

BGŻ Group

Presentation of Q1 2012 results

Warsaw, 9 May 2012

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Opłata za połączenie według cennika operatora

 **Bank BGZ**
Pieniądże są dla ludzi

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Executive summary

Long term strategic investments gradually bearing fruit

Financials

- Net profit growth by 20% y/y and 49% q/q to PLN 40.5m in Q1 2012
- Factors driving net profit growth:
 - Income growth rose y/y but was flat q/q due to flat loan growth
 - Expenses rose by 18% y/y, but decreased by 4% q/q due to absence of seasonal factors
 - Impairments rose compared to a year ago but declined from a high level in Q4

Clients

- Sound y/y volume performance with customer loans and deposits higher by 21% and 10%
- Flat loan performance in Q1 2012: institutional loans affected by seasonal factors and curbing of limits for preferential loans
- Robust retail PLN loans sales supported by pricing adjustments and marketing campaigns
- Continued focus on new client acquisition through sales of award winning products

Strategy

- Execution of strategy well on track. Long-term strategic investments in branch expansion, BGŻOptima and fee-generating business gradually bearing fruit:
 - BGŻOptima – growing number of accounts and volumes
 - Good sales of agri insurance provided by Concordia
 - Aviva cash loans insurance launched in February 2012 for personal loans

Funding & Risk

- Continued sound funding and liquidity position of the Bank, underpinned by BGŻOptima and external long-term FX funding obtained in 2011 (Rabobank, EBRD)
- Risk costs at 70 bps in Q1 2012 – higher than a year ago but better than in previous quarter
- NPL ratio deteriorates due to aging of the portfolio and lack of loan growth



Financial performance

Q1 2012

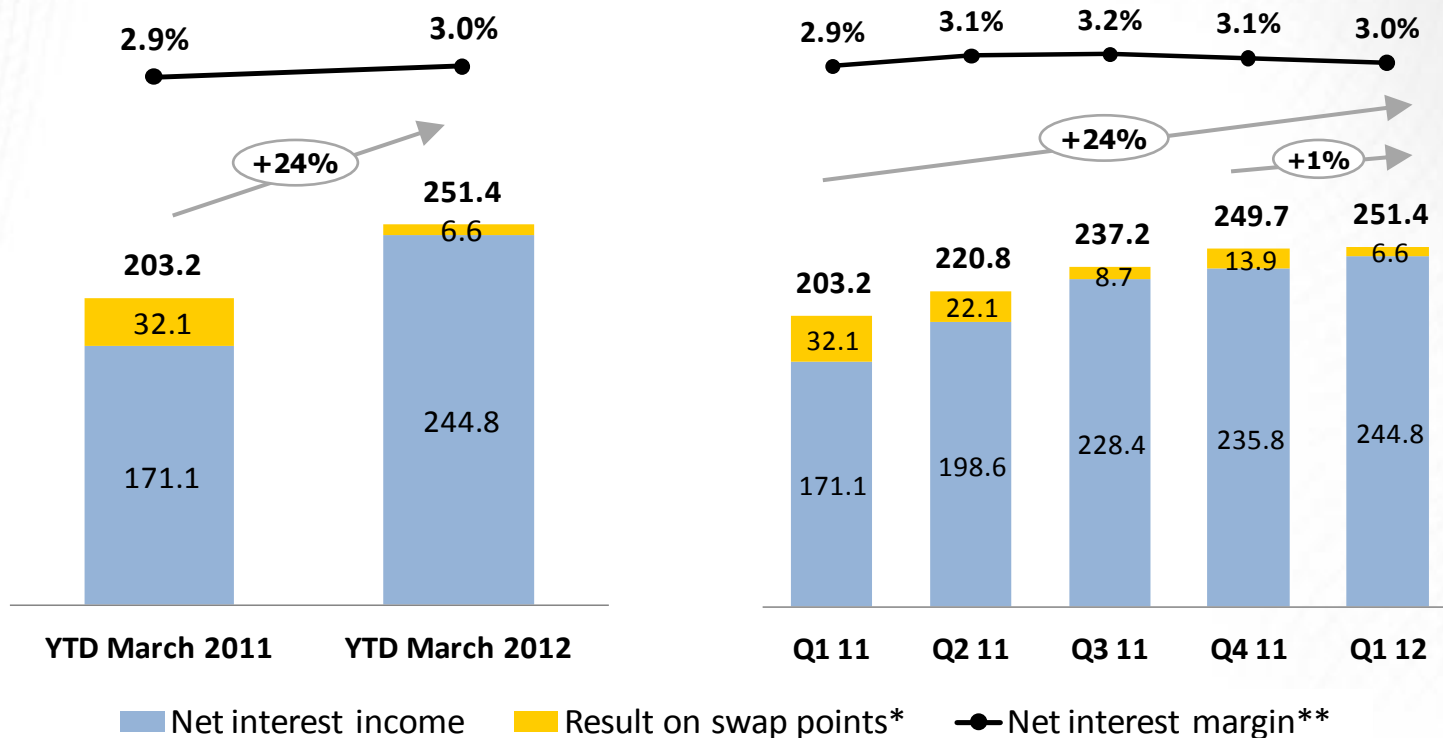
Summary financials

PLN million	YTD March 2011	YTD March 2012	Change y/y	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Change q/q
Total income	274.9	348.4	+27%	274.9	299.1	325.5	349.0	348.4	-0%
Total expenses	(213.0)	(251.6)	+18%	(213.0)	(235.2)	(228.0)	(261.9)	(251.6)	-4%
Net impairment losses	(23.1)	(42.3)	+83%	(23.1)	(30.5)	(55.0)	(54.5)	(42.3)	-22%
Pre-tax profit	39.6	55.4	+40%	39.6	34.4	42.9	32.6	55.4	+70%
Net profit	33.8	40.5	+20%	33.8	26.5	40.6	27.2	40.5	+49%
ROE	5.4%	6.1%	+0.7 pp	5.4%	4.2%	6.3%	4.1%	6.1%	+1.9 pp
Cost / Income	77.5%	72.2%	-5.3 pp	77.5%	78.7%	70.1%	75.1%	72.2%	-2.8 pp
CAR	11.4%	10.2%	-1.2 pp	11.4%	11.3%	10.3%	9.7%	10.2%	+0.5 pp

Net interest income

Net interest income and margin

(PLN m)



- Net interest income increased by 24% y/y due to growth of loan portfolio
- Quarterly growth of net interest income by 1% due to flat loan growth q/q, higher liquidity buffer and drop of net interest margin driven by slight decline both in deposit and credit margins

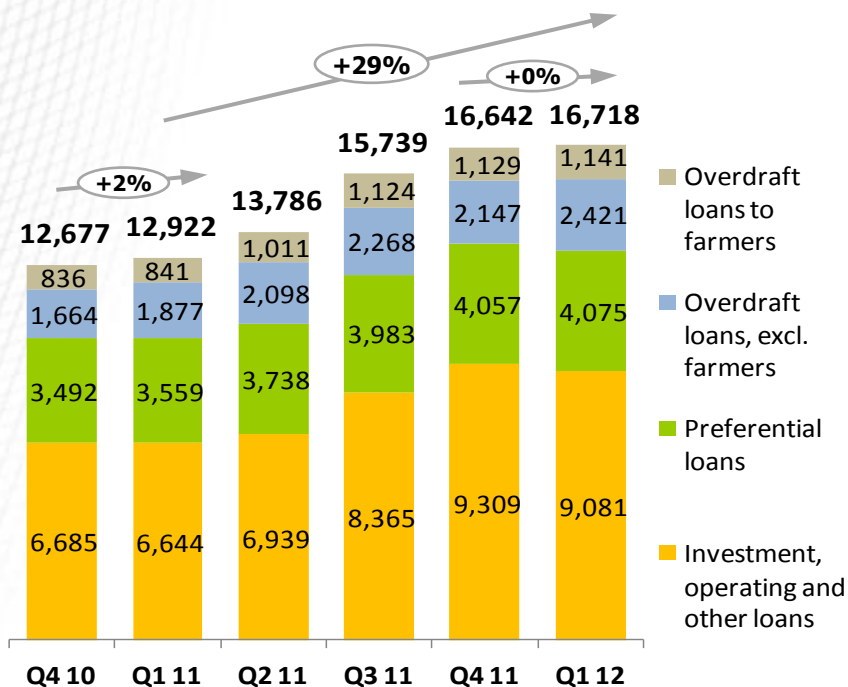
* Data source: BGŻ management information

** Net interest income + result on swap points divided by average total assets, annualised basis.

Loan growth

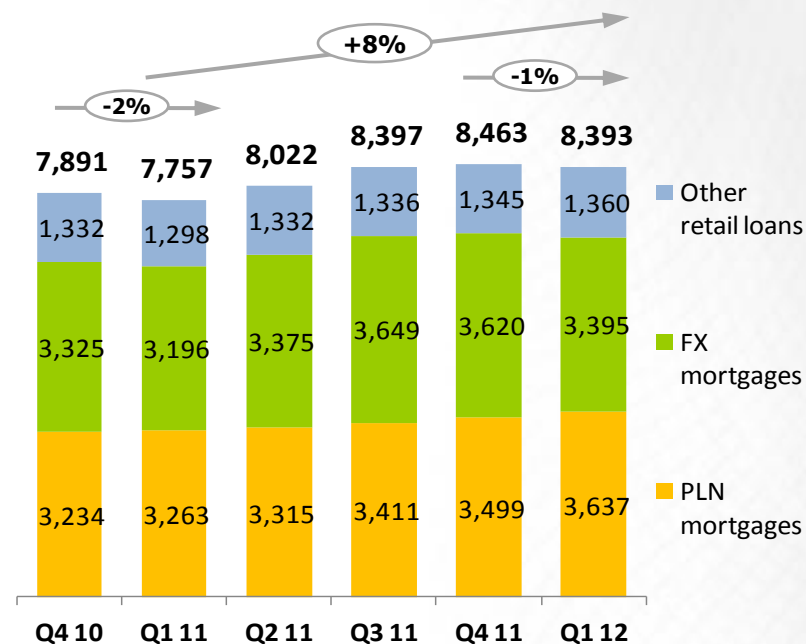
Institutional loans, gross

(PLN m, quarter-end)



Retail loans, gross

(PLN m, quarter-end)

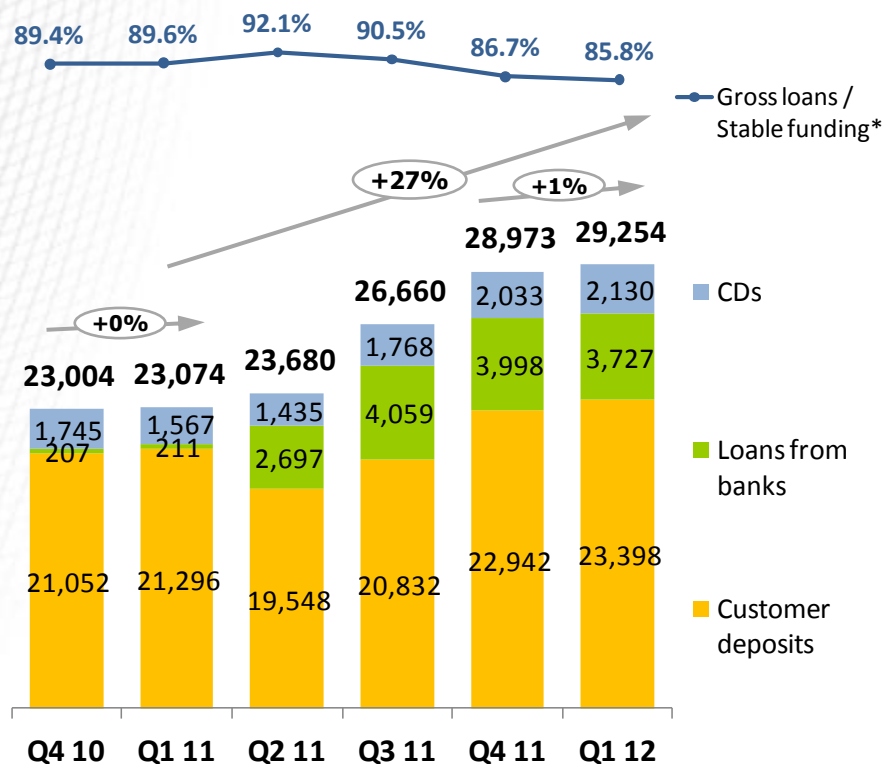


- Total loan portfolio increased by 21% y/y led by the growth of institutional loans by 29% y/y
- Typically for BGŻ, first quarter of the year tends to be less productive in terms of institutional lending, this year additionally affected by the ARMA agency rationing limits for preferential loans
- Stronger sales of PLN mortgages and personal loans gradually filter into the balance sheet, while FX mortgages volume affected by the appreciation of the Polish złoty in Q1 2012

Funding mix

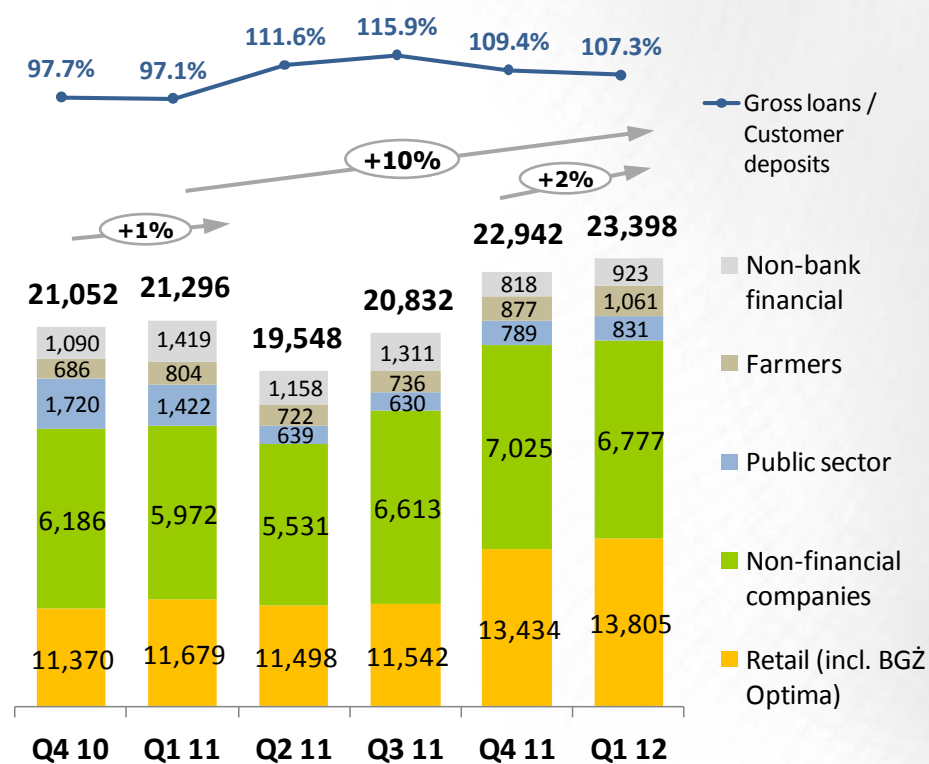
Funding mix*

(PLN m, quarter-end)



Customer deposits

(PLN m, quarter-end)



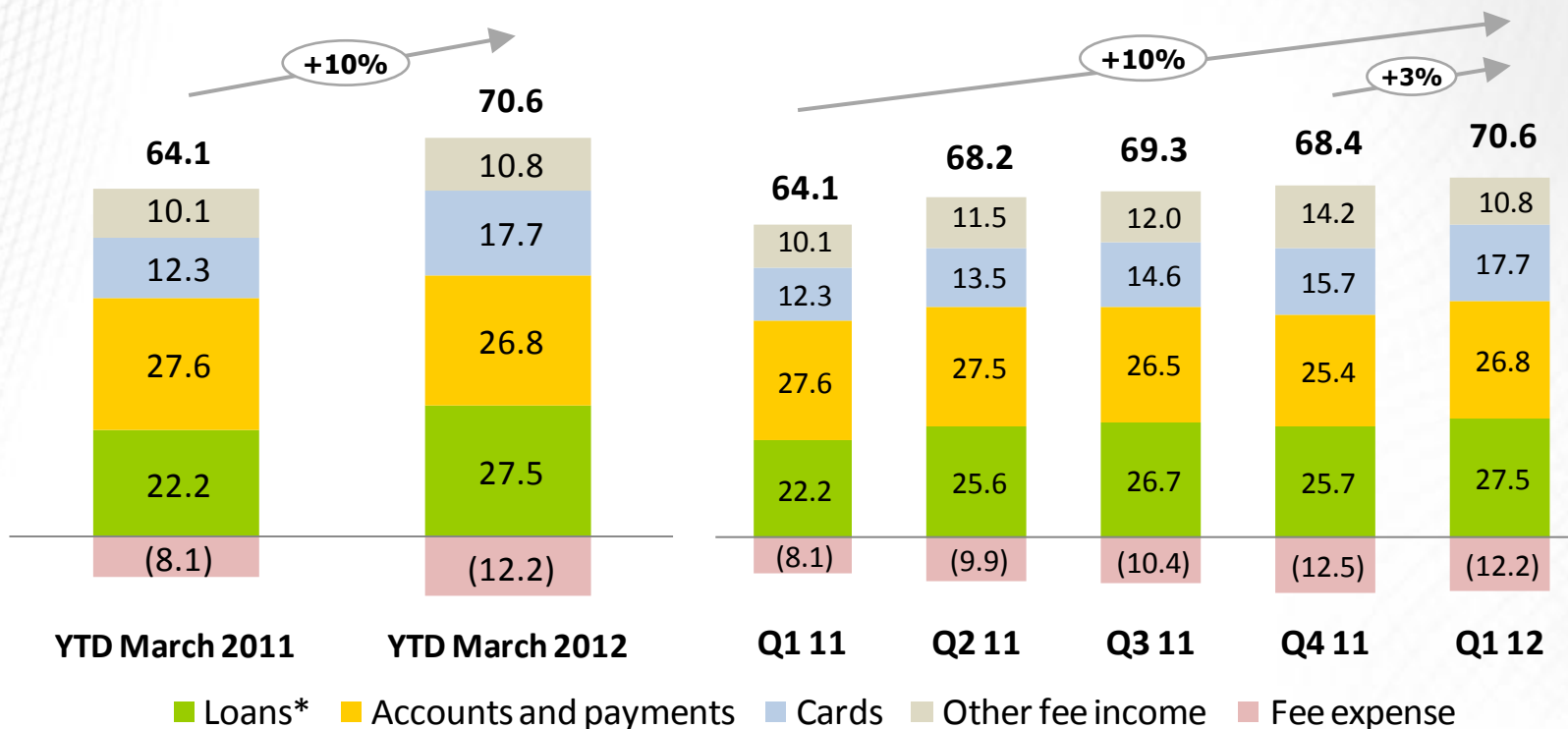
- Further improvement of funding ratios in Q1 2012, mainly due to increase in retail and farmer deposits and CDs
- BGŻOptima deposits grew from PLN 1,601m at the end of 2011 to PLN 1,802 at the end of Q1 2012

* Stable funding = customer deposits + loans from banks + CDs

Net fee and commission income

Net fee and commission income by product type

(PLN m)

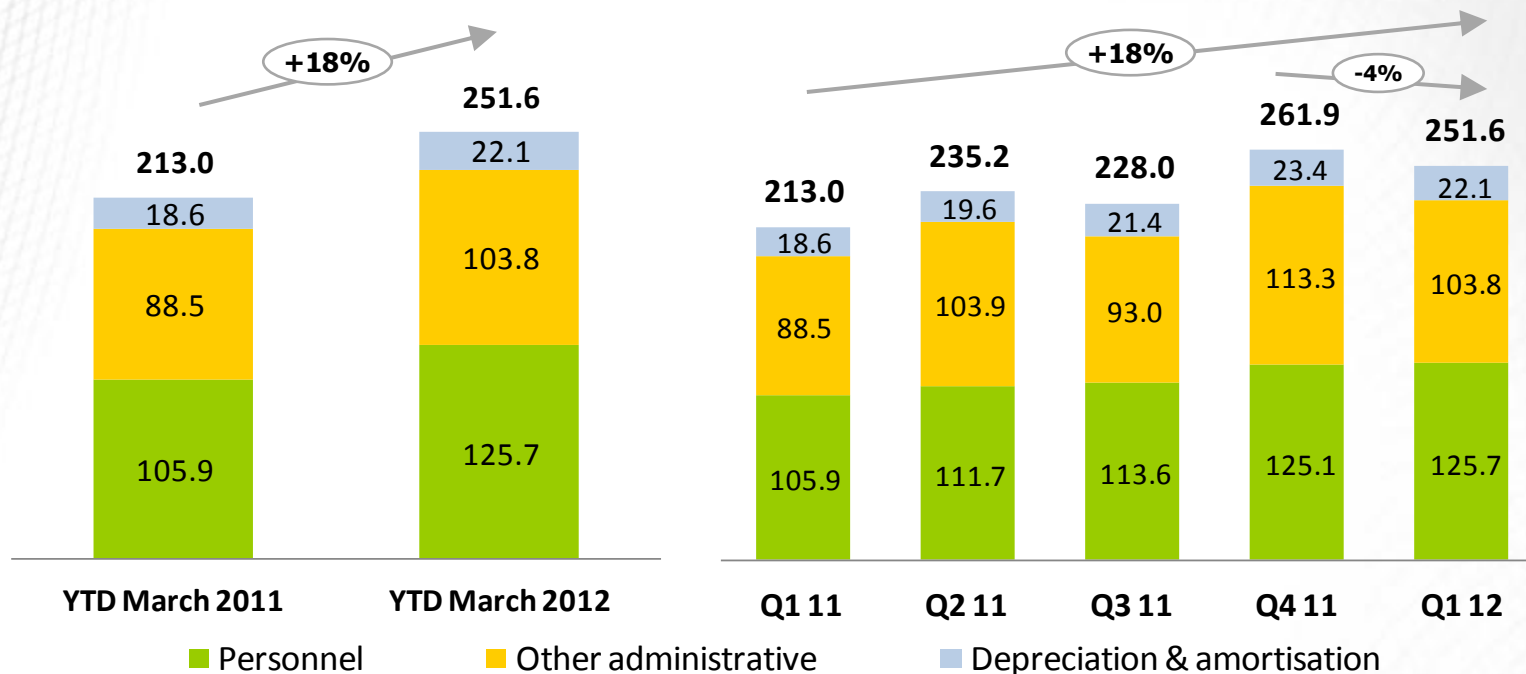


- Solid y/y growth of credit-related fees, mostly on the account of SME, micro companies and farmer overdrafts and Aviva insurance sold together with personal loans (since February 2012)
- Increase in fee income from accounts and payments in Q1 2012 mostly due to by changes in table of fees for retail and institutional clients (from Dec'11 and Jan'12 respectively)
- Card fees up, driven by sales of award winning "Konto z Premią" personal account and changes to retail fee table

* Contains credit fees not accounted for using the effective interest rate method (i.e. mostly overdrafts)

Operating expenses

General administrative expenses, depreciation and amortisation (PLN m)

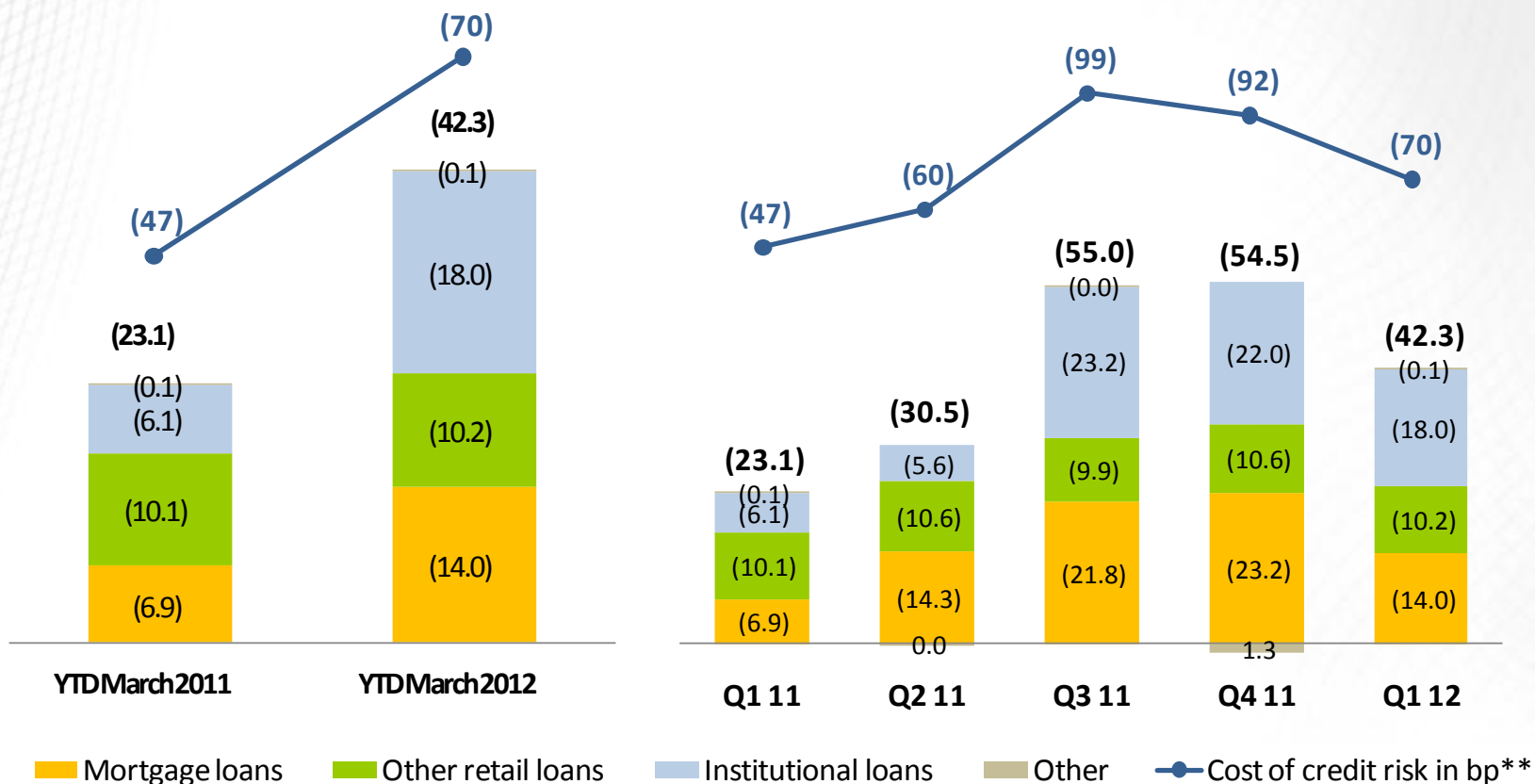


- Growth of expenses by 18% y/y mainly due to:
 - Strategic initiatives: branch expansion in 2011 and launch of a direct bank in Q4 2011
 - Increase in total compensation and hike in payment to the state social fund
 - Increase in marketing spending (product campaigns in media)
 - Higher obligatory payments to BFG and KNF
- Drop of expenses by 4% q/q due to absence of seasonal factors

Risk costs

Net impairment losses by main portfolios*

(PLN m)



- Growth of net impairment losses y/y driven by mortgages and institutional loans (mostly SME and Micro)
- Improvement in Q1 2012 vs. previous quarter in all segments

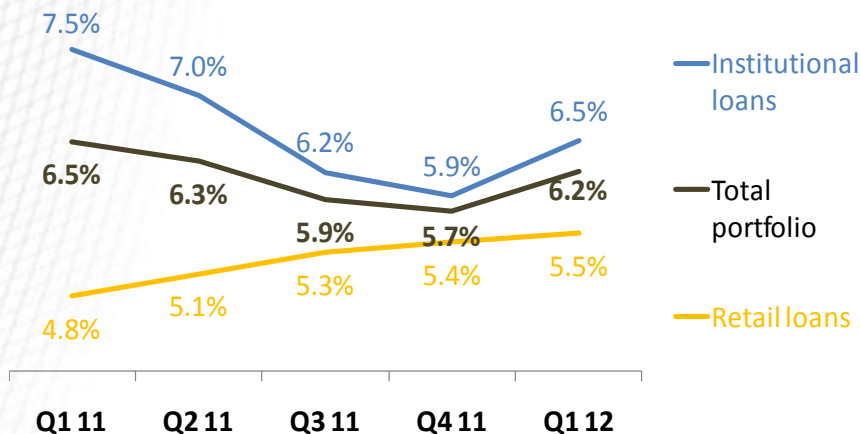
* Split by segments according to BGŻ management information, includes loans serviced by the workout centre

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

Asset quality (NPL ratios)*

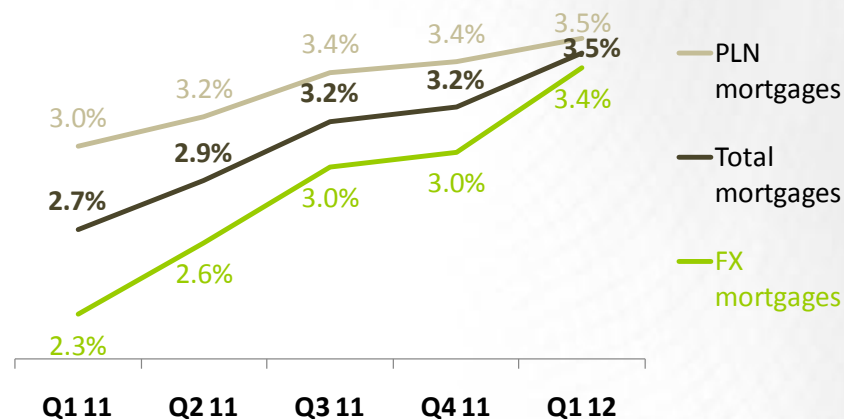
Total loans

(quarter-end)



Mortgage loans

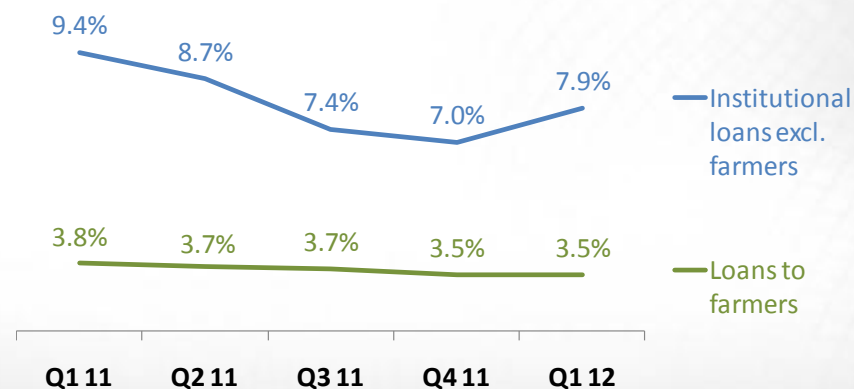
(quarter-end)



- Reversal of the trend for total NPL ratio due to flat loan volume in Q1 2012
- Mortgage portfolio quality under pressure due to ageing but also vintage effect
- Continued very good performance of farmer portfolio

Institutional loans

(quarter-end)

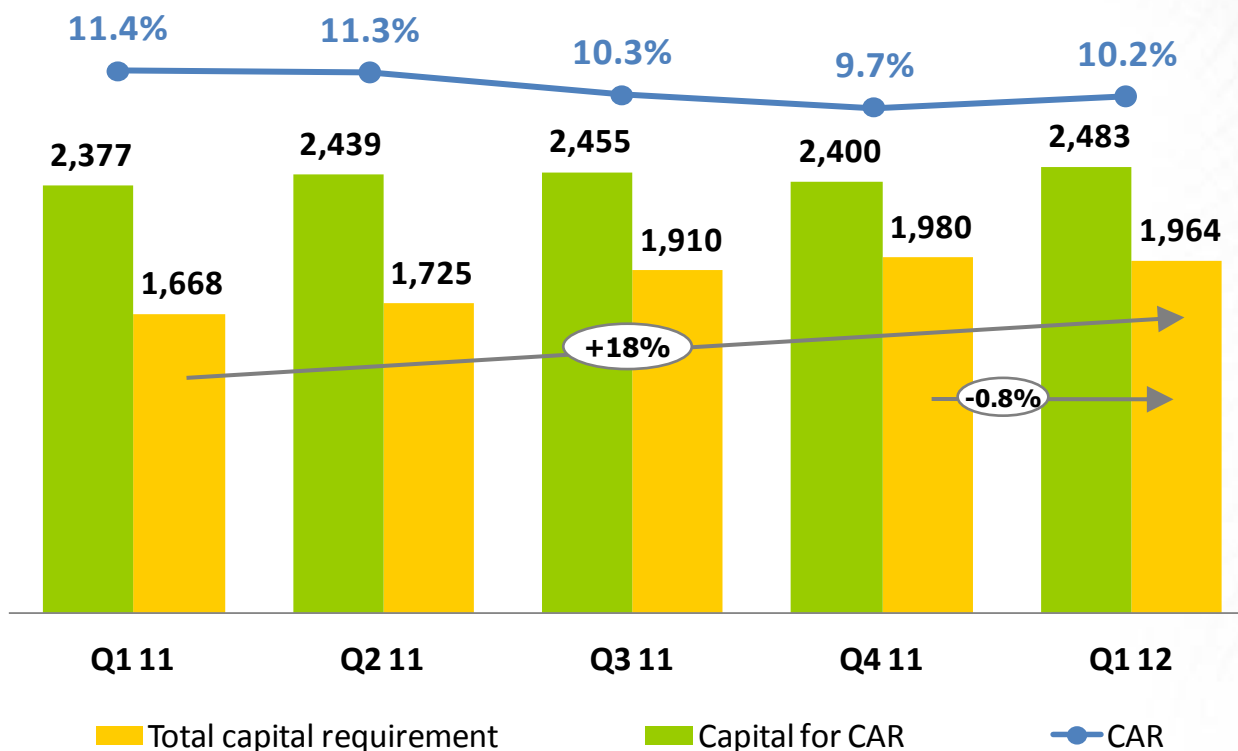


* Shares of impaired loans in retail, institutional, mortgage and farmer portfolio according to BGŻ management information

Capital adequacy

Capital and capital adequacy

(PLN m, quarter-end)



- Increase in CAR in Q1 2012 due to flat loan growth and the inclusion of the 2011 full year net profit into capital funds, following the audit of financial statements (before only semi-annual net profit included)
- Capital increase is under consideration for H2 2012

Public tender offer for BGŻ shares

- On 11 April 2012, Rabobank International Holding B.V. i Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. launched a public tender offer for 17,262,669 BGŻ shares, representing 40.02% of the share capital, at PLN 72.5 per 1 share.
- The subscription will be held between 2 and 31 May 2012 and will be intermediated by PKO BP brokerage house. It becomes effective when at least 6.47m shares is subscribed for, which will allow Rabobank to increase its stake in BGŻ to 75%. Nevertheless, the tenderer can still decide to purchase shares if the subscribed number is lower than the above.
- According to the tender offer, Rabobank intends to maintain BGŻ presence on the Warsaw Stock Exchange.
- On 26 April 2012, the Management Board of BGŻ disclosed its position with regard to the tender offer together with the fairness opinion obtained from an external consultancy, KPMG.
- In the opinion of the Management Board, the tender offer is in line with the Bank's interest and based on the opinion prepared by KPMG concluded that the share price offered by the tenderers is fair.

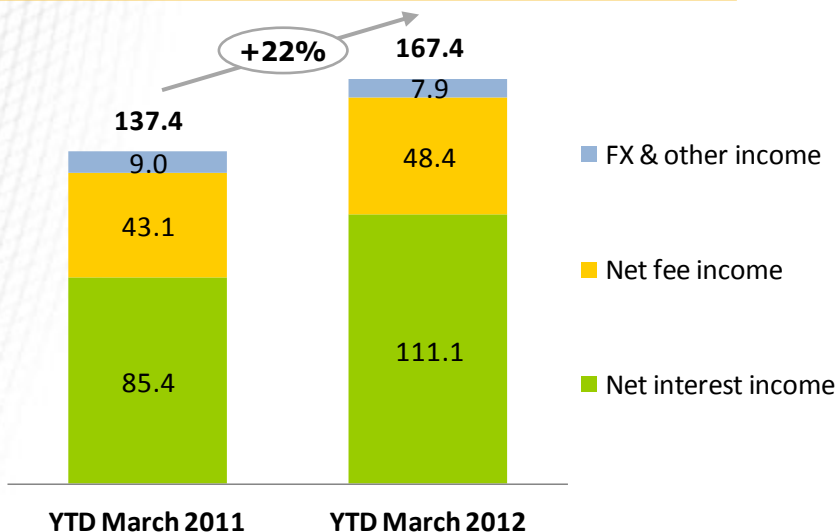


Business performance

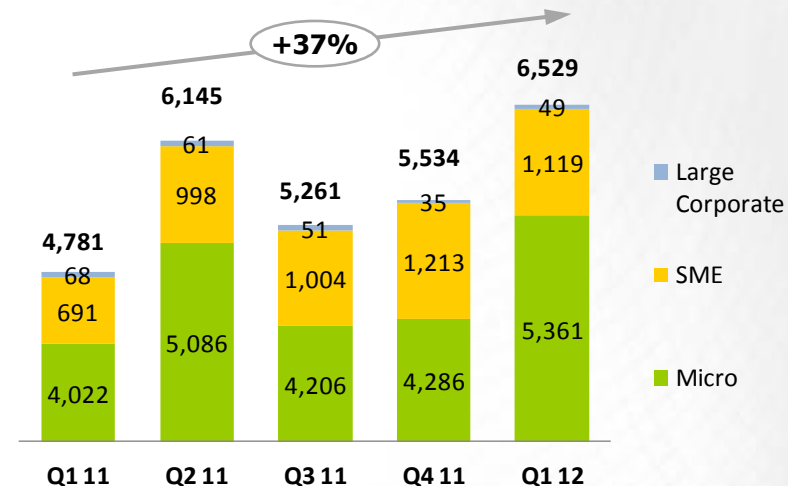
Q1 2012

Institutional Banking

Income on Institutional Banking* (PLN m)

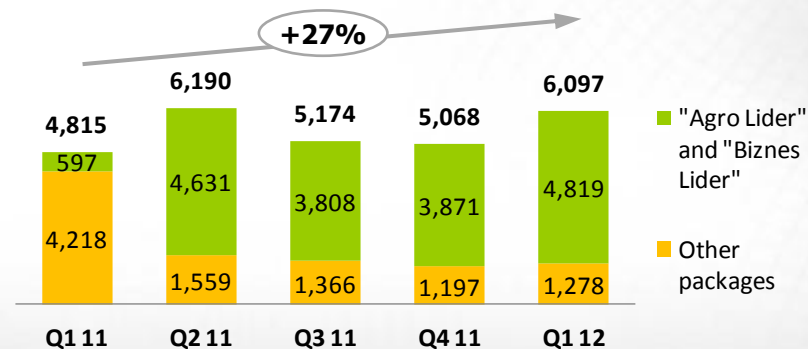


New clients acquisition (gross no. of acquired clients)



- Interest income growth y/y driven by strong credit sales, increase in margin on preferential loans and improvement on deposit margins
- Annual growth in new client acquisition fuelled by sales of „Biznes Lider” and „Agro Lider” product packages – building basis for future cross-sell

Sales of product packages (no. of packages sold)



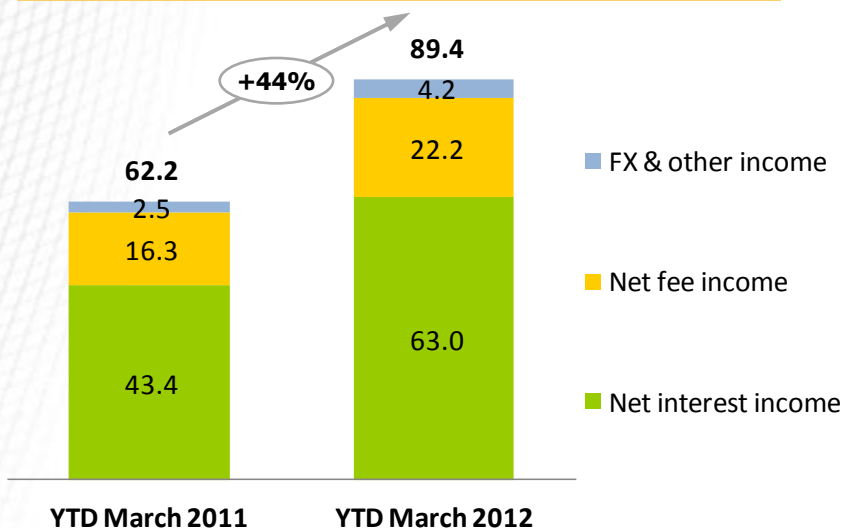
* In accordance with segment reporting note to financial statements, includes Agri.

Institutional Banking

Agri clients

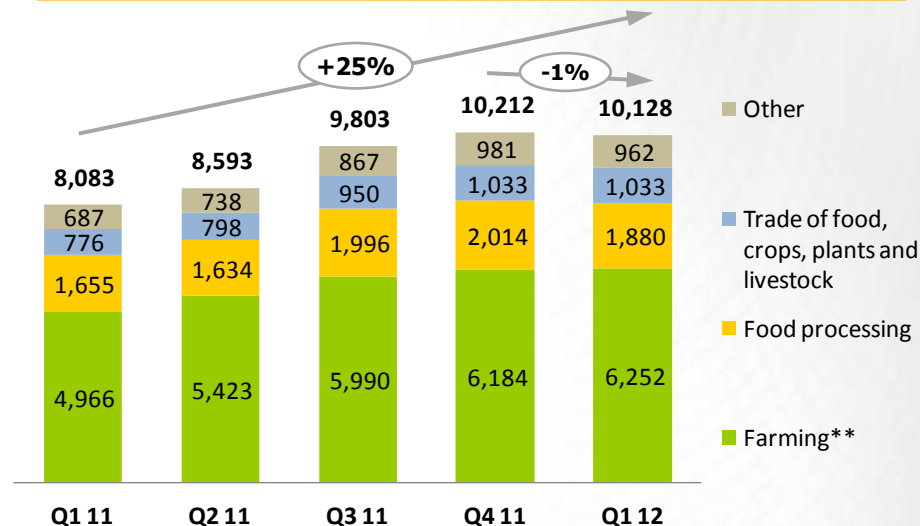
Income on Agri clients*

(PLN m)



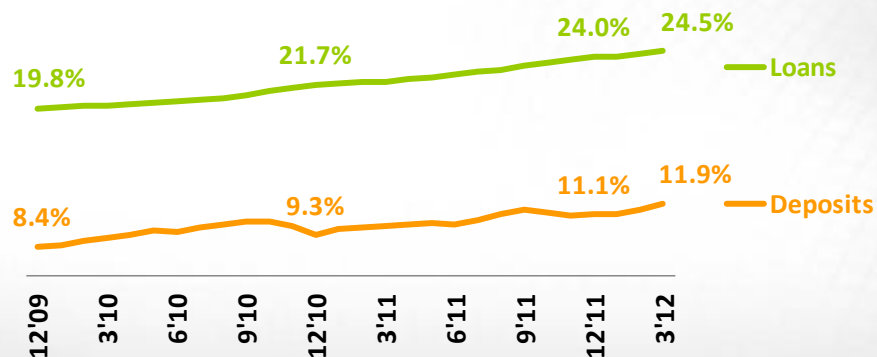
Gross agri loans by type of activity

(PLN m)



- Agri income growth y/y driven by strong credit sales and increase in margin on preferential loans on the back of NBP rediscount rate hikes in H1 2011
- Robust 25% y/y growth of agri loans, however flat performance in Q1 2012 affected by seasonal factors and curbing of limits for preferential loans
- Continued growth of BGŻ market share in farmer volumes, a cornerstone of our business

Market shares in farmer volumes



* In accordance with segment reporting note to financial statements

** Incl. individual farmers and companies in agricultural business

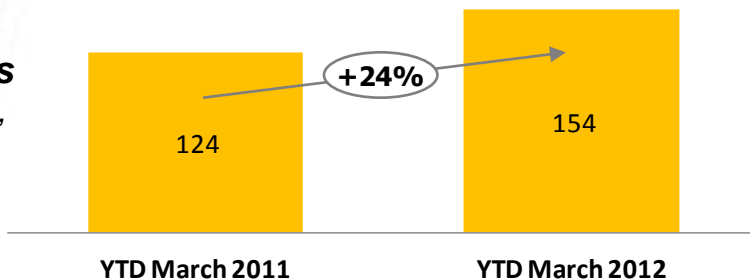
Institutional Banking

Leasing and Factoring – good results but room for further growth

Leasing

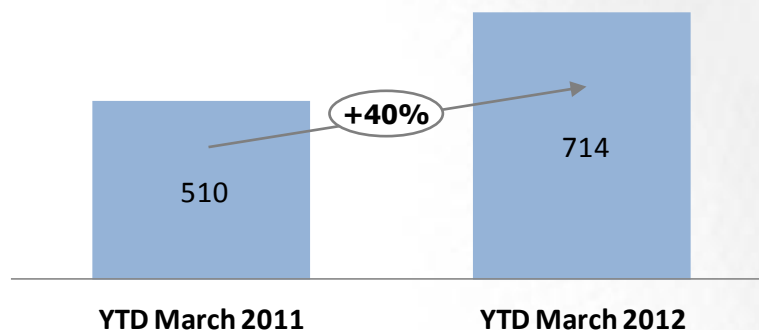
(PLN m)

Value of transactions
(leased assets,
purchased
invoices)

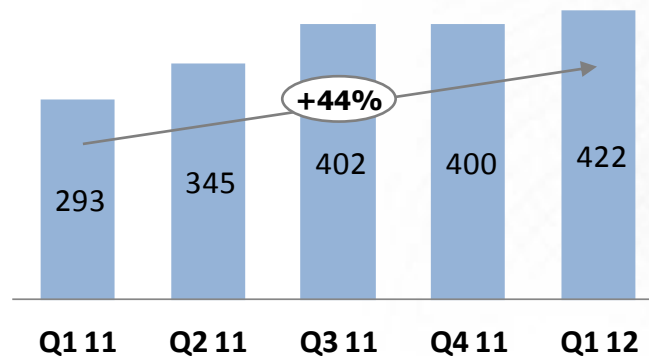
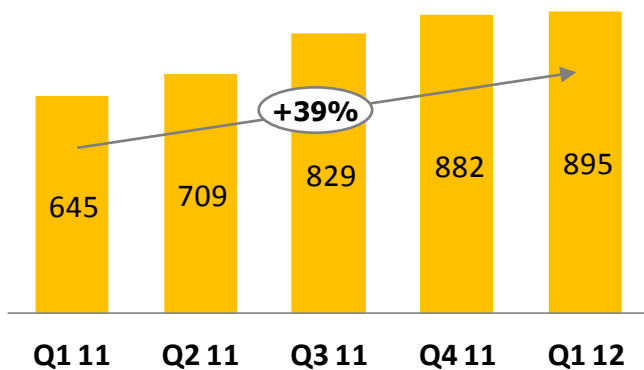


Factoring

(PLN m)



Portfolio



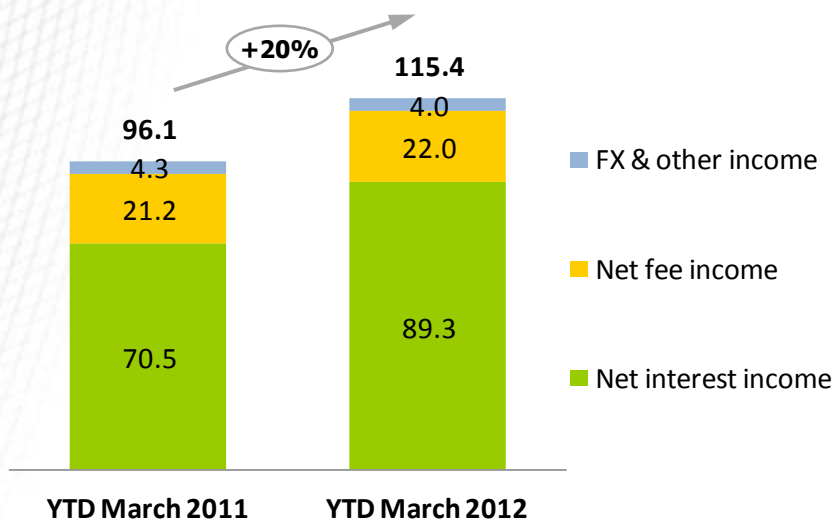
- BGŻ holds a 49% stake in BGŻ Leasing with the remaining stake owned by De Lage Landen

- Factoring showing steady growth

Retail Banking

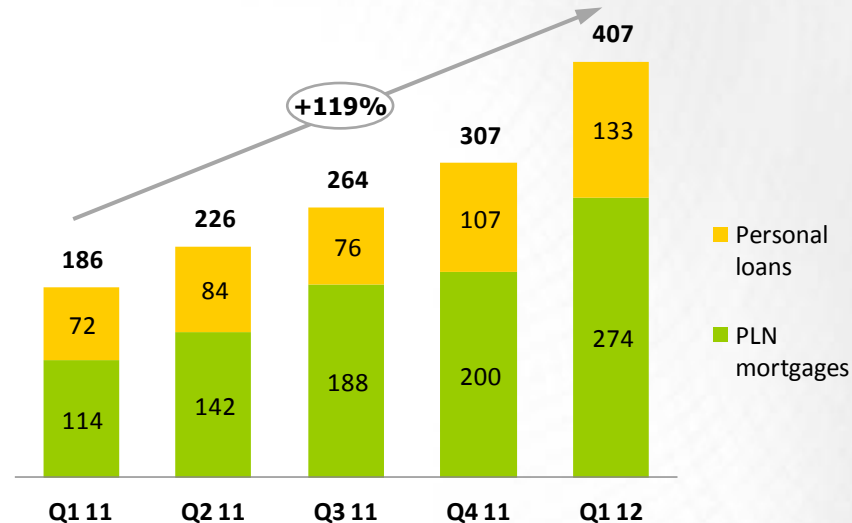
Income on Retail Banking*

(PLN m)



Sales of main credit products

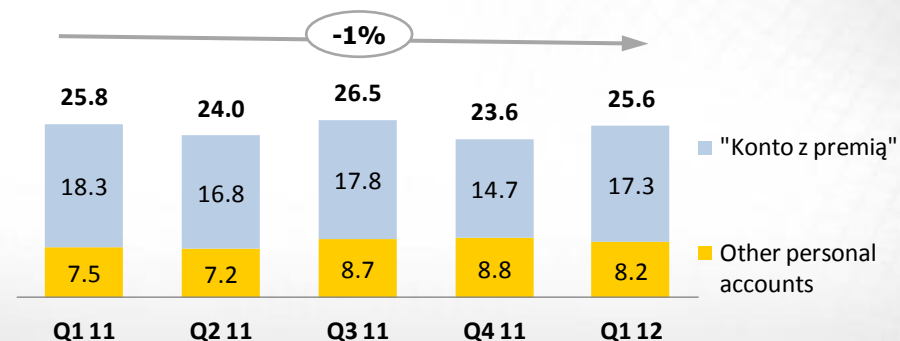
(PLN m)



- Retail income growth y/y driven by improvement in deposit margins
- Sales of loans improving in Q1 2012 with an award winning product offer, successful marketing campaigns and bigger network
- Continued good sales of „Konto z premią” personal account providing basis for future (credit) cross-sell but eating into current fee result

Sales of personal accounts

(thousands)



* In accordance with segment reporting note to financial statements. Includes BGŻ Optima.



Appendices

Consolidated income statement

PLN thousands, year-to-date basis

Consolidated income statement	31/03/2012	31/12/2011	30/09/2011	30/06/2011	31/03/2011	Change y/y	
Interest income	505,366	1,692,151	1,208,656	765,889	367,712	137,654	37.4%
Interest expense	(260,561)	(858,140)	(610,437)	(396,110)	(196,572)	(63,989)	32.6%
Net interest income	244,805	834,011	598,219	369,779	171,140	73,665	43.0%
Fee and commission income	82,831	310,857	229,961	150,273	72,144	10,687	14.8%
Fee and commission expense	(12,222)	(40,960)	(28,458)	(18,021)	(8,083)	(4,139)	51.2%
Net fee and commission income	70,609	269,897	201,503	132,252	64,061	6,548	10.2%
Dividend income	-	3,554	3,554	3,554	-	-	-
Result on trading activities	28,779	101,852	71,635	53,967	38,247	(9,468)	(24.8%)
Result on investing activities	7,615	6,899	3,063	(926)	(844)	8,459	1,002%
Other operating income	15,970	59,948	42,570	31,706	13,146	2,824	21.5%
Net impairment losses on loans and advances	(42,259)	(163,142)	(108,683)	(53,648)	(23,149)	(19,110)	82.6%
General administrative expenses	(229,491)	(855,215)	(616,723)	(410,049)	(194,384)	(35,107)	18.1%
Other operating expenses	(41,534)	(110,708)	(80,655)	(54,577)	(29,510)	(12,024)	40.7%
Operating result	54,494	147,096	114,483	72,058	38,707	15,787	40.8%
Share in profit (loss) of associates	886	2,470	2,501	2,009	925	(39)	(4.2%)
Profit (loss) before taxation	55,380	149,566	116,984	74,067	39,632	15,748	39.7%
Income tax expense	(14,901)	(21,469)	(16,102)	(13,785)	(5,803)	(9,098)	156.8%
Net profit (loss) for the year	40,479	128,097	100,882	60,282	33,829	6,650	19.7%
- attributable to the shareholders of the Bank	40,479	128,097	100,882	60,282	33,829	6,650	19.7%
Earnings per share (in PLN per share)	0.94	2.97	2.34	1.40	0.78	0.15	19.7%

Consolidated statement of financial position

Assets

PLN thousands

Consolidated statement of financial position	31/03/2012	31/12/2011	30/09/2011	30/06/2011	31/03/2011	Change y/y	
ASSETS							
Cash and balances with the Central Bank	1,548,602	1,383,321	1,702,089	1,114,603	1,073,861	474,741	44.2%
Amounts due from other banks	132,820	221,071	535,564	213,575	680,107	(547,287)	(80.5%)
Receivables arising from reverse repo transactions	706,569	366,343	119,763	255,391	284,992	421,577	147.9%
Held-for-trading securities	2,470,411	1,632,434	883,392	812,238	1,706,554	763,857	44.8%
Derivative financial instruments	448,655	883,109	890,011	200,599	202,633	246,022	121.4%
Loans and advances to customers	24,209,279	24,222,391	23,307,252	21,047,493	19,955,365	4,253,914	21.3%
Securities available for sale	4,174,221	3,624,750	3,284,427	3,603,734	3,242,826	931,395	28.7%
Other debt securities	-	-	-	55,700	55,122	(55,122)	(100.0%)
Investment property	63,401	63,401	63,900	63,900	63,900	(499)	(0.8%)
Investments in subsidiaries and associates	47,341	46,245	34,005	33,514	32,429	14,912	46.0%
Intangible assets	141,981	146,443	101,744	90,081	90,284	51,697	57.3%
Property, plant and equipment	475,620	485,943	468,871	462,190	461,697	13,923	3.0%
Deferred tax asset	202,823	207,794	212,653	213,814	227,950	(25,127)	(11.0%)
Current tax asset	4,802	-	-	44,800	44,800	(39,998)	(89.3%)
Other assets	105,222	123,968	150,339	141,708	85,917	19,305	22.5%
TOTAL ASSETS	34,731,747	33,407,213	31,754,010	28,353,340	28,208,437	6,523,310	23.1%

Consolidated statement of financial position

Liabilities and capital

PLN thousands

<u>Consolidated statement of financial position</u>	31/03/2012	31/12/2011	30/09/2011	30/06/2011	31/03/2011	Change y/y	
LIABILITIES							
Amounts owed to other banks	3,963,697	4,446,716	4,806,940	3,975,562	1,564,485	2,399,212	153.4%
Liabilities arising from repo transactions	1,554,218	-	411,806	-	339,613	1,214,605	357.6%
Derivative financial instruments and other liabilities held for trading	490,608	795,707	842,157	363,126	483,940	6,668	1.4%
Amounts owed to customers	23,397,656	22,941,652	20,832,385	19,548,216	21,295,683	2,101,973	9.9%
Liabilities from issued debt securities	2,129,784	2,033,267	1,768,308	1,434,622	1,567,142	562,642	35.9%
Other liabilities	410,507	474,952	403,876	380,575	357,812	52,695	14.7%
Deferred tax liability	9,719	9,719	9,814	9,814	9,814	(95)	(1.0%)
Current tax liabilities	-	-	-	17	10	(10)	(100.0%)
Provisions	44,610	41,926	41,470	40,494	42,451	2,159	5.1%
Liabilities arising from employee benefits	29,222	25,412	24,039	25,112	25,514	3,708	14.5%
TOTAL LIABILITIES	32,030,021	30,769,351	29,140,795	25,777,538	25,686,464	6,343,557	24.7%
EQUITY							
Issued share capital	43,137	43,137	43,137	43,137	43,137	-	-
Reserve capital	2,332,656	2,332,656	2,332,656	2,332,656	2,220,155	112,501	5.1%
Accumulated profit/ (loss) from previous years	8,327	8,327	8,327	8,327	8,487	(160)	(1.9%)
Other reserves	149,030	125,645	128,213	131,400	104,024	45,006	43.3%
Undistributed profit	168,576	128,097	100,882	60,282	146,170	22,406	15.3%
TOTAL EQUITY	2,701,726	2,637,862	2,613,215	2,575,802	2,521,973	179,753	7.1%
TOTAL LIABILITIES AND EQUITY	34,731,747	33,407,213	31,754,010	28,353,340	28,208,437	6,523,310	23.1%

BGŻ Investor Relations

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