



BGŻ Group

Presentation of 2014 results

Warsaw, March 5th, 2015

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Executive summary

Solid income growth amidst integration efforts with BNP Paribas Polska

Financials

- **Total income** PLN 1,521m YtD **+5% YoY (PLN +79m)**, mainly driven by:
 - *NII* - PLN 1,118m YtD, +11% YoY (PLN +114m)
 - *Fees* - PLN 310m YtD, +8% YoY (PLN +23m)
- **Expenses** PLN 1,032m YtD +5% YoY (PLN +51m) or +2% (PLN +16m) excl. integration costs
- **Net profit** PLN 138m YtD -14% YoY (PLN -22m) or PLN 238m, +48% (PLN +78m) excl. one offs
- **C/I** 67.8% -0.1 p.p. YoY or 65.5% excl. integration costs (-2.5 p.p.)
- **Loans (net)** PLN 30b +13% YoY
- **Deposits** PLN 31b +15% YoY

Clients

- **Solid volume growth supports strategic goals:**
 - micro companies PLN 7b (+26% YoY)
 - F&A loans PLN 14b (+11% YoY)
- **Cash loans sales** PLN 1,181m (+43% YoY)
- **F&A clients base** 71k (+12% YoY, +8k)
- **Total client base** 1,233k (+6% YoY, +69k)

Strategy

- **Strategy execution on track:**
 - maintain leading position in F&A: 29.9% loan market share, 12.0% deposits,
 - merger with Rabobank Polska (RBPL) – June 2014 – strengthened position in the large corporate segment, constituting 6% of total BGŻ avg loans and 3% of deposits,
 - merger with BNP Paribas Polska S.A. in process, PLN 35m of integration costs.

Funding & Risk

- **LDR** at 101.8%.
- **CAR** at 13.8%, BGŻ passed the stress test performed by KNF following EBA guidelines.
- **Net impairment losses** +25% YoY (PLN +62m), mainly due to additional provisions resulting from BNP Paribas Group assets review, KNF assets quality review (AQR), impairment for Russian embargo. Without one-offs net impairment lower by -13% YoY (PLN -31m).

Financial summary

PLN m	YTD Dec. 2013	YTD Dec. 2014	YTD Dec. 2014* normalized	Change y/y	Change y/y normalized
Total income	1 442,1	1 520,7	1 520,7	+5%	+5%
Total expenses	(980,2)	(1 031,5)	(996,3)	+5%	+2%
Net impairment losses	(248,7)	(311,0)	(217,6)	+25%	-13%
Pre-tax profit	202,2	178,2	306,8	-12%	+52%
Net profit	160,1	138,0	237,7	-14%	+48%
ROE	4,6%	3,6%	6,1%	(1,1 p.p.)	1,5 p.p.
ROA	0,4%	0,4%	0,6%	(0,1 p.p.)	0,2 p.p.
Cost / Income	68,0%	67,8%	65,5%	(0,1 p.p.)	(2,5 p.p.)
CAR	13,3%	13,8%	13,8%	0,5 p.p.	0,5 p.p.

Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q4 2014* normalized	Change q/q	Change q/q normalized
325,9	364,0	371,4	380,7	360,2	379,5	395,4	385,6	385,6	-2%	-2%
(254,9)	(238,2)	(246,3)	(240,7)	(248,6)	(246,1)	(260,2)	(276,6)	(241,3)	+6%	-7%
(32,8)	(58,6)	(57,8)	(99,5)	(57,8)	(53,4)	(44,2)	(155,6)	(62,2)	+252%	+41%
38,1	66,1	66,1	31,9	55,1	80,9	88,8	(46,6)	82,1	-152%	-8%
29,5	53,0	51,8	25,9	44,6	63,9	68,8	(39,2)	60,4	-157%	-12%
3,4%	6,1%	6,0%	3,0%	5,1%	6,7%	7,2%	(4,1%)	6,3%	(11,3 p.p.)	(0,9 p.p.)
0,3%	0,5%	0,6%	0,3%	0,5%	0,7%	0,7%	(0,4%)	0,6%	(1,1 p.p.)	(0,1 p.p.)
78,2%	65,4%	66,3%	63,2%	69,0%	64,8%	65,8%	71,7%	62,6%	5,9 p.p.	(3,2 p.p.)
12,0%	11,9%	13,1%	13,3%	13,0%	14,0%	13,7%	13,8%	13,8%	0,1 p.p.	0,1 p.p.

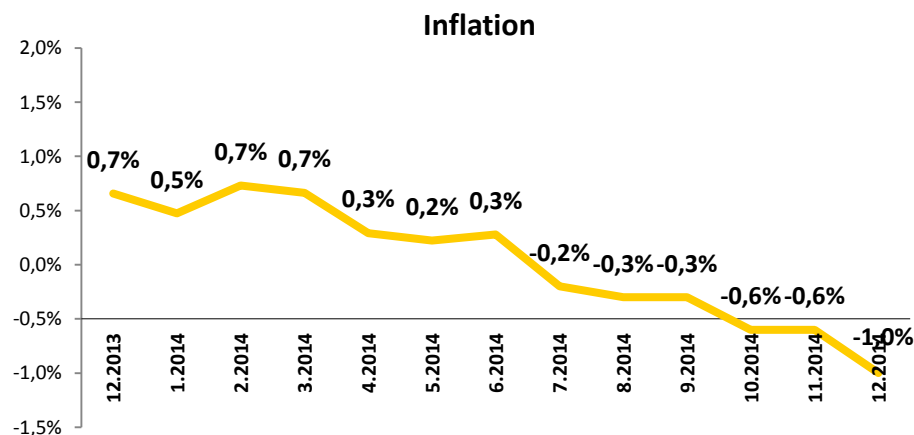
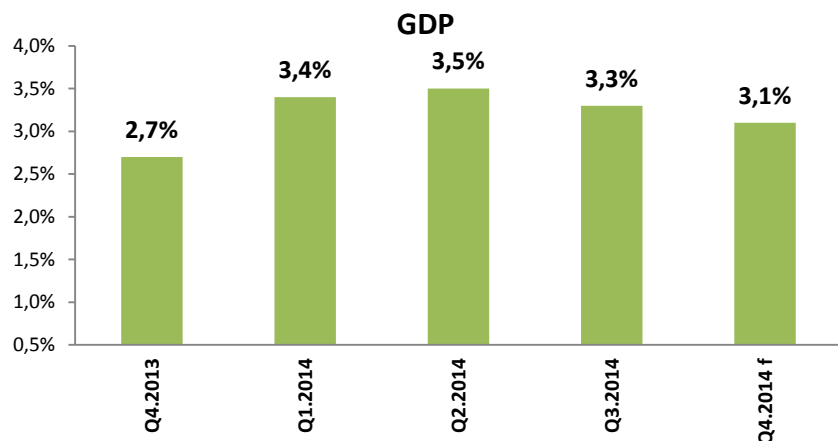
* - excluding one-offs:

- under expenses - integration costs of PLN 35.3m,
- under net impairment losses – provisions due to BNP Group Assets review, adjustments for AQR and impairment for Russian embargo in total of PLN 93.3m

Macroeconomics

Polish economy in 2014 - key indicators

- GDP growth for 2014 FY amounted to 3.3%, which indicates that in Q4 2014 growth was close to 3.1% yoy, compared to 3.3% in Q3 2014.
- Consumer inflation rate fell to -0.7% yoy (deflation) in Q4 2014, compared with -0.3% in Q3 and 0.0% on the average in the whole year.
- The unemployment rate decreased to 11.5% in December 2014 against 13.5% a year earlier and 12.4% on the average in 2014.
- Since July 1, 2014 interchange fee changed to max 0.5%. Another decrease was introduced at the end of January 2015 to max 0.2%-0.3%.
- The reference rate was cut in October 2014 to 2.0% from 2.5%, while the lombard rate was lowered by 100 bp. Larger cuts were not favoured by the MPC given the signs of prosperity and increased uncertainty in financial markets. In March 2015 the Council cut the rates by another 50 bp.

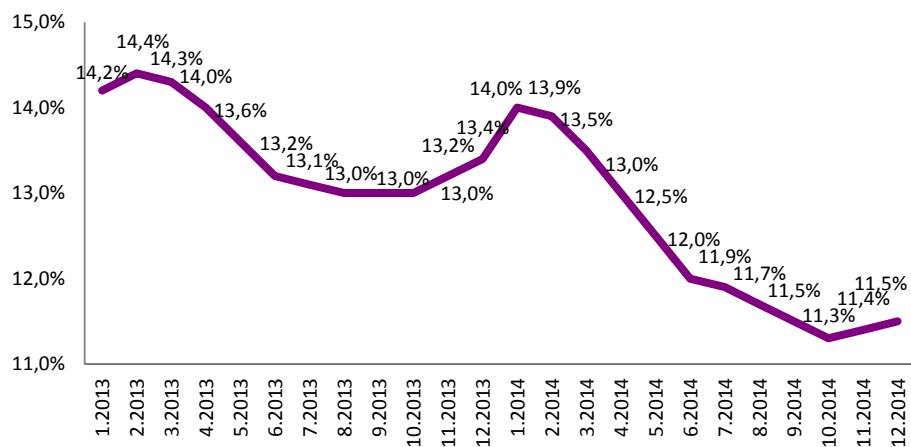


Source: GDP - GUS; GDP forecast for Q4 2014 - Bank; Inflation - NBP

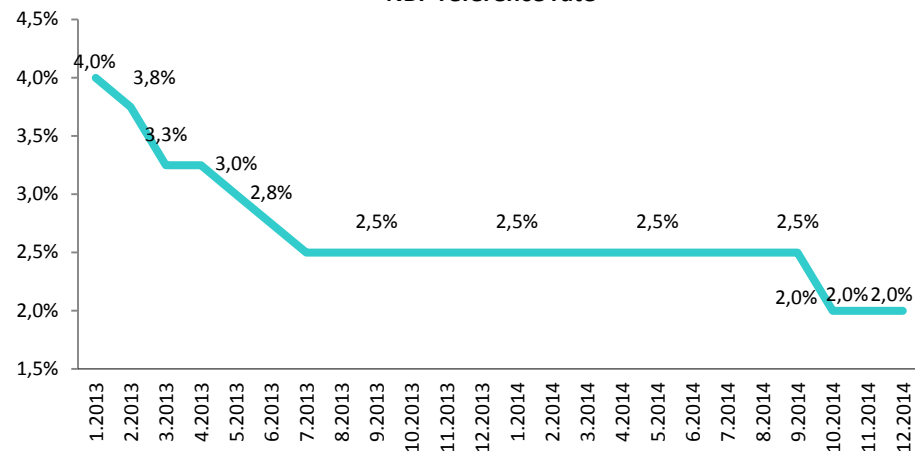
Macroeconomics

Signs of slow-down in the Polish economy

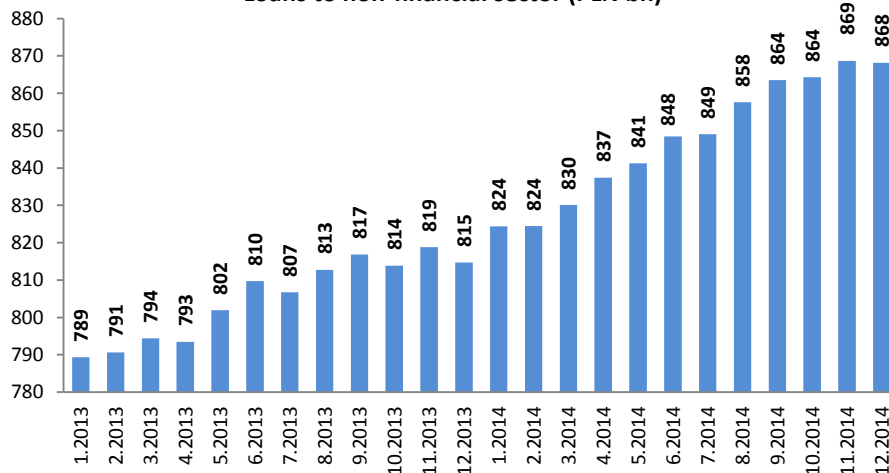
Unemployment



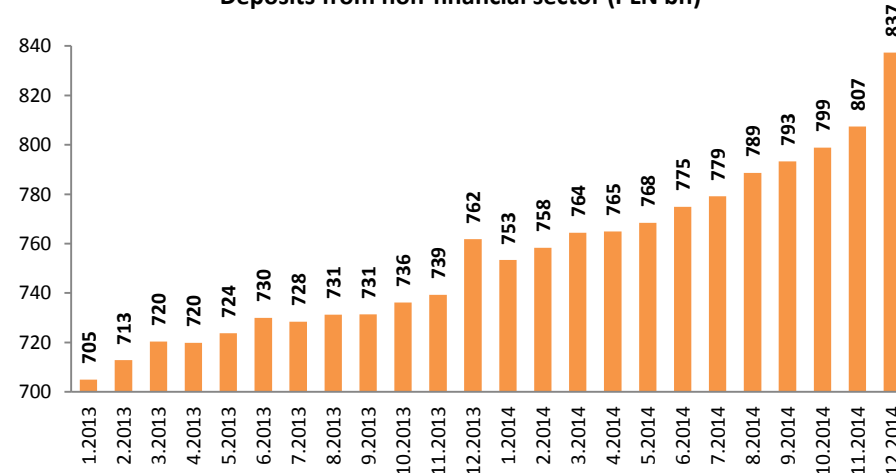
NBP reference rate



Loans to non-financial sector (PLN bn)



Deposits from non-financial sector (PLN bn)



Source: Unemployment - GUS; NBP reference rates, Total loans & advances, Deposits & other liabilities of banks to non-financial sector – NBP, banking sector - exci. SKOK, non-financial sector - only residents

Bank BGŻ - corporate changes

- **June 18, 2014** – the National Court Register registered the merger of Bank BGŻ with Rabobank Polska.
- **September 23, 2014** – BNP Paribas acquired 41,872,248 shares in Bank BGŻ, representing approx. 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 representing 88.98% of the voting rights on the Bank's General Shareholders Assembly.
- **January 23, 2015** – notification on exceeding the threshold of 90% of the total number of votes at the general meeting of Bank BGŻ S.A. by BNP Paribas SA
- **February 16, 2015** – the Polish Financial Supervision Authority approves the information memorandum of Bank BGŻ S.A. prepared in connection with the merger of Bank BGŻ S.A. with BNP Paribas Bank Polska S.A.
- **February 25, 2015** – the Extraordinary General Meeting on the Merger of Bank BGŻ S.A. and BNP Paribas Bank Polska S.A., the increase of the share capital of Bank BGŻ S.A. and consent for the proposed amendments to the Articles of Association of Bank BGŻ S.A.

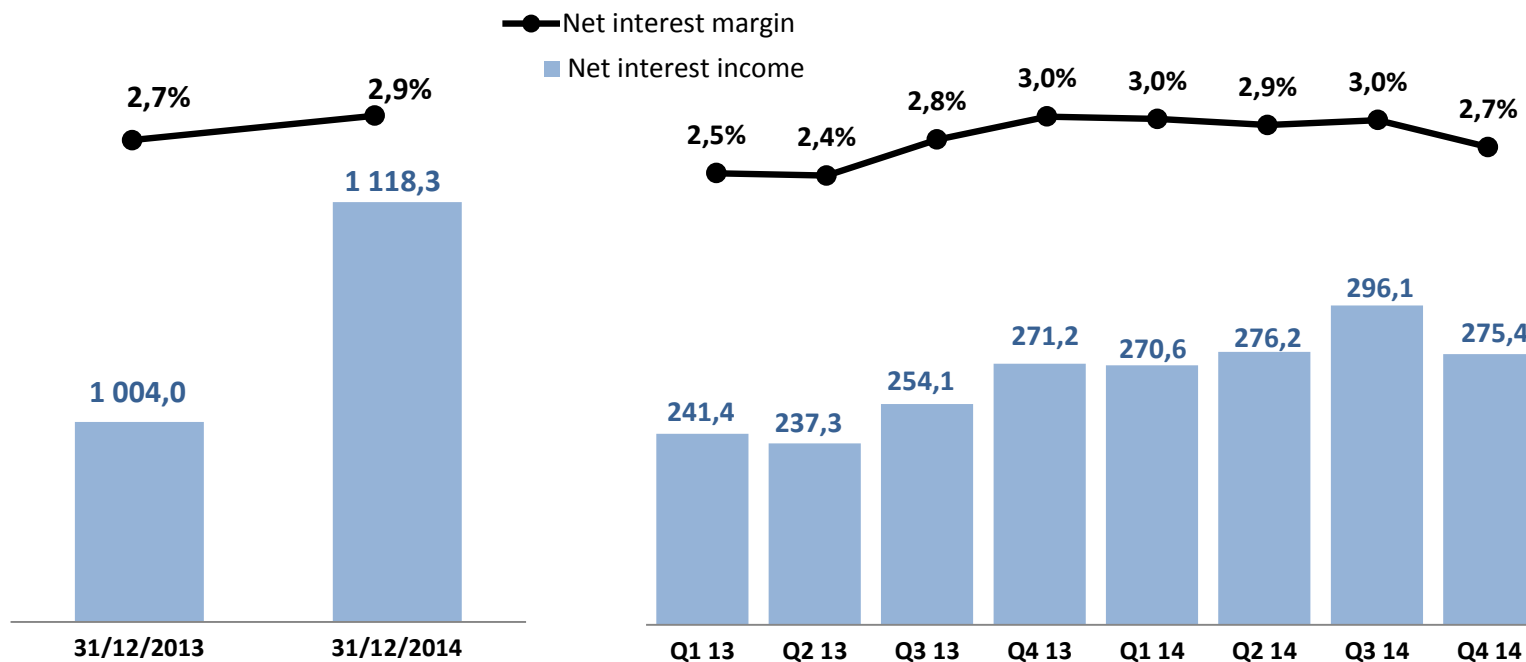


Financial data

Net interest income

Net interest income and margin

(PLN m)

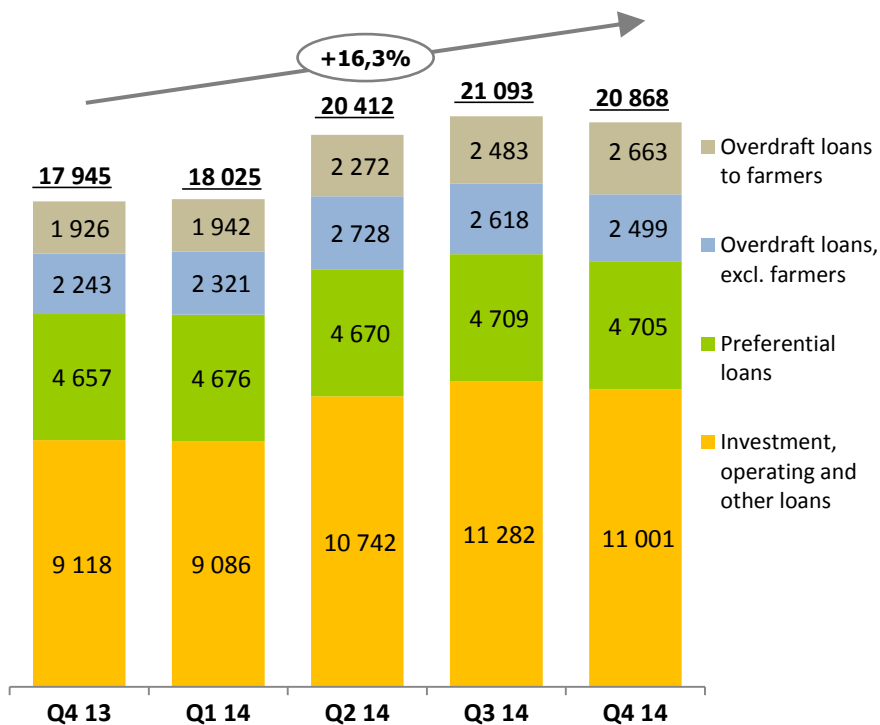


- Improvement on NIM YoY by 0.2 p.p., levelling around 3% throughout the 2014.
- In Q4 NII under pressure from NBP interest rate cuts reflected in lower margins on cash and preferential loans.

Loan growth

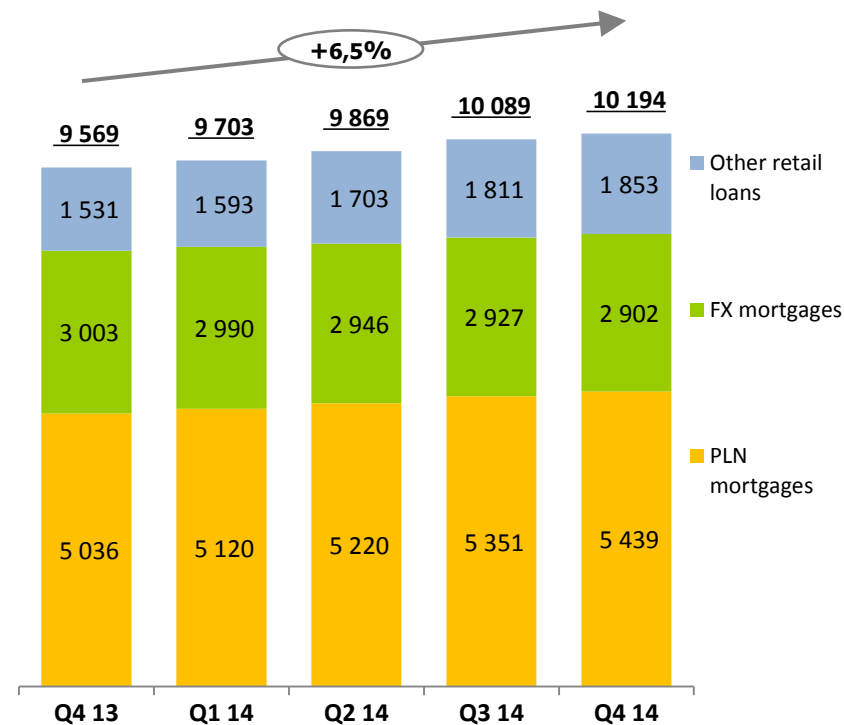
Institutional loans, gross

(PLN m, quarter-end)



Retail loans, gross

(PLN m, quarter-end)

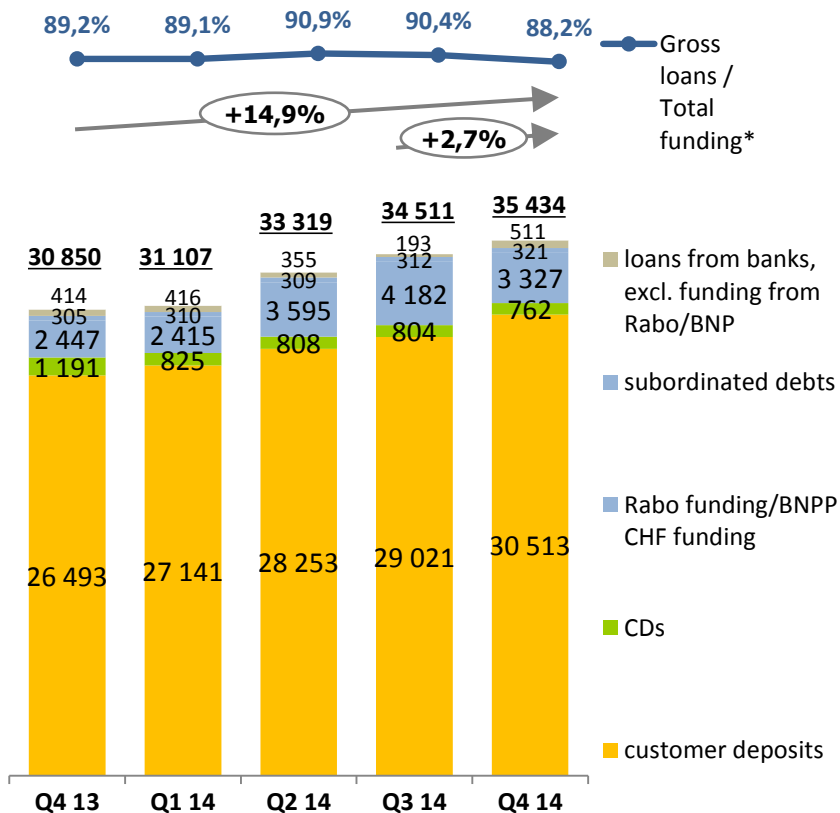


- Growth of institutional loans exposure +16.3% YoY (excluding loans from the merged RBPL +9.6% YoY).
- F&A focus pays off through continued growth of the F&A portfolio driven by preferential loans and Agro Ekspres.
- Growth in Retail loans due to higher sales of PLN mortgages and cash loans.

Funding mix

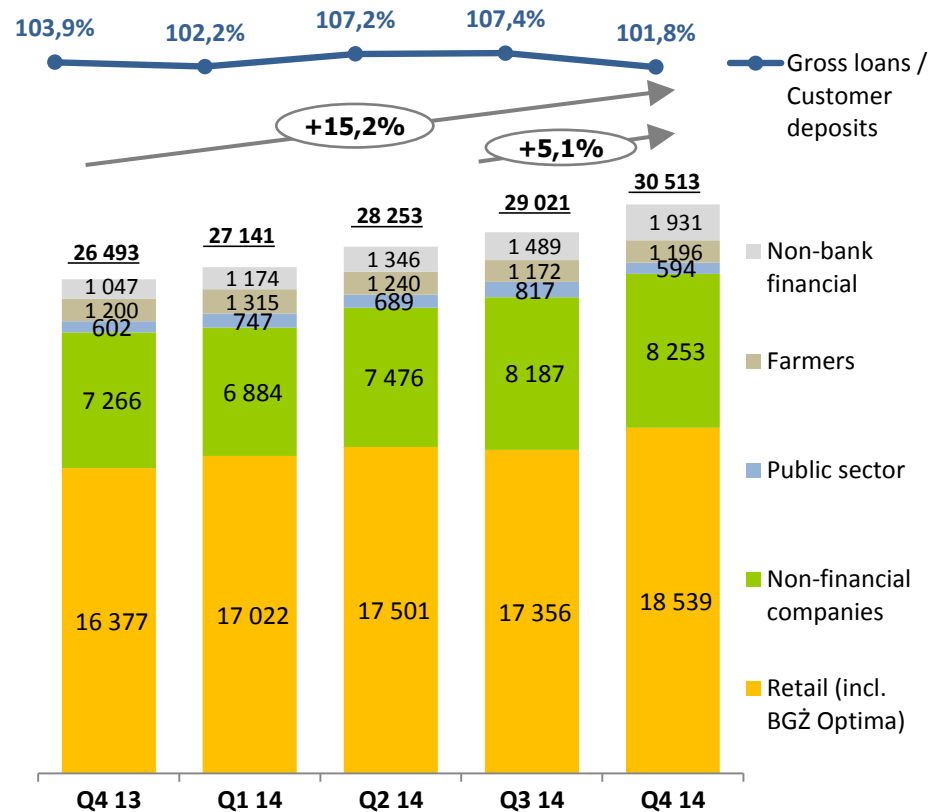
Funding sources

(PLN m, quarter-end)



Customer deposits

(PLN m, quarter-end)



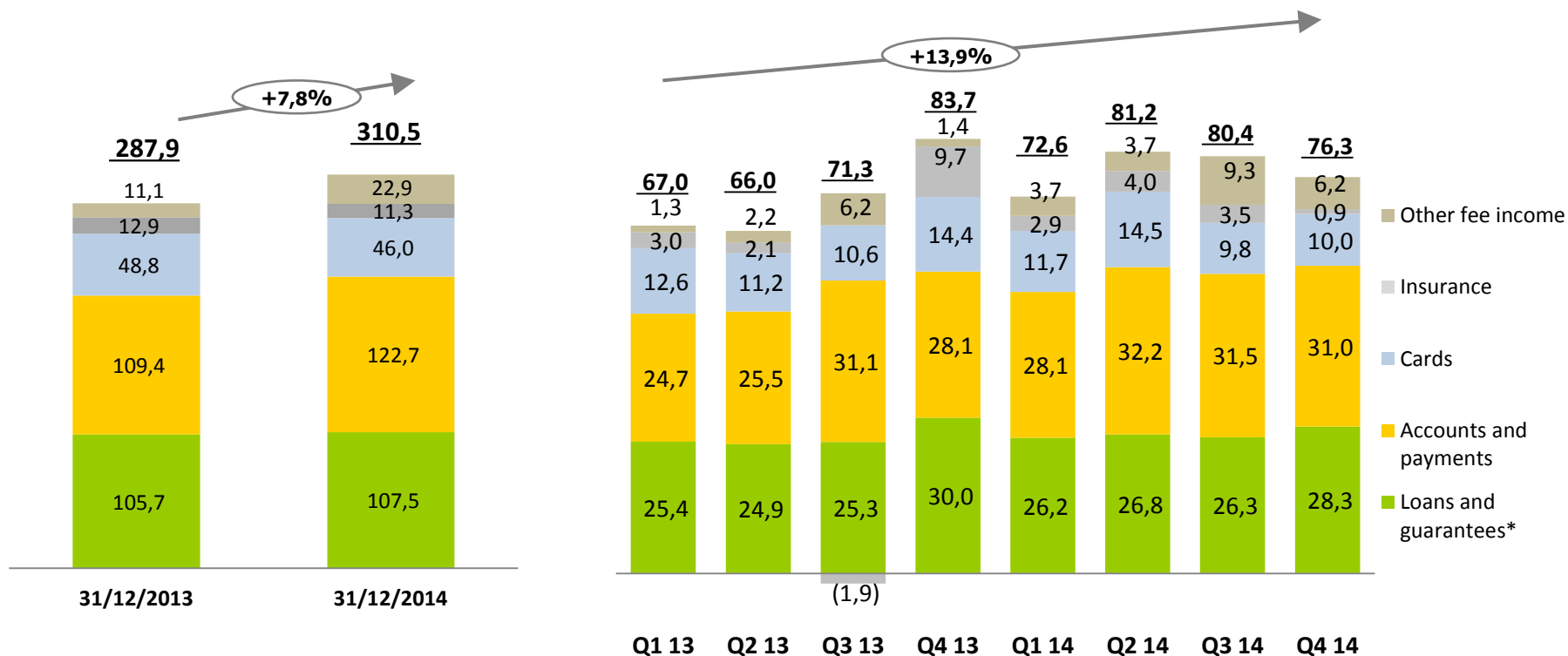
- Solid deposits portfolio and comfortable level of loan to deposit ratio.
- Optimisation of surplus liquidity buffer – no new CDs issued. Loan to Deposit ratio at 101.8%.

* 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)



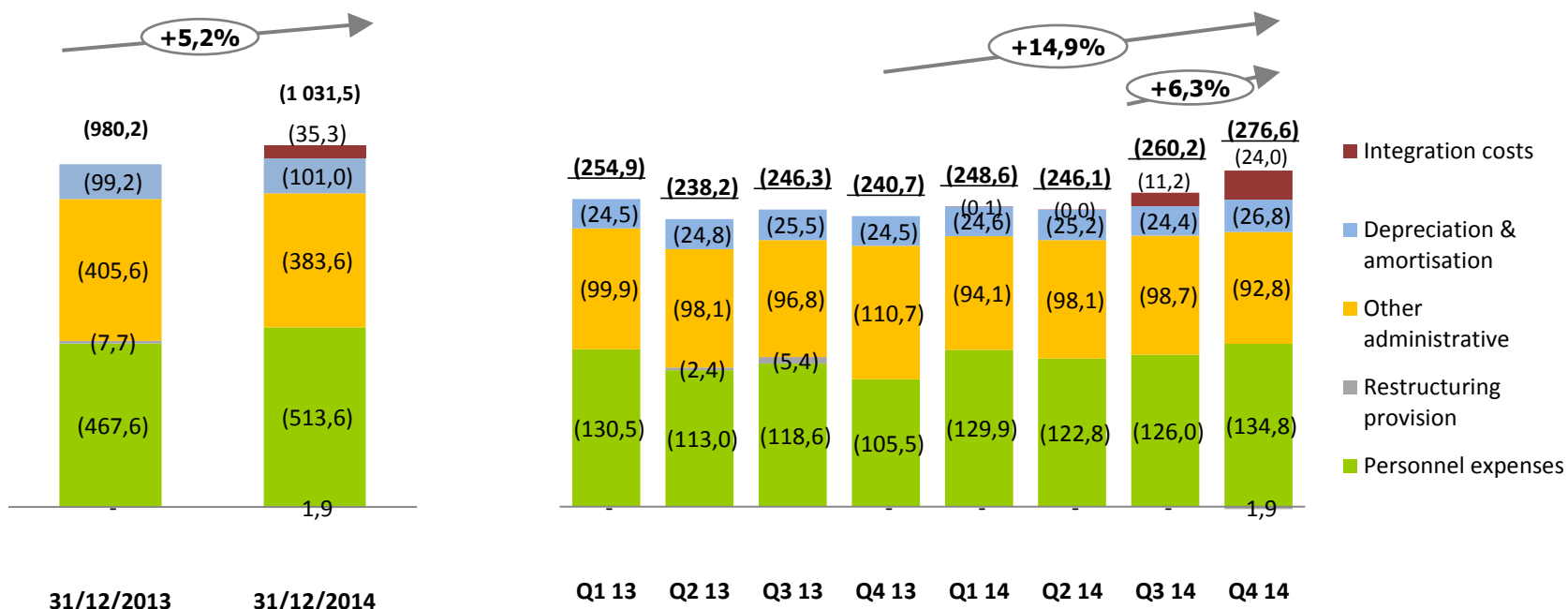
- 2014 vs 2013 fees higher, thanks to:
 - higher number and increased fees on accounts,
 - good sales of loans to microcompanies and on cash loans,
 - increased brokerage fees mainly due to steady expanding of investments funds offer and services related to BGZ tender offer.
- Decrease cards fees mainly connected with the lower interchange fees.

* 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)

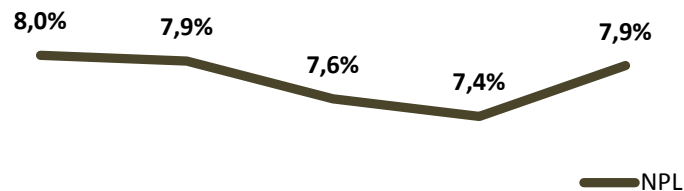


- YoY costs increased by +5.2%, excluding integration cost of PLN 35.3m 2% above
 - higher personnel costs (excluding retention program) due to higher bonus pay-outs and salaries for employees from RBPL in H2 2014;
 - slightly higher other administrative costs +0.6% (excluding integration costs) following higher BFG charge due to prudential fee introduced in November 2013 (PLN 10.2m vs PLN 2.4m in 2013) and lower marketing campaign spends.

Asset quality

Total loans (NPLs)*

(quarter-end)

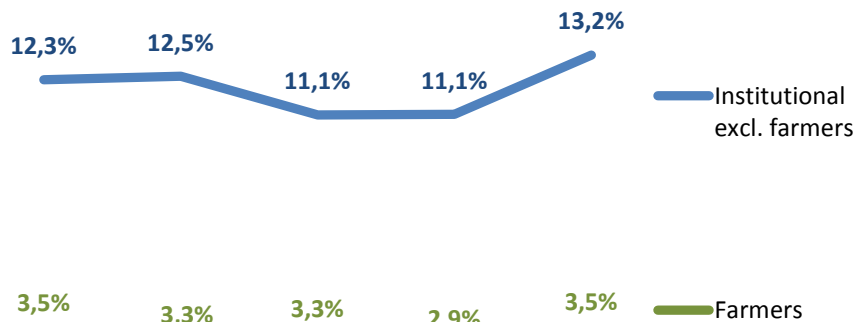


* Includes loans and advances to customers with impairment triggers, but no impairment identified

Q4 13 Q1 14 Q2 14 Q3 14 Q4 14

Institutional loans (NPLs)

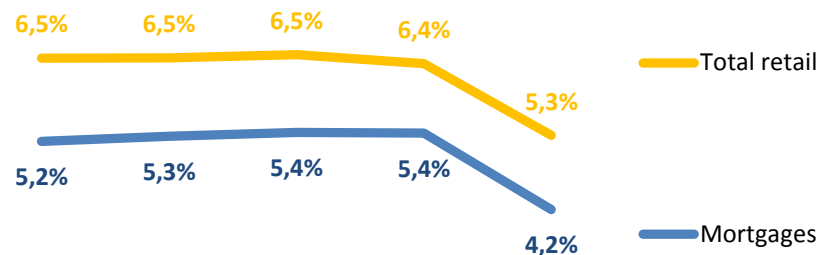
(quarter-end)



Q4 13 Q1 14 Q2 14 Q3 14 Q4 14

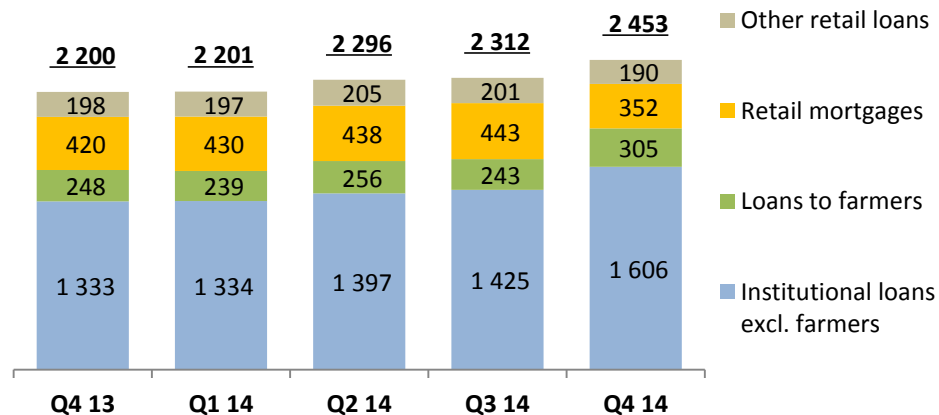
Retail loans (NPLs)

(quarter-end)



Impaired portfolio

(gross exposure, PLN m, quarter-end)

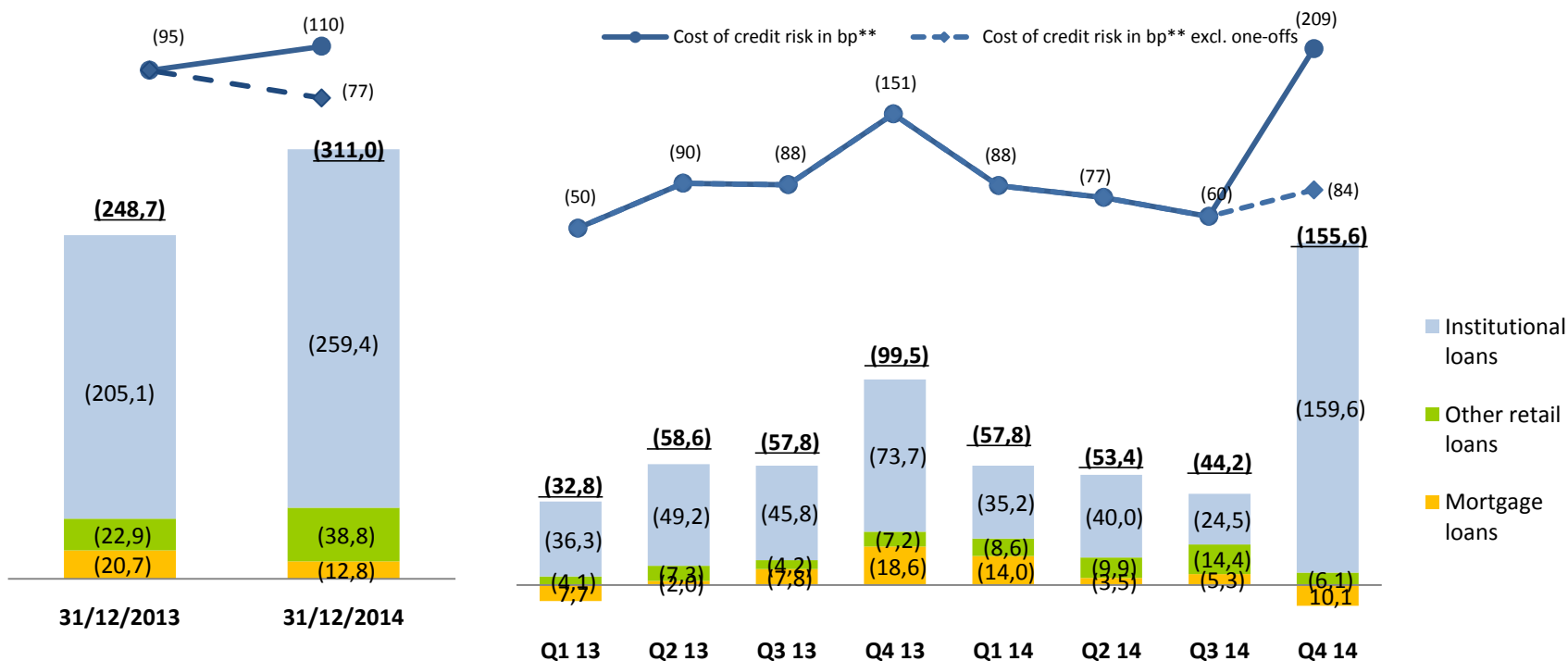


- NPL ratio increased QoQ from 7.4% to 7.9%. 0.3 p.p. of the rise was caused by impact of AQR and Group asset review.
- Sale of cash loan and mortgages retail loans positively impacted the NPL ratio.

Net impairment losses

Net impairment losses by main portfolios

(PLN m)



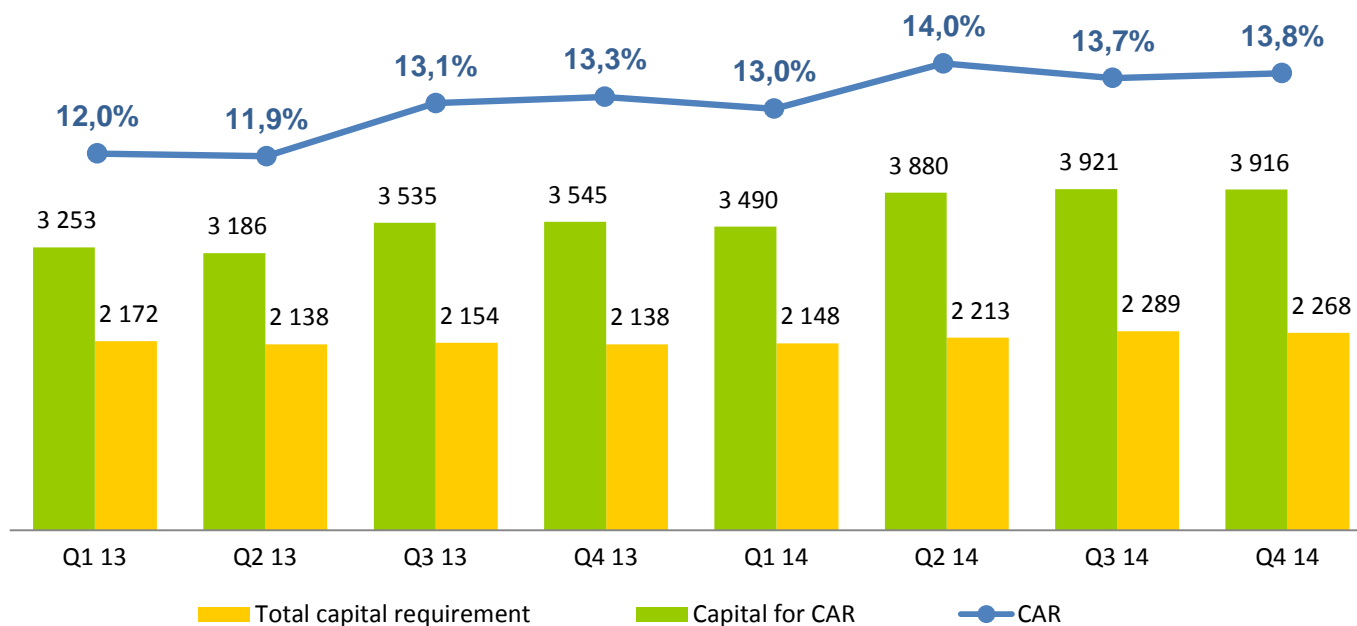
- Net impairment losses amounted to PLN 311m in 2014. Excluding impact of one-off items: BNPP Group assets review, AQR and provision for Russian embargo it would be lower by -13% (YoY).
- Cost of credit risk in 2014 without one-offs - appeared in Q2 2014 (listed above) - would drop from 95bp to 77bp.
- Quality of the loan portfolio is driven by the non-F&A micro clients loan exposures which let the portfolio deterioration.

** 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



- 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.
- Honorable Distinction along with Promotional Emblem with 7 Golden Stars in XVI edition of the "Entrepreneur-Friendly Bank". This title was given for activity in favour of small and medium businesses, the widespread availability of the offer and the high quality of customer service from the SME segment.



- 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

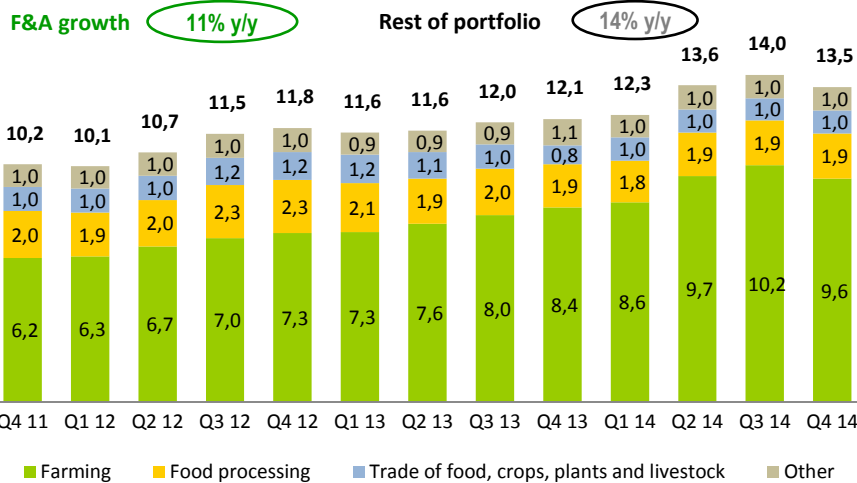


Business highlights

Food & Agri focus

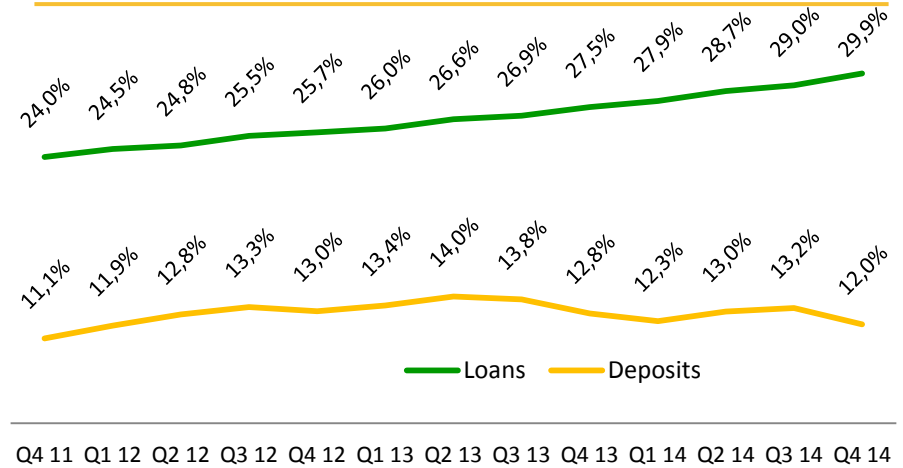
F&A loan portfolio

(PLN bln)



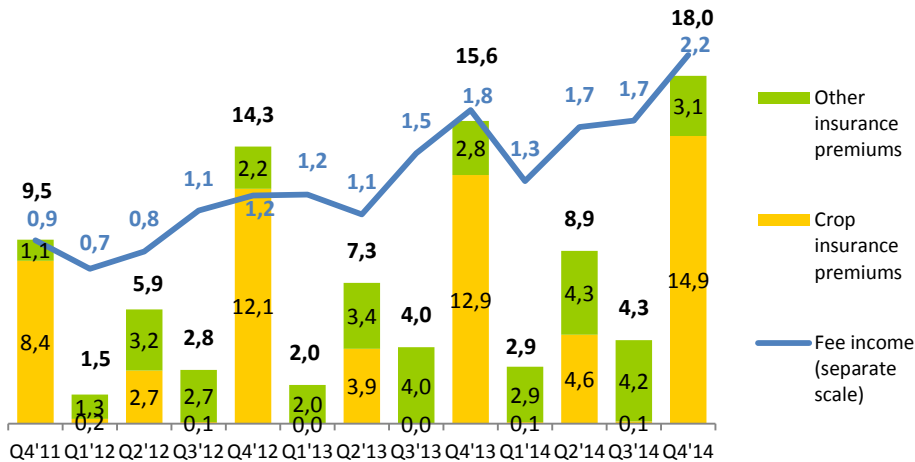
BGZ market share in farmer volumes

(quarter-end)



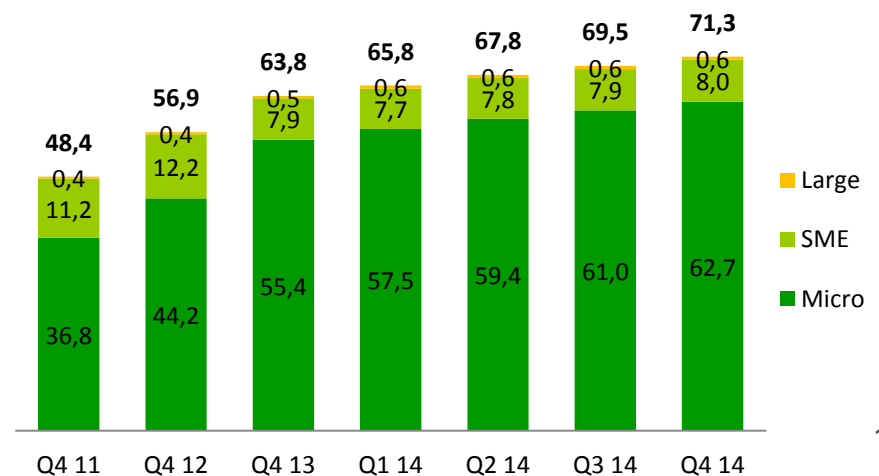
Performance on farmer insurance

(PLN m)



Number of F&A clients

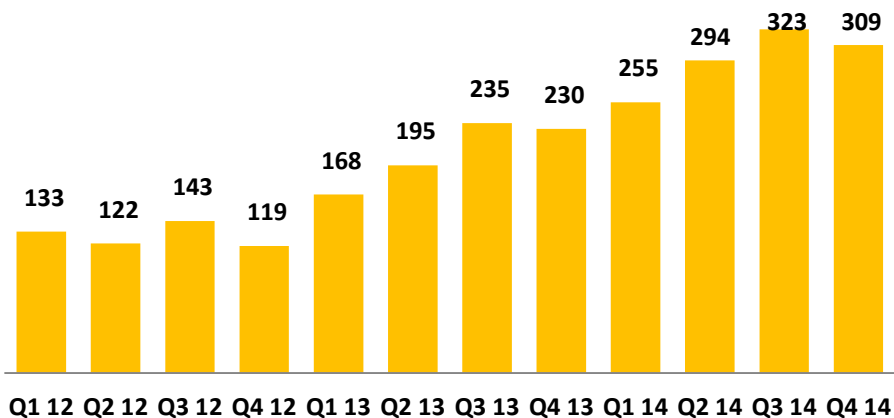
(in thousand)



Retail business performance

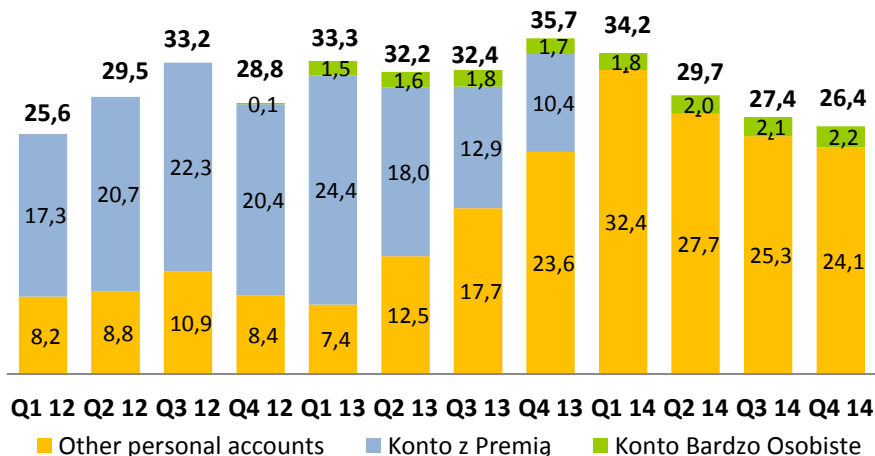
Cash loans sales

(PLN m, quarterly)



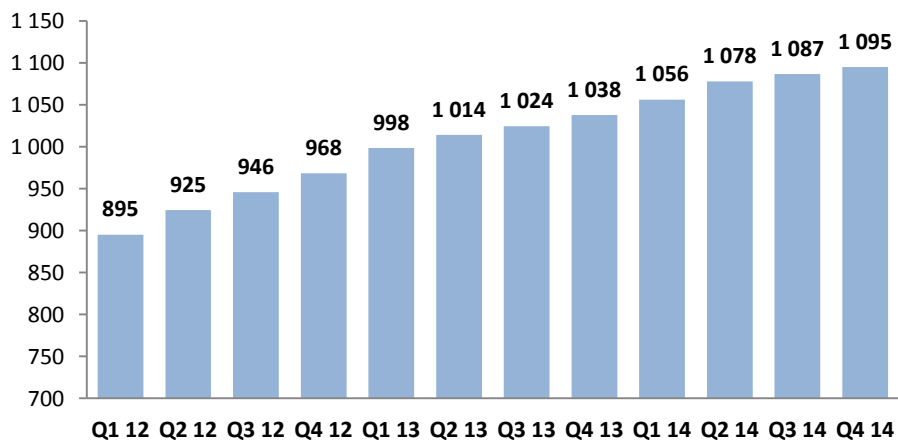
Personal accounts sales

(in thousand, quarterly)



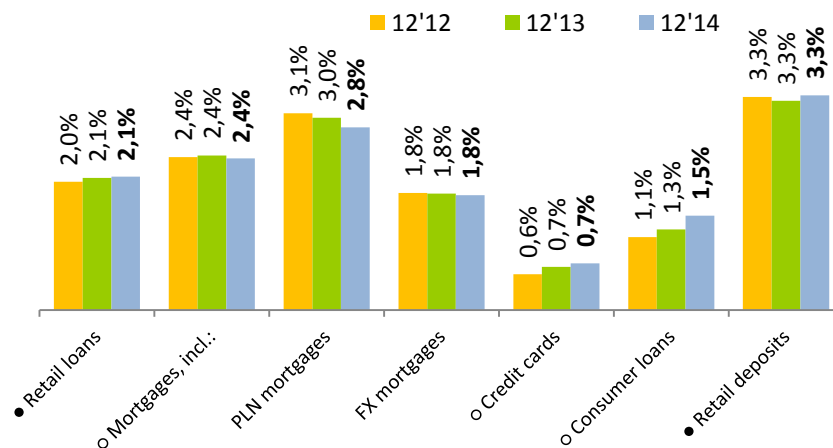
Total number of retail clients

(in thousand, incl. BGZOptima)



BGZ shares in retail market

(in volumes)





Financial appendices

Consolidated income statement

PLN thousand	Year-to-date basis		Quarterly basis							
	31/12/2014	31/12/2013	31/12/2014	30/09/2014	30/06/2014	31/03/2014	31/12/2013	30/09/2013	30/06/2013	31/03/2013
Consolidated income statement										
Interest income	1 795 097	1 899 414	454 484	476 437	438 336	425 840	433 896	447 884	480 510	537 124
Interest expense	(676 813)	(895 424)	(179 087)	(180 375)	(162 091)	(155 260)	(162 701)	(193 800)	(243 167)	(295 756)
Net interest income	1 118 284	1 003 990	275 397	296 062	276 245	270 580	271 195	254 084	237 343	241 368
Fee and commission income	357 243	333 712	87 886	92 769	92 295	84 293	93 487	86 162	76 838	77 225
Fee and commission expense	(46 744)	(45 782)	(11 544)	(12 401)	(11 058)	(11 741)	(9 823)	(14 857)	(10 873)	(10 229)
Net fee and commission income	310 499	287 930	76 342	80 368	81 237	72 552	83 664	71 305	65 965	66 996
Dividend income	3 303	2 848	1	-	3 302	-	-	11	2 837	-
Net trading income	63 723	80 424	20 332	18 517	11 153	13 721	13 245	18 428	31 638	17 113
Result on investing activities	24 465	39 223	19 076	(87)	2 307	3 169	5 696	12 914	20 613	-
Result on hedge accounting	(156)	(1 077)	-	-	(21)	(135)	(47)	69	99	(1 198)
Other operating income	37 937	49 940	9 768	11 779	10 758	5 632	12 889	22 131	9 254	5 666
Net impairment losses on financial assets and contingent liabilities	(310 966)	(248 650)	(155 583)	(44 230)	(53 377)	(57 776)	(99 495)	(57 832)	(58 567)	(32 756)
General administrative expenses	(930 525)	(880 963)	(249 811)	(235 847)	(220 858)	(224 009)	(216 269)	(220 802)	(213 449)	(230 443)
Depreciation and amortization	(100 995)	(99 219)	(26 791)	(24 369)	(25 227)	(24 608)	(24 475)	(25 487)	(24 782)	(24 475)
Other operating expenses	(37 393)	(21 146)	(15 290)	(11 281)	(5 506)	(5 316)	(5 907)	(7 497)	(3 733)	(4 009)
Operating result	178 176	213 300	(46 559)	90 912	80 013	53 810	40 496	67 324	67 218	38 262
Share in profit (loss) of associates	-	(11 079)	-	(2 096)	842	1 254	(8 577)	(1 188)	(1 165)	(149)
Profit (loss) before income tax	178 176	202 221	(46 559)	88 816	80 855	55 064	31 919	66 136	66 053	38 113
Income tax expense	(40 145)	(42 077)	7 326	(20 050)	(16 995)	(10 426)	(6 059)	(14 384)	(13 065)	(8 569)
Net profit (loss) for the period	138 031	160 144	(39 233)	68 766	63 860	44 638	25 860	51 752	52 988	29 544

Consolidated assets

PLN thousand

Consolidated statement of financial position	31/12/2014	30/09/2014	30/06/2014	31/03/2014	31/12/2013	30/09/2013	30/06/2013	31/12/2012
ASSETS								
Cash and balances with the Central Bank	1 790 160	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	404 724	296 707	291 876	109 767	269 757	551 033	238 510	104 035
Reverse repo transactions	100 668	353 656	61 351	34 508	309 255	224 159	249 837	104 369
Debt securities held for trading	199 404	153 976	300 818	171 331	1 018 701	1 467 576	1 021 476	219 051
Derivative financial instruments	420 152	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	29 631 923	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	7 084 017	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	54 627	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	165 307	153 402	153 405	152 684	158 589	148 860	148 235	152 674
Property, plant and equipment	411 063	415 993	427 054	436 637	449 139	449 812	456 384	469 098
Deferred tax assets	173 828	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	60 702	46 418	160 651	192 159	156 464	129 957	137 358	200 365
TOTAL ASSETS	40 496 575	40 203 026	38 774 537	36 172 259	35 777 141	35 750 376	36 701 973	37 246 734

Consolidated liabilities and capital

PLN thousand

Consolidated statement of financial position	31/12/2014	30/09/2014	30/06/2014	31/03/2014	31/12/2013	30/09/2013	30/06/2013	31/12/2012
LIABILITIES								
Amounts due to banks	1 546 739	2 574 958	4 282 635	3 207 120	3 271 414	3 650 916	3 652 564	4 094 436
Repo transactions	45 364	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	448 908	389 967	293 503	320 866	336 950	381 879	278 696	326 215
Hedging instruments	-	-	-	-	-	1 609	-	-
Amounts due to customers	32 804 444	31 331 127	28 252 639	27 140 819	26 492 716	25 772 536	26 677 885	26 941 971
Debt securities issued	762 311	803 779	807 583	824 879	1 191 158	1 357 745	1 880 228	1 852 931
Subordinated liabilities	320 951	311 648	308 674	309 805	304 817	312 660	-	-
Other liabilities	325 751	382 438	494 559	453 453	326 041	503 574	369 975	379 207
Provision for deferred tax	8 052	9 552	9 552	9 552	9 552	9 510	9 510	9 510
Deferred tax liabilities	9 639	-	1 265	-	-	421	-	-
Provisions	68 112	66 140	62 889	62 508	64 015	64 221	54 293	65 501
Liabilities arising from employee benefits	---	---	---	---	---	---	---	---
TOTAL LIABILITIES	36 340 271	36 033 095	34 725 530	32 619 352	32 267 951	32 279 030	33 241 164	33 774 117
EQUITY								
Share capital	56 139	56 139	56 139	51 137	51 137	51 137	51 137	51 137
Other supplementary capital	3 430 785	3 430 785	3 430 785	3 085 059	3 085 059	3 085 059	3 085 059	2 950 716
Other reserve capital	527 221	501 615	449 468	205 552	206 463	194 479	235 694	330 351
Retained earnings	142 159	181 392	112 615	211 159	166 531	140 671	88 919	140 413
- retained profit	4 128	4 128	4 117	166 521	6 387	6 387	6 387	10 364
- net profit for the period	138 031	177 264	108 498	44 638	160 144	134 284	82 532	130 049
TOTAL EQUITY	4 156 304	4 169 931	4 049 007	3 552 907	3 509 190	3 471 346	3 460 809	3 472 617
TOTAL LIABILITIES AND EQUITY	40 496 575	40 203 026	38 774 537	36 172 259	35 777 141	35 750 376	36 701 973	37 246 734

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Oplata za połączenie wg cennika operatora

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