



# BGŻ Group

Presentation of Q3 2014 results

*Warsaw, November 7th, 2014*

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# Executive summary

## Financials

- **Net profit** **PLN 177.3m YtD, up by 32% YoY (PLN +43.0m)**
- Total income **PLN 1,135m YtD, +7% YoY (PLN +73.6m)**, *mainly driven by:*
  - *NII - PLN 842.9m YtD, +15% YoY (PLN +110.1m)*
  - *Fees - PLN 234.2m YtD, +15% YoY (PLN +29.9m)*
- Expenses **PLN 754.9m YtD, +2% YoY (PLN +15.5m)**
- C/I **66.5% (-3.2 p.p.)**
- Volumes **loans (net) PLN 29.8b (+13% YoY), deposits PLN 29.0b (+12.6% YoY)**

## Clients

- Loan exposure:
  - micro companies **PLN 6.5b (+25% YoY)**
  - F&A loans **PLN 14.0b (+17% YoY)**
- Cash loans sales **+46% YoY**
- F&A clients base **69.5 thous. +12% YoY (+7.4 thous.)**

## Strategy

- Strategy execution:
  - F&A market shares: in loans rising to 29.0%, deposits increased to 13.2%,
  - merger with Rabobank Polska (RBPL) completed at the end of June 2014 – strengthened large corporate segment,
  - GCCP segment (former RBPL) loans amount to 6% and deposits to 2% of total BGŻ avg volumes,
  - merger with BNP Polska S.A. is now being prepared, integration costs of PLN 11.2m incurred (YtD).

## Funding & Risk

- LDR at 107.4% (Q3 2014) vs 102.2% (Q1 2014), caused by merger with RBPL, supported by funding from the Rabobank Group for loan book (Q3 2014 LDR excl. RBPL would amount to 101.1%).
- CAR at 13.7%, BGŻ passed the stress test performed by KNF following EBA guidelines.
- Net impairment losses +4% YoY (PLN +6.2m), mainly from Retail and Micro, while SME and Large Corporates recorded lower provisions.

# Financial summary

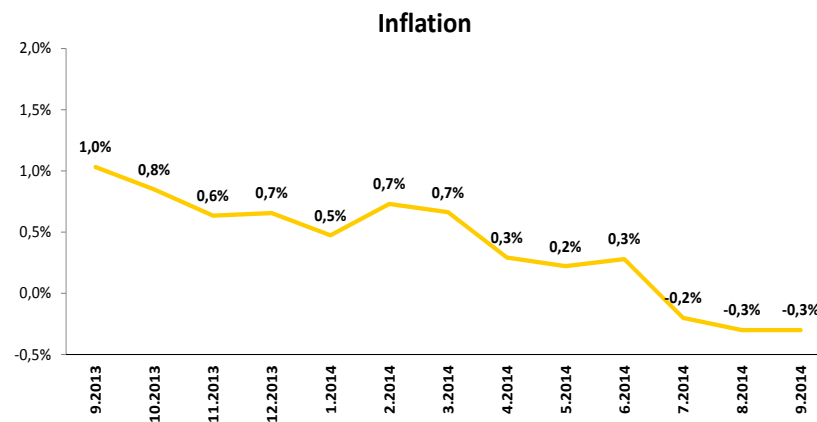
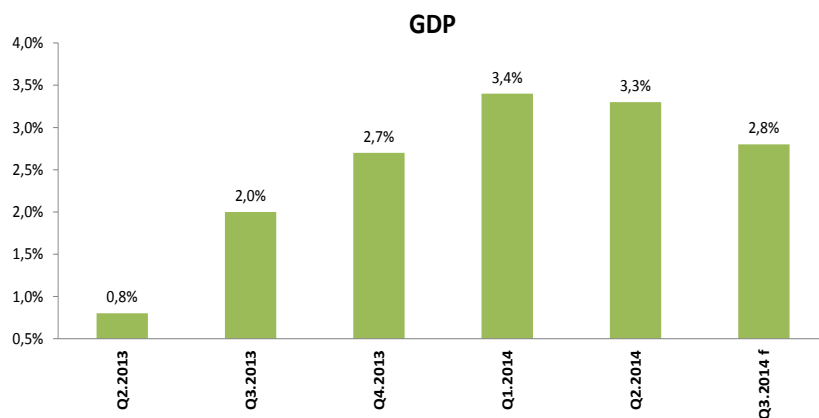
## including and excluding integration costs

PLN million	YTD Sept. 2013	YTD Sept. 2014	YTD Sept. 2014 excl. integr. costs	Change y/y	Change y/y excl. integr. costs	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Change q/q
<b>Total income</b>	<b>1 061,4</b>	<b>1 135,0</b>	<b>1 135,0</b>	<b>+7%</b>	<b>+7%</b>	<b>325,9</b>	<b>364,0</b>	<b>371,4</b>	<b>380,7</b>	<b>360,2</b>	<b>379,5</b>	<b>395,4</b>	<b>+4%</b>
Total expenses	(739,4)	(754,9)	(743,7)	+2%	+1%	(254,9)	(238,2)	(246,3)	(240,7)	(248,6)	(246,1)	(260,2)	+6%
Net impairment losses	(149,2)	(155,4)	(155,4)	+4%	+4%	(32,8)	(58,6)	(57,8)	(99,5)	(57,8)	(53,4)	(44,2)	-17%
<b>Pre-tax profit</b>	<b>170,3</b>	<b>224,7</b>	<b>236,0</b>	<b>+32%</b>	<b>+39%</b>	<b>38,1</b>	<b>66,1</b>	<b>66,1</b>	<b>31,9</b>	<b>55,1</b>	<b>80,9</b>	<b>88,8</b>	<b>+10%</b>
<b>Net profit</b>	<b>134,3</b>	<b>177,3</b>	<b>186,1</b>	<b>+32%</b>	<b>+39%</b>	<b>29,5</b>	<b>53,0</b>	<b>51,8</b>	<b>25,9</b>	<b>44,6</b>	<b>63,9</b>	<b>68,8</b>	<b>+8%</b>
ROE	5,2%	6,2%	6,5%	1,0%	1,3%	3,4%	6,1%	6,0%	3,0%	5,1%	6,7%	7,2%	0,5%
ROA	0,5%	0,6%	0,7%	0,2%	0,2%	0,3%	0,5%	0,6%	0,3%	0,5%	0,7%	0,7%	0,0%
Cost / Income	69,7%	66,5%	65,5%	-3,2%	-4,1%	78,2%	65,4%	66,3%	63,2%	69,0%	64,8%	65,8%	1,0%
CAR	13,1%	13,7%	13,7%	0,6%	0,6%	12,0%	11,9%	13,1%	13,3%	13,0%	14,0%	13,7%	-0,3%

# Macroeconomics

## Polish economy after 3 quarters of 2014 – highlights

- The Bank forecasts Q3 GDP growth at 2.8% (YoY), vs. 3.3% in Q2 2014.
- Inflation continued to decline and fell to -0.3% in Q3 (deflation) from 0.3% in Q2 and 0.4% average in H1.
- Unemployment continues to decline, to 11.5% in September. It is expected to return at 12% in December 2014.
- Since July 1, 2014 interchange fee changed to max 0.5%.
- The NBP reference rate was lowered to 2.0% (since October 9). It is likely to cut it by the following 25-50bp later in the year. Lombard rate cut by 100bp.

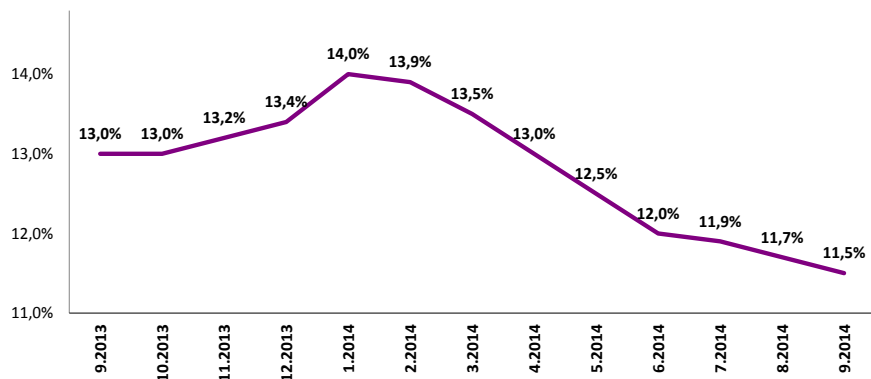


Source: GDP - GUS; GDP forecast for Q3 2014 - Bank; Inflation - NBP

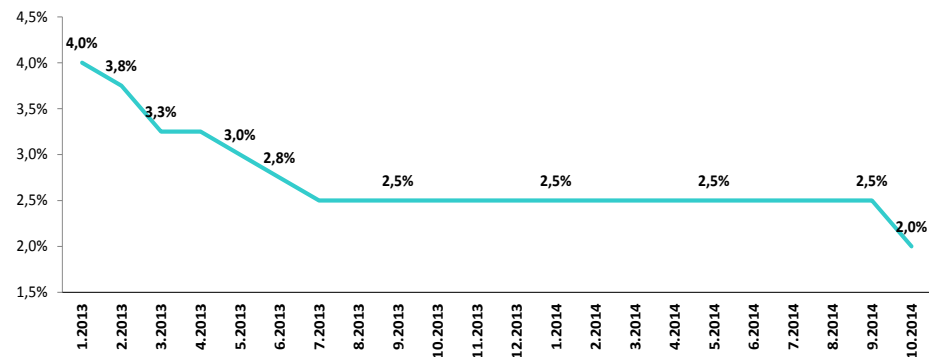
# Macroeconomics

## Signs of slow-down in the Polish economy

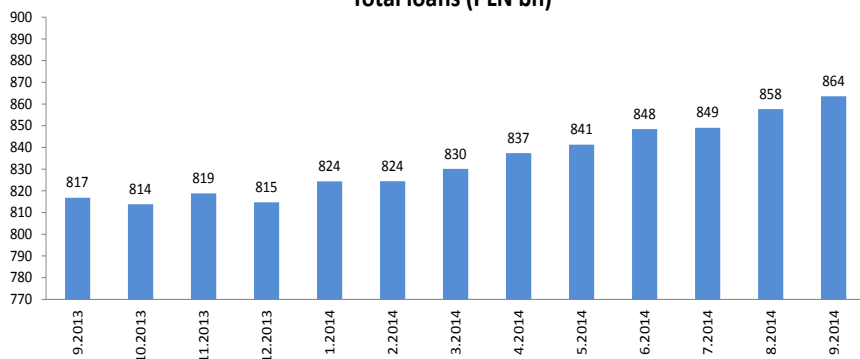
### Unemployment



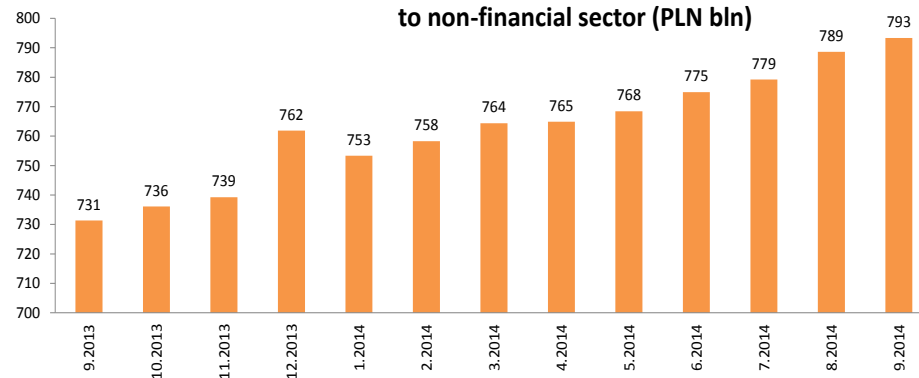
### NBP reference rate



### Total loans (PLN bn)



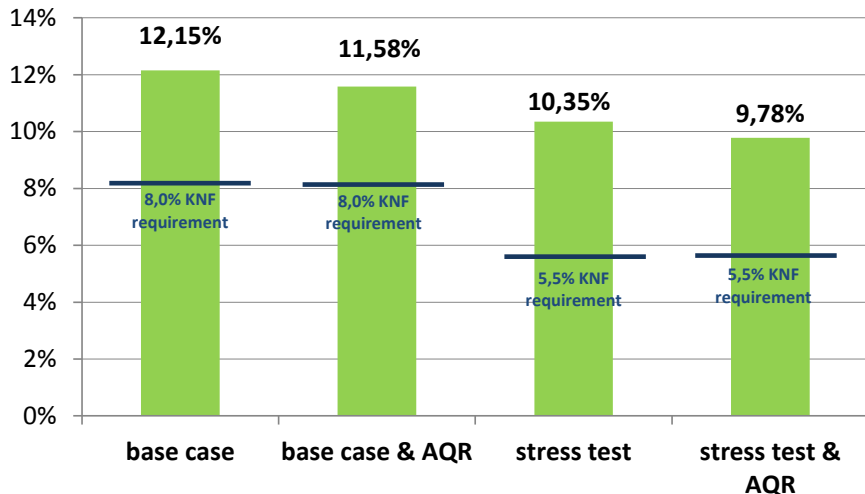
### Deposits & other liabilities of banks to non-financial sector (PLN bln)



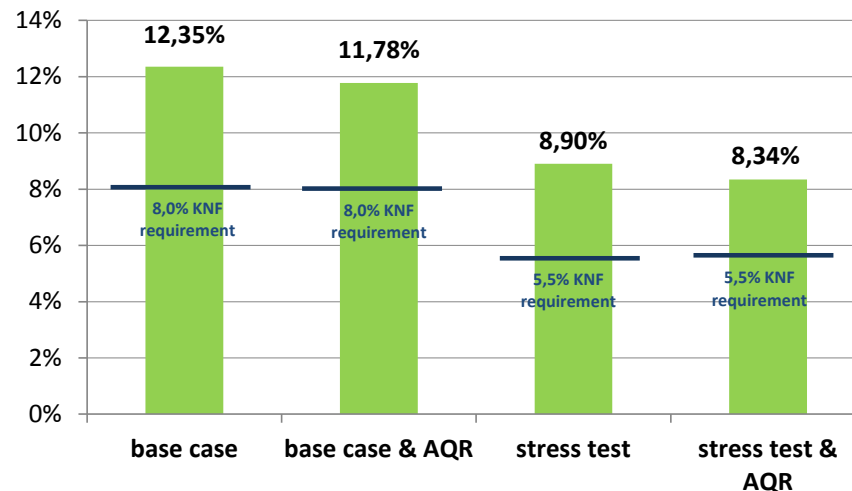
# Bank BGŻ passed the stress test

performed by KNF following the EBA guidelines

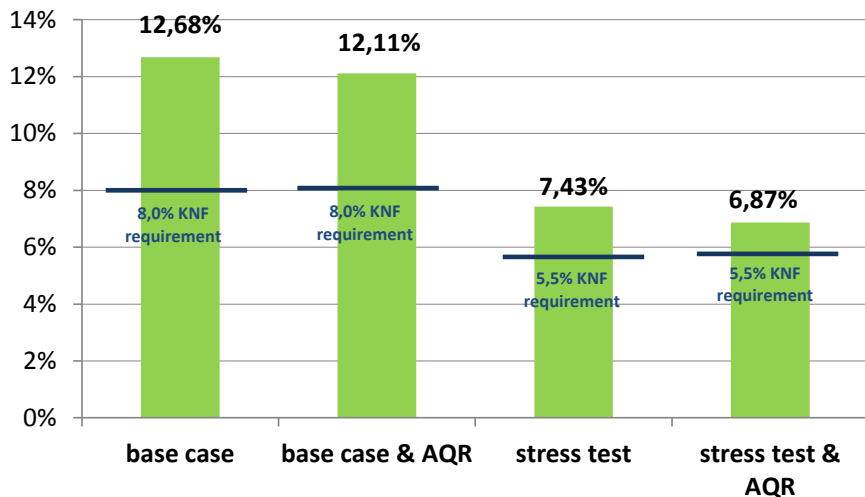
**BANK BGŻ Tier 1 CAR in 2014**



**BANK BGŻ Tier 1 CAR in 2015**



**BANK BGŻ Tier 1 CAR in 2016**



- Reference year 2013 Tier 1 CAR amounted to 11.99%, currently 12.6%.
- The AQR results would not bring BGŻ below any of the thresholds KNF set for the stress tests.

# Bank BGŻ - corporate changes

- **June 18, 2014** – the National Court Register registered the merger of Bank BGŻ with Rabobank Polska.
- **September 15, 2014** – a confirmation that in response to the tender offer for the sale of shares in the Bank BGŻ, announced by BNP Paribas SA, Rabobank International Holding B.V. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. had placed subscriptions covering 41,763,109 shares of the Bank, representing 74.39% of the share capital of the Bank BGŻ.
- **September 23, 2014** – BNP Paribas acquired 41,872,248 shares in Bank BGŻ, representing 41,872,248 votes at the Bank's general meeting, accounting for approximately 74.59% of the Bank's share capital and vesting the right to exercise approximately 74.59% of the total number of votes at the Bank's General Shareholders' Assembly.
- **October 10, 2014** - the Management Board of BGŻ and the Management Board of BNP Paribas Polska agreed and signed the plan to merge BGŻ and BNPP Polska.
- **October 27, 2014** - the BNP Paribas informed Bank BGŻ S.A. on completion of the call on shares with additional 8,080,489 shares, resulting in total number of shares of 49,958,737 and representing 88.98% of the voting rights on the Bank's General Shareholders Assembly.



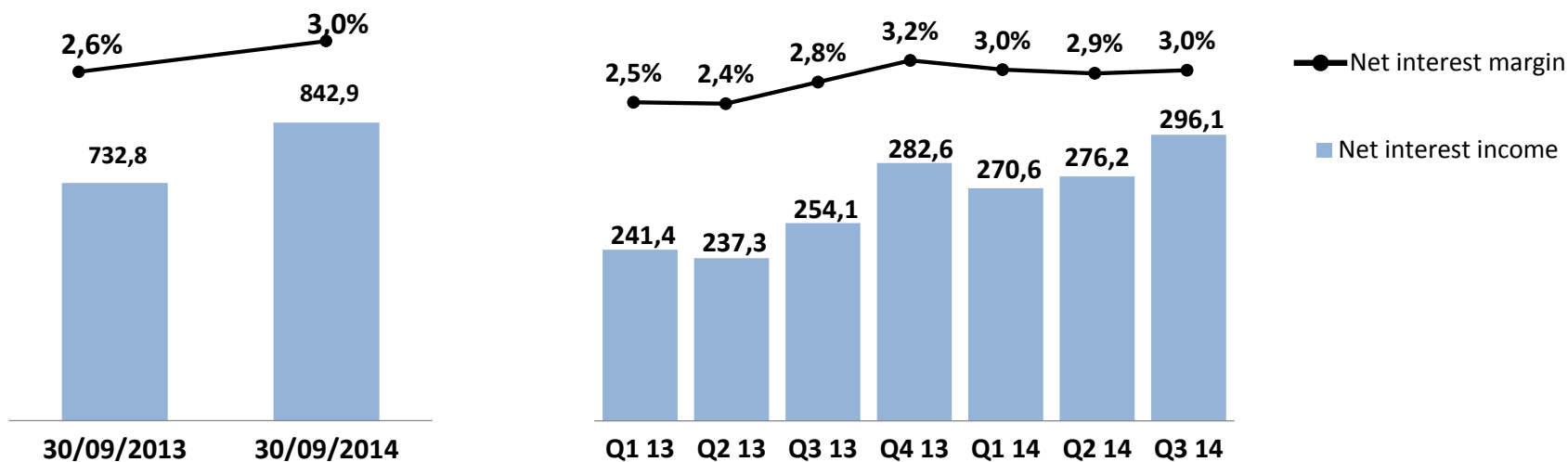


# Financial data

# Net interest income

## Net interest income and margin

(PLN m)

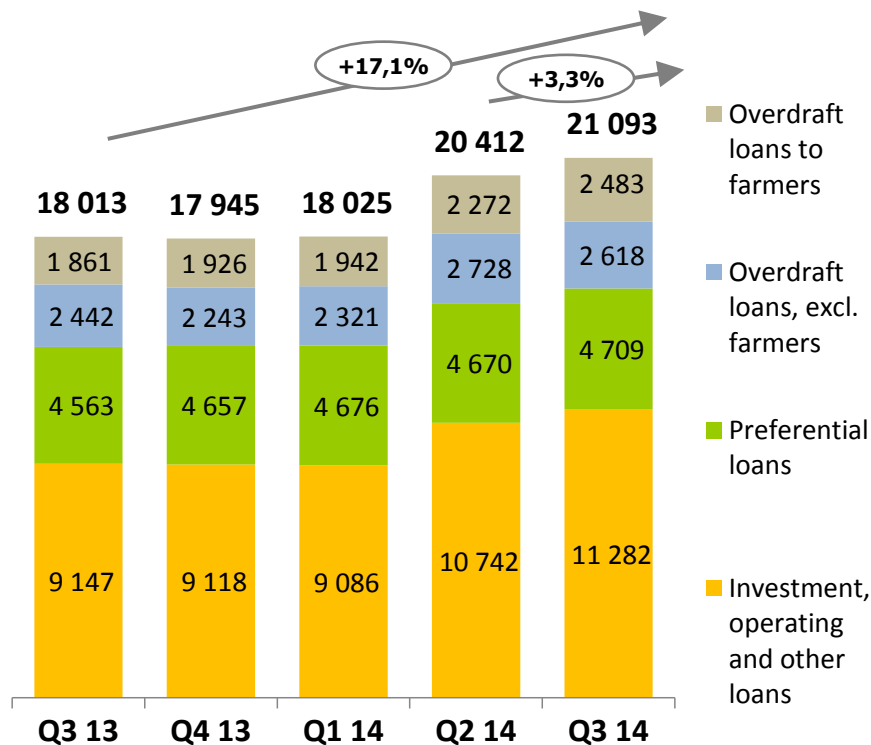


- Improvement on NIM YoY by 0.4 p.p., levelling around 3% throughout the 2014.
- Reflection of lower deposit rates and optimised liquidity buffers translated into improved NIM YoY.

# Loan growth

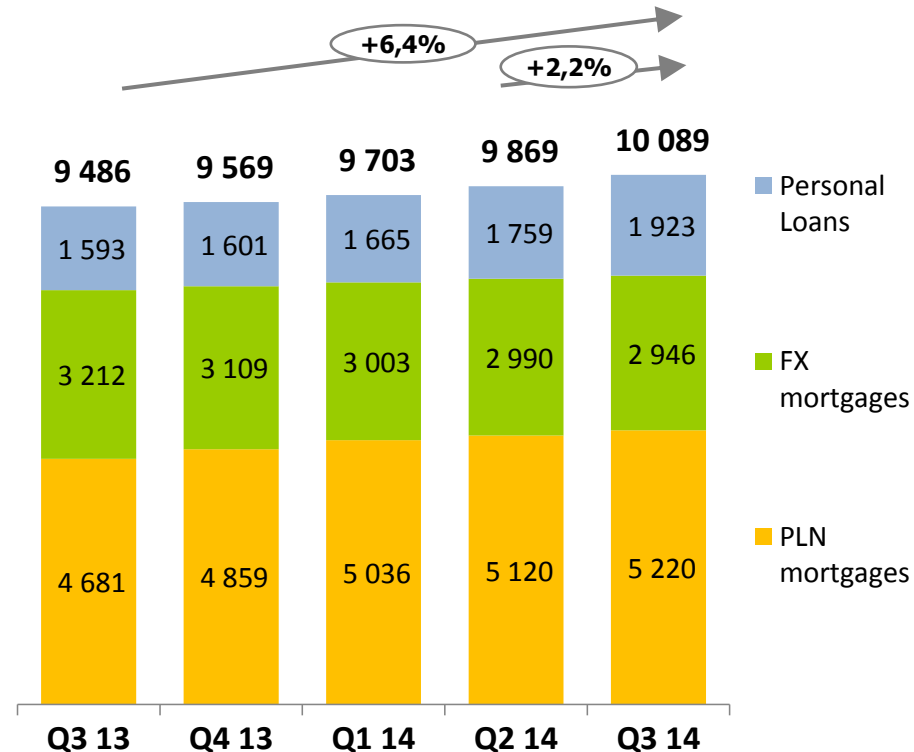
## Institutional loans, gross

(PLN m, quarter-end)



## Retail loans, gross

(PLN m, quarter-end)

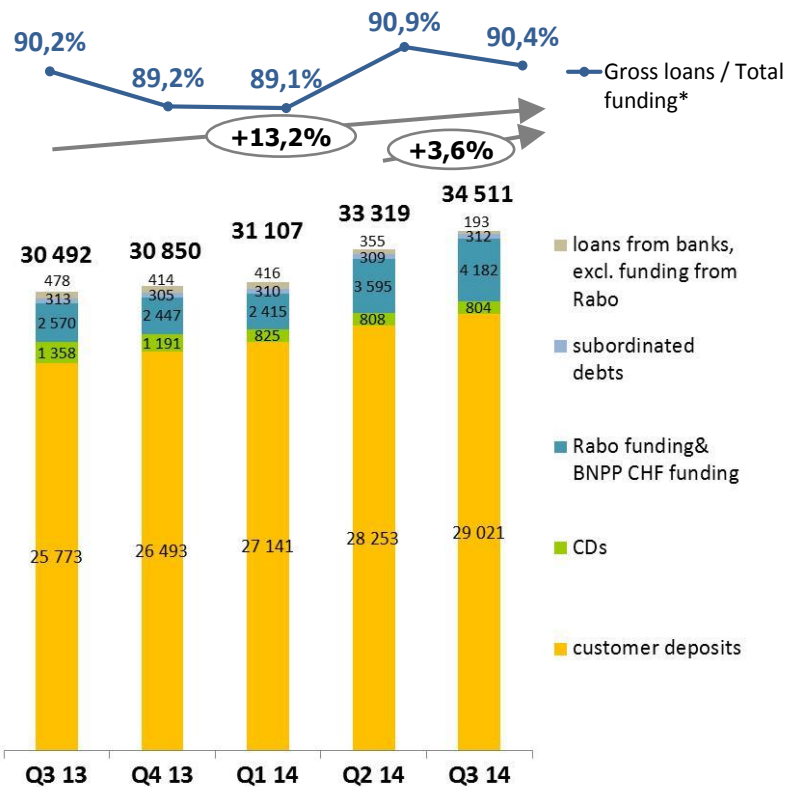


- Growth of institutional loans exposure +17.1% YoY (+6.9% YoY excluding loans from the merged RBPL). Last quarter 3.3% growth was achieved mainly thanks to microcompanies.
- F&A focus pays off through continued growth of the F&A portfolio driven by preferential loans and Agro Ekspres.
- Growths in Retail loans (mainly cash loans and mortgages).

# Funding mix

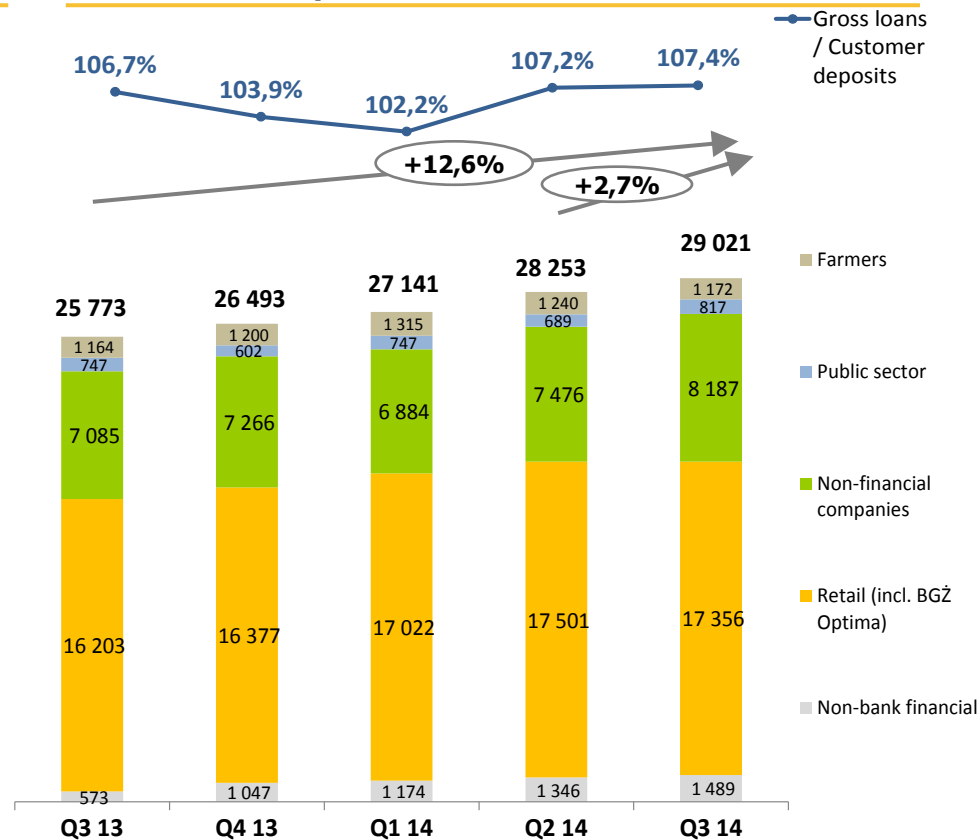
## Funding sources

(PLN m, quarter-end)



## Customer deposits

(PLN m, quarter-end)



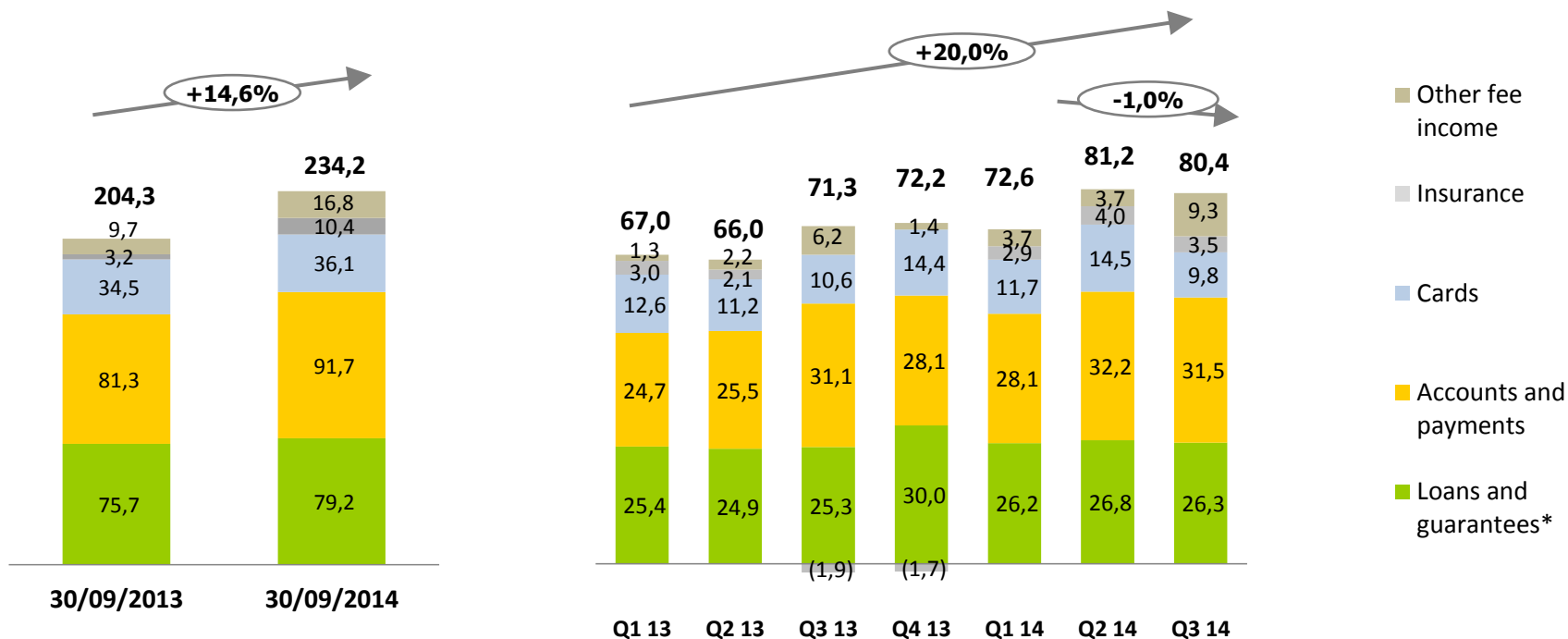
- Solid deposits portfolio and comfortable level of loan to deposit ratio.
- Optimisation of surplus liquidity buffer – no new CDs issued. Loan to Deposit ratio at 107.4% (and 101.1% excluding exRBPL).
- Subordinated debt (Tier 2) carved out of the „loans from banks”.

\* Total funding = customer deposits + loans from banks + debt securities issued (CDs)

# Net fee and commission income

## Net fee and commission income by product type

(PLN m)



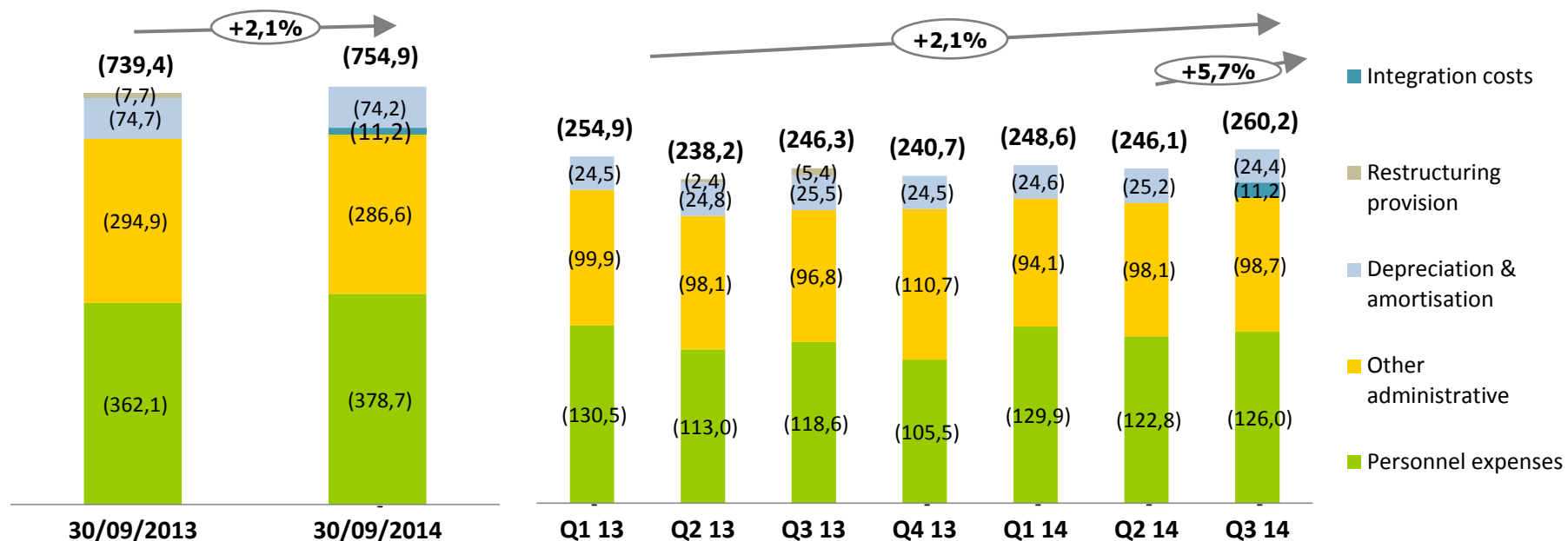
- 2014 Q3 vs 2013 Q3 fees higher, thanks to higher number and increased fees on accounts, good sales of loans to microcompanies and on cash loans, more transactions on cards and increased brokerage fees.
- Decrease of 1% QoQ – cards fee income was visibly impacted by the lowered interchange fees.
- Other fee income earned mainly by the brokerage compensated for lower card fees in Q3.

\* Contains credit fees not accounted for using the effective interest rate method (i.e. mostly on overdrafts and annexes to credit contracts)

# Operating expenses

## General administrative expenses, depreciation and amortisation

(PLN m)

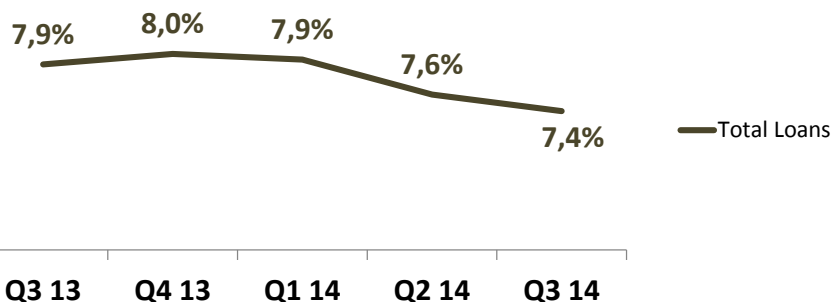


- YoY costs under control with 2.1% change (1% without integration costs):
  - higher personnel costs, following better performance related bonus pay-outs in 2014 H1.
  - higher personnel costs coming from new employees from RBPL in Q3 2014.
  - other administrative costs (excl. integration costs of PLN 11.2m incurred in Q3 for preparation to merge with BNP Polska) lower YoY, following lower marketing campaign spends and lower IT costs.
  - Q3 YTD contains also PLN 0.75m of project costs for integration with Rabobank Polska S.A.

# Asset quality

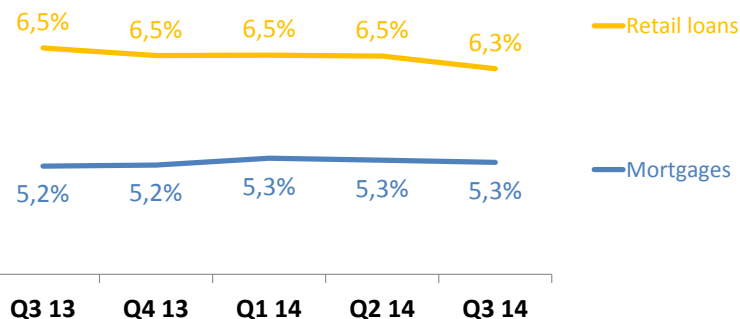
## Total loans (NPLs)\*

(quarter-end)



## Retail loans (NPLs)

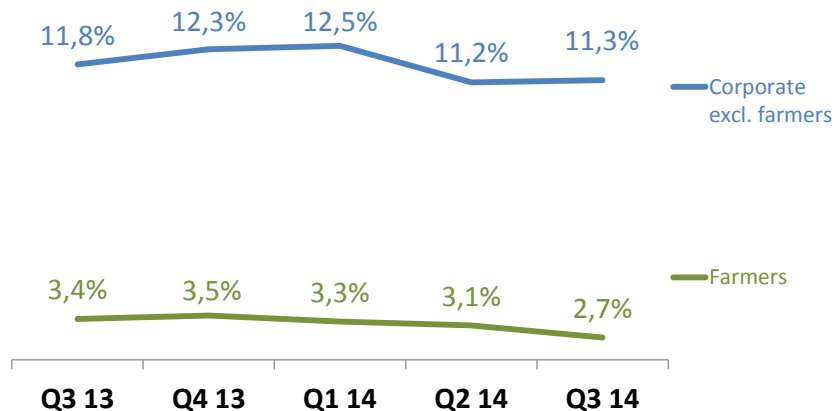
(quarter-end)



\* Includes loans and advances to customers with impairment triggers, but no impairment identified and no impairment provision – as per recommendation R

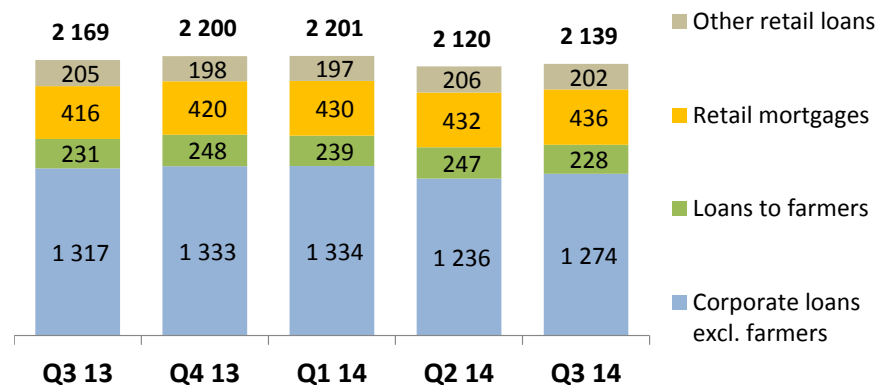
## Institutional loans (NPLs)

(quarter-end)



## Impaired portfolio

(gross exposure, PLN m, quarter-end)

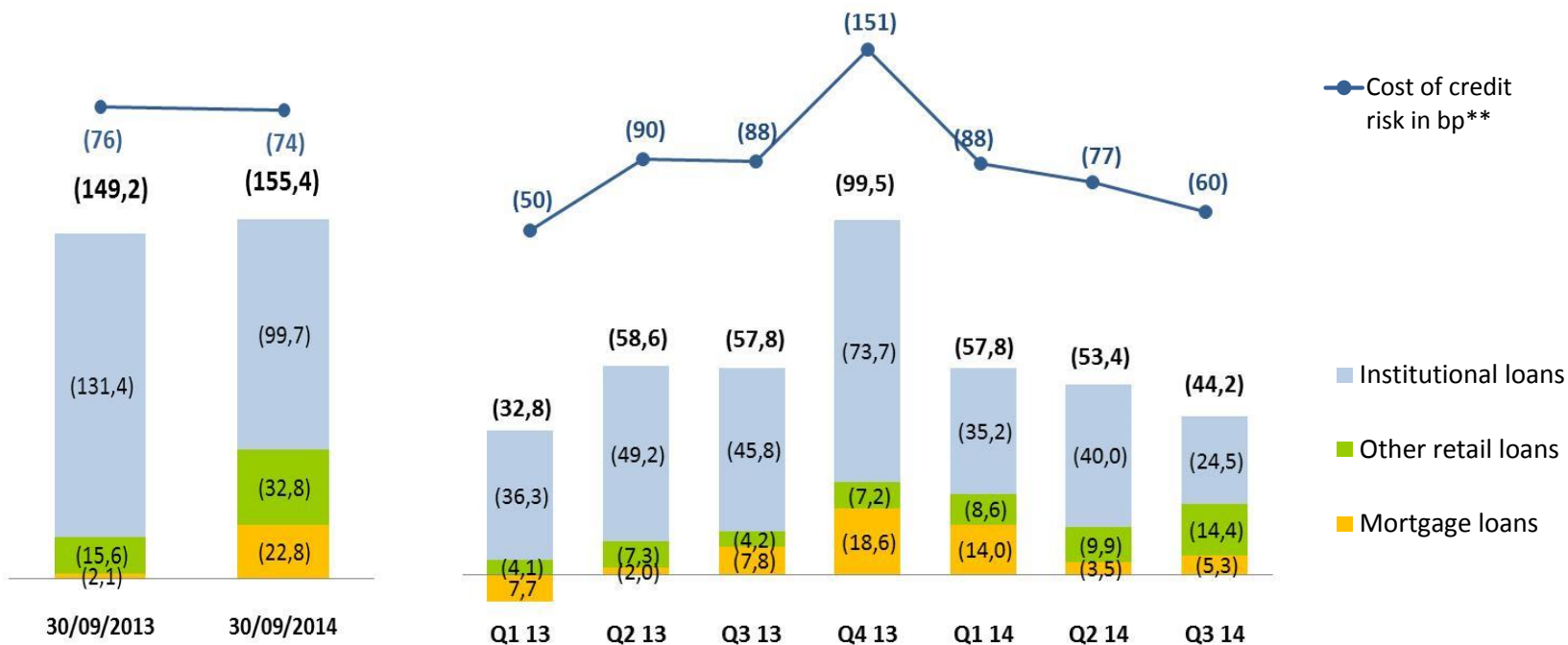


- NPL ratio decreased QoQ from 7.6% to 7.4% mainly due to institutional loans and farmers.

# Net impairment losses

## Net impairment losses by main portfolios

(PLN m)



- 2014 Q3 impairments higher than in 2013 Q3 (collective impairment model review in 2013 caused impairments released mainly on mortgage loans).
- Stabilized impairments over the 2014 quarters, with significant decrease in Q3.
- Significant drop (-24%) in institutional loans impairment 2014 Q3 vs analogous period of 2013.

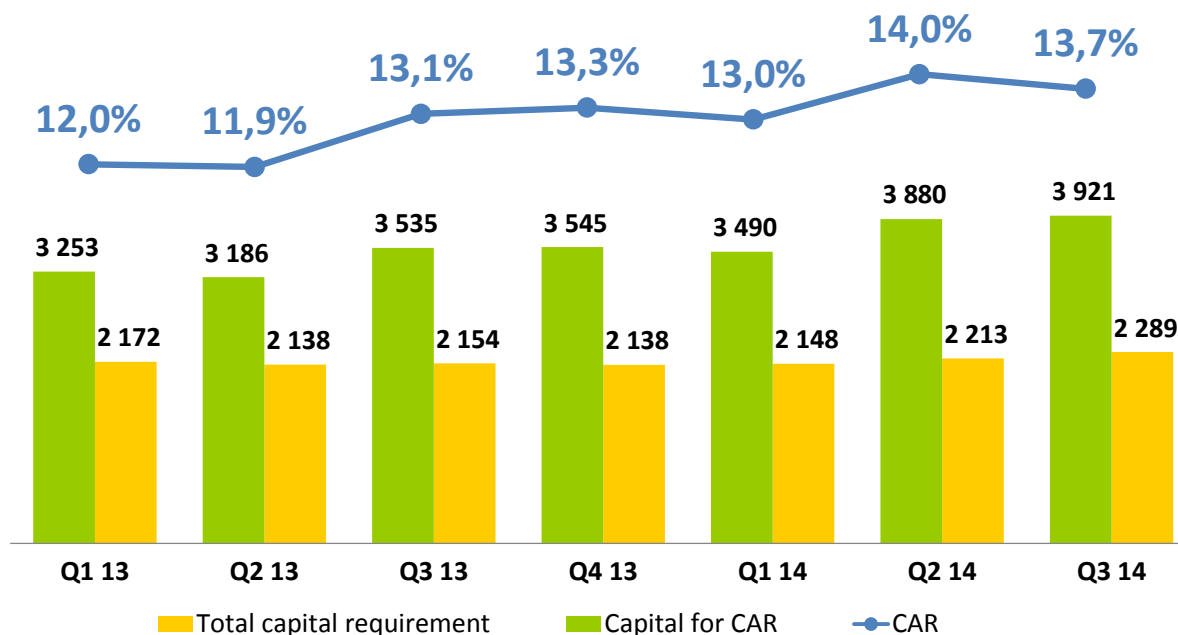
\*\* Calculated as net impairment losses divided by average balance sheet value of the total loan portfolio (annualised basis)



# Capital adequacy ratio

## Capital funds, requirements and CAR

(PLN m, quarter-end)



- Increase of capital for CAR vs 2013 as a result of RBPL merger and a retention of 2013 Bank's net result as supplementary capital.
- Capital requirements increased, the additional requirement for RBPL loans were partially offset by lower capital requirements towards existing SME portfolio, in the convergence process to the CRR/CRD IV approach.

\* - since Q2/2014 CAR is calculated according to CRR standards, for the previous periods were calculated under laws effective by the year 2013

# Awards and distinctions in 2014



- Bank BGŻ took first place in the main category „Multichannel banking” in the "Friendly Bank - Newsweek" prepared by the editors of Newsweek and research company Millward Brown.



- Title of Laureate, along with the Golden Statuette and Title of Entrepreneur - Friendly Bank with the 7 Golden Stars.



- First place in the overall and social ranking of "Gazeta Bankowa,,.



- Statuette of "Vector 2013" for Józef Wancer, President of the Management Board of the Bank BGŻ.

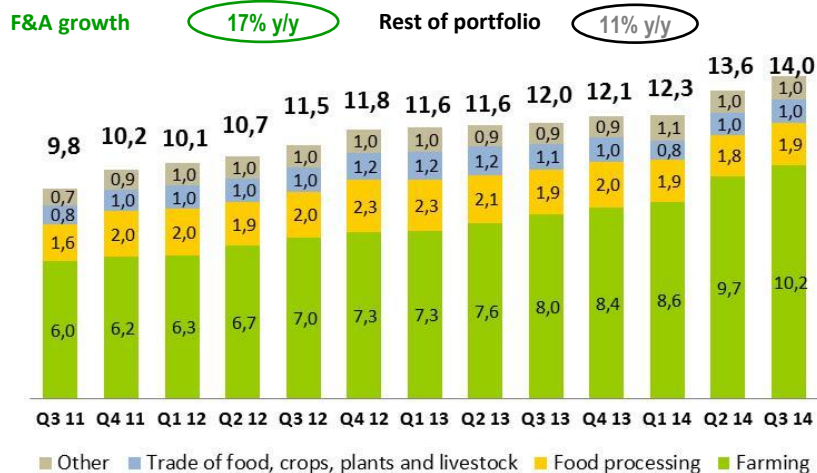


# Business highlights

# Food & Agri focus

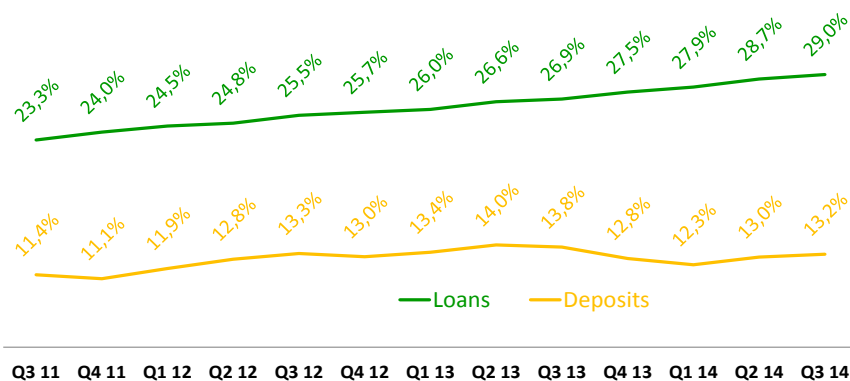
## F&A loan portfolio

(PLN bln)



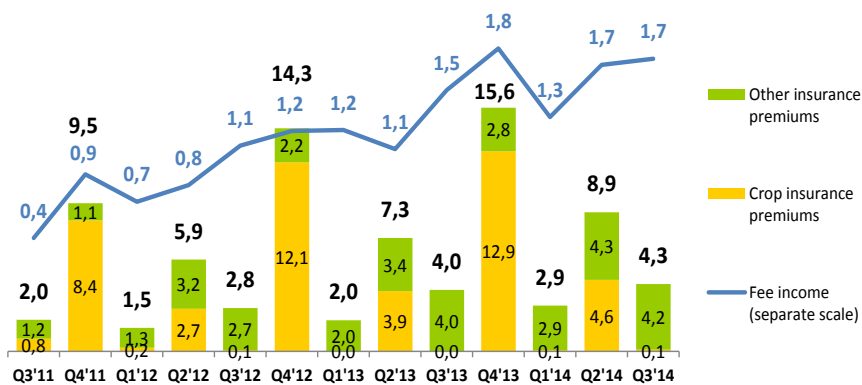
## BGZ market share in farmer volumes

(quarter-end)



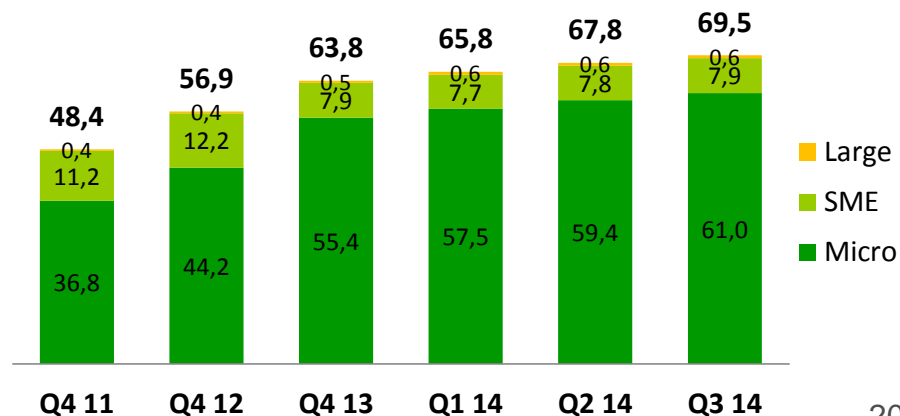
## Performance on farmer insurance

(PLN m)



## Number of F&A clients

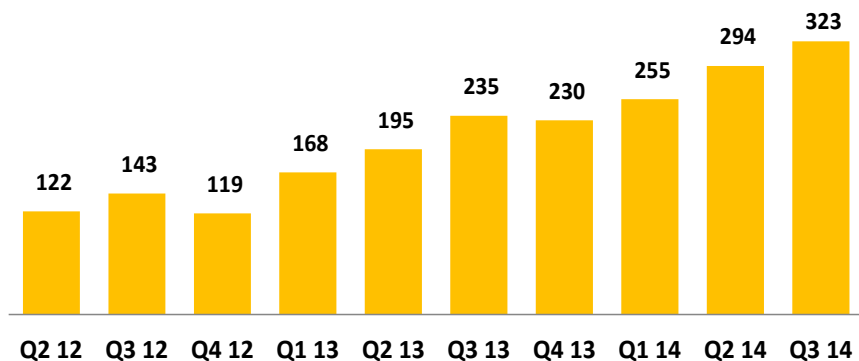
(in thousand)



# Retail business performance

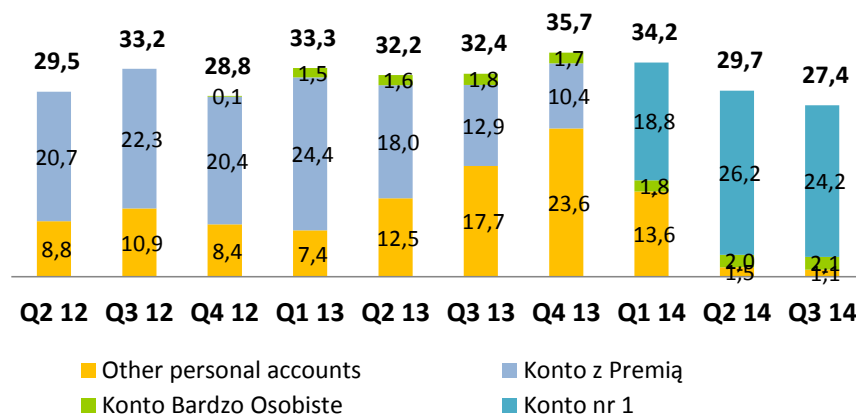
## Cash loans sales

(PLN m, quarterly)



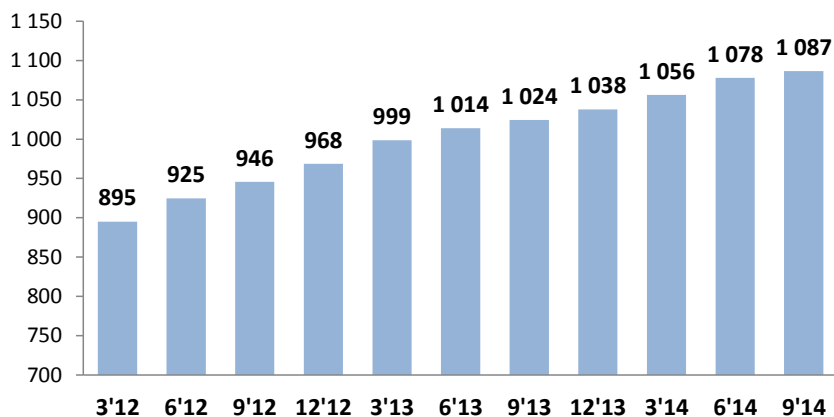
## Personal accounts sales

(in thousand, quarterly)



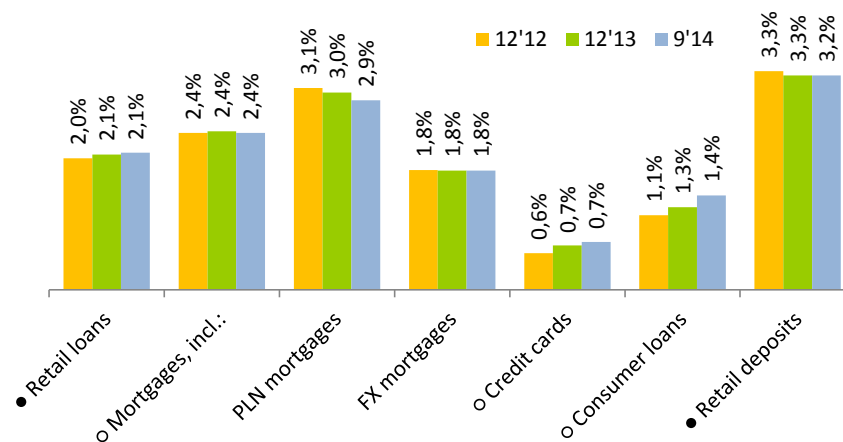
## Total number of retail clients

(in thousand, incl. BGZOptima)



## BGZ shares in retail market

(in volumes)





# Financial appendices

# Consolidated income statement

<i>PLN thousand</i>	<i>Year-to-date basis</i>		<i>Quarterly basis</i>							
	<i>30/09/2014</i>	<i>30/09/2013</i>	<i>30/09/2014</i>	<i>30/06/2014</i>	<i>31/03/2014</i>	<i>31/12/2013</i>	<i>30/09/2013</i>	<i>30/06/2013</i>	<i>31/03/2013</i>	<i>31/12/2012</i>
<b>Consolidated income statement</b>										
Interest income	1 340 613	1 465 518	476 437	438 336	425 840	445 334	447 884	480 510	537 124	571 165
Interest expense	(497 726)	(732 723)	(180 375)	(162 091)	(155 260)	(162 701)	(193 800)	(243 167)	(295 756)	(316 192)
<b>Net interest income</b>	<b>842 887</b>	<b>732 795</b>	<b>296 062</b>	<b>276 245</b>	<b>270 580</b>	<b>282 633</b>	<b>254 084</b>	<b>237 343</b>	<b>241 368</b>	<b>254 973</b>
Fee and commission income	269 357	240 225	92 769	92 295	84 293	93 487	86 162	76 838	77 225	80 186
Fee and commission expense	(35 200)	(35 959)	(12 401)	(11 058)	(11 741)	(21 261)	(14 857)	(10 873)	(10 229)	(7 937)
<b>Net fee and commission income</b>	<b>234 157</b>	<b>204 266</b>	<b>80 368</b>	<b>81 237</b>	<b>72 552</b>	<b>72 226</b>	<b>71 305</b>	<b>65 965</b>	<b>66 996</b>	<b>72 249</b>
Dividend income	3 302	2 848	-	3 302	-	-	11	2 837	-	-
Net trading income	43 391	67 179	18 517	11 153	13 721	13 245	18 428	31 638	17 113	30 235
Result on investing activities	5 389	33 527	(87)	2 307	3 169	5 696	12 914	20 613	-	25 792
Result on hedge accounting	(156)	(1 030)	-	(21)	(135)	(47)	69	99	(1 198)	100
Other operating income	28 169	37 051	11 779	10 758	5 632	12 889	22 131	9 254	5 666	11 403
Net impairment losses on financial assets and contingent liabilities	(155 383)	(149 155)	(44 230)	(53 377)	(57 776)	(99 495)	(57 832)	(58 567)	(32 756)	(43 879)
General administrative expenses	(680 714)	(664 694)	(235 847)	(220 858)	(224 009)	(216 269)	(220 802)	(213 449)	(230 443)	(247 999)
Depreciation and amortization	(74 204)	(74 744)	(24 369)	(25 227)	(24 608)	(24 475)	(25 487)	(24 782)	(24 475)	(25 016)
Other operating expenses	(22 103)	(15 239)	(11 281)	(5 506)	(5 316)	(5 907)	(7 497)	(3 733)	(4 009)	(8 874)
<b>Operating result</b>	<b>224 735</b>	<b>172 804</b>	<b>90 912</b>	<b>80 013</b>	<b>53 810</b>	<b>40 496</b>	<b>67 324</b>	<b>67 218</b>	<b>38 262</b>	<b>68 984</b>
Share in profit (loss) of associates	-	(2 502)	(2 096)	842	1 254	(8 577)	(1 188)	(1 165)	(149)	(519)
<b>Profit (loss) before income tax</b>	<b>224 735</b>	<b>170 302</b>	<b>88 816</b>	<b>80 855</b>	<b>55 064</b>	<b>31 919</b>	<b>66 136</b>	<b>66 053</b>	<b>38 113</b>	<b>68 465</b>
Income tax expense	(47 471)	(36 018)	(20 050)	(16 995)	(10 426)	(6 059)	(14 384)	(13 065)	(8 569)	(16 074)
<b>Net profit (loss) for the period</b>	<b>177 264</b>	<b>134 284</b>	<b>68 766</b>	<b>63 860</b>	<b>44 638</b>	<b>25 860</b>	<b>51 752</b>	<b>52 988</b>	<b>29 544</b>	<b>52 391</b>

# Consolidated assets

PLN thousand

Consolidated statement of financial position	30/09/2014	30/06/2014	31/03/2014	31/12/2013	30/09/2013	30/06/2013	31/12/2012
<b>ASSETS</b>							
Cash and balances with the Central Bank	1 495 370	1 416 197	1 607 994	1 617 713	1 630 272	1 347 978	2 106 657
Loans and advances to banks	296 707	291 876	109 767	269 757	551 033	238 510	104 035
Reverse repo transactions	353 656	61 351	34 508	309 255	224 159	249 837	104 369
Debt securities held for trading	153 976	300 818	171 331	1 018 701	1 467 576	1 021 476	219 051
Derivative financial instruments	401 899	247 465	302 609	363 260	412 483	322 529	380 473
Hedging instruments	-	-	67 218	57 387	48 564	36 668	69 179
Loans and advances to customers	29 794 139	28 918 697	26 458 387	26 297 916	26 314 121	25 968 836	26 323 700
Available for sale financial assets	6 893 680	6 537 759	6 377 810	4 826 073	4 137 456	6 535 385	6 867 557
Other debt securities	-	-	-	-	-	-	-
Investment property	62 524	62 524	62 524	62 524	62 301	62 301	62 301
Investments in associates	-	37 101	36 259	35 052	43 628	44 816	46 139
Intangible assets	153 402	153 405	152 684	158 589	148 860	148 235	152 674
Property, plant and equipment	415 993	427 054	436 637	449 139	449 812	456 384	469 098
Deferred tax assets	130 656	159 639	155 552	142 792	130 154	131 660	130 818
Current tax assets	4 606	-	6 820	12 519	-	-	10 318
Other assets	46 418	160 651	192 159	156 464	129 957	137 358	200 365
<b>TOTAL ASSETS</b>	<b>40 203 026</b>	<b>38 774 537</b>	<b>36 172 259</b>	<b>35 777 141</b>	<b>35 750 376</b>	<b>36 701 973</b>	<b>37 246 734</b>



# Consolidated liabilities and capital

PLN thousand

<u>Consolidated statement of financial position</u>	30/09/2014	30/06/2014	31/03/2014	31/12/2013	30/09/2013	30/06/2013	31/12/2012
<b>LIABILITIES</b>							
Amounts due to banks	2 574 958	4 282 635	3 207 120	3 271 414	3 650 916	3 652 564	4 094 436
Repo transactions	145 412	159 148	261 837	-	-	224 639	32 341
Financial liabilities held for trading	18 074	53 083	28 513	271 288	223 959	93 374	72 005
Derivative financial instruments	389 967	293 503	320 866	336 950	381 879	278 696	326 215
Hedging instruments	-	-	-	-	1 609	-	-
Amounts due to customers	31 331 127	28 252 639	27 140 819	26 492 716	25 772 536	26 677 885	26 941 971
Debt securities issued	803 779	807 583	824 879	1 191 158	1 357 745	1 880 228	1 852 931
Subordinated liabilities	311 648	308 674	309 805	304 817	312 660	-	-
Other liabilities	382 438	494 559	453 453	326 041	503 574	369 975	379 207
Provision for deferred tax	9 552	9 552	9 552	9 552	9 510	9 510	9 510
Deferred tax liabilities	-	1 265	-	-	421	-	-
Provisions	66 140	62 889	62 508	64 015	64 221	54 293	65 501
Liabilities arising from employee benefits	---	---	---	---	---	---	---
<b>TOTAL LIABILITIES</b>	<b>36 033 095</b>	<b>34 725 530</b>	<b>32 619 352</b>	<b>32 267 951</b>	<b>32 279 030</b>	<b>33 241 164</b>	<b>33 774 117</b>
<b>EQUITY</b>							
Share capital	56 139	56 139	51 137	51 137	51 137	51 137	51 137
Other supplementary capital	3 430 785	3 430 785	3 085 059	3 085 059	3 085 059	3 085 059	2 950 716
Other reserve capital	501 615	449 468	205 552	206 463	194 479	235 694	330 351
Retained earnings	181 392	112 615	211 159	166 531	140 671	88 919	140 413
- retained profit	4 128	4 117	166 521	6 387	6 387	6 387	10 364
- net profit for the period	177 264	108 498	44 638	160 144	134 284	82 532	130 049
<b>TOTAL EQUITY</b>	<b>4 169 931</b>	<b>4 049 007</b>	<b>3 552 907</b>	<b>3 509 190</b>	<b>3 471 346</b>	<b>3 460 809</b>	<b>3 472 617</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>40 203 026</b>	<b>38 774 537</b>	<b>36 172 259</b>	<b>35 777 141</b>	<b>35 750 376</b>	<b>36 701 973</b>	<b>37 246 734</b>

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Oplata za połączenie wg cennika operatora

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