



**Unaudited Interim Condensed
Consolidated Financial Report of the Bank
Gospodarki Żywnościowej S.A.
Capital Group
for the 3rd quarter ended 30 September
2011**

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

Warsaw, 2 November 2011

Bank Gospodarki Żywnościowej S.A. Capital Group

Unaudited Interim Condensed Consolidated Financial Report in accordance with International Financial Reporting Standards for the 3rd quarter ended 30 September 2011

- data in PLN thousands



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I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

	Note	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
Interest income	2.1	442 767	1 208 656	342 405	1 011 020
Interest expense	2.1	(214 327)	(610 437)	(183 075)	(578 476)
Net interest income		228 440	598 219	159 330	432 544
Fee and commission income	2.2	79 688	229 961	79 381	227 596
Fee and commission expense	2.2	(10 437)	(28 458)	(9 036)	(25 512)
Net fee and commission income		69 251	201 503	70 345	202 084
Dividend income		–	3 554	–	3 147
Result on trading activities	2.3	17 668	71 635	46 113	98 642
Result on investing activities		3 989	3 063	570	2 485
Other operating income	2.5	10 864	42 570	17 273	38 080
Net impairment losses on loans and advances	2.7	(55 035)	(108 683)	(63 549)	(138 335)
General administrative expenses	2.4	(206 674)	(616 723)	(176 560)	(513 717)
Other operating expenses	2.6	(26 078)	(80 655)	(24 512)	(76 842)
Operating result		42 425	114 483	29 010	48 088
Share in profit (loss) of associates		492	2 501	489	697
Profit (loss) before taxation		42 917	116 984	29 499	48 785
Income tax expense	2.8	(2 317)	(16 102)	(6 490)	(2 481)
Net profit (loss) for the period		40 600	100 882	23 009	46 304
- attributable to the shareholders of the Bank		40 600	100 882	23 009	46 304
Earnings per share (in PLN per share):		0.94	2.34	0.53	1.07
From continuing and discontinued operations:		0.94	2.34	0.53	1.07
- Basic		0.94	2.34	0.53	1.07
- Diluted		0.94	2.34	0.53	1.07
From continuing operations:		0.94	2.34	0.53	1.07
- Basic		0.94	2.34	0.53	1.07
- Diluted		0.94	2.34	0.53	1.07

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Consolidated statement of comprehensive income

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
Profit (loss) for the period	40 600	100 882	23 009	46 304
Other comprehensive income				
Net (loss)/gain on valuation of available-for-sale financial assets	(3 934)	21 378	11 176	7 640
Income tax effect	747	(4 062)	(2 123)	(1 452)
Other comprehensive income (net)	(3 187)	17 316	9 053	6 188
Total comprehensive income for the period	37 413	118 198	32 062	52 492

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Consolidated statement of financial position

	Note	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
ASSETS					
Cash and balances with the Central Bank		1 702 089	1 114 603	1 379 737	1 161 608
Amounts due from other banks	2.9	535 564	213 575	280 920	648 165
Receivables arising from reverse repo transactions	2.10	119 763	255 391	651 706	835 970
Held-for-trading securities	2.11	883 392	812 238	1 814 899	1 017 881
Derivative financial instruments	2.12	890 011	200 599	220 987	204 807
Loans and advances to customers	2.13	23 307 252	21 047 493	19 869 177	19 545 189
Securities available for sale	2.14	3 284 427	3 603 734	3 290 675	2 468 430
Other debt securities	2.15	–	55 700	109 232	108 199
Investment property		63 900	63 900	63 900	63 200
Investments in subsidiaries and associates		34 005	33 514	31 542	30 551
Intangible assets	2.16	101 744	90 081	96 787	87 517
Property, plant and equipment	2.17	468 871	462 190	464 818	449 045
Deferred tax asset		212 653	213 814	232 141	176 269
Current tax asset		–	44 800	44 800	7 772
Other assets		150 339	141 708	78 278	90 584
TOTAL ASSETS		31 754 010	28 353 340	28 629 599	26 895 187

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Consolidated statement of financial position (continued)

	Note	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
LIABILITIES					
Amounts owed to other banks	2.18	4 806 940	3 975 562	1 020 419	1 007 833
Liabilities arising from repo transactions	2.19	411 806	–	1 268 921	349 655
Derivative financial instruments and other liabilities held for trading	2.12	842 157	363 126	732 098	468 453
Amounts owed to customers	2.20	20 832 385	19 548 216	21 051 715	20 170 303
Liabilities from issued debt securities		1 768 308	1 434 622	1 745 198	2 114 776
Other liabilities		403 876	380 575	241 895	269 977
Deferred tax liability		9 814	9 814	9 814	9 681
Current tax liabilities		–	17	3	–
Provisions	2.21	41 470	40 494	41 697	43 620
Liabilities arising from employee benefits	2.22	24 039	25 112	22 822	22 031
TOTAL LIABILITIES		29 140 795	25 777 538	26 134 582	24 456 329
EQUITY					
Issued share capital	4.1	43 137	43 137	43 137	43 137
Reserve capital		2 332 656	2 332 656	2 220 155	2 220 155
Accumulated profit/ (loss) from previous years		8 327	8 327	8 487	8 487
Other reserves		128 213	131 400	110 897	120 775
Undistributed profit		100 882	60 282	112 341	46 304
TOTAL EQUITY		2 613 215	2 575 802	2 495 017	2 438 858
TOTAL LIABILITIES AND EQUITY		31 754 010	28 353 340	28 629 599	26 895 187

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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
As at 1 January 2011	43 137	2 220 155	110 897	8 487	112 341	2 495 017
Transfer from prior year profits	–	112 501	–	(160)	(112 341)	–
Other comprehensive income for the period	–	–	17 316	–	–	17 316
Net profit for the three quarters period	–	–	–	–	100 882	100 882
Comprehensive income for the period	–	–	17 316	–	100 882	118 198
As at 30 September 2011	43 137	2 332 656	128 213	8 327	100 882	2 613 215

Consolidated statement of changes in equity (continued)

	Share capital	Reserve capital	Other reserves	Accumulated profit (loss) from previous years	Undistributed profit	Total
As at 1 January 2010	43 137	2 112 164	114 587	15 835	100 643	2 386 366
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
Comprehensive income for the year	–	–	(3 690)	–	112 341	108 651
As at 31 December 2010	43 137	2 220 155	110 897	8 487	112 341	2 495 017

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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
As at 1 January 2010	43 137	2 112 164	114 587	15 835	100 643	2 386 366
Transfer from prior year profits	–	107 991	–	(7 348)	(100 643)	–
Other comprehensive income for the period	–	–	6 188	–	–	6 188
Net profit for the three quarters period	–	–	–	–	46 304	46 304
Comprehensive income for the period	–	–	6 188	–	46 304	52 492
As at 30 September 2010	43 137	2 220 155	120 775	8 487	46 304	2 438 858

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Consolidated statement of cash flows

Note	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
CASH FLOW FROM OPERATING ACTIVITIES:				
Net profit/loss	40 600	100 882	23 009	46 304
Total adjustments:	(925 180)	(3 107 632)	(454 970)	(1 145 030)
Current and deferred tax recognized in the financial result	2 317	16 102	6 490	2 481
Amortization and depreciation	21 357	59 563	18 797	53 803
Interest and dividends	(55 046)	(91 483)	(31 772)	(94 701)
Change in provisions	(97)	990	(4 492)	7
Change in amounts due from other banks	294	36 153	89 142	35 834
Change in receivables arising from reverse repo transactions	135 628	531 943	(579 643)	(761 315)
Change in held-for-trading debt securities	(71 154)	931 507	7 142	(550 364)
Change in receivables from derivative financial instruments	(689 412)	(669 024)	224 151	49 811
Change in loans and advances to customers	(2 259 759)	(3 438 075)	(573 618)	(1 243 823)
Income taxes paid	44 801	44 801	(1 385)	(91 069)
Change in amounts owed to other banks	(260 184)	330 086	13 333	327 872
Change in liabilities arising from repo transactions	411 806	(857 115)	(10 679)	237 675
Change in liabilities from derivative financial instruments	479 031	110 059	(359 480)	220 154
Change in amounts owed to customers	1 284 169	(219 330)	771 987	571 777
Change in other liabilities	23 284	161 978	(39 805)	71 877
Other adjustments	7 785	(55 787)	14 862	24 951
NET CASH FLOW FROM OPERATING ACTIVITIES	(884 580)	(3 006 750)	(431 961)	(1 098 726)

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Consolidated statement of cash flows (continued)

Note	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
CASH FLOW FROM INVESTING ACTIVITIES:				
Inflows	7 787 608	41 830 763	19 321 938	82 350 909
Sale of investment securities	56 916	108 126	51 786	102 824
Sale of securities available for sale	7 731 236	41 722 609	19 269 215	82 245 710
Sale of intangible assets and property, plant and equipment	(544)	28	937	2 375
Outflows	(7 409 039)	(41 692 673)	(18 353 850)	(81 910 855)
Purchase of shares in associates	–	–	–	(10 502)
Purchase of securities available for sale	(7 368 342)	(41 622 482)	(18 323 914)	(81 839 464)
Purchase of intangible assets, property, plant and equipment	(40 697)	(70 191)	(29 936)	(60 322)
Other investing outflows	–	–	–	(567)
NET CASH FLOW FROM INVESTING ACTIVITIES	378 569	138 090	968 088	440 054
CASH FLOW FROM FINANCING ACTIVITIES:				
Inflows	2 379 456	7 548 897	1 544 000	5 244 875
Long-term loans from other banks	1 109 456	3 503 897	–	203 875
Issue of debt securities to other financial institutions	1 270 000	4 045 000	1 544 000	5 041 000
Outflows	(963 676)	(4 067 088)	(1 317 029)	(4 376 567)
Repayment of long-term loans from other banks	(37 606)	(47 462)	–	–
Redemption of debt securities issued to other financial institutions	(926 070)	(4 019 626)	(1 317 029)	(4 376 567)
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES	1 415 780	3 481 809	226 971	868 308
TOTAL NET CASH FLOW	909 769	613 149	763 098	209 636
Cash and cash equivalents at the beginning of the period	1 314 218	1 610 838	1 000 525	1 553 987
Cash and cash equivalents at the end of the period,				
of which:	2.23	2 223 987	2 223 987	1 763 623
of restricted use	1 479	1 479	758	758

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1 ADDITIONAL INFORMATION

1.1 General information

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

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

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

Accounting policies applied in the 3rd quarter of 2011 are consistent with the principles applied in year 2010. These policies 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 third quarter ended 30 September 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 the issuers of securities (Journal of Laws of 2009 No. 33, position 259).

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

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 statement 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

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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.
- Amendment to IFRS 7 *Financial Instruments – Disclosures: Transfer of Financial Assets* - effective for financial years beginning on or after 1 July 2011. These amendments did not have any impact on the presented financial position or the results of the Group.
- 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. 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.
- Amendments to IAS 12 *Income Taxes: 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,
- 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,

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- 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 for the 3rd quarter were authorized for issue by the Management Board on 2 November 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 operating segments' presentation disclosed in the note 3.1.

1.6 Seasonality or periodicity of operations

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

1.7 Major estimates and judgments

The Group makes estimates and adopts assumptions that affect the value of the assets and liabilities recognized in the following period. The estimates and assumptions, which are subject to continuous valuation, are based on historical experience and other factors, including expectations regarding future developments which, in a given situation, are justified.

a) Impairment of loans and advances

According to IFRS, the following financial assets are assessed for impairment: financial assets carried at amortized cost, financial assets carried at cost and financial assets available-for-sale, which are not re-measured to fair value. The Bank assesses the impairment of financial assets on an individual basis and using the collective (group) approach. Individual assessment is performed on assets classified by the Bank as individually significant. Individually significant assets include, in particular, the following: exposures to non-retail entities for which the total of the balance sheet and off-balance sheet principal liability, at the valuation date, exceeds PLN 1 million (or its equivalent in a foreign currency); restructured exposures, for which the sum of the balance sheet capital liability and the one granted as at the valuation date exceeds PLN 100 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

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and loan exposures to financial entities. All financial assets that do not meet the criteria set forth for individually significant assets are considered to be individually insignificant.

Assessment of impairment of individually significant 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 (derivatives)

The fair value of financial instruments not listed on active markets is determined using valuation techniques (e.g. pricing models). These methods are assessed and reviewed on a regular basis by qualified independent employees, i.e., employees not involved in developing these methods. All models are approved before they are used, and adjusted to ensure that the results obtained reflect the factual data and comparable market prices. The models that the Group currently applies are based exclusively on observable data obtained from the Reuters and/or Bloomberg information systems.

c) Impairment of equity instruments available-for-sale

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

d) Investments held to maturity

The Group follows IAS 39 guidance concerning the classification, 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

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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 The 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 (hereinafter referred to as the "Group"). The Group is composed of a subsidiary as at 30 September 2011:

1. **Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o. – ('Actus')** with its registered office in Warsaw, at Kasprzaka 10/16 Street. The company's main activities include:
 - acquisition and disposal of real estate and limited property rights relating to real estate,
 - management of own and third-party construction projects,
 - real estate trading intermediary services and lease of premises,
 - lease of real estate and rental of premises,
 - services relating to real estate valuation, management and advisory (real estate management agency activities).

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

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

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

Scope of consolidation

In accordance with the IFRS principles, consolidated financial statements include all subsidiaries as of 30 September 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 3rd quarter of 2011 were concluded at arm's length and resulted from the operating activities.

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2 EXPLANATORY NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Net interest income

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
Interest income, of which relating to				
Amounts due from other banks	10 637	27 876	6 247	20 609
Amounts due from customers under overdraft facilities	67 034	174 195	47 784	136 007
Loans and advances to customers, after considering reversal of loans interests discount on impairment losses, of which	303 395	826 269	242 032	708 221
- companies	100 031	262 086	75 115	225 723
- households	200 093	554 650	164 255	475 249
- public institutions	2 907	8 045	2 346	6 447
- other entities	364	1 488	316	802
Debt acquired from customers	7 030	18 155	4 830	13 215
Other amounts due from customers	624	2 267	596	2 264
Debt securities	54 047	159 894	40 916	130 704
- at fair value through profit or loss account (trading)	6 930	27 185	9 844	22 339
- available for sale	46 519	130 551	29 577	103 403
- other debt securities	598	2 158	1 495	4 962
	442 767	1 208 656	342 405	1 011 020
Interest expense, of which relating to:				
Amounts owed to banks	38 936	90 626	24 227	75 110
Amounts owed to customers	175 391	519 811	158 848	503 366
	214 327	610 437	183 075	578 476
Net interest income	228 440	598 219	159 330	432 544

The net interest income for the three quarters of 2011 increased by 38.3% compared to the three quarters of 2010 which was due to an increase in interest income by 19.5%, which exceeded the increase in interest expense of 5.5%.

The increase in interest income by 19.5% was mainly due to the increase in interest income from amounts due from customers under overdraft facilities by 28.1% and from loans and advances to customers by 16.7%, which was achieved through the development of lending activity executed at a higher level interest margin than last year. In particular, it concerned the interest income from preferential loans, mortgages and overdraft facilities for farmers and SMEs. An important factor in the growth of interest income from preferential loans were four NBP rediscount rate increases (in January, April, May and June 2011, at 0.25% each), which impact on the level of interest rates on these loans. In addition, the increase in interest income related also to higher income from debt securities by 22.3%, due to the initiated in the second half of 2010 change in the structure of the portfolio of debt

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securities available for sale consisting in reduction of the share of short-term NBP bills with lower-interest for the increase of the share of long-term, higher-interest bonds issued by central government institutions.

The main reason for the slower increase in interest expense than the interest income was low dynamics of interest expense relating to amounts due to customers, which was achieved by improving interest margins on customers' deposits, including in particular the savings account 'Eskalacja' and term deposits. Additional positive factor was the change in the currency structure of external financing as a result of obtaining the loan in CHF from the majority shareholder of the Bank and another loan from the European Bank for Reconstruction and Development. This enabled - especially in the second quarter of 2011 - reduction in the higher interest-bearing financing in local currency, particularly in wholesale deposits of enterprises and public sector institutions. Obtaining external financing was reflected in the growth in interest expenses relating to the amounts owed to banks by 20.7% compared with the three quarters of 2010.

2.2 Net fee and commission income

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
Fee and commission income				
Fee and commission income from banks	3 744	10 698	3 297	9 715
Fee and commission income from customers	75 944	219 263	76 084	217 881
- on loans and advances	26 666	74 490	27 902	66 465
- on domestic settlements	257	805	334	1 066
- on foreign settlements	1 176	3 562	1 178	3 761
- on account service	25 073	77 183	26 593	87 702
- on guarantee commitments	3 005	8 860	3 370	9 907
- on brokerage operations	3 386	10 455	3 638	11 577
- on payment cards	14 561	40 398	12 120	35 535
- other	1 820	3 510	949	1 868
	79 688	229 961	79 381	227 596
Fee and commission expense				
Fee and commission expense from banks	827	2 891	1 103	3 384
Fee and commission expense from customers	9 610	25 567	7 933	22 128
	10 437	28 458	9 036	25 512
Net fee and commission income	69 251	201 503	70 345	202 084

Net fee and commission income in the first three quarters of 2011 fell by 0.3% compared with the three quarters of 2010 due to increased fee and commission income by 1.0% coupled with the increased fee and commission expense by 11.5%. The increase in commission income was achieved mainly due to higher fee and commission income on loans and advances by 12.1% due to increased lending activity (loans under overdraft facilities). Increase showed also fee and commission income on payment cards (13.7%). At the same time there was a decline in fee and commission income on account service by 12.0%, mainly due to the changes to the table of fees and commissions introduced in the fourth quarter of 2010, as well as the launch of personal accounts (fourth quarter 2010 r.) and current accounts for businesses and farmers (the first

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quarter of 2011), for which the Bank removed substantial number of fees and charges. Fee and commission expense increased mainly due to the fact that since November 2010, the Bank has been incurring additional fee and commission expenses relating to the introduction of a new retail current account, under which the Bank pays back the client 1.0% of the value of inflows into the account under strict conditions.

2.3 Result on trading activities

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
Equity instruments	–	–	–	(96)
Debt instruments	(5 575)	(3 968)	3 218	2 190
Derivatives	177 224	548 437	112 191	(290 440)
Foreign exchange result	(153 981)	(472 834)	(69 296)	386 988
Result on trading activities	17 668	71 635	46 113	98 642

The result on trading activities for the three quarters of 2011 fell by 27.4% compared with the three quarters of 2010. It was a result of the fact that the main share of the trading result are the swap points realized in relation to foreign exchange swap transactions. Having obtained the direct funding in CHF, the Bank reduced the scale of swap transactions used as a safeguard for the currency risk and interest rate risk of the so called old portfolio of mortgage loans for retail customers granted by April 2009. The swap points result recognized in the trading activities decreased due to the reduced swap portfolio, which caused increase in the interest income as a result of replacing higher interest-bearing PLN financing with the lower interest-bearing financing in CHF.

2.4 General administrative expenses

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
Employee benefit costs, of which:	113 644	331 284	95 137	280 359
- Payroll	93 788	272 389	79 023	232 901
Including: retirement pay	122	183	22	205
- Social security	11 884	37 159	9 751	30 975
- Other	7 972	21 736	6 363	16 483
Materials and energy	7 055	23 498	7 418	22 849
External services	42 972	135 476	41 257	115 194
Other non-personnel costs	35 069	102 179	28 001	81 199
Taxes and charges	1 377	4 684	1 259	3 761
Contributions and amounts transferred to the KNF and BFG	6 557	19 602	3 488	10 355
General administrative expenses, total	206 674	616 723	176 560	513 717

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General administrative expenses in the first three quarters of 2011 increased by 20.1% compared with the three quarters of 2010, primarily due to higher employee benefit costs, external services, other non-personnel costs and contributions and amounts transferred to the KNF and BFG. The increase in the above expense items is partly driven by the fact that the majority of 61 new branches that were opened in 2010 were opened in the second half of that year (and therefore the costs incurred by these branches increased the cost of three quarters of 2010 in a very limited way). Moreover, in the period from the beginning to the end of the third quarter of 2011 the Bank launched another 42 new branches.

The increase in employee benefit costs by 18.2%, except for the effect of network expansion, was also associated with increased provisions for the cost of individual premiums and rewards (in 2010 the Bank applied restrictions in employee bonuses introduced in 2009), as well as the adjustment in the salaries policy (from 1 April 2011) in response to the increased competition in the banking sector labor market. The increase in the cost of external services was caused by increased demand of the Bank for advisory services related to preparations for the Initial Public Offering (IPO). The total IPO costs included in the first three quarters of 2011 amounted to PLN 12 293 thousand.

2.5 Other operating income

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
From management of third-party properties	186	1 132	295	814
From sale or liquidation of property, plant and equipment, intangible assets and assets held-for-sale	503	1 817	3 102	5 236
From recovered statute –barred receivables, written off or bad debts, repayments of derecognized receivables	2 094	4 461	2 710	6 173
Sales of goods and services	3 142	7 960	3 016	7 520
Reversal of provisions for other receivables (excluding loan receivables)	158	493	73	421
Reversal of provisions for liabilities (Note 2.21, 2.22)	629	7 884	5 184	7 891
From recovery of costs incurred	474	1 379	766	1 571
Other operating income	3 678	17 444	2 127	8 454
Other operating income, total	10 864	42 570	17 273	38 080

Other operating income in the first three quarters of 2011 increased by 11.8% compared with the three quarters of 2010, primarily due to the increase in the other operating income by 106.3%, which mainly resulted from the release of unutilized provisions for 2010 cost relating to awards and bonuses for employees and external services. Another factor influencing the increase in other operating income are reimbursements of the costs incurred in connection with the realization of trainings co-financed by the Polish Agency for Enterprise Development (PARP).

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2.6 Other operating expenses

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
Due to the management of third-party assets	284	835	263	1 014
Due to the sale or liquidation of property, plant and equipment, intangible assets and assets or sale	1 046	1 788	2 164	2 860
Due to recognized provisions for other receivables (other than loans and advances)	364	619	92	593
Due to provisions for liabilities (Note 2.21, 2.22)	(182)	9 063	729	9 815
Due to debt recovery	1 907	5 185	1 295	3 678
Donations	841	2 206	628	1 814
Amortization and depreciation	21 357	59 563	18 797	53 803
Other operating expenses	461	1 396	544	3 265
Other operating expenses, total	26 078	80 655	24 512	76 842

Other operating costs in the first three quarters of 2011 increased by 7.3% compared with the three quarters of 2010, primarily due to increased amortization and depreciation by PLN 3 200 thousand, i.e. 16.5%, which was associated with the development of the Bank's branch network described above, as well as the continuing investment in IT.

2.7 Net impairment allowances on loans and advances

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
Amounts due from other banks	(18)	98	157	4 890
Loans and advances to customers	(52 872)	(102 525)	(63 659)	(142 264)
Liabilities granted	(2 145)	(6 256)	(48)	(962)
Securities	–	–	1	1
Impairment losses on loans and advances, total	(55 035)	(108 683)	63 549	138 335

Impairment allowances on loans and advances for the three quarters of 2011 fell by 21.4% compared to the three quarters of 2010, mainly due to lower allowances on cash loans for retail customers and on loans to SME and Micro Companies. In comparison to the three quarters of 2010 an increase was observed in impairment allowances on housing loans, which were also one of the main growth factors of impairment in the third quarter compared to second quarter of 2011. Another factor for the quarterly increase was the negative impairment allowance result in relation to large companies portfolio compared with the

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positive impairment allowance result on this portfolio in the second quarter of 2011, when the Bank received a significant loan repayment from one of the clients operating in the food industry.

2.8 Effective tax rate

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
Current tax	(408)	(675)	(2 015)	(91 699)
Deferred tax	(1 909)	(15 427)	(4 475)	89 218
Income tax expense	(2 317)	(16 102)	(6 490)	(2 481)
Profit (loss) before taxation	42 917	116 984	29 499	48 785
Statutory tax rate	19%	19%	19%	19%
Income tax based on profit before taxation	(8 154)	(22 227)	(5 605)	(9 269)
Non tax-deductible costs	1 071	(2 818)	(899)	(3 993)
– receivables written-off	33	151	13	(1 531)
– non-tax-deductible material costs	1 960	(1 404)	(392)	(881)
– other permanent differences	(922)	(1 565)	(520)	(1 581)
Impairment allowance	5 493	11 581	2 718	9 158
Other differences	(727)	(2 638)	(2 704)	1 623
Tax expense/ tax income	(2 317)	(16 102)	(6 490)	(2 481)

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 basis for the calculation of the deferred tax asset as of 30 September 2011 amounting to PLN 414 364 thousand (31 December 2010: PLN 256 336 thousand; 30 September 2010: PLN 238 592 thousand) 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 the deferred tax asset in respect of receivables' impairment write-downs based on the historical analysis of the recognition of written-off unrecoverable receivables as tax-deductible costs.

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2.9 Amounts due from banks

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Current accounts	61 385	49 532	223 054	194 755
Placements with other banks	458 730	149 016	6 133	385 632
Loans and advances	16 098	15 657	52 478	68 566
Purchased debts	396	335	360	3 427
Amounts due from other banks (gross)	536 609	214 540	282 025	652 380
Impairment allowances (negative value)	(1 045)	(965)	(1 105)	(4 215)
Amounts due from other banks (net), total	535 564	213 575	280 920	648 165
	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Impairment allowances on amounts due from other banks at the beginning of the period	1 105	1 105	8 383	8 383
Allowance recognized	143	79	9 022	8 805
Allowance reversed	(241)	(195)	(13 934)	(13 695)
Allowance utilized	–	–	(3 016)	–
Other changes	38	(24)	650	722
Impairment allowances on amounts due from other banks at the end of the period	1 045	965	1 105	4 215

2.10 Receivables arising from reverse repo transactions

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Up to 1 month	119 763	255 391	651 706	835 970
Receivables arising from reverse repo transactions, total	119 763	255 391	651 706	835 970

2.11 Held-for-trading securities

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Held for trading securities:				
- treasury bills	986	82 259	349 289	502 380
- bonds issued by central government institutions	882 406	729 979	1 465 610	515 501
Held-for-trading securities, total	883 392	812 238	1 814 899	1 017 881
<i>of which: valued using the market quotation method</i>	<i>883 392</i>	<i>812 238</i>	<i>1 814 899</i>	<i>1 017 881</i>

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2.12 Derivative financial instruments

30.09.2011 unaudited	Nominal value	Fair value of assets	Fair value of liabilities
Currency derivatives from OTC transactions	26 539 945	745 929	(678 643)
Interest rate derivatives from OTC transactions	53 028 832	137 644	(158 045)
Interest rate derivatives from regulated market transactions	–	–	–
Equity derivatives from OTC transactions	67 009	2 281	(4 901)
Settlements in respect of the purchase and sale of options	–	4 157	(568)
TOTAL	79 635 786	890 011	(842 157)
30.06.2011 unaudited			
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	–	4 800	(160)
TOTAL	72 462 469	200 599	(363 126)
31.12.2010			
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	–	6 120	(47)
TOTAL	59 882 404	220 987	(732 098)
30.09.2010 unaudited			
Currency derivatives from OTC transactions	20 584 659	102 748	(356 888)
Interest rate derivatives from OTC transactions	39 781 572	90 462	(103 112)
Interest rate derivatives from regulated market transactions	26 248	204	–
Equity derivatives from OTC transactions	105 367	5 197	(8 264)
Settlements in respect of the purchase and sale of options	–	6 196	(189)
TOTAL	60 497 846	204 807	(468 453)

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2.13 Loans and advances to customers

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Amounts due from customers under overdraft facilities, of which:	3 528 569	3 239 330	2 625 560	2 715 979
- businesses	1 915 251	1 765 389	1 407 450	1 477 824
- households:	1 580 309	1 450 926	1 208 663	1 206 044
- individual customers	137 008	130 053	124 928	128 920
- individual entrepreneurs	319 607	309 753	245 821	251 497
- farmers	1 123 694	1 011 120	837 914	825 627
Loans and advances to customers:	20 158 212	18 176 592	17 599 576	17 224 521
- businesses, including:	6 641 924	5 381 237	5 280 957	5 296 591
- investment loans	3 679 137	3 082 926	2 726 581	2 690 432
- operating loans	2 313 703	1 699 190	2 026 163	2 112 294
- households:	13 288 533	12 570 631	12 073 695	11 692 411
- individual customers, of which:	8 259 779	7 891 657	7 765 790	7 489 558
- real-estate loans	7 060 645	6 689 794	6 558 895	6 304 270
- individual entrepreneurs	1 042 579	939 177	837 838	798 265
- farmers	3 986 175	3 739 797	3 470 067	3 404 588
- public sector institutions	209 176	205 555	214 429	211 962
- other entities	18 579	19 169	30 495	23 557
Purchased debt	402 425	345 237	291 397	290 184
Other receivables	47 045	46 930	49 740	51 950
Other	-	-	1 721	-
Loans and advances to customers, gross	24 136 251	21 808 089	20 567 994	20 282 634
Impairment allowances (negative value)	(828 999)	(760 596)	(698 817)	(737 445)
Loans and advances to customers, net	23 307 252	21 047 493	19 869 177	19 545 189

Preferential loans and advances (granted with additional payments from government agencies) granted to businesses, farmers and individual entrepreneurs amounted to a total of PLN 3 983 066 thousand as at 30.09.2011, PLN 3 738 334 thousand as at 30.06.2011, PLN 3 492 138 thousand as at 31.12.2010 and PLN 3 477 187 thousand as at 30.09.2010.

In the period from 30 September 2010 to 30 September 2011, loans and advances to customers increased by 19.7%. The main growth elements in lending activities were loans under overdraft facilities (in particular for businesses and farmers), which increased by 29.9%, loans to businesses (an increase of 25.4%), loans to individual entrepreneurs (an increase of 30.6 %), farmers (an increase of 17.1%, driven mainly by preferential loans) as well as purchased debt (an increase of 38.7%). The lending activities accelerated in the third quarter of 2011 - the increase of net loans and advances to customers amounted to 10.7% in this period compared with the increase of 5.5% in the second quarter of 2011.

The retail loans portfolio developed slightly slower. In the period from 30 September 2010 to 30 September 2011 it increased by 10.3%, mainly due to a moderate increase in housing loans (mortgages) by 12.0%.

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Impairment losses on loans and advances

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Losses incurred but not reported (IBNR)				
Gross statement of financial position exposure	22 722 107	20 439 300	19 246 702	19 022 852
Impairment allowance on exposures analyzed on the portfolio basis	(83 046)	(71 023)	(69 820)	(74 206)
Net exposure	22 639 061	20 368 277	19 176 882	18 948 646
Impaired exposures				
Gross statement of financial position exposure	1 414 144	1 368 789	1 321 292	1 259 782
Impairment allowance on exposures analyzed on the portfolio and individual basis	(745 953)	(689 573)	(628 997)	(663 239)
Net exposure	668 191	679 216	692 295	596 543

As of 30 September 2011 the share of impaired exposures in the gross loans and advances to customers amounted to 5.9% compared to 6.3% as of 30 June 2011 and 6.2% as of 30 September 2010.

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Amounts due from customers under overdraft facilities, of which:	123 528	114 841	101 357	116 709
- businesses	67 008	64 092	55 217	53 229
- households:	56 376	50 653	46 079	63 394
- individual customers	15 417	15 409	15 412	17 115
- individual entrepreneurs	25 085	22 500	19 046	21 475
- farmers	15 874	12 744	11 621	24 804
Loans and advances to customers:	647 814	589 316	540 373	560 986
- businesses, including:	182 519	168 706	170 077	169 995
- investment loans	45 327	43 686	50 073	48 839
- operating loans	107 687	99 377	96 484	97 403
- households:	464 221	419 525	369 414	389 948
- individual customers, of which:	303 985	266 030	218 508	214 178
- real-estate loans	140 662	112 816	87 608	84 192
- individual entrepreneurs	51 426	47 881	46 490	51 675
- farmers	108 810	105 614	104 416	124 095
- public sector institutions	539	521	527	470
- other entities	535	564	355	573
Purchased debt	23 099	21 729	21 911	22 559
Other receivables	34 558	34 710	35 176	37 191
Impairment allowances, total	828 999	760 596	698 817	737 445

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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 86 780 thousand as at 30.09.2011, PLN 84 560 thousand as at 30.06.2011, PLN 82 925 thousand as at 31.12.2010 and PLN 91 624 thousand as at 30.09.2010.

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Impairment allowances at the beginning of the period	698 817	698 817	598 782	598 782
Allowance recognized	850 550	564 425	1 045 722	742 334
Allowance reversed	(748 025)	(514 772)	(907 409)	(600 070)
Write-off	(11 276)	(8 205)	(59 221)	(15 118)
Change in interest income in relation to IBNR	21 180	13 134	12 840	8 905
Other changes (including FX differences)	17 753	7 197	8 103	2 612
Impairment allowances at the end of the period	828 999	760 596	698 817	737 445

2.14 Securities available for sale

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Debt securities carried at fair value:	3 281 001	3 599 343	3 285 607	2 461 758
- NBP money bills	–	599 925	1 299 188	474 956
- treasury bills	–	–	98 214	97 179
- bonds issued by central government institutions	3 115 357	2 831 688	1 722 737	1 721 428
- debt securities issued by financial institutions	4 929	5 140	5 111	5 079
- debt securities issued by non-financial institutions	126 726	128 452	126 551	125 040
- bonds issued by public sector entities	33 989	34 138	33 806	38 076
Equity securities	3 426	4 391	5 068	6 672
Total securities available for sale	3 284 427	3 603 734	3 290 675	2 468 430
of which:				
- valued using the market quotation method	3 117 820	2 835 141	1 820 952	1 823 860
- valued using model-based method	166 607	768 593	1 469 723	644 570

2.15 Other debt securities

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Debt securities carried at amortized cost:	–	55 700	109 232	108 199
- restructuring bonds	–	55 700	109 232	108 199
Total other debt securities	–	55 700	109 232	108 199

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2.16 Intangible assets

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Licenses	83 167	71 915	75 481	68 870
Other intangible assets	572	649	787	747
Expenditures on intangible assets	18 005	17 517	20 519	17 900
Intangible assets, total	101 744	90 081	96 787	87 517

2.17 Property, plant and equipment

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Fixed assets, of which:	457 209	452 200	448 795	432 809
- land and buildings	274 936	277 575	282 929	283 803
- tangible fixed assets	182 273	174 625	165 866	149 006
Assets under construction	11 662	9 990	16 023	16 236
Property, plant and equipment, total	468 871	462 190	464 818	449 045

2.18 Amounts owed to other banks

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Cash in current accounts	25 501	806 831	164 321	64 610
Term deposits	712 530	458 672	639 820	713 881
Loans and advances taken out	4 058 983	2 697 312	206 804	219 392
Other liabilities	9 926	12 747	9 474	9 950
Amounts owed to other banks, total	4 806 940	3 975 562	1 020 419	1 007 833

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 was made available in tranches starting from 29 April 2011 to 30 September 2011. As of 30 September 2011 The Bank has utilized the total of the loan amounting to CHF 1 008 million (PLN 3 607 459 thousand).

The Bank received two loans from the European Bank for Reconstruction and Development, both amounting to EUR 50 million (the first one in the first half of 2010, the second in August 2011). As at 30 September 2011 the balance of the loans amounts to PLN 441 120 thousand.

2.19 Liabilities arising from repo transactions

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Up to 1 month	411 806	–	1 268 921	349 655
Liabilities arising from repo transactions, total	411 806	–	1 268 921	349 655

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2.20 Amounts owed to customers

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Other financial institutions:	1 311 236	1 158 052	1 090 373	553 067
Current accounts	4 011	12 751	15 200	15 248
Term deposits	1 302 237	1 140 977	1 072 109	532 329
Other liabilities	4 988	4 324	3 064	5 490
- liabilities arising from monetary collateral	–	–	2 580	2 553
- other	4 988	4 324	484	2 937
Retail customers:	11 542 344	11 498 062	11 369 506	11 192 430
Current accounts	6 332 555	6 633 803	6 326 540	6 517 745
Term deposits	5 200 511	4 855 464	5 034 689	4 666 405
Other liabilities	9 278	8 795	8 277	8 280
- liabilities arising from monetary collateral	5 591	5 162	4 641	4 337
- other	3 687	3 633	3 636	3 943
Corporate customers:	7 348 654	6 253 020	6 871 791	6 075 252
Current accounts	2 580 778	3 375 233	3 476 534	2 291 338
Term deposits	4 686 913	2 786 948	3 321 879	3 722 109
Other liabilities	80 963	90 839	73 378	61 805
- liabilities arising from monetary collateral	80 488	90 386	72 061	61 407
- other	475	453	1 317	398
Of which farmers:	735 688	721 634	686 217	608 230
Current accounts	613 553	686 444	647 779	545 568
Term deposits	114 644	26 884	28 949	50 605
Other liabilities	7 491	8 306	9 489	12 057
- liabilities arising from monetary collateral	7 466	8 278	9 467	12 038
- other	25	28	22	19
Public sector customers:	630 151	639 082	1 720 045	2 349 554
Current accounts	359 752	471 758	870 988	450 958
Term deposits	270 277	167 204	848 932	1 898 479
Other liabilities	122	120	125	117
- liabilities arising from monetary collateral	120	119	118	117
- other	2	1	7	–
Amounts owed to customers, total	20 832 385	19 548 216	21 051 715	20 170 303

The increase in the amounts owed to customers in the period between 30 September 2010 and 30 September 2011 amounted to 3.3% and was associated primarily with the increase in deposits of other financial institutions by 137.1% (including insurance companies and investment funds) and from corporate customers by 21.0% (in particular SME, micro-enterprises and farmers). Deposits from individual customers (i.e. retail customers) increased more slowly - by 3.1%. The Bank recorded a decrease in deposits from the public sector customers by 73.2% in the second quarter of 2011 in connection with the enforcement on 1 July 2011 of the provisions on consolidation of financial resources of selected governmental institutions in the state Bank Gospodarstwa Krajowego S.A. (BGK).

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The slower dynamics of the amounts owed to customers (3.3%) than loans and advances to customers (19.7%) is associated with the acquisition of external financing by the Bank in the form of a CHF loan from the majority shareholder and EUR loan from the European Bank for Reconstruction and Development.

2.21 Provisions

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Restructuring provision	–	–	–	1 933
Provision for guarantees, suretyships, unused credit facilities	5 641	4 897	4 050	3 977
Provision for court cases	14 486	14 316	15 136	15 305
Other provisions, of which:	21 343	21 281	22 511	22 405
- provision in accordance with UOKiK (Office of Competition and Consumer Protection) decision	11 883	11 883	11 883	11 883
- provision for potential liabilities relating to the return of subsidies to preferential loans	7 936	7 874	9 025	8 970
Total provisions	41 470	40 494	41 697	43 620
Restructuring provision	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Carrying amount at the beginning of the period	–	–	4 600	4 600
Increases	–	–	–	–
Utilization	–	–	(2 761)	(2 667)
Reversal	–	–	(1 839)	–
Carrying amount at the end of the period	–	–	–	1 933
Provision for guaranties, sureties and unused credit facilities	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Carrying amount at the beginning of the period	4 050	4 050	2 870	2 870
Increases	28 074	21 934	13 692	9 707
Reversal	(21 818)	(17 823)	(12 931)	(8 745)
Other changes	(4 665)	(3 264)	419	145
Carrying amount at the end of the period	5 641	4 897	4 050	3 977
Provision for court cases	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Carrying amount at the beginning of the period	15 136	15 136	14 449	14 449
Increases	931	677	1 948	1 231
Utilization	(1 635)	(1 605)	(454)	(191)
Reversal	(1 084)	(1 031)	(1 384)	(761)
Reclassification/transfer	1 138	1 139	577	577
Carrying amount at the end of the period	14 486	14 316	15 136	15 305

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Other reserves	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Carrying amount at the beginning of the period	22 511	22 511	23 813	23 813
Increases	157	96	607	511
Utilization	(107)	(107)	(152)	(152)
Reversal	(42)	(42)	(1 180)	(1 176)
Reclassification/transfer	(1 176)	(1 177)	(577)	(591)
Carrying amount at the end of the period	21 343	21 281	22 511	22 405

2.22 Liabilities arising from employee benefits

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Carrying amount at the beginning of the period	22 822	22 822	19 912	19 912
Increases	7 975	8 472	7 678	8 073
Reversal	(6 758)	(6 182)	(4 768)	(5 954)
Carrying amount at the end of the period	24 039	25 112	22 822	22 031

2.23 Cash and Cash equivalents

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

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Cash and balances with the Central Bank	1 702 089	1 114 603	1 379 737	1 161 608
Current accounts of banks and other receivables	63 449	50 822	225 173	216 619
Bank deposits with maturity of up to 3 months	458 449	148 793	5 928	385 396
Cash and cash equivalents, total	2 223 987	1 314 218	1 610 838	1 763 623

2.24 Solvency ratio

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Own funds	2 454 971	2 439 180	2 263 845	2 287 425
Total capital requirement	1 909 930	1 725 289	1 638 039	1 611 604
Capital adequacy ratio (%)	10.3	11.3	11.1	11.4

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The capital adequacy ratio as of 30.09.2011, 30.06.2011, 31.12.2010 and 30.09.2010 is calculated in accordance with the Resolution no. 76/2010 of the PFSA dated 10 March 2010.

The Bank's capital adequacy ratio decreased to 10.3% as at 30 September 2011, compared to 11.4% as at 30 September 2010. The primary factor causing this decrease was the increase in total capital requirement from PLN 1 611 604 thousand to PLN 1 909 930 thousand in the analyzed period, i.e. by 18.5%, as a result of the growth of lending activities. In parallel, total own funds increased in the analyzed period from PLN 2 287 425 thousand to PLN 2 454 971 thousand, i.e. by 7.3%, mainly due to the transfer of the 2010 net profit to reserve capital as well as the accumulation in the own funds of the net profit for the 1st half of 2011 after the auditor's review of the half-year consolidated financial statements.

2.25 Off-balance sheet items

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Liabilities granted	4 170 974	3 837 924	3 705 434	3 460 396
Liabilities received	92 201	1 059 121	2 258 192	2 160 178
Off-balance sheet financial instruments	74 079 464	71 028 665	59 650 278	59 289 498
F/X transactions	5 556 322	1 433 804	232 126	1 208 347
Off-balance sheet items, total	83 898 961	77 359 514	65 846 030	66 118 419

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2.26 Related party transactions

Transactions with the BGŻ S.A. shareholders as at 30.09.2011 and for the period of 9 months ended 30.09.2011.

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
Assets	35 425	–	701 778	737 203	2.32%
Current accounts	553	–	88	641	–
Debt securities	3 999	–	–	3 999	0.01%
Receivables from derivative instruments	–	–	689 189	689 189	2.17%
Deposits	–	–	12 500	12 500	0.04%
Interest	22 687	–	1	22 688	0.07%
Other receivables	8 186	–	–	8 186	0.03%
Liabilities	74 843	–	4 262 466	4 337 309	13.67%
Loans taken out	–	–	3 607 459	3 607 459	11.37%
Current accounts	29 838	–	–	29 838	0.09%
Interest payable	215	–	8 978	9 193	0.03%
Term deposits	44 790	–	–	44 790	0.14%
Liabilities from derivative instruments	–	–	646 029	646 029	2.04%
Other liabilities	–	–	–	–	–
Costs	20 755	100	150 119	170 974	0.05%
Interest	20 289	–	14 909	35 198	0.01%
Commission	–	–	1 048	1 048	–
Derivative instruments	–	–	134 162	134 162	0.04%
Result on trading activities	466	100	–	566	–
Revenue	256 634	–	152	256 786	0.07%
Interest*	256 187	–	152	256 339	0.07%
Commission	447	–	–	447	–
Result on trading activities	–	–	–	–	–
Contingent liabilities	447	–	29 898 292	29 898 739	35.64%
Irrevocable liabilities granted	447	–	704	1 151	–
Liabilities received	–	–	–	–	–
Derivative instruments	–	–	29 897 588	29 897 588	35.64%

* Line: Revenue – 'Interest' includes interest on preferential loans amounting to PLN 134 090 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.
Assets	3 152 413	866	93 131	3 246 410	11.34%
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%
Liabilities	958 801	–	347 086	1 305 887	4.56%
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	–
Costs	39 448	–	165 032	204 480	0.04%
Interest	39 448	–	130	39 578	0.01%
Commission	–	–	1 645	1 645	–
Derivative instruments	–	–	163 257	163 257	0.03%
Revenue	240 685	725	345	241 755	0.04%
Interest*	236 507	–	345	236 852	0.04%
Commission	647	–	–	647	–
Result on trading activities	3 531	725	–	4 256	–
Contingent liabilities	345	–	34 057 945	34 058 290	55.08%
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 30.09.2010 and for the period of 9 months ended 30.09.2010.

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
Assets	2 980 785	40	54 221	3 035 046	11.29%
Current accounts	291	–	3 743	4 034	0.01%
Debt securities	2 944 686	–	–	2 944 686	10.96%
Receivables from derivative instruments	–	–	50 478	50 478	0.19%
Interest	23 851	–	–	23 851	0.09%
Other receivables	11 957	40	–	11 997	0.04%
Liabilities	1 685 958	–	176 770	1 862 728	6.93%
Current accounts	57 430	–	–	57 430	0.21%
Interest payable	1 626 769	–	–	1 626 769	6.05%
Term deposits	1 759	–	–	1 759	0.01%
Liabilities from derivative instruments	–	–	176 770	176 770	0.66%
Other liabilities	–	–	–	–	–
Costs	28 919	–	99 610	128 529	0.03%
Interest	28 918	–	115	29 033	0.01%
Commission	1	–	1 231	1 232	–
Derivative instruments	–	–	98 264	98 264	0.02%
Revenue	173 330	7	96	173 433	0.04%
Interest*	168 452	–	96	168 548	0.04%
Commission	467	–	–	467	–
Result on trading activities	4 411	7	–	4 418	–
Contingent liabilities	402	–	31 612 445	31 612 847	47.81%
Irrevocable liabilities granted	402	–	–	402	–
Liabilities received	–	–	2 000 000	2 000 000	3.02%
Derivative instruments	–	–	29 612 445	29 612 445	44.79%

* Line: Revenue – 'Interest' includes interest on preferential loans amounting to PLN 99 049 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 preferential loans).

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Transactions with related parties as at 30.09.2011, 31.12.2010 and 30.09.2010 and for the 9-month and annual periods ended 30.09.2011, 31.12.2010 and 30.09.2010.

	30.09.2011		31.12.2010		30.09.2010	
	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.
Assets	–	–	6 235	0.02%	5 954	0.02%
Loans and advances	–	–	–	–	–	–
Current account	–	–	–	–	–	–
Deposits	–	–	–	–	–	–
Interest	–	–	–	–	–	–
Commission	–	–	–	–	–	–
Debt securities	–	–	–	–	–	–
Receivables from derivative instruments	–	–	6 089	0.02%	5 808	0.02%
Other receivables	–	–	146	–	146	–
Liabilities	7 775	0.02%	9 679	0.03%	14 083	0.05%
Current accounts	166	–	641	–	146	–
Term deposits	–	–	–	–	–	–
Interest payable	–	–	–	–	–	–
Liabilities from derivative instruments	–	–	583	–	564	–
Other liabilities	7 609	0.02%	8 455	0.03%	13 373	0.05%
Expenses	5 417	–	10 499	–	7 751	–
Interest	7	–	37	–	36	–
Derivative instruments	461	–	1 426	–	142	–
Result on trading activities	4 949	–	9 036	–	7 573	–
Revenues	782	–	889	–	550	–
Interest	782	–	889	–	550	–
Commission	–	–	–	–	–	–
Contingent liabilities	–	–	43 408	0.2%	63 334	0.10%
Liabilities granted	–	–	–	–	–	–
Liabilities received	–	–	–	–	–	–
Derivative instruments	–	–	43 408	0.2%	63 334	0.10%

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

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

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

The **Other** segment includes results that are not attributable to any of above listed segments (i.e. the loan portfolio under vindication and restructuring procedures, capital investments, results attributable to the Bank's own accounts and to clients' accounts not attributed to specified segment as well as the IPO costs). In addition, the segment Other includes adjustments in interest income on impaired loans, not recognized in other segments.

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3.3 Reconciliation of results with financial reporting data

Result on financial operations and foreign exchange result from the statement by operating segments reconciles with the sum of the following positions from the consolidated income statement:

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

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

- other operating income
- other operating costs

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
Reporting by operating segments				
Result on financial operations	3 065	34 638	27 997	56 621
Foreign exchange result	19 084	46 115	19 175	48 350
	22 149	80 753	47 172	104 971
Income statement:				
Dividend income	–	3 554	–	3 147
Result on trading activities	17 668	71 635	46 113	98 642
Result on investing activities	3 989	3 063	570	2 485
Share in income of associates	492	2 501	489	697
	22 149	80 753	47 172	104 971
Result on other operations	6 143	21 478	11 558	15 041
Depreciation	(21 357)	(59 563)	(18 797)	(53 803)
	(15 214)	(38 085)	(7 239)	(38 762)
Income statement:				
Other operating income	10 864	42 570	17 273	38 080
Other operating expenses	(26 078)	(80 655)	(24 512)	(76 842)
	(15 214)	(38 085)	(7 239)	(38 762)

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3rd 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	93 229	103 247	56 576	27 582	4 382	228 440
External interest income	112 667	249 983	156 941	54 587	25 530	442 767
External interest expenses	(91 010)	(66 787)	(15 411)	(56 528)	(2)	(214 327)
Internal interest income	119 495	84 059	22 520	(203 573)	19	–
Internal interest expenses	(47 923)	(164 008)	(107 474)	233 096	(21 165)	–
Net fee and commission income	19 589	49 843	20 811	(503)	322	69 251
Result on financial operations	–	28	24	2 546	491	3 065
Foreign exchange result	5 025	13 864	4 535	72	123	19 084
Result on other operations	23	(20)	(1)	1 966	4 174	6 143
Net impairment write-offs	(25 982)	(17 821)	(5 959)	(16)	(11 216)	(55 035)
Total costs of banking activities	(102 335)	(89 661)	(41 675)	(4 467)	(10 211)	(206 674)
Depreciation/Amortization	(11 439)	(9 106)	(4 205)	(541)	(271)	(21 357)
Segment result	(21 890)	50 374	30 106	26 639	(12 206)	42 917
Profit (loss) before taxation						42 917
Income tax expense						(2 317)
Net profit (loss)						40 600
Statement of financial position						
Segment assets	8 060 787	15 053 333	9 153 091	5 056 081	3 583 809	31 754 010
Segment liabilities	11 498 366	8 268 171	2 375 300	7 407 859	1 966 399	29 140 795
Equity	–	–	–	–	–	2 613 215
Total equity and liabilities	–	–	–	–	–	31 754 010

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Three quarters of 2011 unaudited	Retail banking	Institutional banking	Including: Agro clients	Financial Markets and ALCO	Other	BGŻ S.A. Capital Group
Income statement						
Net interest income	244 656	283 051	150 137	55 038	15 474	598 219
External interest income	321 258	646 108	401 085	167 194	74 096	1 208 656
External interest expenses	(274 964)	(202 174)	(40 089)	(133 297)	(2)	(610 437)
Internal interest income	383 517	274 135	64 882	(657 691)	39	–
Internal interest expenses	(185 155)	(435 018)	(275 741)	678 832	(58 659)	–
Net fee and commission income	60 768	140 699	55 591	(2 617)	2 653	201 503
Result on financial operations	(6)	38	24	28 551	6 055	34 638
Foreign exchange result	12 432	33 168	9 925	189	326	46 115
Result on other operations	1 211	(27)	(7)	4 227	16 067	21 478
Net impairment write-offs	(55 927)	(27 860)	(7 271)	(76)	(24 820)	(108 683)
Total costs of banking activities	(311 673)	(260 795)	(119 474)	(13 602)	(30 653)	(616 723)
Depreciation/Amortization	(32 515)	(24 753)	(11 214)	(1 555)	(740)	(59 563)
Segment result	(81 054)	143 521	77 711	70 155	(15 638)	116 984
Profit (loss) before taxation						116 984
Income tax expense						(16 102)
Net profit (loss)						100 882
Statement of financial position						
Segment assets	8 060 787	15 053 333	9 153 091	5 056 081	3 583 809	31 754 010
Segment liabilities	11 498 366	8 268 171	2 375 300	7 407 859	1 966 399	29 140 795
Equity	–	–	–	–	–	2 613 215
Total equity and liabilities	–	–	–	–	–	31 754 010

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3rd quarter of 2010 unaudited	Retail banking	Institutional banking	Including: Agro clients	Financial Markets and ALCO	Other	BGŻ S.A. Capital Group
Income statement						
Net interest income	63 260	82 891	39 237	7 146	6 033	159 330
External interest income	99 155	176 900	102 403	47 259	19 091	342 405
External interest expenses	(96 614)	(58 198)	(10 826)	(28 263)	–	(183 075)
Internal interest income	96 187	69 291	14 932	(165 484)	6	–
Internal interest expenses	(35 468)	(105 102)	(67 272)	153 634	(13 064)	–
Net fee and commission income	22 905	46 107	17 458	(325)	1 658	70 345
Result on financial operations	–	205	177	27 302	490	27 997
Foreign exchange result	3 344	8 423	2 543	7 309	99	19 175
Result on other operations	312	–	–	1 622	9 624	11 558
Net impairment write-offs	(33 203)	(22 542)	(9 313)	380	(8 184)	(63 549)
Total costs of banking activities	(92 132)	(75 501)	(31 112)	(4 941)	(3 986)	(176 560)
Depreciation/Amortization	(10 662)	(7 362)	(3 061)	(453)	(320)	(18 797)
Segment result	(46 176)	32 221	15 929	38 040	5 414	29 499
Profit (loss) before taxation						29 499
Income tax expense						(6 490)
Net profit (loss)						23 009
Statement of financial position						
Segment assets	7 410 116	12 031 501	6 966 414	5 075 739	2 377 831	26 895 187
Segment liabilities	11 147 642	8 680 269	1 692 994	3 164 701	1 463 717	24 456 329
Equity	–	–	–	–	–	2 438 858
Total equity and liabilities	–	–	–	–	–	26 895 187

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Three quarters of 2010 unaudited	Retail banking	Institutional banking	Including: Agro clients	Financial Markets and ALCO	Other	BGŻ S.A. Capital Group
Income statement						
Net interest income	176 737	235 431	110 423	8 905	11 471	432 544
External interest income	286 058	516 611	294 510	155 998	52 353	1 011 020
External interest expenses	(302 129)	(181 628)	(33 608)	(94 719)	–	(578 476)
Internal interest income	353 542	242 348	51 083	(595 911)	21	–
Internal interest expenses	(160 734)	(341 900)	(201 562)	543 537	(40 903)	–
Net fee and commission income	68 973	129 929	49 627	(1 603)	4 785	202 084
Result on financial operations	19	266	177	51 694	4 642	56 621
Foreign exchange result	10 248	25 034	8 285	13 499	(431)	48 350
Result on other operations	703	(5)	(5)	3 413	10 930	15 041
Net impairment write-offs	(84 231)	(40 722)	(12 852)	1 927	(15 309)	(138 335)
Total costs of banking activities	(269 827)	(216 318)	(91 130)	(15 839)	(11 733)	(513 717)
Depreciation/Amortization	(30 694)	(20 653)	(8 743)	(1 516)	(940)	(53 803)
Segment result	(128 072)	112 962	55 782	60 480	3 415	48 785
Profit (loss) before taxation						48 785
Income tax expense						(2 481)
Net profit (loss)						46 304
Statement of financial position						
Segment assets	7 410 116	12 031 501	6 966 414	5 075 739	2 377 831	26 895 187
Segment liabilities	11 147 642	8 680 269	1 692 994	3 164 701	1 463 717	24 456 329
Equity	–	–	–	–	–	2 438 858
Total equity and liabilities	–	–	–	–	–	26 895 187

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4 OTHER INFORMATION

4.1 Shareholders of the Bank Gospodarki Żywnościowej S.A.

In the 3rd quarter of 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 3rd quarter of 2011 such agreements were signed with respect to 451 shares. These transactions caused a slight decrease of the State Treasury share in the Bank's share capital.

As a result of the shares dematerialization process carried out in the Initial Public Offering the revealed number of the Bank's shares owned by Rabobank International Holding B.V. (hereinafter as 'Rabobank') increased by 1025. It should be noted that in accordance with the art. 343 par. 1 of the Code of Commercial Companies a shareholder can only be the person entered into the shares register. Rabobank was not entered into the shares register following the purchase of those shares. The above mentioned shares were purchased in 2007, however the previous shareholders (the sellers of the shares to Rabobank) acting based on the art. 341 of the Code of Commercial Companies submitted objections to the inclusion of Rabobank to the shares register, which resulted in suspension of inclusion. At the time of dematerialization of the bearer shares, the basis of the motion constituted 1 025 shares of Rabobank International Holding B.V. placed in a deposit maintained by the BGŻ Brokerage Office. The above mentioned change had little effect on the ownership structure of Rabobank International Holding B.V.

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

Shareholder	30.09.2011		31.12.2010		30.09.2010	
	Number of shares	Structure (%)	Number of shares	Structure (%)	Number of shares	Structure (%)
Rabobank International Holding B.V.*	21 298 609	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	11 005 961	25.52	16 058 045	37.23	16 060 015	37.23
Other shareholders	6 528 499	15.13	1 477 440	3.42	1 475 470	3.42
TOTAL	43 136 764	100	43 136 764	100	43 136 764	100

* Rabobank Group

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

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4.2 Granted loan suretyships and guarantees exceeding 10% of equity

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

4.3 Debt securities issued and redeemed

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

As at 30 September 2011 the value of CDs issued amounts to PLN 1 782 000 thousand (nominal value), while as at 31 December 2010 it amounted to PLN 1 756 500 thousand (nominal value) and as at 30 September 2010 it amounted to PLN 2 129 000 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 September 2011 the total value of the court proceedings in which the Bank is defendant amounted to PLN 91 293 thousand and the total value of the court proceedings in which the Bank is a claimant amounted to PLN 51 964 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 30 September 2010 the total value of the court proceedings in which the Bank is defendant amounted to PLN 54 485 thousand and the total value of the court proceedings in which the Bank is a claimant amounted to PLN 42 239 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

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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 third quarter of 2011 included:

- implementation of changes allowing for the Bank's compliance with the Recommendation S requirements,
- review and modification of mortgage loans restructuring process,
- implementation of new models for assessing the creditworthiness of retail clients (mortgages and consumer finance),
- construction of a model for assessing the creditworthiness of institutional clients operating agricultural activities,
- review and implementation of amendments in the model for assessing solvency of Micro companies.

Liquidity risk

In terms of liquidity risk in the 3rd quarter 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 3rd quarter 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 3rd quarter of 2011 there were no significant changes in operating risk management.

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4.7 Changes in the Bank's Management

On 31 March 2011 Mr. Hieronymus Nijsen 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.

On 1 September 2011 the Supervisory Board appointed Mrs Magdalena Legęć for the position of the Vice President of the Management Board from 1 October 2011.

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 million for the period of 12 years to finance the existing housing loans portfolio denominated in CHF – the credit facility was made available in 18 tranches starting from 29 April 2011 to 30 September 2011. As of 30 September 2011 the Bank has already drawn the total of the loan amounting to CHF 1 008 million, i.e. PLN 3 607 459 thousand.

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. 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.

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 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.

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".

More detailed information on the Initial Public Offering of the BGŻ S.A. shares was presented in the Unaudited Interim Condensed Consolidated Financial Report of the Bank Gospodarki Żywnościowej S.A. Capital Group prepared for the first half of 2011 ended 30 June 2011.

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

In Q3 2011 Bank BGŻ continued work on preparation of the launch of the Direct Bank. The project has been run according to the schedule, which envisages the launch in Q4 2011. The Bank's general administrative expenses as of 30 Sep 2011 contain PLN 6,345 thousand related to the Direct Bank.

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II INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS

Income statement

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Interest income	442 767	1 208 656	342 405	1 011 020
Interest expense	(214 327)	(610 437)	(183 075)	(578 476)
Net interest income	228 440	598 219	159 330	432 544
Fee and commission income	79 690	229 964	79 381	227 596
Fee and commission expense	(10 439)	(28 459)	(9 037)	(25 513)
Net fee and commission income	69 251	201 505	70 344	202 083
Dividend income	–	3 554	–	3 147
Result on trading activities	17 668	71 635	46 113	98 642
Result on investing activities	3 989	3 063	570	2 485
Other operating income	11 387	44 086	17 789	39 639
Net impairment losses on loans and advances	(55 035)	(108 683)	(63 549)	(138 335)
General administrative expenses	(206 621)	(616 542)	(176 507)	(513 503)
Other operating expenses	(26 077)	(80 654)	(24 510)	(76 840)
Operating result	43 002	116 183	29 580	49 862
Profit (loss) before taxation	43 002	116 183	29 580	49 862
Income tax expense	(2 317)	(16 102)	(6 490)	(2 481)
Net profit (loss)	40 685	100 081	23 090	47 381

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Statement of comprehensive income

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
Profit (loss)	40 685	100 081	23 090	47 381
Other comprehensive income				
Net (loss)/gain on valuation of available-for-sale financial assets	(3 934)	21 378	11 176	7 640
Income tax effect	747	(4 062)	(2 123)	(1 452)
Other comprehensive income (net)	(3 187)	17 316	9 053	6 188
Total comprehensive income	37 498	117 397	32 143	53 569

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Statement of financial position

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
ASSETS				
Cash and balances with the Central Bank	1 702 089	1 114 603	1 379 737	1 161 608
Amounts due from other banks	535 564	213 575	280 867	648 155
Receivables arising from reverse repo transactions	119 763	255 391	651 706	835 970
Held-for-trading securities	883 392	812 238	1 814 899	1 017 881
Derivative financial instruments	890 011	200 599	220 987	204 807
Loans and advances to customers	23 322 608	21 062 329	19 882 989	19 558 482
Securities available for sale	3 284 427	3 603 734	3 290 675	2 468 430
Other debt securities	15 876	71 576	125 108	124 075
Investment property	47 602	47 542	47 422	47 269
Intangible assets	101 744	90 081	96 787	87 517
Property, plant and equipment	468 871	462 190	464 818	449 045
Deferred tax asset	212 653	213 814	232 141	176 269
Current tax asset	–	44 800	44 800	7 772
Other assets	150 223	141 594	78 178	90 491
TOTAL ASSETS	31 734 823	28 334 066	28 611 114	26 877 771

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Statement of financial position (continued)

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
LIABILITIES				
Amounts owed to other banks	4 806 940	3 975 562	1 020 419	1 007 833
Liabilities arising from repo transactions	411 806	–	1 268 921	349 655
Derivative financial instruments and other liabilities held for trading	842 157	363 126	732 098	468 453
Amounts owed to customers	20 832 430	19 548 259	21 051 722	20 170 311
Liabilities from issued debt securities	1 768 153	1 434 467	1 745 043	2 114 622
Other liabilities	403 856	380 555	241 852	269 937
Current tax liabilities	–	17	3	–
Provisions	41 355	40 379	41 544	43 481
Liabilities arising from employee benefits	24 039	25 112	22 822	22 031
TOTAL LIABILITIES	29 130 736	25 767 477	26 124 424	24 446 323
EQUITY				
Issued share capital	43 137	43 137	43 137	43 137
Reserve capital	2 332 656	2 332 656	2 220 155	2 220 155
Other reserves	128 213	131 400	110 897	120 775
Undistributed profit	100 081	59 396	112 501	47 381
TOTAL EQUITY	2 604 087	2 566 589	2 486 690	2 431 448
TOTAL LIABILITIES AND EQUITY	31 734 823	28 334 066	28 611 114	26 877 771

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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
As at 1 January 2011	43 137	2 220 155	110 897	–	112 501	2 486 690
Transfer from prior year profits	–	112 501	–	–	(112 501)	–
Other comprehensive income for the period	–	–	17 316	–	–	17 316
Net profit for the for the three quarters period	–	–	–	–	100 081	100 081
Comprehensive income for the period	–	–	17 316	–	100 081	117 397
As at 30 September 2011	43 137	2 332 656	128 213	–	100 081	2 604 087

Statement of changes in equity (continued)

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

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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
As at 1 January 2010	43 137	2 112 164	114 587	–	107 991	2 377 879
Transfer from prior year profits	–	107 991	–	–	(107 991)	–
Other comprehensive income for the period	–	–	6 188	–	–	6 188
Net profit for the for the period	–	–	–	–	47 381	47 381
Comprehensive income for the period	–	–	6 188	–	47 381	53 569
As at 30 September 2010	43 137	2 220 155	120 775	–	47 381	2 431 448

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Statement of cash flows

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
CASH FLOW FROM OPERATING ACTIVITIES:				
Net profit/loss	40 685	100 081	23 090	47 381
Total adjustments:	(925 205)	(3 106 651)	(454 973)	(1 146 421)
Current and deferred tax recognized in the financial result	2 317	16 102	6 490	2 481
Amortization and depreciation	21 356	59 562	18 797	53 803
Interest and dividends	(55 046)	(91 483)	(31 772)	(94 701)
Change in provisions	(97)	1 028	(4 492)	21
Change in amounts due from other banks	294	36 100	89 132	35 811
Change in receivables arising from reverse repo transactions	135 628	531 943	(579 643)	(761 315)
Change in held-for-trading debt securities	(71 154)	931 507	7 142	(550 364)
Change in financial assets resulting from derivative financial instruments	(689 412)	(669 024)	224 151	49 811
Change in loans and advances to customers	(2 260 279)	(3 439 619)	(583 321)	(1 245 368)
Income taxes paid	44 801	44 801	(1 385)	(91 069)
Change in amounts owed to other banks	(260 184)	330 086	13 333	327 872
Change in liabilities arising from repo transactions	411 806	(857 115)	(10 679)	237 675
Change in liabilities from derivative financial instruments	479 031	110 059	(359 480)	220 154
Change in amounts owed to customers	1 284 171	(219 292)	779 600	571 785
Change in other liabilities	23 284	162 001	(47 390)	71 881
Other adjustments	8 279	(53 307)	24 544	25 102
NET CASH FLOW FROM OPERATING ACTIVITIES	(884 520)	(3 006 570)	(431 883)	(1 099 040)

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Statement of cash flows (continued)

	3rd quarter of 2011 period from 01.07.2011 to 30.09.2011 unaudited	Three quarters of 2011 period from 01.01.2011 to 30.09.2011 unaudited	3rd quarter of 2010 period from 01.07.2010 to 30.09.2010 unaudited	Three quarters of 2010 period from 01.01.2010 to 30.09.2010 unaudited
CASH FLOW FROM INVESTING ACTIVITIES:				
Inflows	7 787 608	41 830 763	19 321 938	82 350 909
Redemption of other debt securities	56 916	108 126	51 786	102 824
Sale of securities available for sale	7 731 236	41 722 609	19 269 215	82 245 710
Sale of intangible assets and property, plant and equipment	(544)	28	937	2 375
Outflows	(7 409 099)	(41 692 853)	(18 353 928)	(81 910 541)
Purchase of shares in associates	–	–	–	(10 502)
Purchase of securities available for sale	(7 368 342)	(41 622 482)	(18 323 914)	(81 839 464)
Purchase of intangible assets, property, plant and equipment	(40 697)	(70 191)	(29 936)	(60 322)
Other investing outflows	(60)	(180)	(78)	(253)
NET CASH FLOW FROM INVESTING ACTIVITIES	378 509	137 910	968 010	440 368
CASH FLOW FROM FINANCING ACTIVITIES:				
Inflows	2 379 456	7 548 897	1 544 000	5 244 875
Long-term loans from other banks	1 109 456	3 503 897	–	203 875
Issue of debt securities to other financial institutions	1 270 000	4 045 000	1 544 000	5 041 000
Outflows	(963 676)	(4 067 088)	(1 317 029)	(4 376 567)
Repayment of long-term loans from other banks	(37 606)	(47 462)	–	–
Redemption of debt securities issued to other financial institutions	(926 070)	(4 019 626)	(1 317 029)	(4 376 567)
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES	1 415 780	3 481 809	226 971	868 308
TOTAL NET CASH FLOW	909 769	613 149	763 098	209 636
Cash and cash equivalents at the beginning of the period	1 314 218	1 610 838	1 000 525	1 553 987
Cash and cash equivalents at the end of the period, of which:	2 223 987	2 223 987	1 763 623	1 763 623
of restricted use	1 479	1 479	758	758

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 September 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 3rd quarter 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 Bank.
- 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 Bank.
- 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 Bank.
- 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 Bank.
- 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 Bank.
- *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 Bank.
- Amendment to IFRS 7 *Financial Instruments – Disclosures: Transfer of Financial Assets* - effective for financial years beginning on or after 1 July 2011. These amendments did not have any impact on the presented financial position or the results of the Bank.

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- 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. These amendments did not have any impact on the presented financial position or the results of the Bank.

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.
- Amendments to IAS 12 *Income Taxes: 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,
- 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.

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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.

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Transactions and settlements with the BGŻ S.A. shareholders as at 30.09.2011 and for the period of 9 months ended 30.09.2011

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
Assets	35 425	–	701 778	737 203	2.32%
Current accounts	553	–	88	641	–
Debt securities	3 999	–	–	3 999	0.01%
Receivables from derivative instruments	–	–	689 189	689 189	2.17%
Deposits	–	–	12 500	12 500	0.04%
Interest	22 687	–	1	22 688	0.07%
Other receivables	8 186	–	–	8 186	0.03%
Liabilities	74 843	–	4 262 466	4 337 309	13.67%
Received credits	–	–	3 607 459	3 607 459	11.37%
Deposits – current accounts	29 838	–	–	29 838	0.09%
Interest payable	215	–	8 978	9 193	0.03%
Deposits/ placements and other liabilities	44 790	–	–	44 790	0.14%
Liabilities due to derivative instruments	–	–	646 029	646 029	2.04%
Other liabilities	–	–	–	–	–
Costs	20 755	100	150 119	170 974	0.05%
Interest	20 289	–	14 909	35 198	0.01%
Commission	–	–	1 048	1 048	–
Derivative instruments	–	–	134 162	134 162	0.04%
Result on trading activities	466	100	–	566	–
Revenue	256 634	–	152	256 786	0.07%
Interest*	256 187	–	152	256 339	0.07%
Commission	447	–	–	447	–
Result on trading activities	–	–	–	–	–
Contingent liabilities	447	–	29 898 292	29 898 739	35.64%
Irrevocable liabilities granted	447	–	704	1 151	–
Liabilities received	–	–	–	–	–
Derivative instruments	–	–	29 897 588	29 897 588	35.64%

* Line: Revenue – 'Interest' includes interest on preference loans amounting to PLN 134 090 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.
Assets	3 152 413	866	93 131	3 246 410	11.34%
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%
Liabilities	958 801	–	347 086	1 305 887	4.56%
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	–
Costs	39 448	–	165 032	204 480	0.04%
Interest	39 448	–	130	39 578	0.01%
Commission	–	–	1 645	1 645	–
Derivative instruments	–	–	163 257	163 257	0.03%
Revenue	240 685	725	345	241 755	0.04%
Interest*	236 507	–	345	236 852	0.04%
Commission	647	–	–	647	–
Result on trading activities	3 531	725	–	4 256	–
Contingent liabilities	345	–	34 057 945	34 058 290	55.08%
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 30.09.2010 and for the period of 9 months ended 30.09.2010

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
Assets	2 980 785	40	54 221	3 035 046	11.29%
Current accounts	291	–	3 743	4 034	0.01%
Debt securities	2 944 686	–	–	2 944 686	10.96%
Receivables from derivative instruments	–	–	50 478	50 478	0.19%
Interest	23 851	–	–	23 851	0.09%
Other receivables	11 957	40	–	11 997	0.04%
Zobowiązania	1 685 958	–	176 770	1 862 728	6.93%
Current accounts	57 430	–	–	57 430	0.21%
Term deposits	1 626 769	–	–	1 626 769	6.05%
Interest payable	1 759	–	–	1 759	0.01%
Liabilities due to derivative instruments	–	–	176 770	176 770	0.66%
Other liabilities	–	–	–	–	–
Costs	28 919	–	99 610	128 529	0.03%
Interest	28 918	–	115	29 033	0.01%
Commission	1	–	1 231	1 232	–
Derivative instruments	–	–	98 264	98 264	0.02%
Revenue	173 330	7	96	173 433	0.04%
Interest*	168 452	–	96	168 548	0.04%
Commission	467	–	–	467	–
Result on trading activities	4 411	7	–	4 418	–
Contingent liabilities	402	–	31 612 445	31 612 847	47.81%
Irrevocable liabilities granted	402	–	–	402	–
Liabilities received	–	–	2 000 000	2 000 000	3.02%
Derivative instruments	–	–	29 612 445	29 612 445	44.79%

* Line: Revenue – 'Interest' includes interest on preference loans amounting to PLN 99 049 thousand.

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Transactions with related parties as at 30.09.2011 and for the period of 9 months ended 30.09.2011

	BGŻ LEASING	ACTUS SP. Z O.O.	RABOBANK GROUP [*]	TOTAL	% share in total assets/ financial result of BGŻ S.A.
Assets	13 537	31 232	–	44 769	0.14%
Loans and advances	13 526	–	–	13 526	0.04%
Current account	–	–	–	–	–
Deposits	–	–	–	–	–
Interest	2	20 672	–	20 674	0.07%
Commission	–	–	–	–	–
Debt securities	–	10 560	–	10 560	0.03%
Receivables from derivative instruments	–	–	–	–	–
Other receivables	9	–	–	9	–
Liabilities	43 272	46	7 775	51 093	0.16%
Current accounts	203	46	166	415	–
Term deposits	42 856	–	–	42 856	0.14%
Interest payable	213	–	–	213	–
Liabilities from derivative instruments	–	–	–	–	–
Other	–	–	7 609	7 609	0.02%
Expenses	1 489	–	5 417	6 906	–
Interest	1 401	–	7	1 408	–
Derivative instruments	–	–	461	461	–
Result on trading activities	88	–	4 949	5 037	–
Revenues	2 225	1 555	782	4 562	–
Interest	272	1 544	782	2 598	–
Commission	20	1	–	21	–
Derivative instruments	1 933	–	–	1 933	–
Result on trading activities	–	10	–	10	–
Contingent liabilities	19 885	–	–	19 885	0.01%
Liabilities granted	19 885	–	–	19 885	0.01%
Liabilities received	–	–	–	–	–
Derivative instruments	–	–	–	–	–

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

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- data in PLN thousands



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 [*]	TOTAL	% share in total assets/ financial result of BGŻ S.A.
Assets	9 734	29 692	6 235	45 661	0.16%
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%
Liabilities	43 899	7	9 679	53 585	0.19%
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%
Expenses	1 705	–	10 499	12 204	–
Interest	1 554	–	37	1 591	–
Derivative instruments	151	–	1 426	1 577	–
Result on trading activities	–	–	9 036	9 036	–
Revenues	3 660	2 079	889	6 628	–
Interest	253	2 064	889	3 206	–
Commission	22	1	–	23	–
Derivative instruments	3 382	–	–	3 382	–
Result on trading activities	3	14	–	17	–
Contingent liabilities	15 868	–	43 408	59 276	0.10%
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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Transactions with related parties as at 30.09.2010 and for the period of 9 months ended 30.09.2010

	BGŻ LEASING	ACTUS SP. Z O.O.	RABOBANK GROUP	TOTAL	% share in total assets/ financial result of BGŻ S.A.
Assets	9 297	29 171	5 954	44 422	0.17%
Loans and advances	9 296	–	–	9 296	0.04%
Current account	–	–	–	–	–
Deposits	–	–	–	–	–
Interest	1	18 608	–	18 609	0.07%
Commission	–	2	–	2	–
Debt securities	–	10 560	–	10 560	0.04%
Receivables from derivative instruments	–	–	5 808	5 808	0.02%
Other receivables	–	1	146	147	–
Liabilities	43 548	7	14 083	57 638	0.21%
Current accounts	375	–	146	521	–
Term deposits	42 960	7	–	42 967	0.16%
Interest payable	213	–	–	213	–
Liabilities from derivative instruments	–	–	564	564	–
Other	–	–	13 373	13 373	0.05%
Expenses	1 121	–	7 751	8 872	–
Interest	1 121	–	36	1 157	–
Derivative instruments	–	–	142	142	–
Result on trading activities	–	–	7 573	7 573	–
Revenues	1 579	1 555	550	3 684	–
Interest	–	1 544	550	2 094	–
Commission	17	1	–	18	–
Derivative instruments	1 559	–	–	1 559	–
Result on trading activities	3	10	–	13	–
Contingent liabilities	10 290	–	63 334	73 624	0.11%
Liabilities granted	10 290	–	–	10 290	0.01%
Liabilities received	–	–	–	–	–
Derivative instruments	–	–	63 334	63 334	0.10%

* 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

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Own funds	2 449 661	2 400 435	2 256 798	2 279 400
Capital requirements	1 913 406	1 728 654	1 636 603	1 610 087
Capital adequacy ratio (%)	10.2	11.1	11.0	11.3

3 OTHER INFORMATION

The notes presenting changes in the particular positions are presented in the interim condensed consolidated financial statements for the 3rd quarter 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 September 2011, the value of CDs issued amounts to PLN 1 782 000 thousand (nominal value), as at 31 December 2010 it amounted to PLN 1 756 500 thousand (nominal value), and as at 30 September 2010 it amounted to PLN 2 129 000 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

	30.09.2011 unaudited	30.06.2011 unaudited	31.12.2010	30.09.2010 unaudited
Liabilities granted	4 170 974	3 837 924	3 705 434	3 460 396
Liabilities received	92 201	1 059 121	2 258 192	2 160 178
Off-balance sheet financial instruments	74 079 464	71 028 665	59 650 278	59 289 498
F/X transactions	5 556 322	1 433 804	232 126	1 208 347
Off-balance sheet items, total	83 898 961	77 359 514	65 846 030	66 118 419

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3.5 Significant events

Significant events in the Bank in the 3rd quarter of 2011 are described in point 4.8 of the interim condensed consolidated financial statements for the 3rd quarter of 2011.

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 3rd quarter of 2011.

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Jacek Bartkiewicz
President of the Management Board

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

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

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

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

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

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

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

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

Warsaw, 2 November 2011