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Interim Consolidated Report of Bank Gospodarki Żywnościowej S.A. Group for the first quarter ended 31 March 2014

Warsaw, 13 May 2014

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- data in PLN thousand

I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit and loss

	Note	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Interest income	9	425 840	537 124
Interest expense	9	(155 260)	(295 756)
Net interest income		**270 580**	**241 368**
Fee and commission income	10	84 293	77 225
Fee and commission expense	10	(11 741)	(10 229)
Net fee and commission income		**72 552**	**66 996**
Net trading income	11	13 721	17 113
Result on investing activities		3 169	-
Result on hedge accounting	22	(135)	(1 198)
Other operating income	13	5 632	5 901
Net impairment losses on financial assets and contingent liabilities	16	(57 776)	(32 756)
General administrative expenses	12	(224 009)	(230 443)
Depreciation and amortization	14	(24 608)	(24 475)
Other operating expenses	15	(5 316)	(4 244)
Operating results		**53 810**	**38 262**
Share in profit (loss) of associates		1 254	(149)
Profit (loss) before income tax		**55 064**	**38 113**
Income tax expense	17	(10 426)	(8 569)
Net profit (loss) for the period		**44 638**	**29 544**
– attributable to equity holders of the Group		44 638	29 544
Earnings per share (in PLN per share)			
Basic		0.87	0.58
Diluted		0.87	0.58

- data in PLN thousand

Consolidated statement of other comprehensive income

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Net profit (loss) for the period	**44 638**	**29 544**
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss	***(723)***	***(27 456)***
Net change in valuation of financial assets available for sale	6 380	(36 461)
Net change in valuation of cash flow hedges	(7 272)	2 565
Related tax	169	6 440
Items that will not be reclassified to profit or loss	***(188)***	***-***
Actuarial valuation of employee benefits	(232)	-
Related tax	44	-
Other comprehensive income (net of tax)	**(911)**	**(27 456)**
Total comprehensive income for the period	**43 727**	**2 088**
- attributable to equity holders of the Group	43 727	2 088

- data in PLN thousand

Consolidated statement of financial position

	Note	31.03.2014	31.12.2013
ASSETS			
Cash and balances with the Central Bank		1 607 994	1 617 713
Loans and advances to banks	18	109 767	269 757
Reverse repo transactions	19	34 508	309 255
Debt securities held for trading	20	171 331	1 018 701
Derivative financial instruments	21	302 609	363 260
Hedging instruments	22	67 218	57 387
Loans and advances to customers	23	26 458 387	26 297 916
Available for sale financial assets	24	6 377 810	4 826 073
Investment property		62 524	62 524
Investments in associates		36 259	35 052
Intangible assets	25	152 684	158 589
Property, plant and equipment	26	436 637	449 139
Deferred tax assets		155 552	142 792
Current tax assets		6 820	12 519
Other assets	27	192 159	156 464
TOTAL ASSETS		**36 172 259**	**35 777 141**

Notes included on pages 12-54 are an integral part of these interim condensed consolidated financial statements

- data in PLN thousand

Consolidated statement of financial position (continued)

	Note	31.03.2014	31.12.2013
LIABILITIES			
Amounts due to banks	28	3 207 120	3 271 414
Repo transactions	29	261 837	-
Financial liabilities held for trading	20	28 513	271 288
Derivative financial instruments	21	320 866	336 950
Amounts due to customers	30	27 140 819	26 492 716
Debt securities issued	31	824 879	1 191 158
Subordinated liabilities	32	309 805	304 817
Other liabilities	33	453 453	326 041
Deferred tax liabilities		9 552	9 552
Provisions	34	62 508	64 015
TOTAL LIABILITIES		**32 619 352**	**32 267 951**
EQUITY			
Share capital	41	51 137	51 137
Other supplementary capital		3 085 059	3 085 059
Other reserve capital		205 552	206 463
Retained earnings:		211 159	166 531
- Retained profit		166 521	6 387
- Net profit for the period		44 638	160 144
TOTAL EQUITY		**3 552 907**	**3 509 190**
TOTAL LIABILITIES AND EQUITY		**36 172 259**	**35 777 141**

Notes included on pages 12-54 are an integral part of these interim condensed consolidated financial statements

- data in PLN thousand

Consolidated statement of changes in equity

				Retained earnings		
	Share capital	Other supplementary capital	Other reserve capital	Retained profit	Net profit for the period	Total
Balance at 1 January 2014	**51 137**	**3 085 059**	**206 463**	**6 387**	**160 144**	**3 509 190**
Total comprehensive income for the period	**-**	**-**	**(911)**	**-**	**44 638**	**43 727**
Net profit for the period	-	-	-	-	44 638	44 638
Other comprehensive income for the period	-	-	(911)	-	-	(911)
Appropriation of retained earnings	**-**	**-**	**-**	**160 144**	**(160 144)**	**-**
Appropriation of net profit to retained profit	-	-	-	160 144	(160 144)	-
Other	**-**	**-**	**-**	**(10)**	**-**	**(10)**
Balance at 31 March 2014	**51 137**	**3 085 059**	**205 552**	**166 521**	**44 638**	**3 552 907**

Consolidated statement of changes in equity (continued)

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

- data in PLN thousand

Consolidated statement of changes in equity (continued)

				Retained earnings		
	Share capital	Other supplementary capital	Other reserve capital	Retained profit	Net profit for the period	Total
Balance at 1 January 2013	**51 137**	**2 950 716**	**330 351**	**10 364**	**130 049**	**3 472 617**
Total comprehensive income for the period	**-**	**-**	**(27 456)**	**-**	**29 544**	**2 088**
Net profit for the period	-	-	-	-	29 544	29 544
Other comprehensive income for the period	-	-	(27 456)	-	-	(27 456)
Appropriation of retained earnings	**-**	**-**	**-**	**130 049**	**(130 049)**	**-**
Appropriation of net profit to retained profit	-	-	-	130 049	(130 049)	-
Balance at 31 March 2013	**51 137**	**2 950 716**	**302 895**	**140 413**	**29 544**	**3 474 705**

- data in PLN thousand

Consolidated statement of cash flows

	Note	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit for the period		**44 638**	**29 544**
Adjustments for:		**1 712 379**	**(81 883)**
Income tax expense from statement of profit or loss		10 426	8 569
Depreciation and amortization		24 608	24 475
Interest income		(425 840)	(536 420)
Interest expense		155 260	297 894
Change in provisions		(1 739)	(8 144)
Change in loans and advances to banks		(65)	(136)
Change in reverse repo transactions		274 721	(2 226 983)
Change in debt securities held for trading		835 425	(1 332 890)
Change in derivative financial instruments (assets)		60 649	6 778
Change in loans and advances to customers		(161 064)	146 478
Change in amounts due to banks		(6 118)	(26 377)
Change in repo transactions		261 756	3 462 093
Change in financial liabilities held for trading		(242 775)	-
Change in derivative financial instruments (liabilities)		(16 084)	21 050
Change in amounts due to customers		641 817	4 858
Change in other assets and current tax assets		(35 695)	15 491
Change in other liabilities and deferred tax liability		127 412	23 371
Other adjustments		2 125	904
Interest received		371 964	357 469
Interest paid		(147 130)	(320 363)
Income tax expense		(18 558)	-
Taxes returned		1 284	-
NET CASH FROM OPERATING ACTIVITIES		**1 757 017**	**(52 339)**

- data in PLN thousand

Consolidated statement of cash flows (continued)

	Note	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
CASH FLOW FROM INVESTING ACTIVITIES:			
Inflows		**24 104 156**	**58 630 760**
Sale of financial assets available for sale		24 104 043	58 630 760
Sale of intangible assets, and property, plant and equipment		113	-
Outflows		**(25 608 408)**	**(59 445 544)**
Purchase of financial assets available for sale		(25 602 055)	(59 437 921)
Purchase of intangible assets, and property, plant and equipment		(6 353)	(7 409)
Other investing activities outflows		-	(214)
NET CASH FROM INVESTING ACTIVITIES		**(1 504 252)**	**(814 784)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Inflows		**-**	**613 000**
Issue of debt securities		-	613 000
Outflows		**(424 533)**	**(422 206)**
Repayment of long-term loans		(59 810)	(71 206)
Redemption of debt securities issued		(364 723)	(351 000)
NET CASH FROM FINANCING ACTIVITIES		**(424 533)**	**190 794**
TOTAL NET CASH		**(171 768)**	**(676 329)**
Cash and cash equivalents at the beginning of the period		**1 881 640**	**2 204 297**
Cash and cash equivalents at the end of the period, of which:	**35**	**1 709 872**	**1 527 968**
- effect of exchange rate fluctuations on cash and cash equivalents held		1 389	5 280
- of restricted use		2 741	1 629

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and other applicable regulations. The accounting policies applied in these unaudited interim condensed consolidated financial statements are the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013, except for the changes described in point 5 of explanatory notes to these unaudited interim condensed consolidated financial statements.

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

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

Standards and interpretations not yet approved by the European Union:

- IFRS 9 *Financial Instruments* (2009) - standard available for use (no date of compulsory implementation),
- Additions to IFRS 9 *Financial Instruments* (2010) - standard available for use (no date of compulsory application,
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* - standard available for use (no date of compulsory implementation),
- IFRIC Interpretation 21 *Levies* - binding for annual periods beginning on or after 1 January 2014,
- Amendments to IAS 19 *Employee Benefits* entitled *Defined Benefit Plans: Employee Contributions* - binding for annual periods beginning on or after 1 July 2014,
- Improvements to IFRS 2010-2012 - binding for annual periods beginning on or after 1 July 2014,
- Improvements to IFRS 2011-2013 - binding for annual periods beginning on or after 1 July 2014,

- IFRS 14 *Regulatory Deferral Accounts* - binding for annual periods beginning on or after 1 July 2016.

The Management Board does not expect the application of the above standards and interpretations have material impact on the accounting policies applied by the Group, except for IFRS 9. As far as IFRS 9 *Financial instruments* are concerned, Group is currently analyzing the impact of the application of this standard on the financial statements.

3 Going concern

These financial statements were prepared on a going concern basis on the assumption that Group's entities will continue its business operations substantially unchanged in scope in the foreseeable future, i.e. for the period of at least 12 months following the reporting date.

4 Approval of the financial statements

This interim condensed consolidated financial report of Bank Gospodarki Żywnościowej S.A. Group for the first quarter ended 31 March 2014 was approved for publication by the Bank's Management Board on 13 May 2014.

5 Changes in accounting policies and changes in financial data presentation

The Group made the following changes in presentation of financial data. In order to ensure the comparability of financial data, the Group made appropriate changes in the presentation of financial data as at 31 march 2013 in comparison to the data published in the 'Unaudited interim condensed consolidated financial report of Bank Gospodarki Żywnościowej S.A. Group for the first quarter ended 31 March 2013'. These changes referred to the methods of grouping and presentation of financial data in the consolidated statement of profit or loss and do not affect the net profit of the Group.

- data in PLN thousand

Consolidated statement of profit and loss

		31.03.2013 prior to changes	changes in presentation	31.03.2013 after changes
Interest income	1	536 929	195	537 124
Interest expense	1	(297 894)	2 138	(295 756)
Fee and commission income	1	86 292	(9 067)	77 225
Fee and commission expense	1	(16 963)	6 734	(10 229)
Other operating income	2	13 119	(7 218)	5 901
General administrative expenses	2,3	(227 826)	(2 617)	(230 443)
Depreciation and amortization	4	-	(24 475)	(24 475)
Other operating expenses	3,4	(38 554)	34 310	(4 244)

1. The Group has changed the presentation of income and expenses from the sale of insurance products. The income is now presented on a net basis.
2. The Group made changes to presentation of income on release of provisions for unused holidays, provisions for retirement benefits, provisions for non-personnel expenses and provisions for personnel expenses from the line ‘Other operating income’ to the line ‘General administrative expenses’.
3. The Group made changes to presentation of costs of provisions for unused holidays and provisions for retirement benefits from the line ‘Other operating expenses’ to the line ‘General administrative expenses’.
4. The Group separated the line ‘Depreciation and amortization’ from the line ‘Other operating expenses’

6 Seasonality or cyclicality of operations

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

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 are reviewed on an ongoing basis and rely on historic data and other factors, including expectations of the future events which seem to be justified in given circumstances.

a) Impairment of loans and advances

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

Assessment of the impairment of individually significant assets

Financial assets are assessed for whether or not there is an objective impairment trigger. An individual assessment is carried out by the Group’s employees on individually significant financial assets, and involves an individual impairment review of the financial assets. The individual assessment of impairment involves an estimate of the anticipated future cash flows, and the amount of the impairment loss is measured as the difference between the 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

Following assets are covered by collective assessment:

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

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

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

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

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

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

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

In November 2013, based on review of the values of parameters used to determine the level of impairment allowances, the Bank has modified chosen parameters of the model. The implemented changes resulted in:

- shortening the period of historical observations to estimate PD parameters for corporate customers subject to the Accounting Act, to reflect more accurately the current economic situation and the level of credit risk taken by the Bank,
- changing CCF parameters for off-balance exposures, in order to better reflect the expected conversion of off-balance sheet liabilities into balance receivables for selected groups of exposures / credit products, and
- extending LIP for selected loan portfolios, based on the observations of time shaping that elapses from the moment of recognition of impairment trigger until the actual reporting of the impairment trigger and the changes in the approach and principles for credit exposures monitoring.

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 implementation, and adjusted to ensure that the results obtained reflect the factual data and comparable market prices. The models that the Bank currently applies are based exclusively on observable data obtained from the Reuters and/or Bloomberg information systems. Derivatives are valued based on generally acceptable models. Linear instruments are valued based on discounted cash flow method, simple (vanilla) options are valued based on the Black-Scholes model. Other options included in the structured deposits are measured either by decomposition on vanilla options or through Monte Carlo simulations.

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

c) Securities

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

d) Impairment of property, plant and equipment

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

e) Provision for retirement benefit

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

8 General information on the Group

Bank Gospodarki Żywnościowej Spółka Akcyjna is a part of the Rabobank Group, whose parent company is Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

As at 31 December 2013, Bank Gospodarki Żywnościowej S.A. Group consists of Bank Gospodarki Żywnościowej S.A. as the parent company and the subsidiary **Bankowy Fundusz Nieruchomościowy Actus Sp. z o.o.** (‘Actus’) with its registered office in Warsaw, at 10/16 Kasprzaka Street. The Actus’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 registered in the National Court Register maintained by the District Court for the capital city of Warsaw, XIII Economic Department of the National Court Register, Entry no. 0000023062.

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

Bank Gospodarki Żywnościowej S.A. has 49% share in the associate BGŻ Leasing Sp. z o.o and 49% of the votes at the Shareholders’ Meeting. The remaining 51% of the shares in the share capital is held by De Lage Landen, which is a part of Rabobank Group.

According to IFRS, as at 31 March 2014, all subsidiaries have been consolidated. The consolidation scope has not changed in comparison to 31 December 2013.

- data in PLN thousand

9 Net interest income

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Interest income		
Loans and advances to banks	6 706	10 503
Loans and advances to customers in current accounts	64 420	74 691
Loans and advances to customers, in this:	280 534	347 266
– corporate	77 535	118 130
– households	199 683	224 428
– budget entities	2 204	3 766
– other entities	1 112	942
Hedging instruments	7 810	2 856
Reverse repo transactions	11 826	11 611
Debt securities, in this:	54 544	90 197
– held for trading	6 398	11 093
– available for sale	48 146	79 104
	425 840	**537 124**
Interest expense		
Amounts due to banks	(14 958)	(18 736)
Debt securities issued	(9 699)	(25 366)
Amounts due to customers:	(118 048)	(233 803)
– corporate	(25 320)	(44 647)
– households	(79 194)	(153 654)
– budget entities	(3 212)	(6 292)
– other entities	(10 322)	(29 210)
Repo transactions	(12 555)	(17 851)
	(155 260)	**(295 756)**
Net interest income	**270 580**	**241 368**

Net interest income for the first quarter of 2014 increased by PLN 29 212 thousand, i.e. by 12.1%, in comparison to the corresponding period of 2013, due to decrease in interest expense by PLN 140 496 thousand, i.e. 47.5%, which exceeded the decrease in interest income by PLN 111 284 thousand, i.e. 20.7%.

The most significant impact on decrease of interest income had loans and advances to corporate (decrease by PLN 40 595 thousand), households (decrease by PLN 24 745 thousand) and available for sale debt securities (decrease by PLN 30 958 thousand) – all together responsible for 87% decrease of interest income. The decrease in interest expense was shaped primarily by interest expense on amounts due to households, which decreased by PLN 74 460 thousand, i.e. 53% of total interest expense decrease.

The dynamics of interest income and expenses was particularly impacted by lower interest rates than in the comparable period of the previous year, which followed the NBP interest rate cuts. The volume of the Group’s credit portfolio and its structure remained fairly unchanged.

- data in PLN thousand

10 Net fee and commission income

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Fee and commission income		
– loans and advances	24 483	22 791
– settlements	3 995	4 093
– account maintenance	24 068	20 557
– guarantee commitments	2 014	2 777
– brokerage operations	5 000	2 537
– payment cards	20 676	19 654
– insurance activity	2 953	3 508
– other	1 104	1 308
	84 293	**77 225**
Fee and commission expense		
– loans and advances	(339)	(166)
– payment cards	(8 935)	(7 044)
– insurance activity	(70)	(488)
– other	(2 397)	(2 531)
	(11 741)	**(10 229)**
Net fee and commission income	**72 552**	**66 996**

Net fee and commission income for the first quarter of 2014 was higher by PLN 5 556 thousand, i.e. 8.3% in comparison to the corresponding period of 2013. This was mainly due to an increase in fee and commission income (by PLN 7 068 thousand, i.e. 9.2%) and an increase in fee and commission expense (by PLN 1 512 thousand, i.e. 14.8%).

The main drivers of higher fee and commission income relate to:

- account maintenance fee and commission income – increase by PLN 3 511 thousand, i.e. 17.1% constituting 50% of the fee and commission income increase,
- brokerage operations fee and commission income – increase by PLN 2 463 thousand, i.e. 97.1% constituting 35% of the fee and commission income increase,
- loans and advances fee and commission income – increase by PLN 1 692 thousand, i.e. 7.4% constituting 24% of the fee and commission income increase,
- payment cards fee and commission income – increase by PLN 1 022 thousand, i.e. 5.2% constituting 14% of the fee and commission income increase,
- guarantee commitments fee and commission income – decrease by PLN 763 thousand, i.e. 27.5% constituting negative 11% change of the fee and commission income.

The main drivers of higher fee and commission expense relate to:

- payment cards fee and commission expense – increase by PLN 1 891 thousand, i.e. 26.8% constituting 125% of the fee and commission expense increase,
- insurance activity fee and commission expense – decrease by PLN 418 thousand, i.e. 85.7% constituting negative 28% change of the fee and commission expense.

- data in PLN thousand

11 Net trading income

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Debt instruments	(3 017)	(8 167)
Derivative financial instruments	(36 326)	2 267
Foreign currency exchange result	53 064	23 013
Net trading income	**13 721**	**17 113**

Net trading income for the first quarter of 2014 decreased by PLN 3 392 thousand, i.e. 19.8% in comparison to the corresponding period of 2013. The most significant impact on decrease of net trading income had decrease of net trading income on derivatives by PLN 38 593 thousand, which was partially compensated by increase of foreign currency exchange results by PLN 30 051 thousand.

12 General administrative expenses

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Personnel expenses	(129 932)	(130 494)
Marketing	(8 786)	(12 763)
IT	(17 658)	(15 582)
Rental expenses	(23 094)	(23 405)
Other non-personnel expenses	(11 078)	(11 576)
External services	(22 392)	(27 918)
Bank Guarantee Fund fee	(9 180)	(6 749)
Polish Financial Supervision Authority fee	(1 889)	(1 956)
Total general administrative expenses	**(224 009)**	**(230 443)**

General administrative expenses for the first quarter of 2014 fell by PLN 6 434 thousand, i.e. 2.8% in comparison to the corresponding period of 2013 which was primarily due to lower external services expenses by PLN 5 526 thousand, i.e. 19.8%, lower marketing expenses by PLN 3 977 thousand, i.e. 31.2%, higher Bank Guarantee Fund fee by PLN 2 431 thousand, i.e. 36% and higher IT expenses by PLN 2 076 thousand, i.e. 13.3%. Personnel expenses constituting the biggest cost item remained under control and decreased by PLN 562 thousand in comparison to the corresponding period of 2013.

- data in PLN thousand

13 Other operating income

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Sales of goods and services	1 711	1 751
Release of provisions for litigation and claims, and other liabilities	85	917
Recovery of debt collection costs	674	524
Recovered receivables - expired, written off and uncollectible, excluded from the statement of financial position	1 071	797
Other	2 091	1 912
Total other operating income	**5 632**	**5 901**

Other operating income in the first quarter of 2014 decreased by PLN 269 thousand, i.e. 4.6% in comparison to the same period of 2013. The decrease was primarily due to lower release of provisions for litigation and claims, and other liabilities by PLN 832 thousand. In comparison to the corresponding period of the previous year the following lines of other operating income increased:

- recovery of debt collection costs increased by PLN 150 thousand,
- recovered receivables - expired, written off and uncollectible, excluded from the statement of financial position increased by PLN 274 thousand,
- other increased by PLN 179 thousand.

14 Depreciation and amortization

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Property, plant and equipment	(12 778)	(12 978)
Intangible assets	(11 830)	(11 497)
Total depreciation and amortization	**(24 608)**	**(24 475)**

Depreciation and amortization for the first quarter of 2014 increased by PLN 133 thousand, i.e. 0.5% in comparison to the corresponding period of 2013 due to increase of amortization by PLN 333 thousand, i.e. 2.9% which was partially compensated by decrease of depreciation by PLN 200 thousand, i.e. 1.5%.

- data in PLN thousand

15 Other operating expenses

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Sale or liquidation of property, plant and equipment, intangible assets	(129)	(235)
Impairment charges on other receivables	(570)	(180)
Provisions for litigation and claims, and other liabilities	(262)	(436)
Debt collection	(3 172)	(1 691)
Donations made	(630)	(627)
Other	(553)	(1 075)
Total other operating expenses	**(5 316)**	**(4 244)**

Other operating expenses for the first quarter of 2014 were higher by PLN 1 072 thousand, i.e. 25.3% in comparison to the same period of 2013. The biggest increase of other operating expenses was a result of debt collection expense increase by PLN 1 481 thousand, i.e. 87.6%.

16 Net impairment losses on financial assets and contingent liabilities

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Loans and advances to banks	71	(3)
Loans and advances to customers	(59 199)	(33 748)
Contingent commitments granted	1 352	995
Total impairment losses on financial assets and contingent liabilities	**(57 776)**	**(32 756)**

Net impairment losses on financial assets and contingent liabilities for the first quarter of 2014 increased by PLN 25 020 thousand, i.e. 76.4% in comparison to the corresponding period of 2013. Significant y/y change results mainly from a comparatively low amount due to reversal of provision in the corresponding period of 2013.

- data in PLN thousand

17 Income tax expense

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Current tax	(22 973)	-
Deferred tax	12 547	(8 569)
Income tax	**(10 426)**	**(8 569)**
Profit before income tax	55 064	38 113
Statutory tax rate	19%	19%
Income tax on gross profit	**(10 462)**	**(7 241)**
Non tax deductible costs:	(1 000)	(617)
– receivables write-off	(242)	(156)
– Non-tax-deductible overheads	(105)	(264)
– PFRON	(182)	(197)
– Prudential fee for Bank Guarantee Fund	(471)	-
Purchased receivables write-offs	(55)	(1 134)
Impairment allowance for receivables	1 376	340
Other differences	(285)	83
Charge/relief of the financial result of the Group due to income tax	**(10 426)**	**(8 569)**

18 Loans and advances from banks

	31.03.2014	31.12.2013
Current accounts	99 135	130 453
Interbank placements	-	128 563
Loans and advances	11 145	11 325
Total loans and advances to banks (gross)	**110 280**	**270 341**
Impairment allowances on loans and advances to banks	(513)	(584)
Total loans and advances to banks (net)	**109 767**	**269 757**

	31.03.2014	31.12.2013
Impairment allowances on loans and advances to banks at the beginning of the period	**584**	**1 012**
Impairment charges	12	135
Release of impairment charges	(83)	(172)
Write-off	-	(408)
Other changes	-	17
Impairment allowances on loans and advances to banks at the end of the period	**513**	**584**

- data in PLN thousand

Amounts due from other banks assessed individually and collectively

31.03.2014	Assessed individually with impairment	Assessed collectively	Total
Current accounts	-	99 135	99 135
Loans and advances	457	10 688	11 145
Total loans and advances to banks (gross)	**457**	**109 823**	**110 280**
31.12.2013			
Current accounts	-	130 453	130 453
Interbank placements	-	128 563	128 563
Loans and advances	457	10 868	11 325
Total loans and advances to banks (gross)	**457**	**269 884**	**270 341**

Impairment losses on amounts due from other banks, classified as individually and collectively assessed

	31.03.2014	31.12.2013
Assessed individually	353	405
Assessed collectively	160	179
Total impairment allowances	**513**	**584**

19 Reverse repo transactions

	31.03.2014	31.12.2013
Receivables from banks	-	232 882
Receivables from customers	34 508	76 373
Total reverse repo transactions	**34 508**	**309 255**

20 Debt securities held for trading

	31.03.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
Securities issued by government:				
- T-bonds	171 331	(28 513)	1 018 701	271 288
Total debt securities held for trading	**171 331**	**(28 513)**	**1 018 701**	**271 288**
of which: valued using the market quotation method	*171 331*	*(28 513)*	*1 018 701*	*271 288*

- data in PLN thousand

21 Derivative financial instruments

31.03.2014	Nominal value	Fair value Assets	Fair value Liabilities
Trading derivatives			
Currency derivatives:			
– Foreign Exchange Spot (FX Spot)	151 793	66	(43)
– Non-deliverable Forward (NDF)	561 789	4 458	(2 404)
– Foreign Exchange Forward (FX Forward)	517 615	27	(3 076)
– Currency Swaps (FX Swap)	16 779 508	79 364	(91 830)
– OTC currency options	119 739	4 507	(3 104)
Total OTC currency derivatives	**18 130 444**	**88 422**	**(100 457)**
Interest rate derivatives:			
- Interest Rate Swaps (IRS)	18 208 705	179 097	(191 917)
- Currency Interest Rate Swaps (CIRS)	108 296	1 157	-
- Forward Rate Agreements (FRA)	2 659 020	804	(710)
- OTC interest rate options	282 947	9 784	(8 817)
- Other	20 504	-	(12)
Total OTC interest rate derivatives	**21 279 472**	**190 842**	**(201 456)**
OTC options	494 636	22 341	(17 950)
Total OTC derivatives based on equity securities	**494 636**	**22 341**	**(17 950)**
OTC options	14 615	985	(985)
OTC commodity swaps	2 454	19	(18)
OTC commodity derivatives	**17 069**	**1 004**	**(1 003)**
TOTAL	**39 921 621**	**302 609**	**(320 866)**
of which: - valued using the market quotation method	-	-	-
- valued using model-based method	*39 921 621*	*302 609*	*(320 866)*

- data in PLN thousand

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

- data in PLN thousand

22 Hedge accounting

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

Description of hedging relationship	The Group hedges a portion of the interest rate risk arising from interest on preferential loans with subsidies from The Agency for Restructuring and Modernization of Agriculture (ARiMR) above rediscount rate of NBP, resulting from the multiplier effect of the interest rate			
Hedged items	Highly probable future cash flows arising from a portion of preferential loans portfolio			
Hedging instruments	PLN IRS transactions	**Nominal value**	**Fair value**	
			Assets	**Liabilities**
	31.03.2014	1 500 000	67 218	-
	31.12.2013	1 500 000	57 387	-
Presentation of the result on the hedged and hedging transactions	Effective part of change in the valuation to fair value of hedging instruments is recognized in Revaluation reserves (Other reserve capital), while ineffective part of the change is recognized in the Result on hedge accounting. Interest on both the hedged and the hedging items is recognized in Interest income.			
The period in which hedged cash flows are expected	Up to April 2014			

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

	31.03.2014	**31.12.2013**
Revaluation reserves (deferral of fair value changes of hedging instruments related to the portion recognized as effective hedge - gross value)	1 129	8 400
Interest income on hedging derivatives	7 810	24 424
Ineffective part of change in fair value of hedging transactions recognized in the Result on hedge accounting	(135)	(1 077)

- data in PLN thousand

23 Loans and advances to customers

	31.03.2014	31.12.2013
Current accounts, in this:	**4 361 921**	**4 272 536**
– corporate	1 948 546	1 907 354
– households:	2 388 168	2 343 342
– individual customers	98 963	103 674
– individual entrepreneurs	347 682	313 552
– farmers	1 941 523	1 926 116
– budget entities	3 198	1 407
– other entities	22 009	20 433
Non-current loans and advances:	**23 366 357**	**23 241 349**
– corporate, in this:	6 711 846	6 892 196
– investment loans	4 154 523	4 238 097
– revolving loans	1 639 559	1 752 067
– other	917 764	902 032
– households:	16 286 784	15 942 148
– individual customers, in this:	9 604 506	9 465 521
– mortgage loans	*8 110 185*	*8 038 380*
– individual entrepreneurs	1 309 634	1 259 146
– farmers	5 372 644	5 217 481
– budget entities	238 612	251 572
– other entities	129 115	155 433
Total loans and advances to customers (gross)	**27 728 278**	**27 513 885**
Impairment allowances	(1 269 891)	(1 215 969)
Total loans and advances to customers (net)	**26 458 387**	**26 297 916**

In the period from 31 December 2013 to 31 March 2014 gross loans and advances to customers increased by PLN 214 393 thousand, i.e. 0.8%. The most significant increase was observed in loans granted to households and amounted to PLN 344 636 thousand, i.e. 2.2%, whereas the most significant decrease was observed in loans granted to corporate and amounted to PLN 180 350 thousand, i.e. 2.6%.

In the group of loans and advances granted to households the most significant increase was noted in loans granted to farmers - increase of PLN 155 163 thousand, i.e. 3%. Mortgage loans as at 31 March 2014 amounted to 29.2% of gross portfolio of loans and advances to customers and its share in the credit portfolio remained on the similar level as at 31 December 2013.

In the group of loans and advances granted to corporate the most significant decrease was noted in case of revolving loans – decrease of PLN 112 508 thousand, i.e. 6.4% and investment loans – decrease of PLN 83 574 thousand, i.e. 2%. Therefore, the share of investment loans granted to corporate in gross portfolio of loans and advances to customers as at 31 March 2014 decreased to 15% from the level of 15.4% as at 31 December 2013, whereas share of revolving loans decreased respectively to 5.9% from the level of 6.4%.

- data in PLN thousand

Accounting policies and additional explanatory notes

Loans and advances to customers impaired and not impaired

	31.03.2014	31.12.2013
Incurred, but not reported lossess (IBNR)		
Gross exposure	25 526 978	25 313 766
Impairment allowances on receivables assessed collectively with no impairment recognized	(106 837)	(100 217)
Net exposure	**25 420 141**	**25 213 549**
Impaired exposures		
Gross exposure	2 201 300	2 200 119
Impairment allowances on receivables assessed collectively and individually	(1 163 054)	(1 115 752)
Net exposure	**1 038 246**	**1 084 367**

Impairment allowances on loans and advances

	31.03.2014	31.12.2013
Current accounts, in this:	**182 236**	**176 542**
– corporate	106 480	102 927
– households:	75 609	73 473
– individual customers	9 818	9 684
– individual entrepreneurs	47 803	45 109
– farmers	17 988	18 680
– budget entities	1	1
– other entities	146	141
Non-current loans and advances:	**1 087 655**	**1 039 427**
– corporate, in this:	465 872	449 676
– investment loans	87 375	79 684
– revolving loans	274 278	268 907
– other	104 219	101 085
– households:	614 476	582 435
– individual customers, in this:	386 060	362 829
– mortgage loans	*221 525*	*205 702*
– individual entrepreneurs	99 545	90 839
– farmers	128 871	128 767
– budget entities	230	260
– other entities	7 077	7 056
Total impairment allowances	**1 269 891**	**1 215 969**

As at 31 March 2014, the share of impaired loans in gross portfolio of loans and advances to customers amounted to 7.9% compared with 7.6% as at 31 December 2013.

- data in PLN thousand

Loans and advances to customers (gross) assessed individually and collectively

31.03.2014	Assessed individually with impairment	Assessed collectively	Total
Current accounts, in this:	**96 448**	**4 265 473**	**4 361 921**
– corporate	88 924	1 859 622	1 948 546
– households:	7 524	2 380 644	2 388 168
– individual customers	-	98 963	98 963
– individual entrepreneurs	5 600	342 082	347 682
– farmers	1 924	1 939 599	1 941 523
– budget entities	-	3 198	3 198
– other entities	-	22 009	22 009
Non-current loans and advances:	**1 127 609**	**22 238 748**	**23 366 357**
– corporate	815 376	5 896 470	6 711 846
– households:	296 450	15 990 334	16 286 784
– individual customers	95 394	9 509 112	9 604 506
– individual entrepreneurs	88 285	1 221 349	1 309 634
– farmers	112 771	5 259 873	5 372 644
– budget entities	128	238 484	238 612
– other entities	15 655	113 460	129 115
Total loans and advances to customers (gross)	**1 224 057**	**26 504 221**	**27 728 278**
31.12.2013			
Current accounts, in this:	**96 577**	**4 175 959**	**4 272 536**
– corporate	89 929	1 817 425	1 907 354
– households:	6 648	2 336 694	2 343 342
– individual customers	-	103 674	103 674
– individual entrepreneurs	5 637	307 915	313 552
– farmers	1 011	1 925 105	1 926 116
– budget entities	-	1 407	1 407
– other entities	-	20 433	20 433
Non-current loans and advances:	**1 130 355**	**22 110 994**	**23 241 349**
– corporate	820 809	6 071 387	6 892 196
– households:	282 403	15 659 745	15 942 148
– individual customers	90 376	9 375 145	9 465 521
– individual entrepreneurs	83 176	1 175 970	1 259 146
– farmers	108 851	5 108 630	5 217 481
– budget entities	168	251 404	251 572
– other entities	26 975	128 458	155 433
Total loans and advances to customers (gross)	**1 226 932**	**26 286 953**	**27 513 885**

- data in PLN thousand

Accounting policies and additional explanatory notes

Impairment losses on loans and advances assessed individually and collectively

31.03.2014	Assessed individually with impairment	Assessed collectively	Total
Current accounts, in this:	**40 045**	**142 191**	**182 236**
– corporate	38 227	68 253	106 480
– households:	1 818	73 791	75 609
– individual customers	-	9 818	9 818
– individual entrepreneurs	1 321	46 482	47 803
– farmers	497	17 491	17 988
– budget entities	-	1	1
– other entities	-	146	146
Non-current loans and advances:	**479 138**	**608 517**	**1 087 655**
– corporate	355 824	110 048	465 872
– households:	116 408	498 068	614 476
– individual customers	35 970	350 090	386 060
– individual entrepreneurs	32 025	67 520	99 545
– farmers	48 413	80 458	128 871
– budget entities	68	162	230
– other entities	6 838	239	7 077
Total impairment allowances	**519 183**	**750 708**	**1 269 891**
31.12.2013			
Current accounts, in this:	**37 903**	**138 639**	**176 542**
– corporate	36 910	66 017	102 927
– households:	993	72 480	73 473
– individual customers	-	9 684	9 684
– individual entrepreneurs	993	44 116	45 109
– farmers	-	18 680	18 680
– budget entities	-	1	1
– other entities	-	141	141
Non-current loans and advances:	**462 656**	**576 771**	**1 039 427**
– corporate	344 593	105 083	449 676
– households:	111 158	471 277	582 435
– individual customers	32 133	330 696	362 829
– individual entrepreneurs	28 413	62 426	90 839
– farmers	50 612	78 155	128 767
– budget entities	99	161	260
– other entities	6 806	250	7 056
Total impairment allowances	**500 559**	**715 410**	**1 215 969**

- data in PLN thousand

	3 months ended 31.03.2014	12 months ended 31.12.2013
Impairment allowances - Opening balance	**1 215 969**	**1 069 936**
Impairment charges*	322 545	1 432 663
Release of impairment charges*	(263 346)	(1 195 275)
Write-off	(6 683)	(96 443)
Other changes (including FX differences)	1 406	5 088
Impairment allowances - Closing balance	**1 269 891**	**1 215 969**

*The creation of impairment charges and the release of impairment charges on loans and advances were presented by turnover due to functional system limitations.
This presentation has no impact on the financial results of the Group.

24 Available for sale financial assets

	31.03.2014	31.12.2013
Debt securities available for sale:	6 373 066	4 820 672
- issued by central banks - NBP bills	2 799 221	1 349 738
- issued by governments - T-bonds	3 549 885	3 441 851
- issued by financial institutions – bonds	-	5 074
- issued by budget entities – municipal bonds	23 960	24 009
Equity securities available for sale	4 744	5 401
Total available for sale financial assets	**6 377 810**	**4 826 073**
of which:		
- valued using the market quotation method	*3 553 743*	*3 446 373*
- valued using model-based method	*2 824 067*	*1 379 700*

25 Intangible assets

	31.03.2014	31.12.2013
Licenses	126 477	131 651
Other intangible assets	520	583
Expenditures on intangible assets	25 687	26 355
Total intangible assets	**152 684**	**158 589**

In the first quarter of 2014, the Group acquired the ‘Intangible assets’ items in the amount of PLN 6 022 thousand (PLN 6 235 thousand in corresponding period of 2013), while the Group did not sell any ‘Intangible assets’ items in both periods.

- data in PLN thousand

26 Property, plant and equipment

	31.03.2014	31.12.2013
Non-current assets, in this:	433 865	442 137
- land and buildings	262 275	263 220
- IT equipment	38 790	40 352
- office equipment	59 763	62 283
- other	73 037	76 282
Assets under construction	2 772	7 002
Total property, plant and equipment	**436 637**	**449 139**

In the first quarter of 2014, the Group acquired the ‘Property, plant and equipment’ items in the amount of PLN 331 thousand (PLN 1 174 thousand in corresponding period of 2013), while the value of ‘Property, plant and equipment’ items sold amounted to PLN 190 thousand (PLN 457 thousand in corresponding period of 2013).

27 Other assets

	31.03.2014	31.12.2013
Other assets		
– other debtors	53 750	81 059
– interbank and intersystem settlements	31 960	7 860
– prepaid expenses	46 127	10 679
– accrued income	4 921	7 184
– cards settlements	81 873	77 854
– other	3 849	1 625
Total other assets (gross)	**222 480**	**186 261**
Impairment allowances on other receivables	(30 321)	(29 797)
Total other assets (net)	**192 159**	**156 464**

28 Amounts due to banks

	31.03.2014	31.12.2013
Current accounts	40 217	61 544
Interbank deposits	274 397	274 266
Loans and advances received	2 831 240	2 860 839
Other liabilities	61 266	74 765
Total amounts due to banks	**3 207 120**	**3 271 414**

On 22 April 2011, the Bank and Coöperatieve Centrale Raiffeisen–Boerenleenbank B.A. (Rabobank) entered into an agreement, as a result of which the Bank received CHF 1 008 000 thousand for 12 years tenor, in order to finance existing mortgage portfolio denominated in CHF. The facility was disbursed in tranches from 29 April 2011 to 30 September 2011. As at 31 March 2014, the loan capital amounted to PLN 2 408 826 thousand (after early repayment of CHF 90 million in accordance with Annex of 28 May 2013).

- data in PLN thousand

The Bank received two loans from the European Bank of Reconstruction and Development (EBRD) in the amount of EUR 50 000 thousand each. The first loan was disbursed in 2010, whereas the second one in 2011. As at 31 March 2014, the loan capital amounted to PLN 208 565 thousand.

In November 2012, the Bank received a loan from the European Investment Bank (EBI) in the amount of PLN 205 440 thousand (equivalent of EUR 50 million at the exchange rate set by the EBI for 2 days before disbursement of the loan) for a tenor of 10 years. The loan was secured by a guarantee issued by Rabobank. The guarantee agreement is three-sided, i.e. two agreements were signed: between Rabobank and EBI, in which Rabobank guarantees (up to 120% of the loan amount) the repayment of the loan and interest by the Bank in accordance with the schedule, and between Rabobank and the Bank, whereas the Bank agrees to pay the cost of guarantees in the amount of 0.95% on 120% of the outstanding loan amount. As at 31 March 2014, the loan capital amounted to PLN 205 440 thousand.

29 Repo transactions

	31.03.2014	31.12.2013
Due to customers	261 837	-
Total repo transactions	**261 837**	**-**

- data in PLN thousand

30 Amounts due to customers

	31.03.2014	31.12.2013
Other financial institutions:	**1 173 885**	**1 046 953**
Current accounts	10 020	9 894
Term deposits	1 163 854	1 037 048
Other liabilities, in this:	11	11
– other	11	11
Individual customers:	**17 022 043**	**16 377 174**
Current accounts	10 072 482	10 100 652
Term deposits	6 888 998	6 208 272
Other liabilities, in this:	60 563	68 250
– cash collaterals	7 842	7 965
– other	52 721	60 285
Corporate:	**8 198 208**	**8 466 523**
Current accounts	4 667 772	4 891 038
Term deposits	3 475 164	3 510 860
Other liabilities, in this:	55 272	64 625
– cash collaterals	53 949	63 488
– other	1 323	1 137
Of which farmers:	**1 314 544**	**1 200 404**
Current accounts	1 152 429	1 040 784
Term deposits	156 059	152 923
Other liabilities, in this:	6 056	6 697
– cash collaterals	6 011	6 667
– other	45	30
Budget entities:	**746 683**	**602 066**
Current accounts	495 585	458 346
Term deposits	250 970	143 593
Other liabilities, in this:	128	127
– cash collaterals	128	127
Total amounts due to customers	**27 140 819**	**26 492 716**

In the period from 31 December 2013 to 31 March 2014, amounts due to customers increased by PLN 648 103 thousand, i.e. 2.4%. The increase was due to:

- increase of amounts due to individual customers by PLN 644 869 thousand, i.e. 3.9%, mainly as a result of increase in term deposits by PLN 680 726 thousand, i.e. 11%, which resulted in increase of term deposits' share in amounts due to customers by 1.9% to the level of 25.4%, whereas the respective current accounts' share decrease by 1% to the level of 37.1%,
- increase of amounts due to budget entities by PLN 144 617 thousand, i.e. 24%, mainly as a result of increase in term deposits by PLN 107 377 thousand, i.e. 74.8%,
- increase of amounts due to other financial institutions by PLN 126 932 thousand, i.e. 12.1%, almost fully due to increase of term deposits,

- data in PLN thousand

- decrease of amounts due to corporate by PLN 268 315 thousand, i.e. 3.2%, mainly as a result of decrease in current accounts by PLN 223 266 thousand, i.e. 4.6%. Hence, share of amounts due to corporate in amounts due to customers decreased by 1.8% to the level of 30.2%.

  Amounts due to farmers increased by PLN 114 140 thousand, i.e. 9.5%, in this PLN 111 645 thousand increase concerns current accounts (increase by 10.7%). The share of amounts due to farmers in amounts due to customers amounted to 4.2% as at 31 March 2014.

31 Debt securities issued

Changes in debt securities issued

	3 months ended 31.03.2014	12 months ended 31.12.2013
Balance at the beginning of the period	**1 191 158**	**1 852 931**
Issuance of certificates of deposit	-	601 721
Redemption of certificates of deposit and Quatro securities	(364 723)	(1 306 155)
Sold discount from certificates of deposit, interests, commission and other fees on certificates of deposit amortized using EIR, foreign currency exchange differences	(1 556)	42 661
Balance of debt securities issued at the end of the period	**824 879**	**1 191 158**

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

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

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

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

The value of Certificates of Deposits issued equals to PLN 820 500 thousand (nominal value) as at 31 March 2014 and PLN 1 184 000 thousand (nominal value) as at 31 December 2013.

32 Subordinated liabilities

According to the annex of 28 May 2013 to the loan agreement of CHF 1 008 million received from Rabobank signed on 22 April 2011, on 3 June 2013, the Bank made an early repayment of CHF 90 million. At the same time, under the new agreement of 28 May 2013, Rabobank provided the

- data in PLN thousand

Bank with the funds in the form of a subordinated loan for a period of 10 years, i.e. with the bullet payment settled for 3 June 2023 at a fixed interest rate of 6M Wibor plus margin.

Margin has been set at 2.01%, taking into account:
- the current cost of financing of Rabobank for a period of 10 years in PLN,
- the current cost of such financing subordination (based on iTraxx indices),
- half of the cost of breaking the terms of original loan in CHF (due to the difference in maturity).

Rabobank, in case of changes in the ownership structure of the Bank resulting in a reduction of Rabobank's shares in the Bank below 70%, has the ability to raise above mentioned margin up to 4%.

On 28 August 2013, the Polish Financial Supervision Authority agreed to include the amount of above mentioned subordinated loan to the Bank's supplementary funds.

As at 31 March 2014, the carrying amount of subordinated liabilities amounted to PLN 309 805 thousand.

33 Other liabilities

	31.03.2014	31.12.2013
Interbank and intersystem settlements	115 788	55 217
Other creditors	78 375	58 060
Card settlements	114 436	93 033
Provisions for non-personnel expenses	33 811	28 466
Provisions for other employee-related liabilities	54 543	40 974
Provisions for unused holidays	18 308	15 275
Deferred income	16 678	14 102
Other public settlements	21 514	20 914
Total other liabilities	**453 453**	**326 041**

34 Provisions

	31.03.2014	31.12.2013
Provision for restructuring	3 374	4 310
Provision for retirement benefits and similar obligation	20 755	19 966
Provision for guarantees, surety ships and undrawn credit facilities	17 044	18 338
Provision for litigation and claims	18 779	18 845
Other provisions	2 556	2 556
Total provisions	**62 508**	**64 015**

Provision for restructuring	**3 months ended 31.03.2014**	**12 months ended 31.12.2013**
Opening balance	**4 310**	**13 515**
Provision charges	-	7 746
Provision utilization	(936)	(16 951)
Closing balance	**3 374**	**4 310**

- data in PLN thousand

Provision for retirement benefits and similar obligation	3 months ended 31.03.2014	12 months ended 31.12.2013
Opening balance	**19 966**	**14 407**
Provision charges	818	6 718
Provision release	(29)	(1 159)
Closing balance	**20 755**	**19 966**

Provisions for guarantees, surety ships and undrawn credit facilities	3 months ended 31.03.2014	12 months ended 31.12.2013
Opening balance	**18 338**	**7 257**
Provision charges	4 255	34 293
Provision release	(5 607)	(22 994)
Other changes	58	(218)
Closing balance	**17 044**	**18 338**

Provision for litigation and claims	3 months ended 31.03.2014	12 months ended 31.12.2013
Opening balance	**18 845**	**28 736**
Provision charges	262	1 122
Provision utilization	(243)	(1 915)
Provision releases	(85)	(9 251)
Other changes	-	153
Closing balance	**18 779**	**18 845**

Other provisions	3 months ended 31.03.2014	12 months ended 31.12.2013
Opening balance	**2 556**	**1 586**
Provision charges	-	1 537
Provision utilization	-	(89)
Other changes	-	(478)
Closing balance	**2 556**	**2 556**

- data in PLN thousand

35 Cash and cash equivalents

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

	31.03.2014	31.12.2013
Cash and balances with the Central Bank	1 607 994	1 617 713
Current accounts and other receivables	101 878	135 364
Interbank placements	-	128 563
Total cash and cash equivalents	**1 709 872**	**1 881 640**

36 Capital adequacy ratio

	31.03.2014	31.12.2013
Total own funds	3 490 371	3 545 118
Total capital requirements	2 148 276	2 137 568
Capital adequacy ratio (%)	**13.00%**	**13.27%**

37 Contingent liabilities

	31.03.2014	31.12.2013
Contingent commitments granted	**4 689 735**	**4 605 578**
- Financial commitments	4 010 344	3 852 656
- Guarantees	679 391	752 922
Contingent commitments received	**36 431**	**16 789**
- Financial commitments	30 000	10 378
- Guarantees	6 431	6 411

38 Fair value of financial assets and liabilities

Based on the methods used for determining fair value, financial assets and liabilities of the Group are classified into the following categories:

Level 1

Assets and liabilities are valued based on market quotations available in active markets for identical instruments.

Level 2

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

Level 3

Assets and liabilities are valued using valuation techniques for which the input data are not based on observable market data.

The Group periodically reviews (at least once a quarter) the assignment of individual assets and liabilities to given levels of the fair value hierarchy. The basics for the classification are inputs used in the valuation i.e. market quotations or other information. The classification of assets or liabilities to a given level of the hierarchy is determined by the lowest level of input data used in the valuation, having significant influence on the determination of fair value.

- data in PLN thousand

In case of change in the input data used for the data on a different level, for example due to changes in valuation methodology or modified sources of market data, the Group shall transfer assets or liabilities to the appropriate level of valuation in the reporting period in which this change occurred.

In the first quarter of 2014 and in 2013, the Group did not make any changes in the method of measurement of fair value, which would result in the transfer of assets and liabilities between levels.

The table below shows the breakdown of assets and liabilities presented in the consolidated financial statements at fair value into three categories:

31.03.2014	Level 1	Level 2	Level 3	Total
Assets re-measured to fair value	**3 725 074**	**3 148 752**	**107 666**	**6 981 492**
Debt securities held for trading	171 331	-	-	171 331
Derivative financial instruments	-	282 313	20 296	302 609
Hedging instruments	-	67 218	-	67 218
Available for sale financial assets	3 553 743	2 799 221	24 846	6 377 810
Investment property	-	-	62 524	62 524
Liabilities re-measured to fair value	**(28 513)**	**(305 014)**	**(15 852)**	**(349 379)**
Financial liabilities held for trading	(28 513)	-	-	(28 513)
Derivative financial instruments	-	(305 014)	(15 852)	(320 866)

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

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

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

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

- data in PLN thousand

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

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

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

- correlation between stock indices (as at 31 March 2014 correlation ranged between 16% and 81%),
- correlation between foreign exchange rates and stock indices (as at 31 March 2014 correlation ranged between (32%) and 36%),
- correlation between stock prices (as at 31 March 2014 correlation ranged between 39% and 57%),
- implied volatility of WIG30 index (as at 31 March 2014 depending on the maturity date, volatility ranged between 21% and 24%),
- implied volatility of stock prices (as at 31 March 2014 volatility ranged between 22% and 30%).

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

	Increase of parameter	Decrease of parameter
Correlation between stock exchange indices	114 201	7 475
Correlation between foreign exchange rates and stock indices	(759 949)	(438 290)
Correlation between stock prices	(164 931)	(52 141)
Implicated volatility of WIG30	(631 450)	1 368 158
Implicated volatility of stock prices	(11 642)	654
Total	**(1 453 771)**	**885 856**

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

In case of investment property, data used for valuation are offers on comparable premises, real prices of transactions and other data regarding real estate market condition in the area. Considering other estimates then those used for 31 December 2013 could lead to a significant change of the investment property valuation, although the Group has no realizable proofs on its impact on the fair value of the property.

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

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

- data in PLN thousand

	Derivative financial instruments (assets)	Available for sale financial assets	Investment property	Derivative financial instruments (liabilities)
Balance as at 01.01.2014	**9 823**	**24 889**	**62 524**	**(7 159)**
Total gains or losses recognized in:	(206)	(43)	-	(2 009)
- Net interest income	-	*242*	-	-
- Net trading income	*(206)*	-	-	*(2 009)*
- Other operating income/expenses	-	-	-	-
- Statement of other comprehensive income	-	*(285)*	-	-
Purchase	10 679	-	-	(6 684)
Settlement	-	-	-	-
Balance as at 31.03.2014	**20 296**	**24 846**	**62 524**	**(15 852)**
Unrealized gains or losses relating to assets and liabilities held at the end of the reporting period recognized in the statement of profit or loss, in this:	**(206)**	**242**	**-**	**(2 009)**
Net interest income	-	242	-	-
Net trading income	(206)	-	-	(2 009)
Other operating income	-	-	-	-

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

- data in PLN thousand

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

31.03.2014	Carrying amount	Fair value	Level
Financial assets			
Loans and advances to banks	109 767	107 361	3
Reverse repo transactions	34 508	34 508	3
Investments in associates	36 259	36 259	3
Loans and advances to customers	26 458 387	26 599 372	3
Financial liabilities			3
Amounts due to banks	3 207 120	3 213 640	3
Repo transactions	261 831	261 831	3
Amounts due to customers	27 140 819	27 061 571	3
Debt securities issued	824 879	838 755	3

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

a) Amounts due to banks and amounts due from banks

Amounts due to banks and due from banks include interbank deposits and interbank settlements. The fair value of deposits with fixed and floating rate is based on discounted cash flows set on the interest rates observed in the money market for positions with similar credit risk and remaining period to maturity.

b) Loans and advances to customers

Estimated fair value of loans and advances is discounted value of future cash-flows to be received by current market interest rates for asset groups of similar credit risk in order to determine their fair value. Market interest rates used for discounting are adjusted by actual cost of obtaining funding for credit activity and credit risk price for given product groups.

c) Liabilities and receivables due to BSB/SBB

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

d) Investments in associates

The fair value of the investments in associates is a carrying amount of the investments.

e) Subordinated liabilities

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

f) Due to customers

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

g) Debt securities issued

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

39 Related party transactions

Bank Gospodarki Żywnościowej S.A. is a subsidiary of Rabobank Group, the parent company of which is Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

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

BGŻ S. A. holds 49% shares in the share capital of the Company and 49% of votes at the General Meeting of Shareholders in an associate - BGŻ Leasing Sp. z o.o.

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

- data in PLN thousand

Accounting policies and additional explanatory notes

Transactions with BGŻ S.A shareholders and related parties

31.03.2014	COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	SUBSIDIARIES of RABOBANK	KEY PERSONNEL	TOTAL
Assets	**51 501**	**6 722**	**45**	**58 268**
Current accounts, loans and placements	5 076	-	45	5 121
Derivative financial instruments	46 425	6 722	-	53 147
Liabilities	**2 763 168**	**6 752**	**4 063**	**2 773 983**
Loans and advances received	2 415 094	-	-	2 415 094
Current accounts, deposits	1 216	30	4 063	5 309
Subordinated liabilities	309 810	-	-	309 810
Derivative financial instruments	23 319	6 722	-	30 041
Other liabilities	13 729	-	-	13 729
Contingent liabilities				
Financial commitments granted	-	-	35	35
Guarantees granted	1 153	-	-	1 153
Commitments received	1 153	-	-	1 153
Derivative financial instruments (face value)	9 672 358	300 000	-	9 972 358
1st quarter of 2014, period from 01.01.2014 to 31.03.2014			-	
Statement of profit or loss	**(14 803)**	**886**	**(17)**	**(13 934)**
Interest income	250	233	-	483
Interest expense	(10 173)	(100)	(17)	(10 290)
Fees and commission expense	(706)	-	-	(706)
Result on trading activities	(207)	753	-	546
Other operating income	220	-	-	220
Other operating expenses	(4 187)	-	-	(4 187)

- data in PLN thousand

31.12.2013	COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	SUBSIDIARIES of RABOBANK	KEY PERSONNEL	TOTAL
Assets	**71 681**	**134 303**	**21**	**206 005**
Current accounts, loans and placements	166	128 563	21	128 750
Derivative financial instruments	71 084	5 740	-	76 824
Other assets	431	-	-	431
Liabilities	**2 787 779**	**5 773**	**3 136**	**2 796 688**
Loans and advances received	2 447 145	-	-	2 447 145
Current accounts, deposits	2 096	32	3 136	5 264
Subordinated liabilities	304 819	-	-	304 819
Derivative financial instruments	23 539	5 741	-	29 280
Other liabilities	10 180	-	-	10 180
Contingent liabilities				
Financial commitments granted	-	-	59	59
Guarantees granted	1 151	-	-	1 151
Commitments received	1 151	-	-	1 151
Derivative financial instruments (face value)	8 443 696	309 968	-	8 753 664
1st quarter of 2013, period from 01.01.2013 to 31.03.2013				
Statement of profit or loss	**(31 607)**	**95**	**(21)**	**(31 533)**
Interest income	175	232	-	407
Interest expense	(10 937)	-	(21)	(10 958)
Fees and commission expense	(4)	-	-	(4)
Result on trading activities	(17 346)	(423)	-	(17 769)
Other operating income	-	286	-	286
Other operating expenses	(3 495)	-	-	(3 495)

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40 Information on activity in segments

Segment reporting

The Group has divided its activity and applied identification of income and expenses as well as assets and liabilities into the following reporting segments: Retail and Business Banking (including an offer for micro companies), Corporate Banking, Financial Markets and Assets and Liabilities Management ('ALCO'), and Other. This division reflects the principles of classification of customers into segments in accordance with the Group's business model which is based on type of business and financial criteria as well as the type of activity.

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

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

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

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

Within the Corporate Banking Segment and the Retail and Business Banking Segment, the Group separated Agro Clients i.e. individual farmers and companies operating in the food and agriculture sector. According to the principles of customer segmentation in the Group, farmers include individuals, legal persons and organizational entities not being legal persons involved in agricultural activity in accordance with the Act on Agricultural Tax

Agro clients segment is separated due to its significance to the development of the Group's business activity, its influence on the financial results of the institutions, and the separate level of monitoring carried for the Group's management reporting.

Business segments characteristics

The Retail and Business Banking Segment includes sales of products and services performed for individuals and micro companies, including maintaining current accounts and deposit accounts, gathering term deposits, granting housing loans, cash loans, mortgage loans, revolving loans, overdrafts, loans dedicated to micro companies, issuance of debit and credit cards, service of foreign cash transfers, entering into foreign exchange transactions, sale of insurance products and other services with a minor impact on the Group's revenue. The Retail and Business Banking

Segment includes also: balances and results of direct banking channel BGŻOptima, income from brokerage services and distribution of investment funds' share units.

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

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

Products and services for Corporate Clients include maintaining current and saving accounts, gathering term deposits (including negotiable deposits), issuing business-type cards, granting overdrafts, investing commercial loans and revolving loans, agro-business financing loans, insurance for farmers, issuing of debt securities, financing trading activities (including guarantees, surety ships, letters of credit, discounting of bills and factoring), leasing (in cooperation with BGŻ Leasing) and entering into foreign exchange and derivative transactions.

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

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

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

- data in PLN thousand

Reconciliation of results with financial reporting data

Result on financial operations and foreign exchange result from the statement by operating segments reconciles with the sum of the following items from the statement of profit and loss:
- Dividend income
- Net trading income
- Result on investing activities
- Result on hedge accounting
- Share in profit (loss) of associates

Result on other operations from the statement by operating segments reconciles with the sum of the following items from the statement of profit and loss:
- Other operating income
- Other operating expenses

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Statement by business segments		
Result on financial operations	1 887	95
Foreign exchange result	16 122	15 671
	18 009	**15 766**
Statement of profit and loss		
Result on trading activities	13 721	17 113
Result on investing activities	3 169	-
Result on hedge accounting	(135)	(1 198)
Share in profit (loss) of associate	1 254	(149)
	18 009	**15 766**
Statement by business segments		
Result on other operations	316	1 657
	316	**1 657**
Statement of profit and loss		
Other operating income	5 632	5 901
Other operating expenses	(5 316)	(4 244)
	316	**1 657**

- data in PLN thousand

Accounting policies and additional explanatory notes

1st quarter of 2014	Retail and Business Banking	Corporate Banking	in this: Agro Clients*	Financial Markets and Assets and Liabilities Management	Other	Total
Statement of profit and loss						
Net interest income	154 046	53 503	64 685	66 113	(3 082)	**270 580**
external interest revenues	213 113	141 707	159 708	61 154	9 866	**425 840**
external interest expenses	(84 946)	(33 552)	(17 397)	(36 592)	(170)	**(155 260)**
internal interest revenues	156 871	49 642	33 028	(206 648)	135	**-**
internal interest expenses	(130 992)	(104 294)	(110 654)	248 199	(12 913)	**-**
Net fee and commission income	46 523	22 691	26 167	1 784	1 554	**72 552**
Result on financial operations	527	962	320	398	-	**1 887**
Foreign exchange result	8 836	7 244	5 065	-	42	**16 122**
Result on other operations	(463)	(52)	(82)	(6 407)	7 238	**316**
Net impairment losses on financial assets and contingent liabilities	(36 508)	(10 720)	(10 381)	(328)	(10 220)	**(57 776)**
General administrative expenses	(170 781)	(50 293)	(54 169)	(6 202)	3 267	**(224 009)**
Depreciation and amortization	(18 323)	(5 281)	(5 624)	(665)	(339)	**(24 608)**
Segment result	**(16 143)**	**18 054**	**25 981**	**54 693**	**(1 540)**	**55 064**
Profit before income tax	**-**	-	-	-	-	**55 064**
Income tax expense	**-**	-	-	-	-	**(10 426)**
Net profit for the year	**-**	-	-	-	-	**44 638**
Statement of financial position as at 31.03.2014						
Segment assets	15 342 322	11 847 964	12 563 296	5 731 390	3 250 583	**36 172 259**
Segment liabilities	20 313 798	6 843 869	4 622 347	3 890 920	1 570 765	**32 619 352**

* includes Retail, Business, Corporate customers

- data in PLN thousand

Accounting policies and additional explanatory notes

1st quarter of 2013	Retail and Business Banking	Corporate Banking	In this: Agro Clients*	Financial Markets and Assets and Liabilities Management	Other	Total
Statement of profit and loss						
Net interest income	126 607	64 227	67 000	65 642	(15 108)	**241 368**
external interest revenues	221 162	199 659	194 102	98 850	17 453	**537 124**
external interest expenses	(163 327)	(70 799)	(28 664)	(61 559)	(71)	**(295 756)**
internal interest revenues	222 609	90 732	46 003	(313 516)	175	**-**
internal interest expenses	(153 837)	(155 365)	(144 441)	341 867	(32 665)	**-**
Net fee and commission income	44 891	24 005	23 190	(3 575)	1 675	**66 996**
Result on financial operations	28	897	239	(830)	-	**95**
Foreign exchange result	7 306	8 317	5 033	-	48	**15 671**
Result on other operations	389	(79)	(58)	2 844	(1 497)	**1 657**
Net impairment losses on financial assets and contingent liabilities	(9 392)	(27 086)	(8 713)	(94)	3 816	**(32 756)**
General administrative expenses	(172 899)	(59 721)	(55 751)	(7 778)	9 955	**(230 443)**
Depreciation and amortization	(18 091)	(5 604)	(5 284)	(762)	(18)	**(24 475)**
Segment result	**(21 161)**	**4 956**	**25 656**	**55 447**	**(1 129)**	38 113
Profit before income tax	**-**	-	-	-	-	**38 113**
Income tax expense	**-**	-	-	-	-	**(8 569)**
Net profit for the year	**-**	-	-	-	-	**29 544**
Statement of financial position as at 31.12.2013						
Segment assets	14 962 950	12 019 666	12 429 568	5 320 588	3 473 937	**35 777 141**
Segment liabilities	19 722 524	6 832 689	4 349 681	4 182 344	1 530 394	**32 267 951**

* includes Retail, Business, Corporate customers

- data in PLN thousand

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

Shareholders	31.03.2014		31.12.2013	
	Number of shares	Structure (%)	Number of shares	Structure (%)
Rabobank International Holding B.V.*	45 942 004	89.84	45 942 004	89.84
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.*	4 303 695	8.42	4 303 695	8.42
Other shareholders	891 065	1.74	891 065	1.74
TOTAL	**51 136 764**	**100.00**	**51 136 764**	**100.00**

***** Rabobank Group

Share capital of the Bank as at 31 March 2014 amounted to PLN 5 137 thousand. The nominal value of each share is PLN 1.00.

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

42 Dividends paid

At the date of the preparation of these interim condensed consolidated financial statements, the decision about the distribution of the profit for 2013 has not been made yet. The Management of the Board will not recommend the payment of dividend for 2013.

43 Legal issues

As at 31 March 2014 the total value of the legal proceedings against the Bank amounted to PLN 36 948 thousand, whereas the total value of the legal proceedings in which the Bank is a plaintiff amounted to PLN 74 783 thousand. As at 31 December 2013 the total value of the legal proceedings against the Bank amounted to PLN 42 849 thousand, and the total value of the legal proceedings in which the Bank is a plaintiff amounted to PLN 83 784 thousand (the amount includes proceeding in which the value of the litigation exceeds PLN 100 thousand and employment-related cases excluding adverse claims).

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

44 Risk management

The most significant changes to credit risk management made in the first quarter of 2014 and main measures of market risk are described below. In reference to other risks that the Group has to face, the approach has not changed significantly.

CREDIT RISK

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

- implementation of new rules for determining the value of the property subject to the mortgage security by verifying the value of the property by a team of valuation experts (an individual approach, used for material exposures) and the adjustment of the value of the property using internal drop-off factor (a portfolio approach, used for smaller exposures),

- modification of the model used for the assessment of credit score for individual farmers (extending of the application scope of standardized profitability indicators for different types of agricultural production),
- development of principles for a new standardized and centralized credit process for micro clients on full accounting (including credit score assessment model).

MARKET RISK

Market risk in the banking book

As at the end of March 2014, the value of the „duration" measure, i.e. the average weighted period to repricing of interest rate for assets remained on the level of 4.6 months (at the end of December 2013 3.8 months), whereas for liabilities – equaled to 3.5 months (at the end of December 2013 3.3 months). The duration of net capital in the ALM portfolio increased from 11.9 months at the end of 2013 to 12.3 months at the end of March 2014. The repricing period for almost 90% of assets and liabilities was lower than 6 months (without changes), however almost 51% of assets and liabilities are to be re-valued within one month (previously - 53%).

The biggest change in the exposure for the risk of interest rate in the first quarter of 2014 concerned changes in deposit base: increase in term deposits (in this partially deposits with maturity dates exceeding 12 months) with simultaneous decrease of saving accounts balance. What is more, the Bank's indebtedness due to issuance of certificates of deposits has declined. On the asset side cash loans, mortgage loans and investment loans have been steadily growing, whereas revolving loans have been declining. The investment portfolio increased to the level of PLN 3.3 billion. Renewable OIS/IRS transactions hedging interest rate risk in ALM portfolio also influence the structure of repricing gap.

The net interest income sensitivity (IaR) at the end of the first quarter 2014 was as follows (in brackets comparison to the end of 2013):

- an immediate increase in interest rates by 50 bps: increase in net interest income during one year by PLN 16.1 million (increase by PLN 14.1 million),
- an immediate decrease in interest rates by 50 bps: decrease in net interest income during one year by PLN 17.5 million (decrease by PLN 15.6 million),
- a gradual increase in interest rates by 200 bps during one year: increase in net interest income by PLN 36.6 million (increase by PLN 35.8 million),
- a gradual decrease in interest rates by 200 bps during one year: decrease in net interest income by PLN 39.4 million (decrease by PLN 38.7 million).

The exposure of Money Market portfolio was dominated by positions in NBP monetary bills and Interest Rate Swaps transactions (OIS and IRS – exposure adjusting, hedging the price risk) and FX Swap transaction (the financing of the Group in foreign currencies). In the first quarter of 2014 the average utilization of VaR limits remained on 25% in comparison to 45% in 2013. In terms of the currency structure, the exposures in PLN, USD, EUR, and CHF had the biggest share.

Market risk in the trading book

The first quarter of 2014 was characterized by a low use of the VaR limit in the IR_TRADING portfolio (26%), while the risk profile was mainly created by interest rate risk exposures (average utilization of VaR in the IR_TRADING portfolio equalled to 27%). Increased volatility of risk factors observed at the end of January (intensified outflow of capital from emerging markets) and at the end of February and at the beginning of March (escalation of the crisis in Ukraine) influenced the value at risk of the trading portfolio to a limited extent due to record low exposures in Treasury bonds (only Polish treasury debt securities in portfolio). The trading portfolio was most often exposed to historical scenario of the LTCM fund collapse in 1998. Foreign exchange risk remained at a low level (VaR limit of FX_TRADING portfolio utilized on average in 26%), the activity focused on EUR and to a lesser extent, USD, mainly as a result of customer activities, the currency exposure of the Group for most of the first quarter of 2014 was reduced at the end of the day.

45 Changes in the Bank's Management

In the first quarter of 2014 there have been no changes in the Management Board and Supervisory Board.

46 Subsequent events

The Management Board of Bank hereby informs, that on April 28, 2014 it was notified by Mr Johannes Gerardus Beuming about his resignation from the post of the Vice President of the Management Board of Bank Gospodarki Żywnościowej as from June 30, 2014. Mr Beuming provided that the reason for his resignation was intent to undertake new duties within Rabobank Group.

- data in PLN thousand

II INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

Statement of profit and loss

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Interest income	426 194	537 124
Interest expense	(155 105)	(295 756)
Net interest income	**271 089**	**241 368**
Fee and commission income	84 293	77 225
Fee and commission expense	(11 741)	(10 229)
Net fee and commission income	**72 552**	**66 996**
Net trading income	13 721	17 113
Result on investing activities	3 169	-
Result on hedge accounting	(135)	(1 198)
Other operating income	5 635	6 413
Net impairment losses on financial assets and contingent liabilities	(57 552)	(32 756)
General administrative expenses	(223 902)	(230 391)
Depreciation and amortization	(24 608)	(24 475)
Other operating expenses	(5 316)	(4 244)
Operating result	**54 653**	**38 826**
Profit (loss) before income tax	**54 653**	**38 826**
Income tax expense	(10 426)	(8 569)
Net profit (loss) for the period	**44 227**	**30 257**
– attributable to equity holders of the Bank	44 227	30 257
Earnings per share (in PLN per share)		
Basic	0.87	0.59
Diluted	0.87	0.59

- data in PLN thousand

Statement of other comprehensive income

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
Net profit (loss) for the period	**44 227**	**30 257**
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss	*(723)*	*(27 456)*
Net change in valuation of financial assets available for sale	6 380	(36 461)
Net change in valuation of cash flow hedges	(7 272)	2 565
Related tax	169	6 440
Items that will not be reclassified to profit or loss	***(188)***	***-***
Actuary valuation of employee benefits	(232)	-
Related tax	44	-
Other comprehensive income (net of tax)	**(911)**	**(27 456)**
Total comprehensive income for the period	**43 316**	**2 801**
- attributable to equity holders of the Bank	43 316	2 801

- data in PLN thousand

Statement of financial position

	31.03.2014	31.12.2013
ASSETS		
Cash and balances with the Central Bank	1 607 994	1 617 713
Loans and advances to banks	109 767	269 757
Reverse repo transactions	34 508	309 255
Debt securities held for trading	171 331	1 018 701
Derivative financial instruments	302 609	363 260
Hedging instruments	67 218	57 387
Loans and advances to customers	26 491 411	26 330 360
Available for sale financial assets	6 377 810	4 826 073
Investments in subsidiaries and associates	51 706	51 645
Intangible assets	152 684	158 589
Property, plant and equipment	436 637	449 139
Deferred tax assets	155 552	142 792
Current tax assets	6 820	12 519
Other assets	191 964	156 302
TOTAL ASSETS	**36 158 011**	**35 763 492**

- data in PLN thousand

Statement of financial position (continued)

	31.03.2014	31.12.2013
LIABILITIES		
Amounts due to banks	3 207 120	3 271 414
Repo transactions	261 837	-
Financial liabilities held for trading	28 513	271 288
Derivative financial instruments	320 866	336 950
Amounts due to customers	27 140 831	26 492 774
Debt securities issued	824 724	1 191 157
Subordinated liabilities	309 805	304 817
Other liabilities	453 429	326 015
Provisions	62 508	64 015
TOTAL LIABILITIES	**32 609 633**	**32 258 430**
EQUITY		
Share capital	51 137	51 137
Other supplementary capital	3 085 059	3 085 059
Other reserve capital	205 552	206 463
Retained earnings:	206 630	162 403
- Retained profit	162 403	-
- Net profit for the period	44 227	162 403
TOTAL EQUITY	**3 548 378**	**3 505 062**
TOTAL LIABILITIES AND EQUITY	**36 158 011**	**35 763 492**

Notes included on pages 63-69 are an integral part of these interim condensed separate financial statements

- data in PLN thousand

Statement of changes in equity

	Share capital	Other supplementary capital	Other reserve capital	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
Balance at 1 January 2014	**51 137**	**3 085 059**	**206 463**	**-**	**162 403**	**3 505 062**
Total comprehensive income for the period	**-**	**-**	**(911)**	**-**	**44 227**	**43 316**
Net profit for the period	-	-	-	-	44 227	44 227
Other comprehensive income for the period	-	-	(911)	-	-	(911)
Appropriation of retained earnings	**-**	**-**	**-**	**162 403**	**(162 403)**	**-**
Appropriation of net profit to retained profit	-	-	-	162 403	(162 403)	-
Balance at 31 March 2014	**51 137**	**3 085 059**	**205 552**	**162 403**	**44 227**	**3 548 378**

Statement of changes in equity (continued)

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

- data in PLN thousand

Statement of changes in equity (continued)

	Share capital	Other supplementary capital	Other reserve capital	Retained earnings: Retained profit	Retained earnings: Net profit for the period	Total
Balance at 1 January 2013	**51 137**	**2 950 716**	**330 351**	**-**	**134 343**	**3 466 547**
Total comprehensive income for the period	**-**	**-**	**(27 456)**	**-**	**30 257**	**2 801**
Net profit for the period	-	-	-	-	30 257	30 257
Other comprehensive income for the period	-	-	(27 456)	-	-	(27 456)
Appropriation of retained earnings	**-**	**-**	**-**	**134 343**	**(134 343)**	**-**
Appropriation of net profit to retained profit	-	-	-	134 343	(134 343)	-
Balance at 31 March 2013	**51 137**	**2 950 716**	**302 895**	**134 343**	**30 257**	**3 469 348**

Notes included on pages 63-69 are an integral part of these interim condensed separate financial statements

- data in PLN thousand

Statement of cash flows

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit for the period	**44 227**	**30 257**
Adjustments for:	**1 712 852**	**(82 596)**
Income tax expense from statement of profit or loss	10 426	8 569
Depreciation and amortization	24 608	24 475
Interest income	(426 194)	(536 929)
Interest expense	155 105	297 894
Change in provisions	(1 739)	(7 819)
Change in loans and advances to banks	(65)	(136)
Change in reverse repo transactions	274 721	(2 226 983)
Change in debt securities held for trading	835 425	(1 332 890)
Change in derivative financial instruments (assets)	60 649	6 778
Change in loans and advances to customers	(161 290)	146 479
Change in amounts due to banks	(6 118)	(26 377)
Change in repo transactions	261 756	3 462 093
Change in financial liabilities held for trading	(242 775)	-
Change in derivative financial instruments (liabilities)	(16 084)	21 050
Change in amounts due to customers	641 771	4 804
Change in other assets and current tax assets	(35 662)	15 492
Change in other liabilities and deferred tax liability	127 414	23 368
Other adjustments	3 344	430
Interest received	371 964	357 469
Interest paid	(147 130)	(320 363)
Income tax expense	(18 558)	-
Taxes returned	1 284	-
NET CASH FROM OPERATING ACTIVITIES	**1 757 079**	**(52 339)**

- data in PLN thousand

Statement of cash flows (continued)

	1st quarter of 2014 from 01.01.2014 to 31.03.2014	1st quarter of 2013 from 01.01.2013 to 31.03.2013
CASH FLOW FROM INVESTING ACTIVITIES:		
Inflows	**24 104 156**	**58 630 760**
Sale of financial assets available for sale	24 104 043	58 630 760
Sale of intangible assets, and property, plant and equipment	113	-
Outflows	**(25 608 470)**	**(59 445 544)**
Purchase of financial assets available for sale	(25 602 055)	(59 437 921)
Purchase of intangible assets, and property, plant and equipment	(6 353)	(7 409)
Other investing activities outflows	(62)	(214)
NET CASH FROM INVESTING ACTIVITIES	**(1 504 314)**	**(814 784)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Inflows	**-**	**613 000**
Issue of debt securities	-	613 000
Outflows	**(424 533)**	**(422 206)**
Repayment of long-term loans	(59 810)	(71 206)
Redemption of debt securities issued	(364 723)	(351 000)
NET CASH FROM FINANCING ACTIVITIES	**(424 533)**	**190 794**
TOTAL NET CASH	**(171 768)**	**(676 329)**
Cash and cash equivalents at the beginning of the period	**1 881 640**	**2 204 297**
Cash and cash equivalents at the end of the period, of which:	**1 709 872**	**1 527 968**
- effect of exchange rate fluctuations on cash and cash equivalents held	1 389	5 280
- of restricted use	2 741	1 629

EXPLANATORY NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1 Basis for the preparation of the interim condensed separate financial statements

Interim condensed separate financial statements for the first quarter of 2014 ended 31 March 2014 have been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and with other applicable policies.

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

Accounting policies and methods relating to accounting estimates adopted during the preparation of the Bank's interim condensed separate financial statements are consistent with the accounting policies adopted for the Group's interim condensed consolidated financial statements, which are described in sections 2 and 5.

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

The Bank made the described below changes in presentation of financial data. In order to ensure the comparability of financial data, the Bank made appropriate changes in presentation of financial data as at 31 March 2013 in comparison to the data published in the 'Unaudited interim condensed consolidated financial report of Bank Gospodarki Żywnościowej S.A. Group for the first quarter ended 31 March 2013'. These changes referred to the methods of grouping and presentation of financial data in the statement of profit or loss and do not affect the net profit of the Bank.

- data in PLN thousand

Separate statement of profit and loss

		31.03.2013 prior to changes	changes in presentation	31.03.2013 after changes
Interest income	1	536 929	195	537 124
Interest expense	1	(297 894)	2 138	(295 756)
Fee and commission income	1	86 292	(9 067)	77 225
Fee and commission expense	1	(16 963)	6 734	(10 229)
Other operating income	2	13 631	(7 218)	6 413
General administrative expenses	2,3	(227 774)	(2 617)	(230 391)
Depreciation and amortization	4	-	(24 475)	(24 475)
Other operating expenses	3,4	(38 554)	34 310	(4 244)

1. The Bank has changed the presentation of income and expenses from the sale of insurance products. The income is now presented on a net basis.
2. The Bank made changes to presentation of income on release of provisions for unused holidays, provisions for retirement benefits, provisions for non-personnel expenses and provisions for personnel expenses from the line ‘Other operating income’ to the line ‘General administrative expenses’.
3. The Bank made changes to presentation of costs of provisions for unused holidays and provisions for retirement benefits from the line ‘Other operating expenses’ to the line ‘General administrative expenses’.
4. The Bank separated the line ‘Depreciation and amortization’ from the line ‘Other operating expenses’.

3 Related party transactions

Bank Gospodarki Żywnościowej S.A. is a subsidiary of Rabobank Group, the parent company of which is Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

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

BGŻ S. A. holds 49% shares in the share capital of the Company and 49% of votes at the General Meeting of Shareholders in an associate - BGŻ Leasing Sp. z o.o.

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

- data in PLN thousand

Transactions with BGŻ S.A shareholders and related parties

31.03.2014	COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	SUBSIDIARIES of RABOBANK	KEY PERSONNEL	BGŻ LEASING SP. Z O.O.	ACTUS SP Z O.O.	TOTAL
Assets	**51 501**	**6 722**	**45**	**86 529**	**36 395**	**181 192**
Current accounts, loans and placements	5 076	-	45	86 000	36 395	127 516
Derivative financial instruments	46 425	6 722	-	-	-	53 147
Other assets	-	-	-	529	-	529
Liabilities	**2 763 168**	**6 752**	**4 063**	**56 939**	**11**	**2 830 933**
Loans and advances received	2 415 094	-	-	-	-	2 415 094
Current accounts, deposits	1 216	30	4 063	56 939	11	62 259
Subordinated liabilities	309 810	-	-	-	-	309 810
Derivative financial instruments	23 319	6 722	-	-	-	30 041
Other liabilities	13 729	-	-	-	-	13 729
Contingent liabilities						
Financial commitments granted	-	-	35	20 088	-	20 123
Guarantees granted	1 153	-	-	-	-	1 153
Commitments received	1 153	-	-	-	-	1 153
Derivative financial instruments (face value)	9 672 358	300 000	-	-	-	9 972 358
1st quarter of 2014, period from 01.01.2014 to 31.03.2014						
Statement of profit or loss	**(14 803)**	**886**	**(17)**	**809**	**358**	**(12 767)**
Interest income	250	233	-	815	355	1 653
Interest expense	(10 173)	(100)	(17)	(467)	-	(10 757)
Fees and commission income	-	-	-	508	-	508
Fees and commission expense	(706)	-	-	(62)	-	(768)
Result on trading activities	(207)	753	-	3	-	549
Other operating income	220	-	-	12	3	235
Other operating expenses	(4 187)	-	-	-	-	(4 187)

- data in PLN thousand

Accounting policies and additional explanatory notes

31.12.2013	COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	SUBSIDIARIES of RABOBANK	KEY PERSONNEL	BGŻ LEASING SP. Z O.O.	ACTUS SP Z O.O.	TOTAL
Assets	**71 681**	**134 303**	**21**	**90 020**	**36 040**	**332 065**
Current accounts, loans and placements	166	128 563	21	89 325	36 040	254 115
Derivative financial instruments	71 084	5 740	-	-	-	76 824
Other assets	431	-	-	695	-	1 126
Liabilities	**2 787 779**	**5 773**	**3 136**	**61 439**	**58**	**2 858 185**
Loans and advances received	2 447 145	-	-	-	-	2 447 145
Current accounts, deposits	2 096	32	3 136	61 439	58	66 761
Subordinated liabilities	304 819	-	-	-	-	304 819
Derivative financial instruments	23 539	5 741	-	-	-	29 280
Other liabilities	10 180	-	-	-	-	10 180
Contingent liabilities						
Financial commitments granted	-	-	59	37 297	-	37 356
Guarantees granted	1 151	-	-	-	-	1 151
Commitments received	1 151	-	-	-	-	1 151
Derivative financial instruments (face value)	8 443 696	309 968	-	-	-	8 753 664
1st quarter of 2013, period from 01.01.2013 to 31.03.2013						
Statement of profit or loss	**(31 607)**	**95**	**(21)**	**166**	**512**	**(30 855)**
Interest income	175	232	-	159	509	1 075
Interest expense	(10 937)	-	(21)	(587)	-	(11 545)
Fees and commission income	-	-	-	640	-	640
Fees and commission expense	(4)	-	-	(49)	-	(53)
Result on trading activities	(17 346)	(423)	-	(9)	-	(17 778)
Other operating income	-	286	-	12	3	301
Other operating expenses	(3 495)	-	-	-	-	(3 495)

- data in PLN thousand

4 Capital adequacy ratio

	31.03.2014	31.12.2013
Total own funds	3 485 202	3 541 212
Total capital requirements	2 154 456	2 143 655
Capital adequacy ratio (%)	**12.94%**	**13.22%**

5 Seasonality and cyclicality of operations

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

6 Debt securities issued and redeemed

The issue and redemption of securities is described in the note 31 of the interim consolidated financial statements for the first quarter of 2014 ended 31 March 2014.

7 Dividends paid

At the date of the preparation of these interim condensed separate financial statements, the decision about the distribution of the profit for 2013 has not been made yet. The Management of the Board will not recommend the payment of dividend for 2013.

8 Contingent liabilities

	31.03.2014	31.12.2013
Contingent commitments granted	**4 689 735**	**4 605 578**
- Financial commitments	4 010 344	3 852 656
- Guarantees	679 391	752 922
Contingent commitments received	**36 431**	**16 789**
- Financial commitments	30 000	10 378
- Guarantees	6 431	6 411

9 Subsequent events

The Management Board of Bank hereby informs, that on April 28, 2014 it was notified by Mr Johannes Gerardus Beuming about his resignation from the post of the Vice President of the Management Board of Bank Gospodarki Żywnościowej as from June 30, 2014. Mr Beuming provided that the reason for his resignation was intent to undertake new duties within Rabobank Group.

…………………………………
Józef Wancer
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

…………………………………
Monika Nachyła
Vice-President of the Management Board

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

Warsaw, 13 May 2014