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**CONDENSED INTERIM UNCONSOLIDATED  
FINANCIAL STATEMENTS OF BANK  
ZACHODNI WBK S.A. FOR THE 6-MONTH  
PERIOD ENDED 30 JUNE 2014**

2014



Bank Zachodni WBK

 Grupa Santander

# TABLE OF CONTENTS

<b>Income statement of Bank Zachodni WBK</b> .....	<b>4</b>
<b>Statement of comprehensive income of Bank Zachodni WBK</b> .....	<b>4</b>
<b>Statement of financial position of Bank Zachodni WBK</b> .....	<b>5</b>
<b>Movements on equity of Bank Zachodni WBK</b> .....	<b>6</b>
<b>Statement of cash flows of Bank Zachodni WBK</b> .....	<b>7</b>
<b>Additional notes to condensed interim unconsolidated financial statements</b> .....	<b>8</b>
1. General information about issuer.....	8
2. Basis of preparation of financial statements .....	8
3. Risk management .....	9
4. Capital Management.....	9
5. Net interest income .....	10
6. Net fee and commission income.....	11
7. Net trading income and revaluation .....	11
8. Gains (losses) from other financial securities .....	12
9. Other operating income .....	12
10. Impairment losses on loans and advances .....	12
11. Employee costs .....	13
12. General and administrative expenses .....	13
13. Other operating expenses .....	13
14. Corporate income tax .....	14
15. Cash and balances with central banks.....	14
16. Loans and advances to banks.....	15
17. Financial assets and liabilities held for trading .....	15
18. Hedging derivatives .....	17
19. Loans and advances to customers.....	17
20. Investment securities available for sale .....	18
21. Financial assets held to maturity .....	19
22. Investments in subsidiaries, associates and joint ventures .....	19
23. Net deferred tax assets .....	20
24. Assets classified as held for sale .....	20
25. Other assets.....	20
26. Deposits from banks .....	21
27. Deposits from customers .....	21
28. Subordinated liabilities.....	21
29. Debt securities in issue.....	22
30. Other liabilities.....	22
31. Fair value .....	23
32. Contingent liabilities .....	26
33. Basis of FX conversion .....	27
34. Shareholders with min. 5% voting power.....	27
35. Related party disclosures .....	28
36. Acquisitions and disposals of investments in subsidiaries, associates and joint ventures .....	30
37. Controlling stake at the companies BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. ....	31
38. Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognized at fair value or amortised costs .....	32
39. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period .....	32
40. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments .....	32
41. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets .....	32
42. Comments concerning the seasonal or cyclical character of the interim activity.....	32

43. Character and amounts of items which are extraordinary due to their nature, volume or occurrence.....	32
44. Issues, repurchases and repayments of debt and equity securities.....	33
45. Dividend per share .....	33
46. Information concerning issuing loan and guarantees by an issuer or its subsidiary .....	33
47. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets.....	34
48. Material purchases or sales of tangible fixed assets and material obligations arising from the purchase of tangible fixed assets .....	34
49. Events which occurred subsequently to the end of the interim period .....	34

In thousands of PLN

## Income statement of Bank Zachodni WBK

	for reporting period:		01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
Interest income			1 224 388	2 426 104	1 298 305	2 651 763
Interest expenses			( 362 293)	( 736 859)	( 536 009)	( 1 179 045)
<b>Net interest income</b>	Note 5		<b>862 095</b>	<b>1 689 245</b>	<b>762 296</b>	<b>1 472 718</b>
Fee and commission income			471 245	936 152	445 863	872 230
Fee and commission expenses			( 56 872)	( 117 433)	( 56 360)	( 106 524)
<b>Net fee and commission income</b>	Note 6		<b>414 373</b>	<b>818 719</b>	<b>389 503</b>	<b>765 706</b>
Dividend income			131 732	188 391	131 955	131 955
Net trading income and revaluation	Note 7		( 1 134)	14 751	28 504	81 555
Gains (losses) from other financial securities	Note 8		16 195	57 819	91 025	180 764
Other operating income	Note 9		38 702	67 513	23 873	46 282
Impairment losses on loans and advances	Note 10		( 177 495)	( 337 550)	( 185 431)	( 377 488)
Operating expenses incl.:			( 663 187)	( 1 303 997)	( 689 203)	( 1 327 215)
<i>Bank's staff, operating expenses and management costs</i>	Notes 11,12		( 603 740)	( 1 189 979)	( 635 062)	( 1 210 056)
<i>Depreciation/amortisation</i>			( 46 887)	( 93 958)	( 55 022)	( 109 543)
<i>Other operating expenses</i>	Note 13		( 12 560)	( 20 060)	881	( 7 616)
<b>Operating profit</b>			<b>621 281</b>	<b>1 194 891</b>	<b>552 522</b>	<b>974 277</b>
<b>Profit before tax</b>			<b>621 281</b>	<b>1 194 891</b>	<b>552 522</b>	<b>974 277</b>
Corporate income tax	Note 14		( 105 001)	( 215 803)	( 84 892)	( 168 815)
<b>Profit for the period</b>			<b>516 280</b>	<b>979 088</b>	<b>467 630</b>	<b>805 462</b>
<b>Net earnings per share (PLN/share)</b>						
Basic earnings per share			5,52	10,47	5,02	8,65
Diluted earnings per share			5,51	10,45	5,01	8,63

## Statement of comprehensive income of Bank Zachodni WBK

	for reporting period:		01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
<b>Profit for the period</b>			<b>516 280</b>	<b>979 088</b>	<b>467 630</b>	<b>805 462</b>
<b>Other comprehensive income which can be transferred to the profit and loss account:</b>			<b>244 549</b>	<b>232 303</b>	<b>(249 676)</b>	<b>(339 986)</b>
Available-for sale financial assets valuation			291 806	308 799	(239 217)	(321 452)
<i>including deferred tax</i>			(55 443)	(58 672)	45 451	61 076
Cash flow hedges valuation			10 106	(22 005)	(69 026)	(98 285)
<i>including deferred tax</i>			(1 920)	4 181	13 116	18 675
<b>Other comprehensive income which can't be transferred to the profit and loss account</b>			<b>(7 162)</b>	<b>(7 162)</b>	-	-
Provision for retirement allowances – actuarial gains/losses			(8 842)	(8 842)	-	-
<i>including deferred tax</i>			1 680	1 680	-	-
<b>Other comprehensive income for the period, net of income tax</b>			<b>237 387</b>	<b>225 141</b>	<b>(249 676)</b>	<b>(339 986)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>			<b>753 667</b>	<b>1 204 229</b>	<b>217 954</b>	<b>465 476</b>

In thousands of PLN

## Statement of financial position of Bank Zachodni WBK

as at:	30.06.2014	31.12.2013	30.06.2013	
<b>ASSETS</b>				
Cash and balances with central banks	Note 15	7 039 575	5 149 682	2 498 198
Loans and advances to banks	Note 16	2 060 518	2 165 376	1 579 275
Financial assets held for trading	Note 17	3 376 146	2 188 672	2 963 491
Hedging derivatives	Note 18	205 000	321 956	229 527
Loans and advances to customers	Note 19	70 724 588	67 614 542	69 337 654
Investment securities	Notes 20, 21	17 250 637	21 924 489	19 916 840
Investments in subsidiaries, associates and joint ventures	Note 22	279 191	279 191	388 077
Intangible assets		330 117	342 805	330 605
Goodwill		1 688 516	1 688 516	1 688 516
Property, plant and equipment		576 772	621 228	598 568
Net deferred tax assets	Note 23	535 130	469 801	652 178
Assets classified as held for sale	Note 24	3 503	3 503	-
Investment property		14 102	14 166	14 170
Other assets	Note 25	582 229	583 119	557 013
<b>Total assets</b>		<b>104 666 024</b>	<b>103 367 046</b>	<b>100 754 112</b>
<b>LIABILITIES</b>				
Deposits from banks	Note 26	7 125 403	6 278 784	8 016 533
Hedging derivatives	Note 18	616 141	367 536	863 849
Financial liabilities held for trading	Note 17	1 608 976	1 277 247	1 310 057
Deposits from customers	Note 27	78 143 925	78 735 663	74 864 829
Subordinated liabilities	Note 28	1 397 795	1 384 719	1 436 145
Debt securities in issue	Note 29	500 590	500 695	-
Current income tax liabilities		156 792	92 807	144 883
Other liabilities	Note 30	1 328 673	1 145 163	1 525 250
<b>Total liabilities</b>		<b>90 878 295</b>	<b>89 782 614</b>	<b>88 161 546</b>
<b>Equity</b>				
Share capital		935 451	935 451	935 451
Other reserve funds		10 935 113	10 324 574	10 314 418
Revaluation reserve		938 077	712 936	537 235
Profit of the current period		979 088	1 611 471	805 462
<b>Total equity</b>		<b>13 787 729</b>	<b>13 584 432</b>	<b>12 592 566</b>
<b>Total equity and liabilities</b>		<b>104 666 024</b>	<b>103 367 046</b>	<b>100 754 112</b>

In thousands of PLN

## Movements on equity of Bank Zachodni WBK

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
<b>Opening balance as at 31.12.2013</b>	<b>935 451</b>	<b>10 324 574</b>	<b>712 936</b>	<b>1 611 471</b>	<b>13 584 432</b>
Other comprehensive income which can be transferred to the profit and loss account	-	-	232 303	979 088	1 211 391
Other comprehensive income which can't be transferred to the profit and loss account	-	-	(7 162)	-	(7 162)
Transfer to other capital	-	610 539	-	(610 539)	-
Transfer to dividends for 2013	-	-	-	(1 000 932)	(1 000 932)
<b>As at 30.06.2014</b>	<b>935 451</b>	<b>10 935 113</b>	<b>938 077</b>	<b>979 088</b>	<b>13 787 729</b>

As at the end of the period revaluation reserve in the amount of PLN 938 077 k comprises of debt securities and equity shares classified as available for sale of PLN 353 344 k and PLN 571 960 k respectively and additionally cash flow hedge activities of PLN 14 141 k and accumulated actuarial losses -provision for retirement allowances of PLN (1 368) k.

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
<b>Opening balance as at 31.12.2012</b>	<b>746 376</b>	<b>5 292 875</b>	<b>877 221</b>	<b>1 367 589</b>	<b>8 284 061</b>
Other comprehensive income which can be transferred to the profit and loss account	-	-	(170 080)	1 611 471	1 441 391
Other comprehensive income which can't be transferred to the profit and loss account	-	-	5 795	-	5 795
Issue of shares	189 075	4 354 766	-	-	4 543 841
Transfer to other capital	-	656 646	-	(656 646)	-
Transfer to dividends for 2012	-	-	-	(710 943)	(710 943)
Share scheme charge	-	20 287	-	-	20 287
<b>As at 31.12.2013</b>	<b>935 451</b>	<b>10 324 574</b>	<b>712 936</b>	<b>1 611 471</b>	<b>13 584 432</b>

As at the end of the period revaluation reserve in the amount of PLN 712 936 k comprises of debt securities and equity shares classified as available for sale of PLN 102 435 k and PLN 572 740 k respectively and additionally cash flow hedge activities of PLN 31 966 k and provision for retirement allowances – actuarial gains of PLN 5 795 k.

Statement of changes in equity	Share capital	Other reserve funds	Revaluation reserve	Retained earnings and profit for the period	Total
<b>Opening balance as at 31.12.2012</b>	<b>746 376</b>	<b>5 292 875</b>	<b>877 221</b>	<b>1 367 589</b>	<b>8 284 061</b>
Total comprehensive income	-	-	(339 986)	805 462	465 476
Issue of shares	189 075	4 354 765	-	-	4 543 840
Transfer to other capital	-	656 646	-	(656 646)	-
Transfer to dividends for 2012	-	-	-	(710 943)	(710 943)
Share scheme charge	-	10 132	-	-	10 132
<b>As at 30.06.2013</b>	<b>935 451</b>	<b>10 314 418</b>	<b>537 235</b>	<b>805 462</b>	<b>12 592 566</b>

As at the end of the period revaluation reserve in the amount of PLN 537 235 k comprises of debt securities of PLN 141 368 k and equity shares classified as available for sale of PLN 408 187 k and additionally cash flow hedge activities PLN (12 320) k.

In thousands of PLN

## Statement of cash flows of Bank Zachodni WBK

	for reporting period:	01.01.2014- 30.06.2014	01.01.2013- 30.06.2013
<b>Profit before tax</b>		<b>1 194 891</b>	<b>974 277</b>
<b>Total adjustments:</b>			
Depreciation/amortisation		93 958	109 543
(Profit) loss from investing activities		( 64 187)	( 177 365)
Impairment losses		1 425	( 661)
		<b>1 226 087</b>	<b>905 794</b>
<b>Changes in:</b>			
Trading portfolio financial instruments		( 690 156)	( 997 589)
Loans and advances to banks		168 209	100 393
Loans and advances to customers		(3 110 046)	(2 319 275)
Deposits from banks		846 619	1 459 183
Deposits from customers		( 575 379)	(3 433 311)
Provisions		( 80 323)	( 29 457)
Other assets and liabilities		148 166	( 187 211)
		<b>(3 292 910)</b>	<b>(5 407 267)</b>
Interests and similar charges		( 38 530)	( 11 767)
Dividend received		( 160 459)	( 89 851)
Paid income tax		( 269 958)	( 270 173)
<b>Net cash flow from operating activities</b>		<b>(2 535 770)</b>	<b>(4 873 264)</b>
<b>Inflows</b>		<b>113 161 522</b>	<b>116 724 192</b>
Sale/maturity of investment securities		112 986 504	116 633 703
Sale of intangible assets and property, plant and equipment		14 559	638
Dividend received		160 459	89 851
<b>Outflows</b>		<b>(113 344 659)</b>	<b>(114 595 865)</b>
Purchase of investment securities		(113 302 115)	(114 558 017)
Purchase of intangible assets and property, plant and equipment		( 42 544)	( 37 848)
<b>Net cash flow from investing activities</b>		<b>( 183 137)</b>	<b>2 128 327</b>
<b>Inflows</b>		<b>-</b>	<b>-</b>
<b>Outflows</b>		<b>(1 127 042)</b>	<b>( 807 676)</b>
Repayment of long-term loans		( 16 359)	( 15 189)
Dividends and other payments to shareholders		(1 000 932)	( 710 943)
Other financing outflows		( 109 751)	( 81 544)
<b>Net cash flow from financing activities</b>		<b>(1 127 042)</b>	<b>( 807 676)</b>
<b>Total net cash flow</b>		<b>(3 845 949)</b>	<b>(3 552 613)</b>
<b>Cash at the beginning of the accounting period</b>		<b>12 253 154</b>	<b>7 700 732</b>
<b>Cash acquired in a business combination</b>		<b>-</b>	<b>1 834 726</b>
<b>Cash at the end of the accounting period</b>		<b>8 407 205</b>	<b>5 982 845</b>

In thousands of PLN

# Additional notes to condensed interim unconsolidated financial statements

## 1. General information about issuer

Bank Zachodni WBK is a bank seated in Poland, 50-950 Wrocław, Rynek 9/11, TIN 896-000-56-73, National Official Business Register number (REGON) 930041341, registered in the District Court for Wrocław-Fabryczna, VI Economic Unit of the National Court Registry under 0000008723 number.

The direct parent of Bank Zachodni WBK is Banco Santander S.A. seated in Santander, Spain.

Bank Zachodni WBK offers a wide range of banking services for individual and business customers and operates in domestic and interbank foreign markets. Additionally, it offers also the following services:

- intermediation in trading securities,
- leasing,
- factoring,
- asset/ fund management,
- insurance services,
- trading in stock and shares of commercial companies,
- brokerage activity.

## 2. Basis of preparation of financial statements

In comparison with annual financial statements content of an interim financial report is condensed, therefore it should be read in conjunction with the financial statements of Bank Zachodni WBK for the year 2013 and with the condensed interim consolidated financial statements of BZ WBK Group for the six-month period ended 30 June 2014.

Financial statements of Bank Zachodni WBK S.A for the year 2013 is available at the Bank's official website: [www.bzwbk.pl](http://www.bzwbk.pl).

### Statement of compliance

Condensed interim unconsolidated financial statements of Bank Zachodni WBK for the period from 1 January 2014 to 30 June 2014 were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and other applicable regulations.

In accordance with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, no. 33, item 259 as amended), the Bank is required to publish the financial results for the six months ended 30 June 2014 which is deemed to be the current interim financial reporting period.

### Accounting policies

Condensed interim unconsolidated financial statements of Bank Zachodni WBK are presented in PLN, rounded to the nearest thousand.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial instruments measured at fair value through profit and loss account, and available-for-sale financial assets, except those for which a reliable measure of fair value is not available. Other financial assets and financial liabilities (including loans and advances) are recognized at amortised cost using the effective interest rate less impairment or purchase price less impairment.

Section the accounting policies applied by the Bank in these condensed interim unconsolidated financial statements are the same as those applied by the Bank in its financial statements for the year ended 31 December 2013.



In thousands of PLN

## Comparability with results of previous periods

No major changes were introduced in respect of presentation of financial data for comparable periods of time.

As a result of adoption of the amendments to IAS 19 starting from 2013, the Bank changed its approach to the recognition of actuarial gains/losses arising on the revaluation of the provisions for employee benefits. In these financial statements, such changes are reflected in "Other comprehensive income". In the comparable period, the related valuations were recognised in the profit and loss account in "Staff costs" and the actuarial gains on this account was PLN 163k, while the related deferred tax was PLN 31k.

## Changes in judgments and estimates

The significant judgment and the key sources of estimation uncertainty were the same as those that applied to the Annual Report of Bank Zachodni WBK for 2013.

## 3. Risk management

Information on risk management included in condensed interim consolidated financial statements of BZ WBK Group fully stand in for notes to these condensed interim unconsolidated financial statements.

## 4. Capital Management

Information on capital management included in condensed interim consolidated financial statements of BZ WBK fully stand in for notes to these condensed interim unconsolidated financial statements.

In the capital adequacy area, starting from January 1st, 2014, by the decision of the European Parliament and of the EBA the new regulations of the so-called CRD IV/CRR package come into force. The CRD IV/CRR package consists of two parts, the Directive of CRD IV and the Regulation of CRR no 575/2013. As at June 30th, 2014 the capital ratio is calculated on the basis of own funds and total capital requirement, estimated by applying standard method for particular risks in accordance with the aforementioned recommendations.

On 16 April 2014, the Annual General Meeting of Bank Zachodni WBK Shareholders has divided the net profit generated by the Bank in the accounting year commenced on 01.01.2013 and ended on 31.12.2013 in the following way:

- the amount allocated to shareholders dividend PLN 1 000 932 453,30,
- the amount allocated to the reserve capital PLN 610 538 047,99.

The impact on the level of solvency ratio at the end of June 2014 in relation to the solvency ratio at the end of December 2013 was predominantly driven by the following factors:

- derecognition of unrealized gains on debt and equity instruments classified as available for sale in the calculation of Tier 2 capital
- application of provisions of Part X of the CRR Regulation for the three subordinated loans, acquired from the former Kredyt Bank.

The Bank solvency ratio after applying the CRR rules remained well above the minimum regulatory requirements.

In thousands of PLN

## 5. Net interest income

	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
<b>Interest income</b>				
Loans and advances to enterprises	432 878	845 095	435 859	904 236
Loans and advances to individuals, of which:	505 934	1 002 402	533 654	1 063 952
<i>Home mortgage loans</i>	202 298	400 659	231 132	441 376
Debt securities incl.:	177 128	366 580	206 860	431 443
<i>Investment portfolio available for sale</i>	165 748	339 986	196 174	409 220
<i>Trading portfolio</i>	11 380	26 594	10 686	22 223
Loans and advances to banks	25 109	51 007	26 450	58 933
Public sector	3 652	7 905	5 805	12 313
Reverse repo transactions	6 725	10 974	5 741	10 790
Interest recorded on hedging IRS	72 962	142 141	83 936	170 096
<b>Total</b>	<b>1 224 388</b>	<b>2 426 104</b>	<b>1 298 305</b>	<b>2 651 763</b>
<b>Interest expenses</b>				
Deposits from individuals	( 198 726)	( 406 945)	( 322 131)	( 708 255)
Deposits from enterprises	( 104 285)	( 209 376)	( 136 279)	( 317 066)
Repo transactions	( 15 314)	( 34 800)	( 30 416)	( 53 662)
Deposits from public sector	( 21 994)	( 41 819)	( 28 024)	( 61 640)
Deposits from banks	( 2 929)	( 6 110)	( 5 519)	( 12 451)
Subordinated liabilities and issue of securities	( 19 045)	( 37 809)	( 13 640)	( 25 971)
<b>Total</b>	<b>( 362 293)</b>	<b>( 736 859)</b>	<b>( 536 009)</b>	<b>( 1 179 045)</b>
<b>Net interest income</b>	<b>862 095</b>	<b>1 689 245</b>	<b>762 296</b>	<b>1 472 718</b>

In thousands of PLN

## 6. Net fee and commission income

	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
<b>Fee and commission income</b>				
eBusiness & payments	155 675	307 051	148 901	294 936
Current accounts and money transfer	76 273	152 800	76 429	153 506
Asset management fees	4 113	7 449	5 045	10 469
Foreign exchange commissions	81 287	157 518	74 949	138 001
Credit commissions	54 908	116 722	54 991	106 540
Insurance commissions	26 957	54 376	22 313	44 868
Brokerage commissions	38	83	525	903
Credit cards	30 295	61 088	21 447	42 238
Off-balance sheet guarantee commissions	11 804	22 088	9 043	17 519
Finance lease commissions	-	-	22	93
Issue arrangement fees	521	1 101	2 982	3 879
Distribution fees	26 157	51 303	27 007	54 218
Other commissions	3 217	4 573	2 209	5 060
<b>Total</b>	<b>471 245</b>	<b>936 152</b>	<b>445 863</b>	<b>872 230</b>
<b>Fee and commission expenses</b>				
eBusiness & payments	( 30 791)	( 71 409)	( 36 610)	( 74 004)
Credit cards	( 7 330)	( 13 301)	( 3 578)	( 6 903)
Finance lease commissions	( 213)	( 313)	-	-
Commissions paid to credit agents	( 3 001)	( 3 248)	( 3 943)	( 4 709)
Other	( 15 537)	( 29 162)	( 12 229)	( 20 908)
<b>Total</b>	<b>( 56 872)</b>	<b>( 117 433)</b>	<b>( 56 360)</b>	<b>( 106 524)</b>
<b>Net fee and commission income</b>	<b>414 373</b>	<b>818 719</b>	<b>389 503</b>	<b>765 706</b>

The line item Insurance commissions presents insurance fees realised on insurance products linked to the loan products. They cover insurance fees related to cash loans, where approximately 30% of the realised income represents agency fees for the sale of insurance products and the remaining portion of realised income is amortised over time according to the effective interest rate method and recognised in interest income. Moreover, this line item presents insurance fees recognized on a cash basis for insurance products that are realised cyclically during the term of loan agreement (mortgage loans). For the remaining loan products insurance fees are recognised on a cash basis including an allowance for estimated future reimbursements.

## 7. Net trading income and revaluation

	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
<b>Net trading income and revaluation</b>				
Derivative instruments and interbank fx transactions	( 9 910)	( 35 653)	29 877	73 861
Other FX related income	3 404	48 032	( 562)	2 568
Profit on equity instruments	-	-	2 282	5 706
Profit on debt instruments	5 372	2 372	( 3 093)	( 580)
<b>Total</b>	<b>( 1 134)</b>	<b>14 751</b>	<b>28 504</b>	<b>81 555</b>

Net trading income and revaluation includes value of adjustments of derivatives resulting from counterparty risk in the amount of PLN (10 570) k for H1 2014, PLN (10 310) k for 2Q 2014 and the write-back of adjustments of derivatives resulting from counterparty risk in the amount of PLN 2 289 k for H1 2013, value of adjustments PLN (130) k for 2Q 2013.

Net trading income and revaluation includes depreciation of adjustment to the valuation of day 1 profit or loss for start forward CIRS transactions in the amount of PLN (404) k disclosed in statement of financial position in line of Hedging derivatives and depreciation of adjustment to the valuation of day 1 profit or loss for capital option related to subsidiary entities in the amount of PLN (15 321) k disclosed in statement of financial position in line of Financial assets and liabilities held for trading.

The initial valuation will be subject to linear depreciation for maturity.

In thousands of PLN

## 8. Gains (losses) from other financial securities

	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
<b>Gains (losses) from other financial securities</b>				
Profit on sale of equity shares	-	14 093	1 370	874
Profit on sale of debt securities	15 012	43 655	87 367	176 750
Charge due to impairment losses	( 1 425)	( 1 425)	-	-
<b>Total profit (losses) on financial instruments</b>	<b>13 587</b>	<b>56 323</b>	<b>88 737</b>	<b>177 624</b>
Change in fair value of hedging instruments	( 78 708)	( 102 864)	65 213	67 138
Change in fair value of underlying hedged positions	81 316	104 360	( 62 925)	( 63 998)
<b>Total profit (losses) on hedging and hedged instruments</b>	<b>2 608</b>	<b>1 496</b>	<b>2 288</b>	<b>3 140</b>
<b>Total</b>	<b>16 195</b>	<b>57 819</b>	<b>91 025</b>	<b>180 764</b>

## 9. Other operating income

	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
<b>Other operating income</b>				
Income on sale of services	6 164	13 203	5 699	10 688
Insurance indemnity received	74	93	88	254
Reimbursements of BGF charges	4 777	14 355	3 364	13 446
Release of provision for legal cases and other assets	17 273	18 741	1 677	4 396
Settlements of leasing agreements	10	23	247	402
Recovery of other receivables	6 489	6 695	825	1 254
Income on sales or liquidation of fixed assets, intangible assets and assets for disposal	( 386)	6 437	8 192	8 192
Received compensations, penalties and fines	193	1 183	( 594)	-
Other	4 108	6 783	4 375	7 650
<b>Total</b>	<b>38 702</b>	<b>67 513</b>	<b>23 873</b>	<b>46 282</b>

## 10. Impairment losses on loans and advances

	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
<b>Impairment losses on loans and advances</b>				
Collective and individual impairment charge	( 225 507)	( 390 938)	( 277 581)	( 500 172)
Incurred but not reported losses charge	42 966	26 630	75 374	124 785
Recoveries of loans previously written off	4 429	4 773	1 367	2 340
Off-balance sheet credit related facilities	617	21 985	15 409	( 4 441)
<b>Total</b>	<b>( 177 495)</b>	<b>( 337 550)</b>	<b>( 185 431)</b>	<b>( 377 488)</b>

In thousands of PLN

## 11. Employee costs

Employee costs	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
Salaries and bonuses	(252 356)	(503 768)	(263 861)	(525 472)
Salary related costs	(43 646)	(90 787)	(45 122)	(93 768)
Staff benefits costs	(7 205)	(14 099)	(7 420)	(14 584)
Professional trainings	(3 375)	(5 625)	(3 181)	(5 061)
Retirement fund, holiday provisions and other employee costs	(550)	(1 375)	(410)	(1 652)
<b>Total</b>	<b>(307 132)</b>	<b>(615 654)</b>	<b>(319 994)</b>	<b>(640 537)</b>

## 12. General and administrative expenses

General and administrative expenses	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
Maintenance and rentals of premises	(86 749)	(175 626)	(95 427)	(182 564)
Marketing and representation	(36 644)	(58 970)	(22 447)	(42 625)
IT systems costs	(38 032)	(75 882)	(35 371)	(66 449)
Depository for Securities	(31 870)	(63 422)	(24 561)	(48 466)
Postal and telecommunication costs	(10 213)	(22 475)	(15 527)	(26 965)
Consulting fees	(22 292)	(36 935)	(58 048)	(69 357)
Cars, transport expenses, carriage of cash	(17 567)	(35 242)	(18 237)	(32 624)
Other external services	(17 144)	(35 604)	(14 267)	(32 239)
Stationery, cards, cheques etc.	(7 206)	(14 179)	(7 150)	(11 971)
Sundry taxes	(5 837)	(12 350)	(6 752)	(11 837)
Data transmission	(4 851)	(9 963)	(5 034)	(11 105)
KIR, SWIFT settlements	(4 807)	(9 975)	(4 975)	(10 194)
Security costs	(5 253)	(9 925)	(4 863)	(9 714)
Costs of repairs	(3 059)	(4 300)	1 870	(2 942)
Other	(5 084)	(9 477)	(4 279)	(10 467)
<b>Total</b>	<b>(296 608)</b>	<b>(574 325)</b>	<b>(315 068)</b>	<b>(569 519)</b>

## 13. Other operating expenses

Other operating expenses	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
Charge of provisions for legal cases and other assets	(8 356)	(11 243)	2 466	(3 631)
Costs of purchased services	(657)	(1 333)	(323)	(478)
Other membership fees	(169)	(291)	(181)	(283)
Paid compensations, penalties and fines	(18)	(42)	(42)	(817)
Donation paid	-	(590)	-	(6)
Other	(3 360)	(6 561)	(1 039)	(2 401)
<b>Total</b>	<b>(12 560)</b>	<b>(20 060)</b>	<b>881</b>	<b>(7 616)</b>

In thousands of PLN

## 14. Corporate income tax

Corporate income tax	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
Current tax charge	(187 470)	(333 942)	(138 759)	(247 958)
Deferred tax	82 469	118 139	53 867	79 143
<b>Total</b>	<b>(105 001)</b>	<b>(215 803)</b>	<b>(84 892)</b>	<b>(168 815)</b>

Corporate total tax charge information	01.04.2014- 30.06.2014	01.01.2014- 30.06.2014	01.04.2013- 30.06.2013	01.01.2013- 30.06.2013
Profit before tax	621 281	1 194 891	552 522	974 277
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(118 043)	(227 029)	(104 979)	(185 113)
Non-deductible expenses	(1 267)	(206)	443	(2 191)
Sale of receivables	(4 373)	(8 542)	(14 374)	(15 690)
Non-tax deductible bad debt provisions	(4 412)	(5 806)	761	985
Non-taxable income (dividends)	25 029	35 794	24 890	24 890
Adjustment of prior year tax	(3 049)	(10 217)	4 242	4 242
Other	1 114	203	4 125	4 062
<b>Total income tax expense</b>	<b>(105 001)</b>	<b>(215 803)</b>	<b>(84 892)</b>	<b>(168 815)</b>

Deferred tax recognised directly in equity	30.06.2014	31.12.2013	30.06.2013
Relating to equity securities available-for-sale	(134 163)	(134 346)	(95 748)
Relating to debt securities available-for-sale	(82 883)	(24 028)	(33 160)
Relating to cash flow hedging activity	(3 317)	(8 857)	2 890
Relating to valuation of defined benefit plans	321	-	-
<b>Total</b>	<b>(220 042)</b>	<b>(167 231)</b>	<b>(126 018)</b>

## 15. Cash and balances with central banks

Cash and balances with central banks	30.06.2014	31.12.2013	30.06.2013
Cash	1 626 772	1 766 253	1 621 494
Current accounts in central banks	5 412 803	3 383 429	481 663
Term deposits	-	-	395 041
<b>Total</b>	<b>7 039 575</b>	<b>5 149 682</b>	<b>2 498 198</b>

BZ WBK holds an obligatory reserve on a current account in the National Bank of Poland. The figure is calculated at a fixed percentage of the monthly average balance of the customers' deposits, which in all the covered periods was 3.5%.

In accordance with the applicable regulations, the amount of the calculated provision is reduced by the equivalent of EUR 500 k.

In thousands of PLN

## 16. Loans and advances to banks

Loans and advances to banks	30.06.2014	31.12.2013	30.06.2013
Loans and advances	782 802	1 198 899	309 095
Current accounts, other	722 655	789 677	1 258 550
Buy-sell-back transaction	555 356	176 987	11 662
<b>Gross receivables</b>	<b>2 060 813</b>	<b>2 165 563</b>	<b>1 579 307</b>
Allowance for impairment	( 295)	( 187)	( 32)
<b>Total</b>	<b>2 060 518</b>	<b>2 165 376</b>	<b>1 579 275</b>

## 17. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.06.2014		31.12.2013		30.06.2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Trading derivatives</b>	<b>1 105 153</b>	<b>1 118 276</b>	<b>1 022 133</b>	<b>1 022 114</b>	<b>1 125 221</b>	<b>1 260 575</b>
<b>Interest rate operations</b>	<b>828 796</b>	<b>873 068</b>	<b>632 323</b>	<b>632 008</b>	<b>841 475</b>	<b>863 444</b>
Forward	-	-	-	-	33	-
Options	1 527	1 527	4 323	4 328	5 346	5 347
IRS	815 643	861 693	614 340	617 987	810 595	828 501
FRA	11 626	9 848	13 660	9 693	25 501	29 596
<b>Transactions on equity instruments</b>	<b>9 847</b>	<b>25 104</b>	<b>2 819</b>	<b>717</b>	-	-
Options	9 847	25 104	2 819	717	-	-
<b>FX operations</b>	<b>266 434</b>	<b>220 032</b>	<b>386 991</b>	<b>389 389</b>	<b>282 968</b>	<b>396 555</b>
CIRS	84 088	83 107	95 642	147 521	88 099	174 767
Forward	11 198	30 903	28 994	49 144	58 531	22 300
FX Swap	112 859	47 618	202 087	130 109	93 932	154 898
Spot	536	649	792	1 037	910	686
Options	57 753	57 755	59 476	61 578	41 496	43 904
<b>Transactions concerning precious metals and commodities</b>	<b>76</b>	<b>72</b>	-	-	<b>778</b>	<b>576</b>
<b>Debt and equity securities</b>	<b>2 270 993</b>	-	<b>1 166 539</b>	-	<b>1 838 270</b>	-
<b>Debt securities</b>	<b>2 270 993</b>	-	<b>1 166 539</b>	-	<b>1 838 270</b>	-
Government securities:	2 270 993	-	966 567	-	1 838 270	-
- bills	-	-	-	-	24 900	-
- bonds	2 270 993	-	966 567	-	1 813 370	-
Central Bank securities:	-	-	199 972	-	-	-
- bills	-	-	199 972	-	-	-
<b>Short sale</b>	-	<b>490 700</b>	-	<b>255 133</b>	-	<b>49 482</b>
<b>Total financial assets/liabilities</b>	<b>3 376 146</b>	<b>1 608 976</b>	<b>2 188 672</b>	<b>1 277 247</b>	<b>2 963 491</b>	<b>1 310 057</b>

Financial assets and liabilities held for trading - trading derivatives include value adjustments resulting from counterparty risk in the amount of PLN (12 893) k as at 30.06.2014, PLN (1 668) k as at 31.12.2013, PLN (3 139) k as at 30.06.2013.

In thousands of PLN

The table below presents off-balance sheet derivatives' nominal values.

Derivatives' nominal values		30.06.2014	31.12.2013	30.06.2013
<b>1. Term derivatives (hedging)</b>		<b>31 370 973</b>	<b>29 792 094</b>	<b>29 168 868</b>
a)	Single-currency interest rate swap	2 665 000	2 665 000	1 515 000
b)	Macro cash flow hedge -purchased (IRS)	2 781 153	3 229 513	3 269 470
c)	Macro cash flow hedge -purchased (CIRS)	12 798 315	11 847 013	11 847 620
d)	Macro cash flow hedge -sold (CIRS)	13 126 505	12 050 568	12 536 778
<b>2. Term derivatives (trading)</b>		<b>134 144 270</b>	<b>128 448 020</b>	<b>143 496 669</b>
a)	Interest rate operations	82 258 147	81 780 541	91 699 333
	Single-currency interest rate swap	67 216 220	57 528 184	63 730 687
	FRA - purchased amounts	13 600 000	23 350 000	27 100 000
	Options	1 301 727	902 357	857 746
	Forward- sold amounts	140 200	-	10 900
b)	FX operations	51 881 225	46 667 479	51 771 672
	FX swap – purchased amounts	11 219 690	10 713 501	14 916 332
	FX swap – sold amounts	11 137 163	10 626 592	14 962 740
	Forward- purchased amounts	2 523 198	2 546 613	3 139 425
	Forward- sold amounts	2 561 111	2 585 261	3 124 438
	Cross-currency interest rate swap – purchased amounts	6 274 711	5 454 320	4 481 159
	Cross-currency interest rate swap – sold amounts	6 284 386	5 523 508	4 571 066
	FX options -purchased CALL	2 938 978	2 272 212	1 609 189
	FX options -purchased PUT	3 001 505	2 336 630	1 679 067
	FX options -sold CALL	2 938 978	2 272 212	1 609 189
	FX options -sold PUT	3 001 505	2 336 630	1 679 067
c)	Transactions concerning precious metals and commodities	4 898	-	25 664
	Commodity swap - purchased amounts	2 449	-	12 933
	Commodity swap - sold amounts	2 449	-	12 731
<b>3. Currency transactions- spot</b>		<b>1 977 769</b>	<b>2 076 924</b>	<b>1 760 107</b>
	Spot-purchased	988 834	1 038 347	880 188
	Spot-sold	988 935	1 038 577	879 919
<b>4. Transactions on equity financial instruments</b>		<b>442 292</b>	<b>22 550</b>	-
	Derivatives contract- purchased	221 146	11 275	-
	Derivatives contract - sold	221 146	11 275	-
<b>5. Capital options related to subsidiary entities</b>		<b>249 654</b>	<b>248 832</b>	-
<b>Total</b>		<b>168 184 958</b>	<b>160 588 420</b>	<b>174 425 644</b>

In the case of single-currency transactions (IRS, FRA, non-FX options) only purchased amounts are presented.



In thousands of PLN

## 18. Hedging derivatives

Hedging derivatives	30.06.2014		31.12.2013		30.06.2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
IRS hedging fair value	224	141 508	21 567	25 091	21 278	40 401
IRS hedging cash flow	204 776	474 633	300 389	342 445	208 249	823 448
<b>Total hedging derivatives</b>	<b>205 000</b>	<b>616 141</b>	<b>321 956</b>	<b>367 536</b>	<b>229 527</b>	<b>863 849</b>

As at 30.06.2014 Hedging derivatives - IRS hedging cash flow include value adjustments day first profit or loss for start forward CIRS transactions in the amount of PLN (12 095) k., PLN (10 082) k as at 31.12.2013, PLN (10 477) k as at 30.06.2013.

For the valuation of hedging transactions, Bank uses a valuation model, in which not all essential data used for valuation are based on observable market parameters, therefore, differences arise in the initial valuation. Bank treats it as the Day 1 profit or loss and amortises it in time and indicates the valuation effect in the profit and loss account.

## 19. Loans and advances to customers

Loans and advances to customers	30.06.2014	31.12.2013	30.06.2013
Loans and advances to enterprises	39 416 695	36 659 729	37 841 945
Loans and advances to individuals, of which:	34 544 288	34 035 141	34 543 270
<i>Home mortgage loans</i>	25 661 962	25 294 769	25 736 171
Loans and advances to public sector	218 307	225 361	294 326
Buy-sell-back transaction	102 937	40 718	66 116
Other	11 908	9 297	8 092
<b>Gross receivables</b>	<b>74 294 135</b>	<b>70 970 246</b>	<b>72 753 749</b>
Allowance for impairment	(3 569 547)	(3 355 704)	(3 416 095)
<b>Total</b>	<b>70 724 588</b>	<b>67 614 542</b>	<b>69 337 654</b>

Movements on impairment losses on loans and advances to customers	30.06.2014	31.12.2013	30.06.2013
<b>Individual and collective impairment</b>			
As at the beginning of the period	(2 922 665)	(1 121 025)	(1 121 025)
Individual and collective impairment acquired in a business combination	-	(1 645 106)	(1 645 106)
Charge/write back of current period	(390 938)	(867 642)	(500 173)
Write off/Sale of receivables	142 052	691 446	350 570
Transfer	27 159	13 364	(55 958)
F/X differences	(1 535)	6 298	(6 509)
<b>Balance at the end of the period</b>	<b>(3 145 927)</b>	<b>(2 922 665)</b>	<b>(2 978 201)</b>
<b>IBNR</b>			
As at the beginning of the period	(433 039)	(324 352)	(324 352)
IBNR acquired in a business combination	-	(196 873)	(196 873)
Charge/write back of current period	26 736	180 524	124 817
Transfer	(16 360)	(89 462)	(35 089)
F/X differences	(957)	(2 876)	(6 397)
<b>Balance at the end of the period</b>	<b>(423 620)</b>	<b>(433 039)</b>	<b>(437 894)</b>
<b>Allowance for impairment</b>	<b>(3 569 547)</b>	<b>(3 355 704)</b>	<b>(3 416 095)</b>

In thousands of PLN

## 20. Investment securities available for sale

Investment securities available for sale	30.06.2014	31.12.2013	30.06.2013
<b>Available for sale investments - measured at fair value</b>			
<b>Debt securities</b>	<b>16 398 060</b>	<b>21 069 359</b>	<b>19 259 059</b>
Government securities:	13 519 464	13 101 982	14 720 794
- bonds	13 519 464	13 101 982	14 720 794
Central Bank securities:	-	5 599 222	2 089 847
- bills	-	5 599 222	2 089 847
Commercial securities:	2 878 596	2 368 155	2 448 418
- bonds	2 878 596	2 368 155	2 448 418
<b>Equity securities</b>	<b>833 148</b>	<b>834 275</b>	<b>632 041</b>
- listed	23 738	24 902	22 533
- unlisted	809 410	809 373	609 508
<b>Investment certificates</b>	<b>19 429</b>	<b>20 855</b>	<b>25 740</b>
<b>Total</b>	<b>17 250 637</b>	<b>21 924 489</b>	<b>19 916 840</b>

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
<b>As at 1 January 2014</b>	<b>21 069 359</b>	<b>855 130</b>	<b>21 924 489</b>
Additions	113 302 080	35	113 302 115
Disposals (sale and maturity)	(118 527 779)	( 14 293)	(118 542 072)
Fair value adjustment	403 512	13 128	416 640
Movements on interest accrued	148 281	-	148 281
Allowances for impairment	-	( 1 425)	( 1 425)
F/X differences	2 607	2	2 609
<b>As at 30 June 2014</b>	<b>16 398 060</b>	<b>852 577</b>	<b>17 250 637</b>

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
<b>As at 1 January 2013</b>	<b>11 048 024</b>	<b>649 369</b>	<b>11 697 393</b>
Investment securities available for sale acquired in a business combination	7 701 195	846	7 702 041
Additions	219 046 087	-	219 046 087
Disposals (sale and maturity)	(216 231 933)	( 15 248)	(216 247 181)
Fair value adjustment	( 442 321)	205 557	( 236 764)
Movements on interest accrued	( 65 202)	-	( 65 202)
Allowances for impairment	-	( 2 468)	( 2 468)
F/X differences	13 509	( 9)	13 500
Transfer	-	17 083	17 083
<b>As at 31 December 2013</b>	<b>21 069 359</b>	<b>855 130</b>	<b>21 924 489</b>

In thousands of PLN

Movements on investment securities available for sale	Debt securities	Financial instruments representing equity rights	Total
<b>As at 1 January 2013</b>	<b>11 048 024</b>	<b>649 369</b>	<b>11 697 393</b>
Investment securities available for sale acquired in a business combination	7 701 195	846	7 702 041
Additions	117 077 114	-	117 077 114
Disposals (sale and maturity)	(116 258 338)	( 11 804)	(116 270 142)
Fair value adjustment	( 473 315)	1 663	( 471 652)
Movements on interest accrued	98 376	-	98 376
F/X differences	66 003	( 9)	65 994
Transfer	-	17 716	17 716
<b>As at 30 June 2013</b>	<b>19 259 059</b>	<b>657 781</b>	<b>19 916 840</b>

## 21. Financial assets held to maturity

Movements on financial assets held to maturity	30.06.2014	31.12.2013	30.06.2013
<b>As at 1 January</b>	-	-	-
Financial asset held to maturity acquired in a business combination	-	2 518 251	2 518 251
Maturity	-	(2 467 838)	(2 467 838)
Fair value amortisation	-	379	379
Movements on interest accrued	-	( 51 318)	( 51 318)
F/X differences	-	526	526
<b>Balance at the end of the period</b>	-	-	-

## 22. Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures	30.06.2014	31.12.2013	30.06.2013
Subsidiaries	271 191	271 191	341 546
Associates	8 000	8 000	8 000
Joint ventures	-	-	38 531
<b>Total</b>	<b>279 191</b>	<b>279 191</b>	<b>388 077</b>

In thousands of PLN

## 23. Net deferred tax assets

Deferred tax asset	30.06.2014	31.12.2013	30.06.2013
Provisions for loans	496 392	468 259	463 632
Unrealized liabilities due to derivatives	334 980	271 334	417 569
Other provisions which are not yet taxable costs	85 466	93 700	88 218
Deferred income	160 047	149 472	97 857
Unrealised interest expense on loans, deposits and securities	73 140	45 026	117 659
Difference between balance sheet and taxable value of unfinancial value assets	-	-	2 890
Other	6 997	6 116	6 044
<b>Total</b>	<b>1 157 022</b>	<b>1 033 907</b>	<b>1 193 869</b>

Deferred tax liability	30.06.2014	31.12.2013	30.06.2013
Revaluation of financial instruments available for sale*	(216 726)	(159 734)	(146 653)
Unrealised receivables on derivatives	(247 415)	(242 827)	(250 191)
Unrealised interests from loans, securities and interbank deposits	(137 307)	(141 746)	(129 130)
Provision due to application of investment relief	(3 325)	(3 402)	(3 478)
Difference between balance sheet and taxable value of unfinancial value assets	(3 482)	(4 949)	(2 284)
Cash flow hedges valuation*	(3 317)	(7 498)	-
Other	(10 320)	(3 950)	(9 955)
<b>Total</b>	<b>(621 892)</b>	<b>(564 106)</b>	<b>(541 691)</b>

Net deferred tax assets	535 130	469 801	652 178
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\*Changes in deferred tax liabilities were recognised in the unconsolidated statement of comprehensive income.

As at 30 June 2014 the calculation of deferred tax assets did not include purchased receivables of PLN 14 249 k and loans that will not be realised of PLN 124 182 k.

As at 30 June 2013 the calculation of deferred tax assets did not include purchased receivables of PLN 14 334 k and loans that will not be realised of PLN 53 469 k.

## 24. Assets classified as held for sale

Assets classified as held for sale	30.06.2014	31.12.2013	30.06.2013
Land and buildings	3 503	3 503	-
<b>Total</b>	<b>3 503</b>	<b>3 503</b>	<b>-</b>

## 25. Other assets

Other assets	30.06.2014	31.12.2013	30.06.2013
Interbank and interbranch settlements	207 625	260 445	125 772
Sundry debtors	233 873	215 477	270 778
Prepayments	93 536	46 059	87 091
Repossessed assets	46 923	60 965	73 199
Other	272	173	173
<b>Total</b>	<b>582 229</b>	<b>583 119</b>	<b>557 013</b>

In thousands of PLN

## 26. Deposits from banks

Deposits from banks	30.06.2014	31.12.2013	30.06.2013
Repo transactions	6 480 133	4 438 563	7 085 719
Term deposits	212 328	1 379 630	472 413
Current accounts	432 942	460 591	458 401
<b>Total</b>	<b>7 125 403</b>	<b>6 278 784</b>	<b>8 016 533</b>

## 27. Deposits from customers

Deposits from customers	30.06.2014	31.12.2013	30.06.2013
<b>Deposits from individuals</b>	<b>46 988 201</b>	<b>47 470 810</b>	<b>44 642 620</b>
Term deposits	21 180 756	22 334 145	18 179 078
Current accounts	25 738 105	25 074 065	26 402 558
Other	69 340	62 600	60 984
<b>Deposits from enterprises</b>	<b>27 101 519</b>	<b>27 766 433</b>	<b>26 057 500</b>
Term deposits	12 989 935	13 565 131	13 235 507
Current accounts	11 390 334	11 452 518	9 736 411
Sell-buy-back transaction	91 868	2 119 230	100 213
Credits	2 119 522	166 973	2 300 906
Other	509 860	462 581	684 463
<b>Deposits from public sector</b>	<b>4 054 205</b>	<b>3 498 420</b>	<b>4 164 709</b>
Term deposits	1 580 404	1 152 427	2 055 099
Current accounts	2 464 030	2 333 501	2 106 683
Other	9 771	12 492	2 927
<b>Total</b>	<b>78 143 925</b>	<b>78 735 663</b>	<b>74 864 829</b>

## 28. Subordinated liabilities

Subordinated liabilities	Redemption date	Currency	Nominal value
Tranche 1	05.08.2020	EUR	100 000
Tranche 2	16.06.2018	CHF	100 000
Tranche 3	29.06.2019	CHF	165 000
Tranche 4	31.01.2019	PLN	75 000

Movements in subordinated liabilities	30.06.2014	31.12.2013	30.06.2013
<b>As at the beginning of the period</b>	<b>1 384 719</b>	<b>409 110</b>	<b>409 110</b>
<b>Subordinated liabilities acquired in a business combination</b>	<b>-</b>	<b>978 237</b>	<b>978 237</b>
<b>Increase (due to):</b>	<b>40 823</b>	<b>54 896</b>	<b>75 717</b>
- interest on subordinated loan	28 059	54 896	25 964
- FX differences	12 764	-	49 753
<b>Decrease (due to):</b>	<b>( 27 747)</b>	<b>( 57 524)</b>	<b>( 26 919)</b>
- interest repayment	( 27 747)	( 54 481)	( 26 919)
- FX differences	-	( 3 043)	-
<b>As at the end of the period</b>	<b>1 397 795</b>	<b>1 384 719</b>	<b>1 436 145</b>
Short-term	4 611	4 352	4 458
Long-term (over 1 year)	1 393 184	1 380 367	1 431 687

In thousands of PLN

## 29. Debt securities in issue

Debt securities in issue	Nominal value	Currency	Redemption date	30.06.2014
Tranche 1	500 000	PLN	19.12.2016	
<b>Debt securities in issue - as at the end of the period</b>				<b>500 590</b>

Detailed information on the Debt securities in issue are presented in Note 44.

## 30. Other liabilities

Other liabilities	30.06.2014	31.12.2013	30.06.2013
Provisions:	332 506	412 829	344 015
<i>Employee provisions</i>	225 057	267 965	209 102
<i>Provisions for legal claims</i>	29 008	44 630	44 989
<i>Provisions for off-balance sheet credit facilities</i>	75 141	96 934	86 624
<i>Other</i>	3 300	3 300	3 300
Interbank and interbranch settlements	427 082	250 941	739 925
Other deferred and suspended income	98 499	145 830	105 632
Sundry creditors	274 655	194 653	126 981
Accrued liabilities	155 355	96 551	150 392
Public and law settlements	40 576	44 359	58 305
<b>Total</b>	<b>1 328 673</b>	<b>1 145 163</b>	<b>1 525 250</b>

In thousands of PLN

	30.06.2014	31.12.2013	30.06.2013
<b>Change in provisions</b>			
<b>As at the beginning of the period</b>	<b>412 829</b>	<b>212 922</b>	<b>212 922</b>
Employee provisions	267 965	176 457	176 457
Provisions for legal claims	44 630	15 546	15 546
Provisions for off balance sheet credit facilities	96 934	17 619	17 619
Other	3 300	3 300	3 300
<b>Provision acquired in a business combination</b>	<b>-</b>	<b>184 815</b>	<b>184 815</b>
Employee provisions	-	92 679	92 679
Provisions for legal claims	-	28 961	28 961
Provisions for off-balance sheet credit facilities	-	63 175	63 175
<b>Provision charge</b>	<b>217 779</b>	<b>522 530</b>	<b>255 167</b>
Employee provisions	130 807	257 921	119 232
Provisions for legal claims	581	2 208	1 456
Provisions for off balance sheet credit facilities	86 391	262 401	134 479
<b>Utilization</b>	<b>( 174 019)</b>	<b>( 244 554)</b>	<b>( 178 886)</b>
Employee provisions	( 173 485)	( 243 890)	( 178 776)
Provisions for legal claims	( 726)	( 448)	( 134)
Provisions for off balance sheet credit facilities	192	( 216)	24
<b>Write back</b>	<b>( 124 083)</b>	<b>( 255 730)</b>	<b>( 131 367)</b>
Employee provisions	( 230)	( 8 048)	( 490)
Provisions for legal claims	( 15 477)	( 1 637)	( 840)
Provisions for off balance sheet credit facilities	( 108 376)	( 246 045)	( 130 037)
<b>Other changes</b>	<b>-</b>	<b>( 7 154)</b>	<b>1 364</b>
Employee provisions	-	( 7 154)	-
Provisions for off-balance sheet credit facilities	-	-	1 364
<b>Balance at the end of the period</b>	<b>332 506</b>	<b>412 829</b>	<b>344 015</b>
<b>Employee provisions</b>	<b>225 057</b>	<b>267 965</b>	<b>209 102</b>
<b>Provisions for legal claims</b>	<b>29 008</b>	<b>44 630</b>	<b>44 989</b>
<b>Provisions for off balance sheet credit facilities</b>	<b>75 141</b>	<b>96 934</b>	<b>86 624</b>
<b>Other</b>	<b>3 300</b>	<b>3 300</b>	<b>3 300</b>

## 31. Fair value

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

Below is a summary of the book values and fair values of the individual groups of assets and liabilities.

	30.06.2014		31.12.2013		30.06.2013	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
<b>Assets</b>						
Cash and balances with central banks	7 039 575	7 039 575	5 149 682	5 149 686	2 498 198	2 498 198
Loans and advances to banks	2 060 518	2 060 518	2 165 376	2 212 704	1 579 275	1 579 275
Financial assets held for trading	3 376 146	3 376 146	2 188 672	2 344 901	2 963 491	2 963 491
Hedging derivatives	205 000	205 000	321 956	321 956	229 527	229 527
Loans and advances to customers	70 724 588	71 362 549	67 614 542	68 703 474	69 337 654	69 459 783
Investment securities	17 250 637	17 250 637	21 924 489	22 090 764	19 916 840	19 916 840
Investments in subsidiaries, associates and joint ventures	279 191	279 191	279 191	63 444	388 077	388 077
<b>Liabilities</b>						
Deposits from banks	7 125 403	7 125 403	6 278 784	6 278 797	8 016 533	8 016 533
Hedging derivatives	616 141	616 141	367 536	367 524	863 849	863 849
Financial liabilities held for trading	1 608 976	1 608 976	1 277 247	1 277 162	1 310 057	1 310 057
Subordinated liabilities	1 397 795	1 397 795	1 384 719	1 623 024	1 436 145	1 436 145
Deposits from customers	78 143 925	78 139 850	78 735 663	78 518 847	74 864 829	74 870 592

In thousands of PLN

Below is a summary of the key methods and assumptions used in the estimation of fair values of the financial instruments shown in the table above.

### **Financial assets and liabilities not carried at fair value in the statement of financial position**

The Bank has financial instruments which in accordance with the IFRS are not carried at fair value in the unconsolidated financial statements. The fair value of such instruments is measured using the following methods and assumptions.

**Loans and advances to banks:** The fair value of deposits and placements is measured using discounted cash flows at the current money market interest rates for receivables of similar credit risk, maturity and currency.

**Loans and advances to customers:** Carried at net value after impairment charges. Fair value is calculated as the discounted value of the expected future cash flows in respect of principal and interest payments. It is assumed that loans and advances will be repaid at their contractual maturity date. The estimated fair value of the loans and advances reflects changes in the credit risk from the moment of sanction (margins) and changes in interest rates.

As the reporting date no estimates were made with regard to the fair value of the portfolio of mortgage loans denominated in CHF due to the lack of an active market for similar products, however in the case of part of the portfolio of mortgage loans denominated in CHF acquired from Kredyt Bank, the carrying amount includes the fair value component established as at the merger date.

**Financial assets not carried at fair value:** The Bank does not use fair valuation for equity securities of unlisted companies for which the fair value cannot be reliably established. In the statement of financial position, equity instruments are presented at cost less impairment. Debt instruments are measured at amortised cost.

**Investments in subsidiaries, associates and joint ventures:** The financial assets representing investments in subsidiaries, associates and joint ventures are measured using the equity method. The Management Board of the parent company believes that this is the most accurate estimation of fair value of these instruments.

**Deposits from banks and deposits from customers:** Fair value of the deposits with maturity exceeding 6 months was estimated based on the cash flows discounted by the current market rates for the deposits with similar maturity dates. In the case of demand deposits without a fixed maturity date or with maturity up to 6 months, it is assumed that their fair value is not significantly different than their book value. The process of fair value estimation for these instruments is not affected by the long-term nature of the business with depositors.

**Debt securities in issue and subordinated liabilities:** The securities and subordinated liabilities are measured at amortised cost. The fair value of these instruments is not significantly different from their balance sheet value.

### **Financial assets and liabilities carried at fair value in the statement of financial position**

As at 30.06.2014 and in the comparable periods the Bank made the following classification of its financial instruments measured at fair value in the statement of financial position:

**Level I (active market quotations):** Debt, equity and derivative financial instruments which at the balance sheet date were measured using the prices quoted in the active market. The Bank allocates to this level fixed-rate State Treasury bonds, treasury bills, Eurobonds of the German government, Eurobonds of the American government, shares of listed companies and WIG 20 futures.

**Level II (the measurement methods based on market-derived parameters):** This level includes derivative instruments. Level II also classifies variable-rate State Treasury bonds. These bonds were measured using discounted cash flow models based on the discount curve derived from the market of fixed-rate treasury bonds. Derivative instruments are measured using discounted cash flow models based on the discount curve derived from the inter-bank market.

**Level III (measurement methods using material non-market parameters):** This level includes equity securities that are not quoted in the active market, measured using the expert valuation model; investment certificates measured at the balance sheet date at the price announced by the mutual fund and debt securities (commercial and municipal bonds).



In thousands of PLN

As at 30.06.2014 and in the comparable periods the Bank classified its financial instruments to the following fair value levels:

30.06.2014	Level I	Level II	Level III	Total
<b>Financial assets</b>				
Financial assets held for trading	1 980 967	1 395 179	-	3 376 146
Hedging derivatives	-	205 000	-	205 000
Financial investment assets - debt securities	13 727 521	2 670 539	-	16 398 060
Financial investment assets - equity securities	23 738	-	828 839	852 577
<b>Total</b>	<b>15 732 226</b>	<b>4 270 718</b>	<b>828 839</b>	<b>20 831 783</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	490 700	1 118 276	-	1 608 976
Hedging derivatives	-	616 141	-	616 141
<b>Total</b>	<b>490 700</b>	<b>1 734 417</b>	-	<b>2 225 117</b>

31.12.2013	Level I	Level II	Level III	Total
<b>Financial assets</b>				
Financial assets held for trading	756 951	1 431 721	-	2 188 672
Hedging derivatives	-	321 956	-	321 956
Financial investment assets - debt securities	10 889 753	10 179 606	-	21 069 359
Financial investment assets - equity securities	23 740	-	831 390	855 130
<b>Total</b>	<b>11 670 444</b>	<b>11 933 283</b>	<b>831 390</b>	<b>24 435 117</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	255 133	1 022 114	-	1 277 247
Hedging derivatives	-	367 536	-	367 536
<b>Total</b>	<b>255 133</b>	<b>1 389 650</b>	-	<b>1 644 783</b>

30.06.2013	Level I	Level II	Level III	Total
<b>Financial assets</b>				
Financial assets held for trading	1 768 472	1 027 922	167 097	2 963 491
Hedging derivatives	-	229 527	-	229 527
Financial investment assets - debt securities	12 962 393	3 848 248	2 448 418	19 259 059
Financial investment assets - equity securities	22 533	-	635 248	657 781
<b>Total</b>	<b>14 753 398</b>	<b>5 105 697</b>	<b>3 250 763</b>	<b>23 109 858</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	49 482	1 171 828	88 747	1 310 057
Hedging derivatives	-	863 849	-	863 849
<b>Total</b>	<b>49 482</b>	<b>2 035 677</b>	<b>88 747</b>	<b>2 173 906</b>

The tables below show reconciliation of changes in the balance of financial instruments whose fair value is established by means of the valuation methods using material non-market parameters.

Level III	Financial assets			Financial liabilities
	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
30.06.2014				
<b>Beginning of the period</b>	-	-	<b>831 390</b>	-
Profits or losses	-	-	(2 551)	-
<i>recognised in income statement</i>	-	-	-	-
<i>recognised in equity</i>	-	-	(2 551)	-
Purchase	-	-	-	-
Sale	-	-	-	-
Matured	-	-	-	-
Impairment	-	-	-	-
Transfer	-	-	-	-
<b>At the period end</b>	-	-	<b>828 839</b>	-

In thousands of PLN

Level III 31.12.2013	Financial assets			Financial liabilities
	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
<b>Beginning of the period</b>	<b>180 150</b>	<b>1 237 344</b>	<b>646 610</b>	<b>( 74 182)</b>
Profits or losses	-	-	195 235	-
<i>recognised in income statement</i>	-	-	-	-
<i>recognised in equity</i>	-	-	195 235	-
Purchase	-	-	-	-
Sale	-	-	( 12 304)	-
Matured	-	-	-	-
Impairment	-	-	-	-
Transfer	( 180 150)	( 1 237 344)	1 849	74 182
<b>At the period end</b>	<b>-</b>	<b>-</b>	<b>831 390</b>	<b>-</b>

Level III 30.06.2013	Financial assets			Financial liabilities
	Financial assets held for trading	Financial investment assets - debt securities	Financial investment assets - equity securities	Financial liabilities held for trading
<b>Beginning of the period</b>	<b>180 150</b>	<b>1 237 344</b>	<b>646 610</b>	<b>( 74 182)</b>
Profits or losses	5 858	6 033	( 748)	3 111
<i>recognised in income statement</i>	5 858	-	-	3 111
<i>recognised in equity</i>	-	6 033	( 748)	-
Purchase	-	1 205 041	-	-
Sale	-	-	( 12 472)	-
Matured	( 18 911)	-	-	( 17 676)
Impairment	-	-	-	-
Transfer	-	-	1 858	-
<b>At the period end</b>	<b>167 097</b>	<b>2 448 418</b>	<b>635 248</b>	<b>( 88 747)</b>

## 32. Contingent liabilities

### Significant court proceedings conducted by Bank Zachodni WBK

As at 30 June 2014, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigation amounts to PLN 253 528 k, which is ca. 1.84% of the Bank's equity. This amount includes PLN 90 406 k claimed by the Bank, PLN 163 122 k in claims against the Bank. No litigation were of bankruptcy or arrangement.

In H1 2014 the amount of significant court proceedings which had been completed amounted to PLN 119 938 k.

As at 30 June 2013, no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigation amounted to PLN 282 419 k, which is ca. 2.24% of the Bank's equity. This amount includes PLN 92 999 k claimed by the Bank, PLN 146 473 k in claims against the Bank and PLN 42 947 k are Bank's receivables due to bankruptcy or arrangement cases.

In H1 2013 the amount of significant court proceedings which have been completed amounted to PLN 32 685 k.

The Bank raises provisions for legal risk where an internal risk assessment for a particular case indicates a possible outflow of cash. Provisions for cases disputed in court are presented in Note 30.

In thousands of PLN

## Off-balance sheet liabilities

The break-down of contingent liabilities and off-balance transactions into categories are presented below. The values of guarantees and letters of credit as set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if the customers did not meet any of their obligations towards third parties.

Contingent liabilities - sanctioned	30.06.2014	31.12.2013	30.06.2013
<b>Liabilities sanctioned</b>			
<b>- financial</b>	<b>17 276 553</b>	<b>16 575 460</b>	<b>16 041 436</b>
- credit lines	15 031 795	14 211 743	13 739 106
- credit cards debits	1 931 860	1 875 786	1 799 762
- import letters of credit	312 898	441 505	263 654
- term deposits with future commencement term	-	46 426	238 914
<b>- guarantees</b>	<b>4 124 522</b>	<b>4 084 271</b>	<b>4 078 171</b>
<b>Total</b>	<b>21 401 075</b>	<b>20 659 731</b>	<b>20 119 607</b>

## 33. Basis of FX conversion

As at 30.06.2014, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 124/A/NBP/2014 dd. 30.06.2014.

## 34. Shareholders with min. 5% voting power

According to the information held by the Bank's Management Board, the shareholder with a min. 5% of the total number of votes at the Bank Zachodni WBK General Meeting as at the publication date of the condensed interim unconsolidated financial statements for H1 2014 /31.07.2014/ are Banco Santander S.A. and Santander Consumer Finance SA ("SCF S.A." Banco Santander's subsidiary).

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	31.07.2014	29.04.2014	31.07.2014	29.04.2014	31.07.2014	29.04.2014	31.07.2014	29.04.2014
Banco Santander S.A.	65 481 563	65 481 563	65,99%	70,00%	65 481 563	65 481 563	65,99%	70,00%
SCF S.A.	5 383 902	-	5,42%	-	5 383 902	-	5,42%	-
Other	28 369 069	28 063 526	28,59%	30,00%	28 369 069	28 063 526	28,59%	30,00%
<b>Total</b>	<b>99 234 534</b>	<b>93 545 089</b>	<b>100,00%</b>	<b>100,00%</b>	<b>99 234 534</b>	<b>93 545 089</b>	<b>100,00%</b>	<b>100,00%</b>

In thousands of PLN

### 35. Related party disclosures

The tables below present intercompany transactions. They are effected between subsidiaries, associates, joint ventures and parent entity. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits, guarantees and leasing.

Transactions with subsidiaries	30.06.2014	31.12.2013	30.06.2013
<b>ASSETS</b>	<b>5 311 326</b>	<b>4 960 327</b>	<b>4 489 061</b>
Financial assets held for trading	495	474	128
Loans and advances to customers	5 301 678	4 947 758	4 436 291
Other assets	9 153	12 095	52 642
<b>LIABILITIES</b>	<b>1 189 522</b>	<b>1 012 334</b>	<b>991 756</b>
Financial liabilities held for trading	40	85	1 620
Deposits from customers	1 164 252	985 202	960 149
Debt securities in issue	47	50	-
Other liabilities	25 183	26 997	29 987
<b>INCOME</b>	<b>156 311</b>	<b>245 717</b>	<b>120 984</b>
Interest income	65 979	130 765	67 375
Fee and commission income	84 350	103 058	50 244
Other operating income	5 118	11 489	5 439
Net trading income and revaluation	864	405	(2 074)
<b>EXPENSES</b>	<b>18 732</b>	<b>37 241</b>	<b>21 364</b>
Interest expense	16 121	36 319	20 688
Fee and commission expense	1 704	904	581
Operating expenses incl.:	907	18	95
<i>Bank's staff, operating expenses and management costs</i>	904	-	84
<i>Other</i>	3	18	11
<b>CONTINGENT LIABILITIES</b>	<b>2 191 714</b>	<b>1 199 011</b>	<b>1 924 304</b>
Sanctioned:	2 191 714	1 199 011	1 924 304
- <i>financing-related</i>	2 128 807	928 942	1 604 179
- <i>guarantees</i>	62 907	270 069	320 125
<b>DERIVATIVES' NOMINAL VALUES</b>	<b>318 573</b>	<b>256 588</b>	<b>279 704</b>
Forward- purchased amounts	3 657	-	3 262
Forward- sold amounts	3 679	-	3 327
Options	54 154	-	-
Cross-currency interest rate swaps – purchased amounts	-	41 800	41 800
Cross-currency interest rate swaps – sold amounts	-	41 472	43 292
Single-currency interest rate swaps	257 083	173 316	188 023

Transactions with associates and joint ventures	30.06.2014	31.12.2013	30.06.2013
<b>ASSETS</b>	<b>-</b>	<b>-</b>	<b>1 256</b>
Other assets	-	-	1 256
<b>LIABILITIES</b>	<b>2 479</b>	<b>7 168</b>	<b>193 810</b>
Deposits from customers	2 479	7 168	193 810
<b>INCOME</b>	<b>2</b>	<b>135 516</b>	<b>66 204</b>
Interest income	-	42 033	18 961
Fee and commission income	2	88 278	42 145
Dividend income	-	5 050	5 050
Other operating income	-	155	48
<b>EXPENSES</b>	<b>91</b>	<b>8 397</b>	<b>5 003</b>
Interest expenses	91	5 989	3 972
Fee and commission expenses	-	437	19
Operating expenses incl.:	-	1 971	1 012
<i>General and administrative expenses</i>	-	1 971	1 012

In thousands of PLN

Transactions with Santander Group	30.06.2014	31.12.2013	30.06.2013
<b>ASSETS</b>	<b>835 104</b>	<b>801 211</b>	<b>216 001</b>
Loans and advances to banks, incl:	723 240	706 166	110 846
<i>deposits</i>	718 169	674 579	100 354
<i>current accounts</i>	5 071	31 587	10 492
Financial assets held for trading	110 418	93 723	103 466
Hedging derivatives	1 222	1 081	1 452
Loans and advances to customers	-	4	-
Other assets	224	237	237
<b>LIABILITIES</b>	<b>232 102</b>	<b>216 668</b>	<b>354 712</b>
Deposits from banks incl.:	64 071	71 485	235 407
<i>current accounts</i>	64 071	71 485	235 407
Hedging derivatives	8 359	6 235	25 647
Financial liabilities held for trading	92 281	85 784	77 807
Deposits from customers	63 191	48 970	13 000
Other liabilities	4 200	4 194	2 851
<b>INCOME</b>	<b>( 37 254)</b>	<b>( 51 543)</b>	<b>( 39 309)</b>
Interest income	9 454	13 528	6 547
Fee and commission income	111	260	77
Other operating income	313	815	478
Net trading income and revaluation	( 47 132)	( 66 146)	( 46 411)
<b>EXPENSES</b>	<b>6 251</b>	<b>23 112</b>	<b>15 682</b>
Interest expenses	646	404	212
Fee and commission expenses	1 101	14 927	12 071
Operating expenses incl.:	4 504	7 781	3 399
<i>Bank's staff, operating expenses and management costs</i>	4 504	7 781	3 399
<b>CONTINGENT LIABILITIES</b>	<b>73</b>	<b>117</b>	<b>117</b>
<i>Received:</i>	73	117	117
- <i>guarantees</i>	73	117	117
<b>DERIVATIVES' NOMINAL VALUES</b>	<b>23 352 176</b>	<b>17 687 584</b>	<b>19 644 126</b>
Cross-currency interest rate swap – purchased amounts	2 927 833	2 733 296	2 534 338
Cross-currency interest rate swap – sold amounts	2 936 828	2 764 571	2 559 372
Single-currency interest rate swap	5 150 786	4 360 662	3 663 074
Options	1 193 320	822 678	786 254
FX swap – purchased amounts	2 493 575	1 592 208	3 749 870
FX swap – sold amounts	2 480 977	1 599 563	3 759 254
FX options -purchased CALL	1 524 942	1 044 075	669 694
FX options -purchased PUT	1 540 246	1 076 295	683 061
FX options -sold CALL	1 306 778	682 163	495 793
FX options -sold PUT	1 353 752	717 682	552 086
Spot-purchased	12 236	44 475	93 919
Spot-sold	12 141	44 563	93 903
Forward- purchased amounts	94 036	93 727	-
Forward- sold amounts	101 136	100 936	-
Commodity swap - purchased amounts	1 222	-	-
Commodity swap - sold amounts	1 222	-	3 508
Capital derivatives contract - purchased	221 146	10 690	-

In thousands of PLN

## **Transactions with Members of the Management and Supervisory Boards**

### ***Remuneration of Bank Zachodni WBK Management and Supervisory Board Members***

As at 30.06.2014 and 30.06.2013 members of the Management Board were bound by the non-compete agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

Loans and advances have been sanctioned on regular terms and conditions.

#### **30.06.2014**

In H1 2014 the amount of remuneration paid to the Management Board Members of Bank Zachodni WBK totalled PLN 5 812 k, whereas additional benefits totalled PLN 561 k. In 2014, a total bonus of PLN 4 246 k was paid for 2013, including a deferred part for 2012.

In H1 2014, the total amount of remuneration paid to the Supervisory Board Members of Bank Zachodni WBK totalled PLN 1 930 k.

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK and to their relatives totalled PLN 10 685 k.

The Members of the Management Board of Bank Zachodni WBK did not use any assets that would be provided by the subsidiaries or the associates under lease

Social Fund loans and advances provided to the Members of the Management Board totalled nil.

#### **30.06.2013**

In H1 2013 the amount of remuneration paid to the Management Board Members of Bank Zachodni WBK totalled PLN 8 161 k, whereas additional benefits totalled PLN 593 k. In 2013, a total bonus of PLN 4 429 k was paid for 2012, including a deferred part for 2011.

In H1 2013, the total amount of remuneration paid to the Supervisory Board Members of Bank Zachodni WBK totalled PLN 2 323 k.

Loans and advances made by the Bank to the Members of the Management Board of BZ WBK and to their relatives totalled PLN 10 179 k.

The Members of the Management Board of Bank Zachodni WBK did not use any assets that would be provided by the subsidiaries or the associates under lease.

Social Fund loans and advances provided to the Members of the Management Board totalled nil.

## **36. Acquisitions and disposals of investments in subsidiaries, associates and joint ventures**

### **Acquisitions and disposals of investments in subsidiaries, associates and joint ventures in 1H 2014 and in 1H 2013.**

In 1H 2014 and in 1H 2013 Bank Zachodni WBK did not engage in any transactions impacting its equity investment in the subsidiary, joint venture or associated undertakings.

#### ***Merger of Bank Zachodni WBK and Kredyt Bank***

On 4 January 2013 (date of merger) the Bank registered the business combination of Bank Zachodni WBK and Kredyt Bank. The transaction was settled through the issue of merger shares. As a result, eligible shareholders of Kredyt Bank S.A. were entitled to acquire shares in accordance with the agreed exchange ratio of 6.96 Merger Shares for every 100 shares of the Kredyt Bank. This

In thousands of PLN

represents a total of 18 907 458 ordinary shares with a nominal value of PLN 10 each, with a total nominal value of PLN 189 074 580. For the purposes of the settlement, the price of the new shares was determined in the amount of PLN 240.32.

This price was calculated on the basis of the average Bank Zachodni WBK share price over the thirty trading days between 21 November 2012 and 8 January 2013, excluding trading days without required turnover.

As at the date of publication of the condensed interim unconsolidated financial statements of Bank Zachodni WBK for H1 2014, the acquisition of Kredyt Bank was accounted for.

Merger of Bank Zachodni WBK and Kredyt Bank has been described in detail in Annual Report of Bank Zachodni WBK for 2013 in Note 54.

### **Controlling stake at the companies BZ WBK AVIVA**

Controlling stake at the companies BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. has been described in detail in Note 37.

## **37. Controlling stake at the companies BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A.**

### **Transaction description**

On 1 August 2013, Bank Zachodni WBK entered into agreements with Aviva International Insurance Limited (Aviva), BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. (BZ WBK Aviva TUŻ S.A.) and BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. (BZ WBK Aviva TUO S.A.) in order to change and extend the strategic bancassurance co-operation in Poland to 31 December 2033. These agreements also provided for a re-calculation of the parties' contribution to the extended bancassurance co-operation model. In effect, on 20 December 2013 (the control acquisition date), on receipt of the regulatory consents, Bank Zachodni WBK received from Aviva International Insurance Limited 16% stake in BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. As a result of the transaction, as at 31 December 2013, the Bank had 66% shareholding and 66% voting power in the two insurance companies, while the remaining 34% voting power is held by Aviva.

Details of the transaction are described in the condensed interim consolidated financial statements of BZWBK Group for 1H2014 .

### **Contingent liabilities**

In accordance with Current Report no. 37/2013 of 2 August 2013, Aviva was granted a call option that authorises it or another Aviva Group entity that it might indicate to acquire from the bank 17% stake in the registered capital of each of the insurance entities, on the terms and conditions specified in the transaction documents.

The terms of the Aviva agreement gave rise to the following contingent liabilities.

Bank Zachodni WBK granted Aviva a put option for the 34% stake (i.e. all the remaining shares held by Aviva) in the event of the bank's negligence in the course of the transaction. Strike price of the option is PLN 1,036,800k. As Bank Zachodni WBK is going to make all necessary efforts to finalise in accordance with the applicable laws and in a professional manner, the management of Bank Zachodni WBK is of the opinion that the likelihood of the put option being exercised is close to zero. Accordingly, the option does not need to be recognised in the consolidated financial statements.

Bank Zachodni WBK also gave Aviva an additional put option for a 34% shareholding, triggered if no regulatory consent is obtained for the call option referred to above. The potential obligation on this account is PLN 684,288k. Although both parties agree they are determined to make every effort to obtain the regulatory consents, the obligation was recognised in the consolidated statement of financial position as the option triggers are beyond the bank's control and are contingent upon regulatory actions.

In thousands of PLN

### **38. Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognized at fair value or amortised costs**

There were no changes in the business or economic circumstances that would affect the fair value of the entity's financial assets or financial liabilities, whether these assets or liabilities were recognised at fair value or amortised cost.

### **39. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period**

No such events took place in the reporting period and the comparable period.

### **40. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments**

No transfers were made in the reporting period and the comparable period.

### **41. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets**

In the reporting period no such changes were made.

### **42. Comments concerning the seasonal or cyclical character of the interim activity**

The business activity of Bank Zachodni WBK has no material seasonal character.

### **43. Character and amounts of items which are extraordinary due to their nature, volume or occurrence**

Detailed information on the merger of Bank Zachodni WBK and Kredyt Bank is presented in Note 36, while controlling stake at the companies BZ WBK-AVIVA Towarzystwo Ubezpieczeń na Życie S.A. and BZ WBK-AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A. are presented in Note 37.



In thousands of PLN

## 44. Issues, repurchases and repayments of debt and equity securities

### ***Registration and admission of new shares to trading on the stock exchange, issue of bonds in 4Q 2013***

- Acquisition of the bonds issued by Bank Zachodni WBK under the Programme of Own Debt Securities Issue up to PLN 500 000 k. The book-building for the bonds was finalised and all the bonds issued by the Bank for the total amount of PLN 500 000 k were acquired by bondholders.

The bonds were issued in a non-public offer, in one series, as unsecured bearer bonds denominated in PLN, with a 3-year maturity following their issuance (i.e. 19 December 2016), with a variable interest rate (based on 6M WIBOR plus 1.2% margin p.a.) and a half-year interest period. The first interest payment took place on the 20 June 2014. The bonds issued have a Fitch rating of A+(pol).

On 28 January 2014, the bearer bonds with a nominal value of PLN 1,000 (one thousand PLN) each, issued by Bank Zachodni WBK, started to be traded in the Catalyst system.

**30.06.2013**

### ***Registration and admission of new shares to trading on the stock exchange***

- The Management Board of Bank Zachodni WBK announced that on 8 January 2013 it became aware that the management board of the KDPW adopted resolution No. 24/13 on the registration of 18,907,458 series J shares in the Bank, i.e. the shares in the Bank issued in connection with its merger with Kredyt Bank. Pursuant to the KDPW resolution, the registration of the series J shares under code PLBZ00000044 was conditional on the decision of the company operating the regulated market to introduce these shares to trading on the regulated market.

Furthermore, based on this resolution of the KDPW, the reference date was set at 9 January 2013. The information memorandum prepared by the Bank in connection with the merger defines the reference date as the date at which the number of shares in Kredyt Bank held by shareholders of Kredyt Bank will be determined in exchange for which the series J shares in the Bank will be allotted to such shareholders in accordance with an agreed exchange ratio.

- On 25 January 2013, 18,907,458 series J merger shares (issued by the Bank in connection with its merger with Kredyt Bank) with a nominal value of PLN 10 each were registered in the National Depository for Securities (KDPW) and admitted to trading on the primary market.

Detailed information on the merger of Bank Zachodni WBK and Kredyt Bank is presented in Note 36.

## 45. Dividend per share

On 16 April 2014, The Annual General Meeting of Bank Zachodni WBK adopted a Resolution allocating PLN 1 000 932 k to dividend for shareholders, from the net profit for 2013, which meant that the dividend is PLN 10.70 per share.

On 17 April 2013, The Annual General Meeting of Bank Zachodni WBK adopted a Resolution allocating PLN 710 943 k to dividend for shareholders, from the net profit for 2012, which meant that the dividend is PLN 7.60 per share.

## 46. Information concerning issuing loan and guarantees by an issuer or its subsidiary

As at 30.06.2014 Bank Zachodni WBK and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

In thousands of PLN

## **47. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets**

As at 30.06.2014 and as at 30.06.2013 Bank Zachodni WBK did not create or reverse any material impairment charges for financial assets, tangible fixed assets, intangible fixed assets or other assets.

## **48. Material purchases or sales of tangible fixed assets and material obligations arising from the purchase of tangible fixed assets**

From 1 January 2014 to 30 June 2014, Bank Zachodni WBK sold properties located in Wrocław, Nowa Ruda, Poznań, Krosno Odrzańskie, Warszawa i Głogów. The sales proceeds amounted to PLN 8 212 k. There were no significant liabilities arising from purchase of fixed assets.

## **49. Events which occurred subsequently to the end of the interim period**

### ***National Depository of Securities resolution on conditional registration of the BZWBK's shares***

Bank Zachodni WBK S.A. informed that on 25 July 2014 it received Resolution of the Management Board of the National Depository of Securities, whereby the latter decides to accept for deposit 305 543 ordinary bearer shares of Bank Zachodni WBK S.A., series K, with a nominal value of PLN 10 each, with the code number PLBZ00000044, provided that the Company floats these shares on the same regulated market where BZWBK's shares coded PLBZ00000044 are traded.

The above-mentioned shares will be registered within three days from the date when National Depository of Securities receives a written confirmation that the entity which manages the regulated market has made the decision to float these shares on the same regulated market where the BZWBK's shares coded PLBZ00000044 are traded, but not earlier than on the date indicated in that decision as the day of floating these shares on this market.

### ***Notification from Banco Santander S.A.***

Bank Zachodni WBK S.A. disclosed as public information, the notification received from Banco Santander S.A. on 24 July 2014, regarding the decrease of the share in the total number of votes at the general meeting of the shareholders of the Bank to 65.99% related to the registration on 18 July 2014 by the relevant court of the increase of the Bank's share capital which was conducted by way of the issuance of 5 383 902 ordinary series L bearer shares and the exclusion of the pre-emptive rights of the Bank's existing shareholders with respect to all the Series L Shares, which were only taken up by Santander Consumer Finance S.A., with its registered office in Madrid, and the dilution of Santander's current stake in the share capital of BZ WBK related therewith.

### ***First notification of the proposed division of Dom Maklerski BZ WBK S.A. with Bank Zachodni WBK S.A. as the acquiring company***

On 24 July 2014, the Management Board of Bank Zachodni WBK S.A. made its first notification of the proposed division of Dom Maklerski BZ WBK S.A.

The division will be effected by:

- transferring to Bank Zachodni WBK S.A. a part of the assets and liabilities of of Dom Maklerski S.A. in the form of an organised part of the enterprise connected with the provision of brokerage services and other services currently being rendered by Dom Maklerski WBK S.A., which are not part of the advertising business; and
- transferring to Gieldokracja Sp. z o.o. (a company in the process of formation) a part of the assets and liabilities of Dom Maklerski BZ WBK S.A. in the form of an organised part of the enterprise connected with the following business: providing educational activities with respect to the operation of the equity market; operating online portals, including [www.gieldokracja.pl](http://www.gieldokracja.pl); providing advertising services and providing communication services.

Dom Maklerski WBK S.A. shall be wound up without going into liquidation on the date on which it is struck from the register, which will occur immediately upon the registration of Gieldokracja Sp. z o.o.

In thousands of PLN

***Registration of the amendments to the statute of Bank Zachodni WBK and the increase of the Bank's share capital in the National Court Register, as adopted by the Extraordinary General Meeting of the Shareholders of Bank Zachodni WBK***

Bank Zachodni WBK stated that on 18 July 2014, it was informed that on 18 July 2014, the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register, entered into the National Court Register the changes to the Bank's statute adopted by the extraordinary general meeting of the shareholders of the Bank held on 30 June 2014.

Given the above, the Bank's share capital was increased from PLN 938 506 320 to PLN 992 345 340, i.e. by PLN 53 839 020. The shares acquired in the increased share capital were paid up in full.

The share capital increase was implemented by way of a private placement with the exclusion of the pre-emptive rights of the existing shareholders in respect of the ordinary series L bearer shares which were taken up by Santander Consumer Finance S.A., with its registered office in Madrid.

Since 18 July 2014 (i.e. since the registration of the amendments to the Bank's statute in the National Court Register), the share capital of the Bank has amounted to PLN 992 345 340 and is divided into 99 234 534 bearer shares with a nominal value of PLN 10 each.

As of 18 July 2014, the overall number of votes at the general meeting of the shareholders of the Bank amounts to 99 234 534.

***Issue of own bonds of Bank Zachodni WBK***

The Management Board of Bank Zachodni WBK informed that on the 17th of July 2014 the Bank Zachodni WBK issued 475 000 bearer bonds, with nominal value of PLN 1,000 each. The bonds were issued in a private placement with the variable interest rate, based on WIBOR 6M plus 1.0 % margin p.a. and have a 3-year maturity falling due on the 17th of July 2017.

All the bonds in the total amount of PLN 475 000 000 were taken up by the Bondholders.

***Registration of amendments to the Bank Zachodni WBK Statutes and increase Bank's share capital, as adopted by the Annual General Meeting of Bank Zachodni WBK in National Court Register***

Bank Zachodni WBK advised that on 11 July 2014 it was informed that on 11 July 2014 the District Court for Wrocław-Fabryczna, VI Commercial Section of the National Court Register entered into the National Court Register the change in the Bank's Statutes approved by the Annual General Meeting on 16th April 2014.

Bank Zachodni WBK informed that on 11 July 2014 its share capital was increased from PLN 935 450 890 to PLN 938 506 320, i.e. by PLN 3 055 430. The increased share capital has been paid in full.

This increase of the share capital took place as part of the private placement with the exclusion of the pre-emptive rights of the present shareholders in respect of the shares of the K series ordinary bearer shares covered by Incentive Scheme IV participants.

***Acquisition of controlling interest in Santander Consumer Bank***

***Transaction details***

On 1 July 2014, Bank Zachodni WBK completed the acquisition of the controlling stake in Santander Consumer Bank S.A. ("Group SCB") following the execution of the Investment Agreement ("Purchase Agreement") of 27 November 2013 by Bank Zachodni WBK, Santander Consumer Finance S.A. (SCF) and Banco Santander S.A. (Santander) pursuant to which Bank Zachodni WBK SA agreed to acquire 3 120 000 shares (i.e. 1 040 001 preferred shares and 2 079 999 ordinary shares) with a nominal value of PLN 100 each in Santander Consumer Bank S.A. (SCB) with its registered office in Wrocław, constituting 60% of the share capital of SCB and ca. 67% of the votes at the General Meeting of SCB SA. The shares were acquired by way of a private placement and an in-kind contribution.

Under the Purchase Agreement, the bank issued 5 383 902 (five million three hundred and eighty-three thousand nine hundred and two) ordinary registered series L shares in the Bank with a nominal value of PLN 10 (ten) each, which were offered to and subscribed for solely by Santander Consumer Finance as consideration for an in-kind contribution of the SCB shares.

The value of SCB shares as indicated in the Purchase Agreement is PLN 2 156 414 268,06, which is the purchase price for the SCB Group shares. The issuance of the new shares by way of private placement is addressed exclusively to SCF for the purpose of acquisition of the SCB shares by the bank.

In addition, pursuant to the Purchase Agreement, no later than three months following the completion of the transaction, the parties shall use their best endeavours to waive the current privileges with respect to the shares in SCB to cause that the bank will hold 60% of the share capital of SCB and 60% of the votes at its General Meeting.

In thousands of PLN

### ***Assets and liabilities as at the acquisition date***

The acquisition of SCB Group was tentatively recognised as at the publication date of the interim financial statements of Bank Zachodni WBK.

Since the transaction represents reorganisation of Santander Group under a joint control of Banco Santander, net assets of SCB will be recognised in the financial statements of Bank Zachodni WBK at their carrying value.

Below is a pre-estimate of the carrying value of the acquired assets and liabilities.

	as at:	01.07.2014
<b>ASSETS</b>		
Cash and balances with central banks		283 627
Loans and advances to banks		629 910
Hedging derivatives		6 423
Loans and advances to customers		11 879 394
Investment securities		1 794 312
Intangible assets		42 921
Property, plant and equipment		65 426
Net deferred tax assets		276 361
Other assets		108 449
<b>Total assets</b>		<b>15 086 823</b>
<b>LIABILITIES</b>		
Deposits from banks		(2 936 751)
Hedging derivatives		( 6 027)
Deposits from customers		(7 122 868)
Subordinated liabilities		( 100 144)
Debt securities in issue		(1 983 357)
Current income tax liabilities		( 11 488)
Other liabilities		( 438 540)
<b>Total liabilities</b>		<b>(12 599 175)</b>
<b>Book value of identifiable net assets</b>		<b>2 487 648</b>

### ***Non-controlling interest***

As at the acquisition, non-controlling interests represented 40% of the share capital and 33% of the votes at the general meeting of shareholders of SCB S.A. Their value estimated using the book value method was PLN 995 059 k.

### ***Preliminary estimate of the excess of the price paid over the net assets***

	as at	01.07.2014
<b>Surplus of total consideration over book value of identifiable net asset</b>		
Total consideration		2 156 414
Non-controlling interests		995 059
Less: book value of identifiable net assets		(2 487 648)
<b>Total</b>		<b>663 825</b>

The excess between the purchase price and carrying value of the acquired net assets represents the control premium and, at the same time, the adjustment to the share capital of the Group, reflecting the settlements between shareholders of SCB as part of the reorganisation of the Group under joint control.



**Signatures of Members of the Management Board**

<b>Date</b>	<b>Name</b>	<b>Function</b>	<b>Signature</b>
25.07.2014	Mateusz Morawiecki	President	
25.07.2014	Andrzej Burliga	Member	
25.07.2014	Eamonn Crowley	Member	
25.07.2014	Michael McCarthy	Member	
25.07.2014	Piotr Partyga	Member	
25.07.2014	Juan de Porras Aguirre	Member	
25.07.2014	Marcin Prell	Member	
25.07.2014	Marco Antonio Silva Rojas	Member	
25.07.2014	Miroslaw Skiba	Member	
25.07.2014	Feliks Szyszkowiak	Member	

**Signature of a person who is responsible for maintaining the book of account**

<b>Date</b>	<b>Name</b>	<b>Function</b>	<b>Signature</b>
25.07.2014	Wojciech Skalski	Financial Accounting Area Director	