 2013 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 2014 fluctuated between PLN 2.08 (on 21 November) and PLN 3.68 (on 30 April). As at 31 December 2014 the Bank's capitalisation was PLN 5.8 billion, whereas its book value amounted to PLN 5.1 billion.

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

Name of a subsidiary	% share in capital/ votes held by the Group	
	31.12.2014	31.12.2013
Noble Securities S.A.	99.74%/ 99.78%	96.74%/ 97.26%
Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A.	100%	100%
Noble Concierge sp. z o.o.	100%	100%
BPI Bank Polskich Inwestycji S.A.	100%	100%
Sax Development sp. z o.o.	100%	100%
Getin Leasing S.A.	100%	97.16%
Getin Leasing S.A. S.K.A.*	100%	100%
Getin Leasing S.A. 2 S.K.A.*	100%	100%
Getin Fleet S.A. *	100%	100%
Pośrednik Finansowy sp. z o.o.*	100%	100%
Pośrednik Finansowy sp. z o.o. S.K.A.*	100%	100%
Pośrednik Finansowy sp. z o.o. 2 S.K.A.*	100%	100%
Green Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	100%	100%
Property Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych **	100%	100%
LAB sp. z o.o.	100%	-
LAB sp. z o.o. sp. k.	100%	-
Debitum Investment sp. z o.o.	100%	-
Debitum Investment sp. z o.o. sp. k.	100%	-
GNB Auto Plan sp. z o.o.***	0%	0%

\* The Bank's indirect subsidiaries through Getin Leasing S.A.

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

holds 100% share in 6 special purpose entities.

\*\*\* Special purpose entity (SPV), with which the Bank carried out a securitisation transaction; the Group does not hold any equity interest in the entity.

All subsidiaries are consolidated using the full method. The Group holds 42.15% share in the equity of an associate Open Finance S.A., valued with the equity 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. with which the Bank carried out a 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.

As at 31 December 2014 and 2013 the Bank's share in the total number of voting rights in its subordinated entities 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 99.78% share in votes as at 31 December 2014 (97.26% as at 31 December 2013).

## 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 2014.

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

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

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

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

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

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

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

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

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

Noble Bank represents the private banking segment of Getin Noble Bank S.A., which is dedicated to wealthy clients. Noble Bank products are offered through a nationwide network dedicated exclusively to private banking. Noble Bank's domain is a comprehensive advisory in clients personal finances – to the selected group of customers of the Bank are directed specifically dedicated product lines, asset management service, tax and legal support, art banking, brokerage services and concierge services.

The product offer of Getin Noble Bank S.A. is supplemented by the products offered by other entities of the Capital Group: 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**

### 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 above 50%.

Car loans are sold through the network of nearly 950 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. Sales made through these brands in 2014 amounted to PLN 205 million.

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

### Retail loans

Retail loans are mainly provided through the network of the Bank's own outlets and franchise outlets. In 2014 the activities of Getin Noble Bank S.A. in the development of sales of retail loans focused on building a new portfolio on the basis

of existing customers of the Bank and the customers of new segments characterised by lower credit risk, as well as reducing early repayments of loans by the customers. 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. At the same time, the Bank improved the processes of decision-making on granting loans, in particular using the IT system responsible for processing loan applications.

In 2014 the Bank withdrew from the sale of installment loans to finance the purchase of goods and services where the distribution was based mainly on a network of Partners cooperating with the Bank.

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 has begun implementation and testing work on making credit products available through internet and mobile banking.

The Bank's main lending products include:

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

#### Mortgage loans

Mortgage loans are distributed through the network of the Bank's own outlets and specialised financial intermediary companies.

In 2014 the Bank continued participation in the National Fund for Environmental Protection and Water Management program – "Efficient use of energy. Subsidies for loans to build energy-efficient houses", and joined the government program "The Apartment for Youth".

#### Deposit offer

In 2014 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.

The Bank developed its flagship product, which is Getin UP current account. To make it more attractive, the Bank introduced promotional campaign – Benefits Package giving a variety of facilities and financial benefits for the customers actively using the account, particularly resulting in better conditions for additional banking products i.e. a saving account or a modern debit cards. To increase the number of active current accounts, the Bank used numerous sale promotions to encourage customers to buy the current account or to actively use it. The Bank also developed channels of access to funds on the current account through modern internet banking and mobile banking. These actions resulted in a significant increase in the number of current accounts and customers served in bank branches, as well as online channels.

In 2014 the Bank placed also more emphasis on attracting saving accounts. To achieve it, the Bank made a promotional campaign for the acquisition of new funds in the accounts of this type, and offered customers a higher interest rate on a saving account as one of the main advantages of the Benefits Package. In Noble Bank segment, the Bank introduced a Saving Account with interest rate dependent on the customer activity on the bank account.

In the case of term deposits in 2014 the aim was to ensure the balance to maintain the correct level of liquidity, while minimizing the costs. The Bank was active in attracting term deposits using online channels. The offer of long-term deposits in Noble Bank segment was supplemented by issue of Bank Securities (in zlotys and foreign currencies).

### Payment cards

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

The cards palette includes besides World, Business World and Business Executive credit cards also MasterCard Debit card also Platinum Debit card. All cards issued under the Getin brand are equipped with contactless payment functions authorised online.

At the end of 2014 the Bank commenced pilot release of the first in Poland VISA card in HCE technology (card in the cloud). In its offer the Bank has also debit and credit cards issued in the NFC technology (Near Field Communication). Thus the Bank has the ability to personalize and manage a payment card on a client's mobile completely remotely using the infrastructure of mobile operators.

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

### **Private Banking**

Getin Noble Bank S.A. 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 Noble Funds TFI S.A investment funds company 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.

With the Wealth Guard service the customers get access to services of the biggest Polish law firm - Domański Zakrzewski Palinka sp. k. Solutions developed by the law office will include, among others, corporate governance, succession, tax planning and the protection of privacy.

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

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

## Corporate banking

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

### Loan products

The main lending products offered by Getin Noble Bank S.A. in 2014 are as follows:

- financing of the purchase of property, plant and equipment in the form of lease,
- financing of property development projects,
- loan in current account and in loan account,
- investment loan,
- loan from the funds of European Investment Bank,
- investment loan for housing communities,
- thermo-modernization and renovation loan for housing communities with the BGK bonus,
- investment and current account loans for SMEs with the BGK de minimis guarantees,
- economic loan,
- 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 public health service entities,
- individual loan products dedicated for small and medium-sized enterprises.

### Selected deposit products

“My Company” Bank Account:

- four types of current accounts adjusted to requirements of corporate customers and additional services for one fee,
- package of free cash transfers,
- all cash transfers to Social Insurance Institution and Tax Office free of charge,
- bonus for the account balance for active users,
- free of charge legal assistance in all options, and legal support in selected options,
- additional services available within the account: TELE GB, modern system of Getin Bank internet banking with a mobile application, SMS Service, standing orders, direct debit,
- availability to apply for debit in the account.
- Opportunity to apply for credit in a current account for active regular customers.

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

### Treasury products for corporate clients

In 2014 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 2014 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,
- Interest Rate Swap,
- treasury bills,
- negotiable deposits.

Existing regulations, agreements and procedures allow 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.

#### *Investments Funds*

As at 31 December 2014 the company managed the following funds:

- Noble Funds Fundusz Inwestycyjny Otwarty with 8 separated subfunds:
  - Noble Fund Pieniężny,
  - Noble Fund Obligacji,
  - Noble Fund Stabilnego Wzrostu Plus,
  - Noble Fund Mieszany,
  - Noble Fund Akcji,
  - Noble Fund Akcji Małych i Średnich Spółek,
  - Noble Fund Timingowy,
  - Noble Fund Global Return.
- Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty with Noble Fund Africa and Frontier subfund.

Moreover, the company managed the following closed-end funds, whose emissions are directed to a wider range of participants:

- Noble Fund Opportunity Fundusz Inwestycyjny Zamknięty,
- Noble Fund Macro Total Return Fundusz Inwestycyjny Zamknięty,
- Noble Fund Dywidendowy Fundusz Inwestycyjny Zamknięty,
- Mezzanine Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych,
- Distressed Assets Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.

The company also managed closed-end funds created for specific investors:

- Noble Fund 2DB Fundusz Inwestycyjny Zamknięty,
- Debito Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty,
- Property Solutions Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych,
- 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 25 companies as at the end of the year. A very important business partner for the company are insurance companies that offer subfunds of Noble Funds in the form of unit-linked products. At present, the company has signed agreements with 14 insurance companies.

As at 31 December 2014 the company managed the following insurance capital funds created by insurance companies:

- Ubezpieczeniowy Fundusz Kapitałowy Wealth Management,
- Ubezpieczeniowy Fundusz Kapitałowy Wealth Management Emerging Markets,
- Ubezpieczeniowy Fundusz Kapitałowy Aktywna Inwestycja,
- Ubezpieczeniowy Fundusz Kapitałowy Europa Noble Funds,
- Ubezpieczeniowy Fundusz Kapitałowy Gold Tracker,
- Ubezpieczeniowy Fundusz Kapitałowy Złota Perspektywa,
- Ubezpieczeniowy Fundusz Kapitałowy Gold Performance,
- Ubezpieczeniowy Fundusz Kapitałowy Noble Ideal Fund,
- Ubezpieczeniowy Fundusz Kapitałowy Open Life Dynamiczny,
- Ubezpieczeniowy Fundusz Kapitałowy Open Life Stabilnego Wzrostu.

#### Noble Funds Fundusz Inwestycyjny Otwarty

*Noble Fund Pieniężny* 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. The subfund a minimum of 70% of its assets invests in debt securities issued or guaranteed by the State Treasury or NBP.

*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. The subfund invests primarily in the equity securities (eg. shares, rights to shares, subscription rights, warrants, depositary receipts) and debt securities from the Polish market, as well as foreign markets.

*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. The subfund invests primarily in equity securities (eg. shares, rights to shares, subscription rights, warrants, certificates of deposit), both from the Polish market, as well as foreign markets.

*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. The subfund invests primarily in equity securities (eg. shares, rights to shares, subscription rights, warrants, certificates of deposit), which constitute not less than 60% of the value of its assets.

*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. Investment in shares may vary from 0% to 50%. The remaining part of the assets is invested in safe instruments such as government bonds, treasury bills and bank deposits.

*Noble Fund Timingowy* is a "total return" product within which the subfund management strives for achieving positive rate of return, irrespective of market business cycle, investing funds in shares or debt securities.

*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. The total value of investment in shares, rights to shares, subscription rights, warrants, depositary receipts, convertible bonds and the State Treasury bonds ranges from 0% to 100%.

*Noble Fund Obligacyjny* dedicated to investors willing to accept at least the average level of risk, and looking for an instrument to protect assets during the bear market, but using the positive market trends in times of boom. The total value of investment in shares, rights to shares, subscription rights, warrants, depositary receipts, convertible bonds and the State Treasury bonds ranges from 0% to 100%.

#### Noble Funds Specjalistyczny Fundusz Inwestycyjny Otwarty

*Noble Fund Africa and Frontier* is addressed to investors accepting high level of risk. The subfund's 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

The Fund uses market potential, mismatch and other specific investment opportunities appearing at the capital market (mainly Polish). Fund assets are actively allocated in small and medium-size enterprises.

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

The fund is characterized by variable asset allocation. It can invest in risky instruments from 0% to 100% of its assets. Its 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.

#### Noble Fund Dywidendowy Fundusz Inwestycyjny Zamknięty

The primary objective of the Fund is to increase the value of the fund's assets resulting from the growth in value of investments. The fund aims to generate and pay off regular income for investors. Paid in the form of a certificates redemption income comes primarily from dividends received from portfolio companies.

#### Distressed Assets Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych

The fund managers focused on investments in corporate bonds and other forms of debt, looking for attractive investment opportunities. The Fund intends to engage in financial restructuring processes, where the situation is so promising that the renegotiation of conditions to repay the bonds issued will allow the company to continue its operations, and the fund – to recover the investment.

#### Mezzanine Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych

The investment objective of the fund is to achieve returns in excess of the rate of returns generated by corporate bond funds. The fund invests in debt securities issued by companies that have interesting plans for development.

### *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. Comparative reference for assessing the effectiveness of management is the yield of 52-week treasury bills.

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.

Noble Securities S.A. is a brokerage house that offers investors comprehensive services in the capital market.

The main areas of activities of the company are:

- brokerage services in trading of financial instruments on all markets of the Warsaw Stock Exchange,
- brokering in commodities and financial instruments on the markets organised by the Polish Power Exchange S.A.,
- providing investment banking services
- providing brokerage services in the field of execution of orders outside the regulated market (OTC market) on contracts for difference (CFD).

### *Brokerage activities*

Noble Securities S.A. acts as agent in trading of financial instruments on the Warsaw Stock Exchange (WSE) and in the Alternative Trading System (ATS) conducted by the WSE – on NewConnect and Catalyst markets. The brokerage house offers attractive conditions for investment in all the financial instruments on the market, with a vast promotion policy and friendly trading system. The company makes available to its customers the team of brokers and advisers who serve clients by telephone, electronically and in person at nineteen branches located throughout the country. Offer of Noble Securities brokerage services meets with positive reception among customers. In 2014 Noble Securities reached top three among the brokers in terms of the dynamics in the increase in the number of brokerage accounts.

In pursuit of continuous improvement of customer service and expanding the range of products and services and on the basis of authorization of the Polish Financial Supervision Authority received in October 2014, starting from the first quarter of 2015 Noble Securities S.A. will offer investment advice to its customers.

Companies whose financial instruments are listed on the main market of the Warsaw Stock Exchange or the ASO NewConnect or Catalyst markets, Noble Securities S.A. offers their services of Issuer Animator or Market Maker. This cooperation can significantly increase the liquidity of the securities of these companies, which makes them a good perception by investors. Noble Securities S.A. as a market maker is a leader among companies providing liquidity in the WIG20 futures market with 8% share in this market. In addition, the broker provides liquidity for WIG20 companies, and based on their derivatives. As a part of the market maker service, the company maintains liquidity for 60 securities.

Noble Securities S.A. is an experienced and respected in the market a service provider in the field of corporate finance. The broker supports clients in formulating and implementing strategies to develop their activities financed with capital from external sources. The company offers advisory in the public and private issue, combined with the introduction of the shares on the WSE and the ASO NewConnect market. The brokerage house organizes private and public bond offering, then directed to the regulated market or the ASO Catalyst market. The offer of Noble Securities S.A. also includes public

subscriptions with warrants, issuance together with the transfer of the company from NewConnect to the regulated market of the WSE, service of calls and issuance of other financial instruments; the company supports with preparing the formal and legal representation to the competent authorities and participating in discussions with potential investors. Comprehensive service offer of the Noble Securities S.A. allows to fully coordinate activities related to raising capital from the public market, and the recommended method of financing the development of a business is individually tailored to each company, offering optimal solutions after the earlier analysis of the potential of the company and the current market situation.

The company's offer also includes advisory and other services related to mergers, divisions and acquisitions.

### *Energy market*

Noble Securities S.A. is among brokerage houses a leader of the market organized by the Polish Power Exchange. As the first brokerage house it was admitted to trading on the Property Rights Market with the Certificates of Origin for energy produced from renewable energy sources (RES), where it is a trade broker for:: property rights related to certificates of origin for electricity generated in the Renewable Energy Sources, property rights related to certificates of Origin of efficient Cogeneration and CO<sub>2</sub> emissions.

On the Property Rights Market the company is a broker for its clients in obtaining the status of the Register of Certificates of Origin member, represents in trading transactions and perform actions related to the redemption of certificates of origin. Customers of Noble Securities S.A. may enter into transactions on all the electricity power markets with physical delivery – the company is a broker on the Day-Ahead and Intraday Market, Futures and Commodity Market Auctions. The company within the commodity market develops its activities in the gas market, where it performed the first transaction on the market.

### *Forex Market*

Noble Securities S.A. within its investment offer in the forex market, makes available to customers three trading platforms:

- Noble Markets MT5 – allows investing in currencies and shares of companies listed on the WSE on a single trading platform, more than 100 automated strategies for Forex and WSE,
- Noble Markets MT4 – based on stable and valued by investors worldwide transaction system Meta Trader 4,
- NS Forex - currency trading with a web-authoring application that gives access to the most popular instruments.

Investments of Noble Securities S.A. in the forex market are the following:

- a wide range of financial instruments,
- e-learning on investing in the Forex market,
- analytical studies to support clients in making investment decisions,
- One\_click Trading system allows even faster investment decisions in the Forex market.

### **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 Group provides its customers with financing in the form of operating and financial lease.

Basic products of the Getin Leasing S.A. Group are:

- operating lease,
- capital lease,
- Full Service Lease in two options: Mobile lease and Car Fleet Management.

To adjust the offer to market demand, the Getin Leasing Group 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.

## Sax Development sp. z o.o.

The company provides the Group entities with rental and property management services.

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## BPI Bank Polskich Inwestycji S.A.

The company does not sell banking products. The company's activities in 2014 focused on managing the existing portfolio of loans and off-balance sheet exposures and liquidity management.

## 4. Financial situation and results of the Group

### 4.1. Consolidated income statement

The main items of the consolidated income statement of the Getin Noble Bank S.A. Capital Group for 2014 and changes in relation to the previous year are as follows:

	2014	2013	Change y/y
	PLN thousand	PLN thousand	%
Net interest income	1,430,545	1,297,834	+10.2
Net fee and commission income	437,042	436,299	+0.2
Net other result *	102,747	157,258	-34.66
Administrative expenses	(923,030)	(878,953)	+5.0
Net impairment allowances on financial assets and off-balance sheet provisions	(733,036)	(624,443)	+17.4
<b>Profit before tax</b>	<b>314,268</b>	<b>387,995</b>	<b>-19.0</b>
Income tax	46,225	14,489	+219.0
<b>Net profit</b>	<b>360,493</b>	<b>402,484</b>	<b>-10.4</b>
Attributable to:			
equity holders of the parent	360,032	399,725	-9.9
non-controlling interests	461	2,759	-83.3

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

In 2014 the Getin Noble Bank S.A. Capital Group generated consolidated net profit amounting to PLN 360.5 million. The net profit attributable to equity holder of the parent amounted to PLN 360.0 million (PLN 39.7 million less than in 2013).

The largest contribution to the Group's results among the subsidiaries had entities of Getin Leasing S.A. Group, which in 2014 generated total net profit of PLN 99.2 million, Noble Securities S.A. with a result of PLN 17.5 million and Noble Funds TFI S.A. with a net profit of PLN 14.9 million. In respect of investment in an associate the amount of PLN 12.5 million was recognised in the consolidated financial result as share in the profits of Open Finance S.A. Capital Group.

### Net interest income

In 2014 the Group recorded an increase in net interest income compared to 2013 by 10.2% – mainly due to a decrease in interest expense by 14.1%. The main components of net interest income were income from loans and lease receivables (79.8% of the total interest income) and the costs of customer deposits (interest on amounts due to customers accounted for 81.3% of interest expense). Approximately 49% of interest income on loans and leases accounted for interest on mortgages – from year to year the Group increases the share of short-term loans in the loan portfolio, which results in a gradual decrease in the share of interest income of long-term mortgages. The costs associated with the issuance of debt securities increased by 16% y/y in 2014 and accounted for 8.8% of the Group's interest expense.

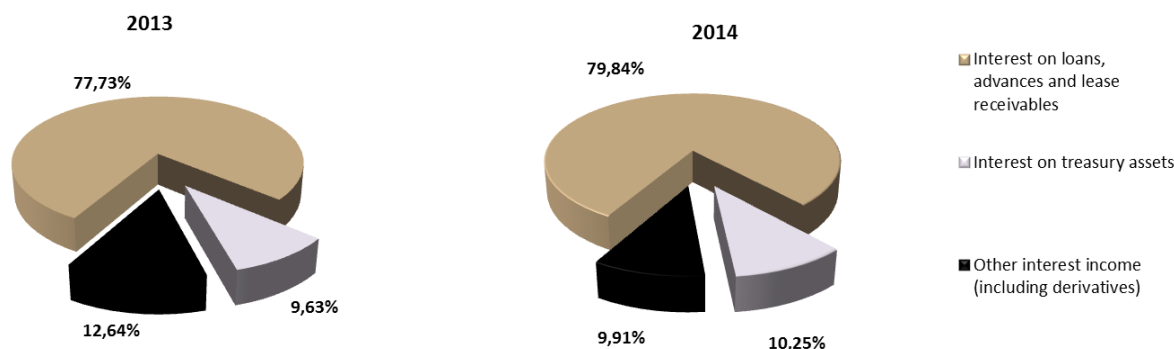
The main external factor determining the change in interest income and expenses in 2014 were the changes in market interest rates, directly affecting the level of interest rates on deposits as well as loans and lease receivables based on market rates adjusted for a margin.

In October 2014 the National Bank of Poland lowered interest rates, including the lombard rate by 1 pp. to 3%. According to the provisions of the Civil Code, the maximum amount of interest resulting from legal action must not exceed four times the ratio of the annual lombard rate of the NBP (maximum interest), thus the Group reduced the interest rates of active loans with a total credit balance of approx. PLN 4 billion, that interest rates before reduction of the lombard rate were higher than 12%.

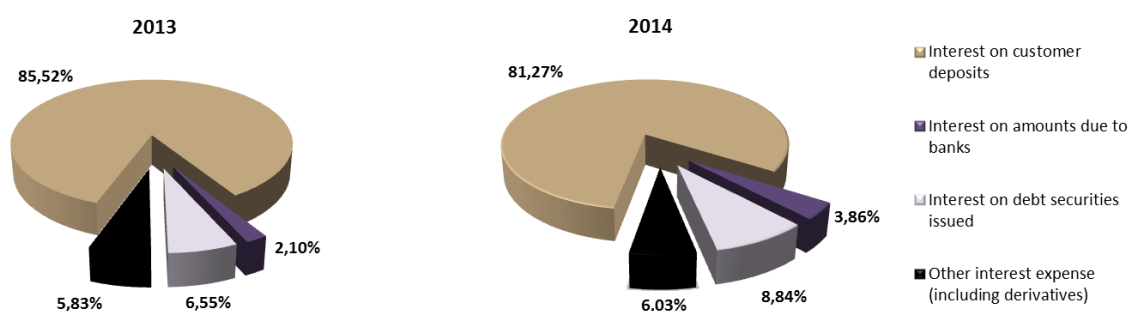
The Group's efforts to reduce the cost of financing resulted in a decrease in interest expense on amounts due to customers by 18%, while increasing the volume of amounts due to customers by 4.6% (balance of amounts due to customers as at 31 December 2014 amounted to PLN 53.8 billion).

The Group manages its deposit base in such a way, on the one hand, to increase the stable base of funds collected in current accounts and savings, on the other hand, to acquire long-term customer funds as source of financing long-term assets of the Group. At the end of 2014 the Group held in amounts due to customers 15.7% of funds deposited on current and saving accounts, and 36.5% of the customer funds with a maturity of at least 12 months.

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



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

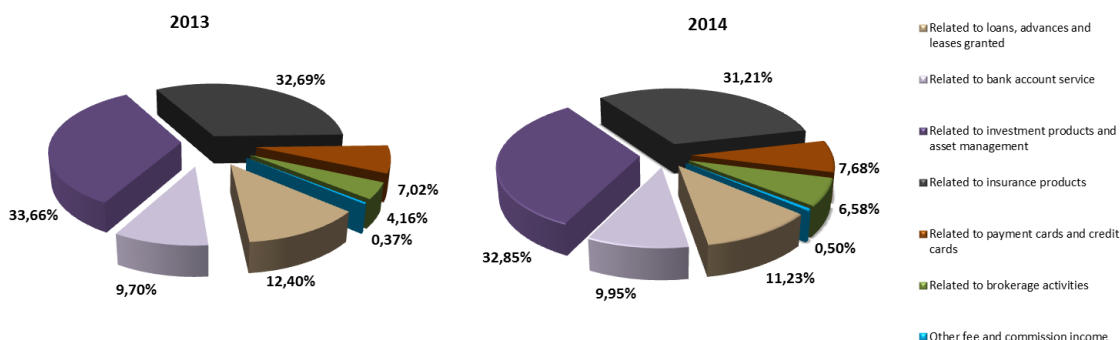


**Net fee and commission income**

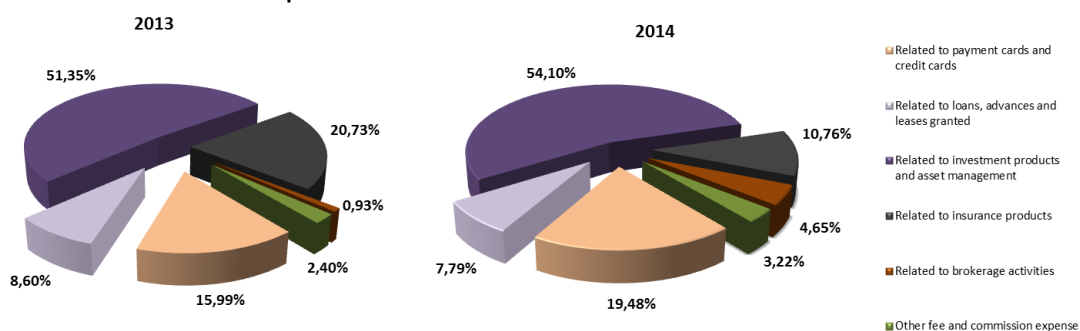
Net fee and commission income in 2014 amounted to PLN 437.0 mln and was at a similar level to the result obtained in the previous year. The Group noted a decrease in net fee and commission income for debit and credit cards, as well as fees associated with the loans and advances. This was largely offset by an increase in net fee and commission income from brokerage activities, which increased by PLN 8.1 million compared to last year.



**Structure of fee and commission income in 2014 and 2013**



**Structure of fee and commission expense in 2014 and 2013**



**Net other result**

Net other result (including dividend income, the result on financial instruments at fair value through profit or loss and net foreign exchange gains, the result on other financial instruments, net of other operating income and expenses and the share of profit of associates) achieved in 2014 was lower by PLN 54.5 million (ie. by 35%) compared to the result earned in 2013. The decline y/y was primarily due to the recognition in 2013 in other operating income of over PLN 70 million gain on a bargain purchase of DKBP and organized parts of DnB Nord and DZ Bank.

**Administrative expenses**

In 2014 administrative expenses of the Group increased compared to the previous year by PLN 44.1 million, ie. by 5%. The Group's profit for the 12 months ended 31 December 2014 was burdened with higher by PLN 14.4 million costs of the fees payable to the Bank Guarantee Fund and the Polish Financial Supervision Authority as a result of the introduction of the prudential charge. In addition, in 2014 the Group had more than 20% higher spending on marketing and advertising, ie. by PLN 13.0 million. The largest item of administrative expenses were employee benefits, which amounted to PLN 402.6 million and accounted for 43.6% of total costs.

The Getin Noble Bank S.A. Group effectively manages its costs – in 2014 the cost/income ratio of the Group amounted to 47.2%, and was one of the lowest rates in the Polish banking sector; according to preliminary data provided by the Polish Financial Supervision Authority on 31 December 2014 the average rate for the banking sector was 51%.

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

Net impairment allowances on financial assets and off-balance sheet provisions recognized in the Group's income statement in 2014 amounted to PLN 733.0 million and was higher by 17.4% in comparison to 2013, while the estimated amount of impairment allowances related to the implementation of post-inspection recommendations and AQR review is about PLN 95 million. Without the inclusion of these additional costs, net impairment allowances on financial assets in 2014 would remain at the level of 2013. Significant share in the structure of impairment allowances had allowances on portfolios with the largest share in credit assets of the Group, i.e. mortgages (51.3% in total allowances for 2014) and retail loans (26.1% in total allowances for 2014).

The growth in volume of impairment allowances on loans and advances to customers was on the exposure of impaired portfolio (over PLN 695 million), change in IBNR allowances had no relevant impact on the total result.

In 2014 the Bank introduced ongoing review and modifications of impairment procedures and amended the operating methodologies for allowances, if the internal model analysis indicated the need for (eg. to maintain the homogeneity of the models, the method of calculating the parameters of portfolio), and implemented to the impairment models the direct post-inspection recommendations of the PFSA and AQR review, according to the timetable for their implementation – in particular it concerned an individual assessment models for impaired mortgage exposures (including the extension of the list of indicators of impairment, clarifying the principles of recognizing collaterals in the cash flow statement, reclassification of the agreements referred to in AQR process), as well as included in the allowances the effects of models recalibration due to the reclassifications made.

In the 12-month period ended 31 December 2014 Getin Noble Bank S.A. intensified sales processes of bad debts, which allowed for the improvement of the quality of the loan portfolio, as well as had a positive impact on the level of write-offs – the Bank sold each portfolio above its recoverable amount, resulting from the use of impairment models. In particular, these processes were related to mortgage, retail and car loan exposures.

The structure of net impairment allowances in 2014 and 2013 is presented in the table below:

	2014	2013	Change y/y
	PLN thousand	PLN thousand	%
Corporate loans	77,941	60,135	+29.6
Mortgage loans	376,077	176,381	+113.2
Car loans	51,931	110,194	-52.9
Retail loans	190,971	233,234	-18.1
<b>Total loans</b>	<b>696,920</b>	<b>579,944</b>	<b>+20.2</b>
Finance lease receivables	37,670	30,913	+21.9
Other allowances and reserves	(1,554)	13,586	-111.4
<b>Total</b>	<b>733,036</b>	<b>624,443</b>	<b>+17.4</b>

## Key financial ratios

	2014	2013	Change y/y
	%	%	pp.
ROE net	7.6	9.5	-1.9
C/I (cost to income)	47.2	46.6	+0.6
Total capital ratio/ Capital adequacy ratio	13.1	12.4	+0.7

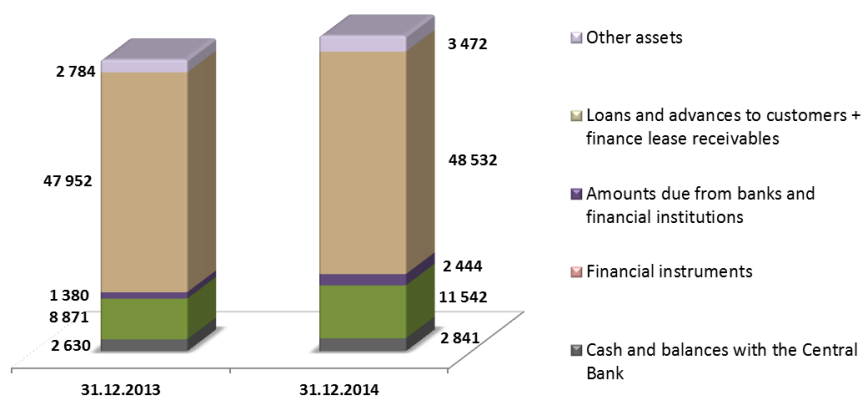
## 4.2. Statement of financial position

### ASSETS

As at 31 December 2014 total assets of the Group amounted to PLN 68.8 billion. During the year, total assets increased by PLN 5.2 billion, ie. by more than 8%. Net loans and advances to customers at the end of 2014 amounted to PLN 44.9 billion and accounted for over 65% of total assets. The gross value of loans and advances to customers amounted to 48.5 billion zł and consisted mainly of mortgage loans in the gross amount of PLN 34.8 billion. As at 31 December 2014 net finance lease receivables amounted to PLN 3.6 billion and increased by more than PLN 1 billion, ie. by 39% compared to the end of 2013.

Total balance of investment financial assets (financial assets held for trading, financial assets at fair value through profit or loss, available-for-sale and held to maturity financial assets) as at the end of 2014 amounted to PLN 11.7 billion (an increase of PLN 2.9 billion, ie. by 32%) and consisted primarily of a portfolio of the State Treasury bonds of PLN 7.8 billion.

**Structure of the Group assets as at 2014 and 2013 (in PLN million)**



### Loan portfolio and finance lease receivables

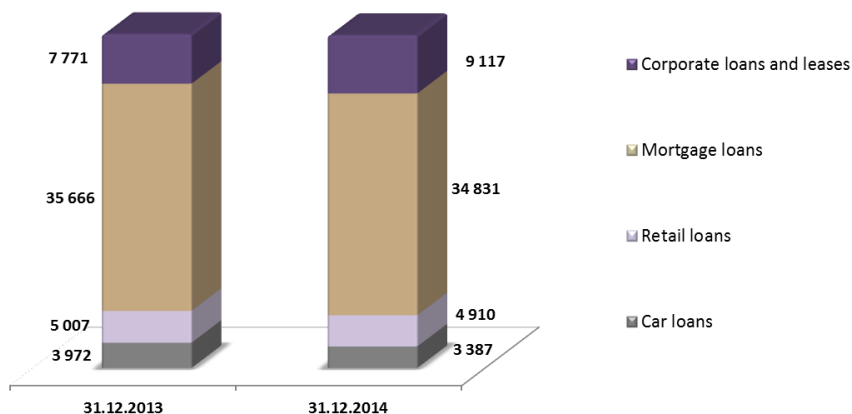
The Group gradually changes the structure of product mix, increasing sales of faster-moving retail loans, corporate loans and leases, while restricting the sale of mortgage loans. In the fourth quarter of 2014 the sale of cash loans reached ten times the sales of mortgage loans (PLN 665 million and PLN 66 million, respectively). Sales of mortgages in 2014 accounted for 8% of total sales (in 2013 it was 23%). The largest share in sales of 2014 (51%) had corporate loans and leases.

Share in sale of loans	2014	2013	Change y/y
	%	%	pp.
Mortgage loans	8	23	-15
Other loans and finance lease	92	77	+15

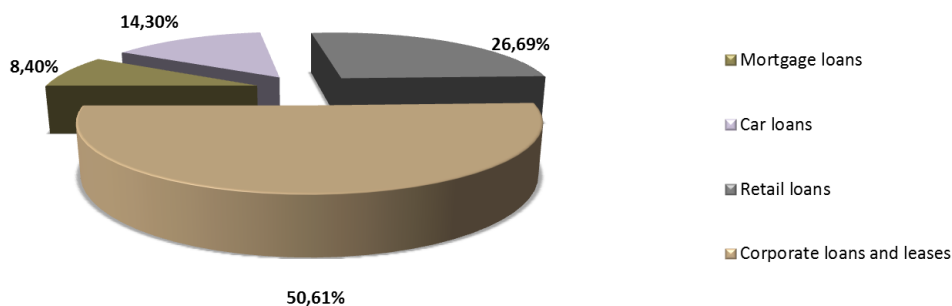
Loans in PLN accounted for 98% of all new loans granted in 2014.

The average interest profitability (taking into account the effective interest rate), related to net loan and lease portfolio achieved in 2014 amounted to 6%. The profitability remains determined by the currency structure of the loan and lease portfolio, within which receivables in foreign currencies or denominated in foreign currencies account for 31%, which interest profitability is lower due to lower reference rates.

**The Group loan and lease receivables gross as at the end of 2014 and 2013 (in PLN million)**



**Structure of loan and lease sale in 2014**

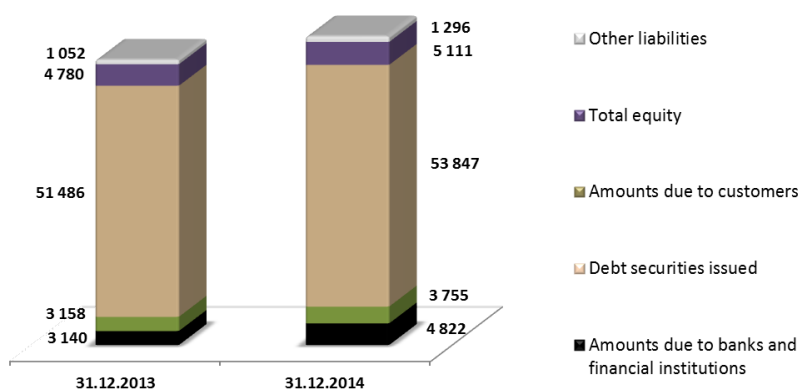


**EQUITY AND LIABILITIES**

As at the end of 2014 the main source of funding of the Group's assets were amounts due to customers, that as at 31 December 2014 amounted to PLN 53.8 billion and account for 78% of total liabilities and equity (increase by PLN 2.4 billion in comparison to prior year).

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

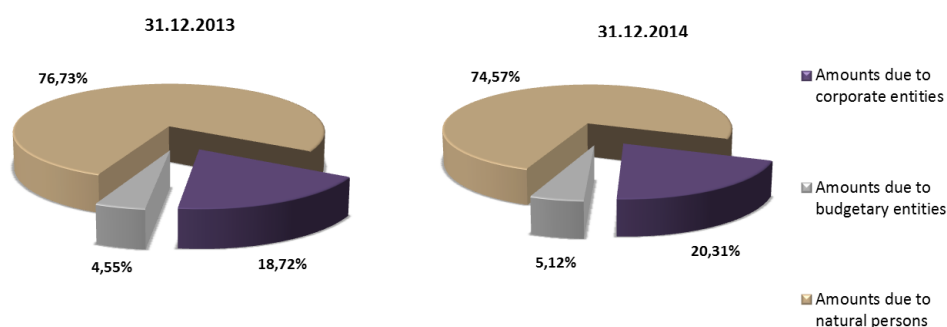
**Structure of the Group equity and liabilities as at the end of 2014 and 2013 (in PLN million)**



## Deposit base

Term deposits are majority amounts due to customers (account for 84% of the total deposit base). The increase in amounts due to customers in 2014 mainly resulted from the increase in the balance of corporate customers' term deposits by PLN 1.1 billion and growth in individual customers' term deposits by PLN 1.3 billion.

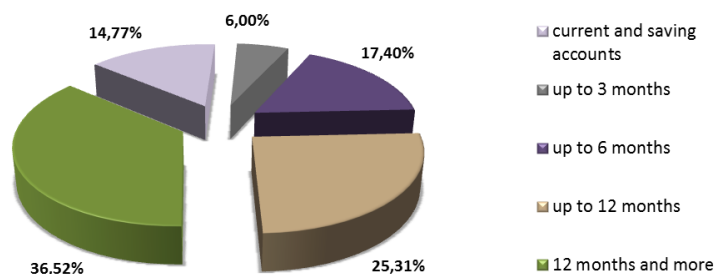
### Structure of amounts due to customers as at the end of 2014 and 2013



In 2014 the average interest margin related to customer deposits amounted to 3.3% and was lower by 0.9 pp. in comparison to prior year. The decrease in the cost of obtaining funds is connected with the gradual adaptation of interest rates on the newly concluded deposits to the reference rates significantly reduced in the last two years.

As at the end of 2014 the share of deposits with an original maturity of 12 months and longer in total deposits was 37%.

### Structure of customer deposits by original maturity as at the end of 2014



## 4.3. Contingent liabilities

The Group liabilities arising from granted loans and guarantees of loans repayments as at 31 December 2014 amounted to PLN 2.1 billion (a decrease in 2014 by PLN 460.5 billion i.e. by 18%).

	31.12.2014 PLN thousand	31.12.2013 PLN thousand
Financial	1,934,915	2,448,799
Guarantees	168,569	115,224
<b>Total contingent liabilities granted</b>	<b>2,103,484</b>	<b>2,564,023</b>

	31.12.2014	31.12.2013
	PLN thousand	PLN thousand
Financial	406,558	250,000
Guarantees	304,461	456,702
<b>Total contingent liabilities received</b>	<b>711,019</b>	<b>706,702</b>

In 2014 and 2013 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*

Getin Noble Bank S.A. Capital Group, carrying out its 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 optimize the structure of the balance sheet and off-balance sheet to achieve the assumed proportion of income in relation to the risk incurred. The management boards of the Group entities are responsible for managing risk at the strategic level. Depending on the level and nature of risk specialized advisory committees may be appointed in each entity, responsible for the specific types of risks. In the parent company of the Group – Getin Noble Bank S.A. – there are the following committees responsible for particular risk areas: the Credit Committee, the Advisory Committee, the Asset and Liability Committee or the 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.

Every entity of the Group takes into account the market regulations and requirements of supervisory authorities, especially the Polish Financial Supervision Authority regulations. 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 the debt or its part within terms described in the 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 portfolio the 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 risk,
- improvement of quality of the existing loan portfolio.

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

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

##### Supervisory Board of the Bank

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

##### Management Board of the Bank

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

##### Credit Committee of the Bank

The Bank's Credit Committee role is to support the Bank's Management Board in fulfilling its opinion-making and advisory functions in the process of 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 organizational 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:

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

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

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

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

#### Internal Audit Department

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

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

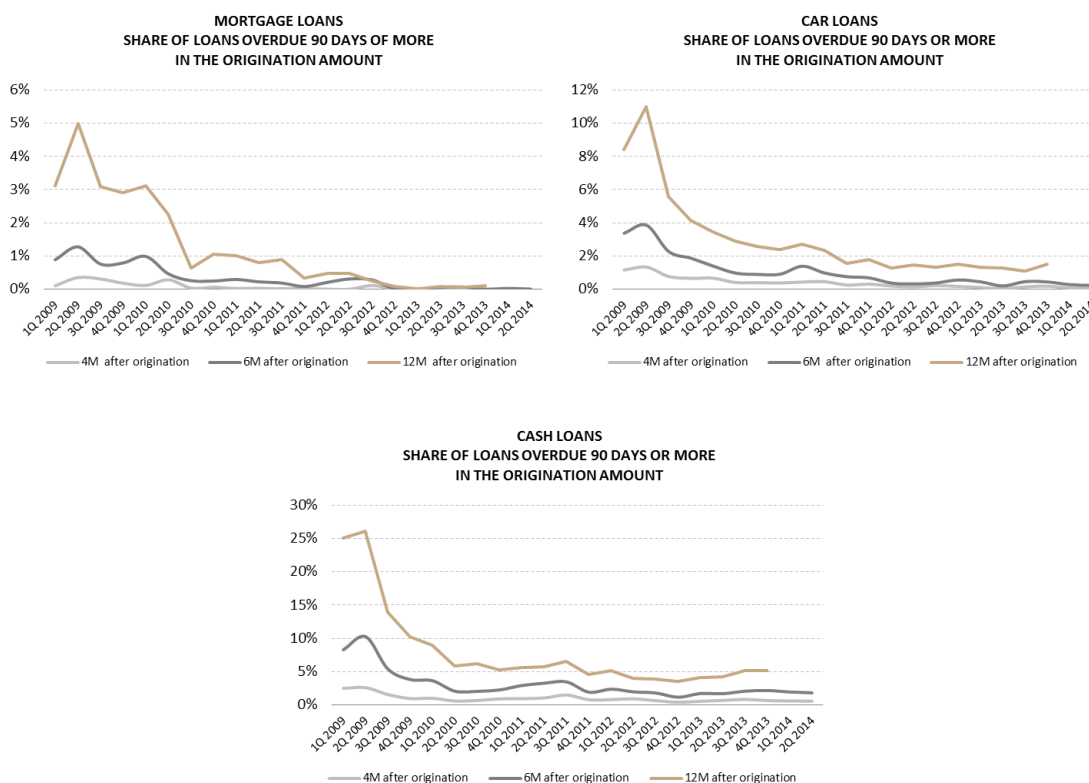
The Bank has developed Credit strategy and policy and Credit exposures risk management strategy and policy, which define rules, guidelines and recommendations relating to credit activities. These documents serve also as a basic instrument for the realization of a selected strategy towards credit risk.

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. In particular, since 2010 the Bank since continuously monitors the credit risk of lending activities and constantly modifies processes/ credit products adapting them to changing market realities

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

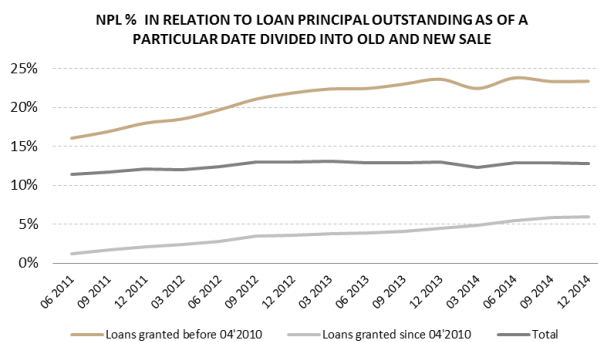
The actions undertaken by the Bank have measurable impact on maintaining levels of risk within the "risk appetite" approved by the Management Board and the Supervisory Board. Differences in the level of repayment of major credit products in recent years are shown in the following charts – there is significantly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



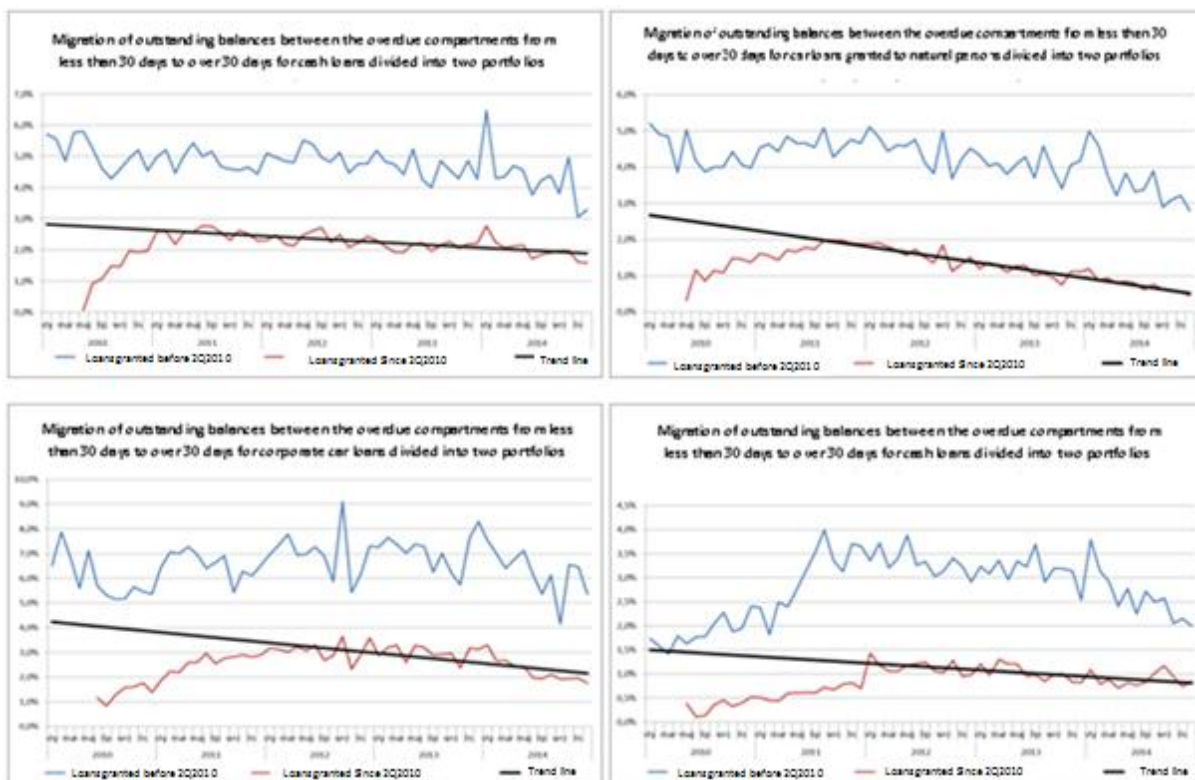


Improvement in the quality of newly generated credit portfolio is also noticeable at the level of the NPL ratio (Non-Performing Loans) – sales generated after the merger of the Banks has a much lower level of credit risk.

NPL ratios of loans sold after the merger of Getin Bank and Noble Bank (since April 2010) are significantly lower than the average for the banking sector (less than 6% vs 8% market average).



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



Credit risk management in the Bank is performed on the basis of internal procedures concerning risk identification, measurement, monitoring and control. 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, credit cards, debt limits in a current account),
- servicing small and medium-sized enterprises and local government units.

Within the above mentioned business areas, there are procedures for particular credit products. In order to ensure the objectivity of credit risk assessment, within the structure of commercial divisions, the sale process (gaining customers) has been separated from the evaluation and acceptance of customer's credit risk. A separate Credit Decision Area is responsible for evaluation and acceptance of particular loan applications.

The procedure of making credit decisions is approved by the Bank's Management Board. Credit authorization limits are granted to the Bank's staff on an individual basis, depending on their skills, experience as well as the functions fulfilled. Credit decisions which exceed the authorization limits granted to the Bank's individual employees are made by 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 authorization limits granted to the Credit Committees in the acceptance centers. Credit decisions of the highest rank are made by the Bank's Management Board. Any changes to the decision making procedure must be approved by the Bank's Management Board.

Getin Noble Bank 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 loans, car loans, credit cards and debt limits in a current account,
- for small and medium-sized enterprises – the assessment includes simplified analysis or ratio analysis.

Scoring system used by the Bank (for cash loans, car loans, credit cards and debt limits in a current account ) 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 2014 (except the exposure to the Government and the Central Bank) only exposure to the group of entities related to the Bank by the parent exceeds 10% of the Bank's own funds.

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

Getin Noble Bank S.A. 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 depreciate 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 depreciation in the exchange rate will continue for the period of 12 months.

Currently, the Bank treats foreign currency mortgages as a niche product – the sale of such loans is limited. The Bank grants mortgage loans to retail customers only in the currency in which they receive income.

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 b.p. for mortgage loans (the S Recommendation requires the increase of 400 b.p.) and under the assumption that the increase in interest rate will continue for the period of 12 months. The Bank also analyzes the influence of changes of unemployment rate on credit risk in the above mentioned portfolios.

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

In order to limit credit risk, the Bank accepts various legally acceptable collateral types, which are selected appropriately to product type and business area. Detailed procedures for collateral selection and establishment have been described in internal regulations and product procedures for individual trading areas. The adopted legal collateral should ensure that the Bank will satisfy itself in case of the borrower's default. In selecting loan collateral, the Bank considers the type and amount of loan, loan term, legal status and financial standing of borrower as well as risk of the Bank and other risks. The Bank prefers collateral in the 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.

In 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: insurance policy and personal collaterals (e.g. guarantee of a third party in the form of own promissory note or civil warranty).

Collaterals such as: mortgage established on the property with priority of satisfaction, registered pledge (on the property of the enterprise or total assignment of the enterprise property right of the borrower or registered pledge on the personal property of the borrower or the company's management) or cash deposit or pledge on funds on the trust account are one of corporate loans collaterals. Last but not least personal collaterals are important (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.

### *Restructuring practises*

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

The restructuring involves changing the terms of the loan repayment, which are individually set to each contract.

These changes may relate in particular to:

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

As a result of restructuring annex and its timely servicing, the debt becomes not due. An element of the restructuring process is to assess the ability of the debtor to fulfil the conditions included in the restructuring annex (debt repayment on the scheduled dates). Open restructured agreement are subject to ongoing monitoring.

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

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

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

## 5.2. Market risk

Market risk is defined as an uncertainty about whether the interest rates, currency exchange rates or prices of securities and other financial instruments held by the 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 in the Group 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 main source of currency risk in the Group are items of Getin Noble Bank S.A. Monitoring of the level of risk in 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. The effectiveness of risk management is evaluated on the basis of the level of use of the adopted limits on exposure to risk. Additionally, in order to hedge the currency risk, the Bank applies the cash flow hedge accounting and hedges against changes in cash flows for mortgage loan portfolio denominated in CHF and EUR with separated portfolio explicitly determined CIRS float-to-fixed CHF/PLN and EUR/PLN hedging transactions and cash flow hedge of PLN deposits portfolio with separated from real CIRS transactions explicitly determined portfolio of IRS fixed-to-float hedging transactions.

Supervision of compliance with limits and prudential norms is performed by the Assets and Liabilities Committee of the Bank. The calculation of the Bank's exposure to currency risk and the calculation of the capital requirement to cover the risk is made daily and reported to the Management Board within management reports.

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.

#### *Sensitivity analysis for currency risk*

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

VAR (1D, 99.9%)	31.12.2014	31.12.2013
	PLN thousand	PLN thousand
Currency risk	299	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 2014 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 0.4% (0.78% as at 31 December 2013).

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

The Market Risk and Valuation 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:

	31.12.2014		31.12.2013	
	amount PLN thousand	% of own funds	amount PLN thousand	% of own funds
USD	8,989	0.13%	(3,921)	0.07%
EUR	19,156	0.29%	26,406	0.45%
CHF	15,702	0.23%	9,141	0.16%
<b>Overall currency position*</b>	<b>45,470</b>	<b>0.68%</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 monthly reports concerning this risk on a global basis and weekly information regarding the level of risk exposure for trading portfolio.

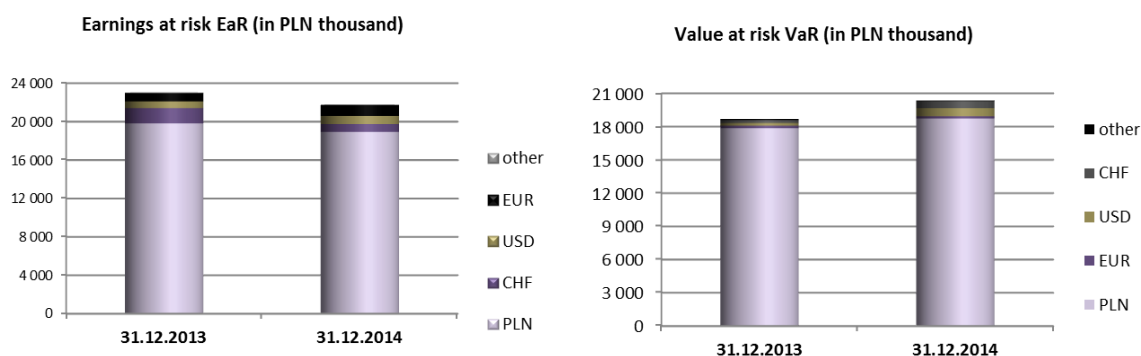
Interest rate risk management consists in minimizing the risk of negative impact of changes in market interest rates on the Group's financial standing by establishing and ensuring compliance with the limits set for acceptable interest rate risk, conducting periodic analyses examining the level of interest rate risk and the sensitivity of the profit and loss account to changes in interest rates and entering into transactions limiting exposure to risk (derivatives, sale/ purchase of securities with a fixed coupon). The effectiveness of risk management is evaluated on the basis of the level of use of the adopted limits on exposure to risk. Monitoring of interest rate risk is conducted, among others, by:

- analyzing the breakdowns of assets and liabilities and off-balance sheet items sensitive to changes in interest rates by currency and repricing dates,
- analyzing the basis risk, profitability curve risk and customer option risk,
- testing sensitivity of the financial result to interest rate (the EaR method),
- analyzing the value at risk of the Group's portfolio related to market valuation (VaR),
- stress tests showing the susceptibility of the Bank to losses in case of unfavorable market conditions or in case the key assumptions of the Bank become invalid,

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

Repricing gap calculation, the value at risk (VaR) and EaR measures for the Bank is carried out in the Market Risk and Liquidity Analysis System (SARRP).

To reduce the exposure to interest rate risk, in 2014 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.



In order to complete the information about the possible loss of Getin Noble Bank S.A. due to unfavourable changes in interest rates, the Bank conducts also quarterly stress tests by doing simulation of the impact of making fundamental changes in market interest rates and in the structure and balances of assets, liabilities and off-balance sheet items on the level of the Bank's interest rate risk in terms of net interest income and valuation of the portfolio of receivables/ liabilities sensitive to interest rate risk.

The Bank tests the changes in the structure of assets and liabilities by taking into account the risk of the client options (increased level of early repayments of loans with fixed interest rates), potential changes in the Bank's income and changes in the economic value of the portfolio assuming a "shocking" changes of interest rates, for the revised structure of the portfolio. For assumptions about interest rates, the Bank adopts the following options:

- +/- 100 basis points,
- +/- 200 basis points,
- different nature of the yield curve changes,
- only shifts in PLN rate +/- 200 basis points,
- only shifts in CHF rate +/- 100 basis points.

Interest rate risk in leasing activities is eliminated by obtaining financing (sale of receivables) with correlated principles of interest rate changes. Lease assets are based on variable rate of interest with the possibility of its change in case of WIBOR 3M change (for agreements denominated in PLN) or LIBOR 3M (for EUR denominated agreements), they are also financed by liabilities with variable rate of interest, being subject to analogical principles of interest rate changes. Interest rates on leasing products are adjusted in proportion to change in interest rate of liabilities.



### 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.

Strategy of liquidity risk management in Getin Noble Bank S.A. Strategy is defined in the Bank's activities Strategy approved by the Supervisory Board of the Bank. 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 main objective of liquidity risk management in the Bank is to minimize the risk of losing the long-term, medium-term and short-term liquidity by execution of, among other, the following goals:

- maintaining desired balance sheet structure,
- ensuring accessibility to external finance sources,
- compliance with resolutions, recommendations and acts of the National Bank of Poland, the Polish Financial Supervision Authority and Capital requirements regulation (CRR).

Medium- and long-term liquidity risk management lies within the competence of the Management Board, whereas current and short-term liquidity risk management is the responsibility of the Treasury Department. The consulting role in process of liquidity risk management is performed by the Assets and Liabilities Committee, which monitors the level of liquidity risk on a monthly basis, based on reports prepared by the Market Risk and Valuation Department.

The following analyses are used to perform an assessment of liquidity risk:

- 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.

Calculations of supervisory liquidity norms and liquidity gap are carried out in the Market Risk and Liquidity Analysis System (SARRP). The gap ratios, level of liquid assets, selected balance sheet ratios and the level of use of liquidity limits (including compliance with liquidity norms) are monitored on a daily basis and reported to the Management Board of the Bank.

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 2014 Getin Noble Bank S.A. continued issues of long-term securities, which accounted for an additional source of financing lending activities.

	31.12.2014	31.12.2013	Change
	%	%	pp.
Net loans and finance lease receivables / amounts due to customers	90.2	93.1	-2.98

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 procedure for contingency plan for sustaining liquidity in Getin Noble Bank S.A. in critical situations".

#### *Supervisory liquidity measures*

In accordance with the supervisory guidelines Getin Noble Bank S.A. daily calculates the supervisory liquidity measures, which in 2014 developed above the minimum amounts set by the Polish Financial Supervision Authority. In 2014 the Bank conducted the policy to maintain liquid assets at the optimum level in terms of the Group liquidity and profitability indicators.

The level of M1 measure as at the end of 2014 amounted to PLN 4.3 billion and was higher than the level as at the end of 2013 by nearly 12%. The M2 measure as at the end of 2014 amounted to 1.40.

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

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

## 5.4. Operational risk

#### *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.

#### *Structure and organization of the operational risk management unit*

The process of operational risk management is actively contributed by:

- all elements of Bank's organizational structure – 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, as well as in related entities and third parties, 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 Operational Risk Management Department and Operational Risk Committee.

Due to the scale and type of business of Getin Noble Bank S.A., the leading role in operational risk management in the Group is fulfilled by the Bank's 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 – Operational Risk Committee, which performs consulting services in the process of operational risk management

The main, superior role in operational risk management in the Bank is performed by designated employees of an independent operational risk management unit, which is part of the Operational Risk Management 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 for 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 organization'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.

Key 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 2014, 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 and S). In addition, the Bank has already started preparatory activities related to the implementation of recommendations D and U of the Polish Financial Supervision Authority and FATCA (Foreign Account Tax Compliance Act).

## 5.6. Capital management

The primary objective of capital management strategy in the Getin Noble Bank S.A. Capital Group is to have an adequate level of capital hedging the taken risk, which would allow for safe operation 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 2014 and 2013 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. The measure of capital adequacy is capital ratio, which expresses the relation of own funds (after mandatory deductions) to total assets and risk-weighted off-balance sheet items. The capital ratio weights assets and off-balance sheet positions, among others, by degree of credit risk, market risk, currency risk or interest rate risk.

Within the level of maintained capital and capital adequacy calculation, the Bank applies to applicable legal regulations and set strategic goals. In terms of the preferred capital structure Getin Noble Bank S.A. assumes to have a structure with a predominant share of core capital (Tier 1), which is essential to meet the requirements specified in the CRR Regulation.

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 2014 the capital ratios maintained at a safe level, i.e. total capital ratio above 12% and Tier 1 capital ratio over 9%.

Tier 1 capital was 74% of the total capital for the calculation of capital adequacy ratio at the end of 2014. The main components of Tier 1 capital of the Group as at 31 December 2014 was the share capital, which accounted for 54% of Tier 1 capital and supplementary capital representing 42% of Tier1 capital. In capital requirement a dominant position (over 92% of the total capital requirement) has the capital requirement for credit risk (including the credit valuation adjustment).

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, capital 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.

Total capital ratio as at the end of December 2014 was higher by 0.7 pp. compared to December 2013. Own funds increased in this period by 14%, mainly as a result of the decision of the Annual General Meeting of Shareholders of Getin Noble Bank S.A. to retain all the Bank's profit for 2013 in an equity, as well as the consent of the Polish Financial Supervision Authority to include in own funds amounts of subordinated bonds series PP3-IX, PP3-X and PP3-XI and the net profit of the prudentially consolidated Getin Noble Bank S.A. Group for the first half of 2014 verified by the auditor.

## 6. The Group prospects and growth factors

The Getin Noble Bank S.A. Capital Group mission is to create value for its shareholders by building a strong and stable relationships with customers based on the highest standards in terms of quality of service, construction of products and methods of its distribution allowing, to get the most of current position of the Group in order to increase the number of active and loyal customers.

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

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

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

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

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

## 7. Corporate governance

### 7.1. Compliance with best practices

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

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

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

„5. A company should have a remuneration policy and rules of defining of policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.”

In 2014 the Bank partially adapted to the requirements of this recommendation to the extent that results from the resolutions No. 258/2011 and 259/2011 of the Polish Financial Supervision Authority dated 4 October 2011. The Bank does not apply the provisions of the recommendation in terms of going beyond the content of the regulations generally applicable in Poland. Taking into account that according to the recommendations of the European Commission, Poland is obliged to take the necessary measures to support the adoption of principles contained in these recommendations, for the full implementation of the above mentioned principle, the Bank believes it is necessary to regulate the manner of implementation of recommendations in a consistent manner for all listed companies and in line with the prevailing Polish legal system. In so far as relevant regulations are introduced, the Bank immediately takes steps to adapt to it. Within the scope of the provisions of the resolutions No. 258/2011 and 259/2011 the Bank has adapted its internal regulations with effect from the date of entry into force of the resolutions of the Commission, 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.”

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

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

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

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

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

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

## **IV. BEST PRACTICES OF SHAREHOLDERS:**

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

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

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

However, taking into account the technical development and growing market experience in e-meetings, the Management Board of the Bank has already, in 2014, undertaken efforts aiming at preparing the Bank to the implementation of the rule.



The Bank assumes that it is to happen immediately after the adoption by AGM amendments to the Rules of the General Shareholders Meeting.

## The Bank's shareholders with major shareholding

The ownership structure of significant batches of the Bank 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 Czarnecki (directly)	264,626,609	264,626,609	9.99%	9.99%
ING Otwarty Fundusz Emerytalny	220,000,000	220,000,000	8.30%	8.30%
Getin Holding S.A.	200,314,774	200,314,774	7.56%	7.56%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	174,300,000	174,300,000	6.58%	6.58%
Other shareholders	779,173,186	779,173,186	29.39%	29.39%
<b>Total</b>	<b>2,650,143,319</b>	<b>2,650,143,319</b>	<b>100.00%</b>	<b>100.00%</b>

## Special rights and limitations concerning the Issuer's equity securities

All shares of Getin Noble Bank S.A. are ordinary bearer shares with no special control rights.

The Bank's Articles of Association does not introduce any limitations concerning voting rights, like limitation for holders of specific share or amount of shares or time limits concerning execution of voting rights. It also does not contain resolutions regarding separation of capital rights and shareholding.

There are also no limitations in trading in equity securities issued by the Bank.

## 7.2. Supervisory and management authorities of the Bank

### The functioning and rights of the General Shareholders Meeting

The General Shareholders Meeting is the superior governing body of the Bank. The General Meeting is convened as an ordinary or extraordinary one pursuant to the generally applicable regulations, the Bank's Articles of Association and the Rules of the General Shareholders Meeting. Corporate documents are available at the Bank's website. The General Shareholders Meeting, among other matters specified in the Bank's Articles of Association, has the authority to:

- review and approve the Bank's financial statements for the previous financial year,
- review and approve the Directors' Report on the Bank's operations in a financial year,
- adopt resolution on the distribution of profits or covering of losses,
- acknowledge the 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>	
President of the Supervisory Board	Leszek Czarnecki
Vice-President of the Supervisory Board	Remigiusz Baliński
Members of the Supervisory Board	Krzysztof Bielecki
	Rafał Juszcak
	Jacek Lisik

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

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

## 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 entitled 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 Bank Management Board's composition as at the date of this report was as follows:

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

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

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

On 12 December 2014 the Supervisory Board of the Bank appointed Mr. Krzysztof Basiaga as a member of the Management Board of the Bank.

## 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 and Liability Committee

Asset and Liability Committee (ALCO) acts as a consultative and advisory body, assisting the Bank's Management Board in the effective management of assets and liabilities of the Bank to ensure the implementation of the current financial plans

and secure long-term development of the Bank. The scope of ALCO includes mainly: liquidity risk, interest rate risk, currency risk, capital risk.

#### Credit Risk Committee

Credit Risk Committee serves as an advisory body in the process of credit risk management in the Bank. The 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.

#### 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 key 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.

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

The Credit Committee of the Company and Corporate Credit Acceptance Center operates at the Credit Committee of the Bank. It is responsible for process of assessment and approval of loan applications from corporate customers and undertakes projects to ensure the safe conduct of banking activities in this area. The committee members are appointed by a decision of the Board Member supervising the finance area.

#### Operational Risk Committee

Operational Risk Committee 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.

#### Product Committee of the Bank

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

### Data Quality Committee

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

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

Wartość wynagrodzeń (bez narzutów na wynagrodzenia) wypłaconych poszczególnym członkom Zarządu Getin Noble Banku S.A. w 2014 roku prezentuje poniższa tabela:

The table below shows amount of remuneration (excluding employment costs) paid to individual members of the Management Board of Getin Noble Bank S.A. in 2014:

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

\* Other benefits consisting mainly of bonuses resulting from the Variable Components of Remuneration Policy and the settlement of the last tranche of the Management Options Scheme.

Under the remuneration policy of the Bank, members of the Management Board shall be entitled to a bonus for 2014, part of which will be paid in 2015, and some will be deferred for the period 2016-2018. A provision for bonuses for the members of the Management Board recognised in 2014 amounted to PLN 6.0 million.

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

\* Other benefits consisting of the settlement of the last tranche of the Management Options Scheme.

Remuneration of members of the Bank's Management Board due to their functions in governing bodies of subsidiaries are presented below:

	01.01.2014– 31.12.2014 PLN thousand
Krzysztof Rosiński	300
Marcin Dec	150
Karol Karolkiewicz	270
Radosław Stefurak	204
Maciej Szczechura	12
Grzegorz Tracz	435
Remuneration of members of the Bank's Management Board due to their functions in governing bodies of subsidiaries	1,371

	01.01.2014– 31.12.2014 PLN thousand
Remuneration of members of the subsidiaries Management Boards	10,347

In 2014 and 2013 the Group's subsidiaries did not pay remuneration to members of the Supervisory Boards.

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

The contracts of 6 out of 8 Members of the Management Board of the Bank 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.

### 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 shares on the own account
Leszek Czarnecki <sup>1)</sup>	Chairman of the Supervisory Board	264,626,609
Remigiusz Baliński	Vice-Chairman of the Supervisory Board	521,530
Krzysztof Rosiński	President of the Management Board	2,110,573
Marcin Dec	Member of the Management Board	13,762
Karol Karolkiewicz	Member of the Management Board	76,737
Krzysztof Spyra <sup>2)</sup>	Member of the Management Board	-
Radosław 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: KKBBK Investments Ltd. – 16,029,083 shares.

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

The process of preparation of financial statements in Getin Noble Bank S.A. is 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 Member of the Management Board supervising the financial department.

In order to ensure true and fair information in the financial statements, in the Bank exists an internal control system, being the element of the Bank's management system. 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.



## Entity entitled to audit financial statements

On 31 March 2014 the Supervisory Board of the Bank made the resolution on the appointment of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw as the statutory auditor of the financial statements for 2014. 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. was signed on 8 July 2014. The Bank used the services of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. for the audit of financial statements for 2012 and 2013.

The detailed information on the contracts concluded with the 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 2014.

## 8. Corporate social responsibility

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

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

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

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

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

## 9. Additional information

### Significant agreements

On 20 March 2014 Getin Noble Bank S.A. entered into an agreement requiring Getin Holding S.A. to sell 858,334 ordinary registered shares of Towarzystwo Ubezpieczeń Europa S.A., with a total nominal value of PLN 3,433 thousand, representing a total of 9.08% of the share capital and entitling to a total of 9.08% of votes at the general meeting of shareholders for a total price of PLN 165,658 thousand. The settlement of the transaction and transfer of shares took place on 8 April 2014. At the same time, on 8 April 2014 the Bank and Getin Holding S.A. went into agreement under which the Bank has established to Getin Holding S.A. a registered pledge on the shares with the right exercise of their right to vote to the pledged amount of EUR 50,015 thousand.

On 25 March 2014 the Bank concluded with Open Life Towarzystwo Ubezpieczeń Życie S.A. a finance pledge agreement. The pledge agreement was concluded in order to secure receivable debt of Open Life resulting from deposit agreement, i.e. receivable debt arising from return of funds deposited on term deposits opened on the basis of this agreement. The Bank as the pledger agreed to deposit as a collateral treasury bonds in the amount equal to the actual value plus interest of term deposits opened by Open Life subject to the number and value of bonds determined in the pledge agreement. The finance pledge is established on dematerialized, admitted to trading on regulated market treasury bonds in the amount not higher than 977,273 bonds of the nominal value of PLN 1,000 per bond and of market value not higher than PLN 852,716,250. The agreement is considered as significant due to the target value of the planned finance pledge which may be in excess of 10% of the Bank's equity.

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

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

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

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

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

In 2014 Getin Noble Bank S.A. continued its co-operation with the European Bank for Reconstruction and Development and the European Investment Bank under already signed agreements.

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

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

In 2014 Getin Noble Bank S.A. did not conclude any significant agreements with the central bank or supervision authorities. The Bank co-operates on a regular basis with the National Bank of Poland under already signed agreements.

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

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

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

In 2014 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 2014 the Polish Financial Supervision Authority approved the inclusion in the supplementary funds the amount of PLN 261.6 million acquired by Getin Noble Bank S.A. through the issue of subordinated bonds series PP3-IX, PP3-X and PP3-XI.

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

### Execution titles and value of collaterals

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

### Significant legal proceedings

In 2014 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.

## 10. Statements of the Management Board

### 10.1. 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 2014 and the comparative data have been prepared in accordance with the International Financial Reporting Standards and reflect the economic and financial standing of the Getin Noble Bank S.A. 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.

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

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. K – the auditor of the consolidated financial statements of the Getin Noble Bank S.A. Capital Group for the year ended 31 December 2014 was appointed in compliance with the law. This entity and its certified auditors performing the audit fulfilled conditions for expressing the unbiased and independent opinion on the audited consolidated financial statements, in accordance with the applicable law and professional standards.

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

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

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

\_\_\_\_\_  
Marcin Dec  
*Member of the Management Board*

\_\_\_\_\_  
Karol Karolkiewicz  
*Member of the Management Board*

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

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

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

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

Warsaw, 23 March 2015