

Dear Sir or Madam,

Last year was a breakthrough year for Raiffeisen Bank Polska S.A. It ended with the successful merger of Raiffeisen Bank Polska S.A. with Polbank EFG S.A., greatly improved financial results and the start of the strategic reconstruction of the retail business.

The most important achievement, among other things from the point of view of the further development of the organization, was the completion of the operational merger of Raiffeisen Bank Polska S.A. with Polbank EFG S.A., commenced at the turn of 2012 and 2013 with their legal merger. In mid-May the final phase of the operational merger and migration of customers to the joint IT system was completed in accordance with the plan, thanks to which all customers began to be managed according to one consistently high standard and could benefit from a unified product offering. The operational merger brought clear benefits to the bank through cost synergies and savings associated with the use of a smaller number of systems, which also had a positive impact on the operational abilities of the bank and the implementation of business objectives.

2014 brought improvement in the financial results for Raiffeisen Bank Polska S.A. The net profit was PLN 314.1 million, which is 143 per cent up on the previous year. This increase was based on, among others, lower net provisioning for impairment losses by 73 per cent year-on-year. It should also be emphasized that the bank conducted one of the largest transactions on the domestic market with the sale of its non-performing unsecured loans portfolio, and achieved a decrease in operating cost of 11 per cent as a result of restructuring work and operational integration. The volume of loans increased during the year by 5 per cent to PLN 34.7 billion, and customer deposits increased by 11 per cent to PLN 33.8 billion. As a result, total assets increased by 10 per cent to PLN 535 billion.

In utilizing the changes made to the IT systems and responding to the changes taking place in the business environment, among others, the bank began rebuilding its retail segment. A new pricing policy made it one of the most attractive suppliers of mortgage products and consumer loans, and the range of bank accounts offered, promoting long-term cooperation with the bank and mutual loyalty, has set a new benchmark for quality on the market. One of the most important initiatives in retail banking was the commencement of cooperation with WizzAir, the largest low-cost airline in the Central and Eastern Europe region, and the creation of a loyalty program for the airline's customers. In the middle of the year individual customers were given the opportunity to invest in investment funds launched under Raiffeisen's own brand, but managed by a third party. The good investment performance and attractive formula for the funds resulted in more than PLN 300 million of accumulated assets within six months.

The bank also strengthened its position in the Corporate Banking sector by increasing the number of customers as well as lending to small and medium-sized enterprises. The bank's factoring turnover increased by 10 per cent compared with the previous year to a record level of PLN 16.5 billion, which ensured its second place on the market with over 14 per cent market share.

Of great importance for the Bank, in terms of the diversification of sources of funding, was the opening of its own Bond Issuance Programme worth PLN 2 billion. The first tranche of the bank's debt securities in the amount of 500 million zloty was issued in November 2014. The bonds were introduced into the Alternative Trading System and are listed on the Catalyst market.

The asset quality review and stress tests conducted last year by the supervisory authority have confirmed the very good capital and liquidity position of the Bank. The Bank is strengthening its capital base, with an emphasis on maintaining a high share of the highest quality capital (CET1). In the first half of 2014 it incorporated to its capital base the entire profit for 2013 of PLN 129 million, while in the second half core capital Tier 1 (CET1) was raised by PLN 123 million. In 2014 the Bank met the regulatory requirements relating to capital adequacy ratio – the core capital ratio of Tier 1 (CET1) at the end of the year amounted to 13.2%, while the total capital ratio (TCR) stood at 13.9%.

The business and financial achievements of Raiffeisen Bank Polska in 2014 confirm the effectiveness of its strategy. The Bank will therefore continue current activities to meet the challenges stemming from the regulatory and business environment and at the same time will continue to offer all customers attractive products and top quality services. We would like to thank all our customers and business partners for their cooperation and for the confidence they have placed in us. Regardless of changes in the ownership structure that may occur after our owner's decision about a strategy realignment, the Bank will remain a financially sound, stable, and reliable institution. We will remain an institution that cares about the interests of customers, offering innovative and secure financial solutions for Polish households and businesses.

Yours sincerely,

Piotr Czarnecki  
President of the Management Board  
of Raiffeisen Bank Polska S.A.