



BNP PARIBAS

Message from the President of the Board of Executives

Ladies and Gentlemen,

2014 was clearly a year of economic recovery for Poland. The regional geo-political situation, though, related to the Ukraine crisis, did provide some challenges for certain limited section of the Polish economy due to reciprocal sanctions between Russia and the EU. Despite this economic rebound supported by the rapid decrease of interest rate implemented by the Monetary Policy Council, demand for loans in the corporate sector remained moderate while higher consumption boosted consumer financing loans.

Except for short periods of uncertainty, the Polish currency remained stable and bond prices continued to drop reflecting Poland's positive assessment among investors.

In a market characterised by strong competition, the BNP Paribas Bank Polska SA Group pursued its current growth strategy with a focus on gradual and sustainable increase of profitability, while maintaining a prudent risk profile.

Indeed, the BNP Paribas Bank Polska Group closed 2014 with the after-tax profit of PLN 103.2 million, i.e. higher by 0.9% than the result generated in 2013. This relatively small rate of growth needs to be analysed in the context of significant one-off items which the bank benefited from in 2013, in particular a gain of PLN 19.1 million on the restructuring of a subordinated debt from BNP Paribas Group.

Retail Banking was a key area of Group's attention in 2014.

In the **individual customers** segment, the Group continued its strategy of customer acquisition and portfolio growth through the promotion of consumer credits: cash and car loans on attractive price terms combined with offering of personal accounts. The Group confirmed its strong position in the cash loans segment by taking the top spot in the ranking published by the "Rzeczpospolita" daily on 24 April 2014. In the first half of 2014, the Group signed cooperation agreements with KIA Motors Polska and Hyundai Motor Poland, which contributed to boosting sales of car loans as well as stock financing for the dealers of these two brands.

Recognizing the importance of current accounts in the relationship with individual clients, the Group devised a new personal account named "Konto Dobrze Dobrane" ("Well-Suited Account"), where clients can tailor the account features to their needs. Simultaneously, the Group continued to modernise its digital banking offer with the new "iKonto" ("iAccount"). It is a new, internet account available entirely online. Additionally, customers were presented a fast e-transfer created by PayU Express. In parallel, the 3D Secure service enabled the Group to strengthen security of online payments made with cards.

In the **Micro-enterprise and professional** segment, in 2014 the Group promoted a loan for small companies with the margin starting at 1.95%, combined with an attractive account and insurance package. .

As **SME 's and Micro-Entrepreneurs** constitute a key business segment, the Group continued to expand its product offer for these clients. Not only did it introduce loans with "de minimis guarantee", but also offered loan and leasing facilities aimed at improving energy efficiency for the SME sector in cooperation with the European Investment Bank and through the Green Initiative Programme.

With the same aim of promoting sustainable development of companies, the Group also signed a credit agreement with the European Bank for Reconstruction and Development for EUR 50 million. It is to finance thermomodernisation projects that increase energy efficiency of enterprises in cooperation with

the National Fund for Environmental Protection and Water Management (NFEP&WM). This ENERGO credit was added to the offer under PolSEFF II program.

To assist the ongoing growth of SME, the Group continued to develop its free training programs for entrepreneurs with new editions of the "Business Academy".

In the **Corporate and Transaction Banking** Division, the Group pursued its growth strategy based on acquisition and relationship-building with Polish subsidiaries of multinational corporations which are global customers of the BNP PARIBAS group. Thus it leveraged the "One Bank for Corporates in Europe" offer of BNP PARIBAS. As a consequence, the Corporate and Transaction Banking line started 225 new customer relations in 2014. The Group also focused on Polish companies, mainly medium-sized enterprises, which paved the way for cooperation with 211 new entities. Despite a very competitive environment, CTB generated stable earnings in 2014 through provision of highly-specialised services, in particular structured finance, cash management and trade finance.

In 2014, the Management of the Group maintained strict control over costs. In effect, operating expenses increased only marginally despite initial costs incurred in connection with the planned merger with Bank Gospodarki Żywnościowej S.A. These efforts did not prevent the Group from investing in business growth: a number of projects including electronic and mobile banking were implemented without a major cost increase.

In 2014, the prudent risk management policy enabled the Group to maintain a low cost of risk and continue to improve our loan portfolio quality. The total amount of provision for risk fell below PLN 100 million for the first time over many years. Furthermore, the share of non-performing loans in the entire loan portfolio of BNP Paribas Bank Polska SA Group fell from 8.5% noted at the end of 2013 to 7.1% at the end of December 2014.

To fulfil its commitment to the Polish Financial Supervision Authority ("KNF"), in 2014 the Bank conducted a public offering of shares. It was successfully completed on 6 May and increased the free float of the Bank's shares to at least 15%. The Bank strengthened its capital position by PLN 218,7 million (after factoring in the issue costs).

The strategy of business development and reinforcement of the BNP PARIBAS group's position in Poland led the group to purchase the majority stake in Bank Gospodarki Żywnościowej S.A. from the Rabobank group in September 2014. The procedure to merge BNP Paribas Bank Polska and BGŻ was thereby initiated. Another step was to agree upon and sign the Merger Plan by Management Boards of both banks.

We are deeply convinced that the merger with Bank Gospodarki Żywnościowej S.A. and the creation of a new, strong and universal bank will allow us to reinforce our position on the Polish market, bringing measurable profits and plenty of shared successes.

Frederic Amoudru

President of the Board of Executives

BNP Paribas Bank Polska SA