



**Bank Gospodarki Żywnościowej
S.A.**
**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2014**

The opinion contains 2 pages
The supplementary report contains 11 pages
Opinion of the independent auditor
and the supplementary report
on the audit of the separate financial statements
for the financial year ended
31 December 2014

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Bank Gospodarki Żywnościowej S.A.

Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of Bank Gospodarki Żywnościowej S.A., with its registered office in Warsaw, 10/16 Kasprzaka Street (“the Bank”), which comprise the separate statement of financial position as at 31 December 2014, the separate statement of profit and loss and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management’s and Supervisory Board’s Responsibility for the Financial Statements

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and with other applicable regulations and preparation of the report on the Bank’s activities. Management of the Bank is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), Management of the Bank and members of the Supervisory Board are required to ensure that the financial statements and the report on the Bank’s activities are in compliance with the requirements set forth in the Accounting Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including

the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying separate financial statements of Bank Gospodarki Żywnościowej S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2014 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Bank's articles of association that apply to the Bank's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Bank's Activities

As required under the Accounting Act, we report that the accompanying report on the Bank's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

.....
Justyna Zań
Key Certified Auditor
Registration No. 12750
Limited Liability Partner
with power of attorney

4 March 2015

Signed on the Polish original

.....
Stacy Ligas
Limited Liability Partner
with power of attorney

**Bank Gospodarki Żywnościowej
S.A.**

**Supplementary report
on the audit of the separate
financial statements
Financial Year ended
31 December 2014**

The supplementary report contains 11 pages
The supplementary report
on the audit of the separate financial statements
for the financial year ended
31 December 2014



Bank Gospodarki Żywnościowej S.A.

*The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2014*

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Contents

1.	General	3
1.1.	General information about the Bank	3
1.1.1.	The Bank's name	3
1.1.2.	Registered office	3
1.1.3.	Registration in the National Court Register	3
1.1.4.	Management of the Bank	3
1.2.	Key Certified Auditor and Audit Firm Information	3
1.2.1.	Key Certified Auditor information	3
1.2.2.	Audit Firm information	4
1.3.	Prior period financial statements	4
1.4.	Audit scope and responsibilities	4
2.	Financial analysis of the Bank	6
2.1.	Summary analysis of the separate financial statements	6
2.1.1.	Separate statement of financial position	6
2.1.2.	Separate statement of profit and loss	7
2.1.3.	Separate statement of comprehensive income	8
2.2.	Selected financial ratios	9
3.	Detailed report	10
3.1.	Accounting system	10
3.2.	Notes to the separate financial statements	10
3.3.	Compliance with banking regulations	10
3.4.	Report on the Bank's activities	11

1. General

1.1. General information about the Bank

1.1.1. The Bank's name

Bank Gospodarki Żywnościowej S.A.

1.1.2. Registered office

10/16 Kasprzaka Street
01-211 Warsaw

1.1.3. Registration in the National Court Register

Registration court: District Court for the Capital City of Warsaw in Warsaw,
XII Commercial Department of the National Court Register
Date: 11 May 2001
Registration number: KRS 0000011571
Share capital as at
the end of reporting period: 56,138,764.00 PLN

1.1.4. Management of the Bank

The Management Board is responsible for management of the Bank.

At 31 December 2014, the Management Board of the Bank was comprised of the following members:

- Józef Wancer – President of Management Board
- Gerardus Cornelis Embrechts – First Vice President of Management Board
- Andrzej Sieradz – Vice President of Management Board
- Dariusz Odzioba – Vice President of Management Board
- Magdalena Legęć – Vice President of Management Board
- Monika Nachyła – Vice President of Management Board
- Witold Okarma – Vice President of Management Board
- Wojciech Sass – Vice President of Management Board

There were the following changes in the composition of the Management Board during the year through the date of the opinion:

- Johannes Gerardus Beuming resigned from the post of the Vice President of the Management Board as from 30 June 2014.

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname: Justyna Zań
Registration number: 12750



1.2.2. Audit Firm information

Name: KPMG Audyty Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office: ul. Chłodna 51, 00-867 Warsaw
Registration number: KRS 0000339379
Registration court: District Court for the Capital City of Warsaw in Warsaw,
XII Commercial Department of the National Court Register
NIP number: 527-26-15-362

KPMG Audyty Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of entities authorised to audit financial statements, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period financial statements

The separate financial statements for the financial year ended 31 December 2013 were audited by KPMG Audyty Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The separate financial statements were approved at the General Meeting on 30 May 2014 where it was resolved to allocate the net profit for the prior financial year of PLN 162,402,821.90 to reserve capital.

The separate financial statements were submitted to the Registry Court on 12 June 2014.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Bank Gospodarki Żywnościowej S.A., with its registered office in Warsaw, 10/16 Kasprzaka Street and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2014, the separate statement of profit and loss and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Bank prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of General Meeting dated 29 June 2007.

The separate financial statements have been audited in accordance with the contract dated 10 May 2013, concluded on the basis of the resolution of the Supervisory Board dated 28 January 2013 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements at the Bank during the period from 1 October 2014 to 4 March 2015.

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International



Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Bank's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Bank submitted a statement dated as at the same date as this report as to the true and fair presentation of the accompanying separate financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the financial statements.

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfil the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

2. Financial analysis of the Bank

2.1. Summary analysis of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2014 PLN '000	% of total assets	31.12.2013 PLN '000	% of total assets
Cash and balances with the Central Bank	1 790 160	4.4	1 617 713	4.5
Loans and advances to banks	404 724	1.0	269 757	0.8
Reverse repo transactions	100 668	0.3	309 255	0.9
Debt securities held for trading	199 404	0.5	1 018 701	2.9
Derivative financial instruments	420 152	1.0	363 260	1.0
Hedging instruments	-	-	57 387	0.2
Loans and advances to customers	29 657 523	73.3	26 330 360	73.6
Available for sale financial assets	7 084 017	17.5	4 826 073	13.5
Investments in associates	16 732	-	51 645	0.1
Intangible assets	165 307	0.4	158 589	0.4
Property, plant and equipment	411 063	1.0	449 139	1.3
Deferred tax assets	173 828	0.4	142 792	0.4
Current tax assets	-	-	12 519	-
Other assets	60 626	0.2	156 302	0.4
TOTAL ASSETS	40 484 204	100.0	35 763 492	100.0
EQUITY AND LIABILITIES	31.12.2014	% of total	31.12.2013	% of total
	PLN '000	equity and	PLN '000	equity and
		liabilities		liabilities
Liabilities				
Amounts due to banks	1 546 739	3.8	3 271 414	9.1
Repo transactions	45 364	0.1	-	-
Financial liabilities held for trading	-	-	271 288	0.8
Derivative financial instruments	448 908	1.1	336 950	0.9
Amounts due to customers	32 804 752	81.0	26 492 774	74.1
Debt securities issued	762 142	1.9	1 191 157	3.3
Subordinated liabilities	320 951	0.8	304 817	0.9
Other liabilities	325 722	0.8	326 015	0.9
Provision for deferred tax	9 639	-	-	-
Provisions	68 112	0.2	64 015	0.2
Total liabilities	36 332 329	89.7	32 258 430	90.2
Equity				
Share capital	56 139	0.1	51 137	0.1
Other supplementary capital	3 430 785	8.5	3 085 059	8.6
Other reserve capital	527 221	1.3	206 463	0.6
Retained earnings:	137 730	0.4	162 403	0.5
- Net profit for the period	137 730	0.4	162 403	0.5
Total equity	4 151 875	10.3	3 505 062	9.8
TOTAL EQUITY AND LIABILITIES	40 484 204	100.0	35 763 492	100.0



2.1.2. Separate statement of profit and loss

	1.01.2014 - 31.12.2014 PLN '000	1.01.2013 - 31.12.2013 PLN '000
Interest income	1 796 992	1 901 632
Interest expense	(676 655)	(895 579)
Net interest income	1 120 337	1 006 053
Fee and commission income	357 244	333 712
Fee and commission expense	(46 745)	(45 782)
Net fee and commission income	310 499	287 930
Dividend income	3 303	2 848
Net trading income	63 723	80 424
Result on investing activities	24 465	31 902
Result on hedge accounting	(156)	(1 077)
Other operating income	36 402	49 613
Net impairment losses on financial assets and contingent liabilities	(318 503)	(252 246)
General administrative expenses	(930 209)	(880 647)
Depreciation and amortization	(100 995)	(99 217)
Other operating expenses	(29 490)	(21 146)
Operating results	179 376	204 437
Profit before income tax	179 376	204 437
Income tax expense	(41 646)	(42 034)
Net profit for the period	137 730	162 403
– attributable to equity holders of the Bank	137 730	162 403
Earnings (loss) per share		
Basic earnings per share (PLN)	2.56	3.18
Diluted earnings per share (PLN)	2.56	3.18

2.1.3. Separate statement of comprehensive income

	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
	PLN '000	PLN '000
Other comprehensive income:		
Net profit for the period	137 730	162 403
<i>Items that are or may be reclassified subsequently to profit or loss</i>	167 795	(123 888)
Net change in valuation of financial assets available for sale	215 554	(139 491)
Net change in valuation of cash flow hedges	(8 400)	(13 457)
Deferred tax	(39 359)	29 060
<i>Items that will not be reclassified to profit or loss</i>	(3 895)	-
Actuarial valuation of employee benefits	(4 808)	-
Deferred tax	913	-
Other comprehensive income (net of tax)	163 900	(123 888)
Total comprehensive income for the period	301 630	38 515
– attributable to equity holders of the Bank	301 630	38 515
Total comprehensive income per share		
Basic (PLN)	5.60	0.72
Diluted (PLN)	5.60	0.72



2.2. Selected financial ratios

	2014	2013	2012
Total assets (PLN '000)	40 484 204	35 763 492	37 230 693
Profit before income tax (PLN '000)	179 376	204 437	178 467
Net profit for the period (PLN '000)	137 730	162 403	134 343
Shareholders' equity (PLN '000)*	4 014 145	3 342 659	3 332 204
Return on equity *	3%	5%	4%
Receivables to total assets	75%	75%	71%
Income generating assets to total assets	98%	97%	97%
Interest bearing liabilities to total liabilities	89%	89%	89%

* excluding current-year net profit

3. Detailed report

3.1. Accounting system

The Bank maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Official Journal from 2013, item 329).

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Bank performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Official Journal from 2013, item 329) and reconciled and recorded the results thereof in the accounting records.

3.2. Notes to the separate financial statements

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements.

3.3. Compliance with banking regulations

Based on our audit, we have not identified significant incompliance by the Bank with banking prudential regulatory norms, and also, we have not identified any material misstatements in determination of the solvency ratio.



3.4. Report on the Bank's activities

The report on the Bank's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
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4 March 2015

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