

# BANK BGŻ BNP PARIBAS S.A. GROUP

## PRESENTATION OF THE 3 QUARTERS OF 2018 FINANCIAL RESULTS

Warszawa, 15 November 2018



**BGŻ BNP PARIBAS**

The bank for a changing world

**I** Essential facts & information

**II** Macroeconomic situation

**III** Financial results of the Group

**IV** Business segments performance

**V** Challenges for the next quarters

**VI** Appendices





# ESSENTIAL FACTS & INFORMATION



**BGZ BNP PARIBAS**  
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# Execution of the Fast Forward strategy as planned

Improvement of financial results and finalisation of the legal merger with RBPL core bank business

**03.07.2018**  
registration of  
the share capital increase  
by the National Court Register  
related to series J&K share issue

capital ratios  
above  
regulatory levels



2021 targets: ROE above 10%  
C/I ratio at approx. 50%

ROE 6.4%  
+1.5 pp y/y  
C/I 60.8%  
-0.3 pp y/y

**31.10.2018**  
registration of  
the share capital increase  
by the National Court Register  
regarding the demerger of RBPL

legal merger  
finalisation with  
RBPL Core Bank Business

# Acceleration in customers' acquisition

Consistent upward trend in business activity supported by digitalization

**2,925 thousand**  
Bank's customers  
+8.3% y/y

**+40.3% y/y**  
increase in assets under  
management

**+33% y/y**  
sales of  
personal accounts

Growth in number of customers  
y/y

- Retail +223 thousand (+8.3%)
- SME +0.9 thousand (+3.9%)
- Corpo +0.01 thousand (+0.2%)

**+98% y/y**  
sales of mortgages

**127,000**  
of GOMobile users  
+116% vs XII 2017

# Improvement in financial performance

Increase of revenues despite Faktoring deconsolidation, operating costs and risk cost under control

**PLN 319 m**

9M 2018 net profit

**+38.6%**  
y/y

**Higher  
net profit**

**+26.9% vs Q2 2018**

**+1.2%**  
y/y

**Increase in  
net banking income**  
despite deconsolidation of Faktoring  
and cost of securitisation

**+5.7% vs Q2 2018**

**+0.7%**  
y/y

**Slight increase  
in operating costs**

**-7.4% vs Q2 2018**

**-17.4%**  
y/y

**Lower  
cost of risk**

**+85.1% vs Q2 2018**



# 2018 - three quarters of consistent performance increase

Deposit base optimisation related to the merger with core RBPL, cost of risk decrease, general administrative expenses under control

## Financials

Net profit	PLN 319 m	+39% y/y (PLN +89 m)
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Net banking income	PLN 2,071 m	+1% y/y (PLN +25 m), including: <ul style="list-style-type: none"><li>• net interest income: PLN 1,453 m, +0.1% y/y</li><li>• net F&amp;C income: PLN 385 m, +3.5% y/y</li><li>• net trading income: PLN 201 m, +8% y/y</li></ul>
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Costs	PLN 1,259 m	+1% y/y (PLN +8 m)
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C/I ratio	60.8%	-0.3 pp y/y
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Net impairment losses	PLN 219 m	-17% y/y (PLN -46 m)
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## Volumes

Assets	PLN 72 bn, 0.0% y/y
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Loans (gross)	PLN 57 bn, -3.9% y/y
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Customer deposits*	PLN 52 bn, -3.6% y/y
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## Ratios

Total equity	PLN 7,344 m
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Total Capital Ratio	15.22%
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Tier 1	12.32%
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Net loans to deposits	104.9%
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ROE	6.4%
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\* Customer deposits defined as liabilities due to customers excluding loans and advances received from other financial institutions

# „Fast Forward 2018-2021” strategy: implementation



## Simplicity



**GOmobile**  
in Russian  
and Ukrainian



**Electronic signature**  
enabling  
credit processes



## Digitalization



**Another digital  
branches**  
including flagship  
in former Sesame



**Startupy**  
more innovative  
implementation



## Quality



**Strategic partner**  
Coalition Foundation  
for Polish Innovation



**The best account**  
for citizens of Ukraine  
in the Bankier.pl  
ranking



## Growth



**Przechodzę na Swoje**  
Platform for  
beginner companies



**BGŻ BNP Paribas**  
installment loans



## Enthusiasm



**CSR**  
financing of social  
responsible  
enterprises





# New bank with bigger development potential

Legal merger finalisation with RBPL Core Bank Business



> PLN 100 bln  
assets



~3.6 mio  
clients



~700  
branches



~11.6 ths.  
employees

*Estimated data*

## significant player in many areas



International  
corporations



Personal  
Finance



Agro



SME & MidCaps



Private  
Banking



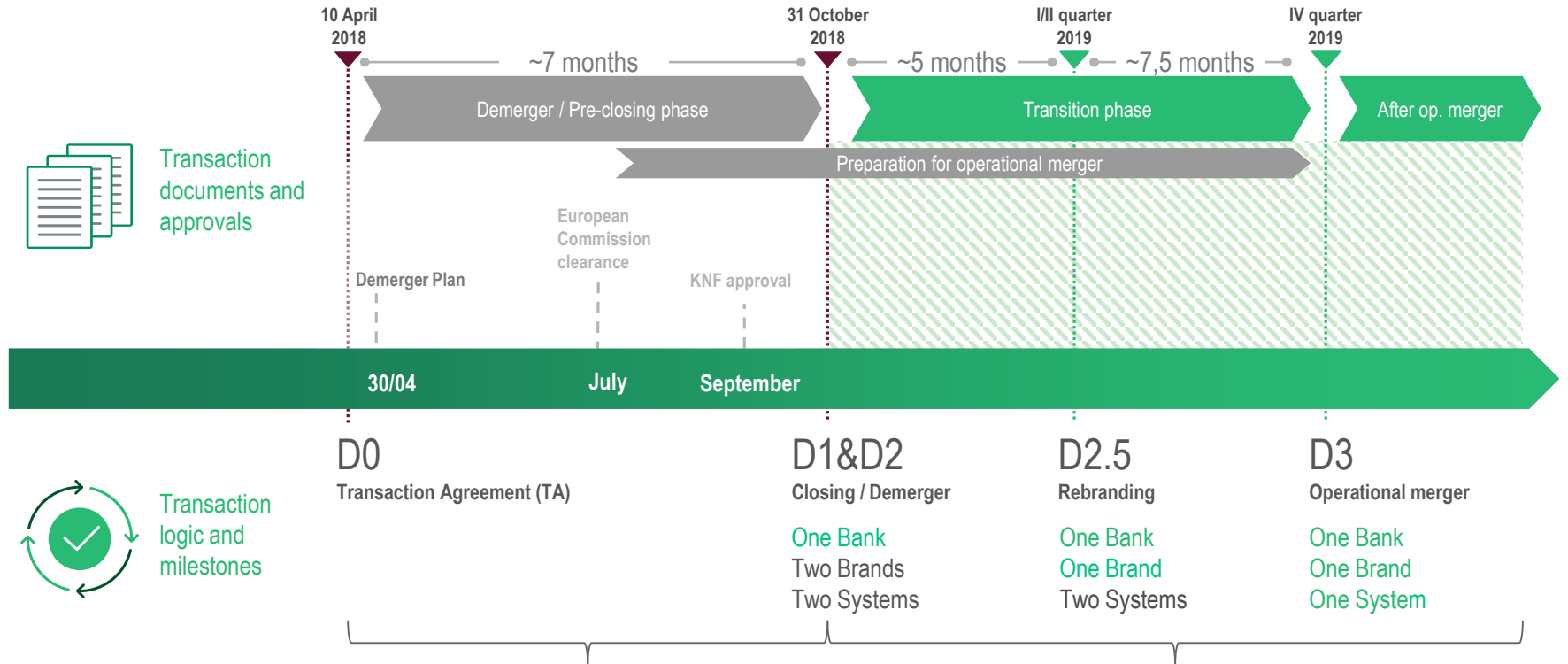
FX



Factoring



# Integration with core Raiffeisen Bank Polska S.A. – timetable





II

# MACROECONOMIC SITUATION

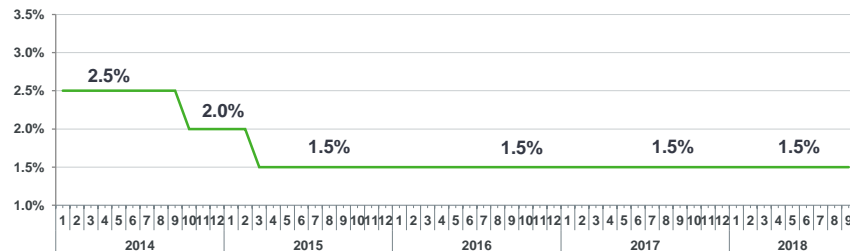


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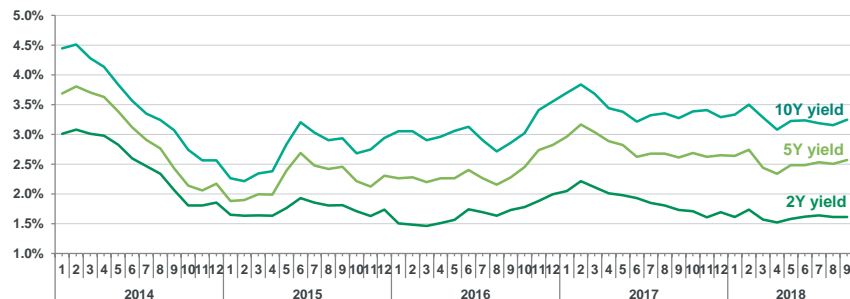
# Financial markets

## Stable interest rates and a slight zloty depreciation

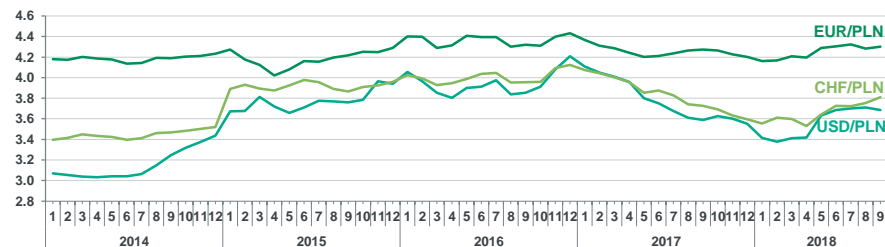
### Central bank reference rate



### Government bonds



### Exchange rates



### Interest rates and foreign exchange

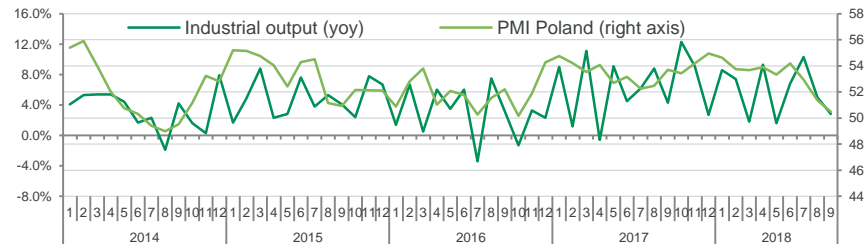
- Interest rate stabilization is expected by the end of 2019 as well as inflation rising above the 2.5% y/y target in the second half of 2019. Negative real rates may be limiting deposit growth in the banking sector (especially of households).
- In the third quarter of the current year the zloty has weakened against main currencies. The decrease in EUR/PLN to 4.25 by the end-year is forecasted. At the same time, an appreciation of the zloty against CHF, due to an increase in EUR/CHF is expected.
- The tightening of monetary policy by the Fed and the ECB, as well as an acceleration of inflation in Poland (after an expected temporary decline), point to an increase in government bond yields in the coming quarters.

Source: NBP, Macrobond

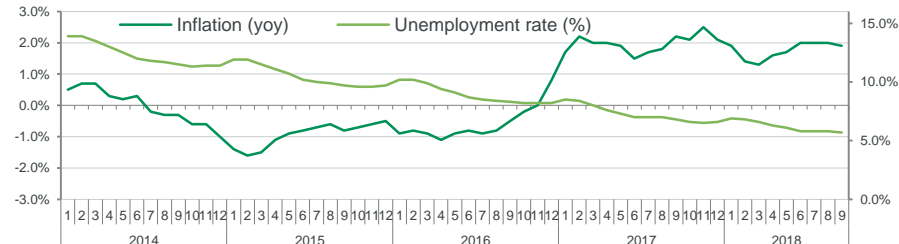
# Favourable macroeconomic situation

## GDP growth slowdown and stabilisation of inflation

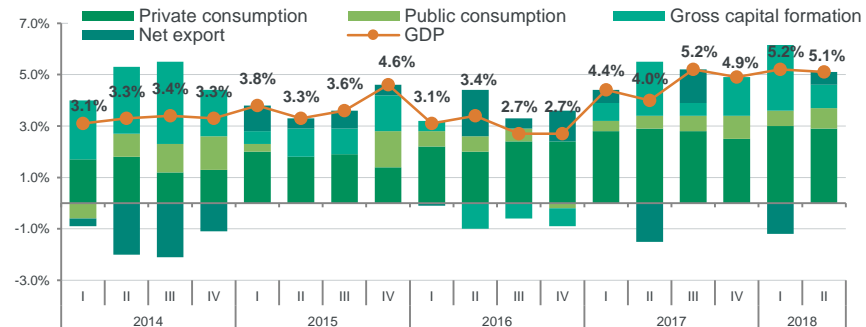
### Economic sentiment



### Inflation and unemployment



### GDP growth



### Polish economy in three quarters of 2018

- Since mid-2017, GDP growth had been at around 5% y/y. Already available data for the third quarter of the current year suggest that it decreased to 4.6% y/y. Credit growth remains moderate, close to the nominal GDP growth. Increasingly binding supply constraints point to the possibility of a weaker GDP growth in the coming quarters.
- The main driver of economic growth has been consumption, supported by good consumer sentiment, increasing wages and employment, as well as social transfers. Investment has also been rising, especially of the general government, boosted by a faster absorption of EU funds. Soft corporate investment could explain weak credit growth in the segment of loans to non-financial corporations.
- CPI inflation decreased in September slightly, to 1.9% y/y, mainly due to lower energy price growth. According to Bank's analysts in 2018 inflation will decline further due to a high base effect and a re-acceleration of inflation is forecasted in 2019.

Source: GDP, unemployment – GUS, inflation – NBP



# FINANCIAL RESULTS OF THE GROUP



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# Three quarters of 2018 – consolidated financial results

Growth in all important components of core revenues with cost of risk and general administrative expenses under control translated into the highest net profit in the last three years (up by 39% y/y)

	9M 2018 PLN m	9M 2017 PLN m	Change y/y %	Change y/y adjusted <sup>1</sup>
<b>Net banking income</b>	<b>2,070.5</b>	<b>2,045.7</b>	<b>+1%</b>	<b>+1%</b>
Total expenses	(1,258.9)	(1,250.5)	+1%	+1%
Net impairment losses	(219.1)	(265.2)	(17%)	(17%)
Banking tax	(148.3)	(154.6)	(4%)	(4%)
<b>Pre-tax profit</b>	<b>444.2</b>	<b>375.4</b>	<b>+18%</b>	<b>+15%</b>
<b>Net profit</b>	<b>319.5</b>	<b>230.6</b>	<b>+39%</b>	<b>+33%</b>
ROE	6.4%	4.9%	+1.5 pp	-
ROE <sup>1</sup>	6.7%	5.3%	-	+1.4 pp
C/I	60.8%	61.1%	(0.3 pp)	-
C/I <sup>1</sup>	60.0%	59.9%	-	+0.1 pp
<b>Total Capital Ratio</b>	<b>15.2%</b>	<b>13.7%</b>	<b>+1.5 pp</b>	-
<b>Tier 1 Capital Ratio</b>	<b>12.3%</b>	<b>10.7%</b>	<b>+1.6 pp</b>	-

<sup>1</sup> - data excluding integration costs:

9M 2018 – PLN 17.2 m (general administrative expenses and amortization)

9M 2017 – PLN 24.9 m, of which:

- PLN 26.0 m – general administrative expenses and amortization
- PLN -1.6 m – other operation expenses (NBI)

## Improvement of y/y results:

### ► Increase in revenues

- net interest income (PLN +1.0 m),
- net fees&commission income (PLN +13.1 m),
- net trading income (PLN +15.0 m),
- result on investment activities (PLN +5.1 m);

### despite the negative factors\*

- factoring deconsolidation (NII+NF&C: PLN -22.1 m),
- costs of securitization (estimated at PLN -19.5 m),
- decrease in the NBP mandatory reserve interest rate (PLN -12.2 m),

\* excluding the mentioned factors, the NBI dynamics would amount to +3.9% y/y

### ► operating costs under control (by +0.7%)

- lower integration costs in three quarters of 2018 (PLN -7.7 m),
- increase of BFG costs (PLN +11.6 m);

### ► decrease in cost of risk (by -17.4%).

Resulted in the net profit increase (+38.6%).

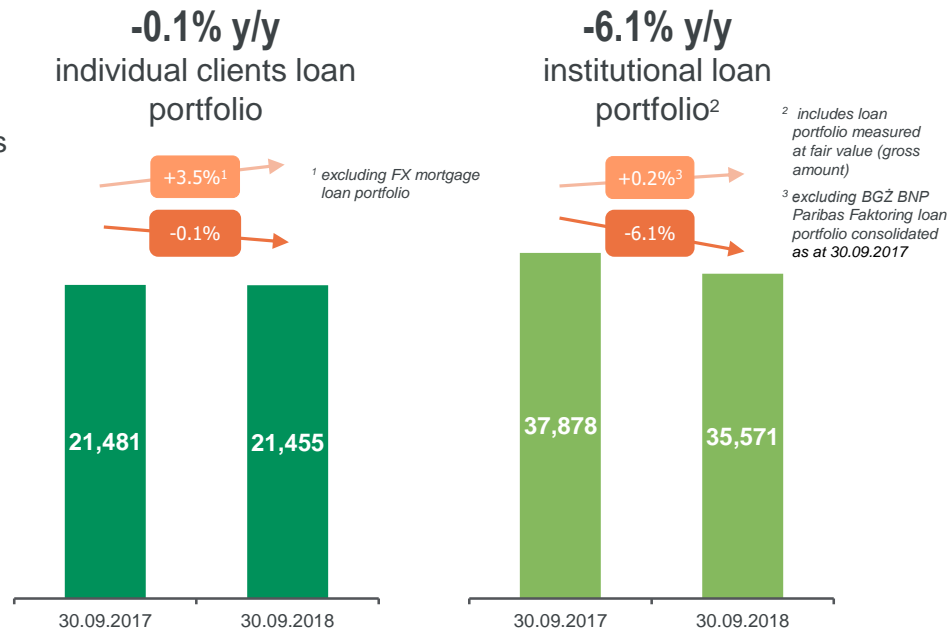
# Confirmation of upward trends in business activity

Excluding the negative factors the loan portfolio gross value increased by 5.9% vs XII 2017 and by 4.3% y/y

(PLN m)

Gross\* loan portfolio reported value decrease by 3.9% y/y to PLN 57.0 bn, caused by:

- deconsolidation of factoring receivables resulting from the sale of BGŻ BNP Paribas Faktoring Sp. z o.o. (as at 30.09.2017 the gross loan portfolio was equal to PLN 2.4 bn),
- sale of NPL portfolios in 2018 (PLN -1.0 bn y/y),
- lower FX mortgage loan portfolio value resulting from portfolio amortization (PLN -0.6 bn y/y),
- change of the presentation of corporate bonds (PLN -0.5 m y/y).



Excluding the above factors, gross loan portfolio value increased by 4.3% y/y and by 5.9% vs December 2017.

\* including loan portfolio measured at fair value (gross amount)



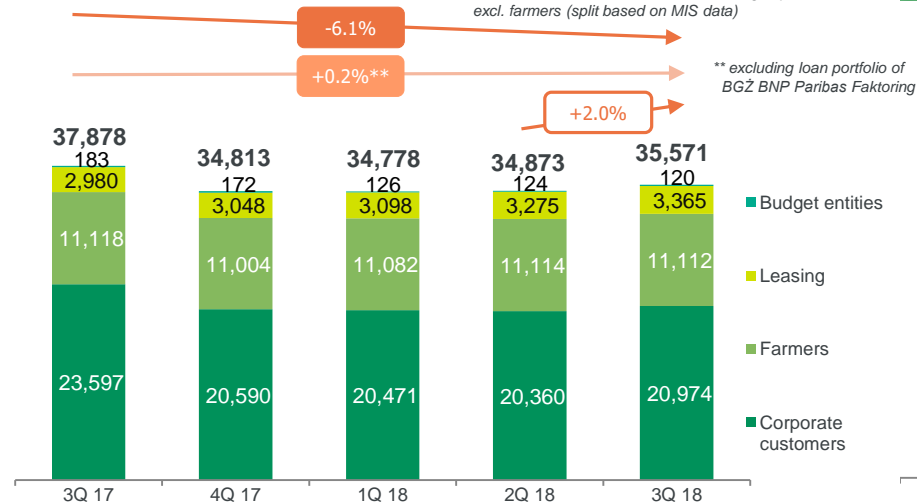
# Commercial volumes – sales engine has restarted

## Higher growth dynamics in the loan portfolio of institutional customers and PLN mortgages in Q3 2018

(PLN m, end of quarter)

### Institutional loans\*

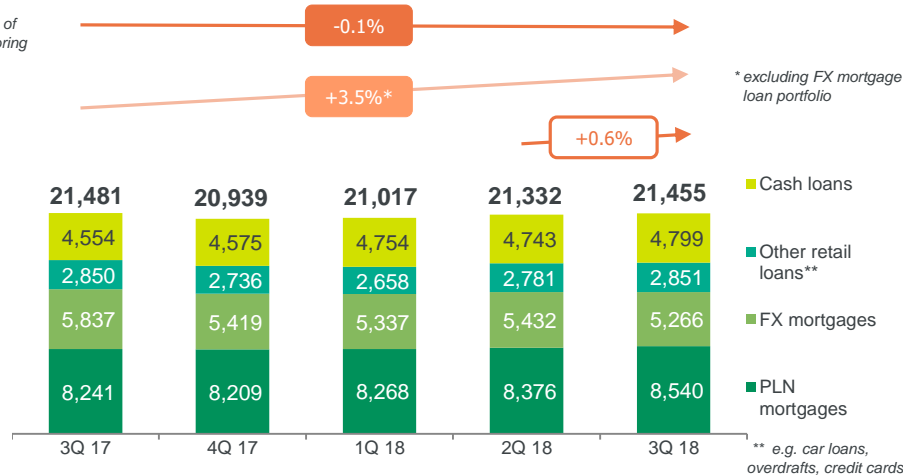
\* includes loan portfolio measured at fair value (gross amount) in the category of investment, working capital loans to farmers and investment, working capital loans excl. farmers (split based on MIS data)



- For corporate customers, a decrease by 11.1% y/y related to Faktoring deconsolidation (PLN 2.4 bn) and a change made in Q1 2018 in the presentation (IFRS 9) of debt instruments issued by non-financial entities previously recognized in the loan portfolio (PLN 0.5 bn).
- The share of leasing in the total corporate loan portfolio increased by 1.6 pp y/y to 9.5%.

### Retail loans

\*\* excluding loan portfolio of BGŻ BNP Paribas Faktoring



- Increase in cash loans by 5.4% y/y.
- The share of consumer loans grew to 35.7%, i.e. by 1.2 pp y/y.

# Deposit base optimisation prior to the merger with core RBPL

Continued optimisation of deposit base and pricing policy, growth in assets under management y/y

## Lower level of deposits (-3.6% y/y)

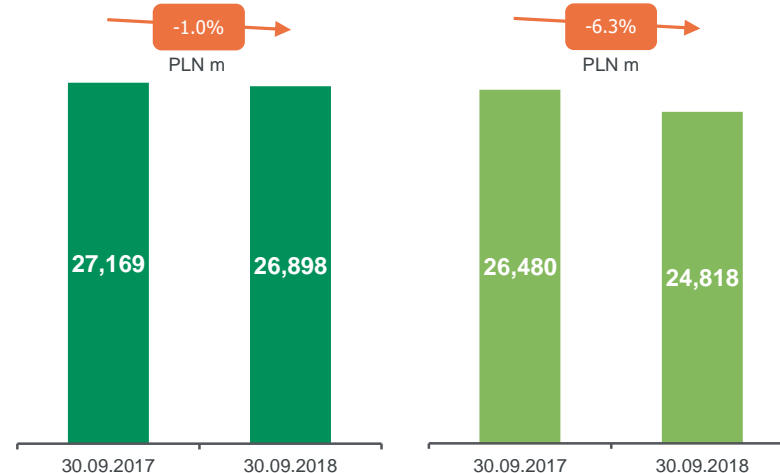
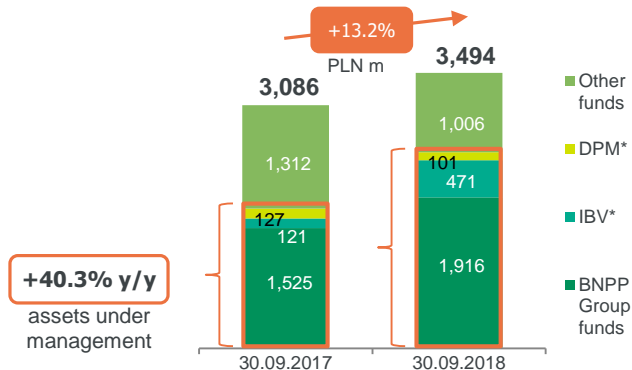
stabilization in retail volume (PLN -0.3 bn) and decline in institutional (PLN -1.7 bn) as a result of interest margin optimisation.

-1.0% y/y  
retail deposits

-6.3% y/y  
institutional deposits

## Increase in investment products volume (+13.2% y/y)

higher level of BNPP Group funds and Structured products (IBV).



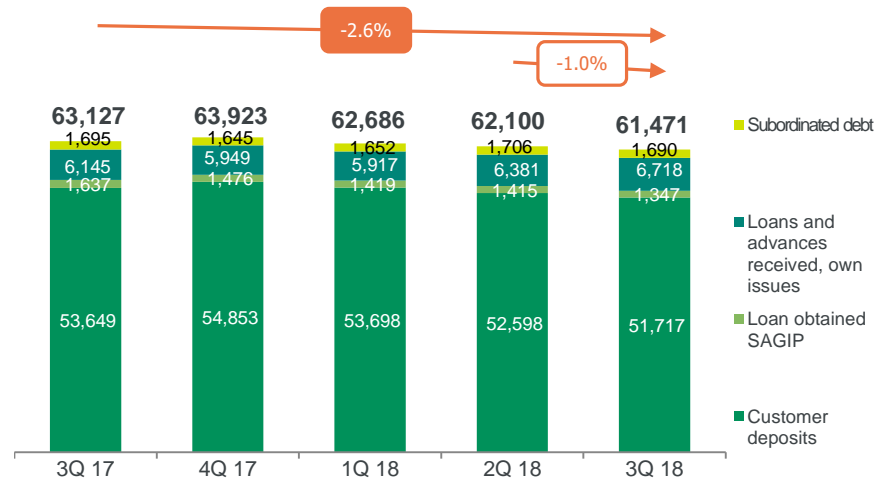
\* DPM – Discretionary Portfolio Management, IBV – structured products

# Commercial volumes – deposits and funding

Temporary increase in the share of wholesale funding prior to the merger with core RBPL

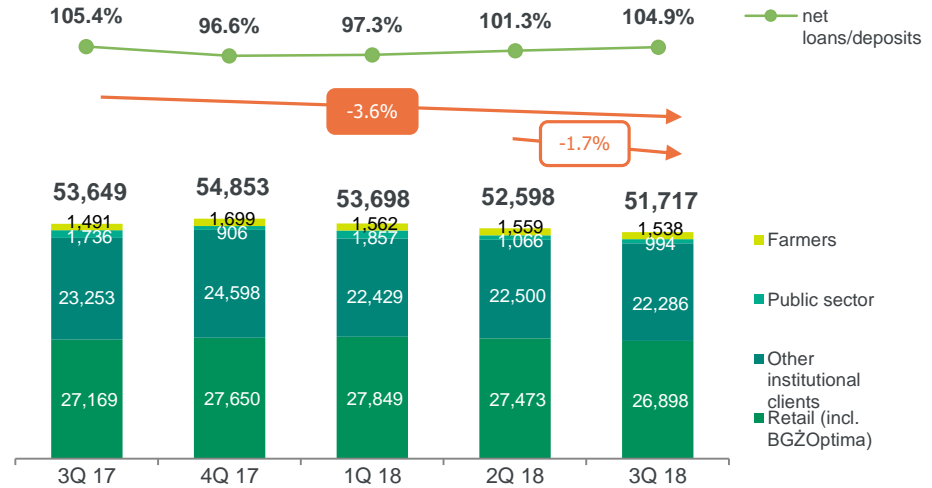
(PLN m, end of quarter)

## Funding mix



- Increase in the share of loans and advances received from banks and own issues in the total funding mix by 1.2 pp y/y (to 10.9%) in parallel with a drop of customer deposits' share by 0.9 pp (to 84.1%).
- As a result of a securitisation transaction in Q4 2017, the Group gained funds in the form of bonds issued by SPV amounting to PLN 2.2 bn. They replaced funds acquired from banks in the form of loans and advances.

## Customer deposits

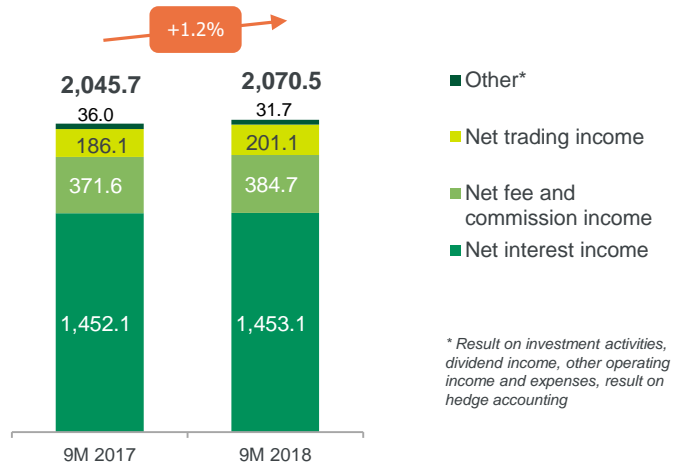


- The total deposit base drop by 3.6% y/y due to a decrease in deposits of: other institutional customers (by PLN 1.0 bn), public sector (by PLN 0.7 bn) and retail customers (by PLN 0.3 bn).
- Decrease in BGZOptima deposits as a consequence of price optimisation (by 14.7% y/y).

# Net banking income

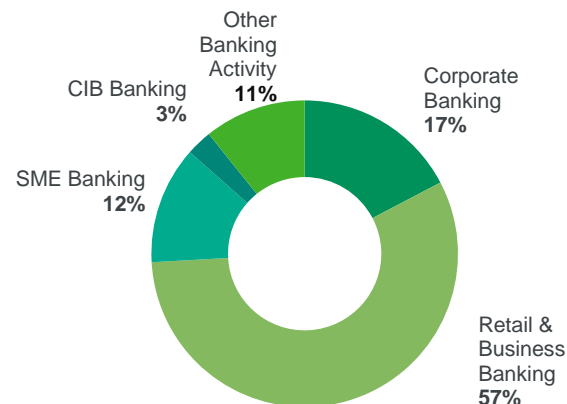
## Consistent increase in quarterly net interest income and net fee and commission income in 2018

### Structure of net banking income by types (PLN m)



- Negative impact of deconsolidation of BGŻ BNP Paribas Faktoring Sp. z o.o. (excl. its net interest income and net fee and commission income in three quarters of 2017, the NBI would increase by +2.3% y/y).
- The net trading income higher by 8.1% y/y and NF&C by 3.5% y/y.
- A positive impact of the measurement of the loan portfolio at fair value (PLN 19.6m since the beginning of 2018).

### Structure of net banking income by business segments – 30 September 2018

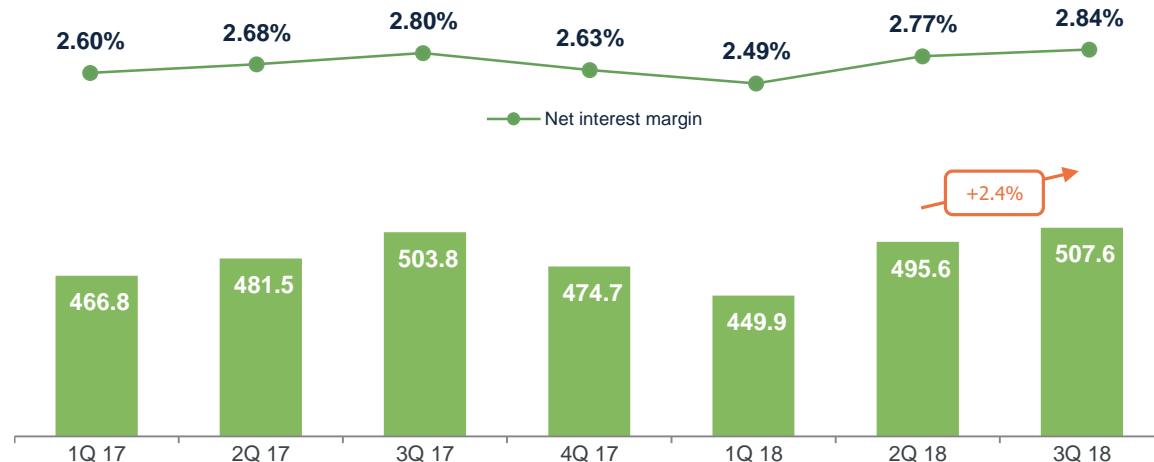
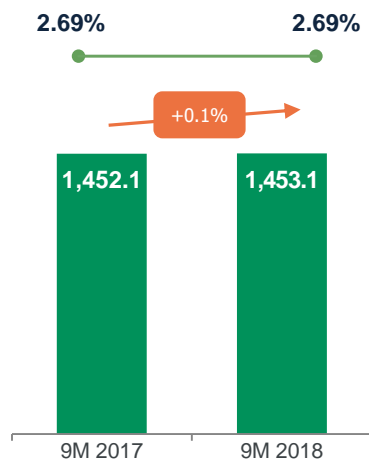


- Higher share of Retail Banking (by 1.0 pp y/y) concurrent with a lower share of Corporate Banking (by 0.5 pp), CIB (by 0.2 pp) and Other Banking Activity (by 0.2 pp).

# Net interest income

Noticeable increase in quarterly results in 2018, primarily due to improved deposit margins

(PLN m)

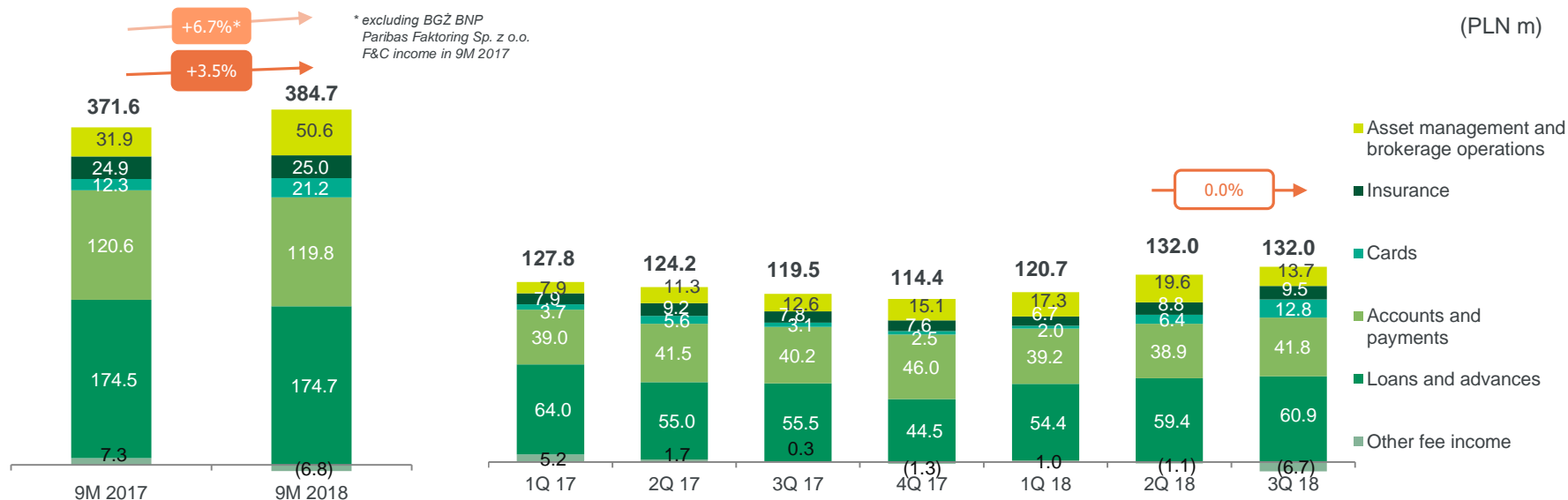


- BGŻ BNP Paribas Faktoring Sp. z o.o. deconsolidation (PLN 11.1m net interest income in three quarters of 2017).
- Lower NBP obligatory reserve interest rate in 2018 (income lower by PLN 12.2m vs three quarters of 2017).
- Costs of securitisation in 2018 (estimated at PLN -19.5m y/y).

- Consistent improvement of deposit margins during subsequent quarters of 2018. The average deposit margin in Q3 2018 was higher by 9 bp vs Q1 2018.
- Growth in credit volumes - one of the factors behind the increase in net interest income in 3Q 2018.
- Lower net interest income in Q1 2018 vs Q2 2018 due to one-off adjustments to the calculation of the effective interest rate (PLN -7.8m).

# Net fee and commission income\* – on the growth path

Improvement of net fee and commission income reflects positive trends in business activity



- Negative effect of BGŻ BNP Paribas Faktoring Sp. z o.o. deconsolidation (in three quarters of 2017, net F&C income of PLN 10.9m).
- Y/Y increase in the net F&C income resulted from growth of commissions for brokerage transactions and asset management (by 58.7% y/y) and card commissions (by 72.1% y/y).

- Decrease in F&C for asset management and brokerage operations related to the deteriorating market sentiment compensated by increases in other F&C categories.
- Improvement of the net F&C income on account maintenance and settlement operations, among others by keeping the positive trend of personal accounts sales.
- Gradual improvement of the net loan F&C income.

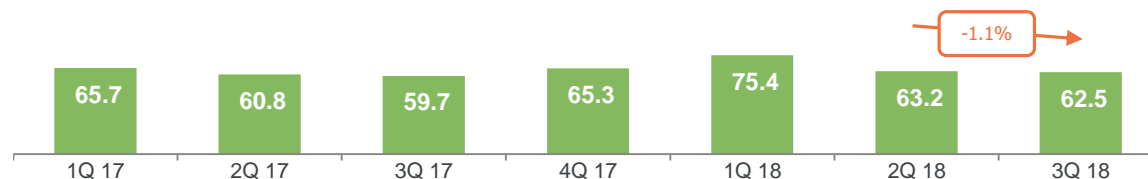
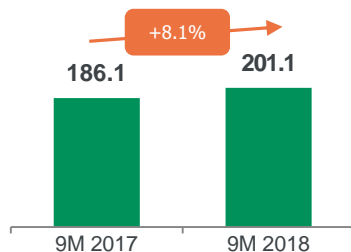
\* In 2Q 2018 the Bank changed the presentation of NF&C income. In order to maintain comparability the change was applied to all quarters of 2017.

# Net trading income and result on investment activities

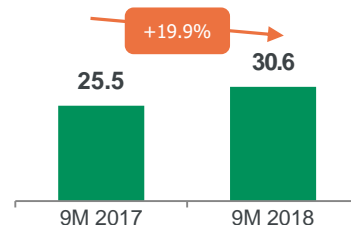
Positive impact of change in the valuation of the loan portfolio measured at fair value

(PLN m)

## Net trading income



## Result on investment activities



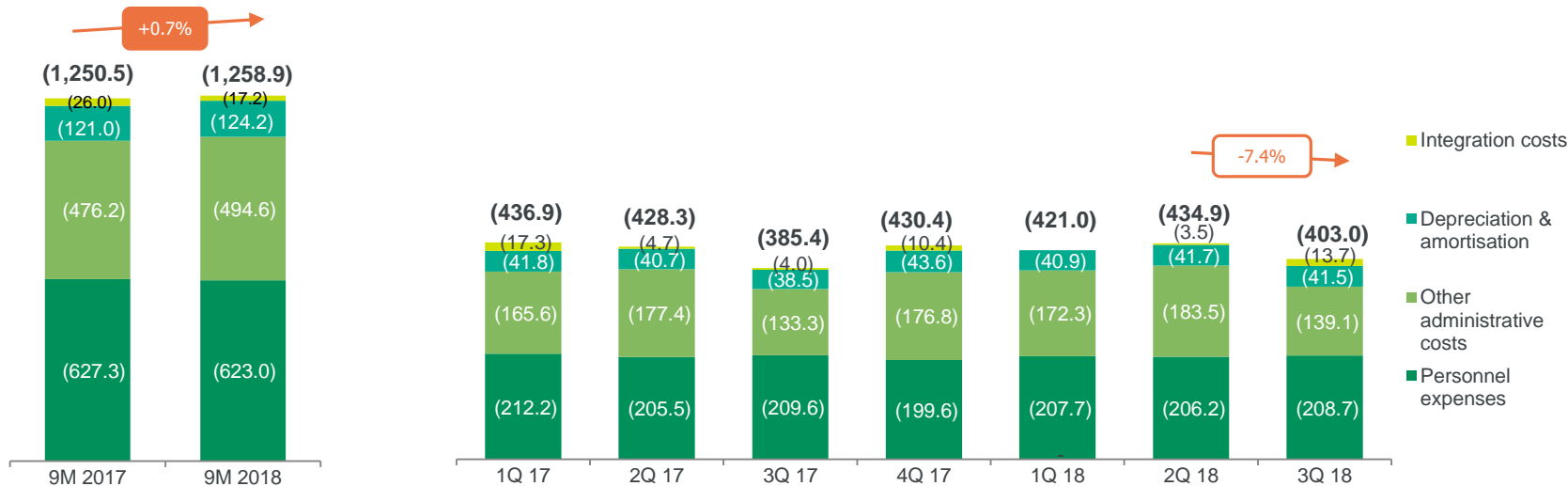
- Net trading income level results from the scale of FX transactions and derivative financial instruments valuation.
- An increase in result on investment activity y/y due to the measurement of the loan portfolio at fair value (by PLN 19.6m).

- Positive impact of profit on debt instruments sale equal to PLN 10.4m in Q2 2018 (PLN 0.5m in Q1 2018) neutralized by the negative valuation of the portfolio of loans measured at fair value.
- The result in Q3 2018 includes impact of the valuation of the portfolio of loans and advances granted to customers measured at fair value (PLN +23.9m) as compared to PLN -12.1m in Q2 2018 and PLN +7.8m in Q1 2018.

# General administrative expenses (incl. depreciation)

## Stabilization of the cost level

(PLN m)



- The costs in 2018, excluding integration costs higher by 1.3% y/y.
- Increase in other administrative costs resulted from higher marketing expenses (by PLN 11.2m) and BGF (by PLN 11.6m).

- Decrease in other administrative costs in Q3 2018 vs Q2 2018 pertained primarily to BFG costs (costs lower by PLN 29.1m) and marketing costs (by PLN 11.1m).
- Costs of integration incurred in Q3 2018 went up by PLN 10.2m as compared to Q2 2018 (PLN 13.7m vs PLN 3.5m).



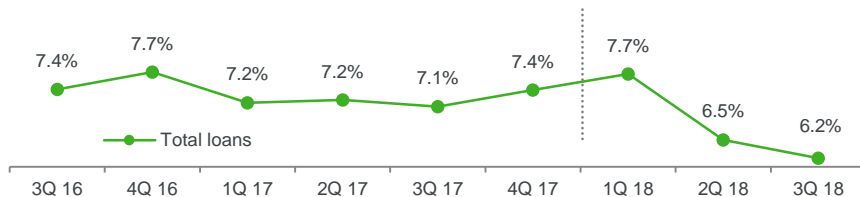
# Loan portfolio quality

## Improvement of NPL ratio thanks to the consistent credit policy and sale of receivables in Q2 and Q3 2018

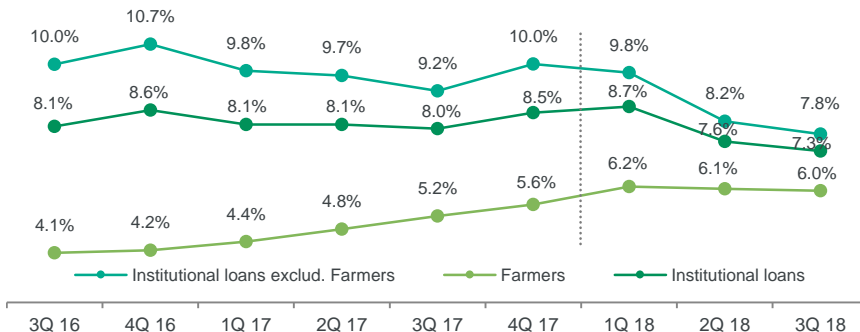
(end of quarter)

### Total loans – NPL\*

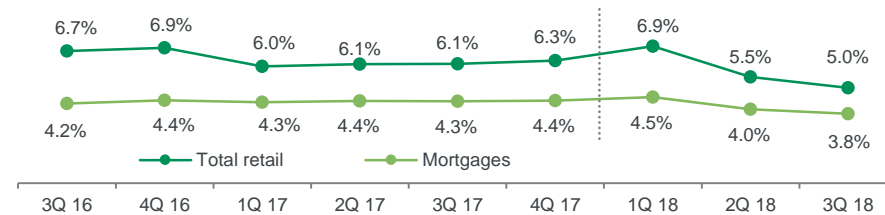
*total NPL ratio for both loan portfolios (measured at fair value and at amortised costs) amounted to 6.1% as at the end of Q3 2018*



### Institutional loans – NPL\*

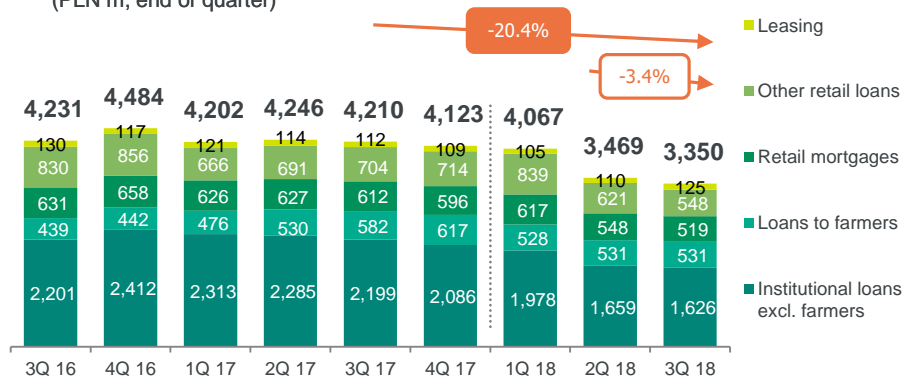


### Retail loans – NPL\*



### Impaired portfolio, gross\*\*

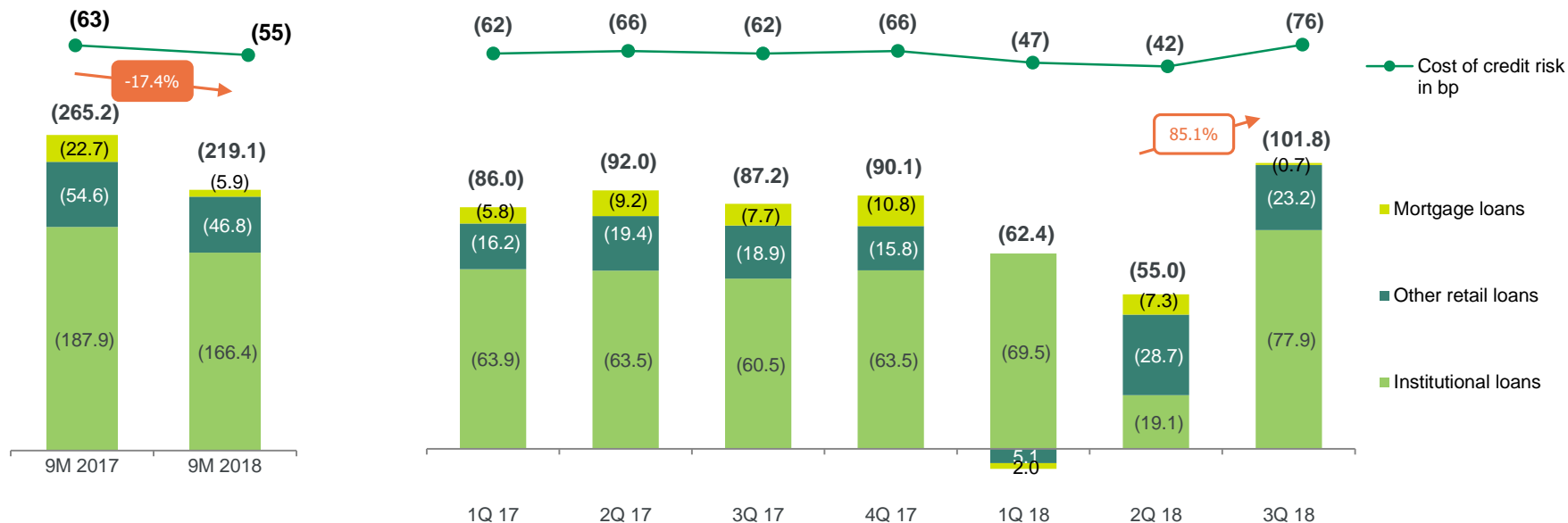
(PLN m, end of quarter)



# Net impairment losses (main portfolios)

Increase in the cost of risk following higher net impairment losses calculated on portfolio basis and single one-offs

(PLN m)

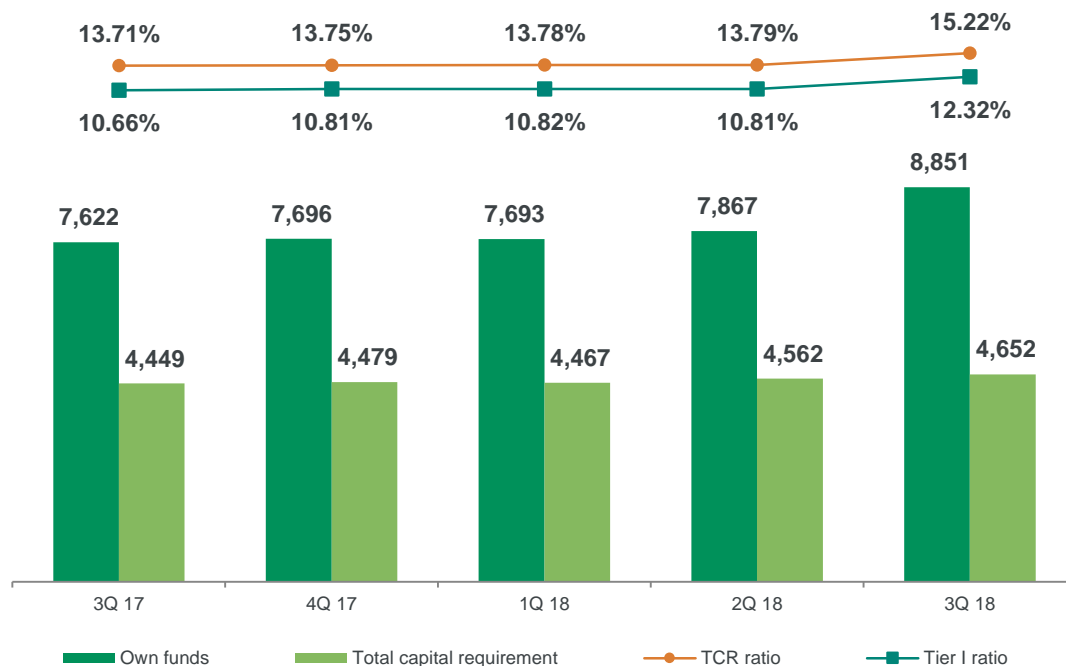


- Cost of credit risk in 2018 lower by 8 bp y/y.
- Cost risk in 9M 2018 remained at a low level. On a quarterly basis (3Q vs 2Q), cost of risk increased mainly due to:
  - a negative impact of NPL portfolio sale in Q3 2018 (PLN -9.9m, net), while in Q2 2018 there was a positive impact of NPL sale in the amount of PLN 7.7m, net,
  - PLN 15m of additional provision created for drought affected agro exposures,
  - a negative impact of PD and LGD parameters periodic validation,
  - impairment recognition for the group of institutional loans.
- The impact of the above mentioned factors was partly offset by a positive effect of periodic update of mortgage collaterals

# Capital adequacy

## Completion of Series J and K share issue in July 2018 - capital adequacy ratios above regulatory requirements

(PLN m, end of quarter)



- The resolution of Bank's Ordinary General Shareholders Meeting dated 18 May 2018 on the allocation of the Bank's profit for 2017 (PLN 298 m) to the reserve capital.
- The resolution of Bank's Ordinary General Shareholders Meeting dated 18 May 2018 on the increase of the share capital by way of the issuance of Series J and K ordinary shares.
- Registration of the increase of share capital in the National Court Register on 3 July 2018.
- Decision of the Polish Financial Supervision Authority (KNF) on the permission for classification of Series J and K shares issued by the Bank BGŻ BNP Paribas S.A. as Common Equity Tier 1 instruments dated 10 July 2018. Increase in Bank's own funds by PLN 799,995,000.

**Resulted in capital adequacy ratios on standalone and consolidated basis above regulatory requirements.**



IV

# BUSINESS SEGMENTS PERFORMANCE



**BGZ BNP PARIBAS**

The bank for a changing world

# Retail and Business Banking

Maintaining the pace of customer acquisition, positive trends in sales of current accounts, structured products and PLN mortgages

Business line  
share in  
Group NBI

57%

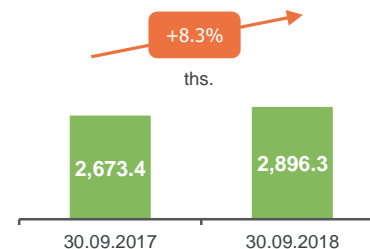
## Offer development, new solutions

- Launch of promotional offers for current accounts to teenagers and students - 15 ths account sold in Q3.
- Launch of campaign to Micro clients supporting sales of current accounts and POS terminals using potential of „Cashless Poland” government programme, +18% y/y more accounts sold.
- New-format branches openings, incl. flagship branch in Warszawa Sezam.
- Further development of GOMobile and Mobile Payments (850 ths mobile payments in 3Q2018).

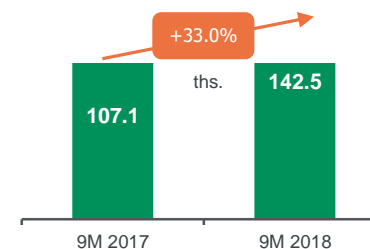
## Sales results

- Significant growth in number of customers (net + 120 ths ytd, almost 2 times more than in 2017), especially thanks to growth in sales of current accounts to individual customers (142.5 ths; i.e. +33% y/y).
- Very good sales results as regards subscription of IBV (structured product): PLN 406m till September-end vs. PLN 119m in analogous period of previous.
- Clear rebound of the mortgage sales: PLN 1,086m (+98% y/y).
- Sale of cash loans PLN 1,955m; +6% y/y.
- Satisfying sales results from a launch of campaign with pre-approved offer for micro customers.

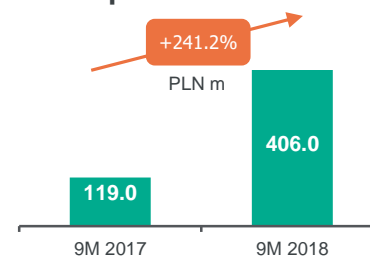
### Number of customers



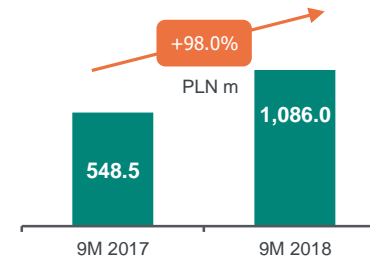
### Sale of personal accounts



### Sale of structured products



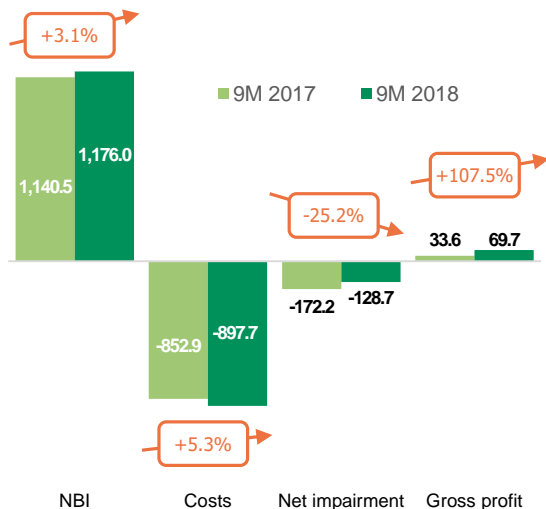
### Sale of mortgages



# Retail and Business Banking

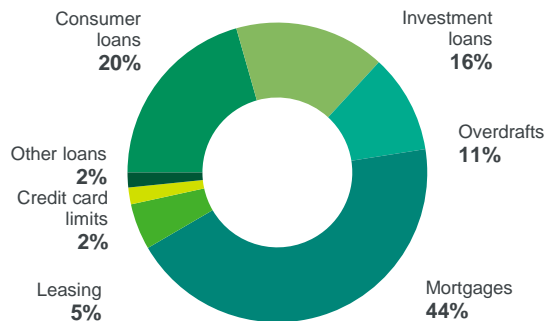
Acceleration in sales, results improvement and lower cost of risk

## Profit before tax structure (PLN m)



## Loan structure as at 30.09.2018

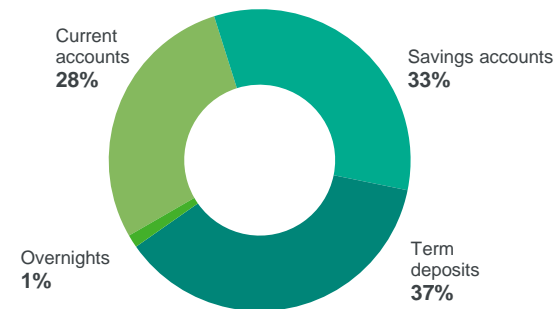
Loans (net): PLN 30.7 bn (-0.3% y/y \*)



- Decrease in net loan value y/y caused mostly by FX mortgages portfolio amortization.
- Excluding FX mortgages (CHF) net loan portfolio would grow by +1.7% (PLN +0.4 bn).
- The highest dynamics: leasing +61.2%, short term loans +49.0%.

## Deposit structure as at 30.09.2018

Deposits: PLN 31.4 bn (+0.6% y/y \*)



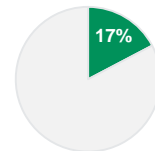
- Growth in current account deposits volume +16.6% y/y concurrent with a decrease in savings accounts -0.4% y/y and term deposits -9.2% y/y.
- Current account share in total deposits went up by 4.1 p.p. (to 29.4%).

\* Data comparable, after resegmentation in 2018

# Corporate Banking

Key pillars of business strategy – acquisition of new customers, development of customers transactionality and cross-sell of products

Business line  
share in  
Group NBI



**Acquisition & Activation of new Corporate Customers. Number of newly acquired corporate customers after 9M 2018 – 183 companies.**

## Development of transactionality & products cross-sell

- increase in revenues from Trade finance (GTS) products by 23% y/y (PLN +4.3 m), including increase in revenues from guarantees by 25% (PLN +4.1 m)
- Transactionality / current service:
  - increase in the number of processed transfers +7% y/y (incoming +13%, outgoing +2%),
  - increase in the volume of transfers +13% y/y (incoming +14%, outgoing +12%)
  - increase in revenues from fees and commissions of cash management +7% y/y (PLN +7.1 m)
- Leasing increase in revenues +7% y/y (PLN +3.2 m).

## Initiatives and further transformation of the organization

- **Become TOP3 bank in foreign trade services:** support for importers and exporters in foreign expansion, launching the Foreign Trade Program ("PHZ") in 2Q of 2018.
- **Simultaneous implementation of split payment for all entrepreneurs,** providing functionality of the VAT Account in BiznesPlanet and Connexis.
- New module to manage communication with customers **implemented in Customer Service.**

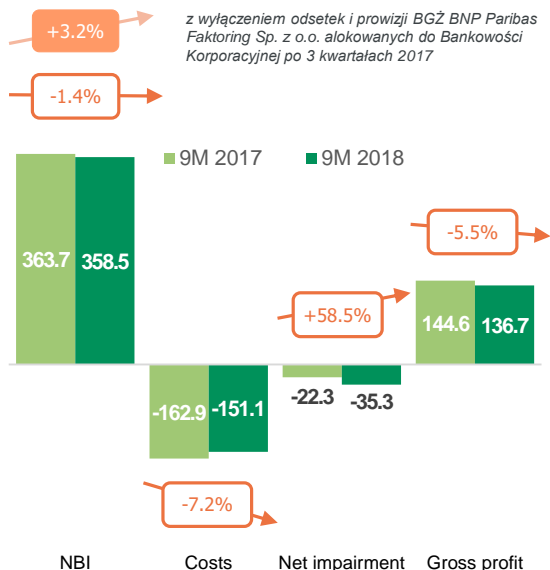
▶ **Corpo clients – 5,900**



# Corporate Banking

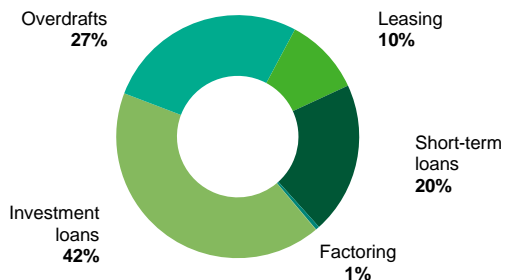
Structural changes aimed at improving profitability - focus on short-term financing, increase in current account deposits volume

## Profit before tax structure (PLN m)



## Loan structure as at 30.09.2018

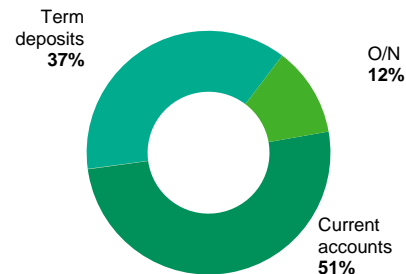
Loans (net): PLN 14.0 bn (-6.8% y/y\*)



- Net loans decrease resulted from sale and deconsolidation of BGŻ BNP Paribas Faktoring Sp. z o.o. (as at 30.09.2017: PLN 1.8 bn in Corporate segment).
- **Excluding factoring receivables growth in net loans by 5.7% (PLN +0.8 bn).**
- Dynamic growth in short-term financing - overdrafts +24.9%.

## Deposit structure as at 30.09.2018

Deposits: PLN 13.2 bn (-10.5% y/y\*)



- Decrease in deposit volume resulted from deposit base optimisation related to the merger with RBPL. Increase of deposit margin.
- Growth in current account deposits volume +30.6% y/y concurrent with a decrease in term deposits and O/N.
- Current account deposits share increase by +15.9 pp (to the level of 50.6%).

\* Data comparable, after resegmentation 2018





### Business activity

- Acquisition of new clients, 2,235 new SME clients acquired from the beginning of 2018 (+55% y/y), Growing share of non Agro customers.
- Development of ongoing service and cross-selling:
  - GM products – increase in the number (+12% y/y) and volume of FX transactions (+3% y/y),
  - Trade finance (GTS) products – very good growth dynamics +58% y/y (PLN +1.6m),
  - Current service – revenues due to transfer transactions +5% y/y (PLN +0.6m),
  - Leasing – revenues from leasing products + 6% y/y (PLN +2.8m).

▶ **MSP clients – above 23,000**

### Organization transformation

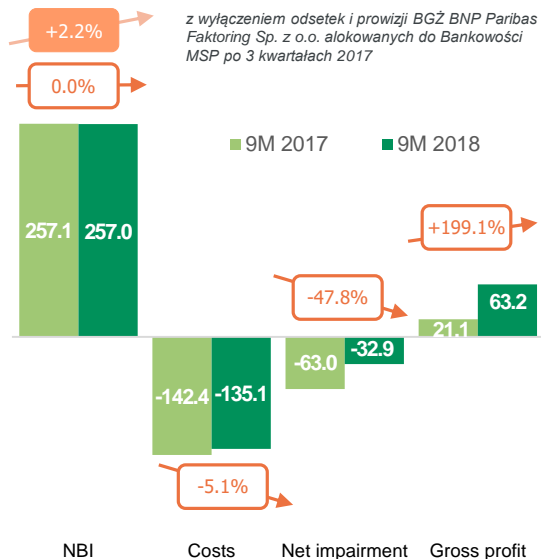
- New / changed lending process, fast track for cross-sell package.
- From July 2018, providing the Customer Service unit for the needs of SME clients - dedicated operational advisor, a wide range of support.
- Self-service area for clients - new functionalities of the BiznesPI@net platform, including user / authorization management for authorization.



# SME

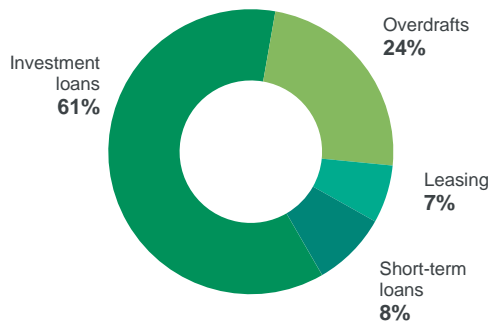
## Revenues stabilization, improvement in cost of risk and operating costs, changing of the portfolio structure

### Profit before tax structure (PLN m)



### Loan structure as at 30.09.2018

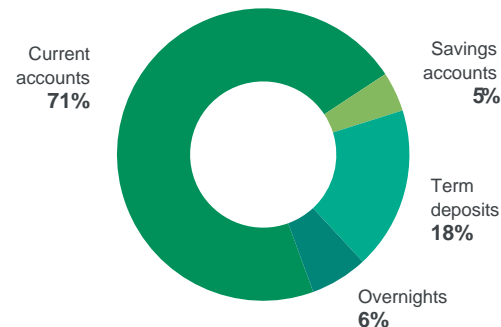
Loans (net): PLN 9.1 bn (-11.2% y/y\*)



- Net loans decrease resulted among others from the sale and deconsolidation of BGŻ BNP Paribas Faktoring Sp. z o.o. (as at 30 September 2017: PLN 0.5 bn in SME segment).
- **Excluding deconsolidation decrease by 5.5%.**
- Significant increase in credit margin (+25 bp y/y).

### Deposit structure as at 30.09.2018

Deposits: PLN 7.2 bn (-4.3% y/y\*)



- Current accounts share in total deposits went up by 0.8 p.p. (to 71.3%) in parallel with drop in term deposits by 0.8 p.p. (to 18.0%).
- Deposit margin optimization, increase by 10 bp y/y.

\* Data comparable, after resegmentation 2018

# Segment Agro

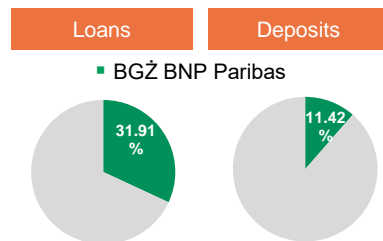
## Focus on retaining the market position and profitability increase

### Activities supporting sales and relations with customers

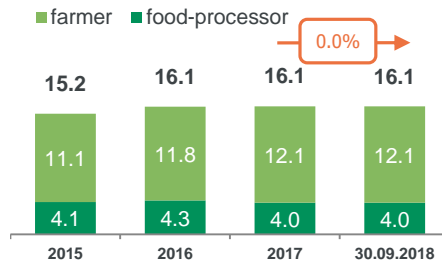
- Agro HUB** – in recognition of many years of experience in servicing the Agro market, the BNP Paribas Group has established Agro HUB in Poland - competence center for Poland and the Group Banks in Eastern Europe and Africa (Ukraine, Morocco, Turkey).
- Agro Progress Premium** – a new investment loan for Micro Customers, loan for the purchase of agricultural machines in the fast process under simplified rules. sales campaign dedicated to individual farmers.
- A new offer of **disaster loans** in cooperation with ARiMR – support for farmers who suffered by droughts
- Agro Akademia – 3rd Edition**  
 The subject of this year edition is devoted mainly to innovations in the farm management, using sustainable agriculture.
- AgroTech Kielce 2018**  
 24th International Fair of Agricultural Techniques



### Market share (30.09.2018)



### Agro loan portfolio\* (PLN bn)



Bank BGŻ BNP Paribas once again won the title of „The Best Bank for Farmers”

Agro clients – 71,000

W ZMIENIAJĄCYM SIĘ ŚWIECIE  
**NIE MUSISZ SIĘGAĆ DO PORTFELA,  
 ŻEBY KUPIĆ MASZYNY ROLNICZE**

**KREDYT INWESTYCYJNY  
 AGRO PROGRESS PREMIUM**  
 = DOKŁADNY NA SPROSTOWANIE ZŁOŻONYCH  
 I NIEKONWENCYJNYCH WYMAGAŃ

**BGŻ BNP PARIBAS** Bank zmieniającego się świata

\* In Q1 2017 a reclassification of AGRO segment caused an increase in the number of entities belonging to AGRO. To make data comparable this reclassification was made for the whole 2016.



V

# CHALLENGES FOR THE NEXT QUARTERS



**BGZ BNP PARIBAS**  
The bank for a changing world

# Integration, Transformation, Growth

## drivers of the Bank's development

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Digitalization



Process optimization  
and efficiency gains



Integration with  
Core RBPL



Development of  
product offer



Change of culture  
organization



A hand in a grey suit sleeve is pulling out a green folder from a white filing cabinet. The cabinet is filled with many other folders of various colors. The background is a bright, out-of-focus window.

VI

# APPENDICIES

- INCOME STATEMENT
- ASSETS
- LIABILITIES AND EQUITY



# Income statement

(PLN thousand)

Consolidated income statement	30/09/2018	30/09/2017	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017
Interest income	2 053 468	2 011 377	705 126	713 312	635 030	653 841	693 817	665 207	652 353
Interest expense	(600 389)	(559 304)	(197 537)	(217 734)	(185 118)	(179 170)	(190 034)	(183 732)	(185 538)
<b>Net interest income</b>	<b>1 453 079</b>	<b>1 452 073</b>	<b>507 589</b>	<b>495 578</b>	<b>449 912</b>	<b>474 671</b>	<b>503 783</b>	<b>481 475</b>	<b>466 815</b>
Fee and commission income	495 399	458 435	173 749	171 739	149 911	143 046	150 444	159 486	148 505
Fee and commission expense	(110 727)	(86 871)	(41 734)	(39 756)	(29 237)	(28 631)	(30 919)	(35 272)	(20 680)
<b>Net fee and commission income</b>	<b>384 672</b>	<b>371 564</b>	<b>132 015</b>	<b>131 983</b>	<b>120 674</b>	<b>114 415</b>	<b>119 525</b>	<b>124 214</b>	<b>127 825</b>
Dividend income	4 780	4 693	3 971	784	25	5 667	-	4 670	23
Net trading income	201 096	186 112	62 506	63 178	75 412	65 296	59 654	60 797	65 661
Result on investing activities	30 626	25 543	23 900	(1 667)	8 393	2 855	4 448	20 111	984
Result on hedge accounting	4 612	5 436	1 789	1 307	1 516	(2 132)	3 793	822	821
Other operating income	68 441	102 319	15 768	13 990	38 683	28 963	36 603	41 919	23 797
Net impairment losses on financial assets and contingent liabilities	(219 115)	(265 187)	(101 772)	(54 989)	(62 354)	(90 112)	(87 164)	(92 024)	(85 999)
General administrative expenses	(1 134 701)	(1 119 990)	(361 404)	(393 209)	(380 088)	(386 876)	(346 838)	(384 193)	(388 959)
Depreciation and amortization	(124 226)	(130 500)	(41 564)	(41 729)	(40 933)	(43 564)	(38 516)	(44 093)	(47 891)
Other operating expenses	(76 771)	(102 017)	(19 846)	(16 914)	(40 011)	(39 478)	(36 921)	(33 549)	(31 547)
<b>Operating result</b>	<b>592 493</b>	<b>530 046</b>	<b>222 952</b>	<b>198 312</b>	<b>171 229</b>	<b>129 705</b>	<b>218 367</b>	<b>180 149</b>	<b>131 530</b>
Banking tax	(148 343)	(154 608)	(48 472)	(49 836)	(50 035)	(51 258)	(51 053)	(51 480)	(52 075)
<b>Profit (loss) before income tax</b>	<b>444 150</b>	<b>375 438</b>	<b>174 480</b>	<b>148 476</b>	<b>121 194</b>	<b>78 447</b>	<b>167 314</b>	<b>128 669</b>	<b>79 455</b>
Income tax	(124 651)	(144 869)	(43 582)	(45 333)	(35 736)	(29 309)	(57 524)	(47 453)	(39 892)
<b>Net profit (loss) for the period</b>	<b>319 499</b>	<b>230 569</b>	<b>130 898</b>	<b>103 143</b>	<b>85 458</b>	<b>49 138</b>	<b>109 790</b>	<b>81 216</b>	<b>39 563</b>



Consolidated statement of financial position	30 Sep 2018	30 June 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 June 2017	31 Mar 2017	31 Dec 2016
<b>ASSETS</b>								
Cash and balances with the Central Bank	1 170 138	914 056	2 339 735	998 035	1 708 096	2 136 821	2 035 492	1 302 847
Loans and advances to banks	272 634	386 581	577 255	2 603 689	273 646	520 270	376 364	1 233 592
Derivative financial instruments	378 014	455 563	429 476	474 421	395 696	394 177	419 433	324 005
Differences from hedge accounting regarding the fair value of hedged items	39 213	42 401	53 459	32 730	20 230	9 682	29 062	18 671
Loans and advances to customers measured at amortised cost	51 671 510	50 620 652	49 500 358	52 967 568	56 546 787	56 040 582	55 884 822	55 075 871
Loans and advances to customers measured at fair value through profit or loss	2 555 133	2 636 772	2 750 954	-	-	-	-	-
Financial assets available for sale	-	-	-	13 922 540	11 218 587	11 098 211	11 018 172	12 497 855
Securities measured at amortised cost	9 166 178	9 413 855	9 478 262	-	-	-	-	-
Financial instruments measured at fair value through profit or loss	139 591	134 997	118 562	-	-	-	-	-
Securities measured at fair value through other comprehensive income	4 541 389	4 768 541	4 801 476	-	-	-	-	-
Investment property	54 435	54 435	54 435	54 435	54 466	54 466	54 466	54 466
Intangible assets	317 698	306 452	282 311	288 340	260 424	245 367	237 592	246 552
Property, plant and equipment	465 377	479 903	486 575	500 647	507 276	518 260	529 818	546 002
Deferred tax assets	616 346	612 039	612 851	512 045	518 139	504 291	499 021	529 824
Current tax assets	5 303	15 400	-	-	-	-	-	-
Other assets	430 924	514 294	434 965	394 809	396 832	453 344	514 273	475 314
<b>TOTAL ASSETS</b>	<b>71 823 883</b>	<b>71 355 941</b>	<b>71 920 674</b>	<b>72 749 259</b>	<b>71 900 179</b>	<b>71 975 471</b>	<b>71 598 515</b>	<b>72 304 999</b>





# Liabilities and equity

(PLN thousand)

Consolidated statement of financial position	30 Sep 2018	30 June 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 June 2017	31 Mar 2017	31 Dec 2016
<b>LIABILITIES</b>								
Amounts due to banks	5 162 377	4 550 137	5 053 224	3 891 235	6 607 230	6 890 764	5 880 408	7 308 814
Repo transactions	800 580	-	-	-	-	-	-	-
Differences from hedge accounting regarding the fair value of hedged items	4 664	7 948	21 668	(2 992)	(9 895)	(2 455)	1 783	(4 080)
Derivative financial instruments	375 858	432 470	401 096	427 710	309 422	394 994	345 337	271 757
Amounts due to customers	53 063 346	54 012 858	55 116 570	56 328 897	55 285 977	55 064 772	55 894 690	55 155 014
Debt securities issued	2 181 744	2 181 744	2 181 931	2 471 966	386 516	387 914	394 153	398 059
Subordinated liabilities	1 689 887	1 706 237	1 652 130	1 645 102	1 695 470	1 698 941	1 708 282	1 768 458
Other liabilities	1 047 004	1 908 356	941 151	1 225 323	952 263	1 006 120	984 672	1 122 780
Current tax liabilities	28 496	18 018	93 620	117 699	104 171	59 276	8 147	8 313
Provision for deferred tax	8 025	8 026	8 003	8 003	8 022	8 064	8 063	8 022
Provisions	117 949	119 842	117 524	76 853	88 447	86 063	112 300	121 041
<b>TOTAL LIABILITIES</b>	<b>64 479 930</b>	<b>64 945 636</b>	<b>65 586 917</b>	<b>66 189 796</b>	<b>65 427 623</b>	<b>65 594 453</b>	<b>65 337 835</b>	<b>66 158 178</b>
<b>EQUITY</b>								
Share capital	97 538	84 238	84 238	84 238	84 238	84 238	84 238	84 238
Other supplementary capital	5 910 913	5 127 086	5 127 086	5 127 086	5 127 899	5 127 899	5 108 418	5 108 418
Other reserve capital	1 208 018	1 208 018	909 629	909 629	909 629	909 629	860 241	860 241
Revaluation reserve	127 880	122 257	148 852	141 988	94 669	112 921	73 799	(497)
Retained earnings	(396)	(131 294)	63 952	296 522	256 121	146 331	133 984	94 421
retained profit	(319 895)	(319 895)	(21 506)	16 815	25 552	25 552	94 421	17 561
net profit for the period	319 499	188 601	85 458	279 707	230 569	120 779	39 563	76 860
<b>TOTAL EQUITY</b>	<b>7 343 953</b>	<b>6 410 305</b>	<b>6 333 757</b>	<b>6 559 463</b>	<b>6 472 556</b>	<b>6 381 018</b>	<b>6 260 680</b>	<b>6 146 821</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>71 823 883</b>	<b>71 355 941</b>	<b>71 920 674</b>	<b>72 749 259</b>	<b>71 900 179</b>	<b>71 975 471</b>	<b>71 598 515</b>	<b>72 304 999</b>



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- The presented data relate to the Group of Bank BGŽ BNP Paribas.

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