



BANK BGŻ BNP PARIBAS GROUP

PRESENTATION OF Q3 2015 RESULTS

Warsaw, November 12, 2015



BGŻ BNP PARIBAS

The bank for a changing world

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- The data presented for 9M 2015 refer to the merged Bank BGŻ BNP Paribas. The merger was carried out using the book value method. The results of the operations of BNP Paribas Bank Polska ("BNPP Polska") were recognized in the consolidated financial statements of the Capital Group of Bank BGŻ BNP Paribas prospectively, i.e. as from 30 April 2015. The Bank BGŻ BNP Paribas Group's comparative data for the preceding periods were not restated.



Agenda

- 1.** Macroeconomic Situation
- 2.** Executive Summary after 9M of 2015
- 3.** Financial Results of the Capital Group
- 4.** Business Segments Performance
- 5.** Appendices

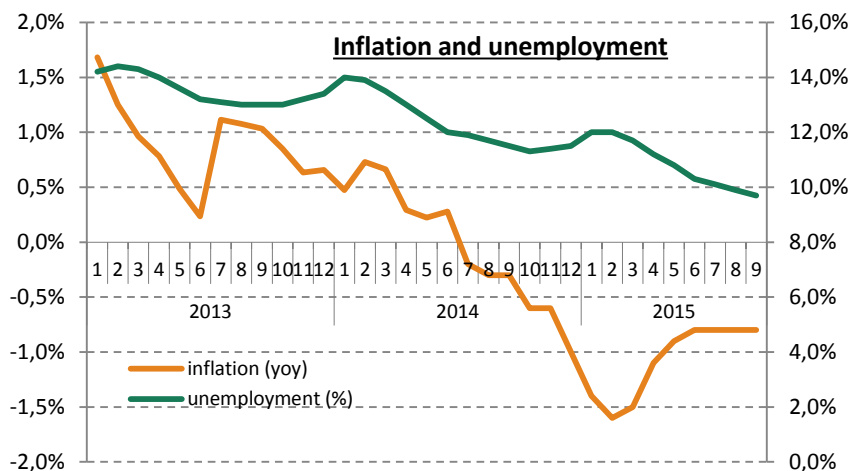
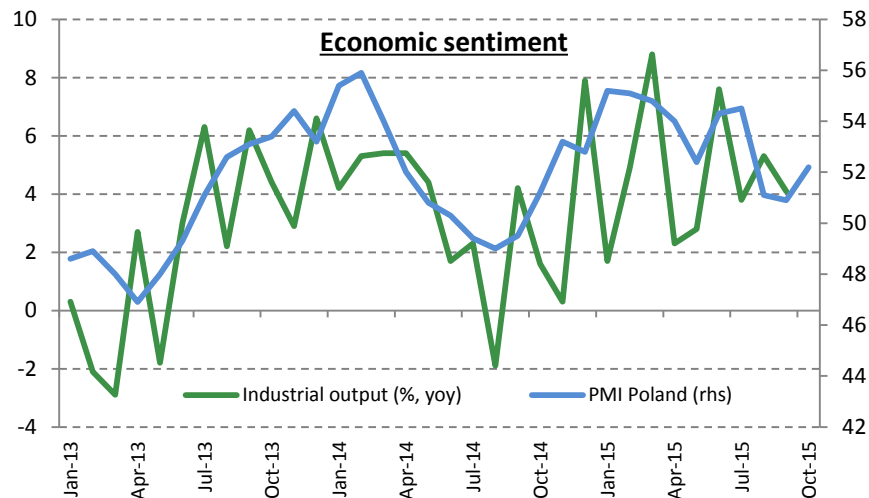
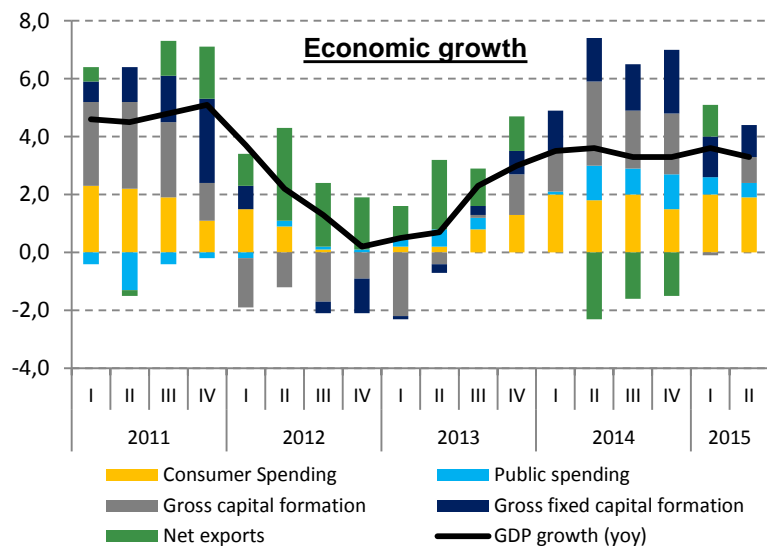


1.

MACROECONOMIC SITUATION



Macroeconomics

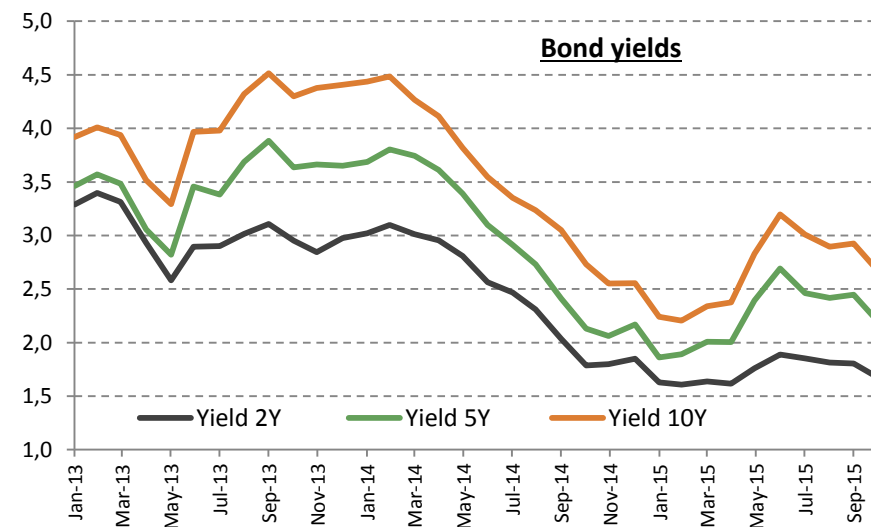
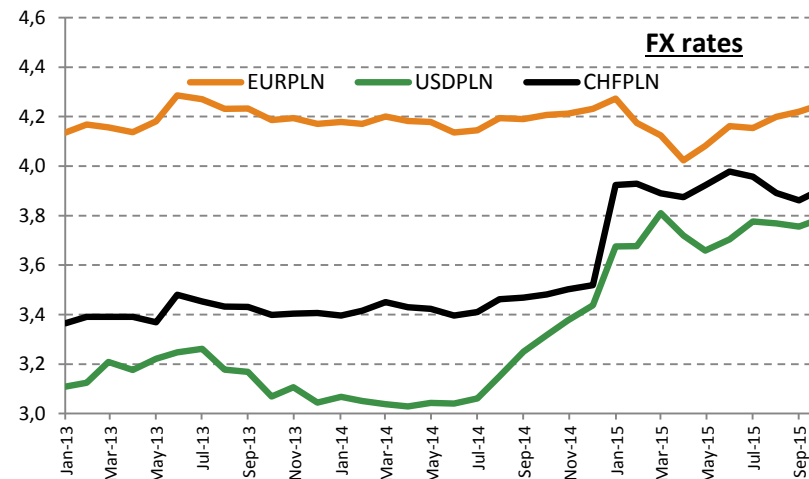
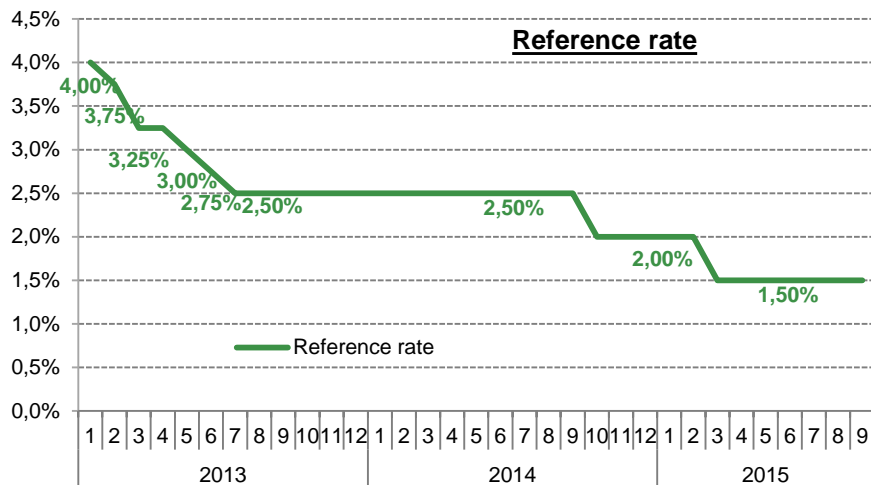


Polish economy in 2015

- Economic sentiment deteriorated in Q3 2015 due to fears of financial crisis in some emerging markets. Thus, only a slight acceleration of GDP growth is expected comparing to 3.3% yoy in Q2.
- Consumer prices fell 0.7% YoY on average in Q3 2015, compared to -0.9% on average in Q2 2015. Inflation is expected to accelerate in Q4 and throughout 2016.
- Unemployment rate fell to 9.9% on average in Q3 2015 from 11.7% in the same period last year. Labour market is expected to show further improvement over 2016.
- Overall, economic environment remains stable supported by strong internal demand based on private consumption. In 2016 growth may get additional support from the inflow of EU funds yet dynamics of private consumption may slow down.



Financial markets



Interest rates and exchanges

- Falling inflation forced Polish MPC to cut rates to historically low level of 1.5%. Rates are expected to stay low for a prolonged period but money market (FRA) sees some risk of more easing.
- Yields on Polish government bonds declined throughout Q3 2015 as some investors increased bets on more rate cuts from MPC. Further MPC decisions depend on the general trend in inflation.
- Polish zloty has been depreciating against the euro in Q3 2015. This might have reflected renewed expectations on rate cuts as well as the increased global risk aversion amid the turmoil in China. The scale of depreciation was however small and EUR/PLN stayed below 4.30

Source: Yields and FX rates - Bloomberg, reference rate - NBP



2.

EXECUTIVE SUMMARY AFTER 9M OF 2015



8th Bank in Poland in terms of assets

30.09.2015

Branches	- 537
Employment	- 7,545 FTE
Clients	- 1,648 ths. (of which: Agro 73 ths.)
Assets	- PLN 61,737m
Equity	- PLN 6,199m

Market share as at 30.09.2015

Loans	4.90% (vs 3.10% as at 31.12.2014)
Deposits	4.06% (vs 3.16% as at 31.12.2014)

Agro market share as at 30.09.2015

Loans	31.46% (vs 29.88% as at 31.12.2014)
Deposits	12.38% (vs 12.05% as at 31.12.2014)



Awards

- Bank BGŻ BNP Paribas was ranked **second** in the main category of the Newsweek's 2015* Ranking - „**Friendly Bank - traditional banking**” and **third** in the „**Friendly Bank - digital banking**” category.
- Bank BGŻ BNP Paribas was awarded the “**Golden Laurel of Super Business**” award in 2015 in the category “Finance and Banking”.
The competition is organized by the editors of the special edition of the “Super Express” newspaper, dedicated to economy.
- In 2015, thanks to offering the crediting conditions which were the most favourable for the clients, the Bank won **the first place in the competition organized by the Agency for Restructuring and Modernisation of Agriculture (ARiMR)**. As a result, it received the biggest pool of funds on the market for extending preferential investment credits for agriculture.



* The audit was carried out only at branches of the former Bank BGŻ.



3.

FINANCIAL RESULTS OF THE CAPITAL GROUP



Financial results of the Capital Group after 9M of 2015¹

<i>mPLN</i>	YTD September 2014	YTD September 2015	YTD September 2014 normalized ²	YTD September 2015 normalized ²	Change y/y	Change y/y normalized ²
Net banking income	1 135,0	1 434,7	1 135,0	1 466,5	+26%	+29%
Total expenses	(754,9)	(1 127,0)	(743,7)	(987,6)	+49%	+33%
Net impairment losses	(155,4)	(226,0)	(155,4)	(226,0)	+45%	+45%
Pre-tax profit	224,7	81,8	236,0	253,0	-64%	+7%
Net profit	177,3	58,2	186,4	196,9	-67%	+6%
ROE	6,2%	1,5%	6,5%	5,1%	(4,7 p.p.)	(1,4 p.p.)
Cost / Income	66,5%	78,6%	65,5%	67,3%	12,0 p.p.	1,8 p.p.
Total Capital Ratio	13,7%	13,7%	13,7%	13,7%	0,0 p.p.	0,0 p.p.

² – Data excluding the integration costs:

- in the amount of PLN 171.2m - incurred as at September YtD 2015, of which:
 - PLN 139.4m recognized under general administrative expenses (Q1 - PLN 35.6m, Q2 - PLN 73m, Q3 - 30.8m)
 - PLN 31.8m recognized under other operating expenses in net banking income (Q2 - PLN 29.7m, Q3 - 2.1m)
- in the amount of PLN 11.2m - incurred as at September YtD 2014, under general administrative expenses.

<i>mPLN</i>	30.09.2014	30.09.2015	Change y/y
Assets	40 203	61 737	+54%
Equity	4 170	6 199	+49%
Loans (net)	29 794	50 202	+68%
Deposits	29 021	41 869	+44%

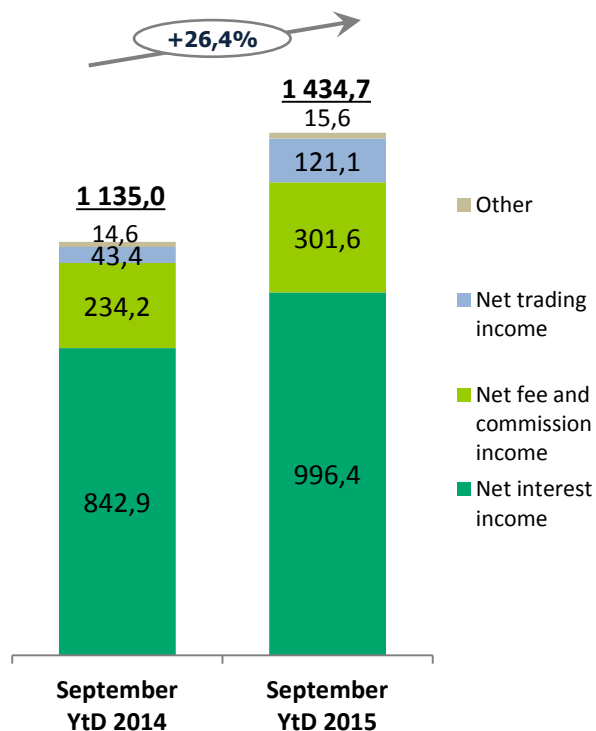
¹ – Data for 9M 2015 refer to the merged Bank BGŻ BNP Paribas. The merger was carried out using the book value method. The results of the operations of BNPP Polska were recognized in the consolidated financial statements of the Capital Group of Bank BGŻ BNP Paribas prospectively, i.e. as from 30 April 2015. The Group's comparative data for 9M 2014 were not restated and refer to Bank BGŻ Group alone. Evolution of financials and commercial volumes results from the merger with BNPP Polska.



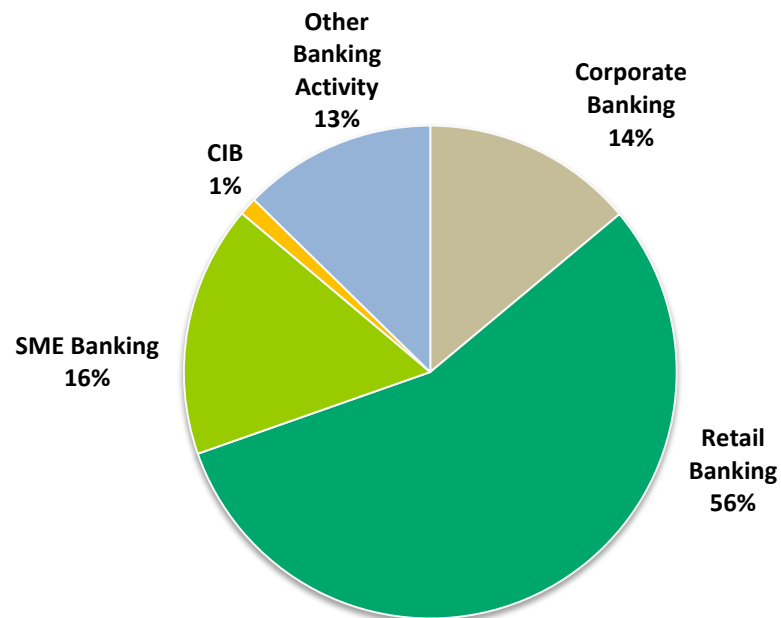
Net banking income

Structure of net banking income by types

(mPLN)



Structure of net banking income by business segments – as at 30.09.2015

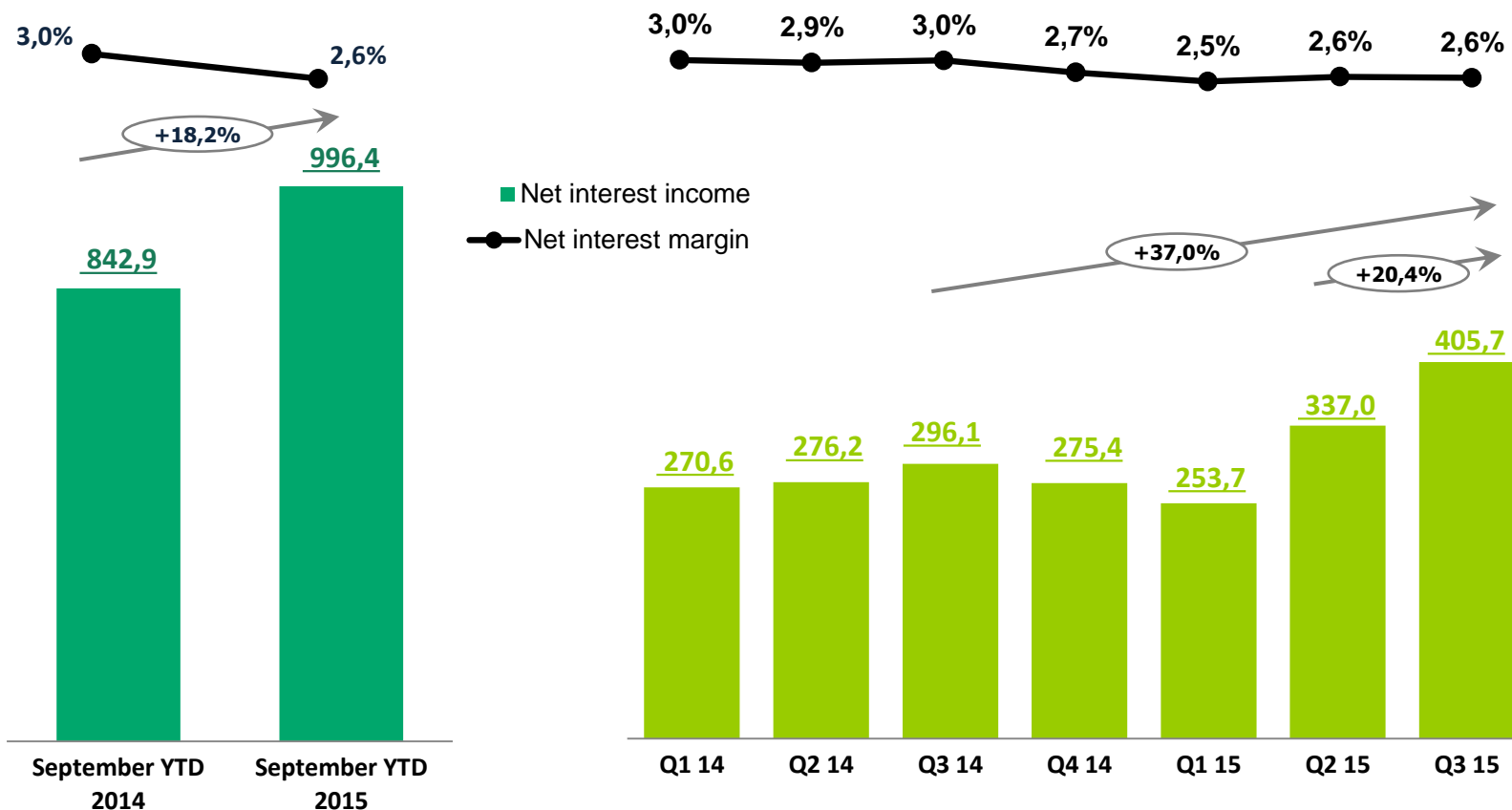


- Net banking income grew year-on-year due to the transfer of BNP Paribas Bank Polska operations prospectively since the legal merger date.



Net interest income

(mPLN)

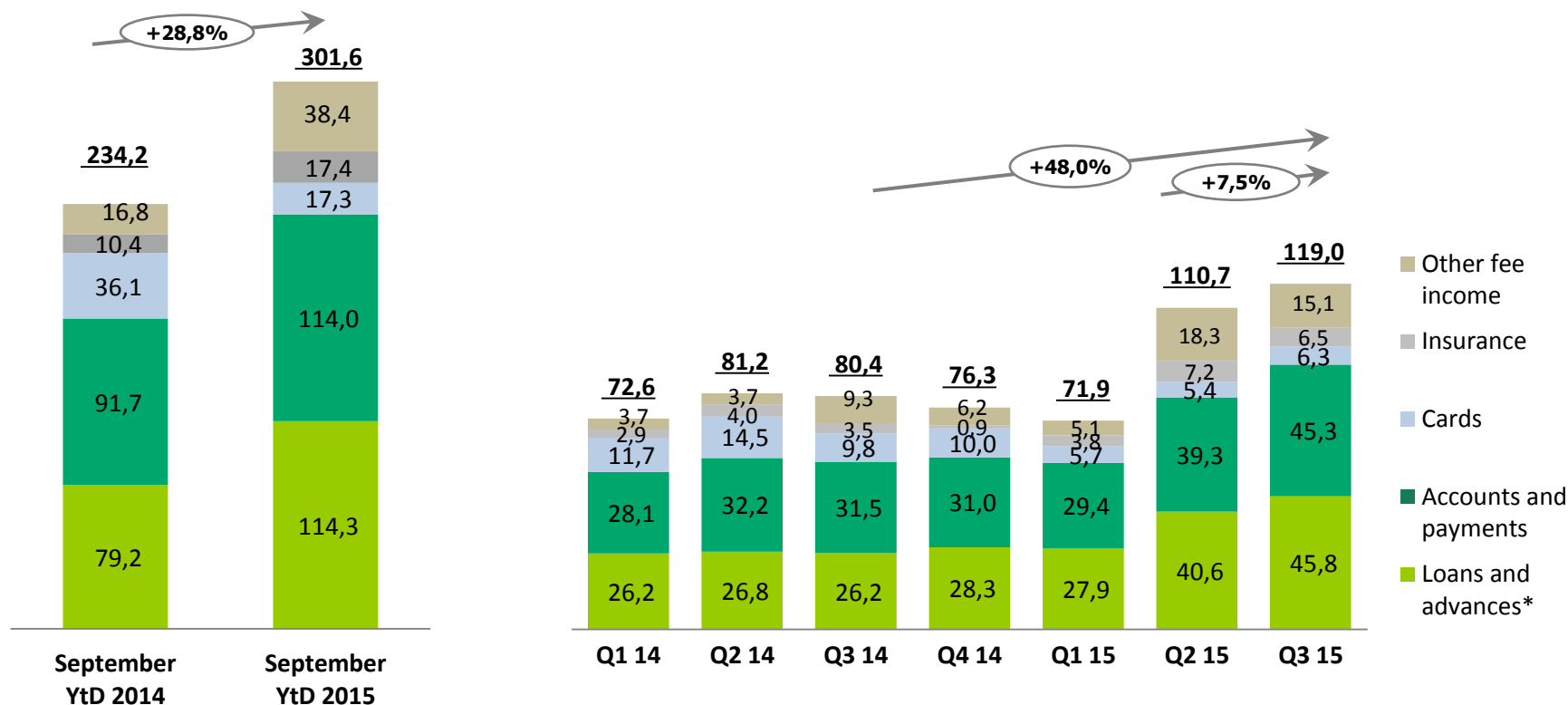


- Net interest income grew year-on-year due to the transfer of BNP Paribas Bank Polska operations prospectively since the legal merger date.
- A drop in net interest margin by 0.4 p.p. YoY to the level of 2.6% in Q3 2015 due to the pressure from main interest rates cuts: a drop in reference rate by 100 bps and in lombard rate by 150 bps as compared to the rates binding in September 2014.



Net fee and commission income

(mPLN)



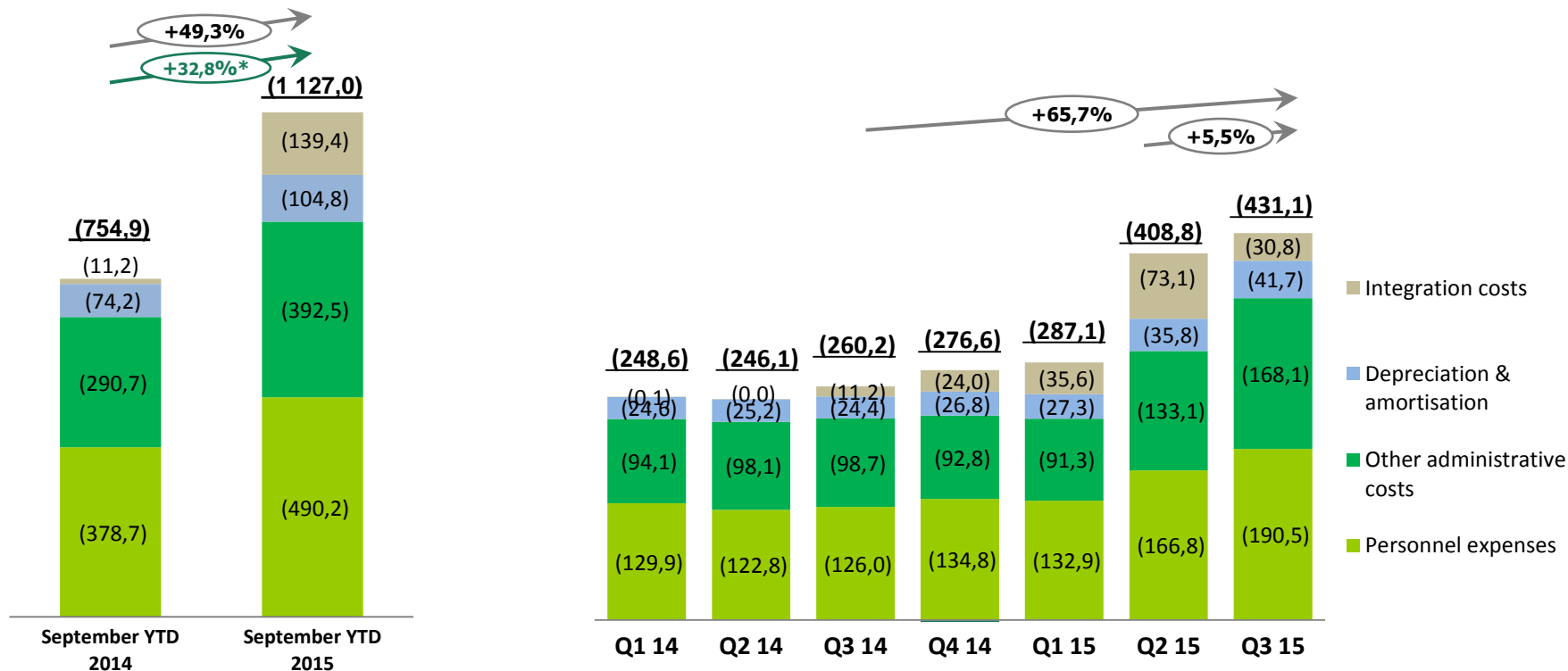
- Net fee and commission income grew YoY due to the transfer of BNP Paribas Bank Polska operations prospectively since the legal merger date.
- Net fee and commission income was affected mainly by the following factors:
 - growth in loan fees - due to higher sales of credit products,
 - growth in fees for account management and clearing transactions, partly due to a higher number of accounts after the merger with BNPP Polska,
 - drop in fees for payment cards by PLN 18.8m in total, the vast majority of which results from interchange fee cut.

* Includes credit fees and commissions not accounted for using the effective interest rate method (mainly on overdrafts and annexes to the credit agreements)



General administrative expenses (incl. depreciation)

(mPLN)



* excluding integration costs

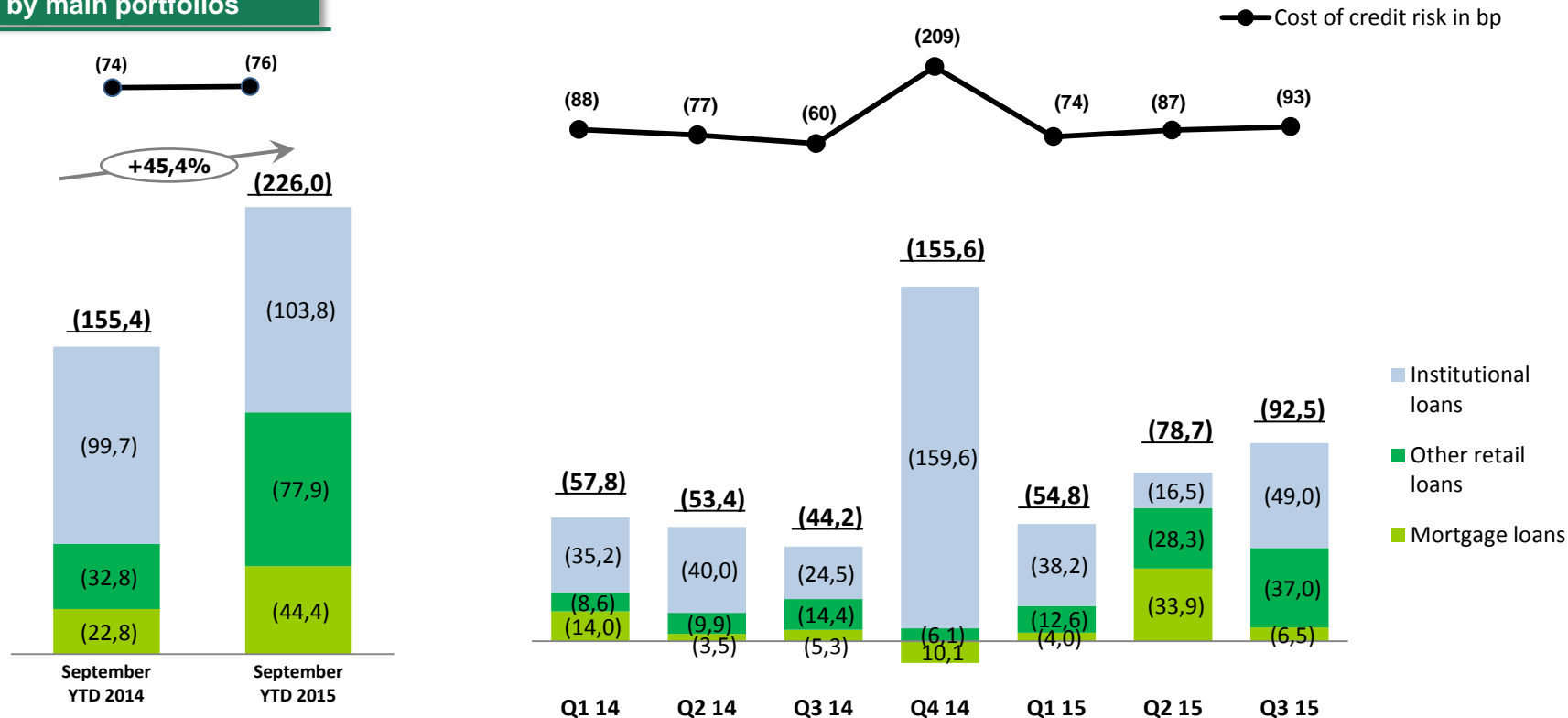
- Integration costs incurred as at 30.09.2015 totalled PLN 171.2m, including
 - PLN 139.4m recognized under general administrative expenses,
 - PLN 31.8m recognized under other operating expenses.
- The expenses growth by +49.3% YoY, excluding the integration costs recognized as general administrative expenses, up by +32.8%.
- The growth of expenses is partially caused by an increase in payments to the Bank Guarantee Fund by PLN 42,0m YoY attributable to introduction of higher rates of both the annual and the prudential fee.



Net impairment losses

(mPLN)

by main portfolios



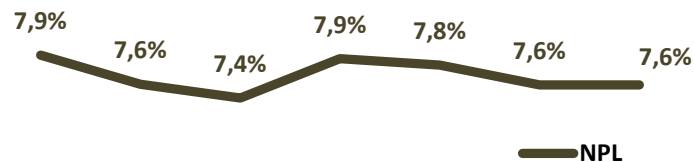
- Net impairment losses totalled PLN 226m September YtD 2015, recorded 45.4% growth YoY.
- Higher impairment losses year-on-year resulted from:
 - credit portfolio growth after the merger with BNPP Polska at the end of April 2015,
 - update of the methodology applied to impairment losses assessment.



Assets quality

(quarter-end)

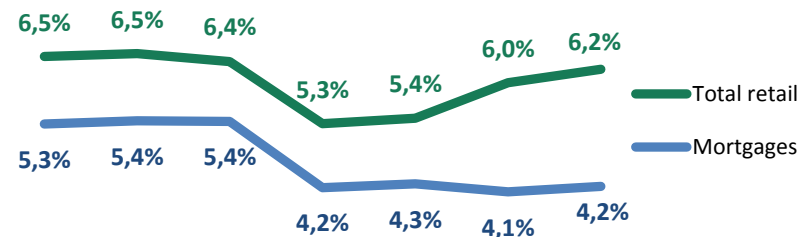
Total loans – NPL*



* Includes loans and advances to customers with impairment triggers, but no impairment identified

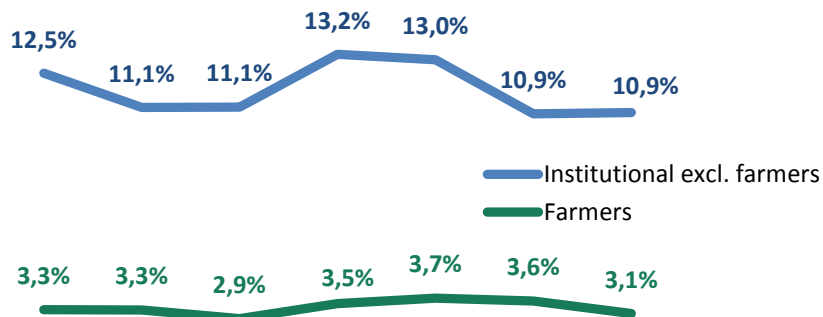
Q1 14 Q2 14 Q3 14 Q4 14 Q1 15 Q2 15 Q3 15

Retail loans – NPL



Q1 14 Q2 14 Q3 14 Q4 14 Q1 15 Q2 15 Q3 15

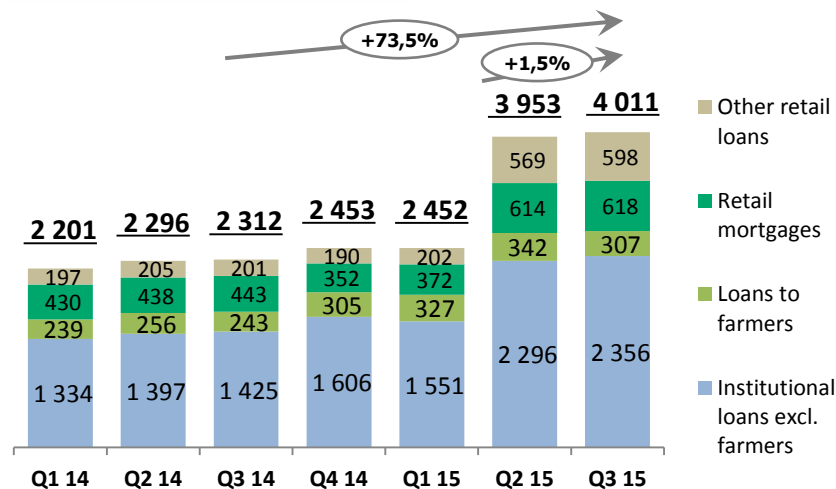
Institutional loans – NPL



Q1 14 Q2 14 Q3 14 Q4 14 Q1 15 Q2 15 Q3 15

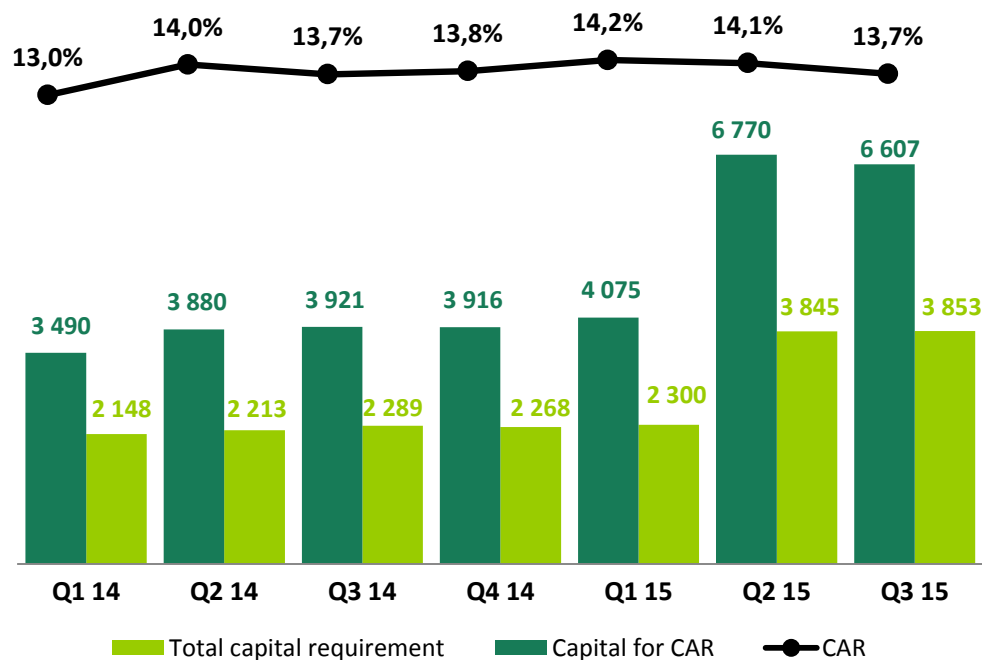
Impaired portfolio, gross

(mPLN)



Capital adequacy ratio

(mPLN, quarter-end)



- **KNF new capital requirements for foreign currency mortgages** regarding maintenance of additional capital requirement at the level of 0.71 p.p. in order to hedge the risk resulting from foreign currency mortgage loans granted to households, Tier 1 capital accounting for at least 75% (i.e. 0.53 p.p.).

The following ratios should be maintained by BGZ BNP Paribas in the light of KNF's recommendations:

Capital ratio	Until 31 Dec. 2015
TIER 1	9.53%
TCR	12.71%

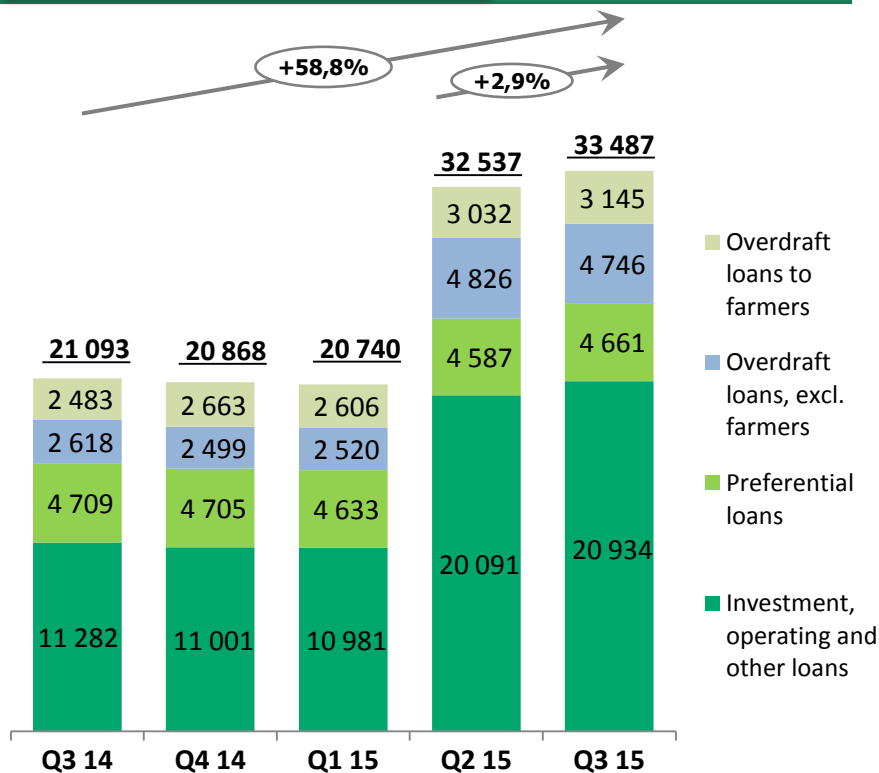
- Total capital ratio stood at the safe level of 13.72%.
- Tier 1 ratio stood at 11.98%.
- The growth in equity by PLN 2,691m as compared to the end of 2014 was mainly the effect of:
 - the legal merger of Bank BGŻ and BNPP Polska - increase in share capital to PLN 84.2m as a result of the issue of I series merger shares and recognition of the difference between the transferred net assets of BNPP Polska and the par value of the issued shares,
 - retaining the profit generated by Bank BGŻ in 2014 in the amount of PLN 137.7m to be allocated to the general banking risk fund and the supplementary capital.



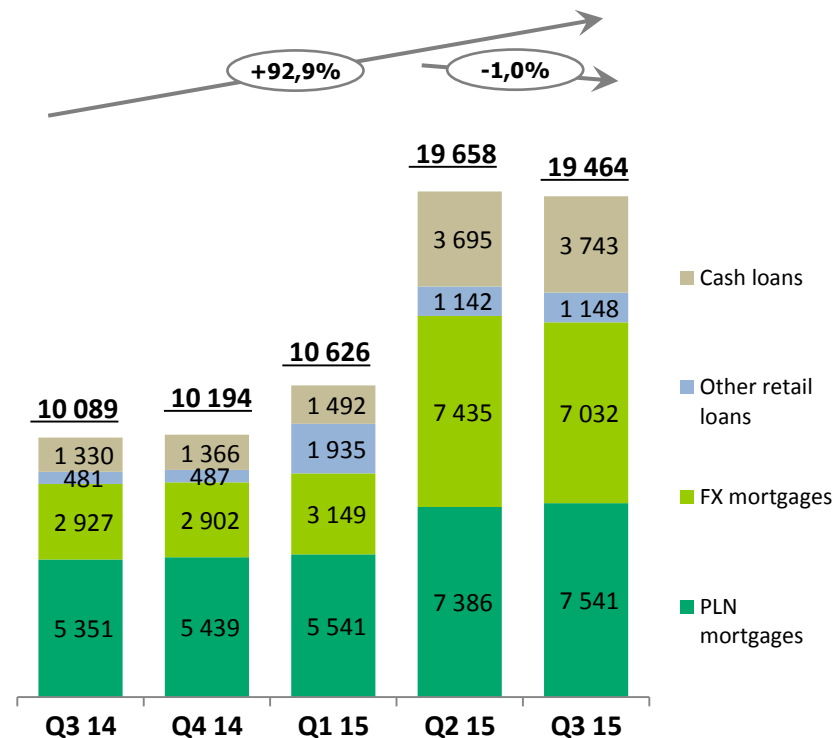
Commercial volumes – loan exposure

(mPLN, quarter-end)

Institutional loans, gross



Retail loans, gross

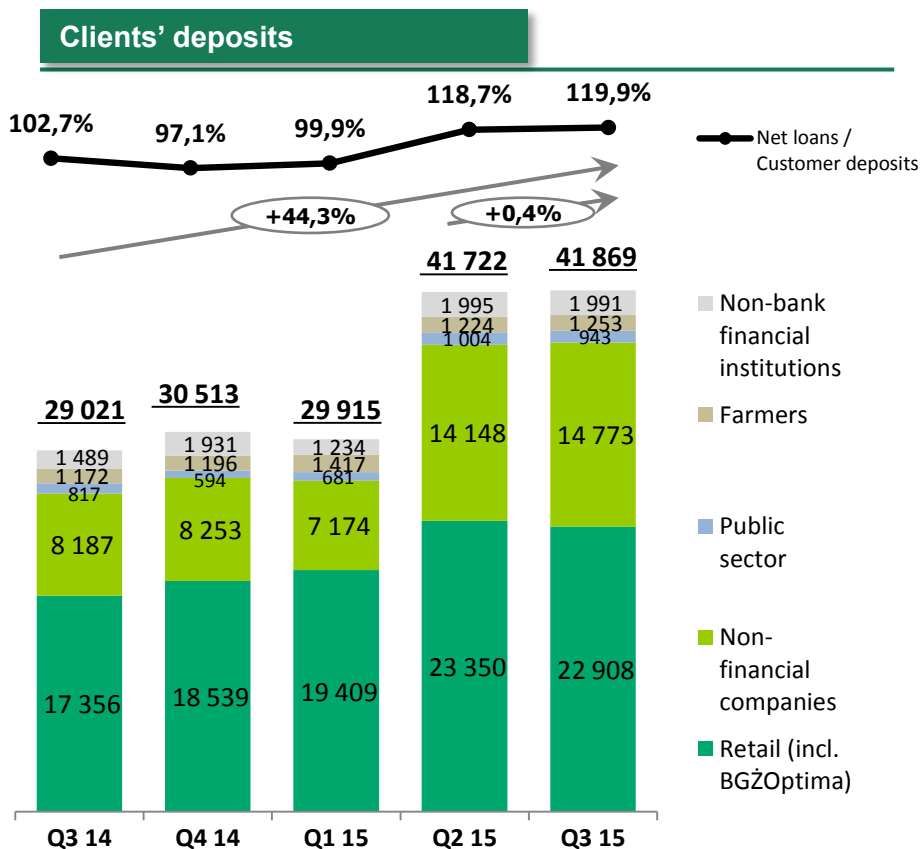
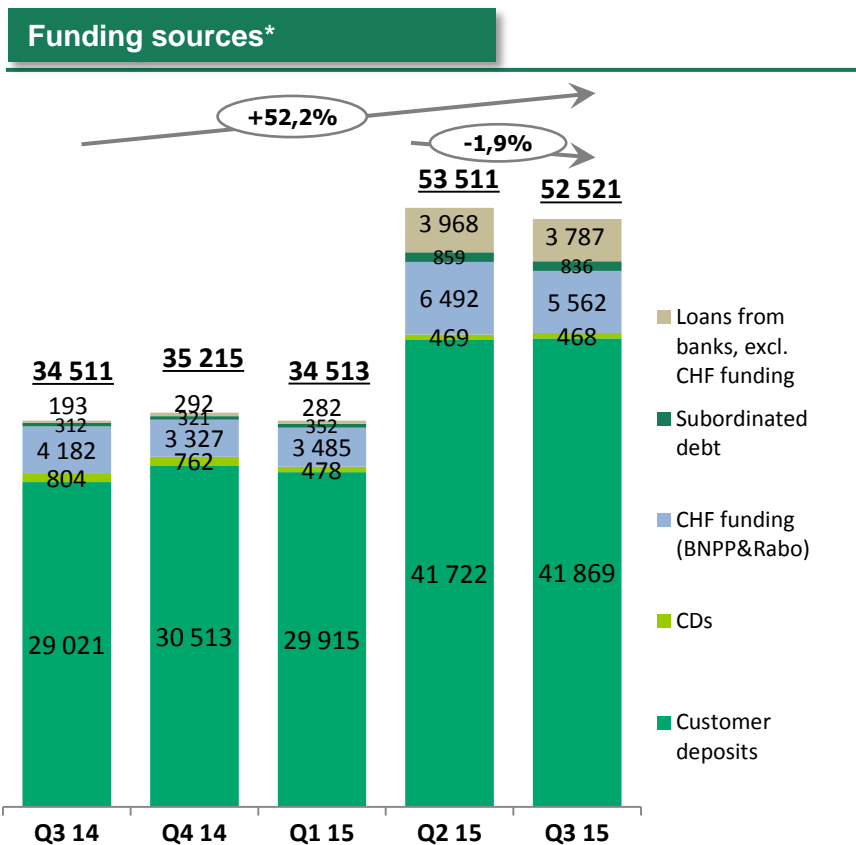


- The total credit portfolio went up by 69.8% YoY due to the transfer of BNP Paribas Bank Polska operations prospectively since the legal merger date as well as new loans' production.
- The growth in institutional loans by +58.8% YoY, retail loans up +92.9% YoY.



Commercial volumes – deposits and funding

(mPLN, quarter-end)



- The total deposit base went up by 44.3% YoY due to the transfer of BNP Paribas Bank Polska operations prospectively since the legal merger date.
- L(net)/D ratio stood at 119.9%; L(net)/D in PLN ratio 98.8%.

* Funding sources = client deposits + loans from banks + own bonds

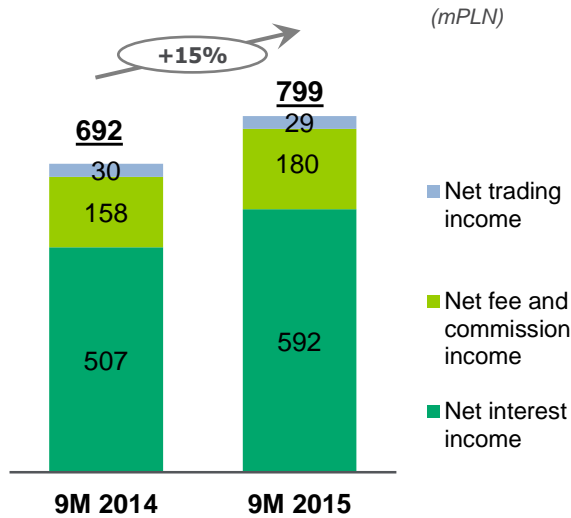


4.

BUSINESS SEGMENT PERFORMANCE



Retail and Business Banking



Net banking income

Net banking income generated by the Retail and Business Banking represents 55.7% of the Group's net banking income.

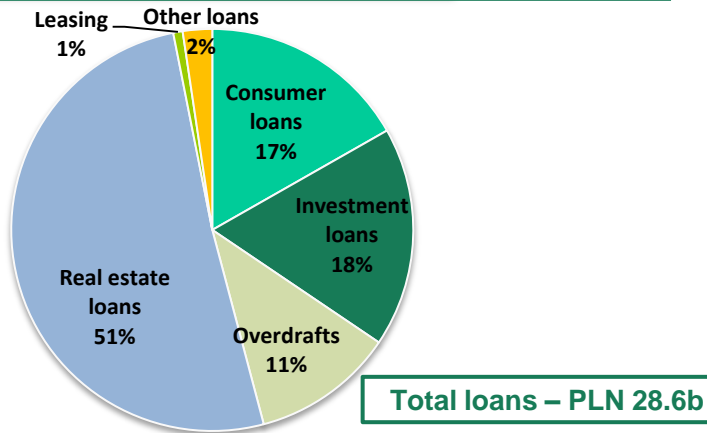
W ZMIENIAJĄCYM SIĘ ŚWIECIE
TWOJE KONTO OSOBISTE
POWINNO ZARABIAĆ

POZNAJ KONTAKTYWATORA I ZOBACZ, JAK TWOJE
PIENIĄDZE PRACUJĄ NA KONCIE OSOBISTYM

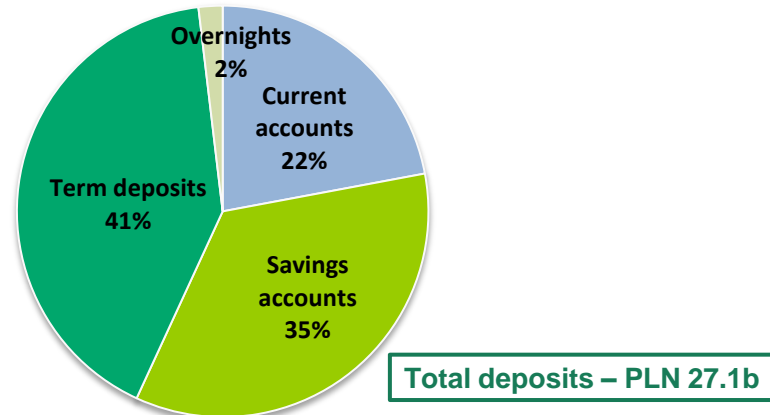
*opisane w tabeli
**współoceny kredytów w końcu do 30.09.15

BGZ BNP PARIBAS
Bank zmieniającego się świata

Loan structure as at 30.09.2015



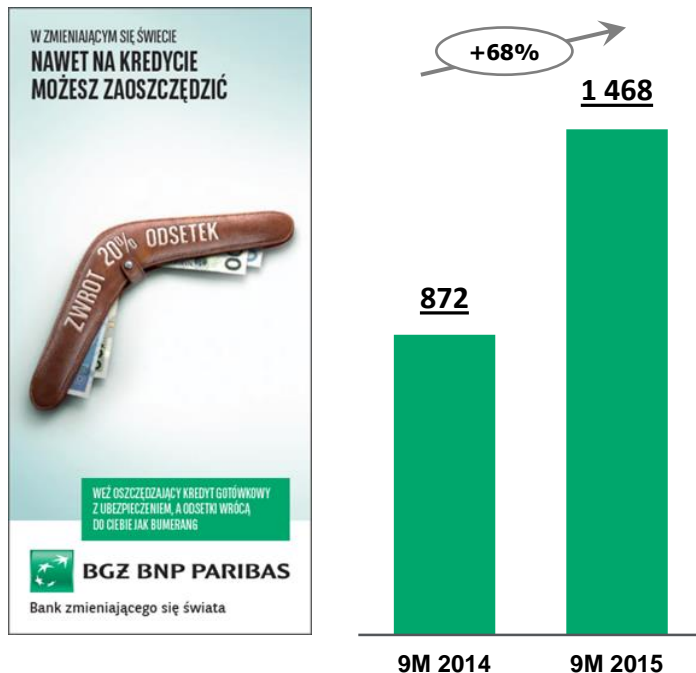
Deposit structure as at 30.09.2015



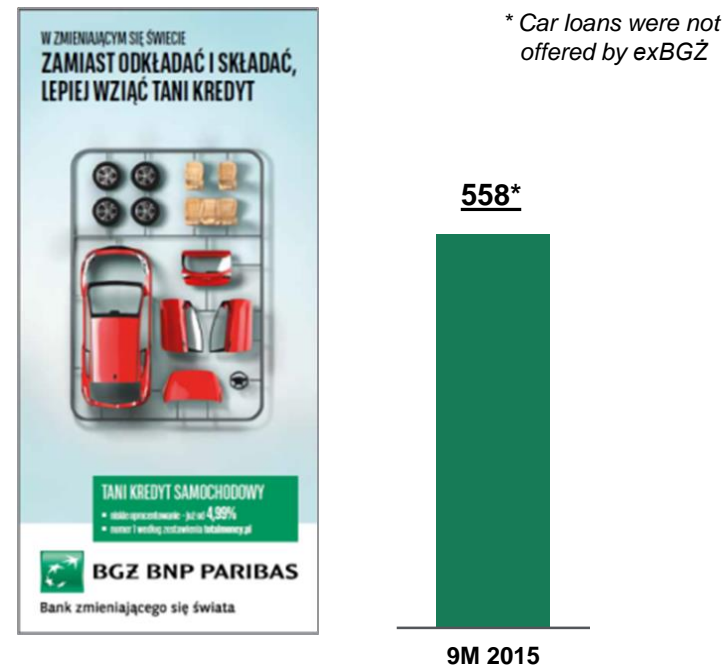
Retail Banking – Personal Finance

(mPLN)

Cash loans sales

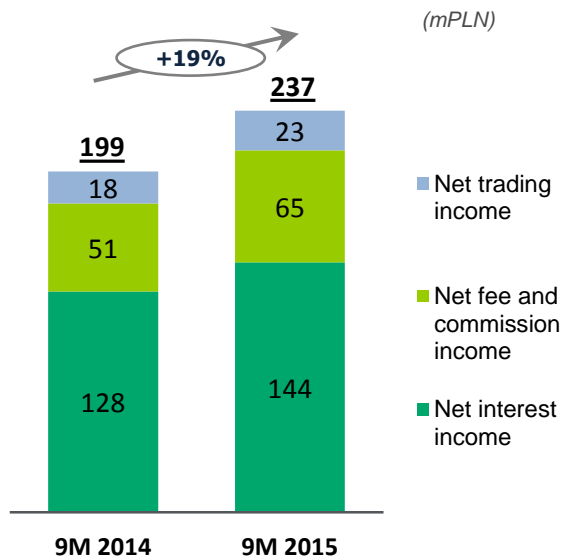


Car loans and leasing sales



- Significant growth in cash loans after the transfer of BNP Paribas Bank Polska operations.
- Bank broadened its offer by car loans and strengthened its market position, mainly due to cooperation contracts signed in 2014 - with KIA and Hyundai in Poland and in June 2015 - with Mitsubishi.



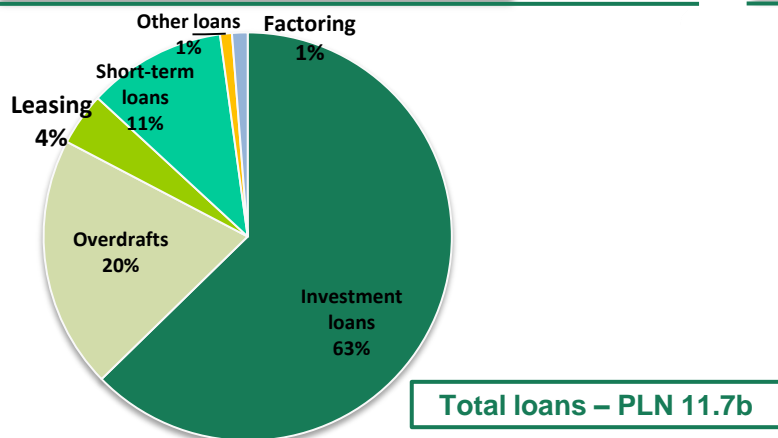


Net Banking Income

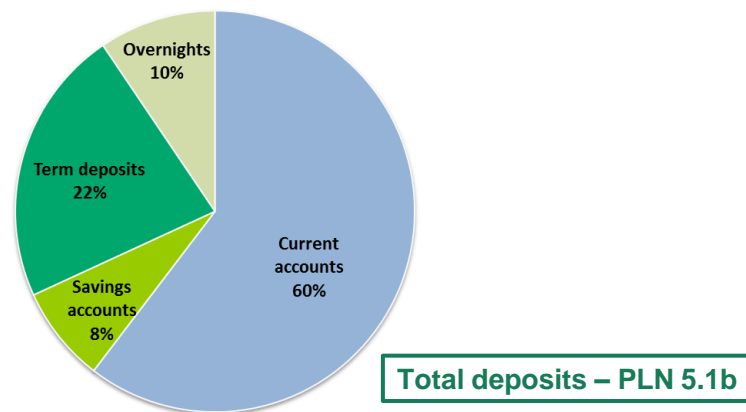
Net banking income generated by SME represents 16.5% of the Group's net banking income.



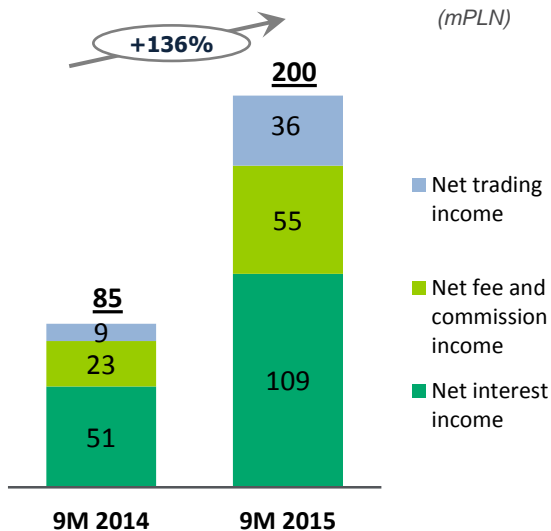
Loan structure as at 30.09.2015



Deposit structure as at 30.09.2015



Corporate Banking

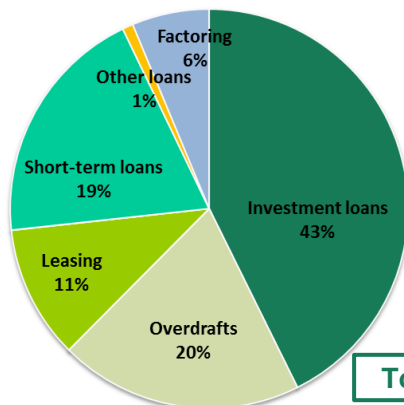


Net banking income

Net banking income generated by Corporate Banking represents 13.9% of the Group's net banking income.

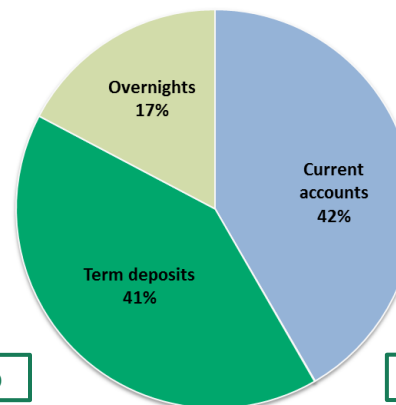


Loan structure as at 30.09.2015



Total loans – PLN 12.7b

Deposit structure as at 30.09.2015

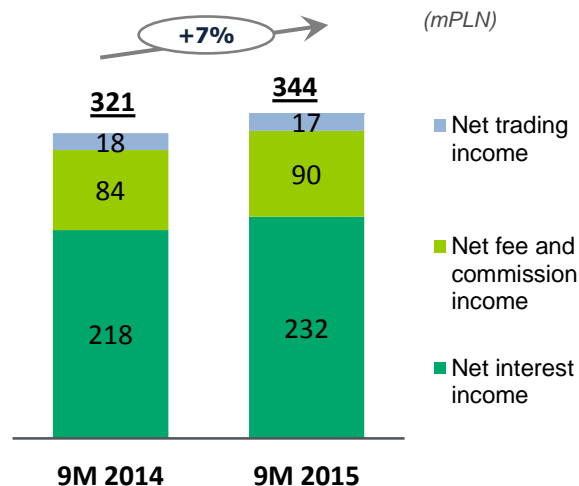


Total deposits – PLN 9.7b



Agro segment

Net banking income

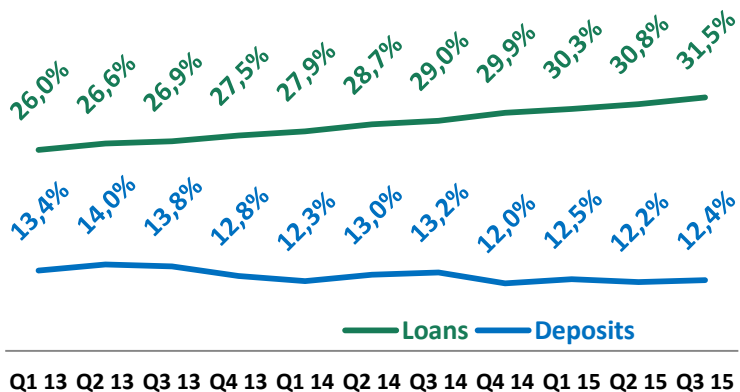


Leader in volume of preferential loans granted to clients
- PLN 4.7b as at 30.09.2015

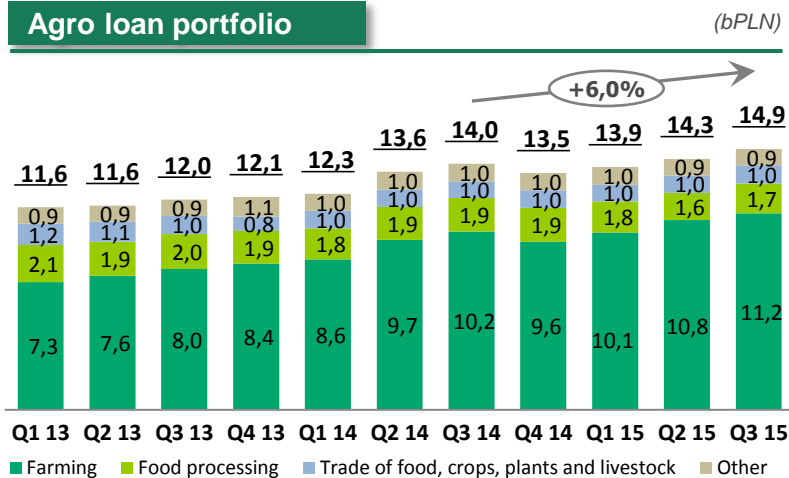
Above PLN 694m granted for the Bank in 2015 by Agency for Restructuring and Modernisation of Agriculture



Market share



Agro loan portfolio



5.

APPENDICES

- › Consolidated Income Statement
- › Consolidated Assets
- › Consolidated Liabilities and Equity



Consolidated income statement

(PLN thousand)

Consolidated income statement	Year-to-date basis		Quarterly basis						
	30/09/2015	30/09/2014	30/09/2015	30/06/2015	31/03/2015	31/12/2014	30/09/2014	30/06/2014	31/03/2014
Interest income	1 466 703	1 340 613	565 122	498 964	402 617	454 484	476 437	438 336	425 840
Interest expense	(470 315)	(497 726)	(159 455)	(161 929)	(148 931)	(179 087)	(180 375)	(162 091)	(155 260)
Net interest income	996 388	842 887	405 667	337 035	253 686	275 397	296 062	276 245	270 580
Fee and commission income	348 189	269 357	138 312	127 610	82 267	87 886	92 769	92 295	84 293
Fee and commission expense	(46 603)	(35 200)	(19 335)	(16 863)	(10 405)	(11 544)	(12 401)	(11 058)	(11 741)
Net fee and commission income	301 586	234 157	118 977	110 747	71 862	76 342	80 368	81 237	72 552
Dividend income	4 394	3 302	(836)	5 230	-	1	-	3 302	-
Net trading income	121 106	43 391	53 242	47 809	20 055	20 332	18 517	11 153	13 721
Result on investing activities	35 305	5 389	105	12 167	23 033	19 076	(87)	2 307	3 169
Result on hedge accounting	-	(156)	-	-	-	-	-	(21)	(135)
Other operating income	38 317	28 169	21 402	10 558	6 357	9 768	11 779	10 758	5 632
Net impairment losses on financial assets and contingent liabilities	(225 972)	(155 383)	(92 533)	(78 680)	(54 759)	(155 583)	(44 230)	(53 377)	(57 776)
General administrative expenses	(1 022 165)	(680 714)	(389 392)	(372 971)	(259 802)	(249 811)	(235 847)	(220 858)	(224 009)
Depreciation and amortization	(104 833)	(74 204)	(41 722)	(35 794)	(27 317)	(26 791)	(24 369)	(25 227)	(24 608)
Other operating expenses	(62 368)	(22 103)	(18 681)	(32 161)	(11 526)	(15 290)	(11 281)	(5 506)	(5 316)
Operating result	81 758	224 735	56 229	3 940	21 589	(46 559)	90 912	80 013	53 810
Share in profit (loss) of associates	-	-	-	-	-	-	(2 096)	842	1 254
Profit (loss) before income tax	81 758	224 735	56 229	3 940	21 589	(46 559)	88 816	80 855	55 064
Income tax expense	(23 539)	(47 471)	(15 813)	(653)	(7 073)	7 326	(20 050)	(16 995)	(10 426)
Net profit (loss) for the period	58 219	177 264	40 416	3 287	14 516	(39 233)	68 766	63 860	44 638



Consolidated Assets

(PLN thousand)

Consolidated statement of financial position	30/09/2015	30/06/2015	31/03/2015	31/12/2014	30/09/2014	30/06/2014	31/03/2014
ASSETS							
Cash and balances with the Central Bank	2 022 991	2 472 825	1 901 971	1 790 160	1 495 370	1 416 197	1 607 994
Loans and advances to banks	518 141	308 917	186 636	404 724	296 707	291 876	109 767
Reverse repo transactions	-	-	84 578	100 668	353 656	61 351	34 508
Debt securities held for trading	-	260	183 312	199 404	153 976	300 818	171 331
Derivative financial instruments	372 814	357 102	340 384	420 152	401 899	247 465	302 609
Hedging instruments	6 880	6 459	-	-	-	-	67 218
Loans and advances to customers	50 201 630	49 534 661	29 877 265	29 631 923	29 794 139	28 918 697	26 458 387
Available for sale financial assets	6 962 185	8 432 095	6 267 672	7 084 017	6 893 680	6 537 759	6 377 810
Investment property	54 627	54 627	54 627	54 627	62 524	62 524	62 524
Investments in associates	-	-	-	-	-	37 101	36 259
Intangible assets	261 231	265 983	166 528	165 307	153 402	153 405	152 684
Property, plant and equipment	526 526	490 236	398 895	411 063	415 993	427 054	436 637
Deferred tax assets	415 874	438 027	167 273	173 828	130 656	159 639	155 552
Current tax assets	-	-	7 890	-	4 606	-	6 820
Other assets	393 911	241 051	126 716	60 702	46 418	160 651	192 159
TOTAL ASSETS	61 736 810	62 602 243	39 763 747	40 496 575	40 203 026	38 774 537	36 172 259



Consolidated liabilities and equity

(PLN thousand)

Consolidated statement of financial position	30/09/2015	30/06/2015	31/03/2015	31/12/2014	30/09/2014	30/06/2014	31/03/2014
LIABILITIES							
Amounts due to banks	8 650 762	9 528 844	1 471 085	1 546 739	2 574 958	4 282 635	3 207 120
Repo transactions	-	-	111 734	45 364	145 412	159 148	261 837
Differences resulting from fair value hedges against interest rate risk	5 293	5 442	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	18 074	53 083	28 513
Derivative financial instruments	347 710	357 215	321 792	448 908	389 967	293 503	320 866
Amounts due to customers	44 156 915	44 176 712	32 374 716	32 804 444	31 331 127	28 252 639	27 140 819
Debt securities issued	467 686	469 276	477 882	762 311	803 779	807 583	824 879
Subordinated liabilities	836 112	859 333	352 185	320 951	311 648	308 674	309 805
Other liabilities	872 101	832 664	407 006	325 751	382 438	494 559	453 453
Provision for deferred tax	31 664	8 052	8 052	8 052	9 552	9 552	9 552
Deferred tax liabilities	8 068	38 155	-	9 639	-	1 265	-
Provisions	161 771	198 986	70 683	68 112	66 140	62 889	62 508
TOTAL LIABILITIES	55 538 082	56 474 679	35 595 135	36 340 271	36 033 095	34 725 530	32 619 352
EQUITY							
Share capital	84 238	84 238	56 139	56 139	56 139	56 139	51 137
Other supplementary capital	5 092 196	5 092 196	3 430 785	3 430 785	3 430 785	3 430 785	3 085 059
Other reserve capital	780 875	780 875	271 859	271 859	271 859	271 859	115 000
Revaluation reserve	171 720	142 234	253 154	255 362	229 756	177 609	90 552
Retained earnings	69 699	28 021	156 675	142 159	181 392	112 615	211 159
- retained profit	11 480	10 218	142 159	4 128	4 128	4 117	166 521
- net profit for the period	58 219	17 803	14 516	138 031	177 264	108 498	44 638
TOTAL EQUITY	6 198 728	6 127 564	4 168 612	4 156 304	4 169 931	4 049 007	3 552 907
TOTAL LIABILITIES AND EQUITY	61 736 810	62 602 243	39 763 747	40 496 575	40 203 026	38 774 537	36 172 259



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