This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

Report on the operations of Raiffeisen Bank Polska S.A. Capital Group in the first half of 2015

The Management Board of the Bank presents the Report on the operations of Raiffeisen Bank Polska S.A. Capital Group in the first half of 2015

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Warsaw, 17 August 2015

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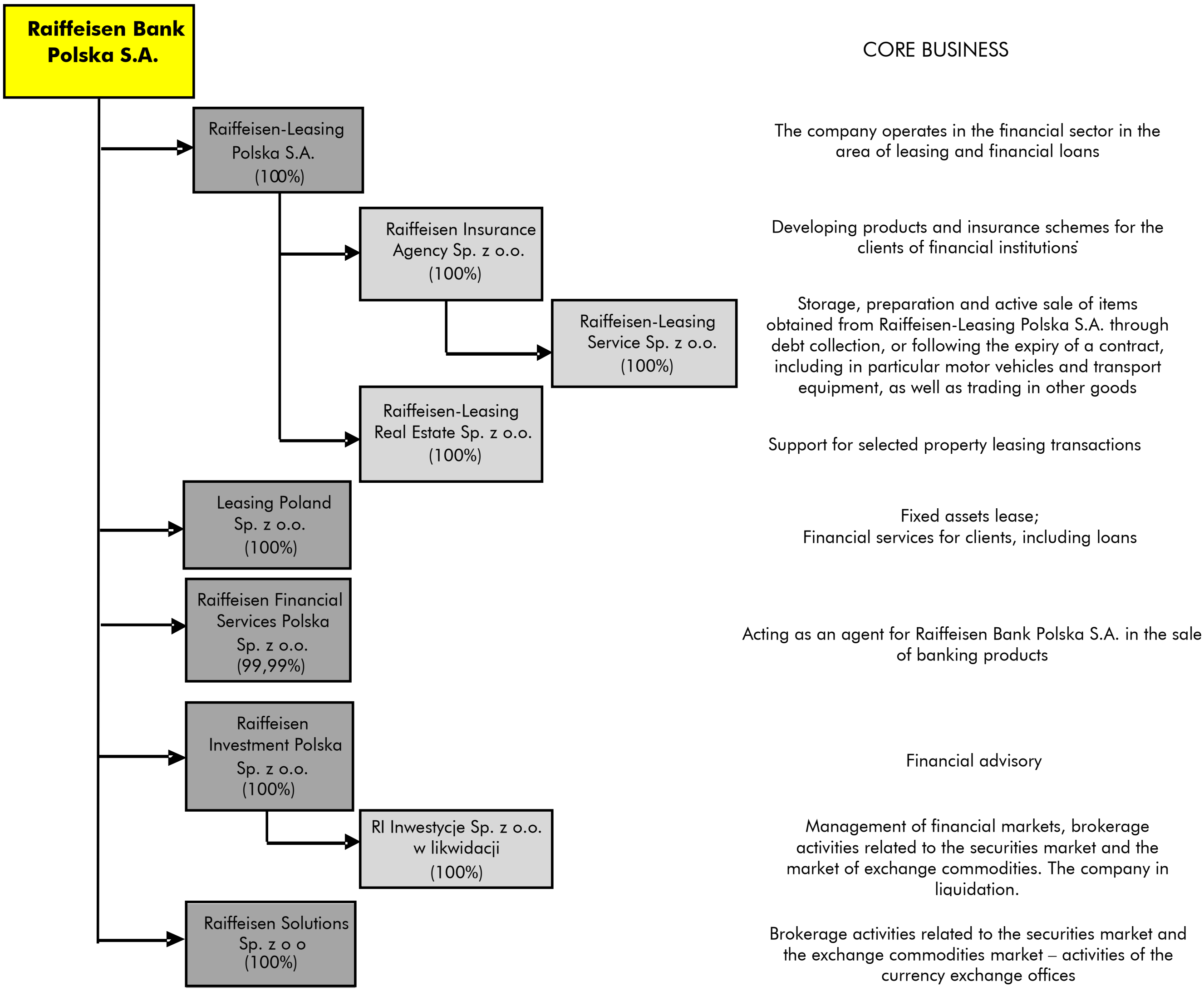
1. Overview

Raiffeisen Bank Polska S.A. Capital Group ("Group", "Capital Group") comprises of a parent company - Raiffeisen Bank Polska S.A. („Bank", „Raiffeisen Polbank") - and its subsidiaries. The composition of Raiffeisen Bank Polska S.A. Capital Group is presented in the diagram below:



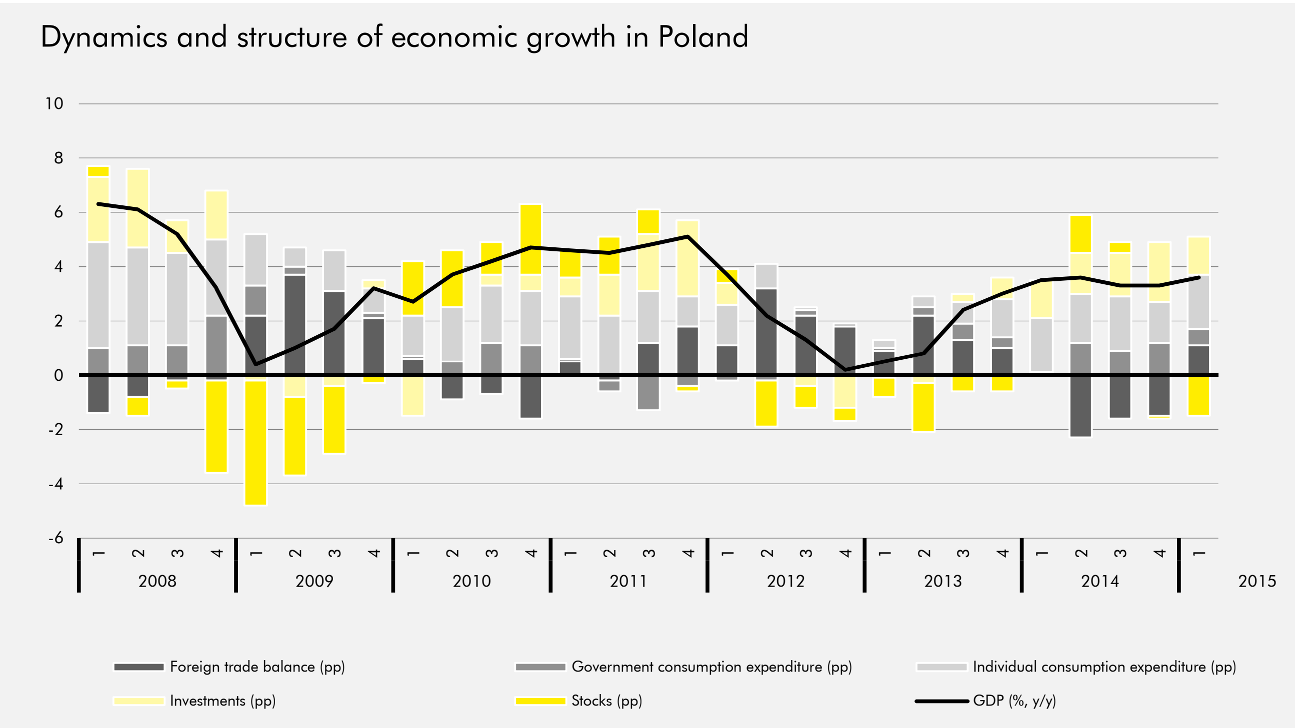
In the period covered by this Report on the operations of the Raiffeisen Bank Polska Group, there were two changes in the Group's structure:

- liquidation proceedings regarding TELPOL3 S.A. w likwidacji (in liquidation) were concluded, and the company was deleted from the National Court Register on 30 June 2015;
- the Bank acquired a 50.01 per cent interest in Raiffeisen Investment Sp. z o.o. and currently holds 100 per cent of its shares. The relevant notarial deed was signed on 24 June 2015.

2. Macroeconomic environment in the first half of 2015

2.1. Economic growth

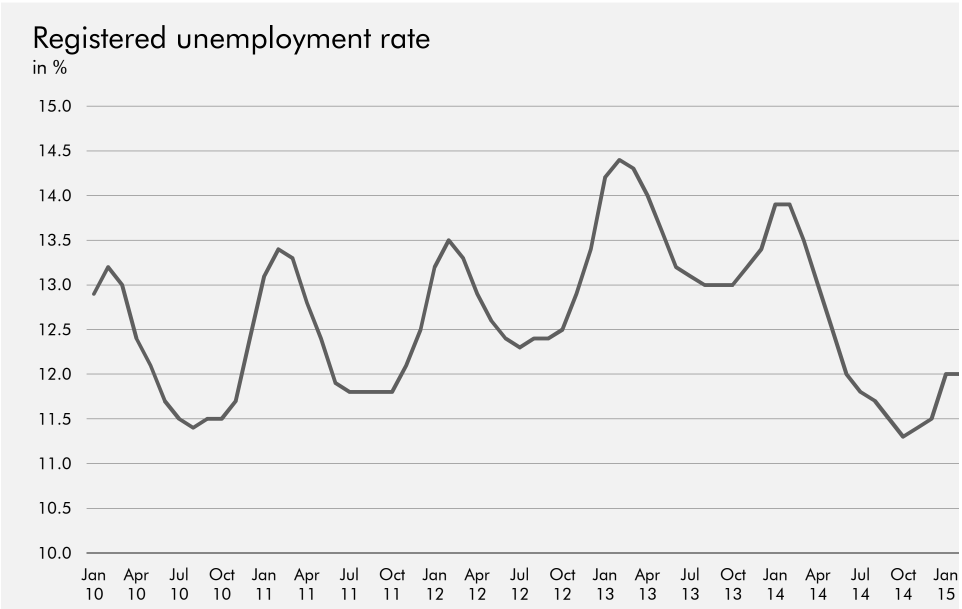
According to initial estimates released by the Central Statistical Office (GUS), in the first quarter of 2015 Poland's GDP grew by 3.6 per cent year-on-year, up from 3.3 per cent in the second half of 2014.
The economic expansion was driven by foreign trade which increased on the back of two factors. Firstly, the economic recovery in the eurozone contributed to stronger exports which grew by as much as 8.0 per cent (5.6 per cent a year earlier). This marked the highest increase since 2013, when foreign trade was the only source of expansion of the country's GDP. Secondly, foreign trade improved due to more favorable terms of trading. The strong decline in crude oil prices seen in late 2014 and early 2015 reduced the value of imports, and was met with consistently strong internal demand and high investment growth. As a consequence, exports' net contribution in the period was positive at 1.1 percentage points, contrasting with a negative effect in the fourth quarter of 2014, when exports reduced growth by as much as 1.5 percentage points.
Internal demand remained the main driver of growth. As in previous quarters, the growth was backed by a steady increase in private consumption of 3.1 per cent year-on-year, and a sustained growth of investments, which accelerated to 11.4 per cent year-on-year. Higher consumer spending was supported by the consistently improving conditions on the labor market and by deflation, which translated into higher real purchasing power of Polish households. In turn, the sustained strength of the investment activity was a result of the improving condition of the construction industry and a positive sentiment in the manufacturing.
Despite strong private consumption and investments, domestic demand, which grew by 5 per cent in the fourth quarter of 2014, slowed down to 2.6 per cent year-on-year in the first quarter of 2015, chiefly on the back of inventory decumulation, which reduced the country's GDP in the first quarter of 2015 by 1.5 percentage points, compared with a 0.1 percentage point reduction in the fourth quarter of 2014.
Released monthly data seem to suggest that in the second quarter of 2015 there were no significant changes in the economic conditions vs. the first quarter of 2015.



Source: Central Statistical Office (GUS)

2.2. Labor market

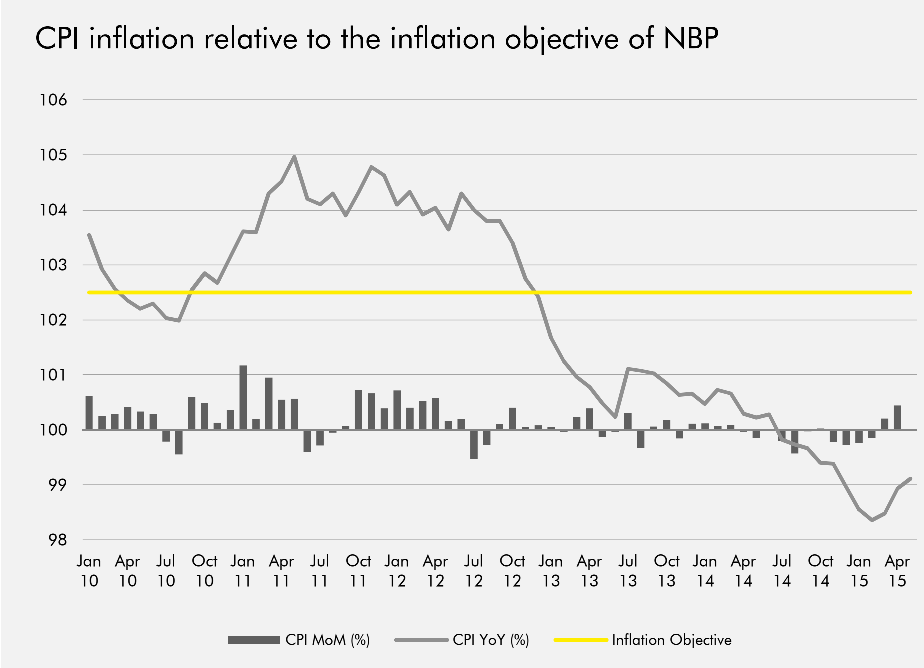
The continuing relatively high economic growth stimulated further moderate improvements on the domestic labor market. Even though the employment growth in the business sector stabilized at 1.1 per cent year-on-year, results of the Labor Force Survey (BAEL) continued to suggest a slightly faster pace of job creation, at 1.7 per cent year-on-year, with employment growth seen chiefly in the manufacturing, transport and trade.
As at the end of May 2015, the registered unemployment rate was 10.8 per cent, the lowest level since 2009. In January-May 2015, the figure was 1.8 percentage points lower than the year before. A similar decline was also suggested by the BAEL survey for the first quarter of 2015.
Despite the improvement, businesses did not report any substantial increase in wage demands which were mitigated by deflation. The average nominal growth of wages in the business sector remained at the 2014 level, i.e., approximately 3.7 per cent year-on-year. On the other hand, the improved conditions on the labor market translated into better readings of consumer sentiment indicators, as consumers became less afraid of losing their jobs and were more confident about their financial situation.



Source: GUS

2.3. Inflation

In early 2015, deflation dipped, with CPI at a record low of minus 1.6 per cent year-on-year. As in 2014, food and fuel prices remained the main source of the deflationary pressures. As prices in these product groups followed the trends prevalent on international commodity markets, they were not affected by the domestic monetary policy. Despite a more neutral effect of other products on the consumer price index, the vast majority of goods produced no inflationary pressures on the economy, as evidenced by core inflation (inflation excluding food and energy prices), which neared 0 per cent, and negative price and GDP deflators. The trend appears to have reversed, with the consumer price index gradually rising since March 2015. The increase is supported chiefly by last year's low base, as in 2014 inflation was declining rapidly, but also by a rebound in oil prices, which translates into higher fuel prices at the pump. The continuing oversupply on the food market prevents food prices from going up, although there has been a slight improvement in this respect. Consequently, in May 2015 the inflation rate increased to minus 0.9 per cent year-on-year.



Source: GUS and the Central Bank of Poland (NBP)

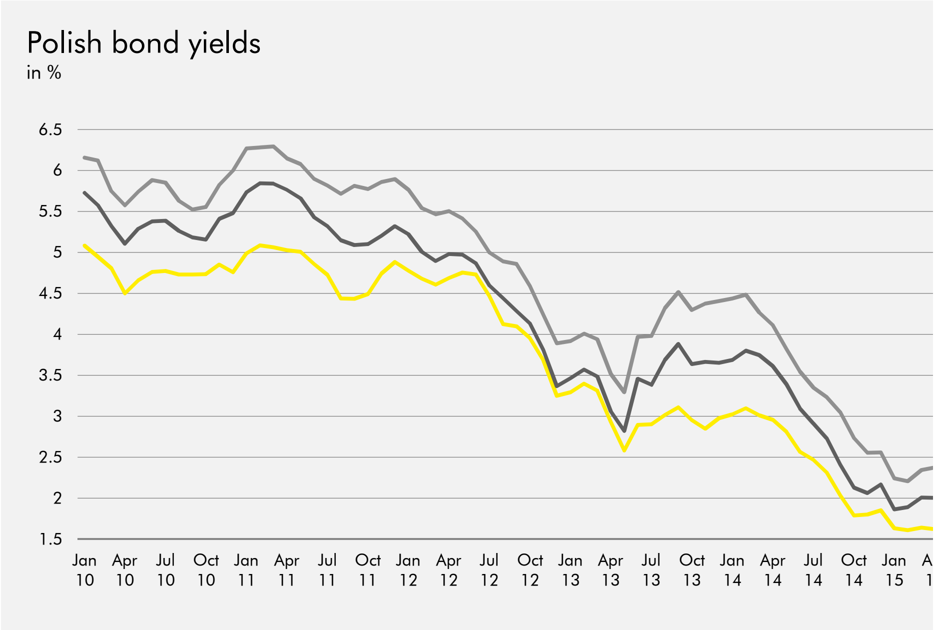
2.4. Public finance and public debt securities market

According to the Ministry of Finance, budget deficit after the first half of 2015 was approximately PLN 26.1 billion, with PLN 46.1 billion deficit forecast for entire 2015. The deficit was therefore slightly below official guidance, which assumed that in the first half of the year budget spending would exceed public revenue by approximately PLN 26.6 billion. The lower-than-expected deficit was delivered on reduced spending, which more than offset the negative effect of disappointing revenue. Despite a relatively strong economic growth, VAT revenue – adversely affected by declining prices – was down year-on-year.

The good condition of public sector finances was evidenced by Standard & Poor's upgrading Poland's rating outlook from stable to positive in early 2015. In June 2015, the European Commission recognized the efforts of the Polish government to consolidate public finances and closed the excessive deficit procedure, even though the 2014 public deficit exceeded 3 per cent of GDP (3.2 per cent vs. 4.0 per cent in 2013).

In the first quarter of 2015, domestic public debt (public sector's debt after consolidation, according to the national definition) was PLN 848.0 billion, up by 2.6 per cent on the end of 2014. The debt to GDP ratio was probably below the second prudence threshold of 48 per cent.

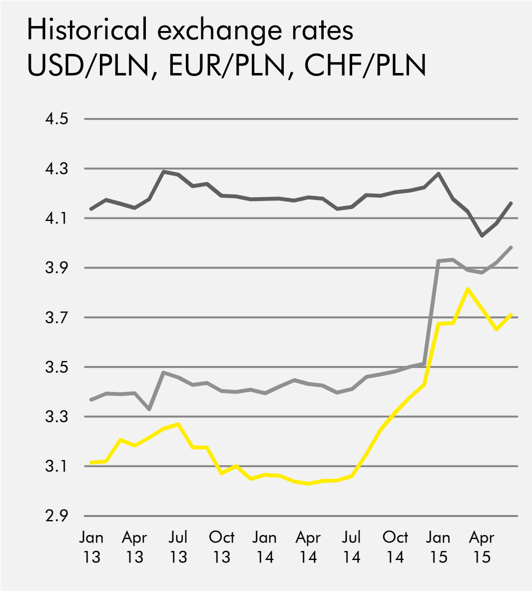
The country's good fiscal position and a number of macroeconomic factors, including stronger deflation and loose monetary policy in Poland and in the eurozone (which launched a quantitative easing program in early 2015), contributed to the boom on the treasury bond market in early 2015 and the flattening of the yield curve. As at the end of January 2015, yields of two-year sovereign bonds fell to 1.5 per cent, with yields of ten-year bonds slightly below 2 per cent. In late April, after several months of consolidation, prices of Polish treasury bonds declined rapidly, following trends seen across markets in Europe and the US. These movements were additionally supported by a rebound in inflation, improved performance of Poland's and the eurozone's economies, higher internal political risk in the country, and the risk of Greece leaving the monetary union. Consequently, the yield curve became steeper as at the end of June 2015, with two-year and ten-year bond yields at 2 per cent and over 3.3 per cent, respectively.

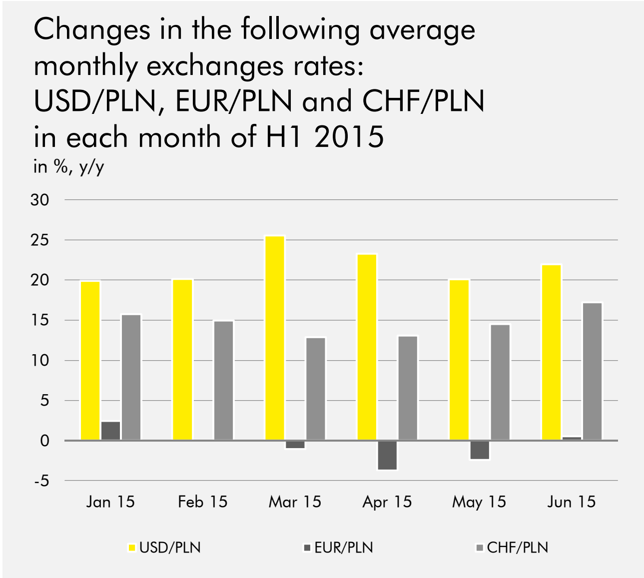


Source: Bloomberg

2.5. Foreign currency exchange rates

A key theme on the currency market in the first half of 2015 was clear rise of volatility, driven as much by political developments in Poland and globally as by decisions made by central banks. Still at the end of 2014, the zloty was markedly depressed, which was compounded by low liquidity on the markets typical for the festive period. The EUR/PLN exchange rate almost touched 4.40, and after a short adjustment in January rallied again to over 4.30 spurred by the unexpected decision by the Swiss central bank (SNB) to discontinue the policy of supporting the EUR/CHF 1.20 minimum exchange rate. The rapid strengthening of the Swiss franc also triggered strong moves in the CHF/PLN exchange rate, which according to Reuters at one point soared from 3.55 to over 4.70. However, in the following months, the CHF/PLN exchange rate stabilized for most of the time within the 3.80-4.00 range, much below the highs seen in January, but higher than before the SNB's decision. In turn, the EUR/PLN exchange rate was steadily declining since January, initially on the back of the announced asset purchasing program for the eurozone, which had a depreciating effect on the common currency but supported the złoty in view of the expected inflow of capital to the Polish market. Other contributing factors were of domestic nature and included a declaration by the Monetary Policy Council to end the series of interest rate cuts in Poland, as well as upgrade of Poland's rating outlook by S&P. As a result, the EUR/PLN exchange rate fell to below 4.00 for the first time since August 2011. However, a correction followed, attributable among other things to the growing political risk in Poland after the presidential election, which suggested a growing probability of significant changes on Poland's political arena following the parliamentary elections scheduled for October. The EUR/PLN exchange rate moved to over 4.10 in June 2015 and then pushed further towards 4.20 (4.19 at the month's end), this time mainly on the back of the resurgence of Greece's problems, the lack of agreement between the country and its creditors, and the renewed risk of the country leaving the eurozone. This turmoil also contributed to the market's appetite for the Swiss franc, as a result of which at the end of June 2015 the złoty traded at 4.02 against the Swiss currency.
The strong upward movement of the USD/PLN exchange rate, which started in the middle of 2014 at the level of 3.0, took the rate to nearly 3.97 in mid March. It was chiefly a side-effect of the wider appreciation of the US dollar fuelled by expectations of interest rate increases in the United States, coupled with soft monetary policies pursued by the central banks in Europe. In mid March, however, the rate entered a wide lateral trend, and temporarily fell close to 3.50, on the back of the stronger złoty, but primarily due to the correction of the dollar. The correction was brought about as expectations of the first interest rate increase in the US were put off after the country's economy was reported to be particularly weak in the first quarter of the year. As a result, at the end of June 2015, the USD/PLN exchange rate stood at 3.76.

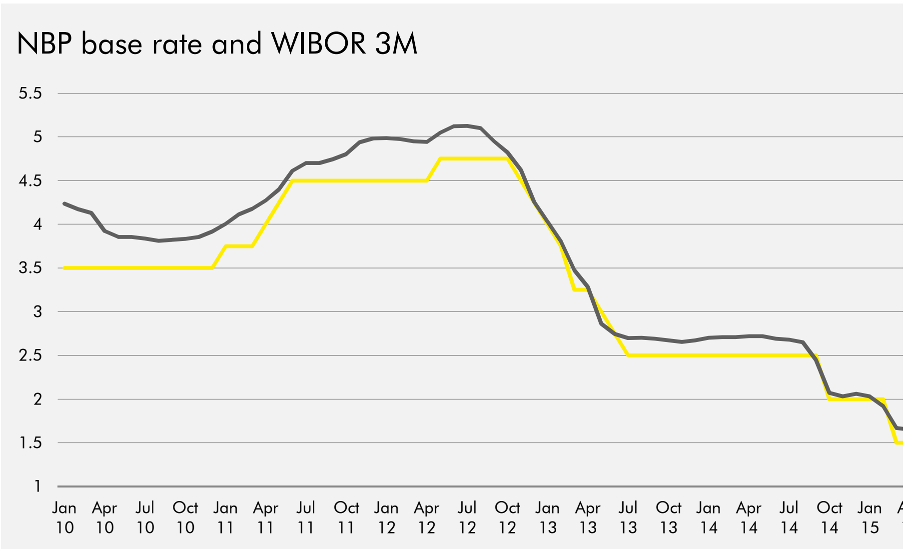




Source: NBP

2.6. Monetary policy

In view of prolonged deflation and the growing risk of the CPI staying below target in the medium term, in March the Monetary Policy Council decided to cut interest rates by 50 basis points; as a consequence, the reference interest rate was reduced to an all-time low of 1.50 per cent. One of the reasons why the Council did not take that step earlier was the instability of the financial markets in the wake of the Swiss central bank's unexpected decision to cease supporting the Swiss franc to prevent it from falling to less than 1.20 against the euro. After the March interest rate cut, the Council adopted the wait and see approach, although for some time the market continued to price in further cuts. However, the expectations died out after a certain period, allowing a slight increase of the market interest rates in the second quarter of the year after their strong drop seen in the first quarter. 3M WIBOR stood at 1.72 per cent at the end of June 2015, compared with 1.65 per cent in March 2015 and 1.86 per cent at the end of 2014.



Source: NBP and Bloomberg

2.7. Banking sector

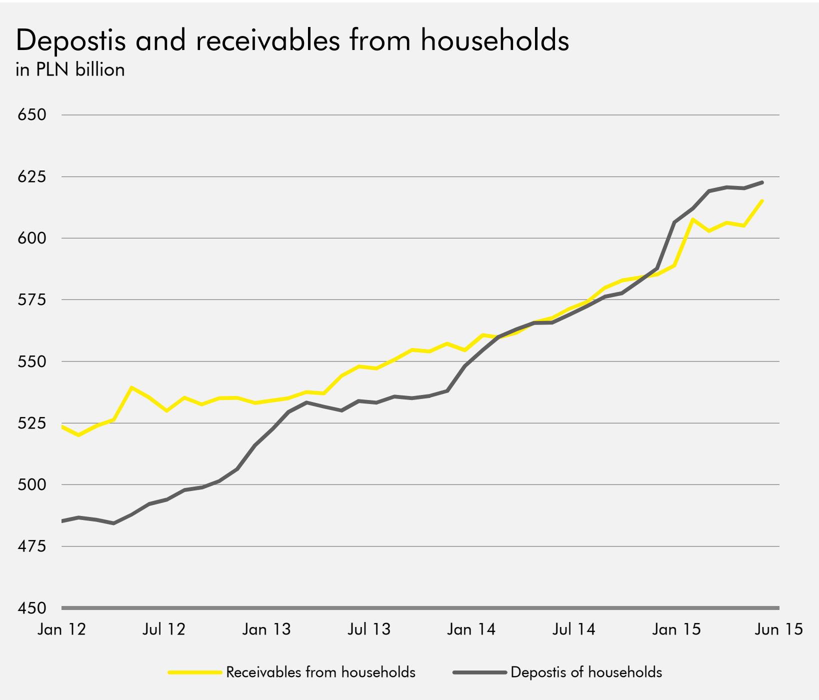
In the first half of 2015, performance of banks remained under pressure from negative market factors, such as low interest rates, lower interchange fee or higher mandatory contributions to the Banking Guarantee Fund (BFG).

As a result, according to the data released by the Polish Financial Supervision Authority, as at the end of June 2015 the aggregate net profit of the banking sector was PLN 8.0 billion, i.e., 8.2 per cent less than in the same period of the previous year. The following factors contributed to the sector's net profit in the analyzed period:

- Net interest income of PLN 17.1 billion, down 8.7 per cent year-on-year;
- Net fee and commission income of PLN 6.7 billion, down 3.9 per cent year-on-year;
- Operating costs of PLN 13.9 billion, up 1.3 per cent year-on-year;
- Net impairment losses of PLN 3.3 billion, down 20.6 per cent relative to the end of June a year earlier.

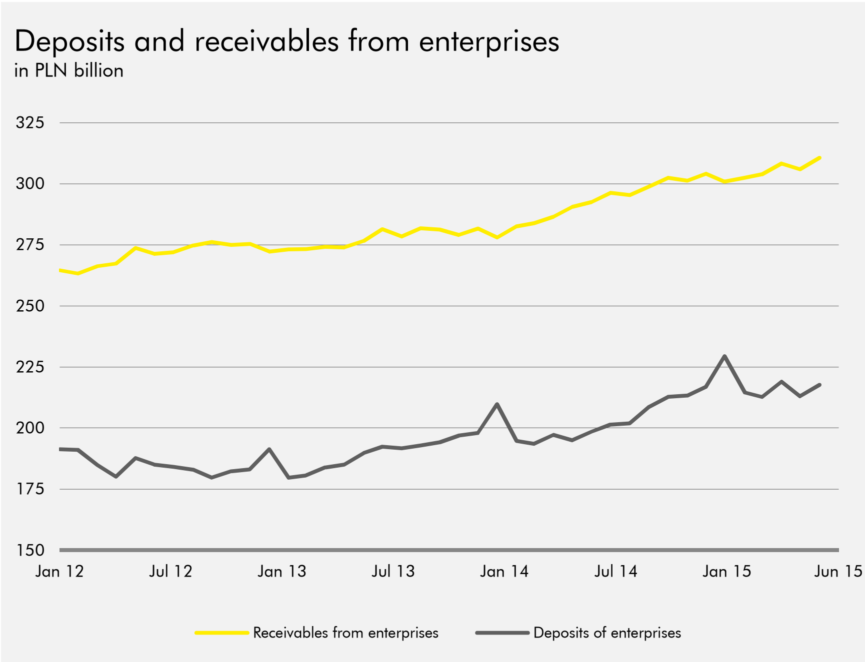
At the end of June 2015, the key items of the banking sector's balance sheet were as follows:

- Household deposits were PLN 626.4 billion, having grown by 10.1 per cent relative to the end of June 2014. The deposits grew in the first half of 2015 by PLN 20.0 billion. Thus the population's willingness to deposit funds with banks has not been adversely affected by low interest rates, and indeed has been supported by the continuing improvement on the labor market, growing salaries and low inflation;
- Receivables from households reached PLN 620.1 billion, having grown by 8.6 per cent year-on-year (up PLN 48.9 billion). Housing loans, which accounted for 61 per cent of all receivables from households, grew by 10.1 per cent year-on-year, to PLN 378.9 billion at the end of June 2015. Over the same period, the value of złoty-denominated loans rose by 12.6 per cent year-on-year, to PLN 201.0 billion, as did the value of foreign currency-denominated loans, which were up 7.4 per cent year-on-year, to PLN 177.8 billion. This volume expansion was attributable to the January surge of the CHF/PLN interest rate, which never returned to its 2014 levels (loans denominated in the Swiss franc represent over 82 per cent of all foreign currency-denominated loans). However, the share of Swiss franc-denominated loans in the total volume of housing loans edged down by 1.2 percentage points, to 47 per cent, on gradual repayments and due to PFSA's Regulation S having come into force to curb sales of Swiss franc loans. The share of consumer loans in total household loans remained at approximately 22 per cent, and their value at the end of June 2015 was PLN 134.6 billion (up 4.7 per cent year-on-year).



Source: In-house analysis based on PFSA data

- Business deposits were PLN 227.2 billion, having grown by 12.8 per cent year-on-year (up by PLN 25.8 billion). The growth seen in June 2015 was much stronger than in the same period of 2014, when corporate deposits expanded by 4.7 per cent year-on-year, i.e., by PLN 9.0 billion.
- Receivables from businesses were PLN 316.5 billion, up by 6.8 per cent year-on-year. Receivables from small and medium-sized enterprises (SMEs) grew stronger than receivables from corporates – by 7.3 per cent year-on-year, to PLN 182.2 billion, compared with a 6.1 per cent year-on-year increase, to PLN 132.2 billion, in the corporate segment. In the case of the SMEs, the strongest growth was reported in investment loans (up 9.3 per cent year-on-year), while large enterprises recorded the highest growth dynamics in real estate loans (+11.8 per cent year-on-year).

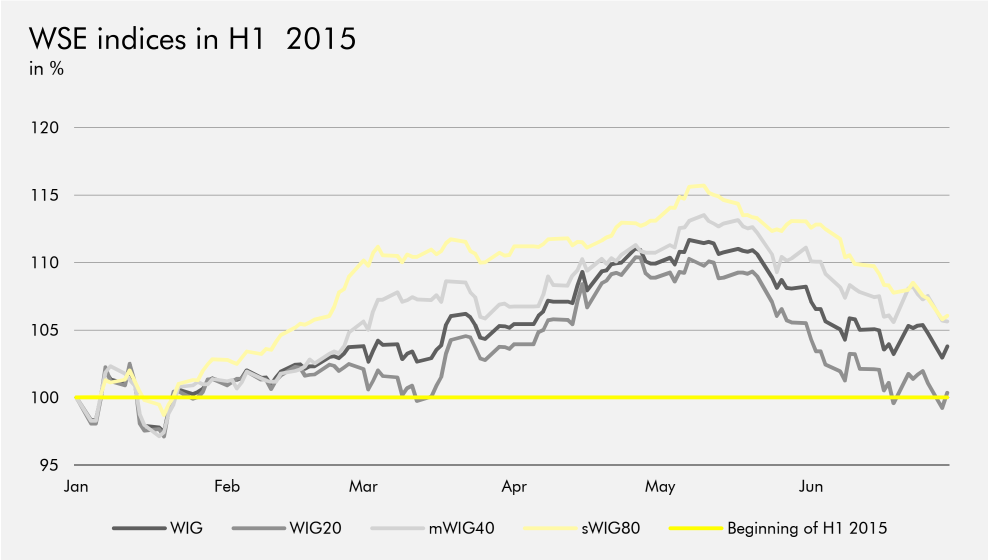


Source: In-house analysis based on PFSA data

The capital base of Poland's banking sector improved to PLN 166.3 billion (up 6.1 per cent year-on-year) at the end of June 2015, while the solvency ratio at the end of March 2015 rose to 14.9 per cent, i.e., by 0.2 percentage point on the end of 2014.

2.8. Capital market

In the first half of 2015, trading on the WSE market was volatile. The main index, WIG, moved within the range from minus 3 per cent to plus 12 per cent relative to its 2015 open, which marked a strong increase in volatility on 2014. At the end of the first half of 2015, WIG closed 4 per cent up on the beginning of the year, while WIG20, the market's blue-chip index, remained practically flat. In contrast to the wider market, small and medium-sized stocks covered by the mWIG40 and sWIG80 indices increased by 6 per cent in the first half of the year. The weaker performance of blue chips was attributable to a reversal in the investor sentiment towards the commodity, banking and energy sectors, which in the first half of 2015 declined by 9 per cent, 7 per cent, and 4 per cent, respectively.
The number of IPOs on the WSE was 10, compared with 28 in 2014, as record low interest rates encouraged businesses to seek debt financing. The value of issues on the Catalyst market of debt instruments was PLN 67.0 billion, having increased by 1.2 per cent year-on-year. The growth in the value of bond issues was accompanied by a 23.9 per cent decrease in turnover, which fell to PLN 1.2 billion.
A decline in trading volumes was also seen the index futures market (minus 43.1 per cent year-on-year), and largely resulted from the change of the multiplier from PLN 10.00 to PLN 20.00 per point. Compared with the first half of 2014, the trading volume increased by 1.9 per cent.
The segment of structured products grew rapidly, by 36.7 per cent year-on-year, with a turnover of PLN 385 million.



3. Key highlights and achievements of Raiffeisen Bank Polska S.A. Capital Group in the first half of 2015

In the first half of 2015, the Group posted a net profit allocated to shareholders of the parent company of PLN 99.8 million, representing an increase of 36 per cent as compared to the corresponding period of 2014. Including PLN 12.9 million net profit attributable to non-controlling interest in the first half of 2014, the net profit for the first half of 2015 grew by 15 per cent year-on-year. The year-on-year growth of consolidated net profit was mainly driven by: decrease of the net impairment losses by 25 per cent due to the improvement of risk parameters in the retail banking and reduction of general administrative expenses by 10 per cent following the restructuring efforts and optimization of the Bank's cost base.

In the first half of 2015, the Bank started the execution of the Strategy for the years 2015-2017.

An introduction of a Dream Account offer (*Wymarzone Konto Osobiste*) was a key highlight in the Retail Banking segment. As a result of intensified marketing and sales efforts, the Bank maintained 141.0 thousand Dream Personal Accounts at the end of the first half of 2015, and the number of active clients grew to 653,000. A sizeable growth was also recorded for retail deposits – the volume increased to PLN 18.2 billion, i.e. by PLN 2.8 billion vs. the end of 2014.

In the private banking area the Bank proved its leading position by achieving the highest, five-star rating in Forbes' Polish private banking ranking table for the second consecutive time. Moreover, the first half of 2015 saw a strong growth in assets under management in the Friedrich Wilhelm Raiffeisen segment - by 11 per cent over the six-month period and by 17 per cent year-on-year.

The Bank has strengthened its position also in the Corporate Banking segment in the first half of 2015 and expanded its customer base by 7 per cent year-on-year to 13,300. Moreover, the net loans granted to corporate customers increased by 6 per cent year-on-year.

With factoring turnover of PLN 8.8 billion in the first half of 2015 the Bank maintain its position as the largest factor in the country. The number of invoices purchased by the Bank in the first six months of 2015 exceeded 299 thousand.

In the first half of 2015, a wide range of the Bank's operational functions were centralized (nearshored) in the new Operating Center in Ruda Śląska as part of the Operations Transformation Project. Process migration and centralization is scheduled for completion by 31 December 2015.

The three-year bonds of the Bank in the amount of PLN 500 million have been introduced to the Alternative Trading System, Catalyst in January 2015. The Bank issued the bonds in November 2014.

Raiffeisen-Leasing Polska S.A., a subsidiary of the Bank operating in the leasing industry, kept the leading position on the market. In the first six months of 2015 Raiffeisen-Leasing's business grew in pace with the broader market. In terms of the value of leased movables, the Company ranked second, while in terms of the total value of all leased assets, including real property, it was the fourth largest lessor in Poland.

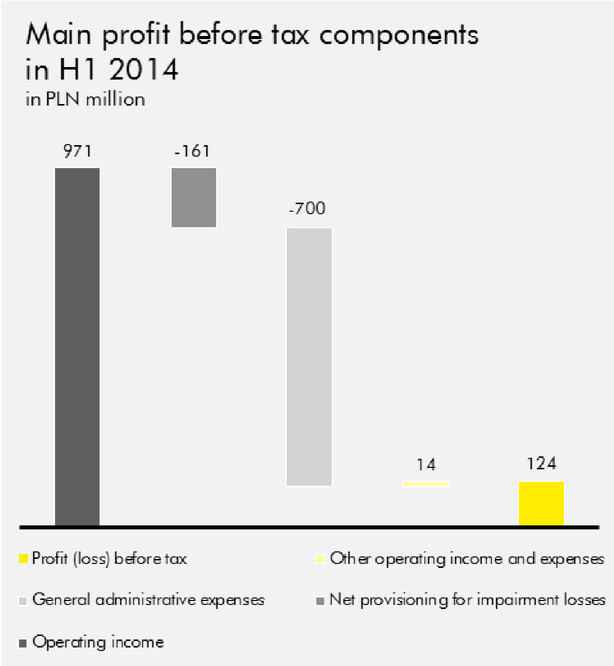
Summary of the financial results of the Group in the first half of 2015:

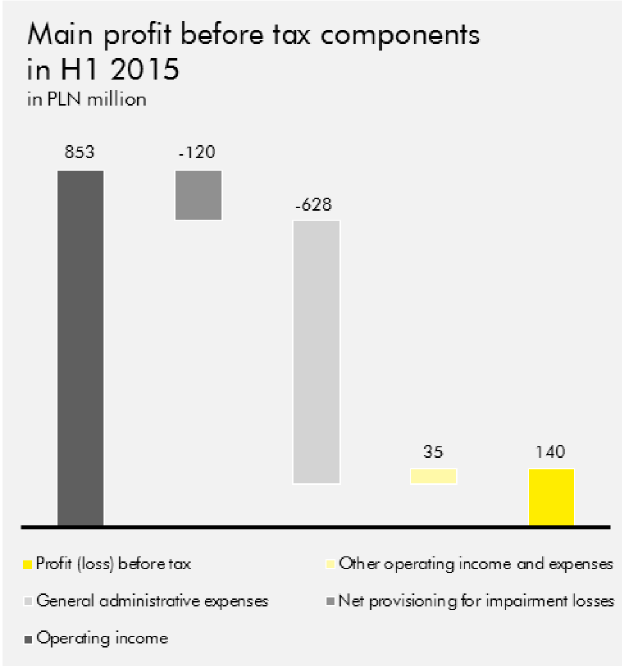
Growth of net profit allocated to shareholders of the parent company by 36 per cent year-on-year	PLN 99.8 million of net profit allocated to shareholders of the parent company vs. PLN 73.6 million in the corresponding period of 2014
Growth of net profit by 15 per cent year-on-year	PLN 99.8 million of net profit vs. PLN 86.5 million in the corresponding period of 2014
Reduction of expense base and improvement of cost efficiency	Decrease of general administrative expenses by 10 per cent year-on-year
Decrease of net impairment losses by 25 per cent year-on-year	Improvement of risk parameters in the retail banking
Increase of customer loan and deposit volumes	Increase of customer loans and advances to PLN 40.8 billion, i.e. by 4 per cent year-on-year Increase of liabilities towards customers to PLN 35.2 billion, i.e. by 15 per cent year-on-year
Stable capital and liquidity ratios	Total capital ratio at 13.35 per cent Tier 1 capital ratio at 12.76 per cent Loans / deposits ratio at 116.1 per cent

4. Financial situation of Raiffeisen Bank Polska S.A. Capital Group in the first half of 2015

4.1. Profit and loss statement

In the first half of 2015, Raiffeisen Bank Polska S.A. Capital Group generated profit before tax of PLN 140.4 million in comparison with PLN 124.4 million in the first half of 2014. Profit attributable to the shareholders of the parent entity amounted to PLN 99.8 million and was higher by 36 per cent than profit after six months of 2014. Profit attributable to non-controlling interest was not present in the first half of 2015 due to the purchase of 50 per cent of shares in Raiffeisen-Leasing Polska S.A. in December 2014, which made Raiffeisen Bank Poland S.A. the single shareholder of Raiffeisen-Leasing Polska S.A.





The main factors affecting the result of the Group in the first half of 2015 in comparison to the first half of 2014 were:

- A decrease of operating income by 12 per cent due to drop of both in net interest and non-interest income. Operating income in the first half of 2015 amounted to PLN 853 million;
- A decrease of net provisioning for impairment losses by 25 per cent to the level of PLN 120 million;
- A decrease of general administrative expenses by 10 per cent to PLN 628 million;
- Other operating result amounted to PLN 35 million in the first half of 2015 in comparison with PLN 14 million in the corresponding period of the previous year, i.e. grew by 158 per cent year-on-year. An increase was caused by the one-off sale of tangible assets and decrease of external collection expenses;

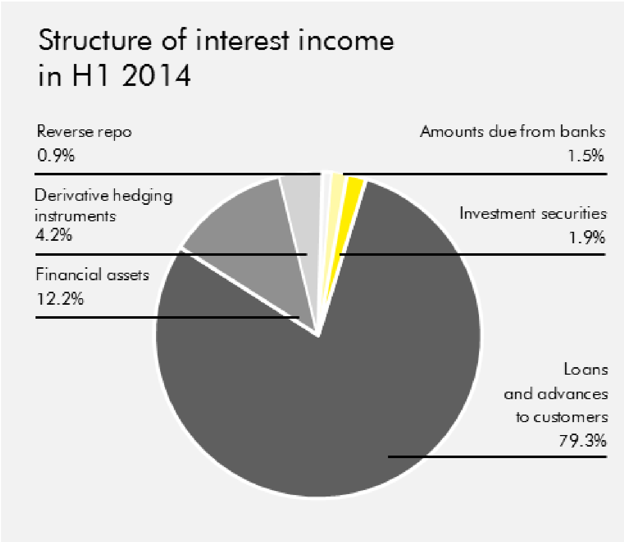
4.1.1. Net interest income

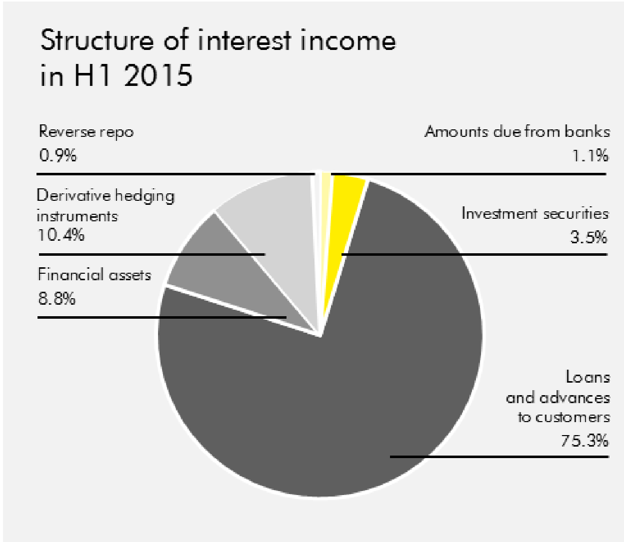
Net interest income of the Group amounted to PLN 544 million in the first half of 2015 and was 13 per cent lower than in the corresponding period of 2014. The decrease was caused mostly by reduction of main NBP interest rates by Monetary Policy Council (MPC) in October 2014 and in March 2015. In the first half of 2014, NBP reference rate amounted to 2.5 per cent and lombard rate to 4 per cent. After the decision of MPC in the first two months of 2015 the NBP reference rate was at the level of 2 per cent and the lombard rate - at the level of 3 per cent. On 5 March both rates were cut to the level of 1.5 per cent (reference rate) and 2.5 per cent (lombard rate).

4.1.1.1. Structure of interest income

In the first half of 2015, interest income decreased by 10 per cent in comparison to the corresponding period of the previous year. It was largely affected by the above mentioned cut of main interest rates. Structure of interest income remained almost the same in comparison with first six months of 2014. Revenues from loans and advances to customers dropped in the first half of 2015 by 15 per cent year-on-year despite growth of average volume by 5 per cent. The share of interest income from loans and advances to customers dropped from 79 per cent in the first half of 2014 to 75 per cent in the first half of 2015.
Another significant item with 9 per cent share in total interest income were interest revenues from financial assets designated at fair value that decreased 35 per cent year-on-year despite the growth of average volume by 5 per cent. Interest revenues from derivative hedging instruments grew 120 per cent during first six months of 2015 and their share increased from 4 per cent in the first half of 2014 to 10 per cent in the

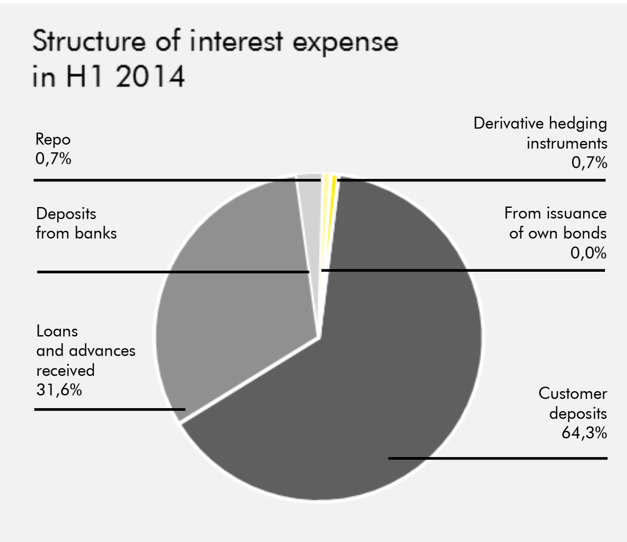
first half of 2015. The growth was caused by the increase of portfolio of derivatives designated to hedge accounting.

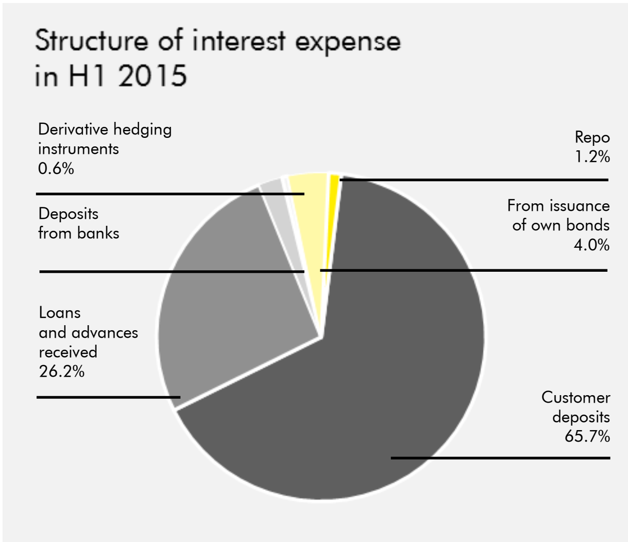




4.1.1.2. Structure of interest expenses

Interest expenses in the first half of 2015 declined 6 per cent compared to the corresponding period of the previous year mainly due to lower level of interest rates. The share of interest expenses from customer deposits increased from 64 per cent in June 2014 to 66 per cent in June 2015. Interest expenses from customer deposits decreased 4 per cent year-on-year despite the increase of average volume by 18 per cent. The decrease was caused by lower level of PLN interest rates and the effective management of the pricing policy in regard to obtained deposits. Interest expenses from loans and advances received dropped in June 2015 by 17 per cent in comparison to June 2014 as a result of change in financing structure of the Group and partly repayment of long-term financing that was replaced by customer deposits. The share of these expenses decreased from 32 per cent in June 2014 to 28 per cent in June 2015.
The expenses from the issue of the own bonds, that were not present in the first half of 2014, amounted to PLN 16.6 million in the first half of 2015.





4.1.2. Non-interest income

The Group's non-interest income amounted to PLN 310 million in the first half of 2015 and was 11 per cent lower than in the same period of previous year.

The net fee and commission income decreased 6 per cent year-on-year. It was mainly caused by fall of revenue from cards by 31 per cent year-on-year to the level of PLN 33 million due to the changes in regulations concerning the interchange fees (decrease of interchange fee from debit card to the level of 0.2 per cent and from credit cards to the level of 0.3 per cent).
The result on instruments measured at fair value and foreign exchange amounted to PLN 23 million in the first half of 2015 and was 50 per cent lower than result in the corresponding period of the previous year. The fall was caused by increase in volume of derivatives designated to hedge accounting, the result of which is reported in interest income and expenses.

4.1.3. Net provisioning for impairment losses

Net provisioning for impairment losses decreased by 25 per cent in the first half of 2015 in comparison to the similar period of previous year and amounted PLN 120 million in comparison to PLN 161 million in June 2014.
The significant decrease of provisions by 57 per cent year-on-year was in Retail segment as a result of improvement in risk parameters for this portfolio. Net provisioning for impairment losses for the retail portfolio amounted to PLN 43 million in the first half of 2015 in comparison to PLN 100 million in the first half of 2014. Net provisioning for impairment losses for the corporate portfolio increased from PLN 60 million in the first half of 2014 to PLN 75 million in the first half of 2015, i.e. by 25 per cent.

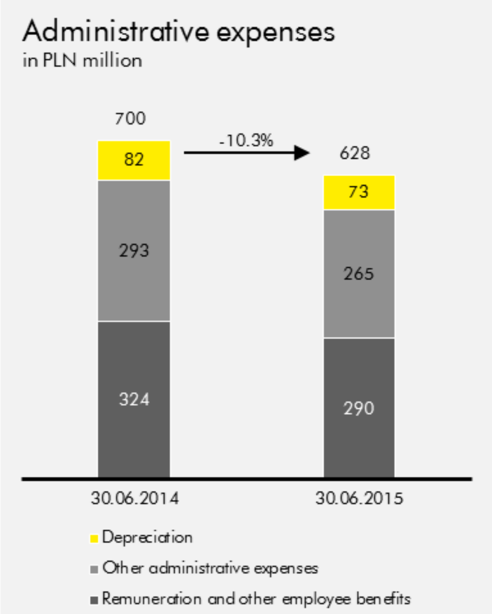
4.1.4. General administrative expenses

In the first half of 2015, general administrative expenses generated by the Group amounted to PLN 628 million and decreased by 10 per cent year-on-year. The Bank reduced its costs base due to continuation of the synergy programs after the merger of Raiffeisen Bank S.A. and Polbank EFG and the successful completion of the operational merger.

The staff expenses decreased by 11 per cent year-on-year due to the introduced synergies as well as the Operational Centre migration from Warsaw to Ruda Slaska. Staff expenses were also impacted by the release of provision for the annual bonus for 2014 following the decision of the Supervisory Board.

Additional savings in staff and administrative expenses were generated by optimization of branch network through closing of 18 inefficient branches in the end of 2014.

Within administrative costs - realized savings amounted to PLN 58 million year-on-year and resulted from finalized integration spending, optimized IT infrastructure and other saving activities. On the other hand, there was a growth in contribution to the Bank Guarantee Fund due to increased charges imposed on banks in 2015.



4.2. Segment results

The Group manages its business based on four operating segments: "Corporate Banking", "Retail Banking", "Financial Institutions and Capital Markets", and "Asset and Liability Management and Other Operations".
The analysis of segments' interest result is conducted after inclusion of internal interest result, i.e. internal interest result from equity reinvestment and allocation of expenses from subordinated loans.

Corporate Banking segment
In the first half of 2015 the Corporate Banking segment generated profit before tax of PLN 164.9 million, i.e. 6 per cent lower in comparison with result of the first half 2014, that was affected by the following factors:

- Lower net interest income caused by cut of main interest rates by Monetary Policy Council that negatively impacted current accounts' margin and result from equity reinvestment allocated to the segment. Both these positions are presented in internal net interest income. Additionally, the change in Group financing structure and thus the increased demand of corporate term deposits impacted negatively margin on liabilities. On the other hand, customer lending growth had positive impact on net interest income;
- Growth of non-interest net income was realised due to higher result on derivative and foreign exchange transactions and improvement of result on leasing activity;
- Higher level of general administrative expenses was caused by significant increase of fees on Bank Guarantee Fund;
- Growth of net provisioning for impairment losses was caused by creation of additional provisions in the first half of 2015 in middle market customer subsegment and reversal of provisions in the small companies' portfolio in the first half of 2014.

Corporate Banking				
in PLN thousand			**Change**	
	30.06.2015	**30.06.2014**	**PLN thousand**	**%**
Interest Income	343,305	370,141	-26,836	-7%
Interest Expense	-76,714	-100,527	23,813	-24%
Net Interest Income (external)	**266,591**	**269,614**	**-3,023**	**-1%**
Net Interest Income (internal)	-28,094	-17,988	-10,106	56%
Net Interest Income	**238,497**	**251,626**	**-13,129**	**-5%**
Non-interest net income	167,859	146,957	20,902	14%
Operating Income	**406,356**	**398,583**	**7,774**	**2%**
General administrative expenses	-185,654	-179,836	-5,818	3%
there of: Depreciation	-26,293	-24,969	-1,323	5%
Net provisioning for impairment losses	-74,568	-59,627	-14,942	25%
Other operating result	18,744	15,908	2,836	18%
Profit (loss) before tax	**164,878**	**175,028**	**-10,150**	**-6%**

Retail Banking segment

Loss generated by Retail Banking segment amounted to PLN 67.6 million in the first half of 2015, i.e. the gross result improved by 14 per cent in comparison to the first half of 2014. Drop of operating income by PLN 107.8 million was compensated by lower general administrative expenses and improvement in net provisioning for impairment losses. The main factors influencing the level of profit before tax in the first half of 2015 were:

- Drop of net interest income – cut of interest rates by MPC, in particular the lombard rate, caused significant decrease of interest revenues and fall of result from equity reinvestment allocated to segment and presented in internal interest income. Additionally, the change in financing structure of the Group and connected with this increased demand on term deposits impacted negatively the liabilities margin;
- Decrease of non-interest income was also connected with unfavourable changes in market environment. Decrease of interchange rates and drop of foreign exchange spread from the loans denominated in CHF caused fall in net fee and commission income;
- Decrease in net provisioning for impairment losses driven by improvement of risk parameters for the retail loans' portfolio;
- Drop of general administrative expenses was due to the completion of the operating integration project, optimization of the network and continuous operations transformation project.

Retail Banking				
in PLN thousand			Change	
	30.06.2015	30.06.2014	PLN thousand	%
Interest Income	387,948	490,639	-102,691	-21%
Interest Expense	-169,176	-145,947	-23,229	16%
Net Interest Income (external)	**218,772**	**344,692**	**-125,920**	**-37%**
Net Interest Income (internal)	37,079	-17,894	54,973	-307%
Net Interest Income	**255,851**	**326,798**	**-70,947**	**-22%**
Non-interest net income	104,625	141,480	-36,855	-26%
Operating Income	**360,476**	**468,278**	**-107,802**	**-23%**
General administrative expenses	-401,212	-461,624	60,412	-13%
there of: Depreciation	-40,760	-51,075	10,315	-20%
Net provisioning for impairment losses	-42,643	-99,514	56,870	-57%
Other operating result	15,758	13,933	1,825	13%
Profit (loss) before tax	**-67,621**	**-78,927**	**11,306**	**-14%**

Financial Institutions and Capital Markets Segment

In the first half of 2015, Financial Institutions and Capital Markets segment generated profit before tax in the amount of PLN 42.2 million, i.e. by 8 per cent higher than in the first half of 2014. The most important growth factor was operating income that increased by PLN 5.3 million. Increase in other operating result by PLN 1.9 million was driven by income from participation of the Group in the IPO of Atal S.A. The negative impact on profit before tax had higher administrative expenses and higher net provisioning for impairment losses – the latter was driven by creation of portfolio provisions on new loans granted to financial institutions.

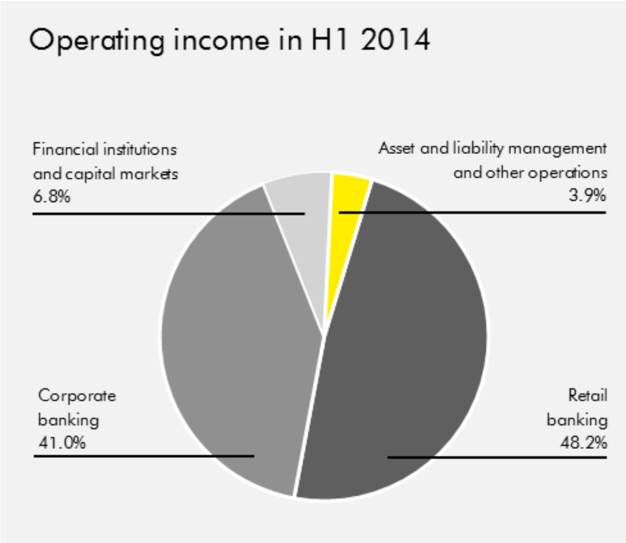
Financial institutions & Capital markets				
in PLN thousand			Change	
	30.06.2015	30.06.2014	PLN thousand	%
Interest Income	26,119	32,296	-6,177	-19%
Interest Expense	-52,011	-66,586	14,575	-22%
Net Interest Income (external)	**-25,892**	**-34,290**	**8,398**	**-24%**
Net Interest Income (internal)	44,370	51,783	-7,413	-14%
Net Interest Income	**18,478**	**17,493**	**985**	**6%**
Non-interest net income	52,828	48,469	4,359	9%
Operating Income	**71,306**	**65,962**	**5,344**	**8%**
General administrative expenses	-29,979	-26,689	-3,291	12%
there of: Depreciation	-2,942	-2,408	-534	22%
Net provisioning for impairment losses	-1,003	-153	-849	553%
Other operating result	1,896	33	1,863	5648%
Profit (loss) before tax	**42,220**	**39,153**	**3,067**	**8%**

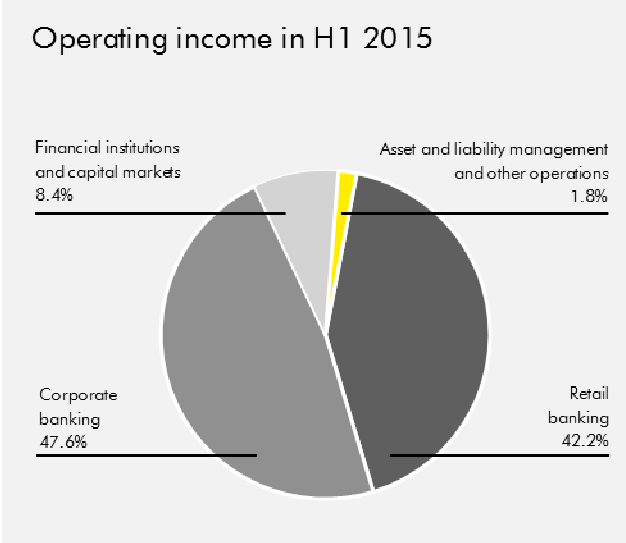
Asset and Liability Management and Other Operations

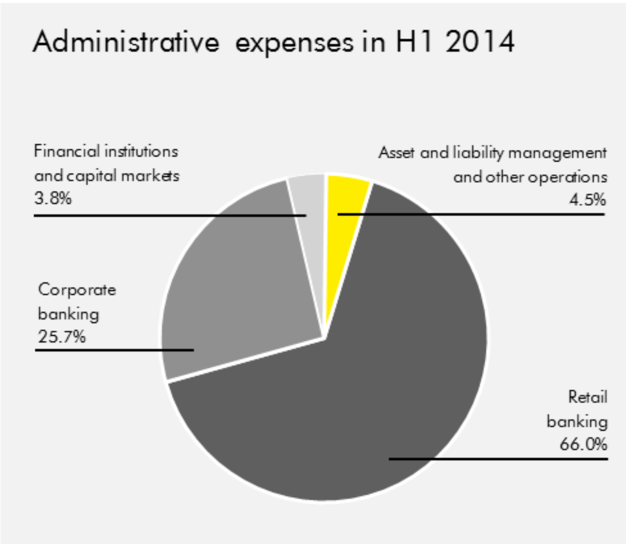
Profit before tax of Asset and Liability Management and Other Operations increased in the first half of 2015 to the level of PLN 0.9 million, i.e. by PLN 11.8 million compared to the first half of 2014. It was mainly driven by the following factors:

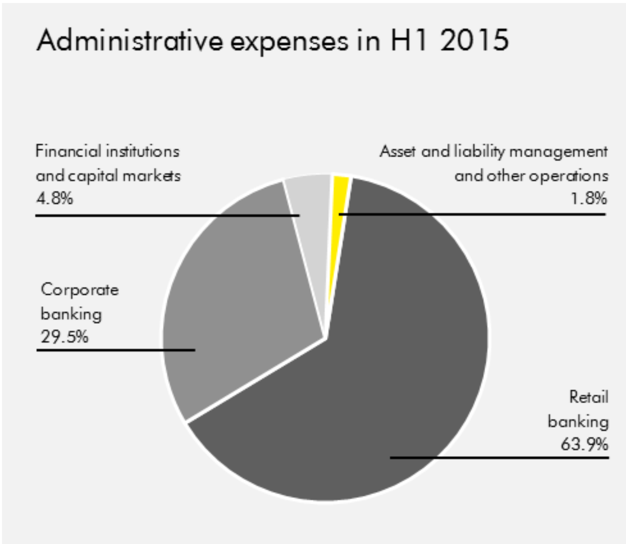
- Lower operating income was caused by decrease of interests rates and change in financial structure of the Group. Interest revenues were impacted by two opposite factors: negative impact of cutting the interest rates followed by decrease of interest revenues from securities and positive impact of increasing the volume of transactions designated to hedge accounting. Interest expenses decreased as a result of change in financial structure of the Group and partly repayment of long term loans. Drop of internal interest income reflects growth of liquidity margin allocated to increase deposits base in customer segments. Non-interest income decreased due to growth of volume of transactions designated to hedge accounting and a negative result is effect of valuation of derivative instruments not designated to hedge accounting and presented in non-interest income;

- Lower general administrative expenses were result of completion of the operational integration of Polbank in the first half of 2014;
- Improvement of other operating result was the result of lower external collection expenses and one-off sale of tangible assets in the first half of 2015.





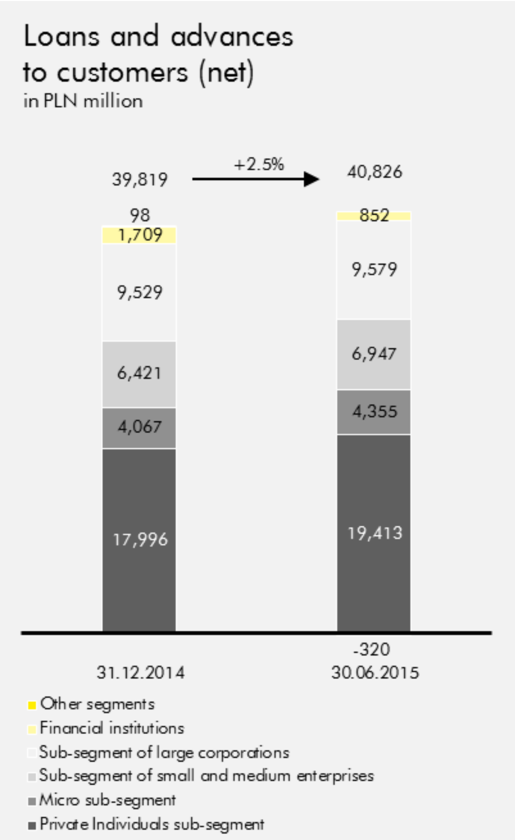


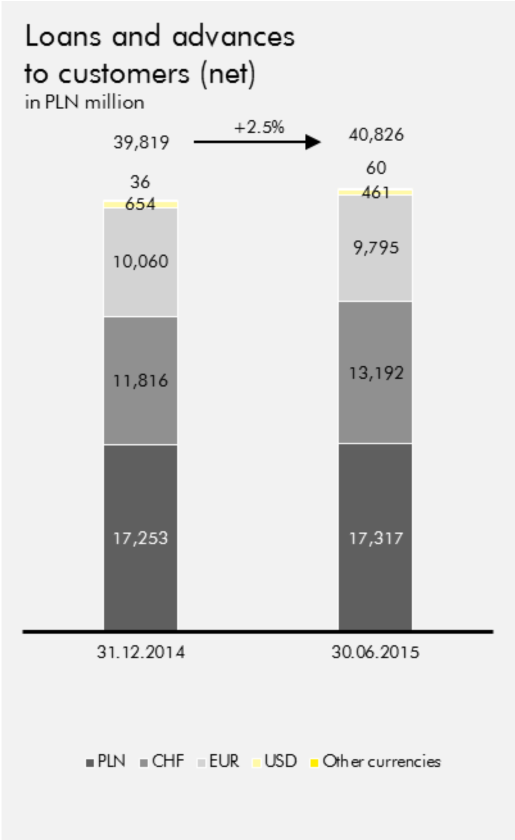


4.3. Statement of financial position

4.3.1. Assets of Raiffeisen Bank Polska S.A. Capital Group

In the the first half of 2015, assets of the Group slightly grew by PLN 231 million, i.e. 0.4 per cent as compared to year-end 2014. After six months of 2015, total assets amounted to PLN 58,879 million. The largest share in the balance sheet structure had loans and advances to customers accounting for 69.3 per cent of total assets. Loans and advances to customers significantly increased by PLN 1,006 million compared to year-end of 2014. This is mainly related to the decision of Swiss National Bank from January and growth of PLN/CHF rate boosting balances of loans denominated in CHF by PLN 1,376 million. Apart from the PLN deterioration, the growth of loans and advances to customers was also a result of increase of sales mainly in Corporate segment with the decline of loans in Financial Institutions segments.



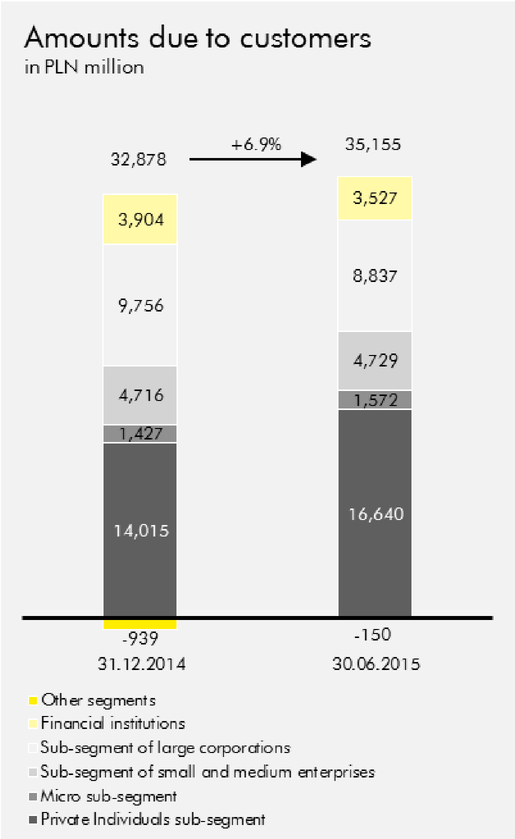


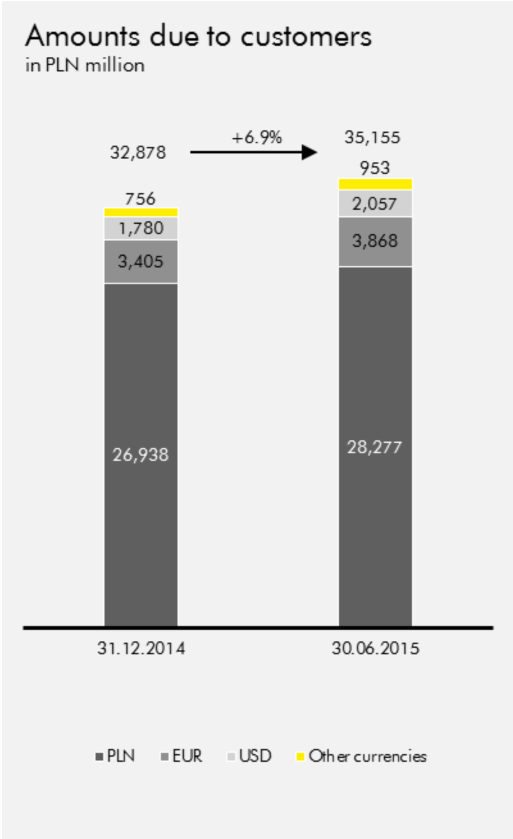
The increase in customer loans was accompanied by reduction in financial assets available-for-sale and investment securities. Compared to December 2014 there was a significant reduction of investment securities' balances together with growth of balances of assets available-for-sale which was related to one-off purchase on NBP weekly bills to investment portfolio in the end of 2014. In the first half of 2015, securities were purchased to available-for-sale portfolio.

4.3.2. Liabilities and equity of Raiffeisen Bank Polska S.A. Capital Group

Liabilities due to customers remained the Bank's primary source of funding. They grew as compared to year end of 2014 by PLN 2,277 million and amounted to PLN 35,155 million. Share of customer funding in balance sheet increased to 59.7 per cent and the growth was recorded mostly in retail segment.

The second important position in the Group's liabilities were liabilities due to banks and other monetary institutions amounting to PLN 13,496 million, which was 22.9 per cent of balance sheet. Balance of this position decreased by PLN 2,892 million compared to year-end 2014 resulting from reduction of wholesale funding from the parent company.





4.4. Key financial indicators

The following table shows the key financial indicators of the Group.

Key financial indicators	**30.06.2015**	**30.06.2014**
ROA net	0.3%	0.3%
ROE net	3.4%	2.6%
Net interest margin	1.9%	2.3%
Cost income ratio	70.7%	71.1%
Net loans / Deposits	116.1%	126.8%

Net ROA – profit attributable to shareholders of the parent company/average assets
Net ROE – profit attributable to shareholders of the parent company/average equity (excl. current period net profit)
Net interest margin – net interest income/ average assets
Cost to income – general administrative expenses, including depreciation/ operating income including other operating result

5. Operations of Raiffeisen Bank Polska S.A. in the first half of 2015

5.1. Retail Banking

Retail Banking includes products and services for retail clients and microenterprises. The segment is divided into the following sub-segments: mass clients, affluent clients, private banking and microenterprises.

In the first half of 2015, Raiffeisen Bank Polska S.A. began to implement its Strategy for 2015-2017 adopted in December 2014, and focused on enhancing its product and service offering for Retail Banking clients. The highest priority was given to offering a unique personal account featuring all four fundamental drivers of value: credibility, partnership, loyalty and convenience. In the first quarter of 2015, the Dream Personal Account (Wymarzone Konto Osobiste) was launched. The new account was received with interest by the existing and new clients, and helped strengthen the Bank's position on the retail deposit market. Compared with the end of 2014, the balance of deposits placed by Retail Banking clients increased by PLN 2.8 billion, to PLN 18.2 billion as at the end of June 2015.

In the first half of 2015, Raiffeisen Bank Polska S.A. continued to improve its financial advisory models and client service standards by focusing on affluent clients and private banking clients. The Bank also engaged in developing electronic delivery channels and remote banking solutions. Additionally, the offering of the distribution network was enhanced to include partnership with several leading financial brokers with nationwide coverage. In the first half of 2015, the Bank also began to seek new growth opportunities by adjusting and making more extensive use of its franchise network.

At the end of the first half of 2015, the number of active clients in the Retail Banking segment was 653 thousand.

5.1.1. Deposit products

Current accounts

In March 2015, the Bank launched the Dream Package (Wymarzony Pakiet) comprising the Dream Personal Account bundled with a MasterCard Debit card and the Dream Deposit Account (*Wymarzone Konto Lokacyjne*). The offer is based on four value drivers:

- credibility – simple, clear and transparent offer valid for an indefinite period;
- partnership – the Bank serves its clients;
- loyalty – existing clients may always choose from all offers, also those designed for new clients;
- convenience – the products are simple to use and intuitive; the Bank does the thinking for the clients and supports them in everyday life.

The Dream Personal Account's features include free online transfers, access to online and mobile banking, free cash deposits at the Bank's branches and CDMs and one free branch cash withdrawal a month. Further, all funds in the account earn interest. The offer is available to both new and existing clients.

The launch of the new Dream Package was supported by an advertising campaign and a promotion, where clients were offered deposits earning 6.0 per cent interest (Dream Deposit (*Lokata Wymarzona*)).

As a result, at the end of the first half of 2015 Raiffeisen Bank Polska maintained 141.0 thousand Dream Personal Accounts, including 52.4 thousand accounts opened for new clients, 16.6 thousand accounts opened for existing clients who had not previously had a personal account at Raiffeisen Polbank, and 72.0 thousand accounts opened for existing clients holding other types of account.

Branches were the key sales channel for Dream Personal Accounts, while as much as 25 per cent of the new accounts were opened online.

Apart from launching a competitive and unique product, Raiffeisen Bank Polska also optimized the account opening process at its branches. As a result, the time necessary to open an account at a branch was cut to five minutes and the number of required client's signatures was reduced to one.

The new offer received positive opinions in external rankings. Raiffeisen Polbank's Dream Personal Account was named the best account in the "no stress" category by Comperia.pl, a financial website, and received the Client's Laurel in the "Discovery of the Year" category. The *Polityka* weekly ranked it second in the best online account category.

Term deposits

In the first half of 2015, the Bank focused its efforts on retaining the volume of deposits received in 2014. To retain maturing term deposits, the Bank undertook extensive efforts to streamline the management of maturing balances. The efforts included tailoring terms of the deposit offering to clients' individual needs based on results of prior analyses and client segmentation.

The highest interest among clients was reported for R-Deposit for new funds (R-Lokata na nowe środki) denominated in the Polish złoty. Mobile Deposit (Lokata Mobilna) continued as the product earning highest interest, and it served as a tool of promoting mobile banking among users of electronic delivery channels.

5.1.2. Debit and credit cards

Along with the Dream Personal Account, the following products were launched: MasterCard Debit card and two stickers for contactless payments – Debit Minicard (*Minikarta Debit*) for mass clients and Debit Class&Club Minicard (*Minikarta Debit Class&Club*) for affluent clients.

By the end of June 2015, 95.0 thousand debit cards were sold, i.e., 70 per cent of new accounts were bundled with debit cards.

A very popular choice among clients in the first half of 2015 was the MasterCard Debit card in euro issued for a euro currency account that provided access to the R-Dealer online currency exchange platform, where clients may exchange currencies online. Compared with the first half of 2014, the sale of these cards increased by 21 per cent, to 1.5 thousand cards sold.

In 2015, optimization of the credit card offer continued. In March 2015, the Bank launched one new credit card for small entrepreneurs, replacing the previous offer of two separate cards. The credit card for business clients features attractive pricing and transparent fees, but also convenient payments and quick access to funds that may be used to finance day to day operations.

In May 2015, Raiffeisen Polbank was the third bank in Poland to launch the V.me by VISA digital wallet used for convenient and secure payments for online shopping. Expanding the offer of convenient and secure payment methods, in particular for online transactions, is one of the key directions of developing the payment card business at Raiffeisen Polbank.

The adverse market changes, i.e., reduction of the interchange fee and lombard rate cuts which affect profitability of the payment card business, in the first half of 2015 were partially mitigated by activation and promotional efforts aimed at encouraging clients to regularly use credit cards. These efforts resulted in a year-on-year increase in the number and value of non-cash transactions in the first half of 2015 by 34 per cent and 14 per cent, respectively. The most transaction-generating credit card was the WizzAir affinity card, which generates almost 15 per cent of the total turnover of credit cards used by retail clients, even though its share in the total number of credit cards is only 7 per cent.

5.1.3. Lending products

Mortgage lending

Mortgage loans contribute significantly to the Bank's balance-sheet and at the end of the first half of 2015 they totaled PLN 17.4 billion, representing 86 per cent of gross loans and advances to individual clients. As compared to the end of 2014 the portfolio grew by 7 per cent, which was to a large extent driven by PLN/CHF exchange rate movements. The impact of the latter is further described in the chapter 7.1.1 Mortgage loan portfolio denominated in CHF.

From the start of 2015, the Bank consistently implemented a new mortgage sales strategy, revamping origination and after-sales processes and solutions and developing new distribution channels. This major overhaul of the mortgage lending business resulted in a fivefold growth of monthly new lending volumes at the end of the first half of 2015.

Consumer loans

In the cash loan segment, the Bank consistently implemented its 2014 strategy, which brought about record-high sales in the first half of 2015, with volumes up 369 per cent year-on-year, to PLN 445 million. This growth was supported by a suite of measures deployed since mid-2014, which included optimization of the lending process, offering attractive financing products to clients opening Dream Personal Accounts, preferential lending terms offered to existing clients, focus on improving productivity of the branch network, and expanding cooperation with brokers across Poland.

At the end of the first half of 2015, the portfolio of consumer loans, including credit card receivables, granted to individual clients was 2.3 billion vs 2.0 billion at the end of 2014.

5.1.4. Investment products

In the first half of 2015, the Bank offered a whole range of retail investment products. It offered investment deposits and structured insurance as well as guaranteed certificates on a subscription basis. In the first six months of the year, the Bank launched six subscriptions for structured insurance for a total of PLN 72 million and twelve subscriptions for investment deposits for a total value of PLN 412 million.

The Bank also continued to distribute funds marketed under the Raiffeisen brand but managed by a third-party manager (white label). The Raiffeisen Specjalistyczny Fundusz Inwestycyjny Otwarty ("SFIO") Umbrella Fund consisted of four sub-funds with different investment strategies and risk levels. Three sub-funds are managed by ALTUS TFI on a contract basis, while the Raiffeisen Globalnych Możliwości sub-fund is managed by Raiffeisen Capital Management, an asset management company of the Raiffeisen Bank International AG Group.

The product is available in the retail banking network and via online banking system. At the end of June 2015, the number of investment unit holders reached 14 thousand and assets in the Raiffeisen SFIO Umbrella Fund exceeded PLN 439 million. Including the FWR Selektywny FIZ closed-end fund, offered exclusively to Friedrich Wilhelm Raiffeisen Private Banking clients, the assets of the Bank's funds were in excess of PLN 481 million. The structure of assets in specific sub-funds is as follows:

Structure of investment fund assets distributed by the Bank

Fund	Asset manager	Assets as of 31.12.2014 (PLN million)	Assets as of 30.06.2015 (PLN million)
Raiffeisen SFIO Parasolowy			
Raiffeisen Aktywnego Oszczędzania	Altus TFI S.A.	157.3	182.1
Raiffeisen Obligacji Korporacyjnych	Altus TFI S.A.	39.6	63.3
Raiffeisen Globalny Możliwości	Raiffeisen Capital Management	5.8	24.7
Raiffeisen Aktywnego Inwestowania	Altus TFI S.A.	58.4	169.0
FWR Selektywny FIZ	Altus TFI S.A.	45.1	42.0
Funds total		**306.2**	**481.1**

5.1.5. Brokerage house

In the first half of 2015, Raiffeisen Brokers successfully continued its activities in the area of public offerings of structured products of Raiffeisen Centrobank AG, a leading issuer of certificates traded on the Warsaw Stock Exchange. During the reporting period, certificates worth PLN 84 million were sold.

Raiffeisen Brokers participated in the PLN 254 million initial public offering of Idea Bank S.A. as a syndicate member and in the PLN 143 million initial public offering of Atal S.A. as a joint offering broker in the retail and institutional offers.

In the first half of 2015, the number of investment accounts operated by the brokerage subsidiary rose by over 15 per cent year-on-year, to 9.5 thousand as at 30 June.

5.1.6. Friedrich Wilhelm Raiffeisen Private Banking

Friedrich Wilhelm Raiffeisen Private Banking ("FWR") is designed for clients with assets in excess of PLN 1 million.

the first half of 2015 saw a strong growth in assets under management in the Friedrich Wilhelm Raiffeisen segment. Due to the appreciation of the existing assets and new money inflows, at the end of June 2015 assets under management totaled PLN 6.8bn, having grown by 11 per cent over the six-month period and by 17 per cent year-on-year.

In 2015, the Bank established business relationships with two fund managers, and expanded its offer to include products exposed to new asset classes, namely closed-end investment funds based on debt and real estate portfolios. As in previous years, FWR continued as an active distributor of structured certificates issued by Raiffeisen Centrobank AG.

In early 2015, FWR Private Banking was given the highest, five-star rating in Forbes' Polish private banking ranking table for the second consecutive time. Last year's score was upheld in recognition of the Bank's innovative approach to private banking strategies.

5.1.7. Microenterprises

In the first half of 2015, the Bank acquired 8.2 thousand new microenterprise accounts, which is 81 per cent more than in the same period last year. One of the growth factors was the addition in March 2015 of Dream Business Account (*Wymarzone Konto dla Biznesu*) to the range of deposit and transaction account products. The expanded product range now includes a business bank account with a free service package. In just three months almost 10 thousand Dream Business Accounts were opened by new (over half of that number) and existing clients. At the same time, deposits rose by 33 per cent year-on-year, to PLN 1.6 billion.

The Bank reported record-high sales of loans to microenterprises. In the first half of 2015, the Bank's new lending volumes rose 56 per cent year-on-year following its inclusion in the client acquisition model and mobilization of retail relationship managers across the branch network. In addition, in April 2015 the Bank launched a new investment mortgage loan disbursed in tranches and an instalment loan secured by a de minimis guarantee provided by BGK with a maximum loan limit of PLN 500 thousand. In May 2015, holders of Dream Business Accounts were provided with access to financing on preferential terms.

As part of efforts to grow its terminal/card acceptance business, on 31 March 2015 the Bank signed a 10-year strategic partnership agreement with EVO Payments International. The partnership will enable Bank clients (microenterprises and corporate clients) to use the most advanced solutions available on the global payment processing market. Also, with this new alliance the Bank will be able to actively expand its terminal business by offering acceptors (firms using terminals in their day-to-day business) the best available service, attractively priced offers and state-of-the-art solutions in card transaction processing and alternative payment methods.

5.2. Corporate banking

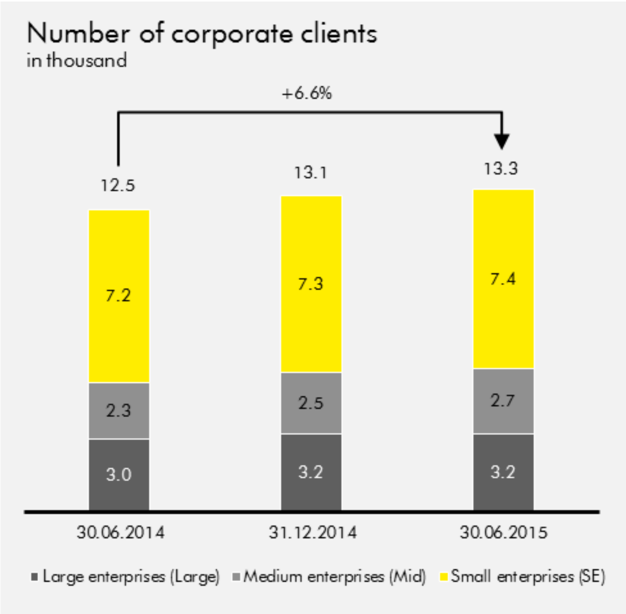
Corporate Banking includes sale of products and services for enterprises and other entities, such as companies and co-operatives, non-commercial institutions, public sector entities and sole traders who do not meet the classification criteria for the microenterprises category. The segment is divided into sub-segments of large, medium-sized and small enterprises.

5.2.1. Client base growth

In the first half of 2015, the Bank continued the strategy of strengthening its position in the corporate segment, and expanded its base of corporate clients. At the end of June 2015, the Bank had 13.3 thousand corporate accounts, up 6.6 per cent year-on-year and 1.8 per cent compared to December 2014.

By business segments, the corporate client base comprised of 3.2 thousand large enterprises, 2.7 thousand medium-sized enterprises, and 7.4 thousand small enterprises.

Medium-sized enterprises was the fastest growing sub-segment, with its client base having expanded by close to 350 new accounts (14.8 per cent).



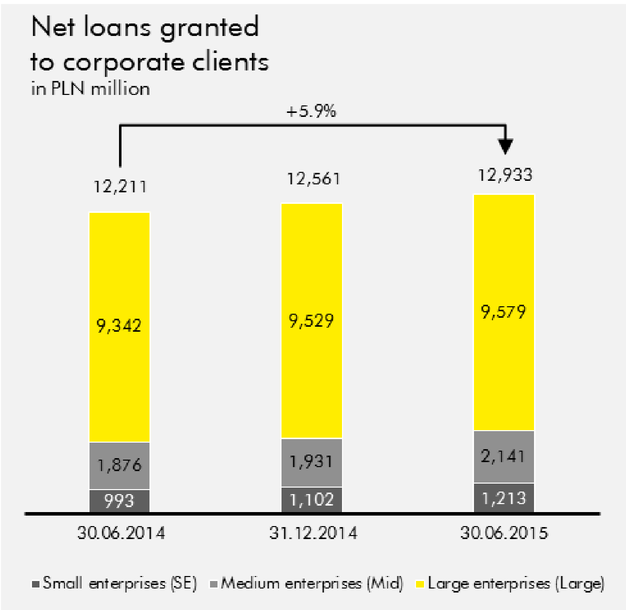
Clients by segment:
SE – clients with an annual turnover of between PLN 4 million and PLN 25 million
Mid – clients with an annual turnover of between PLN 25 million and PLN 100 million
Large – clients with an annual turnover of over PLN 100 million

In line with the strategy adopted for the Corporate Banking segment, the Bank's priority is to grow its SME business. Steps taken in the first half of 2015 were aimed at improving clients' satisfaction through such measures as reducing the waiting time for credit decisions and disbursements, developing modern factoring and transaction banking solutions, and improving and simplifying internal processes.

Sales efforts in the small business segment (firms with annual revenue of between PLN 4 million and PLN 25 million) focused on expanding the portfolio, both in terms of client base and lending volumes, and on enhancing customer service experience for the existing clients.

5.2.2. Lending activity

In the first half of 2015, the total net value of loans granted to corporate clients increased by PLN 372 million, (or 3 per cent), to PLN 12.9 billion at the end of June 2015. Relative to June 2014, the figure was up by PLN 723 million, or 5.9 per cent.



In the first half of 2015, the strongest growth in lending activity was seen in the SME segment. In the first six months of 2015, the most substantial increase was recorded among medium-sized enterprises, where loan volumes were up by PLN 210 million, or 10.9 per cent. Growth was slightly slower in the small enterprises segment, with loans up by PLN 112 million, i.e., 10.2 per cent vs. the end of 2014. Such substantial expansion of lending to small and medium-sized enterprises is proof that the Bank has successfully implemented its strategy of gradually building up the Bank's position in the SME segment of the market. On the other hand, the improved figures were also driven by the Bank's continuous efforts to evolve its business by modifying products, sales policies and internal processes with a view to ensuring increased specialization, reducing delivery times, and offering solutions even more tailored to the clients' needs, especially in the SME segment.

In the corporate banking segment, in the first half of 2015 the lending volumes increased by PLN 50 million, i.e., 0.5 per cent.

The segment's net loans to deposit ratio was 94.6 per cent as at the end of June 2015, up by 1.3 percentage points year-on-year.

In the first half of 2015, the Bank continued as an active player on the market for loans secured with de minimis guarantees available under the government support scheme for micro-, small- and medium-sized enterprises, designed to enhance their liquidity. Under the de minimis portfolio guarantee facility agreement executed by the Bank and Bank Gospodarstwa Krajowego, the guarantee limit available to Raiffeisen Bank Polska was increased from PLN 700 million to PLN 1.1 billion. As at the end of June 2015, the amount of limit used under the agreement was PLN 655 million, of which PLN 439 million supported corporate loans, and the remaining PLN 216 million supported loans advanced to microenterprises as part of the Bank's retail offer. Consequently, the Bank ranked tenth in terms of the amount of the guarantee limit used.

5.2.3. Trade finance

In the first half of 2015, the Bank issued 3.5 thousand guarantees for a total amount in excess of PLN 1.6 billion, up nearly 10 per cent year-on-year. Based on the the first quarter of 2015 data, the Bank ranked third and fourth in the Polish Bank Association (PBA)'s ranking of largest guarantee provider in Poland, by volume and value, respectively.

In the first half of 2015, the Bank issued and delivered nearly 1.2 thousand letters of credit for an aggregate amount of over PLN 918 million. After the first quarter of 2015, the Bank secured the top position among banks reporting to the PBA in terms of the value of import letters of credit issued, and ranked second in terms of the number of delivered export letters of credit. Letters of credit issued and delivered by the Bank in the first quarter of 2015 accounted for 16 per cent of all such documents handled by the institutions reporting to the PBA.

5.2.4. Factoring

In the first half of 2015, the Bank's factoring turnover totaled PLN 8.8 billion, up 13 per cent year-on-year. The good performance allowed the Bank to maintain its position as the largest factor in the country. In the first six months of 2015, the Bank purchased over 299 thousand invoices of factoring clients.

In the first half of 2015, the Bank continued to attract new clients, and expanded its factoring client base by 260 new accounts. As a result, 27 per cent of all factoring clients in Poland use Raiffeisen Polbank services.

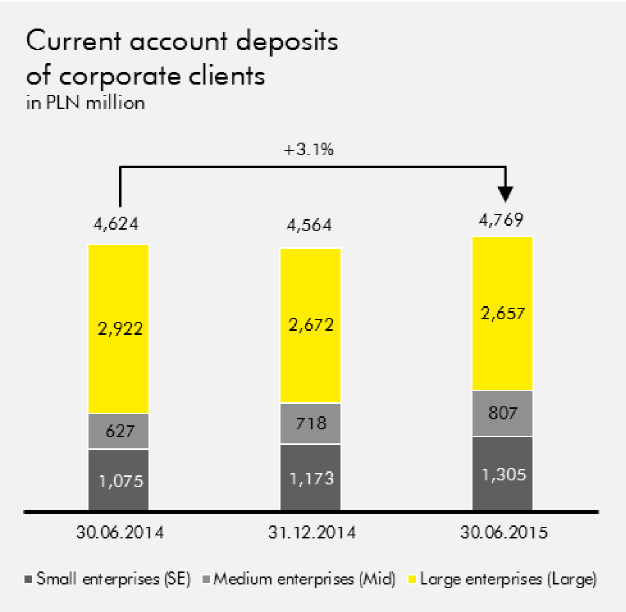
Factoring PLUS, a non-recourse factoring product, is an innovative solution which combines financing with risk transfer. The product attracted considerable interest among small and medium-sized enterprises which consider the possibility of securing transactions by transferring the risk of non-payment to the Bank a material advantage. In the first half of 2015, the Bank signed 49 PLUS non-recourse factoring agreements, and at the end of the first half of 2015 the product was recognized by the *Gazeta Finansowa* weekly, which named it the Best Corporate Product of 2015.

5.2.5. Transaction banking

In the first half of 2015, the Bank strengthened its position as a provider of transaction banking services for corporate clients and financial institutions, focused specifically on exploring business opportunities in the SME market.

The launch of Capital Package (*Pakiet Kapitalny*), the Bank's new product for companies with annual revenues of PLN 4-10 million, and the creation of a central Transaction Banking Desk translated into the segment's strong growth. As at the end of June 2015, the value of cash in current accounts of small businesses increased by over PLN 230 million, or 21 per cent, year-on-year.

Cash held in current accounts of small and medium-sized enterprises totaled PLN 2.1 billion as at the end of June 2015, having increased by 24 per cent as compared to corresponding period of the previous year. At the same time, clients carried out more transactions, with a year-on-year increase in domestic and foreign payments of 8 per cent and 22 per cent, respectively.



In the segment of large corporations and financial institutions, the Bank continued to expand its business by focusing on the relationship-based model. To this end, the number of transaction banking specialists providing day-to-day support for the Bank's clients was increased.

As part of its efforts to develop a product mix for large corporations and financial institutions, the Bank launched new solutions, such as an intra-day credit limit or an international cash pooling service with the main account maintained by Raiffeisen Polbank.

In the first quarter of 2015, the Bank expanded its existing portfolio of settlement services for clients who focus exclusively on electricity trading. As one of only five banks, Raiffeisen Polbank can now not only clear power exchange transactions, but also provide settlement services on the financial market.

The Bank's efforts designed to strenghten its position on the corporate transaction banking market in the first half of 2015 led into an increase in the volume of funds held in customers' current accounts by PLN 205 million (or 4.5 per cent) vs. the end of 2014, to nearly PLN 4.8 billion.

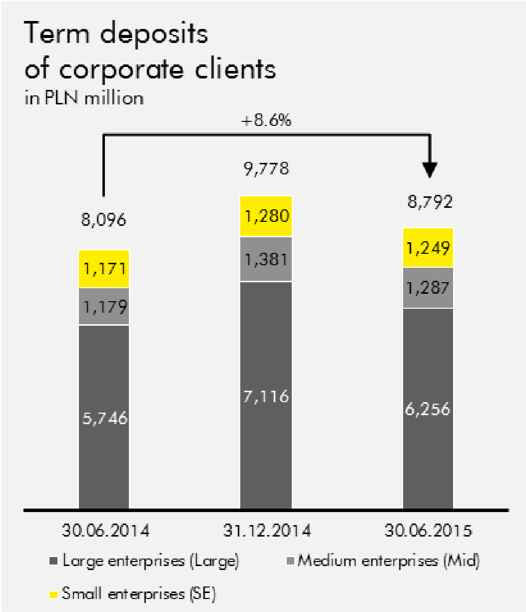
5.2.6. Treasury banking and deposits

In the first half of 2015, the Bank entered into FX Spot, FX Forward and FX Options and IRS transactions with corporate clients. Over the same period, the number of clients actively using the Treasury products increased by 6.2 per cent year-on-year.

The total volume of FX transactions in the first half of 2015 increased by 14 per cent year-on-year, which strengthened the Bank's position as one of leading players on the market. At the same time, the strong competition from other banks and the growing presence of on-line currency exchange bureaus led to a decline in the average spread on foreign exchange transactions. Despite these challenging conditions, revenue from currency exchange transactions increased by 10.5 per cent year-on-year.

One of the channels through which FX Spot transactions were made is the R-Dealer transaction platform. In 2014, the Bank launched an updated version of the application, with revamped visual design and new functionalities, including an expanded choice of automatically quoted currency pairs. For SME clients, R-Dealer was the main channel for entering into spot FX transactions. In the first half of 2015, nearly 82 per cent of FX SPOT transactions were completed using the tool.

The Bank's currency dealers and derivative transaction experts supported the clients in hedging their currency positions with the use of derivative instruments offered by the Bank. In the first half of 2015, the Bank's net result on FX risk hedges was up 39 per cent year-on-year. The number of clients using derivative transactions increased by 12.8 per cent over the same period. FX Forwards were the most popular product, and the overall volume of transactions increased by 25 per cent year-on-year. The Bank also offered currency options, which in the first half of 2015 generated revenue 47 per cent higher than in the corresponding period of 2014.



In the first half of 2015, the Bank offered structured deposits such as the Dual Currency Deposit and the Investment Deposit. The Dual Currency Deposit earned higher interest than standard deposits and came with an option of currency conversion at attractive rates. The Investment Deposit was used by businesses seeking alternative methods of placing their financial surplus, offering higher returns than traditional deposits.

As at the end of June 2015, the total value of deposits from corporate clients was over PLN 8.8 billion, having increased by 8.6 per cent year-on-year.

5.2.7. Investment banking

In the first half of 2015, the Bank continued to develop its investment banking business. Clients were offered M&A, debt and equity finance advisory services.
In the first half of 2015, the Bank was involved in several debt issues (notes, bonds and commercial paper), including for:

- INTEGER.PL S.A. – PLN 20 million bond issue (Arranger and Dealer),
- BBI Development S.A. – PLN 35 million bond issue (Arranger and Dealer),
- Ronson Europe N.V. – PLN 20 million bond issue (Arranger and Dealer),
- Polska Żegluga Morska S.A. – PLN 110 million bond issue (Arranger, Paying Agent, Depositary and Dealer),
- Magellan S.A. – PLN 5 million note issue (Arranger, Paying Agent, Depositary and Dealer).

The total value of debt instrument transaction carried out in the first half of 2015 with the Bank's assistance was PLN 455 million.
As at the end of June 2015, the total nominal value of outstanding debt securities of corporate issuers and banks (excluding local government units) issued with the Bank's assistance was PLN 2.0 billion, including approximately PLN 220 million in short-term securities.
On the equity market, the Bank acted as a financial advisor and joint global coordinator for a PLN 143 million initial public offering of Atal S.A., a property developer. The Bank participated in all stages of the process, including financial advisory, valuation, preparation of the research report, as well as the offering and placement of shares.

5.3. Financial institutions and capital markets

In line with its strategy, the Bank has been an active player on the domestic financial market, acting as an intermediary in FX, derivative and bond trading. The Bank has been a market maker for the electronic bond trading platform BondSpot, and is aspiring to be the Treasury Securities Dealer. As the system bank, Raiffeisen Bank Polska is a money market dealer and a WIBOR submitting bank. The Bank is one of the most active players on the local FX Swap market, also acts as the Group's competence center for products using the Polish złoty as the underlying currency.

As part of its services provided to financial institutions, the Bank focuses on two segments: banks and non-bank financial institutions.

As part of the system of international settlements, the Bank cooperates with many financial institutions worldwide and thus is able to settle payments in 23 currencies. The Bank has established relationships with 25 correspondent banks, with which it maintains currency accounts. The Bank also operates settlement Polish złoty accounts for foreign banks (loro accounts), whose number has been consistently growing.

As part of its day-to-day operations, the Bank acquired new clients and executed new agreements with Polish and foreign non-bank financial institutions. Under those agreements, the Bank offered attractive fund management products, as well as settlement, deposit, treasury and hedging products. It provided financing only to selected entities from that segment.

As a provider of custodian services, the Bank remained the market leader in terms of the number of investment funds using its services. As at 30 June 2015, the Bank operated custodian accounts and supervised valuation procedures for 253 investment funds. The Bank specializes in services for closed-end funds, but has also been consistently expanding its offer for open-end funds. Compared with the first half of 2014, the Bank recorded an increase in the number of custodian clients by more than 15.5 per cent, having signed up 34 new investment funds. The higher number of clients translated into a rise in the volume of assets held by the Bank as custodian.

The Bank has consistently developed its custodian services, and in the first quarter of 2015 it launched a service for direct foreign members of the Polish National Deposit for Securities covering corporate events and cash settlements.

5.4. Awards

In the first half of 2015, the Bank received the following prestigious titles and awards:

- Client's Laurel – Discovery of the Year, for the Dream Personal Account;
- Second place for the Dream Personal Account in the ranking of personal accounts compiled by the *Polityka* weekly in the online accounts category;
- Sixth place for the Premium account in *Polityka*'s ranking in the category of accounts for affluent clients;
- The first prize for Friedrich Wilhelm Raiffeisen Private Banking services from the Forbes monthly, awarded for the second time in a row;
- Distinction for PLUS non-recourse factoring (*Faktoring Pełny Plus*) from *Gazeta Finansowa*;
- Dream Personal Account named the best "no stress" account in the ranking compiled by Comperia.pl, a financial website;
- The Connect online corporate magazine as the Great Finalist of the Columns of the Year contest in the periodicals category.

6. Operations of Raiffeisen-Leasing Polska S.A. in the first half of 2015

The Group's leasing business is conducted by Raiffeisen-Leasing Polska S.A. ("Raiffeisen-Leasing", "Company"), the Bank's subsidiary.
Raiffeisen-Leasing is one of the most recognizable brands on the leasing market in Poland. As at the end of June 2015, the Company provided its services to over 45 thousand clients from various segments, including

natural persons, small and medium-sized enterprises, and large corporations, with microenterprises and small enterprises (SE) having the largest share in the client base, both in terms of the number of clients and the value of lease contracts.

Based on the preliminary data provided by the Polish Leasing Association, in the first six months of 2015 Raiffeisen-Leasing's business grew in pace with the broader market. In terms of the value of leased movables, the Company ranked second, while in terms of the total value of all leased assets, including real property, it was the fourth largest lessor in Poland, with a relatively large share in the leasing market of 7.7 per cent (up by over 14.6 per cent year-on-year). For years the Company has been one of the leaders in financing of light vehicles (up to 3.5 tons). From February 2015 to the end of April 2015, the Company conducted a marketing campaign promoting leasing of light vehicles. The campaign helped Raiffeisen-Leasing secure the second largest share in this segment of the market as at the end of the first half of 2015, both in terms of the value of leased assets (Polish Leasing Association) and the number of registered vehicles (Central Register of Vehicles and Drivers). The strongest growth, by 52.8 per cent, was seen in leases of plant and equipment, making the Company sixth largest lessor in this market segment.

In response to changes in the market environment, including the growing competition, Raiffeisen-Leasing took steps to diversify its distribution channels and improve the quality of the existing channels. In the first quarter of 2015, a project was launched to ensure closer cooperation between the Company and the Bank, with the proposed measures including cross-selling of banking products to the Company's clients and leasing products to the Bank's clients.

High priority was also given to measures designed to automate and simplify processes, including to set up a quick process for passenger car financing. Full implementation of the FasteRlease process is scheduled for early September 2015.

7. Managing key risks

7.1. Credit risk management

Credit risk refers to a potential failure of the Group's debtor to timely settle its cash contractual liabilities (granted loan). The Group's credit risk exposure results mainly from its lending operations and to a lesser extent from sales and operations within its trading portfolio, derivatives and its participation in payment and securities clearing transactions for the Group's and its clients' account.

The Group applies its own internal procedures to measure credit risk related to providing a given client with a loan or other services which are subject to credit risk and a degree of acceptability of such risk. Related implemented and modified procedures are aimed at increasing the efficiency and effectiveness when identifying threats and at determining actions to be undertaken in the case of risk level changes.

Credit risk management is supposed to increase security of the Group's lending operations by assuring the highest quality of credit risk assessments and efficiency of any credit decision-making procedures as well as an effective process for monitoring credit commitments for individual clients and the entire credit portfolio.

The monitoring of credit risk at the portfolio level includes performing regular, periodic analyses of the credit portfolio ensuring identification of adverse trends and concentrations as well as performing ad-hoc reviews of the portfolio relating primarily to changes in the external environment.

In order to control credit portfolio risk in terms of expected and unexpected losses (capital and impairments write-offs) the Group establishes credit risk concentration limits for internal control purposes and manages risk exposure within such limits through a regular monitoring system.

Information about the Group's credit risk exposure as well as its implemented methods to manage such risks are described in the the Interim condensed consolidated financial statements of Raiffeisen Bank Polska S.A. Group for the periods from 1 January 2015 to 30 June 2015 and from 1 January 2014 to 30 June 2014 in the Note related to credit risk management. In that area there were no significant changes as compared to the previous period. In the first half of 2015, the Group did not exceed any of its accepted concentration limits.

As at the end of each reporting period the Group assesses whether there are objective reasons for impairments resulting from one or more events having taken place after the initial recognition of the credit exposure in question in the accounting books. An asset or a group of assets can be possibly impaired only if the loss event (or events) affect(s) the expected future cash flows from the credit exposure or from the group of credit exposures and such cash flows can be reliably estimated.

All categories of financial assets disclosed in the consolidated statement of financial position are periodically tested against impairment (individually or collectively). For disclosure purposes they are classified under one of the three categories: non-overdue receivables without identified impairment, overdue receivables without identified impairment and impaired receivables. Information about receivables tested against impairment by different category and client segment are presented in the Interim condensed consolidated financial statements of Raiffeisen Bank Polska S.A. Group for the periods from 1 January 2015 to 30 June 2015 and from 1 January 2014 to 30 June 2014 in the Note related to credit risk management.

7.1.1. Mortgage loan portfolio denominated in CHF

The CHF-denominated mortgage loan portfolio is a crucial element of the credit risk management in the Bank due to its size and the share in the Bank's loan portfolio. The CHF-denominated mortgage loans account for 70 per cent of the Bank's mortgage loans therefore due its size. The table below presents the mortgage loans split by currency as of 31 December 2014 and 30 June 2015.

Mortgage loans by currency (in PLN million)	**As of 31.12.2014, PLN / CHF =3.5**		**As of 30.06.2015, PLN / CHF = 4.0**	
Currency	**Value of balance sheet exposure, gross**	**Share in the mortgage portfolio**	**Value of balance sheet exposure, gross**	**Share in the mortgage portfolio**
PLN	1,242.5	7.7%	1,385.8	8.0%
EUR	3,922.2	24.2%	3,729.5	21.5%
CHF	11,020.0	68.1%	12,257.0	70.5%
USD	4.1	0.0%	4.3	0.0%
Total	**16,188.7**	**100.0%**	**17,376.7**	**100.0%**

The mortgage loan portfolio value increased as compared to year-end 2014 mainly due to growth of PLN/CHF exchange rate in the first half of 2015.

From the Bank's credit risk perspective no significant one-off risk charges coming from exchange rate fluctuations were identified or are expected to arise.

Additionally, in cooperation with the Polish Bank Association, the Bank introduced the action plan to strenghten monitoring of receivables quality, early warning and customer information processes. Parent Entity activated also additional tools for repayment facilities for clients who have mortgages in CHF.

The systemic solutions for FX risk associated with CHF denominated portfolios proposed by various state and supervisory bodies may have negative impact on the Group's financial results or capital.

7.2. Capital adequacy

A key objective of the capital management process is to consistently maintain the Group's long-term capital adequacy by assuring a proper process for capital risk identification, measurement, monitoring, limitation and reporting.

The Group has been regularly strengthening its capital base with a particular focus on keeping a high share of the highest quality capitals (CET1). In the first half of 2015, the Bank allocated the entire profit for 2014 amounting to PLN 314 million to the core capital. The share of CET1 capitals as at the end of the first half of 2015 remained very high at 96 per cent.

In 2014, the Group met capital adequacy-related regulatory requirements. Tier 1 core capital (CET1) and total capital (TCR) ratios amounted respectively to 12.76 per cent and 13.35 per cent as of 30 June 2015.

7.3. Liquidity risk

The Bank's liquidity risk results from mismatches between maturities of assets and liabilities, i.e. originates predominantly from the need to finance long-term loans with shorter maturity deposits. The risk can be materialised through the lack of possibility to settle its current liabilities or through losses resulting from a rising cost of financing which does not derive from variability of market interest rates.

The basic objective of the liquidity risk management system is such a definition of the structure of the balance sheet of the Bank which will make it possible to attain the income targets defined in the financial plan with concomitant maintenance of the continuous ability to timely pay the liabilities and to attain the imposed internal as well as external (regulatory) liquidity risk limits.

Liquidity risk management in the Bank is centralised, and the process itself is owned by units which are clearly defined in formalised internal procedures and which are assigned respective competences provided that there is a general rule of separation of units managing risk in business terms and units measuring such risk.

To measure the Bank's liquidity risk exposure among others the following are used:

- marked-to market liquidity gap, including modeling renewals of term deposits, balances of current accounts, probability of off-balance sheet liabilities, considering adjustments to receivables following any identified impairments, level of liquid assets, results of concentration analyses for financing sources, etc.,
- set of emergency scenarios, including internal crisis emergency scenario, financial market crisis scenario and a scenario combining both the previous ones.
- set of supervision liquidity measures.

As part of the liquidity risk management process, the Bank, among others: actively managed the balance and cost of deposit products by using its internal system of transfer prices considering the cost of interest rate risk and the cost of liquidity to control the balance sheet. The Bank hedged its balance sheet items and their liquidity cost using derivatives (FX Swaps, Cross-Currency Interest Rate Swaps) a large volume of which was subject to hedge accounting processes in the Bank.

7.4. Market risk

Market risk is related to the fact that possible movements of foreign exchange and interest rates might have impact on the fair value of the financial instruments held by the Bank and thus on the financial result.

To identify areas where the Bank is exposed to the foregoing risks, i.e. interest rate and foreign exchange risks, and to shape the structure of the balance sheet in a manner that maximises the financial results while keeping the imposed risk appetite level, are the main objectives of market risk management.

To measure the Bank's market risk exposure among others the following are used:

- limits of the maximum open interest rate position as the value by which the fair value changes when market interest rates increase by 1 basis point. The values of limits are diversified in terms of exposure sources (bank book and trading book), currency and time interval, in accordance with the Bank's remeasurement schedule,
- limits of the maximum open FX position per currency and in aggregate for all the currencies,
- limits of the value-at-risk, for foreign exchange as well as interest rate risks, with 1-day holding period and 99 per cent confidence level. The value-at-risk is determined using variance-covariance method,
- monthly, quarterly and annual limits of maximum loss,
- Earnings-at-Risk measure which presents sensitivity of the interest result in a year horizon assuming an immediate and identical change of the market interest rates for all the currencies by 100 basis points, prevailing for the entire modeling period. Such a measurement as of 30 June 2015 showed an impact on the net interest income in the amount of PLN 134,095,000 which equals 2.38 per cent of the own funds included in the calculation of the capital adequacy ratio as against to PLN 92,402,000 which amounted to 1.83 per cent of the own funds for the corresponding period of the previous year.

The table below presents value-at-risk statistics as a measure synthetically describing risk exposure levels for the period preceding the reporting date:

Value at risk						
in PLN thousand		**Min.**	**Max.**	**Average**	**As of 30.06.2015**	**As of 30.06.2014**
Interest rate risk	Banking book	1,762	6,530	4,502	2,711	4,518
	Trading book	219	1,702	768	459	1,212
Foreign exchange risk		13	329	102	170	40

7.5. Operating risk

In the first half of 2015, having in mind the security of funds entrusted by the clients and limitation of the possibility of operating as well as reputation losses, the Bank continued its efforts aimed at limitation of operating risk level in selected business areas and at improving operating risk management quality.

The most important actions in that respect included:

- reviewing and updating the Bank's target operating risk profile based on the analyses of the value of the Bank's current risk parameters, its operating losses, key risks prevailing in the Bank's environment, planned changes in the strategy of business operations as well as evaluation of adequacy of its organisational structure and efficiency of the risk management system implemented in the Bank,
- introducing a number of actions to limit operating risk in the Bank's operating processes and systems, especially in terms of limitation of the risk of frauds and the security of IT systems which enable to efficiently prevent criminal threats and to assure the security of transactions carried out by the clients,
- continuation of a project aimed at preparing the Bank for the implementation of advanced methods to calculate operating risk capital requirements (AMA – Advanced Measurement Approach),
- continuing training and awareness sessions for the Bank's employees dedicated to effective operating risk management with particular focus on aspects related to the security of data and protection of IT systems.

During the first half of 2015, the extent of use of the operating risk limits in the Bank was kept within an area below the risk tolerance value approved by the Management Board.

7.6. Compliance risk management

The Bank defines a compliance risk as possible effects of non-compliance of the Bank's operations with applicable laws, internal regulations and standards of conduct accepted by the Bank. Consequences of such risk might include: deterioration of the Bank's reputation or exposing the Bank to losses resulting from legal claims, financial penalties or any other kind of sanctions, imposed by regulatory or control authorities. The Bank's principal objectives in the area of compliance risk management are: securing the clients' and stakeholders' trust and protection of the Bank's reputation.

Significant compliance-related activities carried out in the first half of 2015 included adaptation to Recommendation U (best practices in bancassurance) issued by the Polish Financial Supervision Authority. The aim of the recommendation was to improve the quality of standards of cooperation between banks and insurance companies in the area of insurance products offered to clients by banks, and to determine conditions for stable growth of the bancassurance market.

8. Development of Raiffeisen Bank Polska's organization and infrastructure in the first half of 2015

8.1. IT and Operations

One of the key tasks carried out in the first half of 2015 consisted in the upgrade of the T24 main banking system. Launched in 2014, the process was completed in April 2015 with no negative impact on the Bank's operational continuity. The upgrade improved the system's stability, reduced its maintenance costs, and provided a platform for developing new business functionalities in the future.

Other IT tasks executed in the first half of 2015 were related to the following projects:

- System adaptation to Recommendation U of the Polish Financial Supervision Authority;
- Launch of new services and functionalities for Factoring;
- Development of risk management support systems;
- Launch of new product offer for Retail Banking clients;
- Efficiency enhancements in mass payments systems;
- Support for new distribution channels in the Premium segment;
- Upgrade of electronic banking system for Retail Banking clients.

A cost management program was launched to optimize IT operating costs by adjusting system development and maintenance models, streamlining IT processes and functions, improving license utilization and simplifying application architecture.

In the first half of 2015, a wide range of the Bank's operational functions were centralized (nearshored) in the new Operating Center in Ruda Śląska as part of the Operations Transformation Project. After completion of the construction work in January 2015, the existing Silesian units and deposit product processes were relocated to the new building. At subsequent stages of the migration process, the loan product back-office (responsible for handling retail accounts, microenterprises, credit cards and mortgage loans) and collateral monitoring operations were also transferred to Ruda Śląska. Complaints management, insurance, cash management, foreign payments and corporate clients are currently being migrated. Process migration and centralization is progressing in a timely manner and is scheduled for completion by 31 December 2015. The efficiency of all migrated processes is higher than expected.

At present, the Ruda Śląska Operating Center handles 800 key processes. It also houses the Bank's call center. The Center employs over 300 staff, of whom 200 work in the operations division, and 100 in the retail division.

8.2. Development of electronic channels

R-Online

R-Online internet banking system is dedicated to retail clients and microenterprises. As of 30 June 2015, there were 569,000 users of R-Online, representing an increase of 27 per cent year-on-year. Moreover, the number of active users (at least one login per month) increased by 30 per cent year-on-year.

R-Online Biznes

R-Online Biznes system is dedicated to companies from all corporate banking lines and for some Micro segment clients.

As of 30 June 2015, there were 51,000 users of R-Online Biznes, while the the number of active users (at least one login per month) increased by 2,000 year-on-year to 26,000.

Mobile Banking

The Bank, as the first one in the market, prepared a mobile banking application for its clients (in 2004). Since then, the application has been continuously extended and developed to satisfy expectations of the clients. 'Mobilny Bank' application permits to execute all the basic banking operations: checking transfer amounts, executing transfers (between the clients' own accounts, to pre-defined recipients and domestic transfers), opening deposits, recharging mobile phones.

As of 30 June 2015, the application was held by 79,000 users, i.e. 129 per cent more than a year earlier, while the number of active users more than doubled, i.e. increased by 122 per cent year-on-year.

Number of active* users of the Bank's internet and mobile banking		
thousand	**30.06.2015**	**30.06.2014**
Mobilny Bank	46	21
R-Online	227	174
R-Online Biznes	26	24

* At least one login per month

Number of users of the Bank's internet and mobile banking		
in thousand	**30.06.2015**	**30.06.2014**
Mobilny Bank	79	34
R-Online	569	446
R-Online Biznes	51	46

8.3. Branch network

As of 30 June 2015, the Bank operated 326 branches, including:
- 319 retail branches (without private banking), including 17 partner branches;
- 1 Corporate Banking Center operating independently of the retail branch;
- 7 Private Banking Centers operating independently of the retail branch.

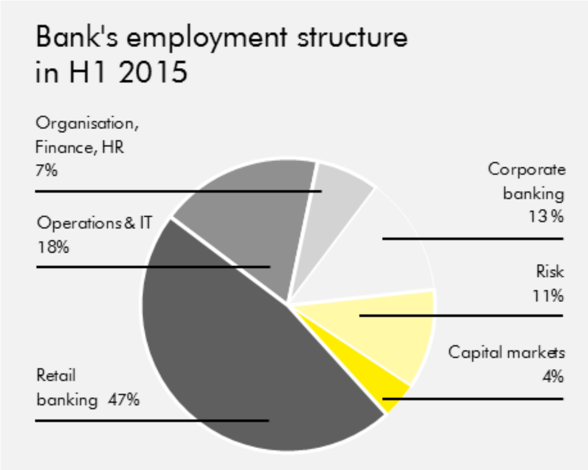
Every retail branch also caters to corporate clients and provides Friedrich Wilhelm Raiffeisen private banking services.

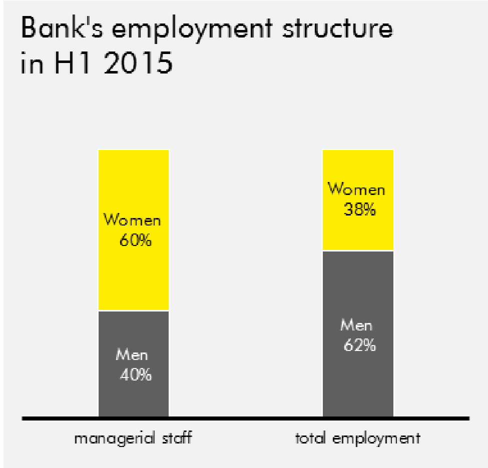
The Bank reviews profitability, productivity and optimization of operations of its branch network in the context of the clients' needs, recent changes on the banking markets, as well as costs incurred and revenues earned. In the first half of 2015, 180 branches implemented an any-desk service model, where clients can access the full range of banking products and services at any desk in a branch. The full roll out of the model is expected to be completed by the end of November 2015. In June 2015, one partner branch was opened.

8.4. Headcount

As of 30 June 2015, Raiffeisen Bank Polska S.A. employed 5,122 persons (active employees, including members of the Management Board) versus 5,164 persons as of 31 December 2014.
Headcount on the FTE-basis amounted to 4,944 as of 30 June 2015. As compared to the end of 2014, the number of full-time jobs decreased by 50 (i.e. by 1 per cent). The change results from continuation of restructuring efforts initiated in 2013 after the merger of Raiffeisen Bank Polska S.A. with Polbank EFG S.A.

The employment in the Group in FTEs			
	30.06.2015	**31.12.2014**	**30.06.2014**
Retail banking	2,310	2,308	2,477
Corporate banking	661	596	582
Capital markets	174	182	182
Operations & IT	893	1,024	1,139
Risk	564	526	585
Organization, Finance, HR	342	358	335
Total Bank	4,944	4,994	5,300
Raiffeisen-Leasing Polska S.A.	436	434	387
Bank and Raiffeisen-Leasing Polska S.A. in total	**5,380**	**5,428**	**5,687**





Women are a prevailing group of employees (62 per cent of the total number of employees), while men hold 60 per cent of management positions in the Bank.

9. Corporate social responsibility at Raiffeisen Bank Polska

In 2015, Raiffeisen Bank Polska continued to support cultural institutions such as the National Philharmonic Hall, the Krystyna Janda Foundation for Culture and the Austrian Culture Forum, and provided financing to a number of social initiatives, including the My Future program organized in partnership with the Nasz Dom Association, which focuses on providing education and learning opportunities to children from children's homes at various levels of school and vocational training.

2015 marked another consecutive year of the Bank's involvement in the Bankers for Financial Education of Youth BAKCYL initiative, where banks' employees volunteer to teach basics of finance management to secondary school students. The project, carried out by the Warsaw Banking Institute, is aimed at familiarizing young people with the rudiments of banking, which may prove useful in the adult world or when making conscious financial decisions. The Bank's employees also take part in a number of charity drives and social projects on their own initiative.

Since 2013, the Bank has sought to educate the business sector as a co-publisher of a special Bank & Business supplement to one of the national newspapers. The publication explores operation of financial markets and the structure of banking products and services for the SME sector.

In June 2015, the Bank donated PLN 100 thousand to the Polish Cystic Fibrosis Society, raised as part of the 'Stop running for yourself – start running for others' charity drive promoting healthy lifestyles. Proceeds from the event will be used to finance a treatment center for cystic fibrosis patients.

10. Development prospects for the Group

10.1. Macroeconomic factors which may affect the Group's performance

The Group assumes that GDP growth in the second half of 2015 will accelerate to 4 per cent, contributing to an annual growth rate of approximately 3.9 per cent. In the Group's opinion, economic growth in 2015 will be driven chiefly by internal demand, as in 2014, with the first quarter of and the second quarter of 2015 data suggesting that, contrary to expectations, net exports may have a neutral or even positive effect on the overall figure, as exports are stimulated by the economic recovery in the eurozone. Continuing improvement on the labor market, understood as further decline of the unemployment rate, stable employment growth, as well as a stable pay growth dynamics are expected to continue to support consumer demand of households. Solid demand prospects and subsequent flow of EU funds to Poland as part of the new budget perspective should contribute to maintaining high investment activity and are expected to result in higher gross spending on capital goods to the extent at least comparable to the spending seen in 2014.

Economic activity in Poland should continue to be positively affected by record-low interest rates, all the more so that the Bank expects them to remain at current levels at least until the third quarter of 2016.

The strong volatility on the currency market is expected to continue, with largest fluctuations likely to be seen in the USD/PLN rate, which may return to the upward trend.

In the second half of 2015, the following factors may become a challenge for the banking sector in Poland:

- uncertainty as to changes in the government's financial and economic policies before the general elections scheduled for autumn 2015, which on the one hand may translate into lower prices of Polish assets following a foreign investor flight, and on the other hand may create new and unexpected operating risks for the Bank. The Law and Justice party (PiS), which leads the polls, announced that it intends to introduce a 0.39 per cent tax on bank assets, which would materially affect the sector's performance;
- adoption of a bill supporting debtors with foreign-denominated loans. The draft of the bill presented in the lower chamber of the Polish parliament ("Sejm") allows qualifying debtors to redenominate their debt with the difference between the redenominated facility and a corresponding złoty-denominated facility split. In the initital draft the difference, if positive, was equally split between the bank and the client. On 5 August 2015 Sejm adopted the bill with significant amendments: 90 per cent of the calculated difference would be redeemed by the bank, the mortgage floor space limits were increased and the possibility of losses amortization in relation to LTV ranges was removed. Coming into force of the Act is dependent on its adoption by Senate and approval by President of Poland.
- political risk (Ukraine and Greece) contributing to financial markets' volatility and uncertainty affecting demand among corporate clients. This could result in depreciation of the Polish złoty and strengthening of the Swiss franc;
- possible strong capital flows in response to higher US interest rates, which may result in some investors exiting the Polish market in search for higher yields in the US. This could result in a weaker złoty and provoke a stronger sell-off on the domestic treasury bond market. Banks have recently increased their exposure to such instruments;
- potential downturn in the global economy, and in particular in the eurozone (e.g., as a result of a Greek default) or in China, which could result in higher uncertainty on the global financial markets, translating into higher yields on Polish treasury bonds and a weaker złoty;
- worse than expected performance of the Polish economy, which might adversely affect the quality of the Bank's credit portfolio.

The above factors may affect the Bank's financial performance in the future.

10.2. Development prospects for the Group

In the second half of 2015, the Group will continue the execution of the Strategy for the years 2015-2017. In accordance with the Strategy, the Group will focus on strengthening its position as a centre market leader specialising in corporate banking and providing services to the segment of SMEs, micro-enterprises and Polish middle class. At the same time, the Group will aim at reaching the best possible financial results and maximizing the value for shareholders, simultaneously ensuring the safety of conducted business.

Those actions will be based on three strategic pillars:

I. Reaching sustainable growth in all business lines

In that area the Bank's efforts will be focused on:

- Raising the Bank's operating scale in all client segments – by offering a wide range of products, with particular attention to high margin and low capital intensity products,
- Raising the number of the Bank's clients – by attracting new clients (through its own network of branches and owing to cooperation with third party partners oriented on mass client acquisition) as well as by increasing the retention of the existing ones, in particular in the retail banking area, in the mass segment,

- Raising the number of products used by clients – by using possibilities stemming from a larger base of clients and by cross-selling additional products and services using the Bank's past experience and skills in that area.

Growth in the operating scale will be supported by a proper selection of distribution channels depending on client segment needs and products.

II. Adapting the structure and the level of costs to the Bank's operating scale

In the second half of 2015, the Bank will continue actions aimed at improving cost efficiency despite rising fixed costs of the banks' operations as a result of regulatory changes, including but not limited to higher rates of mandatory annual fees and prudence fees contributed to the Bank Guarantee Fund.

In addition, in the second half of 2015 the migration of Operations functions from Warsaw to the low-cost Operations Centre in Silesia will continue. Efforts will be also continued to reach operating excellence and improve the efficiency of processes, including actions aimed at introducing the Lean culture in the Bank. Establishing a self-perfecting organisation will translate in a longer term into a better effectiveness of sales, after-sales and support processes as well as into an improved client satisfaction with the Bank's services.

In addition, the Bank expects further actions to restructure employment and savings on the consolidation of IT infrastructure.

III. Adequate and business-oriented risk management

In that area the Bank will strive for assuring stable sources to finance its activities and a stable capital base along with a comfortable liquidity position. In terms of credit risk, the Bank will continue the automation of credit decision making processes, thus supporting client satisfaction improvement strategies, and it will pursue actions aimed at improving the quality of its loan portfolio.

Simultaneously with the activities in the aforementioned areas, the Bank will undertake best efforts to provide its employees with stable work environment where they would have the possibility to succeed and where they would feel recognised and appreciated. In our opinion, high involvement of employees and their motivation to work will help the Bank in facing the challenges of the nearest future.

10.3. Involvement of the Bank's shareholder

On 9 February 2015, Raiffeisen Bank International AG ("RBI"), the 100 per cent shareholder in the Bank, announced actions undertaken in order to increase capital buffers and, as a consequence, to improve the capital ratio CET1 to 12 per cent by the end of 2017. Among its intended actions, RBI mentioned selling the Bank's shares.
The statement from RBI does not have any impact on pursuing the Bank's strategy. The Bank continues its operations on the hitherto existing terms, striving for reaching strategic objectives and developing its range of products and services.

11. Corporate Governance in Raiffeisen Bank Polska

11.1. Corporate governance principles and the scope of their application

Since the beginning of 2015, the Bank, as a financial institution, is subject to "Corporate governance principles for regulated institutions" (hereinafter referred to as the Principles) issued by PFSA, available at the Bank's website and at www.knf.gov.pl.

The principles were accepted and approved by the Bank's authorities before the end of 2014 and as of 30 June 2015 the Bank is fully compliant with the Principles.

11.2. Shareholding

As of 30 June 2015, the Bank's share capital consisted of 248,260 shares with the nominal value of PLN 9,090 each.
As of 30 June 2015, Raiffeisen Bank Polska S.A. has one shareholder which is Raiffeisen Bank International AG (RBI).

11.3. Supervisory Board

The Supervisory Board continuously exercises supervision over the Bank's operations and the scope of its activities is regulated in the Act - Banking Law, the Commercial Companies Code, the Bank's articles of association and its By-laws.
The composition of the Supervisory Board in Raiffeisen Bank Polska S.A. as of 30 June 2015 was as follows:

- Dr Karl Sevelda – Chairman of the Supervisory Board
- Martin Grüll – Vice Chairman of the Supervisory Board
- Dr Johann Strobl – Member of the Supervisory Board
- Klemens Breuer – Member of the Supervisory Board
- Peter Lennkh – Member of the Supervisory Board
- Dr Herbert Stepic – Member of the Supervisory Board
- Władysław Gołębiewski – Member of the Supervisory Board
- Selcuk Sari – Member of the Supervisory Board

On 31 March 2015, Aris Bogdaneris resigned from the function of the Member of the Supervisory Board.

There are the following Committees operating within the Supervisory Board: Executive Committee, Audit Committee, Remuneration Committee.

The composition of the Committees of the Supervisory Board as of 30 June 2015 was as follows:

Members of the Supervisory Board	Executive Committee	Audit Committee	Remuneration Committee
Dr. Karl SEVELDA	-	-	Chairman
Martin GRÜLL	Chairman	Chairman	Member
Dr Johann STROBL	Member	Member	Member
Peter LENNKH	Member	-	-
Władysław GOŁĘBIEWSKI	-	Member	-

11.4. Management Board of the Bank

The Management Board works pursuant to the Bylaws adopted by the Supervisory Board, to the provisions of the Bank's Articles of Association and under applicable laws.

The Management Board is made up at least three members appointed by the Supervisory Board for a joint five-year term. The Management Board includes: the President of the Management Board, the Vice-President or Vice-Presidents of the Management Board and other Members of the Management Board. The Vice-President of the Management Board or one of the Vice-Presidents of the Management Board may be appointed by the Supervisory Board to the position of the First Vice-President of the Management Board who particularly supervises the Bank's operations in the retail banking area.

The Member of the Management Board appointed with approval of the relevant banking supervision authorities mainly supervises the risk management area.

The composition of the Management Board of Raiffeisen Bank Polska S.A. as of 30 June 2015 was as follows:

- Piotr Czarnecki – President of the Management Board, CEO
- Maciej Bardan – First Vice-President of the Management Board
- Jan Czeremcha – Vice-President of the Management Board
- Ryszard Drużyński – Vice-President of the Management Board, COO
- Łukasz Januszewski – Member of the Management Board
- Piotr Konieczny – Member of the Management Board, CFO
- Marek Patuła – Member of the Management Board, CRO

In the first half of 2015 there were no changes in the Management Board of the Bank.

12. Statements of the Management Board of Raiffeisen Bank Polska

12.1. Truthfulness and fairness of the presented financial statements

The Management Board of Raiffeisen Bank Polska whose members are: Piotr Czarnecki – President of the Management Board, Maciej Bardan – First Vice-President of the Management Board, Jan Czeremcha – Vice-President of the Management Board, Ryszard Drużyński – Vice-President of the Management Board, Łukasz Januszewski – Member of the Management Board, Piotr Konieczny – Member of the Management Board, Marek Patuła – Member of the Management Board, represents that to the best of its knowledge:

- the Interim condensed consolidated financial statements of Raiffeisen Bank Polska S.A. Group for the periods from 1 January 2015 to 30 June 2015 and from 1 January 2014 to 30 June 2014 were prepared in compliance with applicable accounting principles and truly, fairly and clearly reflect assets and financial position of Raiffeisen Bank Polska Capital Group and its financial result,
- the Management Report on the operations of Raiffeisen Bank Polska Capital Group in the first half of 2015 includes a true view of the developments of the Group's achievements, including description of principal risks and threats.