

SUPERVISORY BOARD'S EVALUATION OF GETIN HOLDING S.A. STANDING INCLUDING ASSESSMENT OF THE INTERNAL CONTROL AND MATERIAL RISK MANAGEMENT SYSTEMS

EVALUATION OF THE COMPANY STANDING

In 2017, the Company continued its operations aimed at effecting investment projects both in the local and foreign markets and increasing the value of its investment portfolio companies. The Company actively influenced the strategy and management of its subsidiaries so as to ensure growth of the value of the assets held. The Company's efforts to ensure that Getin Holding Group companies satisfy requirements imposed by regulators in respective countries improved risk profile of the companies.

Major events that occurred in the reported period include the following:

Closing the transaction of selling shares in Getin Leasing S.A.

On 31 January 2017, as a result of the agreement signed by the Company and LC Corp B.V. based in Amsterdam, 755 shares in Getin Leasing S.A. were sold to LC Corp B.V., and consequently the Company ceased to be the shareholder in Getin Leasing S.A.

Issue of C-series shares.

In connection with the planned issue of C-series shares, under a preliminary agreement signed by LC Corp BV based in Amsterdam and the Company, on 26 June 2017, the Company was received PLN 27 million as the advance payment for the shares to be issued.

On 27 June 2017, the Extraordinary General Meeting resolved to increase the Company's share capital by PLN 27.8 million PLN by issuing new C-series shares. On 7 September 2017, the registry court registered the increase in the Company's share capital. 27.8 million C-series shares were introduced to trading on 12 October 2017. The raised capital was earmarked for financing debt collection operations in Ukraine.

Setting up New Finance Service.

In June 2017, the Company founded New Finance Services in Ukraine as a result, among others, of purchasing a 100% stake in the share capital of New Finance Service sp. z o. o., a company based in Kiev.

Increases of the share capital of Idea Bank (Romania).

In 2017, the share capital of Idea Bank (Romania) was increased thrice. As a result of the increases in the share capital of Idea Bank based in Romania (Bank) effected in 2017, the Bank's share capital increased from RON 194.2 million (PLN 180.3 million) to RON 225.7 million (equivalent of PLN 209.5 million). All issued shares were taken up by the Company. The share capital was increased in order to meet the requirements of the local regulator.

Other changes in the Capital Group structure

In 2017, the General Meeting of Getin Investment sp. z o. o. resolved to increase its capital twice. As a result of the increases of the share capital the company's share capital increased from PLN 50,000 to PLN 130,000. All shares were taken up by the Company.

On 14 June 2017, the share capital of Russia based company OOO Assets Service Finance was increased from RUB 30 million (PLN 2 million) to RUB 301 million (PLN 19.8 million). All shares were taken up by the Company.

As a result of the agreement to sell of 26,690 shares in Idea Bank (Belarus) signed by Carcade on 13 June 2017, the Company's direct stake in the bank's share capital decreased to 67.079%. The Company's indirect share in the Bank is 99.998%.

On 27 July 2017, there was registered a decrease of the share capital of Getin International S.A. from PLN 142.3 million to PLN 711.3 thousand, as a result of which PLN 217.6 million was paid to shareholders of the company.

The Company was consistently pursuing the strategy towards its investment portfolio companies aimed at the Group's business growth and achieving high return rates from investments of its subsidiaries operating in the financial sector. Participation in projects carried out by controlled companies, providing funds necessary for their growth, support in order to ensure compliance with requirements of local regulators, know-how, and permanent strategic and operational supervision provided by the Company made it possible for the Group's foreign companies to close the year with positive financial results.

The loss reported in the Company's financial statement for 2017 results largely from the fact that the Company had written down the investment in its subsidiary Getin International S.A., reported in financial expenses.

EVALUATION OF THE INTERNAL CONTROL SYSTEM AND THE MATERIAL RISK MANAGEMENT SYSTEM

In the opinion of the Supervisory Board, the internal control system in Getin Holding S.A. is an efficient element of the management system. It fits the Company's organisation structure and specific character of its operations. The system aims at ensuring efficiency and effectiveness of the Group operations, reliability of financial reporting, compliance with risk management rules, law compliance, compliance with internal regulations and market standards.

The internal control system in the Capital Group is based on the following defence lines:

- the control function that ensures the compliance with the control mechanisms concerning risk management that covers all organisational units and departments in Getin Group companies;
- the compliance function that aims specifically at shaping the compliance policy and following the non-compliance risk management process in cooperation with organisational units in specific companies;
- the internal audit function whose objective is to analyse and assess, independently and objectively, the adequacy and efficiency of the risk management system and the internal control system, excluding the internal audit unit.

Accuracy and fairness of financial statements is guaranteed by risk control mechanisms that are the major element of the internal control system. The risk control mechanisms comprise control mechanisms set forth in the Company bylaws and in IT systems used in the process of drawing up financial statements, and the functional control. Additionally, within the control mechanisms the Company analyses accounting principles applied in its subsidiaries and any changes thereto concerning recognition and calculation of income and costs, issuing comments and recommendations, where applicable. The functional control is exercised by each employee and his/her direct superior.

With reference to financial reporting, the efficiency of the process of preparing financial statements in the Company and its subsidiaries covered by the internal control system is additionally verified by an external certified auditor every six months.

The internal audit, as an organisationally separate, independent unit reports directly to the member of the Management Board in charge of the internal audit area in Getin Holding Group. Audits of processes verified by the internal audit promote independent verification of the compliance of the reporting process with binding regulations, correctness and effectiveness of functional control and correctness of the financial statement preparation process. Follow-up results and recommendations are submitted to the Company Management Board.

Consequently, the Company Supervisory Board is provided with in-depth and reliable reports on the compliance with the established rules, the risk exposure and the goals accomplishment in each of the areas of the Company and Getin Holding Capital Group operations.

To sum up, the Company Supervisory Board finds that the internal control and risk management system is adequate and efficiently contributes to the performance of tasks and ensuring security and stability of the operations of the Company and Getin Holding Capital Group.

Although the Company does not have a separate policy regulating *pro bono* engagement, in 2017 it rationally engaged in sponsoring and charity projects. The Company contributed to the financial support for the Civil Development Forum Foundation that promotes entrepreneurship and economic freedom, as well as to supporting foundations and other organisations that work for needy children and youth by participation in charity events organised by such organisations.

Having above in mind, the Supervisory Board positively evaluates the Company's performance in 2017.