



**Unaudited Interim Condensed  
Consolidated Financial Report of  
Bank Gospodarki Żywnościowej S.A.  
Capital Group  
for the half-year period  
ended 30 June 2011**

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

Warsaw, 23 August 2011

# Bank Gospodarki Żywnościowej S.A. Capital Group

Unaudited Interim Condensed Consolidated Financial Report in accordance with International Financial Reporting Standards for the half-year period ended 30 June 2011

- data in PLN thousand



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## I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated income statement

	Note	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
Interest income	2.1	398 177	765 889	335 039	668 615
Interest expense	2.1	(199 538)	(396 110)	(189 024)	(395 401)
<b>Net interest income</b>		<b>198 639</b>	<b>369 779</b>	<b>146 015</b>	<b>273 214</b>
Fee and commission income	2.2	78 129	150 273	77 181	148 215
Fee and commission expense	2.2	(9 938)	(18 021)	(8 361)	(16 476)
<b>Net fee and commission income</b>		<b>68 191</b>	<b>132 252</b>	<b>68 820</b>	<b>131 739</b>
Dividend income		3 554	3 554	3 081	3 147
Result on trading activities	2.3	15 720	53 967	23 233	52 529
Result on investing activities		(82)	(926)	2 278	1 915
Other operating income	2.5	18 560	31 706	11 467	20 807
Net impairment losses on loans and advances	2.7	(30 499)	(53 648)	(48 625)	(74 786)
General administrative expenses	2.4	(215 665)	(410 049)	(169 200)	(337 157)
Other operating expenses	2.6	(25 067)	(54 577)	(26 003)	(52 330)
<b>Operating result</b>		<b>33 351</b>	<b>72 058</b>	<b>11 066</b>	<b>19 078</b>
Share in profit (loss) of associates		1 084	2 009	180	208
<b>Profit (loss) before taxation</b>		<b>34 435</b>	<b>74 067</b>	<b>11 246</b>	<b>19 286</b>
Income tax expense	2.8	(7 982)	(13 785)	2 372	4 009
<b>Net profit (loss) for the year</b>		<b>26 453</b>	<b>60 282</b>	<b>13 618</b>	<b>23 295</b>
- attributable to the shareholders of the Bank					
<b>Earnings per share</b> (in PLN per share):		<b>0.61</b>	<b>1.40</b>	<b>0.32</b>	<b>0.54</b>
From continuing and discontinued operations:		0.61	1.40	0.32	0.54
- Basic		0.61	1.40	0.32	0.54
- Diluted		0.61	1.40	0.32	0.54
From continuing operations:		0.61	1.40	0.32	0.54
- Basic		0.61	1.40	0.32	0.54
- Diluted		0.61	1.40	0.32	0.54

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## Consolidated statement of comprehensive income

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
<b>Profit (loss)</b>	<b>26 453</b>	<b>60 282</b>	<b>13 618</b>	<b>23 295</b>
<b>Other comprehensive income</b>				
Net (loss)/gain on valuation of available-for-sale financial assets	33 797	25 312	(8 072)	(3 536)
Income tax effect	(6 421)	(4 809)	1 533	671
<b>Other comprehensive income (net)</b>	<b>27 376</b>	<b>20 503</b>	<b>(6 539)</b>	<b>(2 865)</b>
<b>Total comprehensive income</b>	<b>53 829</b>	<b>80 785</b>	<b>7 079</b>	<b>20 430</b>

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## Consolidated statement of financial position

	Note	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
<b>ASSETS</b>				
Cash and balances with the Central Bank		1 114 603	1 379 737	788 730
Amounts due from other banks	2.9	213 575	280 920	347 087
Receivables arising from reverse repo transactions	2.10	255 391	651 706	256 327
Held-for-trading securities	2.11	812 238	1 814 899	1 025 023
Derivative financial instruments	2.12	200 599	220 987	428 958
Loans and advances to customers	2.13	21 047 493	19 869 177	18 962 389
Securities available for sale	2.14	3 603 734	3 290 675	3 380 516
Other debt securities	2.15	55 700	109 232	161 526
Investment property		63 900	63 900	63 200
Investments in subsidiaries and associates		33 514	31 542	30 062
Intangible assets	2.16	90 081	96 787	88 637
Property, plant and equipment	2.17	462 190	464 818	438 958
Deferred tax asset		213 814	232 141	182 867
Current tax asset		44 800	44 800	-
Other assets	2.18	141 708	78 278	109 324
<b>TOTAL ASSETS</b>		<b>28 353 340</b>	<b>28 629 599</b>	<b>26 263 604</b>

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## Consolidated statement of financial position (continued)

	Note	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
<b>LIABILITIES</b>				
Amounts owed to other banks	2.19	3 975 562	1 020 419	994 500
Liabilities arising from repo transactions	2.20	-	1 268 921	360 334
Derivative financial instruments and other liabilities held for trading	2.12	363 126	732 098	827 933
Amounts owed to customers	2.21	19 548 216	21 051 715	19 390 711
Liabilities from issued debt securities		1 434 622	1 745 198	1 886 119
Other liabilities	2.22	380 575	241 895	279 008
Deferred tax liability		9 814	9 814	9 681
Current tax liabilities		17	3	38 379
Provisions	2.23	40 494	41 697	43 399
Liabilities arising from employee benefits	2.24	25 112	22 822	26 744
<b>TOTAL LIABILITIES</b>		<b>25 777 538</b>	<b>26 134 582</b>	<b>23 856 808</b>
<b>EQUITY</b>				
Issued share capital	5.1	43 137	43 137	43 137
Reserve capital		2 332 656	2 220 155	2 220 155
Accumulated profit/ (loss) from previous years		8 327	8 487	8 487
Other reserves		131 400	110 897	111 722
Undistributed profit		60 282	112 341	23 295
<b>TOTAL EQUITY</b>		<b>2 575 802</b>	<b>2 495 017</b>	<b>2 406 796</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>28 353 340</b>	<b>28 629 599</b>	<b>26 263 604</b>

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## Consolidated statement of changes in equity - unaudited

	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>
Transfer from prior year profits	-	112 501	-	(160)	112 341	-
Other comprehensive income for the period	-	-	20 503	-	-	20 503
Net profit for the half-year period	-	-	-	-	60 282	60 282
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>20 503</b>	<b>-</b>	<b>60 282</b>	<b>80 785</b>
<b>As at 30 June 2011</b>	<b>43 137</b>	<b>2 332 656</b>	<b>131 400</b>	<b>8 327</b>	<b>60 282</b>	<b>2 575 802</b>

## Consolidated statement of changes in equity (continued)

	Share capital	Reserve capital	Other reserves	Accumulated profit (loss) from previous years	Undistributed profit	Total
<b>As at 1 January 2010</b>	<b>43 137</b>	<b>2 112 164</b>	<b>114 587</b>	<b>15 835</b>	<b>100 643</b>	<b>2 386 366</b>
Transfer from prior year profits	-	107 991	-	(7 348)	(100 643)	-
Other comprehensive income for the period	-	-	(3 690)	-	-	(3 690)
Net profit for the year	-	-	-	-	112 341	112 341
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(3 690)</b>	<b>-</b>	<b>112 341</b>	<b>108 651</b>
<b>As at 31 December 2010</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>



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

	Share capital	Reserve capital	Other reserves	Accumulated profit (loss) from previous years	Undistributed profit	Total
<b>As at 1 January 2010</b>	<b>43 137</b>	<b>2 112 164</b>	<b>114 587</b>	<b>15 835</b>	<b>100 643</b>	<b>2 386 366</b>
Transfer from prior year profits	-	107 991	-	(7 348)	(100 643)	-
Other comprehensive income for the period	-	-	(2 865)	-	-	(2 865)
Net profit for the half-year period	-	-	-	-	23 295	23 295
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(2 865)</b>	<b>-</b>	<b>23 295</b>	<b>20 430</b>
<b>As at 30 June 2010</b>	<b>43 137</b>	<b>2 220 155</b>	<b>111 722</b>	<b>8 487</b>	<b>23 295</b>	<b>2 406 796</b>

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## Consolidated statement of cash flows

Note	2 <sup>nd</sup> quarter of 2011 period from 01.04.2011 To 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2 <sup>nd</sup> quarter of 2010 period from 01.04.2010 To 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
<b>Net profit/loss</b>	<b>26 453</b>	<b>60 282</b>	<b>13 618</b>	<b>23 295</b>
<b>Total adjustments:</b>	<b>(2 311 311)</b>	<b>(2 182 452)</b>	<b>(1 071 692)</b>	<b>(486 185)</b>
Current and deferred tax recognized in the financial result	7 982	13 785	(2 372)	(4 009)
Amortization and depreciation	19 558	38 206	17 802	35 006
Interest and dividends	(21 137)	(36 437)	26 680	(62 929)
Change in provisions	(2 359)	1 087	1 474	4 499
Change in amounts due from other banks	35 930	35 859	(70 958)	(53 308)
Change in receivables arising from reverse repo transactions	29 601	396 315	1 141 071	(181 672)
Change in held-for-trading debt securities	894 316	1 002 661	(617 557)	(557 506)
Change in financial assets relating to derivative financial instruments	2 034	20 388	(243 975)	(174 340)
Change in loans and advances to customers	(1 092 128)	(1 178 316)	(709 060)	(670 205)
Income taxes paid	-	-	(89 684)	(89 684)
Change in amounts owed to other banks	26 492	570 558	621 117	518 414
Change in liabilities arising from repo transactions	(339 613)	(1 268 921)	(763 071)	248 354
Change in liabilities from derivative financial instruments	(120 814)	(368 972)	664 722	579 634
Change in amounts owed to customers	(1 747 467)	(1 503 499)	(1 037 813)	(200 210)
Change in other liabilities	22 770	138 694	(76 615)	111 682
Other adjustments	(26 476)	(43 860)	119 907	10 089
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(2 284 858)</b>	<b>(2 122 700)</b>	<b>(1 058 074)</b>	<b>(462 890)</b>

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## Consolidated statement of cash flows (continued)

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 Period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 Period from 01.01.2010 to 30.06.2010 unaudited
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>				
<b>Inflows</b>	<b>12 322 135</b>	<b>34 043 155</b>	<b>31 679 144</b>	<b>63 028 971</b>
Redemption of other debt securities	-	51 210	-	51 038
Sale of securities available for sale	12 322 279	33 991 373	31 678 295	62 976 495
Sale of intangible assets and property, plant and equipment	(144)	572	849	1 438
<b>Outflows</b>	<b>(12 677 694)</b>	<b>(34 283 634)</b>	<b>(31 015 936)</b>	<b>(63 557 005)</b>
Purchase of shares in associates	-	-	(10 502)	(10 502)
Purchase of securities available for sale	(12 657 503)	(34 254 140)	(30 984 905)	(63 515 550)
Purchase of intangible assets, property, plant and equipment	(20 191)	(29 494)	(19 962)	(30 386)
Other investment expenses	-	-	(567)	(567)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(355 559)</b>	<b>(240 479)</b>	<b>663 208</b>	<b>(528 034)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>				
<b>Inflows</b>	<b>3 747 441</b>	<b>5 169 441</b>	<b>1 642 000</b>	<b>3 497 000</b>
Long-term loans from other banks	2 394 441	2 394 441	-	-
Issue of debt securities to other financial institutions	1 353 000	2 775 000	1 642 000	3 497 000
<b>Outflows</b>	<b>(1 496 883)</b>	<b>(3 103 412)</b>	<b>(1 827 515)</b>	<b>(3 059 538)</b>
Repayment of long-term loans from other banks	(9 856)	(9 856)	-	-
Redemption of debt securities issued to other financial institutions	(1 487 027)	(3 093 556)	(1 827 515)	(3 059 538)
<b>TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>2 250 558</b>	<b>2 066 029</b>	<b>(185 515)</b>	<b>437 462</b>
<b>TOTAL NET CASH FLOW</b>	<b>(389 859)</b>	<b>(296 620)</b>	<b>(580 381)</b>	<b>(553 462)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1 704 077</b>	<b>1 610 838</b>	<b>1 580 906</b>	<b>1 553 987</b>
<b>Cash and cash equivalents at the end of the period,</b>				
<b>of which:</b>	<b>2.25</b>	<b>1 314 218</b>	<b>1 314 218</b>	<b>1 000 525</b>
of restricted use	415	415	1088	1 088

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## 1 ADDITIONAL EXPLANATORY NOTES

### 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 principles applied in the first half of 2011 do not differ from those applied in 2010. The principles were described in detail in the consolidated financial statements for the year ended 31 December 2010 approved by the Management Board on 1 March 2011. The unaudited interim condensed consolidated financial statements for the half-year period ended 30 June 2011 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 issuers of securities (Journal of Laws of 2009 No. 33, pos. 259).

Based on the paragraph 101 point 2 of the above regulation the Bank does not publish consolidated quarterly report for the second quarter of 2011. Therefore the unaudited interim consolidated financial statements for the first half of 2011 contain additionally:

- the consolidated income statement,
- the consolidated statement of comprehensive income,
- the consolidated statement of cash flows

for the second quarter of 2011, i.e. the period from 1 April 2011 to 30 June 2011 and for the second quarter of 2010, i.e. the period from 1 April 2010 to 30 June 2010.

These interim condensed consolidated financial statements for the first half of 2011 ended 30 June 2011 were subject to a review by the key certified auditor acting on behalf of Ernst & Young Audit Sp. z o.o., an entity authorized to audit financial statements. The review was conducted in accordance with the provisions of the law binding in Poland and national auditing standards issued by the National Council of Statutory Auditors in Poland. The quarterly data for the second quarter of 2011 and the second quarter of 2010 were not subject to a review nor audit by the certified auditor.

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 2010 approved by the Management Board on 1 March 2011.

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'.

# Bank Gospodarki Żywnościowej S.A. Capital Group

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## Implementation of New IFRSs

Presented below are the new and amended IASs and IFRSs and new IFRIC interpretations that the Group applied in the current year. Their application did not have material effect on the financial statements of the Bank.

- Amendments to IAS 32 Financial instruments: presentation: Classification of Rights Issues – effective for financial years beginning on or after 1 February 2010. This amendment did not have any impact on the presented financial position or the results of the Group.
- IAS 24 Related Party Disclosures (revised in November 2009) – effective for financial years beginning on or after 1 January 2011. This amendment did not have any impact on the presented financial position or the results of the Group.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements – effective for financial years beginning on or after 1 January 2011. This amendment did not have any impact on the presented financial position or the results of the Group.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – effective for financial years beginning on or after 1 July 2010. This amendment did not have any impact on the presented financial position or the results of the Group.
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters – effective for financial years beginning on or after 1 July 2010. These amendments did not have any impact on the presented financial position or the results of the Group.
- *Improvements to IFRSs* (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1 January 2011. These amendments did not have any impact on the presented financial position or the results of the Group.

## 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 2013 – 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.
- Amendment to IFRS 7 *Financial Instruments – Disclosures: Transfer of Financial Assets* – effective for financial years beginning on or after 1 July 2011 – not endorsed by EU till the date of approval of these financial statements
- Amendments to IAS 12 *Income Tax: Deferred Tax: Recovery of Underlying Assets* – effective for financial years beginning on or after 1 January 2012 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - effective for financial years beginning on or after 1 July 2011 - not endorsed by EU till the date of approval of these financial statements.

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- 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.

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.

## 1.3 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, this is 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 were authorized for issue by the Management Board on 23 August 2011.

## 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 presentation of operating segments 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,

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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 thousand (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 the impairment of individually significant assets.

Financial assets are assessed for whether or not there is objective evidence to show that they are impaired. In the case of an individual assessment, the following events are specifically considered as such evidence: significant financial difficulty of the issuer or debtor, a breach of contract (such as a default or delinquency in interest or principal payments, exceeding 90 days) the high probability of the borrower's bankruptcy or other financial reorganization, the disappearance of an active market for a given financial asset, due to the issuer's financial difficulties. 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. Evidence of collective impairment includes, in particular, delinquency in principal and interest payments, exceeding 90 days and the so called soft evidence recognized based on the gathered supplementary evidence regarding the economic and financial position of a client. 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.

## b) Fair value of derivative financial instruments

The fair value of financial instruments not listed on active markets is determined using valuation techniques (e.g. pricing models). These methods are assessed and reviewed on a regular basis by qualified independent employees, i.e., employees not involved in



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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, as assets held-to-maturity, of 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).

The estimates did not change significantly compared to 31 December 2010.

## 1.8 General information on the Capital Group

### 1.8.1 Entities accounted for in the unaudited consolidated financial statements

Bank Gospodarki Żywnościowej Spółka Akcyjna is an entity operating as part of the Rabobank Capital Group.

Bank Gospodarki Żywnościowej Spółka Akcyjna is the parent company of the BGŻ S.A. Capital Group. The Group is composed of one subsidiary as at 30 June 2011:

1. **Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. – ('Actus')** with its registered office in Warsaw, at Kasprzaka 10/16. 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.



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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 30 June 2011. The consolidation scope has not changed compared to 31 December 2010.

## **1.8.2 Related party transactions**

All transactions of the Bank, its subsidiaries and the related parties carried out in the first half-year of 2011 were concluded at arm's length and resulted from the current operating activities.

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

### 2.1 Net interest income

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
<b>Interest income</b>				
Amounts due from banks	9 675	17 239	7 437	14 362
Amounts due from customers under overdraft facilities	57 600	107 161	44 975	88 223
Loans and advances to customers, after considering reversal of loans interests discount on impairment losses, of which	269 813	522 874	235 746	466 189
- companies	83 617	162 055	74 908	150 608
- households	183 055	354 557	158 287	310 994
- public institutions	2 577	5 138	2 275	4 101
- other entities	564	1 124	276	486
Debt acquired from customers	5 925	11 125	4 648	8 385
Other amounts due from customers	679	1 643	825	1 668
Debt securities	54 485	105 847	41 408	89 788
- at fair value through profit or loss account (trading)	10 870	20 255	6 796	12 495
- available for sale	43 037	84 032	33 102	73 826
- other debt securities	578	1 560	1 510	3 467
	<b>398 177</b>	<b>765 889</b>	<b>335 039</b>	<b>668 615</b>
<b>Interest expense</b>				
Amounts owed to banks	26 994	51 690	23 961	50 883
Amounts owed to customers	172 544	344 420	165 063	344 518
	<b>199 538</b>	<b>396 110</b>	<b>189 024</b>	<b>395 401</b>
<b>Net interest income</b>	<b>198 639</b>	<b>369 779</b>	<b>146 015</b>	<b>273 214</b>

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## 2.2 Net fee and commission income

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
<b>Fee and commission income</b>				
Fee and commission income from banks	3 587	6 954	3 322	6 418
Fee and commission income from customers	74 542	143 319	73 859	141 797
- on loans and advances	25 607	47 824	18 879	38 563
- on domestic settlements	274	548	354	732
- on foreign settlements	1 254	2 386	1 370	2 583
- on account service	25 964	52 110	33 429	61 109
- on guarantee commitments	2 976	5 855	2 907	6 537
- on brokerage operations	3 485	7 069	4 216	7 939
- on payment cards	13 533	25 837	11 890	23 415
- other	1 449	1 690	814	919
	<b>78 129</b>	<b>150 273</b>	<b>77 181</b>	<b>148 215</b>
<b>Fee and commission expense</b>				
Fee and commission expense from banks	1 180	2 064	1 124	2 281
Fee and commission expense from customers	8 758	15 957	7 237	14 195
	<b>9 938</b>	<b>18 021</b>	<b>8 361</b>	<b>16 476</b>
<b>Net fee and commission income</b>	<b>68 191</b>	<b>132 252</b>	<b>68 820</b>	<b>131 739</b>

## 2.3 Result on trading activities

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
Equity instruments	-	-	-	(96)
Debt instruments	1 157	1 607	(941)	(1 028)
Derivatives	116 319	371 213	(432 946)	(402 631)
Foreign exchange result	(101 756)	(318 853)	457 120	456 284
<b>Result on trading activities</b>	<b>15 720</b>	<b>53 967</b>	<b>23 233</b>	<b>52 529</b>

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## 2.4 General administrative expenses

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
Employee benefit costs, of which:	111 719	217 640	90 971	185 222
- Payroll	91 277	178 601	74 919	153 878
Including: retirement pay	53	61	42	183
- Social security	12 619	25 275	10 000	21 224
- Other	7 823	13 764	6 052	10 120
Materials and energy	7 859	16 443	7 403	15 431
External services	50 333	92 504	36 628	73 937
Other non-personnel costs	37 217	67 110	29 436	53 198
Taxes and charges	1 996	3 307	1 290	2 502
Contributions and amounts transferred to the BFG and KNF	6 541	13 045	3 472	6 867
<b>General administrative expenses, total</b>	<b>215 665</b>	<b>410 049</b>	<b>169 200</b>	<b>337 157</b>

## 2.5 Other operating income

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
From management of third-party properties	347	946	242	519
From sale or liquidation of property, plant and equipment, intangible assets and assets held-for-sale	262	1 314	1 455	2 134
From recovered statute –barred receivables, written off or bad debts, repayments of derecognized receivables	878	2 367	2 424	3 463
Sales of goods and services	2 698	4 818	2 601	4 504
Reversal of provisions for other receivables (excluding loan receivables)	176	335	267	348
Reversal of provisions for liabilities (Note 2.23, 2.24)	2 713	7 255	2 121	2 707
From recovery of costs incurred	502	905	384	805
Other operating income*	10 984	13 766	1 973	6 327
<b>Other operating income, total</b>	<b>18 560</b>	<b>31 706</b>	<b>11 467</b>	<b>20 807</b>

\* the line 'Other operating income' consists mainly of reversals of unutilized allowances for costs relating to year 2010 as well as income from reimbursed amounts incurred in relation

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with realization of training projects donated by Polish Agency for Enterprise Development (PARP).

## 2.6 Other operating costs

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
Due to the management of third-party assets	287	551	450	751
Due to the sale or liquidation of property, plant and equipment, intangible assets and assets or sale	406	742	606	696
Due to recognized provisions for other receivables (other than loans and advances)	184	255	184	501
Due to provisions for liabilities (Note 2.23, 2.24)	1 782	9 245	4 126	9 086
Due to debt recovery	1 751	3 278	1 322	2 383
Donations	735	1 365	591	1 186
Amortization and depreciation	19 558	38 206	17 802	35 006
Other operating expenses	364	935	922	2 721
<b>Other operating expenses, total</b>	<b>25 067</b>	<b>54 577</b>	<b>26 003</b>	<b>52 330</b>

## 2.7 Impairment losses on loans and advances

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
Amounts due from other banks	88	116	4 688	4 733
Loans and advances to customers	(27 152)	(49 653)	(53 840)	(78 605)
Liabilities granted	(3 435)	(4 111)	527	(914)
<b>Impairment losses on loans and advances, total</b>	<b>(30 499)</b>	<b>(53 648)</b>	<b>(48 625)</b>	<b>(74 786)</b>

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## 2.8 Effective tax rate

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
Current tax	(267)	(267)	(89 639)	(89 684)
Deferred tax	(7 715)	(13 518)	92 011	93 693
<b>Income tax expense</b>	<b>(7 982)</b>	<b>(13 785)</b>	<b>2 372</b>	<b>4 009</b>
Profit (loss) before taxation	34 435	74 067	11 246	19 286
Statutory tax rate	19%	19%	19%	19%
<b>Income tax based on profit before taxation</b>	<b>(6 543)</b>	<b>(14 073)</b>	<b>(2 136)</b>	<b>(3 664)</b>
Non tax-deductible costs	(2 277)	(3 889)	(1 677)	(3 094)
– receivables written-off	76	118	(1 575)	(1 544)
– non-tax-deductible material costs	(2 121)	(3 364)	(318)	(489)
– other permanent differences	(232)	(643)	216	(1 061)
Impairment allowance	1 999	6 088	4 572	6 440
Other differences	(1 161)	(1 911)	1 613	4 327
<b>Tax expense/ tax income</b>	<b>(7 982)</b>	<b>(13 785)</b>	<b>2 372</b>	<b>4 009</b>

Based on the current actions taken by the Bank in respect of charging to the costs constituting tax-deductible costs of bad debts impairment allowances on loans for the purposes of the corporate income tax, the deferred tax asset of PLN 341 069 thousand (with the position as at 31 December 2010 on the level of PLN 256 336 thousand and as at 30 June 2010 on the level of PLN 177 461 thousand) was recognized by the Bank as at 30 June 2011 in respect of these impairment allowances represents the best estimate of the impairment losses that are possible to be proved tax deductible in the foreseeable future. In 2010 and 2011, the Bank calculated a 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.

## 2.9 Amounts due from banks

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Current accounts	49 532	223 054	160 012
Placements with other banks	149 016	6 133	110 782
Loans and advances	15 657	52 478	72 372
Purchased debts	335	360	8 899
<b>Amounts due from other banks (gross)</b>	<b>214 540</b>	<b>282 025</b>	<b>352 065</b>
Impairment allowances (negative value)	(965)	(1 105)	(4 978)

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Amounts due from other banks (net), total	213 575	280 920	347 087
	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
<b>Impairment allowances on amounts due from other banks at the beginning of the period</b>	<b>1 105</b>	<b>8 383</b>	<b>8 383</b>
Allowance recognized	79	9 022	4 290
Allowance reversed	(195)	(13 934)	(9 023)
Allowance utilized	-	(3 016)	-
Other changes	(24)	650	1 328
<b>Impairment allowances on amounts due from other banks at the end of the period</b>	<b>965</b>	<b>1 105</b>	<b>4 978</b>

*Amounts due from banks classified as individually and collectively assessed*

30.06.2011 unaudited	Individually assessed	Collectively assessed	TOTAL
Current accounts	-	49 532	49 532
Placements with other banks	-	149 016	149 016
Loans and advances	640	15 017	15 657
Purchased debts	335	-	335
<b>Total gross amounts due from banks</b>	<b>975</b>	<b>213 565</b>	<b>214 540</b>
<b>31.12.2010</b>			
Current accounts	-	223 054	223 054
Placements with other banks	-	6 133	6 133
Loans and advances	644	51 834	52 478
Purchased debts	360	-	360
<b>Total gross amounts due from banks</b>	<b>1 004</b>	<b>281 021</b>	<b>282 025</b>
<b>30.06.2010 unaudited</b>			
Current accounts	-	160 012	160 012
Placements with other banks	-	110 782	110 782
Loans and advances	664	71 708	72 372
Purchased debts	8 899	-	8 899
<b>Total gross amounts due from banks</b>	<b>9 563</b>	<b>342 502</b>	<b>352 065</b>

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*Impairment allowances on amounts from banks, classified as individually and collectively assessed*

	Individually assessed	Collectively assessed	TOTAL
<b>30.06.2011 unaudited</b>			
Loans and advances	504	126	630
Purchased debts	335	-	335
<b>Total impairment allowances</b>	<b>839</b>	<b>126</b>	<b>965</b>
<b>31.12.2010</b>			
Loans and advances	508	237	745
Purchased debts	360	-	360
<b>Total impairment allowances</b>	<b>868</b>	<b>237</b>	<b>1 105</b>
<b>30.06.2010 unaudited</b>			
Loans and advances	605	260	865
Purchased debts	4 113	-	4 113
<b>Total impairment allowances</b>	<b>4 718</b>	<b>260</b>	<b>4 978</b>

## 2.10 Receivables arising from reverse repo transactions

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Up to 1 month	255 391	651 706	256 327
<b>Receivables arising from reverse repo transactions, total</b>	<b>255 391</b>	<b>651 706</b>	<b>256 327</b>

## 2.11 Held-for-trading securities

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
<b>Held for trading securities:</b>			
- treasury bills	82 259	349 289	409 765
- bonds issued by central government institutions	729 979	1 465 610	615 258
<b>Held-for-trading securities, total</b>	<b>812 238</b>	<b>1 814 899</b>	<b>1 025 023</b>
<i>of which: valued using the market quotation method</i>	812 238	1 814 899	1 025 023



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## 2.12 Derivative financial instruments

<b>30.06.2011 unaudited</b>	<b>Nominal value</b>	<b>Fair value of assets</b>	<b>Fair value of liabilities</b>
Currency derivatives from OTC transactions	19 981 744	132 653	(246 171)
Interest rate derivatives from OTC transactions	52 345 842	58 942	(109 431)
Interest rate derivatives from regulated market transactions	50 227	5	(117)
Equity derivatives from OTC transactions	84 656	4 199	(7 247)
Settlements in respect of the purchase and sale of options	X	4 800	(160)
<b>TOTAL</b>	<b>72 462 469</b>	<b>200 599</b>	<b>(363 126)</b>
<b>31.12.2010</b>			
Currency derivatives from OTC transactions	26 109 386	139 772	(636 496)
Interest rate derivatives from OTC transactions	33 643 102	70 088	(86 950)
Interest rate derivatives from regulated market transactions	24 752	-	(47)
Equity derivatives from OTC transactions	105 164	5 007	(8 558)
Settlements in respect of the purchase and sale of options	X	6 120	(47)
<b>TOTAL</b>	<b>59 852 404</b>	<b>220 987</b>	<b>(732 098)</b>
<b>30.06.2010 niebadane</b>			
Currency derivatives from OTC transactions	25 851 011	278 300	(702 915)
Interest rate derivatives from OTC transactions	33 261 424	138 036	(115 614)
Interest rate derivatives from regulated market transactions	-	-	-
Equity derivatives from OTC transactions	128 254	5 138	(8 901)
Settlements in respect of derivative transactions	-	17	(233)
Settlements in respect of the purchase and sale of options	X	7 467	(270)
<b>TOTAL</b>	<b>59 240 689</b>	<b>428 958</b>	<b>(827 933)</b>

### Fair value of financial assets and liabilities

The Bank uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities:

#### Level 1

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

#### Level 2

Financial assets and liabilities valued using valuation techniques based on directly observable market quotations or other information based on market quotations.

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## Level 3

Financial assets and liabilities valued using valuation techniques based on market quotations which are not directly observable.

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

<b>30.06.2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>	<b>3 647 384</b>	<b>805 659</b>	<b>163 528</b>	<b>4 616 571</b>
Financial assets at fair value through profit or loss	812 238	-	-	812 238
Derivatives	5	200 594	-	200 599
Financial assets available for sale	2 835 141	605 065	163 528	3 603 734
<b>Financial liabilities:</b>	<b>117</b>	<b>363 009</b>	<b>-</b>	<b>363 126</b>
Derivatives	117	363 009	-	363 126
<b>31.12.2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>	<b>3 635 851</b>	<b>1 528 207</b>	<b>162 503</b>	<b>5 326 561</b>
Financial assets at fair value through profit or loss	1 814 899	-	-	1 814 899
Derivatives	-	220 259	728	220 987
Financial assets available for sale	1 820 952	1 307 948	161 775	3 290 675
<b>Financial liabilities:</b>	<b>47</b>	<b>730 051</b>	<b>2 000</b>	<b>732 098</b>
Derivatives	47	730 051	2 000	732 098
<b>30.06.2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>	<b>2 035 067</b>	<b>2 634 648</b>	<b>164 782</b>	<b>4 834 497</b>
Financial assets at fair value through profit or loss	1 025 023	-	-	1 025 023
Derivatives	-	427 909	1 049	428 958
Financial assets available for sale	1 010 044	2 206 739	163 733	3 380 516
<b>Financial liabilities:</b>	<b>-</b>	<b>824 523</b>	<b>3 410</b>	<b>827 933</b>
Derivatives	-	824 523	3 410	827 933

In year 2011 the Bank did not change the methodology of measurement to fair value which would result in a transfer of elements of material financial assets and liabilities between the above described levels.

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## 2.13 Loans and advances to customers

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Amounts due from customers under overdraft facilities, of which:	3 239 330	2 625 560	2 505 639
- businesses	1 765 389	1 407 450	1 364 982
- households:	1 450 926	1 208 663	1 123 612
- individual customers	130 053	124 928	121 992
- individual entrepreneurs	309 753	245 821	246 603
- farmers	1 011 120	837 914	755 017
Loans and advances to customers:	18 176 592	17 599 576	16 826 538
- businesses, including:	5 381 237	5 280 957	5 010 412
- investment loans	3 082 926	2 726 581	2 650 704
- operating loans	1 699 190	2 026 163	1 933 389
- households:	12 570 631	12 073 695	11 603 590
- individual customers, of which:	7 891 657	7 765 790	7 514 628
- real-estate loans	6 689 794	6 558 895	6 357 847
- individual entrepreneurs	939 177	837 838	777 147
- farmers	3 739 797	3 470 067	3 311 815
- public sector institutions	205 555	214 429	200 444
- other entities	19 169	30 495	12 092
Purchased debt	345 237	291 397	255 715
Other receivables	46 930	49 740	49 898
Other	-	1 721	-
<b>Loans and advances to customers, gross</b>	<b>21 808 089</b>	<b>20 567 994</b>	<b>19 637 790</b>
Impairment allowances (negative value)	(760 596)	(698 817)	(675 401)
<b>Loans and advances to customers, net</b>	<b>21 047 493</b>	<b>19 869 177</b>	<b>18 962 389</b>

Preferential loans and advances (granted with additional payments from government agencies) granted to businesses, farmers and individual entrepreneurs amounted to a total of PLN 3 738 334 thousand as at 30.06.2011, PLN 3 492 138 thousand as at 31.12.2010 and PLN 3 392 090 thousand as at 30 June 2010.

### Impairment losses on loans and advances

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
<b>Losses incurred but not reported (IBNR)</b>			
Gross statement of financial position exposure	20 439 300	19 246 702	18 428 156
Impairment allowance on exposures analyzed on the portfolio basis	(71 023)	(69 820)	(65 731)
<b>Net exposure</b>	<b>20 368 277</b>	<b>19 176 882</b>	<b>18 362 425</b>
<b>Impaired exposures</b>			
Gross statement of financial position exposure	1 368 789	1 321 292	1 209 634
Impairment allowance on exposures analyzed on the portfolio and individual basis	(689 573)	(628 997)	(609 670)
<b>Net exposure</b>	<b>679 216</b>	<b>692 295</b>	<b>599 964</b>

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	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Amounts due from customers under overdraft facilities, of which:	114 841	101 357	103 351
- businesses	64 092	55 217	47 729
- households:	50 653	46 079	55 585
- individual customers	15 409	15 412	16 597
- individual entrepreneurs	22 500	19 046	17 929
- farmers	12 744	11 621	21 059
Loans and advances to customers:	589 316	540 373	518 211
- businesses, including:	168 706	170 077	163 156
- investment loans	43 686	50 073	43 429
- operating loans	99 377	96 484	96 966
- households:	419 525	369 414	354 059
- individual customers, of which:	266 030	218 508	180 710
- real-estate loans	112 816	87 608	70 833
- individual entrepreneurs	47 881	46 490	53 317
- farmers	105 614	104 416	120 032
- public sector institutions	521	527	448
- other entities	564	355	548
Purchased debt	21 729	21 911	17 784
Other receivables	34 710	35 176	36 055
<b>Impairment allowances, Total</b>	<b>760 596</b>	<b>698 817</b>	<b>675 401</b>

Impairment allowances on preferential loans and advances (granted with additional payments from government agencies) granted to businesses, farmers and individual entrepreneurs amounted to a total of PLN 84 560 thousand as at 30.06.2011, PLN 82 925 thousand as at 31.12.2010 and PLN 90 792 thousand as at 30.06.2010.

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*Individually and collectively assessed loans and advances*

<b>30.06.2011 unaudited</b>	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>Other receivables</b>	<b>TOTAL</b>
Amounts due from customers under overdraft facilities	78 115	3 161 215	-	3 239 330
Loans and advances to customers:	544 566	17 632 026	-	18 176 592
- businesses	428 987	4 952 250	-	5 381 237
- households	114 996	12 455 635	-	12 570 631
- public sector institutions	95	205 460	-	205 555
- other entities	488	18 681	-	19 169
Purchased debts	16 423	328 814	-	345 237
Other receivables	45 118	1 812	-	46 930
<b>Total loans and advances to customers</b>	<b>684 222</b>	<b>21 123 867</b>	<b>-</b>	<b>21 808 089</b>
<b>31.12.2010</b>				
Amounts due from customers under overdraft facilities	81 514	2 544 046	-	2 625 560
Loans and advances to customers:	569 725	17 029 851	-	17 599 576
- businesses	451 139	4 829 818	-	5 280 957
- households	118 123	11 955 572	-	12 073 695
- public sector institutions	80	214 349	-	214 429
- other entities	383	30 112	-	30 495
Purchased debts	16 449	274 948	-	291 397
Other receivables	46 025	3 715	-	49 740
Other (not settled means)	-	-	1 721	1 721
<b>Total loans and advances to customers</b>	<b>713 713</b>	<b>19 852 560</b>	<b>1 721</b>	<b>20 567 994</b>
<b>30.06.2010 unaudited</b>				
Amounts due from customers under overdraft facilities	39 967	2 465 672	-	2 505 639
Loans and advances to customers:	603 562	16 222 976	-	16 826 538
- businesses	487 398	4 523 014	-	5 010 412
- households	115 619	11 487 971	-	11 603 590
- public sector institutions	56	200 388	-	200 444
- other entities	489	11 603	-	12 092
Purchased debts	10 607	245 108	-	255 715
Other receivables	45 927	3 971	-	49 898
<b>Total loans and advances to customers</b>	<b>700 063</b>	<b>18 937 727</b>		<b>19 637 790</b>

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*Impairment allowances on loans and advances, classified as individually and collectively assessed*

<b>30.06.2011 unaudited</b>	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>TOTAL</b>
Amounts due from customers under overdraft facilities	22 759	92 082	114 841
Loans and advances to customers, of which:	178 564	410 752	589 316
- businesses	115 601	53 105	168 706
- households	62 441	357 084	419 525
- public sector institutions	34	487	521
- other entities	488	76	564
Purchased debts	14 712	7 017	21 729
Other receivables	33 043	1 667	34 710
<b>Impairment allowances</b>	<b>249 078</b>	<b>511 518</b>	<b>760 596</b>
<b>31.12.2010</b>			
Amounts due from customers under overdraft facilities	22 300	79 057	101 357
Loans and advances to customers, of which:	185 939	354 434	540 373
- businesses	120 726	49 351	170 077
- households	64 926	304 488	369 414
- public sector institutions	32	495	527
- other entities	255	100	355
Purchased debts	14 649	7 262	21 911
Other receivables	33 587	1 589	35 176
<b>Impairment allowances</b>	<b>256 475</b>	<b>442 342</b>	<b>698 817</b>
<b>30.06.2010 unaudited</b>			
Amounts due from customers under overdraft facilities	25 489	77 862	103 351
Loans and advances to customers, of which:	200 025	318 186	518 211
- businesses	117 279	45 877	163 156
- households	82 238	271 821	354 059
- public sector institutions	19	429	448
- other entities	489	59	548
Purchased debts	10 355	7 429	17 784
Other receivables	34 346	1 709	36 055
<b>Impairment allowances</b>	<b>270 215</b>	<b>405 186</b>	<b>675 401</b>

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	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
<b>Impairment allowances at the beginning of the period</b>	<b>698 817</b>	<b>598 782</b>	<b>598 782</b>
Allowance recognized	564 425	1 045 722	446 388
Allowance reversed	(514 772)	(907 409)	(376 783)
Write-off	(8 205)	(59 221)	(3 960)
Change in interest income in relation to IBNR	13 134	12 840	5 236
Other changes (including FX differences)	7 197	8 103	(3 262)
<b>Impairment allowances at the end of the period</b>	<b>760 596</b>	<b>698 817</b>	<b>675 401</b>

## *Restructured receivables*

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Net value	150 685	156 728	287 918

## 2.14 Securities available for sale

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Debt securities carried at fair value:	3 599 343	3 285 607	3 377 012
- NBP money bills	599 925	1 299 188	2 199 560
- treasury bills	-	98 214	295 019
- bonds issued by central government institutions	2 831 688	1 722 737	715 025
- debt securities issued by financial institutions	5 140	5 111	5 093
- debt securities issued by non-financial institutions	128 452	126 551	124 524
- bonds issued by public sector entities	34 138	33 806	37 791
Equity securities	4 391	5 068	3 504
<b>Total securities available for sale</b>	<b>3 603 734</b>	<b>3 290 675</b>	<b>3 380 516</b>
<b>of which:</b>			
- valued using the market quotation method	2 835 141	1 820 952	1 010 044
- valued using model-based method	768 593	1 469 723	2 370 472

## 2.15 Other debt securities

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Debt securities carried at amortized cost:	55 700	109 232	161 526
- restructuring bonds	55 700	109 232	161 526
<b>Total other debt securities</b>	<b>55 700</b>	<b>109 232</b>	<b>161 526</b>

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## 2.16 Intangible assets

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Licenses	71 915	75 481	69 193
Other intangible assets	649	787	825
Expenditures on intangible assets	17 517	20 519	18 619
<b>Intangible assets, total</b>	<b>90 081</b>	<b>96 787</b>	<b>88 637</b>

## 2.17 Property, plant and equipment

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Fixed assets, of which:	452 200	448 795	430 384
- land and buildings	277 575	282 929	288 211
- tangible fixed assets	174 625	165 866	142 173
Assets under construction	9 990	16 023	8 574
<b>Property, plant and equipment, total</b>	<b>462 190</b>	<b>464 818</b>	<b>438 958</b>

## 2.18 Other assets

	30.06.2011 Unaudited	31.12.2010	30.06.2010 unaudited
<b>Other assets:</b>			
- assets available for sale	-	399	-
- settlements with debtors	88 591	73 088	71 799
- other prepayments	7 816	5 325	31 342
- commission income receivable	6 990	8 828	9 153
- settlements of card payments	48 188	17 915	18 645
- costs paid in advance	10 130	-	4 220
- other	5 200	361	2 265
<b>Other assets</b>	<b>166 915</b>	<b>105 916</b>	<b>137 424</b>
Impairment allowance (other than loans and advances)	(25 207)	(27 638)	(28 100)
<b>Other assets, total</b>	<b>141 708</b>	<b>78 278</b>	<b>109 324</b>

## 2.19 Amounts owed to other banks

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Cash in current accounts	806 831	164 321	611 405
Term deposits	458 672	639 820	350 081
Loans and advances taken out	2 697 312	206 804	20 758
Other liabilities	12 747	9 474	12 256
<b>Amounts owed to other banks, total</b>	<b>3 975 562</b>	<b>1 020 419</b>	<b>994 500</b>



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On 22 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 will be made available in tranches starting from 29 April 2011 to 30 September 2011. As of 30 June 2011 The Bank has utilized 12 tranches of the loan amounting to CHF 756 million (PLN 2 495 102 thousand).

In the first half of 2010 the Bank received a loan from the European Bank for Reconstruction and Development amounting to EUR 50 million. As at 30 June 2011 the balance of the loan amounts to PLN 199 330 thousand.

## 2.20 Liabilities arising from repo transactions

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Up to 1 month	-	1 268 921	360 334
<b>Liabilities arising from repo transactions, total</b>	<b>-</b>	<b>1 268 921</b>	<b>360 334</b>

## 2.21 Amounts owed to customers

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
<b>Other financial institutions:</b>	<b>1 158 052</b>	<b>1 090 373</b>	<b>429 902</b>
Current accounts	12 751	15 200	58 451
Term deposits	1 140 977	1 072 109	365 518
Other liabilities	4 324	3 064	5 933
- liabilities arising from monetary collateral	-	2 580	2 526
- other	4 324	484	3 407
<b>Retail customers:</b>	<b>11 498 062</b>	<b>11 369 506</b>	<b>11 339 619</b>
Current accounts	6 633 803	6 326 540	6 676 643
Term deposits	4 855 464	5 034 689	4 653 069
Other liabilities	8 795	8 277	9 907
- liabilities arising from monetary collateral	5 162	4 641	4 536
- other	3 633	3 636	5 371
<b>Corporate customers:</b>	<b>6 253 020</b>	<b>6 871 791</b>	<b>6 015 118</b>
Current accounts	3 375 233	3 476 534	2 892 308
Term deposits	2 786 948	3 321 879	3 052 393
Other liabilities	90 839	73 378	70 417
- liabilities arising from monetary collateral	90 386	72 061	70 046
- other	453	1 317	371
<b>Of which farmers:</b>	<b>721 634</b>	<b>686 217</b>	<b>580 919</b>
Current accounts	686 444	647 779	549 488
Term deposits	26 884	28 949	19 633
Other liabilities	8 306	9 489	11 798
- liabilities arising from monetary collateral	8 278	9 467	11 776

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	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
- other	28	22	22
<b>Public sector customers:</b>	<b>639 082</b>	<b>1 720 045</b>	<b>1 606 072</b>
Current accounts	471 758	870 988	842 272
Term deposits	167 204	848 932	763 684
Other liabilities	120	125	116
- liabilities arising from monetary collateral	119	118	116
- other	1	7	-
<b>Amounts owed to customers, total</b>	<b>19 548 216</b>	<b>21 051 715</b>	<b>19 390 711</b>

## 2.22 Other liabilities

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Inter-bank settlements	149 160	85 167	123 962
Settlements with creditors	140 952	77 023	82 833
Accrued expenses	57 462	48 353	38 476
- including employee expenses	30 992	21 810	15 137
Deferred income	7 241	6 752	7 856
Other public settlements	25 760	24 600	25 881
<b>Other liabilities, total</b>	<b>380 575</b>	<b>241 895</b>	<b>279 008</b>

## 2.23 Provisions

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Restructuring provision	-	-	1 991
Provision for guarantees, suretyships, unused credit facilities	4 897	4 050	3 916
Provision for court cases	14 316	15 136	15 119
Other provisions, of which:	21 281	22 511	22 373
- provision in accordance with UOKiK (Office of Competition and Consumer Protection) decision	11 883	11 883	11 883
- provision for potential liabilities relating to the return of subsidies to preferential loans	7 874	9 025	8 922
<b>Total provisions</b>	<b>40 494</b>	<b>41 697</b>	<b>43 399</b>

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
<b>Restructuring provision</b>			
<b>Carrying amount at the beginning of the period</b>	-	<b>4 600</b>	<b>4 600</b>
Increases	-	-	-
Utilization	-	(2 761)	(2 609)
Reversal	-	(1 839)	-

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Carrying amount at the end of the period	-	-	1 991
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	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
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Carrying amount at the beginning of the period	4 050	2 870	2 870
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Increases	21 934	13 692	6 507
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Reversal	(17 823)	(12 931)	(5 593)
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Other changes	(3 264)	419	132
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Carrying amount at the end of the period	4 897	4 050	3 916
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	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
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Provision for court cases			
Carrying amount at the beginning of the period	15 136	14 449	14 449

Increases	677	1 948	975
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Utilization	(1 605)	(454)	(152)
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Reversal	(1 031)	(1 384)	(730)
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Reclassification/transfer	1 139	577	577
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Carrying amount at the end of the period	14 316	15 136	15 119
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	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
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Other reserves			
Carrying amount at the beginning of the period	22 511	23 813	23 813

Increases	96	607	462
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Utilization	(107)	(152)	(152)
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Reversal	(42)	(1 180)	(1 160)
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Reclassification/transfer	(1 177)	(577)	(590)
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Carrying amount at the end of the period	21 281	22 511	22 373
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## 2.24 Liabilities arising from employee benefits

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
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Carrying amount at the beginning of the period	22 822	19 912	19 912
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Increases	8 472	7 678	7 649
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# Bank Gospodarki Żywnościowej S.A. Capital Group

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Reversal	(6 182)	(4 768)	(817)
<b>Carrying amount at the end of the period</b>	<b>25 112</b>	<b>22 822</b>	<b>26 744</b>

## 2.25 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.

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Cash and balances with the Central Bank	1 114 603	1 379 737	788 730
Current accounts of banks and other receivables	50 822	225 173	161 795
Bank deposits with maturity of up to 3 months	148 793	5 928	50 000
<b>Cash and cash equivalents, total</b>	<b>1 314 218</b>	<b>1 610 838</b>	<b>1 000 525</b>

## 2.26 Solvency ratio

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Own funds	2 439 180	2 263 845	2 275 930
Total capital requirement	1 725 289	1 638 039	1 582 645
<b>Capital adequacy ratio (%)</b>	<b>11.3</b>	<b>11.1</b>	<b>11.5</b>

## 2.27 Off-balance sheet items

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Liabilities granted	3 837 924	3 705 434	3 420 879
Liabilities received	1 059 121	2 258 192	2 877 320
Off-balance sheet financial instruments	71 028 665	59 650 278	56 447 961
F/X transactions	1 433 804	232 126	2 792 728
<b>Off-balance sheet items, total</b>	<b>77 359 514</b>	<b>65 846 030</b>	<b>65 538 888</b>

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## 2.28 Related party transactions

Transactions with the BGŻ S.A. shareholders as at 30.06.2011 and for the period of 6 months ended 30.06.2011.

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>3 729 629</b>	<b>24</b>	<b>119 702</b>	<b>3 849 355</b>	<b>13.59%</b>
Current accounts	134	-	42	176	-
Debt securities	3 699 625	-	-	3 699 625	13.06%
Receivables from derivative instruments	-	-	119 660	119 660	0.42%
Interest	20 412	-	-	20 412	0.07%
Other receivables	9 458	24	-	9 482	0.04%
<b>Liabilities</b>	<b>90 693</b>	<b>-</b>	<b>2 735 242</b>	<b>2 825 935</b>	<b>9.97%</b>
Loans taken out	-	-	2 495 102	2 495 102	8.81%
Current accounts	45 796	-	28 442	74 238	0.26%
Interest payable	114	-	3 659	3 773	0.01%
Term deposits	44 664	-	-	44 664	0.16%
Liabilities from derivative instruments	-	-	208 039	208 039	0.73%
Other liabilities	119	-	-	119	-
<b>Costs</b>	<b>19 596</b>	<b>100</b>	<b>83 229</b>	<b>102 925</b>	<b>0,05%</b>
Interest	19 596	-	3 693	23 289	0,01%
Commission	-	-	812	812	-
Derivative instruments	-	-	78 724	78 724	0,04%
Result on trading activities	-	100	-	100	-
<b>Revenue</b>	<b>159 831</b>	<b>-</b>	<b>65</b>	<b>159 896</b>	<b>0,08%</b>
Interest*	158 511	-	65	158 576	0,08%
Commission	326	-	-	326	-
Result on trading activities	994	-	-	994	-
<b>Contingent liabilities</b>	<b>566</b>	<b>-</b>	<b>22 672 432</b>	<b>22 672 998</b>	<b>29.31%</b>
Irrevocable liabilities granted	566	-	-	566	-
Liabilities received	-	-	832 404	832 404	1.08%
Derivative instruments	-	-	21 840 028	21 840 028	28.23%

\* Line: Revenue – 'Interest' includes interest on preferential loans amounting to PLN 81 878 thousand.

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Transactions with the BGŻ S.A. shareholders as at 31.12.2010 and for the period of 12 months ended 31.12.2010.

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>3 152 413</b>	<b>866</b>	<b>93 131</b>	<b>3 246 410</b>	<b>11.34%</b>
Current accounts	254	-	82	336	-
Debt securities	3 125 949	-	-	3 125 949	10.92%
Receivables from derivative instruments	-	-	93 049	93 049	0.33%
Interest	15 292	-	-	15 292	0.05%
Other receivables	10 918	866	-	11 784	0.04%
<b>Liabilities</b>	<b>958 801</b>	<b>-</b>	<b>347 086</b>	<b>1 305 887</b>	<b>4.56%</b>
Current accounts	56 461	-	509	56 970	0.20%
Interest payable	1 970	-	-	1 970	0.01%
Term deposits	900 252	-	-	900 252	3.14%
Liabilities from derivative instruments	-	-	346 577	346 577	1.21%
Other liabilities	118	-	-	118	-
<b>Costs</b>	<b>39 448</b>	<b>-</b>	<b>165 032</b>	<b>204 480</b>	<b>0,04%</b>
Interest	39 448	-	130	39 578	0,01%
Commission	-	-	1 645	1 645	-
Derivative instruments	-	-	163 257	163 257	0,03%
<b>Revenue</b>	<b>240 685</b>	<b>725</b>	<b>345</b>	<b>241 755</b>	<b>0,04%</b>
Interest*	236 507	-	345	236 852	0,04%
Commission	647	-	-	647	-
Result on trading activities	3 531	725	-	4 256	-
<b>Contingent liabilities</b>	<b>345</b>	<b>-</b>	<b>34 057 945</b>	<b>34 058 290</b>	<b>55.08%</b>
Irrevocable liabilities granted	345	-	-	345	-
Liabilities received	-	-	2 000 000	2 000 000	3.24%
Derivative instruments	-	-	32 057 945	32 057 945	51.84%

\* Line: Revenue – 'Interest' includes interest on preferential loans amounting to PLN 131 921 thousand.

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Transactions with the BGŻ S.A. shareholders as at 30.06.2010 and for the period of 6 months ended 30.06.2010.

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>2 228 371</b>	<b>16</b>	<b>163 987</b>	<b>2 392 374</b>	<b>9.12%</b>
Current accounts	53	-	33 122	33 175	0.13%
Debt securities	2 196 592	-	-	2 196 592	8.37%
Receivables from derivative instruments	-	-	130 865	130 865	0.50%
Interest	18 844	-	-	18 844	0.07%
Other receivables	12 882	16	-	12 898	0.05%
<b>Liabilities</b>	<b>982 643</b>	<b>-</b>	<b>378 043</b>	<b>1 360 686</b>	<b>5.19%</b>
Current accounts	105 441	-	-	105 441	0.40%
Interest payable	1 493	-	-	1 493	0.01%
Term deposits	875 593	-	-	875 593	3.34%
Liabilities from derivative instruments	-	-	378 043	378 043	1.44%
Other liabilities	116	-	-	116	-
<b>Costs</b>	<b>25 040</b>	<b>-</b>	<b>266 319</b>	<b>291 359</b>	<b>0,10%</b>
Interest	24 579	-	55	24 634	0,01%
Commission	1	-	812	813	-
Derivative instruments	-	-	265 452	265 452	0,09%
Result on trading activities	460	-	-	460	-
<b>Revenue</b>	<b>107 827</b>	<b>7</b>	<b>51</b>	<b>107 885</b>	<b>0,04%</b>
Interest*	107 500	-	51	107 551	0,04%
Commission	327	-	-	327	-
Result on trading activities	-	7	-	7	-
<b>Contingent liabilities</b>	<b>540</b>	<b>-</b>	<b>30 163 049</b>	<b>30 163 589</b>	<b>46.02%</b>
Irrevocable liabilities granted	540	-	-	540	-
Liabilities received	-	-	2 000 000	2 000 000	3.05%
Derivative instruments	-	-	28 163 049	28 163 049	42.97%

\* Line: Revenue – 'Interest' includes interest on preferential loans amounting to PLN 65 223 thousand.

The above transactions with the State Treasury (public entities) relate mainly to ministries, voivodship offices, courts and government agencies (including Agency of Restructuring and Modernization of Agriculture, the Bank settles transactions with this Agency in respect of subsidized loans).

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Transactions with related parties as at 30.06.2011, 31.12.2010 and 30.06.2010 and for the half-year and annual periods ended 30.06.2011, 31.12.2010 and 30.06.2010.

	30.06.2011		31.12.2010		30.06.2010	
	RABOBANK GROUP	% share in total assets/ financial result of BGŻ S.A.	RABOBANK GROUP	% share in total assets/ financial result of BGŻ S.A.	RABOBANK GROUP	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>56 771</b>	<b>0.20%</b>	<b>6 235</b>	<b>0.02%</b>	<b>6 162</b>	<b>0.02%</b>
Loans and advances	-	-	-	-	-	-
Current account	-	-	-	-	-	-
Deposits	50 000	0.18%	-	-	-	-
Interest	7	-	-	-	-	-
Commission	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Receivables from derivative instruments	6 764	0.02%	6 089	0.02%	6 052	0.02%
Other receivables	-	-	146	-	110	-
<b>Liabilities</b>	<b>3 504</b>	<b>0.01%</b>	<b>9 679</b>	<b>0.03%</b>	<b>10 288</b>	<b>0.04%</b>
Current accounts	2 753	0.01%	641	-	58	-
Term deposits	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-
Liabilities from derivative instruments	751	-	583	-	1 421	0.01%
Other liabilities	-	-	8 455	0.03%	8 809	0.03%
<b>Expenses</b>	<b>5 518</b>	<b>-</b>	<b>10 499</b>	<b>-</b>	<b>4 490</b>	<b>-</b>
Interest	4	-	37	-	32	-
Derivative instruments	429	-	1 426	-	1 599	-
Result on trading activities	5 085	-	9 036	-	2 859	-
<b>Revenues</b>	<b>436</b>	<b>-</b>	<b>889</b>	<b>-</b>	<b>375</b>	<b>-</b>
Interest	436	-	889	-	375	-
Commission	-	-	-	-	-	-
<b>Contingent liabilities</b>	<b>42 586</b>	<b>0.06%</b>	<b>43 408</b>	<b>0.2%</b>	<b>71 679</b>	<b>0.11%</b>
Liabilities granted	-	-	-	-	-	-
Liabilities received	-	-	-	-	-	-
Derivative instruments	42 586	0.06%	43 408	0.2%	71 679	0.11%

\* Excluding RABOBANK INTERNATIONAL HOLDING B.V. and COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.



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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, 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. Management segment costs include the direct costs of their activities and costs allocated in accordance with the allocation model adopted by the Group.

The Group's operating activities are limited to Poland.

Compared to the financial statements for the year ended 31 December 2010 the Group has implemented changes to the presentation and calculation of segments data. In respect of income, the Group separated components of net interest income of segments – i.e. external and internal income and costs without changing the method of calculation of these items. The Group changed the allocation model of indirect costs to the segments in order to obtain full allocation of costs to customer segments. The main changes in comparison with the previous allocation model relate to allocation of risk management costs and costs of support functions to business segments. Furthermore, within the Institutional Banking segment, the Group separated the segment of Agro customers due to its importance for the Bank's strategy development and its influence on the Bank's financial results as well as separate monitoring of the segment in the management reporting. In addition, due to changes in the definition of the Agro segment since the beginning of 2011, respective adjustment was made in relation to the 2010 data. As a result of the organizational changes in the Bank Financial Markets segment and ALCO segment were also separated.

In the opinion of the Group the above changes improved the quality of reported data and the new presentation better reflects the profile of the Group and the structure of its internal management reporting which allows for better interpretation of the achieved results. The data for the prior periods were adjusted for comparability with the presented current year reporting period.

### 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 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). Additionally, selected products are distributed by financial intermediaries operating nationwide and locally.

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**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.

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), 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 Argo 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.

In **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.

### 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:

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- 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

Reporting by operating segments	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
Result on financial operations	5 984	31 573	12 526	28 624
Foreign exchange result	14 292	27 031	16 246	29 175
	<b>20 276</b>	<b>58 604</b>	<b>28 772</b>	<b>57 799</b>
<b>Income statement:</b>				
Dividend income	3 554	3 554	3 081	3 147
Result on trading activities	15 720	53 967	23 233	52 529
Result on investing activities	(82)	(926)	2 278	1 915
Share in income of associates	1 084	2 009	180	208
	<b>20 276</b>	<b>58 604</b>	<b>28 772</b>	<b>57 799</b>
Result on other operations	13 051	15 335	3 266	3 483
Depreciation	(19 558)	(38 206)	(17 802)	(35 006)
	<b>(6 507)</b>	<b>(22 871)</b>	<b>(14 536)</b>	<b>(31 523)</b>
<b>Income statement:</b>				
Other operating income	18 560	31 706	11 467	20 807
Other operating expenses	(25 067)	(54 577)	(26 003)	(52 330)
	<b>(6 507)</b>	<b>(22 871)</b>	<b>(14 536)</b>	<b>(31 523)</b>

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2nd quarter of 2011 unaudited	Retail banking	Institutional banking	Including: Agro clients	Financial markets and ALCO	Other	BGŻ S.A. Capital Group
<b>Income statement</b>						
Net interest income	80 903	94 448	50 128	17 853	5 435	198 639
External interest income	106 508	211 067	130 270	55 900	24 702	398 177
External interest expenses	(91 242)	(68 444)	(12 930)	(39 852)	-	(199 538)
Internal interest income	135 331	96 056	22 032	(231 398)	11	-
Internal interest expenses	(69 694)	(144 231)	(89 244)	233 203	(19 278)	-
Net fee and commission income	19 944	47 806	18 478	(764)	1 205	68 191
Result on financial operations	(5)	5	-	1 346	4 638	5 984
Foreign exchange result	3 844	10 280	2 898	72	96	14 292
Result on other operations	422	(6)	(5)	1 333	11 302	13 051
Net impairment write-offs	(18 886)	(8 433)	(2 712)	7	(3 187)	(30 499)
Total costs of banking activities	(107 953)	(89 723)	(41 324)	(4 787)	(13 202)	(215 665)
Depreciation/Amortization	(10 654)	(8 126)	(3 700)	(536)	(242)	(19 558)
<b>Segment result</b>	<b>(32 385)</b>	<b>46 251</b>	<b>23 763</b>	<b>14 524</b>	<b>6 045</b>	<b>34 435</b>
Profit (loss) before taxation	-	-	-	-	-	34 435
Income tax expense	-	-	-	-	-	(7 982)
Net profit (loss)	-	-	-	-	-	26 453
<b>Statement of financial position</b>						
Segment assets	7 722 689	13 119 821	7 817 359	4 806 142	2 704 688	28 353 340
Segment liabilities	11 481 520	7 124 804	1 958 581	5 755 977	1 415 237	25 777 538
Equity	-	-	-	-	-	2 575 802
Total equity and liabilities	-	-	-	-	-	28 353 340

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Two quarters of 2011 unaudited	Retail banking	Institutional banking	Including: Agro clients	Financial markets and ALCO	Other	BGŻ S.A. Capital Group
<b>Income statement</b>						
Net interest income	151 427	179 804	93 561	27 456	11 092	<b>369 779</b>
External interest income	208 591	396 125	244 143	112 607	48 566	<b>765 889</b>
External interest expenses	(183 954)	(135 387)	(24 678)	(76 769)	-	<b>(396 110)</b>
Internal interest income	264 022	190 076	42 363	(454 118)	20	-
Internal interest expenses	(137 232)	(271 010)	(168 267)	445 736	(37 494)	-
Net fee and commission income	41 179	90 856	34 780	(2 114)	2 331	<b>132 252</b>
Result on financial operations	(6)	10	-	26 005	5 564	<b>31 573</b>
Foreign exchange result	7 407	19 304	5 390	117	203	<b>27 031</b>
Result on other operations	1 188	(7)	(6)	2 261	11 893	<b>15 335</b>
Net impairment write-offs	(29 945)	(10 039)	(1 312)	(60)	(13 604)	<b>(53 648)</b>
Total costs of banking activities	(209 338)	(171 134)	(77 799)	(9 135)	(20 442)	<b>(410 049)</b>
Depreciation/Amortization	(21 076)	(15 647)	(7 009)	(1 014)	(469)	<b>(38 206)</b>
<b>Segment result</b>	<b>(59 164)</b>	<b>93 147</b>	<b>47 605</b>	<b>43 516</b>	<b>(3 432)</b>	<b>74 067</b>
Profit (loss) before taxation	-	-	-	-	-	<b>74 067</b>
Income tax expense	-	-	-	-	-	<b>(13 785)</b>
Net profit (loss)	-	-	-	-	-	<b>60 282</b>
<b>Statement of financial position</b>						
Segment assets	7 722 689	13 119 821	7 817 359	4 806 142	2 704 688	<b>28 353 340</b>
Segment liabilities	11 481 520	7 124 804	1 958 581	5 755 977	1 415 237	<b>25 777 538</b>
Equity	-	-	-	-	-	<b>2 575 802</b>
Total equity and liabilities	-	-	-	-	-	<b>28 353 340</b>

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2nd quarter of 2011 unaudited Income statement	Retail banking	Institutional banking	Including: Agro clients	Financial Markets and ALCO	Other	BGŻ S.A. Capital Group
Net interest income	59 496	79 279	37 014	4 134	3 106	146 015
External interest income	95 791	171 209	97 652	50 556	17 483	335 039
External interest expenses	(100 810)	(59 111)	(11 088)	(29 103)	-	(189 024)
Internal interest income	127 824	84 706	17 846	(212 537)	7	-
Internal interest expenses	(63 309)	(117 525)	(67 396)	195 218	(14 384)	-
Net fee and commission income	23 613	44 014	16 778	(228)	1 421	68 820
Result on financial operations	(11)	59	-	8 354	4 124	12 526
Foreign exchange result	3 669	8 649	2 492	3 876	52	16 246
Result on other operations	203	-	-	1 135	1 928	3 266
Net impairment write-offs	(34 360)	(10 971)	(3 128)	641	(3 935)	(48 625)
Total costs of banking activities	(89 273)	(70 747)	(30 151)	(5 301)	(3 879)	(169 200)
Depreciation/Amortization	(10 172)	(6 800)	(2 902)	(516)	(314)	(17 802)
<b>Segment result</b>	<b>(46 835)</b>	<b>43 483</b>	<b>20 103</b>	<b>12 095</b>	<b>2 503</b>	<b>11 246</b>
Profit (loss) before taxation	-	-	-	-	-	11 246
Income tax expense	-	-	-	-	-	2 372
Net profit (loss)	-	-	-	-	-	13 618
<b>Statement of financial position</b>						
Segment assets	7 476 524	11 427 039	6 528 901	4 591 348	2 768 693	26 263 604
Segment liabilities	11 296 440	7 787 746	1 755 081	2 702 276	2 070 346	23 856 808
Equity	-	-	-	-	-	2 406 796
Total equity and liabilities	-	-	-	-	-	26 263 604

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2nd quarter of 2011 unaudited Income statement	Retail banking	Institutional banking	Including: Agro clients	Financial Markets and ALCO	Other	BGŻ S.A. Capital Group
Net interest income	113 477	152 540	71 186	1 759	5 438	273 214
External interest income	186 903	339 711	192 107	108 739	33 262	668 615
External interest expenses	(205 515)	(123 430)	(22 782)	(66 456)	-	(395 401)
Internal interest income	257 355	173 057	36 151	(430 427)	15	-
Internal interest expenses	(125 266)	(236 798)	(134 290)	389 903	(27 839)	-
Net fee and commission income	46 068	83 822	32 169	(1 278)	3 127	131 739
Result on financial operations	19	61	-	24 392	4 152	28 624
Foreign exchange result	6 904	16 611	5 742	6 190	(530)	29 175
Result on other operations	391	(5)	(5)	1 791	1 306	3 483
Net impairment write-offs	(51 028)	(18 180)	(3 539)	1 547	(7 125)	(74 786)
Total costs of banking activities	(177 695)	(140 817)	(60 018)	(10 898)	(7 747)	(337 157)
Depreciation/Amortization	(20 032)	(13 291)	(5 682)	(1 063)	(620)	(35 006)
<b>Segment result</b>	<b>(81 896)</b>	<b>80 741</b>	<b>39 853</b>	<b>22 440</b>	<b>(1 999)</b>	<b>19 286</b>
Profit (loss) before taxation	-	-	-	-	-	19 286
Income tax expense	-	-	-	-	-	4 009
Net profit (loss)	-	-	-	-	-	23 295
<b>Statement of financial position</b>						
Segment assets	7 476 524	11 427 039	6 528 901	4 591 348	2 768 693	26 263 604
Segment liabilities	11 296 440	7 787 746	1 755 081	2 702 276	2 070 346	23 856 808
Equity	-	-	-	-	-	2 406 796
Total equity and liabilities	-	-	-	-	-	26 263 604



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## 4 OTHER INFORMATION

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

In 2011 the Bank continued to conclude agreements on behalf of the State Treasury concerning the free-of-charge disposal of BGŻ SA shares to entitled persons based on the Act on functioning of cooperative banks, their joining together and the banks bringing together cooperative banks amended on 16 February 2007 and based on the Decree of the Minister of the State Treasury dated 2 August 2007 amending the Decree concerning the manner of distributing to entitled persons 15% of shares in BGŻ S.A. held by the State Treasury.

In the first half of 2011 27 such agreements were signed with respect to 1 492 shares. These transactions caused a slight decrease of the State Treasury share in the Bank's share capital.

On 27 May 2011 the Bank's Initial Public Offering on the Warsaw Stock Exchange took place. 43 113 849 registered Bank's shares of series A, B, C, D, F were dematerialized and eligible for trading on the WSE. The subject of the Offering were 5 200 000 shares of series A and D held by the State Treasury. The buyers were institutional and individual investors. As a result of stabilization transactions connected with the IPO of the Bank, the State Treasury repurchased 149 935 shares in the period from 2 June 2011 to 24 June 2011. As a result, the State Treasury share in the shareholders' structure decreased and as of 30 June 2011 amounted to 25.52%.

Shareholders' structure as of 30 June 2011, 31 December 2010 and 30 June 2010.

Shareholder	30.06.2011		31.12.2010		30.06.2010	
	Number of shares	Structure (%)	Number of shares	Structure (%)	Number of shares	Structure (%)
Rabobank International Holding B.V.	21 297 584	49.37	21 297 584	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	11 006 412	25.52	16 058 045	37.23	16 061 474	
Other shareholders	6 529 073	15.13	1 477 440	3.42	1 474 011	3.42
<b>TOTAL</b>	<b>43 136 764</b>	<b>100</b>	<b>43 136 764</b>	<b>100</b>	<b>43 136 764</b>	<b>100</b>

\*Rabobank Group

As of 30 June 2011, 31 December 2010 and 30 June 2010 none of the Management Board members, Supervisory Board members and key management personnel owned any of the Bank's 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



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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 30th March 2013.

As at 30 June 2011 the value of CDs issued amounts to PLN 1 438 000 thousand (nominal value), while as at 31 December 2010 it amounted to PLN 1 756 500 thousand (nominal value) and as at 30 June 2010 it amounted to PLN 1 902 000 thousand (nominal value).

## 4.4 Dividends paid

The Bank did not pay dividends for the year 2010. The Bank's Annual General Meeting decided on 10 May 2011 to transfer the Bank's net profit for the year 2010 to reserve capital.

## 4.5 Legal issues

As of 30 June 2011 the total value of the court proceedings in which the Bank is defendant amounted to PLN 81 294 thousand and the total value of the court proceedings in which the Bank is a claimant amounted to PLN 40 392 thousand. As of 31 December 2010 the total value of the court proceedings in which the Bank is defendant amounted to PLN 71 490 thousand and the total value of the court proceedings in which the Bank is a claimant amounted to PLN 41 466 thousand. As of 31 March 2010 the total value of the court proceedings in which the Bank is defendant amounted to PLN 75 079 thousand and the total value of the court proceedings in which the Bank is a claimant amounted to PLN 34 806 thousand.

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

### Credit risk

Credit risk is defined as the risk that a debtor fails to meet his financial obligations within a specified period, and thus in particular the risk of non-repayment of contractual obligations as well as the risk of worsening of the debtor's financial standing which affects the valuation and quality of the bank's assets.

For the purpose of credit risk management the Bank's Management Board has implemented principles that determine the maximum level of credit risk (credit risk appetite statement), which the Bank is willing to accept according to the realized business strategy.

In the process of credit risk management the Bank carries out actions based on the current analysis of macroeconomic environment and internal analysis of loan portfolios.

This approach allows to take corrective actions on a timely basis in case of disturbing trends in the external environment as well as in the quality or the structure of the loan portfolio.

The Bank realizes active credit risk management through:

- constant adjustments in lending policy, methods and tools for assessment and measurement of risk reflecting changes in market conditions
- strict supervision over existing credit portfolio exposures

The major activities carried out by the Bank in the first half of 2011 included:

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- verification of the loan granting process for fulfillment of Recommendation S and preparation to implement changes allowing for compliance with the recommendation requirements,
- review and modification of mortgage loans restructuring process,
- review of existing and implementation of new models for assessing the creditworthiness of retail and institutional clients.

## Liquidity risk

In terms of liquidity risk in the first half of 2011, the Bank:

- worked out a methodology for the calculation of basic liquidity indicators proposed by the Basel Committee,
- expanded the sensitivity analysis of the Bank's liquidity situation with additional factors – including global banking system crisis and the crisis of Rabobank Group brand,
- implemented a measure that presents the Bank's liquidity survival period according to the Group standards.

## Market risk and interest rate risk

In terms of market and interest rate risk in the first half of 2011, the Bank:

- recalibrated BpV and stress tests limits in order to allow for more effective utilization of credit appetite limits without the increase of overrun risk,
- established as the only acceptable positive duration of capital,
- changed the scenario used in Income-at-risk calculation for one that takes into account the long-term interest rate changes,
- expanded set of test scenarios for Earnings-at-risk with different directions of changes in interest rates.

## Operating risk

In the first half of the year 2011 there were no significant changes in operating risk management.

## 4.7 Changes in the Bank's Management

On 31 March 2011 Mr. Hieronymus Nijssen filed his resignation from the position of First Vice President of the Management Board.

On 31 March 2011 The Supervisory Board appointed the following persons for the positions of the Management Board Members:

- Mr. Gerardus Cornelis Embrechts from 1 April 2011 for the position of the First Vice President of the Management Board,
- Mr. Johannes Gerardus Beuming from 1 May 2011 for the position of the Vice President of the Management Board,
- Mr. Dariusz Odzioba from 10 May 2011 for the position of the Vice President of the Management Board,
- Mr. Wojciech Sass from 15 June 2011 for the position of the Vice President of the Management Board.

## 4.8 Significant events

### CHF loan form Rabobank

On 22 April 2011 the Bank and Rabobank Nederland concluded an agreement under which Rabobank Nederland will provide the Bank with the funds amounting to CHF 1 008

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million for the period of 12 years to finance the existing housing loans portfolio denominated in CHF - the credit facility will be made available in 18 tranches starting from 29 April 2011 to 30 September 2011. As of 30 June 2011, the Bank has already drawn 12 tranches of the loan amounting to CHF 756 million.

## Initial Public Offering of BGŻ S.A. shares („the Offering”)

The subject of the offering were up to 16 046 596 Bank's shares, owned by The State Treasury of the Republic of Poland (the "Selling Shareholder") and representing up to 37.20% of Bank's share capital and giving the right up to 37.20% of total number of votes at the General Meeting of the Bank ('AGM'). The offer was addressed at Individual Investors as well as Polish and foreign Institutional Investors.

On 28 April 2011 Polish Financial Supervision Authority ('PFSA') approved the prospectus prepared by the BGŻ S.A. in connection with the public offering of shares series A and D and with the intention to apply for admission to trading with shares series A, B, C, D, E and F on the regulated market. On 29 April, the PFSA approved Annex No.1 to the prospectus, which included information about fixing the Maximum Share Price for the purpose of Individual Investors subscription. The price was set at the level of PLN 90.00 per 1 share. The Prospectus was published on 4 May 2011.

On 4 May 2011 the Selling Shareholder and BGŻ S.A. and Bank Handlowy in Warsaw S.A., Citigroup Global Markets Ltd, Bank Handlowy S.A. Brokerage House, UBS Ltd (Global Coordinators, Joint Bookrunners), Banco Espirito Santo De Investimento S.A. branch in Poland and PKO BP S.A. Warsaw (Joint Bookrunners, Stabilizing Managers) signed an agreement for the provision of financial services in connection with the Offering. The function of Co-Offering Agents was held by PKO BP Brokerage House and BGŻ S.A. Brokerage Office.

On 4 May 2011 the Selling Shareholder and the Bank entered into *Placing Agreement* with Joint Bookrunners. Under the terms of the *Placing Agreement*, the Selling Shareholder and the Bank made a commitment which reduced the transferability of shares (*lock-up*) under the terms and conditions described in the Prospectus. On 13 May 2011 Rabobank International Holding B.V. and Rabobank Nederland made a lock-up commitment towards Citigroup Global Markets Limited and UBS Limited on the Bank's shares held by Rabobank International Holding B.V. and Rabobank Nederland under the terms and conditions described in the Prospectus.

Subscription for shares took place respectively: for Individual Investors from 5 to 16 May 2011, for Institutional Investors from 18 to 20 May 2011. Individual Investors made 76 577 sign ups and subscribed for 7 321 657 shares.

On 17 May 2011 the Selling Shareholder entered into *Underwriting Agreement* with Citigroup Global Markets Ltd, UBS Ltd, PKO BP S.A. – PKO BP Warsaw Brokerage House and Banco Espirito Santo de Investimento S.A. Poland Branch and Bank Handlowy S.A. Brokerage House. On the same day the Selling Shareholder entered into *Stabilization Agreement* with PKO BP S.A. –PKO BP Warsaw Brokerage House and Banco Espirito Santo de Investimento S.A. Poland Branch.

On 17 May the Selling Shareholder, in consultation with the Joint Global Coordinators and PKO BP BH serving as Co-Offering Agent set:

- The selling price of Sale Shares (i) for Individual Investors at PLN 60 per 1 Sale Share and (ii) for Institutional Investors at PLN 60 per 1 Sale Share;
- The final number of Sale Shares offered in the Offering at 5 200 000 Sale Shares, representing 12.05% of the share capital of the Bank;
- The final number of Sale Shares offered: (i) to Individual Investors at 1 560 000 Sale Shares and (ii) to Institutional Investors at 3 640 000 Sale Shares.

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In addition, on 17 May 2011 the Selling Shareholder, following to the fact, that the Individual Investors subscribed for more than 25% of the total number of Sale Shares offered in the Offering, decided to change the number of Sale Shares to be allocated for Individual Investors from initially planned 25% to 30% of the final number of Sale Shares. As the Individual Investors subscribed for more than 30% of the total number of Sale Shares, there has been a reduction in subscriptions made by Individual Investors following the provisions of the Prospectus.

As a result of the sale of the shares, the share of the State Treasury in the share capital and number of votes at the Bank's AGM decreased to 10 856 610 shares and votes, representing 25.17% of share capital and votes at the Bank's AGM.

On the basis of Resolution No. 654/2011 dated 24 May 2011 the Management Board of the Warsaw Stock Exchange decided to authorize for trading on the main market 43 113 849 of the Bank's shares, of which:

- 12 825 664 ordinary bearer series A shares,
- 2 242 760 series A shares, under condition of converting them into ordinary bearer shares,
- 7 807 296 series B shares, under condition of converting them into ordinary bearer shares,
- 244 094 series C shares, under condition of converting them into ordinary bearer shares,
- 3 220 932 ordinary bearer series D shares,
- 10 640 643 series E shares, under condition of converting them into ordinary bearer shares,
- 6 132 460 series F shares, under condition of converting them into ordinary bearer shares.

On the basis of the resolution No. 431/11 dated 17 May 2011, the Board of the National Depository for Securities („KDPW”) accepted for deposit 27 067 253 ordinary bearer shares of the Bank, including:

- 2 242 760 series A shares,
- 7 807 296 series B shares,
- 244 094 series C shares,
- 10 640 643 series E shares,
- 6 132 460 series F shares,

and marked them with PLBGZ0000010 code, provided that they are authorized for trading on regulated market, and subject to the registration of abovementioned shares within 3 days since the receipt by KDPW of evidence confirming the admission for trading on regulated market, but not earlier than the date of admission for trading on regulated market. At the moment of registration of above shares by the KDPW the conditions referred in Resolution No. 654/2011 of the WSE dated 24 May 2011 were met, i.e. the shares were converted into ordinary bearer shares.

Previously, basing on the resolution No. 380/11 dated 4 May 2011 the KDPW registered:

- 11 232 617 ordinary series A bearer shares of the Bank and marked with PLBGZ0000010 code;
- 4 813 979 ordinary bearer shares, including 1 593 047 series A shares and 3 220 932 series D shares, and marked them with PLBGZ0000028 code.

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According to the resolution of the KDPW No. 456/11 dated 25 May 2011, on 26 May 2011 4 813 979 ordinary bearer shares on the Bank marked with PLBGZ0000028 code were assimilated with 11 232 617 Bank's ordinary shares marked with PLBGZ0000010 code. Shares covered by the assimilation were marked with PLBGZ0000010 code. On 26 May 2011 the KDPW registered also 27 067 253 ordinary bearer shares of the Bank and marked them with PLBGZ0000010 code.

The first listing of the Bank's shares on the Warsaw Stock Exchange occurred on 27 May 2011. The IPO price was PLN 62.50 per 1 share. The Bank's shares are traded in continuous trading system under abbreviated name "BGZ" and marked "BGZ".

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

On 21 July 2011 the Extraordinary General Meeting („NWZ”) of Bank Gospodarki Żywnościowej S.A. took place. During the meeting, the shareholders adopted resolutions aiming at adjustment of the corporate documents to the rules effective for public companies in Poland. The Extraordinary General Meeting adopted the Rules of the General Meeting, approved the amendments to Articles of Association and adopted the resolution on the unified text of the Bank's Articles of Association. Furthermore, the number of members of the Supervisory Board was increased to 9 people. The enlarged Supervisory Board includes two independent members: Mrs Monika Nachyła and Mr Dariusz Filar.

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## II INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS

### Income statement

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
Interest income	398 177	765 889	335 039	668 615
Interest expense	(199 538)	(396 110)	(189 024)	(395 401)
<b>Net interest income</b>	<b>198 639</b>	<b>369 779</b>	<b>146 015</b>	<b>273 214</b>
Fee and commission income	78 130	150 274	77 181	148 215
Fee and commission expense	(9 937)	(18 020)	(8 361)	(16 476)
<b>Net fee and commission income</b>	<b>68 193</b>	<b>132 254</b>	<b>68 820</b>	<b>131 739</b>
Dividend income	3 554	3 554	3 081	3 147
Result on trading activities	15 720	53 967	23 233	52 529
Result on investing activities	(82)	(926)	2 278	1 915
Other operating income	19 041	32 699	12 161	21 850
Net impairment losses on loans and advances	(30 499)	(53 648)	(48 625)	(74 786)
General administrative expenses	(215 611)	(409 921)	(169 093)	(336 996)
Other operating expenses	(25 067)	(54 577)	(26 181)	(52 330)
<b>Operating result</b>	<b>33 888</b>	<b>73 181</b>	<b>11 689</b>	<b>20 282</b>
<b>Profit (loss) before taxation</b>	<b>33 888</b>	<b>73 181</b>	<b>11 689</b>	<b>20 282</b>
Income tax expense	(7 982)	(13 785)	2 372	4 009
<b>Net profit (loss)</b>	<b>25 906</b>	<b>59 396</b>	<b>14 061</b>	<b>24 291</b>

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## Statement of comprehensive income

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
<b>Profit (loss)</b>	<b>25 906</b>	<b>59 396</b>	<b>14 061</b>	<b>24 291</b>
<b>Other comprehensive income</b>				
Net (loss)/gain on valuation of available-for-sale financial assets	33 797	25 312	(8 072)	(3 536)
Income tax effect	(6 421)	(4 809)	1 533	671
<b>Other comprehensive income (net)</b>	<b>27 376</b>	<b>20 503</b>	<b>(6 539)</b>	<b>(2 865)</b>
<b>Total comprehensive income</b>	<b>53 282</b>	<b>79 899</b>	<b>7 522</b>	<b>21 426</b>

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## Statement of financial position

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
<b>ASSETS</b>			
Cash and balances with the Central Bank	1 114 603	1 379 737	788 730
Amounts due from other banks	213 575	280 867	347 077
Receivables arising from reverse repo transactions	255 391	651 706	256 327
Held-for-trading securities	812 238	1 814 899	1 025 023
Derivative financial instruments	200 599	220 987	428 958
Loans and advances to customers	21 062 329	19 882 989	18 975 161
Securities available for sale	3 603 734	3 290 675	3 380 516
Other debt securities	71 576	125 108	177 402
Investment property	47 542	47 422	47 191
Intangible assets	90 081	96 787	88 637
Property, plant and equipment	462 190	464 818	438 958
Deferred tax asset	213 814	232 141	182 867
Current tax asset	44 800	44 800	-
Other assets	141 594	78 178	109 231
<b>TOTAL ASSETS</b>	<b>28 334 066</b>	<b>28 611 114</b>	<b>26 246 078</b>



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## Statement of financial position (continued)

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
<b>LIABILITIES</b>			
Amounts owed to other banks	3 975 562	1 020 419	994 500
Liabilities arising from repo transactions	-	1 268 921	360 334
Derivative financial instruments and other liabilities held for trading	363 126	732 098	827 933
Amounts owed to customers	19 548 259	21 051 722	19 390 711
Liabilities from issued debt securities	1 434 467	1 745 043	1 885 964
Other liabilities	380 555	241 852	278 948
Current tax liabilities	17	3	38 379
Provisions	40 379	41 544	43 260
Liabilities arising from employee benefits	25 112	22 822	26 744
<b>TOTAL LIABILITIES</b>	<b>25 767 477</b>	<b>26 124 424</b>	<b>23 846 773</b>
<b>EQUITY</b>			
Issued share capital	43 137	43 137	43 137
Reserve capital	2 332 656	2 220 155	2 220 155
Other reserves	131 400	110 897	111 722
Undistributed profit	59 396	112 501	24 291
<b>TOTAL EQUITY</b>	<b>2 566 589</b>	<b>2 486 690</b>	<b>2 399 305</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>28 334 066</b>	<b>28 611 114</b>	<b>26 246 078</b>

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## Statement of changes in equity - unaudited

	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>112 501</b>	<b>2 486 690</b>
Transfer from prior year profits	-	112 501	-	-	(112 501)	-
Other comprehensive income for the period	-	-	20 503	-	-	20 503
Net profit for the for the half-year period	-	-	-	-	59 396	59 396
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>20 503</b>	<b>-</b>	<b>59 396</b>	<b>79 899</b>
<b>As at 30 June 2011</b>	<b>43 137</b>	<b>2 332 656</b>	<b>131 400</b>	-	<b>59 396</b>	<b>2 566 589</b>

## Statement of changes in equity (continued)

	Share capital	Reserve capital	Other reserves	Accumulated profit (loss) from previous years	Undistributed profit	Total
<b>As at 1 January 2010</b>	<b>43 137</b>	<b>2 112 164</b>	<b>114 587</b>	-	<b>107 991</b>	<b>2 377 879</b>
Transfer from prior year profits	-	107 991	-	-	(107 991)	-
Other comprehensive income for the year	-	-	(3 690)	-	-	(3 690)
Net profit for the year	-	-	-	-	112 501	112 501
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(3 690)</b>	<b>-</b>	<b>112 501</b>	<b>108 811</b>
<b>As at 31 December 2010</b>	<b>43 137</b>	<b>2 220 155</b>	<b>110 897</b>	-	<b>112 501</b>	<b>2 486 690</b>

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

	Share capital	Reserve capital	Other reserves	Accumulated profit (loss) from previous years	Undistributed profit	Total
<b>As at 1 January 2010</b>	<b>43 137</b>	<b>2 112 164</b>	<b>114 587</b>	-	<b>107 991</b>	<b>2 377 879</b>
Transfer from prior year profits	-	107 991	-	-	(107 991)	-
Other comprehensive income for the period	-	-	(2 865)	-	-	(2 865)
Net profit for the for the half-year period	-	-	-	-	24 291	24 291
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(2 865)</b>	<b>-</b>	<b>24 291</b>	<b>21 426</b>
<b>As at 30 June 2010</b>	<b>43 137</b>	<b>2 220 155</b>	<b>111 722</b>	-	<b>24 291</b>	<b>2 399 305</b>

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## Statement of cash flows

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
<b>Net profit/loss</b>	<b>25 906</b>	<b>59 396</b>	<b>14 061</b>	<b>24 291</b>
<b>Total adjustments:</b>	<b>(2 310 644)</b>	<b>(2 181 446)</b>	<b>(1 072 763)</b>	<b>(487 923)</b>
Current and deferred tax recognized in the financial result	7 982	13 785	(2 372)	(4 009)
Amortization and depreciation	19 558	38 206	17 802	35 006
Interest and dividends	(21 137)	(36 437)	(26 680)	(62 929)
Change in provisions	(2 359)	1 125	1 474	4 513
Change in amounts due from other banks	35 929	35 806	(70 976)	(53 321)
Change in receivables arising from reverse repo transactions	29 601	396 315	1 141 071	(181 672)
Change in held-for-trading debt securities	894 316	1 002 661	(617 557)	(557 506)
Change in financial assets resulting from derivative financial instruments	2 034	20 388	(243 975)	(174 340)
Change in loans and advances to customers	(1 092 643)	(1 179 340)	(700 568)	(662 047)
Income taxes paid	-	-	(89 684)	(89 684)
Change in amounts owed to other banks	26 492	570 558	621 117	518 414
Change in liabilities arising from repo transactions	(339 613)	(1 268 921)	(763 071)	248 354
Change in liabilities from derivative financial instruments	(120 814)	(368 972)	664 722	579 634
Change in amounts owed to customers	(1 747 431)	(1 503 463)	(1 045 418)	(207 815)
Change in other liabilities	22 824	138 717	(69 034)	119 271
Other adjustments	(25 383)	(41 874)	110 386	208
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(2 284 738)</b>	<b>(2 122 050)</b>	<b>(1 058 702)</b>	<b>(463 632)</b>

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## Statement of cash flows (continued)

	2nd quarter of 2011 period from 01.04.2011 to 30.06.2011 unaudited	Two quarters of 2011 period from 01.01.2011 to 30.06.2011 unaudited	2nd quarter of 2010 period from 01.04.2010 to 30.06.2010 unaudited	Two quarters of 2010 period from 01.01.2010 to 30.06.2010 unaudited
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>				
<b>Inflows</b>	<b>12 322 135</b>	<b>34 043 155</b>	<b>31 679 144</b>	<b>63 028 971</b>
Redemption of other debt securities	-	51 210	-	51 038
Sale of securities available for sale	12 322 279	33 991 373	31 678 295	62 976 495
Sale of intangible assets and property, plant and equipment	(144)	572	849	1 438
<b>Outflows</b>	<b>(12 677 814)</b>	<b>(34 283 754)</b>	<b>(31 015 285)</b>	<b>(63 556 263)</b>
Purchase of shares in associates	-	-	(10 502)	(10 502)
Purchase of securities available for sale	(12 657 503)	(34 254 140)	(30 984 905)	(63 515 550)
Purchase of intangible assets, property, plant and equipment	(20 191)	(29 494)	(19 962)	(30 386)
Other investing outflows	(120)	(120)	84	175
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(355 679)</b>	<b>(240 599)</b>	<b>663 859</b>	<b>(527 292)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>				
<b>Inflows</b>	<b>3 747 441</b>	<b>5 169 441</b>	<b>1 642 000</b>	<b>3 497 000</b>
Long-term loans from other banks	2 394 441	2 394 441	-	-
Issue of debt securities to other financial institutions	1 353 000	2 775 000	1 642 000	3 497 000
<b>Outflows</b>	<b>(1 496 883)</b>	<b>(3 103 412)</b>	<b>(1 827 538)</b>	<b>(3 059 538)</b>
Repayment of long-term loans from other banks	(9 856)	(9 856)	-	-
Redemption of debt securities issued to other financial institutions	(1 487 027)	(3 093 556)	(1 827 538)	(3 059 538)
<b>TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>2 250 558</b>	<b>2 066 029</b>	<b>(185 538)</b>	<b>437 462</b>
<b>TOTAL NET CASH FLOW</b>	<b>(389 859)</b>	<b>(296 620)</b>	<b>(580 381)</b>	<b>(553 462)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1 704 077</b>	<b>1 610 838</b>	<b>1 580 906</b>	<b>1 553 987</b>
<b>Cash and cash equivalents at the end of the period,</b>				
<b>of which:</b>	<b>1 314 218</b>	<b>1 314 218</b>	<b>1 000 525</b>	<b>1 000 525</b>
of restricted use	415	415	1 088	1 088

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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 half-year period ended 30 June 2011 are prepared in accordance with International Financial Reporting Standards ('IFRS') that were endorsed by the European Union ("IAS 34").

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 first half of 2011 and with the Bank's financial statements for the year ended 31 December 2010 that were approved by the Management on 1 March 2011.

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'.

#### Implementation of New IFRSs

Presented below are the new and amended IASs and IFRSs and new IFRIC interpretations that the Group applied in the current year. Their application did not have material effect on the financial statements of the Bank.

- Amendments to IAS 32 Financial instruments: presentation: Classification of Rights Issues – effective for financial years beginning on or after 1 February 2010. This amendment did not have any impact on the presented financial position or the results of the Group.
- IAS 24 Related Party Disclosures (revised in November 2009) – effective for financial years beginning on or after 1 January 2011. This amendment did not have any impact on the presented financial position or the results of the Group.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements – effective for financial years beginning on or after 1 January 2011. This amendment did not have any impact on the presented financial position or the results of the Group.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – effective for financial years beginning on or after 1 July 2010. This amendment did not have any impact on the presented financial position or the results of the Group.
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters – effective for financial years beginning on or after 1 July 2010. These amendments did not have any impact on the presented financial position or the results of the Group.
- *Improvements to IFRSs* (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1 January 2011. These amendments did not have any impact on the presented financial position or the results of the Group.

# Bank Gospodarki Żywnościowej S.A. Capital Group

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## 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 2013 – 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 completion of this project is expected in the first half of 2011. 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.
- Amendment to IFRS 7 *Financial Instruments – Disclosures: Transfer of Financial Assets* – effective for financial years beginning on or after 1 July 2011 – not endorsed by EU till the date of approval of these financial statements
- Amendments to IAS 12 *Income Tax: Deferred Tax: Recovery of Underlying Assets* – effective for financial years beginning on or after 1 January 2012 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* - effective for financial years beginning on or after 1 July 2011 - not endorsed by EU till the date of approval of these financial statements.
- 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.

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.

# Bank Gospodarki Żywnościowej S.A. Capital Group

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## 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 I.1.3., 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

### 2.1 Related party transactions

The Bank presents transactions with its subsidiaries and main shareholders.



# Bank Gospodarki Żywnościowej S.A. Capital Group

Unaudited Interim Condensed Standalone Financial Report in accordance with International Financial Reporting Standards for the half-year period ended 30 June 2011

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Transactions and settlements with the BGŻ S.A. shareholders as at 30.06.2011 and for the period of 6 months ended 30.06.2011

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>3 729 629</b>	<b>24</b>	<b>119 702</b>	<b>3 849 355</b>	<b>13.59%</b>
Current accounts	134	-	42	176	-
Debt securities	3 699 625	-	-	3 699 625	13.06%
Receivables from derivative instruments	-	-	119 660	119 660	0.42%
Interest	20 412	-	-	20 412	0.07%
Other receivables	9 458	24	-	9 482	0.04%
<b>Liabilities</b>	<b>90 693</b>	<b>-</b>	<b>2 735 242</b>	<b>2 825 935</b>	<b>9.97%</b>
Received credits	-	-	2 495 102	2 495 102	8.81%
Deposits – current accounts	45 796	-	28 442	74 238	0.26%
Interest payable	114	-	3 659	3 773	0.01%
Deposits/ placements and other liabilities	44 664	-	-	44 664	0.16%
Liabilities due to derivative instruments	-	-	208 039	208 039	0.73%
Other liabilities	119	-	-	119	-
<b>Costs</b>	<b>19 596</b>	<b>100</b>	<b>83 229</b>	<b>102 925</b>	<b>0,05%</b>
Interest	19 596	-	3 693	23 289	0,01%
Commission	-	-	812	812	-
Derivative instruments	-	-	78 724	78 724	0,04%
Result on trading activities	-	100	-	100	-
<b>Revenue</b>	<b>159 831</b>	<b>-</b>	<b>65</b>	<b>159 896</b>	<b>0,08%</b>
Interest*	158 511	-	65	158 576	0,08%
Commission	326	-	-	326	-
Result on trading activities	994	-	-	994	-
<b>Contingent liabilities</b>	<b>566</b>	<b>-</b>	<b>22 672 432</b>	<b>22 672 998</b>	<b>29.31%</b>
Irrevocable liabilities granted	566	-	-	566	-
Liabilities received	-	-	832 404	832 404	1.08%
Derivative instruments	-	-	21 840 028	21 840 028	28.23%

\* Line: Revenue – 'Interest' includes interest on preference loans amounting to PLN 81 878 thousand

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Transactions with the BGŻ S.A. shareholders as at 31.12.2010 and for the period of 12 months ended 31.12.2010

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>3 152 413</b>	<b>866</b>	<b>93 131</b>	<b>3 246 410</b>	<b>11.34%</b>
Current accounts	254	-	82	336	-
Debt securities	3 125 949	-	-	3 125 949	10.92%
Receivables from derivative instruments	-	-	93 049	93 049	0.33%
Interest	15 292	-	-	15 292	0.05%
Other receivables	10 918	866	-	11 784	0.04%
<b>Liabilities</b>	<b>958 801</b>	<b>-</b>	<b>347 086</b>	<b>1 305 887</b>	<b>4.56%</b>
Deposits – current accounts	56 461	-	509	56 970	0.20%
Interest payable	1 970	-	-	1 970	0.01%
Deposits/ placements and other liabilities	900 252	-	-	900 252	3.14%
Liabilities due to derivative instruments	-	-	346 577	346 577	1.21%
Other liabilities	118	-	-	118	-
<b>Costs</b>	<b>39 448</b>	<b>-</b>	<b>165 032</b>	<b>204 480</b>	<b>0,04%</b>
Interest	39 448	-	130	39 578	0,01%
Commission	-	-	1 645	1 645	-
Derivative instruments	-	-	163 257	163 257	0,03%
<b>Revenue</b>	<b>240 685</b>	<b>725</b>	<b>345</b>	<b>241 755</b>	<b>0,04%</b>
Interest*	236 507	-	345	236 852	0,04%
Commission	647	-	-	647	-
Result on trading activities	3 531	725	-	4 256	-
<b>Contingent liabilities</b>	<b>345</b>	<b>-</b>	<b>34 057 945</b>	<b>34 058 290</b>	<b>55.08%</b>
Irrevocable liabilities granted	345	-	-	345	-
Liabilities received	-	-	2 000 000	2 000 000	3.24%
Derivative instruments	-	-	32 057 945	32 057 945	51.84%

\*Line: Revenue – 'Interest' includes interest on preference loans amounting to PLN 131 921 thousand,

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Transactions with the BGŻ S.A. shareholders as at 30.06.2010 and for the period of 6 months ended 30.06.2010

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>2 228 371</b>	<b>16</b>	<b>163 987</b>	<b>2 392 374</b>	<b>9.12%</b>
Current accounts	53	-	33 122	33 175	0.13%
Debt securities	2 196 592	-	-	2 196 592	8.37%
Receivables from derivative instruments	-	-	130 865	130 865	0.50%
Interest	18 844	-	-	18 844	0.07%
Other receivables	12 882	16	-	12 898	0.05%
<b>Liabilities</b>	<b>982 643</b>	<b>-</b>	<b>378 043</b>	<b>1 360 686</b>	<b>5.18%</b>
Deposits – current accounts	105 441	-	-	105 441	0.40%
Interest payable	1 493	-	-	1 493	0.01%
Deposits/ placements and other liabilities	875 593	-	-	875 593	3.34%
Liabilities due to derivative instruments	-	-	378 043	378 043	1.44%
Other liabilities	116	-	-	116	-
<b>Costs</b>	<b>25 040</b>	<b>-</b>	<b>266 319</b>	<b>291 359</b>	<b>0,10%</b>
Interest	24 579	-	55	24 634	0,01%
Commission	1	-	812	813	-
Derivative instruments	-	-	265 452	265 452	0,09%
Result on trading activities	460	-	-	460	-
<b>Revenue</b>	<b>107 827</b>	<b>7</b>	<b>51</b>	<b>107 885</b>	<b>0,04%</b>
Interest*	107 500	-	51	107 551	0,04%
Commission	327	-	-	327	-
Result on trading activities	-	7	-	7	-
<b>Contingent liabilities</b>	<b>540</b>	<b>-</b>	<b>30 163 049</b>	<b>30 163 589</b>	<b>46.02%</b>
Irrevocable liabilities granted	540	-	-	540	-
Liabilities received	-	-	2 000 000	2 000 000	3.05%
Derivative instruments	-	-	28 163 049	28 163 049	42.97%

\* Line: Revenue – 'Interest' includes interest on preference loans amounting to PLN 65 223 thousand.

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Transactions with related parties as at 30.06.2011 and for the period of 6 months ended 30.06.2011

	BGŻ LEASING.	ACTUS SP. Z O.O.	RABOBANK GROUP <sup>*</sup>	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>14 133</b>	<b>30 712</b>	<b>56 771</b>	<b>101 616</b>	<b>0.36%</b>
Loans and advances	13 993	-	-	13 993	0.05%
Current account	-	-	-	-	-
Deposits	-	-	50 000	50 000	0.18%
Interest	2	20 152	7	20 161	0.07%
Commission	-	-	-	-	-
Debt securities	-	10 560	-	10 560	0.04%
Receivables from derivative instruments	1	-	6 764	6 765	0.02%
Other receivables	137	-	-	137	-
<b>Liabilities</b>	<b>42 978</b>	<b>43</b>	<b>3 504</b>	<b>46 525</b>	<b>0.16%</b>
Current accounts	128	43	2 753	2 924	0.01%
Term deposits	42 767	-	-	42 767	0.15%
Interest payable	83	-	-	83	-
Liabilities from derivative instruments	-	-	751	751	-
Other	-	-	-	-	-
<b>Expenses</b>	<b>982</b>	<b>-</b>	<b>5 518</b>	<b>6 500</b>	<b>-</b>
Interest	894	-	4	898	-
Derivative instruments	-	-	429	429	-
Result on trading activities	88	-	5 085	5 173	-
<b>Revenues</b>	<b>1 128</b>	<b>1 030</b>	<b>436</b>	<b>2 594</b>	<b>-</b>
Interest	170	1 023	436	1 629	-
Commission	13	-	-	13	-
Derivative instruments	945	-	-	945	-
Result on trading activities	-	7	-	7	-
<b>Contingent liabilities</b>	<b>12 267</b>	<b>-</b>	<b>42 586</b>	<b>54 853</b>	<b>0.07%</b>
Liabilities granted	-	-	-	-	-
Liabilities received	9 994	-	-	9 994	0.01%
Derivative instruments	2 273	-	42 586	44 859	0.06%

\* Excluding RABOBANK INTERNATIONAL HOLDING B.V. and COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.

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Transactions with related parties as at 31.12.2010 and for the period of 12 months ended 31.12.2010

	BGŻ LEASING.	ACTUS SP. Z O.O.	RABOBANK GROUP *	RAZEM	Udział % w sumie bilansowej/ wyniku finansowym BGŻ S.A.
<b>Assets</b>	<b>9 734</b>	<b>29 692</b>	<b>6 235</b>	<b>45 661</b>	<b>0.16%</b>
Loans and advances	8 092	-	-	8 092	0.03%
Current account	-	-	-	-	-
Deposits	-	-	-	-	-
Interest	1	19 129	-	19 130	0.06%
Commission	-	2	-	2	-
Debt securities	-	10 560	-	10 560	0.04%
Receivables from derivative instruments	-	-	6 089	6 089	0.02%
Other receivables	1 641	1	146	1 788	0.01%
<b>Liabilities</b>	<b>43 899</b>	<b>7</b>	<b>9 679</b>	<b>53 585</b>	<b>0.19%</b>
Current accounts	698	-	641	1 339	0.01%
Term deposits	42 854	7	-	42 861	0.15%
Interest payable	347	-	-	347	-
Liabilities from derivative instruments	-	-	583	583	-
Other	-	-	8 455	8 455	0.03%
<b>Expenses</b>	<b>1 705</b>	<b>-</b>	<b>10 499</b>	<b>12 204</b>	<b>-</b>
Interest	1 554	-	37	1 591	-
Derivative instruments	151	-	1 426	1 577	-
Result on trading activities	-	-	9 036	9 036	-
<b>Revenues</b>	<b>3 660</b>	<b>2 079</b>	<b>889</b>	<b>6 628</b>	<b>-</b>
Interest	253	2 064	889	3 206	-
Commission	22	1	-	23	-
Derivative instruments	3 382	-	-	3 382	-
Result on trading activities	3	14	-	17	-
<b>Contingent liabilities</b>	<b>15 868</b>	<b>-</b>	<b>43 408</b>	<b>59 276</b>	<b>0.10%</b>
Liabilities granted	15 868	-	-	15 868	0.03%
Liabilities received	-	-	-	-	-
Derivative instruments	-	-	43 408	43 408	0.07%

\* Excluding RABOBANK INTERNATIONAL HOLDING B.V. and COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.

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- data in PLN thousand



Transactions with related parties as at 30.06.2010 and for the period of 6 months ended 30.06.2010

	BGŻ LEASING.	ACTUS SP. Z O.O.	GRUPA RABOBANK	TOTAL	% share in total assets/ financial result of BGŻ S.A.
<b>Assets</b>	<b>11 199</b>	<b>28 649</b>	<b>6 162</b>	<b>46 010</b>	<b>0.17%</b>
Loans and advances	11 198	-	-	11 198	0.04%
Current account	-	-	-	-	-
Deposits	-	-	-	-	-
Interest	1	18 088	-	18 089	0.07%
Commission	-	1	-	1	-
Debt securities	-	10 560	-	10 560	0.04%
Receivables from derivative instruments	-	-	6 052	6 052	0.02%
Other receivables	-	-	110	110	-
<b>Liabilities</b>	<b>43 899</b>		<b>10 288</b>	<b>54 187</b>	<b>0.21%</b>
Current accounts	509	-	58	567	-
Term deposits	43 307	-	-	43 307	0.17%
Interest payable	83	-	-	83	-
Liabilities from derivative instruments	-	-	1 421	1 421	0.01%
Other	-	-	8 809	8 809	0.03%
<b>Expenses</b>	<b>690</b>	-	<b>4 490</b>	<b>5 180</b>	-
Interest	690	-	32	722	-
Derivative instruments	-	-	1 599	1 599	-
Result on trading activities	-	-	2 859	2 859	-
<b>Revenues</b>	<b>846</b>	<b>1 031</b>	<b>375</b>	<b>2 252</b>	-
Interest	123	1 023	375	1 521	-
Commission	10	1	-	11	-
Derivative instruments	710	-	-	710	-
Result on trading activities	3	7	-	10	-
<b>Contingent liabilities</b>	<b>8 575</b>	-	<b>71 679</b>	<b>80 254</b>	<b>0.12%</b>
Liabilities granted	8 575	-	-	8 575	0.01%
Liabilities received	-	-	-	-	-
Derivative instruments	-	-	71 679	71 679	0.11%

\* Excluding RABOBANK INTERNATIONAL HOLDING B.V. i COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.

Transactions with the BGŻ S.A. shareholders and related parties are made on an arm's length basis.

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## 2.2 Solvency ratio

	30.06.2011 unaudited	31.12.2010	30.06.2010 unaudited
Own funds	2 400 435	2 256 798	2 268 041
Capital requirements	1 728 654	1 636 603	1 581 680
<b>Capital adequacy ratio (%)</b>	<b>11.1</b>	<b>11.0</b>	<b>11.5</b>

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## 3 OTHER INFORMATION

The notes presenting changes in the particular positions are presented in the interim condensed consolidated financial statements for the first half of 2011.

### 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 30th March 2013.

As at 30 June 2011, the value of CDs issued amounts to PLN 1 438 000 thousand (nominal value) while as at 31 December 2010 it amounted to PLN 1 756 500 (nominal value) and as at 30 June 2010 it amounted to PLN 1 902 000 thousand (nominal value).

### 3.3 Dividends paid

The Bank did not pay dividends for the year 2010. The Bank's Annual General Meeting decided on 10 May 2011 to transfer the Bank's net profit for the year 2010 to reserve capital.

### 3.4 Off-balance sheet items

	<b>30.06.2011 unaudited</b>	<b>31.12.2010</b>	<b>30.06.2010 unaudited</b>
Liabilities granted	3 837 924	3 705 434	3 420 879
Liabilities received	1 059 121	2 258 192	2 877 320
Off-balance sheet financial instruments	71 028 665	59 650 278	56 447 961
F/X transactions	1 433 804	232 126	2 792 728
<b>Off-balance sheet items, total</b>	<b>77 359 514</b>	<b>65 846 030</b>	<b>65 538 888</b>

### 3.5 Significant events

Significant events in the Bank in the first half of 2011 are described in point 4.8 of the interim condensed consolidated financial statements for the first half of 2011.



# Bank Gospodarki Żywnościowej S.A. Capital Group

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International Financial Reporting Standards for the half-year period ended 30 June 2011

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## 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 first half of 2011.

.....  
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*

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

Warsaw, 23 August 2011