

Results of the Asset Quality Review and stress tests

Current Report 39/2014 dated 26 October 2014

Management Board of Bank Gospodarki Żywnościowej hereby discloses the information obtained from the Polish Financial Supervision Authority (PFSA) on the results of the review and evaluation of the Asset Quality Review (AQR) in respect of loan portfolios selected for the review by PFSA.

The AQR results are above the minimum thresholds envisioned by the European Banking Authority (EBA) in terms of Tier 1, CET1 and Capital Requirements. The results confirm that Bank BGŻ has stable financial condition and is resilient to adverse economic conditions.

The review was carried out in the context of Recommendations prepared by the EBA (Recommendations on assets quality reviews, EBA/REC/2013/04), on the basis of uniform guidelines defined in the methodology published by the European Central Bank in March 2014 (Asset Quality Review, Phase 2 Manual March 2014). The Bank also received results of the stress tests conducted by the PFSA.

During the AQR the Bank's institutional and retail mortgage loans portfolios were covered by the review. All tested portfolios as of 31.12.2013 accounted together for 55% of risk-weighted assets (RWA).

The AQR-adjusted Common Equity Tier 1 (CET1) Ratio, calculated on the needs of AQR, on 31.12.2013 amounted to 11.41% and was lower by 0.58 percentage points of the Bank's consolidated CET1 ratio.

Findings of the AQR review were included in the results of the stress test, to give the Bank's CET1 Capital ratio and CET1 and Adjusted Common Equity Tier 1 Capital ratio CET1 as follows:

- in the baseline scenario:

- in 2014 the Bank's Common Equity Tier 1 Capital ratio CET1 reached 12,15 %, while Adjusted Common Equity Tier 1 Capital ratio CET1 reached 11.58%,

- in 2015 respectively 12.35% and 11.78%,

- in 2016 respectively 12.68% and 12.11%,

- in the shock scenario:

- in 2014 the Bank's Common Equity Tier 1 Capital ratio CET1 reached 10,35%, while Adjusted Common Equity Tier 1 Capital ratio CET1 reached 9.78%,

- in 2015 respectively 8.90% and 8.34%,

- in 2016 respectively 7.43% and 6.87%.

Legal basis:

Art 56 section 1 point 1 Act from July 29, 2005 on the public offering and the conditions for introducing financial instruments to organized trading, and public companies.