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Unaudited Interim Condensed Consolidated Financial Report of Bank Gospodarki Żywnościowej S.A. Group for the first quarter ended 31 March 2013

Prepared in accordance with International Financial Reporting Standards

Warsaw, 14 May 2013

- data in PLN thousand

I INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

	Note	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Interest income	2.1	536 929	505 366
Interest expense	2.1	(297 894)	(260 561)
Net interest income		**239 035**	**244 805**
Fee and commission income	2.2	86 292	82 831
Fee and commission expense	2.2	(16 963)	(12 222)
Net fee and commission income		**69 329**	**70 609**
Net trading income	2.3	17 113	28 779
Result on investing activities		-	7 615
Result on hedge accounting	2.13	(1 198)	-
Other operating income	2.5	13 119	15 970
Net impairment losses on loans and advances	2.7	(32 756)	(42 259)
General administrative expenses	2.4	(227 826)	(229 491)
Other operating expenses	2.6	(38 554)	(41 534)
Operating result		**38 262**	**54 494**
Share in profit (loss) of associates		(149)	886
Profit before income tax		**38 113**	**55 380**
Income tax expense	2.8	(8 569)	(14 901)
Net profit for the period		**29 544**	**40 479**
– attributable to equity holders of the Bank		29 544	40 479
Earnings per share (in PLN per share)		**0.58**	**0.93**
Basic		0.58	0.93
Diluted		0.58	0.93

Notes included on pages 12-63 are an integral part of these unaudited interim condensed consolidated financial statements

- data in PLN thousand

Consolidated statement of comprehensive income

	Note	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Net profit for the period		**29 544**	**40 479**
Other comprehensive income			
Change in valuation of available for sale financial assets		(36 461)	28 871
Change in fair value of cash flow hedges	2.13	2 565	-
Income tax expense on other comprehensive income		6 440	(5 486)
Other comprehensive income (net)		**(27 456)**	**23 385**
Total comprehensive income for the period		**2 088**	**63 864**

In the first quarter of 2013, total comprehensive income of the Group decreased by PLN 61 776 thousand (96.7%) in comparison to the corresponding period of 2012. The decrease was primarily affected by negative change in valuation of available for sale financial assets (a portfolio of long-term treasury bonds) in the amount of PLN minus 36 461 thousand, while in the first quarter of 2012 positive change in the valuation of those securities amounted to PLN 28 871 thousand. The negative valuation of the available for sale financial assets in the first quarter of 2013 was a result of the change of market expectations referring to long-term interest rates (an increase of interest rates for long term securities).

In the first quarter of 2013, the positive change in fair value of cash flow hedges amounted to PLN 2 565 thousand. This was a result of applying hedge accounting effective from the second quarter of 2012. In particular, the Bank hedges the interest rate risk related to volatility of cash flows on preferential loans (interest rates are based on the NBP discount rate with a multiplier of 1.5 or 1.6) with the designated IRS transactions (float-to-fix). The cash flows related to the hedged items will occur during the period until April 2014.

- data in PLN thousand

Consolidated statement of financial position

	Note	31.03.2013	31.12.2012	31.03.2012
ASSETS				
Cash and balances with the Central Bank		1 465 748	2 106 657	1 548 602
Loans and advances to banks	2.9	68 558	104 035	132 820
Reverse repo transactions	2.10	2 332 638	104 369	706 569
Financial assets held for trading (excluding derivatives)	2.11	1 606 820	219 051	2 470 411
Derivative financial instruments, in this:	2.12	469 846	474 058	448 655
– Hedging instruments		88 661	69 179	-
Loans and advances to customers	2.14	26 221 221	26 323 700	24 209 279
Available for sale financial assets	2.15	7 717 236	6 867 557	4 174 221
Investment property		62 301	62 301	63 401
Investments in associates		45 981	46 139	47 341
Intangible assets	2.16	147 339	152 674	141 981
Property, plant and equipment	2.17	457 152	469 098	475 620
Deferred tax assets		128 689	130 818	202 823
Current tax assets		10 318	10 318	4 802
Other assets		110 397	125 888	105 222
TOTAL ASSETS		**40 844 244**	**37 196 663**	**34 731 747**

- data in PLN thousand

Consolidated statement of financial position (continued)

	Note	31.03.2013	31.12.2012	31.03.2012
LIABILITIES				
Amounts due to other banks	2.18	3 997 661	4 094 436	3 963 697
Repo transactions	2.19	3 567 604	104 346	1 554 218
Derivative financial instruments and other financial liabilities held for trading, in this:	2.12	371 671	350 621	490 608
– Hedging instruments		-	-	-
Amounts due to customers	2.20	26 916 236	26 941 971	23 397 656
Debt securities issued		2 121 082	1 852 931	2 129 784
Other liabilities		315 539	292 168	410 507
Deferred tax liabilities		9 510	9 510	9 719
Provisions	2.21	39 165	51 094	44 610
Employee benefit obligations	2.22	31 071	26 969	29 222
TOTAL LIABILITIES		**37 369 539**	**33 724 046**	**32 030 021**
EQUITY				
Share capital	4.1	51 137	51 137	43 137
Other supplementary capital		2 950 716	2 950 716	2 332 656
Retained earnings		10 364	10 364	8 327
Other reserve capital		302 895	330 351	149 030
Unappropriated profits		159 593	130 049	168 576
TOTAL EQUITY		**3 474 705**	**3 472 617**	**2 701 726**
TOTAL LIABILITIES AND EQUITY		**40 844 244**	**37 196 663**	**34 731 747**

- data in PLN thousand

Consolidated statement of changes in equity

	Note	Share capital	Other supplementary capital	Other reserve capital	Retained earnings	Unappropriated profits	Total
As at 1 January 2013		**51 137**	**2 950 716**	**330 351**	**10 364**	**130 049**	**3 472 617**
Net profit for the period		-	-	-	-	29 544	29 544
Other comprehensive income for the period		-	-	(27 456)	-	-	(27 456)
Appropriation of retained earnings		-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**(27 456)**	**-**	**29 544**	**2 088**
As at 31 March 2013		**51 137**	**2 950 716**	**302 895**	**10 364**	**159 593**	**3 474 705**

Consolidated statement of changes in equity (continued)

	Note	Share capital	Other supplementary capital	Other reserve capital	Retained earnings	Unappropriated profits	Total
As at 1 January 2012		**43 137**	**2 332 656**	**125 645**	**8 327**	**128 097**	**2 637 862**
Share issue		8 000	492 000	-	-	-	500 000
Net profit for the period		-	-	-	-	130 049	130 049
Other comprehensive income for the period		-	-	204 706	-	-	204 706
Appropriation of retained earnings		-	126 060	-	2 037	(128 097)	-
Total comprehensive income for the period		**-**	**-**	**204 706**	**-**	**130 049**	**334 755**
As at 31 December 2012		**51 137**	**2 950 716**	**330 351**	**10 364**	**130 049**	**3 472 617**

Notes included on pages 12-63 are an integral part of these unaudited interim condensed consolidated financial statements

- data in PLN thousand

Consolidated statement of changes in equity (continued)

	Note	Share capital	Other supplementary capital	Other reserve capital	Retained earnings	Unappropriated profits	Total
As at 1 January 2012		**43 137**	**2 332 656**	**125 645**	**8 327**	**128 097**	**2 637 862**
Net profit for the period		-	-	-	-	40 479	40 479
Other comprehensive income for the period		-	-	23 385	-	-	23 385
Appropriation of retained earnings		-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**23 385**	**-**	**40 479**	**63 864**
As at 31 March 2012		**43 137**	**2 332 656**	**149 030**	**8 327**	**168 576**	**2 701 726**

- data in PLN thousand

Consolidated statement of cash flows

	Note	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit for the period		**29 544**	**40 479**
Adjustments:		**(81 883)**	**473 175**
Current and deferred tax recognized in the income statement	2.8	8 569	14 901
Amortization and depreciation	2.6	24 475	22 129
Interest and dividend		(72 828)	(68 685)
Profit/loss on investing activities		-	(7 615)
Change in provisions and employee benefit obligations		(8 144)	6 494
Change in loans and advances to banks		56	482
Change in reverse repo transactions		(2 228 269)	(340 226)
Change in financial assets held for trading		(1 387 769)	(837 977)
Change in derivative financial instruments (assets), excluding hedge accounting		23 694	434 454
Change in hedging instruments (assets)		(16 916)	-
Change in loans and advances to customers		102 479	13 112
Income tax paid		-	(20 219)
Change in amounts due to other banks		(25 569)	(409 786)
Change in repo transactions		3 463 258	1 554 218
Change in derivative financial instruments (liabilities)		21 050	(305 099)
Change in amounts due to customers		(25 735)	456 004
Change in other assets and current tax assets		15 491	13 944
Change in other liabilities and tax liability		23 371	(64 445)
Other adjustments		904	11 489
NET CASH FLOW FROM OPERATING ACTIVITIES		**(52 339)**	**513 654**

- data in PLN thousand

Consolidated statement of cash flows (continued)

	Note	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
CASH FLOW FROM INVESTING ACTIVITIES:			
Investing activity inflows		**58 630 760**	**17 051 087**
Sale of financial assets available for sale		58 630 760	17 051 087
Investing activity outflows		**(59 445 544)**	**(17 520 496)**
Purchase of financial assets available for sale		(59 437 921)	(17 512 983)
Purchase of intangible assets, property, plant and equipment		(7 409)	(7 413)
Other investing activity outflows		(214)	(100)
NET CASH FLOW FROM INVESTING ACTIVITIES		**(814 784)**	**(469 409)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Financing activity inflows		**613 000**	**1 594 000**
Issue of debt securities		613 000	1 594 000
Financing activity outflows		**(422 206)**	**(1 560 733)**
Repayment of long-term loans and advances from other banks		(71 206)	(73 233)
Redemption of debt securities		(351 000)	(1 487 500)
NET CASH FLOW FROM FINANCING ACTIVITIES		**190 794**	**33 267**
TOTAL NET CASH FLOW		**(676 329)**	**77 512**
Cash and cash equivalents at the beginning of the period		**2 204 297**	**1 592 649**
Cash and cash equivalents at the end of the period, of which:	**2.23**	**1 527 968**	**1 670 161**
of restricted use		1 629	1 041

1 ADDITIONAL INFORMATION

1.1 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.

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

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 2012, which were approved by the Management Board on 4 March 2013. 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 with the requirements of the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information disclosed by the issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Journal of Laws 2009, No. 33, item 259).

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 2012 approved by the Management Board on 4 March 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.

In the period covered by the financial statements, the Group has not decided for early application of the standards and interpretations which have been endorsed by the European Union, but entered or will enter into force after the balance sheet date.

Standards and interpretations that have been approved by the European Union and are effective from 1 January 2013:

- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* – binding for annual periods beginning on or after 1 July 2012,
- IAS 19 *Employee Benefits* – binding for annual periods beginning on or after 1 January 2013,
- Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* - binding for annual periods beginning on or after 1 January 2013,
- IFRS 13 *Fair Value Measurement* - binding for annual periods beginning on or after 1 January 2013,
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - binding for annual periods beginning on or after 1 January 2013,

- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Government Loans - binding for annual periods beginning on or after 1 January 2013,
- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – binding for annual periods beginning on or after 1 January 2013,
- Amendments to IAS 12 *Income taxes - Deferred Tax: Recovery of Underlying Assets* - binding for annual periods beginning on or after 1 January 2013,
- Improvements to IFRS (2009 - 2011) - binding for annual periods beginning on or after 1 January 2013.

Standards and interpretations that have been approved by the European Union but are not yet binding or have not been adopted early:

- IFRS 10 *Consolidated Financial Statements* – binding for annual periods beginning on or after 1 January 2014,
- IFRS 11 *Joint Arrangements* – binding for annual periods beginning on or after 1 January 2014,
- IFRS 12 *Disclosure of Interests in Other Entities* – binding for annual periods beginning on or after 1 January 2014,
- Amendments to IFRS 10, IFRS 11 and IFRS 12: *Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities* - binding for annual periods beginning on or after 1 January 2014,
- IAS 27 *Separate financial statement* - binding for annual periods beginning on or after 1 January 2014,
- IAS 28 *Investments in Associates and Joint Ventures* - binding for annual periods beginning on or after 1 January 2014,
- Amendments to IAS 32 *Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities* - binding for annual periods beginning on or after 1 January 2014.

Standards and interpretations not yet approved by the European Union:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) - binding for annual periods beginning on or after 1 January 2014,
- IFRS 9 *Financial Instruments* - binding for annual periods beginning on or after 1 January 2015,
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* - binding for annual periods beginning on or after 1 January 2015,

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

1.3 Going concern

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

1.4 Approval of the financial statements

This interim condensed consolidated financial report was approved for publication by the Bank's Management Board on 14 May 2013.

1.5 Changes in presentation

The financial data, presented in these financial statements were prepared in the way ensuring their comparability, except for the presentation change in the note 2.27. The change refers to grouping of transactions concluded between Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and Coöperatieve C.R-B B.A. ('Branches').

1.6 Seasonality or periodicity of operations

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

1.7 Major estimates and judgments

The Group makes estimates and adopts assumptions that affect the value of the assets and liabilities recognized in the following period. The estimates and assumptions 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 Bank 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. In particular, the individually significant assets include: balance sheet and off-balance sheet exposures exceeding PLN 1 million (or its equivalent in a foreign currency); restructured exposures exceeding PLN 100 thousand (or its equivalent in a foreign currency); all impaired assets classified as individually significant in the previous period; exposures with lower unit carrying amount if (due to the small number of such items) it is not possible to construct homogeneous and representative groups of assets, i.e., loan exposures to public sector entities and loan exposures to financial entities. All financial assets that do not meet the criteria set forth for individually significant assets are considered to be individually insignificant.

Assessment of impairment of individually significant asset

All individually significant assets are assessed for impairment triggers identification by the Bank's employees. The individual assessment of impairment involves an estimate of the expected future cash flows, and the amount of the impairment loss is measured as the difference between the carrying amount of an individually significant financial asset, and the value of future cash flows, discounted using the effective interest rate defined at the date of impairment recognition. Future cash flows also include cash flows from collaterals.

Collective assessment

A collective assessment is performed for assets classified as individually insignificant and those individually significant assets for which there are no impairment triggers identified. For such group of assets, the Bank calculates the impairment loss, if impairment trigger is identified on a collective basis, or the Bank calculates the amount of the IBNR (Incurred But Not Reported) allowance if no impairment trigger is identified. Expected future cash flows related to a group of financial assets, tested collectively for impairment, are estimated using the historical loss parameters, recognized on assets with similar risk characteristics.

In December 2012, the Bank updated the parameters of the model for impairment calculation. The update includes:

– matching of the loan portfolios segmentation to the Bank's current structure of receivables,

– removal of assumptions regarding recoverability of restructuring exposures (replacement of existing expert-based assumptions with estimates based on the actual data),

– introduction of the quarantine concept (exposure is not classified as 'Impaired' after a certain period of servicing liability by the customer in a timely manner),

– introduction of a uniform, 6-month loss identification period for all portfolios assessed under IBNR approach by extending the period for certain portfolios from 3 and 4 months,

– reflecting the current circumstances in impairment estimations (the concept of "point-in-time").

The update of parameters was accomplished due to more precise repayment historic data available and less conservative assumptions regarding the repayment of exposures under restructuring. The modifications impacted impairment losses recognized.

b) Fair value of derivative financial instruments

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

c) Impairment of fixed assets

At the end of each reporting period, the Bank reviews its fixed assets for triggers of impairment. Where such impairment triggers exist, the Bank makes an estimation of the recoverable value. Estimation of the value-in-use of fixed assets requires assumptions to be made regarding, among other, future cash flows which the Bank may obtain from the given asset, any changes in amount or timing of occurrence of these cash flows and other factors. In estimating the fair value less cost to sell, Bank relies on the available market data or valuations made by independent experts, which in fact are also based on estimates.

d) Provision for retirement benefits

The provision for retirement benefits is created on the basis of an actuarial valuation performed by an external independent actuary. The actuarial assumptions are updated at the end of each financial year.

e) Deferred tax asset

The Bank recognizes deferred tax assets based on the assumption that taxable profits will be available against which the deferred tax assets can be utilized. The deterioration of the future taxable profits would make this assumption unjustified.

f) Classification of leases agreements

The Bank classifies leases as operating on the basis of assessment of the extent to which the risk and benefits relating to the ownership of the leased asset are borne by the lessor and the lessee. This assessment is based on the economic substance of each transaction.

The estimated values did not change significantly in comparison to 31 December 2012.

1.8 General information on the Group

1.8.1 The entities accounted for in the unaudited consolidated financial statements

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

The Bank Gospodarki Żywnościowej S.A. Group (hereinafter referred to as the '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 entered in the National Court Register maintained by the District Court for the Capital City Warsaw in Warsaw, XIII Commercial Department of the National Court Register, under the reference number KRS 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 an interest in the following associated entity – BGŻ Leasing Sp. z o.o. The Bank holds 49% of shares in the share capital of the associate 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.

As at 31 March 2013, all subsidiaries have been consolidated. The consolidation scope has not changed in comparison to 31 December 2012.

1.8.2 Related party transactions

In the first quarter of 2013, all transactions of the Bank and its subsidiary with the related parties were arm's length transactions and resulted from the operating activities.

- data in PLN thousand

2 EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Net interest income

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Interest income		
Loans and advances to banks	10 503	10 420
Loans and advances to customers in current accounts	74 691	72 483
Loans and advances to customers including the unwind of the impairment provision discount, in this:	349 927	352 948
- corporate	118 345	129 080
- households	226 872	218 285
- budget entities	3 766	3 827
- other entities	944	1 756
Debt securities, in this:	101 808	69 515
- at fair value through profit or loss (trading)	22 704	17 227
- available for sale	79 104	52 288
	536 929	**505 366**
Interest expense		
Amounts due to other banks	44 103	44 405
- issue of debt securities	25 366	25 148
Amounts due to customers:	253 791	216 156
- corporate	44 862	58 920
- households	155 575	135 119
- budget entities	6 292	9 219
- other entities	47 062	12 898
	297 894	**260 561**
Net interest income	**239 035**	**244 805**

In comparison to the first quarter of 2012 the dynamics of net interest income for the first quarter of 2013 was particularly impacted by external factors as well as loans and deposits growth rate.

The most significant external factor was a decrease in NBP interest rates. During the period from May 2012, when the Monetary Policy Council terminated interest rates increase cycle continued since 2011, to March 2013 there have been five interest rates reductions by 1.5 p.p. in total, including 0.5 p.p. reduction in March 2013. Another significant external factor was coming into force of the Act on Payment Services on 24 October 2012, which partially refers to the disclosure obligation of a service provider with relation to a customer. The Act obliged service providers to inform customers about changes in framework agreements – including interest rates changes – two months in advance. As a result, banks extend the interest rates adjustment periods to NBP interest rates reductions in particular for savings accounts.

- data in PLN thousand

In the first quarter of 2013, the growth dynamics of loan portfolio of the Group continued to slow down to the level of 8.3% y/y as of 31 March 2013 (as described in the note 2.14), whereas deposits increased by 15% y/y, which resulted in higher liquidity surplus of the Group.

In consequence of the factors mentioned above, the revenue increased by PLN 31 563 thousand or 6.2% y/y, whereas costs increased by PLN 37 333 thousand, i.e. 14.3% y/y. This impacted the decrease in net interest income for the first quarter of 2013 by PLN 5 770 thousand, i.e. 2.4% y/y, in comparison to the first quarter of 2012.

The most significant position of interest income is interest income on loans and advances to customers which decreased by PLN 3 021 thousand, i.e. 0.9% y/y due to reduction of interest rates. The major part of loan portfolio is based on a floating interest rate. Considering the part of preferential loans, the decrease in interest income was strengthened by a multiplier effect (an interest rate is defined as NBP rediscount rate multiplied by 1.5 or 1.6). The effect is reduced by the Group through the application of hedge accounting since the second quarter of 2012, which comprised about PLN 3 billion of preferential loans (the total value of preferential loan portfolio was PLN 4.3 billion as of 31 March 2013).

Alongside the decrease of interest income on loans, the interest income increase was mostly determined by the increase in interest income on debt securities by PLN 32 293 thousand, i.e. 46.5%. This was a result of the increase in debt security portfolio in which the Group allocated its liquidity surplus.

The increase of interest expense was mainly affected by increase in interest expense on amounts due to customers by PLN 37 635 thousand, i.e. 17.4% y/y. This was mostly determined by the growth of customer deposit base, in particular via internet banking BGŻOptima. The Bank's endeavors to reduce the interest expense increase were impeded by two-month statutory delay in the implementation of certain products price changes, which was described above.

2.2 Net fee and commission income

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Fee and commission income		
Fee and commission income from banks	3 174	3 961
Fee and commission income from customers, in this:	83 118	78 870
- loans and advances	23 693	25 704
- domestic settlements	118	234
- foreign settlements	877	1 023
- account maintenance	20 968	25 502
- guarantee commitments	2 753	2 845
- brokerage operations	2 537	2 806
- payment cards	19 654	17 718
- insurance activity	10 409	2 590
- other	2 109	448
	86 292	**82 831**

- data in PLN thousand

Fee and commission expense		
Fee and commission expense from banks	1 280	626
Fee and commission expense from customers, in this:	15 683	11 596
- loans and advances	166	917
- payment cards	7 111	5 809
- insurance activity	7 106	2 288
- other	1 300	2 582
	16 963	**12 222**
Net fee and commission income	**69 329**	**70 609**

Net fee and commission income for the first quarter of 2013 was lower by PLN 1 280 thousand, i.e. 1.8% y/y in comparison to the first quarter of 2012. This was mainly due to a slower increase in fee and commission income (by PLN 3 461 thousand, which is 4.2% y/y) than an increase in commission expense (by PLN 4 741 thousand, i.e. 38.8%).

The increase in fee and commission income was mainly affected by higher commissions on insurance activity by PLN 7 819 thousand (i.e. 469% y/y), including commissions on AVIVA insurance on cash loans (offered since April 2012) and on Concordia insurance for farmers. The increase was also noted in commission on payment cards (by PLN 1 936 thousand, i.e. 10.9% y/y) being the result of the continuously growing number of individual accounts. The dynamics of commission income increase was reduced by the decline in commission on account maintenance (by PLN 4 534 thousand, which is 17.8 % y/y) resulting from increasing payouts for Premium Accounts owners, and by the decrease in commission on loans and advances (by PLN 2 011 thousand, which is 7.8% y/y) due to slower growth of loan in current account and limited activity of granting standby loans.

The increase of fee and commission expense was mainly affected by the increase in expense on insurance activity (by PLN 4 818 thousand, i.e. 211% y/y), which comprised the part of insurance premium remitted to insurance companies. Higher fee and commission expense was also determined by the increase in commission expense on payment cards (by PLN 1 302 thousand, i.e. 22.4% y/y) born by card operators due to a higher number of issued cards and card transactions.

2.3 Net trading income

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Debt instruments	(8 167)	9 942
Derivative financial instruments	2 267	(130 295)
Foreign currency exchange result	23 013	149 132
Net trading income	**17 113**	**28 779**

The net trading income for the first quarter of 2013 decreased by PLN 11 666 thousand, i.e. 40.5% y/y in comparison to the first quarter of 2012. This was mainly affected by lower result on debt securities taking into account changing market expectations in relation to further interest rates fluctuations. The net trading income also includes the transaction margin on currency exchange transactions and on financial instruments, which remained stable.

- data in PLN thousand

2.4 General administrative expenses

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Personnel expenses, in this:	126 846	125 725
- wages and salaries	104 944	102 842
in this: retirement pay	96	75
- surcharges	13 959	16 481
- fringe benefits	1 009	1 984
- Employee Benefit Fund	1 376	1 525
- other	5 558	2 893
Marketing	12 763	16 144
IT	15 582	16 429
Rental expenses	23 405	23 715
Other non-personnel expenses	9 908	12 130
External services	27 918	25 605
Other administrative costs	2 699	1 845
Bank Guarantee Fund fee	6 749	6 138
Financial Supervision Authority fee	1 956	1 760
Total general administrative expenses	**227 826**	**229 491**

General administrative expenses in the first quarter of 2013 decreased by PLN 1 665 thousand, i.e. 0.7% y/y in comparison to the first quarter of 2012. This was mainly affected by marketing expenses reduction by PLN 3 381 thousand, i.e. 20.9% y/y. The Group has decided to cut expenditures on deposit products advertising due to lower demand for financing.

Since October 2012 the Group has been restructuring employment. As of 31 March 2013, the Group headcount totaled to 5 520 in comparison to 5 666 employees as at 31 March 2012 (decrease by 2.6% y/y) and 5 752 employees as at 30 September 2012, when the restructuring process started (decrease by 4.0%). As of 31 March 2013, the branch network comprised 402 operating and subordinate branches compared to 394 branches as of 31 March 2012. The opening of three new branches in the first quarter of 2013 was the last phase of the strategic program of a branch network development.

The decreased employment led to a significant reduction of the dynamics of personnel expenses which reached the lowest level from years (PLN 1 121 thousand, i.e. 0.9% y/y).

First effects of the non-personnel expenses restructuring program developed in the fourth quarter of 2012 and implemented in 2013 were reflected in the reduction of IT expenses (by PLN 847 thousand), rental expenses (by PLN 310 thousand) and other non-personnel expenses (by PLN 2 222 thousand). However, the external services expenses increased by PLN 2 313 thousand mainly due to higher postal expenses and expenditures on conferences for sales network. Additionally, the other administrative expenses increased by PLN 854 thousand, which was mainly determined by higher taxes and charges, in particular banking insurance expenses.

The higher Bank Guarantee Fund ('BFG') fee and Financial Supervision Authority ('FSA') fee by PLN 611 thousand and PLN 196 thousand respectively, was a consequence of the Bank's assets increase being the basis for the calculation of the FSA fee, and the Bank's capital requirements increase constituting the basis for the calculation of BFG fee.

- data in PLN thousand

2.5 Other operating income

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Management of third-party properties	115	141
Sale or liquidation of property, plant and equipment, intangible assets and assets held for sale	321	8
Recovered receivables designated previously as prescribed, remitted or uncollectible	797	2 865
Sales of goods and services	1 751	2 188
Release of provisions for other receivables (excluding loans)	145	59
Release of fixed asset impairment write-downs	1	4
Release of provisions for liabilities (Note 2.21, 2.22)	6 650	4 818
Recovery of costs incurred	524	546
Compensation of PARP expenses	278	480
Release of unused provisions for non-personnel expenses	1 031	1 404
Release of unused provisions for personnel expenses	454	2
Surplus income	125	149
Other *	927	3 306
Total other operating income	**13 119**	**15 970**

*The 'Other' line contains i.a. sundry income.

Other operating income in the first quarter of 2013 decreased by PLN 2 851 thousand (i.e. 17.9% y/y) in comparison to the first quarter of 2012, primarily due to:

- decrease in income on recovered receivables designated previously as prescribed, remitted or uncollectible by PLN 2 068 thousand, mostly due to a number of sale transactions of retail receivables in 2012,
- decrease in other operating income by PLN 2 379 thousand mostly due to one-off sale of real estate in the first quarter of 2012.

However, the income on release of provisions for liabilities increased by PLN 1 832 thousand due to higher income on release of provisions for unused holidays and release of provisions for liabilities to the client resulting from favorable decision of Court of Appeal.

- data in PLN thousand

2.6 Other operating expenses

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Management of third-party properties	249	266
Sale or liquidation of property, plant and equipment, intangible assets and assets or sale	235	108
Provisions for other receivables (excluding loans)	180	4 766
Provisions for liabilities (Note 2.21, 2.22)	10 271	11 554
Debt recovery	1 691	1 852
Donations made	627	646
Amortization and depreciation	24 475	22 129
Other*	826	213
Total other operating expenses	**38 554**	**41 534**

*The ‘Other’ line includes i.a. expenses for penalties and fines.

Other operating expenses decreased in the first quarter of 2013 by PLN 2 980 thousand (i.e. 7.2% y/y) in comparison to the first quarter of 2012, primarily due one-off provision for operating losses in one of the branches in the amount of PLN 4 582 thousand in the first quarter of 2012.

The increase in amortization and depreciation by PLN 2 346 thousand (i.e. 10.6% y/y) due to higher amortization of Customer Relationship Management (CRM) system implemented in the fourth quarter of 2012.

2.7 Net impairment losses on loans and advances

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Loans and advances to banks	(3)	18
Loans and advances to customers	(33 748)	(42 731)
Off-balance sheet commitments	995	454
Total impairment losses on loans and advances	**(32 756)**	**(42 259)**

Total impairment losses on loans and advances for the first quarter of 2013 decreased by PLN 9 503 thousand (22.5% y/y) in comparison to the first quarter of 2012. It was the result of lower impairment losses on retail loans (both mortgage and cash loans), loans to micro companies and farmers. On the other hand, net impairment losses increased on loans to SME and large companies.
In December 2012, there was a change in the methodology of calculating impairment losses through collective method, as described in the consolidated annual financial statements. The change led to reversal of impairment in the amount of PLN 33 million at its implementation date and further reduction of net impairment losses in the first quarter of 2013. Additional factor positively impacting net impairment losses of mortgage loans was repayment of multiple-year overdue mortgage loans in the first quarter of 2013.

- data in PLN thousand

2.8 Effective tax rate

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Current income tax	-	(15 416)
Deferred income tax	(8 569)	515
Total income tax	**(8 569)**	**(14 901)**
Profit before income tax	38 113	55 380
Statutory tax rate	19%	19%
Income tax expense	**(7 241)**	**(10 522)**
Non tax deductible costs	(617)	(2 583)
– receivables written-off	(156)	(2 166)
– non tax deductible non-personnel costs	(461)	(417)
Impairment losses	(1 134)	(976)
Other differences	423	(820)
Effective income tax charge on gross profit	**(8 569)**	**(14 901)**

Based on the Bank's activities with respect to treatment of writing-off uncollectible receivables as tax deductible costs, the basis for the calculation of the deferred tax asset as of 31 March 2013 amounting to PLN 518 072 thousand (31 March 2012 - PLN 493 018 thousand) represents the best estimate of the probable impairment losses in the foreseeable future for tax purposes. In 2013 and 2012, the Bank calculated the deferred tax asset in respect of impairment allowances based on the historical analysis of treatment of writing-off uncollectible receivables as tax deductible costs.

2.9 Loans and advances banks

	31.03.2013	31.12.2012	31.03.2012
Current accounts	56 684	91 177	78 718
Interbank placements	196	191	41 041
Loans and advances	12 712	13 679	14 047
Total loans and advances to banks (gross)	**69 592**	**105 047**	**133 806**
Impairment charges (negative amount)	(1 034)	(1 012)	(986)
Total loans and advances to banks (net)	**68 558**	**104 035**	**132 820**

	31.03.2013	31.12.2012	31.03.2012
Impairment charges on loans and advances to banks at the beginning of the period	**1 012**	**1 041**	**1 041**
Impairment charges	37	273	38
Release of impairment charges	(34)	(264)	(56)
Other changes	19	(38)	(37)
Impairment charges on loans and advances to banks at the end of the period	**1 034**	**1 012**	**986**

- data in PLN thousand

2.10 Reverse repo transactions

Reverse repo transactions by maturity

	31.03.2013	31.12.2012	31.03.2012
Up to 1 month	2 332 638	104 369	706 569
From 1 to 3 months	-	-	-
Total reverse repo transactions	**2 332 638**	**104 369**	**706 569**

2.11 Financial assets held for trading

	31.03.2013	31.12.2012	31.03.2012
Financial assets held for trading:			
- T-bills	11 543	-	630 036
- T-bonds	1 595 277	219 051	1 840 375
Total financial assets held for trading	**1 606 820**	**219 051**	**2 470 411**
of which: valued using the market quotation method	*1 606 820*	*219 051*	*2 470 411*

2.12 Derivative financial instruments

31.03.2013	Nominal value	Fair value of assets	Fair value of liabilities
OTC currency derivatives	8 826 319	77 578	(65 148)
OTC interest rate derivatives	53 161 238	292 081	(298 178)
Interest rate derivatives	99 819	-	(232)
OTC derivatives on indexes	110 578	3 118	(5 192)
OTC commodity derivatives	22 342	1 209	(1 138)
Hedging derivatives	3 000 000	88 661	-
Settlements in respect of the purchase and sale of options	-	7 139	(1 783)
Settlements in respect of the purchase and sale of derivatives	-	60	-
TOTAL	**65 220 296**	**469 846**	**(371 671)**
31.12.2012			
OTC currency derivatives	8 176 680	61 816	(56 101)
OTC interest rate derivatives	47 917 566	333 115	(287 524)
OTC derivatives based on equity securities	116 600	3 056	(4 645)
OTC commodity derivatives	22 179	1 202	(1 161)
Hedging derivatives	3 000 000	69 179	-
Settlements in respect of the purchase and sale of options	-	5 652	(1 190)
Settlements in respect of the purchase and sale of derivatives	-	38	-
TOTAL	**59 233 025**	**474 058**	**(350 621)**

31.03.2012			
OTC currency derivatives	14 495 602	308 534	(306 988)
OTC interest rate derivatives	50 142 623	131 819	(176 517)
OTC derivatives on indexes	103 693	2 677	(6 125)
Settlements in respect of the purchase and sale of options	-	5 592	(978)
Settlements in respect of the purchase and sale of derivatives	-	33	-
TOTAL	**64 741 918**	**448 655**	**(490 608)**

2.13 Hedge accounting

Starting from 2012, the Bank has been applying hedge accounting. The Bank hedges the interest rate risk related to volatility of cash flows on preferential loans (interest rates are based on the NBP discount rate with a multiplier of 1.5 or 1.6) with the designated IRS transactions (float-to-fix). The IRS transactions are the hedging instruments swapping the variable interest rate for a fixed interest rate. The Bank hedges margins above NBP rediscount rate in the following way – the nominal of IRS hedging instruments is equal to, or lower than nominal of the hedged items, i.e. preferential loans, multiplied by the margin above NBP rediscount rate in the period when the cash flow is expected.

The terms of the transactions and their fair value as at 31 March 2013 are presented in the table below (in PLN thousand).

The period when the cash flows related the hedged items will occur is also presented in the table below.

Transaction type	Period – nominal			Period – interest		
	From	To	Frequency	From	To	Frequency
IRS	n/a	n/a	n/a	April 2012	April 2014	1M

The change in fair value of hedging derivatives is recognized in equity and presented below.

	31.03.2013	31.12.2012	31.03.2012
1.Opening balance	**21 857**	**-**	**-**
2. Effective part of gains/losses on hedging instrument	4 303	21 936	-
3. Changes recognized in Income statement, in this:	1 737	79	-
– interest income	1 702	(1 154)	-
– interest expense	-	-	-
– gains/losses on foreign exchange rate differences	-	-	-
–ineffectiveness of the hedge	35	1 233	-
4.Closing balance (1+2-3)	**24 423**	**21 857**	**-**

- data in PLN thousand

2.14 Loans and advances to customers

	31.03.2013	31.12.2012	31.03.2012
Current accounts, in this:	4 049 097	4 292 333	3 685 110
- corporate	2 147 450	2 251 740	2 013 623
- households:	1 866 534	2 010 043	1 629 306
- individual customers	95 492	107 615	122 997
- individual entrepreneurs	343 496	345 581	365 089
- farmers	1 427 546	1 556 847	1 141 220
Non-current loans and advances:	23 268 246	23 101 303	21 426 297
- corporate, in this:	7 874 717	8 034 999	7 383 369
- investment loans	4 843 675	4 850 132	4 298 195
- revolving loans	1 931 168	2 088 980	2 002 552
- households:	15 017 613	14 689 030	13 668 716
- individual customers, in this:	9 019 333	8 867 163	8 270 000
- mortgage loans	7 721 161	7 600 490	7 032 540
- individual entrepreneurs	1 244 154	1 242 443	1 158 741
- farmers	4 754 126	4 579 424	4 239 975
- budget entities	302 977	313 976	273 096
- other entities	72 939	63 298	101 116
Total loans and advances to customers (gross)	**27 317 343**	**27 393 636**	**25 111 407**
Impairment charges (negative value)	(1 096 122)	(1 069 936)	(902 128)
Total loans and advances to customers (net)	**26 221 221**	**26 323 700**	**24 209 279**

Preferential loans and advances granted to corporate, farmers and individual entrepreneurs amounted to PLN 4 349 711 thousand as at 31 March 2013, PLN 4 208 569 thousand as at 31 December 2012, and PLN 4 075 277 thousand as at 31 March 2012.

The purchased debt receivables amounted to a total of PLN 368 852 thousand as at 31 March 2013, PLN 354 991 thousand as at 31 December 2012 and PLN 422 131 thousand as at 31 March 2012.

In the period from 31 March 2012 to 31 March 2013, loans and advances to customers increased by PLN 2 205 936 thousand (i.e. 8.8% y/y). The most significant increase was observed in loans granted to farmers, individual customers and corporate.

Gross loans granted to farmers increased by PLN 800 477 thousand (i.e. 14.9% y/y), mostly due to an increase in loans in current account by PLN 286 326 thousand (i.e. 25.1% y/y) being the result of continued growth of Agro Ekspres loan portfolio secured by farmland mortgage. Investment loans, revolving loans and other loans to farmers increased by PLN 514 151 thousand (i.e. 12.1% y/y). The dynamics of investment loans was limited by slower increase in preferential loans (i.e. 6.7% y/y) due to more restrictive limits to banks granted by Agency of Restructuring and Modernization of Agriculture (ARiMR) in 2012. However, in September 2012 the Bank received an additional limit from ARiMR enabling to continue preferential loan activity (major part of those loans was granted in first quarter of 2013).

Total loans to individual customers increased by PLN 721 828 thousand (i.e. 8.6% y/y), mainly due to increase in mortgage loans by PLN 688 621 thousand (i.e. 9.8% y/y). In the period from 31 March 2012 to 31 March 2013 the volume of granted mortgage loans amounted to PLN 1 201 million, while the sale dynamics has slowed down in the fourth quarter of 2012 and first quarter of 2013. The sale of cash loans amounted to PLN 517 million, with a visible increase in the last quarters.

Total loans to corporate increased by PLN 625 175 thousand (i.e. 6.7% y/y), in this a loan granted in July 2012 to an agricultural company in the amount of EUR 78.5 million. The slowdown in dynamics of corporate loans is affected by lower demand for financing due to uncertainty of macroeconomic situation resulting in reluctance to new investments.

- data in PLN thousand

Commonly, in the first quarter of 2013 the Group has noted a flat trend of loan portfolio, affected each year by the characteristics of demand for financing from food and agriculture sector, with higher demand in the second half of the year.

Loans and advances to customers impaired and not impaired

	31.03.2013	31.12.2012	31.03.2012
Losses incurred but not reported (IBNR)			
Gross exposure	25 230 803	25 457 786	23 563 702
Impairment charges	(84 931)	(77 081)	(95 983)
Net exposure	**25 145 872**	**25 380 705**	**23 467 719**
Impaired exposures			
Gross exposure	2 086 540	1 935 850	1 547 705
Impairment charges	(1 011 191)	(992 855)	(806 145)
Net exposure	**1 075 349**	**942 995**	**741 560**

As of 31 March 2013 the share of impaired exposures amounted to 7.6% in comparison to 7.1% as of 31 December 2012 and 6.2% as of 31 March 2012. The impaired loans ratio for particular customer segments as at 31 March 2013 was as follows: 7.0% for individual customers (including 5.4% mortgage portfolio); 10.4% for institutional customers excluding farmers and 3.2% for farmers.

Deterioration in impaired loans ratio in comparison to 31 March 2012 was partially affected by the changes in loan impairment estimation model (mainly the concept of quarantine of loans no longer classified as 'impaired') implemented in December 2012. If calculated in accordance with the new rules, the ratio as at 31 March 2012 would stand at 6.7%.

Other important factor affecting the increase of share of impaired loans was the deterioration in the quality of loan portfolio due to economic downturn. It was particularly visible in the institutional clients' segment, both Large Companies (mainly due to the bankruptcy of one of the customers in construction industry in June 2012 related to the overall liquidity problems in the industry) and also SME and Micro companies (due to deterioration of macroeconomic situation).
Continuing soundness of loans granted to individual farmers positively impacted the quality of the loan portfolio.

- data in PLN thousand

Impairment losses on loans and advances

	31.03.2013	31.12.2012	31.03.2012
Current accounts, in this:	154 928	147 457	117 827
- corporate	85 945	78 430	59 798
- households:	68 834	68 889	57 846
- individual customers	11 612	11 869	13 247
- individual entrepreneurs	40 835	38 129	29 268
- farmers	16 387	18 891	15 331
Non-current loans and advances:	941 194	922 479	784 301
- corporate, in this:	412 492	389 681	258 411
- investment loans	68 589	60 776	52 845
- revolving loans	237 473	232 344	132 545
- households:	521 282	525 371	514 969
- individual customers, of which:	339 751	346 013	345 038
- mortgage loans	177 035	181 958	174 600
- individual entrepreneurs	74 427	69 761	57 232
- farmers	107 104	109 597	112 699
- budget entities	379	445	649
- other entities	7 041	6 982	10 272
Total impairment allowances	**1 096 122**	**1 069 936**	**902 128**

Impairment allowances on preferential loans and advances granted to businesses, farmers and individual entrepreneurs amounted to PLN 82 469 thousand as at 31 March 2013, PLN 82 590 thousand as at 31 December 2012, PLN 85 566 thousand as at 31 March 2012.

	31.03.2013	31.12.2012	31.03.2012
Opening balance	**1 069 936**	**882 905**	**882 905**
Impairment charges	335 906	1 566 073	334 150
Release of impairment charges	(302 158)	(1 297 339)	(291 419)
Write-off	(11 308)	(84 713)	(18 668)
Other changes (including FX differences)	3 746	3 010	(4 840)
Closing balance	**1 096 122**	**1 069 936**	**902 128**

On 28 March 2013, the Bank sold 1 224 receivables, including 1 203 receivables from individuals and 21 receivables from entrepreneurs. Total exposure amounted to PLN 17 096 thousand (in this capital amounting to PLN 9 253 thousand). All receivables were classified as ‘lost’. The revenue from the sale represented 9.94% of the value of portfolio, i.e. PLN 1 699 thousand.

- data in PLN thousand

2.15 Available for sale financial assets

	31.03.2013	31.12.2012	31.03.2012
Debt securities carried at fair value:	7 712 791	6 863 027	4 168 845
- NBP bills	4 320 353	3 798 533	1 398 783
- T-bonds	3 361 383	3 033 720	2 676 251
- debt securities issued by financial institutions	5 204	5 118	5 062
- debt securities issued by non-financial institutions	-	-	58 360
- bonds issued by budget entities	25 851	25 656	30 389
Equity securities	4 445	4 530	5 376
Total available for sale financial assets	**7 717 236**	**6 867 557**	**4 174 221**
of which:			
- valued using the market quotation method	*3 364 941*	*3 037 358*	*2 680 122*
- valued using model-based method	*4 352 295*	*3 830 199*	*1 494 099*

2.16 Intangible assets

	31.03.2013	31.12.2012	31.03.2012
Licenses	130 141	131 644	120 489
Other intangible assets	547	618	580
Expenditures on intangible assets	16 651	20 412	20 912
Total intangible assets	**147 339**	**152 674**	**141 981**

2.17 Property, plant and equipment

	31.03.2013	31.12.2012	31.03.2012
Non-current assets, in this:	447 239	454 077	467 233
- land and buildings	266 450	269 175	274 088
- fixed assets	180 789	184 902	193 145
Assets under construction	9 913	15 021	8 387
Total property, plant and equipment	**457 152**	**469 098**	**475 620**

2.18 Amounts due to other banks

	31.03.2013	31.12.2012	31.03.2012
Current accounts	157 382	157 341	41 194
Interbank deposits	294 529	372 560	181 824
Loans and advances received	3 534 403	3 558 377	3 726 863
Other liabilities	11 347	6 158	13 816
Total amounts due to other banks	**3 997 661**	**4 094 436**	**3 963 697**

- data in PLN thousand

Deposits are at fixed and floating interest rates.

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 million 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 December 2012 the loan capital amounted to PLN 3 022 719 thousand.

The Bank received two loans from the European Bank of Reconstruction and Development (EBOiR) in the amount of EUR 50 million each. The first loan was disbursed in the first half of 2010, whereas the second one - in August 2011. As at 31 December 2012 the loan capital amounted to PLN 321 216 thousand.

In November 2012, the Bank received a loan from the European Investment Bank (EBI) in the amount of PLN 205.44 million (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 from 0.95% to 120% of the outstanding loan amount. As at 31 December 2012, the loan capital amounted to PLN 205 440 thousand.

Regarding all received loans there were no breach of the contract and covenants relating to the financial position of the Bank and to information obligations in 2013 and 2012.

2.19 Repo transactions

	31.03.2013	31.12.2012	31.03.2012
Repo transactions	2 823 600	32 341	1 554 218
Short sale	744 004	72 005	-
Total repo transactions	**3 567 604**	**104 346**	**1 554 218**

Repo transactions by maturity

	31.03.2013	31.12.2012	31.03.2012
Up to 1 month	3 567 604	104 346	1 554 218
Total	**3 567 604**	**104 346**	**1 554 218**

- data in PLN thousand

2.20 Amounts due to customers

	31.03.2013	31.12.2012	31.03.2012
Other financial institutions:	**1 470 419**	**2 537 917**	**922 612**
Current accounts	9 915	9 268	9 213
Term deposits	1 460 493	2 528 638	913 388
Other liabilities	11	11	11
- liabilities arising from monetary collateral	-	-	-
- other	11	11	11
Retail customers:	**16 357 165**	**15 802 420**	**13 805 248**
Current accounts	9 927 028	8 439 404	6 322 730
Term deposits	6 419 651	7 351 820	7 473 657
Other liabilities	10 486	11 196	8 861
- cash collaterals	6 687	6 671	4 748
- other	3 799	4 525	4 113
Corporate customers:	**8 322 903**	**7 924 560**	**7 838 446**
Current accounts	4 334 044	3 974 931	2 967 748
Term deposits	3 917 074	3 871 567	4 810 318
Other liabilities	71 785	78 062	60 380
- cash collaterals	71 062	77 184	59 819
- other	723	878	561
Of which farmers:	**1 356 758**	**1 009 139**	**1 061 245**
Current accounts	1 182 724	856 815	896 299
Term deposits	165 299	143 693	159 049
Other liabilities	8 735	8 631	5 897
- cash collaterals	8 707	8 599	5 855
- other	28	32	42
Public sector customers:	**765 749**	**677 074**	**831 350**
Current accounts	431 071	484 830	365 230
Term deposits	334 545	192 118	465 981
Other liabilities	133	126	139
- cash collaterals	125	124	122
- other	8	2	17
Total amounts due to customers	**26 916 236**	**26 941 971**	**23 397 656**

The increase in amounts due to customers amounted to PLN 3 518 580 thousand, i.e. 15.0% y/y, and was primarily affected by an increase in retail deposits.

The retail deposits increased by PLN 2 551 917 thousand, i.e. 18.5% y/y, mainly due to the funds raised via BGŻOptima direct internet banking launched in November 2011, which as at 31 March 2013 amounted to PLN 3 767 290 thousand and were higher by PLN 1 970 016 thousand in comparison to the previous year.

- data in PLN thousand

The second-largest nominal increase in amounts due to customers is related to other financial institutions (PLN 547 807 thousand increase, i.e. 59.4% y/y). It was generated mainly due to deposits placed by the investment funds and insurance companies, however its nature was temporary and in the first quarter of 2013 these deposits were significantly reduced.

2.21 Provisions

	31.03.2013	31.12.2012	31.03.2012
Provisions for restructuring	3 262	13 515	-
Provisions for guarantees, surety ships and undrawn credit facilities	6 165	7 257	5 606
Provisions for litigation and claims	10 079	10 671	18 112
Other provisions, in this:	19 659	19 651	20 892
- provisions for UOKiK	12 814	12 814	11 440
- provisions for potential liabilities relating to the return of subsidies to preferential loans	5 267	5 251	8 019
Total provisions	**39 165**	**51 094**	**44 610**

Provision for restructuring	31.03.2013	31.12.2012	31.03.2012
Opening balance	**13 515**	**-**	**-**
Increase	-	16 901	-
Utilization	(10 253)	(3 386)	-
Release	-	-	-
Closing balance	**3 262**	**13 515**	**-**

Provisions for guarantees, surety ships and undrawn credit facilities	31.03.2013	31.12.2012	31.03.2012
Opening balance	**7 257**	**6 018**	**6 018**
Provision charges	4 059	57 754	3 636
Provision utilization	(5 054)	(56 064)	(4 090)
Other changes	(97)	(451)	42
Closing balance	**6 165**	**7 257**	**5 606**

Provision for litigation and claims	31.03.2013	31.12.2012	31.03.2012
Opening balance	**10 671**	**14 810**	**14 810**
Provision charges	386	6 693	3 328
Provision utilization	(61)	(8 246)	(16)
Provision releases	(917)	(3 120)	(10)
Reclassification/transfer and other changes	-	534	-
Closing balance	**10 079**	**10 671**	**18 112**

- data in PLN thousand

Other provisions	**31.03.2013**	**31.12.2012**	**31.03.2012**
Opening balance	**19 651**	**21 098**	**21 098**
Provision charges	50	1 745	51
Provision utilization	(34)	(23)	(23)
Provision releases	-	(2 845)	(443)
Reclassification/transfer and other changes	(8)	(324)	209
Closing balance	**19 659**	**19 651**	**20 892**

2.22 Employee benefit obligations

	31.03.2013	**31.12.2012**	**31.03.2012**
Opening balance	**26 969**	**25 412**	**25 412**
Provision charges	9 835	13 078	8 175
Provision releases	(5 733)	(11 521)	(4 365)
Closing balance	**31 071**	**26 969**	**29 222**

2.23 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.

	31.03.2013	**31.12.2012**	**31.03.2012**
Cash and balances with the Central Bank	1 465 748	2 106 657	1 548 602
Current accounts of banks and other receivables	62 025	96 692	80 751
Interbank placement and loans and advances to banks with maturity up to 3 months	195	948	40 808
Total cash and cash equivalents	**1 527 968**	**2 204 297**	**1 670 161**

2.24 Capital adequacy ratio

	31.03.2013	**31.12.2012**	**31.03.2012**
Total equity	3 253 402	3 176 912	2 482 967
Total capital requirement	2 172 003	2 155 392	1 963 709
Capital adequacy ratio (%)	**12.0%**	**11.8%**	**10.2%**

The capital adequacy ratio as at 31 March 2013, 31 December 2012 and 31 March 2012 was calculated in compliance with the Resolution no. 76/2010 of the Polish Financial Supervision Authority ('KNF') dated 10 March 2010 (with amendments).

- data in PLN thousand

The Bank's capital adequacy ratio increased to 12% as at 31 March 2013, from 10.2% as at 31 March 2012 mainly as a result of an increase in equity by PLN 770 435 thousand, i.e. 31.0% y/y, which was affected by the following factors:
- issue of 8 000 000 D-class shares with PLN 1 face value and issue price of PLN 62.5, adopted by the Extraordinary General Shareholders Meeting on 28 August 2012. The issue was fully taken up by Rabobank International Holding B.V. by private subscription. The registration of the Bank's share capital increase by the court took place on 14 September,
- appropriation of the total net profit for 2011 to other supplementary capital based on the resolution of the Annual General Meeting on 25 June 2012,
- appropriation of the net profit for the first half of 2012 to the core capital, after a review of the financial statements by the auditor, and for the second half of 2012, after an audit of the year-end financial statements by the auditor,
- an increase in supplementary funds due to valuation of available for sale financial assets.

From 31 March 2012 to 31 March 2013, total capital requirement increased by PLN 208 294 thousand, i.e. 10.6%, mainly due to the loan portfolio growth, as well as the entry into force on 30 June 2012, the provisions which increase the risk weight for the foreign currency mortgage loans to calculate the capital requirement for credit risk in the standard method from 75% to 100%.

2.25 Off-balance sheet items

	31.03.2013	31.12.2012	31.03.2012
Contingent commitments granted	4 235 797	4 610 161	3 962 614
Contingent commitments received	304 382	283 191	239 495
Off-balance sheet financial instruments	62 875 086	57 266 853	63 274 727
F/X transactions	2 345 210	1 966 172	1 467 191
Total off-balance sheet items	**69 760 475**	**64 126 377**	**68 944 027**
Provisions for guaranties, surety ships and undrawn credit facilities	**(6 165)**	**(7 257)**	**(5 606)**

2.26 Fair value of financial assets and liabilities

The Bank classifies the financial assets and liabilities at fair value into the following hierarchy:

Level 1

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

Level 2

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

Level 3

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

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

- data in PLN thousand

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

In the first quarter of 2013 and the first quarter of 2012 the Bank did not implement any changes in the re-measurement to fair value method, which would result in transfers of financial assets and liabilities between the individual levels referred to above.

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

31.03.2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**4 971 761**	**4 795 403**	**89 039**	**9 856 203**
Financial assets held for trading	1 606 820	-	-	1 606 820
Derivative financial instruments	-	469 846	-	469 846
Available for sale financial assets	3 364 941	4 325 557	26 738	7 717 236
Investment property	-	-	62 301	62 301
Liabilities	**232**	**371 439**	**-**	**371 671**
Derivative financial instruments	232	371 439	-	371 671

31.03.2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**5 150 533**	**1 852 500**	**153 655**	**7 156 688**
Financial assets held for trading	2 470 411	-	-	2 470 411
Derivative financial instruments	-	448 655	-	448 655
Available for sale financial assets	2 680 122	1 403 845	90 254	4 174 221
Investment property	-	-	63 401	63 401
Liabilities	**-**	**490 608**	**-**	**490 608**
Derivative financial instruments	-	490 608	-	490 608

The fair value of financial instruments from level 2 and 3 is determined using valuation techniques (e.g. models). These methods are assessed and reviewed on a regular basis by qualified independent employees, i.e., employees not involved in developing these methods. All models are approved before they are used, and adjusted to ensure that the results obtained reflect the factual data and comparable market prices. The models that the Group currently applies are based both on observable data and directly unobservable.

The fair value valuation of available for sale financial assets classified to the level 3 takes into account estimated credit risk margin equal to market margin for instruments of similar characteristics. In case of ten-fold increase of the credit spread used in the valuation process, the fair value of these assets would decrease by PLN 1.2 million.

The input data for valuation purposes of investment property comprise offer prices for comparable properties, factual property transaction prices and other information concerning real estate market conditions in the area. The adoption of other estimates than those used as at 31 March 2013 would result in a significant valuation change of investment property, however the Bank does not have reliable estimates of their impact on the property fair value.

- data in PLN thousand

Changes in valuation of financial assets and liabilities classified to level 3 as well as amounts transferred to income statement and statement of comprehensive income for financial assets and liabilities classified to level 3 are presented below. In case of available for sale financial assets amounts transferred to the income statement are presented in interest income line.

		Gains/losses					
	Opening balance	**through income statement**	***including items presented as of 31.03.2013***	**through statement of comprehensive income**	***including items presented as of 31.03.2013***	**Settlement**	**Closing balance**
Financial assets:	**88 849**	**299**	**299**	**(109)**	**(109)**	**-**	**89 039**
Derivative financial istruments	-	-	-	-	-	-	-
Available for sale financial assets	26 548	299	299	(109)	(109)	-	26 738
Investment property	62 301	-	-	-	-	-	62 301
Financial liabilities:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments	-	-	-	-	-	-	-

		Gains/losses					
	Opening balance	**through income statement**	***including items presented as of 31.03.2012***	**through statement of comprehensive income**	***including items presented as of 31.03.2012***	**Settlement**	**Closing balance**
Financial assets:	**222 671**	**1 840**	**1 260**	**1 908**	**578**	**(72 764)**	**153 655**
Derivative financial istruments	0	-	-	-	-	-	0
Available for sale financial assets	159 270	1 840	1 260	1 908	578	(72 764)	90 254
Investment property	63 401	-	-	-	-	-	63 401
Financial liabilities:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments	-	-	-	-	-	-	-

The table below presents the carrying amount and the fair value of those financial assets and liabilities that were not presented at fair value in the Bank's statement of financial position.

- data in PLN thousand

31.03.2013	Book value	Fair value
Financial assets		
Loans and advances to banks	68 558	66 797
Reverse repo transactions	2 332 638	2 332 638
Loans and advances to customers in current account	3 894 169	3 930 835
Non-current loans and advances to customers:	22 327 052	22 367 910
– corporate	7 462 225	7 474 430
– households	14 496 331	14 525 872
– budget entities	302 598	300 792
– other entities	65 898	66 816
Other debt securities	-	-
Financial liabilities		
Amounts due to other banks	3 997 661	4 030 763
Repo transactions	3 567 604	3 567 604
Amounts due to customers and debt securities issued	29 037 167	29 092 699

31.03.2012	Book value	Fair value
Financial assets		
Loans and advances to banks	132 820	130 858
Reverse repo transactions	706 569	706 569
Loans and advances to customers in current account	3 567 283	3 604 341
Non-current loans and advances to customers:	20 641 996	20 817 098
– corporate	7 124 958	7 174 175
– households	13 153 747	13 278 322
– budget entities	272 447	270 813
– other entities	90 844	93 788
Other debt securities	-	-
Financial liabilities		
Amounts due to other banks	3 963 697	3 976 734
Repo transactions	1 554 218	1 554 218
Amounts due to customers and debt securities issued	25 527 299	25 500 915

a) Loans and advances to banks

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

b) Loans and advances to customers

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

c) Other debt securities

The fair value of other debt securities is calculated on the basis of market prices (for securities quoted on interbank market / stock exchange) or, where market prices are not available, the fair value is estimated using a model for discounting future cash flows from the investment, based on market interest rate curves.

d) Amounts due to other banks

Amounts due to other banks include interbank deposits and interbank settlements. The fair value of fixed and variable interest rate deposits is based on future cash flows discounted using the money market interest rates for items with similar credit risk and similar period remaining to maturity.

e) Amounts due to customers

The fair value of fixed and variable interest rate deposits is based on future cash flows discounted using the money market interest rates revised with liquidity margin. In relation to deposits on demand it is assumed that the fair value equals to their carrying amount.

f) Debt securities issued

The fair value of debt securities issued is estimated using a model for discounting future cash flows from the investment, based on market interest rate curves revised with the issuer's credit risk.

2.27 Related party transactions

- data in PLN thousand

Transactions with the Bank's shareholders and related parties as at 31 March 2013

	RABOBANK INTERNATIONAL HOLDING B.V.	COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	SUBSIDIARIES of RABOBANK	TOTAL	% share in total assets/ costs, revenue of the Bank
Assets		**60 872**	**8 942**	**69 814**	**0.17%**
Current accounts	-	1 126	-	1 126	-
Interest	-	-	-	-	-
Debt securities	-	-	-	-	-
Derivative financial instruments	-	59 746	8 942	68 688	0.17%
Other receivables		-	-	-	-
Liabilities	**-**	**3 064 163**	**9 668**	**3 073 831**	**7.53%**
Loans received	-	2 991 249	-	2 991 249	7.33%
Current accounts	-	8 022	744	8 766	0.02%
Term deposits	-	-	-	-	-
Interest	-	7 344	-	7 344	0.02%
Derivative financial instruments	-	43 935	8 924	52 859	0.13%
Other liabilities	-	13 613	-	13 613	0.03%
Costs	**-**	**31 782**	**423**	**32 205**	**2.27%**
Interest	-	10 937	-	10 937	0.77%
Commission	-	4	-	4	-
Trading result on derivatives	-	17 346	423	17 769	1.25%
Other	-	3 495	-	3 495	0.25%
Revenue	**-**	**175**	**232**	**407**	**0.03%**
Interest	-	175	232	407	0.03%
Commission	-	-	-	-	-
Trading result on derivatives	-	-	-	-	-
Other	-	-	-	-	-
Contingent liabilities	**-**	**7 468 361**	**600 000**	**8 068 361**	**11.56%**
Financial commitments granted	-	-	-	-	-
Guarantees granted		1 095	-	1 095	-
Commitments received		392	-	392	-
Derivatives	-	7 466 874	600 000	8 066 874	11.56%

- data in PLN thousand

Transactions with the Bank's shareholders and related parties as at 31 December 2012

	RABOBANK INTERNATIONAL HOLDING B.V.	COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	SUBSIDIARIES of RABOBANK	TOTAL	% share in total assets/ costs, revenue of the Bank
Assets	**334**	**54 344**	**6 975**	**61 653**	**0.16%**
Current accounts	-	197	-	197	-
Interest	-	-	-	-	-
Debt securities	-	-	-	-	-
Derivative financial instruments	-	54 147	6 975	61 122	0.16%
Other receivables	334	-	-	334	-
Liabilities	**-**	**3 086 683**	**7 005**	**3 093 688**	**8.32%**
Loans received	-	3 022 719	-	3 022 719	8.13%
Current accounts	-	11 040	30	11 070	0.03%
Term deposits	-	-	-	-	-
Interest	-	8 093	-	8 093	0.02%
Derivative financial instruments	-	34 518	6 975	41 493	0.11%
Other liabilities	-	10 313	-	10 313	0.03%
Costs	**-**	**61 495**	**1 681**	**63 176**	**1.02%**
Interest	-	47 001	6	47 007	0.76%
Commission	-	35	-	35	-
Trading result on derivatives	-	-	1 426	1 426	0.02%
Other	-	14 459	249	14 708	0.24%
Revenue	**345**	**105 024**	**741**	**106 110**	**1.67%**
Interest	-	420	741	1 161	0.02%
Commission	-	-	-	-	-
Trading result on derivatives	-	100 903	-	100 903	1.59%
Other	345	3 701	-	4 046	0.06%
Contingent liabilities	**-**	**5 503 376**	**600 000**	**6 103 376**	**9.52%**
Financial commitments granted	-	490 000	-	490 000	0.77%
Guarantees granted	-	826	-	826	-
Commitments received	-	247 118	-	247 118	0.38%
Derivatives	-	4 765 432	600 000	5 365 432	8.37%

- data in PLN thousand

Transactions with the Bank's shareholders and related parties as at 31 March 2012

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	SUBSIDIARIES of RABOBANK	TOTAL	% share in total assets/ costs, revenue of the Bank
Assets	**5 180 444**	**3**	**291 026**	**-**	**5 471 473**	**15.77%**
Current accounts	3	-	36	-	39	-
Interest	23 757	-	-	-	23 757	0.07%
Debt securities	5 146 661	-	-	-	5 146 661	14.83%
Derivative financial instruments	-	-	290 990	-	290 990	0.84%
Other receivables	10 023	3	-	-	10 026	0.03%
Liabilities	**81 329**	**-**	**3 623 045**	**28**	**3 704 402**	**10.67%**
Loans received	-	-	3 300 297	-	3 300 297	9.51%
Current accounts	37 285	-	3 850	28	41 163	0.12%
Term deposits	43 690	-	-	-	43 690	0.12%
Interest	233	-	7 622	-	7 855	0.02%
Derivative financial instruments	-	-	277 751	-	277 751	0.80%
Other liabilities	121	-	33 525**	-	33 646	0.10%
Costs	**630**	**-**	**14 202**	**332**	**15 164**	**0.64%**
Interest	630	-	11 593	-	12 223	0.52%
Commission	-	-	8	-	8	-
Trading result on derivatives	-	-	-	332	332	0.01%
Other	-	-	2 601	-	2 601	0.11%
Revenue	**124 834**	**-**	**1 278**	**215**	**126 327**	**5.24%**
Interest*	106 817	-	57	215	107 089	4.44%
Commission	95	-	-	-	95	-
Trading result on derivatives	-	-	1 221	-	1 221	0.05%
Net trading income	17 922	-	-	-	17 922	0.75%
Contingent liabilities	**997**	**-**	**11 453 727**	**-**	**11 454 724**	**16.61%**
Financial commitments granted	997	-	704	-	1 701	-
Derivatives	-	-	11 453 023	-	11 453 023	16.61%

* Line: Revenue – 'Interest' includes interest on preferential loans
** Line: 'Other liabilities' concerns liabilities to COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. for the acquisition of licenses and services connected with the implementation of BGŻOptima, which were capitalized as intangible assets.

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

3 BUSINESS SEGMENTS

3.1 Segment reporting

The Group has divided its operations and applied identification of income and expenses as well as assets and liabilities into the following reporting operating segments: Retail Banking (including the direct banking channel BGŻOptima and an offer for affluent customers that was introduced in December 2012), Institutional Banking (with separate Agro Clients segment), Financial Markets and 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 income statement of particular segment to the level of gross profit, i.e. for each segment revenues, expenses and net impairment losses are reported. Managerial revenues include cash flows between the customer segments and the unit responsible for assets and liabilities management, valued using internal transfer pricing of funds based on market prices and liquidity margins determined for a given maturity and currency. Managerial costs include the direct costs of their activities and costs allocated in accordance with the allocation model adopted by the Group.

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

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

Within the Institutional Banking segment, Agro customers 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.

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

3.2 Business segments characteristics

The Retail Banking Segment includes sales of products and services performed for individuals, including maintaining current accounts and deposit accounts, gathering term deposits, granting housing loans, cash loans, mortgage loans, revolving loans, overdrafts, 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. Retail Banking Segment includes also: balances and results of direct banking channel BGŻOptima, income from brokerage services and distribution of investment funds' share units.

Retail services are performed by branches of the Group and through alternative channels, i.e. internet banking (eBGŻ), 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 Institutional Banking Segment includes sales of products and services rendered to enterprises, companies, cooperatives, individual entrepreneurs, individual farmers, non-profit institutions and public sector entities. Institutional clients are divided into: Large Companies, Small and Medium enterprises and Micro companies. Relational support for Large Companies is realized by Consultants working from Corporate Centers. Relational support for Small and Medium Enterprises and Micro companies is realized by Consultants from the Bank's Branches. 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 Institutional Clients include maintaining current and saving accounts, gathering term deposits (including negotiable deposits), issuing business-type cards, granting overdrafts, investing commercial loans and revolving loans, agro-business financing loans (including preferential loans, revolving loans for farmers, agricultural procurement loans, loans with refinancing from the European Bank for Reconstruction and Development, overdrafts secured with mortgages on agricultural land, loans for realization of projects co-financed with the subsidies from the European Union), insurance for farmers, issuing of debt securities, financing trading activities (including guarantees, surety ships, letters of credit, discounting of bills and factoring), leasing (in cooperation with BGŻ Leasing) and entering into foreign exchange and derivative transactions.

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

The Financial Markets and ALCO Segments cover activities in the area of financial markets 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). Additionally this segment presents differences resulting from different recognition of financial instruments in management accounting in comparison with financial accounting.

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

3.3 Reconciliation of results with financial reporting data

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

- dividend income
- net trading income
- result on investing activities
- result on hedge accounting
- share in profit (loss) of associates

- data in PLN thousand

Result on other operations and depreciation/amortization from the statement by operating segments reconciles with the sum of the following items from the income statement:

- other operating income
- other operating expenses

Statement by operating segments	**1st quarter of 2013 from 01.01.2013 to 31.03.2013**	**1st quarter of 2012 from 01.01.2012 to 31.03.2012**
Result on financial operations	94	21 263
Foreign exchange result	15 672	16 017
	15 766	**37 280**
Income statement:		
Net trading income	17 113	28 779
Result on investing activities	-	7 615
Result on hedge accounting	(1 198)	-
Share in profit (loss) of associates	(149)	886
	15 766	**37 280**
Statement by operating segments		
Result on other operations	(960)	(3 435)
Depreciation	(24 475)	(22 129)
	(25 435)	**(25 564)**
Income statement:		
Other operating income	13 119	15 970
Other operating expenses	(38 554)	(41 534)
	(25 435)	**(25 564)**

- data in PLN thousand

1st quarter of 2013	Retail Banking	Institutional Banking	including: Agro Clients	Financial Markets and ALCO	Other	Total
Income Statement						
Net interest income	82 623	111 555	68 073	63 664	(18 807)	**239 035**
external interest income	128 801	279 311	183 937	111 733	17 084	**536 929**
external interest expense	(144 949)	(63 527)	(19 815)	(89 417)	(1)	**(297 894)**
internal interest income	153 343	84 077	28 430	(237 431)	11	**-**
internal interest expense	(54 572)	(188 306)	(124 479)	278 779	(35 901)	**-**
Net fee and commission income	23 127	46 479	23 209	(1 215)	938	**69 329**
Result on financial operations	-	255	239	(12)	(149)	**94**
Foreign exchange result	3 516	12 016	5 033	92	48	**15 672**
Result on other operations	463	(153)	(58)	739	(2 009)	**(960)**
Net impairment losses on loans and advances	1 068	(37 546)	(8 713)	(95)	3 817	**(32 756)**
General administrative expenses	(111 816)	(102 304)	(45 282)	(7 893)	(5 813)	**(227 826)**
Depreciation/Amortization	(14 199)	(9 065)	(3 890)	(799)	(412)	**(24 475)**
Segment result	**(15 218)**	**21 237**	**38 611**	**54 481**	**(22 387)**	**38 113**
Profit before income tax	**-**	-	-	-	-	**38 113**
Income tax expense	**-**	-	-	-	-	**(8 569)**
Net profit for the period	**-**	-	-	-	-	**29 544**
Statement of financial position						
Segment assets	8 731 799	17 200 196	11 679 561	11 750 084	3 162 165	**40 844 244**
Segment liabilities	16 548 455	9 544 335	4 484 797	9 748 919	1 527 830	**37 369 539**
Equity	-	-	-	-	-	**3 474 705**
Total liabilities	-	-	-	-	-	**40 844 244**

- data in PLN thousand

1st quarter of 2012	Retail Banking	Institutional Banking	including: Agro Clients	Financial Markets and ALCO	Other	Total
Income Statement						
Net interest income	85 235	108 843	63 658	60 171	(9 444)	**244 805**
External interest income	118 154	284 732	179 929	77 775	24 705	**505 366**
External interest expense	(121 120)	(83 102)	(20 045)	(56 337)	(2)	**(260 561)**
Internal interest income	146 846	97 912	28 521	(244 773)	15	**-**
Internal interest expense	(58 645)	(190 699)	(124 747)	283 506	(34 162)	**-**
Net fee and commission income	22 013	48 395	22 327	(820)	1 021	**70 609**
Result on financial operations	1	766	630	19 610	886	**21 263**
Foreign exchange result	3 761	11 758	4 109	88	410	**16 017**
Result on other operations	267	(4 623)	(22)	84	837	**(3 435)**
Net impairment losses on loans and advances	(22 866)	(11 866)	(4 552)	805	(8 332)	**(42 259)**
General administrative expenses	(106 702)	(110 633)	(49 756)	(6 221)	(5 935)	**(229 491)**
Depreciation/Amortization	(11 281)	(9 706)	(4 189)	(716)	(426)	**(22 129)**
Segment result	**(29 572)**	**32 934**	**32 205**	**73 001**	**(20 983)**	**55 380**
Profit before income tax	**-**	-	-	-	-	**55 380**
Income tax expense	**-**	-	-	-	-	**(14 901)**
Net profit for the period	**-**	-	-	-	-	**40 479**
Statement of financial position						
Segment assets	8 021 072	15 911 375	10 015 500	6 883 947	3 915 353	**34 731 747**
Segment liabilities	13 757 552	8 973 908	3 608 416	6 789 923	2 508 638	**32 030 021**
Equity	-	-	-	-	-	**2 701 726**
Total liabilities	-	-	-	-	-	**34 731 747**

- data in PLN thousand

4 OTHER INFORMATION

4.1 The shareholders of Bank Gospodarki Żywnościowej S.A.

The shareholders' structure as at 31 March 2013, 31 December 2012 and 31 March 2012

Shareholders	31.03.2013		31.12.2012		31.03.2012	
	Number of shares	Structure (%)	Number of shares	Structure (%)	Number of shares	Structure (%)
Rabobank International Holding B.V.*	45 941 751	89.84	45 941 751	89.84	21 298 609	49.37
Cooperatieve Centrale Raiffeisen–Boerenleenbank B.A.*	4 303 695	8.42	4 303 695	8.42	4 303 695	9.98
State Treasury	-	-	-	-	11 015 937	25.54
Other shareholders	891 318	1.74	891 318	1.74	6 518 523	15.11
TOTAL	**51 136 764**	**100.00**	**51 136 764**	**100.00**	**43 136 764**	**100.00**

***** Rabobank Group

As at 31 March 2013, 31 December 2012 and 31 March 2012 none of the members of the Management Board or Supervisory Board held the Bank's shares directly.

In the first quarter of 2013, there were no changes in the shareholders' structure.

The Bank's shares are ordinary bearer shares and registered shares (as at 31 March 2013 there are 8 022 915 registered shares). The ordinary bearer shares do not have any special control rights.

The registered B-class shares are preference shares (as at 31 March 2013 there are 4 registered shares), whose privilege includes the right to receive the payment of the full nominal amount per share in case of Bank's liquidation after satisfying all the creditors in the first place before the payment attributable to ordinary shares and those payments assured by the privileges could not cover the nominal value of those shares.

All shares issued by the Bank have been paid up.

4.2 Granted loan surety ships and guarantees exceeding 10% of equity

In the Group there have been neither loan surety ships nor guarantees granted exceeding 10% of the equity.

4.3 Debt securities issued and redeemed

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

The value of CDs issued equals to PLN 2 139 000 thousand (nominal value) as at 31 March 2013, PLN 1 877 000 thousand (nominal value) as at 31 December 2012 and PLN 2 151 000 thousand (nominal value) as at 31 March 2012.

4.4 Dividends paid

At the date of the preparation of these quarterly financial statements, the decision about the distribution of the profit for 2012 has been not made yet. The Management of the Board will not recommend the payment of dividend for 2012.

4.5 Legal issues

As at 31 March 2013 the total value of the legal proceedings against the Bank amounted to PLN 73 789 thousand, whereas the total value of the legal proceedings in which the Bank is a plaintiff amounted to PLN 102 115 thousand. As at 31 December 2012 the total value of the legal proceedings against the Bank amounted to PLN 105 314 thousand, and the total value of the legal proceedings in which the Bank is a plaintiff amounted to PLN 92 129 thousand. As at 31 March 2012 the total value of the legal proceedings against the Bank amounted to PLN 92 449 thousand and the total value of the legal proceedings in which the Bank is a plaintiff amounted to PLN 42 894 thousand.

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.

4.6 Risk management

In the first quarter of 2013 there were no significant changes in risk management in comparison to 2012.

4.7 Changes in the Bank's Management

On 24 February 2013, the Management Board of the Bank was notified that Mr. Jacek Bartkiewicz submitted his resignation from the position of the President of the Management Board of Bank Gospodarki Żywnościowej S.A. effective from 31 March 2013.

On 1 March 2013, the Management Board of the Bank was informed about the resignation of Ms. Monika Nachyła from the position of the Supervisory Board Member effective from that day. Simultaneously, the Supervisory Board appointed Ms. Monika Nachyła as Vice President of the Management Board of the Bank coming into force since 1 April 2013 and assigned to her responsibilities of President of the Management Board of the Bank. The Supervisory Board passed resolution on the appointment of Ms. Monika Nachyła as President of the Management Board of the Bank. The resolution shall come into force once the appointment is approved by the Polish Financial Supervision Authority under article 22b of the Banking Act.

4.8 Significant events

Entering into the Dealers Agreement and Issuance Agreement for the execution of the Debt Securities Issuance Program

The Bank as the issuer of debt securities has 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 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 Bank.

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

4.9 Subsequent events

As at 14 May 2013, there have been no significant subsequent events.

- data in PLN thousand

II INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS

Income statement

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Interest income	536 929	505 366
Interest expense	(297 894)	(260 561)
Net interest income	**239 035**	**244 805**
Fee and commission income	86 292	82 832
Fee and commission expense	(16 963)	(12 223)
Net fee and commission income	**69 329**	**70 609**
Net trading income	17 113	28 779
Result on investing activities	-	7 615
Result on hedge accounting	(1 198)	-
Other operating income	13 631	16 488
Net impairment losses on loans and advances	(32 756)	(42 778)
General administrative expenses	(227 774)	(229 433)
Other operating expenses	(38 554)	(41 533)
Operating result	**38 826**	**54 552**
Profit before income tax	**38 826**	**54 552**
Income tax expense	(8 569)	(14 901)
Net profit for the period	**30 257**	**39 651**
attributable to equity holders of the Bank	30 257	39 651
Earnings per share (in PLN per share)	**0.59**	**0.92**
Basic	0.59	0.92
Diluted	0.59	0.92

- data in PLN thousand

Statement of comprehensive income

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
Net profit for the period	**30 257**	**39 651**
Other comprehensive income		
Change in valuation of available for sale financial assets	(36 461)	28 871
Change in fair value of cash flow hedges	2 565	-
Income tax expense on other comprehensive income	6 440	(5 486)
Other comprehensive income (net)	**(27 456)**	**23 385**
Total comprehensive income for the period	**2 801**	**63 036**

- data in PLN thousand

Statement of financial position

	31.03.2013	31.12.2012	31.03.2012
ASSETS			
Cash and balances with the Central Bank	1 465 748	2 106 657	1 548 602
Loans and advances to banks	68 558	104 035	132 820
Reverse repo transactions	2 332 638	104 369	706 569
Financial assets held for trading (excluding derivatives)	1 606 820	219 051	2 470 411
Derivative financial instruments, in this:	469 846	474 058	448 655
– Hedging instruments	88 661	69 179	-
Loans and advances to customers	26 239 675	26 341 646	24 225 670
Available for sale financial assets	7 717 236	6 867 557	4 174 221
Other debt securities	15 876	15 876	14 587
Investments in associates	58 719	58 720	58 468
Intangible assets	147 339	152 674	141 981
Property, plant and equipment	457 152	469 098	475 620
Deferred tax assets	128 689	130 818	202 823
Current tax assets	10 318	10 318	4 802
Other assets	110 253	125 745	105 095
TOTAL ASSETS	**40 828 867**	**37 180 622**	**34 710 324**

- data in PLN thousand

Statement of financial position (continued)

	31.03.2013	31.12.2012	31.03.2012
LIABILITIES			
Amounts due to other banks	3 997 661	4 094 436	3 963 697
Repo transactions	3 567 604	104 346	1 554 218
Derivative financial instruments and other financial liabilities held for trading, in this:	371 671	350 621	490 608
– Hedging instruments	-	-	-
Amounts due to customers	26 916 240	26 942 029	23 397 670
Debt securities issued	2 120 927	1 852 776	2 129 629
Other liabilities	315 497	292 129	410 461
Provisions	38 848	50 769	44 285
Employee benefit obligations	31 071	26 969	29 222
TOTAL LIABILITIES	**37 359 519**	**33 714 075**	**32 019 790**
EQUITY			
Share capital	51 137	51 137	43 137
Other supplementary capital	2 950 716	2 950 716	2 332 656
Other reserve capital	302 895	330 351	149 030
Unappropriated profits	164 600	134 343	165 711
TOTAL EQUITY	**3 469 348**	**3 466 547**	**2 690 534**
TOTAL LIABILITIES AND EQUITY	**40 828 867**	**37 180 622**	**34 710 324**

- data in PLN thousand

Statement of changes in equity

	Note	Share capital	Other supplementary capital	Other reserve capital	Unappropriated profits	Total
As at 1 January 2013		**51 137**	**2 950 716**	**330 351**	**134 343**	**3 466 547**
Net profit for the period		-	-	-	30 257	30 257
Other comprehensive income for the period		-	-	(27 456)	-	(27 456)
Appropriation of retained earnings		-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**(27 456)**	**30 257**	**2 801**
As at 31 March 2013		**51 137**	**2 950 716**	**302 895**	**164 600**	**3 469 348**

Statement of changes in equity (continued)

	Note	Share capital	Other supplementary capital	Other reserve capital	Unappropriated profits	Total
As at 1 January 2012		**43 137**	**2 332 656**	**125 645**	**126 060**	**2 627 498**
Share issue		8 000	492 000	-	-	500 000
Net profit for the period		-	-	-	134 343	134 343
Other comprehensive income for the period		-	-	204 706	-	204 706
Appropriation of retained earnings		-	126 060	-	(126 060)	-
Total comprehensive income for the period		**-**	**-**	**204 706**	**134 343**	**339 049**
As at 31 December 2012		**51 137**	**2 950 716**	**330 351**	**134 343**	**3 466 547**

- data in PLN thousand

Statement of changes in equity (continued)

	Note	Share capital	Other supplementary capital	Other reserve capital	Unappropriated profits	Total
As at 1 January 2012		**43 137**	**2 332 656**	**125 645**	**126 060**	**2 627 498**
Net profit for the period		-	-	-	39 651	39 651
Other comprehensive income for the period		-	-	23 385	-	23 385
Appropriation of retained earnings		-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**23 385**	**39 651**	**63 036**
As at 31 March 2012		**43 137**	**2 332 656**	**149 030**	**165 711**	**2 690 534**

- data in PLN thousand

Statement of cash flows

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit for the period	**30 257**	**39 651**
Total adjustments:	**(82 596)**	**474 004**
Current and deferred tax recognized in the income statement	8 569	14 901
Amortization and depreciation	24 475	22 129
Interest and dividend	(72 828)	(68 685)
Profit/loss from investing activities	-	(7 615)
Change in provisions and employee benefit obligations	(7 819)	6 284
Change in loans and advances to banks	56	482
Change in reverse repo transactions	(2 228 269)	(340 226)
Change in financial assets held for trading	(1 387 769)	(837 977)
Change in derivative financial instruments (assets), excluding hedge accounting	23 694	434 454
Change in hedging instruments (assets)	(16 916)	-
Change in loans and advances to customers	101 971	12 597
Income taxes paid	-	(20 219)
Change in amounts due to other banks	(25 569)	(409 786)
Change in repo transactions	3 463 258	1 554 218
Change in derivative financial instruments (liabilities)	21 050	(305 099)
Change in amounts due to customers	(25 789)	455 942
Change in other assets and current tax assets	15 492	13 951
Change in other liabilities and tax liability	23 368	(64 451)
Other adjustments	430	13 104
NET CASH FLOW FROM OPERATING ACTIVITIES	**(52 339)**	**513 655**

- data in PLN thousand

Statement of cash flows (continued)

	1st quarter of 2013 from 01.01.2013 to 31.03.2013	1st quarter of 2012 from 01.01.2012 to 31.03.2012
CASH FLOW FROM INVESTING ACTIVITIES:		
Investing activity inflows	**58 630 760**	**17 051 087**
Sale of financial assets available for sale	58 630 760	17 051 087
Investing activity outflows	**(59 445 544)**	**(17 520 497)**
Purchase of financial assets available for sale	(59 437 921)	(17 512 983)
Purchase of intangible assets, property, plant and equipment	(7 409)	(7 414)
Other investing activity outflows	(214)	(100)
NET CASH FLOW FROM INVESTING ACTIVITIES	**(814 784)**	**(469 410)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Financing activity inflows	**613 000**	**1 594 000**
Issue of debt securities	613 000	1 594 000
Financing activity outflows	**(422 206)**	**(1 560 733)**
Repayment of long-term loans and advances from other banks	(71 206)	(73 233)
Redemption of debt securities	(351 000)	(1 487 500)
NET CASH FLOW FROM FINANCING ACTIVITIES	**190 794**	**33 267**
TOTAL NET CASH FLOW	**(676 329)**	**77 512**
Cash and cash equivalents at the beginning of the period	**2 204 297**	**1 592 649**
Cash and cash equivalents at the end of the period, of which:	**1 527 968**	**1 670 161**
of restricted use	1 629	1 041

1 ADDITIONAL INFORMATION

1.1. Statement of compliance with International Financial Reporting Standards

Unaudited interim condensed standalone financial statements for the first quarter ended 31 March 2013 have been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and with the requirements of the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information disclosed by the issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Journal of Laws 2009, No. 33, item 259).

Unaudited interim condensed standalone 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 2013 and with the Bank's financial statements for the year ended 31 December 2012 that were approved by the Management on 4 March 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 described in section 01.2. of this interim condensed consolidated financial report, 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.

1.2. Significant accounting policies

Accounting policies and methods relating to accounting estimates adopted during the preparation of the Bank's interim condensed standalone financial statements are consistent with the accounting policies adopted for the Group's interim condensed consolidated financial statements, which are described in section I.1.2., except for the valuation of associates, which are recognized at purchase price in the standalone financial statements.

2 EXPLANATORY NOTES TO THE INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS

2.1 Related party transactions

The Bank presents transactions with its subsidiaries and main shareholders.

- data in PLN thousand

Transactions with the Bank's shareholders and related parties as at 31 March 2013

	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	SUBSIDIARIES of RABOBANK	BGŻ LEASING SP. Z O.O.	ACTUS SP Z O.O.	TOTAL	% share in total assets/ costs, revenue of the Bank
Assets	**-**	**60 872**	**8 942**	**27 273**	**34 335**	**131 422**	**0.32%**
Loans and advances	-	-	-	26 600	-	26 600	0.06%
Current accounts	-	1 126	-	-	-	1 126	-
Interest	-	-	-	3	23 771	23 774	0.06%
Debt securities	-	-	-	-	10 560	10 560	0.03%
Derivative financial instruments	-	59 746	8 942	-	-	68 688	0.17%
Other receivables	-	-	-	670	4	674	-
Liabilities	**-**	**3 064 163**	**9 668**	**57 006**	**4**	**3 130 841**	**7.67%**
Loans received	-	2 991 249	-	-	-	2 991 249	7.33%
Current account	-	8 022	744	65	4	8 835	0.02%
Term deposits	-	-	-	56 198	-	56 198	0.14%
Interest	-	7 344	-	723	-	8 067	0.02%
Derivative financial instruments	-	43 935	8 924	-	-	52 859	0.13%
Other liabilities	-	13 613	-	20	-	13 633	0.03%
Costs	**-**	**31 782**	**423**	**645**	**-**	**32 850**	**2.32%**
Interest	-	10 937	-	587	-	11 524	0.81%
Commission	-	4	-	49	-	53	-
Trading result on derivatives	-	17 346	423	9	-	17 778	1.26%
Other	-	3 495	-	-	-	3 495	0.25%
Revenue	**-**	**175**	**232**	**811**	**512**	**1 730**	**0.12%**
Interest	-	175	232	159	509	1 075	0.08%
Commission	-	-	-	640	-	640	0.04%
Trading result on derivatives	-	-	-	-	-	-	-
Other	-	-	-	12	3	15	-
Contingent liabilities	**-**	**7 468 361**	**600 000**	**9 711**	**-**	**8 078 072**	**11.57%**
Financial commitments granted	-	-	-	9 711	-	9 711	0.01%
Guarantees granted	-	1 095	-	-	-	1 095	-
Commitments received	-	392	-	-	-	392	-
Derivatives	-	7 466 874	600 000	-	-	8 066 874	11.56%

- data in PLN thousand

Transactions with the Bank's shareholders and related parties as at 31 December 2012

	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	SUBSIDIARIES of RABOBANK	BGŻ LEASING SP. Z O.O.	ACTUS SP Z O.O.	TOTAL	% share in total assets/ costs, revenue of the Bank
Assets	**334**	**54 344**	**6 975**	**27 976**	**33 822**	**123 451**	**0.33%**
Loans and advances	-	-	-	26 841	-	26 841	0.07%
Current accounts	-	197	-	-	-	197	-
Interest	-	-	-	3	23 262	23 265	0.06%
Debt securities	-	-	-	-	10 560	10 560	0.03%
Derivative financial instruments	-	54 147	6 975	-	-	61 122	0.17%
Other receivables	334	-	-	1 132	-	1 466	-
Liabilities	**-**	**3 086 683**	**7 005**	**55 678**	**58**	**3 149 424**	**8.47%**
Loans received	-	3 022 719	-	-	-	3 022 719	8.13%
Current account	-	11 040	30	63	58	11 191	0.03%
Term deposits	-	-	-	55 147	-	55 147	0.15%
Interest	-	8 093	-	453	-	8 546	0.02%
Derivative financial instruments	-	34 518	6 975	-	-	41 493	0.11%
Other liabilities	-	10 313	-	15	-	10 328	0.03%
Costs	**-**	**61 495**	**1 681**	**2 959**	**-**	**66 135**	**1.07%**
Interest	-	47 001	6	2 697	-	49 704	0.81%
Commission	-	35	-	202	-	237	-
Trading result on derivatives	-	-	1 426	-	-	1 426	0.02%
Other	-	14 459	249	60	-	14 768	0.24%
Revenue	**345**	**105 024**	**741**	**5 338**	**2 085**	**113 533**	**1.78%**
Interest	-	420	741	585	2 070	3 816	0.06%
Commission	-	-	-	4 464	1	4 465	0.07%
Trading result on derivatives	-	100 903	-	266	-	101 169	1.59%
Other	345	3 701	-	23	14	4 083	0.06%
Contingent liabilities	**-**	**5 503 376**	**600 000**	**9 313**	**-**	**6 112 689**	**9.53%**
Financial commitments granted	-	490 000	-	9 313	-	499 313	0.78%
Guarantees granted	-	826	-	-	-	826	-
Commitments received	-	247 118	-	-	-	247 118	0.38%
Derivatives	-	4 765 432	600 000	-	-	5 365 432	8.37%

- data in PLN thousand

Transactions with the Bank's shareholders and related parties as at 31 March 2012

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	SUBSIDIARIES of RABOBANK	BGŻ LEASING SP. Z O.O.	ACTUS SP Z O.O.	TOTAL	% share in total assets/ costs, revenue of the Bank
Assets	**5 180 444**	**3**	**291 026**	**-**	**29 186**	**32 267**	**5 532 926**	**15.94%**
Loans and advances	-	-	-	-	29 174	-	29 174	0.08%
Current accounts	3	-	36	-	-	10 560	10 599	0.03%
Interest	23 757	-	-	-	4	21 707	45 468	0.13%
Debt securities	5 146 661	-	-	-	-	-	5 146 661	14.83%
Derivative financial instruments	-	-	290 990	-	8	-	290 998	0.84%
Other receivables	10 023	3	-	-	-	-	10 026	0.03%
Liabilities	**81 329**	**-**	**3 623 045**	**28**	**55 818**	**14**	**3 760 234**	**10.83%**
Loans received	-	-	3 300 297	-	-	-	3 300 297	9.51%
Current account	37 285	-	3 850	28	24	14	41 201	0.12%
Term deposits	43 690	-	-	-	55 063	-	98 753	0.28%
Interest	233	-	7 622	-	724	-	8 579	0.02%
Derivative financial instruments	-	-	277 751	-	-	-	277 751	0.80%
Other liabilities	121	-	33 525**	-	7	-	33 653	0.10%
Costs	**630**	**-**	**14 202**	**332**	**697**	**-**	**15 861**	**0.67%**
Interest	630	-	11 593	-	669	-	12 892	0.55%
Commission	-	-	8	-	26	-	34	-
Trading result on derivatives	-	-	-	332	2	-	334	0.01%
Other	-	-	2 601	-	-	-	2 601	0.11%
Revenue	**124 834**	**-**	**1 278**	**215**	**160**	**518**	**127 005**	**5.27%**
Interest*	106 817	-	57	215	141	515	107 745	4.47%
Commission	95	-	-	-	7	-	102	-
Trading result on derivatives	-	-	1 221	-	-	-	1 221	0.05%
Net trading income	17 922	-	-	-	-	-	17 922	0.75%
Other	-	-	-	-	12	3	15	-
Contingent liabilities	**997**	**-**	**11 453 727**	**-**	**17 228**	**-**	**11 471 952**	**16.64%**
Financial commitments granted	997	-	-	-	7 109	-	8 106	0.01%
Guarantees granted	-	-	704	-	-	-	704	-
Derivatives	-	-	11 453 023	-	10 119	-	11 463 142	16.63%

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

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

The transactions with the State Treasury (budgetary units) concern in particular ministries, voivodeship authorities, courts, government agencies (including the Agency of Restructuring and Modernization of Agriculture, with which the Bank conducts the settlements with respect to subsidies to preferential loans).
The terms of the transactions with related parties and shareholders of the Bank do not differ from the market conditions.

- data in PLN thousand

2.2 Capital adequacy ratio

	31.03.2013	31.12.2012	31.03.2012
Total equity	3 250 941	3 171 313	2 487 049
Total capital requirement	2 176 259	2 159 628	1 968 890
Capital adequacy ratio (%)	**12.0%**	**11.8%**	**10.1%**

3 OTHER INFORMATION

The notes presenting changes in the particular positions are presented in the interim condensed consolidated financial statements for the first quarter of 2013.

3.1 Seasonality and periodicity of operations

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

3.2 Debt securities issued and redeemed

The issue and redemption of securities is described in the note 4.3 of the interim consolidated financial statements for the first quarter ended 31 March 2013.

3.3 Dividends paid

At the date of the preparation of this quarterly report, the decision about the distribution of the profit for 2012 has been not made yet. The Management of the Board will not recommend the payment of dividend for 2012.

3.4 Off-balance sheet items

	31.03.2013	31.12.2012	31.03.2012
Contingent commitments granted	4 235 797	4 610 161	3 962 614
Contingent commitments received	304 382	283 191	239 495
Off-balance sheet financial instruments	62 875 086	57 266 853	63 274 727
F/X transactions	2 345 210	1 966 172	1 467 191
Total off-balance sheet items	**69 760 475**	**64 126 377**	**68 944 027**
Provisions for guaranties, surety ships and undrawn credit facilities	**(6 165)**	**(7 257)**	**(5 606)**

3.5 Significant events

Significant events in the Bank in the first quarter of 2013 are described in the note 4.8 of the interim condensed consolidated financial statements for the first quarter of 2013.

3.6 Subsequent events

Subsequent events are described in the note 4.9 of the interim condensed consolidated financial statements for the first quarter of 2013.

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Monika Nachyła
Acting President of the Management Board

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

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

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

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

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

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

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

……..................................
Katarzyna Romaszewska–Rosiak
Chief Financial Officer
Chief Accountant

Warsaw, 14 May 2013