

**Bank Gospodarki Żywnościowej Spółka
Akcyjna Group**

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2013**

The opinion contains 3 pages
The supplementary report contains 12 pages
Opinion of the independent auditor
and the supplementary report
on the audit of the consolidated financial statements
for the financial year ended
31 December 2013



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 Spółka Akcyjna

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Bank Gospodarki Żywnościowej Spółka Akcyjna with its registered office in Warsaw, ul. Kasprzaka 10/16 (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Consolidated Financial Statements

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated 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 Group’s activities. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated 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 Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the Group’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 consolidated financial statements 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements of Bank Gospodarki Żywnościowej S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Other Matters

The corresponding figures are based on the consolidated financial statements of the Group as of and for the year ended 31 December 2012, which were audited by another auditor who expressed opinion on those consolidated financial statements on 4 March 2013.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Group's Activities

As required under the Accounting Act, we report that the report on the Group'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 2009 No 33, item 259 with amendments) and the information is consistent with the consolidated 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

Signed on the Polish original

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

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

4 March 2014

**Bank Gospodarki Żywnościowej S.A.
Group**

**Supplementary report
on the audit of the consolidated
financial statements
Financial Year ended
31 December 2013**

The supplementary report contains 12 pages
The supplementary report
on the audit of the consolidated financial statements
for the financial year ended
31 December 2013

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1. General

1.1 Identification of the Group

1.1.1 Name of the Group

Bank Gospodarki Żywnościowej Spółka Akcyjna Group (hereinafter 'the Group')

1.1.2 Registered office of the Parent Company of the Group

ul. Kasprzaka 10/16
01-211 Warsaw
Poland

1.1.3 Registration of the Parent Company in the National Court Register

Registration court: District Court 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: 51,136,764.00 PLN

1.1.4. Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

As at 31 December 2013 and the date of the Report, the Management Board of the Parent Company was comprised of the following members:

- Józef Wancer – President of Management Board
- Gerardus Cornelis Embrechts – First Vice President of Management Board
- Johannes Gerardus Beuming – 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

During the period from 1 January 2013 to the issuance date of the opinion on the consolidated financial statements, the following changes in the composition of the Management Board took place:

- On 31 March 2013, Mr. Jacek Bartkiewicz resigned from the position of the President of the Management Board.
- From 1 April 2013 till 24 July 2013, Ms. Monika Nachyła held the position of the Vice President of Management Board and acted as the President of the Management Board of the Bank.
- From 24 June 2013 till 16 September 2013, Mr. Gerardus Cornelis Embrechts, the First Vice President of Management Board, acted as the President of Management Board of the Bank.

- On 16 September 2013, Mr. Józef Wancer has been appointed the President of Management Board of the Bank.

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2013, the following companies were consolidated by the Group:

Parent Company:

- Bank Gospodarki Żywnościowej S.A.

Subsidiaries consolidated on the full consolidation basis:

- Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.

1.2.2 Entities excluded from consolidation

As at 31 December 2013, there were no subsidiaries of the Group that were not consolidated.

1.3 Key Certified Auditor and Audit Firm Information

1.3.1 Key Certified Auditor information

Name and surname: Justyna Zań
Registration number: 12750

1.3.2 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.

1.4 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2012 were audited by Ernst & Young Audit sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting of the Parent Entity on 28 June 2013.

The consolidated financial statements were submitted to the Registry Court on 4 July 2013.

1.5 Audit scope and responsibilities

This report was prepared for the General Meeting of Bank Gospodarki Żywnościowej Spółka Akcyjna with its registered office in Warsaw, ul. Kasprzaka 10/16 and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The consolidated 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 consolidated financial statements at the Group entities during the period from 7 October 2013 to 3 March 2014 (with intervals).

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated 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 Group’s activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the financial statements.

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

All required statements, explanations and information were provided to us by Management of the Group 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 from the companies included in the Group 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).



1.6 Information on audits of the financial statements of the consolidated companies

1.6.1 Parent Company

The separate financial statements of the Parent Company for the year ended 31 December 2013 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unqualified opinion.

1.6.2 Other consolidated entities

<u>Entity's name</u>	<u>Authorised auditor</u>	<u>Financial year end</u>	<u>Type of auditor's opinion</u>
Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	In the process of audit

2 Financial analysis of the Group

2.1 Summary analysis of the consolidated financial statements

2.1.1 Consolidated statement of financial position

ASSETS	31.12.2013	% of total	31.12.2012	% of total
	PLN '000	assets	PLN '000	assets
Cash and balances with the Central Bank	1 617 713	4.5	2 106 657	5.7
Loans and advances to banks	269 757	0.8	104 035	0.3
Reverse repo transactions	309 255	0.9	104 369	0.3
Debt securities held for trading	1 018 701	2.9	219 051	0.6
Derivative financial instruments	363 260	1.0	380 473	1.0
Hedging instruments	57 387	0.2	69 179	0.2
Loans and advances to customers	26 297 916	73.4	26 323 700	70.6
Available for sale financial assets	4 826 073	13.5	6 867 557	18.4
Investment property	62 524	0.2	62 301	0.2
Investments in associates	35 052	0.1	46 139	0.1
Intangible assets	158 589	0.4	152 674	0.4
Property, plant and equipment	449 139	1.3	469 098	1.3
Deferred tax assets	142 792	0.4	130 818	0.4
Current tax assets	12 519	0.0	10 318	0.0
Other assets	156 464	0.4	200 365	0.5
TOTAL ASSETS	35 777 141	100.0	37 246 734	100.0
EQUITY AND LIABILITIES	31.12.2013	% of total	31.12.2012	% of total
	PLN '000	equity and liabilities	PLN '000	equity and liabilities
Liabilities				
Amounts due to banks	3 271 414	9.1	4 094 436	11.0
Repo transactions	-	-	32 341	0.1
Financial liabilities held for trading	271 288	0.8	72 005	0.2
Derivative financial instruments	336 950	0.9	326 215	0.9
Amounts due to customers	26 492 716	74.1	26 941 971	72.3
Debt securities issued	1 191 158	3.3	1 852 931	5.0
Subordinated liabilities	304 817	0.9	-	-
Other liabilities	326 041	0.9	379 207	1.0
Deferred income tax liabilities	9 552	0.0	9 510	0.0
Provisions	64 015	0.2	65 501	0.2
Total liabilities	32 267 951	90.2	33 774 117	90.7
Equity				
Share capital	51 137	0.1	51 137	0.1
Other supplementary capital	3 085 059	8.6	2 950 716	7.9
Other reserve capital	206 463	0.6	330 351	0.9
Retained earnings:	166 531	0.5	140 413	0.4
- Net profit from previous period	6 387	0.0	10 364	0.0
- Net profit for the period	160 144	0.5	130 049	0.4
Total equity	3 509 190	9.8	3 472 617	9.3
TOTAL EQUITY AND LIABILITIES	35 777 141	100.0	37 246 734	100.0

2.1.2 Consolidated statement of profit or loss

	1.01.2013 - 31.12.2013 PLN '000	1.01.2012 - 31.12.2012 PLN '000
Interest income	1 910 852	2 154 916
Interest expense	(895 424)	(1 135 111)
Net interest income	1 015 428	1 019 805
Fee and commission income	333 712	346 113
Fee and commission expense	(57 220)	(48 374)
Net fee and commission income	276 492	297 739
Dividend income	2 848	3 416
Net trading income	80 424	98 567
Result on investing activities	39 223	43 329
Result on hedge accounting	(1 077)	1 233
Other operating income	49 940	35 003
Net impairment losses on financial assets and contingent liabilities	(248 650)	(270 433)
General administrative expenses	(880 963)	(928 281)
Depreciation and amortization	(99 219)	(94 518)
Other operating expenses	(21 146)	(31 580)
Operating results	213 300	174 280
Share in profit/ loss of associates	(11 079)	(316)
Profit before income tax	202 221	173 964
Income tax expense	(42 077)	(43 915)
Net profit for the period	160 144	130 049
– attributable to equity holders of the Bank	160 144	130 049
Earnings per share (in PLN per share)		
Basic	3,14	2,86
Diluted	3,14	2,86



2.1.3 Consolidated statement of other comprehensive

	1.01.2013 - 31.12.2013 PLN '000	1.01.2012 - 31.12.2012 PLN '000
Net profit for the period	160 144	130 049
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Net change in valuation of available for sale financial assets	(139 491)	230 867
Net change in valuation of cash flow hedges	(13 457)	21 857
Income tax expense on other comprehensive income	29 060	(48 018)
Other comprehensive income (net of tax)	(123 888)	204 706
<i>Total comprehensive income for the period</i>	<i>36 256</i>	<i>334 755</i>
– attributable to equity holders of the Bank	36 256	334 755
Total comprehensive income per share		
Basic	0,68	7,35
Diluted	0,68	7,35



2.2 Selected financial ratios

	2013	2012
Total assets (PLN '000)	35 777 141	37 246 734
Profit before income tax (PLN '000)	202 221	173 964
Profit for the period (PLN '000)	160 144	130 049
Shareholders' equity (PLN '000)*	3 349 046	3 342 568
Return on equity	5%	4%
Receivables to total assets	75%	71%
Income generating assets to total assets	97%	97%
Interest bearing liabilities to total liabilities	89%	89%

** excluding current-year net profit*

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

Entities included in the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Bank Gospodarki Żywnościowej S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation.

3.3 Method of consolidation

The method of consolidation is described in note 2.4 of the notes to the consolidated financial statements.

3.4 Consolidation of equity

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group..

3.5 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Bank Gospodarki Żywnościowej S.A. (or subsidiary entities) and agreed with information received from the subsidiaries.



3.6 Compliance with banking regulations

Based on our audit we have not identified significant incompliance by the Parent Company with the banking prudential regulatory norms pertaining among other to exposure concentration, obligatory reserve and capital adequacy.

3.7 Notes to the consolidated financial statements

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

3.8 Report of the Management Board of the Parent Company on the Group's activities

The report of the Management Board of the Parent Company on the Group'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 2009 No 33, item 259 with amendments) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
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4 March 2014