

BGŻ Group

Presentation of Q3 2011 results

Warsaw, 4 November 2011

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Opłata za połączenie według cennika operatora

 **Bank BGZ**
Pieniądze są dla ludzi

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Executive summary

Financials

- Income growth at +19% y/y and +9% q/q
- Net profit for Q3 at PLN 40.6m, i.e. highest quarter this year
- Net profit for YTD Sep 2011 at PLN 100.9m, +118% y/y

Funding & Risk

- Long-term CHF loan from Rabobank improved funding profile and added to good performance in Q3
- Risk costs increased above the trend in Q3 but overall YTD figure still better than a year ago

Business

- Sound volume performance in Q3 with customer loans and deposits increasing by 11% q/q and 7% q/q respectively
- Robust and accelerating new loan production to institutional clients
 - growth +24% y/y driven by agri portfolio (+28% y/y)
- Focus on new client acquisition through sales of personal accounts and product packages
 - 26.5k personal accounts and 5.2k institutional packages sold in Q3 2011

Strategy

- Execution of strategy well on track:
 - Continuation of branch expansion: 17 new branches opened in Q3 2011
 - Direct bank to be launched in Q4 2011
 - Good sales of farmer insurance, continued work on retail insurance offer



Financial performance

Q3 / YTD Sep 2011

Summary financials

PLN million	YTD Sep 2011	YTD Sep 2010	Change y/y	Q3 2011	Q2 2011	Q1 2011	Change q/q
Total income	899.5	753.9	+19%	325.5	299.1	274.9	+9%
Total expenses	(676.3)	(567.5)	+19%	(228.0)	(235.2)	(213.0)	-3%
Net impairment losses	(108.7)	(138.3)	-21%	(55.0)	(30.5)	(23.1)	+80%
Pre-tax profit	117.0	48.8	+140%	42.9	34.4	39.6	+25%
Net profit	100.9	46.3	+118%	40.6	26.5	33.8	+53%
ROE	5.3%	2.6%	+2.7 p.p.	6.3%	4.2%	5.4%	+2.2 p.p.
Cost / Income	75.2%	75.3%	-0.1 p.p.	70.1%	78.7%	77.5%	-8.6 p.p.
CAR	10.3%	11.4%	-1.1 p.p.	10.3%	11.3%	11.4%	-1.0 p.p.

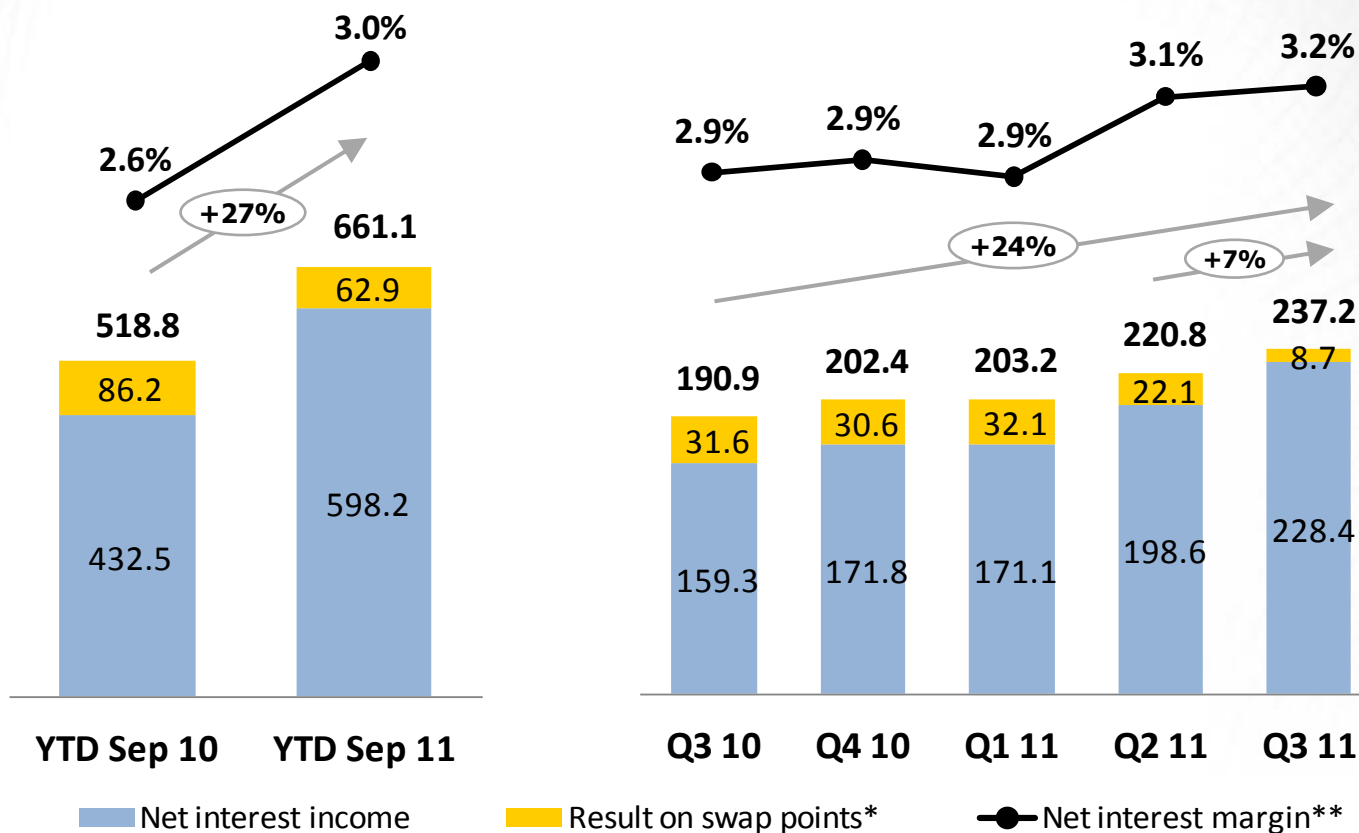
Adjusted for IPO, new branches and non-recurring strategic projects:

Total expenses adjusted	(611.5)	(552.4)	+11%	(204.9)	(209.5)	(197.0)	-2%
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Net interest income

Net interest income and margin

(PLN m)



- Net interest income growth stimulated by loan growth, higher credit margins and lower funding costs

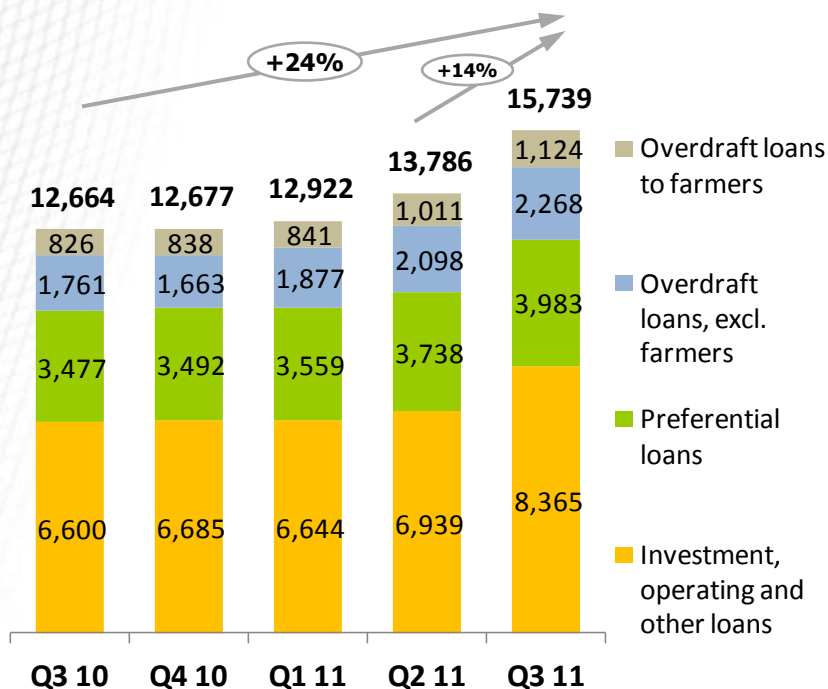
* Data source: BGŻ management information

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

Loan growth

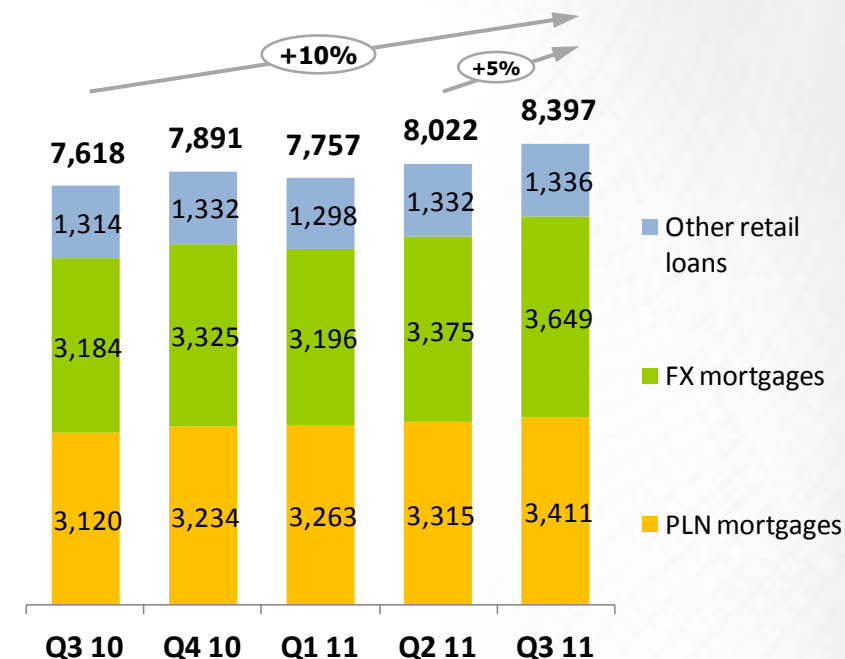
Institutional loans, gross

(PLN m, quarter-end)



Retail loans, gross

(PLN m, quarter-end)

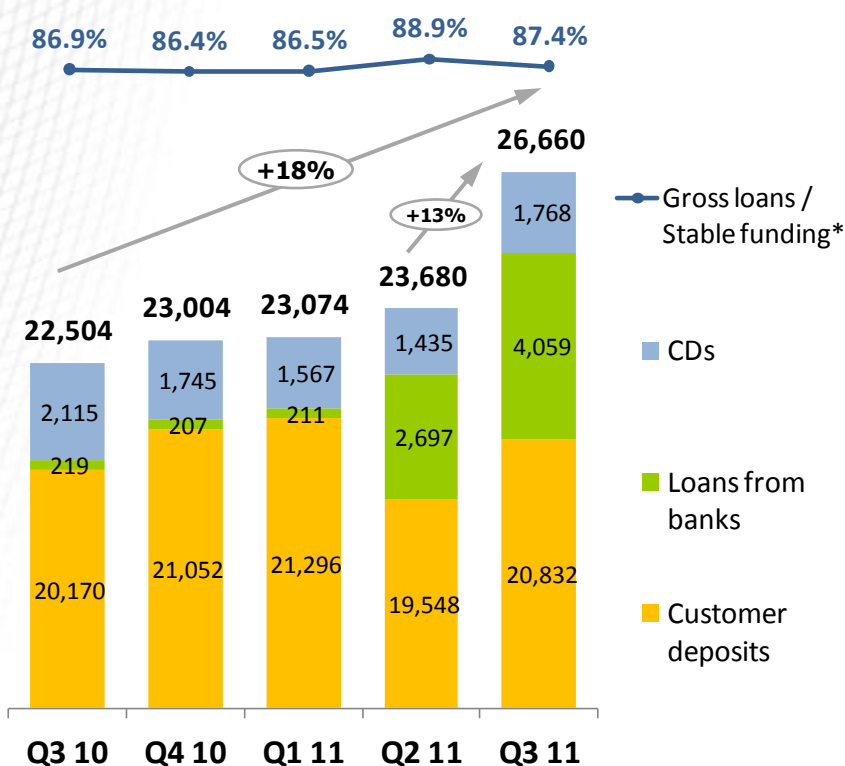


- Robust, continued growth of the total loan portfolio at 19% y/y
- Growth of institutional loans above market average, driven by robust performance in overdrafts to farmers (36% y/y), other overdrafts (29% y/y), investment and operating loans (27% y/y) and solid growth of preferential loans (15% y/y)
- Retail loan growth fuelled by PLN mortgages (9% y/y) and FX rate effect on CHF portfolio (15% y/y)

Funding mix

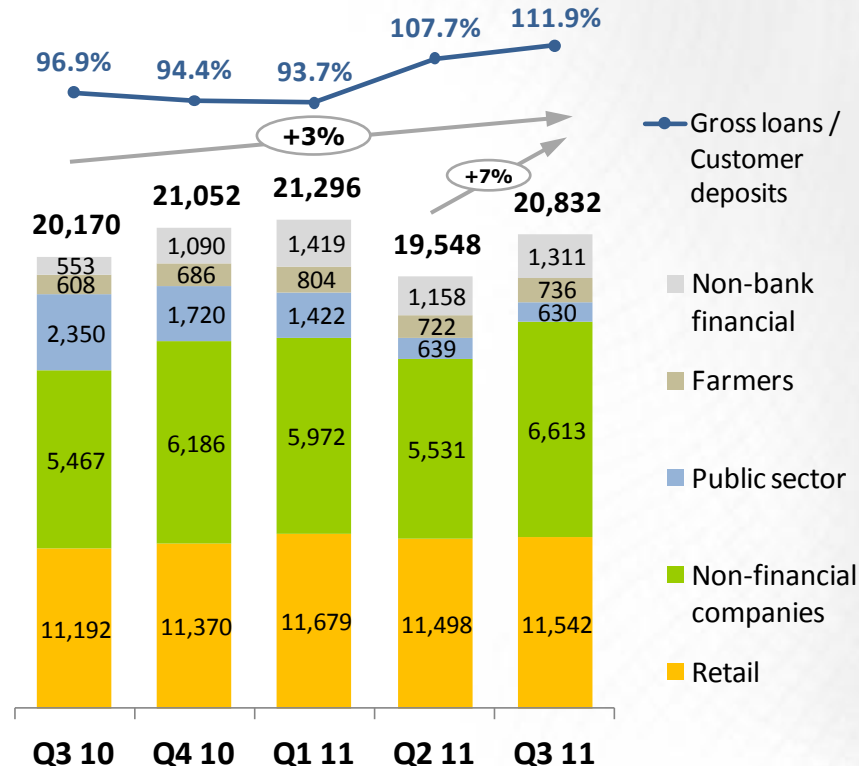
Funding mix*

(PLN m, quarter-end)



Customer deposits

(PLN m, quarter-end)



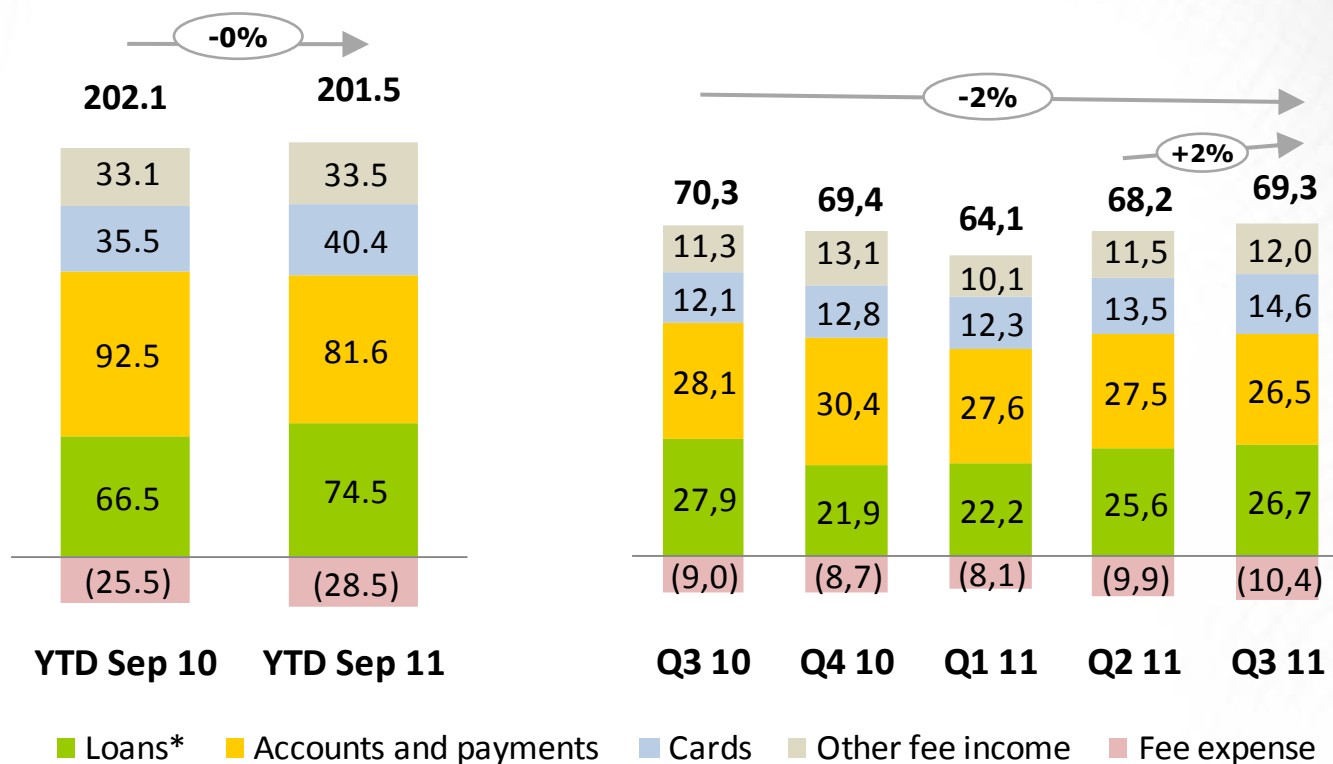
- Structural improvement of the funding mix due to CHF loan from Rabobank, which allowed for a reduction of large, expensive corporate deposits in Q2 (incl. outflow of public sector deposits due to changes in public finances legislation)
- Growth of deposits in Q3 driven by non-financial companies (corporate and SME)

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

Net fee and commission income

Net fee and commission income by product type

(PLN m)

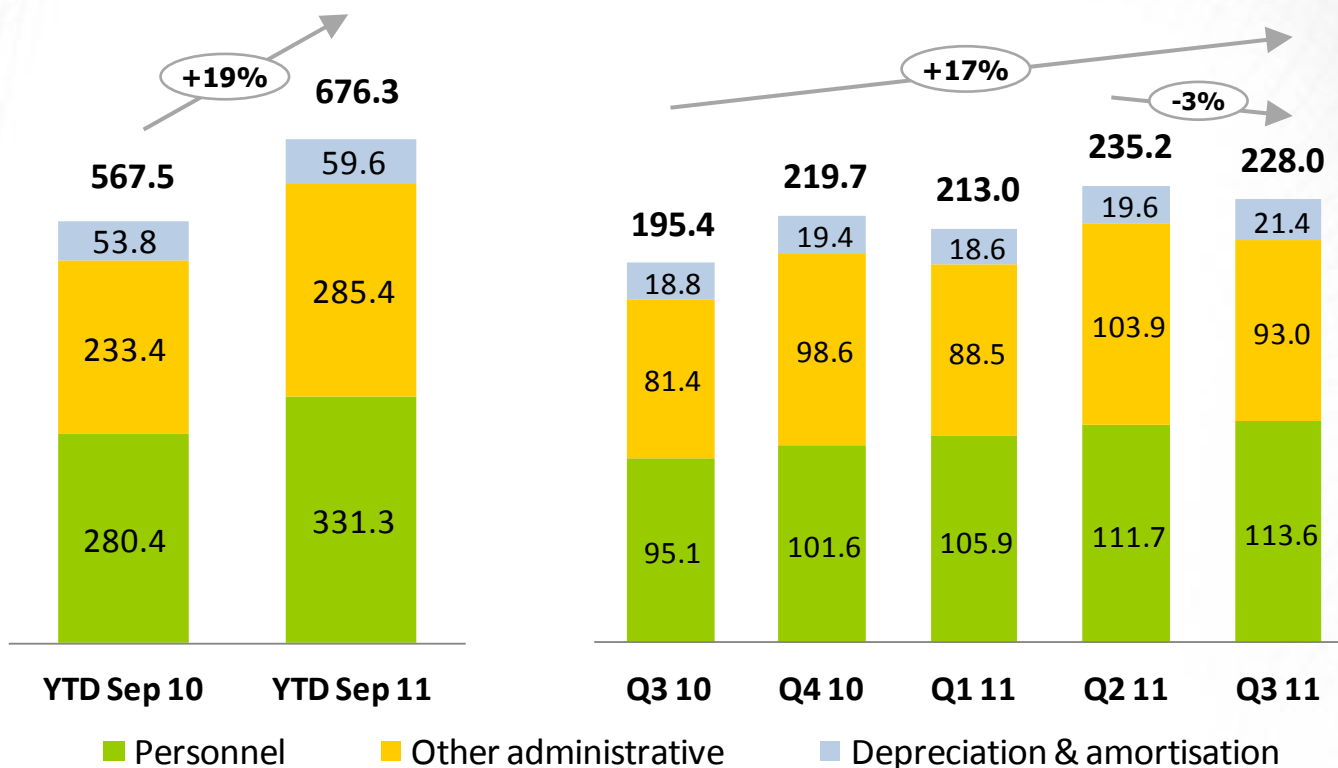


- Fee income performance impacted by market pressure on current account fees
- Solid growth of credit-related fees, mostly on the account of SME and farmer overdrafts
- Growth of card fees driven by sales of award winning "Konto z Podwyżką" personal account

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

Operating expenses

General administrative expenses, depreciation and amortization (PLN m)



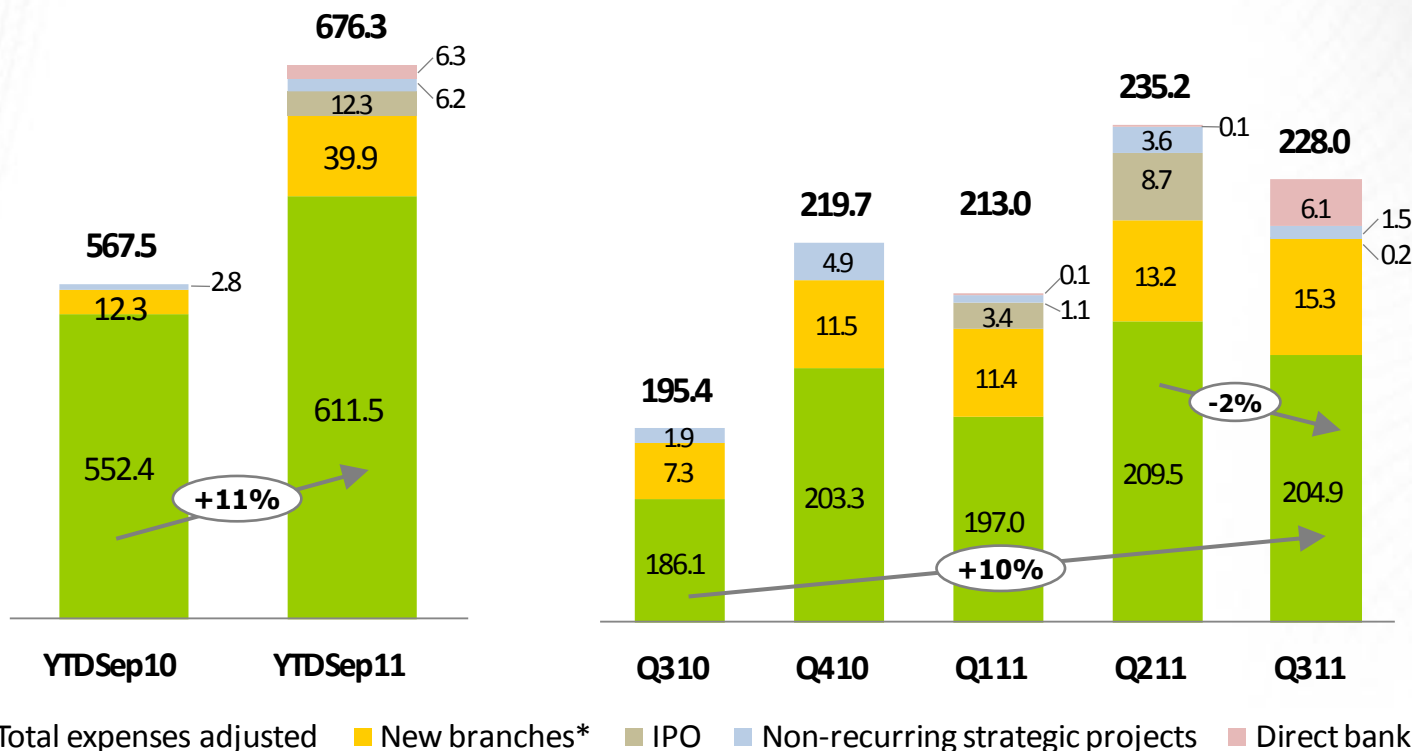
- Drop of expenses in Q3 2011 due to lower spending on marketing
- Annual growth of expenses mainly due to strategic initiatives, changes in remuneration policy, branch expansion, direct bank project, IPO and BFG donation hike

* Sum of bonus accruals and awards divided by basic salaries.

Operating expenses adjusted

Operating expenses adjusted for branch expansion, non-recurring strategic projects and one-offs

(PLN m)



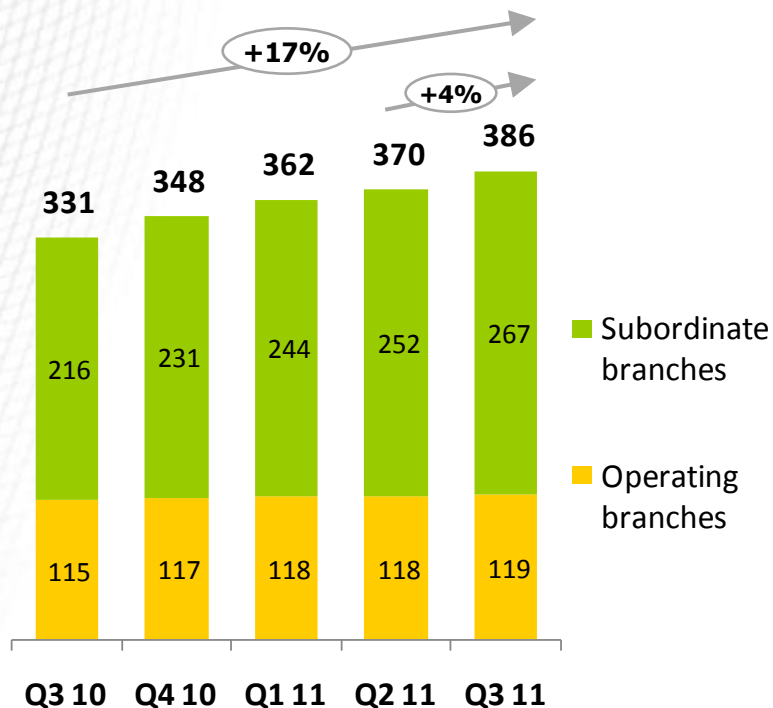
- Annual growth of expenses impacted by execution of the growth strategy (branch expansion, other strategic projects, direct bank) and one-off IPO costs

* Opened in 2010 and 2011.

Strategic growth initiatives

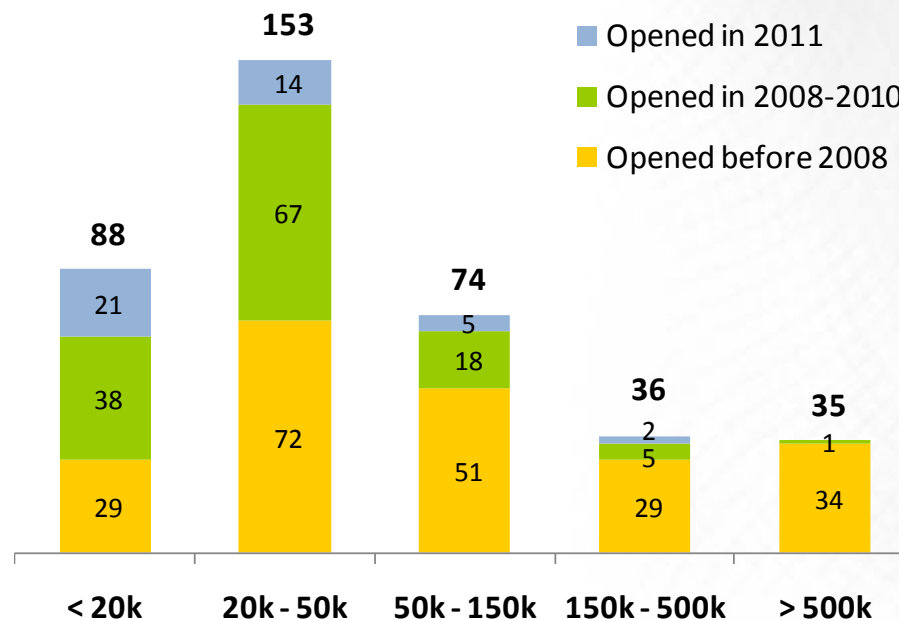
Number of branches

(quarter-end)



Network expansion by market size*

(as at 30 September 2011)



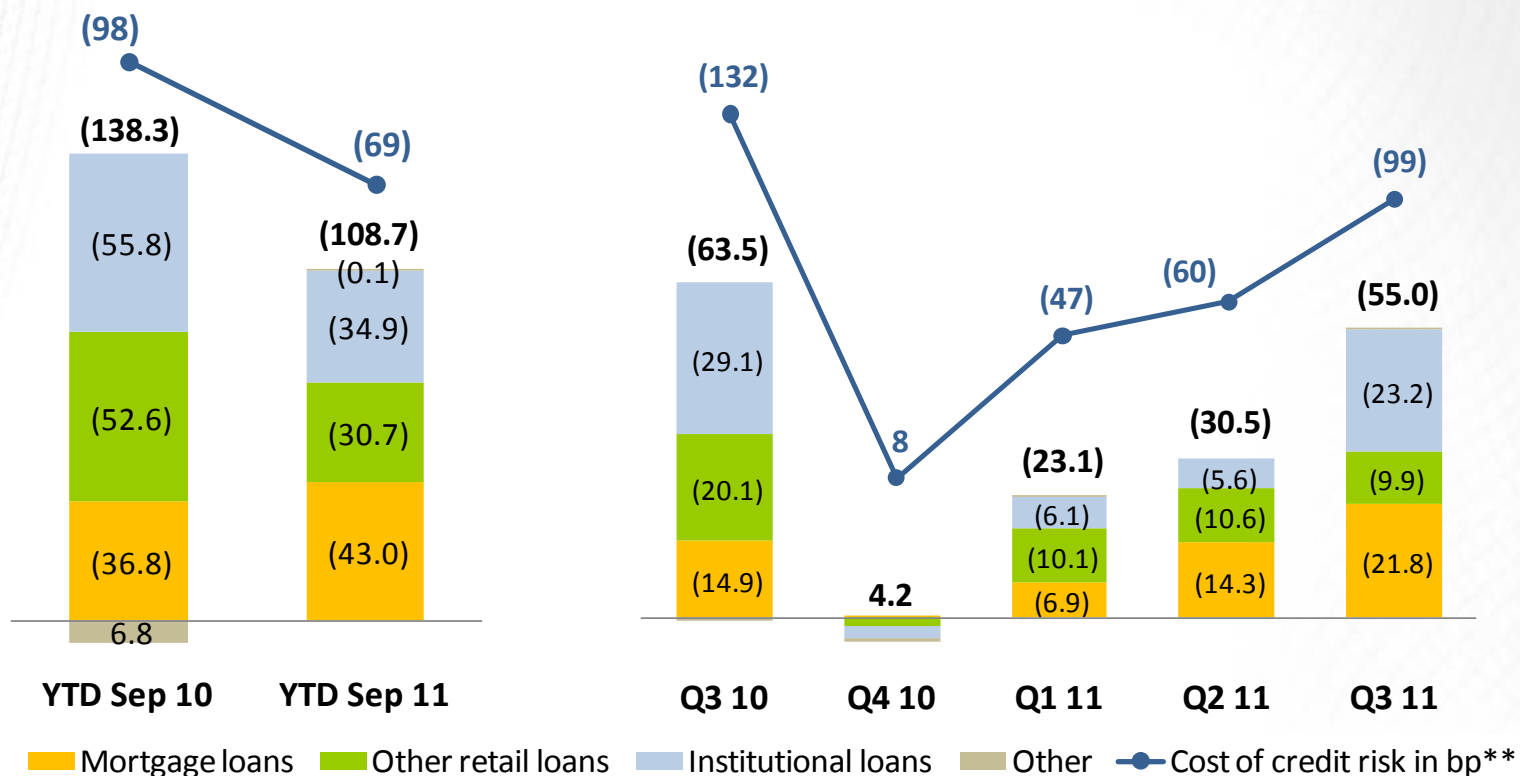
- Continued network expansion in small towns – 17 new branches opened in Q3 2011, altogether 42 in YTD Sep 2011
- Total of 171 new branches opened since 2008 (44% of the current network)

* Number of branches located in towns within given population bracket

Risk costs

Net impairment losses by main portfolios*

(PLN m)



- Risk costs up in Q3 and above the trend mostly due to mortgages, corporate and SME loans
- Overall year-to-date performance better than last year

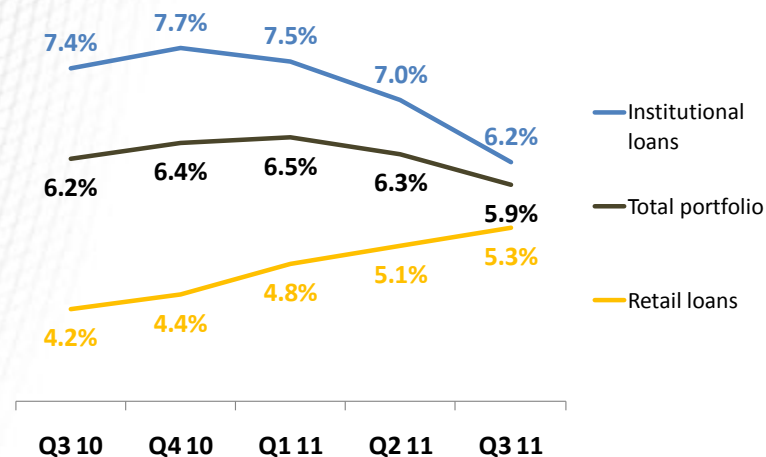
* Split by segments according to BGŻ management information, includes loans serviced by the workout centre

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

Asset quality (NPL ratios)*

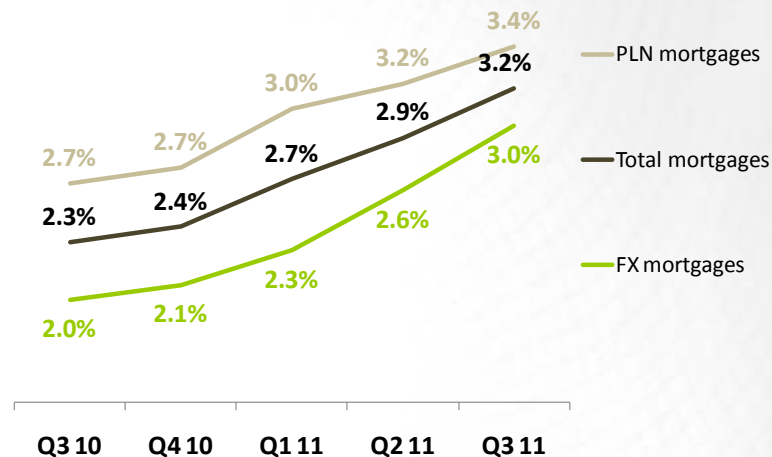
Total loans

(quarter-end)



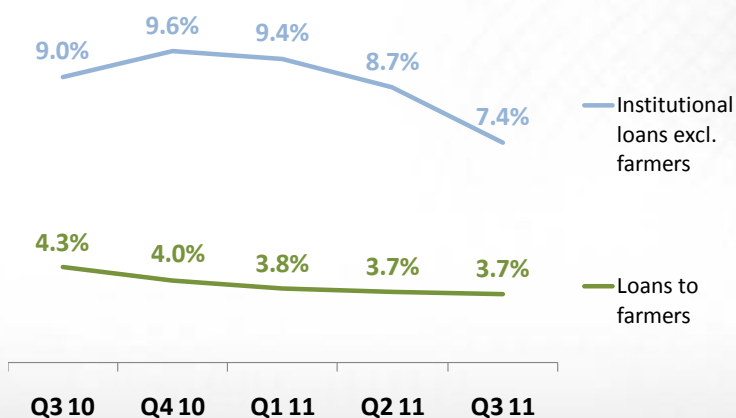
Mortgage loans

(quarter-end)



Institutional loans

(quarter-end)



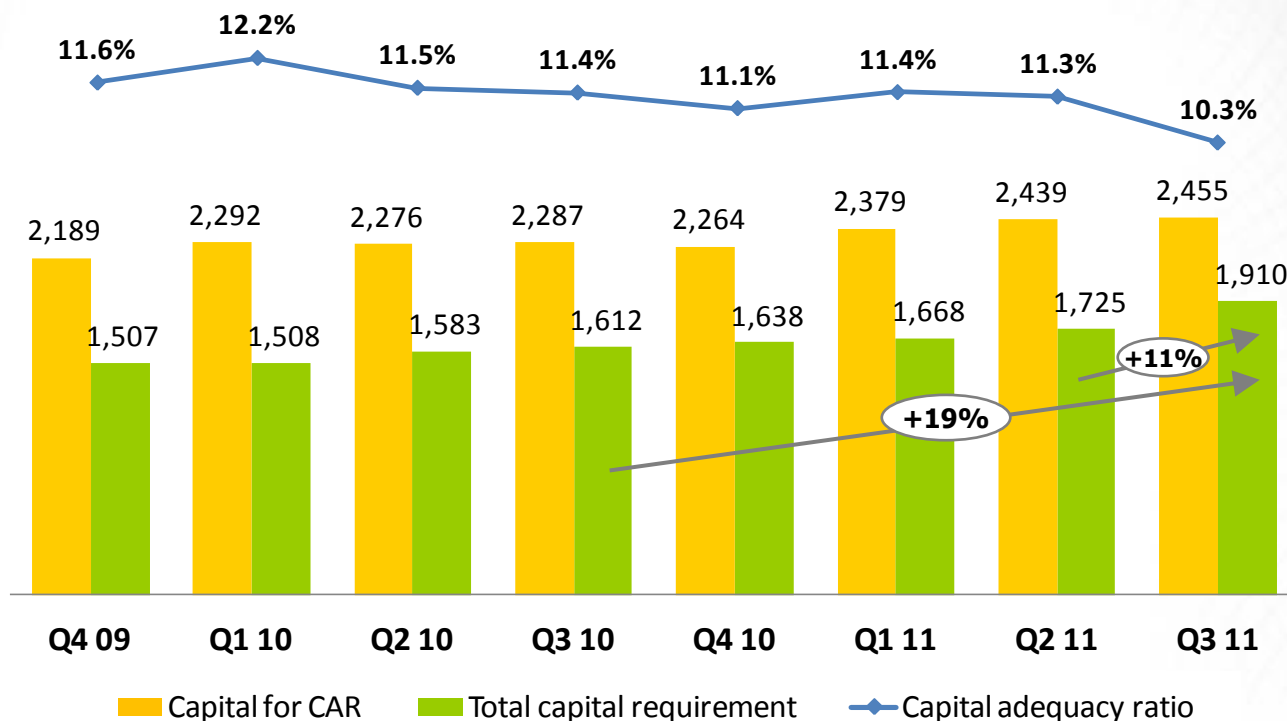
- Improvement in total NPL ratio due to robust new sales of agri and non-agri institutional loans and continued good quality of farmer portfolio
- Mortgage portfolio quality under pressure due to ageing effect and moderate new sales

* 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)



- Drop of capital adequacy ratio to 10.3% due to growth of the loan portfolio in Q3 translating into higher capital requirement for credit risk
- The Bank is investigating options for strengthening its capital base. Decisions will be communicated as they are taken.

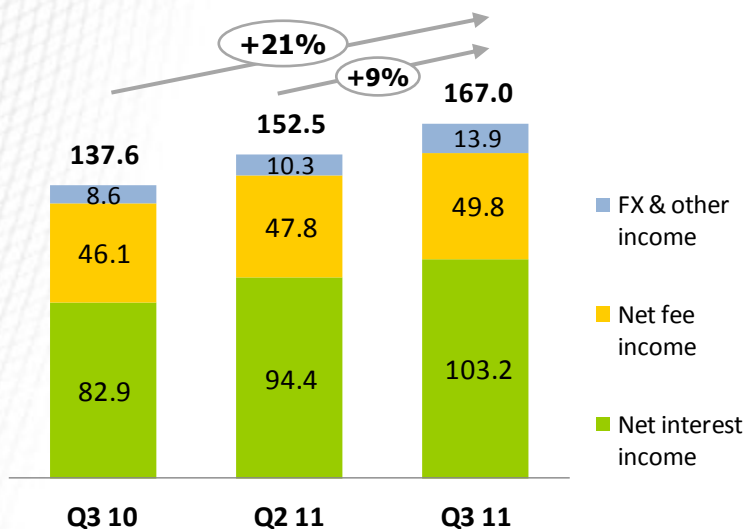


Business performance

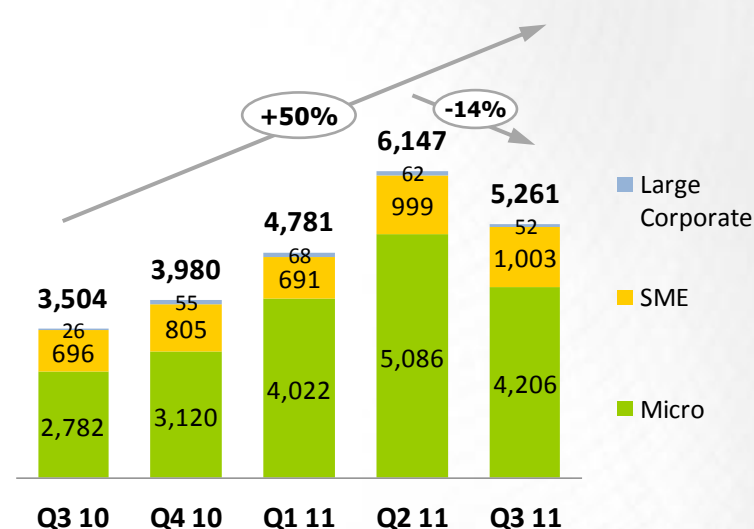
Q3 / YTD Sep 2011

Institutional Banking

Income on Institutional Banking* (PLN m)

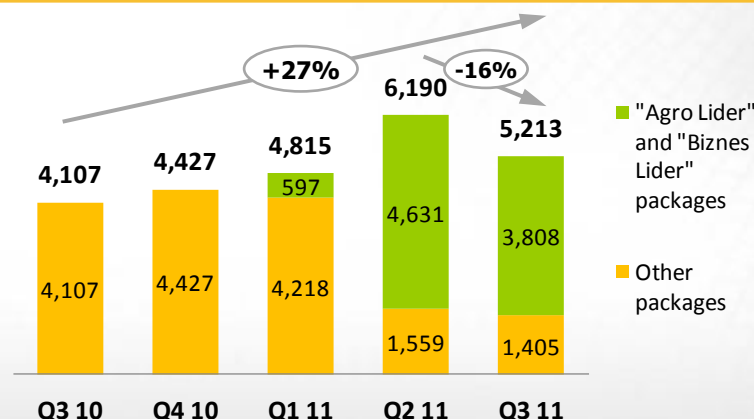


New clients acquisition (no. of acquired clients)



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

Sales of product packages (no. of packages sold)



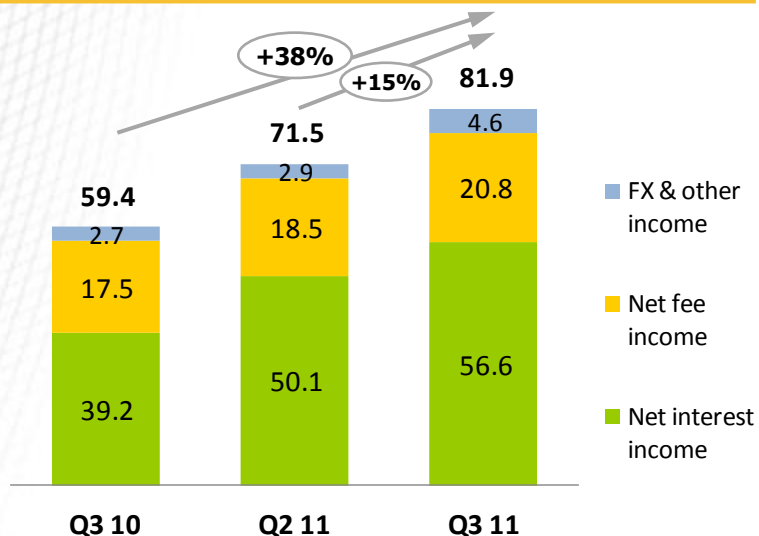
* In accordance with segment reporting note to financial statements, includes Agri

Institutional Banking

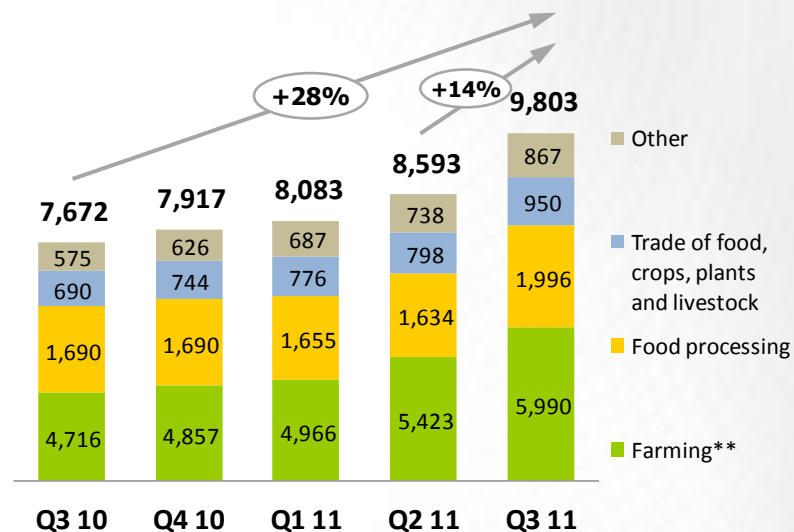
Agri clients

Income on Agri clients*

(PLN m)

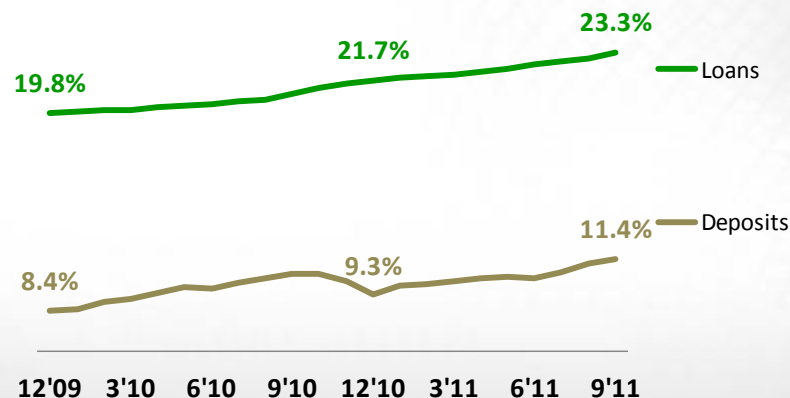


Gross agri loans by type of activity (PLN m)



- Agri income growth driven by strong credit sales and increase in margin on preferential loans benefitting from NBP rediscount rate hikes in H1 2011
- Continued and significant growth of BGŻ market share in farmer volumes, a cornerstone of our business
- 1,500 Concordia policies sold in Q3 vs. 1,200 in Q2

Market shares in farmers



* In accordance with segment reporting note to financial statements

** Incl. individual farmers and companies in agricultural business

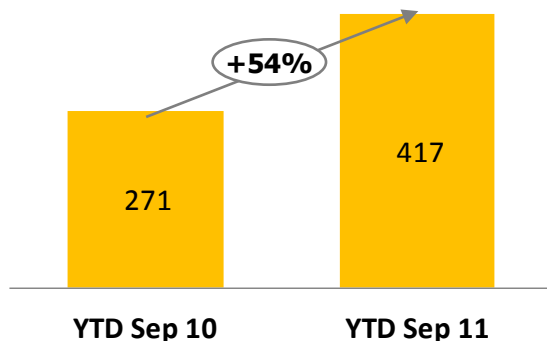
Institutional Banking

Leasing and Factoring

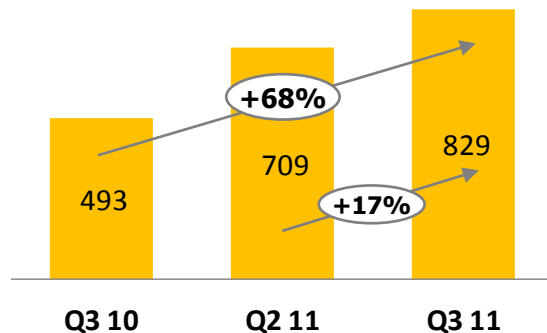
Leasing

(PLN m)

Value of transactions (sales)



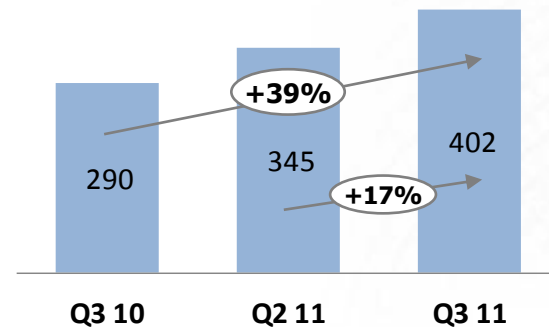
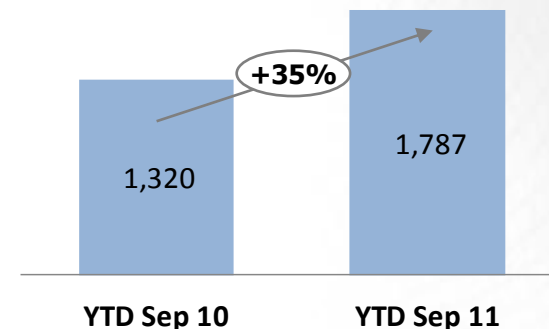
Portfolio



- Net profit of BGŻ Leasing in YTD Sep 2011 amounted to PLN 5.1 m vs. PLN 1.4m in YTD Sep 2010 (+259%)
- BGŻ holds a 49% stake in BGŻ Leasing with the remaining stake owned by De Lage Landen

Factoring

(PLN m)

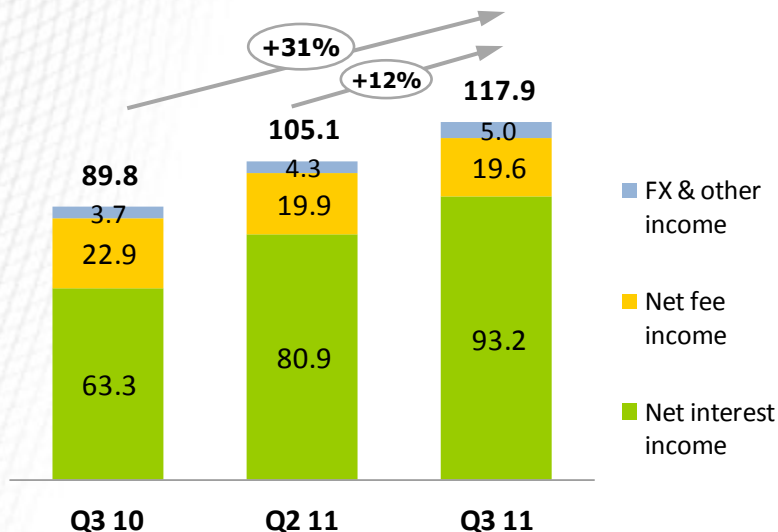


- Factoring services are rendered via eBGŻ Faktor internet platform implemented in 2009
- Product suite expanded in 2011 by reverse factoring and non-recourse factoring with insurance policy

Retail Banking

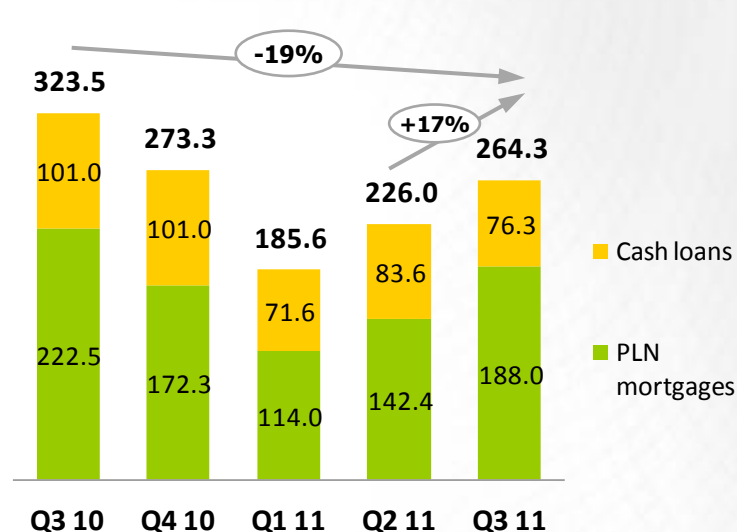
Income on Retail Banking*

(PLN m)



Sales of main credit products

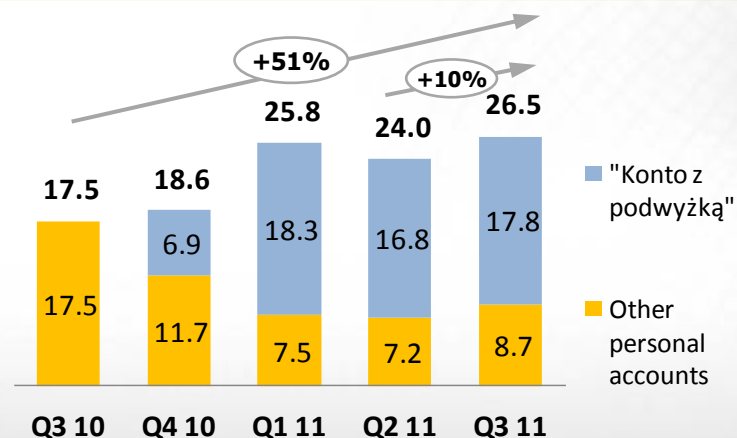
(PLN m)



- Retail income growth driven by improvement in deposit margins amid rising interest rate environment
- Sales of loans lower vs. last year but up vs. Q2 11 thanks to pricing adjustments, pre-approvals and stronger sales management
- Continued good sales of 'Konto z podwyżką' 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.



Appendices

Consolidated income statement

PLN thousands, year-to-date basis

Consolidated income statement	30/09/2011	30/06/2011	31/03/2011	31/12/2010	30/09/2010	30/06/2010	31/03/2010	Change y/y	
Interest income	1,208,656	765,889	367,712	1,376,609	1,011,020	668,615	333,576	197,636	19.5%
Interest expense	(610,437)	(396,110)	(196,572)	(772,291)	(578,476)	(395,401)	(206,377)	(31,961)	5.5%
Net interest income	598,219	369,779	171,140	604,318	432,544	273,214	127,199	165,675	38.3%
Fee and commission income	229,961	150,273	72,144	305,736	227,596	148,215	71,034	2,365	1.0%
Fee and commission expense	(28,458)	(18,021)	(8,083)	(34,209)	(25,512)	(16,476)	(8,115)	(2,946)	11.5%
Net fee and commission income	201,503	132,252	64,061	271,527	202,084	131,739	62,919	(581)	(0.4%)
Dividend income	3,554	3,554	-	3,147	3,147	3,147	66	407	12.9%
Result on trading activities	71,635	53,967	38,247	143,539	98,642	52,529	29,296	(27,007)	(27.4%)
Result on investing activities	3,063	(926)	(844)	1,476	2,485	1,915	(363)	578	23.3%
Other operating income	42,570	31,706	13,146	51,948	38,080	20,807	9,340	4,490	11.8%
Net impairment losses on loans and advances	(108,683)	(53,648)	(23,149)	(134,162)	(138,335)	(74,786)	(26,161)	29,652	(21.4%)
General administrative expenses	(616,723)	(410,049)	(194,384)	(713,975)	(513,717)	(337,157)	(167,957)	(103,006)	20.1%
Other operating expenses	(80,655)	(54,577)	(29,510)	(102,627)	(76,842)	(52,330)	(26,327)	(3,813)	5.0%
Operating result	114,483	72,058	38,707	125,191	48,088	19,078	8,012	66,395	138.1%
Share in profit (loss) of associates	2,501	2,009	925	1,674	697	208	28	1,804	258.8%
Profit (loss) before taxation	116,984	74,067	39,632	126,865	48,785	19,286	8,040	68,199	139.8%
Income tax expense	(16,102)	(13,785)	(5,803)	(14,524)	(2,481)	4,009	1,637	(13,621)	549.0%
Net profit (loss) for the year	100,882	60,282	33,829	112,341	46,304	23,295	9,677	54,578	117.9%
- attributable to the shareholders of the Bank	100,882	60,282	33,829	112,341	46,304	23,295	9,677	54,578	117.9%
Earnings per share (in PLN per share)	2.34	1.40	0.78	2.60	1.07	0.54	0.22	1.27	118.6%

Consolidated statement of financial position

Assets

PLN thousands

Consolidated statement of financial position	30/09/2011	30/06/2011	31/03/2011	31/12/2010	30/09/2010	30/06/2010	31/03/2010	Change y/y	
ASSETS									
Cash and balances with the Central Bank	1,702,089	1,114,603	1,073,861	1,379,737	1,161,608	788,730	1,379,800	540,481	46.5%
Amounts due from other banks	535,564	213,575	680,107	280,920	648,165	347,087	265,440	(112,601)	(17.4%)
Receivables arising from reverse repo transactions	119,763	255,391	284,992	651,706	835,970	256,327	1,397,398	(716,207)	(85.7%)
Held-for-trading securities	883,392	812,238	1,706,554	1,814,899	1,017,881	1,025,023	407,466	(134,489)	(13.2%)
Derivative financial instruments	890,011	200,599	202,633	220,987	204,807	428,958	184,983	685,204	334.6%
Loans and advances to customers	23,307,252	21,047,493	19,955,365	19,869,177	19,545,189	18,962,389	18,262,511	3,762,063	19.2%
Securities available for sale	3,284,427	3,603,734	3,242,826	3,290,675	2,468,430	3,380,516	4,053,031	815,997	33.1%
Other debt securities	-	55,700	55,122	109,232	108,199	161,526	160,015	(108,199)	(100.0%)
Investment property	63,900	63,900	63,900	63,900	63,200	63,200	63,200	700	1.1%
Investments in subsidiaries and associates	34,005	33,514	32,429	31,542	30,551	30,062	19,381	3,454	11.3%
Intangible assets	101,744	90,081	90,284	96,787	87,517	88,637	87,886	14,227	16.3%
Property, plant and equipment	468,871	462,190	461,697	464,818	449,045	438,958	438,146	19,826	4.4%
Deferred tax asset	212,653	213,814	227,950	232,141	176,269	182,867	89,323	36,384	20.6%
Current tax asset	-	44,800	44,800	44,800	7,772	-	-	(7,772)	(100.0%)
Other assets	150,339	141,708	85,917	78,278	90,584	109,324	175,431	59,755	66.0%
TOTAL ASSETS	31,754,010	28,353,340	28,208,437	28,629,599	26,895,187	26,263,604	26,984,011	4,858,823	18.1%

Consolidated statement of financial position

Liabilities and capital

PLN thousands

Consolidated statement of financial position	30/09/2011	30/06/2011	31/03/2011	31/12/2010	30/09/2010	30/06/2010	31/03/2010	Change y/y	
LIABILITIES									
Amounts owed to other banks	4,806,940	3,975,562	1,564,485	1,020,419	1,007,833	994,500	373,383	3,799,107	377.0%
Liabilities arising from repo transactions	411,806	-	339,613	1,268,921	349,655	360,334	1,123,405	62,151	17.8%
Derivative financial instruments and other liabilities held for trading	842,157	363,126	483,940	732,098	468,453	827,933	163,211	373,704	79.8%
Amounts owed to customers	20,832,385	19,548,216	21,295,683	21,051,715	20,170,303	19,390,711	20,436,129	662,082	3.3%
Liabilities from issued debt securities	1,768,308	1,434,622	1,567,142	1,745,198	2,114,776	1,886,119	2,075,108	(346,468)	(16.4%)
Other liabilities	403,876	380,575	357,812	241,895	269,977	279,008	334,707	133,899	49.6%
Deferred tax liability	9,814	9,814	9,814	9,814	9,681	9,681	9,681	133	1.4%
Current tax liabilities	-	17	10	3	-	38,379	1	-	-
Provisions	41,470	40,494	42,451	41,697	43,620	43,399	45,428	(2,150)	(4.9%)
Liabilities arising from employee benefits	24,039	25,112	25,514	22,822	22,031	26,744	23,241	2,008	9.1%
TOTAL LIABILITIES	29,140,795	25,777,538	25,686,464	26,134,582	24,456,329	23,856,808	24,584,294	4,684,466	19.2%
EQUITY									
Issued share capital	43,137	43,137	43,137	43,137	43,137	43,137	43,137	-	-
Reserve capital	2,332,656	2,332,656	2,220,155	2,220,155	2,220,155	2,220,155	2,112,164	112,501	5.1%
Accumulated profit/ (loss) from previous years	8,327	8,327	8,487	8,487	8,487	8,487	15,835	(160)	(1.9%)
Other reserves	128,213	131,400	104,024	110,897	120,775	111,722	118,261	7,438	6.2%
Undistributed profit	100,882	60,282	146,170	112,341	46,304	23,295	110,320	54,578	117.9%
TOTAL EQUITY	2,613,215	2,575,802	2,521,973	2,495,017	2,438,858	2,406,796	2,399,717	174,357	7.1%
TOTAL LIABILITIES AND EQUITY	31,754,010	28,353,340	28,208,437	28,629,599	26,895,187	26,263,604	26,984,011	4,858,823	18.1%

BGŻ Investor Relations

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