



Message from the President of the Board of Executives

Ladies and Gentlemen,

After a record slowdown in the first and second quarters of 2013 the Polish economy started to show some positive trends in the second part of the year with an increase in the Gross Domestic Product, industrial production and retail sales. Simultaneously in 2013, the inflation rate fell consistently and interest rates reached the lowest level in the recent history of Poland. The Polish zloty has turned out to be extremely resilient to the weak condition of the economy and financial market turmoil. A stable though relatively weak currency and improving condition of the main trade partners proved favourable to Polish exporters last year, which translated into a surplus in the foreign trade and a positive balance of payments.

In 2013, the BNP Paribas Bank Polska SA Group continued the implementation of its growth strategy combined with effective cost optimisation and a prudent approach to risk. This enabled the Group to achieve a lower Cost-to-Income Ratio which fell from 74.4% in 2012 to 69.2% in 2013, a drop of its NPL ratio from 11.2% in 2012 to 8.4% in 2013, and a substantially lower cost of risk YOY (helped by the improvement of the quality of the loans portfolio and significant recoveries on a few large NPLs). As a result, the Group's profit after taxation amounted to PLN 102.3 million, which was by PLN 71.4 million higher as compared to the result of 2012.

The BNP Paribas Bank Polska SA Group's capital position and liquidity in 2013 remained stable, which allowed the Group to grow safely its business and carry out its plans. As at the end of 2013 the Group's capital adequacy ratio amounted to 12.4%.

Last year the Group continued to work on its business model with the a view to strengthening its competitiveness.

The **Corporate and Transaction Banking business segment** pursued its well established strategy of growth with Polish subsidiaries of multinational corporations which are customers of the BNP PARIBAS group, leveraging the "One Bank for Corporates in Europe" program of BNP PARIBAS. Starting from 2013, the Group has been developing more strongly on the segment of large and mid size Polish companies. In March 2013, CTB opened its third Business Centre in Warsaw, servicing exclusively Polish large and medium-sized companies, institutions and public sector entities.

In total more than PLN 3 billion of new loan agreements were signed by CTB especially in the structured finance area where it has been particularly active. The above strategic goals were pursued while maintaining a conservative approach to risk. Successful restructuring actions resulted in a considerable improvement of the quality of the existing loan portfolio (positive costs of risk at PLN 37.4 million was achieved due to write-back of provisions that exceeded cost of creation of new provisions).

The **Retail Banking business segment** also experienced important developments.

In the **individual client** segment, the Group continued the implementation of its strategy of client acquisition and portfolio growth through promoting consumer loans (cash and car loans) on attractive terms and combined with active current accounts. Our all-year-long marketing activities dedicated to individuals were carried out under the

slogan: "Let's Talk About Your Plans". The sale of cash loans in 2013 amounted to PLN 976.2 million and was by 22.4% higher than in 2012.

It is also worth mentioning that the Bank has materially improved its ranking in quality surveys carried out by the magazine "Newsweek" and the daily "Puls Biznesu".

The Group continued also the process of investing in its sales network, for example, 33 branches were opened or revamped under the New Branch Concept.

Last year was also important in the sphere of Digital Banking where the Group decided to enrich its bouquet of services. A new Mobile Banking functionality was launched and the internet banking system for individuals - PI@net - was modernized. Additionally, the Group pioneered a new cash loan available fully online, under the name "iGotówka" (iCash).

In the segment of **small and medium-sized enterprises (SME)**, the Group faced difficult market conditions characterised by low credit demand and slightly deteriorating risk indicators driven by the economic slowdown; however, the Group managed to significantly increase its FX revenues.

The attractiveness and quality of the solutions offered by the Group were rewarded with the Bank's second place in the "Best Bank for Companies" ranking of Forbes, a magazine that every year awards institutions which best meet Polish entrepreneurs' requirements. The most appreciated was a continuous widening of the offering, including attractive financing solutions and an account for the SME sector at an affordable price. The Bank ranked among the top institutions for the third time in a row.

One of the priorities of the Group is to facilitate the development of small and medium-sized enterprises, by way of financing but also through high quality training programs for company owners and managerial staff of the SME sector. Therefore in the second half of 2013, the Bank launched a new program titled "Business Academy" in several large Polish cities gathering both SME clients and prospects of the Group.

In 2013 The Group also launched a new line of activity dedicated to micro companies and professionals with a strong product offering and communication campaign.

At the beginning of December 2013, the BNP PARIBAS group reached an agreement with the Rabobank group on the purchase of Bank BGŻ SA shares by the BNP PARIBAS group. The transaction will be completed subject to obtaining required approvals from the relevant regulatory authorities. The planned acquisition of Bank BGŻ constitutes a major step towards attaining a critical size of the BNP PARIBAS group's banking operations in Poland. This transaction, which brings together two complementary entities, should strengthen the capacity of BNP PARIBAS to provide its Polish clients with a full range of services.

In 2013, the Bank's management with full support of its main shareholder took measures to increase the free float of the Bank's shares to the level not lower than 15%, through issuance of new shares, and thus to fulfil the commitment of the BNP PARIBAS group towards the Polish Financial Supervision Authority (PFSA) and to increase the Bank's equity. The planned public offering of series "O" shares, initiated in June 2013, on the basis of the issue prospectus approved by PFSA on 19 June 2013, was suspended during summer due to adverse market conditions stemming from pension reform uncertainties

and was eventually not finalized in view of the information on the purchase of Bank BGŻ SA shares planned by the BNP PARIBAS group. Therefore, the Bank was not able to attain the increase of the free float of the Bank's shares to the level of 15% by the previously planned deadline, i.e. by the end of 2013.

The changes that have been consistently implemented for the last few years have brought effects in the form of strengthened position of the Group, improved profitability and successful implementation of a number of key undertakings. The Group's improved financial results, organizational structure, cost effectiveness as well as cost of risk reward the efforts and initiatives made over the last few years.

I take this occasion to thank all the employees of the BNP Paribas Bank Polska SA Group who, with their work and commitment, have contributed to the recovery and development of our Group.

I thank also our clients for their confidence they have put in us and we will continue to put their interest at the heart of our strategy.

Finally, let me extend special thanks to the Bank's Supervisory Board for their support given to the Board of Executives.

Frederic Amoudru

President of the Board of Executives
BNP Paribas Bank Polska SA