REPORT

of the Supervisory Board on the appraisal report

of consolidated financial statements of BGŻ S.A. Capital Group

for the year ended 31 December 2012 and report on the activity

of BGŻ S.A. Capital Group in 2012

Pursuant to Article 382 § 3 of the Code of Commercial Companies, the Supervisory Board of Bank Gospodarki Żywnościowej S.A. conducted an assessment of the consolidated financial statements of BGŻ S.A. Capital Group for the year ended 31 December 2012 and the report on the activity of the Capital Group in 2012.

The above assessment was conducted on the basis of:

1. Consolidated financial statements covering:
    - consolidated profit and loss account for the period from 1 January 2012 to 31 December 2012, showing net profit of PLN 130,049 thousand,
    - consolidated statement of comprehensive income for the period from 1 January 2012 to 31 December 2012, showing total income of PLN 334,755 thousand,
    - consolidated statement of financial situation drawn up as of 31 December 2012, which shows the amount of PLN 37,196,663 thousand on the asset side,
    - consolidated statement of changes in total equity for the period from 1 January 2012 to 31 December 2012, showing an increase in equity of PLN 834,755 thousand,
    - consolidated cash flow statement for the period from 1 January 2012 to 31 December 2012, showing an increase in net cash of PLN 611,648 thousand, and
    - accounting principles (policies) and notes to financial statements
2. Report of the Management Board on the activity of BGŻ S.A. Capital Group in 2012
3. Opinion and report of the independent statutory auditor – Ernst &Young Audit Sp. z o.o. – selected for the audit of the financial statements based on the resolution of the Supervisory Board No. 18/2011 of 20 April 2011

The Supervisory Board states as follows:

Re: 1) Consolidated financial statements

As a result of the assessment of consolidated financial statements of BGŻ S.A. Capital Group for the year ended on 31 December 2012, the Supervisory Board states that the statements in all relevant aspects:

- have been drawn up in accordance with the International Financial Reporting Standards which have been approved by the European Union,
- are compliant with legal provisions regulating the preparation of financial statements, which affect the form and contents of the financial statements,

and reliably and clearly present all information relevant for the assessment of the financial result on the business activity for the period from 1 January 2012 to 31 December 2012, as well as the economic and financial position of BGŻ S.A. Capital Group as at 31 December 2012.

Selected financial data and ratios

in thousands PLN	31/12/2012	31/12/2011	Change	
Gross profit (loss)	173 964	149 566	24 398	16.3%
Net profit (loss)	130 049	128 097	1 952	1.5%
Total shareholder's equity	3 472 617	2 637 862	834 755	31.6%
Balance sheet total	37 196 663	33 407 213	3 789 450	11,3%

	31/12/2012	31/12/2011	Change	
Return on Equity (ROE)[(1)]	4.4%	5.0%	(0.6)	percentage points
Return on assets (ROA)[(2)]	0.4%	0.4%	-	percentage points
Net Interest Margin (NIM)[(3)]	2.9%	2.8%	0.1	percentage points
Cost / Income (C/I)[(4)]	70.0%	75.2%	(5.2)	percentage points
Loans / Deposits[(5)]	101.7%	109.4%	(7.7)	percentage points
Solvency ratio (CAR)	11.8%	9.7%	(2.1)	percentage points

(1) Ratio of net profit to average capital calculated as at year ends.

(2) Ratio of net profit to average assets calculated as at year ends.

(3) Ratio of net interest income to average assets calculated as at year ends.

(4) Ratio of the total general administrative expenses and depreciation to the total of the result from the banking activity and other operating revenues and expenses, excluding depreciation.

(5) Ratio of the balance sheet value of purpose and non-purpose loans granted to clients to liabilities towards clients as at the year end.

Assets

As at the end of 2012, the total value of assets of the Group amounted to PLN 37.2 billion, i.e. increased by 11.3% in comparison with the previous year.

Purpose and non-purpose loans granted to clients increased by 8.7%, i.e. at a significantly slower pace than in 2011 when the increase amounted to 21.9%. In 2012 mortgages in PLN (accelerated dynamics in comparison with 2011) and overdrafts for enterprises and farmers (the growth at the similar level to 2011) constituted the main loan growth factor. Investment loans for enterprises and preferential loans increased at a slower pace. However, FX mortgages and working capital credits for enterprises decreased.

In 2012 the slower loan growth was accompanied by an increase in total securities; securities available for sale increased by 89.5% and securities for trading decreased by 86.9%. The increase of securities in the Group's assets corresponded with an increase of the Group's financial surplus as a result of a quicker growth of deposits than loans and recapitalization. However, the shift between financial assets held for trading and available-for-sale was related to investing of the financial surplus in treasury bills of the National Bank of Poland (NBP), classified as available for sale, which intensified at the end of 2012.

An increase of cash and balances with Central Bank of 52.3% was due to needs related to settling the reserve requirement in the NBP (this item is subject to significant daily fluctuations, which is a natural phenomenon).

Liabilities and equity

As at the end of 2012 the total value of the Group's liabilities was by 9.6% higher than the year before. Liabilities due to customers which increased by 17.4% mainly as a result of deposits acquired by BGŻOptima, the retail network and from financial entities, constituted the main growth factor. Due to the slower loan growth, the Group limited funding with liabilities from debt securities issues. The liabilities towards other banks decreased mainly as a result of the scheduled repayment of some part of the loan in CHF from Rabobank, and appreciation of PLN against CHF.

In 2012 the total equity increased by PLN 834.8 million. The following factors contributed to it:

- increasing the share capital by means of issuing 8 million shares of a nominal value of PLN 1 and an issue price of PLN 62.50 (total recapitalization amount: PLN 500 million);
- increasing other capitals as a result of an increase of fixed assets (i.e. debt securities available for sale held by the Group) revaluation reserve and an increase of security transactions revaluation reserve related to the application of security accounting;
- retaining the net profit for the year 2011 and 2012,

Consolidated profit and loss account

In 2012 the Group earned a net profit of PLN 130.0 million in comparison with PLN 128.1 million in 2011. An increase of the net interest income, net fee and commission income and result on investment activities constituted the main growth factor.

In 2012 the net interest income increased by 22.5% which resulted from an increase of interest income of 27.4% which exceeded an increase of interest expenses of 32.3%.

The net interest income increase was mainly triggered by an increase of interest income from purpose and non-purpose loans granted to clients (of 25.1%) and overdrafts (of 32.0%). This increase was achieved thanks to the lending business development, mainly throughout the second and third quarter of 2012. Moreover, in case of the preferential loans portfolio, which is significant for the Bank, rises in the rediscount rate of the NBP made during 2011 and

2012, to which interest rate on these loans is linked, constituted the significant interest income growth factor. In spite of double cuts of the rediscount rate by the Monetary Policy Council in Q4 2012, annually, on average, its level was higher in 2012 than in 2011.

The interest income increase was also impacted by higher revenues from debts securities (by 38.0%) where the liquidity surplus, bigger in comparison with 2011, was allocated.

The interest expense increase was mainly triggered by expenses on liabilities towards clients, which increased by 31.2%, following an increase in client deposits acquired in order to provide funding for the growing lending business of the Group, among others, mainly via the Internet banking, BGŻOptima. Expenses on liabilities towards other banks which were higher by 29.8% than in 2011 constituted the second expense growth factor. To a great extent they consist of expenses of the debt securities issued and loans from other banks, including the CHF loan facility from the Bank's shareholder (obtained in April 2011), two loans in EUR from the European Bank for Reconstruction and Development (of 2010 and of August 2011) and the loan for providing funding for SME loans, granted by the European Investment Bank in Q4 2012. Loans from banks represent a supplementary long-term funding source.

Net fee and commission income in 2012 increased by 9.7%, compared to the previous year, due to increase in income from fees and commissions by 12.7%, accompanied by the increase in the costs of fees and commission income by 32.2%.

In 2012 revenues from dividends dropped by PLN 138 thousand to PLN 3,4 million. They consisted of dividends from the Bank's shares in the Polish Clearing House - KIR S.A., Credit Information Bureau - BIK S.A. and Warsaw Stock Exchange - GPW S.A. coming from profits of these companies for 2011, approved by their General Meetings. Revenues decreased mainly as a result of the lower dividend from BIK S.A., whereas the dividend from KIR S.A. increased.

In 2012 the result on trading decreased by 3.2% in comparison with 2011, to which a change of the external funding structure, following getting the loan in CHF during 2011, contributed. Thanks to an access to direct funding in CHF, the Group decreased the scale of swap transactions aimed at hedging FX risk and interest rate risk of the so called old FX retail mortgage portfolio (mortgages granted to April 2009). As a result of this, the result on so called swap points recognized under the result on trading decreased (according to management data of the Bank, in 2012 it amounted to PLN 30,863 thousand in comparison with PLN 76,873 thousand in 2011), in favour of an increase of the net interest income, in relation to the replacement of PLN funding bearing higher interest by CHF funding bearing lower interest. The result on trading also includes revenues from margins on FX transactions and financial instruments, concluded with clients, which in turn went up significantly in comparison with the previous year.

In 2012 the result on investment activities increased by 528.0% Gains on the securities available for sales, achieved as a result of favourable market conditions, especially in Q4 2012, when markets started to strongly discount interest rate cuts in Poland, and the risk premium expected by them and related to investing in Polish securities was relatively low, constituted the main component of this result.

Other operating revenues in 2012 increased by 4.2 in comparison with 2011, above all, due to an increase of revenues related to:

- releasing provisions for liabilities as a result of releasing provisions for an outcome of court proceedings, unused holidays and jubilee awards as well as retirement gratuities and future liabilities for settling subsidies to preferential loans.
- releasing unutilized write-offs for 2011 personnel costs.
- other operating revenues, comprising of, among others, the return of the overpayment due to settlement of the advance payment for the Polish Financial Supervision Authority's fees for 2011 and releasing the provision for services rendered by the Rabobank Group for Bank BGŻ.

Revenues from PARP compensation decreased by PLN 4,2 million, as a result of a significant limitation of the scope of trainings carried out under this programme.

Loan portfolio quality

The gross loan impairment ratio deteriorated from 5.7% at the end of 2011 to 7.1% at the end of 2012. This ratio deteriorated from 5.4% to 6.6% for retail loans in the period referred, and, respectively, from 5.9% to 7.3% for corporate loans. The deterioration of the ratios mentioned partially resulted from changes to the impairment assessment model (including, especially, the concept of quarantine of loans which are exiting the "impaired" status) introduced in December 2012. In case of retail loans the change of the model translated into an increase of the impairment ratio by 1.4 percentage point, and, in case of company loans, respectively, by 0.5 percentage point. Taking into account the whole portfolio, the change translated into an increase of the ratio by 0.8 percentage point (data at the end of 2011 were not adjusted to be comparable with the changed model). While analyzing changes to the ratios in 2012, excluding the model change effect, it is necessary to underline that they were stable as it comes to the mortgage portfolio and they improved as far as the personal loan portfolio is concerned. However, the quality of company loans deteriorated both in the LC segment (mainly due to the bankruptcy of one of construction clients in June 2012 when the construction industry faced general liquidity problems) and the SME as well as Micro segment following the deterioration of the macroeconomic situation.

The very good performance of the individual farmers loan portfolio (as at the end of 2012 loans for individual farmers represented 22.4% of the Group credit portfolio), where the share of impaired loans amounted to 3.6% as at the end of 2012 (3.2 excluding the model change) in comparison with 3.5% as at the end of 2011, constituted the portfolio quality stabilizing factor.

Equity and solvency ratio (CAR)

The solvency ratio (CAR) increased from 9.7% as at the end of 2011 to 11.8% as at the end of 2012. This mainly resulted from an equity increase of 32.4%, which was affected by the following factors:

- issuing 8,000,000 G series shares with a nominal value of PLN 1 per share and an issue price of PLN 62.50, passed by the Extraordinary General Meeting on 28 August 2012 and acquired entirely by private subscription by Rabobank International Holding B.V. The increase of the share capital of the Bank was registered by the court on 14 September;

- allocating the total profit for 2011 to the supplementary capital by the decision of the Ordinary General Meeting of 25 June 2012;
- including the net profit for the first half 2012, after the auditor reviewed the financial statements, in the basic funds;
- increasing the supplementary capital related to valuation of financial assets available for sale.

At the same time, in 2012, the total capital requirement increased by 8.8%, which was mainly triggered by the loan growth in the period referred and the regulations increasing the weight of FX mortgages for the credit risk capital requirement calculation according to the basic method from 75% to 100%, which entered into force on 30 June 2012.

Assessment made by the Supervisory Board

After becoming acquainted with the consolidated financial statements of BGŻ S.A. Capital Group for the year ended on 31 December 2012 prepared by the Management Board, and the opinion and report of the independent statutory auditor, the Supervisory Board decides to give a positive opinion to the financial statements of the Group for the year ended on 31 December 2012, and recommend the approval of the financial statements to the Ordinary General Meeting.

Re: 2) Report of the Management Board on activity of BGŻ S.A. Capital Group in 2012

The Supervisory Board declares that the report on activity of BGŻ S.A. Capital Group in 2012 is consistent with information contained in the consolidated financial statements for the year ended on 31 December 2012. The Supervisory Board recommends the approval of the report on activity of the BGŻ S.A. Capital Group in 2012 to the Ordinary General Meeting of BGŻ S.A..