



BGŻ Group

Presentation of Q1-Q3 2013 results

Warsaw, 13 November 2013

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Executive summary

Income pressure more than compensated by positive impairment and cost performance; further growth in client base

Financials

- Net profit for YTD Sep 2013 at 134.3m, an increase by 73% y/y
- Rebound of income in Q3'13 q/q, driven by improvement in net interest margin and fee income
- Total income for YTD Sep 2013 decreased by 2% y/y due to NBP rate cuts and accounting changes
- Expenses decreased y/y by 1%; cost restructuring paying off

Clients

- Solid loan growth in selected focus business, F&A and retail, while exposure reduced by choice in Large Caps due to more selective sector approach.
- Customer deposits level adjusted to optimise liquidity position
- Continued growth of client base in our focus segments: F&A +12% y/y, Retail +4% y/y and Optima +76% y/y (from 61k to 108k)
- Growth of retail sales in Q1-Q3 2013: cash loans +50% y/y, personal accounts +11% y/y

Strategy

- Execution of strategy on track:
 - F&A business growing faster than non-F&A
 - Branch expansion finalized – last branches opened in early Q1 2013
 - BGŻOptima – growth of volumes and clients on track
 - Delivery of cost saving initiatives on track

Funding & Risk

- Optimisation of liquidity position by not rolling forward CDs and NBFIs deposits
- Impairments significantly lower y/y but impact of economic slowdown still felt, especially in SME

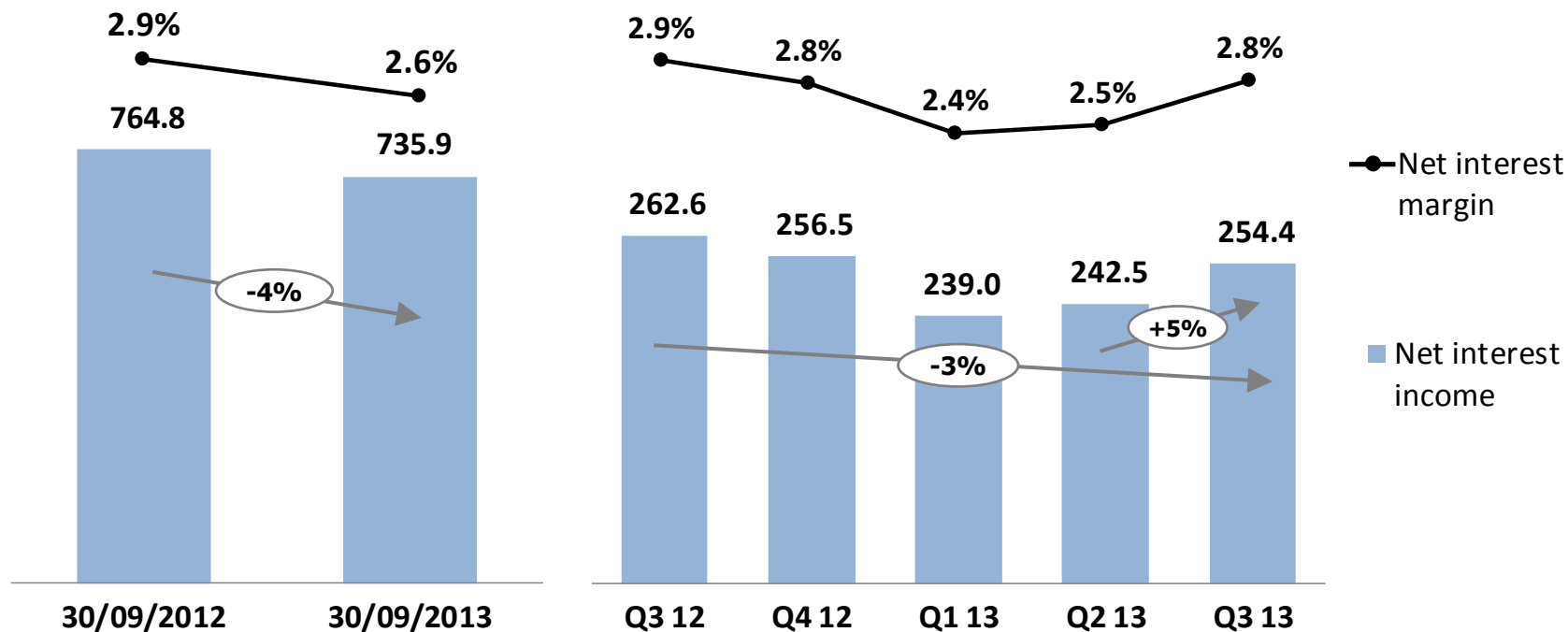
Financial summary

PLN million	YTD Sep 2012	YTD Sep 2013	Change y/y	Q1 2013	Q2 2013	Q3 2013	Change q/q
Total income	1,081.6	1,061.4	-2%	325.9	364.0	371.4	+2%
Total expenses	(749.8)	(739.4)	-1%	(254.9)	(238.2)	(246.3)	+3%
Net impairment losses	(226.6)	(149.2)	-34%	(32.8)	(58.6)	(57.8)	-1%
Pre-tax profit	105.5	170.3	+61%	38.1	66.1	66.1	+0%
Net profit	77.7	134.3	+73%	29.5	53.0	51.8	-2%
ROE	3.6%	5.2%	1.5%	3.4%	6.1%	6.0%	(0.1%)
Cost / Income	69.3%	69.7%	0.3%	78.2%	65.4%	66.3%	0.9%
CAR	11.4%	13.1%	1.8%	12.0%	11.9%	13.1%	1.2%

Net interest income

Net interest income and margin

(PLN m)

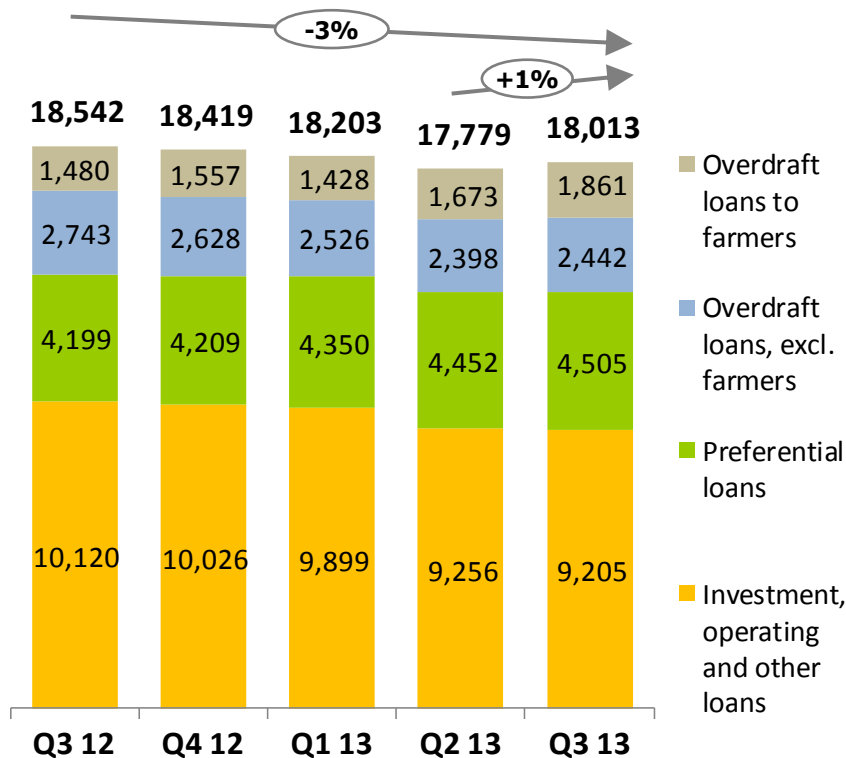


- Rebound of NII and NIM in Q3 after three quarters of pressure from NBP interest rate cuts
- Saving accounts in Q1-Q2 affected in particular (Q3 partly), as Payments Services Directive requirements slow down pricing reaction (2-months client notice period)
- Preferential loans hedged against the NBP rediscount rate multiplier effect (2/3 of the portfolio)
- NIM improved q/q due to deposit rate cuts and optimisation of surplus liquidity buffer

Loan growth

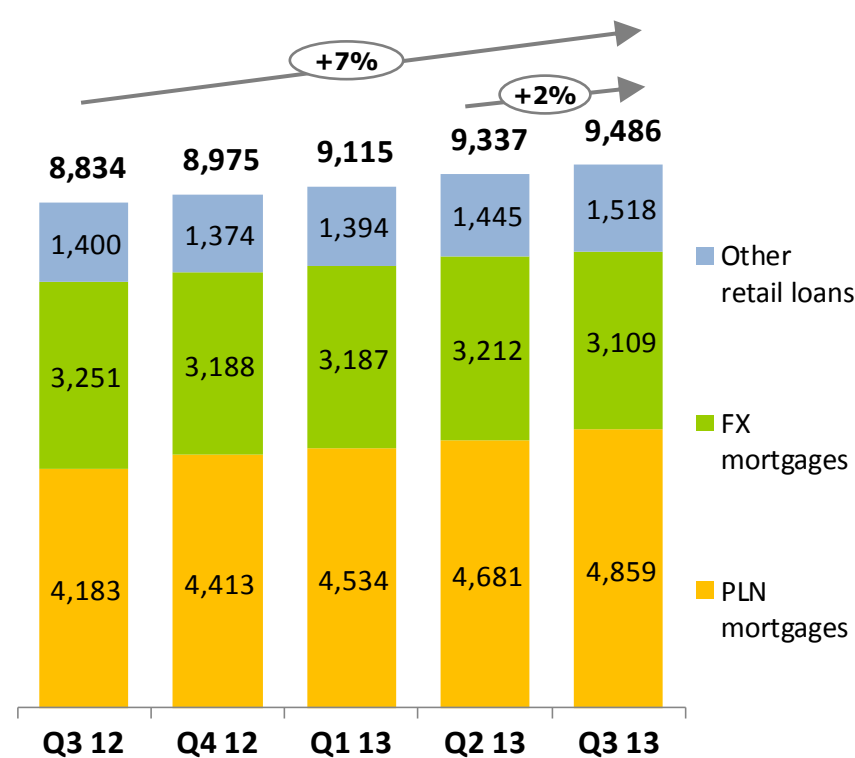
Institutional loans, gross

(PLN m, quarter-end)



Retail loans, gross

(PLN m, quarter-end)

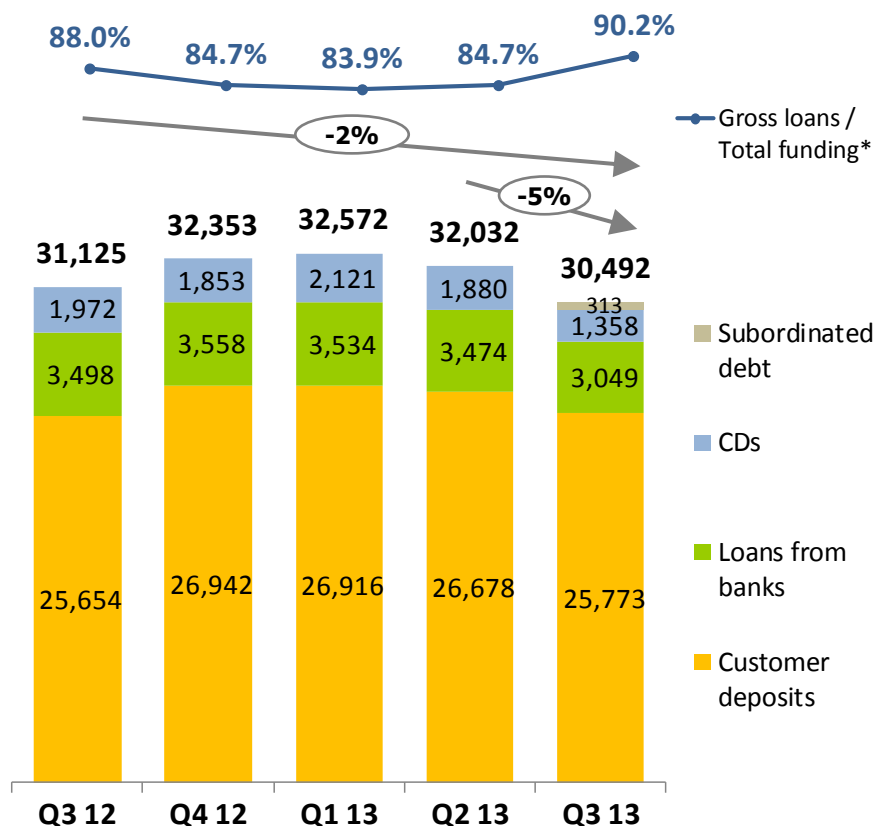


- Rebound in loan growth in Q3 2013 in institutional loans. Total loan portfolio growth y/y still low, due to lower economic activity and selective sector policies.
- F&A focus pays off through continued growth of the portfolio driven by preferential loans and Agro Ekspres
- Agro Progres loan in the offer since September (substitution for preferential loans for land purchase)
- Focus on retail sales translated into rise of cash loans portfolio (+20% y/y)

Funding mix

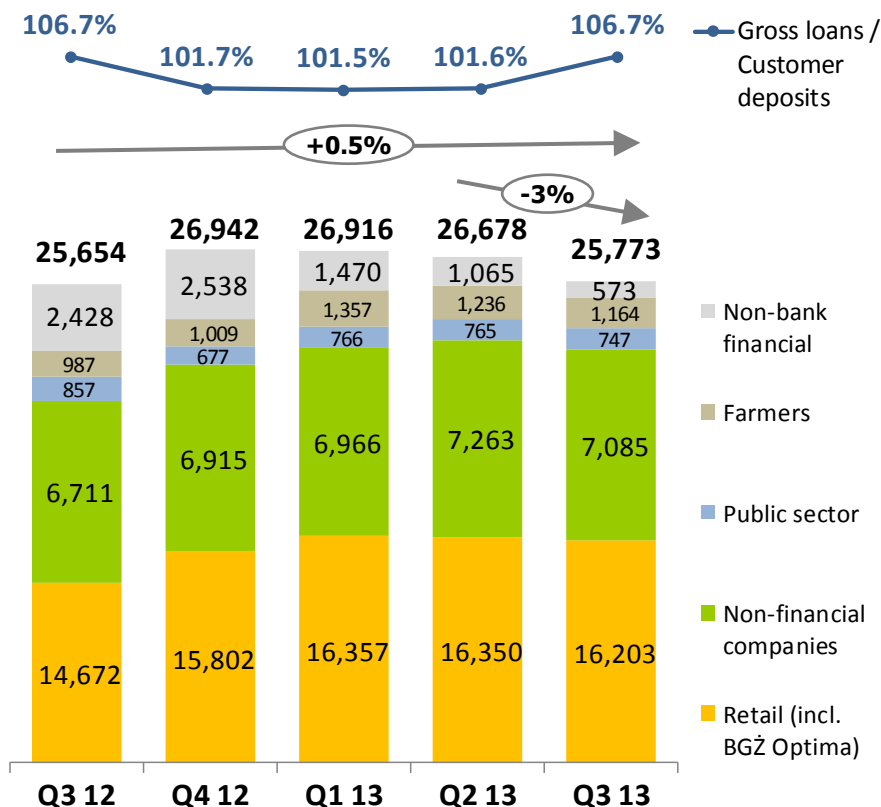
Funding sources

(PLN m, quarter-end)



Customer deposits

(PLN m, quarter-end)



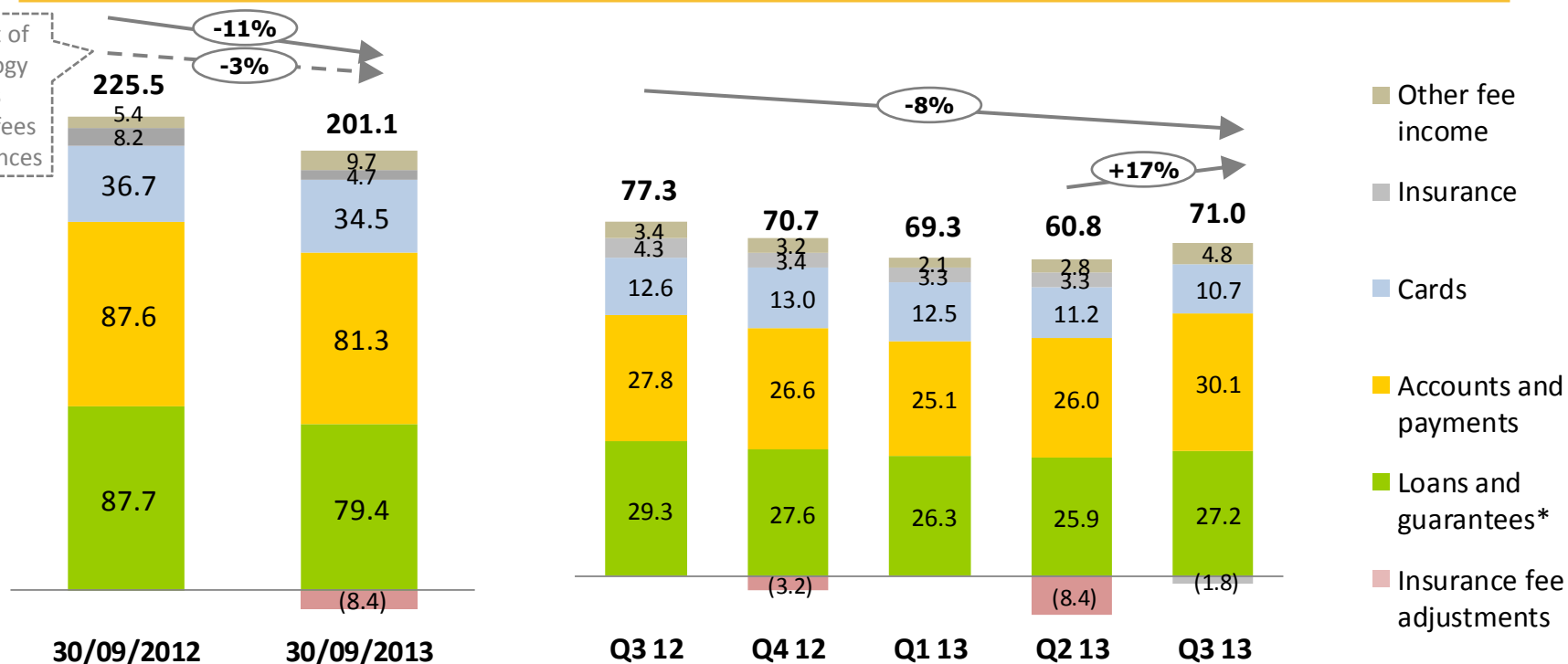
- Optimisation of surplus liquidity buffer in Q3 mostly through not rolling-forward a part of big-ticket deposits from non-bank financial institutions
- Good y/y growth of homogeneous deposit portfolios – retail (incl. BGZ Optima), SME, Micro and farmers – driven mostly by current and saving accounts

Net fee and commission income

Net fee and commission income by product type

(PLN m)

Excl. effect of methodology changes regarding fees from insurances



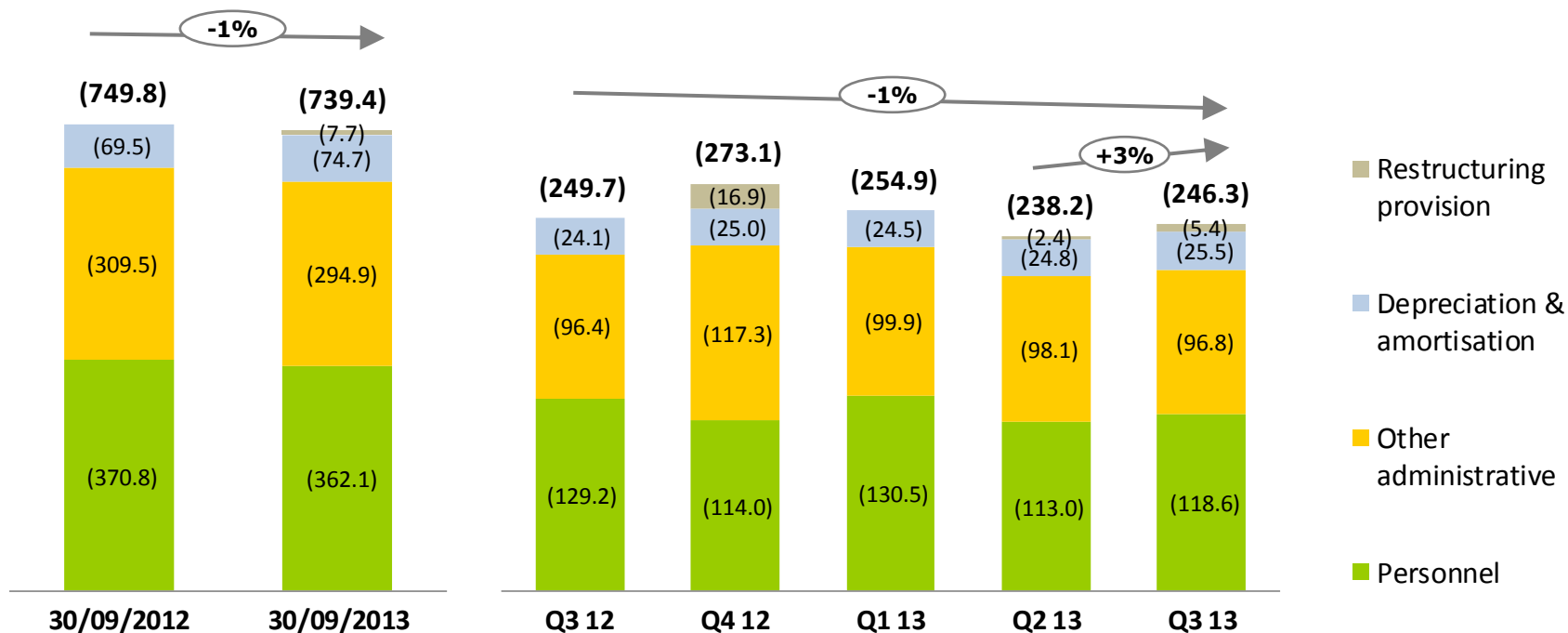
- Fee income rising q/q in Q3 2013, aided by fees on successful current account product.
- Y/y comparison affected by accounting changes with respect to recognition of fee income on credit insurance (PLN -8.4m reversal of upfront fees in June) and credit promises
- Improvement in Q3 due to modification of conditions for bonus payments to holders of "Konto z Premią" translating into higher fee income from current accounts

* 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)

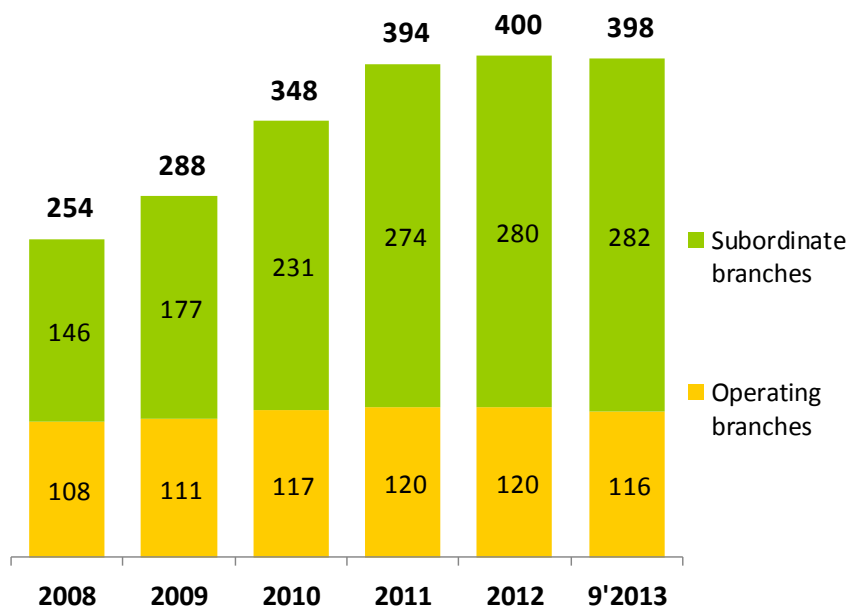


- Cost restructuring programme paying off as HR and non-HR saving initiatives are being realised in line with the plan
- Partial reversal of bonus accruals, especially in Q2

Focus on efficiency after completion of investments

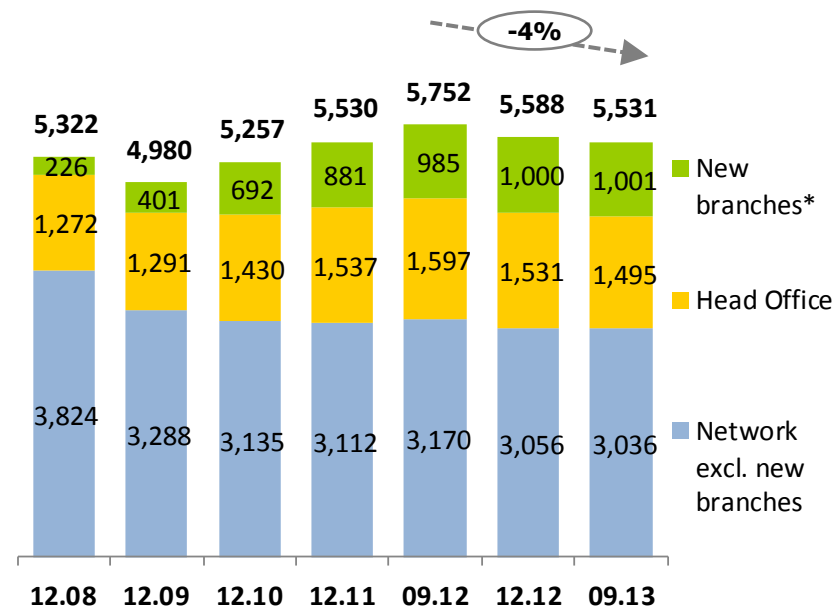
Branch expansion completed

(period-end)



Staff restructuring underway

(period-end)



- Last 3 new branches opened in Q1 2013 and no plans for further branch expansion
- Continued focus on branch performance and profitability
- 5 branches closed since the beginning of 2013

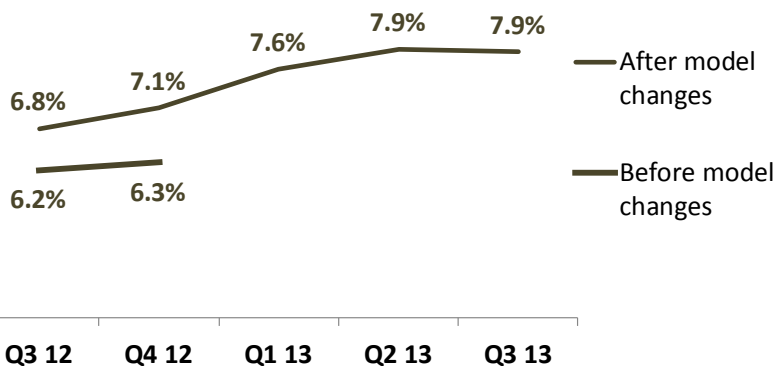
- Cost restructuring:
 - FTEs reduced by 267.5 as of 30 September 2013 (mostly from H/O and regional centres)
 - Non-FTE costs : 43 cost savings initiatives, of which vast majority already completed
 - Total annualised saving amounts to PLN 59m

* Opened in 2008-2012

Asset quality (NPL ratios)

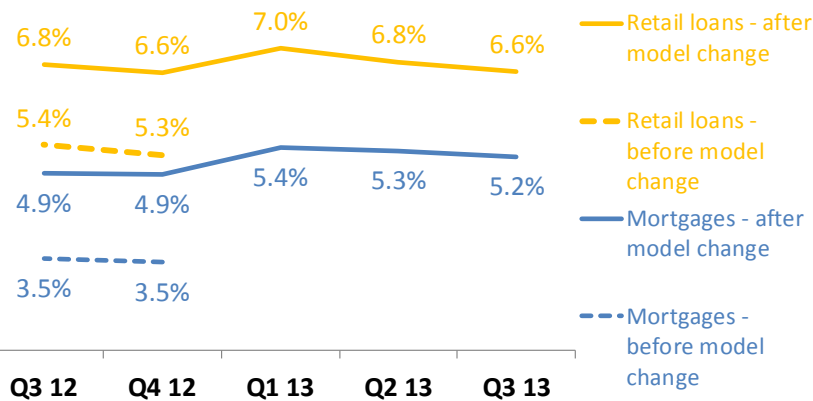
Total loans

(quarter-end)



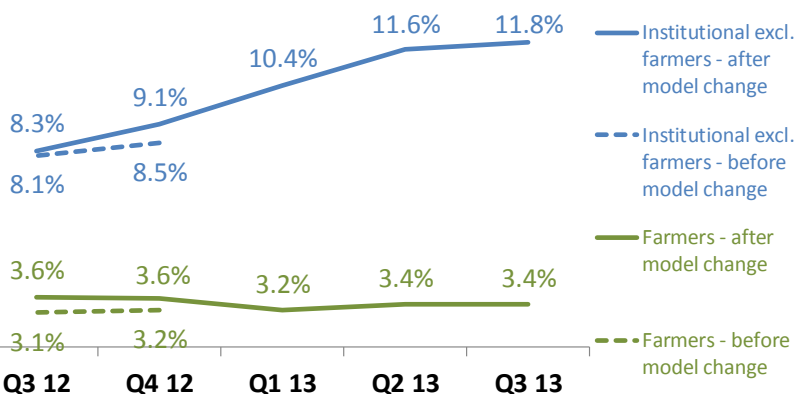
Retail loans

(quarter-end)



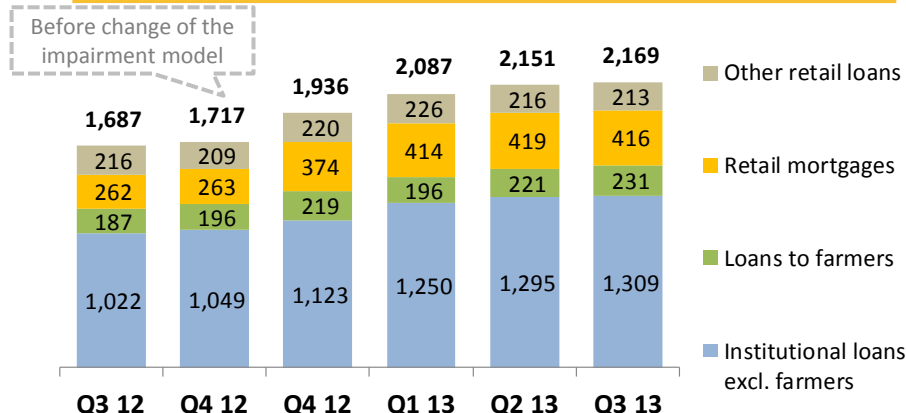
Institutional loans

(quarter-end)



Impaired portfolio

(gross exposure, PLN m, quarter-end)

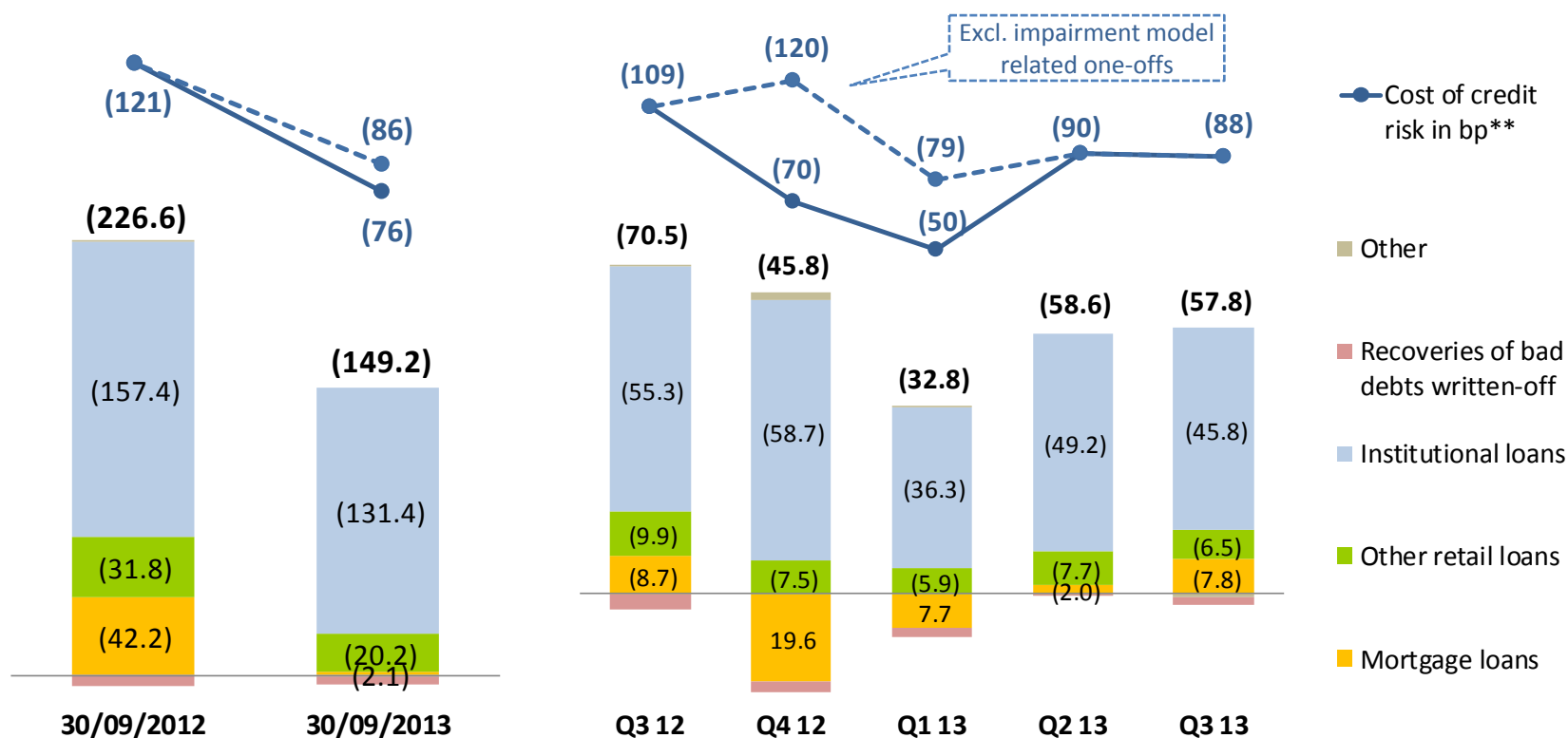


- Growth of impaired portfolio reflecting slowdown in the economy, mainly affecting institutional loans
- Better recovery rates in mortgages partially dampen the effect of rising NPLs on net impairment losses
- Model changes in Q4'12 led to higher NPL ratios but lower risk costs. NPL ratios before the model change showed by dotted lines
- BGŻ has better than market NPLs on institutional and consumer loans

Net impairment losses

Net impairment losses by main portfolios*

(PLN m)



- Improvement y/y in net impairment losses driven by mortgage and cash loans
- Impairments of institutional loans (excl. farmers) coming from adverse macroeconomic conditions
- Q2'13 affected by incremental provisioning for, among others, the corporate construction sector client

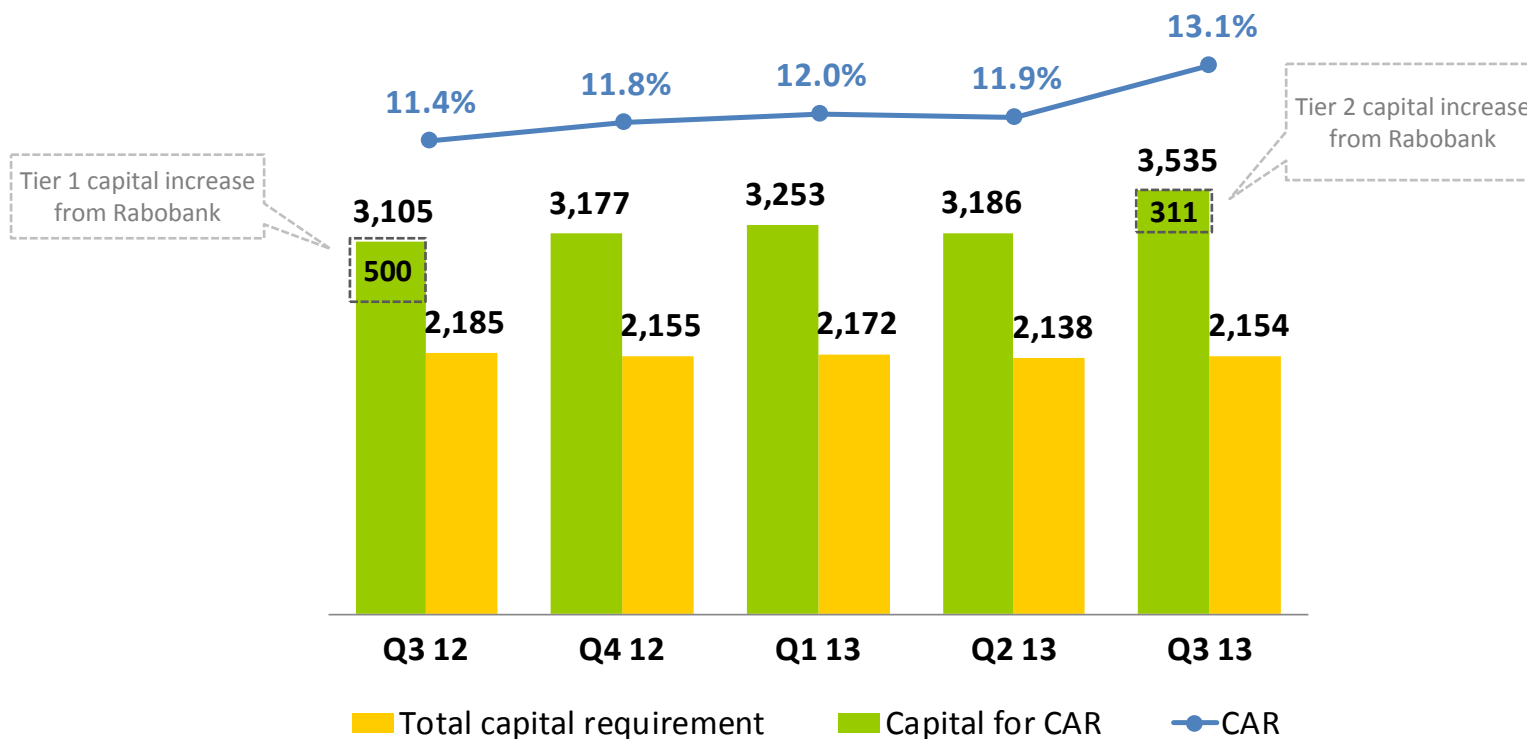
* Split by segments according to BGZ management information, includes loans serviced by the workout centre

** 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)



- CHF 90m subordinated debt provided by Rabobank and approved by the KNF in August as Tier 2 capital
- Stabilisation of capital requirement given flat loan growth
- All 2012 net profit retained for the capital

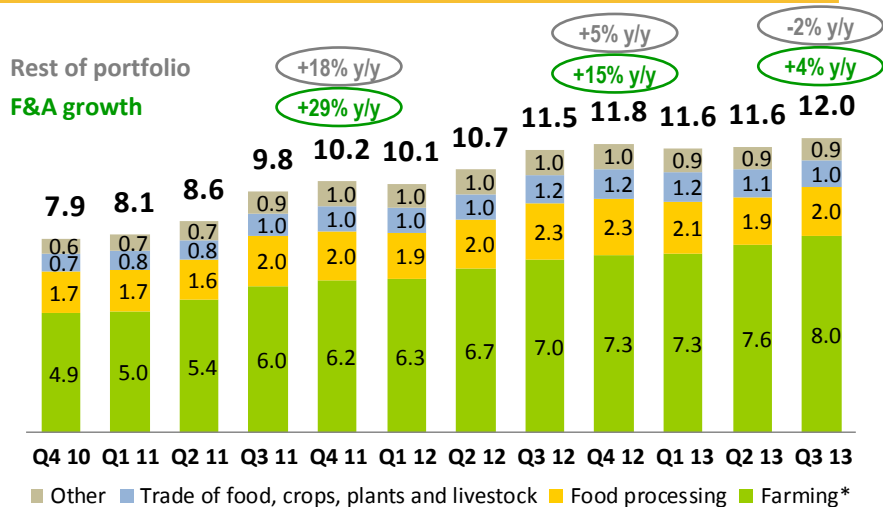


Business highlights

Food & Agri focus

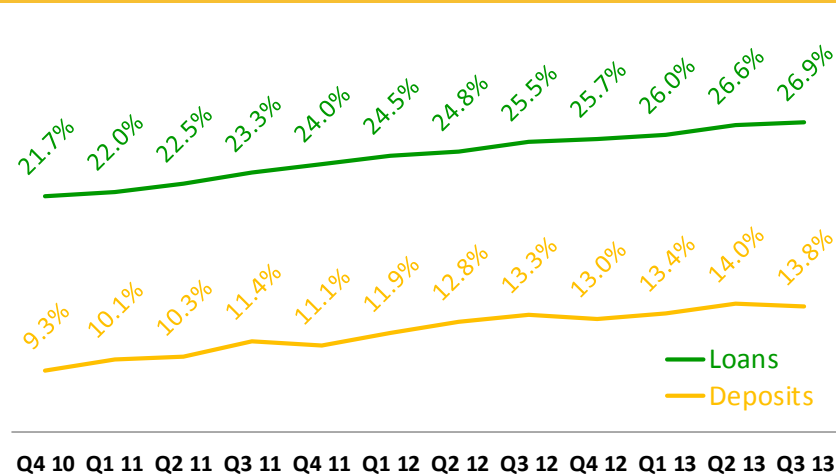
F&A loan portfolio

(PLN bn, quarter-end)



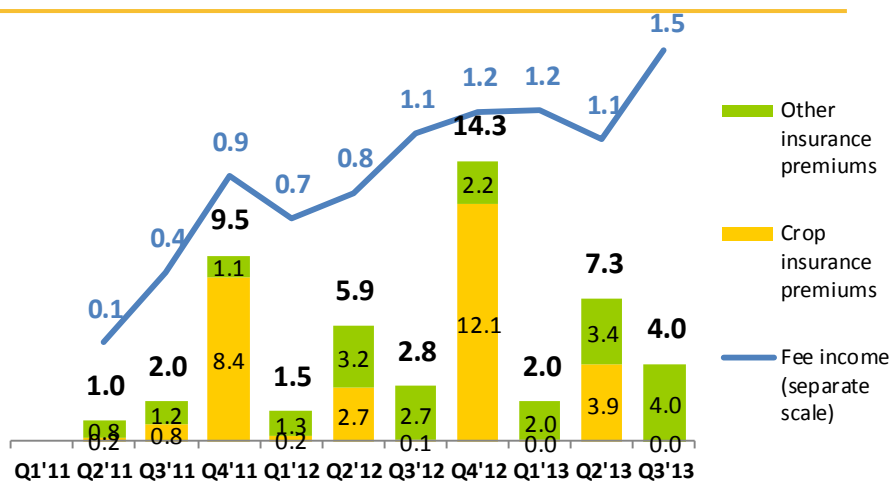
BGZ market share in farmer volumes

(quarter-end)



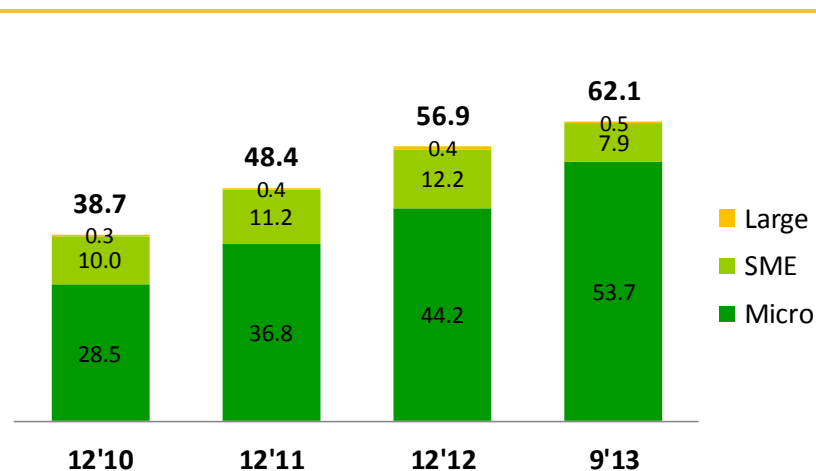
Performance on farmer insurance

(PLN m, quarterly)



Number of F&A clients

(in thousands)

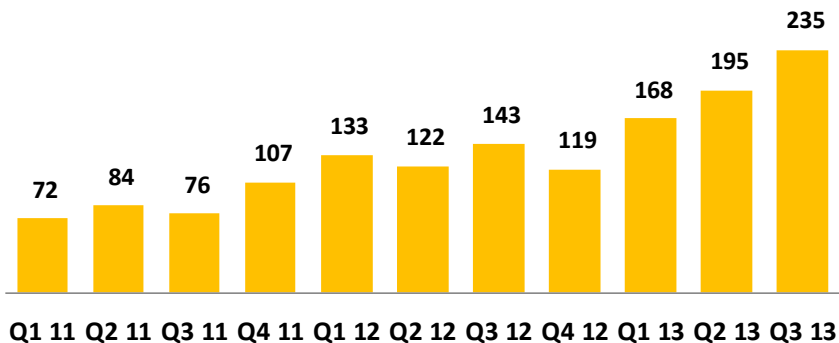


* Incl. individual farmers and companies in agricultural business

Turnaround in retail business

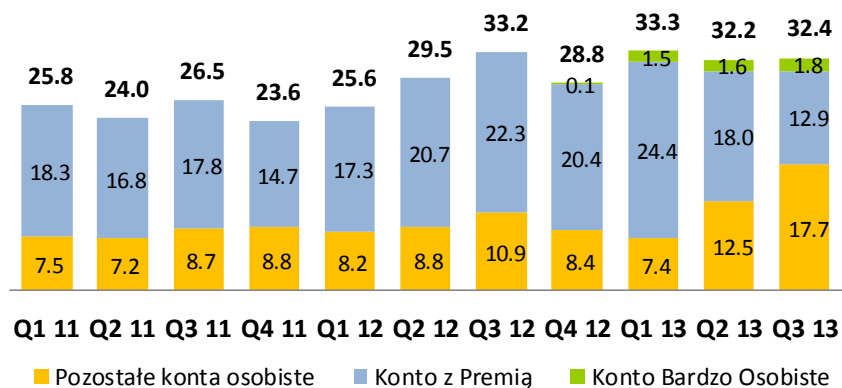
Cash loans sales

(PLN m, quarterly)



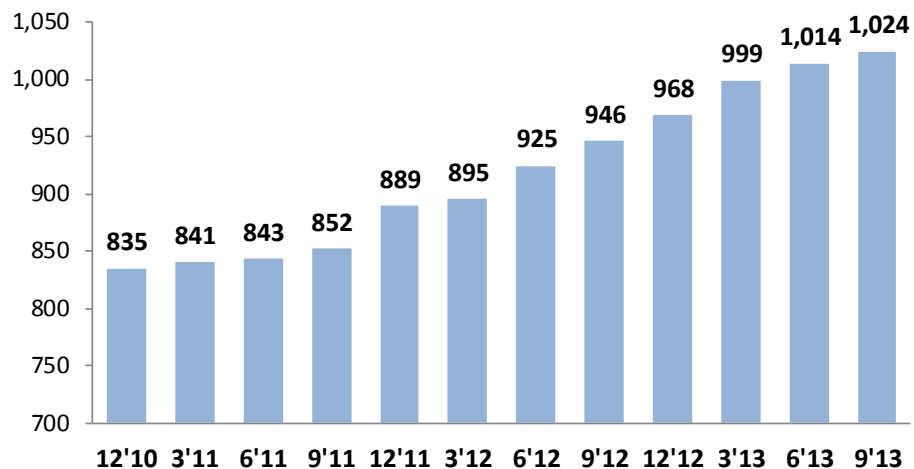
Personal accounts sales

(in thousands, quarterly)



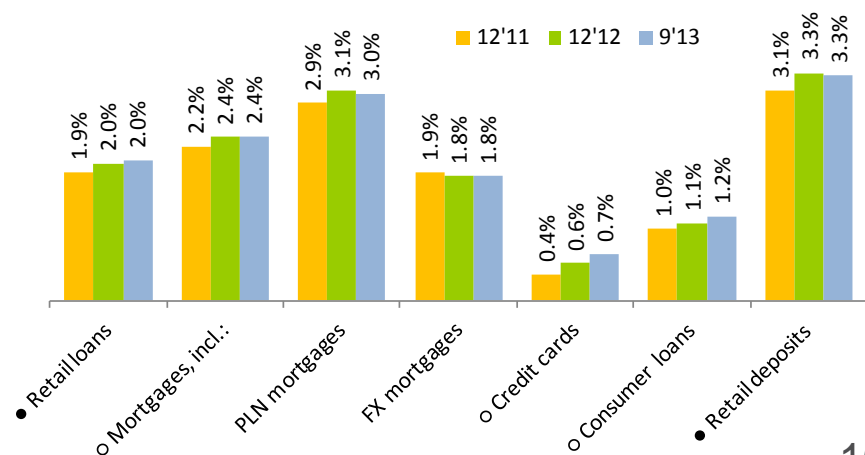
Total number of retail clients

(in thousands, month-end)



BGŻ shares in retail market

(in volumes)





Financial appendices

Consolidated income statement

PLN thousands	Year-to-date basis		Quarterly basis						
	30/09/2013	30/09/2012	30/09/2013	30/06/2013	31/03/2013	31/12/2012	30/09/2012	30/06/2012	31/03/2012
Consolidated income statement									
Interest income	1,468,646	1,583,751	444,546	487,171	536,929	572,727	550,142	528,243	505,366
Interest expense	(732,723)	(818,919)	(190,195)	(244,634)	(297,894)	(316,192)	(287,571)	(270,787)	(260,561)
Net interest income	735,923	764,832	254,351	242,537	239,035	256,535	262,571	257,456	244,805
Fee and commission income	248,272	265,927	90,663	76,231	81,378	84,417	91,794	91,302	82,831
Fee and commission expense	(47,134)	(40,437)	(19,625)	(15,460)	(12,049)	(13,730)	(14,486)	(13,729)	(12,222)
Net fee and commission income	201,138	225,490	71,038	60,771	69,329	70,687	77,308	77,573	70,609
Dividend income	2,848	3,416	11	2,837	-	-	20	3,396	-
Net trading income	67,179	68,332	18,428	31,638	17,113	30,235	28,340	11,213	28,779
Result on investing activities	33,527	17,537	12,914	20,613	-	25,792	(8)	9,930	7,615
Result on hedge accounting	(1,030)	1,133	69	99	(1,198)	100	1,133	-	-
Other operating income	37,979	24,083	21,953	10,125	5,901	14,159	7,020	7,763	9,300
Net impairment losses on financial assets and contingent liabilities	(149,155)	(226,554)	(57,832)	(58,567)	(32,756)	(45,844)	(70,486)	(114,708)	(41,360)
General administrative expenses	(664,694)	(680,282)	(220,802)	(213,449)	(230,443)	(248,104)	(225,610)	(222,777)	(231,895)
Depreciation and amortization	(74,744)	(69,502)	(25,487)	(24,782)	(24,475)	(25,016)	(24,077)	(23,297)	(22,128)
Other operating expenses	(16,167)	(23,189)	(7,319)	(4,604)	(4,244)	(9,560)	(5,402)	(6,556)	(11,231)
Operating result	172,804	105,296	67,324	67,218	38,262	68,984	50,809	(7)	54,494
Share in profit (loss) of associates	(2,502)	203	(1,188)	(1,165)	(149)	(519)	1,095	(1,778)	886
Profit (loss) before income tax	170,302	105,499	66,136	66,053	38,113	68,465	51,904	(1,785)	55,380
Income tax expense	(36,018)	(27,841)	(14,384)	(13,065)	(8,569)	(16,074)	(13,702)	762	(14,901)
Net profit (loss) for the period	134,284	77,658	51,752	52,988	29,544	52,391	38,202	(1,023)	40,479

Consolidated assets

<i>PLN thousands</i>	<i>new presentation*</i>			<i>previous presentation</i>					
<u>Consolidated statement of financial position</u>	30/09/2013	30/06/2013	31/12/2012	31/03/2013	31/12/2012	30/09/2012	30/06/2012	31/03/2012	31/12/2011
ASSETS									
Cash and balances with the Central Bank	1,630,272	1,347,978	2,106,657	1,465,748	2,106,657	1,583,499	1,502,744	1,548,602	1,383,321
Loans and advances to banks	551,033	238,510	104,035	68,558	104,035	568,349	273,397	132,820	221,071
Reverse repo transactions	224,159	249,837	104,369	2,332,638	104,369	1,019,673	662,417	706,569	366,343
Debt securities held for trading	1,467,576	1,021,476	219,051	1,606,820	219,051	651,364	2,262,776	2,470,411	1,632,434
Derivative financial instruments	412,483	322,529	380,473	469,846	474,058	335,151	351,899	448,655	883,109
Hedging instruments	48,564	36,668	69,179	---	---	---	---	---	---
Loans and advances to customers	26,314,121	25,968,836	26,323,700	26,221,221	26,323,700	26,320,067	25,270,400	24,209,279	24,222,391
Available for sale financial assets	4,137,456	6,535,385	6,867,557	7,717,236	6,867,557	4,733,320	3,663,762	4,174,221	3,624,750
Other debt securities	-	-	-	-	-	-	-	-	-
Investment property	62,301	62,301	62,301	62,301	62,301	63,401	63,401	63,401	63,401
Investments in associates	43,628	44,816	46,139	45,981	46,139	46,658	45,563	47,341	46,245
Intangible assets	148,860	148,235	152,674	147,339	152,674	142,011	140,420	141,981	146,443
Property, plant and equipment	449,812	456,384	469,098	457,152	469,098	469,186	472,029	475,620	485,943
Deferred tax assets	130,154	131,660	130,818	128,689	130,818	156,238	182,559	202,823	207,794
Current tax assets	-	-	10,318	10,318	10,318	22,273	46,242	4,802	-
Other assets	129,957	137,358	200,365	110,397	125,888	147,580	132,153	105,222	123,968
TOTAL ASSETS	35,750,376	36,701,973	37,246,734	40,844,244	37,196,663	36,258,770	35,069,762	34,731,747	33,407,213

* Since financial statements as of 30/06/2013

Consolidated liabilities and capital

<i>PLN thousands</i>	<i>new presentation*</i>			<i>previous presentation</i>					
Consolidated statement of financial position	30/09/2013	30/06/2013	31/12/2012	31/03/2013	31/12/2012	30/09/2012	30/06/2012	31/03/2012	31/12/2011
LIA BILITIES									
Amounts due to banks	3,650,916	3,652,564	4,094,436	3,997,661	4,094,436	3,706,266	4,050,991	3,963,697	4,446,716
Repo transactions	-	224,639	32,341	3,567,604	104,346	767,416	1,393,391	1,554,218	-
Financial liabilities held for trading	223,959	93,374	72,005						
Derivative financial instruments	381,879	278,696	326,215	371,671	350,621	235,013	343,042	490,608	795,707
Hedging instruments	1,609	-							
Amounts due to customers	25,772,536	26,677,885	26,941,971	26,916,236	26,941,971	25,654,452	24,123,812	23,397,656	22,941,652
Debt securities issued	1,357,745	1,880,228	1,852,931	2,121,082	1,852,931	1,972,127	1,967,408	2,129,784	2,033,267
Subordinated debt	312,660	-	-	-	-	-	-	-	-
Other liabilities	503,574	369,975	379,207	315,539	292,168	521,726	383,502	410,507	474,952
Deferred tax liabilities	9,510	9,510	9,510	9,510	9,510	9,719	9,719	9,719	9,719
Current tax liabilities	421	-	-	-	-	-	-	-	-
Provisions	64,221	54,293	65,501	39,165	51,094	45,277	42,959	44,610	41,926
Liabilities arising from employee benefits	---	---	---	31,071	26,969	27,388	29,032	29,222	25,412
TOTAL LIABILITIES	32,279,030	33,241,164	33,774,117	37,369,539	33,724,046	32,939,384	32,343,856	32,030,021	30,769,351
EQUITY									
Share capital	51,137	51,137	51,137	51,137	51,137	51,137	43,137	43,137	43,137
Other supplementary capital	3,085,059	3,085,059	2,950,716	2,950,716	2,950,716	2,950,716	2,458,716	2,332,656	2,332,656
Other reserve capital	194,479	235,694	330,351	302,895	330,351	229,511	174,233	149,030	125,645
Retained earnings	140,671	88,919	140,413	169,957	140,413	88,022	49,820	176,903	136,424
- retained profit	6,387	6,387	10,364	10,364	10,364	10,364	10,364	8,327	8,327
- net profit for the period	134,284	82,532	130,049	159,593	130,049	77,658	39,456	168,576	128,097
TOTAL EQUITY	3,471,346	3,460,809	3,472,617	3,474,705	3,472,617	3,319,386	2,725,906	2,701,726	2,637,862
TOTAL LIABILITIES AND EQUITY	35,750,376	36,701,973	37,246,734	40,844,244	37,196,663	36,258,770	35,069,762	34,731,747	33,407,213

* Since financial statements as of 30/06/2013

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