



fastforward



BGŻ BNP PARIBAS STRATEGY 2021



May 2018



BGŻ BNP PARIBAS

The bank for a changing world

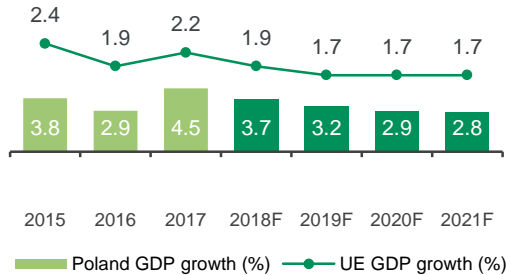
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Macroeconomic scenario

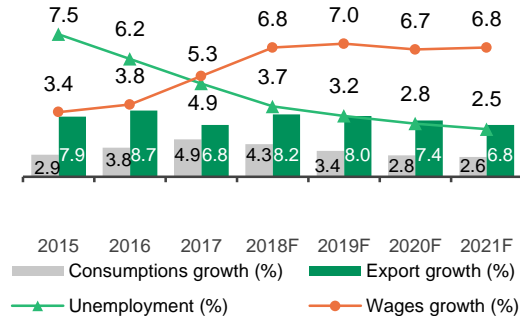
Positive economy outlook in Poland

- PL economy with GDP growth to be stabilized on ~3%, ~1.5-2x higher than in whole UE



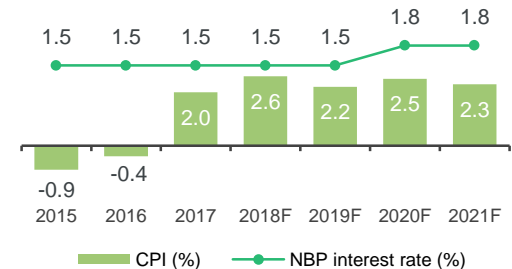
- Expected lowering GDP growth pace, but still **significantly above EU average**
- Strong consumption and **faster investments** (partly financed with EU structural funds) keeps the **growth pattern fairly balanced**

- Economy supported by growing export, private consumption, drop in unemployment & wages growth



- Exports remain underpinned by **solid external demand** (>50% share of export in GDP), making main risks to the economy being rather external, than domestic
- Lowering unemployment and growing wages** pace will stabilize in next years

- Inflation close to NBP target with expected slight monetary policy tightening after 2019

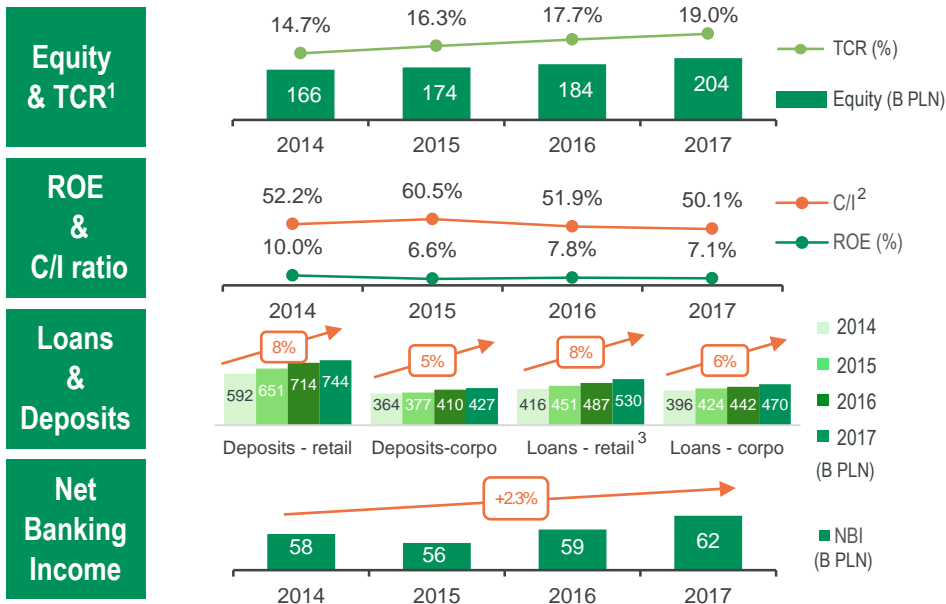


- Headline inflation is seen picking up towards and **above the 2.5% target over the coming two years**
- While monetary tightening is likely at some stage in the coming quarters, the **main policy rate will remain very low, compared to levels across the Emerging Markets**

Macroeconomic scenario

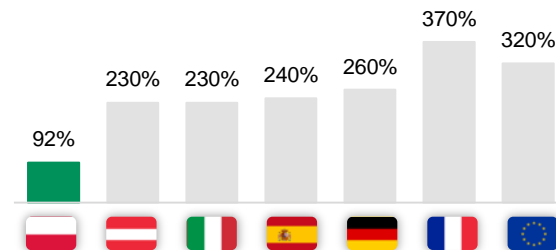
Strong fundamentals of the Polish banking sector

➤ Growing PL banking industry with high capitalization and improving profitability...

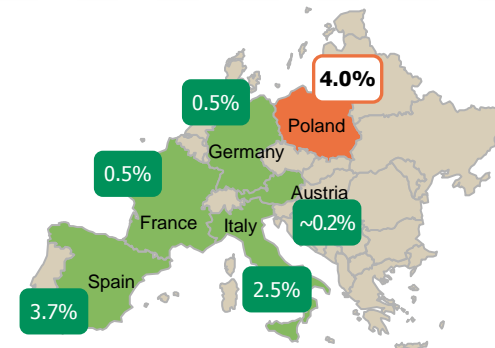


➤ ... and still with significant potential to grow

Banking assets Penetration as% of GDP



Expected NBI Growth CAGR



We are part of the BNP Paribas Group

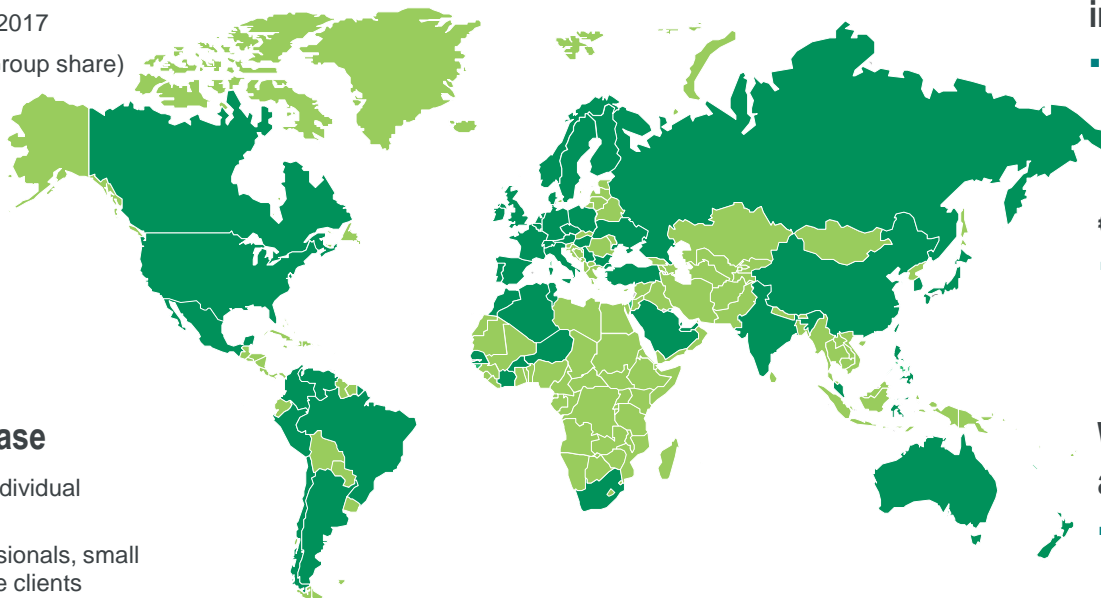
European leader with a global reach

Leading bank in the Eurozone

- € 43.1 bn revenues in 2017
- € 7.8 bn net income (Group share) in 2017

Diversified client base

- More than 30 million individual customers
- Nearly 1 million professionals, small business and corporate clients



Global presence in 73 countries

- ~200 ths. employees out of which ~150 ths. in Europe

€ 1,960 bn total assets

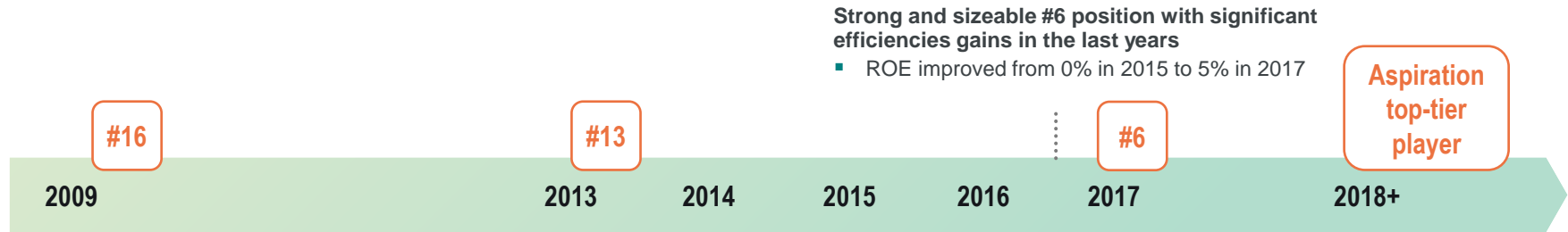
- € 102 bn shareholders equity as of Dec. 2017

Well-known and valuable brand

- 3rd most valuable banking brand in Europe*

BNP Paribas is committed to Poland for the long term

with aspirations to become one of the top banks on the Polish market



Strong and sizeable #6 position with significant efficiencies gains in the last years

- ROE improved from 0% in 2015 to 5% in 2017

Aspiration top-tier player



BNP Paribas invested in Poland in 2009 (with Fortis merger), when other groups were limiting financing ...

... reaching the second tier position of #13

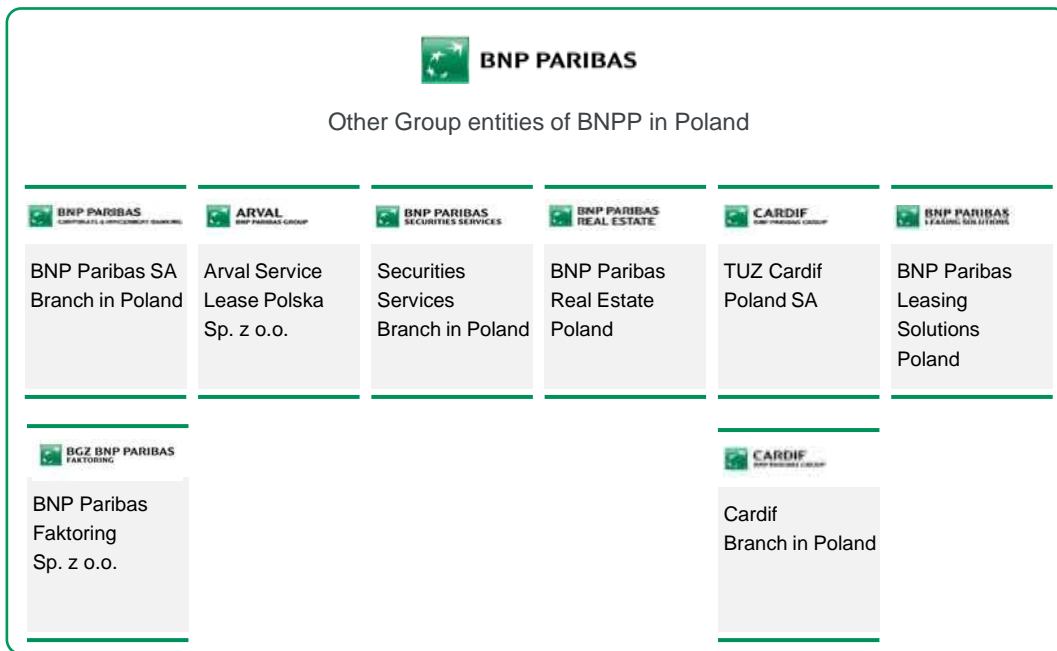
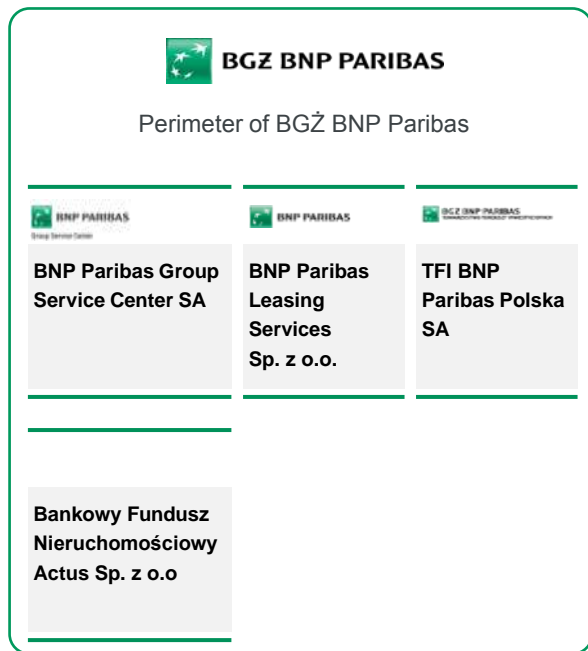
In 2014-2016, successfully realized most complex integration on the market of four banking entities and a banking platform

- Now the Bank is further building scale through Raiffeisen transaction - acquisition of core business of Raiffeisen Polbank, excluding FX mortgages, wind farms and selected corporate exposures
- Ambitious growth strategy to become a **strong, universal Bank in Poland, challenging the top players**

Position on Polish banking market, by assets size

We will continue partnering with other entities of BNPP in Poland to further leverage our group capabilities

BNP Paribas Group in Poland



Acquisition of Core Raiffeisen Polbank

will enable us to build the critical scale, consolidate market position and improve profitability

Key Core RBPL Financials

Core 

39,8
B PLN
Assets

Allowing BGŻ BNPP to become an **over 100 B PLN player**

19,0
B PLN
Loans gross

Favorable structure enabling BGŻ BNPP **portfolio rebalancing**

34,4
B PLN
Deposits

Moving BGŻ BNPP by 63%

228
Branches

Network focused on **larger cities**

Business complementarity and transaction efficiencies will enable us to become a confident market player

Complementary business

- Top position in key Business Lines: Top 3 for SME and Top 6 for Corpo
- Strong Retail presence in large cities & development in affluent customer base
- Tripling in size in Private Banking and becoming one of the market leaders
- Prominent SME franchise, with strong distribution network, innovative products platform and modern central customer service
- Credit Risk diversified – decreased share of Agro portfolio and FX exposures

Efficiency gains

- Positive track record in past integrations
- Significant synergies expected to improve the cost income ratio
- Accelerated digitalization of the Bank thanks to IT teams in Warsaw and Krakow

Shifting gears

- Realized willingness to be an active player in market consolidation
- On-boarding complementary skills and competencies
- Boosting motivation and striving for success in competitive market
- Gaining scale to further grow in all client segments

PLN 350 M cost synergies recurring from 2021 from BGŻ BNPP & Core Raiffeisen Polbank integration

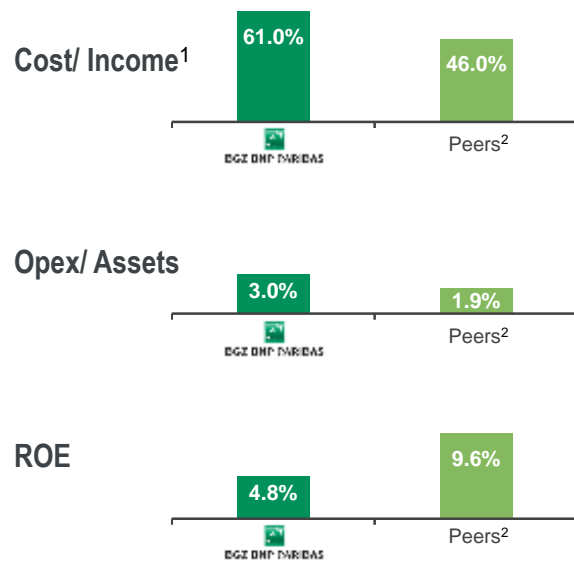
We are now facing a great expansion opportunity

to grow as a strong, universal bank, leveraging our past experiences and Raiffeisen Polbank capabilities

➤ Currently the Bank trails its peers in terms of efficiency and profitability...

➤ ... caused by high engagement in past integrations

➤ Now there is enough capacity and experience to integrate smoothly, ensuring space for business growth



- Most complex integration on the market of five complex entities
- Migrating bigger player on smaller scale IT architecture
- Lengthy process of >36 months
- “All hands on board” approach with all resources engaged in integration

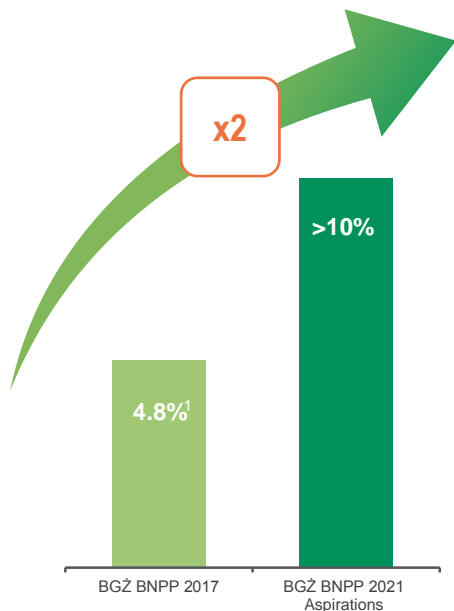
- Simpler, more straightforward acquisition of defined core business
- Less complex integration scenario
 - Migration from one core banking to only one
 - Utilization of Raiffeisen Polbank resources to execute the Demerger and Operational merger ...
 - ... and limiting impact on BGŻ BNPP Transformation
- Executing full deal in c.a. 20 months, while leveraging lessons learnt and unique experiences from past integrations
- Deploying Raiffeisen Polbank digital capabilities to work on post-Demerger transformation programs

Our strategy is based on five core pillars

we have clear growth aspirations, with additional booster from integration with Core Raiffeisen Polbank

➤ We aspire for >10% ROE by 2021...

➤ ...and we have a clear view on how to deliver on these aspirations



Additional profitability booster from integration with Core Raiffeisen Polbank
BGŻ BNP Paribas + Core Raiffeisen Polbank > PLN 350 M cost synergies



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SIMPLICITY



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Simplified offer, processes and structure

will be one of the key success factors to unlock our agility and be able to respond rapidly to market changes

> Clear simplification initiatives ...

- Simplified offer**
- Simplified and transparent **product portfolio** (especially in Retail) ...
 - ... and simplified, interactive **communication with clients**

- Simplified processes**
- Organization around **revamped Customer Journeys (CJ)**
 - **Simplified and redesigned** key processes, to effectively **catalyze commercial opportunities**

- Optimized distribution channels**
- Further **optimization of branch network** (incl. developing franchising model to reduce cost while maintaining footprint)
 - Migration of **customers to digital channels**

- Streamlined organization**
- **Streamlined organization on all levels**, to unlock agility and be able to respond quickly to dynamic market changes
 - **Increasing organization's efficiency**

> ... with many activities already up and running or to be introduced in few months

- Introduction of simple-rules **Konto Optymalne** and **Konto Maksymalne** with **GOmobile app**



- **Account Opening CJ¹ for Retail** segment already rolling out in **H2-2018**



- **+20% of Online** and **+130% of Mobile** users in 2017 vs. 2016



- **One organization** to manage SME and Corporate lines



Core RBPL integration to introduce even deeper structure and processes reorganization



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DIGITALIZATION



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We will focus on rapid digitization of sales processes and winning digital experience for our Clients

Digital for cost optimization

Fully scaled up Robotic Process Automation (RPA)

- The most advanced bank in EMEA in RPA
- Fully-fledged RPA Center of Excellence team
- **First place award in the BNP IRB¹ innovation challenge in 2017**



Fully automated Operations enhanced by Artificial Intelligence

Digital for growth

Strategic Partnership with Backbase FinTech Go-live in 2019

- Most advanced omnichannel experience on the market, winner of Finnovate

Launch of new GOMobile app

- BLIK enabled (aligning to market standard)
- E2E deposit sales (market differentiator)
- Full transaction functionality



Full omnichannel sales and service model

- Goal to have digital sales at the level of Top #5 market players

Digitizing for experience

CRM and Data Analytics to improve recommendations and offer relevance for Clients

- Doubled hit ratios achieved on campaign after large scale programs



Tailored, relevant client recommendations delivered on seamless platforms (online and mobile)



We can additionally boost digital capabilities by taking onboard experts and know-how from core RBPL



Ongoing large scale Digital Transformation program as key BGZ BNPP priority

What we already have

What we will work on



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QUALITY



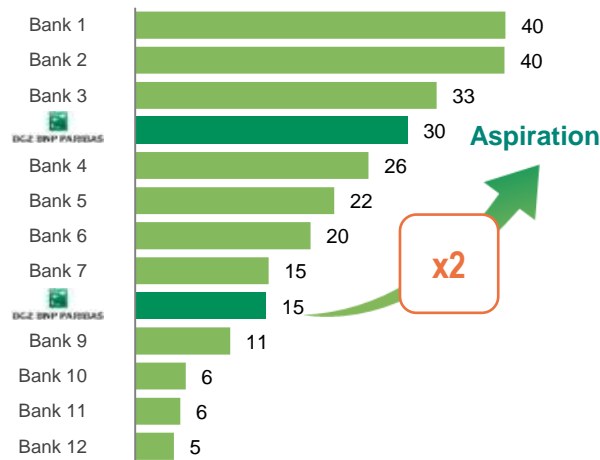
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We will work hard

to deliver strongly improved customer experience and satisfaction of our Clients

▶ We need to face the challenge to increase Customer Satisfaction

Net Promoter Score (NPS) among Polish banks, 2017



- We aspire to **strongly improve satisfaction of our Clients**, to become trusted partner for a **long-term relationship**
- Our ambition is to **double the current NPS** from current 15 pts (vs. market leaders at ~40)

▶ We have a clear plan to be closer to our clients and become their most reliable partner



- Customer Experience improved by:
 - Organization around Customer Journeys
 - Improvement of main customer processes, e.g. relationship opening and onboarding
 - Introducing more client friendly approach, while controlling service levels, esp. in after sales servicing and complaints process management



- Recognizing and appreciating the loyalty of existing clients



- Internal culture reorientation towards MBO and incentives for maintaining high client service level



- New approach to regular, in-depth and reliable measurement of client satisfaction





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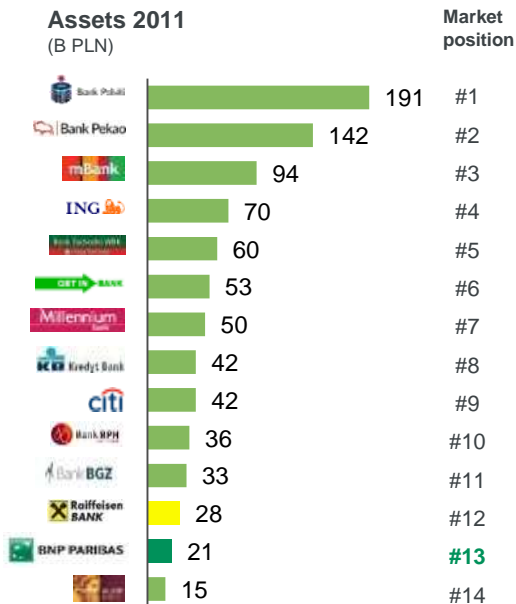
GROWTH



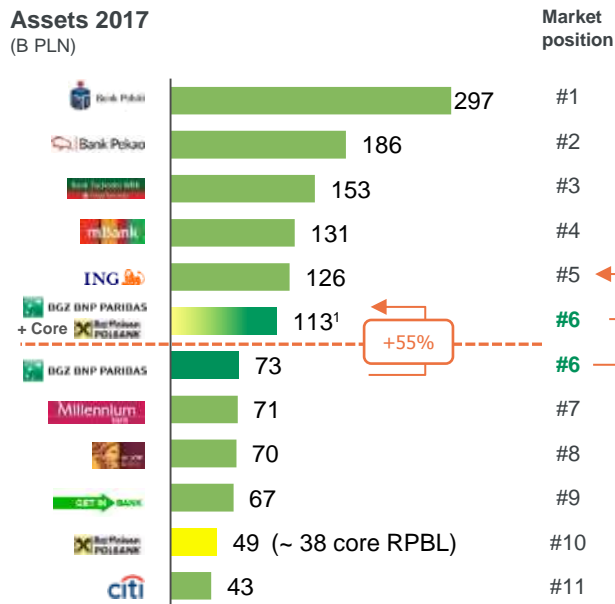
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In the last years BGŻ BNPP has gained substantial position on the market...

➤ In 2011 we were in second-tier market on #13 position...



➤ ...but now we are getting to the leaders becoming strong #6 on the market



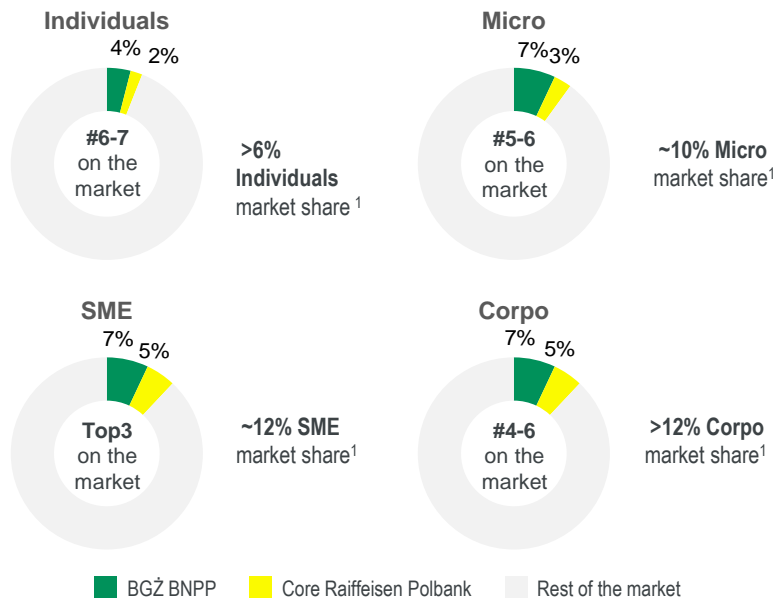
➤ Our aspiration is to become top-tier player

- Integration with core Raiffeisen Polbank will put us in a position to challenge **Top #5 banks with well over PLN 100 B total assets**
- We will close the gap to #5 player (ING) from current ~70% to **only ~10% gap after integration**

... however there is still room to grow in key value pools

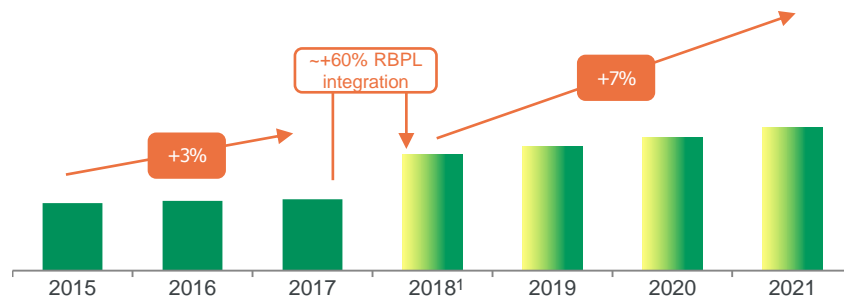
Merged Bank with ~6-12% market share across all banking segments

Market shares and estimated position on the Polish banking market by NBI



However there is still vast headroom to grow in all value pools: we plan to double our growth going forward

NBI (M PLN)



- We aspire for **NBI growth faster than the market pace**, forecasted to grow at ~4-5%

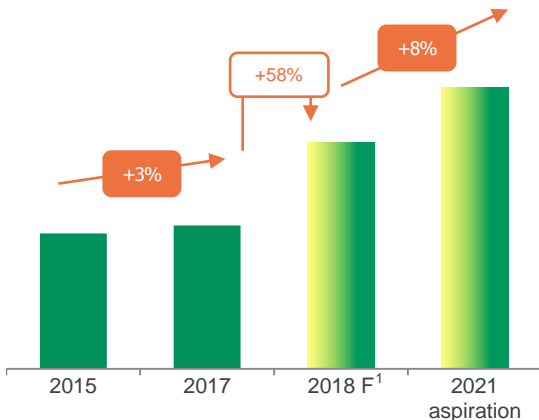
Integration with Raiffeisen Polbank will be the key enabler to build scale to improve efficiency and profitability and hence close the gap to leading players on the market

We aspire for the Retail segment to be our key growth engine

with 8% dynamics by 2021

▶ We have ambitious growth plan in Retail

Retail NBI (M PLN)



- We expect to **grow by 8% (CAGR) by 2021**, with our growth efforts focused around **4 key initiatives**

▶ ... and set on initiatives to grow even further



Client acquisition boost due to New Value Proposition

- Focus on Daily Banking services, especially amongst younger clients



Customer Journeys redesign

- End-2-end servicing in digital channels (active migration of clients)



Optimization of the network productivity and digital sales and service model

- Continued redesign of the branch formats
- Acceleration of the digitalization of sales channels



Leveraging big data analytics for better addressing client needs

- Advanced CRM and risk analytics, enabling more tailored approach to clients

▶ We are already on the right track to achieve them

Significantly better performance of Retail segment in Q1 2018 vs. Q1 2017

- Current Account sales up **by +92% y/y**
- Net customer base growth **by +94% y/y**
- Current Accounts balance growth **by +15% y/y**
- Mutual funds sales growth **by +11% y/y** (despite situation on stock market)

and

- Deposit margin optimization 2017 vs. 2016 **by +29%**

Retail clients acquisition as key focus

new offering for clients and revamped customer experience

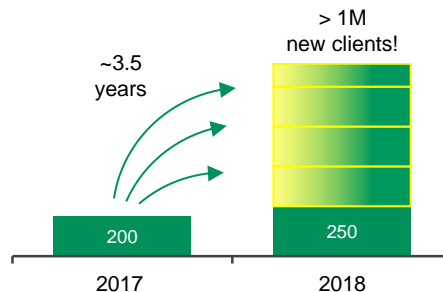
- ▶ We almost doubled the acquisition pace in the last years and aspire to grow it even further



- New marketing campaign launched to spur acquisition



- ▶ Integration with core RBPL will be equal to ~3.5 years of acquisition run rate in BGŻ BNPP



- Raiffeisen Polbank's clients will also rejuvenate BGŻ BNPP client base and increase exposure towards larger cities

- ▶ We aspire to drive the organic client acquisition with:

New digital offering for clients, e.g.:



- New Online & Mobile banking
- New features such as online PIT declaration
- Digital, cashless branches
- More digital sales processes

New, attractive product design, e.g.:



- Simplified product conditions
- Tailored offers and personalized recommendations

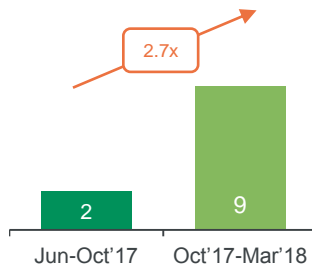
We will start building the strong digital foothold in Retail

with fully remote, video process of account opening

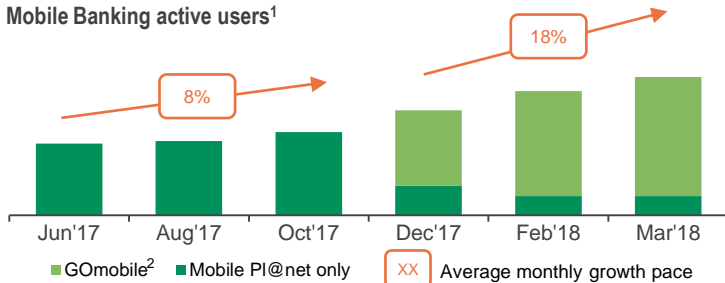
➤ We have first success with mobile...



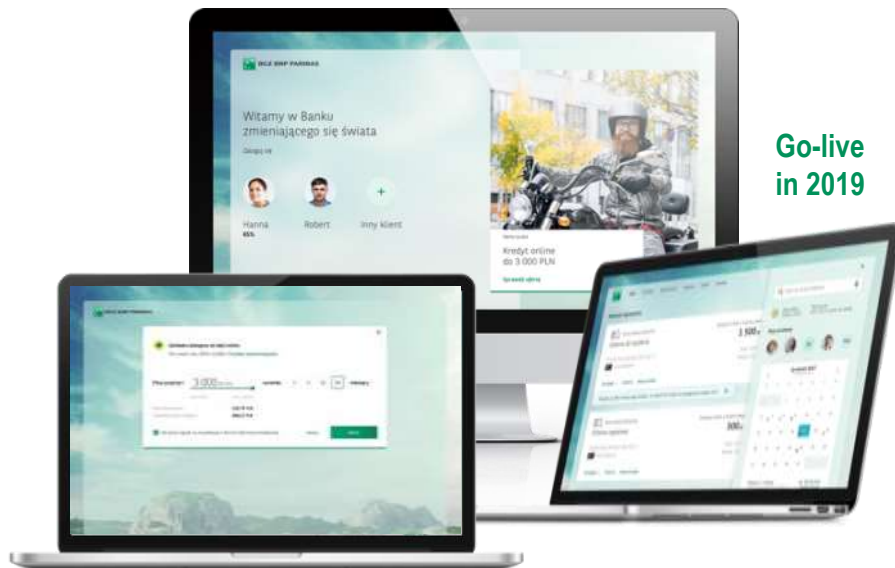
Average monthly net growth of mobile banking active users¹



Mobile Banking active users¹



➤ ... and we are working with look and feel of new digital channels (e.g. new ebanking system)



Go-live in 2019

We will continue to strengthen our Personal Finance business through innovation, partnerships and digitization

➤ Precise strategic initiatives for superior Personal Finance offering and service ...



Seamless customer experience across all channels

- Redesigned CJs¹
- E2E digital sales processes




PSD2 enabled digital lending expansion

- Advanced analytics via API² deployed data

We will leverage our experience as the first bank with new-to-bank Cash Loans offer in digital channels



Innovative partnerships with leading players on the market

- 
- Top Polish eCommerce player
- One of the top mobile player



Digital Operations

- Artificial Intelligence enabled Call Centre & Collections Ops
- Automation & robotization of PF Ops

➤ ... additionally enhanced by Raiffeisen Polbank's capabilities

We will leverage Raiffeisen Polbank's experiences in alternative & digital lending...

- Digital **sales & service consumer finance model** developed as part of RBPL Transformation

...and rapid growth in consumer finance in the last years

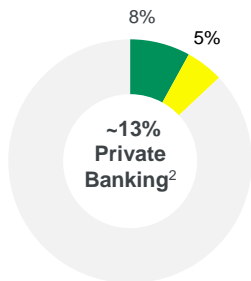
- **+23% Consumer Lending assets** over 2015-2017
- **+41% Cash Loan NBI** over 2015 -2017

Integration with Raiffeisen Polbank will bring us opportunity to become one of the market leaders in Private Banking

Opportunity to significantly grow on the Private Banking market

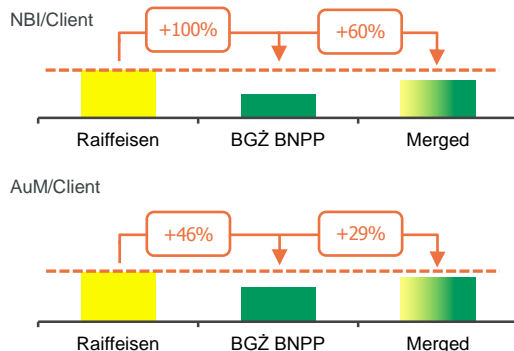
Estimated market share, by number of clients (client threshold of 1M AuM¹)

Potential to become leading player in Private Banking



- Number of clients of the joint Bank could constitute up to **~13% market share** and help **joining the market leaders in Private Banking** in Poland

We will leverage RBPL strong position in PB on the market...



...as well as BNPP Group best practices & expertise



We have a clear view how to win in the Private Banking segment



Enhanced CVP³

- Focus on advisory bundles, DPM⁴, Daily banking
- VAS⁵ implementation & optimized pricing



New Client and RMs tools & SFE⁶ initiatives

- Client digital dashboard
- Commercial Systematics



Improved cooperation of segments for higher sales & better service

- Retail, SME, Corpo and Optima

Private Banking as a new growth territory for BGŻ BNPP:

Integration with Raiffeisen Polbank will build up scale and provide competencies for further development

We aspire to strengthen our position and become one of the first-choice banks for the Micro companies

▶ We want to jump-start the growth in Micro segment



- New Customer Journeys and Value Proposition for **ecommerce clients and start-ups**, incl. **VAS¹ platforms and POS terminal. One-stop-shop**



- Smart **Pricing** for Micro products



- Optimization and re-design of the **credit process**, incl. **Digital Lending** in PSD2 regime



- **Sales Force Effectiveness** program

▶ ...and we already introduced new initiatives for the segment



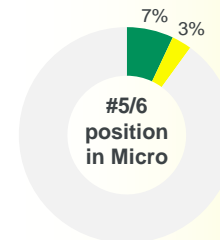
Dedicated offer for
newly established companies

- **Ecosystem of supporting services**, from **company set-up**, to everyday **business running-related matters**
- **Tailor-made products**, e.g.: investments **financing** from Day-1, current account, **online accounting**, factoring and **innovative office space rental**

▶ We will also leverage additional growth opportunities from RBPL

- Integration with RBPL core business will strengthen our position in Micro

Gaining additional
business scale



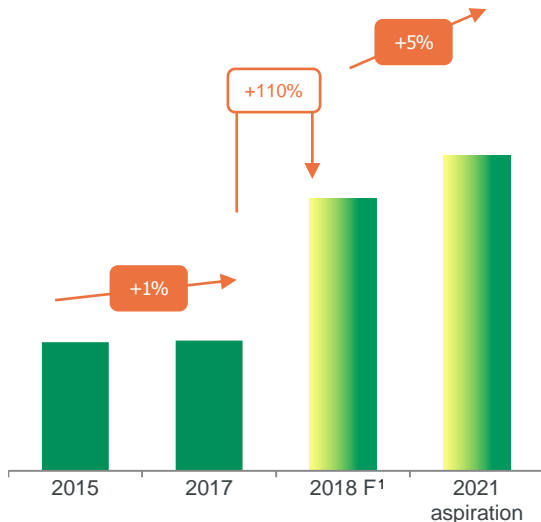
~10% Micro market share of merged BGŻ BNPP and RBPL core business² (in terms of NBI)

- Revenues booster thanks to offering BNPP Leasing products to ex-Raiffeisen Polbank clients

We have good outlook for becoming the Top 3 player on the rapidly growing SME segment

> We plan to put SME back on the growth track ...

SME NBI (M PLN)



- We aspire to grow in SME segment **by 5% (CAGR) by 2021**, focusing on **3 key initiatives**



Acceleration of Credit Process

- 80% of decisions in 2 days
- Automation of monitoring (less time consuming for clients and released internal capacity for sales)
- Early warning signal engine and proactive product recommendations



Redesign of incentives towards cross-sell processes

- Change the existing KPI structure to promote revenue from x-sell products



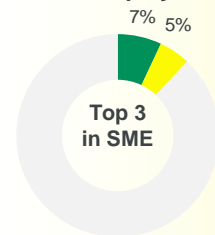
Increasing effectiveness of the sales force

- Increase sales discipline and focus
- Enhance collaboration with Product Specialists and Risk

> ... which will be additionally enabled by integration with RBPL core business

- Integration with RBPL core business will position us among Top 3 on the SME market

Building business scale of a confident market player



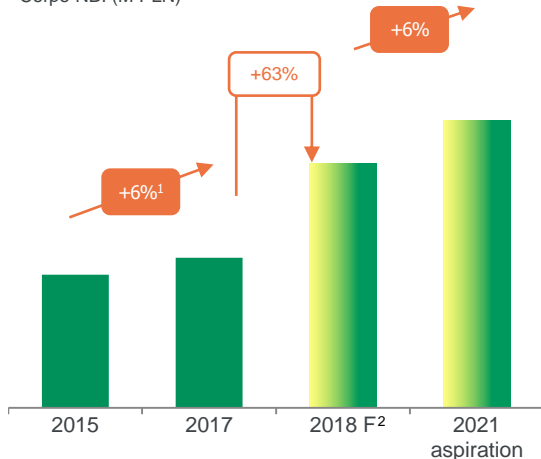
~12% SME market share of merged BGŻ BNPP and RBPL core business¹ (in terms of NBI)

- Strong distribution network and modern central customer service
- More balanced business with more non-Agro clients
- Capital light and profitable products mix, as well as experienced product specialists, esp. in Factoring, Trade Finance and FX

We aspire to keep the growth pace and transform into strong Corporate Bank

▶ We will leverage the already strong position in Corporate Banking to become a leading player through further innovation

Corpo NBI (M PLN)



- We aspire to grow in Corpo segment by **6% (CAGR) by 2021**, focusing on **4 key initiatives**



Specialized solutions for Large and MidCaps

- New Value Proposition for Cash Management
- More sophisticated Investment Banking solutions: e.g., M&A, DCM, Leveraged Finance, SFCRE²



International Business Go-to-market

- Bank of choice for domestic businesses with international expansion ambitions, by leveraging the BNPP network



Leading Electronic Banking system for companies

- Digital self-service, electronic agreements
- With innovative VAS³ platform



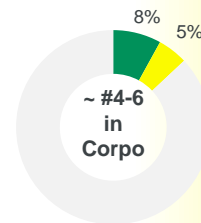
Best-in-class Customer Service and Onboarding

- Centralization of CS processes in Business Service Centre - single point of contact for clients
- Redesigned processes, esp. in transactional banking and trade finance

▶ In parallel, we will leverage the synergies from integration with RBPL

Integration with RBPL core business will enable:

- Further increase of the already strong market position



~13% Corpo market share of merged BGŻ BNPP and RBPL⁴ (in terms of NBI)

- More balanced business with more Poland-based companies
- Strong product competence center, esp. in Global Trade Finance, Treasury and FX
- Experienced, high-quality customer service



Agro still as core element of the strategy

with focus on profitability increase

Already very strong position
& now **focus on profitability**



New, **fresh approach to agro business**
as a strategy priority



Group recognition &
Regional BNPP Agro Hub
located in Poland



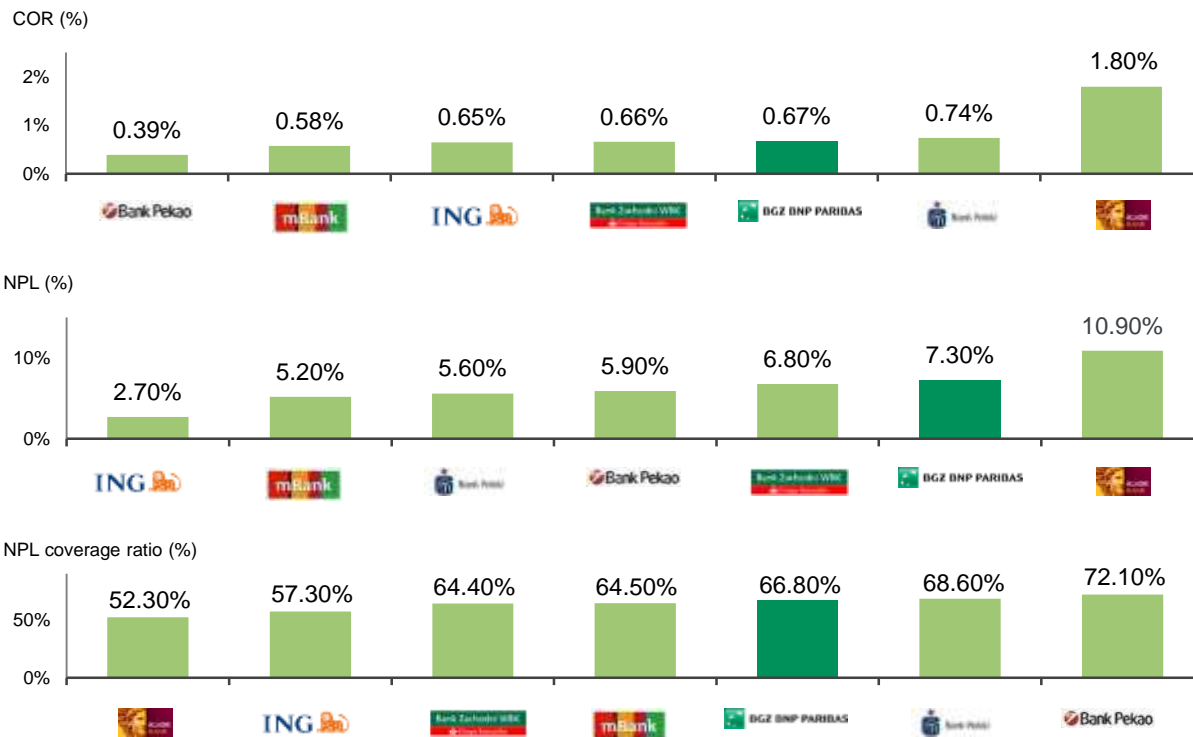
- **~40-45% market share** in Micro Agro entities and in SME & Corporate respectively **~30-35% and ~10-15%**
- Strategy focus on **profitability increase** thanks to outstanding **risk capabilities** in credit products and **need-based x-sell**
- Core element in strategy to **digitize the value proposition and provide Value Added Services to Agro clients** (e.g. farm productivity benchmarking and hints & tips)
- Embrace the **AgTech revolution** and become the **champion/facilitator of digitization of the Polish Agro business**
- BGŻ BNPP will use its Agro expertise to serve as **Regional Agro Hub** providing services for regional partners:
- **Advising** Regional BNPP operations on serving Agro clients
- Monitoring **trends on global markets**
- **Best practice sharing** (incl. AgTech)
- Facilitation of **cross border partnerships / deals**

 **BGŻ BNPP PARIBAS**
Regional BNPP Agro Hub
in Warsaw



Risk approach

Our risk position is in line with peers – we will bring down COR levels within 55-60 bps



Our objective is to achieve solid and sustainable growth without negative impact on risk cost



fastforward

ENTHUSIASM



BGZ BNP PARIBAS
The bank for a changing world

We want to revive our culture by rewarding performance, focusing on top talents and attracting best people on the market

➤ BGŻ BNPP already awarded Top Employer in the last years



➤ However there is need to Revisit the Employer Value Proposition to stay competitive in new market standards

We will be building an engaging workplace and increasing the affiliation of employees via:

Boost affiliation of top talents



- Most exciting projects, especially in Digital
- Advanced Management training options for top performers

High performance culture



- Strong link between performance and compensation
- Result focused and collaborative working culture, based on Agile and Design Thinking methodologies
- New Bank's headquarters in Warsaw - new inspiring workplaces, enabling formal and informal cooperation, as a way to break the silo structure of the organization into more agile one, increase work efficiency and achieve better results

Bring new power on board



- Enhanced Employer Value Proposition to build the BGŻ BNPP brand as a first-choice employer for top talents wanting to deliver innovative projects in a performance driven environment

We will also build on the Raiffeisen Polbank's talent pool to develop the new bank

BGŻ BNP Paribas is the responsible Bank

for a changing world

▶ We have four strategic pillars of our Corporate Social Responsibility (CSR) strategy...



The Economy

- Financing the economy in an ethical manner



Our People

- Developing and engaging our people responsibly



The Community

- Being a positive agent for a change



The Environment

- Combating climate change

▶ ... translated into concrete actions and solutions...

Engaging people

Sustainable solutions

Green initiatives, products & services


▶ ... and already with recognition on the market

- Bank Foundation programs  Klasa ("Class") most effective scholarship program in Poland: **since 2003, 700 graduates**
- Employee social engagement: **1,113 employees were involved in social activities in 2017**



- Responsible financing: CSR analysis
- Social Leader Package – dedicated product for NGO
- Reducing negative environmental impact of our operations



- Cooperation with international financial institutions 
- EU structured funds, grants & technical assistance
- Development of dedicated products and services supporting transition into low carbon economy

... based on the Code of Conduct.

Fast Forward strategy of BGZ BNP Paribas

is focused on bringing profitability thanks to significant growth acceleration and cost optimization

- BGZ BNPP with five core pillars of the Fast Forward Strategy and set clear financial KPIs



- NBI growth faster than the market: 7% yearly by 2021
- Cost-to-Income¹ ratio of ~50% by 2021
- ROE growth to reach >10% by 2021

Top Management

with strong aspirations to deliver on the ambitious growth plans

Przemek Gdański

CEO



Przemysław Furlepa

VP, Retail and Business Banking



Philippe Paul Bézieu

VP, Personal Finance Banking



Jerzy Śledziewski

VP, Corporate & SME Banking



Blagoy Bochev

VP, Corporate and Institutional Banking (CIB)



Daniel Astraud

VP, Transformation & Integration



Jaromir Pelczarski

VP, COO



Wojciech Kembłowski

VP, CRO



Jean-Charles Aranda

VP, CFO



Magdalena Legęć

HR – Executive Director




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 **BGZ BNP PARIBAS**