

Ladies and Gentlemen,

the banking sector, unlike any other industry in Poland, had to face a range of serious challenges last year, the most important of which included the following: burdens resulting from the new tax imposed on financial institutions, increasing capital-related requirements, lower pace of economic growth, high market volatility and uncertainty caused by the global economic and political situation, as well as the growing pressure exerted by technology companies dynamically expanding into the financial sector.

Acting in such an environment, Raiffeisen Bank Polska S.A. continued to implement its strategy by flexibly adapting its actions to the changes taking place on the market. It focused its efforts on strengthening the position in the corporate banking sector, with a particular emphasis placed on services rendered for the benefit of small and medium enterprises, and on dynamic growth in the retail segment, concentrating primarily on the needs of the broadly understood Polish middle class. The bank's growth coincided with the adjustment of its structure and cost level to match the overall scale of operation - meaning that 35 branches had to be closed down. The highest quality of risk management was maintained as well.

The level of capitalization is one of the most important indicators used, for several years now, to assess the condition of various financial institutions. At the end of 2016 the total capital ratio (TCR) of Raiffeisen Bank Polska equaled 16.70%, while the common equity tier 1 (CET1) amounted to 16.05%, which means that the requirements defined by the banking regulator have been exceeded. Such capital levels have been achieved thanks to the transaction involving the sale of 100% of shares in Raiffeisen-Leasing Polska S.A. that was completed in March of last year.

As far as the effectiveness of 2016 business activity is concerned Raiffeisen Bank Polska was capable of improving both its interest revenues - despite interest rates remaining at record-low levels - and commission income. Strict cost control resulted in administrative expenses being reduced by 10% YoY. The Bank's net profit equaled PLN 162.8 million and rose by 2% YoY. It is worth highlighting here, that the Bank paid nearly PLN 150 million in financial institutions tax last year.

At the end of 2016, the value of the Bank's assets equaled PLN 53.3 billion and was 5% lower than in the previous year - a result affected primarily by the sale of the leasing company. The value of consumer loans increased slightly to PLN 33.9 billion. The volume of customer deposits, in turn, has fallen by 6% YoY to PLN 36.4 billion.

Reinforcement of the Bank's retail segment position was attributed, to a large extent, to the continued expansion of the "Wymarzone" range of products. Wymarzone Konto Osobiste was opened by 137,000 customers last year. A consistent increase of the internal customer service quality standards has resulted in a number of awards. All those elements have contributed to the fact that the number of active individual customers grew by 11% to nearly 750,000. In the corporate banking sector, 14,700 companies were served at the end of last year, i.e. 5% more than a year before. The value of loans granted to small and medium companies grew by over 12%.

Raiffeisen Bank Polska is perceived as a modern player offering technologically advanced and secure financial solutions. This image was maintained thanks to last year's launch of a new online banking portal for individual customers and thanks to the introduction of convenient mobile payments. Our corporate customers are provided with state-of-the-art tools as well.

All those undertakings have enabled Raiffeisen Bank Polska to retain its position as a leading supplier of solutions for retail and corporate banking sectors, as well as for financial institutions and capital markets: it was ranked 3rd in terms of the factoring turnover achieved; it maintained its foreign currency exchange market share of over 10% and is the leader on the custodian services market.

The priorities of our Bank remain the same: the highest quality of service combined with an interesting and contemporary product offering enabling us to maintain the high level of customer

satisfaction and loyalty. We express gratitude to all of our stakeholders for being with us and for recommending us to others.

Yours sincerely,

Piotr Czarnecki
President of the Management Board
Raiffeisen Bank Polska