



**Bank Gospodarki Żywnościowej Spółka
Akcyjna**

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

The opinion contains 3 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 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 Separate Financial Statements

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

Other Matters

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



Specific Comments on Other Legal and Regulatory Requirements

Report on the Bank's Activities

As required under the Accounting Act, we report that the 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 2009 No 33, item 259 with amendments) 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

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 Spółka
Akcyjna**

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

The supplementary report contains 11 pages
The supplementary report
on the audit of the separate financial statements
for the financial year ended
31 December 2013



Bank Gospodarki Żywnościowej S.A.
*The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2013*

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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
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1. General

1.1. General information about the Bank

1.1.1. The Bank's name

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

1.1.2. Registered office

ul. Kasprzaka 10/16
01-211 Warsaw
Poland

1.1.3. Registration 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 Bank

The Management Board is responsible for management of the Bank.

At 31 December 2013 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 |
| • 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 separate 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. 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 Audyt 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 Audyt 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 2012 were audited by Ernst & Young Audit sp. z o.o. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 28 June 2013 where it was resolved to allocate the net profit for the prior financial year of PLN 134 343 467.58 to other supplementary capital.

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

1.4. 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 separate financial statements comprising: the statement of financial position as at 31 December 2013, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the 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 the 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 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 7 October 2013 to 3 March 2014 (with intervals).

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 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 Bank 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 fulfill 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. Statement of financial position

| ASSETS | 31.12.2013 PLN '000 | % of total assets | 31.12.2012 PLN '000 | % of total 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 | 26 330 360 | 73.6 | 26 357 522 | 70.6 |
| Available for sale financial assets | 4 826 073 | 13.5 | 6 867 557 | 18.5 |
| Investments in subsidiaries and associates | 51 645 | 0.1 | 58 720 | 0.2 |
| 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 | 156 302 | 0.4 | 200 222 | 0.5 |
| TOTAL ASSETS | 35 763 492 | 100.0 | 37 230 693 | 100.0 |

| EQUITY AND LIABILITIES | 31.12.2013 PLN '000 | % of total equity and liabilities | 31.12.2012 PLN '000 | % of total 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 | 26 492 774 | 74.1 | 26 942 029 | 72.3 |
| Debt securities issued | 1 191 157 | 3.3 | 1 852 776 | 5.0 |
| Subordinated liabilities | 304 817 | 0.9 | - | - |
| Other liabilities | 326 015 | 0.9 | 379 168 | 1.0 |
| Provisions | 64 015 | 0.2 | 65 176 | 0.2 |
| Total liabilities | 32 258 430 | 90.2 | 33 764 146 | 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: | 162 403 | 0.5 | 134 343 | 0.4 |
| - Net profit for the period | 162 403 | 0.5 | 134 343 | 0.4 |
| Total equity | 3 505 062 | 9.8 | 3 466 547 | 9.3 |
| TOTAL EQUITY AND LIABILITIES | 35 763 492 | 100.0 | 37 230 693 | 100.0 |

2.1.2. Statement of profit or loss

| | 1.01.2013 - 31.12.2013 | 1.01.2012 - 31.12.2012 |
|--|-----------------------------------|-----------------------------------|
| | PLN '000 | PLN '000 |
| Interest income | 1 913 070 | 2 154 916 |
| Interest expense | (895 579) | (1 135 111) |
| Net interest income | 1 017 491 | 1 019 805 |
| Fee and commission income | 333 712 | 346 114 |
| Fee and commission expense | (57 220) | (48 375) |
| 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 | 31 902 | 43 329 |
| Result on hedge accounting | (1 077) | 1 233 |
| Other operating income | 49 613 | 37 017 |
| Net impairment losses on financial assets and contingent liabilities | (252 246) | (269 662) |
| General administrative expenses | (880 647) | (927 981) |
| Depreciation and amortization | (99 217) | (94 518) |
| Other operating expenses | (21 146) | (30 478) |
| Operating results | 204 437 | 178 467 |
| Profit before income tax | 204 437 | 178 467 |
| Income tax expense | (42 034) | (44 124) |
| Net profit for the period | 162 403 | 134 343 |
| – attributable to equity holders of the Bank | 162 403 | 134 343 |
| Earnings per share (in PLN per share) | | |
| Basic | 3.18 | 2.95 |
| Diluted | 3.18 | 2.95 |



2.1.3. Statement of other comprehensive income

| | 1.01.2013 - 31.12.2013 PLN '000 | 1.01.2012 - 31.12.2012 PLN '000 |
|--|---------------------------------------|---------------------------------------|
| Net profit for the period | 162 403 | 134 343 |
| 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 |
| Total comprehensive income for the period | 38 515 | 339 049 |
| – attributable to equity holders of the Bank | 38 515 | 339 049 |
| Total comprehensive income per share | | |
| Basic | 0.72 | 7.45 |
| Diluted | 0.72 | 7.45 |

2.2. Selected financial ratios

| | 2013 | 2012 |
|---|------------|------------|
| Total assets (PLN '000) | 35 763 492 | 37 230 693 |
| Profit before income tax (PLN '000) | 204 437 | 178 467 |
| Profit for the period (PLN '000) | 162 403 | 134 343 |
| Shareholders' equity (PLN '000)* | 3 342 659 | 3 332 204 |
| 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 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 2010 No 191, item 1279).

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 2010 No 191, item 1279) 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 the banking prudential regulatory norms pertaining among other to exposure concentration, obligatory reserve and capital adequacy.



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 2009 No 33, item 259 with amendments) 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 2014