



**Interim Consolidated Report of  
Bank Gospodarki Żywnościowej S.A.  
Group  
for the first quarter  
ended 31 March 2015**

Warsaw, 13 May 2015

# Bank Gospodarki Żywnościowej S.A. Group

Interim Consolidated Report for the first quarter ended 31 March 2015



- data in PLN thousand

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## I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

### Consolidated statement of profit and loss

	Note	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
Interest income	9	402 617	425 840
Interest expense	9	(148 931)	(155 260)
<b>Net interest income</b>		<b>253 686</b>	<b>270 580</b>
Fee and commission income	10	82 267	84 293
Fee and commission expense	10	(10 405)	(11 741)
<b>Net fee and commission income</b>		<b>71 862</b>	<b>72 552</b>
Net trading income	11	20 055	13 721
Result on investing activities		23 033	3 169
Result on hedge accounting		-	(135)
Other operating income	13	6 357	5 632
Net impairment losses on financial assets and contingent liabilities	16	(54 759)	(57 776)
General administrative expenses	12	(259 802)	(224 009)
Depreciation and amortization	14	(27 317)	(24 608)
Other operating expenses	15	(11 526)	(5 316)
<b>Operating results</b>		<b>21 589</b>	<b>53 810</b>
Share in profit (loss) of associates		-	1 254
<b>Profit (loss) before income tax</b>		<b>21 589</b>	<b>55 064</b>
Income tax expense	17	(7 073)	(10 426)
<b>Net profit (loss) for the period</b>		<b>14 516</b>	<b>44 638</b>
attributable to equity holders of the Group		14 516	44 638
<b>Earnings (loss) per share (in PLN per share)</b>			
Basic		0.26	0.87
Diluted		0.26	0.87

# Bank Gospodarki Żywnościowej S.A. Group

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## Consolidated statement of other comprehensive income

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
<b>Net profit (loss) for the period</b>	<b>14 516</b>	<b>44 638</b>
<b>Other comprehensive income</b>		
<i>Items that are or may be reclassified subsequently to profit or loss</i>	<i>(2 274)</i>	<i>(723)</i>
Net change in valuation of financial assets available for sale	(2 807)	6 380
Net change in valuation of cash flow hedges	-	(7 272)
Related tax	533	169
<i>Items that will not be reclassified to profit or loss</i>	<i>66</i>	<i>(188)</i>
Actuarial valuation of employee benefits	81	(232)
Related tax	(15)	44
<b>Other comprehensive income (net of tax)</b>	<b>(2 208)</b>	<b>(911)</b>
<b>Total comprehensive income for the period</b>	<b>12 308</b>	<b>43 727</b>
attributable to equity holders of the Group	12 308	43 727

Consolidated other comprehensive income of the Group for the first quarter of 2015 amounted to PLN 12 308 thousand in comparison to PLN 43 727 thousand for the corresponding period in 2014.

Decreased net profit by PLN 30 122 thousand (i.e. 67.5%), mainly due to integration costs with BNP Paribas Bank Polska in the amount to PLN 35 579 thousand and negative valuation of financial assets available for sale (i.e. long-term portfolio of T-bonds) for the period contributed to almost 72% decrease of the Group's other comprehensive income in comparison to the first quarter of 2014.

# Bank Gospodarki Żywnościowej S.A. Group

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## Consolidated statement of financial position

	Note	31.03.2015	31.12.2014
<b>ASSETS</b>			
Cash and balances with the Central Bank		1 901 971	1 790 160
Loans and advances to banks	18	186 636	404 724
Reverse repo transactions	19	84 578	100 668
Debt securities held for trading	20	183 312	199 404
Derivative financial instruments	21	340 384	420 152
Loans and advances to customers	23	29 877 265	29 631 923
Available for sale financial assets	24	6 267 672	7 084 017
Investment property		54 627	54 627
Intangible assets	25	166 528	165 307
Property, plant and equipment	26	398 895	411 063
Deferred tax assets		167 273	173 828
Current tax assets		7 890	-
Other assets	27	126 716	60 702
<b>TOTAL ASSETS</b>		<b>39 763 747</b>	<b>40 496 575</b>

As at 31 March 2015 total Group's assets amounted to PLN 39 763 747 thousand and were by PLN 732 828 thousand, i.e. 1.8% lower than at the end of December 2014.

The main asset is loans and advances to customers, constitute the main position (75.1%), of total assets and it increased by 2 p.p. in comparison to 31 December 2014. Loans and advances to customers, in terms of value increased by PLN 245 342 thousand, i.e. 0.83% to the amount of PLN 29 877 265 thousand.

Decrease of available for sale financial assets by PLN 816 345 thousand, i.e. 11.5%, which mainly resulted from decrease of NBP money bills in the Bank's portfolio (by PLN 799 928 thousand) had a negative impact on the total assets. The volume of T-bonds held for trading slightly decreased (by 0.4%).

The balance of the consolidated current account in the Central Bank was a subject of change due to current needs of the Group, related to settlements of statutory reserves. Cash slightly decreased in comparison to the end of December 2014.

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## Consolidated statement of financial position (continued)

	Note	31.03.2015	31.12.2014
<b>LIABILITIES</b>			
Amounts due to banks	28	1 471 085	1 546 739
Financial liabilities held for trading	29	111 734	45 364
Derivative financial instruments	21	321 792	448 908
Amounts due to customers	30	32 374 716	32 804 444
Debt securities issued	31	477 882	762 311
Subordinated liabilities	32	352 185	320 951
Other liabilities	33	407 006	325 751
Current tax liabilities		-	9 639
Deferred tax liabilities		8 052	8 052
Provisions	34	70 683	68 112
<b>TOTAL LIABILITIES</b>		<b>35 595 135</b>	<b>36 340 271</b>
<b>EQUITY</b>			
Share capital	42	56 139	56 139
Supplementary capital		3 430 785	3 430 785
Other reserve capital		525 013	527 221
Retained earnings:		156 675	142 159
retained profit		142 159	4 128
net profit for the period		14 516	138 031
<b>TOTAL EQUITY</b>		<b>4 168 612</b>	<b>4 156 304</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>39 763 747</b>	<b>40 496 575</b>

As at 31 March 2015 total liabilities amounted to PLN 35 595 135 thousand and was by PLN 745 136 thousand, i.e. 2.1% lower than as at 31 December 2014. The main drivers for the decrease were:

- Nominal value of amounts due to customers decreased by PLN 429 728 thousand (i.e. 1.3%) and
- Debt securities issued – decrease by PLN 284 429 thousand (i.e. 37.3%), as an effect of redemption of 3 tranches of certificate of deposits (CDs) which amounted to PLN 280 000 thousand nominal.

As at 31 March 2015, Group's equity amounted to PLN 4 168 612 thousand and increased by PLN 12 308 thousand in comparison to 31 December 2014.

# Bank Gospodarki Żywnościowej S.A. Group

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## Consolidated statement of changes in equity

	Share capital	Supplementary capital	Other reserve capital	Retained earnings		Total
				Retained profit	Net profit for the period	
<b>Balance at 1 January 2015</b>	<b>56 139</b>	<b>3 430 785</b>	<b>527 221</b>	<b>4 128</b>	<b>138 031</b>	<b>4 156 304</b>
<b>Total comprehensive income for the period</b>	-	-	<b>(2 208)</b>	-	<b>14 516</b>	<b>12 308</b>
Net profit for the period	-	-	-	-	14 516	14 516
Other comprehensive income for the period	-	-	(2 208)	-	-	(2 208)
<b>Appropriation of retained earnings</b>	-	-	-	<b>138 031</b>	<b>(138 031)</b>	-
Appropriation of net profit to retained profit	-	-	-	138 031	(138 031)	-
<b>Balance at 31 March 2015</b>	<b>56 139</b>	<b>3 430 785</b>	<b>525 013</b>	<b>142 159</b>	<b>14 516</b>	<b>4 168 612</b>



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## Consolidated statement of changes in equity (continued)

	Share capital	Supplementary capital	Other reserve capital	Retained earnings		Total
				Retained profit	Net profit for the period	
<b>Balance at 1 January 2014</b>	<b>51 137</b>	<b>3 085 059</b>	<b>206 463</b>	<b>6 387</b>	<b>160 144</b>	<b>3 509 190</b>
<b>Total comprehensive income for the period</b>	-	-	<b>163 900</b>	-	<b>138 031</b>	<b>301 931</b>
Net profit for the period	-	-	-	-	138 031	138 031
Other comprehensive income for the period	-	-	163 900	-	-	163 900
<b>Appropriation of retained earnings</b>	-	<b>162 403</b>	-	<b>(2 259)</b>	<b>(160 144)</b>	-
Appropriation of retained earnings to other supplementary capital	-	162 403	-	(2 259)	(160 144)	-
<b>Merger</b>	<b>5 002</b>	<b>183 323</b>	<b>156 858</b>	-	-	<b>345 183</b>
Issue of H shares	5 002	-	-	-	-	5 002
Equity after the merger	-	183 323	156 858	-	-	340 181
<b>Balance at 31 December 2014</b>	<b>56 139</b>	<b>3 430 785</b>	<b>527 221</b>	<b>4 128</b>	<b>138 031</b>	<b>4 156 304</b>

## Consolidated statement of changes in equity (continued)

	Share capital	Supplementary capital	Other reserve capital	Retained earnings		Total
				Retained profit	Net profit for the period	
<b>Balance at 1 January 2014</b>	<b>51 137</b>	<b>3 085 059</b>	<b>206 463</b>	<b>6 387</b>	<b>160 144</b>	<b>3 509 190</b>
<b>Total comprehensive income for the period</b>	-	-	<b>(911)</b>	-	<b>44 638</b>	<b>43 727</b>
Net profit for the period	-	-	-	-	44 638	44 638
Other comprehensive income for the period	-	-	(911)	-	-	(911)
<b>Appropriation of retained earnings</b>	-	-	-	<b>160 144</b>	<b>(160 144)</b>	-
Appropriation of net profit to retained profit	-	-	-	160 144	(160 144)	-
<b>Other</b>	-	-	-	<b>(10)</b>	-	<b>(10)</b>
<b>Balance at 31 March 2014</b>	<b>51 137</b>	<b>3 085 059</b>	<b>205 552</b>	<b>166 521</b>	<b>44 638</b>	<b>3 552 907</b>

# Bank Gospodarki Żywnościowej S.A. Group

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## Consolidated statement of cash flows

Note	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Net profit (loss) for the period</b>	<b>14 516</b>	<b>44 638</b>
<b>Adjustments for:</b>	<b>(638 277)</b>	<b>1 712 379</b>
Income tax expense from statement of profit or loss	7 073	10 426
Depreciation and amortization	27 317	24 608
Interest income	(402 617)	(425 840)
Interest expense	148 931	155 260
Change in provisions	2 651	(1 739)
Change in loans and advances to banks	(10 224)	(65)
Change in reverse repo transactions	16 089	274 721
Change in debt securities held for trading	16 071	835 425
Change in derivative financial instruments (assets)	79 768	60 649
Change in loans and advances to customers	(240 677)	(161 064)
Change in amounts due to banks	(69 734)	(6 118)
Change in repo transactions	66 365	261 756
Change in financial liabilities held for trading	-	(242 775)
Change in derivative financial instruments (liabilities)	(127 116)	(16 084)
Change in amounts due to customers	(370 660)	641 817
Change in other assets and current tax assets	(73 904)	(35 695)
Change in other liabilities and deferred tax liability	71 616	127 412
Other adjustments	32 967	2 125
Interest received	327 243	371 964
Interest paid	(139 436)	(147 130)
Income tax expense	-	(18 558)
Taxes returned	-	1 284
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(623 761)</b>	<b>1 757 017</b>

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## Consolidated statement of cash flows (continued)

	Note	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
<b>Inflows</b>		<b>49 204 600</b>	<b>24 104 156</b>
Sale of financial assets available for sale		49 204 264	24 104 043
Sale of intangible assets, and property, plant and equipment		336	113
<b>Outflows</b>		<b>(48 336 535)</b>	<b>(25 608 408)</b>
Purchase of financial assets available for sale		(48 319 830)	(25 602 055)
Purchase of intangible assets, and property, plant and equipment		(16 705)	(6 353)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>868 065</b>	<b>(1 504 252)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
<b>Inflows</b>		<b>-</b>	<b>-</b>
<b>Outflows</b>		<b>(360 640)</b>	<b>(424 533)</b>
Repayment of long-term loans		(76 013)	(59 810)
Redemption of debt securities issued		(284 627)	(364 723)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(360 640)</b>	<b>(424 533)</b>
<b>TOTAL NET CASH</b>		<b>(116 336)</b>	<b>(171 768)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2 180 981</b>	<b>1 881 640</b>
<b>Cash and cash equivalents at the end of the period, of which:</b>	<b>35</b>	<b>2 064 645</b>	<b>1 709 872</b>
effect of exchange rate fluctuations on cash and cash equivalents held		12 609	1 389
of restricted use		1 453	2 741

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## EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

Bank Gospodarki Żywnościowej Spółka Akcyjna is the parent company of the Bank Gospodarki Żywnościowej S.A. Group (hereinafter referred to as the 'Group').

Bank Gospodarki Żywnościowej Spółka Akcyjna (the 'Bank' or 'BGŻ S.A. '), with its registered office in Warsaw, at 10/16 Kasprzaka Street, is entered in the National Court Register maintained by the District Court for the Capital City Warsaw in Warsaw, XII Commercial Department, under the reference number KRS 0000011571. The Bank and its subsidiaries have been established for an indefinite period of time.

### 2 General information on the Group

Bank Gospodarki Żywnościowej S.A. is a subsidiary of BNP PARIBAS SA Group with a headquarter in Paris.

As at 31 March 2015, Bank Gospodarki Żywnościowej S.A. Group consists of Bank Gospodarki Żywnościowej S.A. as the parent company and the subsidiary **Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.** ('Actus') with its registered office in Warsaw, at 10/16 Kasprzaka Street. The Actus's main activities include:

- acquisition and disposal of real estate and limited property rights relating to real estate,
- management of own and third-party construction projects,
- real estate trading intermediary services and lease of premises,
- lease of real estate and rental of premises,
- services relating to real estate valuation, management and advisory (real estate management agency activities).

The company is registered in the National Court Register maintained by the District Court for the capital city of Warsaw, XIII Economic Department of the National Court Register, Entry no. 0000023062.

The Bank holds 100% of shares in the share capital of Actus and 100% of the votes at the Shareholders' Meeting.

In accordance to IFRS standards, Interim Condensed Consolidated Financial Statements include all subsidiaries as at 31 March 2015.

### 3 Basis for the preparation of the interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statements for the first quarter of 2015, ended 31 March 2015 have been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and other applicable regulations. The accounting policies applied in these unaudited interim condensed consolidated financial statements are the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014, which are described in detail in the Consolidated Financial Statements of Bank Gospodarki Żywnościowej S.A. Group for the year ended 31 December 2014.

These financial statements do not include all information and disclosures required for annual financial statements, and shall be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2014.

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These financial statements comply with all the International Accounting Standards and the International Financial Reporting Standards endorsed by the European Union, and the interpretations related to them, except for those standards and interpretations listed below which await endorsement of the European Union or which have been endorsed by the European Union but entered or will enter into force after the balance sheet date.

## **Standards and interpretations not yet endorsed by the EU:**

- IFRS 9 *Financial Instruments (2014)* - binding for annual periods beginning on or after 1 January 2018,
- IFRS 14 *Regulatory Deferral Accounts* - binding for annual periods beginning on or after 1 January 2016,
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 *Joint Arrangements*) - binding for annual periods beginning on or after 1 January 2016,
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*) - binding for annual periods beginning on or after 1 January 2016,
- IFRS 15 *Revenue from Contracts with Customers* - binding for annual periods beginning on or after 1 January 2017,
- Agriculture: Bearer Plants (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*) - binding for annual periods beginning on or after 1 January 2016,
- Equity Method in Separate Financial Statements (Amendments to IAS 27 *Separate Financial Statements*) - binding for annual periods beginning on or after 1 January 2016,
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates*) - binding for annual periods beginning on or after 1 January 2016,
- Improvements to IFRS (2012-2014) - binding for annual periods beginning on or after 1 January 2016,
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*) - binding for annual periods beginning on or after 1 January 2016.

## **Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2015:**

- Amendments to IAS 19 *Employee Benefits* entitled *Defined Benefit Plans: Employee Contributions* - binding for annual periods beginning on or after 1 February 2015 (*the IASB effective date is 1 July 2014*),
- Improvements to IFRS (2010-2012) - binding for annual periods beginning on or after 1 February 2015 (*the IASB effective date is 1 July 2014*).

In accordance to the Management Board, the new Standards will not have any impact on the Group's financial position or accounting principles, apart from the changes introduced by standard IFRS 9.

## **4 Going concern**

These financial statements were prepared on a going concern basis on the assumption that Group's entities will continue its business operations substantially unchanged in scope in the foreseeable future, i.e. for the period of at least 12 months following the reporting date.

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## 5 Approval of the financial statements

This interim condensed consolidated financial report of Bank Gospodarki Żywnościowej S.A. Group for the first quarter ended 31 March 2014 was approved for publication by the Bank's BGŻ BNP Paribas SA Management Board on 13 May 2015.

## 6 Changes in accounting policies and changes in financial data presentation

For this interim condensed consolidated financial statements, the Group has not changed the accounting policies and the principles applied are the same as for the consolidated financial statement for 2014 (Consolidated Financial Statements of Bank Gospodarki Żywnościowej S.A. Group for the year ended 31 December 2014).

## 7 Seasonality or cyclicity of operations

The business operations of the Group do not involve significant events that would be subject to seasonal or cyclical variations.

## 8 Major estimates and judgments

The Group makes estimates and adopts assumptions that affect the value of the assets and liabilities recognized in the following period. The estimates and assumptions are reviewed on an ongoing basis and rely on historic data and other factors, including expectations of the future events which seem to be justified in given circumstances.

### a) Impairment of loans and advances

According to IFRS, the Group considers the evidence of impairment for the following financial assets: financial assets carried at amortized cost, financial assets carried at cost and financial assets available for sale, which are not measured at fair value. The Group considers the evidence of impairment of financial assets on both an individual and collective level. All individually significant assets are assessed for the impairment on an individual basis.

#### Assessment of the impairment of individually significant assets

Financial assets are assessed for whether or not there is an objective impairment trigger. An individual assessment is carried out by the Group's employees on individually significant financial assets, and involves an individual impairment review of the financial assets. The individual assessment of impairment involves an estimate of the anticipated future cash flows, and the amount of the impairment loss is measured as the difference between the current (carrying) amount of an individually significant financial asset, and the value of any future cash flows to be derived from that financial asset, discounted using the effective interest rate from the moment of impairment recognition. Cash flows from collateral are included in the evaluation of future cash flows.

#### Collective (group) assessment

Following assets are covered by collective assessment:

- classified as assets individually insignificant, for which objective impairment trigger was identified, and
- assets individually significant and individually insignificant, for which no objective impairment trigger was identified.

The first group contains exposures for which, an impairment trigger of hard nature has been identified, i.e. delay in payment of a significant amount of an installment exceeding 90 days or an impairment trigger of soft nature, such as financial difficulties of the customer causing the lack of timely debt servicing in accordance with its schedule of debt repayments. For this kind of exposures, impairment allowance is created by collective method (so-called collective

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impairment). The amount of the impairment allowance depends on the type of loan exposure, historically observed levels of recoveries by the Bank after the recognition of impairment and delay in payment.

The second group of collectively assessed exposures includes all individually significant, and individually insignificant exposures, with no objective impairment trigger identified. For this group, IBNR impairment allowance (incurred but not reported loss) is created. The amount of IBNR is dependent on the amount of probability parameters of default (PD-probability of default), the coefficients of recoveries from defaulted liability (RR - recovery rate), the conversion factors for off-balance liabilities for balance receivables (CCF-credit conversion factor) and the period of identification of the impairment of the financial asset (LIP - loss identification period).

The amount of impairment allowances estimated by the collective method, both for individually insignificant exposures with an objective impairment trigger recognized and individually significant and insignificant exposures without an objective impairment trigger recognized is estimated by the statistical methods for defined, homogenous from the risk credit point of view, exposures portfolio. Homogenous exposures portfolios are created taking into account customers segments, credit products types and, for the needs of IBNR charges estimation, classes of delay in repayment, which do not exceed 90 days, and - for institutional clients with internal rating of the Bank - credit rating assigned to the client. The criteria for homogenous credit portfolios separation applied by the Bank are supposed to group exposures in possibly the most detailed way reflecting credit risk profile and, in the result, the most objective and adequate estimation of impairment level for the impairment of financial assets.

The parameters of probability of default (PD - probability of default) and the coefficients of recoveries from defaulted liability (RR - recovery rate) are updated on a monthly basis, in accordance with assessment of impairment methodology in the Bank. For the assessment of these parameters, statistical analysis of historical data and observable monthly credit exposures' migration are used. The value of CCF and LIP is verified and updated annually, under the regular assessment of those parameters in accordance with the rules applied by the Bank. In case of CCF parameters, the Bank analyzes the percent of granted liabilities, which are converted into balance exposure during LIP period. LIP parameters are settled based on time analysis, which elapses from the moment of evidence of impairment recognition to the moment of actual impairment reporting, which in turn is strongly dependent on the frequency of credit exposure monitoring done by the Bank. The Bank uses different LIP parameters for given exposure portfolio depending on the results from analysis conducted.

When dividing exposures into exposures with an objective impairment trigger identified and exposures without an objective impairment trigger, the Bank takes into account the phenomenon of quarantine, according to which the loan with objective impairment trigger may be re-classified to the group without an objective impairment trigger identified only when the client timely serves his debt (no amounts past due) by the specified number of months. Required quarantine period varies depending on the type of impairment trigger, which was reported for a given credit exposure. The length of the quarantine period is determined by the Bank based on historical data, allowing an assessment time that a client needs to return to the path of timely debt service, but in order to reduce the risk of so-called re-default, i.e. a situation of an objective impairment trigger identification, the Bank shall apply the long, conservatively established quarantine periods.

The results of estimates of impairment allowances for financial assets using statistical models in the collective method of impairment evaluation, are subject to periodic historical verification (so-called back-testing). Parameters used to estimate impairment losses and statistical models are also covered by management model process, for which inter alia, the rules of creation, approval, monitoring and validation, and verification of historical models are described. Validation of the models and parameters as well as a historical verification of impairment allowances / provisions set under the collective method is carried out not less than once a year. Additionally, the process of estimating impairment losses is covered by a periodical functional control and is subject to independent verification by the internal audit of the Group.

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## b) Fair value of derivative financial instruments (derivatives)

The fair value of financial instruments not listed on active markets is determined using valuation techniques (e.g. pricing models). These methods are assessed and reviewed on a regular basis by qualified independent employees, i.e., employees not involved in developing these methods. All models are approved before implementation, and adjusted to ensure that the results obtained reflect the factual data and comparable market prices. The models that the Bank currently applies are based exclusively on observable data obtained from the Reuters and/or Bloomberg information systems. Derivatives are valued based on generally acceptable models. Linear instruments are valued based on discounted cash flow method, simple (vanilla) options are valued based on the Black-Scholes model. Other options included in the structured deposits are measured either by decomposition on vanilla options or through Monte Carlo simulations.

Adjustment of CVA / DVA is estimated for all living derivatives for a given day. The adjustment is estimated based on the forecasted future exposure to a given instrument, the rating of the counterparty and adopted collaterals.

## c) Securities

Securities for which there is no liquid market are valued at the discounted cash flow model. For the bonds classified to level 3, the unobservable parameter is credit risk margin equaling to the value of market margin for instruments of similar characteristics.

## d) Impairment of property, plant and equipment

At the end of each reporting period, the Group assesses the existence of evidence indicating impairment of property, plant and equipment. If such evidence is identified, the Group shall estimate a recoverable amount. While estimating value in use of property, plant and equipment some assumptions referring to estimations of amounts and dates of future cash flows that the Group can achieved from particular asset and other circumstances need to be made. While estimating fair value less costs to sell the Group takes into account available market data or valuations made by independent experts, which in principle are also based on estimations.

## e) Provision for retirement benefit

Provisions for retirement benefit were estimated using actuarial methods by independent actuary. All assumptions adopted for calculating provision are updated at the end of each financial year.



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## 9 Net interest income

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
<b>Interest income</b>		
Loans and advances to banks	5 521	6 706
Loans and advances to customers in current accounts	66 758	64 420
Loans and advances to customers, in this:	272 080	280 534
corporate	72 575	77 535
households	197 529	199 683
budget entities	1 636	2 204
other entities	340	1 112
Hedging instruments	-	7 810
Reverse repo transactions	6 120	11 826
Debt securities, in this:	52 138	54 544
held for trading	1 272	6 398
available for sale	50 866	48 146
	<b>402 617</b>	<b>425 840</b>
<b>Interest expense</b>		
Amounts due to banks	(8 088)	(14 958)
Debt securities issued	(6 164)	(9 699)
Amounts due to customers:	(128 567)	(118 048)
corporate	(19 933)	(25 320)
households	(86 616)	(79 194)
budget entities	(2 669)	(3 212)
other entities	(19 349)	(10 322)
Repo transactions	(6 112)	(12 555)
	<b>(148 931)</b>	<b>(155 260)</b>
<b>Net interest income</b>	<b>253 686</b>	<b>270 580</b>

Net interest income for the first quarter of 2015 decreased by PLN 16 894 thousand, i.e. by 6.2%, in comparison to the corresponding period of 2014, due to decrease in interest income by 5.5% i.e. PLN 23 223 thousand which was partially compensated by decrease in interest expense by PLN 6 329 thousand, i.e. 4.1%.

The main driver of decrease fee and commission income relate to (i) loans and advances to customers – the largest item in the structure – 68%, in this: PLN 4 960 thousand decrease for corporate, PLN 2 154 thousand decrease for households and (ii) reverse repo transactions (interest income decrease by PLN 5 706 thousand), which together relate to over 60% decrease of interest income in the first quarter of 2015.

Additionally, in 2014 the Group used cash flow accounting for hedging volatility of interest cash flows from granted preferential loans and it resulted in positive interest income from hedging instruments, amounted to PLN 7 810 thousand.

Increase of interest expenses from amounts due to customers in comparison to 31 March 2014 (by PLN 10 519 thousand, i.e. 8.9%) was fully compensated by decrease of interest expense related to amounts due to banks, repo transactions and debt securities issued, PLN 16 848 thousand in total.

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## 10 Net fee and commission income

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
<b>Net fee and commission income:</b>		
loans and advances	28 152	24 483
settlements	4 075	3 995
account maintenance	25 291	24 068
guarantee commitments	2 014	2 014
brokerage operations	5 353	5 000
payment cards	13 535	20 676
insurance activity	2 667	2 953
other	1 180	1 104
	<b>82 267</b>	<b>84 293</b>
<b>Fee and commission expense:</b>		
loans and advances	(1 015)	(339)
payment cards	(7 813)	(8 935)
insurance activity	(100)	(70)
other	(1 477)	(2 397)
	<b>(10 405)</b>	<b>(11 741)</b>
<b>Net fee and commission income</b>	<b>71 862</b>	<b>72 552</b>

Net fee and commission income for the first quarter of 2015 decreased slightly (1%) in comparison to the corresponding period of 2014. Decrease of commission income by PLN 2 026 thousand, i.e. 2.4% was partially compensated by commission expenses decrease (PLN 1 336 thousand, i.e. 11.4%).

The main driver of lower fee and commission income relate to lower commission from payment cards (decrease by PLN 7 141 thousand, i.e. 34.5%), which mainly resulted from decrease of interchange fee since 1 July 2014 and then again since 29 January 2015.

Net fee and commission income from loans and advances, account maintenance, brokerage operations and settlements increase (by PLN 5 325 thousand in total) only partially compensated the negative deviation of payment cards commission income.

## 11 Net trading income

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
Debt instruments	314	(3 017)
Derivative financial instruments	45 168	(36 326)
Foreign currency exchange result	(25 427)	53 064
<b>Net trading income</b>	<b>20 055</b>	<b>13 721</b>

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Net trading income for the first quarter of 2015 was by PLN 6 334 thousand, i.e. 46.2% higher in comparison to the corresponding period of 2014. Its level and volatility mainly relates to Group's exposure valuation of interest rate swaps (IRS) that hedge against interest rate risk.

The most significant impact on net trading income was a positive derivatives valuation (in comparison to a negative derivative valuation in the first quarter of 2014) which fully eliminated negative foreign currency exchange result.

## 12 General administrative expenses

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
Personnel expenses	(135 643)	(129 932)
Marketing	(6 633)	(9 056)
IT	(20 607)	(19 470)
Rental expenses	(22 398)	(23 094)
Other non-personnel expenses	(8 359)	(10 554)
External services	(47 063)	(20 834)
Bank Guarantee Fund fee	(16 966)	(9 180)
Polish Financial Supervision Authority fee	(2 133)	(1 889)
<b>Total general administrative expenses</b>	<b>(259 802)</b>	<b>(224 009)</b>

In the first quarter of 2015 and in the first quarter of 2014 annual free and prudential fee for the Bank Guarantee Fund are gradually settled over time in the financial result.

General administrative expenses for the first quarter of 2015 increased by PLN 35 793 thousand, i.e. 16.0% in comparison to the corresponding period of 2014. The main drivers of general administrative expenses relate to:

- significant increase of other non-personnel expenses by PLN 26 229 thousand, i.e. 125.9% related to necessary expenses on legal and consultancy fees in regards to planned merger between Bank BGŻ and BNPP Bank Polska;
- increase of fees for Bank Guarantee Fund by PLN 7 786 thousand, i.e. 84.8% related to higher annual fee and prudential fee in regards to creation of the stabilization fund;
- increase of personnel expenses by PLN 5 711 thousand, i.e. 4.4% related to retention bonus and severance packages for Board Members of the Bank;
- decrease of marketing costs by PLN 2 423 thousand, i.e. 26.8% related to limited amount of advertising campaigns.

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## 13 Other operating income

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
Profit on sales/liquidation of fixed and intangible assets	187	-
Sales of goods and services	1 163	1 711
Release of provisions for litigation and claims, and other liabilities	30	85
Recovery of debt collection costs	776	674
Recovered receivables - expired, written off and uncollectible, excluded from the statement of financial position	2 712	1 071
Other	1 489	2 091
<b>Total other operating income</b>	<b>6 357</b>	<b>5 632</b>

Other operating income in the first quarter of 2015 increased by PLN 725 thousand, i.e. 12.9% in comparison to the same period of 2014, mainly from higher repayment of receivables written off and excluded from consolidated statement of financial position.

## 14 Depreciation and amortization

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
Property, plant and equipment	(12 538)	(12 778)
Intangible assets	(14 779)	(11 830)
<b>Total depreciation and amortization</b>	<b>(27 317)</b>	<b>(24 608)</b>

Depreciation and amortization for the first quarter of 2015 increased by PLN 2 709 thousand, i.e. 11.0% in comparison to the corresponding period of 2014 due to increase of amortization of intangible assets by PLN 2 948 thousand (relating to IT licenses) and a slight decrease of amortization of property, plant and equipment by PLN 240 thousand, i.e. 1.9%.

## 15 Other operating expenses

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
Loss on sale/liquidation of property, plant and equipment, intangible assets	(154)	(129)
Impairment charges on other receivables	(257)	(570)
Provisions for litigation and claims, and other liabilities	(1 726)	(262)
Debt collection	(1 963)	(3 172)
Donations made	(9)	(630)
Other	(7 417)	(553)
<b>Total other operating expenses</b>	<b>(11 526)</b>	<b>(5 316)</b>

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Other operating expenses for the first quarter of 2015 were higher by PLN 6 210 thousand, i.e. 116.8% in comparison to the same period of 2014, mainly resulting from compensation costs for the firm, which Bank terminated agreement with (expense included in other operating expenses).

Additionally, in the first quarter of 2015 Bank reported higher provision for litigation and claims, and other liabilities by PLN 1 464 thousand and lower expenses on debt collection (in the first quarter of 2014 more external legal firms were involved in debt collection).

## 16 Net impairment losses on financial assets and contingent liabilities

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
Loans and advances to banks	6	71
Loans and advances to customers	(54 127)	(59 199)
Contingent commitments granted	(638)	1 352
<b>Total impairment losses on financial assets and contingent liabilities</b>	<b>(54 759)</b>	<b>(57 776)</b>

Net impairment losses on financial assets and contingent liabilities for the first quarter of 2015 improved by PLN 3 017 thousand, i.e. 5.2% in comparison to the corresponding period of 2014. It was mainly resulted from lower impairment charges recognized for Retail and Business Banking credit exposure (by PLN 3 053 thousand).

## 17 Income tax expense

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
Current tax	-	(22 973)
Deferred tax	(7 073)	12 547
<b>Income tax</b>	<b>(7 073)</b>	<b>(10 426)</b>
Profit before income tax	21 589	55 064
Statutory tax rate	19%	19%
<b>Income tax on gross profit</b>	<b>(4 102)</b>	<b>(10 462)</b>
Non tax deductible costs:	(1 062)	(1 000)
receivables write-off	(109)	(242)
non-tax-deductible overheads	(91)	(105)
PFRON	(188)	(182)
Prudential fee for Bank Guarantee Fund	(674)	(471)
Purchased receivables write-offs	(28)	(55)
Impairment allowance for receivables	(1 116)	1 376
Other differences	(765)	(285)
<b>Charge/relief of the financial result of the Group due to income tax</b>	<b>(7 073)</b>	<b>(10 426)</b>

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## 18 Loans and advances from banks

	31.03.2015	31.12.2014
Current accounts	136 685	334 295
Interbank placements	39 621	60 043
Loans and advances	10 810	10 873
<b>Total loans and advances to banks (gross)</b>	<b>187 116</b>	<b>405 211</b>
Impairment allowances on loans and advances to banks	(480)	(487)
<b>Total loans and advances to banks (net)</b>	<b>186 636</b>	<b>404 724</b>

	12 months ended 31.03.2015	12 months ended 31.12.2014
<b>Impairment allowances on loans and advances to banks at the beginning of the period</b>	<b>487</b>	<b>584</b>
Impairment charges	7	117
Release of impairment charges	(14)	(216)
Write-off	-	-
Other changes	-	2
<b>Impairment allowances on loans and advances to banks at the end of the period</b>	<b>480</b>	<b>487</b>

## 19 Reverse repo transactions

	31.03.2015	31.12.2014
Receivables from customers	84 578	100 668
<b>Total reverse repo transactions</b>	<b>84 578</b>	<b>100 668</b>

## 20 Debt securities held for trading

	31.03.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
Securities issued by government::				
T-bonds	183 312	-	199 404	-
<b>Total debt securities held for trading</b>	<b>183 312</b>	<b>-</b>	<b>199 404</b>	<b>-</b>
<i>of which: valued using the market quotation method</i>	183 312	-	199 404	-

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## 21 Derivative financial instruments

31.03.2015	Nominal value	Fair value	
		Assets	Liabilities
<b>Trading derivatives</b>			
Currency derivatives:			
Foreign Exchange Spot (FX Spot)	151 792	108	(72)
Non-deliverable Forward (NDF)	777 999	9 247	(6 114)
Foreign Exchange Forward (FX Forward)	373 766	3 477	(6 230)
Currency Swaps (FX Swap)	5 846 857	38 537	(31 810)
OTC currency options	377 273	2 688	(1 971)
<b>Total OTC currency derivatives</b>	<b>7 527 687</b>	<b>54 057</b>	<b>(46 197)</b>
<b>Interest rate derivatives:</b>			
Interest Rate Swaps (IRS)	16 252 412	266 493	(254 562)
Cross Currency Interest Rate Swaps (CIRS)	149 004	320	(586)
Forward Rate Agreements (FRA)	8 350 000	7 756	(9 123)
OTC interest rate options	145 456	1 021	(1 280)
Other	1 243 594	-	-
<b>Total OTC interest rate derivatives</b>	<b>26 140 466</b>	<b>275 590</b>	<b>(265 551)</b>
Interest rate Futures	-	-	-
<b>Total interest rate derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>
OTC Options	461 016	10 134	(9 482)
<b>Total OTC derivatives based on equity securities</b>	<b>461 016</b>	<b>10 134</b>	<b>(9 482)</b>
OTC commodity swaps	27 679	603	(562)
<b>OTC commodity derivatives</b>	<b>27 679</b>	<b>603</b>	<b>(562)</b>
<b>TOTAL</b>	<b>34 156 848</b>	<b>340 384</b>	<b>(321 792)</b>
<i>of which: valued using the market quotation method</i>	-	-	-
<i>valued using model-based method</i>	<i>34 156 848</i>	<i>340 384</i>	<i>(321 792)</i>

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31.12.2014	Nominal value	Fair value	
		Assets	Liabilities
<b>Trading derivatives</b>			
Currency derivatives:			
Foreign Exchange Spot (FX Spot)	190 396	498	(191)
Non-deliverable Forward (NDF)	841 374	9 177	(430)
Foreign Exchange Forward (FX Forward)	537 120	2 454	(3 826)
Currency Swaps (FX Swap)	11 427 943	94 871	(145 844)
OTC currency options	389 790	2 884	(1 492)
<b>Total OTC currency derivatives:</b>	<b>13 386 623</b>	<b>109 884</b>	<b>(151 783)</b>
<b>Instrumenty pochodne stóp procentowych:</b>			
Interest Rate Swaps (IRS)	19 876 888	288 944	(276 630)
Cross Currency Interest Rate Swaps (CIRS)	152 243	1 848	(440)
Forward Rate Agreements (FRA)	7 950 000	9 733	(12 028)
OTC interest rate options	167 657	1 091	(1 193)
Other	243 535	66	(38)
<b>Total OTC interest rate derivatives:</b>	<b>28 390 323</b>	<b>301 682</b>	<b>(290 329)</b>
OTC Options	433 628	7 898	(6 215)
<b>Total OTC derivatives based on equity securities:</b>	<b>433 628</b>	<b>7 898</b>	<b>(6 215)</b>
OTC options	-	-	-
OTC commodity swaps	25 528	688	(581)
<b>OTC commodity derivatives:</b>	<b>25 528</b>	<b>688</b>	<b>(581)</b>
<b>TOTAL:</b>	<b>42 236 102</b>	<b>420 152</b>	<b>(448 908)</b>
<i>of which: valued using the market quotation method</i>	-	-	-
<i>valued using model-based method</i>	42 236 102	420 152	(448 908)



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## 22 Hedge accounting

From 2012 to April 2014, the Group has been applying cash flow hedge accounting against volatility of interest cash flows on granted preferential loans.

Description of hedging relationship	The Group hedges a portion of the interest rate risk arising from interest on preferential loans with subsidies from The Agency for Restructuring and Modernization of Agriculture (ARiMR) above rediscount rate of NBP, resulting from the multiplier effect of the interest rate			
Hedged items	Highly probable future cash flows arising from a portion of preferential loans portfolio			
Hedging instruments	PLN IRS transactions	Nominal value	Fair value	
			Assets	Liabilities
	31.03.2015	-	-	-
	31.12.2014	-	-	-
Presentation of the result on the hedged and hedging transactions	Effective part of change in the valuation to fair value of hedging instruments is recognized in Revaluation reserves (Other reserve capital), while ineffective part of the change is recognized in the Result on hedge accounting. Interest on both the hedged and the hedging items is recognized in Interest income.			

*Amounts recognized in the statement of profit or loss and revaluation reserves related to cash flow hedge accounting*

	31.03.2015	31.12.2014
Revaluation reserves (deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge - gross value)	-	-
Interest income on hedging derivatives	-	9 024
Ineffective part of change in fair value of hedging transactions recognized in the Result on hedge accounting	-	(156)

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## 23 Loans and advances to customers

	31.03.2015	31.12.2014
<b>Current accounts, in this:</b>	<b>5 231 901</b>	<b>5 268 652</b>
corporate	2 093 024	2 118 862
households:	3 127 800	3 144 797
individual customers	105 962	106 328
individual entrepreneurs	416 279	375 241
farmers	2 605 559	2 663 228
budget entities	6 818	617
other entities	4 259	4 376
<b>Non-current loans and advances:</b>	<b>26 133 650</b>	<b>25 793 660</b>
corporate, in this:	7 761 673	7 970 809
investment loans	4 561 352	4 622 665
revolving loans	2 115 716	2 222 940
other	1 084 605	1 125 204
households:	18 122 828	17 533 570
individual customers, in this:	10 519 893	10 087 819
<i>mortgage loans</i>	8 690 410	8 340 820
individual entrepreneurs	1 415 959	1 414 479
farmers	6 186 976	6 031 272
budget entities	196 331	215 802
other entities	52 818	73 479
<b>Total loans and advances to customers (gross)</b>	<b>31 365 551</b>	<b>31 062 312</b>
Impairment allowances	(1 488 286)	(1 430 389)
<b>Total loans and advances to customers (net)</b>	<b>29 877 265</b>	<b>29 631 923</b>

In the period from 31 December 2014 to 31 March 2015 gross loans and advances to customers increased by PLN 303 239 thousand, i.e. 1%, mainly resulted from: increased exposure in loans granted to households (by PLN 572 261 thousand, i.e. 2.8%), and decreased volume of loans granted to corporate (by PLN 234 974 thousand, i.e. 2.3%).

In the group of loans and advances granted to households the most significant increase was noted in mortgage loans - increase of PLN 349 590 thousand, i.e. 4.2%, representing 41% of the portfolio (40% as at 31 December 2014). Equally significant segment within households loans are loans granted to farmers, its volume is constantly increasing, in comparison to December 2014 its value increased by PLN 98 035 thousand (i.e. 1.1%).

In the group of loans and advances granted to corporate the most significant decrease was noted in case of revolving loans – decrease of 4.8% (i.e. PLN 107 224 thousand). Volume of investment loans also decreased, by 1.3% (i.e. 61 313 thousand), as well as current account loans – decrease of 1.2% (i.e. PLN 25 838 thousand). The structure of all types of loans in the total gross portfolio for corporates remained at a comparable level to the end of 2014.

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*Impairment allowances on loans and advances*

	31.03.2015	31.12.2014
<b>Current accounts, in this:</b>	<b>259 304</b>	<b>256 124</b>
corporate	166 396	163 515
households:	92 779	92 483
individual customers	7 052	7 271
individual entrepreneurs	57 106	54 925
farmers	28 621	30 287
budget entities	3	-
other entities	126	126
<b>Non-current loans and advances:</b>	<b>1 228 982</b>	<b>1 174 265</b>
corporate, in this:	598 944	585 301
investment loans	146 134	140 369
revolving loans	331 419	328 322
other	121 391	116 610
households:	629 284	587 507
individual customers, in this:	335 671	312 821
<i>mortgage loans</i>	169 484	157 257
individual entrepreneurs	141 041	129 195
farmers	152 572	145 491
budget entities	172	215
other entities	582	1 242
<b>Total impairment allowances</b>	<b>1 488 286</b>	<b>1 430 389</b>

As at 31 March 2015, the share of impaired loans in gross portfolio of loans and advances to customers slightly improved and amounted to 7.8% compared to 7.9% as at 31 December 2014.

*The exposure to credit risk from loans and advances according to impairment trigger*

	31.03.2015	31.12.2014
<b>Exposures with recognized impairment</b>		
Gross carrying amount	2 308 318	2 270 336
Impairment allowance	(1 265 282)	(1 275 538)
<b>Total net carrying amount</b>	<b>1 043 036</b>	<b>994 798</b>
<b>Exposures with impairment triggers for which no impairment has been recognized</b>		
Gross carrying amount, in this:	143 882	182 631
<i>Exposures with collateral value included in expected discounted cash flow, in this:</i>	143 882	182 631
<i>Past due exposures</i>	97 576	106 219
IBNR provision	(2 556)	(3 327)
<b>Total net carrying amount</b>	<b>141 326</b>	<b>179 304</b>
<b>The exposure without impairment trigger</b>		
gross book value	28 913 351	28 609 345
IBNR allowance	(220 448)	(151 524)
<b>Total net</b>	<b>28 692 903</b>	<b>28 457 821</b>

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	31.03.2015	31.12.2014
<b>Impairment allowances at the beginning of the period</b>	<b>1 430 389</b>	<b>1 215 969</b>
Impairment charges*	379 547	1 456 856
Release of impairment charges*	(325 420)	(1 149 805)
Write-off	(5 959)	(148 095)
Impairment acquired as a result of the merge	-	46 228
Other changes (including FX differences)	9 729	9 236
<b>Impairment allowances at the end of the period</b>	<b>1 488 286</b>	<b>1 430 389</b>

\* The creation and release of impairment losses on loans and advances write-offs was presented by turnover due to functional system limitations.

This presentation has no impact on the financial results of the Bank.

In the first quarter of 2015, the Bank did not conclude any contracts for the sale of loans portfolio.

## 24 Available for sale financial assets

	31.03.2015	31.12.2014
Debt securities available for sale:	6 262 440	7 078 943
issued by central banks - NBP bills	2 399 726	3 199 654
issued by governments - T-bonds	3 843 322	3 860 027
issued by financial institutions – bonds	-	-
issued by budget entities – municipal bonds	19 392	19 262
Equity securities available for sale	5 232	5 074
<b>Total available for sale financial assets</b>	<b>6 267 672</b>	<b>7 084 017</b>
<i>of which:</i>		
<i>valued using the market quotation method</i>	<i>3 847 141</i>	<i>3 863 688</i>
<i>valued using model-based method</i>	<i>2 420 531</i>	<i>3 220 329</i>

## 25 Intangible assets

	31.03.2015	31.12.2014
Licenses	139 861	136 872
Other intangible assets	543	599
Expenditures on intangible assets	26 124	27 836
<b>Total intangible assets</b>	<b>166 528</b>	<b>165 307</b>

In the first quarter of 2015, the Group acquired the 'Intangible assets' items in the amount of PLN 4 626 thousand (PLN 6 022 thousand in corresponding period of 2014), while the Group did not sell any Intangible assets items in both periods.

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## 26 Property, plant and equipment

	31.03.2015	31.12.2014
Non-current assets, in this:	395 121	404 471
land and buildings	252 368	254 379
IT equipment	32 701	36 140
office equipment	47 969	50 060
other	62 083	63 892
Assets under construction	3 774	6 592
<b>Total property, plant and equipment</b>	<b>398 895</b>	<b>411 063</b>

In the first quarter of 2015, the Group acquired the 'Property, plant and equipment' items in the gross amount of PLN 707 thousand (PLN 331 thousand in corresponding period of 2014), while the value of 'Property, plant and equipment' items sold and liquidated amounted to PLN 553 thousand (PLN 190 thousand in corresponding period of 2014).

## 27 Other assets

	31.03.2015	31.12.2014
<b>Other assets:</b>		
other debtors	44 627	73 958
interbank and intersystem settlements	34 247	-
prepaid expenses	69 557	9 761
accrued income	7 880	6 789
cards settlements	2 699	2 554
other	1 619	1 156
<b>Total other assets (gross)</b>	<b>160 629</b>	<b>94 218</b>
Impairment allowances on other receivables	(33 913)	(33 516)
<b>Total other assets (net)</b>	<b>126 716</b>	<b>60 702</b>

## 28 Amounts due to banks

	31.03.2015	31.12.2014
Current accounts	47 967	108 994
Interbank deposits	65 208	15 208
Loans and advances received	1 308 491	1 327 121
Other liabilities	49 419	95 416
<b>Total amounts due to banks</b>	<b>1 471 085</b>	<b>1 546 739</b>

On 22 April 2011, the Bank and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) entered into an agreement, as a result of which the Bank received CHF 1 008 000 thousand for 12 years tenor, in order to finance existing mortgage portfolio denominated in CHF. The facility was disbursed in tranches from 29 April 2011 to 30 September 2011. In accordance to annex from 28 May 2013, the Bank made premature repayment of CHF 90 million on 3 June 2013. Simultaneously, by agreement from 28 May 2013, this cash was transferred to the Bank by Rabobank in the form of subordinated loan. By agreement signed on 19 September 2014 with Societe Anonyme De Gestion D'Investissements Et De Participations ('Sagip'), BNP Paribas S.A. and Rabobank, Sagip acquired from Rabobank debt under the above agreement in amount of remained principal and interests accrued as at 23 September 2014, i.e. CHF 669 535 thousand.

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As at 31 March 2015 the loan principal amounted to PLN 2 454 153 thousand. Due to the fact that Sagip is financial institution, the above mentioned loan received is presented in note "Amounts due to clients".

The Bank received two loans from the European Bank of Reconstruction and Development (EBOiR) in the amount of EUR 50 million each. The first loan was disbursed in first half of 2010, whereas the second one in August 2011. On 12 September 2014 EBOiR agreed on overtaking the control of Bank by BNP Paribas S.A. and resigned from possibility to ask Bank to prepay the above mentioned loans before their maturity date. As at 31 March 2015, the loan capital amounted to PLN 87 621 thousand.

In November 2012, the Bank received a loan from the European Investment Bank (EBI) in the amount of PLN 205 440 thousand (equivalent of EUR 50 million at the exchange rate set by the EBI for 2 days before disbursement of the loan) for a tenor of 10 years. The loan was secured by a guarantee issued by Rabobank. The guarantee agreement is three-sided, i.e. two agreements were signed: between Rabobank and EBI, in which Rabobank guarantees (up to 120% of the loan amount) the repayment of the loan and interest by the Bank in accordance with the schedule, and between Rabobank and the Bank, whereas the Bank agrees to pay the cost of guarantees in the amount of 0.95% on 120% of the outstanding loan amount. On 25 September EBI agreed on change of control of the Bank by BNP Paribas S.A. and resigned from possibility to ask the Bank to prepay the above mentioned loan before its maturity date and released Rabobank from guaranteeing liabilities of the Bank due to above mentioned loan, simultaneously accepting in this place the guarantee of BNP Paribas S.A. on 23 September 2014. Above mentioned guarantee of Rabobank expired on 25 September 2014. As at 31 March 2015 loan principal amounted to PLN 192 989 thousand.

On 18 June 2014 the Bank has entered into a credit line agreement ('Agreement') with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. up to the total sum of EUR 700 million, which is an equivalent to PLN 2 897 860 000 according to the National Bank of Poland EUR/PLN fixing rate as of 17 June 2014. The credit line's purpose is to provide funding matched to current and future loan activity of Rabobank Polska, who merged with the Bank as at the signing date of the Agreement. The agreement includes all loans and credit lines granted till the date of control takeover by BNP Paribas S.A. As of the date of signing the Agreement, the line was disbursed in several sub-loans and in various currencies: PLN, USD, EUR, CHF, CZK, HUF; with floating interest rates based on reference rates appropriate for given currency and margin on top of that rate. Existing loans are matched to general liquidity and interest rate risk profile of underlying client loans. Full repayment of loans disbursed under the Agreement should happen on 31 December 2023 the latest. As at 31 March 2015 loan principal of above mentioned loans amounted to PLN 1 026 143 thousand.

## 29 Repo transactions

	31.03.2015	31.12.2014
Due to bank	68 004	45 364
Due to customers	43 730	-
<b>Total repo transactions</b>	<b>111 734</b>	<b>45 364</b>

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## 30 Amounts due to customers

	31.03.2015	31.12.2014
<b>Other financial institutions:</b>	<b>3 693 743</b>	<b>4 222 120</b>
Current accounts	13 177	24 015
Term deposits	1 221 279	1 906 525
Loans and advances received	2 459 276	2 291 569
Other liabilities, in this:	11	11
other	11	11
<b>Individual customers:</b>	<b>19 409 350</b>	<b>18 539 420</b>
Current accounts	10 026 774	9 670 397
Term deposits	9 326 328	8 811 831
Other liabilities, in this:	56 248	57 192
cash collaterals	10 990	10 766
other	45 258	46 426
<b>Corporate:</b>	<b>8 590 440</b>	<b>9 448 772</b>
Current accounts	5 084 904	4 847 839
Term deposits	3 396 510	4 471 291
Other liabilities, in this:	109 026	129 642
cash collaterals	107 563	128 084
other	1 463	1 558
<b>Of which farmers:</b>	<b>1 416 633</b>	<b>1 195 840</b>
<i>Current accounts</i>	1 137 701	882 206
<i>Term deposits</i>	273 635	307 626
<i>Other liabilities, in this:</i>	5 297	6 008
<i>cash collaterals</i>	5 212	5 920
<i>other</i>	85	88
<b>Budget entities:</b>	<b>681 183</b>	<b>594 132</b>
Current accounts	460 151	384 526
Term deposits	220 901	209 475
Other liabilities, in this:	131	131
cash collaterals	131	131
<b>Total amounts due to customers</b>	<b>32 374 716</b>	<b>32 804 444</b>

In the period from 31 December 2014 to 31 March 2015, amounts due to customers decreased by PLN 429 728 thousand, i.e. 1.3%. The change was mainly due to decrease of volume of term deposits, which was partially compensated by increase of current accounts. Changes in the following segments:

- decrease of total amounts due to corporate by PLN 858 332 thousand, mainly in term deposits; at the same time volume of amounts due to farmers in current accounts increased by PLN 255 495 thousand (i.e. 29%) and volume of term deposits decreased (by PLN 33 991 thousand, i.e. 11%),
- decrease of amounts due to other financial institutions by PLN 528 377 thousand, mainly due to decrease of term deposits,
- increase of amounts due to individual customers by PLN 869 930 thousand (i.e. 4.7%), mainly as a result of increase of volume of term deposits, as well as current accounts, respectively by: PLN 514 497 thousand and PLN 356 377 thousand,

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- increase of amounts due to budget entities by PLN 87 051 thousand (i.e. 14.7%), observed both in current accounts and term deposits.

## 31 Debt securities issued

*Changes in debt securities issued*

	3 months ended 31.03.2015	12 months ended 31.12.2014
<b>Balance at the beginning of the period</b>	<b>762 311</b>	<b>1 191 158</b>
Issuance of certificates of deposit		-
Redemption of certificates of deposit	(284 627)	(431 433)
Sold discount from certificates of deposit, repurchased interest from certificates of deposit, commission and other fees on certificates of deposit amortized using EIR	198	2 586
<b>Balance of debt securities issued at the end of the period</b>	<b>477 882</b>	<b>762 311</b>

In 2008, the Bank signed with three financing banks a number of agreements for issue of bearer bank securities (Certificates of Deposit – 'CDs') in material form, denominated in PLN.

The Bank as the issuer of debt securities entered into the Dealers Agreement and Issuance Agreement for the execution of the Debt Securities Issuance Program ('Program') with Bank Handlowy w Warszawie S.A., Bank Pekao S.A., BRE Bank S.A. and ING Bank Śląski S.A., acting as market makers. The Program assumes multiple issuance of Certificates of Deposit ('CDs') and the Bank's bonds ('bonds') denominated in PLN for the total amount not exceeding PLN 3 500 million. The Bank will issue zero-coupon and coupon CDs for the period no longer than 5 years and zero-coupon and coupon bonds with the maximum maturity of 10 years. The agreements were signed for an indefinite period of time.

The Program is designed to finance current lending activity of the Group.

The agreements renew and expand by inclusion of bond issuance the Debt Securities Program dated 14 March 2008.

As at 31 March 2015 the value of Certificates of Deposits issued equals to PLN 475 000 thousand (nominal value), as at 31 December 2014 the value amounted to PLN 755 000 thousand (nominal value).

## 32 Subordinated liabilities

According to the annex of 28 May 2013 to the loan agreement of CHF 1 008 million received from Rabobank signed on 22 April 2011, on 3 June 2013, the Bank made an early repayment of CHF 90 million. At the same time, under the new agreement of 28 May 2013, Rabobank provided the Bank with the funds in the form of a subordinated loan for a period of 10 years, i.e. with the bullet payment settled for 3 June 2023 at a fixed interest rate of 6M Wibor plus 2.01%.

By agreement from 12 September 2014, BNP Paribas S.A. granted the Bank a subordinated loan in amount of CHF 90 million for 10 years tenor, i.e. from 17 September 2014 till 17 September 2024 with balloon payment on maturity date with interest rate set at CHF Libor 6M + 2% margin.

On 23 September 2014, the Polish Financial Services Authority agreed to include the amount from BNP Paribas SA of above mentioned subordinated loan to the Bank's supplementary funds and on pre-mature repayment of the subordinated loan granted by Rabobank, which occurred on 24 September 2014.

As at 31 March 2015, the carrying amount of subordinated liabilities amounted to PLN 352 185 thousand (as at 31 December 2014 it amounted to PLN 320 951 thousand).



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## 33 Other liabilities

	31.03.2015	31.12.2014
Interbank and intersystem settlements	108 913	67 322
Other creditors	76 950	63 718
Card settlements	31 184	13 776
Provisions for non-personnel expenses	45 555	34 812
Provisions for other employee-related liabilities	56 576	80 630
Provisions for unused holidays	21 493	19 544
Deferred income	31 291	19 087
Other public settlements	35 044	26 862
<b>Total other liabilities</b>	<b>407 006</b>	<b>325 751</b>

## 34 Provisions

	31.03.2015	31.12.2014
Provision for restructuring	-	-
Provision for retirement benefits	27 407	26 859
Provision for guarantees, surety ships and undrawn credit facilities	23 807	23 200
Provision for litigation and claims	16 345	16 457
Other provisions	3 124	1 596
<b>Total provisions</b>	<b>70 683</b>	<b>68 112</b>

<b>Provision for restructuring</b>	<b>3 months ended 31.03.2015</b>	<b>12 months ended 31.12.2014</b>
<b>Opening balance</b>	-	4 310
Provision charges	-	-
Provision utilization	-	(2 424)
Provision release	-	(1 886)
<b>Closing balance</b>	-	-

<b>Provision for retirement benefits and similar obligation</b>	<b>3 months ended 31.03.2015</b>	<b>12 months ended 31.12.2014</b>
<b>Opening balance</b>	26 859	19 966
Provision charges	1 037	6 968
Provision release	(489)	(75)
<b>Closing balance</b>	<b>27 407</b>	<b>26 859</b>

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Provisions for guarantees, surety ships and undrawn credit facilities	3 months ended 31.03.2015	12 months ended 31.12.2014
<b>Opening balance</b>	<b>23 200</b>	<b>18 338</b>
Provision charges	7 400	33 189
Provision release	(6 762)	(29 175)
Provision acquired in a business unit combination	-	1 977
Other changes	(31)	(1 129)
<b>Closing balance</b>	<b>23 807</b>	<b>23 200</b>

Provision for litigation and claims	3 months ended 31.03.2015	12 months ended 31.12.2014
<b>Opening balance</b>	<b>16 457</b>	<b>18 845</b>
Provision charges	198	2 866
Provision utilization	(280)	(545)
Provision releases	(30)	(4 709)
Other changes	-	-
<b>Closing balance</b>	<b>16 345</b>	<b>16 457</b>

Other provisions	3 months ended 31.03.2015	12 months ended 31.12.2014
<b>Opening balance</b>	<b>1 596</b>	<b>2 556</b>
Provision charges	1 528	-
Provision utilization	-	-
Provision releases	-	(960)
Other changes	-	-
<b>Closing balance</b>	<b>3 124</b>	<b>1 596</b>

## 35 Cash and cash equivalents

For the statement of cash-flows, cash and cash equivalents, the balance includes balances with maturity shorter than 3 months.

	31.03.2015	31.12.2014
Cash and balances with the Central Bank	1 901 971	1 790 160
Current accounts and other receivables	138 140	335 821
Bank deposits	24 534	55 000
<b>Total cash and cash equivalents</b>	<b>2 064 645</b>	<b>2 180 981</b>

## 36 Notes to the statement of cash-flows

Changes in statement of cash-flows	3 months ended 31.03.2015	12 months ended 31.12.2014
Change in valuation of the company consolidated using equity method	-	(1 254)
Currency difference on subordinated liabilities	32 967	3 384
Other changes	-	(5)
<b>Total change in statement of cash-flows</b>	<b>32 967</b>	<b>2 125</b>

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## 37 Contingent liabilities

	31.03.2015	31.12.2014
<b>Contingent commitments granted</b>	<b>6 287 405</b>	<b>5 694 336</b>
Financial commitments	5 629 927	4 999 624
Guarantees	657 478	694 712
<b>Contingent commitments received</b>	<b>1 780 323</b>	<b>1 573 710</b>
Financial commitments	1 152 896	942 883
Guarantees	627 427	630 827

Additionally, as at 31 March 2015, the Group had liabilities due to issued promises of granting loans to the amount of PLN 817 132 thousand (PLN 765 610 thousand as at 31 December 2014).

## 38 Fair value of financial assets and financial liabilities

Based on the methods used for determining fair value, financial assets and liabilities of the Group are classified into the following categories:

### Level 1

Assets and liabilities are valued based on market quotations and are available in active markets for identical instruments.

### Level 2

Assets and liabilities valued using valuation techniques based on directly or indirectly observed market quotations or other information based on market quotations.

### Level 3

Assets and liabilities are valued using valuation techniques for which the input data are not based on observable market data.

The Group periodically reviews (at least once a quarter) the assignment of individual assets and liabilities to given levels of the fair value hierarchy. The basics for the classification are inputs used in the valuation i.e. market quotations or other information. The classification of assets or liabilities for a given level of the hierarchy determines the lowest level of input data used in the valuation, having significant influence on the determination of fair value.

In case of change in the input data used for the data on a different level, for example due to changes in valuation methodology or modified sources of market data, the Group shall transfer assets or liabilities to the appropriate level of valuation in the reporting period in which this change occurred.

In the first quarters of 2015 and 2014, the Group did not make any changes in the method of measurement of fair value, which would result in the transfer of assets and liabilities between levels

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The table below shows the breakdown of assets and liabilities presented in the consolidated financial statements at fair value into three categories:

31.03.2015	Level 1	Level 2	Level 3	Total
<b>Assets re-measured to fair value:</b>	<b>4 030 453</b>	<b>2 729 968</b>	<b>85 574</b>	<b>6 845 995</b>
Debt securities held for trading	183 312	-	-	183 312
Derivative financial instruments	-	330 242	10 142	340 384
Hedging instruments	-	-	-	-
Available for sale financial assets	3 847 141	2 399 726	20 805	6 267 672
Investment property	-	-	54 627	54 627
<b>Liabilities re-measured to fair value:</b>	<b>-</b>	<b>(312 303)</b>	<b>(9 489)</b>	<b>(321 792)</b>
Financial liabilities held for trading	-	-	-	-
Derivative financial instruments	-	(312 303)	(9 489)	(321 792)

31.12.2014	Level 1	Level 2	Level 3	Total
<b>Assets re-measured to fair value:</b>	<b>4 063 092</b>	<b>3 611 523</b>	<b>83 585</b>	<b>7 758 200</b>
Debt securities held for trading	199 404	-	-	199 404
Derivative financial instruments	-	411 869	8 283	420 152
Available for sale financial assets	3 863 688	3 199 654	20 675	7 084 017
Investment property	-	-	54 627	54 627
<b>Liabilities re-measured to fair value</b>	<b>-</b>	<b>(442 677)</b>	<b>(6 231)</b>	<b>(448 908)</b>
Derivative financial instruments	-	(442 677)	(6 231)	(448 908)

To level 1, the Group classifies debt and equity securities for which market quotations exist, or which are quoted in the public market.

To level 2, the Group classifies financial instruments, in this swaps, FRA, foreign exchange contracts and options, as well as bills and equity securities available for sale.

To level 3, the Group classifies options embedded in investment deposits hedged with interbank options, municipal bonds, stocks and shares not available in the public market.

The fair value of financial instruments from level 2 and 3 is determined using valuation techniques (for example models) described in note 8.

Input data to the valuation of instruments classified in level 2 and 3 include foreign exchange, interest rate curves, reference rates, the volatility of exchange rates and reference rates, the swap points, basis spreads, stock exchange indices and futures prices.

In case of derivative financial instruments classified to level 3, non-observable parameters are:

- Correlation between stock indices (as at 31 March 2015 correlation ranged between 5% to 79%),
- Correlation between foreign exchange rates and stock indices (as at 31 March 2015 correlation ranged between -17% to +30%),
- Correlation between stock prices (as at 31 March 2015 correlation ranged between 21% to 54%),
- Correlation between currency pairs as at 31 March 2015 related only to correlation on pairs EUR/PLN and CHF/PLN, correlation was estimated at the level of 46%,
- Implied volatility of WIG30 index (as at 31 March 2015, depending on a date, volatility amounted from 15% to 18%),
- Implied stock volatility (as at 31 March 2015 volatility amounted from 19% to 21%).

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The table below shows total change in valuation of derivative financial instruments in the event of extreme change of non-observable parameters.

	Increase of parameter	Decrease of parameter
Correlation between stock exchange indices	170	(193)
Correlation between foreign exchange rates and stock indices	(385)	463
Correlation between stock prices	13	(9)
Correlation between currency pairs	(7)	5
Implicated volatility of WIG30	(152)	282
Implicated volatility of stock prices	7	(11)
<b>Total</b>	<b>(354)</b>	<b>537</b>

For the municipal bonds classified to level 3, the unobservable parameter is credit risk margin equaling to the value of market margin for instruments of similar characteristics. The effect of changes in credit margin on changes in fair value is considered as immaterial.

In case of investment property, data used for valuation are offers on comparable premises, real prices of transactions and other data regarding real estate market condition in the area. Considering other estimates than those used for 31 March 2015 could lead to a significant change of the investment property valuation, although the Group has no realizable proofs on its impact on the fair value of the property.

The valuation was executed by an external certified property appraiser by hybrid approach, residual method.

The table below presents changes in valuation of assets and liabilities classified to level 3 and amounts that have been transferred to the statement of profit or loss and the statement of other comprehensive income.

	Derivative financial instruments - assets	Available for sale financial assets	Investment property	Derivative financial instruments - liabilities
<b>Balance as at 01.01.2015</b>	<b>8 283</b>	<b>20 675</b>	<b>54 627</b>	<b>(6 231)</b>
Total gains or losses recognized in:	1 802	130	-	(3 069)
<i>Net interest income</i>	-	143	-	-
<i>Net trading income</i>	1 802	-	-	(3 069)
<i>Other operating income/expenses</i>	-	-	-	-
<i>Statement of other comprehensive income</i>	-	(13)	-	-
Purchase	57	-	-	(189)
Settlement	-	-	-	-
<b>Balance as at 31.03.2015</b>	<b>10 142</b>	<b>20 805</b>	<b>54 627</b>	<b>(9 489)</b>
<b>Unrealized gains or losses relating to assets and liabilities held at the end of the reporting period recognized in the statement of profit or loss, in this:</b>	<b>1 802</b>	<b>143</b>	<b>-</b>	<b>(3 069)</b>
Net interest income	-	143	-	-
Net trading income	1 802	-	-	(3 069)

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	Derivative financial instruments - assets	Available for sale financial assets	Investment property	Derivative financial instruments - liabilities
<b>Balance as at 01.01.2014</b>	<b>9 823</b>	<b>24 889</b>	<b>62 524</b>	<b>(7 159)</b>
Total gains or losses recognized in:	(9 579)	587	(7 897)	3 872
<i>Net interest income</i>	-	797	-	-
<i>Net trading income</i>	(9 579)	-	-	3 872
<i>Other operating income/expenses</i>	-	-	(7 897)	-
<i>Statement of other comprehensive income</i>	-	(210)	-	-
Purchase	8 039	-	-	(2 944)
Settlement	-	(4 801)	-	-
<b>Balance as at 31.12.2014</b>	<b>8 283</b>	<b>20 675</b>	<b>54 627</b>	<b>(6 231)</b>
<b>Unrealized gains or losses relating to assets and liabilities held at the end of the reporting period recognized in the statement of profit or loss, in this:</b>	<b>(9 579)</b>	<b>6</b>	<b>(7 897)</b>	<b>3 872</b>
Net interest income	-	6	-	-
Net trading income	(9 579)	-	-	3 872
Other operating income	-	-	(7 897)	-

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The table below presents carrying amount and fair value of those assets and financial liabilities, which were not recognized in statement of financial position of the Group according to their fair value and the classification levels. In case of all categories, credit risk margin estimated by the internal models and liquidity margin estimated according to the market data are unobservable parameters.

31.03.2015	Carrying amount	Fair value	Level
<b>Financial assets</b>			
Loans and advances to banks	186 636	184 412	3
Reverse repo transactions	84 578	84 578	3
Loans and advances to customers	29 877 265	30 008 394	3
<b>Financial liabilities</b>			
Amounts due to banks	1 471 085	1 460 960	3
Repo transactions	111 734	111 734	3
Amounts due to customers	32 374 716	32 450 553	3
Debt securities issued	477 882	483 043	3
Subordinated liabilities	352 185	349 723	3

31.12.2014	Carrying amount	Fair value	Level
<b>Financial assets</b>			
Loans and advances to banks	404 724	402 216	3
Reverse repo transactions	100 668	100 668	3
Loans and advances to customers	29 631 923	29 619 745	3
<b>Financial liabilities</b>			
Amounts due to banks	1 546 739	1 536 443	3
Repo transactions	45 364	45 364	3
Amounts due to customers	32 804 444	32 865 106	3
Debt securities issued	762 311	764 634	3
Subordinated liabilities	320 951	322 250	3

a) Amounts due to banks and amounts due from banks

Amounts due to banks and due from banks include interbank deposits and interbank settlements. The fair value of deposits with fixed and floating rate is based on discounted cash flows set on the interest rates observed in the money market for positions with similar credit risk and remaining period to maturity.

b) Loans and advances to customers

Estimated fair value of loans and advances is discounted value of future cash-flows to be received by current market interest rates for asset groups of similar credit risk in order to determine their fair value. Market interest rates used for discounting are adjusted by actual cost of obtaining funding for credit activity and credit risk price for given product groups.

c) Liabilities and receivables due to BSB/SBB

The fair value of repo / reverse repo transactions was recognized in carrying amount due to short term of those transactions.

d) Investments in associates

The fair value of the investments in associates is a carrying amount of the investments.

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e) Subordinated liabilities

Liabilities include subordinated loan of CHF 90 million. The fair value of the loan at variable interest rate is based on discounted cash flows set on interest rates observed on the money market for positions with similar credit risk and remaining period to maturity.

f) Due to customers

The fair value of loans and advances at fixed and variable interest rates is based on discounted future cash-flows set on the money market interest rates adjusted by liquidity margin. In case of a'vista deposits it is assumed that fair value is equal to their carrying value.

g) Debt securities issued

The fair value of debt securities issued is estimated using the model discounting future cash flows from an investment, based on the market interest rate curves adjusted by the credit risk of the issuer.

## 39 Related party transactions

Bank Gospodarki Żywnościowej S.A. is a subsidiary of BNP PARIBAS S.A. Group.

Bank Gospodarki Żywnościowej S.A. is the parent company of Bank Gospodarki Żywnościowej S.A. Group. The Group consists of a subsidiary – **Bankowy Fundusz Nieruchomości Actus Sp. z o.o.** - BGŻ S.A. holds 100% of the share capital of the company and 100% of votes at the General Meeting of Shareholders.

All transactions between the Bank and the associates were due to current operation activities and consisted primarily of loans, deposits, derivative transactions and income and expenses on advisory services and financial intermediation.



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*Transactions with BGZ S.A shareholders and related parties*

31.03.2015	BNP PARIBAS SA CAPITAL GROUP	KEY PERSONNEL	TOTAL
<b>Assets</b>	<b>6 773</b>	<b>16</b>	<b>6 789</b>
Current account	950	16	966
Derivative financial instruments	5 767	-	5 767
Other assets	56	-	56
<b>Liabilities</b>	<b>2 821 855</b>	<b>5 077</b>	<b>2 826 932</b>
Loans received	2 459 229	-	2 459 229
Current accounts, deposits	-	5 077	5 077
Subordinated liabilities	352 179	-	352 179
Derivative financial instruments	10 157	-	10 157
Other liabilities	290	-	290
<b>Contingent liabilities</b>			
Financial commitments granted	-	34	34
Guarantees granted	-	-	-
Commitments received	-	-	-
Derivative financial instruments (face value)	858 341	-	858 341
<b>1st quarter of 2015 - from 01.01.2015 to 31.03.2015</b>			
<b>Income Statement</b>	<b>(11 958)</b>	<b>(17)</b>	<b>(11 975)</b>
Interest expense	(9 116)	(17)	(9 133)
Result on trading activities	(1 378)	-	(1 378)
Other operating income	1 286	-	1 286
General administrative expenses	(2 750)	-	(2 750)

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31.12.2014	BNP PARIBAS SA CAPITAL GROUP	KEY PERSONNEL	COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.*	SUBORDINATES OF RABOBANK	TOTAL
<b>Assets</b>	<b>8 243</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>8 262</b>
Current account	105	19	-	-	124
Derivative financial instruments	8 115	-	-	-	8 115
Other assets	23	-	-	-	23
<b>Liabilities</b>	<b>2 620 901</b>	<b>3 283</b>	<b>-</b>	<b>-</b>	<b>2 624 184</b>
Loans received	2 291 561	-	-	-	2 291 561
Current accounts, deposits	554	3 283	-	-	3 837
Subordinated liabilities	320 944	-	-	-	320 944
Derivative financial instruments	7 839	-	-	-	7 839
Other liabilities	3	-	-	-	3
<b>Contingent liabilities</b>					
Financial commitments granted	-	31	-	-	31
Guarantees granted	-	-	-	-	-
Commitments received	-	-	-	-	-
Derivative financial instruments (face value)	851 851	-	-	-	851 851
<b>1st quarter of 2014 – from 01.01.2014 to 31.03.2014</b>					
<b>Income Statement</b>	<b>-</b>	<b>(17)</b>	<b>(14 803)</b>	<b>886</b>	<b>(13 934)</b>
Interest income	-	-	250	233	483
Interest expense	-	(17)	(10 173)	(100)	(10 290)
Fees and commission income	-	-	(706)	-	(706)
Result on trading activities	-	-	(207)	753	546
Other operating income	-	-	220	-	220
General administrative expenses	-	-	(4 187)	-	(4 187)

\* On 27 October 2014 Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. ceased to be an affiliate. Due to this fact the data concern transactions from 01.01.2014 until 27.10.2014.

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## Remuneration of the Management Board and the Supervisory Board of the Bank

Management Board	31.03.2015	31.12.2014
Short-term employee benefits	3 424	14 476
Long-term benefits	196	1 251
Benefits due to termination of employment	1 655	-
Share-based payments	683	1 251
<b>Total</b>	<b>5 958</b>	<b>16 978</b>

Supervisory Board	31.03.2015	31.12.2014
Short-term employee benefits	75	574
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
<b>Total</b>	<b>75</b>	<b>574</b>

## 40 Capital adequacy ratio

	31.03.2015	31.12.2014
Total own funds	4 075 174	3 916 443
Total capital requirement	28 748 753	28 349 526
<b>Capital adequacy ratio (%)</b>	<b>14.18%</b>	<b>13.81%</b>

Beginning from 1 January 2014, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 is applied to own funds and capital adequacy terms.

## 41 Information on operating segments

### Segment reporting

The Group has divided its operations and applied identification of income and expenses as well as assets and liabilities into the following reporting operating segments: Retail and Business Banking (including personal banking channel BGŻOptima, an offer for wealthy clients – Personal Banking and an offer for micro companies), Corporate Banking, Financial Markets and Assets and Liabilities Management ('ALCO'), and Other. For the first two segments, Agro clients were differentiated because of their special importance to the strategy development of the Group, their significance in the profit and loss statement of the Group and a separate monitoring of these customers in the Management Board's Report. This division reflects the principles of classification of customers into segments in accordance with the Group's business model which is based on type of business and financial criteria as well as the type of activity.

Monitoring of managerial results in the Group takes into account all components of the statement of profit or loss of a particular segment to the level of gross profit, i.e. for each segment revenues, expenses and net impairment losses are reported. Managerial revenues include cash flows valued using internal transfer pricing of funds based on market prices and liquidity margins determined for a given maturity and currency. Managerial costs include the direct costs of their activities and costs allocated in accordance with the allocation model adopted by the Group. In addition, the managerial results of segments include settlements of business lines for services provided between them – data are assigned to individual Bank's customers. The settlements

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include incomes and expenses. Under income the Group recognizes banknotes transactions' commission, i.e. the commissions for the purchase of cash for the clients on the market and the net interest income referring to a transfer fund price assigned to cash balance available for clients. Under expenses the Group recognizes settlements for basic banking facilities, settlements for counting and transportation of cash to clients.

Operating activity of the Group is limited to Poland. No material differences are identified in risks that could be influenced by the geographical location of Group's branches, and therefore the Group has not disclosed geographical information.

The Group applies unified and detailed rules for all distinguished segments. In case of revenues, apart from standard positions, the components of segments' net interest income were separated – i.e. internal and external revenues and expenses. For general administrative expenses, the Group allocates indirect costs to segments through separation of tens cost aggregates, homogeneous in the aspect of the area and the scope of activity of the Group units. For each aggregate separate, tailored specifically to the aggregate allocation principles were used, that transfer their costs on revenue segments.

Within the Corporate Banking Segment and the Retail and Business Banking Segment, the Group separated Agro Clients i.e. individual farmers and companies operating in the food and agriculture sector. According to the principles of customer segmentation in the Group, farmers include individuals, legal persons and organizational entities not being legal persons involved in agricultural activity in accordance with the Act on Agricultural Tax. Corporate segmentation is conducted in accordance with business activity codes.

Due to the nature of the Group's activity, there is no seasonality or cyclical phenomenon. The Group provides financial services for which demand is stable, and the impact of seasonality is negligible.

## Business segments characteristics

**The Retail and Business Banking Segment** includes sales of products and services performed for individuals and micro companies, including maintaining current accounts and deposit accounts, gathering term deposits, granting housing loans, cash loans, mortgage loans, revolving loans, overdrafts, loans dedicated to micro companies, issuance of debit and credit cards, service of foreign cash transfers, entering into foreign exchange transactions, sale of insurance products and other services with a minor impact on the Group's revenue. The Retail and Business Banking Segment includes also: balances and results of direct banking channel BGŻOptima, income from brokerage services and distribution of investment funds' share units.

The services for the clients belonging to the Retail and Business Banking Segment are rendered by branches of the Bank and through alternative channels, i.e. internet banking (eBGŻ, TeleBGŻ), telephone banking (TeleBGŻ), direct banking channel BGŻOptima as well as Private Banking channel. Additionally, sale of particular products is realized through financial intermediaries, both on local and national level.

**Agro Clients** separated from Retail and Business Banking segment contain individual farmers and companies that are classified by the Group systems, respectively as micro-farmers and micro-agro.

**The Corporate Banking Segment** includes sales of products and services rendered to enterprises, companies, cooperatives, individual entrepreneurs, individual farmers, non-profit institutions and public sector entities. The Corporate Banking Segment is divided into: Large, Small, Medium enterprises and Global Corporate Clients segment. The services are rendered by Consultants working at Corporate Centers. Operational support for all segments is carried by the Group's Branches, and additionally they also have access to telephone banking (TeleBGŻ) and internet banking (eBGŻ Firma). Moreover, a sale of particular products is realized through financial intermediaries, both on local and national level.

Products and services for Corporate Clients include maintaining current and saving accounts, gathering term deposits (including negotiable deposits), issuing business-type cards, granting

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overdrafts, investing commercial loans and revolving loans, agro-business financing loans, (including preferential loans, revolving loans for farmers, agricultural procurement loans, loans with refinancing from the European Bank for Reconstruction and Development, overdrafts secured with mortgages on agricultural land, loans for realization of projects co-financed with the subsidies from the European Union), insurance for farmers, issuing of debt securities, financing trading activities (including guarantees, surety ships, letters of credit, discounting of bills and factoring), leasing (in cooperation with BGŻ Leasing) and entering into foreign exchange and derivative transactions.

**Agro Clients** separated from Corporate Banking include individual farmers and companies that are classified as Large Agro-enterprises, Large Farmers, SME-Agro, SME-Farmers and Global Corporate Clients-Agro.

**The Financial Markets and ALCO Segments** cover activities in the area of financial markets performed on Group's own interest and in the liquidity management area as well as assets and liabilities management activity (including debt securities investment portfolio, issued certificates of deposits, loans from other banks, balance of liquidity margin, spread ask/bid between transfer prices of funds allocated to assets and liabilities).

The **Other segment** includes results that are not attributable to any of above listed segments (i.e. the loan portfolio under vindication and restructuring procedures, capital investments, results attributable to the Group's own accounts and to clients' accounts not attributed to the specified segment).

## Reconciliation of results with financial reporting data

**Result on financial operations and Result on foreign exchange** from the statement by operating segments reconciles with the sum of the following items from the income statement:

- Dividend income
- Net trading income
- Result on investing activities
- Result on hedge accounting
- Share in profit (loss) of associates

**Result on other operations** from the statement by operating segments reconciles with the sum of the following items from the income statement:

- Other operating income
- Other operating expenses

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	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
<b>Statement by operating segments</b>		
Result on financial operations	27 819	1 887
Foreign exchange result	15 269	16 122
	<b>43 088</b>	<b>18 009</b>
<b>Statement of profit or loss</b>		
Result on trading activities	20 055	13 721
Result on investing activities	23 033	3 169
Result on hedge accounting	-	(135)
Result on profit (loss) of subsidiaries and associates	-	1 254
	<b>43 088</b>	<b>18 009</b>
<b>Statement by operating segments</b>		
Result on other operations	(5 169)	316
	<b>(5 169)</b>	<b>316</b>
<b>Statement of profit or loss:</b>		
Other operating income	6 357	5 632
Other operating expenses	(11 526)	(5 316)
	<b>(5 169)</b>	<b>316</b>

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1 <sup>st</sup> quarter of 2015	Retail and Business Banking	Including: Agro Clients	Corporate Banking	Including: Agro Clients	Financial Markets and Assets and Liabilities Management	Other	TOTAL
<b>Statement of profit and loss</b>							
Net interest income	154 873	34 381	57 219	39 319	39 794	1 800	<b>253 686</b>
external interest revenues	223 511	64 451	132 157	94 447	46 949	-	<b>402 617</b>
external interest expenses	(91 348)	(2 597)	(30 449)	(10 779)	(27 134)	-	<b>(148 931)</b>
internal interest revenues	153 403	8 752	47 905	20 747	(201 308)	-	-
internal interest expenses	(130 693)	(36 225)	(92 394)	(65 096)	221 287	1 800	-
Net fee and commission income	48 723	14 459	21 376	13 359	1 700	63	<b>71 862</b>
Result on financial operations	122	121	1 544	1 347	26 153	-	<b>27 819</b>
Foreign exchange result	8 664	752	6 374	3 384	-	231	<b>15 269</b>
Result on other operations	(7 568)	156	1 293	(4)	883	223	<b>(5 169)</b>
Net impairment losses on financial assets and contingent liabilities	(35 415)	(1 340)	(19 292)	(3 638)	(307)	255	<b>(54 759)</b>
General administrative expenses	(197 776)	(32 152)	(63 049)	(33 080)	(4 708)	5 731	<b>(259 802)</b>
Depreciation and amortization	(20 450)	(3 219)	(6 434)	(3 410)	(474)	41	<b>(27 317)</b>
<b>Segment result</b>	<b>(48 827)</b>	<b>13 158</b>	<b>(969)</b>	<b>17 277</b>	<b>63 041</b>	<b>8 344</b>	<b>21 589</b>
Profit before income tax	-	-	-	-	-	-	<b>21 589</b>
Income tax expense	-	-	-	-	-	-	<b>(7 073)</b>
Net profit for the year	-	-	-	-	-	-	<b>14 516</b>
<b>Statement of financial position as at 31.03.2015</b>							
Segment assets	18 284 594	5 013 465	13 824 271	9 643 794	7 631 942	22 940	<b>39 763 747</b>
Segment liabilities	22 915 096	1 259 504	7 049 051	3 532 543	5 630 988	-	<b>35 595 135</b>

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1 <sup>st</sup> quarter of 2014	Retail and Business Banking	Including: Agro Clients	Corporate Banking	Including: Agro Clients	Financial Markets and Assets and Liabilities Management	Other	TOTAL
<b>Statement of profit and loss</b>							
Net interest income	156 418	29 349	54 345	36 189	66 107	(6 290)	<b>270 580</b>
external interest revenues	218 213	59 051	146 473	103 053	61 154	-	<b>425 840</b>
external interest expenses	(84 995)	(3 516)	(33 673)	(13 883)	(36 592)	-	<b>(155 260)</b>
internal interest revenues	156 925	9 770	49 723	23 262	(206 648)	-	-
internal interest expenses	(133 725)	(35 956)	(108 178)	(76 243)	248 193	(6 290)	-
Net fee and commission income	46 727	12 020	24 363	14 322	1 784	(322)	<b>72 552</b>
Result on financial operations	527	-	962	320	398	-	<b>1 887</b>
Foreign exchange result	8 856	938	7 272	4 128	-	(6)	<b>16 122</b>
Result on other operations	(840)	(84)	843	628	(6 408)	6 721	<b>316</b>
Net impairment losses on financial assets and contingent liabilities	(38 468)	(3 547)	(19 208)	(10 198)	(277)	177	<b>(57 776)</b>
General administrative expenses	(167 291)	(26 093)	(48 351)	(25 484)	(6 069)	(2 298)	<b>(224 009)</b>
Depreciation and amortization	(17 940)	(2 676)	(5 068)	(2 663)	(650)	(950)	<b>(24 608)</b>
<b>Segment result</b>	<b>(12 011)</b>	<b>9 907</b>	<b>15 158</b>	<b>17 242</b>	<b>54 885</b>	<b>(2 968)</b>	<b>55 064</b>
Profit before income tax	-	-	-	-	-	-	<b>55 064</b>
Income tax expense	-	-	-	-	-	-	<b>(10 426)</b>
Net profit for the year	-	-	-	-	-	-	<b>44 638</b>
<b>Statement of financial position as at 31.12.2014</b>							
Segment assets	17 258 660	5 044 909	14 104 064	10 010 665	6 666 520	2 467 331	<b>40 496 575</b>
Segment liabilities	22 164 802	1 189 374	8 450 331	3 528 044	4 130 673	1 594 465	<b>36 340 271</b>



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## 42 The shareholders' structure of Bank Gospodarki Żywnościowej S.A.

Shareholders	31.03.2015		31.12.2014	
	Number of shares	Structure (%)	Number of shares	Structure (%)
BNP Paribas SA	50 524 889	90.01	49 952 737	88.98
Rabobank International Holding B.V.	5 613 875	9.99	5 613 875	9.99
Other shareholders	-	-	572 152	1.03
<b>TOTAL</b>	<b>56 138 764</b>	<b>100.00</b>	<b>56 138 764</b>	<b>100.00</b>

Share capital of the Bank as at 31 March 2015 amounted to PLN 56 139 thousand. The nominal value of each share is PLN 1.00.

As at 31 March 2015 and 31 December 2014 none of the members of Management Board or Supervisory Board held the Bank's shares directly.

The shareholders' structure as at 14 May 2015, specifying the shareholders with at least 5% of the total number of votes at the General Meeting:

Entity name	Number of shares	% of the share capital	Number of votes at the general meeting	Share (%) in the total number of votes at the GM
BNP PARIBAS in total:	74 409 509*	88.33	74 409 509*	88.33
<i>BNP Paribas directly</i>	50 524 889	59.98	50 524 889	59.98
<i>BNP Paribas Fortis SA/NV directly</i>	23 884 620*	28.35	23 884 620*	28.35
Rabobank International Holding B.V.	5 613 875	6.66	5 613 875	6.66
Minority shareholders	4 214 134**	5.01	4 214 134**	5.01
<b>TOTAL</b>	<b>84 238 318</b>	<b>100.00</b>	<b>84 238 318</b>	<b>100.00</b>

\* The given numbers of shares do not include the Fractional Shares, i.e. Series I Shares issued in accordance with *Resolution No. 3 of the EGM of the Bank dated 25 February 2015 on the Merger of BGŻ S.A. and BNP Paribas Bank Polska S.A. (BNPP Polska), the increase of the share capital of BGŻ S.A. and consent for the proposed amendments to the Articles of Association of BGŻ S.A.*, and pursuant to the *Detailed Rules of Operation of the National Depository for Securities*, that are not allotted to the BNPP Polska shareholders as a result of rounding down, and which will be allotted to BNP Paribas Fortis SA/NV.

\*\* The given number of shares includes the Fractional Shares which will be allotted to BNP Paribas Fortis SA/NV.

## 43 Dividends paid

At the date of the preparation of these interim condensed consolidated financial statements for the first quarter of 2015, the decision about the distribution of the profit for 2014 has not been made yet. The Management of the Board will not recommend the payment of dividend for 2014.

## 44 Legal issues

As at 31 March 2015 the total value of the legal proceedings against the Bank amounted to PLN 40 912 thousand, whereas the total value of the legal proceedings in which the Bank is a plaintiff amounted to PLN 77 046 thousand. As at 31 December 2014 the total value of the legal proceedings against the Bank amounted to PLN 40 735 thousand, and the total value of the legal proceedings in which the Bank is a plaintiff amounted to PLN 75 744 thousand.

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The Bank and its subsidiary is not involved in any proceedings before a court, arbitration body, or public administration authority which represent at least 10% of the equity.

## 45 Risk management

The most significant changes to credit risk management made in the first quarter of 2015 and main measures of market risk are described below. In reference to other risks that the Group has to face, the approach has not changed significantly.

### CREDIT RISK

The most significant change in credit risk management in the first quarter of 2015 in comparison to 2014 was adjusting regulations to Recommendation U issued by Polish Financial Supervision Authority.

### FINANCIAL RISK

#### Market risk in the banking book

Interest rate risk remained in the first quarter of 2015 at the same level as at fourth quarter in terms of Interest at Risk. Sensitivity of Equity at Risk switched from positive to negative, mainly due to adopting BNP Paribas Group assumptions regarding revaluation date of products without maturity in the Bank. IaR exposure was negative for the scenario of decreased interest rates (parallel shift of the curve), no change in comparison to fourth quarter of 2014. Additionally, the Bank conducts simulations of the impact on interest income by non-parallel shifts of the curves. In the first quarter of 2015, similarly to the fourth quarter of 2014, the most severe scenario was the scenario of steeping curves.

Foreign exchange risk in the banking book is transferred to the trading book.

#### Market risk in the trading book

In the first quarter of 2015 market risk measured with VaR remained at a moderate level – the average utilization of VaR limit for the trading book amounted to 47% (despite the almost double increase in comparison to the previous quarter). Exposure to interest rate risk was the main source of risk for the trading book (mainly interest rate swaps, FRA and Polish T-bonds). Exposure to FX risk had little impact on Bank's market risk, because end of the day balances on FX were limited to the minimum levels on each currencies.

#### Liquidity risk

In the first quarter of 2015, the Bank maintained financial liquidity on a safe level. Indicators and supervisory liquidity measures, as in 2014, remained at a satisfactory level, i.e. the Group complied with the supervisory measured throughout the period. Loan increase observed in the first quarter (mainly retail and micro) was funded by liquidity surplus.

#### Country and counter-party risk

The sum of limits allocated on counterparty risk for corporate clients decreased in the first quarter of 2015 by 10%, mainly due to updated limits on global corporate clients adopted as a result of the merger with Rabobank Polska. The limits remained unchanged at 9%.

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## Corporate clients' exposure on counterparty risk

	31.03.2015	31.12.2014
Available limits	1 033 382	1 156 585
Exposure	96 773	105 884
Share %	9%	9%

## Bank exposure

	31.03.2015	31.12.2014
Financial market transactions		
available limits	2 768 400	2 768 400
used	80 426	83 621
Trade financing transactions		
available limits	650 930	650 680
used	104 959	106 921

## 46 Changes in the Bank's management

On 20 March 2015 Supervisory Board adopted a resolution appointing Mr. Bartosz Urbaniak as a Board Member as at 1 April 2015.

On 20 March 2015 the following resignations took place:

- Mrs. Monika Nachyła resigned from the position of Vice President of the Board, effecting from 30 April 2015,
- Mr. Gerardus Embrechts resigned from the position of the first Vice President of the Board, effecting from 31 March 2015,
- Mr. Dariusz Odzioba resigned from the position of the Vice President of the Board, effecting from 31 March 2015,
- Mr. Witold Okarma resigned from the position of the Vice President of the Board, effecting from the date of the merger between BGŻ S.A and BNP Paribas Polska S.A.,
- Mr. Andrzej Sieradz resigned from the position of the Vice President of the Board, effecting from 31 March 2015.

## 47 Major events in 2015

### Obligatory purchase of shares

On 3 December 2014, BNP PARIBAS and Rabobank International Holding B.V concluded the agreement, referred to in the Article 87 Section 1 Item 5 of the Public Offering Act (the "Agreement"), concerning the acquisition of the shares in Bank, by requiring all other shareholders of the Bank to sell all their shares in the Bank in accordance with the Article 82 of the Public Offering Act (the "Squeeze out").

On 23 January 2015 Bank was informed about termination of "squeeze-out" tarnation. As a result BNP PARIBAS held 50 524 889 shares in the Bank, accounting for 90.0000025% of the Bank's share capital. Simultaneously, Rabobank holds 5 613 875 dematerialized bearer shares in the Bank, i.e. 9,9999975% of the Bank's share capital.

### Impact of CHF appreciation on CHF loans portfolio

On 15 January 2015 Swiss central bank announced its decision about release of exchange rate against EUR what caused significant appreciation of CHF against all main currencies.

According to the evaluation of Committee of Financial Stability announced on 20 January 2015, the situation regarding release of CHF exchange rate against EUR mentioned above, is not

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causing a threat for financial system in Poland, despite relatively high share of loans denominated and indexed in CHF. Moreover, in order to support debtors having loans in CHF, on 29 January 2015, banks (BGŻ among others) affiliated in Self-government Organization of Banks (ZBP) accepted the proposition of ZBP, that debtors shall not pay higher installments than before the decision of Swiss Central Bank. In order to support this decision banks announced among others: taking into account negative LIBOR, decrease of currency spreads, permanent enabling to change currency from CHF to PLN without any commissions and more flexible restructuring procedures. As a response to solutions suggested by ZBP, the Bank will take into account negative LIBOR.

## Approval of the Information Memorandum

On 16 February 2015 the Polish Financial Supervision Authority approved the information memorandum of BGŻ on Public Offering and the Conditions for Introducing Financial Instruments to Organized Trading, and Public Companies in connection with a public offering of 28 099 554 ordinary series I bearer shares of BGŻ with a nominal value of PLN 1 each (the "Merger Shares"), carried out by BGŻ in connection with the merger of BGŻ with BNP Paribas Bank Polska S.A. with its registered office in Warsaw, as well as in connection with the application for the admission and introduction of 28 099 554 Merger Shares to trading on the regulated market (main market) operated by the Warsaw Stock Exchange.

## 48 Post- balance sheet events

### Merger of Bank BGZ S.A. and BNP Paribas Bank Polska S.A.

On 9 April 2015 the Polish Financial Supervision Authority issued the following permits and decisions with regard to the merger of Bank Gospodarki Żywnościowej S.A. (BGŻ) and BNP Paribas Bank Polska S.A. (BNPP Polska):

1. permitted the merger of BGŻ (as a bidding bank) and BNPP Polska (as a target bank) through the transfer of all property of BNPP Polska to BGŻ (the Merger); and
2. issued a decision stating that there are no grounds to object to the intention of BGŻ to directly acquire shares in Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. in a number resulting in exceeding a 50% stake in the total number of votes at the general meeting.

On 10 April 2015 BNP Paribas Fortis SA/NV received the decision of the European Central Bank, issued within the framework of the Single Supervisory Mechanism, authorizing the envisaged merger of BGŻ and BNPP Polska.

On 23 April 2015 the KNF issued its consent for the amendments of the Bank's Articles of Association made in connection with the merger.

On 30 April 2015 the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register registered the Merger. Concurrently with the registration of the Merger, the previous business name of the Bank: "Bank Gospodarki Żywnościowej S.A." was changed to "Bank BGŻ BNP Paribas S.A."

In relation to the Merger, the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, also registered in the National Court Register the amendments to the Articles of Association of the Bank, adopted by the Extraordinary General Meeting of BGŻ on 25 February 2015.

The Merger was executed pursuant to Article 492 § 1 item 1 of the Commercial Companies Code of 15 September 2000 (consolidated text: Journal of Laws of 2013, item 1030) through a transfer of all property (all assets, equity and liabilities) of BNPP Polska (the target company) to BGŻ (the bidding company), with a concurrent increase of the share capital from PLN 56 138 764 PLN to PLN 84 238 318 through the issuance of the series I shares of BGŻ at nominal value of PLN 1 each (Merger Shares) that will be delivered by BGŻ to the existing shareholders of BNPP Polska (merger by take-over). For 6 shares of BNPP Polska, the shareholders of BNPP Polska received 5 Merger Shares.

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As a result of the Merger, BGŻ assumed all rights and obligations of BNP Paribas Bank Polska SA, which was wound up without liquidation.

On 6 May 2015 the Management Board of the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.) ("NDS") adopted resolution on the conditional registration in the depository for securities of 28,099,554 ordinary bearer series I shares in the Bank, with a nominal value of PLN 1 each, being registered as a result of the allotment of the Bank's shares through the exchange of shares in BNPP Polska for shares in BGŻ BNPP with a 6:5 ratio. Management Board of the NDS set 7 May 2015 as the reference day within the meaning of § 217 of the Detailed Rules of Operation of the NDS, i.e. the record date for the ownership of shares in BNPP Polska to be exchanged in connection with the merger of BGŻ and BNPP Polska, in accordance with Management Board of BGŻ Resolution no 100/BZ/58/2015 dated 29 April 2015 on the indication of the reference day in connection with the Merger.

The Management Board of the NDS also decided on awarding the Merger Shares an ISIN code PLBGZ0000010.

The merger shares will be registered in the depository providing that the WSE decides to introduce these shares into trading on the regulated market.

## **Establishment of Provision for Employment Restructuring and Provision for the Closure of Branches of Bank BGŻ**

On 29 April 2015, the Bank announced that, pursuant to Resolutions of the Management Board of BGŻ No. 98/BZ/58/2015 and No. 99/BZ/58/2015, the Bank has established the provision for employment restructuring in the amount of PLN 49.3 million and the provision related to the closure of BGŻ branches in the amount of PLN 6.9 million. The provisions have been established as part of the planned restructuring to be implemented in connection with the merger of BGŻ and BNPP Polska

## **Changes in the Bank Authorities Post-Balance Sheet**

On 23 April 2015, Dariusz Filar submitted his resignation from the position of member of the Supervisory Board, effective as of 30 April 2015 following the conclusion of the Supervisory Board meeting on that day.

On 28 April 2015 the PFSA, acting pursuant to Article 22b of the Banking Law, granted its consent to the appointment of Mr. Wojciech Kemblowski as Vice-President of the Management Board, responsible for risk management. On 30 April 2015, due to registration of the Merger, the appointment of Mr. Kemblowski as Vice-President of the Management Board came into force.

On 30 April 2015 Mr. Józef Wancer has resigned from the post of the President of the Management Board of BGŻ as of 17 September 2015 or as of the date of the issuance by the Polish Financial Supervision Authority of a permit for the appointment of the new President of the Management Board of the Bank under Article 22b of the Banking Law depending on which date comes later. At the same time the Bank was notified by the majority shareholder of the Bank, i.e. BNP PARIBAS, that following the expiration of term of office of Mr. Józef Wancer, BNP PARIBAS intends to vote on the shareholders' meeting of the Bank for the appointment of Mr. Józef Wancer to the Supervisory Board.

Also on 30 April 2015, the Supervisory Board of the Bank adopted a resolution on the conditional appointment of Mr. Tomasz Bogus as President of the Management Board of BGŻ S.A. The resolution shall come into force once the appointment is approved by the Polish Financial Supervision Authority under art. 22 b of the Banking law act – however, not earlier than on 17 September 2015.

As at the date of the Merger the resignations placed before by Vice President of the Management Board Monika Nachyła and by Vice President of the Management Board Witold Okarma have come into force as of the Merger date.

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The Management Board of Bank BGŻ BNP Paribas as of 1 May 2015 comprises:

1. Józef Wancer – President of the Management Board
2. Daniel Austra – Vice President
3. Francois Benaroya – Vice President
4. Blagoy Bochev – Vice President
5. Jan Bujak – Vice President
6. Wojciech Kemblowski – Vice President
7. Magdalena Legęć – Vice President
8. Jaromir Pelczarski - Vice President
9. Jean-Philippe Stephane Rodes – Vice President
10. Wojciech Sass – Vice President
11. Michel Thebault – Vice President
12. Bartosz Urbaniak – Member of the Management Board

## Changes in the Share Capital

Pursuant to the registration of the Merger, on 30 April 2015 the share capital of the Bank was increased from PLN 56,138,764 up to PLN 84,238,318, through issuance of PLN 28,099,554 series I shares.

After the Merger the share capital of BGŻ is divided into 84,238,318 registered and bearer shares with a nominal value of PLN 1 (one zloty) each, including 15,088,100 series A shares, 7,807,300 series B shares, 247,329 series C shares, 3,220,932 series D shares, 10,640,643 series E shares, 6,132,460 series F shares, 8,000,000 series G shares, 5,002,000 series H shares and 28,099,554 series I shares.

As result of acquiring of series I shares of BGŻ by the existing shareholders of BNPP Polska, the stake of former shareholders of BGŻ in share capital of the Bank has been decreased. At the same time, having exceeded the thresholds of the total number of votes at the general meeting art. 62 of item 1 & 2 of the Act on Public Offering, shareholders of BGŻ have submitted relevant notifications on the change of their share in the total number of votes.

BNP Paribas Fortis SA/NV ( BNPP Fortis), a subsidiary of BNP PARIBAS which prior to the Registration did not hold any shares in the Bank, exceeded the threshold of 25% of the total number of votes in the Bank. After the Registration BNPP Fortis holds in total 23,884,620 shares in the Bank, representing 28.35% of its share capital. Such number of shares represents 23,884,620 votes and 28.35% of the total number of votes in the Bank.

Within the 12 months following the notification BNPP Fortis intends to further increase its share in the total number of votes in the Bank, however only in order to complete the Merger in line with the rules of allotment of the Merger Shares in accordance with: i) Resolution No. 3 of the Extraordinary General Meeting of the Bank dated 25 February 2015 on the Merger of BGŻ and BNPP Polska, the increase of the share capital of BGŻ. and consent for the proposed amendments to the Articles of Association of Bank Gospodarki Żywnościowej S.A. (the “Merger Resolution”), and ii) art 217 of the the Detailed Rules of Operation of the NDS.

Since pursuant to the Bank’s Management Board Resolution No. 85/BZ/49/2015 of 10 April 2015 the Management Board of the Bank selected BNPP Fortis as the shareholder to whom the Fractional Shares are to be allotted, BNPP Fortis intends to further increase its share of the total number of votes in the Bank by acquiring the Fractional Shares, i.e. the Merger Shares that are not allotted to the BNPP Polska shareholders as a result of rounding down.

After the Merger the BNP PARIBAS’s share in the total number of votes in the Bank dropped

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below 90% of the total number of votes and simultaneously changed by at least 1% of the total number of votes.

BNP PARIBAS holds in total 74,409,509 shares in the Bank, representing 88.33% of its share capital, which represents 74,409,509 votes and 88.33% of the total number of votes in the Bank, including:

- a) 50,524,889 shares in the Bank, representing 59.98% of its share capital and equivalent to 50,524,889 votes and 59.98% of the total number of votes, are held directly; and
- b) 23,884,620 shares in the Bank, representing 28.35% of its share capital and equivalent to 23,884,620 votes and 28.35% of the total number of votes, are held indirectly through BNP PARIBAS's subsidiary, BNPPFortis.

The shareholders' structure as at the date of publication of this report, i.e. as at 14 May 2015, is presented under item 42 of this 1Q 2015 Financial Report.

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## II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

### Statement of profit or loss

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
Interest income	402 906	426 194
Interest expense	(148 931)	(155 105)
<b>Net interest income</b>	<b>253 975</b>	<b>271 089</b>
Fee and commission income	82 267	84 293
Fee and commission expense	(10 405)	(11 741)
<b>Net fee and commission income</b>	<b>71 862</b>	<b>72 552</b>
Net trading income	20 055	13 721
Result on investing activities	23 033	3 169
Result on hedge accounting	-	(135)
Other operating income	6 354	5 635
Net impairment losses on financial assets and contingent liabilities	(54 589)	(57 552)
General administrative expenses	(259 748)	(223 902)
Depreciation and amortization	(27 317)	(24 608)
Other operating expenses	(11 526)	(5 316)
<b>Operating result</b>	<b>22 099</b>	<b>54 653</b>
<b>Profit (loss) before income tax</b>	<b>22 099</b>	<b>54 653</b>
Income tax expense	(7 073)	(10 426)
<b>Net profit for the period</b>	<b>15 026</b>	<b>44 227</b>
attributable to equity holders of the Bank	15 026	44 227
<b>Earnings per share (in PLN per share)</b>		
Basic	0.27	0.87
Diluted	0.27	0.87



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## Statement of other comprehensive income

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
<b>Net profit for the period</b>	<b>15 026</b>	<b>44 227</b>
<b>Other comprehensive income</b>		
<i>Items that are or may be reclassified subsequently to profit or loss</i>	<i>(2 274)</i>	<i>(723)</i>
Net change in valuation of financial assets available for sale	(2 807)	6 380
Net change in valuation of cash flow hedges	-	(7 272)
Deferred tax	533	169
<i>Items that will not be reclassified to profit or loss</i>	<i>66</i>	<i>(188)</i>
Actuary valuation of employee benefits	81	(232)
Deferred tax	(15)	44
<b>Other comprehensive income (net of tax)</b>	<b>(2 208)</b>	<b>(911)</b>
<b>Total comprehensive income for the period</b>	<b>12 818</b>	<b>43 316</b>
attributable to equity holders of the Bank	12 818	43 316

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## Statement of financial position

	31.03.2015	31.12.2014
<b>ASSETS</b>		
Cash and balances with the Central Bank	1 901 971	1 790 160
Loans and advances to banks	186 636	404 724
Reverse repo transactions	84 578	100 668
Debt securities held for trading	183 312	199 404
Derivative financial instruments	340 384	420 152
Loans and advances to customers	29 903 323	29 657 523
Available for sale financial assets	6 267 672	7 084 017
Investments in subsidiaries and associates	16 732	16 732
Intangible assets	166 527	165 307
Property, plant and equipment	398 895	411 063
Deferred tax assets	167 273	173 828
Current tax assets	7 890	-
Other assets	126 658	60 626
<b>TOTAL ASSETS</b>	<b>39 751 851</b>	<b>40 484 204</b>

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## Statement of financial position (continued)

	31.03.2015	31.12.2014
<b>LIABILITIES</b>		
Amounts due to banks	1 471 085	1 546 739
Repo transactions	111 734	45 364
Derivative financial instruments	321 792	448 908
Amounts due to customers	32 374 970	32 804 752
Debt securities issued	477 732	762 142
Subordinated liabilities	352 185	320 951
Other liabilities	406 977	325 722
Current tax liabilities	-	9 639
Provisions	70 683	68 112
<b>TOTAL LIABILITIES</b>	<b>35 587 158</b>	<b>36 332 329</b>
<b>EQUITY</b>		
Share capital	56 139	56 139
Other supplementary capital	3 430 785	3 430 785
Other reserve capital	525 013	527 221
Retained earnings:	152 756	137 730
retained profit	137 730	-
net profit for the period	15 026	137 730
<b>TOTAL EQUITY</b>	<b>4 164 693</b>	<b>4 151 875</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>39 751 851</b>	<b>40 484 204</b>

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## Statement of changes in equity

	Retained earnings					Total
	Share capital	Other supplementary capital	Other reserve capital	Retained profit	Net profit for the period	
<b>Balance at 1 January 2015</b>	<b>56 139</b>	<b>3 430 785</b>	<b>527 221</b>	<b>-</b>	<b>137 730</b>	<b>4 151 875</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(2 208)</b>	<b>-</b>	<b>15 026</b>	<b>12 818</b>
Net profit for the period	-	-	-	-	15 026	15 026
Other comprehensive income for the period	-	-	(2 208)	-	-	(2 208)
<b>Appropriation of retained earnings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137 730</b>	<b>(137 730)</b>	<b>-</b>
Appropriation of net profit to retained profit	-	-	-	137 730	(137 730)	-
<b>Balance at 31 March 2015</b>	<b>56 139</b>	<b>3 430 785</b>	<b>525 013</b>	<b>137 730</b>	<b>15 026</b>	<b>4 164 693</b>

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## Statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Retained earnings	Total
				Net profit for the period	
<b>Balance at 1 January 2014</b>	<b>51 137</b>	<b>3 085 059</b>	<b>206 463</b>	<b>162 403</b>	<b>3 505 062</b>
<b>Total comprehensive income for the period</b>	-	-	<b>163 900</b>	<b>137 730</b>	<b>301 630</b>
Net profit for the period	-	-	-	137 730	137 730
Other comprehensive income for the period	-	-	163 900	-	163 900
<b>Appropriation of retained earnings</b>	-	<b>162 403</b>	-	<b>(162 403)</b>	-
Appropriation of retained earnings to other supplementary capital	-	162 403	-	(162 403)	-
<b>Merger</b>	<b>5 002</b>	<b>183 323</b>	<b>156 858</b>	-	<b>345 183</b>
Issue of H shares	5 002	-	-	-	5 002
Equity after the merger	-	183 323	156 858	-	340 181
<b>Balance at 31 December 2014</b>	<b>56 139</b>	<b>3 430 785</b>	<b>527 221</b>	<b>137 730</b>	<b>4 151 875</b>

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## Statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Retained earnings		Total
				Retained profit	Net profit for the period	
<b>Balance at 1 January 2014</b>	<b>51 137</b>	<b>3 085 059</b>	<b>206 463</b>	<b>-</b>	<b>162 403</b>	<b>3 505 062</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(911)</b>	<b>-</b>	<b>44 227</b>	<b>43 316</b>
Net profit for the period	-	-	-	-	44 227	44 227
Other comprehensive income for the period	-	-	(911)	-	-	(911)
<b>Appropriation of retained earnings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162 403</b>	<b>(162 403)</b>	<b>-</b>
Appropriation of net profit to retained profit	-	-	-	162 403	(162 403)	-
<b>Balance at 31 March 2014</b>	<b>51 137</b>	<b>3 085 059</b>	<b>205 552</b>	<b>162 403</b>	<b>44 227</b>	<b>3 548 378</b>

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## Statement of cash flows

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Net profit for the period</b>	<b>15 026</b>	<b>44 227</b>
<b>Adjustments for:</b>	<b>(638 789)</b>	<b>1 712 852</b>
Income tax expense from statement of profit or loss	7 073	10 426
Depreciation and amortization	27 317	24 608
Interest income	(402 906)	(426 194)
Interest expense	148 931	155 105
Change in provisions	2 651	(1 739)
Change in loans and advances to banks	(10 224)	(65)
Change in reverse repo transactions	16 089	274 721
Change in debt securities held for trading	16 071	835 425
Change in derivative financial instruments (assets)	79 768	60 649
Change in loans and advances to customers	(240 846)	(161 290)
Change in amounts due to banks	(69 734)	(6 118)
Change in repo transactions	66 365	261 756
Change in financial liabilities held for trading	-	(242 775)
Change in derivative financial instruments (liabilities)	(127 116)	(16 084)
Change in amounts due to customers	(370 714)	641 771
Change in other assets and current tax assets	(73 922)	(35 662)
Change in other liabilities and deferred tax liability	71 616	127 414
Other adjustments	32 967	3 344
Interest received	327 242	371 964
Interest paid	(139 417)	(147 130)
Income tax expense	-	(18 558)
Taxes returned	-	1 284
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(623 763)</b>	<b>1 757 079</b>

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## Statement of cash flows (continued)

	1 <sup>st</sup> quarter of 2015 from 01.01.2015 to 31.03.2015	1 <sup>st</sup> quarter of 2014 from 01.01.2014 to 31.03.2014
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
<b>Inflows</b>	<b>49 204 601</b>	<b>24 104 156</b>
Sale of financial assets available for sale	49 204 264	24 104 043
Sale of intangible assets, and property, plant and equipment	337	113
<b>Outflows</b>	<b>(48 336 534)</b>	<b>(25 608 470)</b>
Purchase of financial assets available for sale	(48 319 829)	(25 602 055)
Purchase of intangible assets, and property, plant and equipment	(16 705)	(6 353)
Other investing activities outflows	-	(62)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>868 067</b>	<b>(1 504 314)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
<b>Inflows</b>	<b>-</b>	<b>-</b>
<b>Outflows</b>	<b>(360 640)</b>	<b>(424 533)</b>
Repayment of long-term loans	(76 013)	(59 810)
Redemption of debt securities issued	(284 627)	(364 723)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(360 640)</b>	<b>(424 533)</b>
<b>TOTAL NET CASH</b>	<b>(116 336)</b>	<b>(171 768)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2 180 981</b>	<b>1 881 640</b>
<b>Cash and cash equivalents at the end of the period, of which:</b>	<b>2 064 645</b>	<b>1 709 872</b>
effect of exchange rate fluctuations on cash and cash equivalents held	12 609	1 389
of restricted use	1 453	2 741



## EXPLANATORY NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

### 1 Basis for the preparation of the interim condensed separate financial statements

Interim condensed separate financial statements for the first quarter ended 31 March 2015 have been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34') as adopted by the European Union and with other applicable policies.

Interim condensed separate financial statements do not include all information and disclosures required for the annual financial statements, and shall be read in conjunction with the interim condensed consolidated financial statements for the first quarter of 2015 and with the Bank's financial statements for the year ended 31 December 2014 that were approved by the Management Board on 2 March 2015.

Accounting policies and methods relating to accounting estimates adopted during the preparation of the Bank's interim condensed separate financial statements are consistent with the accounting policies adopted for the Group's interim condensed consolidated financial statements, which are described in sections 3 and 6.

### 2 Related party transactions

Bank Gospodarki Żywnościowej S.A. is a subsidiary of BNP PARIBAS SA Group.

Bank Gospodarki Żywnościowej S.A. is the parent company of Bank Gospodarki Żywnościowej S.A. Group. The Group consists of a subsidiary – **Bankowy Fundusz Nieruchomości Actus Sp. z o.o.** - BGŻ S.A. holds 100% of the share capital of the company and 100% of votes at the General Meeting of Shareholders.

All transactions between the Bank and related parties were due to current operation activities and consisted primarily of loans, deposits, derivative transactions and income and expenses on advisory services and financial intermediation.

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*Transactions with BGZ S.A shareholders and related parties*

31.03.2015	BNP PARIBAS S.A GROUP	KEY PERSONNEL	ACTUS SP Z O.O.	TOTAL
<b>Assets</b>	<b>6 773</b>	<b>16</b>	<b>37 022</b>	<b>43 811</b>
Current accounts, loans and placements	950	16	37 022	37 988
Derivative financial instruments	5 767	-	-	5 767
Other assets	56	-	-	56
<b>Liabilities</b>	<b>2 821 855</b>	<b>5 077</b>	<b>254</b>	<b>2 827 186</b>
Loans and advances received	2 459 229	-	-	2 459 229
Current accounts, deposits	-	5 077	254	5 331
Subordinated liabilities	352 179	-	-	352 179
Derivative financial instruments	10 157	-	-	10 157
Other liabilities	290	-	-	290
<b>Contingent liabilities</b>				
Financial commitments granted	-	34	-	34
Guarantees granted	-	-	-	-
Commitments received	-	-	-	-
Derivative financial instruments (face value)	858 341	-	-	858 341
<b>1<sup>st</sup> quarter of 2015, period from 01.01.2015 to 31.03.2015</b>				
<b>Statement of profit or loss</b>	<b>(11 958)</b>	<b>(17)</b>	<b>292</b>	<b>(11 683)</b>
Interest income	-	-	289	289
Interest expense	(9 116)	(17)	-	(9 133)
Result on trading activities	(1 378)	-	-	(1 378)
Other operating income	1 286	-	3	1 289
Other operating expenses	(2 750)	-	-	(2 750)

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31.12.2014	BNP PARIBAS S.A GROUP	KEY PERSONNEL	ACTUS SP Z O.O.	BGŻ LEASING SP. Z O.O.	COÖPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.*	SUBSIDIARIES of RABOBANK	TOTAL
<b>Assets</b>	<b>8 243</b>	<b>19</b>	<b>36 732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44 994</b>
Current accounts, loans and placements	105	19	36 732	-	-	-	36 856
Derivative financial instruments	8 115	-	-	-	-	-	8 115
Other assets	23	-	-	-	-	-	23
<b>Liabilities</b>	<b>2 620 901</b>	<b>3 283</b>	<b>309</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 624 493</b>
Loans and advances received	2 291 561	-	-	-	-	-	2 291 561
Current accounts, deposits	554	3 283	309	-	-	-	4 146
Subordinated liabilities	320 944	-	-	-	-	-	320 944
Derivative financial instruments	7 839	-	-	-	-	-	7 839
Other liabilities	3	-	-	-	-	-	3
<b>Contingent liabilities</b>							
Financial commitments granted	-	31	-	-	-	-	31
Guarantees granted	-	-	-	-	-	-	-
Commitments received	-	-	-	-	-	-	-
Derivative financial instruments (face value)	851 851	-	-	-	-	-	851 851
<b>1<sup>st</sup> quarter of 2014, period from 01.01.2014 to 31.03.2014</b>							
<b>Statement of profit or loss</b>	<b>-</b>	<b>(17)</b>	<b>358</b>	<b>809</b>	<b>(14 803)</b>	<b>886</b>	<b>(12 767)</b>
Interest income	-	-	355	815	250	233	1 653
Interest expense	-	(17)	-	(467)	(10 173)	(100)	(10 757)
Fee and commission income	-	-	-	508	-	-	508
Fee and commission expense	-	-	-	(62)	(706)	-	(768)
Result on trading activities	-	-	-	3	(207)	753	549
Other operating income	-	-	3	12	220	-	235
Other operating expenses	-	-	-	-	(4 187)	-	(4 187)

\* As at 27 October 2014, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. ceased to be a related party. Consequently, the data on the mutual transactions relates to the period from 1.01.2014 to 27.10.2014.

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## Remuneration of the Management Board and Supervisory Board

Management Board	31.03.2015	31.12.2014
Short-term employee benefits	3 424	14 476
Long-term benefits	196	1 251
Benefits due to termination of employment	1 655	-
Share-based payments	683	1 251
<b>TOTAL</b>	<b>5 958</b>	<b>16 978</b>

Supervisory Board	31.03.2015	31.12.2014
Short-term employee benefits	75	574
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
<b>TOTAL</b>	<b>75</b>	<b>574</b>

### 3 Capital adequacy ratio

	31.03.2015	31.12.2014
Total own funds	4 071 047	3 912 315
Total capital requirement	28 794 212	28 394 598
<b>Capital adequacy ratio (%)</b>	<b>14.14%</b>	<b>13.78%</b>

Beginning from 1 January 2014, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 is applied to own funds and capital adequacy terms.

### 4 Seasonality and periodicity of operations

The operations of the Bank are not subject to any material seasonal or periodical occurrences.

### 5 Debt securities issued and redeemed

The issue and redemption of securities is described in the note 31 of the interim consolidated financial statements for the first quarter of 2015 ended 31 March 2015.

### 6 Dividends paid

At the date of the preparation of these interim condensed separate financial statements for the first quarter ended 31 March 2015, the decision about the distribution of the profit for 2014 has not been made yet. The Management of the Board will not recommend the payment of dividend for 2014.

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## 7 Contingent liabilities

	31.03.2015	31.12.2014
<b>Contingent commitments granted</b>	<b>6 287 405</b>	<b>5 694 336</b>
financial commitments	5 629 927	4 999 624
guarantees	657 478	694 712
<b>Contingent commitments received</b>	<b>1 780 323</b>	<b>1 573 710</b>
financial commitments	1 152 896	942 883
guarantees	627 427	630 827

Additionally, as at 31 March 2015, the Group had liabilities due to issued promises of granting loans to the amount of PLN 817 132 thousand (PLN 765 610 thousand as at 31 December 2014).

## 8 Post-balance sheet events

### Merger of Bank BGZ S.A. and BNP Paribas Bank Polska S.A.

On 9 April 2015 the Polish Financial Supervision Authority issued the following permits and decisions with regard to the merger of Bank Gospodarki Żywnościowej S.A. (BGŻ) and BNP Paribas Bank Polska S.A. (BNPP Polska):

- permitted the merger of BGŻ (as a bidding bank) and BNPP Polska (as a target bank) through the transfer of all property of BNPP Polska to BGŻ (the Merger); and
- issued a decision stating that there are no grounds to object to the intention of BGŻ to directly acquire shares in Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska S.A. in a number resulting in exceeding a 50% stake in the total number of votes at the general meeting.

On 10 April 2015 BNP Paribas Fortis SA/NV received the decision of the European Central Bank, issued within the framework of the Single Supervisory Mechanism, authorizing the envisaged merger of BGŻ and BNPP Polska.

On 23 April 2015 the KNF issued its consent for the amendments of the Bank's Articles of Association made in connection with the merger.

On 30 April 2015 the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register registered the Merger. Concurrently with the registration of the Merger, the previous business name of the Bank: "Bank Gospodarki Żywnościowej S.A." was changed to "Bank BGŻ BNP Paribas S.A."

In relation to the Merger, the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, also registered in the National Court Register the amendments to the Articles of Association of the Bank, adopted by the Extraordinary General Meeting of BGŻ on 25 February 2015.

The Merger was executed pursuant to Article 492 § 1 item 1 of the Commercial Companies Code of 15 September 2000 (consolidated text: Journal of Laws of 2013, item 1030) through a transfer of all property (all assets, equity and liabilities) of BNPP Polska (the target company) to BGŻ (the bidding company), with a concurrent increase of the share capital from PLN 56 138 764 PLN to PLN 84 238 318 through the issuance of the series I shares of BGŻ at nominal value of PLN 1 each (Merger Shares) that will be delivered by BGŻ to the existing shareholders of BNPP Polska (merger by take-over). For 6 shares of BNPP Polska, the shareholders of BNPP Polska received 5 Merger Shares.

As a result of the Merger, BGŻ assumed all rights and obligations of BNP Paribas Bank Polska SA, which was wound up without liquidation.

On 6 May 2015 the Management Board of the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.) ("NDS") adopted resolution on the conditional registration in the depository for securities of 28,099,554 ordinary bearer series I shares in the Bank, with a nominal value of PLN 1 each, being registered as a result of the allotment of the Bank's shares

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through the exchange of shares in BNPP Polska for shares in BGŻ BNPP with a 6:5 ratio. Management Board of the NDS set 7 May 2015 as the reference day within the meaning of § 217 of the Detailed Rules of Operation of the NDS, i.e. the record date for the ownership of shares in BNPP Polska to be exchanged in connection with the merger of BGŻ and BNPP Polska, in accordance with Management Board of BGŻ Resolution no 100/BZ/58/2015 dated 29 April 2015 on the indication of the reference day in connection with the Merger.

The Management Board of the NDS also decided on awarding the Merger Shares an ISIN code PLBGZ0000010.

The merger shares will be registered in the depository providing that the WSE decides to introduce these shares into trading on the regulated market.

## **Establishment of Provision for Employment Restructuring and Provision for the Closure of Branches of Bank BGŻ**

On 29 April 2015, the Bank announced that, pursuant to Resolutions of the Management Board of BGŻ No. 98/BZ/58/2015 and No. 99/BZ/58/2015, the Bank has established the provision for employment restructuring in the amount of PLN 49.3 million and the provision related to the closure of BGŻ branches in the amount of PLN 6.9 million. The provisions have been established as part of the planned restructuring to be implemented in connection with the merger of BGŻ and BNPP Polska.

## **Changes in the Bank Authorities Post-Balance Sheet**

On 23 April 2015, Dariusz Filar submitted his resignation from the position of member of the Supervisory Board, effective as of 30 April 2015 following the conclusion of the Supervisory Board meeting on that day.

On 28 April 2015 the PFSA, acting pursuant to Article 22b of the Banking Law, granted its consent to the appointment of Mr. Wojciech Kemblowski as Vice-President of the Management Board, responsible for risk management. On 30 April 2015, due to registration of the Merger, the appointment of Mr. Kemblowski as Vice-President of the Management Board came into force.

On 30 April 2015 Mr. Józef Wancer has resigned from the post of the President of the Management Board of BGŻ as of 17 September 2015 or as of the date of the issuance by the Polish Financial Supervision Authority of a permit for the appointment of the new President of the Management Board of the Bank under Article 22b of the Banking Law depending on which date comes later. At the same time the Bank was notified by the majority shareholder of the Bank, i.e. BNP PARIBAS, that following the expiration of term of office of Mr. Józef Wancer, BNP PARIBAS intends to vote on the shareholders' meeting of the Bank for the appointment of Mr. Józef Wancer to the Supervisory Board.

Also on 30 April 2015, the Supervisory Board of the Bank adopted a resolution on the conditional appointment of Mr. Tomasz Bogus as President of the Management Board of BGŻ S.A. The resolution shall come into force once the appointment is approved by the Polish Financial Supervision Authority under art. 22 b of the Banking law act – however, not earlier than on 17 September 2015.

As at the date of the Merger the resignations placed before by Vice President of the Management Board Monika Nachyła and by Vice President of the Management Board Witold Okarma have come into force as of the Merger date.

The Management Board of Bank BGŻ BNP Paribas as of 1 May 2015 comprises:

1. Józef Wancer – President of the Management Board
2. Daniel Astraud – Vice President
3. Francois Benaroya – Vice President
4. Blagoy Bochev – Vice President
5. Jan Bujak – Vice President
6. Wojciech Kemblowski – Vice President

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7. Magdalena Legęć – Vice President
8. Jaromir Pelczarski - Vice President
9. Jean-Philippe Stephane Rodes – Vice President
10. Wojciech Sass – Vice President
11. Michel Thebault – Vice President
12. Bartosz Urbaniak – Member of the Management Board

## Changes in the Share Capital

Pursuant to the registration of the Merger, on 30 April 2015 the share capital of the Bank was increased from PLN 56,138,764 up to PLN 84,238,318, through issuance of PLN 28,099,554 series I shares.

After the Merger the share capital of BGŻ is divided into 84,238,318 registered and bearer shares with a nominal value of PLN 1 (one zloty) each, including 15,088,100 series A shares, 7,807,300 series B shares, 247,329 series C shares, 3,220,932 series D shares, 10,640,643 series E shares, 6,132,460 series F shares, 8,000,000 series G shares, 5,002,000 series H shares and 28,099,554 series I shares.

As result of acquiring of series I shares of BGŻ by the existing shareholders of BNPP Polska, the stake of former shareholders of BGŻ in share capital of the Bank has been decreased. At the same time, having exceeded the thresholds of the total number of votes at the general meeting art. 62 of item 1 & 2 of the Act on Public Offering, shareholders of BGŻ have submitted relevant notifications on the change of their share in the total number of votes.

BNP Paribas Fortis SA/NV (BNPP Fortis), a subsidiary of BNP PARIBAS which prior to the Registration did not hold any shares in the Bank, exceeded the threshold of 25% of the total number of votes in the Bank. After the Registration BNPP Fortis holds in total 23,884,620 shares in the Bank, representing 28.35% of its share capital. Such number of shares represents 23,884,620 votes and 28.35% of the total number of votes in the Bank.

Within the 12 months following the notification BNPP Fortis intends to further increase its share in the total number of votes in the Bank, however only in order to complete the Merger in line with the rules of allotment of the Merger Shares in accordance with: i) Resolution No. 3 of the Extraordinary General Meeting of the Bank dated 25 February 2015 on the Merger of BGŻ and BNPP Polska, the increase of the share capital of BGŻ. and consent for the proposed amendments to the Articles of Association of Bank Gospodarki Żywnościowej S.A. (the “Merger Resolution”), and ii) art 217 of the Detailed Rules of Operation of the NDS.

Since pursuant to the Bank’s Management Board Resolution No. 85/BZ/49/2015 of 10 April 2015 the Management Board of the Bank selected BNPP Fortis as the shareholder to whom the Fractional Shares are to be allotted, BNPP Fortis intends to further increase its share of the total number of votes in the Bank by acquiring the Fractional Shares, i.e. the Merger Shares that are not allotted to the BNPP Polska shareholders as a result of rounding down.

After the Merger the BNP PARIBAS’s share in the total number of votes in the Bank dropped below 90% of the total number of votes and simultaneously changed by at least 1% of the total number of votes.

BNP PARIBAS holds in total 74,409,509 shares in the Bank, representing 88.33% of its share capital, which represents 74,409,509 votes and 88.33% of the total number of votes in the Bank, including:

- a) 50,524,889 shares in the Bank, representing 59.98% of its share capital and equivalent to 50,524,889 votes and 59.98% of the total number of votes, are held directly; and
- b) 23,884,620 shares in the Bank, representing 28.35% of its share capital and equivalent to 23,884,620 votes and 28.35% of the total number of votes, are held indirectly through BNP PARIBAS’s subsidiary, BNPP Fortis.

The shareholders’ structure as at the date of publication of this report, i.e. as at 14 May 2015, is presented under item 42 of this 1Q 2015 Financial Report.

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.....  
Józef Wancer  
*President of the Management Board*

.....  
Blagoy Bochev  
*Vice-President of the Management Board*

.....  
Stephane Rodes  
*Vice-President of the Management Board*

.....  
Wojciech Sass  
*Vice-President of the Management Board*

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Wojciech Kemblowski  
*Vice-President of the Management Board*

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*Vice-President of the Management Board*

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*Vice-President of the Management Board*

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Francois Benaroya  
*Vice-President of the Management Board*

.....  
Bartosz Urbaniak  
*Member of the Management Board*

.....  
Katarzyna Romaszewska-Rosiak  
*Dyrektor Zarządzający Pionu Rachunkowości Finansowej*

Warsaw, 13 May 2015