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.

Management Board Report on the Operations of Raiffeisen Bank Polska S.A. in 2015

The Management Board of the Bank presents the report on the operations of Raiffeisen Bank Polska S.A. in 2015

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Warsaw, 8 March 2016

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1. Macroeconomic environment in 2015

1.1. Economic growth

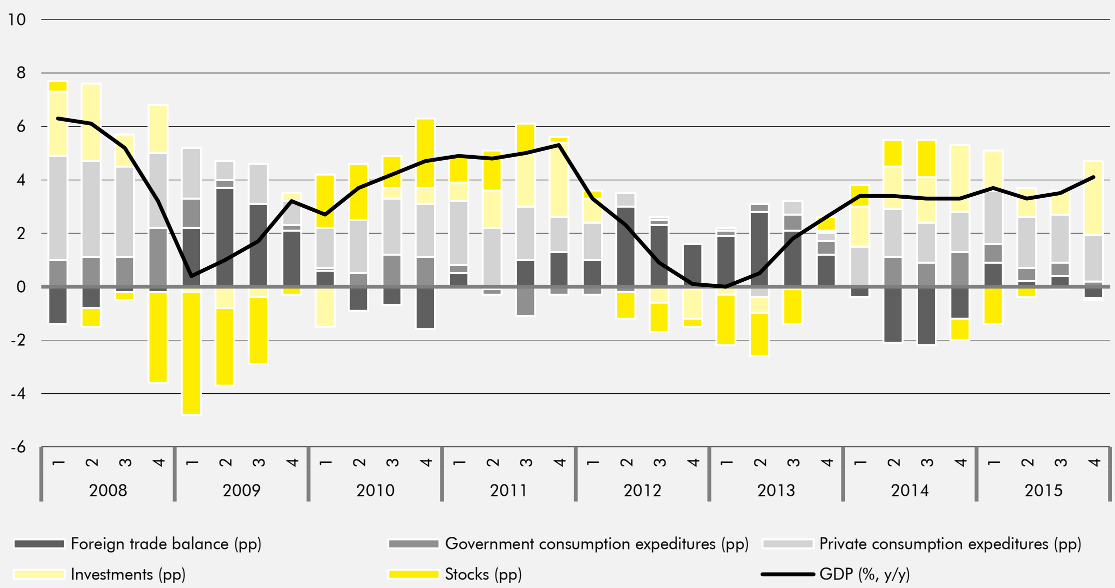
According to official statistics on economic growth in the period January–September 2015 and available monthly macroeconomic indicators for the fourth quarter of 2015, Poland's economic growth in 2015 is currently estimated at 3.5 per cent year on year, compared with 3.3 per cent year on year in 2014. Thus, the Polish economy enjoyed an exceptionally stable year-on-year growth of 3.3–3.7 per cent for eight consecutive quarters. If the 3.5 per cent rate of growth is confirmed, it would mean that the Polish economy performed in line with market expectations, which had placed the 2015 growth rate between 3.2 and 3.6 per cent (Bloomberg consensus forecasts since 2014).

While the rate of economic growth remained exceptionally stable over the last two years, the growth structure changed. In 2014, net exports had a negative contribution to economic growth, while internal demand grew significantly faster than the GDP. In 2015, net exports were again supportive of economic growth, and helped keep the GDP growth rate stable despite slower growth of internal demand compared with 2014.

The positive contribution of net exports was driven by a combination of several factors. On the one hand, the growth rate was affected by the continued fall in the prices of energy carriers, representing a material category of Polish imports. Also, investments, which are typically highly dependent on imports, showed lower growth dynamics. On the other hand, Polish exports were supported by the gradual recovery of global developed economies in 2015. As the share of those countries in Polish exports exceeds 85 per cent (with exports to the EU representing almost 80 per cent), Polish companies materially benefited from the growing demand in the developed economies.

The structure of internal demand changed, too. The continued improvement on the labor market (lower unemployment rate, growing payrolls), coupled with sustained deflation, which additionally pushes up real incomes, accelerated the private consumption growth relative to 2014. Accordingly, the contribution of private consumption to the economic growth increased (as per the Bank's forecasts) to 1.9 percentage points from 1.5 percentage points a year earlier. Among growth drivers, the stronger private consumption replaced investments, whose growth decelerated compared with 2014.

Dynamics and structure of economic growth in Poland



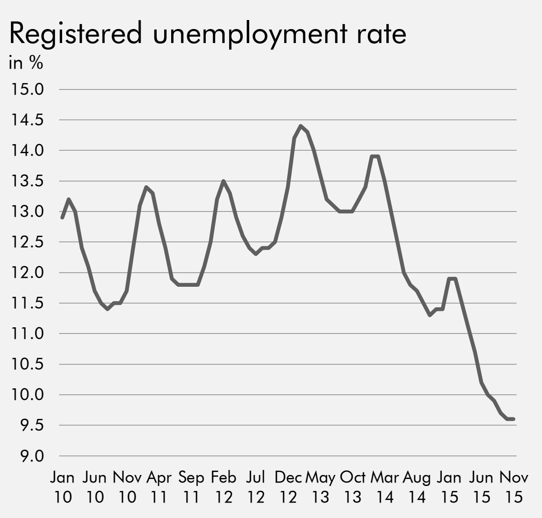
Source: Central Statistical Office (GUS).

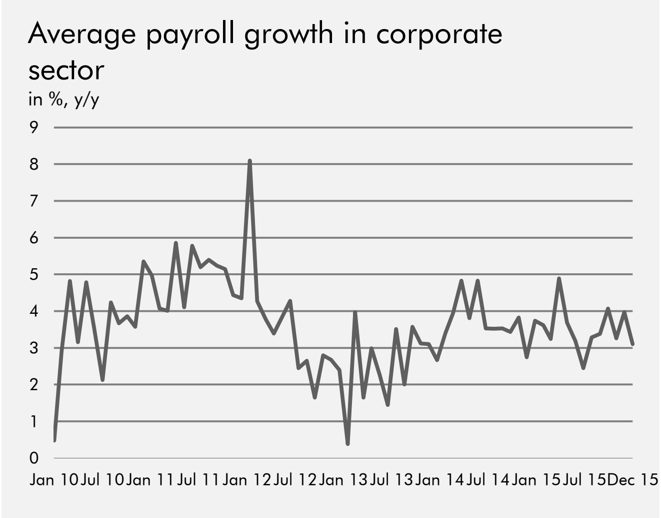
1.2. Labor market

2015 saw the strongest drop in the unemployment rate since 2008. According to the GUS data, the registered unemployment rate went down from 11.4 per cent at the end of 2014 to 9.6 per cent in November 2015. The unemployment rate based on the Labor Force Survey (BAEL) revealed a similar trend: it stood at 7.1 per cent in the third quarter of 2015, which is the lowest value since 2008. The scale of the trend surpassed market expectations. At the beginning of 2015, the Bloomberg consensus forecast for the registered unemployment rate was 11.2 per cent.

The available GUS employment data for the first three quarters of 2015 indicate that the strongest surge of demand for labor was recorded in certain services industries (information and communication, administrative and support services, transport and storage, trade in and repairs of vehicles), while employment continued to shrink in the power generation, mining and construction industries.

While the growing total demand for labor in the domestic economy contributed to the fall of unemployment, it did not result in materially higher payroll pressures or stronger payroll growth. At the end of 2015, the average pay was 3.1 per cent higher year on year.

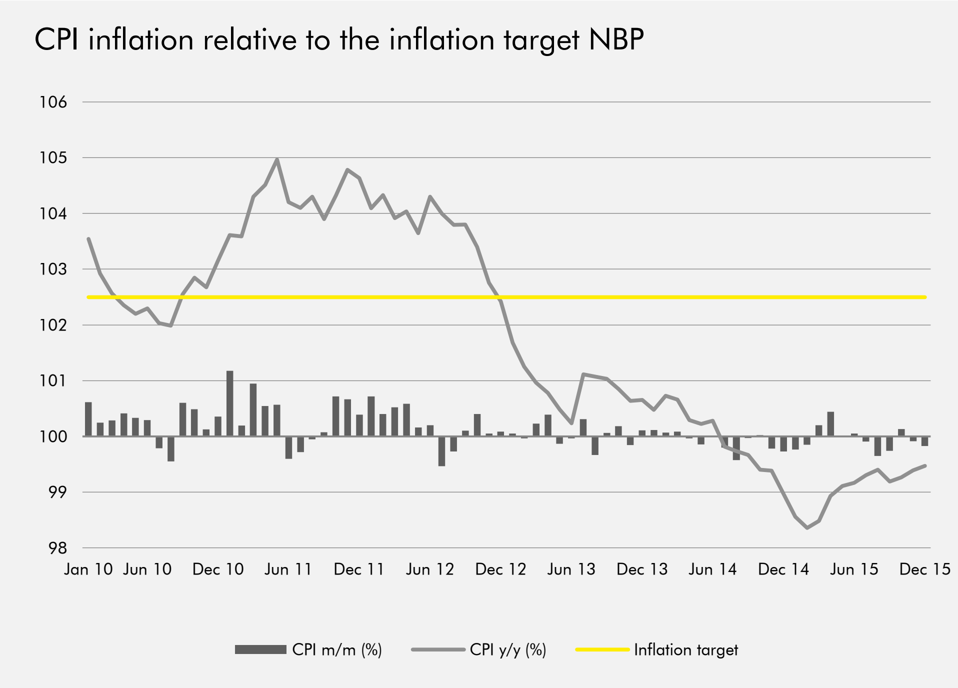




Source: GUS.

1.3. Inflation

The favorable effect of growing payrolls on the financial position of Polish households was supported by deflation, prevailing throughout the year. In 2015, consumer prices decreased 0.9 per cent year on year. A year earlier, the prices were largely unchanged relative to 2013. The deflation pressure related only to prices of goods: in 2015 they went down by a total of 1.8 per cent year on year. Over the same period, prices of services rose by 1.4 per cent. In 2015, the main driver of deflation pressure was the falling prices of fuels (down 13.5 per cent on average) and food (down 1.8 per cent), which primarily follow trends on global markets and thus cannot be directly controlled with monetary policy tools. The price declines – continuing since 2013 in the case of fuels and since 2014 in the case of food – are also contributing to the weakening of inflation pressures in other goods categories. Consequently, all core inflation indices published by the National Bank of Poland (NBP) were close to their multiyear lows throughout 2015.



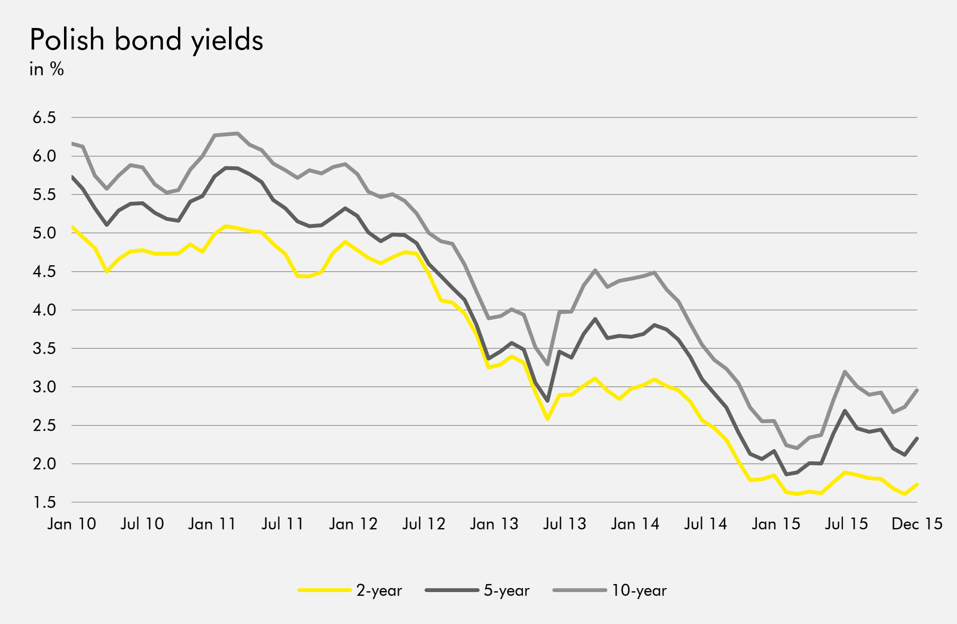
Source: GUS and NBP.

1.4. Public finance and government securities market

The persistent exceptionally low inflation (below the projections underlying the 2015 budget) weighed on VAT revenue throughout the year. According to the Ministry of Finance's data, as at the end of November, revenue from indirect taxes represented 86 per cent of the amount planned for the whole year (as per the Budget Act prior to its amendment), which was the poorest performance against the budget since 2012. While performance in terms of PIT and CIT was higher than in the previous years, it only partially offset the lower VAT revenue. Consequently, performance against the budget in terms of total revenue in consecutive months stayed below the 2014 values. The lower-than-projected revenue was accompanied by lower-than-planned expenses. Therefore, as at the end of November, the budget deficit represented 78.4 per cent of the total set forth in the Budget Act (prior to its amendment) for the whole year.

In December 2015, upon a motion of the new government formed by the Law and Justice party (*Prawo i Sprawiedliwość*), the 2015 Budget Act was amended by reducing the 2015 revenue projections to PLN 286.7 billion (from PLN 297.2 billion before the amendment), and planned expenses to PLN 336.7 billion (from PLN 343.3 billion before the amendment). Thus the deficit projected for 2015 went up to PLN 50 billion (from PLN 46 billion before the amendment).

2015 saw a reversal of the upward trend in Polish treasury bonds observed a year earlier. In January, bond yields hit their lows (1.4 per cent for two-year bonds, 1.6 per cent for five-year bonds and 1.9 per cent for ten-year bonds). Thereafter, as the underlying markets began to grow, the yields also went on an upward trajectory, where they stayed until the third quarter. Then, favorable developments concerning the Greek crisis, sustained low inflation, expectations of leading central banks embarking on a more expansive monetary policy, and speculations on possible rate cuts in Poland, pushed the yields down again; however this time they did not reach the lows seen in January. End of the year brought another shift in market sentiment. Yields on medium- and long-term bonds were under pressure from a number of factors, including the growing political risk, while short-term securities benefited from the provisions of the Banking Tax Bill favoring the treasury securities market. While at the beginning of 2015 the bond market largely followed the developments on the underlying markets, over the following months it was local factors that grew in importance.



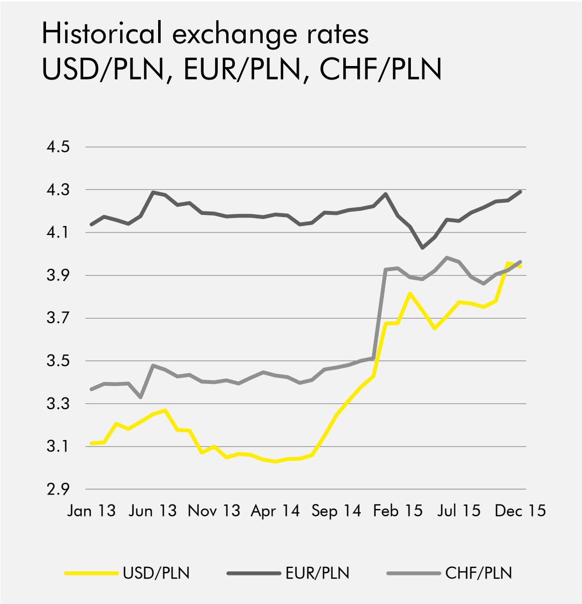
Source: Reuters.

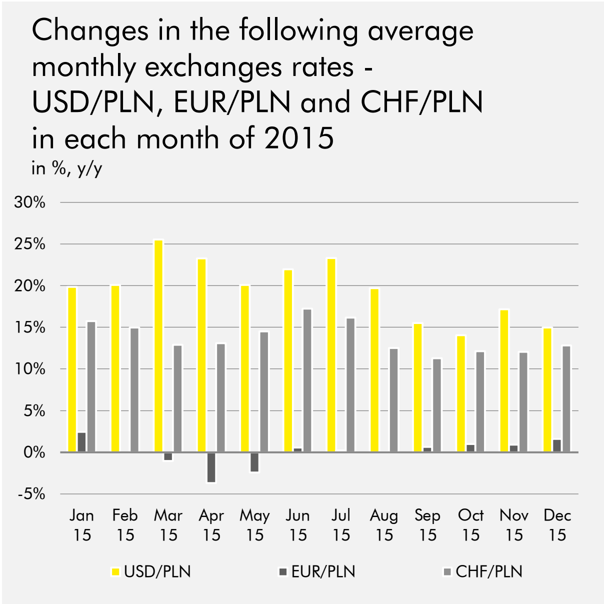
1.5. Exchange rates

Compared to the two previous years, 2015 saw a material increase in the volatility of the Polish zloty. In the case of EUR/PLN exchange rates, the fluctuations in 2015 can be placed into two periods: until mid-April, when the exchange rates declined sharply, and from mid-April, when they underwent a fast-paced correction.

The decline in early 2015 was partially a correction of the spike to nearly 4.40 in December 2014. The correction was encouraged by the European Central Bank's announcement of its asset purchase program, which added to the expectations as to the influx of capital into the Polish market. It also increased the gap between monetary policies in the eurozone and in Poland, particularly in the context of the Polish Monetary Policy Council's declaration to end the series of interest rate cuts. As a result, the EUR/PLN exchange rate declined temporarily below the important threshold of 4.00 – for the first time since 2011. The correction was attributable to, among other things, the growing political risk in Poland in the wake of presidential elections, which suggested a growing probability of landslide changes on Poland's political arena following the parliamentary elections in November. The change of the ruling party, the first one in 8 years, made uncertain the future direction of Poland's politics, resulting in depreciation of the Polish zloty. The coming months brought new risks for the Polish zloty, such as the temporary resurfacing of fears over Greece's exit from the eurozone, anticipation of the first interest rate rise in the US, and speculations about possible interest rate cuts in Poland in 2016 by the new Monetary Policy Council appointed by the ruling party. As a consequence, the EUR/PLN exchange rate ended the year at above 4.26 following an earlier hike to 4.37.
In 2015, the USD/PLN exchange rate continued the upward trend initiated in 2014, reaching nearly 4.00, amid sharp declines in the EUR/PLN exchange rate caused by easing of the European Central Bank's policy. In the period from March to October, the USD/PLN exchange rate fluctuated between 3.50 and 4.00, remaining highly volatile compared to previous years. The year's end brought another increase in the exchange rate caused by a weakening Polish zloty and expectations of the first interest rate rise in the US. As a result, the USD/PLN exchange rate temporarily moved above 4.00, eventually closing the year at 3.90.

January 2015 brought important changes in the CHF/PLN exchange rate after the Swiss National Bank (SNB) abandoned its exchange rate ceiling of SFr 1.20 against the euro. The SNB's unexpected move prompted a rapid increase in the CHF/PLN exchange rate – from 3.55 to 4.20. The change was somewhat corrected in the following weeks, and the rest of the year was marked by slightly stronger fluctuations than prior to the SNB's change of policy, which, however, remained within the 3.80–4.07 band.

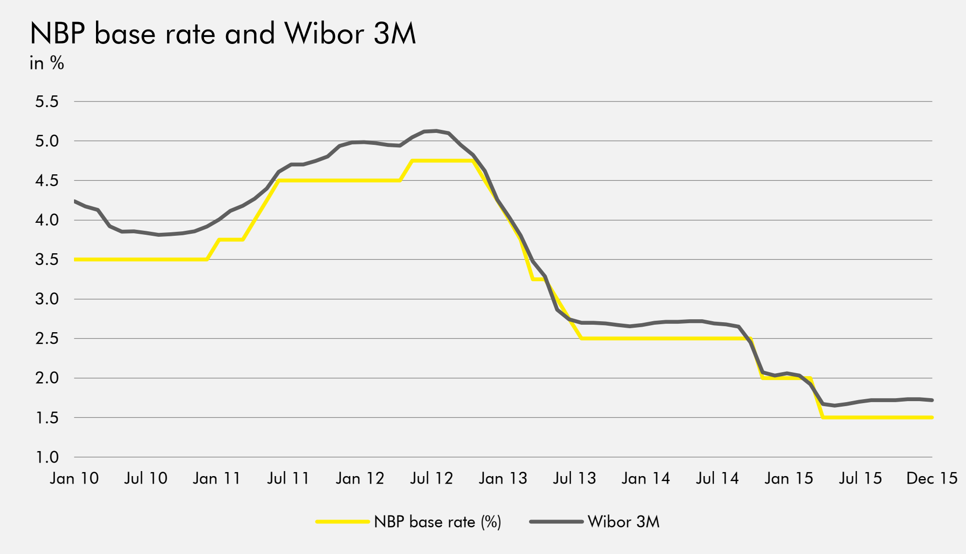




Source: NBP.

1.6. Monetary policy

Along with a progressing inflation, late 2014/early 2015 was marked by increased anticipation of further interest rate cuts. Although in its commentaries the Monetary Policy Council suggested that stable economic growth would mitigate the risk of excessively low inflation, the body did not discount the possibility that worsening inflation prospects might prompt further adjustments of the monetary policy. In March 2015, the monetary authority reduced the National Bank of Poland's interest rates by 50 bps, bringing down the reference rate to the new low of 1.50 per cent. In an official announcement, the Council stated that the decision marked the end of the monetary policy easing cycle. This declaration was upheld. The monetary policy had not changed direction by the end of 2015 despite prolonged deflation. The Monetary Policy Council argued that any further interest rate cuts would have no measurable effect on the pace of inflation returning to the central bank's target. The second half of the year saw heightened market expectations of further interest rate cuts in 2016. The expectations were largely due to the fact that the terms of office of nine Council members were due to expire in early 2016, and the term of office of the National Bank of Poland's Governor would expire in June. The declarations of the Law and Justice party (then already holding most of the seats in Polish parliament) to energize the economy using monetary policy tools indicated that the new Monetary Policy Council would favor a more expansionary monetary policy.



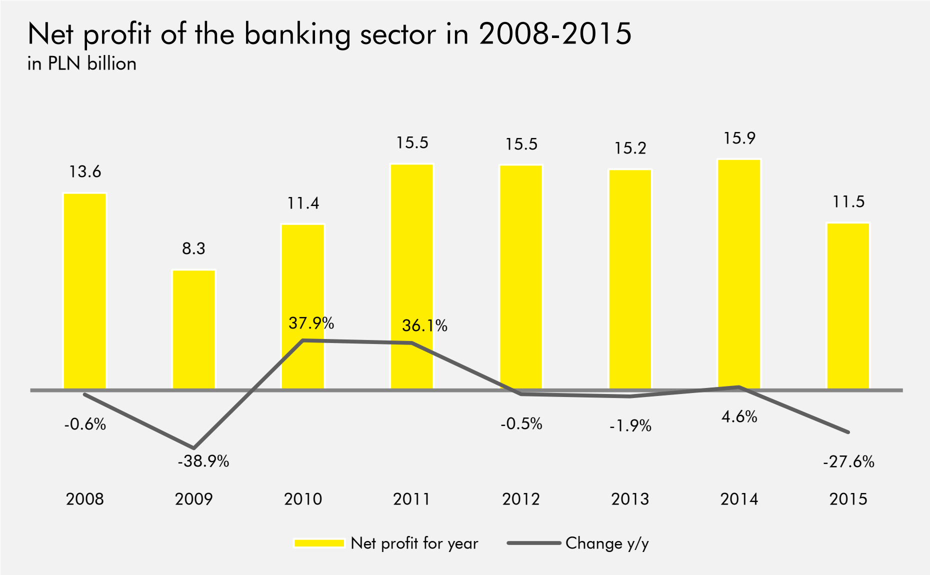
Source: NBP and Bloomberg.

1.7. Banking sector

In 2015, despite sustained economic growth, performance in the banking sector remained under pressure from unfavorable market conditions, such as low interest rates, reduced interchange fees, and higher rates of mandatory annual contributions to the Bank Guarantee Fund and contributions to the Stabilization Fund. Furthermore, the fourth quarter of 2015 was marked by a number of events which adversely affected the sector's performance in 2015. As of 21 November 2015, the Polish Financial Supervision Authority (PFSA) suspended the operations of Spółdzielczy Bank Rzemiosła i Rolnictwa of Wołomin and filed a motion to declare the bank bankrupt. Banks were required (under the Act on Bank Guarantee Fund) to contribute to the Bank Guarantee Fund a total of PLN 2.1 billion, which was used to pay out guaranteed deposits. As a result, according to the data released by the Polish Financial Supervision Authority, the contribution reduced the banking sector's net profit for 2015 by approximately PLN 1.7 billion. Also in the fourth quarter, the Polish Sejm passed an act designed to aid financially distressed borrowers who had taken out housing loans. In accordance with the legislation, banks with exposures to such loans are required to make contributions to the Borrowers' Support Fund (BSF) in proportion to the size of their portfolio of housing loans overdue by 90 or more days. BSF assets are to amount to PLN 600 million at the fund's launch date. Although contributions to the BSF must be by 18 November 2016, most banks have announced that they had already recognized relevant provisions in the fourth quarter of 2015.

As a result, according to the Polish Financial Supervision Authority (PFSA or KNF) data, as at the end of December 2015 the aggregate year-to-date net profit of the banking sector was PLN 11.5 billion, i.e., 27.6 per cent less than in the previous year. The following factors contributed to the sector's earnings in during the period:

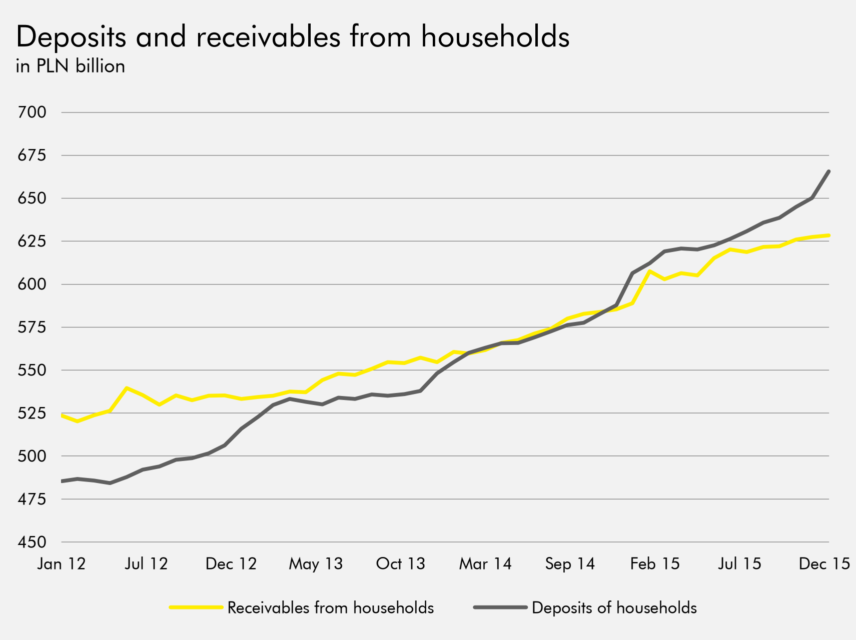
- Net interest income of PLN 35.4 billion, down 4.8 per cent year on year;
- Profit on banking activities/operating income of PLN 56.0 billion, down 3.0 per cent y/y;
- Operating costs of PLN 30.4 billion, up 11.7 per cent y/y (with the increase partly driven by the PLN 2.1 billion contribution to the BGF);
- Recognized impairment losses of PLN 8.4 billion, up 1.4 per cent relative to the end of December a year earlier.



Source: PFSA.

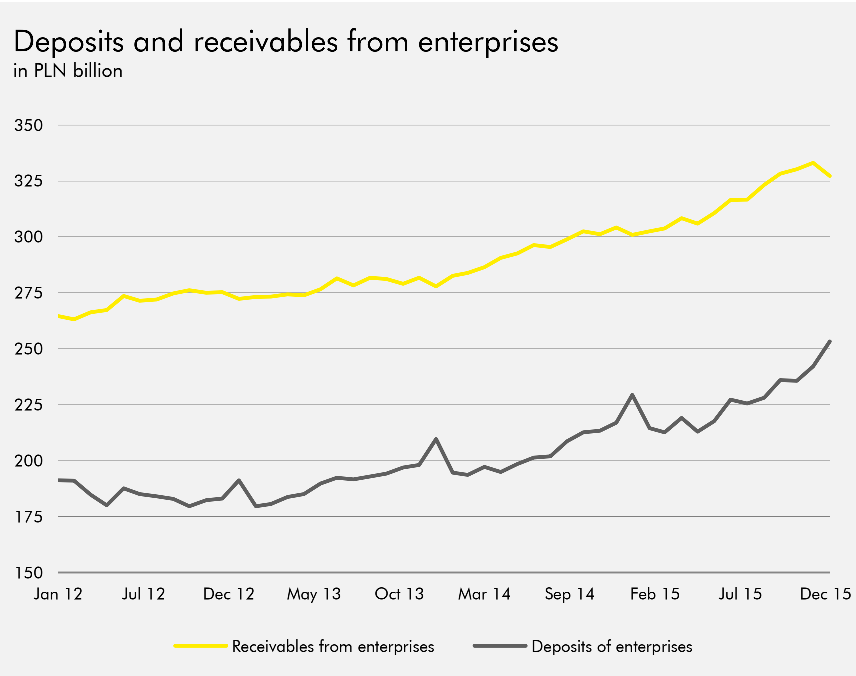
At the end of December 2015, the key items of the banking sector's balance sheet were as follows:

- Households' deposits stood at PLN 665.7 billion and were higher by 9.8 per cent (up PLN 59.3 billion) relative to the end of 2014. This shows that the population's willingness to deposit funds with banks was not adversely affected by the low interest rate environment, and indeed was supported by the continuing improvements on the labor market, growing payrolls and low inflation;
- Amounts due from households reached PLN 628.5 billion, having grown by 6.7 per cent year on year (up PLN 39.6 billion). Housing loans, which accounted for 60.7 per cent of the total, expanded by 7.1 per cent year on year, to PLN 381.3 billion at the end of 2015. Over the same period, the value of Polish zloty-denominated housing loans rose by 11.3 per cent year on year, to PLN 212.0 billion, as did the volume of foreign currency-denominated loans, which were up 2.3 per cent year on year, to PLN 169.3 billion. This volume expansion was largely 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 81,3 per cent of all foreign currency-denominated housing loans). However, the share of foreign currency-denominated loans in the total volume of housing loans edged down by 2.1 percentage points, to 44.4 per cent, driven by gradual repayments and PFSA's Regulation S that curbed new sales of foreign-currency loans. The share of consumer loans in total household loans was at 22,3 per cent, and their value at the end of December 2015 was PLN 140.2 billion (up 6.5 per cent year on year).



Source: PFSA.

- Amounts due to businesses were PLN 253.3 billion, having grown by 10.4 per cent year on year (up by PLN 23.9 billion). The growth seen in 2015 was stronger than the change in 2014, when corporate deposits expanded by 9.4 per cent year on year, i.e., by PLN 19.7 billion.
- Amounts due from businesses were PLN 327.3 billion, up by 8.8 per cent year on year. Amounts due from large enterprises grew stronger than amounts due from small and medium-sized enterprises (SMEs) – by 12.7 per cent year on year, to PLN 141.2 billion, compared with a 6.0 per cent year-on-year increase, to PLN 186.1 billion, in the SME segment. In the large enterprises segment the strongest growth was seen in property loans (up 58.9 per cent year on year), whereas in the SME segment it was the investment loans category that grew the fastest (up 8.4 per cent year on year), excluding the 'other loans' item (up 9,4 per cent year on year).



Source: PFSA.

The capital base of Poland's banking sector improved to PLN 173.7 billion (up 4.7 per cent year on year) at the end of 2015, while the capital adequacy ratio at the end of September 2015 rose to 15.6 per cent (based on PFSA data), i.e., by 0.7 percentage point relative to September 2014.

In October 2015, the PSFA issued individual recommendations to banks regarding equity for covering additional capital requirements to hedge the risk exposure under foreign currency-denominated mortgage loans. Furthermore, new fixed ratios apply as of 2016: 10.25 per cent for Tier 1 ratio and 13.25 per cent for the total capital ratio.

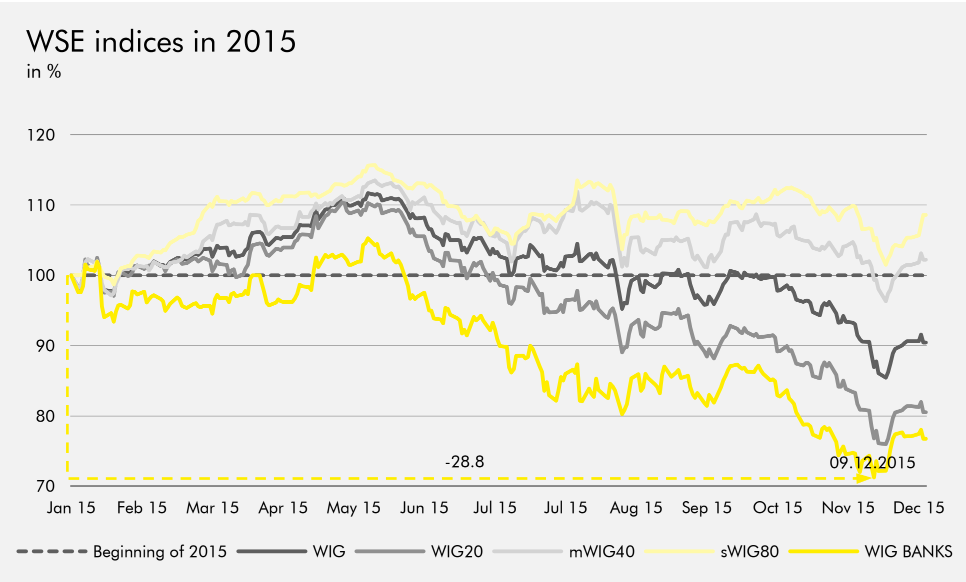
1.8. Capital market

In 2015, the performance of WSE market indices was highly volatile. The main index, WIG, moved within the range from minus 15 per cent to plus 12 per cent relative to its 2015 open. WIG grew until May 2015, but was on a downward trend through the rest of the year, ultimately closing 10 per cent down. The weak performance of the WSE's main index was caused by an overall weakness of its constituents. The WIG20 blue-chip index closed the year down by 20 per cent. Compared to WIG and WIG20, small- and mid-cap indices (sWIG80 and mWIG40) remained stable, growing by 9 per cent and 2 per cent, respectively. The weaker performance of large companies was attributable to a reversal in the investor sentiment towards the commodity, banking and energy sectors. WIG-Banks performed similarly to WIG20 and ended the year 23% lower than at the beginning of January 2015.

The number of IPOs on the WSE was 30 (28 in 2014), as record low interest rates encouraged businesses to seek financing on the debt market. The value of bonds listed on the Catalyst market amounted to PLN 69.6 billion, having grown 9 per cent year on year. The growth in the value of bonds was accompanied by a 19 per cent decrease in the trading volume, which fell to PLN 2.5 billion.

The market of index futures also saw a drop in trading volumes (down 26% year on year), largely resulting from the change of the multiplier from PLN 10.00 to PLN 20.00 for one-point change – the last contracts with a multiplier of PLN 10.00 expired on 30 June 2014.

The segment of structured products continued to grow rapidly, by 29 per cent year on year, with a turnover of PLN 722 million, in line with the trend which saw it grow 100 per cent in 2014.



Source: NBP and Bloomberg.

2. Key events and achievements at Raiffeisen Bank Polska S.A. in 2015

2015 was the first year of implementation of strategy of Raiffeisen Bank Polska S.A. ("Bank", "Raiffeisen Polbank", "Raiffeisen Bank Polska") Strategy for 2015−2017. Despite the demanding market and regulatory environment, the Bank focused on the strategic areas and successfully executed the Operations Transformation Project, launched a new strategy in its Retail Banking segment, and achieved growth in key client groups of the Corporate Banking segment (SMEs).

In 2015, Raiffeisen Bank Polska S.A. earned a net profit of PLN 160.1 million, down 49.0 per cent on 2014. The main factors which contributed to the decline included:

- 91.1 per cent year-on-year increase in net provisioning for impairment losses, mainly due to lower gains on sale of impaired loans in 2015 (excluding the effect of the impairment loans' sales transactions, net provisioning for impairment losses fell by 47.0 per cent year on year, mainly on improved risk parameters of the retail portfolio), and
- higher additional costs related to contributions to the Bank Guarantee Fund (increased annual contribution rate and one-off contribution related to the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa of Wołomin), and recognition of a provision for payments to the Borrowers' Support Fund. Given the above costs, the Bank's general administrative expenses remained at the level of 2014 despite restructuring efforts and optimization of the cost base. Net of the above one-off items, in 2015 costs fell 8.8 per cent year on year.

Under the new strategy, in 2015 the Retail Banking segment focused on enhancing its product offering. The key development was the launch of the Dream Personal Account (*Wymarzone Konto Osobiste*). As a result of active promotional efforts and sales activities, the number of Dream Personal Accounts reached 264 thousand as at the end of 2015, while the number of active c lients went up to 671 thousand. The volume of retail deposits expanded significantly –the balance increased by PLN 3.95 billion year on year, to PLN 19.4 billion as at the end of December 2015. In Private Banking, Raiffeisen Bank Polska maintained its leading position, as confirmed by the highest, five-star rating achieved for the second consecutive year in the Polish private banking ranking table compiled by Forbes. 2015 also saw a strong growth (17 per cent year on year) in assets of the clients of Friedrich Wilhelm Raiffeisen, the Bank's Private Banking segment.

In 2015, the Bank further consolidated its position in the Corporate Banking segment, expanding its client base by 6.2 per cent year on year, to 13.9 thousand, which was reflected in the increased volume of net loans to small and medium-sized enterprises (up by 13.2 per cent and 7.3 per cent year on year, respectively).

In 2015, Raiffeisen Bank Polska continued to rank second in the Polish factoring market, with a turnover of PLN 17.8 billion, up 7.8 per cent year on year. In 2015, the Bank purchased over 593 thousand invoices.

Raiffeisen Bank Polska also maintained its leading position in the FX market – the total volume of FX transactions in 2015 increased by 12 per cent year on year. The popularity of the R-Dealer transaction platform, which was upgraded last year with a new graphic user interface and functionalities, was growing steadily. The number of transactions executed on the platform went up by 23 per cent year on year, and the volume of FX transactions exceeding PLN 30 billion in 2015.

In 2015, a wide range of the Bank's operational functions were centralized in the new Operating Center in Ruda Śląska as part of the Operations Transformation Project aimed, among other things, at optimizing the Bank's cost base. The efficiency of all processes migrated to the Center is higher than expected, with the high quality of customer service maintained.

In 2015, the Bank continued to build its capital base, with a particular focus on keeping a high share of the highest quality capital (CET1). In 2015, the Bank's entire profit for 2014, amounting to PLN

314 million, was transferred to the Tier 1 capital. As a result, compared with 2014, the total capital ratio increased by 1.02 percentage points, to 14.95 per cent, and the Common Equity Tier 1 capital ratio rose by 1.06 percentage points, to 14.30 per cent at the end of 2015.

In January 2015, Raiffeisen Bank Polska's three-year bonds worth PLN 500 million were introduced to trading on the Catalyst market. The Bank issued the debt securities in November 2014.

Summary of the Bank's performance in 2015:

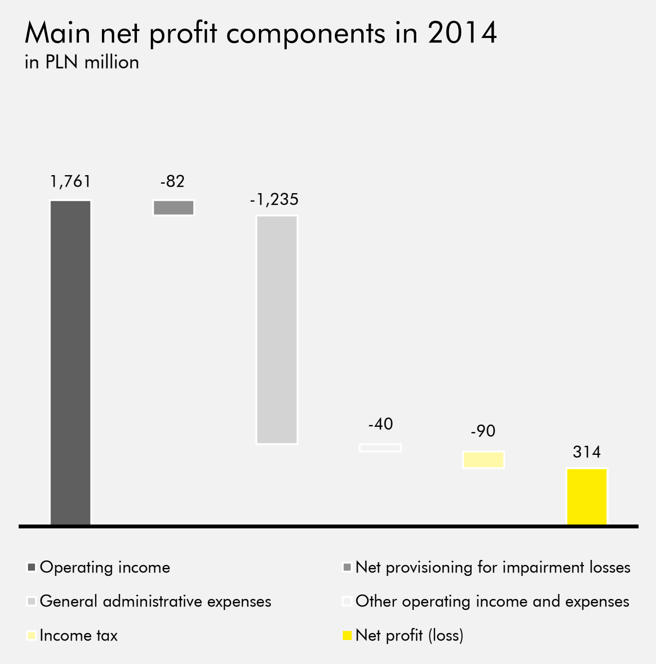
PLN 160.1 million in net profit		Decline in net profit by 49.0 per cent year on year
PLN 207.0 million in gross profit		Decline in gross profit by 48.8 per cent year on year Net of the effects of one-off sale transactions of impaired receivables, gross profit grew by 27.5 per cent year on year
Lower cost base and improved cost efficiency improvement		Factoring out the one-off BGF contribution made in the wake of the SK Bank bankruptcy, and the provision for payments to the Borrowers' Support Fund, general administrative expenses decreased 8.8 per cent year on year and cost/income ratio improved to 70.3%
Improved credit portfolio quality		Decrease in net provisioning for impairment losses on financial assets by 47.0 per cent year on year, on improved risk parameters of the retail portfolio, net of the effect of one-off impaired receivables' sale transactions
Larger client base		Higher number of clients, up 5.7% year on year, to over 686 thousand
Smaller volume of loans		Decrease in loans and advances to customers to PLN 33.7 billion, i.e., by 3 per cent year on year
Larger volume of client deposits		Increase in amounts due to customers to PLN 38.8 billion, i.e., by almost 15 per cent year on year
Improved capital and liquidity ratios		Total capital ratio at 14.95 per cent Common Equity Tier 1 capital ratio at 14.30 per cent Loan-to-deposit ratio at 86.9 per cent

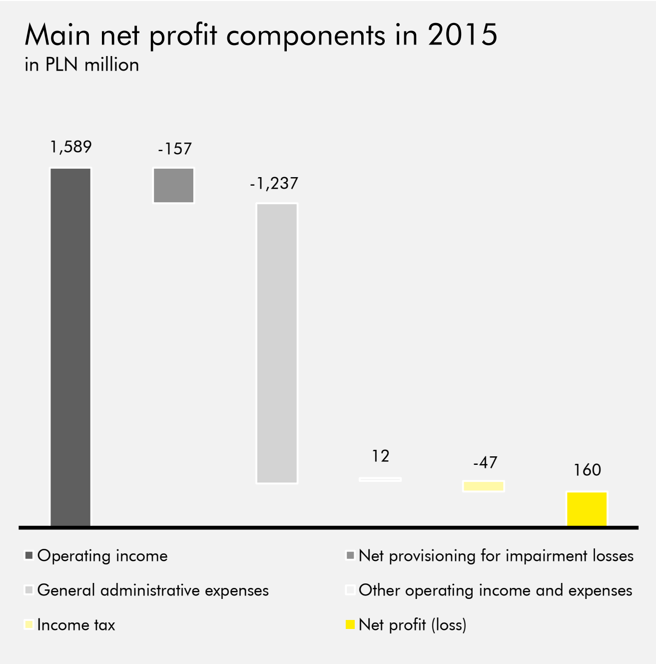
3. Financial standing of Raiffeisen Bank Polska S.A. in 2015

3.1. Profit and loss

In 2015, Raiffeisen Bank Polska earned net profit of PLN 160.1 million, against PLN 314.1 million in 2014. The pre-tax result amounted to PLN 207.0 million in 2015 against PLN 404.5 million in 2014. The year-on-year decline was mainly attributable to a significant decrease of proceeds from sale of a portfolio of non-performing loans in 2015. Excluding the effect of the transactions in 2014 and 2015 results, the Bank's gross profit grew year on year, despite higher additional costs related to contributions to the Bank Guarantee Fund (BFG) (increased annual contribution and a one-off contribution related to the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa of Wołomin), and a provision for contributions to the Borrowers' Support Fund.

In 2015, Raiffeisen Bank Polska generated ROE of 2.61 per cent, with the capital adequacy ratio at 14.95 per cent.





Net profit decreased by 154.0 million year on year, or 49.0 per cent, mainly as a result of:

- 9.8 per cent decrease in operating income, from PLN 1,761.1 million in 2014 to PLN 1,589.3 million in 2015, with lower net interest income being the main contributing factor;
- Higher net provisioning for impairment losses in 2015 (up 91 per cent), attributable to the significantly lower result on sale of non-performing loans (PLN 25.0 million in 2015, against PLN 261.7 million in 2014 due to a significant transaction of a sale of retail receivables portfolio

in 2014). Excluding the effect of proceeds from the sale of receivables, in 2015 net provisioning for impairment losses on financial assets and provisions for off-balance-sheet items fell by PLN 161.7 million, or 47.0 per cent;

- The Bank's general administrative expenses in 2015 were PLN 1,236.9 million, and remained relatively unchanged on 2014, despite the Bank's efforts to reduce its cost base, and were affected by the significantly higher costs of contributions to the Bank Guarantee Fund (up PLN 112.0 million on 2014, including a PLN 71.7 million contribution to cover payments of guaranteed deposits to the clients of Spółdzielczy Bank Rzemiosła i Rolnictwa of Wołomin), and contributions of PLN 39.3 million to the newly established Borrowers' Support Fund;
- Net other operating income stood at PLN 12.1 million as at the end of 2015, against a loss of PLN 39.6 million as at the end of 2014. The increase was due to the absence of adverse events, as opposed to 2014 (when the Bank recognized a provision for a fine imposed by the Office of Competition and Consumer Protection (UOKiK), and wrote off intangible assets and retired fixed assets), and a one-off sale of tangible assets in 2015.

Selected items of the statement of profit or loss (in PLN thousand)			**Change**	
	31.12.2015	**31.12.2014**	**PLN thousand**	**%**
Interest income	1,634,379	1,864,715	-230,336	-12.4
Interest expense	-699,488	-780,053	80,565	-10.3
Net interest income	**934,891**	**1,084,662**	**-149,771**	**-13.8**
Net provisioning for impairment losses	-157,428	-82,388	-75,040	91.1
Fee and commission income	668,250	668,854	-604	-0.1
Fee and commission expense	-94,420	-93,741	-679	0.7
Net fee and commission income	**573,830**	**575,113**	**-1,283**	**-0.2**
Net income from financial instruments measured at fair value and net foreign exchange result	39,625	58,414	-18,789	-32.2
Dividend income	40,986	43,026	-2,040	-4.7
General administrative expenses	-1,236,937	-1,234,693	-2,244	0.2
Other operating income and expenses	12,067	-39,646	51,713	-
Profit (loss) before tax	**207,034**	**404,488**	**-197,454**	**-48.8**
Income tax expense	-46,959	-90,350	43,391	-48.0
Net profit (loss)	**160,075**	**314,138**	**-154,063**	**-49.0**

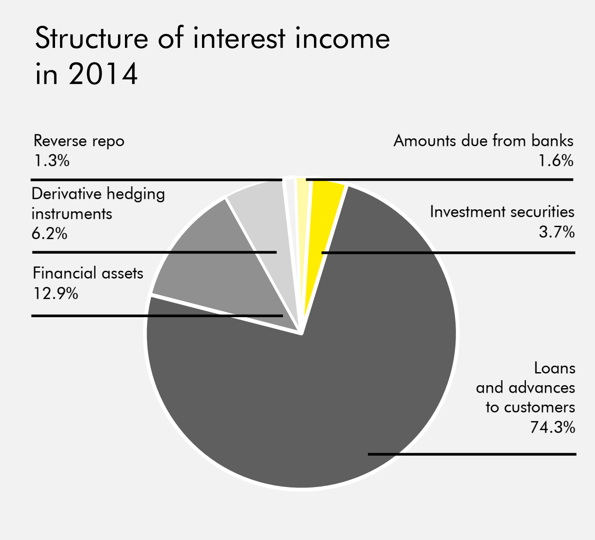
3.1.1. Net interest income

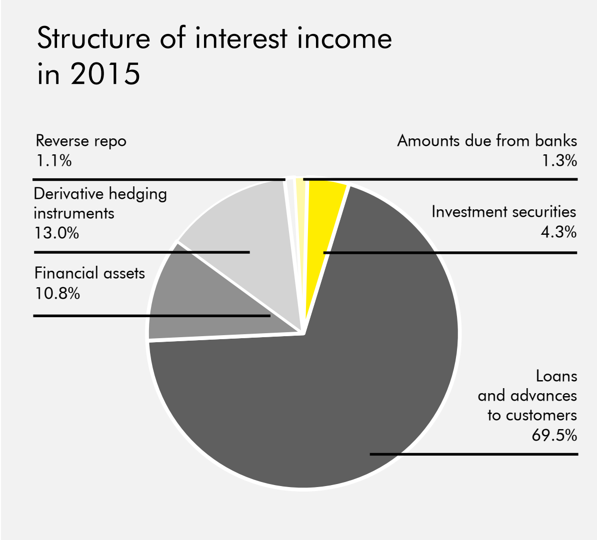
In 2015, the Bank's net interest income amounted to PLN 934.9 million, down by PLN 149.8 million, or 13.8 per cent, compared to 2014. The decline was driven by lower PLN and CHF interest rates. The average 1M WIBOR in 2015 was 1.71 per cent relative to 2.46 per cent in 2014. The National Bank of Poland's lombard rate, which determines the maximum loan interest rate, was 2.5 per cent as at the end of 2015, against 3 per cent as at the end of 2014 and 4 per cent in January—October 2014. The Swiss interest rates also fell significantly, following the Swiss National Bank's decision to release the minimum CHF/EUR exchange rate, and to lower the reference rate. The average CHF 1M LIBOR was negative at -0.82 per cent in 2015 against -0.01 per cent in 2014.

3.1.2. Structure of interest income

In 2015, interest income was PLN 1,634.4 million, down 12.4 per cent year on year. Its structure slightly changed in comparison with 2014. The largest item of interest income was income from loans and advances to customers, whose share in total interest income declined to 69.5 per cent, from 74.3 per cent a year earlier. Despite a 3.2 per cent increase in the average balance of loans and advances to customers, interest income from this asset category fell by 18 per cent year on year as account of lower interest rates.

Interest income from hedge derivatives grew significantly, by 83 per cent, to PLN 212 million as at the end of 2015. Its share in the total interest income rose to 13.0 per cent, from 6.2 per cent as at the end of 2014, following the increase of the Bank's portfolio of derivative instruments designated for hedge accounting. The share of interest income from financial assets measured at fair value fell to 10.8 per cent as at the end of 2015, relative to 13.0 per cent as at the end of 2014. Income from these assets dropped by 27 per cent year on year due to lower interest rates in 2015.



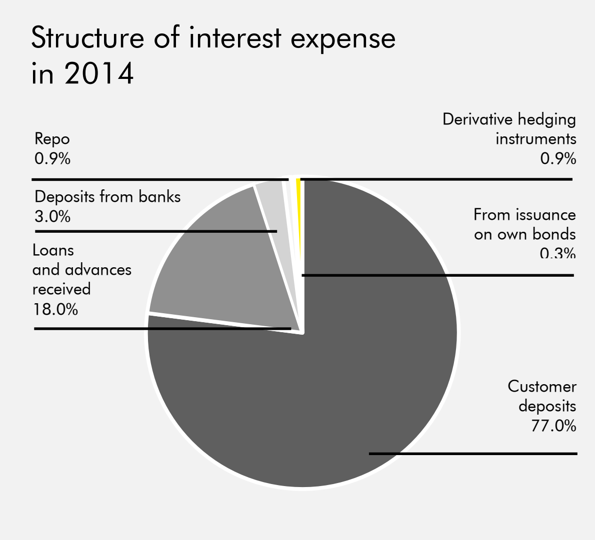


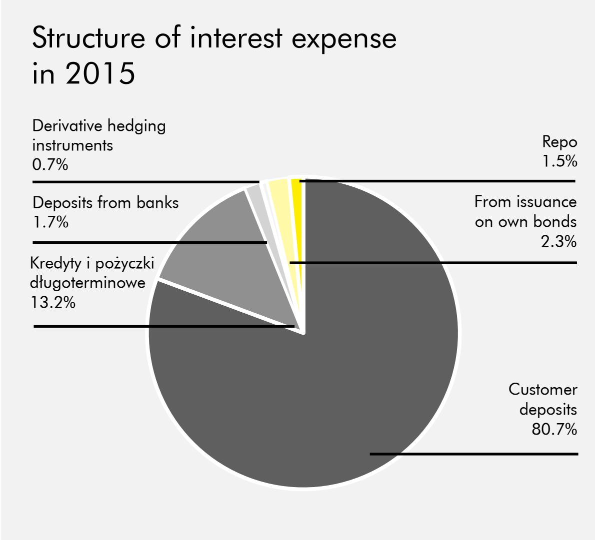
3.1.3. Structure of interest expense

In 2015, interest expense amounted to PLN 699.5 million, down 10.3 per cent year on year.

The largest share in interest expense constituted interest on client deposits, accounting for 81 per cent of the total at the end of 2015, increased by 6 percentage points compared with a previous year. Despite a 18.2 per cent year-on-year increase in the average balance of customer deposits, nominal interest expense on such deposits fell by PLN 36.4 million (-6.1 per cent year on year), to PLN 564.3 million, due to lower interest rates and effective management of the deposit pricing policy.

There was strong decline in interest expense on loans and advances received, to PLN 93 million at the end of 2015, dropped by 34.1 relative to the previous year, mostly attributable to a lower average balance of loans and advances received, which fell 26.5 per cent year on year. The share of interest expense on loans and advances received in total interest expense went down to 13.2 per cent, compared with 18.0 per cent in the previous year.





3.1.4. Non-interest income

In 2015, non-interest income amounted to PLN 654.4 million, down PLN 22.1 million, or 3.3 per cent, on the previous year.

Relative to 2014, net fee and commission income fell slightly, by 0.2 per cent. Lower income from maintenance and management of clients' bank accounts (following the launch of the Dream Personal Account) and from payment cards (impact of lower interchange fees) was offset by higher income from lending and custody services, higher income from distribution of open-end investment funds, and lower expenses on payment cards.

Net income from financial instruments measured at fair value and net foreign exchange result was PLN 39.6 million in 2015, down 32.2 per cent year on year. This decline followed from a higher volume of transactions designated for hedge accounting, with transaction gains and losses recognised under interest income and expense.

3.1.5. Net provisioning for impairment losses on financial assets and provisioning for off balance items

In 2015, net provisioning for impairment losses went up 91 per cent, to PLN 157.4 million, compared with PLN 82.4 million in the previous year. This increase was due to a significantly lower amount of impaired receivables sold. Proceeds from sale of receivables were PLN 25.0 million at the end of 2015, against PLN 261.7 million in 2014, i.e., 90.5 per cent down. Excluding the effect of proceeds from the sale of receivables, in 2015 net provisioning for impairment losses on financial assets and provisions for off-balance-sheet items fell by PLN 161.7 million, or 47.0 per cent. Improvements were seen both in the Corporate Banking and the Retail Banking segments, which came as a result of effective risk management and improved risk parameters of the retail portfolio.

The share of non-performing loans was 7.7 per cent, having dropped by 0.2 percentage point on 2014. Non-performing loans coverage ratio at the end of 2015 was 58.7 per cent, which represented a growth by 2.1 percentage points year on year.

3.1.6. General administrative expenses

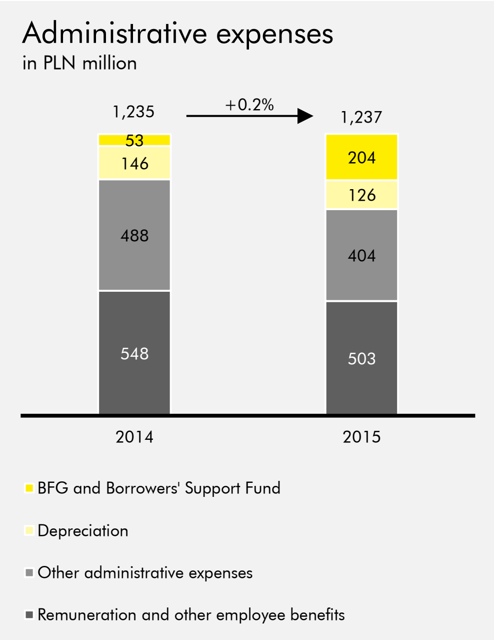
The Bank's general administrative expenses in 2015 amounted to PLN 1,236.9 million, remaining relatively unchanged against 2014. Despite implementation of cost-saving programs and completion of the integration process, the Bank's cost base was not reduced, owing to a threefold rise in contributions to the Bank Guarantee Fund (BFG), from PLN 52.7 million in 2014 to PLN 164.7

million in 2015, including PLN 71.7 million related to the bankruptcy of SK Bank Wołomin, and additional contributions to the newly established Borrowers' Support Fund of PLN 39.3 million.

An 8.3 per cent drop in costs of salaries, wages and other employee benefits resulted from the pursuit of synergies and the relocation of the Operations Center from Warsaw to Ruda Śląska. Further savings were achieved by optimizing the branch network: 18 unprofitable branches were closed down.

The cost reduction was also impacted by the European Central Bank's decision on non-distribution of annual bonuses for 2014 and release of the PLN 21.6 million provision recognised for that purpose. Furthermore, the Management Board of the Bank decided to terminate the RAIF'fajne LATA employee program, which involved release of a provision for jubilee benefits of PLN 34.7 million. On the other hand, steps taken by the Bank's shareholder to sell its assets in Poland generated additional costs in the form of a retention program.

The decrease of cost year on year in the area of general administrative expenses, was the result of the completed operational system integration, optimization of the IT infrastructure and reduction of administrative costs, achieved in particular through the closing down of unprofitable branches and taking additional optimization measures.



3.2. Segment results

The Bank 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.

Figures taken into consideration for the purpose of analyzing the segments' performance in terms of net interest income include internal net interest income, an element of which is the allocation of internal net interest income from capital refinancing and cost of subordinated loans.

Profit (loss) before tax by segment (in PLN thousand)	31.12.2015	31.12.2014	Change	
			PLN thousand	%
Corporate banking	326,654	305,773	20,881	6.8
Retail banking	-125,385	35,462	-160,847	-
Financial institutions and capital markets	93,003	91,929	1,074	1.2

Profit (loss) before tax by segment (in PLN thousand)	31.12.2015	31.12.2014	Change PLN thousand	Change %
Asset and liability management and other operations	-87,237	-28,676	-58,561	204,2
Bank total	**207,035**	**404,488**	**-197,453**	**-48.8**

Corporate Banking

In 2015, Corporate Banking generated profit before tax of PLN 326.7 million, i.e. grew by 6.8 per cent year on year. Key performance drivers were:

- 7.8 per cent decline in net interest income, following interest rate cuts by the Monetary Policy Council, which had a negative impact on margins generated on current accounts and on net interest income from capital refinancing allocated to the segment, both of which are recognized as internal net interest income. The lower net interest income was also attributable to lower deposit margin, reflecting increased demand for customer funding, and lower lending margin due to intensified price competition;
- 7.8 per cent rise in non-interest income, driven by higher revenue from FX transactions;
- 4.6 per cent rise in general administrative expenses due to a significant increase in contributions paid to the Bank Guarantee Fund;
- 33 per cent decrease in net provisioning for impairment losses, achieved through effective risk management.

Corporate Banking (in PLN thousand)	31.12.2015	31.12.2014	Change PLN thousand	Change %
Interest Income	508,428	567,905	-59,477	-10.5
Interest Expense	-156,997	-213,107	56,110	-26.3
Interest Income (external)	**351,431**	**354,798**	**-3,367**	**-0.9**
Interest Income (internal)	39,837	69,403	-29,566	-42.6
Net Interest Income	**391,268**	**424,201**	**-32,933**	**-7.8**
Revenues non-interest	320,928	297,642	23,286	7.8
Operating Income	**712,196**	**721,843**	**-9,647**	**-1.3**
General administrative expenses	-298,454	-285,409	-13,045	4.6
there of: Depreciation	-30,156	-29,504	-652	2.2
Net provisioning for impairment losses	-87,088	-130,661	43,573	-33.3
Profit (loss) before tax	**326,654**	**305,773**	**20,881**	**6.8**
Assets	**12,291,473**	**12,908,701**	**-617,228**	**-4.8**
Liabilities	**14,844,293**	**14,572,651**	**271,642**	**1.9**

Retail Banking

Retail Banking generated a loss of PLN 125.4 million in 2015, down by PLN 160.8 million compared with the previous year. The year-on-year decline resulted from sale of a large portfolio of non-performing loans in 2014. Excluding the proceeds from the sale of receivables both in 2014 and 2015, profit before tax improved by PLN 82.8 million from PLN -225.6 million in 2014 to PLN -142.9 million in 2015. Other performance drivers were the following:

- 21 per cent decrease in net interest income due to the Monetary Policy Council lowering interest rates, notably the lombard rate. The interest rate cuts affected interest income and segment-allocated net interest income from capital refinancing, which is a component of internal net interest income. Also, increased demand for customer funding pushed down margin on customer deposits;

- 12 per cent decline in non-interest income, largely attributable to the launch of the Dream Account product with no account maintenance fee, lower interchange fees and the reduced currency spread on CHF-denominated loans.
- 14 per cent fall in general and administrative expenses, despite higher contributions paid to the Bank Guarantee Fund, as a result of the branch network optimisation, transformation of the Bank's operations, and an operational integration project completed in 2014, with related expenses incurred charged to the previous year's result.
- PLN 131.8 million increase in net provisioning for impairment losses, with the volume of impaired receivables sold in 2015 being significantly lower than in 2014. Adjusted for one-off NPL sale transactions, net provisioning for impairment losses fell on improved risk parameters in the retail portfolio (PLN 196.6 million in 2014 compared with PLN 84.8 million in 2015).

Retail Banking (in PLN thousand)			**Change**	
	31.12.2015	**31.12.2014**	**PLN thousand**	**%**
Interest Income	644,283	836,553	-192,270	-23.0
Interest Expense	-342,823	-304,295	-38,527	12.7
Interest Income (external)	**301,460**	**532,258**	**-230,797**	**-43.4**
Interest Income (internal)	152,599	38,977	113,622	291.5
Net Interest Income	**454,059**	**571,235**	**-117,176**	**-20.5**
Revenues non-interest	217,688	246,484	-28,796	-11.7
Operating Income	**671,747**	**817,719**	**-145,972**	**-17.9**
General administrative expenses	-729,845	-846,758	116,913	-13.8
there of: Depreciation	-85,160	-106,065	20,905	-19.7
Net provisioning for impairment losses	-67,287	64,501	-131,788	-
Profit (loss) before tax	**-125,385**	**35,462**	**-160,847**	**-**
Assets	**21,854,254**	**20,285,937**	**1,568,317**	**7.7**
Liabilities	**19,385,642**	**15,432,048**	**3,953,594**	**25.6**

Financial Institutions and Capital Markets

The 2015 result of the Financial Institutions and Capital Markets segment improved by 1.2 per cent year on year, as account of:

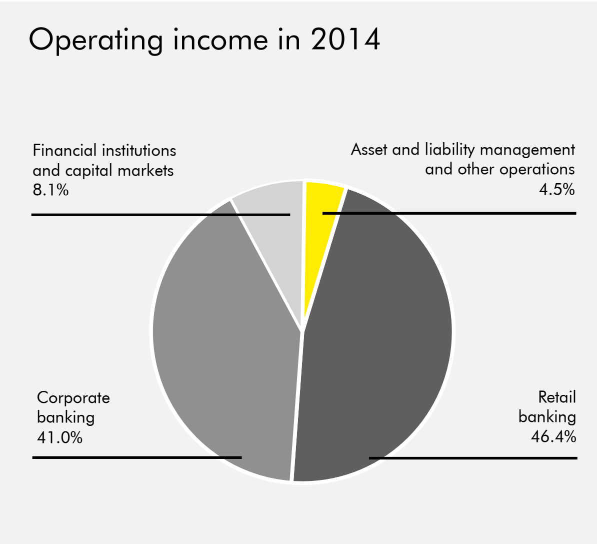
- 3.2 per cent rise in non-interest income, driven by an improved result on FX transactions and higher income from custodian services.
- 3.7 per cent rise in general administrative expenses on increased contributions to the Bank Guarantee Fund.

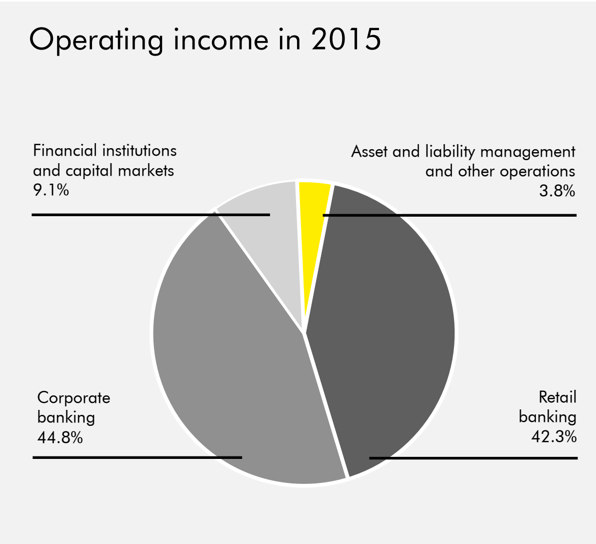
Financial institutions & Capital markets (in PLN thousand)			**Change**	
	31.12.2015	**31.12.2014**	**PLN thousand**	**%**
Interest Income	52,929	66,694	-13,765	-20.6
Interest Expense	-106,659	-130,521	23,862	-18.3
Interest Income (external)	**-53,730**	**-63,827**	**10,097**	**-15.8**
Interest Income (internal)	88,205	99,145	-10,940	-11.0
Net Interest Income	**34,475**	**35,318**	**-843**	**-2.4**
Revenues non-interest	110,803	107,365	3,438	3.2
Operating Income	**145,278**	**142,683**	**2,594**	**1.8**
General administrative expenses	-52,737	-50,876	-1,861	3.7
there of: Depreciation	-6,169	-4,920	-1,249	25.4

Financial institutions & Capital markets (in PLN thousand)	31.12.2015	31.12.2014	Change	
			PLN thousand	%
Net provisioning for impairment losses	462	122	340	279.4
Profit (loss) before tax	**93,003**	**91,929**	**1,074**	**1.2**
Assets	**3,256,651**	**5,299,055**	**-2,042,404**	**-38.5**
Liabilities	**4,994,107**	**7,620,153**	**-2,626,046**	**-34.5**

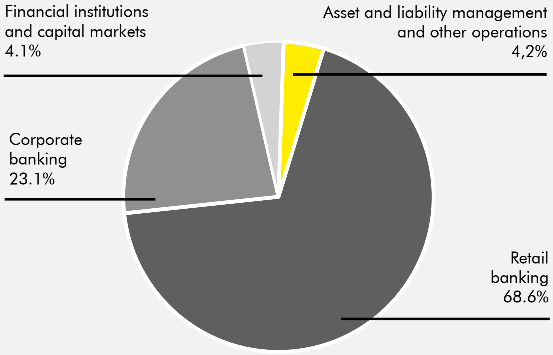
Asset and Liability Management and Other Operations

Loss in Asset and Liability Management deteriorated by a further PLN 58.5 million in 2015, to PLN 87.2 million, due to a PLN 104 million rise in general administrative expenses, driven by one-off contributions paid to the Bank Guarantee Fund in relation to the BS Wołomin bankruptcy (PLN 71.7 million) and a provision for contributions to the recently established Borrowers' Support Fund (PLN 39.3 million). The higher general administrative expenses were partially offset by a PLN 52 million increase in other operating income, resulting from a one-off sale of non-current assets in 2015 and absence of adverse events that weighed on the 2014 figures (fines imposed by the Competition and Consumer Protection Office, write-downs of intangible assets and retired tangible fixed assets). Operating income fell 24 per cent year on year. Despite interest rate cuts, lower income from the securities business and rising costs of customer funding, net interest income remained stable due to higher income allocated to net interest income from hedging transactions designated for hedge accounting. A higher volume of transactions designated for hedge accounting had an adverse impact on non-interest income, which was down 80 per cent in 2015 compared with the previous year.

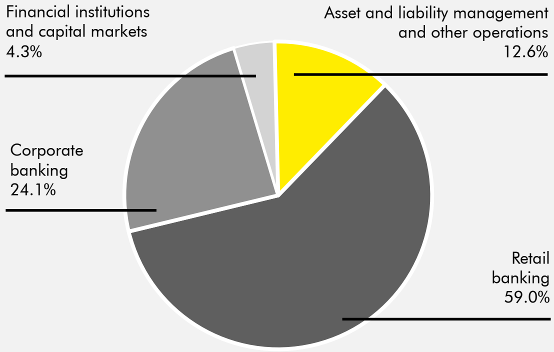




Administrative expenses in 2014



Administrative expenses in 2015



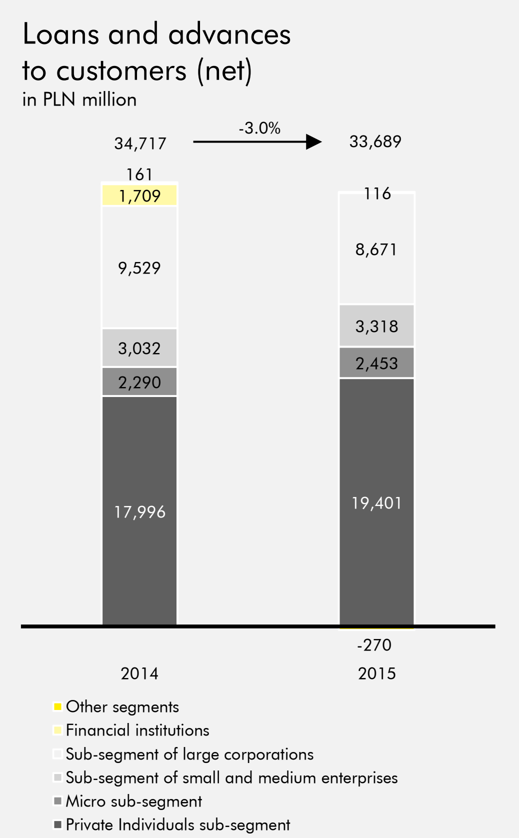
3.3. Statement of financial position

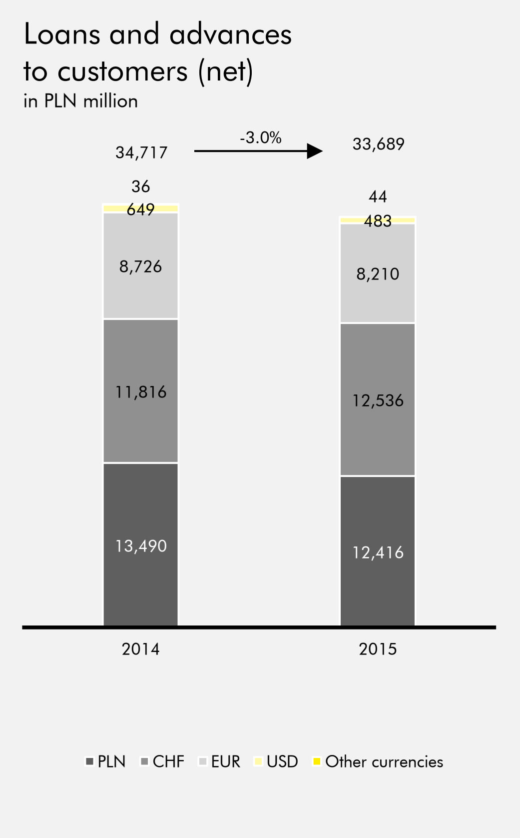
3.3.1. Assets

Raiffeisen Bank Polska's assets increased by PLN 2.6 billion year on year (or 4.9 per cent) as at the end of 2015, to PLN 56,168 million. Loans and advances to customers remained the largest item of the Bank's assets, although their share in total assets fell from 64.9 per cent as at the end of 2014 to 60 per cent as at the end of 2015. The value of loans fell by PLN 1 billion year on year, or 3 per cent, due to lower lending in Corporate Banking and lower value of buy-sell-back transactions with non-bank clients in the Financial Institutions segment. In Retail Banking loans by value rose PLN 1.6 billion due to growth of cash loans and higher balances of CHF-denominated loans following the Swiss National Bank's decision to remove its currency peg.

Assets of Raiffeisen Bank Polska S.A. (in PLN million)			**Change**	
	31.12.2015	**31.12.2014**	**PLN million**	**%**
Cash and balances with the central bank	2,704	2,684	20	0.7
Amounts due from banks	1,204	628	576	91.6
Financial assets held for trading	12,570	362	12,209	3,372.4
Derivative financial instruments	562	900	-338	-37.5
Investments securities	3,827	12,514	-8,687	-69.4
Loans and advances to customers	33,689	34,717	-1,028	-3.0
Intangible assets	536	573	-37	-6.5
Property, plant and equipment	125	156	-31	-20.0
Other assets	952	987	-36	-3.6
Total assets	**56,169**	**53,521**	**2,648**	**4.9**

Lower loans to customers were offset by a growth of total of financial assets held for trading and investment securities. The balance of financial assets held for trading grew by PLN 12,209 million, while the balance of investment securities went down by PLN 8,687 million, with the combined effect being an increase of PLN 3,522 million. This major growth in financial assets held for trading and investment securities relative to the end of 2014 was attributable to a one-off purchase of one-week NBP money-market bills for the investment securities portfolio at the end of 2014.



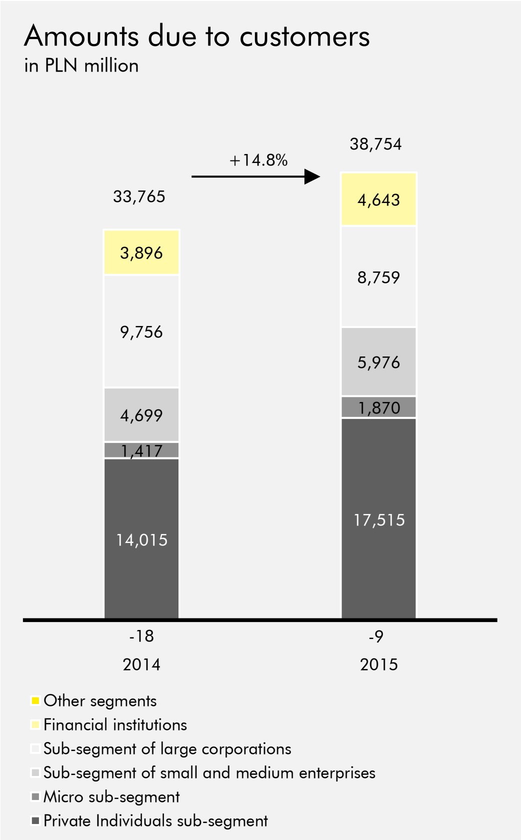


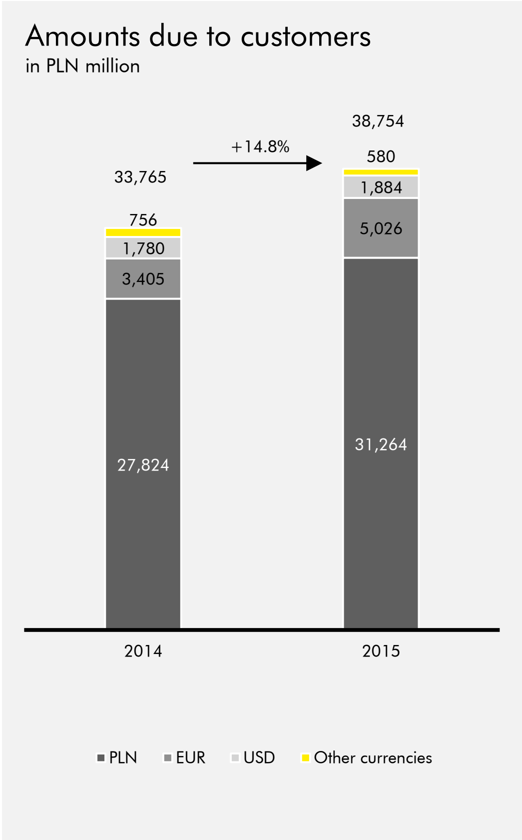
3.3.2. Liabilities and equity

Raiffeisen Bank Polska's liabilities increased by PLN 2.4 billion year on year (or 5.1 per cent) as at the end of 2015, to PLN 49,921 million. Deposits from customers remained the main financing source for the Bank, rising 14.8 per cent year on year (by PLN 4,990 million), to PLN 38.7 billion. The share of deposits from customers in total equity and liabilities expanded to 69 per cent, compared with 63.1 per cent in the previous year. Customer deposits rose mainly in the Retail Banking segment, with a decline in customer deposits reported by the Financial Institutions segment.

Amounts due to banks and other monetary institutions fell by PLN 3.3 billion, or 29.4 per cent, on the end of 2014, to PLN 7,936 million, with their share in the balance sheet total down from 21 per cent to 14 per cent. The decrease was caused by a change in the Group's financing structure, partial repayment of long-term debt and conversion of a part of loans into subordinated liabilities, which rose PLN 405 million year on year.

Liabilities and equity to Raiffeisen Bank Polska S.A. (in PLN million)	31.12.2015	31.12.2014	Change	
			PLN million	%
Amounts due to banks and other monetary institutions	7,936	11,243	-3,307	-29.4
Derivative financial instruments	1,479	1,124	354	31.5
Amounts due to customers	38,754	33,765	4,990	14.8
Subordinated liabilities	725	320	405	126.5
Liabilities from debt securities issued	502	502	0	0.0
Other liabilities	525	531	-6	-1.1
Total liabilities	**49,921**	**47,485**	**2,436**	**5.1**
Total equity	**6,248**	**6,036**	**212**	**3.5**
Total liabilities and equity	**56,169**	**53,521**	**2,648**	**4.9**





3.4. Key performance indicators

The following table presents the key performance indicators of the Bank.

Key performance indicators (in %)	**31.12.2015**	**31.12.2014**
ROA net	0.3	0.6
ROE net	2.6	5.4
Net Interest Margin	1.7	2.1
Cost / Income Ratio	77.2	71.7
Net Loans / Deposits	86.9	102.8

Net ROA – profit attributable to shareholders of the parent entity/average assets
Net ROE – profit attributable to shareholders of the parent entity/average equity
Net interest margin – net interest income / average assets
Cost/income ratio – operating costs including depreciation and amortisation / income including net other operating income

4. Operations of Raiffeisen Bank Polska S.A. in 2015

4.1. 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 2015, the Bank 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 four fundamental value drivers: 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 mass and affluent clients, both the existing and new ones. In September 2015, the Bank expanded the 'dream' line of accounts to include the Dream Goal Account (*Konto Wymarzony Cel*), created to encourage clients to make regular savings of even small amounts to be used for a specific goal. The Bank also continued to work on products for microenterprises, based on the four value drivers, and launched the Dream Account for Business Clients (*Wymarzone Konto dla Biznesu*). This product helped the Bank acquire 80 per cent more clients than in 2014. These efforts help the Bank improve its position on the retail deposit market: deposits from Retail Banking clients rose by PLN 3.95 billion from the end of 2014, to PLN 19.3 billion.

In 2015, Raiffeisen Bank Polska continued to improve its financial advisory models and client service standards by focusing on affluent clients and private banking accounts. 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 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 2015, the number of active Retail Banking customers was 671 thousand, up by 36 thousand (6 per cent) on 2014.

4.1.1. Deposit products

Current and savings 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 with a marketing campaign, which lasted from March to August 2015.

As a result, at the end of 2015 Raiffeisen Bank Polska had 264 thousand Dream Personal Accounts, including more than 109 thousand accounts opened for new clients, 33 thousand accounts opened for existing clients who had not previously had a personal account with Raiffeisen Polbank, and 122 thousand accounts opened for existing clients migrated from other types of account.

At the end of 2015, the Bank maintained 614 thousand personal accounts for mass and affluent clients, having achieved a 31 per cent year-on-year growth in number of the zloty personal accounts and a 24 per cent year-on-year growth in number of on-demand EUR-, USD-, CHF- and GBP-denominated accounts. Zloty-denominated deposits held in personal accounts of mass and affluent clients were in excess of PLN 1,735 million at the end of 2015 (increase of PLN 790 million on the end of 2014), of which as much as 60 per cent were core deposits in the Dream Personal Account.

The clients who opened a Dream Personal Account in 2015 use the on-line banking service – 81 per cent of them have activated the R-online banking system, 58 per cent have active access to the Mobile Bank application, and as many as 98 per cent clients receive electronic account statements.

The main sales channel for the Dream Account was the branch network (70 per cent), but clients also opened accounts using the automatic online service, through the call center, at partner branches and through financial intermediaries.

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 won the appreciation of clients and analysts of the banking market, and was highly recognized in independent rankings. Raiffeisen Polbank's Dream Personal Account was named the best account in the 'no stress' category by Comperia.pl, a financial comparison 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.

In September 2015, the Bank added a new product to the 'dream' line of accounts – the Dream Goal Account (*Konto Wymarzony Cel*), created to encourage clients to make regular savings. For regularity and consistency in saving, holders of Dream Goal Accounts are rewarded with a higher (bonus) interest rate. The launch of the new product was accompanied by a full marketing campaign designed to highlight the Bank's unique philosophy underlying its approach to client relations, namely the Bank being a credible, convenient and loyal partner. At the end of 2015, the Bank maintained 11.3 thousand Dream Goal Accounts.

Term deposits

In 2015, the Bank focused on retaining the volume of received deposits. To retain maturing term deposits, the Bank undertook extensive efforts and CRM (Customer Relationship Management) campaigns to streamline the management of maturing balances. The efforts included tailoring terms of the deposit offering to clients' individual needs based on prior analyses and client segmentation.

In 2015, the Bank launched a unique Video Deposit (*Lokata Video*) with an attractive interest rate, available only through the video channel connecting the client with a personal assistant via the R-Online banking system or the mobile application.

Clients showed the greatest interest in the R-Lokata deposit account for new zloty funds and the Loyal Bank deposit account (*Lokata Lojalny Bank*) available as part of the Loyal Bank program for clients to whom the Bank is their bank of choice and who elected to have their monthly remuneration transferred to accounts held with Raiffeisen Polbank. Mobile Deposit (*Lokata Mobilna*) continued as one of the products with the highest interest, and it was used as a tool for promoting mobile banking among users of electronic delivery channels.

Despite the relentless low interest rate environment in 2015, in the mass and affluent client segment the Bank recorded an increase in saving-product volumes (all current accounts, savings accounts and deposits) by PLN 2.2 billion year on year, with the strongest growth seen in term deposits – by PLN 1.3 billion year on year.

4.1.2. Debit and credit cards

2015 saw a number of important changes in the payment card offer as well as portfolio-related activities and initiatives aimed at increasing client activity and the volume of card transactions. The Bank achieved a 25 per cent year-on-year growth in the total value of payment card transactions (debit cards and retail credit cards). Key developments and achievements in 2015 in the payment card area:

1. Along with the Dream Personal Account launch in March 2015, the following products were launched: MasterCard Debit card and two stickers for contactless payments – Debit Minicard (*Minikarta Debit*) and Debit Class&Club Minicard (*Minikarta Debit Class&Club*) for affluent clients. By the end of 2015, more than 200,000 debit cards were sold. This strong uptake of

debit cards translated into a substantial 40 per cent year-on-year increase in the volume of debit card transactions;

2. A very popular choice among clients in 2015 was a EUR-denominated MasterCard Debit card issued for a euro currency account that provided access to the R-Dealer online currency exchange platform. Sales of these cards grew by 235 per cent on 2014, to 11.4 thousand, supported by marketing efforts and promotions during winter and summer holidays;
3. In 2015, optimization of the Bank's credit card offer continued. In March 2015, the Bank launched one new credit card for microenterprises, replacing the previous offer of credit cards in this segment. 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 October 2015, a completely new offer of credit cards suited to the needs of all retail clients (from mass to affluent clients) was introduced. The offer includes the First MasterCard Credit Card (*Pierwsza Karta Kredytowa MasterCard*), Comfortable Visa Credit Card (*Wygodna Karta Kredytowa Visa*), MasterCard World Class&Club Credit Card (*Karta Kredytowa MasterCard World Class&Club*) and Platinium Visa Credit Card (*Karta Kredytowa Platynowa Visa*). In developing the new offer, the Bank focused on the product features which enjoyed the highest interest among clients;
4. 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 alternative and modern payment methods, in particular for online transactions, is one of the key directions of developing Raiffeisen Polbank's payment card business;
5. In September 2015, the Bank was the first bank in Poland to offer, in partnership with MasterCard, the MasterPass wallet. The wallet can be used to make quick and convenient on-line payments in any stores in the world which accept MasterPass, without the need to re-enter all payment and shipping details for every transaction. Raiffeisen Polbank's MasterPass wallet also has a unique functionality that enables the client to repay in installments any payments made through the wallet;
6. In December 2015, Raiffeisen Polbank, Samsung and Virgin Mobile joined forces to market a new offer for retail clients, called 'Comes Cheaper in a Set' (*W zestawie z kartą taniej*). Each new and existing holder of any of the Bank's credit cards could purchase from Virgin Mobile a modern Samsung smartphone with unlimited calls and text messages to all networks, with payment split into convenient installments.

4.1.3. Lending products

Mortgage lending

Mortgage lending represents a material share of the Bank's balance sheet. As at the end of 2015, the gross on-balance-sheet exposure to individual clients was PLN 17.1 billion, accounting for 86.3% of gross loans granted to this client group. Compared with the end of 2014, the loan portfolio grew 5.0 per cent, with the change materially driven by PLN/CHF exchange rate fluctuations in 2015 but also by higher sales volume of PLN mortgage loans. The PLN/CHF exchange rate movements and the related supervisory measures and market developments forced the Bank to focus on projects to implement solutions worked out by the banking industry and imposed by the regulatory authorities. With a view to mitigating the effect of the Swiss franc appreciation against the Polish zloty, the Bank applies a number of solutions, such as redenomination of loans denominated in or indexed to the Swiss franc into PLN-denominated loans, at the mid exchange rate quoted by the National Bank of Poland (with no additional cost to the clients), reduction of the currency spread used to determine the CHF/PLN exchange rate applicable at the Bank, and a case-by-case approach to clients' requests for amending loan terms. For more detailed information on mortgage-backed loans denominated in the Swiss franc, see Section 7.1.2. of this Report.

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 transformation of the mortgage lending business resulted in a tenfold growth of new lending volumes in 2015 compared with 2014.

In 2015, the Bank expanded its offering to include a mortgage loan offered under the Home for the Young (*Mieszkanie dla Młodych*) government scheme. Loans advanced under the scheme represented 30 per cent of the total volume of loans advanced by the Bank in 2015.

Consumer loans

2015 was a landmark year in the Bank's consumer lending activity. The flagship product was Custom-Made Loan (*Kredyt na Miarę*), an installment product whose sales reached PLN 967 million in 2015, up 212 per cent year on year. Such good performance would not have been possible if not for the implementation of a number of initiatives, including:

- Further improvements in process automation. Compared with January 2015, automated decision-making ratio almost doubled, from 9 per cent to 17 per cent at the end of 2015;
- Introduction of preferential financing terms for clients opening a Dream Personal Account (*Wymarzone Konto Osobiste*), including employees of the Bank's corporate clients;
- Intensification of the CRM campaign;
- Modification of the lending policy and implementation of numerous credit tests;
- Continued development of cooperation with financial intermediaries with nationwide coverage;
- Increased efficiency of the sales network.

As at the end of 2015, the portfolio of retail consumer loans (i.e., Custom-Made Loan, personal account overdraft limit, and Safe Loan (*Kredyt bezpieczny*)) totaled PLN 1.7 billion.

4.1.4. Investment products

In 2015, the Bank also continued to sell 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 December 2015, the number of investment unit holders reached 14.7 thousand, and assets in the Raiffeisen SFIO Umbrella Fund totaled almost PLN 559 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 585 million. The structure of assets in specific sub-funds is as follows:

Structure of investment fund assets distributed by the Bank (in PLN million) **Fund**	**Asset manager**	**Assets as at 31.12.2015**	**Assets as at 31.12.2014**
Raiffeisen SFIO Parasolowy			
Raiffeisen Aktywnego Oszczędzania	Altus TFI S.A.	113.9	157.3
Raiffeisen Obligacji Korporacyjnych	Altus TFI S.A.	43.4	39.6
Raiffeisen Globalny Możliwości	Raiffeisen Capital Management	15.1	5.8
Raiffeisen Aktywnego Inwestowania	Altus TFI S.A.	386.5	58.4
FWR Selektywny FIZ	Altus TFI S.A.	26.3	45.1
Funds total		**585.2**	**306.2**

The Bank offered investment deposits and structured insurance as well as guaranteed certificates on a subscription basis. In 2015, the Bank launched ten subscriptions for structured insurance products for a total of PLN 130 million, and 25 subscriptions for investment deposits totaling PLN 1,236 million.

In August, the Bank's offering was enhanced with a new unit-linked insurance product, Dream Prospects (*Wymarzone Perspektywy*). It was very well received by clients and the market, as evidenced by the awards in the Innovative Firm (*Innowacyjna Firma*) ranking for an outstanding market offering and by the Product of the Month (*Produkt Miesiąca*) title awarded by the *Gazeta Ubezpieczeniowa* weekly. In less than five months since its implementation, the product sales volume exceeded PLN 200 million.

In 2015, the Bank offered a whole range of retail investment products, including investment deposits and structured insurance as well as guaranteed certificates sold on a subscription basis.

4.1.5. Brokerage activities

In 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. The value of structured certificates sold in 2015 reached PLN 312 million.

Raiffeisen Brokers participated in the PLN 143 million Initial Public Offering of Atal S.A. (as a Joint Offering Agent in the retail and institutional offerings), as well as in the PLN 254 million Initial Public Offering of Idea Bank S.A. and the PLN 19.5 million Initial Public Offering of Krynica Vitamin S.A. (as a syndicate member).

In 2015, the number of investment accounts operated by the brokerage subsidiary rose by over 30 per cent year on year, to more than 11.3 thousand as at 31 December 2015.

4.1.6. Friedrich Wilhelm Raiffeisen Private Banking

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

2015 saw a strong growth in clients' assets at Friedrich Wilhelm Raiffeisen. Appreciation of the existing clients' assets and inflows of funds from new clients pushed assets under management to PLN 7.2 billion as at the end of December 2015, up 17 per cent year on year.

In 2015, the Bank established relationships with new fund managers, and launched products offering exposure to new asset classes, i.e., closed-end investment funds based on debt 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. The Bank was able to maintain the rating received a year earlier not only because of its innovative approach to private banking clients' strategies, but also for the consistent implementation of new products.

FWR continued to develop its range of complementary private banking services and products. In March 2015, it established cooperation with Raiffeisen Centrobank AG in the area of international banking, making its offering more attractive to clients who look for investment portfolio diversification options outside Poland.

In August 2015, a new version of the MasterCard World Elite credit card, designed specifically for FWR clients, was launched. The card's features were enhanced to include a new service, the Rewards platform, which in particular supports collecting air miles. FWR MasterCard World Elite ranked third in the prestigious ranking of private banking cards, published by Forbes.

In September 2015, the Bank launched another product for private banking clients: a loan secured by liquid assets (i.e. closed-end investment fund (FIZ), open-end investment fund (FIO), equities and unit-linked insurance products). The loan may be used for any purpose, without liquidating assets in the client's investment portfolio.

4.1.7. Microenterprises

In 2015, the Bank acquired 17.5 thousand new microenterprise accounts, which is 80 per cent more than in the previous year. One of the growth factors was the addition in March 2015 of the Dream Business Account (*Wymarzone Konto dla Biznesu*) to the range of deposit and account products. The expanded product range now includes a business account featuring a free package of services. In December 2015, new features were added to the Dream Business Account, linking fees to the amount of payments to the account (the higher the payments, the lower the fees). The Bank also discontinued other account products, leaving the Dream Business Account the only one in the offering (coming in a number of options depending on the client's legal form.) At the same time, deposit product balances rose 32 per cent year on year, to PLN 1.9 billion.

Based on the Bank's cooperation with Raiffeisen Leasing Polska S.A. ('Raiffeisen-Leasing'), clients entering into new financing agreements with Raiffeisen Leasing gained access to a special offer: they could open a business account at the Bank and receive a PLN 600 bonus over the first year of the account's life, and obtain the Business Credit Card (*Karta Kredytowa dla Biznesu*), issued without any proof of income.

In 2015, the Bank sold loans for microenterprises totaling PLN 515 million, compared with PLN 417 million in 2014, which represented a 23 per cent increase year on year. The main success drivers were two new loan products: a mortgage-backed investment loan and an installment loan secured with BGK's *de minimis* guarantee, which contributed PLN 170 million in new lending volume. Further, the client acquisition model in the retail segment was modified and now includes client relationship managers at the Bank's branches. Also, the distribution network was expanded through tighter cooperation with financial intermediaries with nationwide coverage. These developments were accompanied by an improvement in the lending process: the time to cash, that is the time from the filing of a loan application to the disbursement was shortened by half, for both secured and unsecured loans, and it is currently twelve and seven business days, respectively.

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 took effect as of 31 August 2015. In cooperation with the EVO Group, the Bank has been actively expanding its terminal business by offering its clients (microenterprises and clients in the Corporate Banking segment) that use POS terminals in their day-to-day business state-of-the-art payment methods available on the global payment market. The EVO Group's offering gives the Bank's clients access to a broad range of services, attractively priced offers, and cutting-edge solutions for card transactions and alternative non-cash payment methods.

In June 2015, a cooperation agreement was also signed with P4 Sp. z o.o. (owner of the Play brand), under which the Bank may acquire new clients for POS terminal services bundled with a business account from among Play customers.

4.2. Corporate Banking

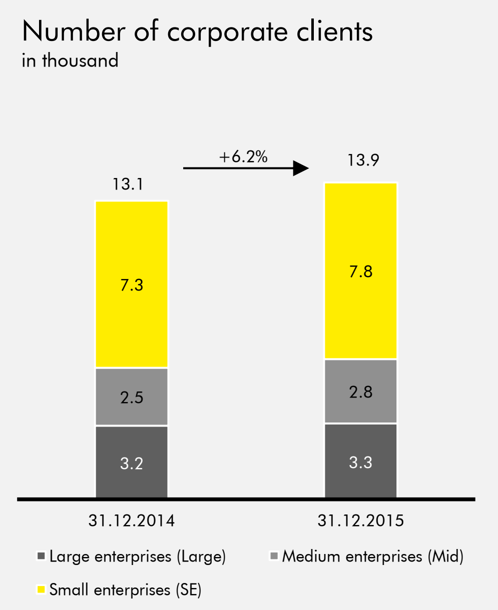
Corporate Banking products and services are marketed among enterprises and other entities, such as companies and co-operatives, non-commercial institutions, public sector entities and individual entrepreneurs who do not meet the classification criteria for the microenterprises category. The segment is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

4.2.1. Client base growth

In 2015, the Bank continued the strategy designed to strengthen its position in the corporate segment, and expanded its client base. At the end of December 2015, the Bank had 13.9 thousand corporate accounts, which represented a 6.2 per cent year-on-year increase.

By business sub-segments, the corporate client base comprised 3.3 thousand large companies, 2.8 thousand medium-sized companies, and 7.8 thousand small enterprises.

Last year, medium-sized enterprises were the fastest growing sub-segment, with over 280 new accounts added to the client base (up by 11.1 per cent).



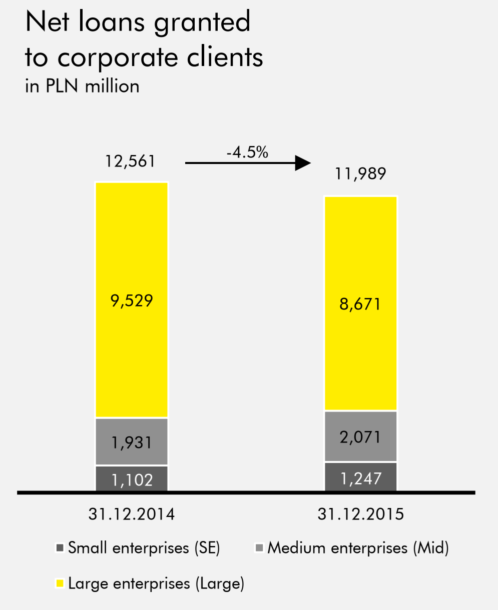
Clients by segment:
SE – clients with annual turnover from PLN 4 million to PLN 25 million
Mid – clients with annual turnover from PLN 25 million to PLN 100 million
Large – clients with annual turnover over PLN 100 million

In line with the current Corporate Banking strategy, the Bank's priority is to grow its SME business. Steps taken in 2015 were aimed at improving clients' satisfaction through such measures as reducing the time to cash, developing modern factoring, lending and transaction banking solutions, and improving and simplifying internal processes.

Sales efforts in the small enterprises segment (companies with annual revenue from 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.

4.2.2. Lending activity

In 2015, the volume of net loans granted to corporate clients decreased by PLN 571 million, or 4.5 per cent, to PLN 12.0 billion at the end of December.



The net decline of the lending volume relative to December 2014 was mainly attributable to a lower volume of loans in the Large enterprises sub-segment in the second half of 2015, resulting from early repayment of several large credit exposures related to financing of investment projects. In the SME sub-segments, the volume of loans increased rapidly last year. The strongest growth was seen in the sub-segment of small enterprises – up by PLN 146 million, or 13.2 per cent. Growth was slightly slower in the sub-segment of medium-sized businesses, with loans up by PLN 140 million, or 7.3 per cent relative to the end of 2014.

Such substantial expansion of lending to small and medium-sized enterprises is proof that the Bank successfully implemented its strategy of gradual expansion in the SME segment of the market. Furthermore, the lending growth was also driven by the Bank's continuous efforts to develop its business by modifying products, sales policies and internal processes with a view to ensuring more specialized approach, reducing delivery times, and offering solutions even more tailored to the clients' needs, especially in the SME sub-segment.

The segment's net loans to deposit ratio was 81.4 per cent as at the end of December 2015, up 5.5 percentage points year on year.

In 2015, the Bank continued as an active provider of loans secured with *de minimis* guarantees available under the government liquidity-support scheme for micro-, small- and medium-sized enterprises. As at the end of December 2015, the amount of limit used under the *de minimis* portfolio guarantee facility agreement was PLN 789 million, of which PLN 529 million backed corporate loans, and the remaining PLN 260 million supported loans advanced to microenterprises as part of the Bank's retail offer. Consequently, the Bank ranked eleventh in terms of the number of loans secured with *de minimis* guarantees under the agreement.

4.2.3. Trade finance

In 2015, the Bank issued close to 7 thousand guarantees, with a total balance of commitments of PLN 1.7 billion as at the end of the year. This was a record number of guarantees issued by the Bank to date. Based on the three quarters of 2015 data, the Bank ranked third in the Polish Bank Association's ranking of largest guarantee providers in Poland, with a market share (measured by the number of guarantees) of almost 15 per cent.

In 2015, the Bank issued and advised nearly 2.3 thousand letters of credit for a total value PLN 2.5 billion. After the three quarters of 2015, the Bank ranked second among the ten banks reporting to the Polish Bank Association in terms of the value of import letters of credit issued, and second in terms of the number of advised export letters of credit. Letters of credit issued and advised by the

Bank in the three quarters of 2015 accounted for 14.9 per cent of the value and 11.3 per cent of the number of all letters of credit issued and advised by the institutions reporting to the PBA.

4.2.4. Factoring

In 2015, the Bank was the preferred provider of factoring solutions to Polish businesses – at the end of the year, 27.5 per cent of factoring clients in Poland used the Bank's services and the Bank purchased nearly 594 thousand invoices throughout the year.

In 2015, the Bank generated a record high factoring turnover of PLN 17.8 billion, which means a 7.8 per cent year-on-year increase. Thus, based on the data of the Polish Factors Association, the Bank achieved an over 13 per cent market share and ranked second among the Association members. A rapid growth (by 20 per cent) was seen in the number of small companies (with annual turnover from PLN 4 million to PLN 25 million) using the Bank's factoring services.

In 2015, the Bank actively promoted its PLUS Non-Recourse Factoring (*Faktoring Pełny Plus*) – a new product which combines the advantages of financing and insurance. It is a non-recourse factoring where the contract is concluded between the Bank and the client only, without the participation of an insurer, and the Bank insures the financed invoices for the client. As opposed to other products available on the market, PLUS Non-Recourse Factoring guarantees free-of-charge initial analysis of business partners, assumption of the risk by the Bank in case of the debtor's insolvency, and no collection costs. The product's competitive advantages are further enhanced by the possibility of applying for invoice financing online, via the R-Faktor system (which provides access to information and reports on the factoring service), as well as the purchase of an invoice within one hour (i.e. this is the amount of time needed to credit the invoice amount in the client's bank account).

In 2015, PLUS Non-Recourse Factoring was used by over 100 businesses, which thus obtained financing of trade credit advanced to their clients and security against the clients' default. The product was recognized for its innovativeness and named the Best Corporate Product of 2015 by the *Gazeta Finansowa* weekly.

The Bank's factoring services are fully provided via digital channel. Clients also appreciate the ability to modify their contract parameters quickly and that the service can be easily adjusted to the client's individual needs.

4.2.5. Transaction banking

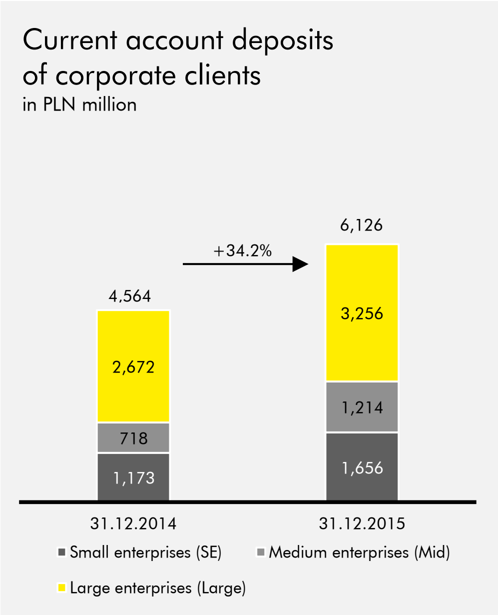
In 2015, the Bank's activities in the transaction banking area focused on the SME segment. The Bank launched the Capital Package (*Pakiet Kapitalny*) for companies with annual turnover from PLN 4 million to PLN 10 million. The product proved successful, attracting more than 360 new accounts. A number of improvements were also made for clients in the small enterprise sub-segment, including development of new relationship initiation process and documentation. Furthermore, the Bank launched the BeeOffice platform, a new service dedicated for SMEs, enabling clients to manage their basic administrative and HR processes. At the end of the year, the Bank started pilot sale of the innovative Business Plus Package (*Pakiet Biznes Plus*), which is the only product on the market to combine a full range of useful solutions for everyday banking service and a free credit limit.

In the large enterprises sub-segment, the Bank introduced new mass payment solutions and extended business hours for internal transfers in foreign currencies. Hugely popular were Israeli shekel accounts, which the Bank began to offer as one of few institutions in Poland.

Efforts to enhance the quality of the customer service and the relationship-based model were continued. The Bank increased the number of transaction banking specialists in the branch network, who are responsible for ensuring comprehensive service for medium-sized and large enterprises. With the sub-segment of small enterprises in mind, a new head-office unit was established to provide product support and offer transaction banking products and services by telephone.

All these efforts yielded a 13 per cent year-on-year increase in domestic payment transactions and an 18 per cent year-on-year in international payment transactions.

The value of funds deposited by SMEs in current accounts also saw a rapid growth.



The average annual deposit balances of small and medium-sized enterprises rose by 28.6 per cent and 43.4 per cent year on year, respectively. At the end of December 2015, the value of funds deposited by all corporate clients reached PLN 6.1 billion, and was 34.2 per cent higher than a year ago.

4.2.6. Treasury banking and deposits

In 2015, the Bank offered FX spot, FX forward, FX option and IRS transaction products to corporate clients. The number of clients actively using the treasury products increased by 4 per cent year on year.

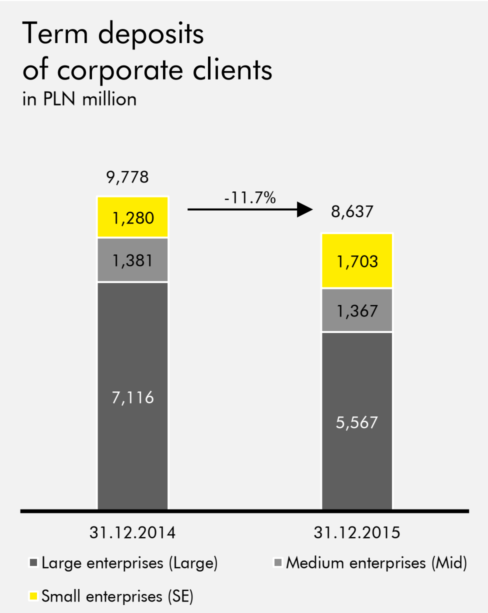
The total volume of FX transactions in 2015 grew by 12 per cent over 2014, which strengthened the Bank's position as one of the leading players on the market. Despite strong competition from other banks and a growing number of on-line currency exchange services, the Bank's result on FX transactions grew by 9 per cent compared with 2014.

One of the delivery channels used for FX spot transactions is the R-Dealer transaction platform. The tool was upgraded last year with a new graphic user interface and functionalities, including a wider range of automatically quoted currency pairs. For SME clients, R-Dealer was the main channel for entering into FX spot contracts. In 2015, 80 per cent of FX spot transactions were completed using the tool. The number of transactions executed through the R-Dealer platform went up by 23 per cent year on year, and the transaction volume exceeding PLN 30 billion in 2015. The mobile version of the R-Dealer application gained in popularity with clients – the number of transactions made using the mobile application rose by 70 per cent year on year.

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. The number of clients actively using the derivative transactions went up by 11 per cent year on year. FX forwards were the most popular product. The volume of transactions increased 19 per cent compared with the previous year. On the back of historically low interest rates, the Bank's revenue from IRS transactions grew by 16 per cent year on year.

In 2015, the Bank offered structured deposits — a Dual Currency Deposit (*Lokata Dwuwalutowa*) and Investment Deposit (*Lokata Inwestycyjna*). 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 investing their free funds, offering higher returns than traditional deposits.

As at the end of December 2015, the total value of corporate term deposits was PLN 8.6 billion, 11.7 per cent less compared to the end of December 2014.



4.2.7. Investment banking

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

- INTEGER.PL S.A. – PLN 27 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 6 million short-term bond issue (Arranger, Paying Agent, Depositary and Dealer);
- J.W. Construction Holding S.A. – PLN 120 million bond issue (Arranger and Dealer).

The total value of debt instrument transactions carried out in 2015 with the Bank's assistance was PLN 533 million. As at the end of 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 over PLN 2.0 billion, including approximately PLN 155 million in short-term securities.

On the equity market, the Bank acted as a financial advisor and Joint Offering Agent 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, marketing and placement of the shares.

4.3. Financial Institutions and Capital Markets

In line with its strategy, the Bank was an active player on the domestic financial market, acting as an intermediary in FX, derivative and bond trading. The Bank is a market maker on the electronic bond trading platform BondSpot, and is aspiring to be the Treasury securities Dealer. As a system bank, Raiffeisen Bank Polska is a money market dealer and a WIBOR submitting bank.

In 2015, in performance of the recommendation issued by the Polish Financial Supervision Authority with respect to EMIR (European Market Infrastructure Regulation), the Bank also implemented a solution for settlement of interest rate derivative transactions (IRS, FRA, OIS) by KDPW_CCP S.A.

In its services 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 24 currencies. It has established relationships with 25 correspondent banks, with which it maintains currency accounts. The Bank also operates settlement Polish zloty 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. The Bank specializes in services for closed-end funds, but has also been consistently expanding its offer for open-end funds. The number of clients using its account maintenance and valuation services for investment funds grew by 28 per cent year on year (294 clients at the end of 2015).

The Bank also developed its Paying Agent services for foreign funds, and with a market share of 53 per cent (PFSA data as at the end of 2015) was the market leader. Negotiations are now underway with new potential clients from Germany, Luxembourg, Switzerland and Lichtenstein which, once finalized, will reinforce the Bank's position as paying agent for foreign funds in Poland.

4.4. Awards

In 2015, the Bank received a number of prestigious titles and awards:

- Client's Laurel – Discovery of the Year, for the Dream Personal Account;
- 2nd place for the Dream Personal Account in a ranking of personal accounts compiled by the *Polityka* weekly (category: online accounts category);
- 6th place for the Premium account in *Polityka*'s ranking (category: accounts for affluent clients);
- Top, five-star rating, for Friedrich Wilhelm Raiffeisen Private Banking services from the *Forbes* monthly, awarded for the second consecutive time;
- 3rd place for the MasterCard World Elite card in *Forbes*' private banking card ranking;
- Client's Laurel Top Brand 2015 for Raiffeisen Polbank in the 11th edition of the Client's Laurel, a nationwide poll on product and service popularity (category: factoring services);
- Distinction for PLUS Non-Recourse Factoring as 'The best product for corporate clients in 2015' from *Gazeta Finansowa*;
- Dream Personal Account named the best 'no stress' account in a ranking compiled by Comperia.pl, a financial comparison website.

4.5. Information about operations outside Poland

The Group consolidates special purpose entities Compass Variety Funding LTD and ROOF Poland Leasing 2014 Ltd, both located in Ireland, through which the Group concluded securitization of leasing receivables. These entities were consolidated because according to IFRS 10 the Bank controls them, despite the Bank does not hold any capital exposure in those entities. These companies are special purpose entities established in order to service the leasing receivables' securitization program of the Group and acting as an agent between Raiffeisen-Leasing Polska S.A. which is initiating the transaction and investors participating in the securitization programs. The primary purpose of these entities is to secure and diversify long-term funding sources for the Group. Generation of net profit on the stand-alone basis is not the purpose of these entities. Securitization of leasing debts concluded through Compass Variety Funding LTD was closed on 2 April 2015 and the entity was included in the consolidation till the date of the securitization program closure.

Basic information about the operations of these entities is presented in the table below:

Name of the entity	ROOF Poland Leasing 2014 Ltd.		Compass Variety Funding Ltd.	
Core business	Participation in the leasing receivables' securitization transaction through acquisition of the leasing receivables, which is financed by debt securities issue and advances.		Participation in the leasing receivables' securitization transaction through acquisition of the leasing receivables, which is financed by banking loans and advances.	
Location	Dublin, Ireland		Dublin, Ireland	
	31.12.2015	31.12.2015	31.12.2015	31.03.2014
	Data which is consolidated	The latest financial statements	Data which is consolidated	The latest financial statements
	in PLN thousand			
Total assets	1,259,326	1,521,106	n.a.	297,556
Equity	0	3	n.a.	22
Net profit	0	3	0	1
Profit before tax	0	4	0	2
Income tax	0	1	0	1
Number of employees in FTEs	0	0	0	0

5. Development of organization and infrastructure of Raiffeisen Bank Polska S.A. in 2015

5.1. IT and operations

The key IT project implemented in 2015 in the area of system improvements consisted in the upgrade of the T24 main banking system. Launched in 2014, the upgrade process was completed in April 2015 with no negative impact on the continuity of the Bank's business. It improved the system's stability, reduced its maintenance costs, and provided a platform for developing new business functionalities in the future.

With regard to infrastructure, 2015 saw consolidation of data centers. As a result, four data centers were relocated and consolidated at two locations. The project improved IT infrastructure security and helped optimize operating costs.

In the area of cost management, in 2015, a three-year program was launched to optimize IT operating costs. The program involves a number of projects, including change of the system development and maintenance model, optimization of IT processes and functions, ensuring optimum use of software licenses, and streamlining of the application architecture.

In 2015, 38 projects were completed, including:

- System support for the new Retail Banking product offer;
- Adaptation of the Bank's systems to the EMIR requirements;
- Development of electronic banking and CRM platforms for institutional clients;
- Upgrade of the call center support system;
- Development of an FX platform to support treasury operations.

Currently, IT efforts are focused on strategic projects, the key of which include:

- Upgrade of the e-banking platform for Retail Banking;
- Construction of the Bank's new head office;
- Optimization and streamlining of the card system architecture;
- Optimization of the application architecture for risk management processes.

In 2015, the Operations Transformation Project was carried out in order to implement the nearshoring concept by centralizing functions in the Operating Center located in Ruda Śląska. The project delivered cost savings through streamlining of the organizational structure, process optimization, and consolidation of functions, and helped reduce space rental costs.

As part of the project, the processes related to handling of retail deposit and lending products, complaints, insurance, cash management, and back-office services for corporate clients were migrated to the Operating Center. The efficiency of all processes migrated to the Center is higher than expected, with the high quality of customer service maintained. The expected synergies were achieved, while the final cost of the project was below the budgeted amount. At present, the Ruda Śląska Operating Center handles 800 key processes. It also houses the Bank's call center. The Center employs over 400 staff, of whom 300 work in the operations division, and 100 in the retail division.

5.2. Development of electronic delivery channels

R-Online

The R-Online banking system has been designed to support the provision of services to retail clients and microenterprises. As at 31 December 2015, the number of its users reached 631 thousand, i.e. 30.4 per cent more than at the end of 2015. Additionally, the number of active users (at least one logging a month) at the end of December 2015 increased to 236 thousand.

Intensive work is currently underway on development of a new electronic banking system using the RWD (responsive web design) technology, which automatically adjusts the user interface to the display size. The system production launch is planned for the second quarter of 2016. The new system will support innovative banking solutions and can be personalized by the clients.

R-Online Biznes

The R-Online Biznes banking system is designed for all Corporate Banking clients and part of the clients in the microenterprises sub-segment.

In 2015, the development work mostly focused on further improving security of the Internet banking transactions. These included the start of a project to replace USB tokens with innovative devices having authorization buttons, and introduction of SMS passwords. A new signature component was also added, enabling users to apply electronic signature in most popular web browsers.

As at 31 December 2015, the R-Online Biznes banking system for corporate clients had 54 thousand users. The number of active users (at least one logging a month) increased by 2 thousands year on year, to 27 thousand.

Mobile Banking (*Mobilny Bank*)

In 2004, the Bank was the first financial institution on the market to develop and offer a mobile banking application for its clients. Since then, the application has been continuously developed to satisfy customer expectations. Mobilny Bank can be used to execute all basic banking transactions: checking transfer amounts, executing transfers (between the clients' accounts, to pre-defined recipients, and domestic transfers), placing deposits, and recharging mobile phones.

As at 31 December 2015, the application was available to 94 thousand users, that is 88.0 per cent more than in December 2015. The number of active users of Mobilny Bank increased by 89.3 per cent year on year.

Number of active* users of the Bank's internet and mobile banking (in thousand)	**As at 31.12.2015**	**As at 31.12.2014**
Mobilny Bank	53	28
R-Online	236	187
R-Online Biznes	27	25

* At least one login per month

Number of users of the Bank's internet and mobile banking (in thousand)	**As at 31.12.2015**	**As at 31.12.2014**
Mobilny Bank	94	50
R-Online	631	484
R-Online Biznes	54	48

5.3. Branch network

As at 31 December 2015, the Bank operated 334 branches, including:
– 325 retail branches (of which 25 were partner branches);
– 1 Corporate Banking Center (CBK) operating outside the retail network;
– 8 Private Banking Centers operating independently of the retail network.

Every retail branch offers cash transactions and basic banking support to corporate and private banking clients.

Having in mind the clients' needs, changes in the banking market, as well as its income and expense position, the Bank analyzes the branches on an on-going basis in terms of profitability, surroundings and attractiveness of their location. As part of network optimization and restructuring, three retail branches, including a partner one, were closed in 2015. The Bank also opened ten new partner branches and one private banking branch.

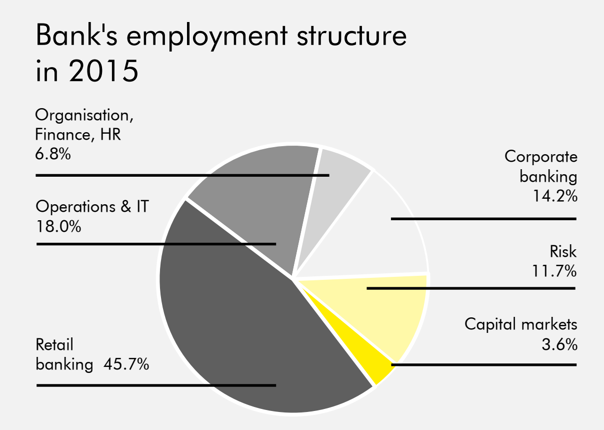
5.4. Human resources management

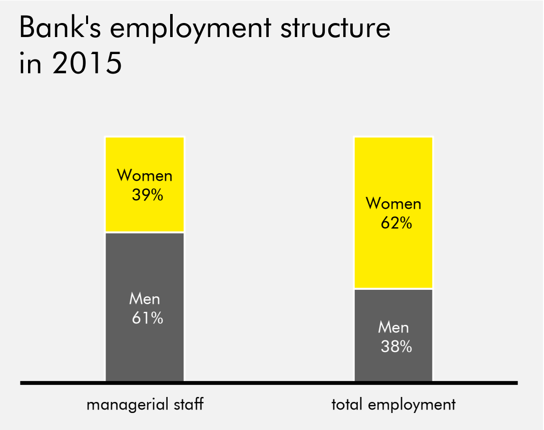
5.4.1. Headcount

As at the end of December 2015, Raiffeisen Bank Polska employed 4,852 staff, including Management Board members, compared with 5,164 staff a year before (both figures net of employees on parental leave and long-term absence).

On an FTE-basis, as at the end of 2015 the headcount was 4,658, down by 336 (i.e., 7 per cent) on the end of 2014. The change was a result of the restructuring efforts initiated in 2013 following the merger of Raiffeisen Bank Polska with Polbank EFG.

The employment in Bank in FTEs	As at 31.12.2015	As at 31.12.2014
Retail banking	2,127	2,308
Corporate banking	660	596
Capital markets	168	182
Operations & IT	841	1,024
Risk	544	526
Organization, Finance, HR	318	358
Total Bank	**4,658**	**4,994**





Women represent the majority of the workforce (62 per cent). Over 61 per cent of managerial positions at the Bank are held by men.

5.4.2. Remuneration and benefit policy

In 2015, like in previous years, the Bank's remuneration policy was focused on:

- providing employees with the best motivation to achieve the Bank's strategic objectives;
- retaining employees with the highest competences and best-performing employees;
- attracting the best candidates while at the same time using the payroll budget in the most optimal way.

In 2015, the Bank changed its remuneration system. One of the goals of this change was to simplify the system in terms of variable remuneration components, i.e. rewards and bonuses. In the Bank's opinion the implemented changes shall improve the stability of the remuneration system, thus leading to increase of employees' satisfaction and motivation for execution of targets and objectives.

One of the Bank's flagship programs continued in 2015 was R-Stars, an in-house competition rewarding employees whose outstanding performance as well as attitude and behavior consistent with the Bank's values make them role models for the others. Besides the prestige that comes with the award, the benefits include invitation to a special conference prepared for the occasion.

An important part of the employer's total employment package is the Grades&Benefits system. Under the system, each position in the Bank is assigned a Job Grade which carries certain non-pay benefits, such as private medical care with family option, group insurance, and work tools (e.g. company cars). As part of the Multikafeteria solution, each employee may select from the list of offered benefits best addressing their current needs. In addition, the Bank promotes and supports sports among its employees by co-financing a range of sports classes and activities – sports teams, clubs, etc. In 2015, the employees were entitled to benefits under the Company Social Benefits Fund, such as holiday allowances and seasonal benefits.

As a family-friendly employer, Raiffeisen Polbank has a long-standing tradition of supporting families, expectant mothers and parents during the first year of their child's life through the We Care for the Family (*Dbamy o R-odzinę*) program. As part of the program, employees are entitled to:

- additional days off;
- additional medical care package paid for by the Bank;
- life insurance;
- at-work facilities, e.g., designated rooms at the head-office building for pregnant women, specifically fitted for the purpose.

As part of its social activities the Bank supports employees in distress. They are entitled to receive aid and may apply for holiday allowances.

5.4.3. Training and development

The Bank's training and development policy is closely connected with its mission and strategy. Development-oriented activities follow directly from the Bank's business objectives and plans of individual organizational units and various groups of employees. The principal objective of these activities is to effectively support employees and managers in implementing the strategy, while providing optimal forms of professional advancement to the employees in line with their potential and preferences. The Bank focuses on the development of employees with above-average performance record and significant development potential. The Bank supports the employees in their efforts to improve qualifications and knowledge and in acquiring new skills by offering a wide range of individual and group training options, co-financing postgraduate studies and providing assistance to those seeking to improve their skills and knowledge, acquire valuable qualifications and certificates, and learn foreign languages.

In 2015, development priorities for the year were defined, based on which specific training and development projects were carried out, including among others development of specialist competences in the implementation of new products and modification of the existing processes, advanced sales techniques and financial analysis. Particularly worth mentioning are those development-oriented activities that result in the award of certificates recognized on the market. The private banking segment saw an increase in the number of employees certified as financial advisors after completing the EFA (European Financial Advisor) course, as well as those holding the prestigious Certified Financial Planner title granted upon completion of the Executive Financial Planning course. Both certificates are guarantees of advisors' top competence and are valued on the market. In addition, in 2015 initiatives designed to consistently improve interpersonal skills and individual development programs were performed.

In 2015, over 612 individual development projects were completed (including specialist, interpersonal, and language training). As part of internal training, 347 sessions were held for 3.7

thousand attendees. In 2015, 98 per cent of employees took part in at least one training course, of whom 70 per cent participated in at least one on-site training session.

The Bank promotes knowledge sharing within the organization by involving its experts in creating and administering internal training courses and in developing e-learning materials. In 2015, more than 100 employees underwent training under the SOW@ program, with in-house experts as trainers. Training is provided with the use of different forms of learning, including those based on state-of-the-art technologies and traditional solutions. In 2015, e-learning programs were used by more than 3.5 thousand employees. Over 20 educational videos were made using internal resources.

In 2015, the Bank launched the Personal Development Workshop – an in-house development program designed to enhance employees' soft skill competencies. The program was carried out by personal development coaches who are employees of the Bank's HR department. In 2015, a total of 1.5 thousand employees participated in 155 training courses during two editions of the program.

Raiffeisen Bank Polska is a bank of enterprising people – it encourages its employees to participate in various projects and initiatives, promotes development-oriented attitudes and stimulates employees' responsibility for planning their own development. Managers are actively involved in the professional advancement of their subordinate employees.

In 2015, the Bank continued its Lead-R - Leadership Taken Seriously (*Lead-R Przywództwo na Poważnie*) program for managers, a comprehensive initiative designed to facilitate the development of leadership competences among managers of all levels. It is a proprietary program reflecting the Bank's values, mission, vision and strategy, actively supported by the Bank's Management Board. Under the program, managers take part in a number of training modules and leadership style reviews, after which, supported by their coach, they plan own development paths. In 2015, almost each manager in the Bank was covered by the program.

The Bank's employees and managers also participate in development programs carried out in the RBI Group, including youth talent exchange programs, traineeships in the Group banks operating in other countries, high-profile leadership development programs, and specialist training sessions in certain areas.

The Bank promotes knowledge among university students and graduates by organizing Academies for students at partner universities, giving expert lectures, and holding yearly Summe-R internships. The offer for graduates includes the R-Trainee program, which has been pursued by the Bank for many years.

5.4.4. HR policy

In 2015, Raiffeisen Polbank continued its HR policy under the name 'Raiffeisen Polbank Is our Place!' (*Raiffeisen Polbank to nasze miejsce!*). It is based on the Bank's core values and implemented with a particular focus on employee engagement. Annual employee engagement and satisfaction surveys allow the Bank to monitor the climate and sentiment among the employees in times of serious challenges on the market or within the organization, and take measures to build an engaging work environment. Considerable importance is attached to the atmosphere at work and mutual respect alongside the pursuit of business objectives. The Performance Management system in place at the Bank supports the implementation of business objectives, which cascade from the Management Board to managers and then to individual employees.

6. Corporate Social Responsibility at Raiffeisen Bank Polska S.A.

In its efforts towards attaining business objectives Raiffeisen Bank Polska takes into account stakeholder expectations. It seeks to build transparent and ethical relations with clients, investors, business partners and employees, and does not forget about public interest and the need to protect the natural environment. The Bank's strategy is always centered on the client so the best service quality and building long-lasting relations based on trust are its highest priorities.

In order to ensure the highest standards and to identify and respond to the financial requirements of its clients, in 2015 the Bank continued satisfaction surveys in all client segments, covering virtually all aspects of its business, including service quality, delivery channels, products and services, complaints handling, and the Bank's image. It also carried out research into likelihood of business referral based on the Net Promoter Score (NPS) method.

Recognizing the importance of sustainable environmental and social development, and mindful of the fact that inappropriate management of social and environmental issues may harm the Bank's local communities, its reputation and the quality of its portfolio, in 2015 Raiffeisen Bank Polska launched the Environmental and Social Management System, which was preceded by the start of cooperation, in 2014, with the International Finance Corporation, which works closely with the World Bank and the European Bank for Reconstruction and Development. The purpose of the system is to help the Bank and its customers to understand, assess, systematically monitor, and mitigate environmental and social risks, to maximize opportunities for social and environmental benefits, and to ensure compliance with national laws, the EU law and international agreements. The system ensures that transactions funded by the Bank meet environmental and social standards required in Poland and the European Union, and helps the Bank to avoid and manage exposures with a potentially irreversible environmental and social impacts.

Social responsibility is one of the most crucial instruments to build social solidarity. By pursuing that mission, the Bank undertook exchange-based initiatives, known as modern philanthropy. These included carefully planned long-term projects in such areas as business education, bringing measurable benefits to the participating individuals and companies, as well as support for cultural and social institutions.

The Bank undertakes activities fostering education of entrepreneurs, such as campaigns organized in partnership with the national media and local meetings with representatives of the business community. In 2015, the Bank continued workshops for entrepreneurs on business risks and business processes.

Since 2013, the Bank has been publishing a *Bank & Biznes* supplement to one of Polish daily newspapers, which is devoted to financial markets, as well as banking products and services for small and medium-sized enterprises.

The Bank supports cultural, charity and social initiatives by engaging in projects promoting public interest, as well as initiatives for local communities served by the Bank branches.

In 2015, the Bank again received the title of the Patron of the Year of the National Philharmonics. It also lent support to other cultural initiatives, including the Krystyna Janda Foundation for Culture, Austrian Culture Forum, Austrian Embassy, Fryderyk Chopin University of Music, as well as a number of local culture-promoting projects.

As part of its social initiatives, once again the Bank was the sponsor of the My Future (*Moja przyszłość*) grant program, organized in partnership with Towarzystwo Nasz Dom to cover the costs of re-education and tuition for residents of children's homes who want to enter the next stage of education (high school, university, etc.) or pursue occupational training. The Bank also supports the Polish Cystic Fibrosis Association (*Polskie Towarzystwo Walki z Mukowiscydozą*), which helps patients to get better treatment and rehabilitation. In cooperation with the network of Cinema City cinemas, the Bank organized special film screenings, including meals and gifts for children from children's homes and terminally ill patients under the care of the Children's Fantasy Foundation (*Fundacja Dziecięca Fantazja*) for the Children's Day and the St. Nicholas' Day. The Bank also worked with a number of local public benefit organizations, supporting education and charity projects for the ill and disadvantaged, children and youth.

2015 marked another 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 junior high school students. BAKCYL was conceived and organized by the Warsaw Banking Institute, and it is partnered by the Polish Bank Association. The honorary patronage over the project was taken by the National Bank of Poland, the Minister of Education, and local education authorities from the regions where the classes were held this year. The project is aimed at getting young people acquainted with practical banking principles they may find useful when entering the adult world and when making conscious decisions about their finances.

The Bank's employees volunteered in numerous charitable initiatives, including collection of school supplies before the start of the school year, the Children's Day gifts, Christmas presents and other necessary supplies for children under the care of the Children's Fantasy Foundation, children's homes members of Towarzystwo Nasz Dom, residents of Maternity Houses and children from the Orphanage for the Blind and the Foundation of Fulfilled Dreams (*Fundacja Spełnionych Marzeń*). As a partner of the Polish Stem Cell Donor Association, the Bank held a stem cell donor registration among its employees. The initiative attracted a wide interest, and will be continued in 2016 in towns and cities across Poland.

7. Managing key risks

7.1. Credit risk management

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

The credit risk management process at the Bank is based on a set of rules, including in particular:

- performing a comprehensive credit risk assessment based on scoring and rating models appropriate for individual segments or product types;
- ensuring independence of the creditworthiness assessment process, among others through the existence of a separate organizational unit that assigns ratings to corporate clients;
- existence of specialized departments responsible for credit risk management with respect to individual client segments;
- regular monitoring of the credit portfolio, both with regard to individual transactions in the case of material exposures, and with regard to individual credit portfolio segments;
- using a system of limits to avoid and monitor concentration risk in the Bank's portfolio.

The Bank applies its own internal procedures to measure credit risk involved in granting credit to a given client or other services carrying credit risk, as well as acceptability of such risk. The related procedures implemented and modified by the Bank are designed to ensure efficient and effective identification of threats and determine actions to be undertaken if the risk level changes.

The purpose of credit risk management is to improve the security of the Bank's lending activity by assuring the highest quality of credit risk assessment and effectiveness of the credit decision-making procedures, as well as an effective process for monitoring credit exposures to individual clients and for the entire credit portfolio.

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

In order to control credit portfolio risk in terms of expected and unexpected losses (loss of capital and impairment losses), the Bank defines credit risk concentration limits for internal control purposes and manages its risk exposure within such limits through a regular monitoring system.

For detailed information about the Bank's credit risk exposure and credit risk management methods, see the Bank's financial statements for 2015 (note on credit risk management). There were no significant changes in the area of credit risk management relative to the previous period. In 2015, the Bank did not exceed any of the applicable concentration limits.

7.1.1. Credit portfolio quality

The quality of the Bank's credit portfolio remains solid. In 2015, the share of impaired loans in the portfolio declined from 7.9 per cent to 7.7 per cent, and the coverage ratio, defined as the proportion of impairment losses on impaired loans to the amount of such loans, also showed improvement – from 56.6 per cent to 58.7 per cent in 2015. The most significant improvement of these ratios was reported for small and medium enterprises.

The table below presents the share of impaired loans and the coverage ratio, by loan portfolio.

Quality measures of credit risk portfolio (in %)	Impaired loans ratio		Coverage ratio	
	As at 31.12.2015	As at 31.12.2014	As at 31.12.2015	As at 31.12.2014
Private individuals	4.7	4.8	59.0	60.5
Microenterprises	21.1	25.0	45.1	45.0
Large enterprises	9.2	9.0	65.8	58.7
Small and medium enterprises	3.9	6.9	85.3	78.3
Total	**7.7**	**7.9**	**58.7**	**56.6**

7.1.2. Portfolio of mortgage-backed loans denominated in the Swiss franc

Mortgage-backed loans denominated in the Swiss franc are an essential component of the Bank's credit risk management given their value and share in the Bank's total loan portfolio. As at the end of 2015, they accounted for 65.6 per cent of all of the Bank's mortgage loans, of which 63.1 per cent related to private individuals and 2.5 per cent concerned microenterprises. The table below presents the value of the portfolio of mortgage-backed loans to private individuals and microenterprises by currency as at 31 December 2014 and 31 December 2015.

Mortgage loans granted to private individuals and microenterprises by currency (in PLN million)	As at 31.12.2015, CHF/PLN fx=3.9		As at 31.12.2014, CHF/PLN fx= 3.5	
	Value of balance sheet exposure, gross	Share in the mortgage portfolio	Value of balance sheet exposure, gross	Share in the mortgage portfolio
Private individuals				
PLN	1,708.5	9.3%	1,266.3	7.2%
EUR	3,754.0	20.3%	3,996.8	22.7%
CHF	11,629.2	63.1%	11,022.4	62.5%
USD	5.6	0.0%	4.1	0.0%
Total	**17,097.3**	**92.7%**	**16,289.6**	**92.4%**
Microenterprises				
PLN	787.8	4.3%	718.7	4.1%
EUR	95.0	0.5%	119.9	0.7%
CHF	454.0	2.5%	492.3	2.8%
USD	0.0	0.0%	0.0	0.0%
Total	**1,336.8**	**7.3%**	**1,330.9**	**7.6%**

Mortgage loans granted to private individuals and microenterprises by currency (in PLN million)	As at 31.12.2015, CHF/PLN fx=3.9		As at 31.12.2014, CHF/PLN fx= 3.5	
	Value of balance sheet exposure, gross	Share in the mortgage portfolio	Value of balance sheet exposure, gross	Share in the mortgage portfolio
		Total		
PLN	2,496.2	13.5%	1,984.9	11.3%
EUR	3,849.0	20.9%	4,116.7	23.4%
CHF	12,083.3	65.6%	11,514.8	65.3%
USD	5.6	0.0%	4.1	0.0%
Total	**18,434.1**	**100.0%**	**17,620.5**	**100.0%**

The Bank does not offer mortgage-backed loans in CHF, thus the year-on-year growth in the value of this portfolio was mainly driven by higher exchange rates, supported by higher sales of loans denominated in the zloty.

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

7.2. Capital adequacy

The key objective of the capital management process is to consistently maintain the Bank's long-term capital adequacy by ensuring that proper process for capital risk identification, measurement, monitoring, mitigation and reporting is in place.

The Bank regularly strengthens its capital base, with a particular focus on maintaining a large share of the highest quality capital (CET1). In 2015, the Bank's entire profit for 2014, amounting to PLN 314 million, was transferred to the Tier 1 capital. The share of CET1 capital as at the end of 2015 remained very high, at 96%.

Capital ratios as at the end of 2015 were calculated in compliance with the provisions of the Regulation of the European Parliament and of the Council No 575/2013 of 26 June 2013, taking into consideration the position of the PFSA on risk weighs for commercial and residential mortgages.
In October 2015, the Bank received a PFSA recommendation to maintain own funds for covering an additional capital requirement of 2.08 percentage points, securing exposure under foreign currency-denominated household mortgage loans, which should consist of at least 75% Tier 1 capital (which corresponds to 1.56 percentage points). The recommendation remains in force from the date of receipt of the PFSA letter until the PFSA decides, based on analyses and supervisory assessment, that the risk related to foreign currency-denominated household mortgage loans, being the reason for imposing the additional capital requirement on the Bank, changed considerably. Following the imposition of the additional capital requirement, until the end of 2015, the minimal Total Capital Ratio and the Common Equity Tier 1 capital ratio should be kept at 14.08 per cent and 10.56 per cent, respectively.

As at the end of 2015, on a separate basis, the Bank's Common Equity Tier 1 capital ratio was 14.30 per cent, and Total Capital Ratio – 14.95 per cent.

The amounts of regulatory capital and capital requirement determined for the purposes of calculating the capital adequacy ratio (in PLN thousand)	Method of calculating the requirement	As at 31.12.2015	As at 31.12.2014
Credit and counterparty risk	Standard	2,735,503	2,746,648
Market risk	Standard	40,291	65,128
Operational risk	Standard	289,818	302,798

The amounts of regulatory capital and capital requirement determined for the purposes of calculating the capital adequacy ratio (in PLN thousand)	Method of calculating the requirement	As at 31.12.2015	As at 31.12.2014
Total capital requirements		**3,063,571**	**3,114,574**
Own funds		**5,724,042**	**5,424,071**
Risk weighted assets		**38,294,640**	**38,932,171**
Common equity Tier 1 ratio		**14.30%**	**13.24%**
Total capital ratio		**14.95%**	**13.93%**

As of the beginning of 2016, under the Act on Macro-Prudential Supervision over the Financial System, the Bank is required to maintain a capital conservation buffer amounting to 1.25 percentage points of its total risk exposure.

7.3. Liquidity risk

The Bank's liquidity risk results from mismatch between maturities of assets and liabilities, i.e., it chiefly originates from the need to finance long-term loans with deposits with shorter maturities. The risk can materialize as an inability to pay current liabilities or as losses resulting from increased cost of financing which is not caused by market interest rate movements.

The basic objective of the liquidity risk management system is to control the Bank's balance sheet structure so that the Bank can achieve income targets defined in the financial plan while maintaining its ability to pay liabilities when due and meeting the internal as well as external (regulatory) liquidity risk limits.
Liquidity risk management at the Bank is centralized, and the process itself is owned by units which are clearly defined in formal internal procedures and which are assigned respective competences, subject to a general rule of separation of units engaging in risk management from units measuring the risk.

As part of the liquidity risk management process:

- the Bank's Management Board defines its liquidity risk appetite;
- the Assets and Liabilities Committee (ALCO) transposes the risk appetite established by the Management Board onto the system of internal limits and supervises the entire risk management process;
- the Risk Management Department monitors risk exposures on a daily basis and reports them to appropriate authorities;
- the Assets and Liabilities Management Department manages the Bank's liquidity risk on an on-going basis to maintain the established limits and to optimize the structure of income and expenses.

The following tools are used, among other things, to measure the Bank's liquidity risk exposure:

- marked-to market liquidity gap methodology, including modeling renewals of term deposits, current account balances, probability of off-balance sheet liabilities, adjusting amounts due to the Bank for 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 combination of both;
- set of supervisory liquidity measures.

In 2015, as part of the liquidity risk management process, the Bank actively managed the balance and cost of deposit products by using its internal system of transfer prices, which reflects both 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.

7.4. Market risk

Market risk stems from the fact that changes in foreign exchange rates and market interest rates may affect the fair value of financial instruments held by the Bank, and thus its financial result.

The main objectives of market risk management are to identify areas where the Bank is exposed to the interest rate and foreign exchange risks, and to control the balance sheet structure so as to maximize financial performance while maintaining the risk appetite at the assumed level.

In order to manage market risk the Bank operates a system of limits. The risk management process provides for a division of competences where:

- the Management Board defines the Bank's market risk appetite;
- the Assets and Liabilities Committee (ALCO) transposes the risk appetite established by the Management Board onto the system of internal limits and supervises the entire risk management process;
- the Risk Management Department monitors risk exposures on a daily basis and reports them to appropriate authorities;
- the Assets and Liabilities Management Department and the Financial Markets Department manage the Bank's market risk on an on-going basis, maintaining the established limits and at the same time optimizing the financial result.

The following tools are used, among other things, to measure the Bank's market risk exposure:

- limits of the maximum open interest rate position measured as the value by which the fair value changes when market interest rates increase by 1 basis point. The limits are diversified in terms of exposure sources (banking book and trading book), exposure 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 currencies;
- limits of the Value-at-Risk for the foreign exchange and interest rate risks, with 1-day holding period and 99% 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 interest income in a one-year horizon assuming an immediate and identical change of the market interest rates for all currencies by 100 basis points, continuing for the entire modeling period. Measurements as at the end of 2015 showed the effect on interest income at PLN 169,059 thousand (or 3 per cent of the own funds used in the calculation of the capital adequacy ratio), against PLN 83,319 thousand (or 1.5 per cent of the own funds) for the previous year.

The table below presents statistics of the Value-at-Risk as a synthetic measure of risk exposure levels for the year preceding the reporting date:

Value-at-risk (in PLN thousand)		**Min.**	**Max.**	**Average**	**As at 31.12.2015**	**As at 31.12.2014**
Interest rate risk	Banking book	1,762	6,530	3,818	4,849	5,836
	Trading book	173	1,702	633	357	645
Foreign exchange risk		13	519	126	221	174

7.5. Operational risk

Operational risk is defined at the Bank as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk, but excludes reputational and strategic risks.

The purpose of operational risk management is to increase security of the Bank's business by implementing efficient mechanisms for the identification, assessment, quantification, mitigation, monitoring and reporting of operating risk.

In 2015, having in mind the security of the clients' funds and mitigation of the risk of operational loss, the Bank continued its efforts aimed at limiting operational risk in individual areas of its operations and at improving the quality of operational risk management.

The most important activities in that respect included:

- periodic assessments and reviews of the Bank's target operational risk profile based on an analysis of the values of the Bank's current risk parameters, changes and risks prevailing in the Bank's environment, implementation of the business strategy as well as evaluation of the adequacy of its organizational structure and effectiveness of the risk management system in place at the Bank,
- on-going monitoring of the operational risk limits defined as part of operational risk appetite approved by the Bank's Management Board;
- implementing a number of measures mitigating the operational risk in the Bank's operating processes and systems, including in particular in relation to the risk of fraud and the security of IT systems, which makes it possible to effectively prevent criminal threats and to assure the security of transactions carried out by the clients;
- continuing awareness building initiatives addressed among Bank's employees.

In 2015, the use of the total operational risk limit was kept below the maximum value set by the Management Board, and as at 31 December 2015, it was 49.6 per cent.

7.6. Compliance risk management

The Bank defines compliance risk as possible effects of non-compliance of the Bank's operations with applicable laws, internal regulations and standards of conduct adopted by the Bank. Consequences of such risk might include impairment of the Bank's reputation, or exposure of the Bank to losses resulting from legal claims, fines 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 to secure the clients' and stakeholders' trust and protect the Bank's reputation. Significant compliance-related projects carried out in 2015 included activities undertaken to adapt the Bank's operations to:

- Recommendation U (best practices in bancassurance) issued by the Polish Financial Supervision Authority;
- amendments to the Act on Insurance Activity;
- FATCA requirements.

The aim of Recommendation U and of amendments to the Act on Insurance Activity was to improve the quality of standards of cooperation between banks and insurance companies in the area of bancassurance, and to determine conditions for stable growth of the bancassurance market.

The FATCA requirements were introduced on 1 December 2015, following the effective date of the Polish Act on Performance of the Agreement between the Governments of the Republic of Poland and of the United States of America on Improving Compliance with International Tax Obligations and FATCA Implementation dated 9 October 2015 (Journal of Laws of 27 October 2015, item 1712).

Preparatory work also commenced in order to implement:

- the Market Abuse Directive II / Market Abuse Regulation package, taking effect on 3 July 2016, including establishment at the Bank of a system to support the monitoring of suspicious transactions in financial instruments,
- the Common Reporting Standard requirements, planned to be enacted into law in the first half of 2016, related to the implementation of the tax information exchange standard,
- the MiFID II / MIFIR package, taking effect on 3 January 2017, to ensure compliance of the Bank's operations with the new legal requirements related to offering investment products, with a view to increasing customer protection and ensuring transaction transparency.

8. Subsequent events

For information on events subsequent to the reporting date, see Note 40 ('Subsequent events') to the financial statements of Raiffeisen Bank Polska S.A. for the financial year ended 31 December 2015.

9. Outlook for Raiffeisen Bank Polska S.A.

9.1. Macroeconomic factors which may affect the Bank's performance

The Bank expects Poland's economic growth to accelerate to around 4 per cent by the year end in 2016, with the average growth rate projected at 3.8 per cent year on year. The Bank believes that, similar to the year before, the economic growth will be largely driven by domestic demand. In the first half of the year, domestic demand is likely to be supported by a modestly positive contribution of net exports, driven by the depreciation of the Polish currency seen at the beginning of the year.

As regards internal demand, the Bank expects private consumption to grow faster than in 2015 on the back of further improvement of the situation on the labor market and a fiscal policy geared towards increased social spending, including a launch of a benefit scheme for families with children (500+ Program). The Bank anticipates that a continuing record-low jobless rate and a faster year-on-year growth in employment will contribute to increased payroll pressures and stronger pay rises in the economy, which should additionally drive private consumption.

Investment is expected to grow slightly slower compared with 2015, as EU funds from the previous Financial Perspective have been used up and disbursements of new funds from the 2014–2020 budget are only beginning.

The Bank believes that the stable economic growth will be conducive to a gradual rise in inflation, which should return to positive territory during the year. In the Bank's opinion, the slow pickup in inflation and stable economic growth are good reasons for keeping the monetary policy settings unchanged relative to the end of 2015.

In 2016, the Polish banking sector may have to face the following challenges posed locally:

- High degree of uncertainty surrounding the fiscal and economic policy, which already in early 2016 was cited by respondents in business confidence surveys as a major obstacle to doing business, and which may lead to lower-than-expected investor activity and household consumption;
- Strong volatility on the financial markets associated with the risk of foreign investors withdrawing money from Polish assets, which may also exert a downward pressure on the Polish currency and drive treasury yields higher;
- Entry into force, as of 1 February 2016, of a new law imposing tax on assets of certain financial institutions. For banks, the tax base is the excess of total assets over PLN 4 billion, as shown in the month-end trial balance sheets prepared on the basis of general ledger entries in accordance with the applicable accounting standards, less own funds and treasury securities. The tax rate is 0.0366 per cent of the tax base per month (0.44 per cent annually). The Bank preliminary estimated, based on data as at 31 December 2015, the monthly burden resulting from the tax at PLN 15.6 million;

- Entry into force of a new legal framework dealing with currency risk in CHF-denominated loan portfolios – in January 2016 the Polish president put forward a draft bill presenting methods to restore equality between the parties to certain loan agreements, which substitutes the concept of market exchange rate with ‘fair exchange rate’ and affords some borrowers the right to transfer rights in the property pledged as security for the loan, which amounts to its cancellation. The proposal is undergoing consultation, and may be subject to major changes;
- Further bankruptcies of Cooperative Savings and Credit Unions, resulting in increased contributions to the Bank Guarantee Fund;
- Worse than expected performance of the Polish economy, which might adversely affect the quality of the banks’ loan portfolio.

In 2016, the Polish banking sector may have to face the following global challenges:

- Political risk (UK and Ukraine) contributing to financial markets’ volatility and uncertainty affecting demand among corporate clients. This could result in depreciation of the Polish zloty and strengthening of the Swiss franc;
- Possible strong capital flows in response to further interest rate hikes in the US, which may result in some investors exiting the Polish market in search for higher yields in the US. This could result in a weaker zloty and provoke a stronger sell-off on the domestic Treasury securities market, while banks have recently increased their exposure to such instruments;
- Possible deterioration in the global economy, notably the euro zone (e.g. in the aftermath of sovereign insolvency of an energy exporting country or China’s ‘hard landing’), which could deepen uncertainty in global financial markets, leading to higher yields on Polish treasury bonds, devaluation of the Polish currency, and falling foreign demand for Polish goods and services, which in turn could have a negative impact on the quality of the banks’ loan portfolio.

The foregoing factors may affect financial results of the Bank in the future.

9.2. Outlook for the Bank

The Bank operates and pursues its goals in line with the Strategy for 2015—2017, aligning its decisions with the fast-changing market environment. Despite the challenging external conditions, the Bank upholds the key focus of the Strategy, which is to constantly strengthen its position as a midmarket leader specializing in corporate banking and providing services to the segment of SMEs and Polish middle class. In order to successfully deliver its stated objectives, maximize returns for the existing and future shareholders, and maintain its reputation for financial security among customers and the financial sector, the Bank takes action in three areas that form its strategic cornerstones.

I. Delivering long-term sustainable returns across business lines

The current and long-term focus in this area is on:

- Income growth in all client segments – by offering a wide range of products, with particular attention to high-margin and low capital intensity products;
- New account acquisition – acquiring new customers by further diversifying the available delivery channels (own branch network, digital channels, and cooperation with external partners in mass customer acquisition), and retention activities, mainly in the mass retail banking, supported by a broad product range;
- Raising the number of products per client – by leveraging possibilities offered by a larger client base and by cross-selling products and services using past experience and skills in that area.

II. Adapting the structure and level of costs to the scale of the Bank’s business

Maintaining cost discipline is a crucial objective in the Bank’s strategy. In 2016, the Bank will continue to implement cost efficiency improvements and move forward on cost-saving programs and initiatives. As fixed costs of running the banking business are rising as a result of regulatory changes, including further rises in mandatory annual contributions to the Bank Guarantee Fund, contributions to the Stabilization Fund, additional contributions required to cover the large disbursements made last year, and the upcoming bank tax, new measures need to be implemented to lower the Bank's operating costs.

Therefore, in 2016 the Bank will continue to migrate its Operations functions from Warsaw to the low-cost Operations Centre in Silesia. Efforts will also continue to reach operating excellence and improve the efficiency of processes. Corporate processes will be centralized and consolidated in a new office at the beginning of 2016. In addition, the Bank plans further employment restructuring measures and savings from consolidation of its IT infrastructure.

III. Adequate and business-oriented risk management

In this area the Bank will strive to secure stable sources of financing and stable capital base along with ensuring sufficient liquidity. 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 seek to improve the quality of its loan portfolio.

9.2.1. Retail Banking

In line with the underlying assumptions of the strategy for the Retail Banking segment, the Bank will try to expand the client base by offering customized advisory products and services. Activities in that area will be based on four value factors key for the clients:

- Credibility;
- Partnership;
- Convenience;
- Loyalty.

The Bank will build its position as a relationship bank offering Partnership and Loyalty to clients actively using its services. The Bank will also attract new clients with Convenient and Credible products and services of a quality well above the market average.
The Bank's medium-term operating strategy in retail banking is focused on:

- New positioning of the Bank's brand in the market, centered around the clients' experience;
- Building the Bank as an institution oriented towards client acquisition;
- Optimization of a distribution model and improving the quality of the existing delivery channels;
- Making the product range more attractive and concentrating on selected acquisition products;
- Optimizing operating costs.

Given the regulatory and macroeconomic landscape, in 2016 the Bank will seek to strengthen its market position in savings and investment products. The Bank will also continue its efforts to grow the client base across all segments – as the Bank enjoys a strong position in private banking, the largest growth potential lies in the mass customer, high-net-worth individuals and microenterprise sub-segments. Customer acquisition efforts will continue to be built around the 'Dream' product line. High service quality that helps to retain customer loyalty and satisfaction would remain a priority. With this in mind, the Bank will concentrate on delivering high standards of customer service.

9.2.2. Corporate Banking

In services for businesses, the Bank continues to build its competitive advantage by following the direction set out in the Bank's mission for Corporate Banking: *'We help businesses grow. Bank of enterprising people.'* Another aim the Bank is pursuing in developing its corporate banking business is articulated in the vision: *'We are effective because we keep focus on improvement'*.

The overall mission and vision statements drive the Bank's medium-term strategy in Corporate Banking, which envisions:

- Improved efficiency and quality of central business processes: sales, loan origination and after-sale support, with a focus on simplifying the processes for the clients;
- Growth of client satisfaction and loyalty through strengthening and developing long-term relations based on comprehensive knowledge of the clients and their businesses;
- Continued organic growth and increasing business scale based on the current wide range of products and services;
- Improved operating cost efficiency;
- Focus on improving the Bank's offer for SMEs in order to increase the Bank's share in this client sub-segment, perceived as a strategic area for the development of Corporate Banking;
- Maintaining the leading position in the factoring market in Poland;
- Launching innovative products and solutions in financing, transactional banking, and treasury products, using electronic communication channels;
- Achieving the position of a leader in handling advanced commercial transactions such as supply chain financing.

Economic growth, forecast at the average growth rate of 3.8 per cent year on year in 2016, should support the sound financial standing of the business sector. This in turn should enable the Bank to continue to grow organically and expand its Corporate Banking business in 2016 by:

- Expanding its client base, particularly in the sub-segments of small and medium-sized enterprises, which are priority growth areas of the Corporate Banking business. This goal will be pursued through intensive customer acquisition and attrition reduction efforts, focusing on enhancement of product and service quality and improvement of customer satisfaction;
- Significantly increasing lending to SMEs, while maintaining lending to large enterprises at a stable level;
- Focusing on cross-selling initiatives to increase the number of products used by individual customers and to maximize per-customer sales and return on capital employed. Cross-selling will be targeted primarily at loan customers, with a broad range of transactional banking services and currency products offered to them in addition to financing;
- In financing, the focus will be on factoring services. The Bank is the leader of the factoring services market in Poland and is set to preserve the position by both increasing sales through marketing and promotional efforts and by offering brand new products;
  Building long-term relationships based on in-depth knowledge of the clients, their businesses, the industries they operate in, and industry-specific financial solutions, to be able to offer products and services that meet their expectations.

9.2.3. Financial Institutions and Capital Markets

The Bank's strategic objective in this area is to be recognized as a leading provider of capital market products and investment banking services.

A broad range of products, combined with a commitment to build strong client relations and extensive expertise, are a platform for the development of a unique offering. The Bank will continue to focus on expanding its client base in the financial institutions segment, increasing the share of sales of investment and hedging products to corporate clients, enhancing its position on the DCM and ECM markets for SMEs, and consolidating its role as a custodian bank for open-end investment funds.

Development of the financial institutions segment largely depends on market conditions. Low interest rates encourage investors to seek alternative investment solutions, which should support the development of the financial market in the area of collective investment undertakings, as companies and individuals convert their deposits into alternative forms of saving. Consequently, this should support growth of income from fees and commissions on transactions and custodial services, along with retail clients' interest in investment products. However, implementation of tax on banks and investment fund management companies (TFIs) may push potential investors to look for opportunities abroad, which would have an adverse effect on financial institutions in Poland and the Bank's revenue from the cooperation with this client group.

In the near future, the growth prospects for financial institutions will also be affected by changes in the regulatory environment, including in particular:

- Alternative Investment Fund Managers Directive (AIFMD) – an EU regulation bringing substantial changes to the Polish investment fund market. The aim of the AIFMD is to harmonize EU regulations with national laws and to improve oversight over collective investment undertakings. The directive imposes new obligations on all market participants, including TFIs, custodians and support entities, causing them to incur higher operating costs;
- MIFID2/MIFIR – regulations incorporated into the European legal system, effective as of 2017. The new regulations will materially change the relations between banks and entities which use banks as distributors of their investment products, affecting investment product distribution models as well as banks' income from such operations.

Considering the foregoing, the Bank will focus on implementing procedural and systemic solutions designed to adjust its operations to the new market and regulatory requirements. The Bank will monitor the effects of the changing legal and market environment on its business, and will look for opportunities to use the changes to launch new services and attract new clients.

9.3. Involvement of the Bank's shareholder

On 9 February 2015, Raiffeisen Bank International AG ('RBI'), the sole shareholder in the Bank, announced its intention to take measures to increase its capital buffers and thus improve the CET1 ratio to 12% by the end of 2017. Among its intended actions, RBI mentioned selling the Bank shares.

The statement from RBI has no impact on the implementation of the Bank's strategy. The Bank continues to operate as before, seeking to meet its strategic objectives and developing its range of products and services.

10. Corporate governance at Raiffeisen Bank Polska S.A.

10.1. Compliance with corporate governance principles

Since 2005, the Bank, as a financial institution, has been required to comply with the 'Principles of Corporate Governance for Supervised Institutions' (the 'Principles'), issued by the Polish Financial Supervision Authority, available on the Bank's website and the PFSA's website at www.knf.gov.pl.

In accordance with what was expected by the regulator, the Principles were adopted by the Bank's Management and Supervisory Boards by the end of 2014, and in 2015 the document was supplemented in a way that ensured full compliance with the Principles.

To the extent permitted by law, having regard in particular to the legal and supervisory requirements applicable to the shareholders as well as to their own interests and the interests of other stakeholders, the Annual General Meeting, in a resolution of 24 March 2015, decided to declare their readiness to comply with the Principles in so far as they apply to shareholders, in particular to observe the provisions of Section 2 of the Principles, provided, however, that where the Principles require a specific conduct by the shareholders, the shareholders will procure that a General Meeting is convened to consider proposals of appropriate solutions, having due regard to all the statutory duties, the shareholders' obligations towards the PFSA, and all material facts and circumstances concerning the Company, their own interests, including their financial situation, and the interests of other stakeholders. This declaration does not give rise to any obligations on the part of the shareholders and may not be the basis for any claims against them from third parties.

10.2. Shareholding structure and the General Meeting of Shareholders

As at 31 December 2015, the Bank's share capital consisted of 248,260 shares with a nominal value of PLN 9,090 per share.

As at 31 December 2015, the sole shareholder in Raiffeisen Bank Polska S.A. was Raiffeisen Bank International AG (RBI).

The General Meeting of Shareholders is the supreme governing body of the Company, through which the shareholder exercises its rights and adopts key decisions as to the Bank's business. The General Meeting operates in accordance with generally applicable laws, including the Polish Commercial Companies Code and the Banking Law.

In line with the accepted practice, General Meetings are held at the Company's registered office in Warsaw. The Annual General Meeting is convened by the Bank's Management Board for a date falling within six months from the end of each financial year. In case the Bank's Management Board fails to convene the General Meeting within the period specified in the Articles of Association, the right to convene it is vested in the Supervisory Board.

Extraordinary General Meetings are convened in the cases set out in generally applicable laws and the Articles of Association of Raiffeisen Bank Polska, and whenever persons or bodies authorized to convene a General Meetings deem it fit.

Members of the Management Board and the Supervisory Board have the right to attend the General Meeting. The auditor of the Bank's financial statements should be invited to attend the General Meeting if their presence is justified or necessary given the matters on the agenda. However, the absence of Management or Supervisory Board members or the auditor does not affect the validity of the General Meeting.

Apart from the matters listed in the Commercial Companies Code, a General Meeting resolution is also required for: determining remuneration policy for Supervisory Board members, creating and releasing special accounts other than accounts required by law, appointing Bank liquidators in the event of liquidation due to reasons other than stipulated in Chapter 12 of the Banking Law, and deciding on other matters provided for in generally applicable laws or the Bank's Articles of Association, or put forward by the Supervisory Board, the Management Board or shareholders representing at least one-twentieth of the share capital.

10.3. Supervisory Board

The Supervisory Board exercises on-going supervision of the Bank's business. The scope of its activities is regulated by the Banking Law, the Commercial Companies Code, the Bank's Articles of Association and its Rules of Procedure.

Pursuant to the Bank's Articles of Association, the Supervisory Board's powers and responsibilities include in particular: supervising the Bank's operations, approving the Bank's economic and financial plans, adopting Rules of Procedure for the Supervisory Board and Rules of Procedure for the Management Board, assessing the Management Board Report on the operations of the Group and audited financial statements, approving the risk management policy and essential amendments to such policy, defining terms and conditions for the Bank establishing companies in Poland and abroad, representing the Bank in disputes with members of the Management Board, appointing, suspending in duties and removing members of the Management Board, defining remuneration for members of the Management Board, and appointing the auditor of the financial statements of the Bank.

Pursuant to Art. 27.1 of the Bank's Articles of Association, the Supervisory Board is also empowered to grant its consent in the form of resolution to the following:

- acquiring or assuming an obligation to acquire assets or businesses where the estimated value of a given transaction or a series of related transactions exceeds in aggregate EUR 20 million and the transaction is not provided for in the economic and financial plan;
- selling, leasing, transferring, assigning or otherwise disposing of all or a part of any property or assets where the estimated value of a given transaction or a series of related transactions exceeds in aggregate EUR 20 million and the transaction is not provided for in the economic and financial plan;
- acceding to any joint venture or profit sharing agreement if the annual value of the agreement exceeds EUR 20 million;
- establishing new branches or making any capital expenditures other than as provided for in the economic and financial plan, where the annual value of such branches or expenditures exceeds EUR 5 million;
- entering into transactions or agreements with a shareholder or a shareholder's related entity other than on an arms' length basis;
- amending the accounting policy or accounting principles, or rules for preparing financial statements subject to an audit;
- issuing any guarantees, creating or granting consent to the creation of any mortgages, encumbrances or any other type of security over an asset, other than within the scope of the Bank's business;
- entering into or terminating consortium agreements and other agreements with the Bank's non-related entities, for option contracts and other similar contracts, which may affect the value of the Bank's shares in related entities or subsidiaries or which may restrict trading in such shares;
- decisions on exercising voting rights in a vote on distribution of profits held at a general meeting of a subsidiary or related entity where such subsidiary or related entity is a bank or credit institution within the meaning of relevant directives of the European Union;
- issuing bonds, except convertible bonds and bonds with pre-emptive rights, contracting subordinated loans and other liabilities, where contracting such liabilities may affect the control over the Bank's management or profit distribution to the Bank's shareholders;
- acquiring and selling tangible assets where the transaction value exceeds the limits specified by the Supervisory Board;
- acquiring and selling real estate and encumbering real estate owned by the Bank as well as entering into any agreements related to real estate owned by the Bank, other than acquiring real estate under recovery proceedings and selling or encumbering real estate acquired under such proceedings;
- entering into an agreement for lease or rental of real estate to the Bank and any other agreements related to such lease or rent agreements where their value exceeds the limits specified by the Supervisory Board;
- defining limits for country risk, FX risk, and interest rate risk;
- entering into employment contracts and other agreements concerning employment which provide for the acquisition of additional entitlements upon termination of employment with the Bank, such as compensations, bonuses, remuneration, commission, stock options, pension rights or any other form of consideration or rights;
- defining general conditions for granting bonuses to employees;
- approving candidates for supervisory boards and management boards of the Bank's subsidiaries and related entities.

Changes on the Bank's Supervisory Board in 2015:

- On 31 March 2015, Aris Bogdaneris resigned as member of the Supervisory Board;
- On 8 September 2015, Andreas Gschwenter was appointed member of the Supervisory Board of Raiffeisen Bank Polska.

The composition of the Supervisory Board of Raiffeisen Bank Polska as at 31 December 2015 was as follows:

- Dr Karl Sevelda – Chairman of the Supervisory Board;
- Martin Grüll – Vice Chairman of the Supervisory Board;
- Dr Johann Strobl;

- Klemens Breuer;
- Peter Lennkh;
- Andreas Gschwenter;
- Dr Herbert Stepic;
- Władysław Gołębiewski;
- Selcuk Sari.

The following committees operate within the Supervisory Board: Executive Committee, Audit Committee, Remuneration Committee, and Risk Committee. Following Aris Bogdaneris' resignation, on 24 April 2015 the Supervisory Board appointed Johann Strobl as member of the Remuneration Committee.

On 1 December 2015, the Supervisory Board passed a resolution to establish a Risk Committee, and approved its Rules of Procedure.

The composition of the Supervisory Board committees as at 31 December 2015 was as follows:

Members of the Supervisory Board	Executive Committee	Audit Committee	Remuneration Committee	Risk Committee
Dr Karl Sevelda	-	-	Chairman	Chairman
Martin Grüll	Chairman	Chairman	Member	Member
Dr Johann Strobl	Member	Member	Member	Member
Peter Lennkh	Member	-	-	-
Władysław Gołębiewski	-	Member	-	-

Executive Committee

Pursuant to the provisions of the Bank's Articles of Association, the Executive Committee makes decisions on the following:

- approving loans to be granted, including credit facilities and conditional liabilities towards a single borrower;
- approving restructuring limits and credit opinions;
- approving write-offs for non-performing exposures to a single borrower;
- reporting and submitting reports on its operations to the Supervisory Board.

The Executive Committee consists of three persons appointed by the Supervisory Board from among its members for a term of five years, however no longer than the term of their mandate on the Supervisory Board. The Executive Committee is chaired by the Chairman appointed by the Supervisory Board. Meetings of the Executive Committee are convened by the Chairman as needed and depending on the Bank's current situation.

Before making a decision related to the Bank's lending activities the Supervisory Board is required to obtain prior consent from the Executive Committee.

Audit Committee

According to the Rules of Procedure approved by the Supervisory Board, responsibilities of the Audit Committee include:

- monitoring the financial reporting process;
- monitoring the effectiveness of internal control, internal audit and risk management systems;
- monitoring audit activities;

- monitoring the independence of the auditor and of the auditing firm (entity qualified to audit financial statements), including in the case of non-audit services.

The Audit Committee consists of persons appointed by the Supervisory Board from among its members for a period corresponding to the Supervisory Board's term of office. At least one member of the Audit Committee should be an independent member and should have knowledge and experience in accounting, bookkeeping and financial reporting. The Audit Committee is chaired by the Chairman of the Supervisory Board, if appointed to the Committee. The foregoing applies to the Vice-Chairman of the Supervisory Board if the Chairman of the Supervisory Board is not appointed to the Committee.

Meetings of the Audit Committee should be convened whenever the Chairman of the Committee or, in his or her absence, the Vice-Chairman considers it necessary in view of current developments, but in any case at least four times a year.

Remuneration Committee

Pursuant to its Rules of Procedure, key responsibilities and objectives of the Remuneration Committee include:

- giving opinions on the policy of variable pay components and defining their rates;
- making decisions on any matters related to terms of remuneration for executive managers (in particular salary limits, amounts of bonuses and other allowances);
- considering and recommending to the Supervisory Board modifications to the terms of contracts for executive managers in the Bank.

The Remuneration Committee consists of three to five persons appointed by the Supervisory Board from among its members for a term of five years, however no longer than the term of their mandate on the Supervisory Board.

The Remuneration Committee includes the Chairman, the Vice-Chairman and other members. Meetings of the Remuneration Committee are held as needed, but in any case at least four times a year.

Risk Committee

Pursuant to its Rules of Procedure, key responsibilities and objectives of the Risk Committee include:

- providing opinion on the Bank's overall current and future risk appetite;
- providing opinion on the risk management strategy developed by the Management Board and on strategy implementation reports received from the Management Board;
- assisting the Supervisory Board in supervising the implementation of the risk management strategy by the senior management;
- checking whether the prices of assets and liabilities offered to clients fully reflect the Bank's business model and risk strategy, and where the prices fail to adequately reflect the risks in line with the model and the strategy, presenting the Management Board with relevant proposals to ensure the prices of assets and liabilities adequately reflect those risks;
- providing opinion on draft rules for sound and prudent management of the Bank;
- assessing and presenting to the Supervisory Board of recommendations on the methods and quality of compliance risk management.

The Risk Committee consists of three to five members, appointed by the Supervisory Board from among its members for a period corresponding to the Supervisory Board's term of office. The Risk Committee is chaired by the Chairman of the Supervisory Board, if appointed to the Committee. The foregoing applies to the Vice-Chairman of the Supervisory Board if the Chairman of the Supervisory Board is not appointed to the Committee. All Risk Committee members should have knowledge and experience in the field of risk management, enabling them to fully understand and monitor the Bank's risk strategy and risk appetite.

Meetings of the Risk Committee should be convened whenever the Chairman of the Committee or, in his or her absence, the Vice-Chairman considers it necessary in view of current developments, but in any case at least four times a year.

10.4. Management Board

The Management Board operates pursuant to the Rules of Procedure adopted by the Supervisory Board, the provisions of the Bank's Articles of Association, and applicable laws.

The Management Board consists of 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, Vice-President or Vice-Presidents of the Management Board, and other members. 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 First Vice-President who supervises in particular the Bank's retail banking operations.

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

No changes occurred in the composition of the Bank's Management Board in 2015. The composition of the Management Board as at 31 December 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.

The Management Board is the Bank's executive body and its members are jointly responsible for all of the Bank's operations. Members of the Management Board work collectively and report to one another on the most important matters concerning the Bank that fall within their respective scopes of competence.

Management Board decisions are made in the form of resolutions passed with an absolute majority of votes. Resolutions of the Management Board may be adopted using means of remote communication. Resolutions adopted is this way are valid only if all members of the Management Board have been notified of the content of the draft resolution and give their consent to this voting procedure.

After obtaining the Supervisory Board's opinion, the Management Board may decide on the establishment or liquidation of organizational units at the Head Office or local organizational units, and on the Bank's internal organization as defined in the Bank's Organizational Rules.

The Management Board in particular makes decisions, in the form of Management Board's orders, on general terms and conditions of agreements and rules pertaining to the Bank's business as well as interest rates applicable to deposits in bank accounts, loans and advances, fee and commissions rates, and interest capitalization periods.

Members of the Management Board in particular make decisions, in the form Management Board Member's orders, on operating instructions and general product handling instructions, rules for implementing tasks of the organizational units reporting to respective Members of the Management Board, organizational rules of their subordinate units, as well as rules and procedures for controls at their subordinate organizational units.

10.5. Principles of sound and prudent management of the Bank as part of the risk management system

The Management Board of the Bank makes every effort to ensure that the organization of the risk function facilitates implementation of the risk strategy and maintenance of the risk appetite within the limits approved by the Supervisory Board. For that purpose, specialized committees have been established at the Bank to support implementation of the respective objectives.

As part of the risk management system, the Bank applies:

- formal rules for measuring the Bank's risk exposure and risk management principles;
- formal procedures for identifying, measuring or estimating, and monitoring risks inherent in the Bank's operations, taking into account the expected level of future risk, which is analyzed using various tools, including stress tests;
- formal risk limits and procedures to be followed if a limit is exceeded;
- management accounting system, adopted by the Management Board, which makes it possible to monitor risk levels.

10.6. Principles of sound and prudent management of the Bank as part of the internal control system

The Bank has an internal control system in place, which consists of control processes supporting management. Its objective is to support the decision-making processes and thus contribute to assuring implementation of the Bank's strategic objectives, operating effectiveness and efficiency, reliability of financial reporting, keeping the risk at acceptable levels, safety and security of assets, as well as compliance with applicable laws, internal regulations and good banking practices.

The Supervisory Board and the Management Board of the Bank put special emphasis on the implementation and maintenance of an adequate, effective and comprehensive system of internal controls in all areas of the Bank's operations, to provide solutions enabling successful delivery of the Bank's objectives and guarantee its security.

The internal control system has been designed to match the Bank's organizational structure, and it is appropriate for the Bank's business, size and defined risk profiles.

The system is built on the following pillars:

1. functional internal control function built into the Bank's processes – the processes defined in internal regulations include properly designed functional internal controls, which act to bring risks associated with the processes to an acceptable level,
2. built-on internal control function, based on controls outside the processes defined in the Bank's internal regulations and covering all organizational units of the Bank, which serves to control these processes in line with the Internal Control Plans adopted annually,
3. independent internal audit unit whose task is to independently and objectively examine and assess the compliance of the Bank's activities with the Articles of Association, decisions, orders, and resolutions of the Bank's governing bodies, and statutory requirements, in order to ensure that the Bank operates in a safe manner in accordance with the law and that the risk management and internal control systems are adequate and work effectively. Internal audit independence mechanisms, its mission and operating methods are regulated in relevant documents: the Audit Card, Regulations of the Internal Audit Department, and Regulations of the Audit Committee.

Monitoring of the risk of non-delivery of the stated internal control objectives is governed by the Functional Internal Control Policy.

In 2015, there was no need to assess the risk of non-delivery of internal control objectives, to adjust processes to reflect the risk, or to document this process. The risk was identified, but it was found to be immaterial in the course of risk materiality assessment. This means that the internal control process in place is effective enough to ensure that the risk on non-delivery of internal control objectives does not materialize.

10.7. Principles of sound and prudent management of the Bank as part of the compliance system

The Bank's Management Board is responsible for ensuring compliance of the Bank's operations with the applicable laws, taking into account the Bank's relations with other entities which could adversely affect sound and prudent management of the Bank, including entities performing certain services to the Bank on an outsourcing basis. The compliance process management is based on regulations approved by the Bank's governing bodies.

The Bank's Management Board is responsible for the effectiveness of the compliance system, which includes:

- maintaining and coordinating an appropriate and effective system of internal processes and controls aimed at mitigating the compliance risk;
- preparing and implementing internal rules and procedures in accordance with applicable laws and regulations;
- identifying, assessing, mitigating and monitoring the compliance risk, particularly in such areas as counteracting money laundering and financing of terrorism, MIFID Directive, and internal codes of conduct;
- mechanisms assuring operating independence of the Department of Compliance with Standards and Security.

The Bank's Management Board also seeks to ensure observance of the highest professional and ethical standards at the Bank. In pursuance of this objective, the Bank implemented relevant procedures, including the Code of Conduct for Employees as part of the Transparent Bank system, which regulates such issues as conflicts of interests, gifts, employees reporting violations of the code, and governance.

10.8. Principles of sound and prudent management of the Bank as part of the capital management system

Capital management is an element of the sound and prudent management of the Bank. The Bank's Management Board implements the Capital Management Policy approved by the Supervisory Board, setting out general guidance and objectives for capital management. Some elements of the process include:

- Capital planning;
- Monitoring and reporting of performance against capital plans;
- System of limits for regulatory and economic capital;
- Monitoring of capital limits, escalation procedures and management measures in case a limit is exceeded;
- Capital contingency and recovery plans;
- Scenario sensitivity analysis of capital adequacy;
- Internal capital adequacy assessment process (ICAAP).

Capital risk identification takes place at two levels – as part of the planning process and capital adequacy monitoring process.

The capital planning process plays an important role in capital management. It sets capital targets and ensures an adequate structure of own funds to enable delivery of the business objectives defined in the financial plan. When planning capital requirements and how the capital will be used, the Bank takes into account the requirements of its owners, regulatory requirements, and the planned risk profile.

10.9. Auditor

The auditor of the Bank's annual financial statements was appointed in compliance with applicable laws. The auditing firm and the auditors that performed the audit satisfy conditions required to issue an impartial and independent auditor's opinion on the annual financial statements in compliance with the applicable Polish laws.

For the purposes of the audit of its financial statements, Raiffeisen Bank Polska S.A. uses the services of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

The auditor's remuneration for its services to Raiffeisen Bank Polska S.A. was as follows:

Auditor's remuneration (in PLN thousand net)	**Concerning the year**	
	2015	**2014**
Remuneration for the audit of the annual financial statements	447	447
Remuneration for other attestation services	545	0
Other	496	0
Total	**1,488**	**447**

11. Statements of the Management Board of Raiffeisen Bank Polska S.A.

11.1. Truthfulness and fairness of the presented financial statements

The Management Board of Raiffeisen Bank Polska S.A., 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, and Marek Patuła – member of the Management Board, represent that to the best of their knowledge:

- the stand-alone annual financial statements for the financial year ended 31 December 2015 and comparative data were prepared in compliance with applicable accounting standards and give a true, fair and clear view of the assets and financial position of Raiffeisen Bank Polska S.A. and its financial result;
- the Management Board Report on the operations of Raiffeisen Bank Polska S.A. in 2015 gives a true view of the development, achievements and situation of Raiffeisen Bank Polska S.A., including the description of principal risks and threats.

11.2. Appointment of the auditor

The Management Board of Raiffeisen Bank Polska S.A. represents that the entity qualified to audit financial statements, KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., auditing the annual financial statements of Raiffeisen Bank Polska S.A. for 2015, was appointed in compliance with the applicable laws. The auditing firm and the auditors acting on its behalf satisfied conditions required to issue an impartial and independent auditor's opinion in compliance with the applicable laws and professional standards.