

Ladies and Gentlemen,

Although the Polish economy recorded a sustainable growth rate, the domestic banking sector and Raiffeisen Bank Polska had to face many regulatory and market challenges. Despite the negative surprises resulting mainly in higher costs of doing banking business, an effective implementation of strategy, flexibility in operation, expansion into new markets and a leading position maintained in selected areas of activity enabled the Bank to compete effectively in the market and strengthen its resilience to possible adverse events in its surroundings.

The most important activities and achievements in the year 2015 include: completion of the project Transformation of Operations which helped to achieve two objectives, namely brought measurable savings and improved the operational efficiency of the organisation; the effective implementation of the new strategy in the Retail Banking segment which demonstrated the ability to expand in the key market segment for a stable growth of the organisation; and the growth achieved in the most important, in terms of profitability, Corporate Banking customer segments, namely small and medium-sized companies.

In 2015, the net profit of Raiffeisen Bank Polska was PLN 160 million, a decline of 49% over the year. This is the result of two factors: smaller proceeds from the sale of non-performing receivables compared to the previous year and additional high fees for the Bank Guarantee Fund and the reserve for special borrowers support fund. Excluding these one-off events, the annual growth rate of gross profit in 2015 was positive and the level of costs significantly lower. At the same time it should be noted the Bank recorded a significant increase in the portfolio of customer deposits by 15% to PLN 38.8 billion which, with a slight decrease in the volume of loans by 3% to PLN 33.7 billion, improved the stability of the funding structure and strengthened its liquidity. The balance sheet total of the Bank increased by almost 5% to PLN 56.2 billion.

Aware of the need to strengthen the foundations in the face of market challenges, and following the recommendations of supervisory bodies, in 2015, the Bank allocated total profit for 2014 to core common equity capital. As a result, the bank's total capital ratio increased by 1.02 p.p. in comparison with 2014 to 14.95% and the common equity Tier 1 ratio was higher by 1.06 p.p. and amounted to 13.30%.

Looking at the business development in 2015, it should be emphasized that it was the first full year of the new strategy in Retail Banking. With the view to making the offer more attractive, the bank launched a series of "Dream" products whose distinctive and unique feature was the partner and loyal treatment of both new and existing customers. With the active promotion and effective sales, at the end of 2015, the flagship product, namely the Dream Personal Account was used by 264 000 customers, and the account was one of the most popular and award-winning financial products in the market. A stronger position in the retail market also resulted in an increase in deposits – their balance increased during the year by nearly PLN 4 billion to the level of PLN 19.4 billion. The bank also maintained a leading position in the field of private banking, gaining new clients for the service provided under the Friedrich Wilhelm Raiffeisen brand and increasing their assets.

The bank, being for years one of the most important institutions supporting the development of Polish enterprises, with new initiatives and openness to co-operation in business financing, expanded the customer base and increased the volume of net loans granted to customers from small and medium-sized businesses by more than 13% and 9% per year, respectively. A significant role in Corporate Banking is also demonstrated by maintaining 2<sup>nd</sup> positions in the factoring market with the turnover of nearly PLN 18 billion. The Bank remains unvaryingly one of the most important institutions

handling the foreign exchange activities of Polish exporters and importers. In 2015, the total volume of transactions rose by 12% year on year.

After the operational merger and full integration of organisations completed in 2014, in the following year it became necessary to optimise the costs of the bank's operations and increase its processing capacity to face the new market situation. In order to do this, the Transformation of Operations project was implemented, as part of which a significant portion of the operational functions was concentrated in the new Operations Centre in Ruda Śląska.

The accumulation of negative factors affecting the revenue side, and the need to incur additional expenses, but also the uncertainty brought by instability in the global economy, set increasingly higher requirements to be met by banks. Raiffeisen Bank Polska had to face yet another challenge, namely the intended sale of Polish operations announced by the owner in February 2015. The actions undertaken and efforts of all employees strengthened the Bank's leading position in the Polish financial sector. It is ready to meet the new regulatory and economic challenges. It will continue to work hard to provide its customers with the appropriate financial tools and services of the highest quality. We thank our customers and all stakeholders for their trust. Being a loyal partner for you is our highest priority.

Yours sincerely,

Piotr Czarnecki  
President of the Management Board  
Raiffeisen Bank Polska