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Interim Consolidated Report of Bank Gospodarki Żywnościowej S.A. Group for the third quarter ended 30 September 2014

Warsaw, 5 November 2014

- data in PLN thousand

I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of profit or loss

	Note	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Interest income	10	476 437	1 340 613	447 884	1 465 518
Interest expense	10	(180 375)	(497 726)	(193 800)	(732 723)
Net interest income		**296 062**	**842 887**	**254 084**	**732 795**
Fee and commission income	11	92 769	269 357	86 162	240 225
Fee and commission expense	11	(12 401)	(35 200)	(14 857)	(35 959)
Net fee and commission income		**80 368**	**234 157**	**71 305**	**204 266**
Dividend income		-	3 302	11	2 848
Net trading income	12	18 517	43 391	18 428	67 179
Result on investing activities		(87)	5 389	12 914	33 527
Result on hedge accounting		-	(156)	69	(1 030)
Other operating income	14	11 779	28 169	22 131	37 051
Net impairment losses on financial assets and contingent liabilities	17	(44 230)	(155 383)	(57 832)	(149 155)
General administrative expenses	13	(235 847)	(680 714)	(220 802)	(664 694)
Depreciation and amortization	15	(24 369)	(74 204)	(25 487)	(74 744)
Other operating expenses	16	(11 281)	(22 103)	(7 497)	(15 239)
Operating result		**90 912**	**224 735**	**67 324**	**172 804**
Share in profit (loss) of associates		(2 096)	-	(1 188)	(2 502)
Profit before income tax		**88 816**	**224 735**	**66 136**	**170 302**
Income tax expense	18	(20 050)	(47 471)	(14 384)	(36 018)
Net profit for the period		**68 766**	**177 264**	**51 752**	**134 284**
– attributable to equity holders of the Bank		68 766	177 264	51 752	134 284
Earnings per share (in PLN per share)					
Basic		1.22	3.35	1.01	2.63
Diluted		1.22	3.35	1.01	2.63

- data in PLN thousand

Interim condensed consolidated statement of other comprehensive income

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Net profit for the period	**68 766**	**177 264**	**51 752**	**134 284**
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss	***52 737***	***141 005***	***(41 215)***	***(135 872)***
Net change in valuation of available for sale financial assets	65 107	182 480	(42 883)	(161 551)
Net change in valuation of cash flow hedges	-	(8 400)	(8 000)	(6 192)
Deferred tax	(12 370)	(33 075)	9 668	31 871
Items that will not be reclassified to profit or loss	***(590)***	***(2 711)***	***-***	***-***
Actuarial valuation of employee benefits	(728)	(3 347)	-	-
Deferred tax	138	636	-	-
Other comprehensive income (net of tax)	**52 147**	**138 294**	**(41 215)**	**(135 872)**
Total comprehensive income for the period	**120 913**	**315 558**	**10 537**	**(1 588)**
- attributable to equity holders of the Group	120 913	315 558	10 537	(1 588)

Total comprehensive income for the period of three quarters of 2014 amounted to positive value of PLN 315 558 thousand in comparison to PLN minus 1 588 thousand in previous year. This was mainly a result of positive change in valuation of available for sale financial assets (i.e. portfolio of long term treasury bonds). Negative valuation in comparable period of 2013 was a result of change in market expectations concerning the trend of long term interest rates (increase of interest rates for longer maturity dates).

- data in PLN thousand

Interim condensed consolidated statement of financial position

	Note	30.09.2014	31.12.2013
ASSETS			
Cash and balances with the Central Bank		1 495 370	1 617 713
Loans and advances to banks	19	296 707	269 757
Reverse repo transactions	20	353 656	309 255
Debt securities held for trading	21	153 976	1 018 701
Derivative financial instruments	22	401 899	363 260
Hedging instruments	23	-	57 387
Loans and advances to customers	24	29 794 139	26 297 916
Available for sale financial assets	25	6 893 680	4 826 073
Investment property		62 524	62 524
Investments in associates		-	35 052
Intangible assets	26	153 402	158 589
Property, plant and equipment	27	415 993	449 139
Deferred tax assets		130 656	142 792
Current tax assets		4 606	12 519
Other assets	28	46 418	156 464
TOTAL ASSETS		**40 203 026**	**35 777 141**

As at 30 September 2014 total assets of the Group amounted to PLN 40 203 026 thousand and were by PLN 4 425 885 thousand (i.e.12.4%) higher than at the end of December 2013.

Loans and advances to customers, share of which increased by 0.6 p.p. in comparison to 31 December 2013, dominated in the assets structure. Its value increased by PLN 3 496 223 (i.e.13.3%) and was the main growth factor in the analyzed period.

Additionally, available for sale financial assets increased by PLN 2 067 607 thousand (42.8%), due to increase in NBP bills in the portfolio. Volume of held to maturity t-bonds was significantly lower (by PLN 864 725 thousand).

Cash and cash equivalents remained on the similar level. Balances with the Central Bank were shaped by natural fluctuations caused by Group's necessity to maintain regulatory reserve.

- data in PLN thousand

Interim condensed consolidated statement of financial position (continued)

	Note	30.09.2014	31.12.2013
LIABILITIES			
Amounts due to banks	29	2 574 958	3 271 414
Repo transactions	30	145 412	-
Financial liabilities held for trading	21	18 074	271 288
Derivative financial instruments	22	389 967	336 950
Amounts due to customers	31	31 331 127	26 492 716
Debt securities issued	32	803 779	1 191 158
Subordinated liabilities	33	311 648	304 817
Other liabilities	34	382 438	326 041
Provision for deferred tax		9 552	9 552
Deferred tax liabilities	35	66 140	64 015
Provisions		**36 033 095**	**32 267 951**

	Note	30.09.2014	31.12.2013
EQUITY			
Share capital	43	56 139	51 137
Other supplementary capital		3 430 785	3 085 059
Other reserve capital		501 615	206 463
Retained earnings		181 392	166 531
- retained profit		4 128	6 387
- net profit for the period		177 264	160 144
TOTAL EQUITY		**4 169 931**	**3 509 190**
TOTAL LIABILITIES AND EQUITY		**40 203 026**	**35 777 141**

As at 30 September 2014 total value of Group's liabilities amounted to PLN 36 033 095 thousand and was by PLN 3 765 144 thousand higher than at the end of year 2013. Amounts due to customers, which were main growth factor increased by PLN 4 838 411 thousand, whereof term deposits increased by PLN 2 082 589 due to acquiring of term deposit loans, PLN 2 310 504 thousand due to recognition in *advances received from other financial institutions* the loan acquired by Societe Anonyme De Gestion D´Investissements Et De Participations ("Sagip") from Rabobank by agreement signed on 19 September 2014 (detailed information presented in note 29). Above mentioned transaction influenced also the amounts due to banks.

Debt securities issued decreased by PLN 387 379 thousand (i.e. 32.5%) as an effect of non-reissuance of part of expiring securities due to lower demand on financing.

As at the end of third quarter of 2014 Group's equity amounted to PLN 4 169 931 thousand and was higher by PLN 660 741 thousand than at the end of 2013. The change in equity in analyzed period is mostly a result of merger of BGŻ Bank with Rabobank Polska. Supplementary capital increased by PLN 345 726 thousand PLN (i.e. 11.2%) and reserve capital rose by PLN 295 152 thousand (i.e. 143%).

- data in PLN thousand

Interim condensed consolidated statement of changes in equity

				Retained earnings		
	Share capital	Other supplementary capital	Other reserve capital	Retained profit	Net profit for the period	Share capital
Balance as at 1 January 2014	**51 137**	**3 085 059**	**206 463**	**6 387**	**160 144**	**3 509 190**
Total comprehensive income for the period	**-**	**-**	**138 294**	**-**	**177 264**	**315 558**
Net profit for the period	-	-	-	-	177 264	177 264
Other comprehensive income for the period	-	-	138 294	-	-	138 294
Appropriation of retained earnings	**-**	**162 403**	**-**	**(2 259)**	**(160 144)**	**-**
Appropriation of retained earnings to other supplementary capital	-	162 403	-	(2 259)	(160 144)	-
Merge	**5 002**	**183 323**	**156 858**	**-**	**-**	**345 183**
Issued shares of H series	5 002	-	-	-	-	5 002
Equity resulting from the merge	-	183 323	156 858	-	-	340 181
Balance as at 30 September 2014	**56 139**	**3 430 785**	**501 615**	**4 128**	**177 264**	**4 169 931**

- data in PLN thousand

Interim condensed consolidated statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Share capital
Balance as at 1 January 2013	**51 137**	**2 950 716**	**330 351**	**10 364**	**130 049**	**3 472 617**
Total comprehensive income for the period	**-**	**-**	**(123 888)**	**-**	**160 144**	**36 256**
Net profit for the period	-	-	-	-	160 144	160 144
Other comprehensive income for the period	-	-	(123 888)	-	-	(123 888)
Appropriation of retained earnings	**-**	**134 343**	**-**	**(4 294)**	**(130 049)**	**-**
Appropriation of retained earnings to other supplementary capital	-	134 343	-	(4 294)	(130 049)	-
Other	-	**-**	**-**	**317**	**-**	**317**
Balance as at 31 December 2013	**51 137**	**3 085 059**	**206 463**	**6 387**	**160 144**	**3 509 190**

Interim condensed consolidated statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Share capital
Balance as at 1 January 2013	**51 137**	**2 950 716**	**330 351**	**10 364**	**130 049**	**3 472 617**
Total comprehensive income for the period	**-**	**-**	**(135 872)**	**-**	**134 284**	**(1 588)**
Net profit for the period	-	-	-	-	134 284	134 284
Other comprehensive income for the period	-	-	(135 872)	-	-	(135 872)
Appropriation of retained earnings	**-**	**134 343**	**-**	**(4 294)**	**(130 049)**	**-**
Appropriation of retained earnings to other supplementary capital	-	134 343	-	(4 294)	(130 049)	-
Other	**-**	**-**	**-**	**317**	**-**	**317**
Balance as at 30 September 2013	**51 137**	**3 085 059**	**194 479**	**6 387**	**134 284**	**3 471 346**

- data in PLN thousand

Interim condensed consolidated statement of cash flows

	Note	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3 quarters of 2013 from 01.01.2013 to 30.09.2013
CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit for the period		**177 264**	**134 284**
Adjustments for:		**2 142 579**	**(2 290 757)**
Income tax expense		47 471	36 018
Depreciation and amortization		74 204	74 744
Dividend income		(3 302)	(2 848)
Interest income		(1 340 613)	(1 468 646)
Interest expense		497 726	732 723
Change in provisions		(1 222)	(1 280)
Change in loans and advances to banks		(5 085)	(200 187)
Change in reverse repo transactions		(44 388)	(119 893)
Change in debt securities held for trading		847 276	(1 210 039)
Change in derivative financial instruments (assets)		(38 639)	(32 010)
Change in valuation of hedging instruments (assets)		-	(1 609)
Change in loans and advances to customers		(3 469 569)	13 471
Change in amounts due to banks		(440 454)	129 955
Change in repo transactions		145 372	(32 220)
Change in financial liabilities held for trading		(253 214)	151 954
Change in derivative financial instruments (liabilities)		53 017	55 664
Change in valuation of hedging instruments (liabilities)		-	1 609
Change in amounts due to customers		4 810 228	(1 071 544)
Change in other assets and current tax assets		110 046	70 408
Change in other liabilities and deferred tax liabilities		56 397	124 367
Other adjustments		352 642	4 073
Interest received		1 280 503	1 254 068
Interest paid		(475 595)	(806 912)
Income tax paid		(60 222)	(2 941)
Taxes returned		-	10 318
NET CASH FROM OPERATING ACTIVITIES		**2 319 843**	**(2 156 473)**

- data in PLN thousand

Interim condensed consolidated statement of cash flows (continued)

	Note	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3 quarters of 2013 from 01.01.2013 to 30.09.2013
CASH FLOW FROM INVESTING ACTIVITIES:			
Investing activities inflows		**97 407 341**	**164 244 738**
Sale of shares in associates		35 005	-
Sale of available for sale financial assets		97 360 111	164 239 914
Sale of intangible assets, and property, plant and equipment		8 923	-
Dividend income and other investing activities inflows		3 302	4 824
Investing activities outflows		**(99 192 224)**	**(161 534 985)**
Purchase of available for sale financial assets		(99 147 434)	(161 481 365)
Purchase of intangible assets, and property, plant and equipment		(44 790)	(53 620)
NET CASH FROM INVESTING ACTIVITIES		**(1 784 883)**	**2 709 753**
CASH FLOW FROM FINANCING ACTIVITIES:			
Financing activities inflows		**-**	**922 015**
Issue of debt securities		-	613 000
Change in subordinated liabilities		-	309 015
Financing activities outflows		**(637 514)**	**(1 703 207)**
Repayment of long-term loans and advances to banks		(251 426)	(572 207)
Redemption of debt securities issued		(386 088)	(1 131 000)
NET CASH FROM FINANCING ACTIVITIES		**(637 514)**	**(781 192)**
TOTAL NET CASH		**(102 554)**	**(227 912)**
Cash and cash equivalents at the beginning of the period		**1 881 640**	**2 204 297**
Cash and cash equivalents at the end of the period, of which:	**36**	**1 779 086**	**1 976 385**
- effect of exchange rate fluctuations on cash and cash equivalents held		1 325	3 812
- of restricted use		2 560	2 286

EXPLANATORY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Bank Gospodarki Żywnościowej Spółka Akcyjna is the parent company of Bank Gospodarki Żywnościowej S.A. Group ('the Group').

Bank Gospodarki Żywnościowej Spółka Akcyjna ('the Bank' or 'BGŻ S.A.'), with its registered office in Warsaw, at 10/16 Kasprzaka Street, is entered in the National Court Register maintained by the District Court for the Capital City Warsaw in Warsaw, XII Commercial Department, under the reference number KRS 0000011571. The Bank and its subsidiaries have been established for an indefinite period of time.

2 General information on the Group

Bank Gospodarki Żywnościowej Spółka Akcyjna is part of the BNP Paribas Group, whose parent company is BNP Paribas SA with headquarter in Paris.

As at 30 September 2014, Bank Gospodarki Żywnościowej S.A. Group consists of Bank Gospodarki Żywnościowej S.A. as the parent company and the subsidiary **Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. ('Actus')** with its registered office in Warsaw, at 10/16 Kasprzaka Street. The main activities of Actus include:

- acquisition and disposal of real estate and limited property rights relating to real estate,
- management of own and third-party construction projects,
- real estate trading intermediary services and lease of premises,
- lease of real estate and rental of premises,
- services relating to real estate valuation, management and advisory (real estate management agency activities).

The company is registered in the National Court Register maintained by the District Court for the capital city of Warsaw, XIII Economic Department of the National Court Register, Entry no. 0000023062.

The Bank holds 100% of shares in the share capital of Actus and 100% of the votes at the Shareholders' Meeting.

On 10 September 2014 BGŻ and De Lage Landen International B.V. signed a sale agreement of shares of BGŻ Leasing Sp. z o.o. with headquarter in Warsaw. By agreement BGŻ disposed 42 373 shares of total net nominal value of PLN 42 373 000 (nominal value of one share amounts to PLN 1000 which accounted for 49% of share capital of BGŻ Leasing. The sale price amounted to PLN 35 005 thousand. The transfer of ownership of shares occurred on 11 September 2014 as a result of termination of cooperation agreement between BGŻ S.A., BGŻ Leasing and De Lage Landen International.

In accordance with IFRS the interim condensed consolidated financial statement consolidates all subsidiaries as at 30 September 2014.

3 Basis for the preparation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements for the third quarter ended 30 September 2014 have been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34') as adopted by the European Union and other applicable regulations. The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied to the consolidated financial statements for the year ended 31 December 2013. These policies were described in detail in the consolidated financial statements of the Group for the year ended 31 December 2013, except for the changes described in Note 6 of the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements do not include all information and disclosures required for annual financial statements, and shall be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013.

These financial statements comply with all the International Accounting Standards ('IAS') and the International Financial Reporting Standards endorsed by the European Union ('IFRS EU'), and the interpretations related to them, except for those standards and interpretations listed below which await endorsement of the European Union or which have been endorsed by the European Union but entered or will enter into force after the balance sheet date.

Standards and interpretations not yet approved by the European Union:

- IFRS 9 *Financial Instruments (2014)* – binding for annual periods beginning on or after 1 January 2018.
- Amendments to IAS 19 *Employee Benefits entitled Defined Benefit Plans: Employee Contributions* - binding for annual periods beginning on or after 1 July 2014.
- Improvements to IFRS (2010-2012) - binding for annual periods beginning on or after 1 July 2014.
- Improvements to IFRS (2011-2013) - binding for annual periods beginning on or after 1 July 2014.
- IFRS 14 *Regulatory Deferral Accounts* - binding for annual periods beginning on or after 1 January 2016.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 *Joint Arrangements*) - binding for annual periods beginning on or after 1 January 2016.
- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*) - binding for annual periods beginning on or after 1 January 2016.
- IFRS 15 *Revenue from Contracts with Customers* - binding for annual periods beginning on or after 1 January 2017.
- Agriculture: Bearer Plants (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*) - binding for annual periods beginning on or after 1 January 2016.
- Equity Method in Separate Financial Statements (Amendments to IAS 27 *Separate Financial Statements*) - binding for annual periods beginning on or after 1 January 2016.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements or to IAS 28 Investments in Associates and Joint Ventures) binding for annual periods beginning on or after 1 January 2016.
- Improvements to International Financial Reporting Standards 2012-2014 - binding for annual periods beginning on or after 1 July 2016.

Standards and interpretations that have been approved by the European Union but are not effective on annual periods ending on 31 December 2014

- IFRIC *Interpretation 21 Levies* - binding for annual periods beginning on or after 1 January 2014. The impact of the initial application of the Interpretation will depend on the specific levies imposed by government, applicable at the date of initial application. The Group does not expect IFRIC 21 to have a material impact on the annual consolidated financial statements. However, it may affect the interim financial statement. The entity/Group is currently evaluating the impact of the new Standard on the interim financial statements.

The Management Board does not expect the application of the above standards and interpretations have material impact on the accounting policies applied by the Group, except for IFRS 9.

Recognizing business combinations of entities under common control

The accounting treatment for business combinations of entities under common control is excluded from the scope of IFRS. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* in the absence of any specific guidance within IFRS, BGŻ applied an accounting policy which is consistently used to recognize such business combinations of entities under common control within Rabobank Group, of which the Bank is a member, being the book value accounting method.

The applied accounting method is that the acquirer recognizes the assets and liabilities of the acquiree at their book value adjusted only to align the accounting policy of the merged entities. No goodwill or negative goodwill is recognized.

The difference between the carrying amount of the acquired assets and the fair value of the consideration paid is recognized in the equity of the acquirer. With the book value accounting method applied, the figures for the comparable period are not restated.

If the transaction results in the acquisition of minority interests, the acquisition of any minority interest is accounted for separately.

4 Going concern

These interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue its business operations substantially unchanged in scope in the foreseeable future, i.e. for the period of at least 12 months following the reporting date.

5 Approval of the financial statements

This semi-annual consolidated report of Bank Gospodarki Żywnościowej S.A. Group for the third quarter ended 30 September 2014 was approved for publication by the Management Board on 5 November 2014.

6 Changes in accounting policies and changes in presentation of financial data

In this interim condensed consolidated financial statement, the same accounting policies were applied as in the annual consolidated financial statements for 2013 (Bank Gospodarki Żywnościowej S.A. Group Consolidated Financial Statements for the year ended 31 December 2013) and following applicable standards along with interpretations approved by the European Union and effective from 1 July 2014:

- IAS 27 *Separate Financial Statements* - binding for annual periods beginning on or after 1 January 2014. None of these changes are expected to have a significant impact on the interim condensed consolidated financial statements.

- data in PLN thousand

- IAS 28 *Investments in Associates and Joint Ventures* - binding for annual periods beginning on or after 1 January 2014. None of these changes are expected to have a significant impact on the interim condensed consolidated financial statements.
- IAS 36 *Impairment of Assets*. Amendments for recoverable amount disclosures for non-financial assets - binding for annual periods beginning on or after 1 January 2014. None of these changes are expected to have a significant impact on the interim condensed consolidated financial statements.
- IAS 39 *Financial Instruments: Recognition and Measurement. Novation of Derivatives and Continuation of Hedge Accounting* - binding for annual periods beginning on or after 1 January 2014. None of these changes are expected to have a significant impact on the interim condensed consolidated financial statements.
- IFRS 10 *Consolidated Financial Statements* - binding for annual periods beginning on or after 1 January 2014. None of these changes are expected to have a significant impact on the interim condensed consolidated financial statements.
- IFRS 11 *Joint Arrangements* - binding for annual periods beginning on or after 1 January 2014. None of these changes are expected to have a significant impact on the interim condensed consolidated financial statements.
- IFRS 12 *Disclosure of Interests in Other Entities* - binding for annual periods beginning on or after 1 January 2014. None of these changes are expected to have a significant impact on the interim condensed consolidated financial statements.

The Group made the described below changes in presentation of the financial data. In order to ensure the comparability of the financial data, the Group made appropriate changes in presentation of interim 2013 financial data in comparison to the data published in the 'Interim condensed consolidated financial statements of Bank Gospodarki Żywnościowej S.A. Group for the third quarter ended 30 September 2013. These changes referred to the methods of grouping and presentation of financial data in the interim condensed consolidated statement of profit or loss and the statement of financial position and do not affect the net profit of the Group.

Interim condensed consolidated statement of profit or loss

		3rd quarter of 2013 prior to changes	Changes in presentation	3rd quarter of 2013 after changes	3 quarters of 2013 prior to changes	Changes in presentation	3 quarters of 2013 after changes
Interest income	1	444 546	3 338	447 884	1 468 646	(3 128)	1 465 518
Interest expense	1	(190 195)	(3 605)	(193 800)	(732 723)	-	(732 723)
Fee and commission income	1	90 663	(4 501)	86 162	248 272	(8 047)	240 225
Fee and commission expense	1	(19 625)	4 768	(14 857)	(47 134)	11 175	(35 959)
Other operating income	2	21 953	178	22 131	37 979	(928)	37 051
Other operating expenses	2	(7 319)	(178)	(7 497)	(16 167)	928	(15 239)

1. The Group has changed the presentation of income and expenses from the sale of insurance products. After the change, income from sale of insurance products is presented in net value, meaning the net value is further decreased by return of insurance premium which results from earlier termination of insurance and is recognized in interest income for products related with financial instrument, and in fee and commission income for products not related with financial instruments.

2. The Group has changed the presentation of result on sale or liquidation of property, plant and equipment or intangible assets. Currently, the result is presented as other operating income or expenses.

7 Seasonality or cyclicality of operations

The business operations of the Group do not involve significant events that would be subject to seasonal or cyclical variations.

8 Major estimates and judgments

The Group makes estimates and adopts assumptions that affect the value of the assets and liabilities recognized in the following period. The estimates and assumptions are reviewed on an ongoing basis and rely on historic data and other factors, including expectations of the future events, which seem to be justified in given circumstances.

Impairment of loans and advances

According to IFRS, the Group assesses the following financial assets for the existence of impairment: financial assets carried at amortized cost, financial assets carried at cost and available for sale financial assets, which are not measured at fair value. The Group considers the impairment triggers of impairment of financial assets on both an individual and collective level. All individually significant assets are assessed for the impairment on an individual basis.

Assessment of the impairment of individually significant assets

Financial assets are assessed for whether or not there is an objective impairment trigger. An individual assessment is carried out by the Group's employees on individually significant financial assets, and involves an individual impairment review of the financial assets. The individual assessment of impairment involves an estimate of the anticipated future cash flows, and the amount of the impairment loss is measured as the difference between the present (carrying) amount of an individually significant financial asset, and the value of any future cash flows to be derived from that financial asset, discounted using the effective interest rate from the moment of impairment recognition. Cash flows from collateral are included in the evaluation of future cash flows.

Collective (group) assessment

Following assets are covered by collective assessment:

- classified as assets individually insignificant, for which objective impairment trigger was identified, and
- assets individually significant and individually insignificant, for which no objective impairment trigger was identified.

The first group contains exposures for which, an impairment trigger of hard nature has been identified, i.e. delay in payment of an significant amount of an installment exceeding 90 days or an impairment trigger of soft nature, such as financial difficulties of the customer causing the lack of timely debt servicing in accordance with its schedule of debt repayments. For this kind of exposures, impairment allowance is created by collective method (so-called collective impairment). The amount of the impairment allowance depends on the type of loan exposure, historically observed levels of recoveries by the Group after the recognition of impairment and delay in payment.

The second group of collectively assessed exposures includes all individually significant, and individually insignificant exposures, with no objective impairment trigger identified. For this group, IBNR impairment allowance (incurred but not reported loss) is created. The amount of IBNR is dependent on the amount of probability parameters of default (PD - probability of default), the coefficients of recoveries from defaulted liability (RR - recovery rate), the conversion factors for off-balance liabilities for balance receivables (CCF - credit conversion factor) and the period of identification of the impairment of the financial asset (LIP - loss identification period).

The amount of impairment allowances estimated by the collective method, both for individually insignificant exposures with an objective impairment trigger recognized and individually significant and insignificant exposures without an objective impairment trigger recognized is estimated by the statistical methods for defined, homogenous from the credit risk perspective, loan portfolio. Homogenous portfolios are created taking into account customers segments, credit products types and, for the needs of IBNR charges estimation, classes of delay in repayment, which do not exceed 90 days, and - for institutional clients with internal rating of the Bank - credit rating assigned to the client. The criteria for homogenous credit portfolios separation applied by the Bank are supposed to group exposures in possibly the most detailed way reflecting credit risk profile and, as a result, the most objective and adequate estimation of impairment level for the impairment of financial assets.

The parameters of probability of default (PD - probability of default) and the coefficients of recoveries from defaulted liability (RR - recovery rate) are updated on a monthly basis, in accordance with assessment of impairment methodology of the Group. For the assessment of these parameters, statistical analysis of historical data and observable migration of monthly credit exposures are used. The value of CCF and LIP is verified and updated annually, under the regular assessment of those parameters in accordance with the rules applied by the Group. In case of CCF parameters, the Group analyzes the percent of granted liabilities, which are converted into balance exposure during LIP period. LIP parameters are settled based on time analysis, which elapses from the moment of impairment trigger to the moment of actual impairment reporting, which in turn is strongly dependent on the frequency of credit exposure monitoring done by the Group. The Group uses different LIP parameters for given loan portfolios depending on the results from analysis conducted.

When dividing exposures into exposures with an objective impairment trigger identified and exposures without an objective impairment trigger, the Group takes into account the phenomenon of quarantine, according to which the loan with objective impairment trigger may be re-classified to the group without an objective impairment trigger identified only when the client timely serves his debt (no amounts past due) by the specified number of months. Required quarantine period varies depending on the type of impairment trigger, which was reported for a given credit exposure. The length of the quarantine period is determined by the Group based on historical data, allowing an assessment time that a client needs to return to the path of timely debt service, but in order to reduce the risk of so-called re-default, i.e. a situation of an objective impairment trigger identification, the Group shall apply the long, conservatively established quarantine periods.

The results of estimates of impairment allowances for financial assets using statistical models in the collective method of impairment evaluation are subject to periodic historical verification (back-testing). Parameters used to estimate impairment losses and statistical models are also covered by management model process, for which inter alia, the rules of creation, approval, monitoring and validation, and verification of historical models are described. Validation of the models and parameters as well as a historical verification of impairment allowances/provisions set under the collective method is carried out not less than once a year. Additionally, the process of estimating impairment losses is covered by a periodical functional control and is subject to independent verification by the internal audit of the Group.

b) Fair value of derivative financial instruments

The fair value of financial instruments not listed on active markets is determined using valuation techniques (e.g. pricing models). These methods are assessed and reviewed on a regular basis by qualified independent employees, i.e. employees not involved in developing these methods. All models are approved before implementation, and adjusted to ensure that the results obtained reflect the factual data and comparable market prices. The models that the Group currently applies are based exclusively on observable data obtained from the Reuters and/or Bloomberg information systems. Derivatives are valued based on generally acceptable models. Linear instruments are valued based on discounted cash flow method, simple (vanilla) options are valued based on the Black-Scholes model. Other options included in the structured deposits are measured either by decomposition on vanilla options or through Monte Carlo simulations.

Adjustment of CVA/DVA is estimated for all living derivatives for a given day. The adjustment is estimated based on the forecasted future exposure to a given instrument, the rating of the counterparty and complex/adopted hedges.

c) Securities

Securities for which there is no liquid market are valued at the discounted cash flow model. In case of equity securities classified by Level 3 valuation, credit spread at the level of market spread for similar instruments is unobservable parameter.

d) Impairment of property, plant and equipment

At the end of each reporting period, the Group assesses the existence of evidence indicating impairment of items of property, plant and equipment. If such evidence is identified, the Group shall estimate a recoverable amount. While estimating value in use of property, plant and equipment some assumptions referring to estimations of amounts and dates of future cash flows that the Group can achieved from particular asset and other circumstances need to be made. While estimating fair value less costs to sell the Group takes into account available market data or valuations made by independent experts, which in principle are also based on estimations.

e) Provision for retirement benefit

Provisions for retirement benefit were estimated using actuarial methods by independent actuary. All assumptions adopted for calculating provision are updated at the end of each financial year.

9 Business unit combination

Transaction details

On 30 May 2014, the General Shareholders' Meeting of the Bank adopted a resolution on a merger with Rabobank Polska S.A. (hereinafter 'Rabobank Polska').

On 18 June 2014 the District Court in Warsaw, XII Commercial Division of the National Court Register entered the merger between Rabobank Polska S.A. (an acquiree) and BGŻ S.A. (an acquirer). The merger was executed based on art. 492 § 1 of the Commercial Companies Code, by transferring all assets and liabilities from Rabobank Polska, as an acquired company, to BGŻ through the issue of 5 002 000 shares of BGŻ H series, which have been issued to the current shareholder of Rabobank Polska. All rights and obligations of Rabobank Polska S.A. were transferred to BGŻ.

Bank BGŻ was the acquirer and following the transfer date both institutions operate as one Bank under the name and logo of Bank BGŻ. Rabobank Polska functions in the scructures of Bank BGŻ within isolated division of Global Corporate Clients and Products.

The merger is a fulfillment of the Polish Financial Supervision Authority requirement as to the consolidation of banking operations conducted in Poland by the Rabobank Group.

Accounting policies adopted for the transaction

Bank BGŻ and Rabobank Polska are subsidiaries in Rabobank Group, whereas parent company is the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. - entities under common control.

The merger of BGŻ with Rabobank Polska was settled using book value accounting method. In applying the book value accounting method, BGŻ recognized the assets and liabilities of Rabobank Polska at their carrying value as at the transfer date i.e. 18 June 2014, adjusted only to unify the accounting policy applied by BGŻ. The carrying value of Rabobank Polska as at 18 June 2014 amounted to PLN 3 328 619 thousand.

The application of the book value accounting method to the merger transaction did not generate goodwill and any excess of the fair value of the net assets over the cost of the business combination.

The difference between the carrying amount of Rabobank Polska's net assets transferred, being PLN 341 720 thousand, and the nominal value of the shares issued by BGŻ, being PLN 5 002 thousand, was recognized in the equity of the Bank.

The results of operations of Rabobank Polska have been consolidated in the interim condensed consolidated financial statements prospectively starting from 18 June 2014.

- data in PLN thousand

Comparative data of the Bank from the previous periods was not restated.

Shareholders' equity instruments issued for the transaction

On the merger date Bank BGŻ issued ordinary shares of BGŻ to the shareholders of Rabobank Polska. As a result of this transaction, the share capital of BGŻ S.A. was increased by PLN 5 002 thousand through issuing of 5 002 000 shares of BGŻ registered shares and ordinary bearer shares of H series of nominal value of PLN 1.0 each.

The amount of PLN 341 720 thousand, representing the difference between the carrying amount of Rabobank Polska's net assets transferred and the nominal value of the H series shares was recognized in the Bank's equity.

Assets and liabilities recognized on the merger date

Following assets and liabilities were transferred from Rabobank Polska S.A. to BGŻ Bank on 18 June 2014.

	18.06.2014
ASSETS	
Cash and balances with the Central Bank	51 973
Loans and advances to banks	50 015
Derivative financial instruments	14 587
Loans and advances to customers	2 097 157
Available for sale financial assets	1 095 175
Intangible assets	1 348
Property, plant and equipment	2 910
Deferred tax assets	8 250
Current tax assets	3 295
Other assets	3 909
TOTAL ASSETS	**3 328 619**
LIABILITIES	
Amounts due to banks	2 592 364
Derivative financial instruments	17 702
Amounts due to customers	339 034
Other liabilities	22 735
Provision	10 062
TOTAL LIABILITIES	**2 981 897**
TOTAL EQUITY	**346 722**
TOTAL LIABILITY AND EQUITY	**3 328 619**

Total statement of profit or loss for the six months ended 30 June 2014

The following table presents information about the result of the merged Bank BGŻ. The combined financial information was prepared by adding financial result generated by Bank BGŻ for the first six months ended 30 June 2014 and result generated by Rabobank Polska for the period from 1 January to 18 June 2014, adjusted only by elimination of mutual transactions carried out in this period.

- data in PLN thousand

Interim condensed statement of profit or loss

Profit or loss statement	Period from 01.01.2014 to 30.06.2014
Interest income	920 820
Interest expense	(343 026)
Net interest income	**577 794**
Fee and commission income	179 302
Fee and commission expense	(25 475)
Net fee and commission income	**153 827**
Dividend income	3 302
Net trading income	14 745
Result on investing activities	6 205
Result on hedge accounting	(156)
Other operating income	26 983
Net impairment losses on financial assets and contingent liabilities	(115 863)
General administrative expenses	(472 846)
Depreciation and amortization	(50 716)
Other operating expenses	(10 878)
Operating result	**132 397**
Share of profit (loss) of associates	2 096
Profit before income tax for the period	**134 493**
Income tax expenses	(26 024)
Net profit for the period	**108 469**

Combined financial information for the 6-month period ended 30 June 2014 has been prepared for the illustrative purposes only, as they contain the result of Rabobank Polska achieved when it was an independently operating entity. As a result, the financial information presented above cannot be regarded as reflecting the result of operation or financial result of Rabobank Polska in a situation, if the activity was integrated with BGŻ from 1 January 2014, since presented financial information does not reflect the strategy or organizational structure within which the Bank operates from the day of the merge.

- data in PLN thousand

10 Net interest income

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Interest income				
Loans and advances to banks	8 101	22 233	6 495	25 549
Loans and advances to customers in current accounts	76 372	210 496	65 560	207 989
Loans and advances to customers, in this:	317 457	889 521	288 739	943 138
– corporate	91 729	246 836	87 187	307 024
– households	222 575	632 989	197 959	623 805
– budget entities	2 125	6 496	2 574	9 436
– other entities	1 028	3 200	1 019	2 873
Hedging instruments	-	9 024	7 779	16 401
Reverse repo transactions	19 318	42 851	7 098	28 717
Debt securities, in this:	55 189	166 488	72 213	243 724
– held for trading	1 853	9 679	12 801	33 549
– available for sale	53 336	156 809	59 412	210 175
	476 437	**1 340 613**	**447 884**	**1 465 518**
Interest expense				
Amounts due to banks	(16 406)	(46 085)	(9 863)	(51 041)
Debt securities issued	(7 703)	(25 342)	(18 096)	(66 674)
Amounts due to customers:	(137 567)	(382 266)	(144 381)	(559 827)
– corporate	(28 981)	(79 998)	(30 948)	(113 031)
– households	(85 549)	(247 726)	(99 252)	(376 543)
– budget entities	(3 447)	(10 600)	(3 968)	(15 782)
– other entities	(19 590)	(43 942)	(10 213)	(54 471)
Repo transactions	(18 699)	(44 033)	(21 460)	(55 181)
	(180 375)	**(497 726)**	**(193 800)**	**(732 723)**
Net interest income	**296 062**	**842 887**	**254 084**	**732 795**

Net interest income for three quarters of 2014 increased by PLN 110 092 thousand (i.e. 15%) in comparison to comparable period. Increase was a result of decrease of interest expenses by PLN 234 997 thousand (i.e. 32.1%) which fully compensated lower by PLN 124 905 thousand interest income. Level of interest income and expense was caused by both external factors and growth of commercial volumes.

Among external factors NBP policy on shaping interest rates were the main ones. During the 9 months of 2014 there occurred 6 decreases of interest rates, by 1.75 p.p in total.

Loans and advances to customer generate the most significant part of interest income (66%), however their value decreased by PLN 53 617 thousand (i.e. 5.7%) in comparison to comparable period in previous year. It was caused by the interest rates reduction and the fact that substantial part of loans volume is based on the variable interest rate.

Gross loan volume growth rate y/y amounted to 13.4%.

Reduction of interest rates by NBP had enhanced multiplier effect on the part of preferential loans portfolio with ARiMR subsidies (interest rate set as NBP rediscounted interest rate multiplied by 1.5 or 1.6). Until April 2014 hedging accounting was used in order to hedge variability of interest flows of above mentioned loans and to reduce multiplier effect and it was use for substantial part of preferential loans portfolio (total value of this portfolio as at 30 September 2014 amounted to PLN 4.71 billion)

- data in PLN thousand

Interest income from debt securities decreased (by PLN 77 236 thousand i.e. 31.7%).

Decrease of interest expenses was mainly caused by decrease of amounts due to customers by PLN 177 561 thousand (i.e. 31.7% y/y) as a result of NBP interest rate reduction followed by interest rate reduction of deposits. Positive impact of adjustment of deposits prices on net interest income occurred in second half of 2013 and also influenced financial results for 9 months of 2014.

11 Net fee and commission income

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Fee and commission income				
– loans and advances	26 423	76 159	23 082	68 097
– settlements	4 252	12 526	4 419	12 976
– account maintenance	27 216	79 214	26 651	68 277
– guarantee commitments	1 819	5 771	2 447	8 115
– brokerage operations	8 328	17 836	4 022	9 678
– payment cards	18 080	61 700	21 122	59 900
– insurance activity	3 563	10 582	(280)	5 750
– other	3 088	5 569	4 699	7 432
	92 769	**269 357**	**86 162**	**240 225**
Fee and commission expense				
– loans and advances	(1 991)	(2 750)	(194)	(540)
– payment cards	(8 270)	(25 614)	(10 498)	(25 449)
– insurance activity	(68)	(196)	(1 636)	(2 549)
– other	(2 072)	(6 640)	(2 529)	(7 421)
	(12 401)	**(35 200)**	**(14 857)**	**(35 959)**
Net fee and commission income	**80 368**	**234 157**	**71 305**	**204 266**

Net fee and commission income for three quarters of 2014 was higher by PLN 29 891 (i.e. 14.6%) in comparison to comparable period in previous year, as a result of fee and commission income increase (by PLN 29 132 thousand, i.e. 12.1% y/y) with fee and commission expenses decrease at the same time (by PLN 759 thousand, i.e. 2.1%).

Main growth factors of fee and commission income were:

- account maintenance – resulted by increase in accounts number and incomes from changes in table of fees and commissions,
- loans and advances – mainly in microenterprises segment,
- brokerage operations – due to focusing on individual clients and chosen institutional clients service; steady expanding of investments funds offer; and service of BGŻ shares sale tender offer announced by BNP Paribas, what caused increase of income from brokerage operations by 84.3%,
- insurance activity – increase by PLN 4 832 thousands, i.e. 84%.

- data in PLN thousand

12 Net trading income

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Debt instruments	792	(2 236)	(2 355)	(10 517)
Derivative financial instruments	44 261	(30 285)	11 830	20 006
Foreign currency exchange result	(26 536)	75 912	8 953	57 690
Net trading income	**18 517**	**43 391**	**18 428**	**67 179**

Net trading income for three quarters of 2014 was lower by PLN 23 788 thousand (i.e. 35.4% y/y) in comparison to comparable period in 2013. Level and variability of net trading income was shaped mainly by valuation of IRS used to hedge interest rate risk.
Negative valuation of derivative financial instruments in first and second quarter of 2014 had most significant impact on change in net trading income and was only partially compensated by positive result in third quarter of 2014.

13 General administrative expenses

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Personnel expenses	(133 062)	(385 797)	(123 974)	(369 829)
Marketing	(15 729)	(37 252)	(15 195)	(43 712)
IT and telecom costs	(20 139)	(58 931)	(21 782)	(64 654)
Rental expenses	(20 961)	(66 869)	(21 835)	(67 911)
Other non-personnel expenses	(10 969)	(33 594)	(11 381)	(31 567)
External services	(25 333)	(66 367)	(19 886)	(62 670)
Bank Guarantee Fund fee	(9 654)	(28 078)	(6 749)	(20 247)
Polish Financial Supervision Authority fee	-	(3 826)	-	(4 104)
Total general administrative expenses	**(235 847)**	**(680 714)**	**(220 802)**	**(664 694)**

General administrative expenses for three quarters of 2014 increased by PLN 16 020 (i.e. 2.4%) in comparison to comparable period in previous year. Most significant impact on general administrative expenses had:

- increase in personnel expenses by PLN 15 968 thousand (i.e. 4.3%),
- increase in Bank Guarantee fund fee by PLN 7 831 (i.e. 38.7%) due to new prudential fee introduced since November 2013. As at 30 September 2014 accrual for this fee amounted to PLN 7 608 thousand,
- decrease in marketing expenses by PLN 6 460 thousand (i.e. 14.8%) due to lower number of advertising campaigns especially in the area of retail segment.

- data in PLN thousand

14 Other operating income

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Profit on sales and liquidation of plant, property and equipment, and intangible assets	2 284	3 137	185	621
Sales of goods and services	2 459	6 434	2 693	6 901
Release of provisions for litigation and claims and other liabilities	1 148	1 897	545	1 463
Recovery of debt collection costs	582	1 965	581	1 580
Recovery of overdue debts, redeemed receivables, noncollectible debts and payment of receivables that were excluded from the consolidated statement of financial position	1 271	4 385	14 086	16 990
Other	4 035	10 351	4 041	9 496
Total other operating income	**11 779**	**28 169**	**22 131**	**37 051**

As at 30 September 2014 other operating income decreased by PLN 8 882 thousand (i.e. 24.0%) in comparison to comparable period in previous year, mainly due to substantial income from repayment of loan by corporate client from food and agriculture sector, previously written-off.

15 Depreciation and amortization

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Property, plant and equipment	(12 667)	(38 460)	(13 568)	(39 671)
Intangible assets	(11 702)	(35 744)	(11 919)	(35 073)
Total depreciation and amortization	**(24 369)**	**(74 204)**	**(25 487)**	**(74 744)**

Depreciation and amortization expenses for three quarters of 2014 decreased by PLN 540 thousand (i.e. 0.7%) in comparison to comparable period in previous year as a result of intangible assets amortization increase by PLN 671 thousand (mainly as a result of investments in IT systems); and property, plant and equipment depreciation decrease by PLN 1 211 thousand. Higher property, plant and equipment depreciation level was an effect of opening last (11) new branches in second half of 2012 and first quarter of 2013.

- data in PLN thousand

16 Other operating expenses

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Loss on sale or liquidation of property, plant and equipment, intangible assets	(1 541)	(2 280)	(970)	(1 154)
Impairment charges on other receivables	(2 582)	(3 694)	(1 420)	(2 020)
Provisions for litigation and claims, and other liabilities	(2 295)	(2 769)	(1 732)	(2 431)
Debt collection	(2 264)	(7 947)	(1 970)	(5 600)
Donations made	(811)	(2 098)	(789)	(2 164)
Other	(1 788)	(3 315)	(616)	(1 870)
Total other operating expenses	**(11 281)**	**(22 103)**	**(7 497)**	**(15 239)**

Other operating expenses for three quarters of 2014 were by PLN 6 864 thousand (i.e. 45%) higher in comparison to comparable period in previous year, due to increase by PLN 2 347 thousand (i.e. 41.9%) of debt collection expenses caused by higher engagement of external law firms in debt collection processes; and due to higher by PLN 1 674 PLN impairment charges on other receivables.

17 Net impairment losses on financial assets and contingent liabilities

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Loans and advances to banks	11	89	(7)	-
Loans and advances to customers	(41 654)	(155 691)	(53 558)	(145 841)
Contingent commitments granted	(2 587)	219	(4 267)	(3 314)
Total impairment losses on financial assets and contingent liabilities	**(44 230)**	**(155 383)**	**(57 832)**	**(149155)**

Net impairment losses on financial assets and contingent liabilities for three quarters of 2014 were higher by PLN 6 228 thousand (i.e. 4.2%) in comparison to comparable period in previous year due to substantially higher by PLN 44 359 thousand losses on loans and advances in Retail and Business Banking segment; and higher losses on loans portfolio to which are managed subject to collection and restructuration activities, with simultaneous decrease of losses on loans and advances in Corporate Banking (by PLN 43 072 thousand).

- data in PLN thousand

18 Income tax expenses

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Current income tax	(3 611)	(59 850)	(3 210)	(3 483)
Deferred income tax	(16 439)	12 379	(11 174)	(32 535)
Total income tax	**(20 050)**	**(47 471)**	**(14 384)**	**(36 018)**
Profit before income tax	88 816	224 735	66 136	170 302
Statutory tax rate	19%	19%	19%	19%
Income tax on gross profit	**(16 875)**	**(42 700)**	**(12 565)**	**(32 357)**
Receivables write-off	(791)	(2 766)	(198)	(393)
General expenses/non-tax income	(215)	954	(168)	(773)
PFRON	(200)	(578)	(189)	(585)
Prudential fee for Bank Guarantee Fund	(316)	(1 261)	-	-
Purchased receivables write-offs	47	(167)	(42)	(1 377)
Impairment allowance for receivables	(142)	364	(521)	(521)
Other differences	(1 558)	(1 317)	(701)	(12)
Total income tax charge on gross profit	**(20 050)**	**(47 471)**	**(14 384)**	**(36 018)**

19 Loans and advances from banks

	30.09.2014	31.12.2013
Current accounts	167 736	130 453
Interbank placements	118 436	128 563
Loans and advances	11 032	11 325
Total loans and advances to banks (gross)	**297 204**	**270 341**
Impairment allowances on loans and advances to banks	(497)	(584)
Total loans and advances to banks (net)	**296 707**	**269 757**

	30.09.2014	31.12.2013
Impairment allowances on loans and advances to banks at the beginning of the period	**584**	**1 012**
Impairment charges	43	135
Release of impairment charges	(132)	(172)
Write-off	-	(408)
Other changes	2	17
Impairment allowances on loans and advances to banks at the end of the period	**497**	**584**

- data in PLN thousand

20 Reverse repo transactions

	30.09.2014	31.12.2013
Receivables from banks	-	232 882
Receivables from customers	353 656	76 373
Total reverse repo transactions	**353 656**	**309 255**

21 Debt securities held for trading

	30.09.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
Securities issued by government:	153 976	18 074	1 018 701	271 288
- T-bonds	**153 976**	**18 074**	**1 018 701**	**271 288**
Total debt securities held for trading	**153 976**	**18 074**	**1 018 701**	**271 288**
of which: valued using the market quotation method	*153 976*	*18 074*	*1 018 701*	*271 288*

22 Derivative financial instruments

30.09.2014	Nominal value	Fair value	
		Assets	Liabilities
Trading derivatives			
Currency derivatives:			
- Foreign Exchange Spot (FX Spot)	288 965	331	(137)
- Non-deliverable Forward (NDF)	541 787	4 414	(2 098)
- Foreign Exchange Forward (FX Forward)	735 292	2 055	(5 485)
- Currency Swaps (FX Swap)	12 860 235	125 275	(125 812)
- OTC currency options	242 812	2 561	(1 064)
Total OTC currency derivatives	**14 669 091**	**134 636**	**(134 596)**
Interest rate derivatives:			
- Interest Rate Swaps (IRS)	18 374 345	242 919	(233 336)
- Currency Interest Rate Swaps (CIRS)	205 176	386	(58)
- Forward Rate Agreements (FRA)	10 800 000	10 114	(11 475)
- OTC interest rate options	316 147	3 825	(3 955)
- Other	123 057	35	(147)
Total OTC interest rate derivatives	**29 818 725**	**257 279**	**(248 971)**
Total interest rate futures quoted on the market	-	-	-
Total interest rate derivatives quoted on the market	**-**	**-**	**-**
OTC options	516 991	8 564	(5 133)
Total OTC derivatives based on equity securities	**516 991**	**8 564**	**(5 133)**
OTC commodity swaps	19 201	1 420	(1 267)
OTC commodity derivatives	**19 201**	**1 420**	**(1 267)**
TOTAL	**45 024 008**	**401 899**	**(389 967)**
of which: - valued using the market quotation method	-	-	-
- valued using model-based method	*45 024 008*	*401 899*	*(389 967)*

- data in PLN thousand

31.12.2013	Nominal value	Fair value	
		Assets	Liabilities
Trading derivatives			
Currency derivatives:			
- Foreign Exchange Spot (FX Spot)	194 774	47	(47)
- Non-deliverable Forward (NDF)	353 693	4 350	(3 245)
- Foreign Exchange Forward (FX Forward)	297 350	296	(2 462)
- Currency Swaps (FX Swap)	13 103 284	111 478	(95 744)
- OTC currency options	136 016	4 743	(2 845)
Total OTC currency derivatives:	**14 085 117**	**120 914**	**(104 343)**
Interest rate derivatives:			
- Interest Rate Swaps (IRS)	18 831 771	209 080	(210 606)
- Currency Interest Rate Swaps (CIRS)	985 456	6 454	-
- Forward Rate Agreements (FRA)	656 263	176	(61)
– OTC interest rates options	334 517	10 059	(8 372)
- Other	437 265	863	(543)
Total OTC interest rate derivatives	**21 245 272**	**226 632**	**(219 582)**
OTC options	239 257	14 668	(11 997)
Total OTC derivatives based on equity securities	**239 257**	**14 668**	**(11 997)**
OTC options	14 615	1 021	(1 021)
OTC commodity swaps	1 379	25	(7)
OTC commodity derivatives	**15 994**	**1 046**	**(1 028)**
TOTAL:	**35 585 640**	**363 260**	**(336 950)**
of which: – valued using the market quotation method	-	-	-
– valued using model-based method	*35 585 640*	*363 260*	*(336 950)*

- data in PLN thousand

23 Hedge accounting

Starting from 2012 the Group had been applying cash flow hedge accounting against volatility of interest cash flows on granted preferential loans.

Description of hedging relationship	The Bank hedges a portion of the interest rate risk arising from interest on preferential loans with subsidies from The Agency for Restructuring and Modernization of Agriculture (ARiMR) above rediscount rate of NBP, resulting from the multiplier effect of the interest rate.			
Hedged items	Highly probable future cash flows arising from a portion of interest cash flow of preferential loans portfolio			
Hedging instruments	PLN IRS	Nominal value	Fair value	
			Assets	Liabilities
	30.09.2014	-	-	-
	31.12.2013	1 500 000	57 387	-
Presentation of the result on the hedged and hedging transactions	Effective part of change in the valuation to fair value of hedging instruments is recognized in Revaluation reserves (Other reserve capital), while ineffective part of the change is recognized in the Result on hedge accounting. Interest on both the hedged and the hedging items is recognized in Interest income.			

Amounts recognized in the statement of profit or loss and Revaluation reserves related to cash flow hedge accounting

	30.09.2014	31.12.2013
Revaluation reserves (deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge - gross value)	-	8 400
Interest income on hedging derivatives	9 024	24 424
Ineffective part of change in fair value of hedging transactions recognized in the Result on hedge accounting	(156)	(1 077)

- data in PLN thousand

24 Loans and advances to customers

	30.09.2014	31.12.2013
Current accounts:	**5 210 688**	**4 272 536**
corporate	2 218 982	1 907 354
households:	2 969 821	2 343 342
– individual customers	109 873	103 674
– individual entrepreneurs	377 204	313 552
– farmers	2 482 744	1 926 116
budget entities	6 304	1 407
other entities	15 581	20 433
Non-current loans and advances:	**25 971 223**	**23 241 349**
corporate:	8 430 875	6 892 196
– investment loans	5 079 676	4 238 097
– revolving loans	2 265 805	1 752 067
– other	1 085 394	902 032
households:	17 190 783	15 942 148
– individual customers, in this:	9 979 430	9 465 521
– mortgage loans	8 277 992	8 038 380
– individual entrepreneurs	1 381 977	1 259 146
– farmers	5 829 376	5 217 481
budget entities	231 630	251 572
other entities	117 935	155 433
Total loans and advances to customers (gross)	**31 181 911**	**27 513 885**
Impairment allowances	(1 387 772)	(1 215 969)
Total loans and advances to customers (net)	**29 794 139**	**26 297 916**

Loans and advances to customers increased by PLN 3 668 026 thousand (i.e. 13.3%) during three quarters of 2014, due to higher by PLN 1 875 114 thousand (i.e. 10.3%) loans and advances to households and to corporate (by PLN 1 850 307, i.e. 21%).

In the group of loans and advances to households the most significant increase (by PLN 1 168 523, i.e. 16.4%) noted loans to farmers which currently account for 41.2% of total portfolio (39.1% as at 31 December 2013). Another significant product group is mortgage loans to households, volume of which grew by PLN 239 612 thousand (i.e. 3%) in comparison to 31 December 2013.

In the group of loans and advances to corporate the highest growth dynamics noted respectively: revolving loans (increase by PLN 513 738 thousand, i.e. 29.3%), investment loans (increase by PLN 841 579 thousand, i.e. 19.9%), loans in current account (increase by PLN 311 628, i.e. 16.3%). Share of particular product groups in overall portfolio remained on the similar level in comparison to 2013.

- data in PLN thousand

Impairment allowances on loans and advances to customers

	30.09.2014	31.12.2013
Current accounts:	**226 535**	**176 542**
– corporate	147 062	102 927
– households:	79 330	73 473
– individual customers	8 542	9 684
– individual entrepreneurs	50 291	45 109
– farmers	20 497	18 680
– budget entities	3	1
– other entities	140	141
Non-current loans and advances:	**1 161 237**	**1 039 427**
– corporate:	505 427	449 676
– investment loans	108 032	79 684
– revolving loans	287 093	268 907
– other	110 302	101 085
– households:	654 420	582 435
– individual customers, in this:	406 221	362 829
– mortgage loans	232 110	205 702
– individual entrepreneurs	114 378	90 839
– farmers	133 821	128 767
– budget entities	244	260
– other entities	1 146	7 056
Total impairment allowances	**1 387 772**	**1 215 969**

As at 30 September 2014 share of impaired loans ratio in total gross loans and advances portfolio improved and accounted for 7.4% in comparison to 8.0% as at 31 December 2013.

- data in PLN thousand

Loans and advances to customers impaired and not impaired

	30.09.2014	31.12.2013
Not impaired exposures (IBNR)		
Gross exposure	29 043 160	25 313 766
Impairment allowances on receivables assessed collectively with no impairment recognized	(117 426)	(100 217)
Net exposure	**28 925 734**	**25 213 549**
Impaired exposures		
Gross exposure, in this:	2 138 751	2 200 119
assessed individually	1 126 478	1 226 932
assessed collectively	1 012 273	973 187
Impairment allowances on receivables assessed collectively and individually	(1 270 346)	(1 115 752)
impairment allowances concerning individually assessed portfolio	(583 250)	(500 559)
impairment allowances concerning collectively assessed portfolio	(687 096)	(615 193)
Net exposure	**868 405**	**1 084 367**
Total loans and advances to customers (net)	**29 794 139**	**26 297 916**

Changes in impairment allowances

	30.09.2014	31.12.2013
Impairment allowances - Opening balance	**1 215 969**	**1 069 936**
Impairment charges*	974 921	1 432 663
Release of impairment charges*	(819 230)	(1 195 275)
Write-off	(35 705)	(96 443)
Impairment acquired as a result of the merge	-	-
Other changes (including FX differences)	51 817	5 088
Impairment allowances - Closing balance	**1 387 772**	**1 215 969**

* Creation and release of impairment charges on loans and advances are presented by turnover due to functional system limitations.
This presentation does not impact the financial results of the Group.

During three quarters of 2014 the Group signed an agreement concerning selling loan portfolio. Receivables that were almost fully covered by impairment provision or written-off and then sold under the agreement amounted to PLN 35 135 thousand (principal, interests and other incidental receivables). Contractual price for the sale of the loan portfolio was set at PLN 3 004 thousand. The net impact from the sale of the loan portfolio on the Bank's result amounted to PLN 1 001 thousand and is presented in the lines: impairment charges' and release of impairment charges'.

- data in PLN thousand

25 Available for sale financial assets

	30.09.2014	31.12.2013
Debt securities available for sale:	6 885 334	4 820 672
- issued by central banks - NBP bills	2 973 002	1 349 738
- issued by governments - T-bonds	3 888 421	3 441 851
- issued by financial institutions – bonds	-	5 074
- issued by budget entities – municipal bonds	23 911	24 009
Available for sale equity instruments	8 346	5 401
Total available for sale financial assets	**6 893 680**	**4 826 073**
of which:		
- valued using the market quotation method	*3 895 354*	*3 446 373*
- valued using model-based method	*2 998 326*	*1 379 700*

26 Intangible assets

	30.09.2014	31.12.2013
Licenses	124 240	131 651
Other intangible assets	493	583
Expenditures on intangible assets	28 669	26 355
Total intangible assets	**153 402**	**158 589**

In the third quarter of 2014, the gross book value of Group's acquired 'Intangible assets' items amounted to PLN 29 394 thousand (PLN 18 787 thousand in 2013), while the net amount of assets sold and liquidated amounted to 0.

27 Property, plant and equipment

	30.09.2014	31.12.2013
Non-current assets, in this:	408 884	442 137
- land and buildings	257 051	263 220
- IT equipment	36 235	40 352
- office equipment	48 593	62 283
- other	67 005	76 282
Assets under construction	7 109	7 002
Total property, plant and equipment	**415 993**	**449 139**

In the third quarter of 2014, the gross book value 'Property, plant and equipment' items acquired by the Group amounted to PLN 11 142 thousand (PLN 22 288 thousand in 2013), while the net amount of 'Property, plant and equipment' items sold and liquidated amounted to PLN 8 357 thousand (PLN 2 210 thousand in 2013).

- data in PLN thousand

28 Other assets

	30.09.2014	31.12.2013
Other assets:		
– other debtors	43 376	81 059
– interbank and intersystem settlements	-	7 860
– prepaid expenses	22 214	10 679
– accrued income	6 252	7 184
– cards settlements	5 231	77 854
– other	2 165	1 625
Total other assets (gross)	**79 238**	**186 261**
Impairment allowances on other receivables	(32 820)	(29 797)
Total other assets (net)	**46 418**	**156 464**

29 Amounts due to banks

	30.09.2014	31.12.2013
Current accounts	186 524	61 544
Interbank deposits	212 738	274 266
Loans and advances received	2 064 386	2 860 839
Other liabilities	111 310	74 765
Total amounts due to banks	**2 574 958**	**3 271 414**

On 22 April 2011, the Bank and Coöperatieve Centrale Raiffeisen–Boerenleenbank B.A. (Rabobank) entered into an agreement, as a result of which the Bank received CHF 1 008 000 thousand loan for 12 years tenor, in order to finance existing mortgage portfolio denominated in CHF. The facility was disbursed in tranches from 29 April 2011 to 30 September 2011.

In accordance to annex from 28 May 2013, the Bank made premature repayment of CHF 90 million on 3 June 2013. Simultaneously, by agreement from 28 May 2013, this cash was transfered to the Bank by Rabobank in the form of subordinated loan. As at 30 September 2014 the loan principal amounted to PLN 2 304 360 thousand. By agreement signed on 19 September 2014 with Societe Anonyme De Gestion D´Investissements Et De Participations (‘Sagip’), BNP Paribas SA and Rabobank, Sagip acquired from Rabobank debt under the above agreement in amount of remained principal and interests accrued as at 23 September 2014, i.e. CHF 669 535 thousand.

The Bank received two loans from the European Bank of Reconstruction and Development (EBOiR) in the amount of EUR 50 000 thousand each. The first loan was disbursed in the first half of 2010, whereas the second one - in August 2011. As at 30 September 2013 above mentioned loan principal amounted to PLN 149 125 thousand.

On 12 September 2014 EBOiR agreed on overtaking the control of Bank by BNP Paribas SA and resigned from possibility to ask Bank to prepay the above mentioned loans before their maturity date.

In November 2012, the Bank received a loan from the European Investment Bank (EBI) in the amount of PLN 205 440 thousand (equivalent of EUR 50 million at the exchange rate set by the EBI for 2 days before disbursement of the loan) for a tenor of 10 years. The loan was secured by a guarantee issued by Rabobank. The guarantee agreement is three-sided, i.e. two agreements were signed: between Rabobank and EBI, in which Rabobank guarantees (up to 120% of the loan amount) the repayment of the loan and interest by the Bank in accordance with the schedule, and between Rabobank and the Bank, whereas the Bank agrees to pay the cost of guarantees in the amount of 0.95% on 120% of the outstanding loan amount. As at 30 September 2014 loan principal amounted to PLN 205 440 thousand. On 25 September EBI agreed on change of control of the Bank by BNP Paribas SA and resigned from possibility to ask the Bank to prepay the above mentioned loan before its maturity date and released Rabobank from guaranteeing liabilities of the Bank due to above mentioned loan, simultaneously accepting in this place the guarantee of BNP Paribas SA on 23 September 2014. Above mentioned guarantee of Rabobank expired on 25 September 2014.

- data in PLN thousand

On 18 June 2014 the Bank has entered into a credit line agreement (‘Agreement’) with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. up to the total sum of EUR 700 000 000, which is an equivalent to PLN 2 897 860 000 according to the National Bank of Poland EUR/PLN fixing rate as of 17 June 2014. The credit line’s purpose is to provide match-funding for current and future credit activity of Rabobank Polska, who was merged with the Bank on the signing date of the Agreement.

As of the date of signing the Agreement, the line was disbursed in several sub-loans and in various currencies: PLN, USD, EUR, CHF, CZK, HUF; with floating interest rates based on reference rates appropriate for given currency and margin on top of that rate. Existing loans are matched to general liquidity and interest rate risk profile of underlying client loans. Full repayment of loans disbursed under the Agreement should happen on 31st December 2023 the latest. As at 30 September 2014 loan principal of above mentioned loans amounted to PLN 1 707 423 thousand.

30 Repo transactions

	30.09.2014	31.12.2013
Due to banks	39 503	-
Due to customers	105 909	-
Total repo transactions	**145 412**	**-**

31 Amounts due to customers

	30.09.2014	31.12.2013
Other financial institutions:	**3 799 490**	**1 046 953**
Current accounts	14 962	9 894
Term deposits	1 474 013	1 037 048
Loans and advances received	2 310 504	-
Other liabilities, in this:	11	11
- other	11	11
Individual customers:	**17 356 078**	**16 377 174**
Current accounts	10 377 678	10 100 652
Term deposits	6 921 042	6 208 272
Other liabilities, in this:	57 358	68 250
- cash collaterals	9 318	7 965
- other	48 040	60 285
Corporate:	**9 358 899**	**8 466 523**
Current accounts	5 011 981	4 891 038
Term deposits	4 280 165	3 510 860
Other liabilities, in this:	66 753	64 625
- cash collaterals	65 147	63 488
- other	1 606	1 137

- data in PLN thousand

Of which farmers:	**1 171 871**	**1 200 404**
Current accounts	896 010	1 040 784
Term deposits	269 985	152 923
Other liabilities, in this:	5 876	6 697
- cash collaterals	5 743	6 667
- other	133	30
Budget entities:	**816 660**	**602 066**
Current accounts	509 388	458 346
Term deposits	307 142	143 593
Other liabilities, in this:	130	127
– cash collaterals	130	127
Total amounts due to customers	**31 331 127**	**26 492 716**

In the period from 31 December 2013 to 30 September 2014, amounts due to customers increased by PLN 4 838 411 thousand, i.e. 18.3%. The increase was due to:

- Increase of amounts due to other financial institutions by PLN 2 752 537 thousand, mainly due to acquisition of debt by agreement signed by the Bank with Societe Anonyme De Gestion ´Investissements Et De Participations ("Sagip"), BNP Paribas SA and Rabobank (detailed information can be found in note 29.)
- Increase of amounts due to individual customers by PLN 978 904 thousand (i.e. 6%), mainly due to increase in term deposits volume (by PLN 712 770 thousand), what increased their share by 2 p.p. in total liabilities of this segment. Volume of deposits collected by BGŻ Optima in this period increased by 16%
- Increase of amounts due to corporate by PLN 892 376 thousand (i.e. 10.5%), mainly due to increase in volume of term deposits (by PLN 769 305 thousand). In the analyzed period amounts due to farmers noted decrease of PLN 144 774 thousand in volume of current accounts, which was partially covered by increase in term deposits (by 76.5%)
- Increase of amounts due to budget observed both in current accounts and term deposits.

32 Debt securities issued

Changes in debt securities issued

	9 months ended 30.09.2014	12 months ended 31.12.2013
Balance at the beginning of the period	**1 191 158**	**1 852 931**
Issuance of certificates of deposit	-	601 721
Redemption of certificates of deposit	(386 088)	(1 306 155)
Changes in discount from certificates of deposit, interests, commission and other fees on certificates of deposit amortized using EIR, foreign currency exchange differences	(1 291)	42 661
Balance of debt securities issued at the end of the period	**803 779**	**1 191 158**

In 2008, the Bank signed with three financing banks a number of agreements for issue of bearer bank securities (Certificates of Deposit – 'CDs') in material form, denominated in PLN.

The Bank as the issuer of debt securities entered into the Dealers Agreement and Issuance Agreement for the execution of the Debt Securities Issuance Program ('Program') with Bank Handlowy w Warszawie S.A., Bank Pekao S.A., BRE Bank S.A. and ING Bank Śląski S.A., acting as market makers. The Program assumes multiple issuance of Certificates of Deposit and the Bank's bonds ('bonds') denominated in PLN for the total amount not exceeding PLN 3 500 000. The Bank will issue zero-coupon and coupon CDs for the period no longer than 5 years and zero-coupon and coupon bonds with the maximum maturity of 10 years. The agreements were signed for an indefinite period of time.

- data in PLN thousand

The Program is designed to finance current lending activity of the Bank.

The agreements renew and expand by inclusion of bond issuance the Debt Securities Program dated 14 March 2008.

The value of CDs issued equals to PLN 799 500 thousand (nominal value) as at 30 September 2014 and PLN 1 184 000 thousand (nominal value) as at 31 December 2013.

33 Subordinated liabilities

According to the annex from 28 May 2013 to the loan agreement on CHF 1 008 million received from Rabobank signed on 22 April 2011, on 3 June 2013, the Bank made an early repayment of CHF 90 million. At the same time, under the new agreement of 28 May 2013, Rabobank provided the Bank with the funds in the form of a subordinated loan for a period of 10 years, i.e. with the one – off payment settled for 3 June 2023 at a fixed interest rate of 6M Wibor + 2.01% margin.

By agreement from 12 September 2014, BNP Paribas SA granted the Bank a subordinated loan in amount of CHF 90 million for 10 years tenor, i.e. since 17 September 2014 till 17 September 2024 with balloon payment on maturity date with interest rate set at CHF Libor 6M + 2% margin.

On 23 September 2014 the Polish Financial Supervision Authority agreed to include the amount of the above mentioned subordinated loan to supplementary funds of the Bank and on pre-mature repayment of the subordinated loan granted by Rabobank, which occurred on 24 September 2014.

As at 30 September 2014 the carrying amount of subordinated liabilities amount to PLN 311 648 thousand (in comparison to PLN 304 817 thousand as at 31 December 2013).

34 Other liabilities

	30.09.2014	31.12.2013
Interbank and intersystem settlements	116 348	55 217
Other creditors	65 454	58 060
Card settlements	35 052	93 033
Provisions for non-personnel expenses	42 119	28 466
Provisions for other employee-related liabilities	66 220	40 974
Provisions for unused holidays	15 934	15 275
Deferred income	20 026	14 102
Other public settlements	21 285	20 914
Total other liabilities	**382 438**	**326 041**

35 Provisions

	30.09.2014	31.12.2013
Provisions for restructuring	430	4 310
Provisions for retirement benefits and similar obligations	24 969	19 966
Provisions for guarantees, surety ships and undrawn credit facilities	18 909	18 338
Provisions for litigation and claims	19 276	18 845
Other provisions	2 556	2 556
Total provisions	**66 140**	**64 015**

- data in PLN thousand

Provision for restructuring	9 months ended 30.09.2014	12 months ended 31.12.2013
Opening balance	**4 310**	**13 515**
Provision charges	-	7 746
Provision utilization	(2 390)	(16 951)
Provision release	(1 490)	-
Closing balance	**430**	**4 310**

Provision for retirement benefits	9 months ended 30.09.2014	12 months ended 31.12.2013
Opening balance	**19 966**	**14 407**
Provision charges	5 078	6 718
Provision release	(75)	(1 159)
Closing balance	**24 969**	**19 966**

Provisions for guarantees, surety ships and undrawn credit facilities	9 months ended 30.09.2014	12 months ended 31.12.2013
Opening balance	**18 338**	**7 257**
Provision charges	17 136	34 293
Provision release	(17 355)	(22 994)
Provision acquired Ina business unit combination	1 977	-
Other changes	(1 187)	(218)
Closing balance	**18 909**	**18 338**

Provision for litigation and claims	9 months ended 30.09.2014	12 months ended 31.12.2013
Opening balance	**18 845**	**28 736**
Provision charges	2 769	1 122
Provision utilization	(1 897)	(1 915)
Provision releases	(441)	(9 251)
Other changes	-	153
Closing balance	**19 276**	**18 845**

Other provisions	9 months ended 30.09.2014	12 months ended 31.12.2013
Opening balance	**2 556**	**1 586**
Provision charges	-	1 537
Provision utilization	-	(89)
Other changes	-	(478)
Closing balance	**2 556**	**2 556**

- data in PLN thousand

36 Cash and cash equivalents

Cash and cash equivalents presented in the statement of cash flows comprise the following balances with maturity up to 3 months.

	30.09.2014	31.12.2013
Cash and balances with the Central Bank	1 495 370	1 617 713
Current accounts of banks and other receivables	170 301	135 364
Interbank placements	113 415	128 563
Total cash and cash equivalents	**1 779 086**	**1 881 640**

37 Additional information regarding the statement of cash flows

Other adjustments in the statement of cash flows	9 months ended 30.09.2014	9 months ended 30.09.2013
Balance adjustments as a result of the merge with Rabobank Polska	346 722	-
Cash and cash equivalents	*99 698*	-
Loans and advances to banks	*2 290*	-
Derivative financial instruments	*14 587*	-
Loans and advances to customers	*2 097 157*	-
Available for sale financial assets	*1 095 175*	-
Intangible assets	*1 348*	-
Property, plant and equipment	*2 910*	-
Deferred tax assets	*8 250*	-
Current tax assets	*3 295*	-
Other assets	*3 909*	-
Amounts due to banks	*(2 592 364)*	-
Derivative financial instruments	*(17 702)*	-
Amounts due to customers	*(339 034)*	-
Other liabilities	*(22 735)*	-
Provisions	*(10 062)*	-
Valuation change of the company consolidated by the equity method	-	2 511
FX differences from subordinated loans	7 056	1 485
Other adjustments	(1 136)	77
Total adjustments	**352 642**	**4 073**

- data in PLN thousand

38 Contingent liabilities

	30.09.2014	31.12.2013
Contingent commitments granted	**6 174 083**	**4 605 578**
- Financial commitments	5 539 137	3 852 656
- Guarantees	634 946	752 922
Contingent commitments received	**2 885 906**	**16 789**
- Financial commitments	1 146 205	10 378
- Guarantees	1 739 701	6 411

Additionally, as at 30 September 2014, the Group had liabilities due to promissory note, that will be used with high probability in the amount of PLN 742 250 thousand (PLN 588 378 thousand as at 31 December 2013).

39 Fair value of financial assets and liabilities

The Group classifies the financial assets and liabilities measured at fair value into the following categories, broken down by valuation method:

Level 1

Assets and liabilities valued on the basis of prices quoted in active markets for identical assets or liabilities.

Level 2

Assets and liabilities valued using valuation techniques based on directly or indirectly observable market quotations, or other information based on market quotations.

Level 3

Assets and liabilities valued using valuation techniques based on input data derived from other sources than observable market quotations.

The Group carries out a periodical evaluation (at least once a quarter) of assets and liabilities classification to the respective levels of fair value hierarchy. The allocation to the respective levels of hierarchy is performed based on the input data used in the valuation model, which are market quotations or other information. The classification of asset or liability to respective level of hierarchy is determined by the lowest quality level of input data used in the model, which have a significant impact on the determination of fair value.

In case of change of used input data to the data of other level, for example due to change in valuation methodology or change in the source of market data, the Group transfers asset or liability to an appropriate level of valuation in the reporting period, in which the change occurred.

In the three quarters of 2014 and in 2013 the Group did not implement any changes in the re-measurement to fair value method, which would result in transfers of financial assets and liabilities between the individual levels referred to above.

- data in PLN thousand

Presented below are the carrying amounts of financial assets and liabilities re-measured to fair value, by the valuation levels described above:

30.09.2014	Level 1	Level 2	Level 3	Total
Assets re-measured to fair value	**4 049 330**	**3 366 337**	**96 412**	**7 512 079**
Debt securities held for trading	153 976	-	-	153 976
Derivative financial instruments	-	393 335	8 564	401 899
Hedging instruments	-	-	-	-
Available for sale financial assets	3 895 354	2 973 002	25 324	6 893 680
Investment property	-	-	62 524	62 524
Liabilities re-measured to fair value	**(18 074)**	**(384 834)**	**(5 133)**	**(408 041)**
Financial liabilities held for trading	(18 074)	-	-	(18 074)
Derivative financial instruments	-	(384 834)	(5 133)	(389 967)

31.12.2013	Level 1	Level 2	Level 3	Total
Assets re-measured to fair value	**4 465 074**	**1 765 635**	**97 236**	**6 327 945**
Debt securities held for trading	1 018 701	-	-	1 018 701
Derivative financial instruments	-	353 437	9 823	363 260
Hedging instruments	-	57 387	-	57 387
Available for sale financial assets	3 446 373	1 354 811	24 889	4 826 073
Investment property	-	-	62 524	62 524
Liabilities re-measured to fair value	**(271 288)**	**(329 791)**	**(7 159)**	**(608 238)**
Financial liabilities held for trading	(271 288)	-	-	(271 288)
Derivative financial instruments	-	(329 791)	(7 159)	(336 950)

To level 1, the Group classifies debt and equity securities for which market quotations exist, or which are quoted in the public market.

To level 2, the Group classifies financial instruments, in this swaps, FRA, foreign exchange contracts and options, as well as bills.

To level 3, the Group classifies options embedded in investment deposits with hedging them interbank options, municipal bonds, stocks and shares not available in the public market.

The fair value of financial instruments from level 2 and 3 is determined using valuation techniques (for example models) described in note 8.

Input data to the valuation of instruments classified in level 2 and 3 include foreign exchange interest rate curves, reference rates, the volatility of exchange rates, reference rates and stock indices as well as stock prices, the swap points, basis spreads, stock exchange indices and futures prices.

In case of derivative financial instruments classified to level 3, non-observable parameters are:

- Correlation between stock indices (as at 30 September 2014 correlation ranged between 15% and 78%),
- Correlation between foreign exchange rates and stock indices (as at 30 September 2014 correlation ranged between -38% and +29%),
- Correlation between stock prices (as at 30 September 2014 correlation ranged between 35% and 66%),

- data in PLN thousand

- Implied volatility of WIG30 index (as at 30 September 2014 depending on the maturity date, volatility ranged between 15% and 18%),
- Implied volatility of stock prices (as at 30 September 2014 volatility ranged between 19% and 24%).

The table below shows total change in valuation of derivative financial instruments in the event of extreme change of non-observable parameters.

	Increase of the parameter	Decrease of the parameter
Correlation between stock exchange indices	(210)	(628)
Correlation between foreign exchange rates and stock indices	(350)	179
Correlation between stock prices	(102)	(197)
Implicated volatility of WIG30	(611)	1 064
Implicated volatility of stock prices	3	(27)
Total	**(1 270)**	**391**

For the municipal bonds classified to level 3, the unobservable parameter is credit risk margin equaling the value of market margin for instruments of similar characteristics. The effect of changes in credit margin on changes in fair value is considered as immaterial.

In case of investment property, data used for valuation are offers on comparable premises, real prices of transactions and other data regarding real estate market condition in the area. Considering other estimates then those used for 30 September 2014 could lead to a significant change of the investment property valuation, although the Group has no realizable proofs on its impact on the fair value of the property.

The valuation was executed by an external certified property appraiser by hybrid approach, residual method.

- data in PLN thousand

The table below presents changes in valuation of assets and liabilities classified to level 3 and amounts that have been transferred to the statement of profit or loss and the statement of other comprehensive income.

	Derivative financial instruments - assets	Available for sale financial assets	Investment properties	Derivative financial instruments - liabilities
Balance as at 01.01.2014	**9 823**	**24 889**	**62 524**	**(7 159)**
Total gains or losses recognized in:	(8 991)	435	-	4 776
- Net interest income	-	*741*	-	-
- Net trading income	*(8 991)*	-	-	*4 776*
- Other operating income/expenses	-	-	-	-
- Statement of other comprehensive income	-	*(306)*	-	-
Purchase	7 732	-	-	(2 750)
Settlement	-	-	-	-
Balance as at 30.09.2014	**8 564**	**25 324**	**65 524**	**(5 133)**
Unrealized gains or losses recognized in the statement of profit or loss relating to assets and liabilities held at the end of the reporting period, in this:	**(8 991)**	**741**	**-**	**4 776**
Net interest income	-	741	-	-
Net trading income	(8 991)	-	-	4 776

	Derivative financial instruments - assets	Available for sale financial assets	Investment properties	Derivative financial instruments - liabilities
Balance as at 01.01.2013	**-**	**26 548**	**62 301**	**-**
Total gains or losses recognized in:	(570)	1 154	223	(2 137)
- Net interest income	-	*1 196*	-	-
- Net trading income	*(570)*	-	-	*(2 137)*
- Other operating income/expenses	-	-	*223*	-
- Statement of other comprehensive income	-	*(42)*	-	-
Purchase	10 393	-	-	(5 022)
Settlement	-	(2 813)	-	-
Balance as at 31.12.2013	**9 823**	**24 889**	**62 524**	**(7 159)**
Unrealized gains or losses recognized in the statement of profit or loss relating to assets and liabilities held at the end of the reporting period, in this:	**(570)**	**11**	**223**	**(2 137)**
Net interest income	-	11	-	-
Net trading income	(570)	-	-	(2 137)
Other operating income	-	-	223	-

- data in PLN thousand

The table below presents carrying amount and fair value of those assets and financial liabilities, which were not recognized in statement of financial position of the Group according to their fair value and the classification levels. In case of all categories, credit risk margin estimated by the internal models and liquidity margin estimated according to the market data are unobservable parameters.

30.09.2014	Book value	Fair Value	Level
Financial assets			
Loans and advances to banks	296 707	294 528	3
Reverse repo transactions	353 656	353 656	3
Investments in associates	-	-	
Loans and advances to customers	29 794 139	30 066 567	3
Financial liabilities			
Amounts due to banks	2 574 958	2 571 269	3
Repo transactions	145 412	145 412	3
Amounts due to customers	31 331 127	31 287 292	3
Debt securities issued	803 779	817 679	3
Subordinated liabilities	311 648	312 463	3

31.12.2013	Book value	Fair Value	Level
Financial assets			
Loans and advances to banks	269 757	267 126	3
Reverse repo transactions	309 255	309 255	3
Investments in associates	35 052	35 052	3
Loans and advances to customers	26 297 916	26 369 191	3
Financial liabilities			
Amounts due to banks	3 271 414	3 278 049	3
Repo transactions	-	-	3
Amounts due to customers	26 492 716	26 420 359	3
Debt securities issued	1 191 158	1 203 434	3
Subordinated liabilities	304 817	309 382	3

a) Loans and advances to banks

Loans and advances to banks consist of interbank placements. The fair value of fixed and variable interest rate placements is based on future cash flows discounted using the money market interest rates for items with similar credit risk and similar period remaining to maturity.

b) Loans and advances to customers

The estimated fair value of loans and advances to customers is calculated as the discounted value of future cash flows to be received. In order to determine the fair value of loans and advances granted to customers, the amounts to be received are discounted using current interest rates for group of assets with similar credit risk. Market rates used for discounting are adjusted to the actual cost of raising funds for lending and credit risk cost for each product group.

c) Liabilities and receivables due to BSB/SBB

The fair value of repo/reverse repo transactions was recognized in carrying amount due to short term of those transactions.

d) Investments in associates

The Group has adopted the book value as the best estimate of the fair value of investments in associates.

e) Subordinated liabilities

Liabilities include subordinated loan of CHF 90 million. The fair value of the loan at variable interest rate is based on discounted cash flows set on interest rates observed on the money market for positions with similar credit risk and remaining period to maturity.

f) Due to customers

The fair value of loans and advances at fixed and variable interest rates is based on discounted future cash-flows set on the money market interest rates adjusted by liquidity margin. In case of a'vista deposits it is assumed that fair value is equal to their carrying value.

g) Debt securities issued

The fair value of debt securities issued is estimated using the model discounting future cash flows from an investment, based on the market interest rate curves adjusted by the credit risk of the issuer.

40 Related party transactions

Bank Gospodarki Żywnościowej S.A. is a subsidiary of BNP Paribas Group, the parent company of which is BNP Paribas SA

Bank Gospodarki Żywnościowej S.A. is the parent company of Bank Gospodarki Żywnościowej S.A. Group. The Group consists of a subsidiary – **Bankowy Fundusz Nieruchomości Actus Sp. z o.o**. - BGŻ S.A. holds 100% of the share capital of the company and 100% of votes at the General Meeting of Shareholders.

All transactions between the Bank and related parties were due to current operation activities and consisted primarily of loans, deposits, derivative transactions and income and expenses on advisory services and financial intermediation.

- data in PLN thousand

Transactions with BGŻ S.A shareholders and related parties

30.09.2014	BNP Paribas SA	COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	RABOBANK GROUP ENTITIES	KEY PERSONNEL	TOTAL
Assets	**9 140**	**62 974**	**11 212**	**13**	83 339
Current accounts, interbank placements and loans and advances	144	24 159	11 121	13	35 437
Derivative financial instruments	8 996	37 804	-	-	46 800
Other assets	-	1 011	91	-	1 102
Liabilities	**2 633 190**	**1 924 677**	**5 874**	**477**	**4 564 218**
Loans and advances received	2 310 502	1 707 916	-	-	4 018 418
Interbank deposits and current accounts	5 887	115 900	5 865	477	128 129
Subordinated liabilities	311 649	-	-	-	311 649
Derivative financial instruments	5 152	79 899	-	-	85 051
Other liabilities	-	20 962	9	-	20 971
Contingent liabilities					
Financial commitments granted	-	-	105 634	37	105 671
Guarantees granted	-	450	-	-	450
Commitments received	-	2 024 954	-	-	2 024 954
Derivative financial instruments (face value)	848 803	4 990 309	-	-	5 839 112
3 quarters of 2014 from 01.01.2014 to 30.09.2014					
Statement of profit or loss	**(14 592)**	**(68 518)**	**44**	**(4)**	**(83 070)**
Interest income	-	1 868	-	-	1 868
Interest expense	(7 309)	(33 901)	(32)	(4)	(41 246)
Fee and commission income	-	540	50	-	590
Fee and commission expense	-	(3 116)	-	-	(3 116)
Net trading income	(7 283)	(20 436)	25	-	(27 694)
Other operating income	-	220	1	-	221
General administrative expenses	-	(13 693)	-	-	(13 693)

- data in PLN thousand

31.12.2013	COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	RABOBANK GROUP ENTITIES	KEY PERSONNEL	TOTAL
Assets	**71 681**	**134 303**	**21**	**206 005**
Current accounts, interbank placements and loans and advances	166	128 563	21	128 750
Derivative financial instruments	71 084	5 740	-	76 824
Other assets	431	-	-	431
Liabilities	**2 788 799**	**5 773**	**3 136**	**2 797 708**
Loans and advances received	2 447 145	-	-	2 447 145
Interbank deposits and current accounts	2 096	32	3 136	5 264
Subordinated liabilities	304 819	-	-	304 819
Derivative financial instruments	23 539	5 741	-	29 280
Other liabilities	11 200	-	-	11 200
Contingent liabilities				
Financial commitments granted	-	-	59	59
Guarantees granted	1 151	-	-	1 151
Commitments received	1 151	-	-	1 151
Derivative financial instruments (face value)	8 443 696	309 968	-	8 753 664
3 quarters of 2013 from 01.01.2013 to 30.09.2013				
Statement of profit or loss	**(22 418)**	**357**	**(43)**	**(22 104)**
Interest income	365	466	-	831
Interest expense	(32 727)	(1)	(43)	(32 771)
Fee and commission income	1	-	-	1
Fee and commission expense	(1 756)	-	-	(1 756)
Net trading income	21 926	(108)	-	21 818
Other operating income	2 624	-	-	2 624
General administrative expenses	(12 851)	-	-	(12 851)

- data in PLN thousand

Remuneration of the Management Board and the Supervisory Board of the Bank

Management Board	30.09.2014	31.12.2013
Short-term employee benefits	10 651	11 450
Long-term benefits	1 014	465
Benefits due to termination of employment	-	3 300
Share-based payments	1 977	1 339
TOTAL	**13 642**	**16 554**

Supervisory Board	30.09.2014	31.12.2013
Short-term employee benefits	471	596
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
TOTAL	**471**	**596**

41 Capital adequacy ratio

	30.09.2014	31.12.2013
Total own funds	3 920 723	3 545 118
Total capital requirements	2 288 912	2 137 568
Total capital ratio (%)	**13.70%**	**13.27%**

Since 1 January 2014 binding are regulations of the European Parliament and Council (EU) no. 575/2013 dated 26 June 2013 concerning own funds and capital adequacy.

Total capital ratio (previously capital adequacy ratio) as at 30 September 2014 was calculated according to CRR standard. As at the end of 2013 the ratio was presented according to Resolution No. 76/2010 of the Polish Financial Supervision Authority of 10 March 2013 on the scope and detailed procedures for determining capital requirements for particular risks.

42 Operating segments

Segment reporting

The Group has divided its activity and applied identification of income and expenses as well as assets and liabilities into the following reporting segments: Retail and Business Banking (including direct banking channel – BGŻ Optima, private banking and offer for micro companies), Corporate Banking (including starting from 18 June 2014 the results of Global Corporate Clients segment, i.e. customers of ex-Rabobank Polska), Financial Markets and Assets and Liabilities Management, and Other. For first two segments, Agro business was separated in regards to their importance for the development strategy of the Group, the significant impact they have on financial performance of the Group and also because they are differently monitored as far as management reporting of the Group is concerned. The classification reflects the principles of classification of customers into segments in accordance with the Group's business model which is based on type of business and financial criteria as well as the type of activity.

Monitoring of managerial results in the Group takes into account all components of the statement of profit or loss of particular segment to the level of gross profit, i.e. for each segment revenues, expenses and net impairment losses are reported. Managerial revenues include cash flows between the customer segments and the unit responsible for assets and liabilities management, valued using internal transfer pricing of funds based on market prices and liquidity margins determined for a given maturity and currency. Managerial costs include the direct costs of their activities and costs allocated in accordance with the allocation model adopted by the Group. In addition, the managerial results of segments include settlements of business lines for services provided between them (the data is assigned to particular clients of the Bank). The settlements include incomes and expenses. Under income the Group recognizes banknotes transactions' commission, i.e. the commissions for the purchase of cash for the clients on the market and the net interest income referring to a transfer fund price assigned to cash balance available for clients. Under expenses the Group recognizes settlements for basic banking facilities (their price is annually agreed upon by business line representatives) and settlements for counting and transportation of cash to clients.

Operating activity of the Group is limited to Poland. No material differences are identified in risks that could be influenced by the geographical location of Group's branches, and therefore the Group has not disclosed geographical information.

The Group applied unified and detailed rules for all distinguished segments. In case of revenues, apart from standard positions, the components of segments' results on interests were separated – i.e. internal and external revenues and expenses. For general expenses, the Group allocates indirect costs to segments through separation of tens cost aggregates, homogeneous in the aspect of the area and the scope of activity of the Group's units. For each aggregate separate, tailored specifically to the aggregate allocation principles were used, that transfer their costs on revenue segments.

As part of the Corporate and Retail and Business Banking segments, Agro clients are separated, i.e. individual farmers and companies operating in food sectors. According to the principle of customer segmentation into groups, farmers include individuals, legal entities, organizational units that do not have the status of legal entities but are involved in agricultural activities within the meaning of the Act on farm tax. Segmentation of companies is made based on classification activity codes (PDK 2007). The main activities of Agro Clients contain production of food, beverages and tobacco, retail and wholesale of food, forestry and logging services, production of machinery and other means of production for agriculture and forestry, wholesale of agricultural machinery and equipment, production of wood products, paper and paper products, production of packages, production of machinery utilized in manufacture of food, tobacco and beverage production.

Due to the nature of the Group's activity, there is no seasonality or cyclical phenomenon. The Group provides financial services for which demand is stable, and the impact of seasonality is negligible.

Business segments characteristics

The Retail and Business Banking Segment includes sales of products and services performed for individuals and micro companies, including maintaining current accounts and deposit accounts, gathering term deposits, granting housing loans, cash loans, mortgage loans, revolving loans, overdrafts, loans dedicated to micro companies, issuance of debit and credit cards, service of foreign cash transfers, entering into foreign exchange transactions, sale of insurance products and other services with a minor impact on the Group's revenue. The Retail and Business Banking Segment includes also: balances and results of direct banking channel BGŻOptima, income from brokerage services and distribution of investment funds' share units.

The services for the clients belonging to the Retail and Business Banking Segment are rendered by branches of the Group and through alternative channels, i.e. internet banking (eBGŻ, TeleBGŻ), telephone banking (TeleBGŻ), direct banking channel BGŻOptima as well as Private Banking channel. Additionally, sale of particular products is realized through financial intermediaries, both on local and national level.

Agro Clients separated from Retail and Business Banking segment contain individual farmers and companies that are classified by the Group systems, respectively as micro-farmers and micro-agro.

The Corporate Banking Segment includes sales of products and services rendered to enterprises, companies, cooperatives, individual entrepreneurs, individual farmers, non-profit institutions and public sector entities. The Corporate Banking Segment is divided into: Large, Small and Medium enterprises and Global Corporate Clients segment. The services are rendered by Consultants working at Corporate Centers. Operational support for all segments is carried by the Group's Branches, and additionally they also have access to telephone banking (TeleBGŻ) and internet banking (eBGŻ Firma). Moreover, a sale of particular products is realized through financial intermediaries, both on local and national level.

Products and services for Corporate Clients include maintaining current and saving accounts, gathering term deposits (including negotiable deposits), issuing business-type cards, granting overdrafts, investing commercial loans and revolving loans, agro-business financing loans (including preferential loans, revolving loans for farmers, agricultural procurement loans, loans with refinancing from the European Bank for Reconstruction and Development, overdrafts secured with mortgages on agricultural land, loans for realization of projects co-financed with the subsidies from the European Union), insurance for farmers, issuing of debt securities, financing trading activities (including guarantees, surety ships, letters of credit, discounting of bills and factoring), leasing (in cooperation with BGŻ Leasing) and entering into foreign exchange and derivative transactions.

Agro Clients separated from Corporate Banking include individual farmers and companies that are classified as Large Agro-enterprises, Large Farmers, SME-Agro, SME-Farmers and Global Corporate Clients-Agro.

The Financial Markets and ALCO Segments cover activities in the area of financial markets performed on Group's own interest and in the liquidity management area as well as assets and liabilities management activity (including debt securities investment portfolio, issued certificates of deposits, loans from other banks, balance of liquidity margin, spread ask/bid between transfer prices of funds allocated to assets and liabilities).

The **Other** segment includes results that are not attributable to any of above listed segments (i.e. the loan portfolio under vindication and restructuring procedures, capital investments, results attributable to the Group's own accounts and to clients' accounts not attributed to the specified segment). Before 1 January 2011, the loan portfolio under vindication and restructuring procedures were transferred to a separate, specialized entity.

Non-performing loans, created after 1 January 2011, are presented in the respective segments – the Retail and Business Banking or the Corporate Banking.

Reconciliation of results with financial reporting data

Result on financial operations and foreign exchange result from the statement by operating segments reconciles with the sum of the following items from the statement of profit or loss:

- Dividend income
- Net trading income
- Result on investing activities
- Result on hedge accounting
- Share in profit (loss) of associates

Result on other operations from the statement by operating segments reconciles with the sum of the following items from the statement of profit or loss:

- Other operating income
- Other operating expenses

- data in PLN thousand

	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Statement by operating segments		
Result on financial operations	(970)	48 650
Foreign exchange result	52 896	51 372
	51 926	**100 022**
Statement of profit or loss:		
Dividend income	3 302	2 848
Net trading income	43 391	67 179
Result on investing activities	5 389	33 527
Result on hedging accounting	(156)	(1 030)
Share in profit (loss) of associates	-	(2 502)
	51 926	**100 022**
Statement by operating segments		
Result on other operations	6 066	21 812
	6 066	**21 812**
Statement of profit or loss:		
Other operating income	28 169	37 979
Other operating expenses	(22 103)	(16 167)
	6 066	**21 812**

- data in PLN thousand

3 quarters of 2014	Retail and Business Banking	including: Agro Clients	Corporate Banking	including: Agro Clients	Financial Markets and ALCO	Other	Total
Statement of profit or loss							
Net interest income	494 428	94 889	172 374	118 781	186 051	(9 966)	**842 887**
external interest income	685 235	193 678	446 743	325 300	179 708	28 927	**1 340 613**
external interest expense	(264 541)	(10 469)	(112 610)	(48 036)	(120 360)	(215)	**(497 726)**
internal interest income	484 575	29 224	163 520	78 161	(648 471)	376	**-**
internal interest expense	(410 841)	(117 544)	(325 279)	(236 644)	775 174	(39 054)	**-**
Net fee and commission income	156 962	39 319	69 670	43 832	4 573	2 952	**234 157**
Result on financial operations	631	24	3 292	1 698	(8 256)	3 363	**(970)**
Foreign exchange result	28 955	2 741	23 787	13 282	-	154	**52 896**
Result on other operations	(2 060)	(227)	1 079	(79)	(14 694)	21 741	**6 066**
Net impairment losses on financial assets and contingent liabilities	(100 916)	(13 129)	(37 370)	(13 974)	(1 658)	(15 439)	**(155 383)**
General administrative expenses	(501 784)	(77 988)	(152 153)	(80 642)	(18 787)	(7 990)	**(680 714)**
Depreciation and amortization	(53 510)	(7 939)	(15 860)	(8 386)	(1 955)	(2 879)	**(74 204)**
Segment result	**22 706**	**37 690**	**64 819**	**74 512**	**145 274**	**(8 064)**	**224 735**
Profit (loss) before income tax	**-**	-	-	-	-	-	**224 735**
Income tax expense	**-**	-	-	-	-	-	**(47 471)**
Net profit for the period	**-**	-	-	-	-	-	**177 264**
Statement of financial position 30.09.2014							
Segment assets	15 996 678	4 393 454	13 972 395	9 960 978	7 128 051	3 105 902	**40 203 026**
Segment liabilities	20 754 415	1 172 966	7 459 396	3 734 895	6 206 202	1 613 082	**36 033 095**

3 quarters of 2013	Retail and Business	including:	Corporate Banking	including: Agro Clients	Financial Markets and ALCO	Other	Total

Statement of profit or loss	Banking	Agro Clients					
Net interest income	403 161	77 698	192 457	200 768	185 450	(45 145)	**735 923**
external interest income	635 162	167 203	525 163	525 817	263 675	44 646	**1 468 646**
external interest expense	(399 944)	(17 583)	(156 778)	(73 579)	(175 726)	(275)	**(732 723)**
internal interest income	591 600	36 785	220 442	128 354	(812 574)	532	**-**
internal interest expense	(423 657)	(108 707)	(396 370)	(379 824)	910 075	(90 048)	**-**
Net fee and commission income	125 757	27 810	74 783	71 337	(4 029)	4 627	**201 138**
Result on financial operations	64	47	4 289	2 240	41 449	2 848	**48 650**
Foreign exchange result	25 788	2 617	25 424	15 893	-	160	**51 372**
Result on other operations	1 545	(107)	(122)	(172)	(6 944)	27 333	**21 812**
Net impairment losses on financial assets and contingent liabilities	(56 557)	(6 274)	(80 442)	(27 877)	(1 345)	(10 811)	**(149 155)**
General administrative expenses	(498 058)	(80 116)	(172 868)	(161 257)	(21 095)	27 327	**(664 694)**
Depreciation and amortization	(55 025)	(8 024)	(17 297)	(16 142)	(2 180)	(242)	**(74 744)**
Segment result	**(53 325)**	**13 651**	**26 224**	**84 790**	**191 306**	**6 097**	**170 302**
Profit (loss) before income tax	**-**		-	-	-	-	**170 302**
Income tax expense	**-**		-	-	-	-	**(36 018)**
Net profit for the period	**-**		-	-	-	-	**134 284**
Statement of financial position 30.09.2013							
Segment assets	14 962 950	3 847 475	12 019 666	8 582 093	5 435 504	3 359 021	**35 777 141**
Segment liabilities	19 722 524	1 133 366	6 832 689	3 216 315	4 293 195	1 419 543	**32 267 951**

- data in PLN thousand

43 The shareholders' structure of Bank Gospodarki Żywnościowej S.A.

Shareholders	30.09.2014		31.12.2013	
	Number of shares	Structure (%)	Number of shares	Structure (%)
BNP Paribas SA	41 872 248	74.59	-	-
Rabobank International Holding B.V.*	13 613 875	24.25	45 942 004	89.84
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.*	-	-	4 303 695	8.42
Other shareholders	652 641	1.16	891 065	1.74
TOTAL	**56 138 764**	**100,00**	**51 136 764**	**100,00**

***** Rabobank Group

Share capital of the Bank as at 30 September 2014 amounted to PLN 56 138 764 thousand. The nominal value of each share is PLN 1.00. Change of equity is further described in note 9 and shareholder exchange in note 48.

As at 30 September 2014 and 31 December 2013 none of the members of Management Board or Supervisory Board held the Bank's shares directly.

44 Dividends paid

In 2013 the Bank did not pay out the dividend. By the decision of the General Shareholders' Meeting dated 30 May 2014, net profit for the year 2013 in the amount of PLN 162 403 thousand was allocated to Other supplementary capital.

45 Litigations

As at 30 September 2014 the total value of the legal proceedings against the Bank amounted to PLN 40 712 thousand, whereas the total value of the legal proceedings in which the Bank is a plaintiff amounted to PLN 80 602 thousand. As at 31 December 2013 the total value of the legal proceedings against the Bank amounted to PLN 42 849 thousand, and the total value of the legal proceedings in which the Bank is a plaintiff amounted to PLN 83 784 thousand.

The Bank and its subsidiaries are not involved in any proceedings before a court, arbitration body, or public administration authorities which represent at least 10% of the equity.

46 Risk management

The most significant changes to credit risk management made in the third quarter of 2014 and main measures of market, liquidity, counterparty and country risk are described below. In reference to other risks that the Group is exposed at, the approach has not changed significantly.

CREDIT RISK

The main activities in respect to credit risk realized by the Group in the third quarter of 2014 are as follows:

- Implementation of rules regarding giving opinions on credit transactions by BNP PARIBAS,
- Development of rules regarding identification of forbearance for corporate and retail clients in accordance with regulator's requirements,
- Implementation of more cautious level of LtV ratio for mortgage collaterals in the Bank (in accordance with Recommendation S of the PFSA),

- data in PLN thousand

- Centralization of decision-making process for micro clients (with full financial reporting and individual farmers).

FINANCIAL RISK

Market risk in the banking book

The interest rate risk in the third quarter of 2014 remained at the similar level to the second quarter, both in regards of interest net result exposed at risk *(Interest at Risk),* and also sensitivity of fair value of net equity *(Equity at Risk).* The IaR exposure had negative values for the scenario of interest rates decline (the parallel shift of curves), with no changes compared to the second quarter of 2014. The duration of net equity remained positive in that period with no changes compared to the second quarter. Additionally the Bank conducts the simulation of impact of nonparallel shifts of curves on interest income. In the third quarter, likewise in the second quarter the most harmful was the scenario of curves steepening.

FX risk in the banking book is transferred to the trading book.

Market risk in the trading book

The market risk quantified with VaR remained in the second quarter at low level – the average utilization of VaR limit for the trading book amounted to 27% (with no changes in comparison to the previous quarter). The exposure to interest rate risk was the main source of risk in the trading book (Polish T-bonds, interest rate swaps and FRA). Currency exposures had a limited impact on market risk of the Bank, because positions at the end of the day were limited to the minimum.

Liquidity risk

In the three quarters of 2014, the Bank maintained a safe liquidity. Partial ratios and supervisory liquidity measures, like in 2013, remained at a satisfactory level, i.e. the Group complied with the supervisory liquidity measure during the whole period. The increase of loans in the third quarter was (mainly retail and SME entities) was fully financed by new sources of funding.

Counterparty risk, country risk

The sum of limits allocated on counterparty risk for corporate clients also increased by 10% mainly as a result of Rabobank Polska and BGZ merger, due to adding new limits for large corporate clients. Utilization of limits increased from 7% to 8%.

Counterparty risk exposures for corporate clients

	30.09.2014	31.12.2013
available limits	1 231 816	451 355
exposure	101 926	19 590
share %	8%	4%

Exposure to banks

	30.09.2014	31.12.2013
Financial market transactions		
- available limits	2 811 400	2 833 400
- utilization of limits	353 922	270 168
Trade finance		
- available limits	619 950	11 920
- utilization of limits	537 960	3 560

47 Changes in the Bank's Management

On 28 April 2014, the Management Board of the Bank was notified that Mr. Johannes Gerardus Beuming submitted his resignation from the position of the Vice-president of the Management Board of Bank Gospodarki Żywnościowej S.A. effective from 30 June 2014.

On 3 September 2014 the General Meeting passed a conditional resolution on appointment of four new members of the Supervisory Board to replace the previous four members who had submitted conditional resignations from the functions in the Supervisory Board.

The conditional resignations from the functions in the Supervisory Board were submitted by:
- Jan Alexander Pruijs
- Evert Derks Drok
- Tanja Cuppen
- Jarosław Iwanicki

The following new members were conditionally appointed:
- Michel Vial
- Jean-Paul Sabet
- Jean Lemierre
- Jarosław Bauc

On 15 September 2014 a conditional precedent set forth in the Extraordinary General Meeting's resolutions of 3 September 2014, on the appointment of Michel Vial, Jean-Paul Sabet, Jean Lemierre and Jarosław Bauc to the Supervisory Board of the Bank has been satisfied, thereby these persons became members of the Supervisory Board of the Bank, as of 15 September 2014.

The composition of Supervisory Board since 15 September 2014 is as follows:
- Dariusz Filar
- Jarosław Bauc
- Jean Lemierre
- Mariusz Warych
- Jean-Paul Sabet
- Michel Vial

48 Significant events in 2014

Tender offer and change of strategic shareholder

On 25 August 2014 BNP PARIBAS SA registered in Paris, France announced the call for purchase of 56 138 764 shares constituting 100% of share capital of the Bank. On 9 September 2014 the Management Board disclosed its own opinion on the call offer and the fairness Opinion prepared by third party PwC Polska Sp.z o.o. ("PwC").

As a response on the call offer, Rabobank International Holding B.V. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. on 15 September 2014 filed the subscriptions for the sale of 41 763 109 Bank's shares constituting 74.39% of share capital. At the end of September, the Bank was informed about the increase of total share of BNP Paribas up to 74.59%, and the decrease of the share of the entities of Rabobank Group i.e. Rabobank International Holding B.V. to 24.25%, and the sale of all shares held by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

Information about settlement of call offer in October was described in subsequent events.

Intended merger

On 2 September 2014 the Management Board adopted a resolution including a decision to start a procedure that will result in a merger of the Issuer and BNP Paribas Bank Polska S.A. according to article 492 §1 item 1 of the Code of Commercial Companies (merger by acquisition). The merger of the Issuer and BNP Paribas Bank Polska S.A. is expected to bring benefits to both banks, its clients and also their shareholders (including minority ones) and it will make it possible to achieve the following objectives:

- capital strengthens,
- improvement of liquidity,
- expansion of sale network,
- better competitive position on the market,
- synergies resulting in reduced operating expenses,
- reinforced and simplified management system.

49 Subsequent events

On 10 October 2014, the Management Board of BGŻ and the Management Board of BNPP Polska agreed and executed the merger plan of BGŻ and BNPP Polska which was prepared in compliance with Articles 498 and 499 of the Code of Commercial Companies (CCC) dated 15 September 2000.

The Merger will be effected pursuant to Article 492 §1 item 1 of the CCC by way of transferring net assets (all assets and liabilities) of BNPP Polska (the Target Bank) to BGŻ (the Bidding Bank), with a concurrent share capital increase in BGŻ from the amount of PLN 56 138 764 to the amount of PLN 84 238 318 by way of the issuance of 28 099 554 shares in BGŻ with the nominal value of PLN 1.00 (the “Merger Shares”), to be delivered by BGŻ to the existing shareholders of BNPP Polska.

Under the Merger Plan the following share exchange ratio was decided upon: in exchange for 6 shares of BNPP Polska, the shareholders of BNPP Polska will receive 5 Merger Shares. The Management Board of BGŻ and the Management Board of BNPP Polska determined the share exchange ratio after having reviewed the results of the valuations of BNPP Polska and BGŻ.

In determining the share exchange ratio, the Management Board of BGŻ has taken into consideration the opinion received from PwC Polska Sp. z o.o. confirming that from a financial point of view the proposed share exchange ratio is set at fair level. (fairness opinion).

As a result of the Merger, BGŻ will assume all rights and obligations of BNPP Polska, and operation of BNPP Polska will be ceased without liquidation proceedings.

BNPP Polska’s net assets (all assets and liabilities) will be transferred to BGŻ on the day of the registration of the Merger in the register of entrepreneurs of the National Court Register maintained by the registration court competent for BGŻ’s registered office. BGŻ’s share capital increase through the issuance of the Merger Shares will be registered on the same day. The merged Bank will operate under the name Bank BGŻ BNP Paribas Spółka Akcyjna.

The decision regarding the Merger results from the performance of the commitments undertaken by the BNP PARIBAS Group towards the PFSA.

On 26 October the Polish Financial Supervision Authority (PFSA) published results of the review and evaluation of the Asset Quality Review (AQR) of the Bank in respect of loan portfolios selected for the review by PFSA.

The AQR results are above the minimum thresholds envisioned by the European Banking Authority (EBA) in terms of Tier 1, CET1 and Capital Requirements.

The review was carried out in the context of Recommendations prepared by the EBA (Recommendations on assets quality reviews, EBA/REC/2013/04), on the basis of uniform guidelines defined in the methodology published by the European Central Bank in March 2014

(Asset Quality Review, Phase 2 Manual March 2014). The Bank also received results of the stress tests conducted by the PFSA.

During the AQR the review covered the Bank's institutional and retail mortgage loans portfolios. As at 31 December 2013 all tested portfolios accounted together for 55% of risk-weighted assets (RWA).

The AQR-adjusted Common Equity Tier 1 (CET1) Ratio, calculated on the needs of AQR, as at 31 December 2013 amounted to 11.41% and was lower by 0.58 percentage points of the Bank's consolidated CET1 ratio.

Findings of the AQR review were included in the results of the stress test, to give the Bank's CET1 Capital ratio and CET1 and Adjusted Common Equity Tier 1 Capital ratio CET1 as follows:

- in the baseline scenario:
  - in 2014 the Bank's Common Equity Tier 1 Capital ratio CET1 reached 12.15 %, while Adjusted Common Equity Tier 1 Capital ratio CET1 reached 11.58%,
  - in 2015 respectively 12.35% and 11.78%,
  - in 2016 respectively 12.68% and 12.11%,
- in the shock scenario:
  - in 2014 the Bank's Common Equity Tier 1 Capital ratio CET1 reached 10.35%, while Adjusted Common Equity Tier 1 Capital ratio CET1 reached 9.78%,
  - in 2015 respectively 8.90% and 8.34%,
  - in 2016 respectively 7.43% and 6.87%.

Conclusion of call offer

On 27 October the Bank was informed by BNP Paribas SA registered in Paris, France about the purchase of 8 080 489 shares. As a result of tender offer BNP Paribas SA has acquired in total 49 952 737 shares of the Bank constituting 88.98% of share capital and vesting the right to exercise the same number of votes at the Bank's General Meeting.

At the same time Rabobank International Holding B.V. and Coöperatieve Centrale Raiffeisen - Boerenleenbank B.A announced about the decrease of their stake in Bank BGŻ to 5 613 875 shares constituting approximately 10% of share capital and vesting the right to exercise the same number of votes at the Bank's General Meeting. After the conclusion of the tender offer the mentioned above shares will be owned exclusively by Rabobank International Holding B.V. Coöperatieve Centrale Raiffeisen - Boerenleenbank B.A. does not own any shares of the Bank and it is only the indirect shareholder, because it is a parent entity over the Rabobank International Holding B.V.

Moody's ratings

On 28 October 2014, Moody's Investors Service, Ltd. affirmed the Bank's long and short-term deposit ratings of Baa3/Prime-3. The outlook remains stable.

At the same time bank financial strength rating ("BFSR") remained at level D and the outlook remains stable.

- data in PLN thousand

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Interim condensed separate statement of profit or loss

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Interest income	476 959	1 342 005	448 405	1 467 062
Interest expense	(180 381)	(497 578)	(193 800)	(732 723)
Net interest income	**296 578**	**844 427**	**254 605**	**734 339**
Fee and commission income	92 768	269 357	86 162	240 225
Fee and commission expense	(12 400)	(35 200)	(14 857)	(35 959)
Net fee and commission income	**80 368**	**234 157**	**71 305**	**204 266**
Dividend income	-	3 302	11	2 848
Net trading income	18 517	43 391	18 428	67 179
Result on investing activities	(87)	5 389	12 914	33 527
Result on hedge accounting	-	(156)	69	(1 030)
Other operating income	11 708	26 703	22 134	37 061
Net impairment losses on financial assets and contingent liabilities	(44 184)	(155 192)	(58 611)	(149 934)
General administrative expenses	(235 795)	(680 484)	(220 721)	(664 476)
Depreciation and amortization	(24 369)	(74 203)	(25 487)	(74 744)
Other operating expenses	(11 278)	(22 100)	(7 497)	(15 239)
Operating result	**91 458**	**225 234**	**67 150**	**173 797**
Profit (loss) before income tax	**91 458**	**225 234**	**67 150**	**173 797**
Income tax expense	(20 050)	(47 471)	(14 384)	(36 018)
Net profit for the period	**71 408**	**177 763**	**52 766**	**137 779**
– attributable to equity holders of the Bank	71 408	177 763	52 766	137 779
Earnings per share (in PLN per share)				
Basic	1.27	3.36	1.03	2.69
Diluted	1.27	3.36	1.03	2.69

- data in PLN thousand

Interim condensed separate statement of other comprehensive income

	3rd quarter of 2014 from 01.07.2014 to 30.09.2014	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3rd quarter of 2013 from 01.07.2013 to 30.09.2013	3 quarters of 2013 from 01.01.2013 to 30.09.2013
Net profit for the period	**71 408**	**177 763**	**52 766**	**137 779**
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss	***52 737***	***141 005***	***(41 215)***	***(135 872)***
Net change in valuation of available for sale financial assets	65 107	182 480	(42 883)	(161 551)
Net change in valuation of cash flow hedges	-	(8 400)	(8 000)	(6 192)
Deferred tax	(12 370)	(33 075)		
Items that will not be reclassified to profit or loss	**(590)**	**(2 711)**	**-**	**-**
Actuary valuation of employee benefits	(728)	(3 347)	-	-
Deferred tax	138	636	-	-
Other comprehensive income (net of tax)	**52 147**	**138 294**	**(41 215)**	**(135 872)**
Total comprehensive income for the period	**123 555**	**316 057**	**11 551**	**1 907**
- attributable to equity holders of the Bank	123 555	316 057	11 551	1 907

- data in PLN thousand

Interim condensed separate statement of financial position

	30.09.2014	31.12.2013
ASSETS		
Cash and balances with the Central Bank	1 495 370	1 617 713
Loans and advances to banks	296 709	269 757
Reverse repo transactions	353 656	309 255
Debt securities held for trading	153 976	1 018 701
Derivative financial instruments	401 899	363 260
Hedging instruments	-	57 387
Loans and advances to customers	29 828 165	26 330 360
Available for sale financial assets	6 893 680	4 826 073
Investments in subsidiaries and associates	16 732	51 645
Intangible assets	153 402	158 589
Property, plant and equipment	415 993	449 139
Deferred tax assets	130 656	142 792
Current tax assets	4 606	12 519
Other assets	46 400	156 302
TOTAL ASSETS	**40 191 244**	**35 763 492**

- data in PLN thousand

Interim condensed separate statement of financial position (continued)

	30.09.2014	31.12.2013
LIABILITIES		
Amounts due to banks	2 574 958	3 271 414
Repo transactions	145 412	-
Financial liabilities held for trading	18 074	271 288
Derivative financial instruments	389 967	336 950
Amounts due to customers	31 332 690	26 492 774
Debt securities issued	803 624	1 191 157
Subordinated liabilities	311 648	304 817
Other liabilities	382 429	326 015
Income tax liabilities	-	-
Provisions	66 140	64 015
TOTAL LIABILITIES	**36 024 942**	**32 258 430**

EQUITY		
Share capital	56 139	51 137
Other supplementary capital	3 430 785	3 085 059
Other reserve capital	501 615	206 463
Retained earnings	177 763	162 403
- net profit for the period	177 763	162 403
TOTAL EQUITY	**4 166 302**	**3 505 062**
TOTAL LIABILITIES AND EQUITY	**40 191 244**	**35 763 492**

Notes included on pages 67-74 are integral part of these interim condensed separate financial statements

- data in PLN thousand

Interim condensed separate statement of changes in equity

	Share capital	Other supplementary capital	Other reserve capital	Retained earnings Net profit for the period	Total
Balance as at 1 January 2014	**51 137**	**3 085 059**	**206 463**	**162 403**	**3 505 062**
Total comprehensive income for the period	**-**	**-**	**138 294**	**177 763**	**316 057**
Net profit for the period	-	-	-	177 763	177 763
Other comprehensive income for the period	-	-	138 294	-	138 294
Appropriation of retained earnings	**-**	**162 403**	**-**	**(162 403)**	**-**
Appropriation of retained earnings to other supplementary capital	-	162 403	-	(162 403)	-
Merge	**5 002**	**183 323**	**156 858**	**-**	**345 183**
Issued shares of H series	5 002	-	-	-	5 002
Equity resulting from the merge	-	183 323	156 858	-	340 181
Balance as at 30 September 2014	**56 139**	**3 430 785**	**501 615**	**177 763**	**4 166 302**

- data in PLN thousand

Interim condensed separate statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Retained earnings Net profit for the period	Total
Balance as at 1 January 2013	**51 137**	**2 950 716**	**330 351**	**134 343**	**3 466 547**
Total comprehensive income for the period	**-**	**-**	**(123 888)**	**162 403**	**38 515**
Net profit for the period	-	-	-	162 403	162 403
Other comprehensive income for the period	-	-	(123 888)	-	(123 888)
Appropriation of retained earnings	**-**	**134 343**	**-**	**(134 343)**	**-**
Appropriation of retained earnings to other supplementary capital	-	134 343	-	(134 343)	-
Balance as at 31 December 2013	**51 137**	**3 085 059**	**206 463**	**162 403**	**3 505 062**

Interim condensed separate statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Retained earnings Net profit for the period	Total
Balance as at 1 January 2013	**51 137**	**2 950 716**	**330 351**	**134 343**	**3 466 547**
Total comprehensive income for the period	**-**	**-**	**(135 872)**	**137 779**	**1 907**
Net profit for the period	-	-	-	137 779	137 779
Other comprehensive income for the period	-	-	(135 872)	-	(135 872)
Appropriation of retained earnings	**-**	**134 343**	**-**	**(134 343)**	**-**
Appropriation of retained earnings to other supplementary capital	-	134 343	-	(134 343)	-
Balance as at 30 September 2013	**51 137**	**3 085 059**	**194 479**	**137 779**	**3 468 454**

- data in PLN thousand

Interim condensed separate statement of cash flows

	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3 quarters of 2013 from 01.01.2013 to 30.09.2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit for the period	**177 763**	**137 779**
Adjustments for:	**2 142 219**	**(2 294 024)**
Income tax expense	47 471	36 018
Depreciation and amortization	74 203	74 744
Dividend income	(3 302)	(2 848)
Interest income	(1 342 005)	(1 470 190)
Interest expense	497 578	732 723
Change in provisions	(1 222)	(955)
Change in loans and advances to banks	(5 087)	(200 187)
Change in reverse repo transactions	(44 388)	(119 893)
Change in debt securities held for trading	847 276	(1 210 039)
Change in derivative financial instruments (assets)	(38 639)	(32 010)
Change in hedging instruments (assets)	-	(1 609)
Change in loans and advances to customers	(3 469 762)	14 250
Change in amounts due to banks	(440 454)	129 955
Change in repo transactions	145 372	(32 220)
Change in financial liabilities held for trading	(253 214)	151 954
Change in derivative financial instruments (liabilities)	53 017	55 664
Change in hedging instruments (liabilities)	-	1 609
Change in amounts due to customers	4 811 733	(1 071 575)
Change in other assets and current tax assets	109 902	70 422
Change in other liabilities and deferred tax liabilities	56 414	124 384
Other adjustments	352 643	1 245
Interest received	1 280 506	1 254 069
Interest paid	(475 601)	(806 912)
Income tax paid	(60 222)	(2 941)
Taxes returned	-	10 318
NET CASH FROM OPERATING ACTIVITIES	**2 319 982**	**(2 156 245)**

- data in PLN thousand

Interim condensed separate statement of cash flows (continued)

	3 quarters of 2014 from 01.01.2014 to 30.09.2014	3 quarters of 2013 from 01.01.2013 to 30.09.2013
CASH FLOW FROM INVESTING ACTIVITIES:		
Investing activities inflows	**97 407 341**	**164 244 738**
Sale of shares in associates	35 005	-
Sale of available for sale financial assets	97 360 111	164 239 914
Sale of intangible assets, and property, plant and equipment	8 923	-
Dividends received and other investing activities inflows	3 302	4 824
Investing activities outflows	**(99 192 363)**	**(161 535 213)**
Purchase of available for sale financial assets	(99 147 434)	(161 481 365)
Purchase of intangible assets, and property, plant and equipment	(44 790)	(53 620)
Other investment expenses	(139)	(228)
NET CASH FROM INVESTING ACTIVITIES	**(1 785 022)**	**2 709 525**
CASH FLOW FROM FINANCING ACTIVITIES:		
Financing activities inflows	**-**	**922 015**
Issue of debt securities	-	613 000
Change in subordinated liabilities	-	309 015
Financing activities outflows	**(637 514)**	**(1 703 207)**
Repayment of long-term loans and advances to banks	(251 426)	(572 207)
Redemption of debt securities issued	(386 088)	(1 131 000)
NET CASH FROM FINANCING ACTIVITIES	**(637 514)**	**(781 192)**
TOTAL NET CASH	**(102 554)**	**(227 912)**
Cash and cash equivalents at the beginning of the period	**1 881 640**	**2 204 297**
Cash and cash equivalents at the end of the period, of which:	**1 779 086**	**1 976 385**
- effect of exchange rate fluctuations on cash and cash equivalents held	1 325	3 812
- of restricted use	2 560	2 286

- data in PLN thousand

EXPLANATORY INFORMATION TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1 Accounting basis for the preparation of the interim condensed separate financial statements

The interim condensed separate financial statements for the third quarter ended 30 September 2014 have been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and with other applicable policies.

The interim condensed separate financial statements do not include all information and disclosures required for the annual financial statements, and shall be read in conjunction with the interim condensed consolidated financial statements for the first half of 2014 and with the Bank's financial statements for the year ended 31 December 2013 that were approved by the Management Board on 3 March 2014.

Accounting policies and methods relating to accounting estimates adopted during the preparation of the Bank's interim condensed separate financial statements are consistent with the accounting policies adopted for the Group's interim condensed consolidated financial statements, which are described in sections 3 and 6.

2 Changes in accounting policies and changes in presentation of financial data

The Bank made the described below changes in presentation of financial data. In order to ensure the comparability of financial data, the Bank made appropriate changes in presentation of financial data as at 30 September 2013 in comparison to the data published in the Interim condensed consolidated financial statement of Bank Gospodarki Żywnościowej S.A. Group for the third quarter ended 30 September 2013. These changes referred to the methods of grouping and presentation of financial data in the statement of profit or loss and do not affect the net profit of the Bank.

Interim condensed separate statement of profit or loss

		3rd quarter of 2013 prior to changes	changes in presentation	3rd quarter of 2013 after changes	3 quarters of 2013 prior to changes	changes in presentation	3 quarters of 2013 after changes
Interest income	1	445 067	3 338	448 405	1 470 190	(3 128)	1 467 062
Interest expense	1	(190 195)	(3 605)	(193 800)	(732 723)	-	(732 723)
Fee and commission income	1	90 663	(4 501)	86 162	248 272	(8 047)	240 225
Fee and commission expense	1	(19 625)	4 768	(14 857)	(47 134)	11 175	(35 959)
Other operating income	2	21 956	178	22 134	37 989	(928)	37 061
Other operating expenses	2	(7 319)	(178)	(7 497)	(16 167)	928	(15 239)

1. The Bank changed the presentation of income and expenses from the sale of insurance products. After the change, income from sale of insurance products is presented in net value, meaning the net value is further decreased by return of insurance premium which results from earlier termination of insurance and is recognized in interest income from related financial products or presented in commission income for products not related with financial instruments.
2. The Bank changed the presentation of result on sale of liquidation of items of from property, plant and equipment or intangible assets. Currently, the result is presented as other operating income or expenses.

3 Related party transactions

Bank Gospodarki Żywnościowej S.A. is a subsidiary of BNP PARIBAS SA Group.

Bank Gospodarki Żywnościowej S.A. is the parent company of Bank Gospodarki Żywnościowej S.A. Group. The Group consists of a subsidiary – **Bankowy Fundusz Nieruchomości Actus Sp. z o.o.** - BGŻ S.A. holds 100% of the share capital of the company and 100% of votes at the General Meeting of Shareholders.

All transactions between the Bank and related parties were due to current operation activities and consisted primarily of loans, deposits, derivative transactions and income and expenses on advisory services and financial intermediation.

- data in PLN thousand

Transactions with BGŻ S.A shareholders and related parties

30.09.2014	Group BNP PARIBAS.A.	COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A	ENTITIES OF RABOBANK GROUP	KEY PERSONEL	ACTUS SP Z O.O.	TOTAL
Assets	**9 140**	**62 974**	**11 212**	**13**	**37 430**	**120 769**
Current accounts, interbank placements and loans and advances	144	24 159	11 121	13	37 430	72 867
Derivative financial instruments	8 996	37 804	-	-	-	46 800
Other assets	-	1 011	91	-	-	1 102
Liabilities	**2 633 190**	**1 924 677**	**5 874**	**477**	**1 563**	**4 565 781**
Loans and advances received	2 310 502	1 707 916	-	-	-	4 018 418
Interbank deposits and current accounts	5 887	115 900	5 865	477	1 563	129 692
Subordinated liabilities	311 649	-	-	-	-	311 649
Derivative financial instruments	5 152	79 899	-	-	-	85 051
Other liabilities	-	20 962	9	-	-	20 971
Contingent liabilities						
Financial commitments granted	-	-	105 634	37	-	105 671
Guarantees granted	-	450	-	-	-	450
Commitments received	-	2 024 954	-	-	-	2 024 954
Derivative financial instruments (face value)	848 803	4 990 309	-	-	-	5 839 112
3 quarters of 2014 from 01.01.2014 to 30.09.2014						
Statement of profit or loss	**(14 592)**	**(68 518)**	**44**	**(4)**	**1 394**	**(81 676)**
Interest income	-	1 868	-	-	1 389	3 257
Interest expense	(7 309)	(33 901)	(32)	(4)	(6)	(41 252)
Fee and commission income	-	540	50	-	1	591
Fee and commission expense	-	(3 116)	-	-	-	(3 116)
Net trading income	(7 283)	(20 436)	25	-	-	(27 694)
Other operating income	-	220	1	-	10	231
General administrative expenses	-	(13 693)	-	-	-	(13 693)

- data in PLN thousand

31.12.2013	COöPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	RABOBANK GROUP ENTITIES	KEY PERSONNEL	BGŻ LEASING SP. Z O.O.	BFN ACTUS SP Z O.O.	TOTAL
Assets	**71 681**	**134 303**	**21**	**90 020**	**36 040**	**332 065**
Current accounts, interbank placements and loans and advances	166	128 563	21	89 325	36 040	254 115
Derivative financial instruments	71 084	5 740	-	-	-	76 824
Other assets	431	-	-	695	-	1 126
Liabilities	**2 788 799**	**5 773**	**3 136**	**61 439**	**58**	**2 859 205**
Loans and advances received	2 447 145	-	-	-	-	2 447 145
Interbank deposits and current accounts	2 096	32	3 136	61 439	58	66 761
Subordinated liabilities	304 819	-	-	-	-	304 819
Derivative financial instruments	23 539	5 741	-	-	-	29 280
Other liabilities	11 200	-	-	-	-	11 200
Contingent liabilities						
Financial commitments granted	-	-	59	37 297	-	37 356
Guarantees granted	1 151	-	-	-	-	1 151
Commitments received	1 151	-	-	-	-	1 151
Derivative financial instruments (face value)	8 443 696	309 968	-	-	-	8 753 664
3 quarters of 2013 from 01.01.2013 to 30.09.2013						
Statement of profit or loss	**(22 418)**	**357**	**(43)**	**1 552**	**1 555**	**(18 997)**
Interest income	365	466	-	721	1 544	3 096
Interest expense	(32 727)	(1)	(43)	(1 580)	-	(34 351)
Fee and commission income	1	-	-	2 584	1	2 586
Fee and commission expense	(1 756)	-	-	(189)	-	(1 945)
Net trading income	21 926	(108)	-	(3)	-	21 815
Other operating income	2 624	-	-	19	10	2 653
General administrative expenses	(12 851)	-	-	-	-	(12 851)

- data in PLN thousand

Remuneration of the Management Board and the Supervisory Board of the Bank

Management Board	30.09.2014	31.12.2013
Short-term employee benefits	10 651	11 450
Long-term benefits	1 014	465
Benefits due to termination of employment	-	3 300
Share-based payments	1 977	1 339
Total	**13 642**	**16 554**

Supervisory Board	30.09.2014	31.12.2013
Short-term employee benefits	471	596
Long-term benefits	-	-
Benefits due to termination of employment	-	-
Share-based payments	-	-
Total	**471**	**596**

4 Capital adequacy ratio

	30.09.2014	31.12.2013
Total own funds	3 916 596	3 541 212
Total capital requirements	2 295 222	2 143 655
Total capital ratio (%)	**13.65%**	**13.22%**

Since 1 January 2014 binding are regulations of the European Parliament and Council (EU) no. 575/2013 from 26 June 2013 (CRR) concerning own funds and capital adequacy.

Total capital ratio (previously capital adequacy ratio) as at 30 September 2014 was calculated according to CRR standard. As at the end of 2013 the ratio was presented according to Resolution No. 76/2010 of the Polish Financial Supervision Authority of 10 March 2013 on the scope and detailed procedures for determining capital requirements for particular risks.

5 Seasonality and cyclicality of operation

The operations of the Bank are not subject to any material seasonal or periodical occurrences.

6 Debt securities issued and redeemed

The issue and redemption of debt securities is described in the note 32 of the interim condensed consolidated financial statements for the third quarter of 2014.

7 Dividends paid

In 2013 the Bank did not paid out the dividend. By the decision of the General Shareholders' Meeting dated 30 May 2014, net profit for the year 2013 in the amount of PLN 162 403 thousand was allocated to other supplementary capital.

- data in PLN thousand

8 Contingent liabilities

	30.09.2014	31.12.2013
Contingent commitments granted	**6 174 083**	**4 605 578**
- Financial commitments	5 539 137	3 852 656
- Guarantees	634 946	752 922
Contingent commitments received	**2 885 906**	**16 789**
- Financial commitments	1 146 205	10 378
- Guarantees	1 739 701	6 411

Additionally, as at 30 September 2014, the Group had liabilities due to promissory note, that will be used with high probability in the amount of PLN 742 250 thousand (PLN 588 378 thousand as at 31 December 2013).

9 Subsequent events

On 10 October 2014, the Management Board of BGŻ and the Management Board of BNPP Polska agreed and executed the merger plan of BGŻ and BNPP Polska which was prepared in compliance with Articles 498 and 499 of the Code of Commercial Companies (CCC) dated 15 September 2000.

The Merger will be effected pursuant to Article 492 §1 item 1 of the CCC by way of transferring net assets (all assets and liabilities) of BNPP Polska (the Target Bank) to BGŻ (the Bidding Bank), with a concurrent share capital increase in BGŻ from the amount of PLN 56 138 764 to the amount of PLN 84 238 318 by way of the issuance of 28 099 554 shares in BGŻ with the nominal value of PLN 1.00 (the "Merger Shares"), to be delivered by BGŻ to the existing shareholders of BNPP Polska.

Under the Merger Plan the following share exchange ratio was decided upon: in exchange for 6 shares of BNPP Polska, the shareholders of BNPP Polska will receive 5 Merger Shares. The Management Board of BGŻ and the Management Board of BNPP Polska determined the share exchange ratio after having reviewed the results of the valuations of BNPP Polska and BGŻ.

In determining the share exchange ratio, the Management Board of BGŻ has taken into consideration the opinion received from PwC Polska Sp. z o.o. confirming that from a financial point of view the proposed share exchange ratio is set at fair level. (fairness opinion).

As a result of the Merger, BGŻ will assume all rights and obligations of BNPP Polska, and operation of BNPP Polska will be ceased without liquidation proceedings.

BNPP Polska's property (all assets and liabilities) will be transferred to BGŻ on the day of the registration of the Merger in the register of entrepreneurs of the National Court Register maintained by the registration court competent for BGŻ's registered office. BGŻ's share capital increase through the issuance of the Merger Shares will be registered on the same day. The merged Bank will operate under the name Bank BGŻ BNP Paribas Spółka Akcyjna.

The decision regarding the Merger results from the performance of the commitments undertaken by the BNP PARIBAS Group towards the PFSA.

On 26 October the Polish Financial Supervision Authority (PFSA) published results of the review and evaluation of the Asset Quality Review (AQR) of the Bank in respect of loan portfolios selected for the review by PFSA.

The AQR results are above the minimum thresholds envisioned by the European Banking Authority (EBA) in terms of Tier 1, CET1 and Capital Requirements.

The review was carried out in the context of Recommendations prepared by the EBA (Recommendations on assets quality reviews, EBA/REC/2013/04), on the basis of uniform guidelines defined in the methodology published by the European Central Bank in March 2014 (Asset Quality Review, Phase 2 Manual March 2014). The Bank also received results of the stress tests conducted by the PFSA.

During the AQR the review covered the Bank's institutional and retail mortgage loans portfolios. As at 31 December 2013 all tested portfolios accounted together for 55% of risk-weighted assets (RWA).

The AQR-adjusted Common Equity Tier 1 (CET1) Ratio, calculated on the needs of AQR, as at 31 December 2013 amounted to 11.41% and was lower by 0.58 percentage points of the Bank's consolidated CET1 ratio.

Findings of the AQR review were included in the results of the stress test, to give the Bank's CET1 Capital ratio and CET1 and Adjusted Common Equity Tier 1 Capital ratio CET1 as follows:

- in the baseline scenario:
  - in 2014 the Bank's Common Equity Tier 1 Capital ratio CET1 reached 12.15 %, while Adjusted Common Equity Tier 1 Capital ratio CET1 reached 11.58%,
  - in 2015 respectively 12.35% and 11.78%,
  - in 2016 respectively 12.68% and 12.11%,
- in the shock scenario:
  - in 2014 the Bank's Common Equity Tier 1 Capital ratio CET1 reached 10.35%, while Adjusted Common Equity Tier 1 Capital ratio CET1 reached 9.78%,
  - in 2015 respectively 8.90% and 8.34%,
  - in 2016 respectively 7.43% and 6.87%.

Conclusion of call offer

On 27 October the Bank was informed by BNP Paribas SA registered in Paris, France about the purchase of 8 080 489 shares. As a result of tender offer BNP Paribas SA has acquired in total 49 952 737 shares of the Bank constituting 88.98% of share capital and vesting the right to exercise the same number of votes at the Bank's General Meeting.

At the same time Rabobank International Holding B.V. and Coöperatieve Centrale Raiffeisen - Boerenleenbank B.A announced about the decrease of their stake in Bank BGŻ to 5 613 875 shares constituting approximately 10% of share capital and vesting the right to exercise the same number of votes at the Bank's General Meeting. After the conclusion of the tender offer the mentioned above shares will be owned exclusively by Rabobank International Holding B.V. Coöperatieve Centrale Raiffeisen - Boerenleenbank B.A. does not own any shares of the Bank and it is only the indirect shareholder, because it is a parent entity over the Rabobank International Holding B.V.

Moody's ratings

On 28 October 2014, Moody's Investors Service, Ltd. affirmed the Bank's long and short-term deposit ratings of Baa3/Prime-3. The outlook remains stable.

At the same time bank financial strength rating ("BFSR") remained at level D and the outlook remains stable.

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Józef Wancer
President of the Management Board

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Gerardus Cornelis Embrechts
First Vice-President of the Management Board

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Witold Okarma
Vice-President of the Management Board

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Andrzej Sieradz
Vice-President of the Management Board

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Dariusz Odzioba
Vice-President of the Management Board

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Wojciech Sass
Vice-President of the Management Board

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Magdalena Legęć
Vice-President of the Management Board

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Monika Nachyła
Vice-President of the Management Board

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Katarzyna Romaszewska-Rosiak
Managing Director of Finance and Reporting Department
Chief Accountant

Warsaw, 5 November 2014