



**Unaudited Interim Condensed  
Consolidated Financial Report of the  
Bank Gospodarki Żywnościowej S.A.  
Capital Group  
for the 1st quarter ended 31 March 2012**

***Prepared in accordance with International Financial  
Reporting Standards***

Warsaw, 8 May 2012

# Bank Gospodarki Żywnościowej S.A. Capital Group

Unaudited Interim Condensed Consolidated Financial Report in accordance with International Financial Reporting Standards for the 1<sup>st</sup> quarter ended 31 March 2012

- data in PLN thousands



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## I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated income statement

	Note	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
Interest income	2.1	505 366	367 712
Interest expense	2.1	(260 561)	(196 572)
<b>Net interest income</b>		<b>244 805</b>	<b>171 140</b>
Fee and commission income	2.2	82 831	72 144
Fee and commission expense	2.2	(12 222)	(8 083)
<b>Net fee and commission income</b>		<b>70 609</b>	<b>64 061</b>
Result on trading activities	2.3	28 779	38 247
Result on investing activities		7 615	(844)
Other operating income	2.5	15 970	13 146
Net impairment losses on Loans and advances	2.7	(42 259)	(23 149)
General administrative expenses	2.4	(229 491)	(194 384)
Other operating expenses	2.6	(41 534)	(29 510)
<b>Operating result</b>		<b>54 494</b>	<b>38 707</b>
Share In profit (loss) of associates		886	925
<b>Profit (loss) before taxation</b>		<b>55 380</b>	<b>39 632</b>
Income tax expense	2.8	(14 901)	(5 803)
<b>Net profit (loss) for the period</b>		<b>40 479</b>	<b>33 829</b>
– attributable to the shareholders of the Bank		40 479	33 829
<b>Earnings per share (in PLN per share)</b>		<b>0,93</b>	<b>0,78</b>
From continuing and discontinued operations:		0,93	0,78
Basic		0,93	0,78
Diluted		0,93	0,78
From continuing operations:		0,93	0,78
Basic		0,93	0,78
Diluted		0,93	0,78

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## Consolidated statement of comprehensive income

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
<b>Profit (loss) for the period</b>	<b>40 479</b>	<b>33 829</b>
<b>Other comprehensive income</b>		
Net (loss)/gain on valuation of available-for-sale financial assets	28 871	(8 485)
Income tax effect	(5 486)	1 612
<b>Other comprehensive income (net)</b>	<b>23 385</b>	<b>(6 873)</b>
<b>Total comprehensive income for the period</b>	<b>63 864</b>	<b>26 956</b>

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## Consolidated statement of financial position

	Note	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>ASSETS</b>				
Cash and balances with the Central Bank		1 548 602	1 383 321	1 073 861
Amounts due from other banks	2.9	132 820	221 071	680 107
Receivables arising from reverse repo transactions	2.10	706 569	366 343	284 992
Held-for-trading securities	2.11	2 470 411	1 632 434	1 706 554
Derivative financial instruments	2.12	448 655	883 109	202 633
Loans and advances to customers	2.13	24 209 279	24 222 391	19 955 365
Securities available for sales	2.14	4 174 221	3 624 750	3 242 826
Other debt securities	2.15	-	-	55 122
Investment property		63 401	63 401	63 900
Investments in subsidiaries and associates		47 341	46 245	32 429
Intangible assets	2.16	141 981	146 443	90 284
Property, plant and equipment	2.17	475 620	485 943	461 697
Deferred tax asset		202 823	207 794	227 950
Current tax asset		4 802	-	44 800
Other assets		105 222	123 968	85 917
<b>TOTAL ASSETS</b>		<b>34 731 747</b>	<b>33 407 213</b>	<b>28 208 437</b>

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## Consolidated statement of financial position (continued)

	Note	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>LIABILITIES</b>				
Amounts owed to Rother banks	2.18	3 963 697	4 446 716	1 564 485
Liabilities arising from repo transactions	2.19	1 554 218	-	339 613
Derivative financial instruments and Rother liabilities held for trading	2.12	490 608	795 707	483 940
Amounts owed to customers	2.20	23 397 656	22 941 652	21 295 683
Liabilities from issued debt securities		2 129 784	2 033 267	1 567 142
Other liabilities		410 507	474 952	357 812
Deferred tax liability		9 719	9 719	9 814
Current tax liabilities		-	-	10
Provisions	2.21	44 610	41 926	42 451
Liabilities arising from employee benefits	2.22	29 222	25 412	25 514
<b>TOTAL LIABILITIES</b>		<b>32 030 021</b>	<b>30 769 351</b>	<b>25 686 464</b>
<b>EQUITY</b>				
Issued share capital	4.1	43 137	43 137	43 137
Reserve capital		2 332 656	2 332 656	2 220 155
Accumulated profit/(loss) from previous years		8 327	8 327	8 487
Other reserves		149 030	125 645	104 024
Undistributed profit		168 576	128 097	146 170
<b>TOTAL EQUITY</b>		<b>2 701 726</b>	<b>2 637 862</b>	<b>2 521 973</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>34 731 747</b>	<b>33 407 213</b>	<b>28 208 437</b>

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## Consolidated statement of changes in equity - unaudited

Note	Share capital	Reserve capital	Other reserves	Accumulated profit (loss) from previous years	Undistributed profit	Total
<b>As at 1 January 2012</b>	<b>43 137</b>	<b>2 332 656</b>	<b>125 645</b>	<b>8 327</b>	<b>128 097</b>	<b>2 637 862</b>
Net profit for the year	-	-	-	-	40 479	40 479
Other comprehensive income for the period	-	-	23 385	-	-	23 385
Transfer from prior year profits	-	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>23 385</b>	<b>-</b>	<b>40 479</b>	<b>63 864</b>
<b>As at 31 March 2012</b>	<b>43 137</b>	<b>2 332 656</b>	<b>149 030</b>	<b>8 327</b>	<b>168 576</b>	<b>2 701 726</b>

## Consolidated statement of changes in equity (continued)

Note	Share capital	Reserve capital	Other reserves	Accumulated profit (loss) from previous years	Undistributed profit	Total
<b>As at 1 January 2011</b>	<b>43 137</b>	<b>2 220 155</b>	<b>110 897</b>	<b>8 487</b>	<b>112 341</b>	<b>2 495 017</b>
Net profit for the year	-	-	-	-	128 097	128 097
Other comprehensive income for the period	-	-	14 748	-	-	14 748
Transfer from prior year profits	-	112 501	-	(160)	(112 341)	-
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>14 748</b>	<b>-</b>	<b>128 097</b>	<b>142 845</b>
<b>As at 31 December 2011</b>	<b>43 137</b>	<b>2 332 656</b>	<b>125 645</b>	<b>8 327</b>	<b>128 097</b>	<b>2 637 862</b>



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## Consolidated statement of changes in equity – unaudited (continued)

Note	Share capital	Reserve capital	Other reserves	Accumulated profit (loss) from previous years	Undistributed profit	Total
<b>As at 1 January 2011</b>	<b>43 137</b>	<b>2 220 155</b>	<b>110 897</b>	<b>8 487</b>	<b>112 341</b>	<b>2 495 017</b>
Net profit for the year	-	-	-	-	33 829	33 829
Other comprehensive income for the period	-	-	(6 873)	-	-	(6 873)
Transfer from prior year profits	-	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(6 873)</b>	<b>-</b>	<b>33 829</b>	<b>26 956</b>
<b>As at 31 March 2011</b>	<b>43 137</b>	<b>2 220 155</b>	<b>104 024</b>	<b>8 487</b>	<b>146 170</b>	<b>2 521 973</b>

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## Consolidated statement of cash flows

Note	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
CASH FLOW FROM OPERATING ACTIVITIES:		
<b>Net profit/loss</b>	<b>40 479</b>	<b>33 829</b>
<b>Total adjustments:</b>	<b>473 175</b>	<b>128 859</b>
Current and deferred tax recognized in the financial results	14 901	5 803
Amortization and depreciation	22 129	18 648
Interests and dividends	(68 685)	(15 300)
Profit/loss on investing activities	(7 615)	-
Change in provisions and liabilities for employee benefits	6 494	3 446
Change in amounts due from other banks	482	(71)
Change in receivables arising from reverse repo transactions	(340 226)	366 714
Change in held-for-trading debt securities	(837 977)	108 345
Change in positive valuation of derivative financial instruments	434 454	18 354
Change in loans and advances to customers	13 112	(86 188)
Income tax paid	(20 219)	-
Change in amounts owed to other banks	(409 786)	544 066
Change in liabilities arising from repo transactions	1 554 218	(929 308)
Change in negative valuation of derivative financial instruments	(305 099)	(248 158)
Change in amounts owed to customers	456 004	243 968
Change in other assets	13 944	(7 639)
Change in other liabilities and change in income tax liability	(64 445)	115 924
Other adjustments	11 489	(9 745)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>513 654</b>	<b>162 688</b>

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## Consolidated statement of Cash flows (continued)

Note	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
<b>Inflows</b>	<b>17 051 087</b>	<b>21 721 020</b>
Sale and redemption of other debt securities	-	51 210
Sale of securities available for sale	17 051 087	21 669 094
Sale of intangible assets and property, plant and equipment	-	716
<b>Outflows</b>	<b>(17 520 496)</b>	<b>(21 605 940)</b>
Purchase of securities available for sale	(17 512 983)	(21 596 637)
Purchase of intangible assets, property, plant and equipment	(7 413)	(9 303)
Other investing outflows	(100)	-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(469 409)</b>	<b>115 080</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
<b>Inflows</b>	<b>1 594 000</b>	<b>1 422 000</b>
Issue of debt securities to other financial institutions	1 594 000	1 422 000
<b>Outflows</b>	<b>(1 560 733)</b>	<b>(1 606 529)</b>
Repayment of long- term loans to other banks	(73 233)	-
Redemption of debt securities issued to other financial institutions	(1 487 500)	(1 606 529)
<b>TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>33 267</b>	<b>(184 529)</b>
<b>TOTAL NET CASH FLOW</b>	<b>77 512</b>	<b>93 239</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1 592 649</b>	<b>1 610 838</b>
<b>Cash and cash equivalents at the end of the year, of which:</b>	<b>1 670 161</b>	<b>1 704 077</b>
of restricted use	1 041	665

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## 1 ADDITIONAL INFORMATION

### 1.1 General information

Bank Gospodarki Żywnościowej Spółka Akcyjna is the parent company of the BGŻ S.A. Capital Group (hereinafter referred to as the "Group").

Bank Gospodarki Żywnościowej Spółka Akcyjna (the "Bank" or "BGŻ S.A."), with its registered office in Warsaw, at Kasprzaka 10/16 Street, is entered in the National Court Register maintained by the District Court for the capital city of Warsaw, XII Economic Department, Entry no. KRS 0000011571. The Bank and the subsidiary entities of the Group shall continue until terminated.

### 1.2 Basis for the preparation of the unaudited interim condensed consolidated financial statements

Accounting policies applied in the 1st quarter of 2012 are consistent with the principles applied in year 2011. These policies were described in detail in the consolidated financial statements for the year ended 31 December 2011 approved by the Management Board on the 5<sup>th</sup> of March 2012. The unaudited interim condensed consolidated financial statements for the third quarter ended 31 March 2012 were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union applicable to interim reporting ('IAS 34') and in accordance with the requirements specified in the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by the issuers of securities (Journal of Laws of 2009 No. 33, position 259).

The unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements, therefore they should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2011 approved by the Management Board on the 5<sup>th</sup> of March 2012.

During the preparation of this unaudited interim condensed consolidated financial statements the accounting principles resulting from the following sources were applied:

1. International Financial Reporting Standards issued by the International Accounting Standards Board and their interpretations issued by the International Financial Reporting Interpretations Committee.
2. International Accounting Standard no. 34 'Interim financial reporting'.

#### New standards and interpretations issued but not in force

The following standards and interpretations were issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but did not come into force:

- The first phase of IFRS 9 *Financial Instruments: Classification and Measurement* – effective for financial years beginning on or after 1 January 2015 – not endorsed by EU till the date of approval of these financial statements. In subsequent phases, the IASB will address hedge accounting and impairment. The application of the first phase of IFRS 9 will have impact on classification and measurement of the financial assets of the Group. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture,
- IFRS 10 *Consolidated Financial Statements* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,

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- IFRS 11 *Joint Arrangements* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IFRS 13 *Fair Value Measurement* - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 19 *Employee Benefits* - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* - effective for financial years beginning on or after 1 July 2012 – not endorsed by EU till the date of approval of these financial statements,
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendment to IFRS 7 *Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 32 *Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1 January 2014 – not endorsed by EU till the date of approval of these financial statements,
- IAS 27 *Consolidated and separate financial statement* - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IAS 28 *Investments in Associates and Joint Ventures* - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements.

The Management Board does not expect the implementation of the above standards and interpretations to have material impact on the accounting policies applied by the Bank, except for the changes resulting from modifications introduced by IFRS 9. As far as IFRS 9 *Financial instruments* is concerned, the Bank is currently analysing the impact of the implementation of this standard on the financial statement.

## 1.3 Going concern

These consolidated financial statements were prepared under the assumption that the Group's companies would continue as a going concern in the foreseeable future, i.e. for the period of at least 12 months following the reporting date. As at the date of signing the consolidated financial statements, the Management Board BGŻ S.A. is not aware of any facts or circumstances that would indicate a threat to the Group's continued activity or a significant limitation in the Group's companies business.

## 1.4 Authorization for issue

These interim financial statements for the 1<sup>st</sup> quarter were authorized for issue by the Management Board on the 8<sup>th</sup> of May 2012.

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## 1.5 Changes in presentation

The Group did not implement any presentation changes in the prepared interim condensed consolidated financial statements except for the change in the operating segments' presentation disclosed in the note 3.1.

## 1.6 Seasonality or periodicity of operations

In the operations of the Group there are no material seasonal or periodical occurrences.

## 1.7 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, which are subject to continuous valuation, are based on historical experience and other factors, including expectations regarding future developments which, in a given situation, are justified.

### a) Impairment of loans and advances

According to IFRS, the following financial assets are assessed for impairment: financial assets carried at amortized cost, financial assets carried at cost and financial assets available-for-sale, which are not re-measured to fair value. The Bank assesses the impairment of financial assets on an individual basis and using the collective (group) approach. Individual assessment is performed on assets classified by the Bank as individually significant. Individually significant assets include, in particular, the following: exposures to non-retail entities for which the total of the balance sheet and off-balance sheet principal liability, at the valuation date, exceeds PLN 1 million (or its equivalent in a foreign currency); restructured exposures, for which the sum of the balance sheet capital liability and the one granted as at the valuation date exceeds PLN 100 thousands (or its equivalent in a foreign currency); all assets classified as individually significant in the previous period for which impairment was identified in the previous period; exposures with lower unit carrying amount if (due to the small number of such items) it is not possible to construct homogeneous and representative groups of assets, i.e., loan exposures to public sector entities, which have been found by the Bank to be impaired and loan exposures to financial entities. All financial assets that do not meet the criteria set forth for individually significant assets are considered to be individually insignificant.

#### Assessment of impairment of individually significant asset

Financial assets are assessed for whether or not there is objective evidence to show that they are impaired. An individual assessment is carried out by the Bank'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 current (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

A collective assessment is performed for assets classified as individually insignificant and those individually significant assets for which there is no objective evidence of impairment. For such group of assets, the Bank determines the amount of the impairment loss, if objective evidence of impairment is identified on a collective basis, or it determines the amount of the IBNR (Incurred But Not Reported) allowance if no impairment evidence is identified. Future cash flows from a group of financial assets assessed for impairment on a collective basis are estimated based on the history of losses incurred on assets with similar credit risk characteristics.

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## b) Fair value of derivative financial instruments (derivatives)

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 they are used, 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.

## c) Impairment of equity instruments available-for-sale

The Group recognizes impairment of equity instruments available-for-sale if it has identified a significant or long-term decrease in their fair value below their initial cost. To determine whether impairment is significant or of a long-term nature, the Group must apply judgment. In making this judgment, apart from other factors, the Group must assess normal share price fluctuations. Furthermore, impairment losses may need to be recognized if there is evidence of a deterioration in the issuer's financial standing, the industry or economy sector, the technology or cash flows from operating and financing activities.

## d) Investments held to maturity

The Group follows IAS 39 guidance concerning the classification of assets different from non-derivative financial assets with fixed or determinable payments and fixed maturity. This classification is, to a significant extent, based on the Group's judgment. In making this judgment, the Group assesses its intention and ability to hold these investments to maturity. If the Group does not hold these investments to maturity, it will have to change the classification of the entire category of these assets to assets available for sale (except for certain circumstances, such as the sale of investments of a small value shortly before maturity).

## e) Impairment of fixed assets

At the end of each reporting period, the Bank assesses the existence of circumstances indicating impairment of fixed assets. In case of an identification of such a circumstance, the Bank estimates the residual value. The estimation of the fixed assets' value in use means, among other actions, making the assumptions concerning amounts and timing of future cash flows, which can be obtained by the Bank in respect of given fixed asset. While estimating the fair value less cost to sell, Bank relies on the available market data or valuations made by independent experts, which in fact are also based on estimates.

## f) Provision for retirement benefits

The provision for retirement benefits were estimated using actuarial methods by an independent actuary. The assumptions adopted for this purpose are updated at the end of each financial year.

## g) Deferred tax asset

The Bank recognizes deferred tax asset based on the assumption, that future tax profit will be achieved, allowing for its use. The future deteriorations of the taxable income would make this assumptions unjustified.

The estimated values did not change in comparison to 31 December 2011.



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## 1.8 General information on the Capital Group

### 1.8.1 The entities accounted for in the unaudited consolidated financial statement

Bank Gospodarki Żywnościowej Spółka Akcyjna is an entity operating as part of the Rabobank Capital Group, whose parent company is Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.

Bank Gospodarki Żywnościowej Spółka Akcyjna is the parent company of the BGŻ S.A. Capital Group (hereinafter referred to as the "Group"). The Group is composed of a subsidiary as at 31 March 2012:

1. **Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.** – ('Actus') with its registered office in Warsaw, at Kasprzaka 10/16 Street. The company's main activities 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 entered 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.

BGŻ S.A. holds 100% of shares in the share capital of this company and 100% of the votes at the Shareholders' Meeting.

BGŻ S.A. holds 49% of shares in the share capital of an associated company BGŻ Leasing Sp. z o.o. and 49% of the votes at the Shareholders' Meeting of this company. The remaining 51% of the shares in the share capital is held by De Lage Landen company, which is a part of Rabobank Group.

#### Scope of consolidation

In accordance with the IFRS principles, consolidated financial statements include all subsidiaries as of 31 March 2012. The consolidation scope has not changed compared to 31 December 2011.

### 1.8.2 Related party transactions

All the transactions of the Bank, its subsidiaries and the related parties carried out in the 1st quarter of 2012 were concluded at arm's length and resulted from the operating activities.



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## 2 EXPLANATORY NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Net interest income

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
<b>Interest income</b>		
Amounts due from other banks	10 420	7 564
Amounts due from customers under overdraft facilities	72 483	49 561
Loans and advances to customers, after considering reversal of loans interests discount on impairment losses, of which	352 948	259 225
- companies	129 080	83 015
- households	218 285	172 191
- public institutions	3 827	2 562
- other entities	1 756	1 457
Debt securities for all portfolios	69 515	51 362
- at fair value through profit or loss account (trading)	17 227	9 385
- available for sale	52 288	40 995
- other debt securities	-	982
	<b>505 366</b>	<b>367 712</b>
<b>Interest expense</b>		
Amounts owed to banks	44 405	24 696
- due to its own emissions	25 148	18 499
Amounts owed to customers:	216 156	171 876
- companies	58 920	43 180
- households	135 119	100 650
- public institutions	9 219	14 112
- other entities	12 898	13 934
	<b>260 561</b>	<b>196 572</b>
<b>Net interest income</b>	<b>244 805</b>	<b>171 140</b>

The net interest income for the first quarter of 2012 increased by 43.0% compared to the first quarter of 2011 which was due to an increase in interest income by 37.4%, which exceeded the increase in interest expense of 32.6%.

The increase in interest income was mainly due to increase in interest income from amounts due from customers under overdraft facilities by 46.3% and from loans and advances to customers by 36.2%, which was achieved through the development of lending activity, mainly in the period from third to fourth quarter of 2011, executed at a higher level of interest margin than last year. In particular, it concerned the interest income from preferential loans. An important factor in the growth were NBP rediscount rate increases, which impact the level of interest rates on these loans. In addition, the increase in interest

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income was impacted by higher income from debt securities by 35.3% as the Bank places excessive liquidity funds in those securities.

The main reason for the slower increase in interest expense than in the interest income was low dynamics of interest expense relating to amounts due to customers, which was achieved by improving interest margins on customers' deposits, including in particular the savings account 'Eskalacja' and term deposits. Additional positive factor contributing to decrease of interest costs was the change in the currency structure of external financing as a result of obtaining in 2011 the loan in CHF from the shareholder of the Bank and another loan from the European Bank for Reconstruction and Development. This enabled a reduction in the higher interest-bearing financing in local currency, particularly in wholesale deposits of enterprises and public sector institutions. Obtaining external financing was reflected in the growth in interest expenses relating to the amounts owed to banks by 79.8% compared with the first quarter of 2011.

## 2.2 Net fee and commission income

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
<b>Fee and commission income</b>		
Fee and commission income from banks	3 961	3 367
Fee and commission income from customers	78 870	68 777
- on loans and advances	27 522	22 217
- on domestic settlements	234	274
- on foreign settlements	1 023	1 132
- on account service	25 502	26 146
- on guarantee commitments	2 845	2 879
- on brokerage operations	2 806	3 584
- on payment cards	17 718	12 304
- other	1 220	241
	<b>82 831</b>	<b>72 144</b>
<b>Fee and commission expense</b>		
Fee and commission expense from banks	626	884
Fee and commission expense from customers:	11 596	7 199
- on loans and advances	1 552	1 127
- on guarantee commitments	-	4
- on payment cards	5 809	3 872
- other	4 235	2 196
	<b>12 222</b>	<b>8 083</b>
<b>Net fee and commission income</b>	<b>70 609</b>	<b>64 061</b>

The net fee and commission result for the first quarter of 2012 increased by 10.2% compared to the first quarter of 2011 which was due to an increase in fee and commission income by 14.8% and simultaneous increase in fee and commission costs by 51.2%.

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The increase in fee and commission income was achieved mainly due to higher fee and commission income on loans and advances by 23.9% resulting from increased lending activity (loans under overdraft facilities) for farmers, SME and Micro Companies and also due to AVIVA insurance on cash loans, that started to be offered by the Bank.

At the same time there was a decline in fee and commission income on account service by 2.5%, mainly due to payments to retail clients account, under which the Bank pays back its client 1.0% of the value of inflows to the account under strict conditions (recorded as a reduction in revenue).

Fee and commission income from customers on payment cards increased by 44.0% mainly due to increased sale of retail clients account with the card as well as changes to the table of fees and commissions introduced in December 2011. Fee and commission expense on cards increased by 50.0% due to the higher number of transactions settled.

## 2.3 Result on trading activities

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
Debt instruments	9 942	450
Derivatives	(130 295)	254 894
Foreign exchange result	149 132	(217 097)
<b>Result on trading activities</b>	<b>28 779</b>	<b>38 247</b>

The result on trading activities for the first quarter of 2011 fell by 24.8% compared with the first quarter of 2011. It was a result of the fact that the main share of the trading result achieved in the first quarter 2011 were the swap points realized in relation to foreign exchange swap transactions. Having obtained the direct funding in CHF, since the second quarter 2011, the Bank reduced the scale of swap transactions used as a safeguard for the currency risk and interest rate risk of the so called old portfolio of mortgage loans for retail customers granted by April 2009. The swap points result recognized in the trading activities decreased due to reduced swap portfolio, which caused an increase in the interest income as a result of replacing higher interest-bearing PLN financing with the lower interest-bearing financing in CHF.

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## 2.4 General administrative expenses

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
Employee benefit costs, of which:	125 725	105 921
- payroll	102 842	87 324
including: retirement pay	75	8
- salary overheads	16 481	12 656
- fringe benefits	1 984	2 307
- cost related to Company Social Benefits Fund	1 525	1 349
- other	2 893	2 285
Materials and energy	8 835	8 584
External services	46 781	42 171
Other non-personnel costs	38 759	29 893
Taxes and charges	1 493	1 311
Contributions and amounts transferred to the FSA and BFG	7 898	6 504
<b>General administrative expenses, total</b>	<b>229 491</b>	<b>194 384</b>

General administrative expenses in the first quarter of 2012 increased by 18.1% compared with the first quarter of 2011. The increase in the salary expenses is partly driven by the development of the branch network in 2011, and simultaneous growth of the employment. At the end of the first quarter 2012, there were 394 total branches, which was higher by 30 branches in comparison with the first quarter of 2011. However the Bank did not launch new branches in the first quarter of 2012. The employment as at the end of the first quarter of 2012 amounted to 5,666 FTEs in comparison with 5,337 FTEs in the first quarter of 2011. The increase in employee benefit costs, except for the effect of network expansion, was also associated with the increased accruals for the cost of employee bonuses and awards by 6 percentage points in 2012 in comparison with 2011, as well as an increase in pension insurance rate from February 2012 by 2 percentage points.

The increase in the cost of external services was caused by the increased expenses on IT services related to IT projects and information services of BGŻOptima, costs of advertising and promotions materials, as well as the costs of security and protection of the increased number of branches.

The increase of other non-personnel costs was caused by the increased promotion and advertising costs (media broadcasts of the Bank's products – personnel accounts, mortgages, Agro products, promotion of farmer insurances and bank deposits), higher costs of rent and repairs, the costs of token purchases due to the development of the BGŻOptima and increased costs of cash operations, influenced also by the network development.

The contributions to the BFG and Polish Financial Supervisory Authority in the first quarter of 2012 were higher by 21.4% in comparison with the last year, primarily due to the increased Bank's assets, which are subjected as a basis to the calculation of Polish Financial Supervisory Authority contributions and also the increase in the total Bank's capital requirements subjected as a basis for calculating annual fee for BFG.

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## 2.5 Other operating income

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
From management of third-party properties	141	599
From sale or liquidation of property, plant and equipment, intangible assets and assets held-for-sale	8	1 052
From recovered statute –barred receivables, written off or bad debts, repayments of derecognised receivables, excluded from the statement of financial position	2 865	1 489
Sales of goods and services	2 188	2 120
Reversal of provisions for other receivables (excluding loan receivables)	59	159
Reversal of fixed asset impairment write-downs	4	3
Reversal of provisions for liabilities (Note 2.21, 2.22)	4 818	4 542
From recovery of costs incurred	546	403
From compensation of PARP expenses	480	807
Reversal of unused provisions for non-personnel costs	1 404	1 536
Other operating income	3 457	436
<b>Other operating income, total</b>	<b>15 970</b>	<b>13 146</b>

Other operating income in the first quarter of 2012 increased by 21.5% compared with the first quarter of 2011, primarily due to increase in the other operating income by 692.9%, which mainly resulted from the one-off real estate sale transaction, which was reflected in the finance results of the first quarter of 2012.

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## 2.6 Other operating costs

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
Due to the management of third-party assets	266	264
Due to the sale or liquidation of property, plant and equipment, intangible assets and assets or sale	108	336
Due to recognized provisions for other receivables (other than loans and advances)	4 766	71
Due to provisions for liabilities (Note 2.21, 2.22)	11 554	7 463
Due to debt recovery	1 852	1 527
Donations	646	630
Amortization and depreciation	22 129	18 648
Other operating expenses	213	571
<b>Other operating expenses, total</b>	<b>41 534</b>	<b>29 510</b>

Other operating costs in the first quarter of 2012 increased by 40.7% compared with the first quarter of 2011, primarily due to increased amortization and depreciation by PLN 3.481 thousands, i.e. 18.7%, which was associated with the development of the Bank's branch network, as well as the continuing investment in IT and launching of BGŻOptima.

The costs of recognized provisions for other receivables in the first quarter of 2012 increased also by 54.8%, due to litigation processes and the creation of write-offs for unused holidays, which were higher than in 2011. Moreover in the first quarter of 2012 the Bank created the provisions for cash shortages, which were contributed with the increased other operating costs due to recognized provisions for other receivables (other than loans and advances).

## 2.7 Net impairment allowances on loans and advances

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
Amounts due from other banks	18	28
Loans and advances to customers	(42 731)	(22 501)
Liabilities granted	454	(676)
<b>Impairment losses on loans and advances, total</b>	<b>(42 259)</b>	<b>(23 149)</b>

Impairment allowances on loans and advances for the first quarter of 2012 increased by 82.6% compared to the first quarter of 2011, mainly due to higher allowances on housing loans and on loans to SME and Micro Companies, and according to the product segmentation – for investment loans and working capital facility. In comparison to the first quarter of 2011 there was a decrease of impairment allowances on cash loans and overdraft accounts for companies.

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## 2.8 Effective tax rate

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
Current tax	(15 416)	-
Deferred tax	515	(5 803)
<b>Income tax expense</b>	<b>(14 901)</b>	<b>(5 803)</b>
Profit (loss) before taxation	55 380	39 632
Statutory tax rate	19%	19%
<b>Income tax based on profit before taxation</b>	<b>(10 522)</b>	<b>(7 530)</b>
Non tax-deductible costs	(2 583)	(1 201)
– receivables written-off	(2 166)	42
– non-tax-deductible material costs	(417)	(1 243)
Impairment allowance	(976)	4 089
Other differences	(820)	(1 161)
<b>Income tax charge of the Group's profit</b>	<b>(14 901)</b>	<b>(5 803)</b>

Based on the current actions taken by the Bank in respect of treatment as tax deductible impairment allowances on loans for the purposes of the corporate income tax, the basis for the calculation of the deferred tax asset as of 31 March 2012 amounting to PLN 493 018 thousands (31 March 2011: PLN 293 078 thousands) represents the best estimate of the impairment losses that are possible to be proved tax deductible in the foreseeable future. In 2012 and 2011, the Bank calculated the deferred tax asset in respect of receivables' impairment write-downs based on the historical analysis of the recognition of written-off unrecoverable receivables as tax-deductible costs.

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## 2.9 Amounts due from banks

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Current accounts	78 718	197 829	155 514
Placements with other banks	41 041	10 244	472 965
Loans and advances	14 047	14 039	52 688
<b>Amounts due from other banks (gross)</b>	<b>133 806</b>	<b>222 112</b>	<b>681 167</b>
Impairment allowances (negative value)	(986)	(1 041)	(1 060)
<b>Amounts due from other banks (net), total</b>	<b>132 820</b>	<b>221 071</b>	<b>680 107</b>
	<b>31.03.2012 unaudited</b>	<b>31.12.2011</b>	<b>31.03.2011 unaudited</b>
<b>Impairment allowances on amounts due from other banks at the beginning of the period</b>	<b>1 041</b>	<b>1 105</b>	<b>1 105</b>
Allowance recognized	38	219	41
Allowance reversed	(56)	(341)	(69)
Allowance utilized	-	-	-
Other changes	(37)	58	(17)
<b>Impairment allowances on amounts due from other banks at the end of the period</b>	<b>986</b>	<b>1 041</b>	<b>1 060</b>

## 2.10 Receivables arising from reverse repo transactions

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Up to 1 month	706 569	76 669	284 992
1 – 3 months	-	289 674	-
<b>Receivables arising from reverse repo transactions, total</b>	<b>706 569</b>	<b>366 343</b>	<b>284 992</b>



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## 2.11 Held-for-trading securities

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>Held for trading securities:</b>			
- treasury bills	630 036	22 899	343 569
- bonds issued by central government institutions	1 840 375	1 609 535	1 362 985
<b>Held-for-trading securities, total</b>	<b>2 470 411</b>	<b>1 632 434</b>	<b>1 706 554</b>
<i>of which: valued using the market quotation method</i>	<i>2 470 411</i>	<i>1 632 434</i>	<i>1 706 554</i>

## 2.12 Derivative financial instruments

31.03.2012 unaudited	Nominal value	Fair value of assets	Fair value of liabilities
Currency derivatives from OTC transactions	14 495 602	308 534	(306 988)
Interest rate derivatives from OTC transactions	50 142 623	131 819	(176 517)
Derivatives on indexes from OTC transactions	103 693	2 677	(6 125)
Settlements in respect of the purchase and sale of options	-	33	-
Settlements in respect of the purchase and sale of derivatives	-	5 592	(978)
<b>TOTAL</b>	<b>64 741 918</b>	<b>448 655</b>	<b>(490 608)</b>
<b>31.12.2012</b>			
Currency derivatives from OTC transactions	23 807 248	734 114	(590 932)
Interest rate derivatives from OTC transactions	49 644 453	142 828	(199 584)
Derivatives on indexes from OTC transactions	66 837	2 003	(4 945)
Settlements in respect of the purchase and sale of options	-	4 164	(246)
<b>TOTAL</b>	<b>73 518 538</b>	<b>883 109</b>	<b>(795 707)</b>
<b>31.03.2011 unaudited</b>			
Currency derivatives from OTC transactions	26 151 759	127 507	(389 014)
Interest rate derivatives from OTC transactions	56 585 960	65 852	(87 582)
Interest rate derivatives from regulated market transactions	24 416	-	(55)
Derivatives on indexes from OTC transactions	85 582	4 468	(7 156)
Settlements in respect of the purchase and sale of options	-	4 806	(133)
<b>TOTAL</b>	<b>82 847 717</b>	<b>202 633</b>	<b>(483 940)</b>

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## 2.13 Loans and advances to customers

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Amounts due from customers under overdraft facilities, of which:	3 685 110	3 408 551	2 839 883
- businesses	2 013 623	1 814 091	1 579 153
- households:	1 629 306	1 575 122	1 240 608
- individual customers	122 997	132 123	121 736
- individual entrepreneurs	365 089	313 568	277 646
- farmers	1 141 220	1 129 431	841 226
Loans and advances to customers:	21 426 297	21 696 745	17 839 353
- businesses, including:	7 383 369	7 641 938	5 451 898
- investment loans	4 298 195	4 265 207	2 811 864
- operating loans	2 002 552	2 366 793	1 828 671
- households:	13 668 716	13 651 409	12 085 040
- individual customers, of which:	8 270 000	8 331 162	7 649 801
- real-estate loans	7 032 540	7 118 474	6 459 476
- individual entrepreneurs	1 158 741	1 173 698	885 648
- farmers	4 239 975	4 146 549	3 549 591
- public sector institutions	273 096	288 652	206 963
- other entities	101 116	114 746	95 452
<b>Loans and advances to customers, gross, total</b>	<b>25 111 407</b>	<b>25 105 296</b>	<b>20 679 236</b>
Impairment allowances (negative value)	(902 128)	(882 905)	(723 871)
<b>Loans and advances to customers, net, total</b>	<b>24 209 279</b>	<b>24 222 391</b>	<b>19 955 365</b>

Preferential loans and advances granted to businesses, farmers and individual entrepreneurs amounted to a total of PLN 4 075 277 thousands as at 31.03.2012, PLN 4 057 019 thousands as at 31.12.2011, and PLN 3 559 485 thousands as at 31.03.2011. The purchased receivables to customers amounted to a total of PLN 422 131 thousands as at 31.03.2012, PLN 400 382 thousands as at 31.12.2011 and PLN 292 697 thousands as at 31.03.2011.

In the period from 31 March 2011 to 31 March 2012, loans and advances to customers increased by 21.3%. The main growth elements in lending activities were loans for corporate customers. The loans under overdraft facilities (in particular for businesses and farmers) in the same period increased by 29.8%, loans to businesses increased by 35.4%, loans to individual entrepreneurs increased by 30.8%, and loans to farmers increased by 19.4% (driven mainly by preferential loans). The lending activities were limited in the first quarter of 2012, though. Net loans and advances to customers decreased by 0.1%, mainly due to lower demand for the working capital finance facilities, the depreciation of the loans in Polish currency (incl. housing loans), caused by the appreciation of the Polish currency and also lower volume of preferential loans connected with rationing of the limits for banks introduced by the Agency of Restructuring and Modernization of Agriculture.

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## Impairment losses on loans and advances

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>Losses incurred but not reported (IBNR)</b>			
Gross statement of financial position exposure	23 563 702	23 665 232	19 336 862
Impairment allowance on exposures analyzed on the portfolio basis	(95 983)	(95 001)	(65 645)
<b>Net exposure</b>	<b>23 467 719</b>	<b>23 570 231</b>	<b>19 271 217</b>
<b>Impaired exposures</b>			
Gross statement of financial position exposure	1 547 705	1 440 064	1 342 374
Impairment allowance on exposures analyzed on the portfolio and individual basis	(806 145)	(787 904)	(658 226)
<b>Net exposure</b>	<b>741 560</b>	<b>652 160</b>	<b>684 148</b>

As of 31 March 2012 the share of impaired exposures in the gross loans and advances to customers amounted to 6.2% compared to 5.7% as of 31 December 2011 and 6.5% as of 31 March 2011. This indicator has improved during 2011 due to rapid growth of the loan portfolio, which was higher than an increase in impaired receivables. However its deterioration in the first quarter of 2012 was caused by the slowdown in loan growth, along with further increase in receivables, which were classified as impaired.

## Impairment losses on loans and advances

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Amounts due from customers under overdraft facilities, of which:	117 827	120 013	106 143
- businesses	59 798	61 695	58 696
- households:	57 846	58 174	47 357
- individual customers	13 247	15 346	15 859
- individual entrepreneurs	29 268	26 870	20 827
- farmers	15 331	15 958	10 671
Loans and advances to customers:	784 301	762 892	617 728
- businesses, including:	258 411	246 855	218 164
- investment loans	52 845	50 508	50 269
- operating loans	132 545	124 851	98 562
- households:	514 969	502 620	387 632
- individual customers, of which:	345 038	337 595	236 744
- real-estate loans	174 600	164 744	94 470
- individual entrepreneurs	57 232	54 408	47 119
- farmers	112 699	110 617	103 769
- public sector institutions	649	674	487
- other entities	10 272	12 743	11 445
<b>Impairment allowances, total</b>	<b>902 128</b>	<b>882 905</b>	<b>723 871</b>

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Impairment allowances on preferential loans and advances granted to businesses, farmers and individual entrepreneurs amounted to a total of PLN 85 566 thousands as at 31.03.2012, PLN 87 016 thousands as at 31.12.2011, PLN 82 297 thousands as at 31.03.2011.

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>Impairment allowances at the beginning of the period</b>	<b>882 905</b>	<b>698 817</b>	<b>698 817</b>
Allowance recognized	334 150	1 154 438	275 183
Allowance reversed	(291 419)	(997 788)	(252 682)
Write-off	(18 668)	(20 993)	(2 100)
Change in interest income in relation to IBNR	-	28 696	5 083
Other changes (including FX differences)	(4 840)	19 735	(430)
<b>Impairment allowances at the end of the period</b>	<b>902 128</b>	<b>882 905</b>	<b>723 871</b>

## 2.14 Securities available for sale

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Debt securities carried at fair value:	4 168 845	3 621 702	3 237 823
- NBP money bills	1 398 783	449 808	899 907
- treasury bills	-	-	99 054
- bonds issued by central government institutions	2 676 251	3 008 472	2 071 571
- debt securities issued by financial institutions	5 062	5 104	5 103
- debt securities issued by non-financial institutions	58 360	128 405	127 584
- bonds issued by public sector entities	30 389	29 913	34 604
Equity securities	5 376	3 048	5 003
<b>Total securities available for sale</b>	<b>4 174 221</b>	<b>3 624 750</b>	<b>3 242 826</b>
<b>of which:</b>			
- valued using the market quotation method	2 680 122	3 010 568	2 174 210
- valued using model-based method	1 494 099	614 182	1 068 616

## 2.15 Other debt securities

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Debt securities carried at amortized cost:	-	-	55 122
- restructuring bonds	-	-	55 122
<b>Total other debt securities</b>	<b>-</b>	<b>-</b>	<b>55 122</b>

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## 2.16 Intangible assets

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Licenses	120 489	122 997	73 246
Other intangible assets	580	648	710
Expenditures on intangible assets	20 912	22 798	16 328
<b>Intangible assets, total</b>	<b>141 981</b>	<b>146 443</b>	<b>90 284</b>

## 2.17 Property, plant and equipment

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Fixed assets, of which:	467 233	470 301	451 979
- land and buildings	274 088	274 128	280 423
- tangible fixed assets	193 145	196 173	171 556
Assets under construction	8 387	15 642	9 718
<b>Property, plant and equipment, total</b>	<b>475 620</b>	<b>485 943</b>	<b>461 697</b>

## 2.18 Amounts owed to other banks

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Cash in current accounts	41 194	199 346	670 304
Term deposits	181 824	241 140	668 764
Loans and advances taken out	3 726 863	3 997 834	210 887
Other liabilities	13 816	8 396	14 530
<b>Amounts owed to other banks, total</b>	<b>3 963 697</b>	<b>4 446 716</b>	<b>1 564 485</b>

On the 22<sup>nd</sup> of April 2011 the Bank and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. concluded an agreement under which the Bank will be provided with the funds amounting to CHF 1 008 million for the period of 12 years to finance the existing housing loans portfolio denominated in CHF. The credit facility was made available in tranches starting from the 29<sup>th</sup> of April 2011 to the 30<sup>th</sup> of September 2011. As of the 31<sup>st</sup> of March 2012 the Bank has utilized the total of the loan amounting to PLN 3 300 297 thousands.

The Bank received two loans from the European Bank for Reconstruction and Development, both amounting to EUR 50 million (the first one in the first half of 2010, the second in August 2011). As at 31<sup>st</sup> of March 2012 the balance of the loans amounts to PLN 416 160 thousands.

## 2.19 Liabilities arising from repo transactions

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Up to 1 month	1 554 218	-	339 613
<b>Liabilities arising from repo transactions, total</b>	<b>1 554 218</b>	<b>-</b>	<b>339 613</b>

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## 2.20 Amounts owed to customers

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>Other financial institutions:</b>	<b>922 612</b>	<b>817 751</b>	<b>1 418 510</b>
Current accounts	9 213	16 842	20 132
Term deposits	913 388	800 898	1 395 761
Other liabilities	11	11	2 617
- liabilities arising from monetary collateral	-	-	2 606
- other	11	11	11
<b>Retail customers:</b>	<b>13 805 248</b>	<b>13 433 828</b>	<b>11 679 338</b>
Current accounts	6 322 730	6 174 921	6 460 854
Term deposits	7 473 657	7 249 879	5 210 006
Other liabilities	8 861	9 028	8 478
- liabilities arising from monetary collateral	4 748	5 242	4 789
- other	4 113	3 786	3 689
<b>Corporate customers:</b>	<b>7 838 446</b>	<b>7 901 418</b>	<b>6 776 011</b>
Current accounts	2 967 748	3 442 366	3 238 392
Term deposits	4 810 318	4 382 143	3 467 895
Other liabilities	60 380	76 909	69 724
- liabilities arising from monetary collateral	59 819	76 456	69 398
- other	561	453	326
<b>Of which farmers:</b>	<b>1 061 245</b>	<b>876 745</b>	<b>804 211</b>
Current accounts	896 299	722 838	743 534
Term deposits	159 049	149 479	52 129
Other liabilities	5 897	4 428	8 548
- liabilities arising from monetary collateral	5 855	4 409	8 521
- other	42	19	27
<b>Public sector customers:</b>	<b>831 350</b>	<b>788 655</b>	<b>1 421 824</b>
Current accounts	365 230	413 291	731 777
Term deposits	465 981	375 241	689 928
Other liabilities	139	123	119
- liabilities arising from monetary collateral	122	121	119
- other	17	2	-
<b>Amounts owed to customers, total</b>	<b>23 397 656</b>	<b>22 941 652</b>	<b>21 295 683</b>

The increase in the amounts owed to customers in the period between 31st of March 2011 and 31st of March 2012 amounted to 9.9% and was associated primarily with the increase in deposits from retail customers by 18.2% (mainly due to funds raised in the fourth quarter of 2011 by BGŻOptima) and from corporate customers by 15.7% (in

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particular SME, micro-enterprises and farmers). Deposits from other financial institutions (including insurance companies and investment funds) have been reduced by 35.0% due to an increase in liabilities to other customer groups. The Bank recorded a decrease in deposits from the public sector customers by 41.5%, mainly in the second quarter of 2011 in connection with the enforcement on the 1st of July 2011 of the requirements of consolidation of financial resources of selected governmental institutions in the state Bank Gospodarstwa Krajowego S.A. (BGK).

The slower dynamics of the amounts owed to customers (9.9%) than loans and advances to customers (21.3%) is associated with the fact that the Bank obtained external financing by the Bank in the form of a CHF loan from the majority shareholder and EUR loan from the European Bank for Reconstruction and Development, obtained in 2011.

## 2.21 Provisions

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Provision for guarantees, suretyships, unused credit facilities	5 606	6 018	4 711
Provision for court cases	18 112	14 810	16 411
Other provisions, of which:	20 892	21 098	21 329
- provision in accordance with UOKiK (Office of Competition and Consumer Protection) decision	11 440	11 883	11 883
- provision for potential liabilities relating to the return of subsidies to preferential loans	8 019	7 991	7 921
<b>Total provisions</b>	<b>44 610</b>	<b>41 926</b>	<b>42 451</b>

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>Provision for guaranties, suretyships and unused credit facilities</b>			
<b>Carrying amount at the beginning of the period</b>	<b>6 018</b>	<b>4 050</b>	<b>4 050</b>
Increases	3 636	32 611	13 878
Utilization	(4 090)	(25 997)	(13 202)
Reversal	-	(4 517)	-
Other changes	42	(129)	(15)
<b>Carrying amount at the end of the period</b>	<b>5 606</b>	<b>6 018</b>	<b>4 711</b>

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>Provision for court cases</b>			
<b>Carrying amount at the beginning of the period</b>	<b>14 810</b>	<b>15 136</b>	<b>15 136</b>
Increases	3 328	1 348	440
Utilization	(16)	(1 718)	(84)
Reversal	(10)	(1 098)	(219)
Reclassification/transfer	-	1 142	1 138
<b>Carrying amount at the end of the period</b>	<b>18 112</b>	<b>14 810</b>	<b>16 411</b>



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Other reserves	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>Carrying amount at the beginning of the period</b>	<b>21 098</b>	<b>22 511</b>	<b>22 511</b>
Increases	51	292	50
Utilization	(23)	(107)	(15)
Reversal	(443)	(421)	(42)
Reclassification/transfer	209	(1 177)	(1 175)
<b>Carrying amount at the end of the period</b>	<b>20 892</b>	<b>21 098</b>	<b>21 329</b>

## 2.22 Liabilities arising from employee benefits

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>Carrying amount at the beginning of the period</b>	<b>25 412</b>	<b>22 822</b>	<b>22 822</b>
Increases	8 175	9 486	6 973
Reversal	(4 365)	(6 896)	(4 281)
<b>Carrying amount at the end of the period</b>	<b>29 222</b>	<b>25 412</b>	<b>25 514</b>

## 2.23 Cash and Cash equivalents

Cash and cash equivalents presented in the statement of cash flows comprise the following balances, with maturity periods of 3 months or less.

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Cash and balances with the Central Bank	1 548 602	1 383 321	1 073 861
Current accounts of banks and other receivables	80 751	199 328	157 477
Bank deposits with maturity of up to 3 months	40 808	10 000	472 739
<b>Cash and cash equivalents, total</b>	<b>1 670 161</b>	<b>1 592 649</b>	<b>1 704 077</b>

## 2.24 Solvency ratio

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Own funds	2 482 967	2 399 781	2 376 619
Total capital requirement	1 963 709	1 980 349	1 668 227
<b>Solvency ratio (%)</b>	<b>10,2%</b>	<b>9,7%</b>	<b>11,4%</b>



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The solvency ratio as of 31.03.2012, 31.12.2011 and 31.03.2011 is calculated in accordance with the Resolution no. 76/2010 of the PFSA dated 10 March 2010 (with amendments).

The Bank's solvency ratio decreased to 10.2% as at 31<sup>st</sup> of March 2012, compared to 11.4% as at 31<sup>st</sup> of March 2011. The primary factor causing this decrease was the increase in total capital requirement from PLN 1 668 227 thousands to PLN 1 963 709 thousands in the analyzed period, i.e. by 17.7%, as a result of the growth of lending activities. In parallel, total own funds increased in the analyzed period from PLN 2 376 619 thousands to PLN 2 482 967 thousands, i.e. by 4.5%, mainly due to the accumulation in the own funds of the net profit for 2011 after the auditor's opinion of the final-year consolidated financial statements.

## 2.25 Off-balance sheet items

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Liabilities granted	3 962 614	4 264 562	3 663 721
Liabilities received	239 495	5 438	2 204 390
Off-balance sheet financial instruments	63 274 727	71 597 041	82 429 296
F/X transactions	1 467 191	1 921 497	665 696
<b>Off-balance sheet items, total</b>	<b>68 944 027</b>	<b>77 788 538</b>	<b>88 963 103</b>
Liabilities granted, unused credit lines	(5 606)	(6 018)	(4 711)

## 2.26 Related party transactions

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	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	COOPERATIEVE C.R-B B.A. (BRANCHES)	SUBSIDIARIES RABOBANK	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>5 180 444</b>	<b>3</b>	<b>291 026</b>	-	-	<b>5 471 473</b>	<b>15,77%</b>
Current accounts	3	-	36	-	-	39	-
Interest	23 757	-	-	-	-	23 757	0,07%
Debt securities	5 146 661	-	-	-	-	5 146 661	14,83%
Receivables from derivative instruments	-	-	290 990	-	-	290 990	0,84%
Other receivables	10 023	3	-	-	-	10 026	0,03%
<b>Liabilities</b>	<b>81 329</b>	-	<b>3 612 023</b>	<b>11 022</b>	<b>28</b>	<b>3 704 402</b>	<b>10,67%</b>
Loans taken out	-	-	3 300 297	-	-	3 300 297	9,51%
Current account	37 285	-	3 673	177	28	41 163	0,12%
Term deposits	43 690	-	-	-	-	43 690	0,12%
Interest payable	233	-	7 622	-	-	7 855	0,02%
Liabilities from derivative instruments	-	-	277 751	-	-	277 751	0,80%
Other liabilities	121	-	22 680**	10 845	-	33 646	0,10%
<b>Costs</b>	<b>630</b>	-	<b>11 598</b>	<b>2 604</b>	<b>332</b>	<b>15 164</b>	<b>0,01%</b>
Interest	630	-	11 590	3	-	12 223	0,01%
Commission	-	-	8	-	-	8	-
Result on trading activities	-	-	-	-	332	332	-
Other	-	-	-	2 601	-	2 601	-
<b>Revenue</b>	<b>124 834</b>	-	<b>1 278</b>	-	<b>215</b>	<b>126 327</b>	<b>0,09%</b>
Interest*	106 817	-	57	-	215	107 089	0,08%
Commission	95	-	-	-	-	95	-
Results on derivative instruments	-	-	1 221	-	-	1 221	-
Results on trading activities	17 922	-	-	-	-	17 922	0,01%
<b>Contingent liabilities</b>	<b>997</b>	-	<b>11 453 727</b>	-	-	<b>11 454 724</b>	<b>16,61%</b>
Liabilities granted	997	-	704	-	-	1 701	-
Derivative instruments	-	-	11 453 023	-	-	11 453 023	16,61%

\* Line: Revenue – 'Interest' includes interest on preferential loans

\*\* Line: 'Other liabilities' concerns liabilities to COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. for the acquisition of licenses and services connected with the implementation of BGZOptima, which were capitalized as intangible assets.

The transactions with the Treasury (budgetary units) concern in particular ministries, voivodeship authorities, courts, government agencies (including the Agency of Restructuring and Modernization of Agriculture, with which the Bank conducts the settlements of payments of preferential loans).

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<b>Assets</b>	<b>4 677 180</b>	-	<b>689 043</b>	-	-	<b>5 366 223</b>	<b>16,07%</b>
Current accounts	148	-	88	-	-	236	-
Interest	23 844	-	-	-	-	23 844	0,07%
Debt securities	4 640 906	-	-	-	-	4 640 906	13,90%
Receivables from derivative instruments	-	-	688 955	-	-	688 955	2,06%
Other receivables	12 282	-	-	-	-	12 282	0,04%
<b>Liabilities</b>	<b>81 453</b>	-	<b>4 273 465</b>	<b>8 532</b>	<b>45</b>	<b>4 363 495</b>	<b>13,07%</b>
Loans taken out	-	-	3 547 917	-	-	3 547 917	10,62%
Current account	42 749	-	160 936	122	45	203 852	0,61%
Term deposits	38 417	-	-	-	-	38 417	0,12%
Interest payable	166	-	8 807	-	-	8 973	0,03%
Liabilities from derivative instruments	-	-	527 846	-	-	527 846	1,58%
Other liabilities	121	-	27 959**	8 410	-	36 490	0,11%
<b>Costs</b>	<b>21 228</b>	<b>123</b>	<b>153 502</b>	<b>7 478</b>	<b>687</b>	<b>183 018</b>	<b>0,03%</b>
Interest	21 228	-	27 580	4	5	48 817	0,01%
Commission	-	-	1 059	-	-	1 059	-
Result on trading activities	-	-	123 032	-	505	123 537	0,02%
Other	-	123	1 831	7 474	177	9 605	-
<b>Revenue</b>	<b>360 310</b>	<b>527</b>	<b>1 478</b>	-	<b>1 030</b>	<b>363 345</b>	<b>0,07%</b>
Interest*	355 630	-	1 478	-	1 030	358 138	0,07%
Commission	558	-	-	-	-	558	-
Results on trading activities	4 122	-	-	-	-	4 122	-
<b>Contingent liabilities</b>	-	<b>527</b>	-	-	-	<b>527</b>	-
Liabilities granted	<b>852</b>	-	<b>25 666 913</b>	-	-	<b>25 667 765</b>	<b>33,00%</b>
Derivative instruments	852	-	704	-	-	1 556	-
Results on trading activities	-	-	25 666 209	-	-	25 666 209	33,00%

\* Line: Revenue – 'Interest' includes interest on preferential loans

\*\* Line: 'Other liabilities' concerns liabilities to COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. for the acquisition of licenses and services connected with the implementation of BGŻOptima, which were capitalized as intangible assets.

The transactions with the Treasury (budgetary units) concern in particular ministries, voivodeship authorities, courts, government agencies (including the Agency of Restructuring and Modernization of Agriculture, with which the Bank conducts the settlements of payments of preferential loans)

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<b>Assets</b>	<b>3 904 301</b>	<b>46</b>	<b>158 821</b>	<b>6 683</b>	<b>258 094</b>	<b>4 327 945</b>	<b>15,54%</b>
Current accounts	-	-	70 855	-	258 082	328 937	1,18%
Interest	-	-	25	-	-	25	-
Debt securities	16 610	-	-	-	12	16 622	0,06%
Receivables from derivative instruments	3 877 445	-	-	-	-	3 877 445	13,92%
Other receivables	-	-	87 941	6 683	-	94 624	0,34%
<b>Liabilities</b>	<b>10 246</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 292</b>	<b>0,04%</b>
Loans taken out	<b>869 164</b>	<b>-</b>	<b>300 754</b>	<b>10 280</b>	<b>52</b>	<b>1 180 250</b>	<b>4,24%</b>
Current account	68 442	-	1 164	131	52	69 789	0,25%
Term deposits	795 306	-	-	-	-	795 306	2,86%
Interest payable	5 298	-	-	-	-	5 298	0,02%
Liabilities from derivative instruments	-	-	299 590	661	-	300 251	1,08%
Other liabilities	118	-	-	9 488	-	9 606	0,03%
<b>Costs</b>	<b>7 759</b>	<b>-</b>	<b>433</b>	<b>1</b>	<b>89</b>	<b>8 282</b>	<b>0,01%</b>
Interest	7 759	-	25	1	-	7 785	0,01%
Commission	-	-	408	-	-	408	-
Result on trading activities	-	-	-	-	89	89	-
Other	<b>72 966</b>	<b>-</b>	<b>23 684</b>	<b>71</b>	<b>98</b>	<b>96 819</b>	<b>0,09%</b>
<b>Revenue</b>	<b>72 389</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>98</b>	<b>72 505</b>	<b>0,07%</b>
Interest*	127	-	-	-	-	127	-
Commission	-	-	23 666	71	-	23 737	0,02%
Results on derivative instruments	450	-	-	-	-	450	-
Results on trading activities	<b>400</b>	<b>-</b>	<b>37 155 594</b>	<b>42 937</b>	<b>-</b>	<b>37 198 931</b>	<b>41,51%</b>
<b>Contingent liabilities</b>	<b>400</b>	<b>-</b>	<b>2 000 704</b>	<b>-</b>	<b>-</b>	<b>2 001 104</b>	<b>2,23%</b>
Liabilities granted	-	-	35 154 890	42 937	-	35 197 827	39,28%

\* Line: Revenue – 'Interest' includes interest on preferential loans

The transactions with the Treasury (budgetary units) concern in particular ministries, voivodeship authorities, courts, government agencies (including the Agency of Restructuring and Modernization of Agriculture, with which the Bank conducts the settlements of payments of preferential loans)

The terms of the transactions with related parties and BGŻ S.A. shareholders do not differ from the market conditions.

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## 3 BUSINESS SEGMENTS

### 3.1 Segment reporting

The group has divided its operations and applied identification of income and expenses, and assets and liabilities into following reporting operating segments: Retail Banking (the new direct banking channel BGŻOptima, introduced in November 2011, was included in the results), Institutional Banking (with separate Agro Clients segment), Financial Markets, ALCO and Other. This division reflects the principles of classification of customers into segments in accordance with the Bank's business model which is based on subjective and financial criteria as well as the type of activity.

The monitoring of the management results in the Group takes into account all the components of the profit and loss of each segment to the level of gross profit, i.e. each segment is accounted for revenues, expenses and net impairment losses. Management revenues include cash flows between the customer segments and the ALCO committee, valued using internal transfer pricing of funds based on market prices and liquidity margins determined for a given maturity and currency. The net interest income of each segment was divided into external and internal revenue and costs. Management segment costs include the direct costs of their activities and costs allocated in accordance with the allocation model adopted by the Group. The allocation of the indirect costs to each segment is executed by extracting several aggregate costs, homogenous in relation to area and scope of activity. For each of the units separate allocation keys are used, which also specifically tailored to the aggregate costs and carry their costs by segment revenue.

The Group's operating activities are limited to Poland. The significant differences in each of the risks, which could be influenced by the geographical location of the Group centers, cannot be distinguished, and therefore the Bank has waived the disclosure by geographic information. Due to the specific nature of the Bank, there are no seasonal or cyclical phenomenon. The Bank provides financial services, for which the demand is stable and the impact of seasonality is negligible.

### 3.2 Business segments characteristics

**The Retail Banking Segment** represents sales of products and services performed for private persons, including maintaining current accounts and deposit accounts, gathering term deposits, granting housing loans, cash loans, mortgage loans, current account loans, issuance of debit and credit cards, administration of foreign money transfers, entering into currency change transactions, sales of insurance products and other services with a minor impact on the Group's revenues. Within the Retail Banking Segment, the Bank presents: results from direct banking channel BGŻOptima, income from brokerage services and distribution of investment fund units.

Retail services are performed by branches of the Group and through alternative channels, i.e. internet banking (eBGŻ) and phone banking (TeleBGŻ) and the new direct banking channel BGŻOptima. Additionally, selected products are distributed by financial intermediaries operating nationwide and locally.

**The Institutional Banking Segment** includes sales of products and services rendered to enterprises, companies, cooperatives, private entrepreneurs, farmers, non-commercial institutions and public sector. Institutional clients are divided into: Large companies, Small and medium enterprises and Micro-entrepreneurs. Services for the large companies are performed by consultants operating within the Corporate Centres. Services for the Small and medium enterprises and Micro-entrepreneurs are provided by branch consultants. Operating service for all institutional segments is provided by the Group's branches and additionally they also have access to the phone (TeleBGŻ) and internet banking (eBGŻ Firma). In addition, sales of selected products is performed by financial intermediaries, both nationwide and locally.

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

Within the Institutional Banking segment the Group separated **Agro Clients** i.e. individual farmers and companies operating in the food and agro sector. According to the principles of customer segmentation in the Group, farmers include natural persons, legal persons and organizational entities not being legal persons involved in agricultural activity in accordance with the Act on Agricultural Tax, whereas the segmentation of companies is done using classification of activities codes (PKD 2007). The main classes of activity of Agro clients include: food, beverages and tobacco production, retail sale and wholesale of food, beverages and tobacco, forestry and logging, production of machinery and other production means for agriculture and forestry, wholesale of agriculture machinery and equipment, manufacture of wood products, paper and paper products, packaging production, manufacture of machinery for food, beverage and tobacco processing.

The **Financial Markets and ALCO** segments cover activities in the area of financial markets and liquidity management attributable to the Bank's own account as well as products and services for non-banking financial institutions and assets and liabilities management (including investing portfolio of debt securities, issued certificates of deposit, loans from other banks, liquidity margin balance, bid/ask spread between fund transfer prices of assets and liabilities). Additionally this segment presents differences resulting from different recognition of financial instruments in the management accounting compared to financial accounting.

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 Bank's own accounts and to clients' accounts not attributed to specified segment as well as the IPO costs). In addition, the segment Other includes adjustments in interest income on impaired loans, not recognized in other segments.

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## 3.3 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 positions from the consolidated income statement:

- dividend income
- result on trading activities
- result on investing activities
- share in profits of associates

**Result on other operations and depreciation/amortization from the segment report** reconciles with the sum of the following income statement items:

- other operating income
- other operating costs

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
<b>Reporting by operating segments</b>		
Result on financial operations	21 263	25 588
Foreign exchange result	16 017	12 740
	<b>37 280</b>	<b>38 328</b>
<b>Income statement:</b>		
Dividend income	28 779	38 247
Result on trading activities	7 615	(844)
Result on investing activities	886	925
Share in income of associates	<b>37 280</b>	<b>38 328</b>
Result on other operations	(3 435)	2 284
Depreciation	(22 129)	(18 648)
	<b>(25 564)</b>	<b>(16 364)</b>
<b>Income statement:</b>		
Other operating income	15 970	13 146
Other operating expenses	(41 534)	(29 510)
	<b>(25 564)</b>	<b>(16 364)</b>

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1st quarter of 2012 unaudited Income Statement	Retail banking	Institutional banking	Including: Agro clients	Financial markets and ALCO	Other Capital Group	BGŻ S.A.
Net interest income	89 316	111 101	63 042	41 747	2 641	244 805
External interest income	118 154	284 732	179 929	77 775	24 705	505 366
External interest expenses	(121 120)	(83 102)	(20 045)	(56 337)	(2)	(260 561)
Internal interest income	146 846	97 912	28 521	(244 773)	15	-
Internal interest expenses	(54 564)	(188 441)	(125 363)	265 082	(22 077)	-
Net fee and commission income	22 013	48 380	22 184	(808)	1 024	70 609
Result on financial operations	1	766	184	19 609	887	21 263
Foreign exchange result	3 761	11 756	3 994	88	412	16 017
Result on other operations	267	(4 623)	(22)	984	(63)	(3 435)
Net impairment write-offs	(22 866)	(11 865)	(5 189)	(94)	(7 434)	(42 259)
Total costs of banking activities	(127 474)	(90 563)	(42 597)	(7 318)	(4 136)	(229 491)
Depreciation/Amortization	(13 210)	(8 034)	(3 705)	(731)	(154)	(22 129)
<b>Segment result</b>	<b>(48 192)</b>	<b>56 918</b>	<b>37 891</b>	<b>53 477</b>	<b>(6 823)</b>	<b>55 380</b>
Profit (loss) before taxation	-	-	-	-	-	55 380
Income tax expense	-	-	-	-	-	(14 901)
Net profit (loss)	-	-	-	-	-	40 479
<b>Statement of financial position</b>						
Segment assets	8 021 072	15 910 639	9 682 142	6 883 947	3 916 089	34 731 474
Segment liabilities	13 757 552	8 856 742	2 926 261	6 905 985	2 509 742	32 030 021
Equity	-	-	-	-	-	2 701 726
Total equity and liabilities	-	-	-	-	-	34 731 747



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1st quarter of 2011 unaudited Income Statement	Retail banking	Institutional banking	Including: Agro clients	Financial markets and ALCO	Other Capital Group	BGŻ S.A.
Net interest income	70 524	85 356	43 432	9 603	5 657	171 140
External interest income	102 083	185 059	113 873	56 706	23 864	367 712
External interest expenses	(92 712)	(66 943)	(11 748)	(36 917)	-	(196 572)
Internal interest income	128 691	94 019	20 331	(222 719)	9	-
Internal interest expenses	(67 538)	(126 779)	(79 024)	212 533	(18 216)	-
Net fee and commission income	21 235	43 050	16 302	(1 351)	1 127	64 061
Result on financial operations	(1)	5	-	24 659	925	25 588
Foreign exchange result	3 563	9 024	2 492	46	107	12 740
Result on other operations	766	(1)	(1)	926	593	2 284
Net impairment write-offs	(11 058)	(1 606)	1 400	(67)	(10 418)	(23 149)
Total costs of banking activities	(101 386)	(81 410)	(36 475)	(4 347)	(7 241)	(194 384)
Depreciation/Amortization	(10 422)	(7 522)	(3 309)	(477)	(227)	(18 648)
<b>Segment result</b>	<b>(26 779)</b>	<b>46 896</b>	<b>23 841</b>	<b>28 992</b>	<b>(9 477)</b>	<b>39 632</b>
Profit (loss) before taxation	-	-	-	-	-	39 632
Income tax expense	-	-	-	-	-	(5 803)
Net profit (loss)	-	-	-	-	-	33 829
<b>Statement of financial position</b>						
Segment assets	7 497 307	12 214 071	7 353 942	5 800 838	2 696 221	28 208 437
Segment liabilities	11 620 367	8 490 573	2 035 545	4 044 305	1 531 219	25 686 464
Equity	-	-	-	-	-	2 521 973
Total equity and liabilities	-	-	-	-	-	28 208 437

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## 4 OTHER INFORMATION

### 4.1 Shareholders of the Bank Gospodarki Żywnościowej S.A.

The issued share capital as at 31.03.2012 and 31.03.2011 amounted to PLN 43 137 thousands and is divided into registered shares and bearer shares with nominal value at PLN 1 for each.

Shareholders' structure as of 31.03.2012, 31.12.2011 and 31.03.2011

Shareholders	31.03.2012		31.12.2011		31.03.2011	
	Number of shares	Structure (%)	Number of shares	Structure (%)	Number of shares	Structure (%)
Rabobank International Holding B.V.*	21 298 609	49,37	21 298 609	49,37	21 297 584	49,37
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.*	4 303 695	9,98	4 303 695	9,98	4 303 695	9,98
State treasury	11 015 937	25,54	11 015 937	25,54	16 057 034	37,22
Other shareholders	6 518 523	15,11	6 518 523	15,11	1 478 451	3,43
<b>TOTAL</b>	<b>43 136 764</b>	<b>100,00</b>	<b>43 136 764</b>	<b>100,00</b>	<b>43 136 764</b>	<b>100,00</b>

\* Rabobank Group

The Bank's shares are bearer ordinary shares and registered shares (as at 31.03.2012 there are 22 915 registered shares). The ordinary bearer shares does not have any special control rights.

The registered shares series B are preference shares (as at 31.03.2012 there are 4 registered shares), whose privilege includes the right to receive the payment of the full nominal amount per share, in case of Bank's liquidation after satisfying all the creditors in the first place before the payment attributable to ordinary shares and those payments assured by the privileges could not cover the nominal value of those shares.

All the issued shares were fully paid.

As at 31.03.2012, 31.12.2011 and 31.03.2011 none of the members of the Management Board, Supervisory Board and key management staff had Banks' shares.

### 4.2 Granted loan suretyships and guarantees exceeding 10% of equity

In the BGŻ S.A. Group there were no loan suretyships nor guarantees granted exceeding 10% of equity.

### 4.3 Debt securities issued and redeemed

In 2008, the Bank signed with three financing banks a number of agreements for issue of bearer bank securities (Certificates of Deposit - CDs), denominated in PLN. Under the program, a short- and middle-term issue of securities is possible, in the amount not exceeding PLN 2.5 billion. CDs issued by the Bank may be purchased on the primary market exclusively by the financing banks. CDs are issued in tranches. The last issue date of bank securities issued under this program may not be later than 30 March 2013.

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As at 31 March 2012 the value of CDs issued amounts PLN 2 151 000 thousands (nominal value), while as at 31 December 2011 it amounted to PLN 2 044 500 thousands (nominal value), and as at 31 March 2011 it amounted to PLN 1 572 000 thousands (nominal value).

## 4.4 Dividends paid

At the date of the preparation of this quarterly report, the proposed distribution of the profit for 2011 has been not decided yet. The Management of the Board will not recommend the payment of dividend for 2011.

## 4.5 Legal issues

As of 31 of March 2012 the total value of the court proceedings in which the Bank is defendant amounted to PLN 92 449 thousands and the total value of the court proceedings in which the Bank is a claimant amounted to PLN 42 894 thousands. As of 31 December 2011 the total value of the court proceedings in which the Bank is defendant amounted to PLN 67 651 thousands, and the total value of the court proceedings in which the Bank is a claimant amounted to PLN 42 864 thousands. As of 31 of March 2011 the total value of the court proceedings in which the Bank is defendant amounted to PLN 73 882 thousands and the total value of the court proceedings in which the Bank is a claimant amounted to PLN 43 694 thousands.

Neither the Bank nor any other company of the Capital Group are party to a court/arbitration court/public administration institution proceeding which value amounts to at least 10% of their equity.

## 4.6 Risk management

In the 1<sup>st</sup> quarter of 2012 there were no significant changes in operating risk management.

## 4.7 Changes in the Bank's Management

Until the day of signing this Interim Condensed Consolidated Financial Statement there were no changes in the composition of the Management Board and the Supervisory Board.

## 4.8 Significant events

On the 21<sup>st</sup> of February 2012, Moody's Investors Service the ratings agency decided to launch a review of BGŻ S.A. ratings in terms of their possible deterioration. The review will cover the long-term deposits at Baa-1 level with a negative outlook as well as the short-term deposits at Prime-2 level.

The Bank's financial strength rating ('BFSR') of D level remained unchanged with the stable outlook.

The review of the BGŻ S.A. ratings performed by the Moody's Investor Services is a part of the aggregate review, announced on the 21<sup>st</sup> of February 2012, of the banks' ratings from Central and Eastern Europe and the Commonwealth of Independent States, which are the subsidiaries from the banking groups in Europe and the United States and subjected to the decisions of credit ratings agencies from the 15<sup>th</sup> of February 2012. The review covered, among other parties, the Rabobank Group, which is the majority shareholder of BGŻ S.A.

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## 4.9 Significant events after the reporting date not accounted for in the financial statements

On the 11<sup>th</sup> of April 2012 Rabobank International Holding B.V. and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. announced a tender for 17 262 669 shares of the Bank BGŻ S.A., i.e. 40.02% of the Bank's issued share capital, at PLN 72.5 each.

The subscription will be conducted from the 2<sup>nd</sup> of May to the 31<sup>st</sup> of May. The subscription will be effective, if at least 6.47 millions of shares are subscribed, which would allow the Rabobank entities to increase their total share capital of BGŻ to 75% and maintain the same number of votes. However the requesting party has reserved the right to buy the shares in terms of the situation, that the intended number was below the target set in the tender.

Rabobank has also informed, that the Bank does not plan to withdraw from the Warsaw Stock Exchange.

BKO BP Brokerage House is the agent of this tender.

On April 26, 2012 the Management Board of the Bank disclosed to the public its stance on the Tender Offer for shares of the Bank announced jointly by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and Rabobank International Holding B.V. In Management Board's opinion the tender offer is in line in the Bank's interest and got acquainted with the opinion prepared by KPMG, and based on the presented evidence, the Management Board concluded that the share price offered by the Tenderers in the Tender Offer corresponds to the fair value.

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## II INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS

### Income statement

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
Interest income	505 366	367 712
Interest expense	(260 561)	(196 572)
<b>Net interest income</b>	<b>244 805</b>	<b>171 140</b>
Fee and commission income	82 832	72 143
Fee and commission expense	(12 223)	(8 083)
<b>Net fee and commission income</b>	<b>70 609</b>	<b>64 060</b>
Result on trading activities	28 779	38 247
Result on investing activities	7 615	(844)
Other operating income	16 488	13 658
Net impairment losses on loans and advances	(42 778)	(23 149)
General administrative expenses	(229 433)	(194 309)
Other operating expenses	(41 533)	(29 510)
<b>Operating result</b>	<b>54 552</b>	<b>39 293</b>
<b>Profit (loss) before taxation</b>	<b>54 552</b>	<b>39 293</b>
Income tax expense	(14 901)	(5 803)
<b>Net profit (loss)</b>	<b>39 651</b>	<b>33 490</b>

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## Statement of comprehensive income

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
<b>Profit (loss)</b>	<b>39 651</b>	<b>33 490</b>
<b>Other comprehensive income</b>		
Net (loss)/gain on valuation of available-for-sale financial assets	28 871	(8 485)
Income tax effect	(5 486)	1 612
<b>Other comprehensive income (net)</b>	<b>23 385</b>	<b>(6 873)</b>
<b>Total comprehensive income</b>	<b>63 036</b>	<b>26 617</b>

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## Statement of financial position

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>ASSETS</b>			
Cash and balances with the Central Bank	1 548 602	1 383 321	1 073 861
Amounts due from other banks	132 820	221 071	680 106
Receivables arising from reverse repo transactions	706 569	366 343	284 992
Held-for-trading securities	2 470 411	1 632 434	1 706 554
Derivative financial instruments	448 655	883 109	202 633
Loans and advances to customers	24 225 670	24 238 267	19 969 686
Securities available for sale	4 174 221	3 624 750	3 242 826
Other debt securities	14 587	15 105	70 998
Investments in associates	58 468	58 468	47 422
Intangible assets	141 981	146 443	90 284
Property, plant and equipment	475 620	485 943	461 697
Deferred tax asset	202 823	207 794	227 950
Current tax asset	4 802	-	44 800
Other assets	105 095	123 848	85 812
<b>TOTAL ASSETS</b>	<b>34 710 324</b>	<b>33 386 896</b>	<b>28 189 621</b>

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## Statement of financial position (continued)

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
<b>LIABILITIES</b>			
Amounts owed to other banks	3 963 697	4 446 716	1 564 485
Liabilities arising from repo transactions	1 554 218	-	339 613
Derivative financial instruments and other liabilities held for trading	490 608	795 707	483 940
Amounts owed to customers	23 397 670	22 941 728	21 295 690
Liabilities from issued debt securities	2 129 629	2 033 112	1 566 987
Other liabilities	410 461	474 912	357 739
Current tax liabilities	-	-	10
Provisions	44 285	41 811	42 336
Liabilities arising from employee benefits	29 222	25 412	25 514
<b>TOTAL LIABILITIES</b>	<b>32 019 790</b>	<b>30 759 398</b>	<b>25 676 314</b>
<b>EQUITY</b>			
Issued share capital	43 137	43 137	43 137
Reserve capital	2 332 656	2 332 656	2 220 155
Other reserves	149 030	125 645	104 024
Undistributed profit	165 711	126 060	145 991
<b>TOTAL EQUITY</b>	<b>2 690 534</b>	<b>2 627 498</b>	<b>2 513 307</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>34 710 324</b>	<b>33 386 896</b>	<b>28 189 621</b>



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## Statement of changes in equity - unaudited

Note	Share capital	Reserve capital	Other reserves	Undistributed profit	Total
<b>As at 1 January 2012</b>	<b>43 137</b>	<b>2 332 656</b>	<b>125 645</b>	<b>126 060</b>	<b>2 627 498</b>
Net profit for the year	-	-	-	39 651	39 651
Other comprehensive income for the year	-	-	23 385	-	23 385
Transfer from prior year profits	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>23 385</b>	<b>39 651</b>	<b>63 036</b>
<b>As at 31 March 2012</b>	<b>43 137</b>	<b>2 332 656</b>	<b>149 030</b>	<b>165 711</b>	<b>2 690 534</b>

## Statement of changes in equity (continued)

Note	Share capital	Reserve capital	Other reserves	Undistributed profit	Total
<b>As at 1 January 2011</b>	<b>43 137</b>	<b>2 220 155</b>	<b>110 897</b>	<b>112 501</b>	<b>2 486 690</b>
Net profit for the year	-	-	-	126 060	126 060
Other comprehensive income for the year	-	-	14 748	-	14 748
Transfer from prior year profits	-	112 501	-	(112 501)	-
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>14 748</b>	<b>126 060</b>	<b>140 808</b>
<b>As at 31 December 2011</b>	<b>43 137</b>	<b>2 332 656</b>	<b>125 645</b>	<b>126 060</b>	<b>2 627 498</b>

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## Statement of changes in equity – unaudited (continued)

	Note	Share capital	Reserve capital	Other reserves	Undistributed profit	Total
<b>As at 1 January 2011</b>		<b>43 137</b>	<b>2 220 155</b>	<b>110 897</b>	<b>112 501</b>	<b>2 486 690</b>
Net profit for the year		-	-	-	33 490	33 490
Other comprehensive income for the year		-	-	(6 873)	-	(6 873)
Transfer from prior year profits		-	-	-	-	-
<b>Comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(6 873)</b>	<b>33 490</b>	<b>26 617</b>
<b>As at 31 March 2011</b>		<b>43 137</b>	<b>2 220 155</b>	<b>104 024</b>	<b>145 991</b>	<b>2 513 307</b>

# Bank Gospodarki Żywnościowej S.A. Capital Group

Unaudited Interim Condensed Consolidated Financial Report in accordance with International Financial Reporting Standards for the 1<sup>st</sup> quarter ended 31 March 2012

- data in PLN thousands



## Statement of cash flows

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
CASH FLOW FROM OPERATING ACTIVITIES:		
<b>Net profit/loss</b>	<b>39 651</b>	<b>33 829</b>
<b>Total adjustments:</b>	<b>474 004</b>	<b>128 859</b>
Current and deferred tax recognized in the financial result	14 901	5 803
Amortization and depreciation	22 129	18 648
Interest and dividends	(68 685)	(15 300)
Profit/Loss from investing activities	(7 615)	-
Change in provisions and liabilities from employee benefits	6 284	3 484
Change in amounts due from other banks	482	(123)
Change in receivables arising from reverse repo transactions	(340 226)	366 714
Change in held-for-trading debt securities	(837 977)	108 345
Change in financial assets resulting from derivative financial instruments	434 454	18 354
Change in loans and advances to customers	12 597	(86 697)
Income taxes paid/returned	(20 219)	-
Change in amounts owed to other banks	(409 786)	544 066
Change in liabilities arising from repo transactions	1 554 218	(929 308)
Change in liabilities from derivative financial instruments	(305 099)	(248 158)
Change in amounts owed to customers	455 942	243 968
Change in other assets	13 951	(7 634)
Change in other liabilities and liabilities arising from income tax	(64 451)	115 893
Other adjustments	13 104	(9 196)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>513 655</b>	<b>162 688</b>

# Bank Gospodarki Żywnościowej S.A. Capital Group

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## Statement of cash flows (continued)

	1st quarter of 2012 period from 01.01.2012 to 31.03.2012 unaudited	1st quarter of 2011 period from 01.01.2011 to 31.03.2011 unaudited
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
<b>Inflows</b>	<b>17 051 087</b>	<b>21 721 020</b>
Sale and redemption of other debt securities	-	51 210
Sale of securities available for sale	17 051 087	21 669 094
Sale of intangible assets and property, plant and equipment	-	716
<b>Outflows</b>	<b>(17 520 497)</b>	<b>(21 605 940)</b>
Purchase of securities available for sale	(17 512 983)	(21 596 637)
Purchase of intangible assets, property, plant and equipment	(7 414)	(9 303)
Other investing outflows	(100)	-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(469 410)</b>	<b>115 080</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
<b>Inflows</b>	<b>1 594 000</b>	<b>1 422 000</b>
Issue of debt securities to other financial institutions	1 594 000	1 422 000
<b>Outflows</b>	<b>(1 560 733)</b>	<b>(1 606 529)</b>
Repayment of long-term loans from other banks	(73 233)	-
Redemption of debt securities issued to other financial institutions	(1 487 500)	(1 606 529)
<b>TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>33 267</b>	<b>(184 529)</b>
<b>TOTAL NET CASH FLOW</b>	<b>77 512</b>	<b>93 239</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1 592 649</b>	<b>1 610 838</b>
<b>Cash and cash equivalents at the end of the period, of which:</b>	<b>1 670 161</b>	<b>1 704 077</b>
of restricted use	1 041	665

# Bank Gospodarki Żywnościowej S.A. Capital Group

Unaudited Interim Condensed Consolidated Financial Report in accordance with International Financial Reporting Standards for the 1<sup>st</sup> quarter ended 31 March 2012

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## 1 ADDITIONAL INFORMATION

### 1.1. Statement of compliance with International Financial Reporting Standards

Unaudited interim condensed standalone financial statements for the 1<sup>st</sup> quarter ended 31 March 2011 are prepared in accordance with International Financial Reporting Standards ('IFRS') that were endorsed by the European Union ("IAS 34") and in accordance with the requirements specified in the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities (Journal of Laws of 2009 No. 33, item. 259).

Unaudited interim condensed standalone financial statements do not include all information and disclosures required in the annual consolidated financial statements, therefore they should be read in conjunction with the interim condensed consolidated financial statements for the 1<sup>st</sup> quarter of 2012 and with the Bank's financial statements for the year ended 31 December 2011 that were approved by the Management on the 5<sup>th</sup> of March 2012.

During the preparation of this unaudited interim condensed standalone financial statements the accounting principles resulting from the following sources were applied:

1. International Financial Reporting Standards issued by the International Accounting Standards Board and their interpretations issued by the International Financial Reporting Interpretations Committee.
2. International Accounting Standard no. 34 'Interim financial reporting'.

#### New standards and interpretations issued but not in force:

The following standards and interpretations were issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but did not come into force:

- The first phase of IFRS 9 *Financial Instruments: Classification and Measurement* – effective for financial years beginning on or after 1 January 2015 – not endorsed by EU till the date of approval of these financial statements. In subsequent phases, the IASB will address hedge accounting and impairment. The application of the first phase of IFRS 9 will have impact on classification and measurement of the financial assets of the Group. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- IFRS 10 *Consolidated Financial Statements* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IFRS 11 *Joint Arrangements* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IFRS 13 *Fair Value Measurement* - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 19 *Employee Benefits* - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* - effective for financial years beginning on or after 1 July 2012 – not endorsed by EU till the date of approval of these financial statements,

# Bank Gospodarki Żywnościowej S.A. Capital Group

Unaudited Interim Condensed Consolidated Financial Report in accordance with International Financial Reporting Standards for the 1<sup>st</sup> quarter ended 31 March 2012

- data in PLN thousands



- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendment to IFRS 7 *Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 32 *Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1 January 2014 – not endorsed by EU till the date of approval of these financial statements,
- IAS 27 *Consolidated and separate financial statement* - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IAS 28 *Investments in Associates and Joint Ventures* - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements.

The Management Board does not expect the implementation of the above standards and interpretations to have any material impact on the accounting policies applied by the Bank, except for the changes resulting from modifications introduced by IFRS 9. As far as IFRS 9 *Financial instruments* is concerned, the Bank is currently analyzing the impact of the implementation of this standard on the financial statements.

## 1.2. Significant accounting policies

Accounting policies and methods relating to accounting estimates adopted during the preparation of the Bank's interim condensed standalone financial statements are consistent with the accounting policies adopted for the Group's interim condensed consolidated financial statements, which are described in section 1.1.2., except for the valuation of associates, which are recognized at purchase price in the standalone financial statements.

## 2 EXPLANATORY NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS

### Related party transactions

The Bank presents transactions with its subsidiaries and main shareholders.

# Bank Gospodarki Żywnościowej S.A. Capital Group

Unaudited Interim Condensed Consolidated Financial Report in accordance with International Financial Reporting Standards for the 1<sup>st</sup> quarter ended 31 March 2012

- data in PLN thousands



Transactions with the BGŻ S.A. shareholders as at 31.03.2012

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	COOPERATIEVE C.R-B B.A. (BRANCHES)	SUBSIDIARIES RABOBANK	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>5 180 444</b>	<b>3</b>	<b>291 026</b>	-	-	<b>5 471 473</b>	<b>15,77%</b>
Current accounts	3	-	36	-	-	39	-
Interest	23 757	-	-	-	-	23 757	0,07%
Debt securities	5 146 661	-	-	-	-	5 146 661	14,83%
Derivative instruments	-	-	290 990	-	-	290 990	0,84%
Other	10 023	3	-	-	-	10 026	0,03%
<b>Liabilities</b>	<b>81 329</b>	-	<b>3 612 023</b>	<b>11 022</b>	<b>28</b>	<b>3 704 402</b>	<b>10,67%</b>
Loans taken out	-	-	3 300 297	-	-	3 300 297	9,51%
Current account	37 285	-	3 673	177	28	41 163	0,12%
Term deposits	43 690	-	-	-	-	43 690	0,12%
Interest payable	233	-	7 622	-	-	7 855	0,02%
Derivative instruments	-	-	277 751	-	-	277 751	0,80%
Other	121	-	22 680**	10 845	-	33 646	0,10%
<b>Costs</b>	<b>630</b>	-	<b>11 598</b>	<b>2 604</b>	<b>332</b>	<b>15 164</b>	<b>0,01%</b>
Interest	630	-	11 590	3	-	12 223	0,01%
Commission	-	-	8	-	-	8	-
Result on trading activities	-	-	-	-	332	332	-
Other	-	-	-	2 601	-	2 601	-
<b>Revenue</b>	<b>124 834</b>	-	<b>1 278</b>	-	<b>215</b>	<b>126 327</b>	<b>0,09%</b>
Interest*	106 817	-	57	-	215	107 089	0,08%
Commission	95	-	-	-	-	95	-
Results on derivative instruments	-	-	1 221	-	-	1 221	-
Results on trading activities	17 922	-	-	-	-	17 922	0,01%
<b>Contingent liabilities</b>	<b>997</b>	-	<b>11 453 727</b>	-	-	<b>11 454 724</b>	<b>16,61%</b>
Liabilities granted	997	-	704	-	-	1 701	-
Derivative instruments	-	-	11 453 023	-	-	11 453 023	16,61%

\* Line: Revenue – 'Interest' includes interest on preferential loans

\*\* Line: 'Other liabilities' concerns liabilities to COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. for the acquisition of licenses and services connected with the implementation of BGŻOptima, which were capitalized as intangible assets.

The transactions with the Treasury (budgetary units) concern in particular ministries, voivodship authorities, courts, government agencies (including the Agency of Restructuring and Modernization of Agriculture, with which the Bank conducts the settlements of payments of preferential loans).

# Bank Gospodarki Żywnościowej S.A. Capital Group

Unaudited Interim Condensed Consolidated Financial Report in accordance with International Financial Reporting Standards for the 1<sup>st</sup> quarter ended 31 March 2012

- data in PLN thousands



Transactions with the BGŻ S.A. shareholders as at 31.12.2011

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	COOPERATIEVE C.R-B B.A. (BRANCHES)	SUBSIDIARIES RABOBANK	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>4 677 180</b>	-	<b>689 043</b>	-	-	<b>5 366 223</b>	<b>16,07%</b>
Current accounts	148	-	88	-	-	236	-
Interest	23 844	-	-	-	-	23 844	0,07%
Debt securities	4 640 906	-	-	-	-	4 640 906	13,90%
Derivative instruments	-	-	688 955	-	-	688 955	2,06%
Other	12 282	-	-	-	-	12 282	0,04%
<b>Liabilities</b>	<b>81 453</b>	-	<b>4 273 465</b>	<b>8 532</b>	<b>45</b>	<b>4 363 495</b>	<b>13,07%</b>
Loans taken out	-	-	3 547 917	-	-	3 547 917	10,62%
Current account	42 749	-	160 936	122	45	203 852	0,61%
Term deposits	38 417	-	-	-	-	38 417	0,12%
Interest payable	166	-	8 807	-	-	8 973	0,03%
Derivative instruments	-	-	527 846	-	-	527 846	1,58%
Other	121	-	27 959**	8 410	-	36 490	0,11%
<b>Costs</b>	<b>21 228</b>	<b>123</b>	<b>153 502</b>	<b>7 478</b>	<b>687</b>	<b>183 018</b>	<b>0,03%</b>
Interest	21 228	-	27 580	4	5	48 817	0,01%
Commission	-	-	1 059	-	-	1 059	-
Result on trading activities	-	-	123 032	-	505	123 537	0,02%
Other	-	123	1 831	7 474	177	9 605	-
<b>Revenue</b>	<b>360 310</b>	<b>527</b>	<b>1 478</b>	-	<b>1 030</b>	<b>363 345</b>	<b>0,07%</b>
Interest*	355 630	-	1 478	-	1 030	358 138	0,07%
Commission	558	-	-	-	-	558	-
Results on derivative instruments	4 122	-	-	-	-	4 122	-
Results on trading activities	-	527	-	-	-	527	-
<b>Contingent liabilities</b>	<b>852</b>	-	<b>25 666 913</b>	-	-	<b>25 667 765</b>	<b>33,00%</b>
Liabilities granted	852	-	704	-	-	1 556	-
Derivative instruments	-	-	25 666 209	-	-	25 666 209	33,00%

\* Line: Revenue – 'Interest' includes interest on preferential loans

\*\* Line: 'Other liabilities' concerns liabilities to COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. for the acquisition of licenses and services connected with the implementation of BGŻOptima, which were capitalized as intangible assets.

The transactions with the Treasury (budgetary units) concern in particular ministries, voivodeship authorities, courts, government agencies (including the Agency of Restructuring and Modernization of Agriculture, with which the Bank conducts the settlements of payments of preferential loans).



# Bank Gospodarki Żywnościowej S.A. Capital Group

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- data in PLN thousands



Transactions with the BGŻ S.A. shareholders as at 31.03.2011

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	COOPERATIEVE C.R-B B.A. (BRANCHES)	SUBSIDIARIES RABOBANK	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>3 904 301</b>	<b>46</b>	<b>158 821</b>	<b>6 683</b>	<b>258 094</b>	<b>4 327 945</b>	<b>15,54%</b>
Current accounts	-	-	70 855	-	258 082	328 937	1,18%
Interest	-	-	25	-	-	25	-
Debt securities	16 610	-	-	-	12	16 622	0,06%
Derivative instruments	3 877 445	-	-	-	-	3 877 445	13,92%
Other	-	-	87 941	6 683	-	94 624	0,34%
<b>Liabilities</b>	<b>10 246</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 292</b>	<b>0,04%</b>
Loans taken out	<b>869 164</b>	<b>-</b>	<b>300 754</b>	<b>10 280</b>	<b>52</b>	<b>1 180 250</b>	<b>4,24%</b>
Current account	68 442	-	1 164	131	52	69 789	0,25%
Term deposits	795 306	-	-	-	-	795 306	2,86%
Interest payable	5 298	-	-	-	-	5 298	0,02%
Derivative instruments	-	-	299 590	661	-	300 251	1,08%
Other	118	-	-	9 488	-	9 606	0,03%
<b>Costs</b>	<b>7 759</b>	<b>-</b>	<b>433</b>	<b>1</b>	<b>89</b>	<b>8 282</b>	<b>0,01%</b>
Interest	7 759	-	25	1	-	7 785	0,01%
Commission	-	-	408	-	-	408	-
Result on trading activities	-	-	-	-	89	89	-
Other	<b>72 966</b>	<b>-</b>	<b>23 684</b>	<b>71</b>	<b>98</b>	<b>96 819</b>	<b>0,09%</b>
<b>Revenue</b>	<b>72 389</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>98</b>	<b>72 505</b>	<b>0,07%</b>
Interest*	127	-	-	-	-	127	-
Commission	-	-	23 666	71	-	23 737	0,02%
Results on derivative instruments	450	-	-	-	-	450	-
Results on trading activities	<b>400</b>	<b>-</b>	<b>37 155 594</b>	<b>42 937</b>	<b>-</b>	<b>37 198 931</b>	<b>41,51%</b>
<b>Contingent liabilities</b>	<b>400</b>	<b>-</b>	<b>2 000 704</b>	<b>-</b>	<b>-</b>	<b>2 001 104</b>	<b>2,23%</b>
Liabilities granted	-	-	35 154 890	42 937	-	35 197 827	39,28%

\* Line: Revenue – 'Interest' includes interest on preferential loans

The transactions with the Treasury (budgetary units) concern in particular ministries, voivodeship authorities, courts, government agencies (including the Agency of Restructuring and Modernization of Agriculture, with which the Bank conducts the settlements of payments of preferential loans).

The terms of the transactions with related parties and BGŻ S.A. shareholders do not differ from the market conditions.

# Bank Gospodarki Żywnościowej S.A. Capital Group

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- data in PLN thousands



## Solvency ratio

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Own funds	2 487 049	2 394 441	2 371 095
Capital requirements	1 968 890	1 983 850	1 671 950
<b>Solvency ratio (%)</b>	<b>10,1%</b>	<b>9,7%</b>	<b>11,4%</b>

## 3 OTHER INFORMATION

The notes presenting changes in the particular positions are presented in the interim condensed consolidated financial statements for the 1<sup>st</sup> quarter of 2012.

### 3.1 Seasonality or periodicity of operations

In the operations of the Group there are no material seasonal or periodical occurrences.

### 3.2 Debt securities issued and redeemed

In 2008, the Bank signed with three financing banks a number of agreements for issue of bearer bank securities (Certificates of Deposit - CDs), denominated in PLN. Under the program, a short- and middle-term issue of securities is possible, in the amount not exceeding PLN 2.5 billion. CDs issued by the Bank may be purchased on the primary market exclusively by the financing banks. CDs are issued in tranches. The last issue date of bank securities issued under this program may not be later than 30 March 2013.

As at 31 March 2012, the value of CDs issued amounts to PLN 2 151 000 thousands (nominal value), as at 31 December 2011 amounted to PLN 2 044 500 thousands (nominal value), as at 31 March 2011 amounted to PLN 1 572 000 thousands (nominal value).

### 3.3 Dividends paid

At the date of the preparation of this quarterly report, the proposed distribution of the profit for 2011 has been not decided yet. The Management of the Board will not recommend the payment of dividend for 2011.

### 3.4 Off-balance sheet items

	31.03.2012 unaudited	31.12.2011	31.03.2011 unaudited
Liabilities granted	3 962 614	4 264 562	3 663 721
Liabilities received	239 495	5 438	2 204 390
Off-balance sheet financial instruments	63 274 727	71 597 041	82 429 296
F/X transactions	1 467 191	1 921 497	665 696
<b>Off-balance sheet items, total</b>	<b>68 944 027</b>	<b>77 788 538</b>	<b>88 963 103</b>
<b>Liabilities granted, suretyships, unused credit lines</b>	<b>(5 606)</b>	<b>(6 018)</b>	<b>(4 711)</b>

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Unaudited Interim Condensed Consolidated Financial Report in accordance with International Financial Reporting Standards for the 1<sup>st</sup> quarter ended 31 March 2012

- data in PLN thousands



## 3.5 Significant events

Significant events in the Bank in the 1<sup>st</sup> quarter of 2012 are described in point 4.8 of the interim condensed consolidated financial statements for the 1<sup>st</sup> quarter of 2012.

## 3.6 Significant events after the reporting date not accounted for in the financial statements

Significant events after the reporting date not accounted for in the financial statements are described in the note 4.9 of the interim condensed consolidated financial statements for the 1<sup>st</sup> quarter of 2012.

.....  
Jacek Bartkiewicz  
*President of the Management Board*

.....  
Gerardus Cornelis Embrechts  
*First Vice-President  
of the Management Board*

.....  
Witold Okarma  
*Vice-President  
of the Management Board*

.....  
Andrzej Sieradz  
*Vice-President  
of the Management Board*

.....  
Johannes Gerardus Beuming  
*Vice-President  
of the Management Board*

.....  
Dariusz Odzioba  
*Vice-President  
of the Management Board*

.....  
Wojciech Sass  
*Vice-President  
of the Management Board*

.....  
Magdalena Legęć  
*Vice-President  
of the Management Board*

.....  
Katarzyna Romaszewska-Rosiak  
*Chief Financial Officer  
Chief Accountant*

Warsaw, 8 May 2012