Unaudited Interim Condensed Consolidated Financial Statements of Bank Gospodarki Żywnościowej S.A. Capital Group
for the period of 3 months ended 31 March 2011

Prepared in accordance with International Financial Reporting Standards

Warsaw, 5 May 2011

- data in PLN thousands

Consolidated income statement

	Note	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
Interest income	2.1	367 712	333 576
Interest expense	2.1	(196 572)	(206 377)
Net interest income		**171 140**	**127 199**
Fee and commission income	2.2	72 144	71 034
Fee and commission expense	2.2	(8 083)	(8 115)
Net fee and commission income		**64 061**	**62 919**
Dividend income		-	66
Result on trading activities	2.3	38 247	29 296
Result on investing activities		(844)	(363)
Other operating income	2.5	13 146	9 340
Net impairment losses on loans and advances	2.7	(23 149)	(26 161)
General administrative expenses	2.4	(194 384)	(167 957)
Other operating expenses	2.6	(29 510)	(26 327)
Operating result		**38 707**	**8 012**
Share in profit (loss) of associates		925	28
Profit (loss) before taxation		**39 632**	**8 040**
Income tax expense	2.8	(5 803)	1 637
Net profit (loss) for the year		**33 829**	**9 677**
- attributable to the shareholders of the Bank		33 829	**9 677**
Earnings per share (in PLN per share):		**0.78**	0.22
From continuing and discontinued operations:		0.78	0.22
- Basic		0.78	0.22
- Diluted		0.78	0.22
From continuing operations:		0.78	0.22
- Basic		0.78	0.22
- Diluted		0.78	0.22

- data in PLN thousands

Consolidated statement of comprehensive income

	Note	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
Profit (loss) for the first quarter		**33 829**	**9 677**
Other comprehensive income			
Net (loss)/gain on valuation of available-for-sale financial assets		(8 485)	4 536
Income tax effect		1 612	(862)
Other comprehensive income (net)		**(6 873)**	**3 674**
Total comprehensive income for the first quarter		**26 956**	**13 351**

- data in PLN thousands

Consolidated statement of financial position

	Note	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
ASSETS				
Cash and balances with the Central Bank		1 073 861	1 379 737	1 379 800
Amounts due from other banks	2.9	680 107	280 920	265 440
Receivables arising from reverse repo transactions	2.10	284 992	651 706	1 397 398
Held-for-trading securities	2.11	1 706 554	1 814 899	407 466
Derivative financial instruments	2.12	202 633	220 987	184 983
Loans and advances to customers	2.13	19 955 365	19 869 177	18 262 511
Securities available for sale	2.14	3 242 826	3 290 675	4 053 031
Other debt securities	2.15	55 122	109 232	160 015
Investment property		63 900	63 900	63 200
Investments in subsidiaries and associates		32 429	31 542	19 381
Intangible assets	2.16	90 284	96 787	87 886
Property, plant and equipment	2.17	461 697	464 818	438 146
Deferred tax asset		227 950	232 141	89 323
Current tax asset		44 800	44 800	-
Other assets		85 917	78 278	175 431
TOTAL ASSETS		**28 208 437**	**28 629 599**	**26 984 011**

- data in PLN thousands

Consolidated statement of financial position (continued)

	Note	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
LIABILITIES				
Amounts owed to other banks	2.18	1 564 485	1 020 419	373 383
Liabilities arising from repo transactions	2.19	339 613	1 268 921	1 123 405
Derivative financial instruments and other liabilities held for trading	2.12	483 940	732 098	163 211
Amounts owed to customers	2.20	21 295 683	21 051 715	20 436 129
Liabilities from issued debt securities		1 567 142	1 745 198	2 075 108
Other liabilities		357 812	241 895	334 707
Deferred tax liability		9 814	9 814	9 681
Current tax liabilities		10	3	1
Provisions	2.21	42 451	41 697	45 428
Liabilities arising from employee benefits	2.22	25 514	22 822	23 241
TOTAL LIABILITIES		**25 686 464**	**26 134 582**	**24 584 294**
EQUITY				
Issued share capital	4.1	43 137	43 137	43 137
Reserve capital		2 220 155	2 220 155	2 112 164
Accumulated profit/ (loss) from previous years		8 487	8 487	15 835
Other reserves		104 024	110 897	118 261
Undistributed profit		146 170	112 341	110 320
TOTAL EQUITY		**2 521 973**	**2 495 017**	**2 399 717**
TOTAL LIABILITIES AND EQUITY		**28 208 437**	**28 629 599**	**26 984 011**

- data in PLN thousands

Consolidated statement of changes in equity - unaudited

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

	Share capital	Reserve capital	Other reserves	Accumulated profit (loss) from previous years	Undistributed profit	Total
As at 1 January 2010	**43 137**	**2 112 164**	**114 587**	**15 835**	**100 643**	**2 386 366**
Transfer from prior year profits	-	107 991	-	(7 348)	(100 643)	-
Other comprehensive income for the year	-	-	(3 690)	-	-	(3 690)
Net profit for the year	-	-	-	-	112 341	112 341
Comprehensive income for the year	**-**	**-**	**(3 690)**	**-**	**112 341**	**108 651**
As at 31 December 2010	**43 137**	**2 220 155**	**110 897**	**8 487**	**112 341**	**2 495 017**

- data in PLN thousands

Consolidated statement of changes in equity – unaudited (continued)

	Share capital	Reserve capital	Other reserves	Accumulated profit (loss) from previous years	Undistributed profit	Total
As at 1 January 2010	**43 137**	**2 112 164**	**114 587**	**15 835**	**100 643**	**2 386 366**
Transfer from prior year profits	-	-	-	-	-	-
Other comprehensive income for the period	-	-	3 674	-	-	3 674
Net profit for the 1st quarter	-	-	-	-	9 677	9 677
Comprehensive income for the period	**-**	**-**	**3 674**	**-**	**9 677**	**13 351**
As at 31March 2010	**43 137**	**2 112 164**	**118 261**	**15 835**	**110 320**	**2 399 717**

- data in PLN thousands

Consolidated statement of cash flows

	Note	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit/loss		**33 829**	**9 677**
Total adjustments:		**128 859**	**585 507**
Current and deferred tax recognized in the financial result		5 803	(1 637)
Amortization and depreciation		18 648	17 204
Interest and dividends		(15 300)	(36 249)
Change in provisions		3 446	3 025
Change in amounts due from other banks		(71)	17 650
Change in receivables arising from reverse repo transactions		366 714	(1 322 743)
Change in held-for-trading debt securities		108 345	60 051
Change in receivables from derivative financial instruments		18 354	69 635
Change in loans and advances to customers		(86 188)	38 855
Change in amounts owed to other banks		544 066	(102 703)
Change in liabilities arising from repo transactions		(929 308)	1 011 425
Change in liabilities from derivative financial instruments		(248 158)	(85 088)
Change in amounts owed to customers		243 968	837 603
Change in other liabilities		115 924	188 297
Other adjustments		(17 384)	(109 818)
NET CASH FLOW FROM OPERATING ACTIVITIES		**162 688**	**595 184**

- data in PLN thousands

Consolidated statement of cash flows (continued)

	Note	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
CASH FLOW FROM INVESTING ACTIVITIES:			
Inflows		**21 721 020**	**31 349 827**
Sale of investment securities		51 210	51 038
Sale of securities available for sale		21 669 094	31 298 200
Sale of intangible assets and property, plant and equipment		716	589
Outflows		**(21 605 940)**	**(32 541 069)**
Purchase of shares in associates			-
Purchase of securities available for sale		(21 596 637)	(32 530 645)
Purchase of intangible assets, property, plant and equipment		(9 303)	(10 424)
NET CASH FLOW FROM INVESTING ACTIVITIES		**115 080**	**(1 191 242)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Inflows		**1 422 000**	**1 855 000**
Issue of debt securities to other financial institutions		1 422 000	1 855 000
Outflows		**(1 606 529)**	**(1 232 023)**
Redemption of debt securities issued to other financial institutions		(1 606 529)	(1 232 023)
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES		**(184 529)**	**622 977**
TOTAL NET CASH FLOW		**93 239**	**26 919**
Cash and cash equivalents at the beginning of the period	**2.24**	**1 610 838**	**1 553 987**
Cash and cash equivalents at the end of the period, of which:	**2.24**	**1 704 077**	**1 580 906**
of restricted use		665	1 087

1 ADDITIONAL INFORMATION

1.1 General information

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

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

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

Accounting policies applied in the 1st quarter of 2011 are consistent with the principles applied in year 2010. These policies were described in detail in the consolidated financial statements for the year ended 31 December 2010 approved by the Management Board on 1 March 2011. The unaudited interim condensed consolidated financial statements for the three month period ended 31 March 2011 were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union applicable to interim reporting ('IAS 34').

The unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements, therefore they should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2010.

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

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

Implementation of New IFRSs

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

- Amendments to IAS 32 Financial instruments: presentation: Classification of Rights Issues – effective for financial years beginning on or after 1 February 2010. This amendment did not have any impact on the presented financial position or the results of the Group.
- IAS 24 Related Party Disclosures (revised in November 2009) – effective for financial years beginning on or after 1 January 2011. This amendment did not have any impact on the presented financial position or the results of the Group.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements – effective for financial years beginning on or after 1 January 2011. This amendment did not have any impact on the presented financial position or the results of the Group.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – effective for financial years beginning on or after 1 July 2010. This amendment did not have any impact on the presented financial position or the results of the Group.
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters – effective for financial years beginning on or after 1 July 2010. These amendments did not have any impact on the presented financial position or the results of the Group.
- *Improvements to IFRSs* (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1 January 2011. These amendments did not have any impact on the presented financial position or the results of the Group.

New standards and interpretations issued but not in force:

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

- IFRS 9 Financial Instruments – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendment to IFRS 7 Financial Instruments – Disclosures: Transfer of Financial Assets - effective for financial years beginning on or after 1 July 2011 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 12 Income Tax: Deferred Tax: Recovery of Underlying Assets – effective for financial years beginning on or after 1 January 2012 - not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - effective for financial years beginning on or after 1 July 2011 - not endorsed by EU till the date of approval of these financial statements.

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

1.3 Going concern

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

1.4 Authorization for issue

These interim financial statements were authorized for issue by the Management Board on 5 May 2011.

1.5 Changes in presentation

The Group did not implement any presentation changes in the prepared interim condensed consolidated financial statements.

1.6 Seasonality or periodicity of operations

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

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1.7 Major estimates and judgments

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

a) Impairment of loans and advances

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

Assessment of the impairment of individually significant assets

Financial assets are assessed for whether or not there is objective evidence to show that they are impaired. In the case of an individual assessment, the following events are specifically considered as such evidence: significant financial difficulty of the issuer or debtor, a breach of contract (such as a default or delinquency in interest or principal payments, exceeding 90 days) the high probability of the borrower's bankruptcy or other financial reorganization, the disappearance of an active market for a given financial asset, due to the issuer's financial difficulties.
An individual assessment is carried out by the Bank's employees on individually significant financial assets, and involves an individual impairment review of the financial assets. The individual assessment of impairment involves an estimate of the anticipated future cash flows, and the amount of the impairment loss is measured as the difference between the current (carrying) amount of an individually significant financial asset, and the value of any future cash flows to be derived from that financial asset, discounted using the effective interest rate from the moment of impairment recognition. Cash flows from collateral are included in the evaluation of future cash flows.

Collective (group) assessment

A collective assessment is performed for assets classified as individually insignificant and those individually significant assets for which there is no objective evidence of impairment. For such group of assets, the Bank determines the amount of the impairment loss, if objective evidence of impairment is identified on a collective basis, or it determines the amount of the IBNR (Incurred But Not Reported) allowance if no impairment evidence is identified. Evidence of collective impairment includes, in particular, delinquency in principal and interest payments, exceeding 90 days and the so called soft evidence recognized based on the gathered supplementary evidence regarding the economic and financial position of a client. Future cash flows from a group of financial assets assessed for impairment on a collective basis are estimated based on the history of losses incurred on assets with similar credit risk characteristics.

b) Fair value of derivative financial instruments (derivatives)

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

c) Impairment of equity instruments available-for-sale

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

d) Investments held to maturity

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

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

In the first quarter of 2011 there were no significant changes in the risk management of the Bank compared to year 2010.

1.8 General information on the Capital Group

1.8.1 Entities accounted for in the unaudited consolidated financial data

Subsidiaries constitute all entities (including special purpose vehicles) in respect of which the Group has the power to govern their financial and operating policies, which usually accompanies the ownership of a majority of the voting rights in the decision making body. In assessing whether the Group controls a given entity, existence and impact of the potential voting rights which can be realized or replaced is considered. Subsidiaries are fully consolidated from the date of acquisition of the control over them by the Group. They cease to be consolidated on the date of cessation of control.

Transactions, settlements and unrealized gains on transactions between the companies within the Group are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies applied by subsidiaries during preparation of financial data for the purpose of the consolidated financial statements for the same reporting period are consistent with the accounting policies applied by the Group.

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

Bank Gospodarki Żywnościowej Spółka Akcyjna is the parent company of the BGŻ S.A. Capital Group (hereinafter referred to as the "Group'). The Group is composed of a subsidiary as at 31 March 2011:

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

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

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

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

Scope of consolidation

In accordance with the IFRS principles, consolidated financial statements include all subsidiaries as of 31 March 2011. The consolidation scope has not changed compared to 31 December 2010.

1.8.2 Related party transactions

All transactions of the Bank, its subsidiaries and the related parties carried out in the 1st quarter of 2011 were concluded at arm's length and resulted from the operating activities.

- data in PLN thousands

2 EXPLANATORY NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Net interest income

	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
Interest income, of which relating to		
Amounts due from other banks	7 564	6 925
Amounts due from customers under overdraft facilities	49 561	43 247
Loans and advances to customers, after considering reversal of loans interests discount on impairment losses, of which	253 061	230 443
- companies	78 438	75 700
- households	171 502	152 707
- public institutions	2 561	1 827
- other entities	560	209
Debt acquired from customers	5 200	3 737
Other amounts due from customers	964	844
Debt securities	51 362	48 380
- at fair value through profit or loss account (trading)	9 385	5 699
- available for sale	40 995	40 724
- other debt securities	982	1 957
	367 712	**333 576**
Interest expense, of which relating to:		
Amounts owed to banks	24 696	26 922
Amounts owed to customers	171 876	179 455
	196 572	**206 377**
Net interest income	**171 140**	**127 199**

In the first quarter of 2011, net interest income increased by 34.5% compared to the first quarter of 2010 which was due to an increase in interest income by 10.2%, coupled with a decrease in interest expense by 4.8%.

Growth in interest income by 10.2% was mainly caused by a higher interest income from amounts due from customers under overdraft facilities by 14.6%, as well as from loans and advances to customers by 9.8%. This was mainly caused by an increase in the Bank's loan portfolio achieved at higher interest margins than a year earlier. These developments influenced, in particular, the growth of interest income from loans and advances to households, which amounted to 12.3%, mainly as a result of interest income on mortgage loans to retail clients, as well as on preferential loans. An important factor stimulating the growth of interest income on preferential loans was the hike of the NBP rediscount rate by 0.25 percentage point (effective since 20 January 2011), to which interest rates on this products are linked.

- data in PLN thousands

The primary factor causing the decrease in interest expense by 4.8% was a decrease in interest expense on amounts owed to banks by 8.3% (thanks to lower interest expense and volume of issued debt securities (certificates of deposit, or CDs) and on amounts owed to customers by 4.2% primarily due to improvement in deposit margins, in particular on savings account and term deposits.

2.2 Net fee and commission income

	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
Fee and commission income		
Fee and commission income from banks	3 367	3 096
Fee and commission income from customers	68 777	67 938
- on loans and advances	22 217	19 684
- on domestic settlements	274	378
- on foreign settlements	1 132	1 212
- on account service	26 146	27 680
- on guarantee commitments	2 879	3 631
- on brokerage operations	3 584	3 723
- on payment cards	12 304	11 525
- other	241	105
	72 144	**71 034**
Fee and commission expense		
Fee and commission expense from banks	884	1 157
Fee and commission expense from customers	7 199	6 958
	8 083	**8 115**
Net fee and commission income	**64 061**	**62 919**

Net fee and commission income increased by 1.8% in the first quarter of 2011, compared to the first quarter of 2010. The primary factor causing the increase was an increase of 1.6% in total fee and commission income coupled by a drop of fee and commission expense.

The primary factor causing the increase in total fee and commission income was a growth in fee and commission income on loans and advances which increased by 12.9%, parallel to increase in lending activity in terms of overdraft facilities. The offsetting 5.5% decrease in fee and commission income on current account servicing was mostly due to the changes to the table of fees and commissions introduced in the fourth quarter of 2010, linking the level of charged fees to the balances held in the account, which was done in order to make the product offering more attractive and improve competitive position of the Bank in the market.

Total fee and commission expenses decreased due to a drop in fee and commission expense from banks caused by lower costs of usage of external banks' ATMs. Fee and commission expense from customers increased by 3.5%, mainly due to the fact that since November 2010, the Bank has been incurring additional fee and commission expenses relating to the introduction of a new retail current account, under which the Bank pays back the client 1.0% of the value of inflows into the account under strict conditions.

- data in PLN thousands

2.3 Result on trading activities

	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
Equity instruments	-	(96)
Debt instruments	450	(87)
Derivatives	254 894	30 315
Foreign exchange result	(217 097)	(836)
Result on trading activities	**38 247**	**29 296**

Result on trading activities in the first quarter of 2011 increased by 30.6% compared to the first quarter of 2010. This was mainly due to increased result on derivative instruments (currency and interest rate swaps) hedging the Bank's balance sheet positions – in particular in foreign currency mortgage loans. An additional factor stimulating the growth was higher result on trading activities on interest rate instruments.

2.4 General administrative expenses

	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
Employee benefit costs, of which:	105 921	94 251
- Payroll	87 324	78 959
Including: retirement pay	8	141
- Social security	12 656	11 224
- Other	5 941	4 068
Materials and energy	8 584	8 028
External services	42 171	37 309
Other non-personnel costs	29 893	23 762
Taxes and charges	1 311	1 212
Contributions and amounts transferred to the KNF and BFG	6 504	3 395
General administrative expenses, total	**194 384**	**167 957**

General administrative expenses increased by 15.7% compared to the first quarter of 2010, primarily as a result of higher employee benefit costs, other non-personnel costs, external services and contributions and amounts transferred to the BFG and KNF. The increase in the above expense items is partly driven by the fact that the majority of 61 new branches that were opened in 2010 were opened in the second half of that year, the costs associated with these branches did not impact the Bank's cost base in the first quarter of 2010.

The increase in employee benefit costs by 12.4%, was related to the increase in accruals for employee bonuses and awards (in 2010 and similarly to 2009, the Bank continued to limit employee bonus payouts) as well as to the increase in employment related to the expansion of

- data in PLN thousands

Bank's branch network. The increase in other non-personnel costs by 25.8% was mainly due to the expansion of the Bank's branch network (i.e. higher premises rental costs), while the increase in external services by 13.0% was primarily caused by the Bank's increased demand for advisory services related to the preparation of the Initial Public Offering (IPO). The increase in contributions and amounts transferred to the BFG and KNF was caused by more than doubling of the applicable rates of such contributions in 2011 as compared to the previous year.

The Bank's cost to income ratio in the first quarter of 2011 amounted to 77.5% as compared with 84.4% for the first quarter of 2010.

2.5 Other operating income

	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
From management of third-party properties	599	277
From sale or liquidation of property, plant and equipment, intangible assets and assets held-for-sale	1 052	679
From recovered statute –barred receivables, written off or bad debts, repayments of derecognized receivables	1 489	1 039
Sales of goods and services	2 120	1 903
Reversal of provisions for other receivables (excluding loan receivables)	159	81
Reversal of provisions for liabilities (Note 2.21, 2.22)	4 542	586
From recovery of costs incurred	403	421
Other operating income	2 782	4 354
Other operating income, total	**13 146**	**9 340**

In the first quarter of 2011, other operating income increased by 40.7%, compared to the first quarter of 2010, mainly due to the increase in the income from reversal of provisions for liabilities mainly caused by higher than in previous year income from reversal of provisions for unused employee holidays.

- data in PLN thousands

2.6 Other operating costs

	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
Due to the management of third-party assets	264	301
Due to the sale or liquidation of property, plant and equipment, intangible assets and assets or sale	336	90
Due to recognized provisions for other receivables (other than loans and advances)	71	317
Due to provisions for liabilities (Note 2.21, 2.22)	7 463	4 960
Due to debt recovery	1 527	1 061
Donations	630	595
Amortization and depreciation	18 648	17 204
Other operating expenses	571	1 799
Other operating expenses, total	**29 510**	**26 327**

Other operating expenses increased in the first quarter of 2011 by 12.1 % compared to the first quarter of 2010. This was mainly due to provisions for liabilities – mainly on the account of the increase in provisions for unused employee holidays. Another important factor causing the increase was growth in the amortization and depreciation, which was 8.4% higher mainly due to the network expansion and continued IT investments.

2.7 Impairment allowances on loans and advances

	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
Amounts due from other banks	28	45
Loans and advances to customers	(22 501)	(24 765)
Liabilities granted	(676)	(1 441)
Impairment losses on loans and advances, total	**(23 149)**	**(26 161)**

Net impairment losses on loans and advances decreased by 11.5% compared to the first quarter of 2010. This decrease was primarily caused by the lower net impairment losses on retail cash loans and on loans to SME and Micro Companies.

- data in PLN thousands

	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
Impairment allowances at the beginning of the period	**699 922**	**607 164**
Allowance recognized	275 224	240 837
Allowance reversed	(252 751)	(216 117)
Write-off	(2 100)	(3 457)
Change in interest income in relation to IBNR	5 083	2 707
Other changes	(447)	(956)
Impairment allowances at the end of the period	**724 931**	**630 178**

2.8 Effective tax rate

	3 months ended 31.03.2011 unaudited	3 months ended 31.03.2010 unaudited
Current tax	-	(45)
Deferred tax	(5 803)	1 682
Income tax expense	**(5 803)**	**1 637**
Profit (loss) before taxation	39 632	8 040
Statutory tax rate	19%	19%
Income tax based on profit before taxation	**(7 530)**	**(1 528)**
Permanent differences	(1 612)	(1 417)
– receivables written-off	42	31
– non-tax-deductible material costs	(1 243)	(171)
– other permanent differences	(411)	(1 277)
Impairment allowance	4 089	1 868
Other differences	(750)	2 714
Tax expense/ tax income	**(5 803)**	**1 637**

The Bank's effective tax rate in the first quarter of 2011 amounted to 14.6%.
Based on the current actions taken by the Bank in respect of charging to the costs constituting tax-deductible costs impairment allowances on loans for the purposes of the corporate income tax, the base for deferred tax asset of as at 31 March 2011 amounting to PLN 293 077.50 thousand (as at 31 March 2010: PLN 116 204.79 thousand) was recognized by the Bank as at 31 December 2010 in respect of these impairment allowances represents the best estimate of the impairment losses that are possible to be proved tax deductible in the foreseeable future.
In 2010 and 2011, the Bank calculated deferred tax asset in respect of receivables' impairment write-downs based on the historical analysis of the recognition of written-off unrecoverable receivables as tax-deductible costs.

- data in PLN thousands

2.9 Amounts due from other banks

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Current accounts	155 514	223 054	29 817
Placements with other banks	472 965	6 133	168 810
Loans and advances	52 345	52 478	67 676
Purchased debts	343	360	7 529
Amounts due from other banks (gross)	**681 167**	**282 025**	**273 832**
Impairment allowances (negative value)	(1 060)	(1 105)	(8 392)
Amounts due from other banks (net), total	**680 107**	**280 920**	**265 440**

In the period from 31 March 2010 to 31 March 2011 net amounts due from other banks increased by 156.2%, mainly due to the transitional placement on the interbank market of amounts previously held in the Central Bank. Changes in the balance of the amounts held in the Central Bank are mainly influenced by the Bank's requirements relating to the settlement of the obligatory reserve and are highly volatile.

2.10 Receivables arising from reverse repo transactions

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Up to 1 month	284 992	651 706	1 397 398
Total	**284 992**	**651 706**	**1 397 398**

The decrease in receivables arising from reverse repo transactions by 79.6% between 31 March 2010 and 31 March 2011 was mainly attributable to the curtailment of the Bank's trading activity relating to buy and sell back transactions on Polish government bonds and Treasury bills – mainly with nonbank financial institutions.

2.11 Held-for-trading securities

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Held for trading securities:			
- treasury bills	343 569	349 289	407 466
- bonds issued by central government institutions	1 362 985	1 465 610	-
TOTAL	**1 706 554**	**1 814 899**	**407 466**
of which: valued using the market quotation method	*1 706 554*	*1 814 899*	407 466

The amount of held-for-trading securities increased by 318.8% in the period from 31 March 2010 to 31 March 2011, principally due to the increase in securities purchased in unconditional transactions (i.e. without repurchase agreement), which corresponded to the reduction of reverse repo transactions described in the note 2.10.

- data in PLN thousands

The cumulative value of in receivables arising from reverse repo transactions and held-for-trading securities increased from PLN 1 804 864 thousand to PLN 1 991 546 thousand, or by 10.3%.

2.12 Derivative financial instruments

As at 31.03.2011 unaudited	**Nominal value**	**Fair value of assets**	**Fair value of liabilities**
Currency derivatives from OTC transactions	26 151 759	127 507	(389 014)
Interest rate derivatives from OTC transactions	56 585 960	65 852	(87 582)
Interest rate derivatives from regulated market transactions	24 416	-	(55)
Equity derivatives from OTC transactions	85 582	4 468	(7 156)
Settlements in respect of the purchase and sale of options	-	4 806	(133)
TOTAL	**82 847 717**	**202 633**	**(483 940)**
As at 31.12.2010			
Currency derivatives from OTC transactions	26 109 386	139 772	(636 496)
Interest rate derivatives from OTC transactions	33 613 102	70 088	(86 950)
Interest rate derivatives from regulated market transactions	24 752	-	(47)
Equity derivatives from OTC transactions	105 164	5 007	(8 558)
Settlements in respect of the purchase and sale of options	-	6 120	(47)
TOTAL	**59 852 404**	**220 987**	**(732 098)**
As at 31.03.2010 unaudited			
Currency derivatives from OTC transactions	12 040 868	85 030	(59 113)
Interest rate derivatives from OTC transactions	14 506 615	85 905	(94 652)
Interest rate derivatives from regulated market transactions	94 792	-	(248)
Equity derivatives from OTC transactions	122 663	5 774	(8 948)
Settlements in respect of derivative transactions	-	17	(19)
Settlements in respect of the purchase and sale of options	-	8 257	(231)
TOTAL	**26 764 938**	**184 983**	**(163 211)**

- data in PLN thousands

2.13 Loans and advances to customers

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Amounts due from customers under overdraft facilities	2 839 883	2 625 560	2 351 005
Loans and advances to customers:	17 498 510	17 599 576	16 212 701
- businesses, including:	5 193 344	5 280 957	5 121 429
- investment loans	2 811 864	2 726 581	2 626 574
- operating loans	1 828 671	2 026 163	2 055 940
- households, including:	12 069 321	12 073 695	10 874 287
- real-estate loans	6 459 197	6 558 916	5 768 377
- preferential loans	3 011 348	2 957 880	2 777 597
- public sector institutions	206 963	214 429	204 888
- other entities	28 882	30 495	12 097
Purchased debt	292 697	291 397	254 280
Realised guarantees and suretyships	4 876	5 976	5 397
Other receivables	43 270	43 764	58 103
Other	-	1 721	2 811
Loans and advances to customers, gross	**20 679 236**	**20 567 994**	**18 884 297**
Impairment allowances (negative value)	(723 871)	(698 817)	(621 786)
Loans and advances to customers, net	**19 955 365**	**19 869 177**	**18 262 511**

Preferential loans and advances (granted with additional payments from government agencies) granted to businesses amounted to a total of PLN 548 137 thousand as at 31 March 2011, PLN 534 258 thousand as at 31 December 2010, and PLN 556 474 thousand as at 31 March 2010.

In the period from 31 March 2010 to 31 March 2011 loans and advances to customers increased by 9.3%. The highest growth was observed in loans under overdraft facilities which increased by 20.8%, mainly due to loans to SMEs and farmers.

Within the Bank's loans and advances to customers, the highest growth was recorded in retail mortgage loans (increase by 12.0%). Preferential loans for farmers and companies increased by 6.8%. On the other hand, the Bank saw a decrease in operating loans to companies (by 11.1%), primarily due to exposures to Large Corporate clients.

As at the end of the first quarter of 2011, the NPL ratio for the entire loan portfolio amounted to 6.5% as compared with 6.4% as at the end of 2010 and 6.2% as at the end of the first quarter of 2010.

- data in PLN thousands

Impairment allowances for loans and advances

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Losses incurred but not reported (IBNR)			
Gross statement of financial position exposure	19 336 862	19 246 702	17 712 384
Impairment allowance on exposures analyzed on the portfolio basis	(65 645)	(69 820)	(59 054)
Net exposure	**19 271 217**	**19 176 882**	**17 653 330**
Impaired exposures			
Gross statement of financial position exposure	1 342 374	1 321 292	1 171 913
Impairment allowance on exposures analyzed on the portfolio and individual basis	(658 226)	(628 997)	(562 732)
Net exposure	**684 148**	**692 295**	**609 181**

2.14 Securities available for sale

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Debt securities carried at fair value:	3 237 823	3 285 607	4 051 613
- NBP money bills	899 907	1 299 188	2 999 436
- treasury bills	99 054	98 214	303 106
- bonds issued by central government institutions	2 071 571	1 722 737	534 608
- debt securities issued by financial institutions	5 103	5 111	5 160
- debt securities issued by non-financial institutions	127 584	126 551	171 791
- bonds issued by public sector entities	34 604	33 806	37 512
Equity securities	5 003	5 068	1 418
Total securities available for sale	**3 242 826**	**3 290 675**	**4 053 031**
of which:			
- valued using the market quotation method	*2 174 210*	*1 824 601*	*837 714*
- valued using model-based method	*1 068 616*	*1 466 074*	*3 215 317*

The decrease in the Bank's securities available for sale by 20.0%, between 31 March 2010 and 31 March 2011, reflected adjusting the level of the Bank's liquidity surplus as at the end of the first quarter of 2010 to its performance in loan growth in the following quarters.

- data in PLN thousands

2.15 Other debt securities

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Debt securities carried at amortized cost:	55 122	109 232	160 015
- restructuring bonds	55 122	109 232	160 015
Total other debt securities	**55 122**	**109 232**	**160 015**

2.16 Intangible assets

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Licenses	73 246	75 481	73 890
Other intangible assets	710	787	907
Expenditures on intangible assets	16 328	20 519	13 089
Intangible assets, total	**90 284**	**96 787**	**87 886**

2.17 Property, plant and equipment

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Fixed assets, of which:	451 979	448 795	431 841
- land and buildings	280 423	282 929	291 289
- tangible fixed assets	171 556	165 866	140 552
Assets under construction	9 718	16 023	6 305
Property, plant and equipment, total	**461 697**	**464 818**	**438 146**

2.18 Amounts owed to other banks

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Cash in current accounts	670 304	164 321	183 661
Term deposits	668 764	639 820	147 601
Loans and advances taken out	210 887	206 804	29 125
Other liabilities	14 530	9 474	12 996
Amounts owed to other banks, total	**1 564 485**	**1 020 419**	**373 383**

The increase in the amounts due to other banks by 319.0% in the period from 31 March 2010 to 31 March 2011 was mainly related to the increased interbank deposit taking by the Bank which was possible due to certain recovery of the interbank market, particularly in the segment of deposits with shorter maturities. The increase in financing from the interbank market partly corresponded to the decrease in liabilities from issued debt securities (i.e. certificates of deposit) described in the note 4.3 and allowed reduction in interest costs.
The other contributing factor was the Bank's obtaining a five-year EUR 50.0 million loan from the EBRD in order to fund existing and new loans to SMEs.

- data in PLN thousands

2.19 Liabilities arising from repo transactions

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Up to 1 month	339 613	1 268 921	1 123 405
Total	**339 613**	**1 268 921**	**1 123 405**

The decrease in liabilities arising from repo transactions by 69.8% in the period from 31 March 2010 to 31 March 2011 was principally due to the Bank's decreased trading activity on the market for sell and buy back transactions executed on Polish government bonds and Treasury bills – mainly with nonbank financial institutions.

2.20 Amounts owed to customers

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Other financial institutions:	**1 418 510**	**1 090 373**	**1 080 971**
Current accounts	20 132	15 200	22 959
Term deposits	1 395 761	1 072 109	1 055 142
Other liabilities	2 617	3 064	2 870
- liabilities arising from monetary collateral	2 606	2 580	2 541
- other	11	484	329
Retail customers:	**11 679 338**	**11 369 506**	**11 455 906**
Current accounts	6 460 854	6 326 540	5 565 074
Term deposits	5 210 006	5 034 689	5 882 034
Other liabilities	8 478	8 277	8 798
- liabilities arising from monetary collateral	4 789	4 641	4 769
- other	3 689	3 636	4 029
Corporate customers:	**6 776 011**	**6 871 791**	**5 914 484**
Current accounts	3 238 392	3 476 534	2 691 333
Term deposits	3 467 895	3 321 879	3 147 653
Other liabilities	69 724	73 378	75 498
- liabilities arising from monetary collateral	69 398	72 061	69 971
- other	326	1 317	5 527
Public sector customers:	**1 421 824**	**1 720 045**	**1 984 768**
Current accounts	731 777	870 988	643 945
Term deposits	689 928	848 932	1 340 544
Other liabilities	119	125	279
- liabilities arising from monetary collateral	119	118	116
- other	-	7	163
Amounts owed to customers, total	**21 295 683**	**21 051 715**	**20 436 129**

- data in PLN thousands

The increase in amounts owed to customers in the period from 31 March 2010 to 31 March 2011 amounted to 4.2% and was mainly related to the growth in deposits from nonbank financial institutions (mostly insurance companies and investment funds) by 31.2% and in corporate deposits by 14.6% (including SME, Micro Companies and farmers). Deposits from retail clients increased more slowly – by 2%. At the same time, the Bank recorded a significant decrease in the deposits from the public sector (by 28.4%), which historically displayed high volume volatility.

Product-wise, the growth was relating in particular to the current accounts, and more specifically savings accounts for retail customers, Micro Companies and farmers.

Loans/ Deposits ratio increased from 89.4% at the end of the first quarter of 2010 to 93.7% at the end of the first quarter of 2011 what related to the mentioned in the note 2.14 adjusting the level of the Group's liquidity surplus that existed at the end of the first quarter of 2010 to its performance in loan growth in the subsequent quarters.

2.21 Provisions

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Restructuring provision	-	-	2 065
Provision for guarantees, suretyships, unused credit facilities	4 711	4 050	4 280
Provision for court cases	16 411	15 136	15 053
Other provisions, of which:	21 329	22 511	24 030
- provision in accordance with UOKiK (Office of Competition and Consumer Protection) decision	11 883	11 883	11 883
- provision for potential liabilities relating to the return of subsidies to preferential loans	7 921	9 025	10 491
Total provisions	**42 451**	**41 697**	**45 428**

Restructuring provision	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Carrying amount at the beginning of the period	**-**	**4 600**	**4 600**
Increases	-	-	-
Utilization	-	(2 761)	(2 535)
Reversal	-	(1 839)	-
Carrying amount at the end of the period	**-**	**-**	**2 065**

Provision for guaranties, sureties and unused credit facilities	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Carrying amount at the beginning of the period	**4 050**	**2 870**	**2 870**
Increases	13 878	13 692	3 499
Reversal	(13 202)	(12 931)	(2 058)
Other changes	(15)	419	(31)
Carrying amount at the end of the period	**4 711**	**4 050**	**4 280**

- data in PLN thousands

Provision for court cases	**31.03.2011 unaudited**	**31.12.2010**	**31.03.2010 unaudited**
Carrying amount at the beginning of the period	**15 136**	**14 449**	**14 449**
Increases	440	1 948	731
Utilization	(84)	(454)	(60)
Reversal	(219)	(1 384)	(88)
Reclassification/transfer	1 138	577	21
Carrying amount at the end of the period	**16 411**	**15 136**	**15 053**

Other reserves	**31.03.2011 unaudited**	**31.12.2010**	**31.03.2010 unaudited**
Carrying amount at the beginning of the period	**22 511**	**23 813**	**23 813**
Increases	50	607	421
Utilization	(15)	(152)	(150)
Reversal	(42)	(1 180)	(19)
Reclassification/transfer	(1 175)	(577)	(35)
Carrying amount at the end of the period	**21 329**	**22 511**	**24 030**

2.22 Liabilities arising from employee benefits

	31.03.2011 unaudited	**31.12.2010**	**31.03.2010 unaudited**
Carrying amount at the beginning of the period	**22 822**	**19 912**	**19 912**
Increases	6 973	7 678	3 807
Reversal	(4 281)	(4 768)	(478)
Carrying amount at the end of the period	**25 514**	**22 822**	**23 241**

2.23 Cash and Cash equivalents

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

	31.03.2011 unaudited	**31.12.2010**	**31.03.2010 unaudited**
Cash and balances with the Central Bank	1 073 861	1 379 737	1 379 800
Current accounts of banks and other receivables	157 477	225 173	32 507
Bank deposits with maturity of up to 3 months	472 739	5 928	168 599
Cash and cash equivalents, total	**1 704 077**	**1 610 838**	**1 580 906**

- data in PLN thousands

2.24 Solvency ratio

	31.03.2011 unaudited	31.12.2010	31.03.2010 unaudited
Capital adequacy ratio (%)	**11.4**	**11.1**	**12.2**

The capital adequacy ratio as of 31 March 2011, 31 December 2010 and 31 March 2010 is calculated in accordance with the Resolution no. 76/2010 of the PFSA dated 10 March 2010.
The Bank's capital adequacy ratio decreased to 11.4% as at 31 March 2011, compared to 12.2% as at 31 March 2010. The primary factor causing this decrease was the increase in total capital requirement from PLN 1 507 651 thousand as of 31 March 2010 to PLN 1 668 227 thousand as of 31 March 2011, i.e. by 10.7%, as a result of the growth of credit activities. In parallel, total own funds and short-term capital increased in the analyzed period from PLN 2 291 943 thousand to PLN 2 378 946 thousand, i.e. by 3.8%, mainly due to the accumulation of the 2010 net profit.

- data in PLN thousands

2.25 Related party transactions

Transactions with the BGŻ S.A. shareholders as at 31 March 2011.

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
Assets	**3 904 301**	**46**	**158 821**	**4 063 168**	**14.41%**
Current accounts	-	-	25	25	-
Deposits	-	-	70 855	70 855	0.25%
Debt securities	3 877 445	-	-	3 877 445	13.75%
Receivables from derivative instruments	-	-	87 941	87 941	0.31%
Interest	16 610	-	-	16 610	0.06%
Other receivables	10 246	46	-	10 292	0.04%
Liabilities	**869 164**	**-**	**300 754**	**1 169 918**	**4.15%**
Deposits – current accounts	68 442	-	1 164	69 606	0.25%
Interest payable	5 298	-	-	5 298	0.02%
Deposits/ placements and other liabilities	795 306	-	-	795 306	2.82%
Liabilities due to derivative instruments	-	-	299 590	299 590	1.06%
Other liabilities	118	-	-	118	-
Costs	**30 370**	**-**	**433**	**30 803**	**0.03%**
Interest	7 759	-	25	7 784	0.01%
Commission	-	-	408	408	-
Derivative instruments	-	-	-	-	-
Other	22 611	-	-	22 611	0.02%
Revenue	**95 577**	**-**	**23 684**	**119 261**	**0.11%**
Interest*	72 389	-	18	72 407	0.07%
Commission	127	-	-	127	-
Derivative instruments	-	-	23 666	23 666	0.02%
Other	23 061	-	-	23 061	0.02%
Contingent liabilities	**400**	**-**	**37 155 594**	**37 155 994**	**41.77%**
Irrevocable liabilities granted	400	-	-	400	-
Liabilities received	-	-	2 000 704	2 000 704	2.25%
Derivative instruments	-	-	35 154 890	35 154 890	39.52%

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

- data in PLN thousands

Transactions with the BGŻ S.A. shareholders as at 31 December 2010.

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
Assets	**3 152 413**	**866**	**93 131**	**3 246 410**	**11.34%**
Current accounts	254	-	82	336	-
Debt securities	3 125 949	-	-	3 125 949	10.92%
Receivables from derivative instruments	-	-	93 049	93 049	0.33%
Interest	15 292	-	-	15 292	0.05%
Other receivables	10 918	866	-	11 784	0.04%
Liabilities	**958 801**	**-**	**347 086**	**1 305 887**	**4.56%**
Deposits – current accounts	56 461	-	509	56 970	0.20%
Interest payable	1 970	-	-	1 970	0.01%
Deposits/ placements and other liabilities	900 252	-	-	900 252	3.14%
Liabilities due to derivative instruments	-	-	346 577	346 577	1.21%
Other liabilities	118	-	-	118	-
Costs	**91 920**	**-**	**165 032**	**256 952**	**0.05%**
Interest	39 448	-	130	39 578	0.01%
Commission	-	-	1 645	1 645	-
Derivative instruments	-	-	163 257	163 257	0.03%
Other	52 472	-	-	52 472	0.01%
Revenue	**293 157**	**725**	**345**	**294 227**	**0.05%**
Interest*	236 507	-	345	236 852	0.04%
Commission	647	-	-	647	-
Derivative instruments	-	-	-	-	-
Other	56 003	725	-	56 728	0.01%
Contingent liabilities	**345**	**-**	**34 057 945**	**34 058 290**	**55.08%**
Irrevocable liabilities granted	345	-	-	345	-
Liabilities received	-	-	2 000 000	2 000 000	3.24%
Derivative instruments	-	-	32 057 945	32 057 945	51.84%

* Line: Revenue – ‘Interest’ includes interest on preference loans

- data in PLN thousands

Transactions with the BGŻ S.A. shareholders as at 31 March 2010.

	STATE TREASURY	RABOBANK INTERNATIONAL HOLDING B.V.	COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.	TOTAL	% share in total assets/ financial result of BGŻ S.A.
Assets	**1 719 444**	**-**	**44 181**	**1 763 625**	**6.54%**
Current accounts	-	-	109	109	-
Debt securities	1 679 183	-	-	1 679 183	6.23%
Receivables from derivative instruments	-	-	44 072	44 072	0.16%
Interest	26 413	-	-	26 413	0.10%
Other receivables	13 848	-	-	13 848	0.05%
Liabilities	**1 101 550**	**-**	**28 043**	**1 129 593**	**4.19%**
Deposits – current accounts	112 271	-	7 019	119 290	0.44%
Interest payable	940	-	-	940	-
Deposits/ placements and other liabilities	-	-	-	-	-
Liabilities due to derivative instruments	988 224	-	21 024	1 009 248	3.75%
Other liabilities	115	-	-	115	-
Costs	**22 099**	**-**	**434**	**22 533**	**0.02%**
Interest	12 457	-	31	12 488	0.01%
Commission	-	-	403	403	-
Derivative instruments	-	-	-	-	-
Other	9 642	-	-	9 642	0.01%
Revenue	**66 297**	**9**	**87 967**	**154 273**	**0.15%**
Interest*	56 722	-	10	56 732	0.05%
Commission	150	-	-	150	-
Derivative instruments	-	-	87 957	87 957	0.09%
Other	9 425	9	-	9 434	0.01%
Contingent liabilities	**500**	**-**	**8 988 384**	**8 988 884**	**27.38%**
Irrevocable liabilities granted	500	-	-	500	-
Liabilities received	-	-	2 000 000	2 000 000	6.09%
Derivative instruments	-	-	6 988 384	6 988 384	21.29%

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

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

- data in PLN thousands

Transactions with related parties as at 31 March 2011, 31 December 2010 and 31 March 2010

	31.03.2011		31.12.2010		31.03.2010	
	RABOBANK GROUP*	% share in total assets/ financial result of BGŻ S.A.	RABOBANK GROUP*	% share in total assets/ financial result of BGŻ S.A.	RABOBANK GROUP*	% share in total assets/ financial result of BGŻ S.A.
Assets	**264 777**	**0.94%**	**6 235**	**0.02%**	**57 228**	**0.21%**
Loans and advances	-	-	-	-	-	-
Current account	-	-	-	-	-	-
Deposits	258 082	0.92%	-	-	50 000	0.18%
Interest	12	-	-	-	5	-
Debt securities	-	-	-	-	-	-
Receivables from derivative instruments	6 683	0.02%	6 089	0.02%	7 168	0.03%
Other receivables	-	-	146	-	55	-
Liabilities	**10 332**	**0.03%**	**9 679**	**0.03%**	**8 564**	**0.03%**
Current accounts	183	-	641	-	83	-
Term deposits	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-
Liabilities from derivative instruments	661	-	583	-	1 022	-
Other	9 488	0.03%	8 455	0.03%	7 459	0.03%
Expenses	**2 608**	**-**	**10 499**	**-**	**1 383**	**-**
Interest	1	-	37	-	5	-
Derivative instruments	71	-	1 426	-	-	-
Other	2 536	-	9 036	-	1 378	-
Revenues	**98**	**-**	**889**	**-**	**1 056**	**-**
Interest	98	-	889	-	281	-
Commission	-	-	-	-	-	-
Derivative instruments	-	-	-	-	775	-
Other	-	-	-		-	-
Contingent liabilities	**42 937**	**0.05%**	**43 408**	**0.2%**	**91 927**	**0.28%**
Liabilities granted	-	-	-	-	-	-
Liabilities received	-	-	-	-	-	-
Derivative instruments	42 937	0.05%	43 408	0.2%	91 927	0.28%

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

3 BUSINESS SEGMENTS

3.1 Segment reporting

For management purposes the Bank divided its operations and applied identification of income and expense, and assets and liabilities for the purpose of segment reporting analogously to the consolidated financial statements for the year 2010.
Starting from year 2011, in evaluation of segments' results, the Group withdrew from previously applied Standard Risk Costs (SRC) reflecting anticipated losses resulting from the Bank's loan granting activity throughout the duration of each contract, in favour of actual impairment allowances. In order to allow data comparability, adequate adjustment was performed in relation to the data for the period of 3 months of 2010.

For the purpose of reconciliation of management data with the financial data as at the reporting date in accordance with IFRS 8, operating costs and depreciation are allocated to individual segments based on a division key. Division keys for each of the Bank's eight expenses groups were described in the consolidated financial statements for the year 2010.

The Group's operating activities are limited to Poland. It is difficult to indicate the significant differences in risks, and the Group has, therefore, decided not to disclose information on geographical information.

3.2 Business segments characteristics

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

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

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

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

The Treasury Banking Segment includes activity on the Bank's own account on the inter-bank market (including trading transactions) and entering into liquidity management transactions. Additionally this segment includes operations with non-banking financial institutions.

The Bank & Risk Management Committee Segment includes results related to management of strategic items included in this portfolio, such as held to maturity debt securities, available for sale debt securities, credit facilities received from other banks, issued debt securities and non-interest items, i.e., equity, and tangible and intangible assets.

The Irregular Loans Segment presents results on the loan portfolio serviced by the Irregular Loans Department against which vindication or restructuring actions are undertaken .

The Other Segment includes results that are not attributable to any of above listed segments (i.e., capital investments administered by the Risk and Finance Department, strategic capital investments, result of the Support Service Lines, results attributable to the Bank's own accounts and to clients' accounts not attributed to specified segment).

The Reconciliation Segment includes adjustments in interest income on impaired loans not presented in other segments, as well as differences resulting from different accounting treatment of financial instruments in management accounting compared to financial accounting.

None of the operating segments was merged with other segment to create the above operating segments.

3.3 Reconciliation of results with financial reporting data

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

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

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

- other operating income
- other operating costs

- data in PLN thousands

Reporting as of operating segments	31.03.2011	31.03.2010
Result on financial operations	5 761	16 099
Foreign exchange result	32 567	12 928
	38 328	**29 027**
Income statement:		
Dividend income	-	66
Result on trading activities	38 247	29 296
Result on investing activities	(844)	(363)
Share in income of associaties	925	28
	38 328	**29 027**
Result on other operations	2 284	217
Depreciation	(18 648)	(17 204)
	(16 364)	**(16 987)**
Income statement:		
Other operating income	13 146	9 340
Other operating expenses	(29 510)	(26 327)
	(16 364)	**(16 987)**

- data in PLN thousands

1st quarter of 2011 unaudited	Retail Banking	Corporate Banking	Treasury Banking	Bank & Risk Management Committee	Other	Irregular Loans	Reconciliation	Capital Group of BGŻ S.A.
Income statement								
Net interest income	70 524	85 356	(24 802)	34 609	(14 188)	16 037	3 604	**171 140**
Net fee and commission income	21 235	43 050	(210)	(395)	682	438	(739)	**64 061**
Result on financial operations	(1)	5	30 759	1 237	-	-	(26 239)	**5 761**
Foreign exchange result	3 563	9 024	(3 785)	23 658	49	58	-	**32 567**
Result on other operations	766	(1)	-	-	1 139	(34)	414	**2 284**
Net impairment write-offs	(11 059)	(1 606)	(2)	-	(1)	(10 416)	(65)	**(23 149)**
Total costs of banking activities	(64 752)	(47 550)	(2 629)	(3 752)	(61 612)	(14 015)	(74)	**(194 384)**
Depreciation/Amortization	(6 139)	(3 864)	(112)	-	(7 014)	(1 519)	-	**(18 648)**
Segment result	**14 137**	**84 414**	**(781)**	**55 357**	**(80 945)**	**(9 451)**	**(23 099)**	**39 632**
Profit (loss) before taxation	-	-	-	-	-	-	-	**39 632**
Income tax expense	-	-	-	-	-	-	-	**(5 803)**
Net profit (loss) for the year	-	-	-	-	-	-	-	**33 829**
Statement of financial position								
Segment assets	7 497 307	12 214 071	2 472 365	1 414 626	5 774 492	524 689	(1 689 113)	**28 208 437**
Segment liabilities	11 620 367	8 490 573	1 436 997	1 624 254	10 321 331	637	(7 807 695)	**25 686 464**
Equity	-	-	-	-	-	-	-	**2 521 973**
Total equity and liabilities	-	-	-	-	-	-	-	**28 208 437**

- data in PLN thousands

1st quarter of 2010 unaudited	Retail Banking	Corporate Banking	Treasury Banking	Bank & Risk Management Committee	Other	Irregular Loans	Reconciliation	Capital Group of BGŻ S.A.
Income statement								
Net interest income	53 980	73 261	(36 473)	41 427	(8 495)	11 020	(7 521)	**127 199**
Net fee and commission income	22 456	39 807	357	(77)	1 322	384	(1 330)	**62 919**
Result on financial operations	29	3	26 320	(787)	-	-	(9 466)	**16 099**
Foreign exchange result	3 235	7 962	2 313	-	(611)	28	-	**12 927**
Result on other operations	188	(5)	-	-	(25)	(70)	130	**218**
Net impairment write-offs	(16 668)	(7 210)	310	-	67	(3 257)	597	**(26 161)**
Total costs of banking activities	(57 840)	(39 450)	(1 841)	(2 103)	(63 739)	(2 929)	(55)	**(167 957)**
Depreciation/Amortization	(5 892)	(3 506)	(95)	-	(7 427)	(284)	-	**(17 204)**
Segment result	**(512)**	**70 862**	**(9 109)**	**38 460**	**(78 908)**	**4 892**	**(17 645)**	**8 040**
Profit (loss) before taxation	**-**	-	-	-	-	-	**-**	**8 040**
Income tax expense	**-**	-	-	-	-	-	**-**	**1 637**
Net profit (loss) for the year	**-**	-	-	-	-	-	**-**	**9 677**
Statement of financial position								
Segment assets	6 902 544	11 334 540	2 684 236	159 912	8 305 885	344 684	(2 747 790)	**26 984 011**
Segment liabilities	11 389 018	8 067 566	2 309 444	1 994 524	12 032 172	642	(11 209 072)	**24 584 294**
Equity	-	-	-	-	-	-	**-**	**2 399 717**
Total equity and liabilities	-	-	-	-	-	-	**-**	**26 984 011**

- data in PLN thousands

4 OTHER INFORMATION

4.1 Shareholders of the Bank Gospodarki Żywnościowej S.A.

In the first quarter of 2011 there were the following changes in the Bank's shareholders' structure:

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

In the first quarter of 2011, 21 such agreements were signed with respect to 1 202 shares, while 5 of such agreements were concluded with the heirs of the persons authorised. Due to the administrative procedure the agreements concluded in March 2011 (7 agreements for 424 shares) will be registered in the share ledger of the Bank on 19 April 2011. These transactions caused a slight decrease of the State Treasury share in the Bank's share capital, which as at 31 March 2011 amounted to 37.22%.

As at 31 March 2011 there were 10 014 shares not distributed among entitled persons which constitutes 0.06% of the shares remaining in the possession of the State Treasury and 0.02% of all the Bank's shares.

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

Shareholder	31.03.2011		31.12.2010		31.03.2010	
	Number of shares	Structure (%)	Number of shares	Structure (%)	Number of shares	Structure (%)
State Treasury	16 057 034	37.22	16 058 045	37.23	16 063 809	37.24
Rabobank International Holding B.V.	21 297 584	49.37	21 297 584	49.37	21 297 584	49.37
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.	4 303 695	9.98	4 303 695	9.98	4 303 695	9.98
Other shareholders	1 478 451	3.43	1 477 440	3.42	1 471 676	3.41
TOTAL	**43 136 764**	**100**	**43 136 764**	**100**	**43 136 764**	**100**

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

4.2 Granted loan suretyships and guarantees exceeding 10% of equity

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

4.3 Debt securities issued and redeemed

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

As at 31 March 2011 the value of CDs issued amounts to PLN 1 572 000 thousand (nominal value) while as at 31 March 2010 it amounted to PLN 2 087 500 thousand (nominal value).

4.4 Dividends paid

As of the day of preparation of the interim financial statements the decision regarding proposed division of profit for the year 2010 has not been made. The Bank's Management Board will not recommend payment of dividend for the year 2010.

4.5 Legal issues

As of 31 March 2011 the total value of the court proceedings in which the Bank is defendant amounted to PLN 73 882 thousand and the total value of the court proceedings in which the Bank is a claimant amounted to PLN 43 694 thousand. As of 31 December 2010 the total value of the court proceedings in which the Bank is defendant amounted to PLN 71 490 thousand and the total value of the court proceedings in which the Bank is a claimant amounted to PLN 41 466 thousand. As of 31 March 2010 the total value of the court proceedings in which the Bank is defendant amounted to PLN 148 717 thousand and the total value of the court proceedings in which the Bank is a claimant amounted to PLN 38 975 thousand.

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

4.6 Changes in the Bank's Management

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

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

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

4.7 Significant events

Following the decision of the Bank's Extraordinary General Meeting dated 14 October 2010 on the Initial Public Offering of the Bank's shares on the Warsaw Stock Exchange and according to the three-party agreement among the Ministry of State Treasury, Rabobank and the Bank BGŻ signed on 13 October 2010 and defining cooperation principles in respect to the Initial Public Offering of the Bank's shares, on 19 January 2011 commenced works relating to the preparation of the Bank's IPO. In this process the Bank is supported by a legal advisor, Baker & MCKenzie Gruszczyński and Partners and investing advisor – Deutsche Bank.

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

On 28 April 2011 Polish Financial Supervision Authority approved the prospectus prepared by the BGŻ S.A. in connection with the public offering of shares series A and D and with the intention to apply for admission to trading with shares series A, B, C, D, E and F on the regulated market.

On 29 April 2011 Polish Financial Supervision Authority approved the annex no. 1 to the prospectus of BGŻ S.A. including information about fixing the Maximum Share Price of PLN 90.00 for the purpose of sale of shares to Individual Investors.

On 4 May 2011 the Polish State Treasury (the Selling Shareholder), BGŻ S.A., Bank Handlowy in Warsaw S.A., Citigroup Global Markets Limited, Brokerage House of Bank Handlowy S.A., UBS Limited (Global Coordinators, Co-Bookrunners), Banco Espirito Santo De Investimento S.A. S.A. Branch in Poland and Powszechna Kasa Oszczędności Bank Polski, Branch – Brokerage House of PKO Bank Polski in Warsaw (Co-Bookrunners, Stabilization Managers) signed an agreement for the provision of financial services in connection with the initial public offering of BGŻ S.A. shares. The Co-offerors will be the Brokerage House of PKO Bank Polski and the Brokerage Office of Bank BGŻ S.A.

Additionally, on 4 May 2011 the Bank's prospectus prepared in connection with the initial public offering of the Bank's shares owned by the Polish State Treasury and the admission of the Bank's shares to trading on the Warsaw Stock Exchange was issued.

On 22 April 2011 the Bank and Rabobank Nederland concluded an agreement under which Rabobank Nederland will provide the Bank with the funds amounting to CHF 1 008 million for the period of 12 years to finance the existing housing loans portfolio denominated in CHF. The credit facility will be made available in tranches starting from 29 April 2011 to 30 September 2011.

/ - /
Jacek Bartkiewicz
President of the Management Board

/ - /
Gerardus Cornelis Embrechts
First Vice President
of the Management Board

/ - /
Witold Okarma
Vice President
of the Management Board

/ - /
Andrzej Sieradz
Vice President
of the Management Board

/ - /
Johannes Gerardus Beuming
Vice President
of the Management Board

/ - /
Katarzyna Romaszewska-Rosiak
Chief Financial Officer
Chief Accountant

Warsaw, 5 May 2011