



BNP PARIBAS

Message from the President of the Board of Executives

Dear Sir or Madam,

The year 2012 in the global economy was dominated by great uncertainty. The eurozone faced recession but thankfully market tensions over Euro peripheral countries started to diminish.

Yet, for Poland the first three quarters of 2012 were a time for further economic development. The investments and spending related to the organisation of the Euro Cup 2012 and the success of the event had a positive impact on the domestic demand and promotion of Poland worldwide. However soon after the end of summer, certain problems began to surface. The construction sector which had been strained by excessively aggressive price wars for large infrastructural projects experienced few spectacular bankruptcies and many less noticeable. In the 4th quarter it is the rest of the economy which started to suffer from the contagion of Europe slowdown a phenomenon probably magnified by a monetary policy more biased towards inflation suppression than growth promotion. The beginning of 2013 looks decidedly weak and so could be at least the first part of the year.

For the BNP Paribas Bank Polska Group, 2012 was a challenging year with ongoing restructuring and changes. We focused on accelerating the growth of income and increasing our operational efficiency. Since the beginning of the year 2012, we have been implementing a partial restructuring in order to reduce our cost, improve our operational efficiency and decrease our cost to income ratio. This entailed a downsizing program which affected 355 people over 2012 and the first part of 2013. While carrying out this process, we strived to ensure the largest support possible for employees who lost their job. The process included a redundancy package above legal requirements and special outplacement program.

In the meantime we have continued to undertake the transformation of our business model with the clear aim of becoming one of the top 10 universal bank in the Polish market. To this effect we have continued in 2012 to reinforce our competitiveness and market presence in our core activities.

For Corporate and Transaction Banking (CTB) we have pursued 4 important actions:

- development of a "best in class" cash management activity directed at both international groups present in Poland and domestic groups;
- development of the Structured Financing activity created in 2011 which focuses on acquisition financing, real estate financing and large syndicated facilities. Significant and visible transactions concluded in the course of the last year (e.g. bond issue for Katowicki Holding Węglowy operating in the mining sector) confirmed that it was a right business decision;
- increase of our footprint in the Polish owned mid size companies segment having implemented new segmentation of our sales force and a clear strategic plan;
- further expansion of our already rich product offering in the corporate sector with the acquisition in April 2012 of Fortis Commercial Finance a factoring company now renamed BNP Paribas Factor.

In SME and Micro segment we have aimed at capitalizing on the historical strength of the bank in this area and continue our development with the deepening of our relationship with existing clients and acquisition of new ones.

These efforts have been partially frustrated by:

- a deterioration of the risk profile of many SME's due to the slowing down of the economy and more specifically the ones involved in the construction sector and
- a substantial drop in investment loan requests by companies generally less keen to expand in a stagnating and uncertain economic environment.

However BNPP Polska strived to maintain its image of high quality bank in this segment and was rewarded with the prestigious title of the "Best Bank for companies" by the Forbes Polska magazine. This award was granted to the bank for the second time in a row and recognized in particular the wide and varied credit offering of the bank, including financing program supported by the EU.

In addition the bank's management took the decision in 2012 to launch a dedicated and comprehensive offering for the micro-entrepreneurs and professionals. This initiative will be progressively rolled out from Q2 2013.



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In the Individual Clients segment our strategy of becoming a top and first class retail bank in Poland mobilizes a lot of efforts to realize over the years a sea-change in our positioning and increase market share. Our all-year-long marketing activities dedicated to Individuals were carried out under the slogan: "Let's Talk About Your Plans". The promotional support to products served a double purpose: to enhance the brand recognition and to acquire customers that will actively use both credit products and personal accounts. The promoted credit products, such as cash loans, car loans and mortgage loans, were offered with an attractive interest rate and advantageous conditions. Consequently, the sales of cash loans grew in 2012 by over 60 per cent as compared to the year 2011. Furthermore, marketing activities supported the development of the deposit base (which grew by 13 per cent over the year 2011) and active use of payment cards.

Our efforts to build a technologically advanced universal bank supporting clients' projects and fulfilling their transactional needs will focus on enhancing their satisfaction by refining service quality and bringing innovations tailored to customer needs. While continuing to revamp our network of our branches, we will provide our clients during 2013 new and modernized internet and mobile banking services thanks to a project launched in 2012.

Remodelling of the offering dedicated to the wealthiest individual customers was one of the key projects of the last year. The new private banking offering includes services related to capital protection, optimisation and growth. It combines the knowledge of Polish experts, i.e. private banking advisers, brokers and investment advisers, with global experience of the BNP Paribas Group. Opening of the brokerage office and development of private banking centres constituted an integral part of the process.

In an environment of growing regulatory demands in respect of bank capitalisation the bank raised its own capital base by a further PLN 260 million through a share issue fully subscribed by the bank's majority shareholder, BNP Paribas Fortis SA/NV, based in Brussels.

This capital increase enabled the bank to reach a CAR of 14.46% with a core Tier 1 in excess of 9%. These solid ratios will facilitate our growth strategy. In addition the great care we applied to the raising of deposits in PLN combined with the Group commitment to finance our exposure to CHF mortgages enabled us to show a very satisfactory liquidity position throughout the year.

In 2012 we continued to implement the best practices and align our standards with the principles applied by BNP Paribas all over the world. The sustainable business model adopted by BNP Paribas was appreciated and recognized with the "Bank of the Year 2012" award given by International Financing Review (IFR), the leading financial magazine published by Thomson Reuters. The IFR award for the entire Group illustrates the accuracy of decisions taken at the time of the escalating global crisis.

Corporate social responsibility (CSR) is one of the priorities for BNP Paribas. In December last year, the Group was top-rated in the ranking of Vigeo, an European organisation evaluating social involvement of the bank as the global leader in this area in the banking sector. Such awards are the source of our motivation in Poland and encourage us to further implement CSR standards locally, including to develop programmes of the BNP Paribas Foundation whose core activity is to counteract social exclusion among children and the youth.

The changes and improvements introduced over the past years - sometimes painful and slow to generate additional revenues will start to pay off in 2013, assuming no drastic change of business environment, and will contribute, to continuously rising financial performance over the years and increasingly satisfactory benchmarking with our competitors.

I would like to thank all the employees of the BNP Paribas Bank Polska SA Group for their commitment and contribution during last year. I thank also our clients for their confidence they have put in us. Finally, let me extend thanks to the bank's Supervisory Board for their support given to the Board of Executives.

Frederic Amoudru
President of the Board of Executives
BNP Paribas Bank Polska SA